Strategic diversification and resilience for greater agility and growth

Annual Report 2023

Middle East Paper Company
شركة الشرق الأوسط لصناعة وإنتاج الورق

The Custodian of the Two Holy Mosques
King Salman Bin Abdulaziz Al Saud

His Royal Highness Crown Prince
Mohammad Bin Salman Bin Abdulaziz Al Saud

Strategic diversification and resilience for greater agility and growth

MEPCO faced the global economic downturn with admirable resilience and strategic direction, leading to record sales volumes, a major diversification milestone, and promising prospects for future growth. As the leading integrated paper production company in the MENA region, we maximized our advantages, leveraging opportunities to foster a positive business environment, reflected in our operational successes and ability to attract significant strategic investment.

Complementing a range of new products introduced during the year, the launch of our Juthor tissue facility marks a strategic expansion and diversification, set to impact our success and contribute to the Kingdom's economy. It aligns with our commitment to reduce imports, boost exports, and employ Saudi nationals in support of our business alignment with Vision 2030 principles.

Our commitment to sustainability is deeply ingrained, aligning with Saudi Vision 2030 and emphasizing eco-friendly practices through subsidiaries like WASCO and Estidama. This dedication earned us a "Global ESG Award," highlighting our support for the United Nations Sustainable Development Goals. Our innovative approach, coupled with diversification into new products and markets, is recognized regionally and internationally.

At MEPCO, we foster a culture of respect, trust, and integrity, offering our team opportunities for learning and progression. Despite challenges in 2023, we emerged stronger, with a future that builds on our past achievements and promises greater prosperity, reinforcing our position of strength and unique proposition as the leading paper and packaging company in the Middle East.

MEPCO Annual Report 2023

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www.mepco.biz

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Market Share	Countries	Continents
30%	50	5

At a Glance

Strong core business

Financial Highlights

Sales -27% YoY

SAR 866.75m

2022 1,187.00m
2023 866.75m

Total Assets -0.80% YoY

SAR 1.93m

2022 1.95m
2023 1.93m

Gross Profit -83% YoY

SAR 84.99m

2022 502.78m
2023 84.99m

Gross Profit Margin -3255 bps

10%

2022 42%
2023 10%

Net Income -131% YoY

SAR -83.39m

2022 266.53m
2023 -83.39m

EBITDA -117% YoY

SAR -51.23m

2022 304.29m
2023 -51.23m

Operational Highlights

50
markets globally across 5 continents

~1,200
employees

475,000
tons
MEPCO installed production capacity

+500,000
tons
Total WASCO recycling capacity

60,000
tons
Juthor installed production capacity

Sustainability Highlights

›20%
increase in water recycling due to upgrading the recycling plant (ETP)

›+5.4
million safe man hours achieved - equivalent of 3 years without accidents

›71.98%
increase in recycled wastewater

›78%
FSC certification of product range

›86
training sessions organized for employees

Awards

Management System Certifications

"Quality Management System"
ISO 9001
by TUV NORD

"Environmental Management System"
ISO 14001
by TUV NORD

"Occupational Health and Safety Management System"
ISO 45001
by TUV NORD

"Competency of Testing and Calibration Laboratories"
(Our Dry Lab is certified for 12 tests)
ISO 17025
by IAS International Accreditation Services

Product Certification

"Forest Stewardship Council – Chain of Custody"
Our 7 products are FSC certified: MEPLINER, MEPFLUTE, MEPCORE, MEPCHEM, MEPDUAL (FSC Recycled), MEPWHITE and MEPKRAFT (FSC Mix/FSC Recycled)
FSC (CoC)
by BV Bureau Veritas

We have Food Contact certification for our 6 products:
(MEPLINER, MEPKRAFT, MEPFLUTE, MEPWHITE, MEPCHEM, MEPDUAL)
ISEGA Food Contact Certificates
by ISEGA Germany

1 Overview

About MEPCO

The Middle East Paper Company (MEPCO) is the largest paper manufacturer in the MENA region.

For over 2 decades, we have been on a journey of rapid expansion and diversification, while acting as a key driver of sustainability and the circular economy for the Paper and packaging Sector in the Kingdom of Saudi Arabia, in line with Saudi Vision 2030 and the Saudi Green Initiative.

Headquartered in Jeddah, we manufacture and distribute a wide range of high-quality containerboard and specialty paper products for the packaging, construction, and furniture industries across the Kingdom of Saudi Arabia and to over 50 markets globally.

Our state-of-the-art production facilities and dynamic culture of innovation support continuous improvement and diversification of our product range to serve the needs of our B2B clients and millions of consumers each year.

A deep commitment to sustainability and the environment has always been fundamental to our business. By using recycled waste paper and transforming it into our market-leading products using energy- and water-efficient processes, we are proud to offer green and recyclable products that minimize the environmental impact of our sector.

Through our award-winning, wholly owned subsidiary, WASCO, and our innovative joint venture with Jeddah Development and Urban Regeneration Company (JDURC) owned by Jeddah Municipality and Estidama, we operate the largest waste collection and sorting operation in the Middle East. We also partner with forward-thinking city governments to increase recycling and deliver measurable impact for the economy of the Kingdom of Saudi Arabia by participating in the development of the Waste Management Sector.

We are investing to strategically to expand our core containerboard business through our new PM5 production line, while diversifying our portfolio by building exciting diversifying revenue streams. This includes our recently launched Juthor tissue factory and the acquisition of key assets and shares of existing entities involved in the field of manufacturing and supplying of corrugated boxes to achieve forward integration.

Through this strategic diversification focus, MEPCO is well positioned to solidify our standing as the largest vertically integrated paper manufacturer in the region and the partner of choice for governments and clients across the Kingdom of Saudi Arabia and worldwide.

Our Vision

To be the leading champion of Made in Saudi sustainable products and the largest contributor to the circular paper economy, ensuring sustainable growth, and maximizing Stakeholder value.

Our Mission

To lead the industry in sustainability, innovation, and quality, while maintaining our commitment to ethical and safe business practices. With our diverse and talented team, we deliver cost-efficient solutions that maximize customer value and benefit the environment. We strive to remain proud of the consistently high-quality recycled fiber-based products we produce for the industries we serve in the Kingdom of Saudi Arabia, the broader Middle East and North African (MENA) markets, and globally, for decades to come.

Our Journey

Focus on continuous innovation

For over 2 decades, MEPCO has been setting new standards of excellence in the Saudi Paper and packaging industry, with an award-winning portfolio of subsidiaries and products, a focus on continuous innovation and corporate sustainability, and a growing footprint and reputation for quality across over 50 countries worldwide.

"Paper Recycling Company of the Year Award"
2022

2000
MEPCO was founded

2002
- PM1 began production with capacity of 60,000 MT
- Launched MEPFLUTE and MEPLINER as first MEPCO products

2004
- Waste Collection & Recycling Co. Ltd (WASCO) was founded
- Upgraded PM1 to a capacity of 90,000 MT

2006
PM2 began production with capacity of 150,000 MT

2007
Launched new MEPCORE product

2009
Received ISO 9001, ISO 14001 and ISO 45001 certifications

2010
- PM3 began production with capacity of 180,000 MT
- Launched new MEPLAMINATE product

2011
- Launched new MEPCHEM and MEPGYPSUM products
- Awarded "Best Product and Service Innovation Award" by King Khalid Foundation (KKF Awards)

2012
- Launched new MEPKRAFT product
- Became a closed joint stock company

2013
- Higher Institute for Paper and Industrial Technologies (HIPIT) was founded
- Awarded "Water Efficiency Award" by Pulp and Paper International Awards (PPI Awards)

مؤسسة الملك خالد
KING KHALID FOUNDATION

"Best Product and Service Innovation Award"
2011

2014
Installed drum pulper

2015
- Became Saudi joint stock company
- Launched MEPDUAL new product
- Received "Forest Stewardship Council recycled certificate" for MEPCO's products portfolio
- Awarded "Sustainability Award" by King Khalid Foundation (KKF Awards)

2016
- Launched MEPWHITE new product
- Completed major upgrade and optimization of all machines to reach to total capacity of 500,000 MT

2017
- Received ISEGA certificates (Dry food Contact Certification) for containerboard products portfolio
- Awarded "Sustainability Award" by King Khalid Foundation (KKF Awards)
- Awarded "Best Corporate Governance Leadership Award - Saudi Arabia" by Capital Finance International (CFI)
- Awarded "Best Workplace Award - Saudi Arabia" by Great Place to Work Awards

2018
- Awarded "Paper Recycling Company of the Year" by Middle East Waste & Recycling (MEWAR Awards)
- Awarded "Best Arabian Company in Paper Manufacturing" by Arab Best Awards

2019
- Received IAS laboratory accreditation based on ISO/IEC 17025
- Awarded "Paper Recycling Company of the Year" by Middle East Waste & Recycling (MEWAR Awards)

2020
- Announced investment for new Juthor Paper Manufacturing Company factory for Jumbo tissue rolls production
- Awarded "CGI Excellence Award – Saudi Arabia 2020" by Corporate Governance Center

2021
- Juthor factory enters construction phase
- Received "Saudi Made" accreditation
- WASCO received "Paper Recycling Company of the Year Award" by Middle East Waste & Recycling (MEWAR Awards)

2022
- Received FSC recycled/mixed certificate for MEPCO's products portfolio
- Awarded "Best Workplace Award – Saudi Arabia" by Great Place to Work Awards
- WASCO received "SACWFM Award - Waste Management Sector" by Media Fusion
- Awarded "Paper Recycling Company of the Year" by Middle East Waste & Recycling (MEWAR Awards)

2023
- MEPCO announces the results of the EGM that includes the Company's capital increase by issuing new Ordinary Shares with the suspension of pre-emptive rights to the public investment fund PIF
- MEPCO and WASCO received Information Security Management System accreditation based on ISO/IEC 27001:2013
- Juthor received "Saudi Made" accreditation

Subscription agreement with PIF
2023

Year in Review

Delivered on our strategy

2023 has been a transformative year for MEPCO, characterized by continued growth and diversification. We delivered on our strategy this year to achieve numerous significant milestones, strengthening our industry leadership, committing to innovation and sustainability, and fostering a culture of excellence. These efforts have not only driven our success, but also set new benchmarks in the industry, reflecting MEPCO's unwavering vision and dedication.

January

Certification as a "Great Place to Work"

MEPCO was officially certified as a "Great Place to Work" for our efforts in #PuttingPeopleFirst.

February

Participation in Paper One Show 2023

MEPCO took part in in the 8th edition of Paper & Tissue One Show 2023 at Expo Centre Sharjah.

Co-founding the Future Industrialists initiative

MEPCO's factory participated as one of the founders in the Future Industrialists initiative, aimed at opening a new window for the younger generations.

March

Winner of "Mill Manager of the Year"

MEPCO's Factory Manager, Abdulrazik Askalani, won "Mill Manager of the Year" at the PPI Awards 2023.

Earning FSC accreditation

MEPCO was among the first to receive an FSC accreditation for our dedication to preserving forests.

Building robust digital infrastructure to advance sustainability goals

MEPCO deployed Greycon's X-Trim solutions to streamline our manufacturing processes, increase efficiencies and revenue, optimize trim patterns, and reduce manufacturing cycle time as part of their digitalization strategy.

June

Juthor factory officially launches commercial production

MEPCO's Juthor tissue factory officially launched commercial production, marking a major milestone in the Company's growth and diversification.

July

Becoming "One of the best workplaces for millennials"

MEPCO was certified as one of the best "Best Workplaces for Millennials™," highlighting our commitment to providing a supportive and engaging workplace for our millennial employees.

September

Receiving "Lifetime Achievement Award"

MEPCO was honored with the "Lifetime Achievement Award" at the Propaper Dubai Awards 2023, in recognition of our contributions to the paper industry.

Ranking "10th Best Workplace in the Middle East"

MEPCO was recognized as the Middle East's "10th best workplace by Great Place To Work", due to our unique work atmosphere and our consistent learning initiatives.

October

Winning the "Global ESG Award"

MEPCO won a platinum place at the "Global ESG Awards," recognizing our commitment to sustainable development and the attainment of the SDGs.

Increasing reach with *Tissue World Magazine*

MEPCO was featured in the prestigious *Tissue World Magazine*, highlighting our story and plans in the tissue industry.

November

Receiving 2nd Place for Nomination for "Best Annual Report in the Middle East"

MEPCO was nominated for "Best Annual Report in the Middle East" for both Print and Digital categories at the Middle East Investor Relations Association (MEIRA) Awards and received 2nd place in the digital category for small cap companies.

Delivering Juthor's first shipment of premium products outside the Kingdom of Saudi Arabia

Juthor successfully delivered its first shipment of premium products outside the Kingdom of Saudi Arabia, marking a significant milestone in the Company's history.

December

WASCO agreement with the Development and Urban Renewal Company in Makkah

WASCO signed an MoU with Al-Balad Al-Ameen for Development and Urban Renewal Company to enhance investment opportunities in the Waste Management and Recycling Sector.

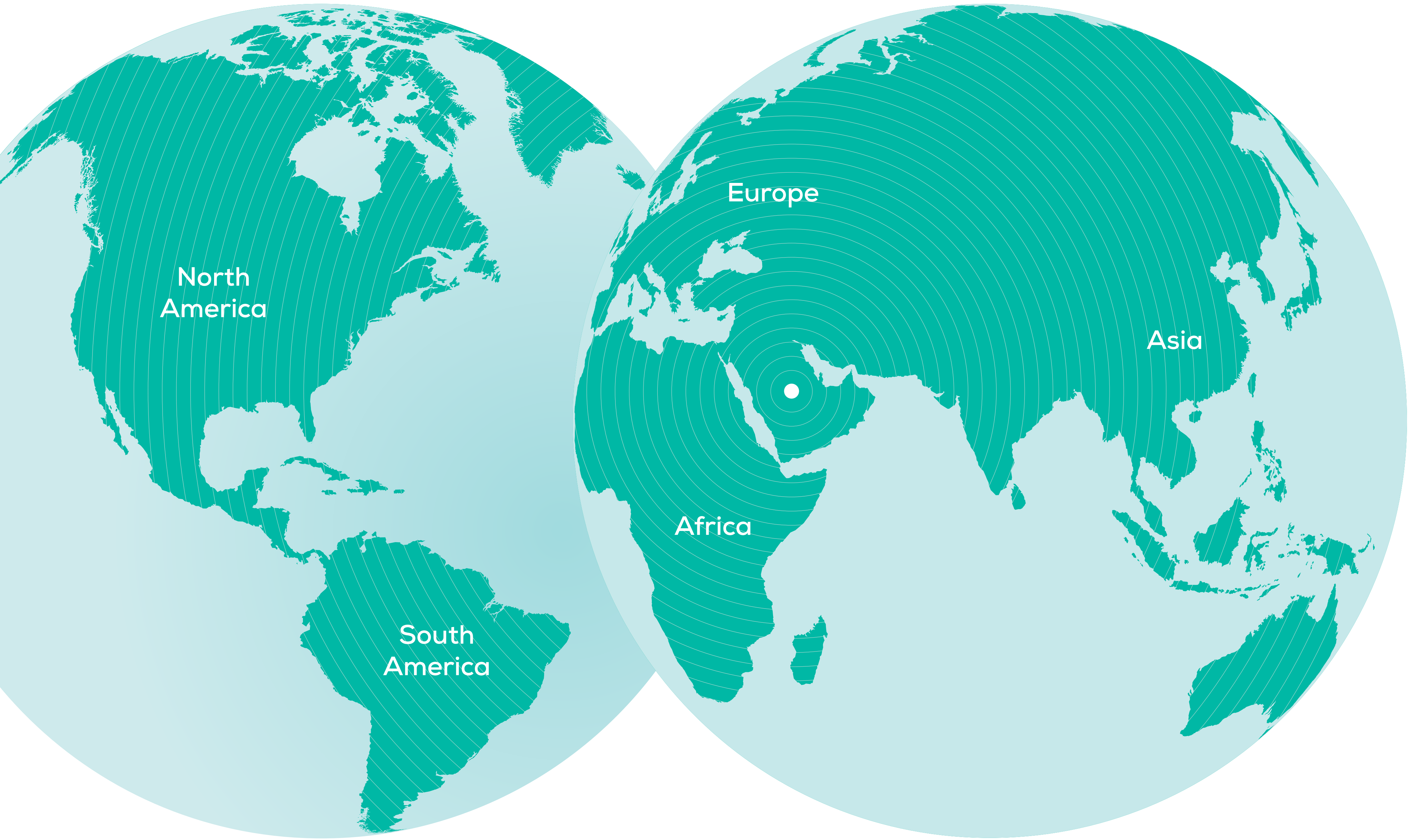
Announcement that PIF to start subscription to issued shares on 1st January 2024

MEPCO announced that the Public Investment Fund (PIF) will start its subscription to MEPCO's newly issued shares from 1st to 3rd January 2025.

Geographic Footprint

Expanding global presence across 5 continents

We supply a wide and growing range of high-quality and sustainable products that serve the diverse and growing needs of our clients in the packaging, construction, furniture, and paper core industries in our local market of the Kingdom of Saudi Arabia and over 50 export markets spread across 5 continents worldwide.



Across the Kingdom of Saudi Arabia and our ever-growing international footprint, MEPCO is recognized as a leader in paper manufacturing and a driver of continuous innovation for our sector.

30%

KSA market share

50

Countries

5

Continents

*import MEPCO products

Investment Case

Pioneering sustainable innovation

With a track record of over 20 years of growth, expansion, and diversification, MEPCO is firmly established as a regional trailblazer and innovator in the Middle East and beyond. Through continuous innovation, strong governance, and a deeply embedded commitment to sustainability, we offer a unique value proposition to our current and prospective Shareholders.

475,000 tons
of production capacity

14.39%
average ROIC over the past 5 years

Regional Champion with an Unmatched Scale

- Largest paper and packaging company in the MENA region with installed production capacity of 475,000 tons.
- Upcoming fifth paper machine (PM5) expansion project for containerboard production projected to double production capacity.
- Tissue Mill 6 launch with advanced technology and capacity to produce 60,000 tons per year of Jumbo tissue rolls.
- Accelerating forward integration through the acquisition of key assets and shares of existing establishments operating in the field of manufacturing and supply of corrugated boxes.
- 9 product lines including 6 products certified by the Forest Stewardship Council (FSC).

Continuous Innovation and Diversification

- Estidama is the first public-private partnership (PPP) with JDURC Jeddah Municipality to develop and improve the waste management value chain in Jeddah City.
- Set to launch Juthor plant for Jumbo tissue rolls in 2023 for new revenue stream.
- State-of-the-art factories, production and distribution equipment, and facilities for production and operational excellence.

International Footprint

- Global presence across 50 international markets.
- Balanced 60/40 revenue split between local and international markets.
- Strategic location near Jeddah Islamic Seaport for efficient logistics and distribution to international clients.

Sustainability Pioneer and Leader

- Regional pioneer in circular economy and waste management, including WASCO's launch in 2004 to collect, sort, and supply premium quality waste paper.
- Sustainable operations, including 90-95% recycled paper in raw materials, ~70% of recycled water used in production, and 100% of power used is generated in-house.
- ESG strategy is aligned with 7 UN SDGs.

Solid Track Record of Strategic Growth and Value Creation

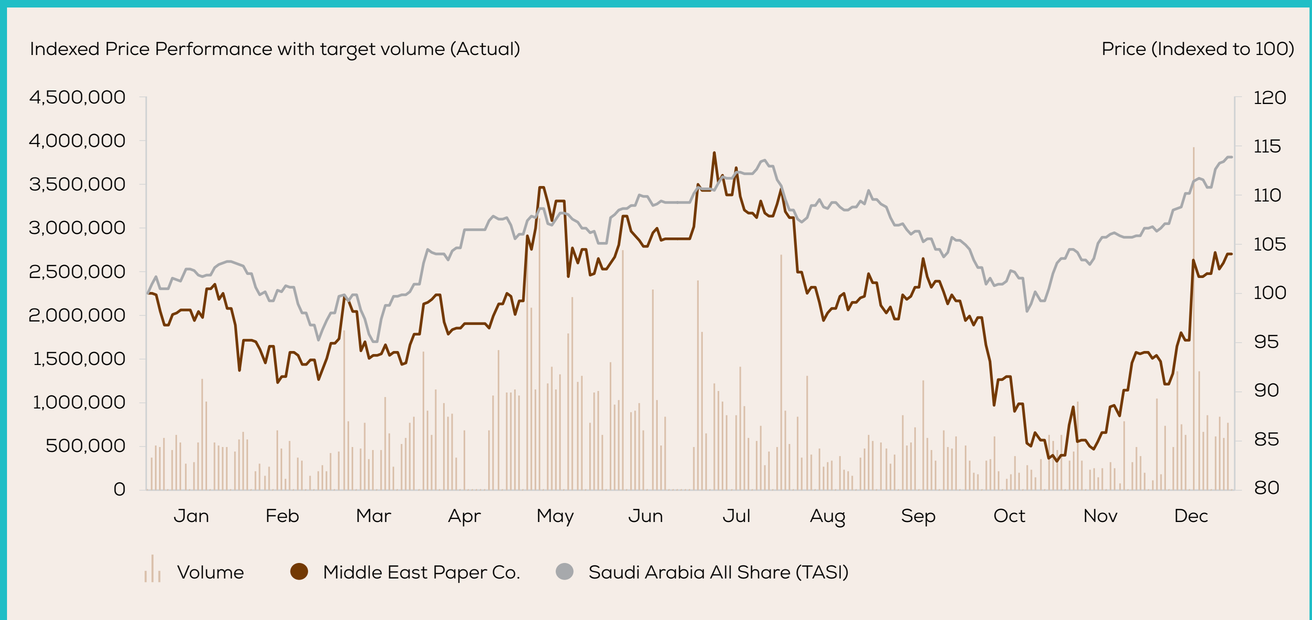
- Shares listed on Saudi Stock Exchange with 86.6% free float.
- Key driver of Saudi Vision 2030 for paper industry.
- Average return on invested capital (ROIC) of 14.39%

Shareholders' Information

Share Information

Listing date:	3rd May 2015
Exchange:	TASI, Tadawul Saudi Exchange
Symbol:	1202
ISIN:	SA13Q050IP16
Number of shares issued:	66,666,666
Closing price as at 31st December 2023:	SAR 34.5
Market cap as at 31st December 2023:	SAR 2,299,999,977.00
Foreign ownership limit:	49%
Free float:	86.6%

Share Price Performance vs. Benchmark Equity Indices (Middle East Paper Co. vs Peers)



Shareholding by Type

76.2%
Individuals

23.83%
Institutions

Investor Relations Calendar 2023-2024

2023

- **Date:** Monday, 30th January 2023 to Wednesday, 1st February 2023
- **Event title:** Ci Capital 7th Annual MENA Investor Conference
- **Event location:** Cairo, Egypt

- **Date:** Thursday, 9th February 2023
- **Event title:** Fransi Capital Investor Conference
- **Event location:** Riyadh, Kingdom of Saudi Arabia

- **Date:** Sunday, 12th February 2023 to Monday, 13th February 2023
- **Event title:** Saudi Capital Forum
- **Event location:** Riyadh, Kingdom of Saudi Arabia

- **Date:** Tuesday, 28th February 2023 to Wednesday, 1st March 2023
- **Event title:** Arqaam Capital's 10th Annual MENA Investor Conference
- **Event location:** Dubai, UAE

- **Date:** Monday, 6th March 2023 to Thursday, 9th March 2023
- **Event title:** The 17th Annual EFG Hermes One-on-One Conference 2023
- **Event location:** Dubai, UAE

- **Date:** Sunday, 26th March 2023
- **Event title:** FY 2022 Results

- **Date:** Tuesday, 28th March 2023
- **Event title:** FY 2022 Results Conference Call
- **Event location:** Virtual

- **Date:** Thursday, 25th May 2023
- **Event title:** Q1 2023 Results

- **Date:** Wednesday, 31st May 2023
- **Event title:** Q1 2023 Results Conference Call

- **Date:** Thursday, 22nd June 2023
- **Event title:** Ordinary General Assembly Meeting

- **Date:** Tuesday, 15th August 2023
- **Event title:** Q2 2023 Results

- **Date:** Monday, 21st August 2023
- **Event title:** 1H 2023 Results Conference Call

- **Date:** Wednesday, 15th November 2023
- **Event title:** Q3 2023 Results

- **Date:** Tuesday, 21st November 2023
- **Event title:** Q3 FY 2023 ER Conference Call

- **Date:** Tuesday, 19th December 2023
- **Event title:** Investor call to discuss the expansion project

- **Date:** Thursday, 28th December 2023
- **Event title:** Extraordinary General Assembly Meeting for Capital Change

2024

- **Date:** Monday, 19th February 2024 to Tuesday, 20th February 2024
- **Event title:** SCFM Conference
- **Event location:** Riyadh, Kingdom of Saudi Arabia

- **Date:** Monday, 4th March 2024 to Thursday, 7th March 2024
- **Event title:** EFG Hermes Conference
- **Event location:** Dubai, UAE

Stakeholder Engagement

Collaboration of stakeholders for continuous success

MEPCO is deeply committed to working closely with all our Stakeholders to forge enriching and lasting relationships. We actively engage through diverse channels, ensuring ongoing dialogue and integrating feedback into our operations for continuous improvement. This approach aligns with our dedication to excellence and innovation, underlying our strategic approach to creating sustainable value and achieving shared success.

Our Shareholders

In our pursuit to engage and create value for our Shareholders, MEPCO has undertaken a series of strategic initiatives over the past year. Our engagement transcended traditional methods, encompassing a blend of in-person and digital interactions to ensure comprehensive and constant dialogue with our investors.

We spearheaded our efforts by participating in key conferences across Dubai, Riyadh, and Egypt, providing a platform for direct interaction and an opportunity to share MEPCO's vision, strategy, and financial performance. These conferences – coupled with our regular earnings release calls – allowed us to maintain transparent and timely communication about Company developments and financial disclosures.

Moreover, the periodic investor tours of the MEPCO plant stands as a testament to our commitment to transparency and Stakeholder inclusion. An investor tour was conducted this year, offering investors an in-depth look at our operations, reinforcing their understanding of our long-term investment value and strategy execution.

Through regular online and face-to-face meetings, our communication channels remained open and responsive, catering to the evolving needs and inquiries of our Shareholders. This approach keeps our investors informed and enables us to glean valuable feedback, vital for our continuous improvement and alignment with Shareholder expectations.

Overall, our endeavors in the past year have been centered on informing and engaging our Shareholders to create a shared sense of purpose and commitment to MEPCO's long-term success.

Our Customers

For MEPCO, nurturing and enriching our relationships with our diverse customer base, including local and international clients in the paper and tissue sectors, has been a cornerstone of our business strategy. We recognize that our customers are the lifeblood of our enterprise, and our commitment to them extends beyond mere transactions, to building lasting partnerships.

We regularly engage with our customers to make sure of their satisfaction and to provide exceptional after-sales service. Understanding their unique needs and expectations allows us to tailor our products and services accordingly. This ongoing dialogue is critical in maintaining a high level of customer satisfaction and retention, as well as in driving perpetual quality improvement in our offerings.

In the realm of waste management, our approach is specialized and multifaceted. We work closely with B2B customers. Furthermore, we maintain strong relationships with our suppliers of waste paper, which include traders, generators, and entities like supermarkets and households. These partnerships are essential in our supply chain, ensuring a steady and sustainable source of raw materials for our recycling and production processes.

Our engagement with customers and suppliers is a daily endeavor, characterized by responsiveness to customer orders and inquiries. At MEPCO, we place immense value on sales solutions that meet the evolving needs of our customers, always striving for excellence in customer service. This relentless focus on customer satisfaction and retention is a reflection of our commitment to being a reliable and innovative partner to all our Stakeholders.

Our Government and Regulatory Bodies

At MEPCO, our relationship with government and regulatory bodies is integral to our operations and strategic direction. As a publicly listed company on Tadawul, we maintain a strong, compliant relationship with the Capital Market Authority (CMA) and Tadawul, to make certain of our transparency and adherence to Capital Market Regulations, as well as Saudi Organization for Chartered and Professional Accountant (SOPCA) standards. Our interactions with customs authorities are crucial for seamless shipping affairs, reflecting our commitment to efficient and compliant international trade practices.

Our engagement with various ministries, such as those responsible for the environment, investment, foreign trade, and industry, is aligned with the Kingdom's Vision 2030. This vision emphasizes the development of the non-oil sector and the promotion of a circular economy, both of which are central to MEPCO's business model and ethos. By aligning our practices with these national goals, we adhere to regulations while also contributing to the broader economic and environmental objectives of the Kingdom.

In the realm of waste management, our collaborations extend to entities like the Ministry of Water, Environment, and Agriculture (MWAN), and the National Center for Environmental Compliance (NCEC). We regularly welcome inspection teams from various ministries and regulatory bodies to ensure our operations remain compliant with the latest standards and practices. This transparency and willingness to engage in regular audits underscore our commitment to environmental stewardship and regulatory compliance.

Additionally, MEPCO's export activities bring us into close cooperation with the Export Development Authority and EXIM Bank. These relationships are vital in facilitating our international trade endeavors and in navigating the complexities of global markets.

Our proactive approach extends to collaborating with governmental entities in developing better regulations for the paper and waste sectors. By engaging regularly and as needed for business facilitation, we not only stay ahead of new regulations, but also actively participate in shaping them. This collaboration makes sure that the evolving regulatory landscape is conducive to the growth and sustainability of our industry, while mirroring the strategic direction of the Kingdom.

Overall, MEPCO's engagement with government and regulatory bodies is a multifaceted and ongoing effort, reflecting our commitment to compliance, sustainability, and active participation in the Kingdom's vision for a diversified and sustainable economy.

Stakeholder Engagement continued

Our People

At MEPCO, our employees are the bedrock of our success, and our approach to human resources reflects our commitment to excellence in both the paper and waste sectors. We place a high premium on attracting and nurturing top talent, recognizing that our people are crucial to our continued growth and innovation.

Central to our HR strategy is the emphasis on diversity and inclusion, with a specific focus on increasing female participation in our workforce. This commitment to gender diversity enriches our workplace culture and aligns with broader societal goals. Additionally, we take pride in our Saudization score, which reflects our dedication to empowering local talent and contributing to the economic development of the Kingdom.

Our engagement with our employees is ongoing and multifaceted. We understand that retaining top talent is as important as attracting it. To this end, we have implemented comprehensive employee retention programs. These initiatives are designed to recognize and reward the hard work and dedication of our team, fostering a sense of belonging and appreciation.

Moreover, we are deeply invested in the professional development of our employees. Our skill and training programs are tailored to enhance the competencies of our workforce and equip them with the tools and knowledge necessary to adapt to the evolving demands of our industry. These training initiatives are a testament to our belief in the potential of our employees and our commitment to their growth and development.

MEPCO's holistic approach to employee engagement is about creating a nurturing and inclusive environment where talent thrives, diversity is celebrated, and continuous learning is a shared priority. This strategy drives our current success while laying the foundation for our future achievements in both the paper and waste sectors.

Our Communities

At MEPCO, our engagement with communities is a pivotal aspect of our corporate ethos, reflecting our commitment to social responsibility and sustainable development. We actively participate in and contribute to a range of initiatives that underscore our dedication to the communities we serve.

Our involvement in the Higher Institute for Paper and Industrial Technologies (HIPIT) program exemplifies our commitment to the paper industry's future. By providing learning experiences and developing technical skills, we play a crucial role in nurturing the next generation of talent in this sector. This initiative contributes to the personal and professional growth of individuals, while supporting the broader national economy by ensuring a skilled workforce for the future.

In the realm of waste management and environmental sustainability, MEPCO is a proactive participant in various events and initiatives. These activities align with our business focus and demonstrate our dedication to environmental stewardship and responsible waste management practices.

Additionally, our corporate social responsibility (CSR) activities extend across various communities, reinforcing our role as a socially conscious corporate citizen. These initiatives range from educational programs to environmental projects, each designed to make a meaningful impact in the communities within which we operate. Through these activities, we strive to spread social contribution and foster a deeper connection with the communities, aligning our business goals with societal needs.

Regularly engaging with our communities through these diverse activities allows us to maintain a strong and positive presence. It is a reflection of our belief that business success and social responsibility go hand in hand. At MEPCO, we are committed to partnering in progress for the communities where we operate.

2 Strategic Review

Chairman's Statement

Ambition to grow

The economic global downturn we experienced in 2023 was a great challenge to many companies in many sectors who fell prey to severe market conditions beyond their control. For MEPCO, however, our response was admirable. We were measured in our reaction and confident in our direction; ultimately delivering a successful outcome with the highest sales volumes in our segment and a future that promises greater growth.

As the largest integrated paper production business in the MENA region, MEPCO has built its success around a philosophy of clear objectives, viable strategies, and operational achievements. In 2023, despite an unstable market and uncertain prices, our principles remained unchanged, underscoring our resilience and innate belief in what we do.

In all areas of our operations, we forged ahead with the same sense of purpose that has made us the region's market leader, maximizing our advantages and leveraging our opportunities to create a positive business environment.

Our results and operational successes over many years, coupled with that positivity, have encouraged one of the Kingdom's most significant investors to negotiate a substantial stake in the Company. Not only does this constitute a major contribution to our long-term goals, but it is also an outstanding endorsement of our long-standing success, our contribution to the national economy, and our future prospects. In addition, our investor will drive our core business strategies of financial and environmental sustainability.

Our commitment to the world around us and our duty to protect it plays a profound part in our Company ethos. As a regional pioneer of eco-friendly practices, our subsidiaries, WASCO and Estidama play an integral role in recycling and repurposing materials for use by the Company.

Sustainability is part of our DNA, and in line with Saudi Vision 2030, we have a desire and a duty to create a cleaner world, leaving a legacy of environmental responsibility to future generations.

As such, it was with enormous pride that we were awarded a Global ESG Award as part of embracing sustainable development principles and supporting the attainment of United Nations Sustainable Development Goals.

In addition, we were delighted to receive the "Lifetime Achievement Award" at the Propaper celebrations in recognition of our contributions to the paper industry.

MEPCO is recognized in the Kingdom of Saudi Arabia and beyond for its innovation and diversification, investing in additional products to capture opportunities in expanding markets. As the most established and successful paper manufacturer in the region, we understand the demands of our market and identify the areas that are underserved.

With the launch of our Juthor tissue facility, we have introduced a key addition to our operations, with the capability to create a significant impact on our own success and contribute to the Kingdom's economy.

We will significantly lower imports, increase exports, and employ a significant workforce of Saudi nationals. Once again, we have Vision 2030 top of mind and will continue to fulfil our responsibilities towards achieving its principles.

At MEPCO, since the day we were founded, we have ensured that the high-caliber colleagues who drive our projects, operations, and subsidiaries, work in an environment of respect, trust, and integrity. They have opportunities to learn and the ability to progress without exception.

While 2023 may have posed significant challenges, at MEPCO, we can look back on the past 12 months with more than satisfaction – it has been a show of strength and a year of opportunity. We have an exciting future, which will reinforce the achievements of our past, while setting us on a new, more prosperous path.

I would like to thank the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud, and His Royal Highness Crown Prince Mohammed bin Salman bin Abdulaziz Al Saud for their wider vision for the Kingdom of Saudi Arabia.

My thanks also to the Kingdom of Saudi Arabia's Government for its constant support and collaboration. Thank you to our Board members, whose support and insight are highly valued. As always, my gratitude goes out to our Shareholders, whose constant trust enables MEPCO to maintain its position as the largest and most successful paper and packaging company in the Middle East.

Achieved sales of more than

SAR 1 billion

Mr. Musaab Al Muhaidib *Chairman*

> " We have maximized our market superiority and have the resources and ambition to grow exponentially in terms of our geographic footprint and product diversity. "

Volume Sold (MT) +9%

419,976

2022	419,976
2023	457,483

Sales -27% YoY

SAR **866.75m**

2022	1,187.00m
2023	866.75m

Overview
Strategic Review
Business Review
Sustainability
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Financial Statements

Group President's Message

Thriving amidst global challenges

As industries and sectors worldwide were subjected to a barrage of restrictions and frustrations in 2023, our resilience, efficiency, and discipline ensured we maintained our position as the region's leader in paper production and sales. While no businesses were impervious to the geopolitical tensions, supply chain disruption, soaring interest rates, and escalating energy prices, we successfully mitigated their effects through agility and diversification while attracting significant investment and setting a path for sustainable growth.

Since our founding in the year 2000, we have been a company with its eyes firmly set on long-term growth, with the ability and agility to respond to the fluctuations of domestic and international markets. In the context of a downturn in the global economy and an international depreciation in paper prices, MEPCO's performance was a considerable success in the face of adversity.

As a testament to that success, we made a substantial step towards achieving our targets of diversification and expansion. This reflects both our attractiveness as a stable, long-term investment and as a progressive, innovative pioneer exploring new opportunities in additional sectors.

MEPCO continues to increase its production, enhance operational efficiency, and contribute to environmental stability, reinforcing its sustainability goals and commitment to fostering environmentally responsible practices across our business.

With approximately 30% market share in Saudi Arabia, the Company sustains its focus on geographical distribution and exporting revenues of around 40% of our sales revenues. A major contributing factor in diversifying the revenue streams and opening doors to increasing overseas sales even further is our diversification into the global tissue market, with the launch of our Juthor facility.

This played an essential role in alleviating market pressure last year, creating an additional and lucrative revenue stream, while emphasizing our commitment to sustainable growth.

Following its landmark launch, Juthor achieved a utilization rate of 57% for H2 and 67% in Q4 in an exceptional timeframe, manufacturing high-quality products that were well received in the market. We received preorders prior to the commercial run of the startup, reflecting the confidence of clients in the facility and our products overall.

In line with Saudi Arabia's position as one of the world's top 10 tissue importers, Juthor will produce approximately 24% of the Kingdom's facial tissue, sanitary paper, kitchen towel, and napkin demand.

Despite challenging containerboard demand, our sales volume increased by 4% compared to 2022, underlining not only the quality of our products, but also the success of our sales and marketing strategy.

While the paper and packaging market faced similar pressures, MEPCO maintained its industry-leading operating rate and retained its market share, locally and internationally. Many of our competitors decreased production due to soft demand, with a global average of 80% utilization/operating rate; however, we were able to sustain our high operating rates owing to strong commercial business of above 90%.

As we continue with our growth strategy towards PM5, we will double our production capacity, adapting the latest technology to produce recycled containerboard and produce low-GSM products, which are now in high demand from our existing and future customers.

As always, we base our operations on the principles of Saudi Vision 2030, ensuring we align with its key goals and principles. Through our recycling and waste management businesses, our environmental contributions have had a profound effect on both our sustainability achievements and our diversification.

Our subsidiary, Waste Collection and Recycling Company (WASCO) is a regional leader in the sector, collecting, recycling, and trading paper and waste materials, including plastic and metal. WASCO collects around 500,000 tons of recyclable materials from a vast range of household, industrial, and business sources.

Estidama, still in its development stage, was established in partnership with the Jeddah Municipality as a new private-public partnership. In 2023, the company, responsible for a number of recovery, management, treatment, and disposal services, opened new sites to increase capacity and made significant strides to reinforce its supply chains.

JUTHOR achieved utilization rate of

57% since it was launched

Operating rates of more than

90%

> " In 2023, we demonstrated that despite market instability, we have the endurance and the belief in our direction to succeed. "

Eng. Sami Al Safran *Group President*

As we steered MEPCO through a global slowdown, which held little promise for a swift recovery, we made certain that our platform for growth remained steady, through additional investment in our technology, people, values, and customer service.

It is imperative we consistently attract and retain the outstanding talent who work at MEPCO and draw upon their industry and business experience and expertise. Through the strength of our Management and the skills of our people, we have delivered commendable results.

We are delighted that in acknowledgement of our commitment to our colleagues, we were recognized as the "Middle East's 10th Best Workplace" by Great Place to Work, thanks to our unique work atmosphere and consistent learning initiatives.

In addition, we were honored to be named as "One of the Best Workplaces for Millennials", taking pride in creating a positive work environment that fosters growth, development, and success for all team members.

As we look ahead to next year and beyond, the challenges of 2023 confirmed our strength and reinforced our strategy of expansion. We aim to drive efficiency in our core operations and grow the scope of our WASCO and Estidama subsidiaries, as their services become a greater part of our business.

We will continue to implement our growth strategy and strive to fulfill our mission to create increasing Shareholder value and drive future growth, which will attract further investment and provide the MEPCO with the resources to develop further and faster into new ventures. We will also assess downward integration in order to manage and control our supply chain more efficiently.

In 2023, we demonstrated that despite market instability, we have the endurance and the belief in our direction to succeed. Where many of the global leaders in our industry stepped back from their strategies, uncertain of their course, we remained true to our agenda, confident in the value of our investments and the delivery of their benefits.

We acted with courage and prudence, intelligence and diligence, and resilience and substance, echoing our philosophy of sound business success and sustainable growth.

In closing, I would like to take this opportunity to express my gratitude to our Chairman and Board of Directors for their guidance and strategic vision, to our partners and suppliers for their ongoing support, and to all our clients in the Kingdom of Saudi Arabia and around the world for their continued trust.

I would also like to extend my sincere gratitude to all employees and colleagues at MEPCO, who are the driving force behind our ongoing ambition and success.

Strategy

Leading regionally, impacting globally

MEPCO is a Saudi champion, regional leader, and international player in our sector, with a clear vision for the future and a comprehensive strategy to enable us to achieve our objectives and create significant and sustainable value for our Shareholders and all our Stakeholders.

Our Purpose

To be the leading integrated sustainable paper and packaging producer in the Middle East.

Our Vision

To be the leading champion of Made in Saudi sustainable products and largest contributor to the circular paper economy, ensuring sustainable growth and maximizing Stakeholder value.

Our Mission

To lead the industry in sustainability, innovation, and quality, while maintaining our commitment to ethical and safe business practices. With our diverse and talented team, we deliver cost-efficient solutions that maximize customer value and benefit the environment. We strive to remain proud of the consistently high-quality recycled fiber-based products we produce for the industries we serve in the Kingdom of Saudi Arabia, the broader Middle East and North African (MENA) markets, and globally, for decades to come.

Our Values

Collaboration
We are aware of our responsibilities towards the planet and future generations, and always strive to do better. We do our work in collaboration with all Stakeholders to achieve our common goals and objectives.

Excellence
We aim to be above expectations in everything we do.

Compassion
Our care for people extends beyond our employees. We care about our employees, suppliers, customers, environment, and Shareholders.

Integrity
We are honest, ethical, trustworthy, and respectful in everything we do. We acknowledge the thoughts, feelings, and backgrounds of others and treat everyone with honor.

Synergy
We believe in the power of our combined efforts to produce a result greater than the sum of our employees' individual contributions and that working together creates a positive outcome that could not be achieved by working alone.

Our Strategic Pillars

Our corporate strategy aims to drive profitable growth for MEPCO Group through our focus on 5 strategic pillars.

1 Sustainable Paper and Packaging

Our paper and packaging business produces a diverse range of products through our paper and tissue units. With multiple containerboard grades and corrugated boxes under the paper line, and Jumbo roll production and conversion under the tissue unit, MEPCO has a leading presence in the MENA region, along with the Indian subcontinent and selected European markets.

2 Integrated Waste Management

Through our waste management business lines and partnerships, the Group aims to be a leading waste management developer and service provider, with leadership in collection and focused treatment capabilities.

3 Energy and Transition Sustainability

As part of our circular economy goals, MEPCO is transitioning into developing renewable energy as a source for our production lines by developing integrated waste-to-energy solutions.

4 People and Safe Performance

Promoting safety for both products and people through employee engagement.

5 Fit-for-purpose and Sound Governance

MEPCO focuses on ensuring independence, accountability, and transparency in our structure, financial reporting, internal controls and procedures, and decision-making processes.

Strategy in Action

MEPCO's Waste Strategy

The Kingdom's Waste Management Champion

In Saudi Arabia, the annual waste generation exceeds 50 million tons, but less than 5% undergoes recycling, with the majority ending up in landfills. Projections anticipate a doubling of this waste volume by 2035.

Acknowledging the critical need for effective waste management, the Saudi Government has initiated a series of measures aligned with Vision 2030. This ambitious vision incorporates a waste diversion target, aiming to redirect over 90% of the waste away from landfills, with interim targets of 40% by 2030, and 55% by 2035.

This goal presents a significant investment opportunity and opens up a new market for companies willing to invest in innovative technologies designed to divert waste from landfills, contributing to a more sustainable waste management system.

Strategic Focus and Innovation to Tackle the Kingdom's Waste

MEPCO has devised a strategic initiative aimed at expanding its Waste and Resources Management cluster, broadening its focus beyond recyclable collection and processing. The objective is to evolve into a comprehensive one-stop solution for waste management.

In pursuit of this strategy, MEPCO – through its subsidiary WASCO – entered into a strategic partnership with the investment arm of Jeddah Municipality, jointly establishing Estidama in 2021. This collaboration is specifically designed to address the recycling of materials across Jeddah.

Currently, the Company is in the process of finalizing agreements with various municipalities to fortify its position, not only in recyclable management, but also in providing integrated waste management solutions. This strategic approach aligns with MEPCO's commitment to becoming a leader in sustainable waste management practices.

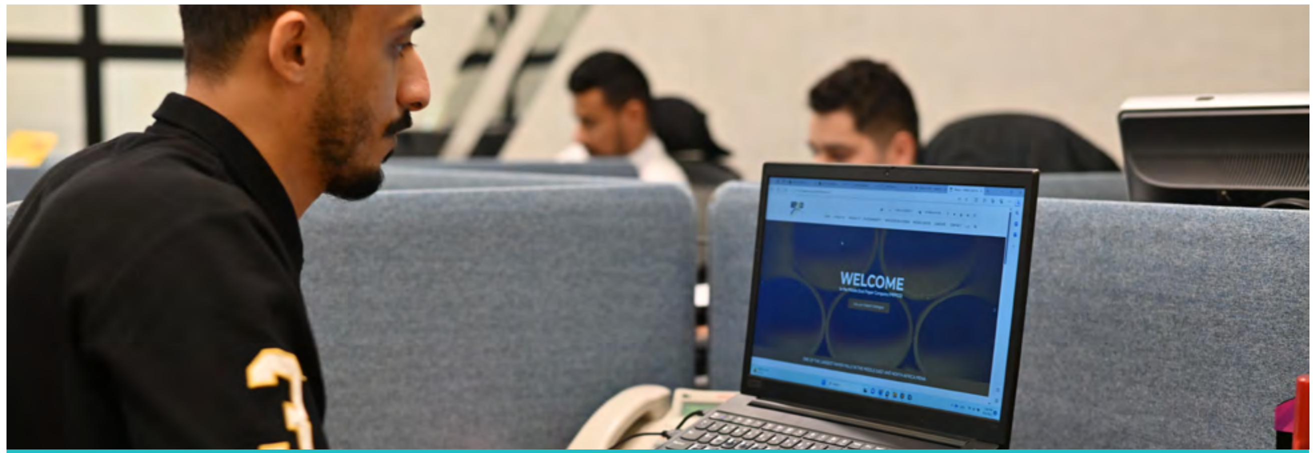
Overcoming Challenges to Achieve Our Objectives

In 2023, MEPCO encountered several pivotal challenges, primarily stemming from the introduction of new regulatory frameworks. Adapting to these regulations required a comprehensive overhaul of MEPCO, WASCO and Estidama's operations to guarantee full compliance. Navigating the intricacies of these regulations demanded a significant commitment of resources and effort.

Another significant challenge involved optimizing the partnership with Jeddah Municipality to ensure mutual benefits and effective support in regulating the market. This required meticulous coordination and communication to guarantee a favorable outcome for both parties and contribute to a well-regulated Waste Management Sector.

Furthermore, maintaining a dominant position in the market, representing 50% of the waste paper market size in recycling, posed ongoing challenges due to intense competition and market fluctuations. MEPCO's success in this regard hinged on its ability to adapt to dynamic conditions through continuous monitoring and strategic adjustments.

MEPCO demonstrated remarkable resilience and adaptability, maximizing the benefits of its partnerships and navigating an evolving industry landscape, thereby solidifying its position as a market leader in waste management.



" MEPCO has grown rapidly to capture 50% of the waste paper recycling market. Our strategic approach to waste and resources management has been the catalyst for this remarkable achievement, establishing MEPCO as the clear market leader with substantial influence in shaping the Kingdom's recycling landscape and a pivotal role in advancing sustainable waste management practices within the industry. "

Mohamed El Sherief
Waste Strategy Director

Immediate Results Towards Lasting Impact

The concerted efforts undertaken by MEPCO have begun yielding significant returns, positioning the Company as a market leader in recycling. Currently, MEPCO represents an impressive 50% of the waste paper market, showcasing the success of its strategic endeavors.

Our strategy not only establishes MEPCO as a formidable force in the recycling sector, but also serves as a catalyst for achieving ambitious growth targets. This enhances the Company's position and provides the opportunity to expand its capacity, particularly in recycling.

Additionally, the strategy allows for more efficient utilization of investments and resources, aligning with MEPCO's commitment to an integrated waste management model.

Continued Focus and Innovation in 2024

In 2024, we envision substantial growth in our waste management journey, both geographically and in our portfolio of service offerings. We have plans to establish new branches to expand our footprint and offer better service to our customers throughout Saudi Arabia.

With our established strategy and a dedicated team, we plan to sign multiple contracts with different municipalities, capitalizing on our success and providing fully integrated solutions to meet the diverse and growing waste management needs of the Kingdom.

Market Review

Navigating through economic challenges

In 2023, the global economic landscape underwent significant shifts, presenting a complex array of challenges and opportunities for the paper industry. Amid a backdrop of a decelerating global economy, fluctuating demand patterns, and evolving environmental concerns, MEPCO navigated these turbulent waters with strategic agility and operational resilience.

Challenging Global Economic Landscape

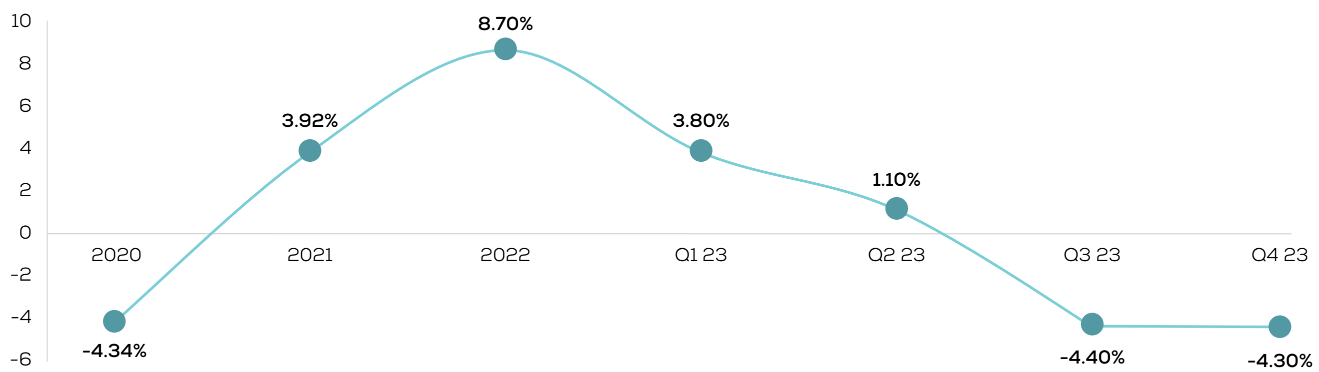
In 2023, the global economy experienced a notable slowdown, with growth projections declining to 2.7%, a decrease from 3.2% in the previous year. This slowing pace was driven by the confluence of several critical factors, including economic, geopolitical, and social events and trends.

Europe grappled with an energy crisis exacerbated by the Russian invasion of Ukraine, significantly impacting its economic stability.

The United States encountered aggressive monetary tightening alongside a cost-of-living crisis driven by persistent inflationary pressures. Meanwhile, China's continued adherence to a zero-COVID-19 policy and a faltering property market contributed to its economic deceleration.

Furthermore, global trade growth experienced a downturn, slowing to 2.3%, which is significantly below the historical average. These challenges were especially pronounced in the world's 3 largest economies – China, the European Union, and the United States – which all faced significant slowdowns during the fiscal years 2022 and 2023.

Real GDP Growth Rate (YoY, %)



*General Authority for Statistics (Kingdom of Saudi Arabia), Central Bank of Saudi, EIA, World Bank (June 2023)

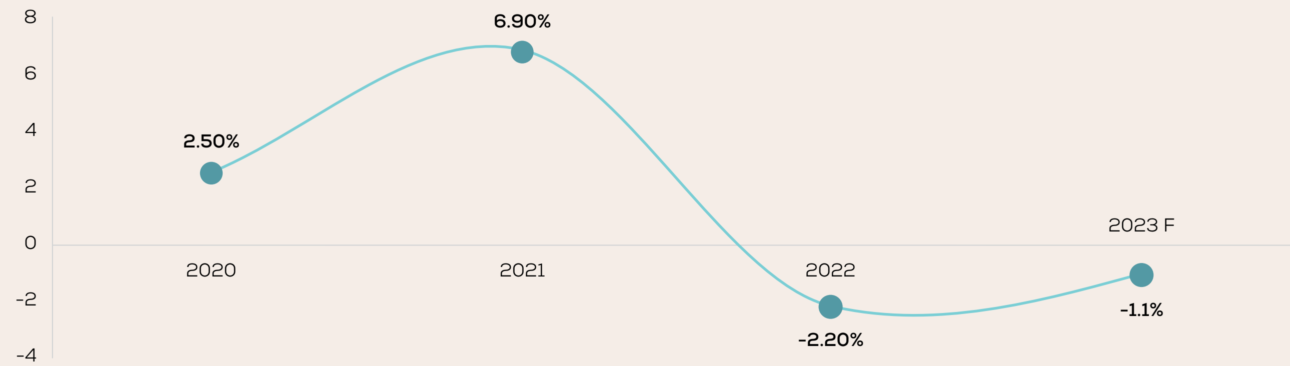
Global Paper Industry Challenges

The paper industry in 2023 navigated through a challenging landscape, marked by a slump in demand across various segments and geographic areas. This led to an oversupply of paper, resulting in record-high stocks at mills, particularly in the recycled containerboard sector. Despite these difficulties, certain segments such as packaging, e-commerce, tissue papers, and hygiene products continued to drive demand growth in the paper and paperboard market.

The industry also saw a clear trend towards the production of lighter containerboard grades, as technology for containerboard paper machines evolved. Moreover, a structural shift towards paper-based packaging, in lieu of plastic, and the burgeoning e-commerce sector, propelled an above-average compound annual growth rate (CAGR) of more than 2%.

Additionally, the global industry trends showed a higher recycling rate for old corrugated containers (OCC) than paper recycling, with recycled containerboard dominating the global demand and supply.

World Container Demand Growth



*Company data, RISI Pulp and Paper, Fast markets price reports

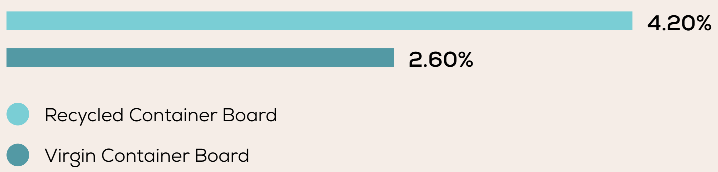
Resilient Saudi Arabian Market

The Saudi Arabian and Middle Eastern markets bucked the global trends in 2023. The Saudi tissue market continued its growth trajectory, surpassing the global average, driven by changes in consumer behavior and an increased focus on hygienic paper products. The Middle Eastern containerboard market witnessed a steady growth rate of 3% per year.

In Saudi Arabia, the recovery rate in the Waste Management Sector reached around 40% and, as part of Vision 2030, the nation aims to achieve recycling rates comparable to those in developed markets. This focus on recycling aligns with global sustainability trends, which have seen a shift from plastic to paper packaging, gaining momentum each year.

Market Dynamics for Tissue Globally, tissue demand is rebounding from a trough in 2021 to reach projected 2.8% annual growth in 2023. Global annual tissue consumption was around 44 million tons in 2023, with average global demand growth of 3.3-3.4% per annum. Meanwhile, Saudi Arabia's tissue market saw slightly higher demand of 3.5% over the same period, with total annual tissue consumption in the Kingdom reaching 250 million tons.

Saudi Arabia Demand Growth per annum



GCFO's Review

Resilient in uncertain markets

In 2023, MEPCO demonstrated exceptional resilience and strategic agility amid market fluctuations. We achieved the highest sales volumes in our segment, showcasing our robust market position. Despite significant price reductions affecting our financial performance, we maintained a solid liquidity profile and effectively met our financial requirements.

MEPCO's total sales revenues of SAR 8.67 million in 2023 represented a drop of 27% compared to the previous year, reflecting slower demand recovery for our core containerboard products than anticipated, along with cost inflation that resulted in muted consumer activity and slowness in global destocking.

Our strategic diversification, particularly with the commencement of Juthor operations, played a pivotal role in stabilizing our revenue streams. This move aligns seamlessly with our long-term diversification strategy, underlining our commitment to sustainable growth.

This decrease in annual revenues driven by lower international selling prices – along with a 7% increase in cost of sales owing to -781.76m resulted in 116% decrease in EBITDA margin and a drop in gross profit to SAR 85 million, compared to SAR 503 million in the previous year.

Looking forward to 2024, we are optimistic about the stabilization of prices and an uptrend in profitability. Our current share of 31% in the Saudi Arabian containerboard market, of roughly 1 million tons, is set to grow above global average rates in the coming year, backed by the strength of the Saudi economy, and position the Company for a solid rebound.

Our focus on key financial KPIs, including revenue, EBITDA, and a healthy debt-to-equity ratio, places us on a steady path for future success. As we continue to navigate the dynamic market landscape, MEPCO remains steadfast in our commitment to operational excellence and strategic growth, ensuring long-term value for our Stakeholders.

Local Sales (%)

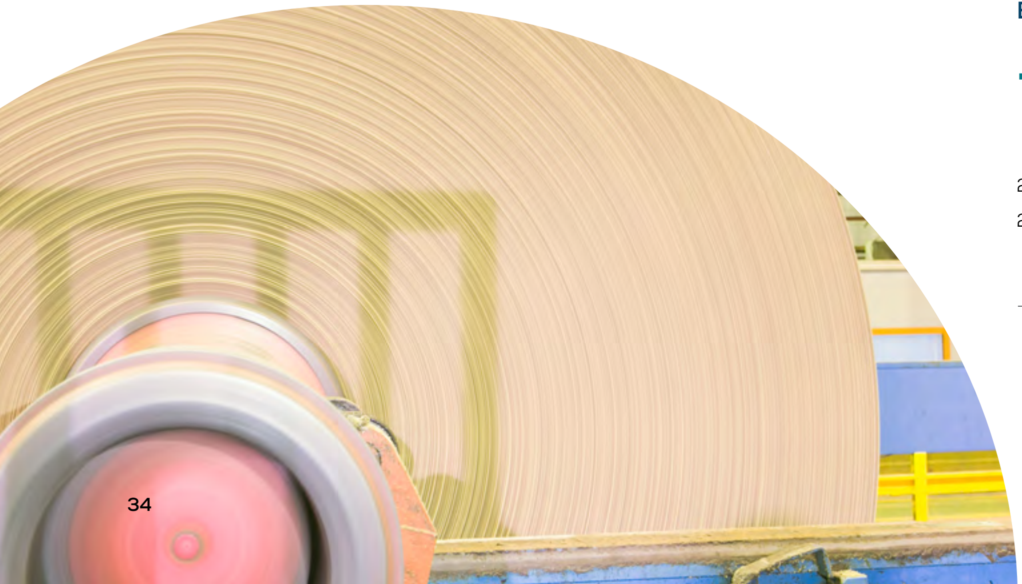
+9%

2023	278,601
2022	256,115

Export Sales (%)

+9%

2023	160,066
2022	146,397



Financial Highlights

Sales -27% YoY

SAR 866.75m

2022	1,187.00m
2023	866.75m

Total Assets -0.80% YoY

SAR 1.93m

2022	1.95m
2023	1.93m

Gross Profit -83% YoY

SAR 84.99m

2022	502.78m
2023	84.99m

Gross Profit Margin -3255 bps

10%

2022	42%
2023	10%

Net Income -131% YoY

SAR -83.39m

2022	266.53m
2023	-83.39m

EBITDA -117% YoY

SAR -51.23m

2022	304.29m
2023	-51.23m

Risk Management

Mitigating risks for sustainable growth

MEPCO recognizes that risks are dynamic and inherent in its operating environments and is committed to managing all risks effectively. Effective risk management is a means of enabling the ongoing success of business and is an integral part of MEPCO's strategic management to methodically address the risks attached to its activities, with the goal of achieving sustained benefit within each of its divisions.

MEPCO's Risk Management Framework is aligned with ISO 31000:20918 and the 2017 COSO ERM Framework

MEPCO is fully committed to implementing effective enterprise risk management (ERM) across its business and operations. This commitment is put into practice through the adoption of a range of ERM infrastructure elements, including ERM Policy and Procedures, Risk Appetite and Assessment Criteria, Detailed Risk Registers, and Risk Monitoring Reports. These ERM elements establish clear expectations to ensure all employees are aware of their responsibilities for risk management. The aim of ERM in MEPCO is not to eliminate risk but rather to manage risks involved in the Company's activities to maximize opportunities and minimize adversity.

MEPCO has a dedicated Risk Management Department responsible for enabling overall risk management, supported by various business and control functions.

Risk management oversight is performed by a dedicated Board-level Risk Management Committee, which reports to the Board on key risk-related matters. The risk management function in MEPCO has been continuously evolving over the past 5 years, during which the Company has taken significant steps to identify, mitigate, and manage key risks.

Risk Management Framework

MEPCO's Risk Management Framework is designed to provide a standard and consistent approach to risk management across the organization. It is fully aligned, in principle and in practice, with ISO 31000:20918 and the 2017 COSO ERM Framework.

The Framework includes the objectives, mandate, and commitment to manage risks and organizational arrangements in terms of governance, accountabilities, relationships, processes, tools, and enablers. The ERM Framework provides a basis for identifying and responding to uncertainties, and for enabling risk-informed decision-making for the achievement of MEPCO's business objectives.

Framework

LEADERSHIP AND COMMITMENT

Evaluation
•
Improvement
•
Integration
•
Design
•
Implementation

Principles

VALUE CREATION AND PROTECTION

Dynamic
•
Inclusive
•
Integrated
•
Customized
•
Structured and Comprehensive
•
Continual Improvement
•
Human and Cultural Factors
•
Best Available Information

Process

Communication and Consultation

Scope, Context, Criteria

Risk Assessment

Risk Identification
↓
Risk Analysis
↓
Risk Evaluation

Risk Treatment

Monitoring and Review

Recording and Reporting

Like any organization, MEPCO is operating in an inherently risky environment, and ERM is not expected to create a risk-free environment. Rather, effective ERM enables MEPCO Management to operate more effectively in environments filled with risks serving as a point of reference. In this way, Management can implement ERM by establishing the processes, policies, and procedures for governing and performing risk management activities.

Risk Management continued

Business Continuity Management

Business Continuity Management (BCM) is a process that enables MEPCO to proactively identify and plan to minimize the impact of risks from potential business disruptive events that could affect its objectives, operations, and infrastructure.

An effective BCM will safeguard MEPCO's core functions and processes; the associated expectations of key Stakeholders; protect its reputation; and assist in complying with legal, regulatory, and contractual obligations. In addition, BCM assists MEPCO in prioritizing the business processes, identifying the supporting resources, and clarifying decision-making during adverse events.

BCM provides a framework for building business and operational resilience with the capability for effective response to business disruption. MEPCO Business Continuity Management Framework is based on CITC Regulatory Framework requirements, international standards – such as ISO 22301, ISO 27031, and ISO 31000 – and Good Practice Guidelines (GPG) from the Business Continuity Institute (BCI) and other industry best practices.

Risk Appetite

Risk appetite is a critical component of MEPCO's ERM and is defined by the amount of risk MEPCO can undertake in pursuit of its business strategies and objectives. The purpose of defining the risk appetite is to set the overall attitude towards risk-taking abilities.

The following is the detailed risk appetite statement under each category of risks.

Operational Risk
MEPCO has **Low** appetite for any threat that may impact its operations or business continuity.

Low Risk

Financial Risk
MEPCO has **Low** appetite for financial risks. MEPCO is not prepared to take any risks that may jeopardize its financial stability.

Low Risk

Reputational Risk
MEPCO has **Zero** appetite for any reputational risks that may impact its market share or brand image, regionally and globally.

Zero Risk

Health, Safety and Environment Risk
MEPCO is committed to the prevention of injuries, environment protection, promoting safe operations and healthy lifestyle for all its employees. Therefore, MEPCO has **Zero** appetite for any HSE-related risks.

Zero Risk

Regulatory, Legal and Compliance Risk
MEPCO has **Low** appetite for any regulatory and compliance risks that may expose the Company to unwarranted legal or regulatory issues.

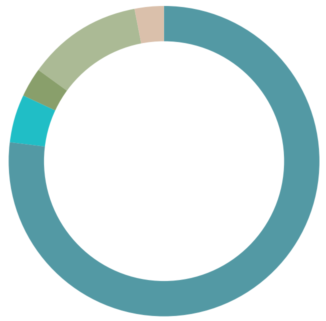
Low Risk

Risk Management Highlights

In 2023, MEPCO improved its ERM capabilities while effectively managing and mitigating key risks to the strategic advancement of the Company. A key highlight was the establishment of Business Continuity Management.

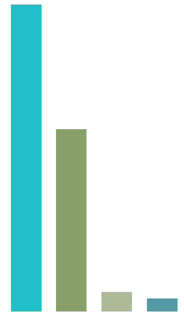
In addition, MEPCO has made significant progress in managing its identified risks, in line with its overall risk profile, framework, and management approach. This is outlined in the year-end table below, which indicates MEPCO had only 8 risks (out of 175) wherein actions were pending to be implemented, as at year-end 2023.

Category Distribution



- Operational: **135 (77%)**
- Regulatory, Legal, and Compliance: **8 (5%)**
- Reputational: **6 (3%)**
- Financial: **21 (12%)**
- Health, Safety, and Environment: **5 (3%)**

Risk Profile



- High: **108**
- Important: **57**
- Low: **6**
- Catastrophic: **4**

Department	Catastrophic	High	Important	Low
Top risks (20)	4	9	6	1
Finance (35)	–	18	14	3
HR (17)	–	9	5	2
IT (21)	–	14	7	–
Safety (11)	–	8	3	–
Supply chain (13)	–	8	5	–
Sales and marketing (10)	–	7	3	–
Investor relations (7)	–	7	–	–
Maintenance (9)	–	4	5	–
Process development and ETP (5)	–	4	1	–
Production (4)	–	3	1	–
Public relations (2)	–	1	1	–
Quality control (4)	–	4	–	–
SAP (9)	–	6	3	–
Power plant (8)	–	6	2	–
Total	**4**	**108**	**57**	**6**

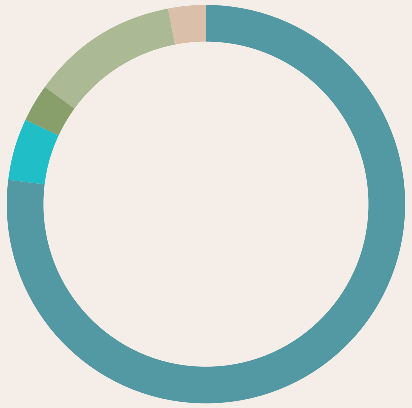
Risk Management continued

The following details the status of the risks across MEPCO as at year-end 2023.

MEPCO Risk Dashboard

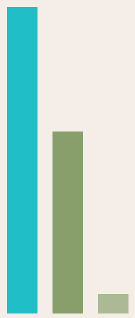
Total Risks	Implemented	Partially implemented	To be implemented
175	139	7	1
	Continuous monitoring	Adequate controls	
	13	15	

Risk Category Distribution

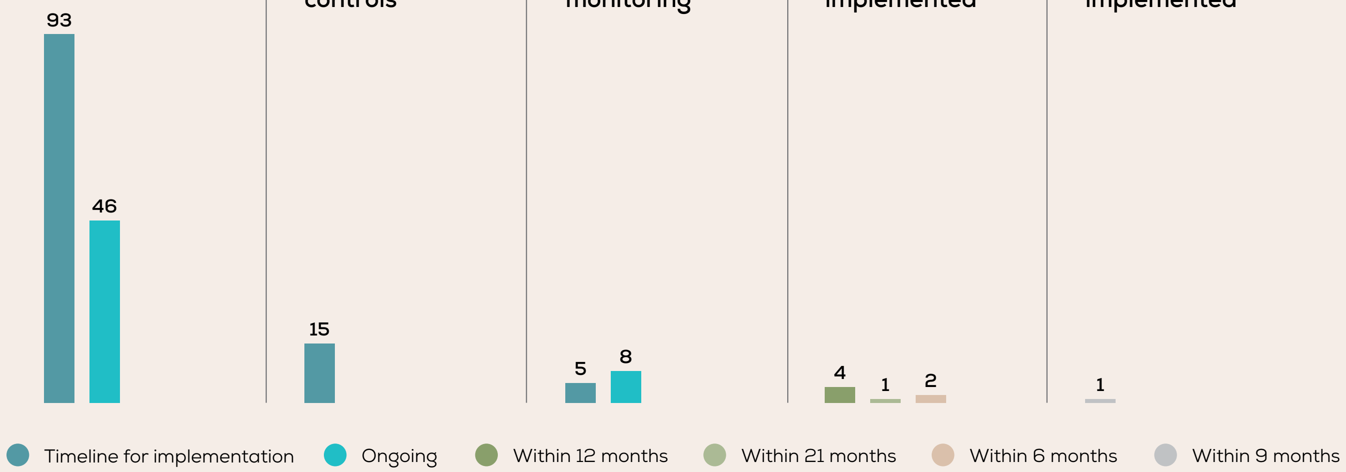


Inherent Risk Rating Distribution

Residual Risk Rating Distribution



Treatment Plan Status



Principal Risks

Principal Risks	Risk Title	Risk Description	Causes	Ongoing Mitigation Plan	Long-term Mitigation Plan
Financial Risk	Price volatility	Volatility in market price of MEPCO products may affect product demand and lead to reduced revenues and margins.	• Economic recession. • Disparity in supply and demand. • Entry of new producers in the market bringing in excess supply.	• Prices are decided in advance for each quarter by the Pricing Committee (comprising of President, CCO, CFO, and key Stakeholders), as per referenced reports such as RISI reports, which are analyzed for better forecast.	• Developing forward integration through M&A to ensure price and revenue consistency.
	Economic slowdown	Dynamic economic conditions in markets, which the MEPCO currently serves may significantly restrict growth opportunities.	• Negative market outlook. • Economic recession. • Geopolitical crisis. • Epidemics.	• Product diversity facilitates sustainable revenue. • Conducting regular assessments to identify and penetrate untapped high-potential markets. • Enhancing operational efficiencies to optimize costs.	• Developing targeted schemes to ensure top customers are satisfied. • Developing contingency plans for potential disruptions to operations.
Health, Safety, and Environment Risk	Inadequate fire prevention system	Inadequate fire prevention system may lead to a loss of life, equipment, and inventory damage resulting in financial loss and reputation damage.	• Inadequate infrastructure to prevent fires. • Lack of funds to invest in an adequate fire prevention system. • Inadequate maintenance of existing fire prevention systems.	• An adequate number of smoke detectors, sensors, water sprinklers, water curtains, fire hose cabinets, portable fire extinguishers, and water hydrants. • A CO_2 system installed in the electrical rooms. • Fire trace systems installed in the electrical panel. • Foam system installed in the HFO tank.	• Tracking all related issues in firefighting system failure in detailed monitoring sheet. • Developing a monitoring sheet to record all firefighting system repairs. • Maintaining a list of all fire prevention equipment and monitoring maintenance of the equipment on a periodic basis. • Appointing safety champions for each department to ensure quick evacuation in times of fire incidents.

Risk Management continued

Principal Risks	Risk Title	Risk Description	Causes	Ongoing Mitigation Plan	Long-term Mitigation Plan
Health, Safety, and Environment Risk	Release of wastewater to NWC	The treated wastewater discharged to NWC may not be adequately tested and monitored for compliance with the defined parameters, resulting in financial penalties.	• Absence of adequate measures to treat wastewater. • Non-compliance with established standards for treating wastewater. • Inadequate infrastructure to treat the waste adequately.	• Process Development and ETP Manager receives daily ETP water sample analysis report from the QC team – including the parameters of the treated wastewater and ETP plant –to monitor the compliance with the accepted parameters defined by NWC. • Process Development and ETP Manager ensures that the current COD level of treated wastewater is lower than the parameters defined by NWC.	• Installing a developed water treatment station to ensure compliance with NWC regulations and parameters.
	Absence of adequate health and safety controls	Absence of adequate health and safety controls and unsafe practices may cause injuries to employees and result in financial and reputational impact.	• Absence of adequate health and safety controls. • Absence of awareness sessions.	• Personal protective equipment (PPE) is available and provided to MEPCO employees. • Firefighting and fire-prevention systems are installed. • Managers and departmental safety committees are established to monitor safety compliance. • The Safety Department is comprised of 14 members who are present 24 hours a day. • First aid boxes are maintained and available at the mill.	• Conducting safety assessment to identify vulnerabilities. • Developing a plan to implement measures to address the vulnerabilities. • Maintaining a list of all fire-prevention equipment and monitor maintenance of the equipment on a periodic basis.
Operational Risk	Data governance and cybersecurity	A deliberate or assisted attack or accidental damage to our digital data assets may lead to a data breach and IT system shutdown, resulting in disrupted operations with ineffective or inefficient and costly work-arounds, permanent loss of key or sensitive data, financial loss, and reputation embarrassment.	• Deliberate or assisted attack or accidental damage to digital data assets. • Ongoing digital revolution, new innovations, and cloud adoption. • Social media, mobile device usage. • Increasingly sophisticated attack strategies.	• Firewall and antivirus installed and up to date. • Patch updates carried out. • Advanced threat protection by Microsoft license obtained. • Trend micro antivirus license obtained. • Data governance framework has been developed.	• Assessing the data governance and protection controls within MEPCO and developing an action plan to improve overall governance and security. • Conducting vulnerability checks and assessing if existing infrastructure is sufficient to manage security threats. • Conducting data governance and cybersecurity audit as a part of overall IT audit.

Principal Risks	Risk Title	Risk Description	Causes	Ongoing Mitigation Plan	Long-term Mitigation Plan
Operational Risk	Failure to meet the sales targets and inability to attract customers	Failure to meet the monthly or annual sales targets and inability to attract local and international customers may impact revenue growth.	• Absence of annual sales targets and sales plan. • Inadequate marketing initiatives. • Inadequate market demand.	• Annual sales plan is prepared and approved based on the annual approved budget. • Sales prices are subject to review on a quarterly basis to remain competitive. • Sales and Marketing Department and Senior Management engage in local and international exhibitions to promote MEPCO's products.	• Developing integrated marketing plan to ensure sales targets.
	Untimely availability of raw materials	Untimely availability of raw materials used in production, leading to loss of revenue and business disruption.	• Absence of a robust material planning process. • Absence of defined inventory levels.	• Supply chain manager monitors the availability of raw materials on a monthly basis. The raw materials used in the production are procured from WASCO, international, and other vendors. • Management implemented safety stocks policy and periodically checks the level of its safety stocks. • Monthly reports are prepared showing procurement and stock levels and sent to Senior Management. • Management monitors raw material prices monthly to control stock prices. • Supply Chain Department is issuing a monthly report for stock balances, follow-ups, quantities ordered, quantities received, quantities in transit, destinations, quantities not yet ordered, and general status of the budget.	• Integrating material requirement plan with WASCO to ensure continuous availability of raw materials. • Considering entering into long-term contracts with other suppliers to guarantee a constant supply and consistent rate of raw materials.

Risk Management continued

Principal Risks	Risk Title	Risk Description	Causes	Ongoing Mitigation Plan	Long-term Mitigation Plan
Regulatory, Legal, and Compliance Risk	Absence of applicable licenses	Absence of applicable licenses for environmental, municipality, civil defense, industrial, and commercial, leading to penalties and sanctions with financial and reputational impact.	• Non-application for applicable licenses. • Irregular follow up with the respective authorities.	• Obtained all required business licenses, including: - Environmental license. - Municipality license. - Civil defense - 2021 is under renewal. - Industrial license.	• Establishing a comprehensive tracker (including details of expiry, relevant authority, mode of renewal) to monitor licensing requirements. • Reviewing this list by the respective department, and communicating to the HSE Manager and Government Relations Manager, 2 months prior to the expiry. • Monitoring compliance with the licensing requirements on a periodic basis.
	Unauthorized disclosure of corporate deals/ significant information	Unauthorized disclosure of corporate deals/ significant information (Code of Conduct) could harm the Company's business and standing with its customers.	• Absence of non-disclosure agreements (NDA) with consultants, contractors, and third-party administrators. • Ease of access to confidential data. • Absence of NDA clauses in employment contracts of Senior Management.	• Signed NDA agreement with suppliers and customers before entering into a contractual agreement. • Annually sign an undertaking and a declaration document, which ensure non-disclosure of confidential information by the employees. • Code of Conduct policy is in place.	• Conducting awareness session on the Code of Conduct policy, whistleblower and anti-fraud practices to be conducted. • Updating the Code of Conduct policy CHRO. • Disclosures – GRC.
	Non-compliance with export/ GDPR regulations by the EU	Non-compliance with export and GDPR regulations by EU may lead to huge legal and financial exposure and affect MEPCO's capability to service European markets/customers.	• Non-monitoring of export regulations by EU. • Inability to assess GDPR requirement.	• Management periodically follows up on the updates of export regulations enforced by the EU.	• GDPR applicability to be assessed (not required currently).
	Emission of SOx level higher than GAMEP standards	Emission of SO_2 at higher levels than GAMEP standards may lead to levy of fines and/or operational disruption.	• Inadequate maintenance. • Faulty equipment. • Non-availability of equipment to control SO_2 levels. • Non-availability of required chemicals to adjust water quality.	• 5 flue gas desulphurization (FGD) units have been established to reduce the emission levels to GAMEP standards. • Chimney has been extended from 30m to 90m. The new chimney height will be reduced to 60m after the FGD system is implemented. • Quarterly environmental compliance check is conducted by contractor, which is appointed by the relevant authority (GAMEP).	• Establishing and implementing the ESG strategy entailing Scope 1, Scope 2, and Scope 3.

Principal Risks	Risk Title	Risk Description	Causes	Ongoing Mitigation Plan	Long-term Mitigation Plan
Reputational Risk	Fraud and corruption	Enterprise culture is lacking in preventative as well as detective controls. An absence of a protective environment for whistleblowers, through policies, may encourage external and employee fraud and corruption (such as collusion, bribery, and leaking of confidential information) resulting in 'hidden' financial losses, reputation, and talent loss.	• Absence of policies and procedure for Code of Conduct, anti-corruption and anti-bribery. • Inadequate segregation of duties and weak internal controls. • Absence of whistleblowing policies and mechanism.	• Annually sign an undertaking and a declaration document which ensure non-disclosure of confidential information. • Code of Conduct and whistleblowing policy are in place.	• Creating awareness of whistleblower policy and communicate protection/ rights of the whistleblower – implemented. • Considering conducting a fraud risk assessment to identify areas susceptible to fraud – implemented.
	Absence of mechanism to regulate investor communications	Absence of mechanism to ensure unified communications to maintain investor relations may expose MEPCO to reputational risks.	• Inadequate mechanism to communicate to investors.	• Active Investor Relations Department that controls the release of public information to ensure all investors have access to timely, accurate, and relevant information. • Communications with the public are made through the Investor Relations Department and/or Senior Management, depending on the content that needs to be communicated.	• In-house Investor Relations Officer hired. • Focus on developing and carrying out annual investor relations plan.

3 Business Review

MEPCO as a Group

MEPCO growing in the paper value chain

MEPCO: Middle East Paper Company was established in 2000 to manufacture containerboard and industrial paper from recycled fiber pulp

WASCO:
- MEPCO **100%** ownership
- **Largest waste collection** and sorting company in the Middle East
- **19** collection centers in KSA
- **500,000 tons** per year collection and recycling capacity
- MEPCO obtains more than **80%** of its raw materials and recycled fiber pulp from WASCO

Estidama:
- WASCO joint venture with Jeddah Municipality
- Scope: Municipal recycle
- Waste collection and sorting
- Waste management

MEPCO:
- **The largest paper mill** in Middle East and Africa
- More than **20 years** of international partnership
- Global presence across **50+ countries**
- International trade expertise
- Leading with innovation to boost the sustainability of products and production processes
- MEPCO recycles **70%** of the water used in production
- MEPCO produces **100%** of its own power at the dedicated generation facility

Where MEPCO strategy aims to reach through M&A

The paper manufacturing process involves several stages, including the preparation of raw materials, which is either virgin pulp or recycled paper

The process of converting raw materials, such as recycled fiber, wood fiber, and other materials, into paper products includes refining, forming, pressing, drying, and finishing.

The process by which paper products are corrugated/pressed into wave-like shapes (flutes). The corrugated boards are then dried, scored, cut, and ultimately used for making corrugated boxes.

Recovered paper and pulp

Backward Integration

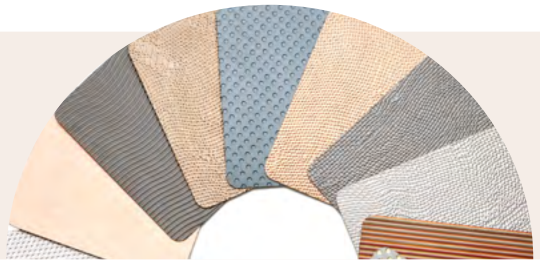
Containerboard and Jumbo tissue roll

Forward Integration

Corrugated board/box

Diversification via production and sales of tissue rolls

Imported



Juthor:
- New tissue mill
- Projected to satisfy **25%** of local demand
- Total installed volume **c.60,000 ton**
- Products: facial tissues, toilet papers, kitchen towels, napkins

The process of converting Jumbo tissue rolls into end products such as facial tissues, kitchen towels, napkins, and C fold for home and non-home use.

Paper and Packaging

MEPCO

In 2023, the Paper and packaging industry grappled with a challenging global economic landscape, marked by a significant decline in prices, as evidenced by the nearly 10% drop in PIX packaging price indices for containerboard within a mere six months (Figure 1). Despite these headwinds, we defied expectations, achieving remarkable success and outperforming our competitors. Even with the overall real GDP of the Kingdom of Saudi Arabia experiencing a slight contraction of 0.8%, the non-oil sector showcased remarkable resilience, expanding by an impressive 4.4%. This robust growth in the non-oil sector effectively offset the impact of the 9% contraction observed in oil-related activities.

Our strength, agility, and unwavering commitment to growth fueled an outstanding performance. We increased deliveries by 6% and sales volumes by 4%, surpassing many European and international competitors who experienced declines of up to 5%. Additionally, our exceptional productivity was evident in MEPCO's 90% operational and utilization rate, significantly exceeding the global average of 77%.

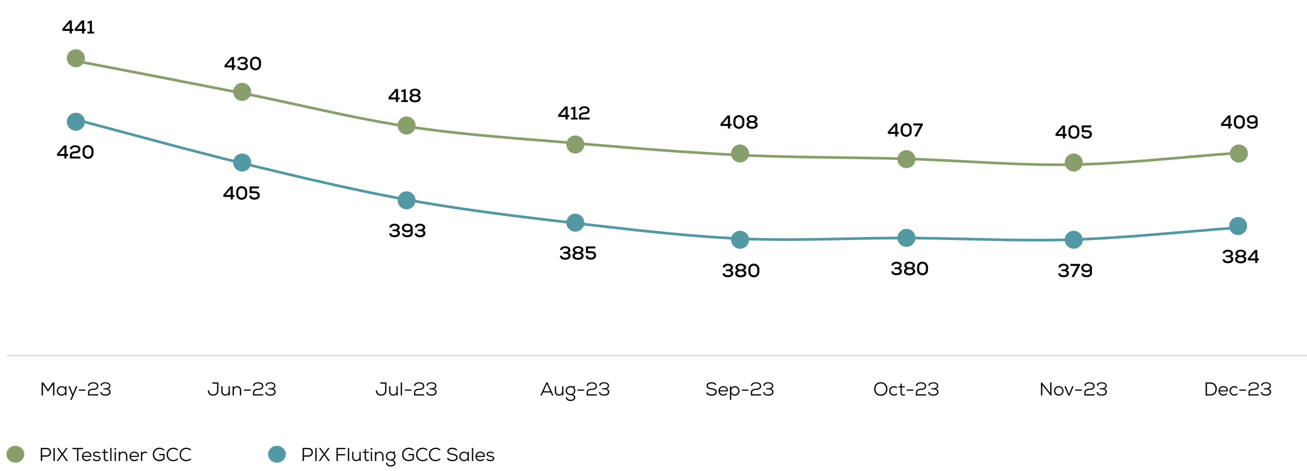
Furthermore, while worldwide demand dipped by 2.5%, we doubled down on our expansion targets, increasing export sales volumes by 14% and reinforcing our focus on new territories. In addition, we continued to drive business in local markets, achieving a 1% increase in sales within the Kingdom of Saudi Arabia compared to 2022, despite the region's already historic levels of demand.

Leadership and Expansion

As a cyclical industry in a global downturn, we reaffirmed and extended our industry leadership within the region in 2023, demonstrating our ability to anticipate and adjust to market changes, a crucial advantage to any business in any industry. Our confidence in strategic expansion and understanding of the demand across new regions proved to be essential tools as we bucked the industry trend of instability and extended our market reach.

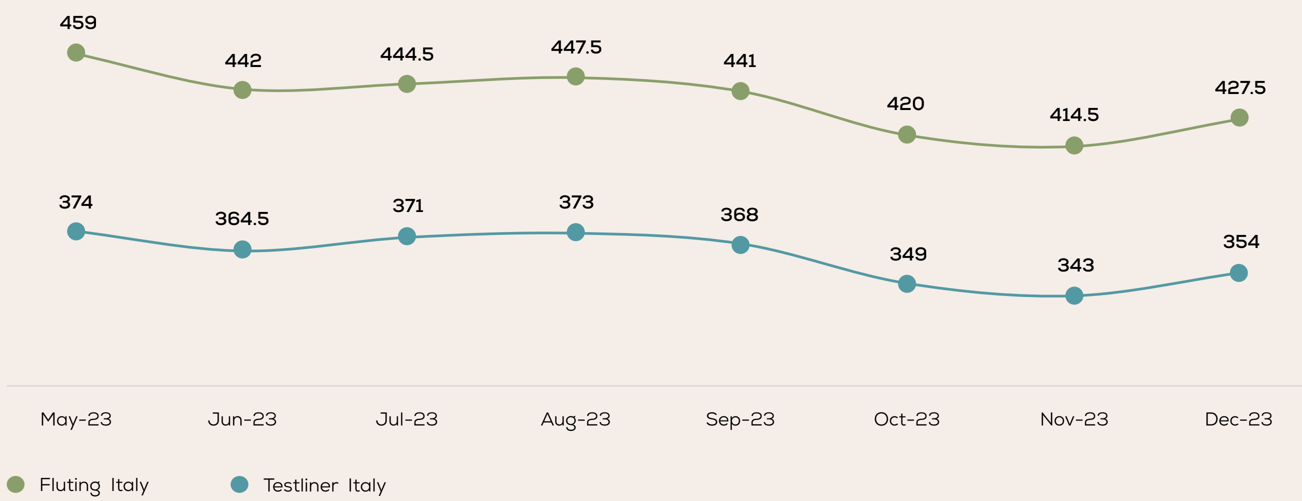
Our international containerboard and paperboard growth had a significant impact on our results and will continue to add further value in the years ahead. Having secured business with two new African nations and a further two in the Middle East - including a leading role in Iraq - our MENA and Asian exports grew by 59%.

PIX Packaging GCC Price Indices For Containerboard*

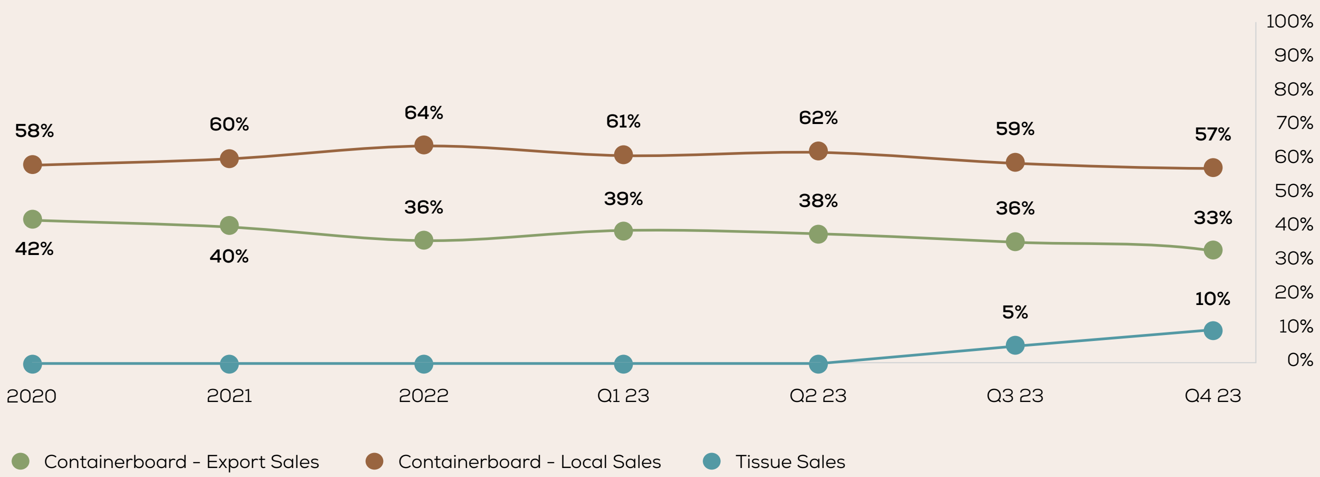


*Index was launched on 6th June 2023, we are disclosing the prices on a monthly basis since launch date *, USD/ton

PIX Packaging Italian Price Indices For Containerboard



Sales Distribution in Value (MEPCO Group)



Paper and Packaging continued

MEPCO continued

14%
increase in export sales volumes

4.4%
growth in KSA's non-oil sector in 2023

59%
increase in MENA and Asian exports

The MEPCO brand reputation has promoted awareness of our business as a company at the forefront of premium quality, exceptional value and operational excellence. Our products, our name and our heritage as a leader have attracted the most discerning local and international customers.

Backed by more than 20 years of experience, expertise and unrivalled industry knowledge, MEPCO's Paper and packaging business unit has both the insight and instinct to identify international and domestic sales potential. Furthermore, our absolute commitment to improving our operational processes and the quality of our products ensures that our current clients are retained while we foster new relations.

As we continue to diversify and broaden our product offerings to fulfil greater demands, and in accordance with our growth strategy towards PM5, we will double our production capacity, adapting the latest technology to produce recycled containerboard and produce high-demand low GSM paper products. Our portfolio covers the entire grade range from the lowest ply to the strongest core board available on the market.

As one of the leading providers of paper and packaging turnkey solutions in the Kingdom, MEPCO continues to venture into new markets and strengthen its presence in established sectors, including large-scale construction and furniture supplies. Delivering a unique 'one-stop-shop,' our range of product grades ensures the highest quality, greatest value and most eco-friendly commodities for a wider customer base.

Allies and Awards

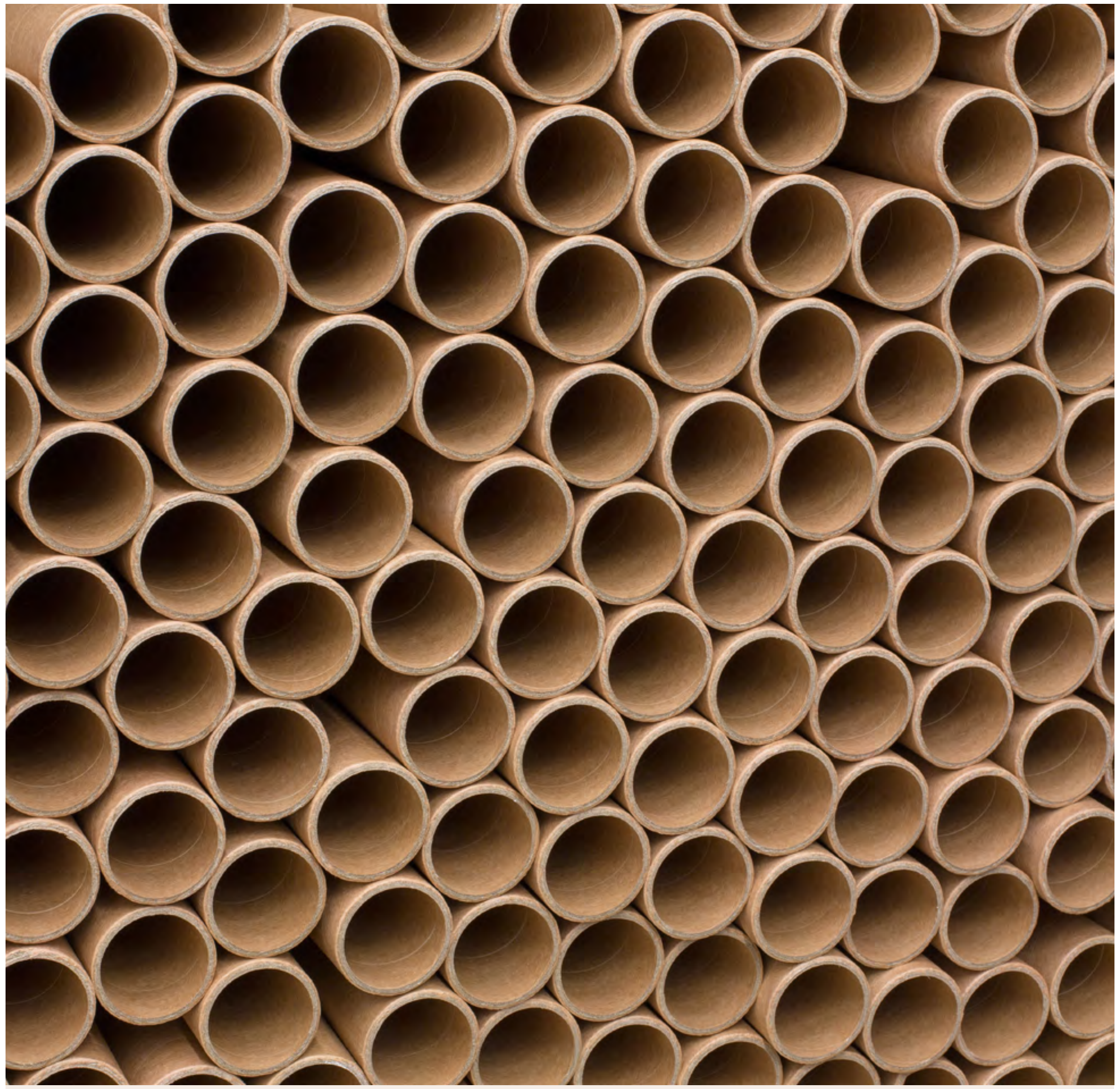
Greycon
As an innovative, progressive company with infrastructure at the heart of our business, we continue our commitment to digital transformation using the most pioneering industry technology. We are constantly reviewing our processes and operations to ensure our customers have premium products at the most competitive prices, and rapidly-evolving technology plays a major role in achieving those goals.

In 2023, as part of our ongoing drive for digitization, we collaborated with Greycon, the world's leading provider of production planning, forecasting, scheduling and manufacturing execution systems, on the implementation of its X-Trim solution.

By deploying X-Trim, we have been able to decrease the time spent by planners on trim optimization, increase our manufacturing efficiency and streamline our processes, all essential components in our growth strategy.

Fastmarkets
MEPCO's invaluable relationship with Fastmarkets, the platform for asset and competitor analysis, has become an integral part of our daily operations, providing us with key regional industry insight and market intelligence. The company's rich source of customizable data and statistical analysis enables MEPCO to compare our material costs and end-product prices with national and international averages.

In December 2023, at the Pulp and Paper Industry Awards in Turkey, we were delighted to be awarded Fastmarket's Recognition of Excellence, an honor which includes Sustainability, Innovation, Leadership and Safety.



Strength in our Future

We are working in a constantly changing industry which is fundamentally at the mercy of the markets. However, we proved in 2023 that MEPCO is exceptional in its foresight and remarkable in its ability to both anticipate and react.

As we look to 2024 and beyond, however the world evolves, we remain confident in our ability to lead with the same unwavering belief in our strategies. We understand that many external factors are beyond our control, but we are committed to proactively addressing those within our influence. This includes prioritizing sustainability efforts such as increasing awareness of the importance of recycling paper, reducing our carbon footprint, and embracing digitalization to enhance efficiency and reduce waste.

We will continue to expand into new international territories while ensuring that our core local clients are provided with the quality and consistency that has become synonymous with our name. In addition, we will continue to diversify and bring new products to new markets. In 2024, we will continue to build on our successes and maximize our contribution to two decades of world-class operations and customer satisfaction.

Paper and Packaging continued

JUTHOR

With an annual production capacity of 60,000 tons, Juthor stands as the Kingdom's first state-of-the-art tissue manufacturer, addressing up to 25% of the large and expanding Saudi Arabian tissue market. Juthor's successful commercial launch of operations this year is key to diversifying MEPCO's revenue streams and positions the Company for sustainable growth in the future.

25%

market share in the Saudi tissue market

60,000 tons

of annual production capacity

MEPCO's new tissue plant moved to commercial production with premium products just 3 weeks post-startup. In under 4 months, Juthor successfully produced prime facial grade products.

This smooth transition from construction to operations, and the introduction of a tissue dust measurement tool and methodology, mark significant milestones in production and R&D, showcasing Juthor's strong performance and strategic progress.

Launching this new plant has already made a notable impact in the Saudi market, a top 10 global tissue importer. It will serve to reduce costs and dependency on tissue imports by producing a high-quality range of "Saudi Made" accredited tissue products, including facial, napkin, toilet, and kitchen towels, catering to the needs of domestic, business, and retail sectors.

MEPCO's initiative in localizing tissue paper production taps into the robust post-pandemic demand for hygienic paper products, supported by favorable demographics, strong GDP per capita, and growing urbanization and tourism. The high-speed production capabilities at Juthor are pivotal in addressing these increasing demands.

2023 was marked by key operational progress, including the start of a test run in April and the launch of commercial operations in June. The focus remained on achieving targeted performance and volume soon after startup, with ongoing efforts in cost savings, efficiency, quality enhancement, and people development. This approach resulted in Juthor quickly establishing a market reputation as a formidable newcomer in the industry.

Juthor managed to sell locally and internationally, increasing penetration in both markets, while catering for the local demand. Since commercial launch in June, utilization rate steadily increased to reach an impressive 67% in Q4.

The Juthor plant, equipped with a pioneering Toscotec-supplied tissue machine in King Abdullah Economic City, is characterized by minimal carbon emissions. Powered by clean, efficient natural gas and featuring dedicated water treatment facilities, Juthor aligns with MEPCO's commitment to zero effluent water discharge.

In its first year, Juthor employed over 100 skilled employees, fostering a culture prioritizing health and safety, and optimizing efficiency. The plant's operations align with MEPCO's end-to-end value chain, ensuring premium product quality and customer service excellence.

" We are proud to have launched our new tissue plan in 2022, achieving new milestones with the latest state-of-the-art technology and the fastest, energy-efficient capabilities. Juthor is now better able to serve our customers by producing the best quality tissue paper in the market, with the lowest cost and lowest carbon footprint. "

Adel Al Far
Operational Director

About JUTHOR

Juthor is a modern factory producing Jumbo tissue rolls in KAEC (King Abdullah Economic City), featuring Saudi Arabia's first cutting-edge tissue machine. It produces an extensive range of competitive tissue paper products, all of which are "Saudi Made"-accredited, so businesses benefit from superior Jumbo rolls across a wide range of basis weights, with guaranteed maximum softness.

Juthor serves both the Saudi market and worldwide customers from its location in close proximity to King Abdullah Port, the Kingdom's newest full-service commercial port facility featuring state-of-the-art technology and logistics expertise.

JUTHOR in 2024

In 2024, Juthor is committed to enabling programs under Saudi Vision 2030, including creating jobs within the Kingdom and providing opportunities for employees to develop and broaden their skills. This is comprised of working on increasing the utilization rate, expanding within our existing markets and continuously developing the highest quality.

Its digital transformation approach aligns the Company with global best practices, implementing cutting-edge digital solutions to increase efficiencies and provide data-driven insight. These include deploying SAP solutions that automate, align, and enhance processes and lead to an improved B2B customer experience.

Integrated Waste Development

WASCO

In 2023, WASCO maintained our leadership position by collecting and processing 500,000 tons of recyclables across the Kingdom. We solidified our market presence by securing new major plastics and metals offtakers, resulting in a significant increase in scrap feedstock. We also reinforced our market-leading commitment to sustainable recycling practices, supplying over 90,000 tons to 20 recyclers during a year of progress and achievement.

With the launch of our new Waste Management Strategy this year, we were able to introduce innovative solutions and establish strategic partnerships to expand our operations and improve our service offerings. Additionally, we initiated the digitalization of our operations, aiming to ensure efficiency and elevate the quality of our services.

Through strategic focus and effective execution, we achieved a remarkable 25% reduction in landfill contributions within just a year, leveraging advanced technologies and a steadfast dedication to sustainability. Our innovative recycling initiatives captivated the community, leading to a 40% increase in recycled materials.

By building strategic partnerships with local businesses, we streamlined our collection processes and enhanced the efficiency of converting waste into valuable resources. This success substantially lessened the environmental footprint and established WASCO as a frontrunner in the pursuit of a more sustainable future. This achievement exemplifies how strategic foresight and a commitment to environmental stewardship can effectively align.

Successfully Navigating Challenges

WASCO encountered several pivotal challenges, primarily stemming from the introduction of new regulatory frameworks. Adapting to these regulations required a comprehensive overhaul of our operations to establish full compliance. Navigating the intricacies of these regulations demanded a significant commitment of resources and effort.

Another significant hurdle involved optimizing the partnership with Jeddah Municipality to ensure mutual benefits and effective support in regulating the market. This involved meticulous coordination and communication to guarantee a favorable outcome for both parties and contribute to a well-regulated Waste Management Sector.

Furthermore, maintaining a dominant position in the market, representing 50% of the OCC market size in recycling, posed ongoing challenges due to intense competition and market fluctuations. Our success in this regard hinged on our ability to adapt to dynamic conditions through continuous monitoring and strategic adjustments.

90,000 tons

of waste supplied by WASCO to 20 recyclers

50%

OCC market size

" I am thrilled to share our waste management company's remarkable achievements over the past year. Through unwavering commitment to sustainability, we have successfully executed a strategic plan that has elevated our operational efficiency and environmental impact. From pioneering recycling initiatives to forging strategic partnerships, we have reduced waste, enhanced resource recovery, and significantly contributed to a greener planet. As we navigate the complexities of waste management, we remain steadfast in our dedication to innovation and excellence. Together, we can build a future where responsible waste practices pave the way for a cleaner, more sustainable world. "

Abdul Aziz Al Jazzar
WASCO General Manager

Best Waste management company - 2023 KSA

25%

reduction in landfill contributions within just a year

Integrated Waste Development continued

WASCO continued

Despite the complexities presented by these difficulties, we demonstrated remarkable resilience and adaptability. We successfully overcame regulatory obstacles, maximized the benefits of our partnerships, and navigated market obstructions, thereby solidifying our position as a market leader in the waste management industry.

Growth and Performance

During this year, WASCO embarked on a dynamic integrated strategy encompassing operations, sales, and marketing, aimed at propelling growth and enhancing brand visibility. Central to this strategy was an in-depth market analysis, pinpointing current market trends, recyclers' requirements, and emerging sources of collection. Armed with this insight, we developed a powerful brand narrative that deeply resonated with our target audience.

The Marketing team adopted a diversified approach, combining the forces of digital marketing, an amplified social media presence, and active participation in local and regional waste management awards to broaden our reach. Simultaneously, the sales team concentrated on forging strong relationships with clients, offering tailor-made solutions to meet their specific needs.

A significant investment was made in an enterprise resource planning (ERP) system to streamline operations and improve communication, thereby enhancing the overall customer experience. We also established regular performance reviews and feedback mechanisms, ensuring the flexibility to make swift, informed adjustments to the strategy.

This comprehensive approach yielded remarkable results: a surge in brand awareness, a substantial increase in market share, and a significant rise in both the volume of materials collected and sales figures. These outcomes highlighted the success of WASCO's integrated operations, sales, and marketing strategy.

New Production Milestones

In 2023, WASCO accomplished significant breakthroughs in both production, and research and development (R&D).

On the production front, we saw a remarkable 35% boost in waste processing efficiency. This was achieved through major upgrades to our materials recovery facility (MRF) and the optimization of operational processes, leading to reduced machinery downtime and a substantial increase in overall output.

In the realm of R&D, we pioneered groundbreaking recycling technologies, encompassing everything from the sorting process to the final treatment of waste. This marked a significant leap in our commitment to sustainability, as the newly developed technologies not only enhanced recycling efficiency, but also established WASCO as a trailblazer in the industry.

These accomplishments highlight WASCO's unwavering commitment to operational excellence and our ongoing pursuit of innovation in waste management practices.

Driving Efficiency and Cost Savings

In a groundbreaking cost-saving initiative, WASCO implemented a strategic plan to reduce transportation expenses for our collection of recoverable paper and cardboard. We entered into partnerships with competitors operating in the city where a MEPCO plant is located. Through a unique material exchange program, we swapped recyclable materials collected in remote cities by our competitors with materials collected locally by our operations.

This innovative approach minimizes the need for long-distance transportation of materials, significantly cutting down on logistics costs and reducing the environmental impact associated with transportation emissions. The initiative increased operational efficiency while fostering collaboration within the recycling industry, demonstrating our commitment to sustainable practices and cost-effective solutions.

A key aspect of our success has been our strategic partnerships with local municipalities. These collaborations have streamlined waste collection processes, resulting in increased rates of material recovery. Furthermore, we actively engaged with communities through various initiatives. These include outreach programs and incentivized collection models that reduced landfill contributions and bolstered our reputation in the market.

Our comprehensive approach, which skillfully blends technological innovation, strategic partnerships, and community involvement, led to remarkable achievements in the waste management industry, underscoring our commitment to environmental sustainability and our role as a leader in the sector.

About WASCO

WASCO stands at the forefront of waste management, with a comprehensive strategy that contributes to a cleaner and more sustainable planet for future generations., With nearly 20 locations spanning the Kingdom, WASCO has a market-leading geographical presence, creating value through a strong technical team and know-how built over more than 2 decades in the market.

Our primary mission revolves around pioneering waste minimization and recycling initiatives to combat the growing challenge of waste accumulation. We employ advanced technologies to offer holistic waste management solutions. Our services include the development and operation of materials recovery facilities (MRF), designated centers for sorting recyclables, and state-of-the-art processing methods. Our strategy prioritizes environmentally conscious disposal methods as a last resort.

What distinguishes WASCO is our dedication to customized and scalable solutions, tailoring our services to meet the specific requirements of each client. Our approach is not just about managing waste, it is about fostering circular economies and maximizing the value extracted from discarded materials. Our sophisticated sorting procedures and resource recovery techniques significantly reduce landfill dependency, thereby lessening environmental impacts.

WASCO in 2024

In 2024, WASCO aims to maintain its positioning as the largest waste collection and sorting company in the Middle East and Africa, while continuing to expand its reach regionally.

WASCO is constantly aligning its long-term objectives with those of Saudi Vision 2030 and seeking to enlarge its reach and impact.

Integrated Waste Development continued

ESTIDAMA

Estidama made solid progress in fulfilling its strategic mandate in 2023, highlighted by the comprehensive upgrade of all of its facilities to ensure full adherence to the latest regulations. It also opened new sites to increase capacity and made significant strides to reinforce its supply chain, which included qualifying transporters and utilizing digital tools, reinforcing its standing as an innovator and leader in the Kingdom's recycling sector.

Estidama set out to bolster its presence in Jeddah in 2023, with the ambitious goal of collecting and processing 144,000 tons of recyclable materials during the year. To this end, it made significant strategic investments, notably in establishing 2 advanced receiving centers in the eastern part of Jeddah.

This was achieved by strategically locating its sites to improve accessibility for partners and improve collection services, with a keen emphasis on minimizing logistics challenges. The company successfully established multiple compliant sites, setting the stage for these strategic initiatives to yield substantial results in 2024.

The company adeptly overcame market challenges by actively engaging in the regulation of the Jeddah waste management market. It strictly adhered to compliance measures by operating solely within licensed sites.

Additionally, it enhanced its supplier relationship management by utilizing electronic contracts registered on the Madinaty platform, a move that significantly boosted transparency and governance.

These strategic actions not only established Estidama as a conscientious participant in the industry, but also highlighted its dedication to keeping pace with changing market regulations, particularly in the sustainable management of recyclable materials.

Strategic Focus and Priorities

Estidama's strategy is focused on 4 main objectives:

Market organization: Aiming to streamline and regulate the waste management market within Jeddah, Estidama plays a key role in bringing order and efficiency to the sector.

Waste reduction: The initiative is focused on reducing the volume of recyclable materials reaching landfill sites, thereby mitigating environmental impact and promoting sustainability.

Supplying raw materials: By collecting and processing recyclable waste, Estidama provides valuable raw materials to local manufacturing industries, supporting the Kingdom's industrial sector.

Workforce development: Estidama is dedicated to training and qualifying Saudi nationals in waste management, building local expertise and capacity in this crucial sector.

" We are working in close collaboration with the Jeddah Governorate Municipality to standardize and elevate waste management practices across different types of waste. Applying our specialized expertise and proficient workforce, we are continuously raising standards in key sustainability metrics, such as collecting recyclable materials and encouraging recycling habits. Our holistic approach to landfill management, along with our efforts to raise environmental awareness, demonstrate our dedication to nurturing a culture of environmental stewardship. "

Abdullah El Ghamdi
Estidama General Manager

22 years

Estidama's 22-year contract with a Jeddah-based company for land rental within a landfill

To achieve these strategic objectives, Estidama is committed to taking action in the following areas.

Recyclable materials trading centers: Establishing and operating centers for trading recyclable materials, integrating this activity within the commercial municipal waste management framework.

Environmental awareness: Promoting the importance of sorting waste at the source through various sector-level activities, enhancing community understanding and participation in recycling efforts.

Collection mechanism development: Innovating in waste collection by employing modern technical methods that align with the Kingdom's digital transformation goals and Saudi Vision 2030.

Through these focused objectives and tasks, Estidama is set to significantly contribute to organizing the Waste Management Sector in Jeddah, reduce environmental impact, supply raw materials to industries, and develop a skilled national workforce, thus playing a pivotal role in advancing Saudi Arabia's journey towards a sustainable and green economy.

Integrated Waste Development continued

ESTIDAMA continued

Delivering Progress in 2023

In 2023, Estidama embarked on executing a strategic plan to drive substantial progress in its operations. A significant step in this direction was obtaining an exclusivity letter from the deputy mayor, which solidified Estidama's position and influence in the Waste Management Sector.

Additionally, Estidama secured a long-term, 22-year contract with a Jeddah-based company for land rental within a landfill. This agreement is a strategic move to increase Estidama's operational capacity and efficiency.

Operationally, Estidama expanded its presence to 3 regular locations for collecting recyclable materials. This expansion is anticipated to significantly boost collection volumes, contributing to the company's overall productivity and effectiveness.

Financial management and governance at the corporate office were also revamped. Estidama introduced incentive contracts with some suppliers, a move that has been instrumental in maintaining material quantities, reducing costs, and bolstering supplier loyalty.

Another key aspect of Estidama's strategy involved activating electronic control within the company. This included registering the company's suppliers on a truck tracking system post-contract and rehabilitating informal collectors. This digital integration is crucial for enhancing operational transparency and efficiency.

Finally, Estidama focused on improving operational costs, including manpower management and establishing service level agreements (SLA) with WASCO. These measures are geared towards optimizing the company's operational expenses and service efficiency.

ESTIDAMA develops waste management solutions to remove more than 90% of waste from landfills

Research and Innovation

In 2023, Estidama delivered significant progress in better understanding its market and applying innovative solutions to raise standards and increase impact.

In collaboration with a technological partner, Estidama initiated trials for the launch of a pioneering material tracing solution. This innovation is poised to revolutionize the industry by providing a first-of-its-kind solution to enhance traceability and transparency.

Estidama launched a comprehensive study aimed at developing fully integrated waste management solutions for Jeddah. This initiative aligns with the company's goal to divert more than 90% of waste away from landfills, showcasing a commitment to sustainable and efficient waste management practices.

Furthermore, the field control team at Estidama conducted a comprehensive field survey, determining that the volume of paper waste within the city of Jeddah amounted to an impressive 18,500 tons per month. This data will inform strategic decisions in waste management.

The company is also actively pursuing investments in digital tools, aiming to further streamline market regulation and boost operational efficiency, and transparency across its value chain.

These milestones underscore Estidama's dedication to innovation, data-driven decision-making, and the pursuit of holistic solutions for effective waste management.

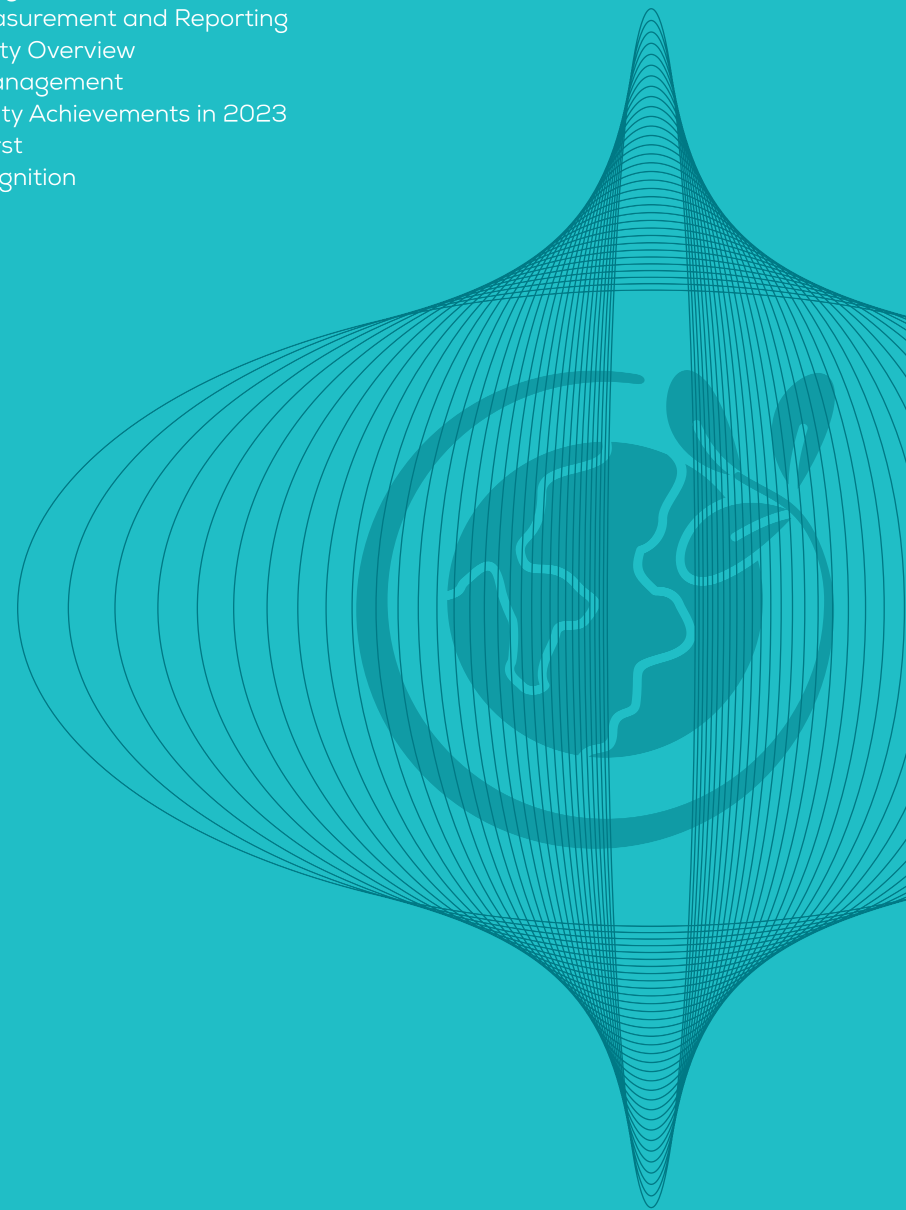
About ESTIDAMA

Estidama is a pioneering recyclable waste management joint venture in Jeddah, created through a strategic PPP collaboration between WASCO and JDURC owned by Jeddah Municipality. This innovative partnership seeks to organize the waste management market in Jeddah, reducing recyclable waste reaching landfills, supplying raw materials to local factories, and training and qualifying national talent in waste management. It marks a significant stride in sustainable waste management in Saudi Arabia, aligning with the broader sustainability ambitions of the Kingdom.

ESTIDAMA in 2024

In 2024, Estidama is poised for significant expansion in waste management, both in geographic reach and service diversity. Our strategy includes opening new branches to broaden our presence across Saudi Arabia, enhancing customer service. With a committed team and a robust strategy, we aim to secure multiple contracts with various municipalities, leveraging our successful track record. Our goal is to deliver comprehensive waste management solutions tailored to the evolving and diverse needs of the Kingdom.

4 Sustainability



Our Approach to Sustainability

Trailblazer for sustainability

At MEPCO Group, we are at the forefront of the circular economy, integrating sustainability into the very fabric of our business model. Our approach involves not only minimizing waste through the reuse and recycling of materials, but also actively seeking opportunities to create positive environmental and social impact throughout our value chain.

Our commitment to sustainability extends beyond operational efficiency. We are actively engaged in backward integration, sourcing recycled raw materials and renewable energy, while simultaneously pursuing forward integration, optimizing the use of our containerboard products. This holistic approach reflects our dedication to minimizing our environmental footprint and contributing to a more sustainable future.

To ensure comprehensive environmental, social, and governance management, MEPCO has undertaken a strategic approach that includes:

- Analyzing global sustainability trends and best practices.
- Identifying material sustainability issues relevant to our operations and stakeholders.
- Establishing a robust sustainability strategy and framework to guide our actions and measure our progress.

This comprehensive and proactive approach to sustainability management enables MEPCO to address current challenges while positioning ourselves for long-term success in an increasingly environmentally conscious world.

Our Sustainability Framework and Material Issues

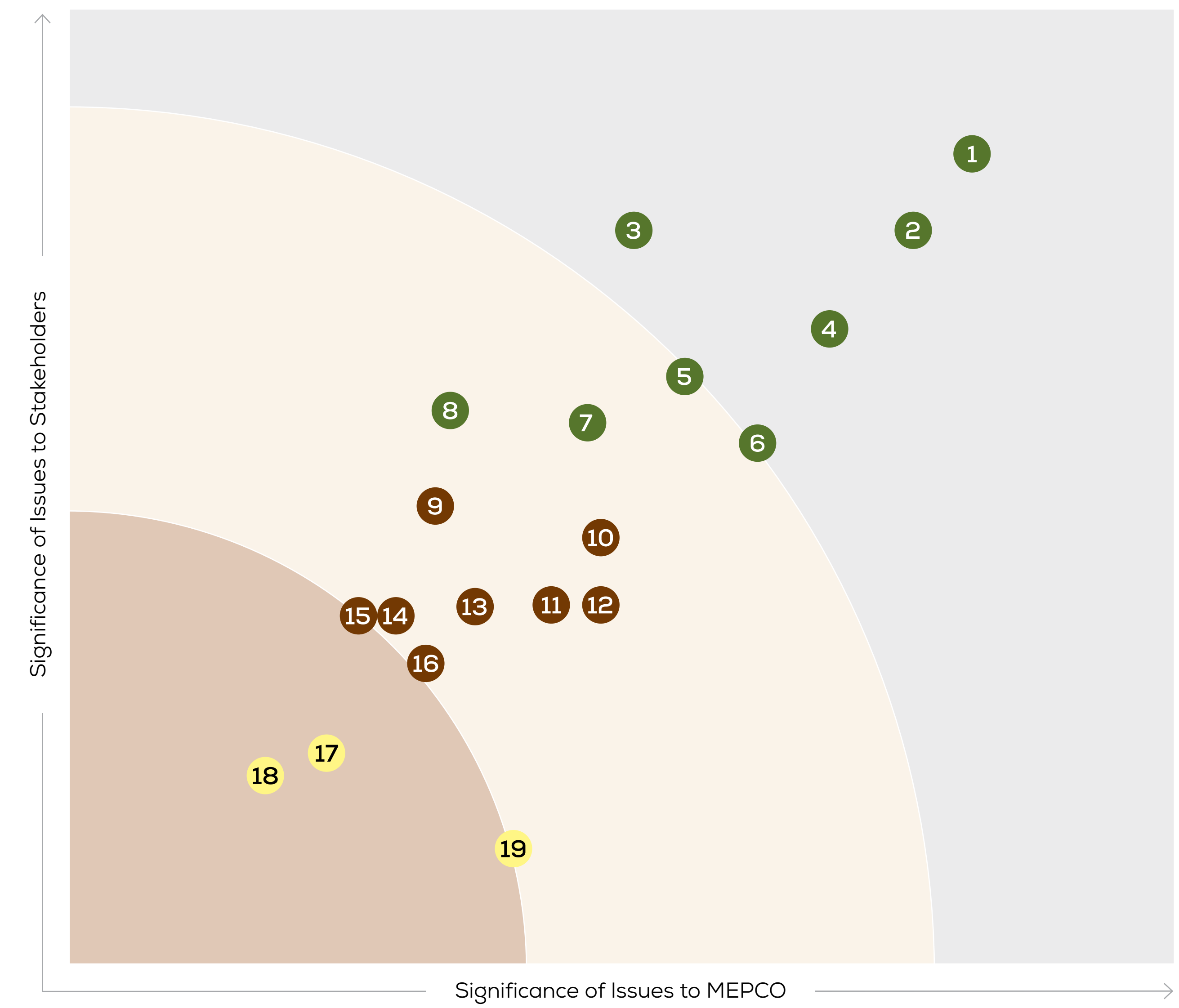
MEPCO regularly assesses and prioritizes our most pressing ESG issues to ensure our sustainability practices and reporting remain relevant and effective. This process involves reviewing national and international frameworks, such as the UN Sustainable Development Goals (SDG), and the Saudi Vision 2030, alongside established international reporting standards, Standards Board (SASB).

In 2022, we conducted a materiality assessment with the support of an independent consultancy to identify and prioritize the most relevant ESG factors for our Company. This assessment involved engaging with key stakeholders, including our Board of Directors, employees, investors, suppliers, and government agencies, to gather their perspectives on our material issues.

We define materiality based on the GRI concept of double materiality, encompassing both financial materiality (impact on enterprise value) and impact materiality (our impact on the economy, environment, and people).

Our resulting updated materiality matrix prioritizes key sustainability issues, such as water and waste management, as well as customer engagement, reflecting their heightened importance to our stakeholders. This assessment will guide our future efforts to effectively manage these critical areas and align our sustainability practices with stakeholder expectations.

Materiality Matrix



Most Important

1. Water management
2. Waste management
3. Business ethics and compliance
4. Corporate governance
5. Business performance
6. Customer centricity
7. Responsible use of materials
8. Energy and climate change management

More Important

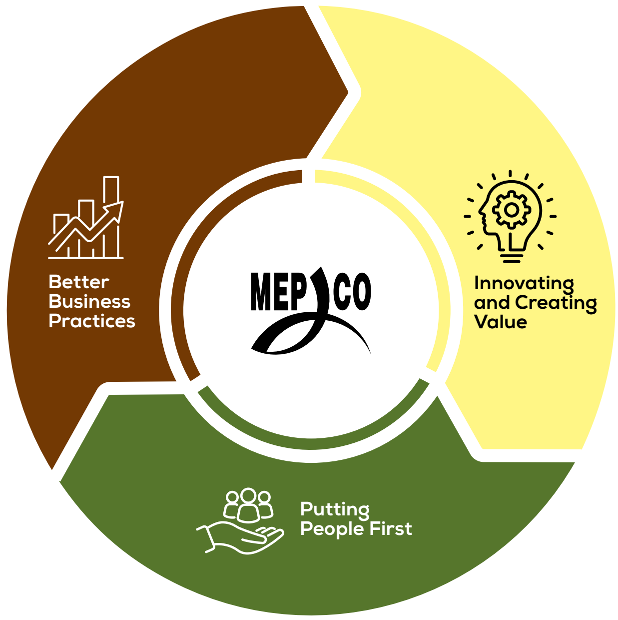
9. Air emission management
10. Risk management
11. Innovating for a more sustainable future
12. Responsibility in the value chain
13. Occupational health and safety
14. Product safety and quality
15. Talent development and diversity
16. Customer privacy and data security

Important

17. Biodiversity and ecosystem management
18. Strengthening communities
19. Circularity and new opportunities

Our Approach to Sustainability continued

Our Sustainability Framework



Alignment with Regional and International Priorities

Our Contribution to Saudi Vision 2030

MEPCO views alignment with the Saudi Vision 2030 strategic framework as integral to our business strategy. By focusing on innovation, sustainability, and collaboration, MEPCO is actively contributing to the Kingdom's economic diversification and social development goals.

Saudi Vision 2030	Target	2023 Achievements
A thriving economy	Diversifying the economy	Strengthened economic resilience through record production levels, introduction of innovative products (lower GSM plasterboard, high-performance core board), and optimized raw material costs.
A vibrant society	Enhancing environmental sustainability	Demonstrated commitment to environmental stewardship by reducing direct greenhouse gas emissions, increasing recycled wastewater usage, obtaining ISO 14001 certification, and upgrading the recycling plant (ETP).
Empowered people	Promoting local content and job creation	Fostered local talent development by hiring over 100 new employees with a focus on diversity and inclusion, particularly increasing the percentage of females in the workforce. Achieved a 'High Green' Nitaqat rating and increased average training hours per employee by 50%. Official sponsor of the Higher Institute for Paper and Industrial Technologies (HIPIT) in Jeddah, a non-profit organization that improves and develops the knowledge and technical expertise of Saudis in the paper and industrial technologies sector. Established and sponsored Al-Khomrah Park in Jeddah.
A thriving economy	Supporting small and medium-sized enterprises (SME)	MEPCO actively engages with numerous SMEs across the value chain, both upstream and downstream, as well as within the same industry segment.

MEPCO's unwavering commitment to Saudi Vision 2030 will continue as we look to explore new opportunities and partnerships that align with the Vision's objectives.

Our Contribution to the UN SDGs

Our deep commitment to UN SDGs reflects MEPCO's dedication to creating a better and more sustainable future for our communities. In this section, we outline our ongoing efforts and contributions to the SDGs that are particularly relevant to our areas of operation, demonstrating our support for these crucial goals.

SDGs	Target	How MEPCO Contributes
4	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Partners with the Higher Institute for Paper and Industrial Technologies to provide vocational and administrative training, fostering skilled employment opportunities for Saudi youth.
5	Achieve gender equality and empower all women and girls	Ensures equal pay for equal work through our Global Salary Policy, promoting fair compensation and a diverse, inclusive workplace.
8	Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all	Prioritizes sustainable growth and a safe, supportive work environment, offering comprehensive employee development programs to enhance professional opportunities.
9	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	Invests in innovation, technological advancements, and digitalization to develop high-quality, value-added products and foster operational efficiency. Use local waste to manufacture products instead of importing.
10	Reduced Inequalities	Supports educational initiatives and local employment to bridge social and economic gaps within our operating regions.
12	Ensure sustainable consumption and production patterns	Champions operational efficiency, responsible resource use, and waste reduction. Designs products with recyclable and biodegradable features, contributing to a circular economy.
13	Take urgent action to combat climate change and its impacts	Proactively addresses climate change through energy efficiency measures, increased recycled material utilization, and reduced water consumption.

Sustainability Measurement and Reporting

MEPCO employs a comprehensive approach to measuring and reporting the success of our ESG activities. We apply a set of key performance indicators (KPI) aligned with our ESG goals and objectives, enabling us to track progress and assess the effectiveness of our initiatives. These KPIs encompass various aspects of MEPCO's operations, including energy consumption, greenhouse gas emissions, water usage, waste management, recycling rates, safety performance, and employee satisfaction.

To ensure transparency and accountability, MEPCO prepares an Annual ESG Report detailing the Company's ESG strategy, goals, and achievements throughout the year. The report highlights performance against the established KPIs, providing stakeholders with a clear understanding of the impact of MEPCO's ESG activities.

MEPCO demonstrates its commitment to transparency and stakeholder engagement by proactively communicating its sustainability initiatives. In addition to our Annual Report, our Company's website features a dedicated sustainability section, offering comprehensive sustainability reports, financial disclosures, and relevant updates.

MEPCO's comprehensive approach to measurement and reporting demonstrates our proactive commitment to continuous improvement in ESG performance. This comprehensive approach, coupled with our dedication to open and transparent communication, ensures stakeholders are well informed about our progress and ongoing efforts.

2023 Sustainability Overview

MEPCO achieved significant sustainability and environmental management milestones and progress in 2023.

Production Milestones

- Achieved highest annual production of PM1 and PM2, meeting 100% our annual production targets.
- Set new record high monthly production of PM2.
- Reached highest historical level of production of low-GSM products.
- Increased share of low-GSM products from 4.8% to 7.2% of total production compared to the previous year.
- Significantly improved the productivity and quality of plasterboard grades.
- Developed a new product called Lower GSM Plaster Board that meets international quality standards.
- Developed a high-value, high-performance core board with minimum cost, resulting in significant cost savings.

Cost-saving Measures

- Implemented cost-saving measures, including a 40% reduction in chemical surface sizing consumption compared to the previous year.
- The overall cost of raw material (fiber) was reduced by 20% compared to the previous year.
- Annual maintenance of the plant and boilers/power plant was carried out successfully, resulting in significant improvements.

Quality Control and Certifications

- Achieved the Energy Management System ISO 50001 certification by LRQA.
- Completed IMS and FSC external audits by a third party.
- Revised product specifications for Plaster Board, WTL, and Core Board to improve product quality.
- Upgraded lab testing equipment and all measuring equipment, including weighing scales, which underwent timely calibration.

Environmental Performance

- Made tangible progress in reducing energy consumption and greenhouse gas emissions.
- Achieved a reduction in petrol and diesel consumption from vehicles.
- Successfully managed hazardous waste disposal in compliance with GAMEP requirements.
- Upgraded recycling plant (ETP) to increase water recycling by 20%.

Safety Culture

- Maintained a strong safety culture, with continued improved performance for a safe work environment, including a recent record of 1,094 days (or 3 years) without accident, equivalent to over 5.4+ million safe man hours.
- The number of incidents of non-compliance with regulations, voluntary codes, or supplier standards, concerning health and safety of products, services, or handling/transport/storage of product increased from zero in 2022 to 1 in 2023. This unfortunate event served to reaffirm our dedication to maintaining a safe and healthy workplace.

Overall, MEPCO's sustainability focus in 2023 revolved around production, cost-saving measures, quality control, environmental performance, and commitment to safety. During this year, we demonstrated dedication to sustainability and environmental management, making significant progress in various areas of our operations.

Environmental Management

In 2023, MEPCO continued to prioritize sustainability and responsible environmental stewardship, demonstrating measurable progress in several key areas.

Water Management

Total Water Consumption (m³)

Recycled Wastewater (m³)

Waste Management

Total Waste (tons)

Hazardous Waste (tons)

Non-hazardous Waste (tons)

Responsible Use of Materials

Total Paper Consumption (tons)

Total Paper Recycled (tons)

*Reflects automation of reel labeling in 2023.

Category	Metric	2022	2023	Change
Energy and GHG Emissions	Direct GHG Emissions (Scope 1) (CO2e)	532,809	522,177	-2.00%
	Indirect GHG Emissions (Scope 2) (CO2e)	11,121	30,518	174.42%
	Total GHG Emissions (Scope 1 + 2) (CO2e)	543,930	552,695	-1.61%
Water and Waste Management	Total Water Consumption (m³)	3,637,957	3,032,330	-1.59%
	Recycled Wastewater (m³)	556,242	956,630	71.98%
	Total Waste Generated (tons)	149,208	152,986	2.53%
	Hazardous Waste Disposed (tons)	147,132	150,914	2.57%
	Non-hazardous Waste Disposed (tons)	2,075	2,071	-0.22%
Paper Consumption and Recycling	Total Paper Consumption (tons)	932	940	0.86%
	Total Paper Recycled (tons)	491,626	477,383	-2.98%

These achievements highlight MEPCO's dedication to minimizing our environmental impact and promoting responsible resource management. The Company remains committed to continuous improvement in sustainability practices and will continue to track and report on our progress in the years to come.

In addition, in 2023 MEPCO:

- Maintained ISO 14001 certification for Environmental Management Systems and conducted regular audits to ensure compliance with environmental standards.
- Upgraded the recycling plant (ETP) to increase water recycling capacity by 20%.
- Reduced water intensity by 3.22% over the past 3 years.
- Achieved 78% FSC certification of product range.

Other Sustainability Achievements in 2023

In 2023, MEPCO solidified our commitment to sustainable business practices through a successful initiative focused on environmental protection and human rights. This initiative centered on 2 key pillars: ethical supply chain management and reducing the Company's environmental footprint. MEPCO prioritizes an ethical culture for our employees, working to ensure fair wages, safe working conditions, and adherence to international labor standards. This commitment has positively impacted the lives of workers and supported their fundamental rights.

Additionally, MEPCO has implemented various measures to minimize our environmental impact, including reducing energy consumption, water usage, and waste generation. The Company has achieved notable reductions in greenhouse gas emissions, water consumption, and waste sent to landfills, contributing to the preservation of natural resources and the mitigation of climate change.

MEPCO's Sustainable Sourcing Initiative serves as a testament to the Company's dedication to social responsibility and environmental stewardship. The positive social impact and environmental conservation resulting from this initiative set an example for others in the industry. MEPCO demonstrates that sustainable practices can be successfully integrated into core business operations, providing a model for other organizations seeking to promote environmental protection and human rights.

In addition, in line with our firm commitment to responsibility towards society, MEPCO established and sponsored an environmental recreational park called Al-Khomrah District Center and Garden in Jeddah Governorate. This initiative is considered one of our initiatives in the field of social responsibility, in cooperation with the Jeddah Municipality and the Neighborhood Centers Association in the Makkah Al-Mukarramah region.

The park aims to improve the aesthetic image of the area and create green spaces that enhance the quality of life and well-being in residential neighborhoods. It has been carefully designed to be a center for social, recreational and sporting activities, which encourages residents to participate in various activities.

The park's area is estimated at 14 thousand square meters, and it includes facilities and equipment that meet the needs of visitors of all age groups. Through this initiative, we seek to create a sustainable and enjoyable environment for everyone, which enhances communication and social interaction among members of the local community.

Finally, during Ramadan, MEPCO Group launched a Ramadan campaign aimed at distributing food baskets to needy families. Over 1,000 boxes were distributed during the holy month.

Putting People First

MEPCO's people narrative is crafted from passion, commitment, and shared accomplishment that begins with the diverse individuals who form the backbone of our team, each contributing a unique chapter to our shared journey. We have fostered stronger interpersonal connections, encouraging collaboration and teamwork among our diverse workforce for enhanced creativity and innovation, resulting in employee engagement, increased productivity, and a collective commitment to organizational success.

Our diverse growth and transformation initiatives during the year propelled the expansion of our capabilities and evolution in our organizational culture, instilling a mindset of continuous improvement and agility. This also has enhanced our competitive positioning, so we remain at the forefront of industry trends and customer expectations. We have set the stage for sustained success, organizational resilience, and a future where we can continually exceed our potential. The collective brilliance, dedication, and passion of the individuals defined us as a great company. It is the synergy of these outstanding individuals that drives us forward, transforming challenges into opportunities and dreams into reality.

We are continuously encouraging openness to change and evolve, which resulted in a culture of innovation, where employees are encouraged to explore new ideas, challenge the status quo, and adapt to emerging trends which in turn has enhanced problem-solving capabilities and a heightened capacity for creative thinking.

Our founder's unwavering commitment to a clear vision has laid the groundwork for our journey, setting the tone for innovation, resilience, and ethical practices. A visionary management team and a committed workforce created a harmonious blend of leadership and execution, ensuring the sustained success and resilience of our organization in an ever-evolving business landscape.

Our commitment to diversity extends beyond mere representation, as it involves creating an environment where everyone feels valued, heard, and empowered to bring their authentic selves to work. Through diversity at all levels, we both mirror the communities we serve, and also cultivate a dynamic culture.

MEPCO's enduring success is a testament to the wisdom and expertise we have cultivated over time. This legacy of excellence inspires trust and confidence, both internally among our dedicated team and externally with our partners and stakeholders.

Our People Strategy

Four years ago, MEPCO launched a dynamic HR strategy aligned with organizational objectives and adaptable to a changing business environment. Our ongoing transformation focuses on building a people-centric strategy, restructuring human capital functions, and positioning HR as a strategic partner and change agent.

We embrace digital transformation, leveraging technology and data to optimize processes. Prioritizing employee well-being, we cultivate a positive culture, champion diversity, and offer continuous learning opportunities. Agile performance management and robust talent strategies support our goals.

Ethics, transparency, and sustainability remain core values. MEPCO's adaptable strategy fosters collaboration and empowers our workforce, driving increased production, sales, innovation, and people development.

Our Corporate Values

MEPCO's corporate values serve as the guiding principles that shape the identity and behavior of an organization. At the core of our Company, our values are the compass that directs our decisions, actions, and interactions.

Integrity stands as a pillar, ensuring honesty and ethical conduct permeate every aspect of our operations.

Innovation drives us to continually seek new solutions, fostering a culture that embraces creativity and adaptability.

Respect for individuals, diversity, and the environment forms the foundation of our interactions, promoting a collaborative and inclusive workplace.

Customer centricity is embedded in our values, emphasizing a commitment to understanding and meeting the needs of our clients.

Accountability ensures we take ownership of our actions and strive for excellence in all endeavors.

These values collectively create the framework for a positive organizational culture, one where employees are inspired, customers are satisfied, and the Company stands as a beacon of integrity and responsibility in the business landscape.

Recruitment

We approach talent acquisition as more than a recruitment process; it is an opportunity to identify and attract individuals whose skills, values, and aspirations align with our organizational culture and objectives. In 2023, we launched 3 talent acquisition campaigns in the Kingdom of Saudi Arabia to attract young Saudi talent, addressing both current and future business requirements.

We onboarded over 114 individuals for the MEPCO Group, covering a spectrum of roles from C-level executives to skilled blue-collar staff. These positions included Group CFO, Chief Strategy and Transformation Officer, PM5 Project Director, General Manager, Business Development Director (Waste Business Cluster), R&D Manager, Marketing Manager and Finance Manager. Among the new hires, 46% are Saudi nationals, and 6% are women, aligning with our commitment to equality.

Employee Engagement and Recognition

2023 was an exciting year for us at MEPCO. We focused on making our workplace fun, engaging, and a place where everyone feels valued. Our efforts paid off, earning us recognition as one of the best workplaces for millennials. It was a proud moment, especially because so many of our team members are millennials. This award showed that we are doing a great job in creating a workplace where young, creative minds want to be. We are also recognized as one of the best workplaces in the Middle East.

We held workshops where people from different teams got together to share what they know and learn from each other. These were not just about work, they were about building connections and understanding between departments. This initiative not only facilitated knowledge exchange, but also strengthened inter-departmental relationships, thereby enriching our organizational culture.

Our annual Ramadan Iftar was a special time. We gathered for an Iftar and celebrated with our team members, especially those who have been with us for over 15 years. It was a way to say thank you and show them how much they mean to us and acknowledge those who went above and beyond in their roles, including significant contributions to crisis management achievement. This event, enhanced with customized giveaways, exemplified our appreciation for our diverse workforce.

We also had a Bicycle Day event which served as a refreshing break for employees, promoting health and camaraderie. Similarly, the Ping-Pong Tournament was another energetic activity that invigorated our team and fostered a spirit of friendly competition, bringing everyone together and providing a great deal of enjoyment. We used our HR communication channels to keep everyone in the loop. We shared motivational quotes, learning tips, and details about upcoming events. This helped keep everyone connected and inspired.

We made sure to celebrate important days like Saudi Founding Day, Saudi National Day, and International Women's Day. These were more than just events; they were about appreciating our diverse team and our heritage. Regular initiatives like Morning Refreshments and Happy Thursdays kept our employees' spirits high, offering them a chance to engage in light-hearted conversations and network with others informally.

It was all about making work a great experience. We combined fun activities, learning opportunities, and celebrations to create a workplace where everyone feels part of something special. It was a year of bringing people together and showing how much we value each and every team member.

Retention and Compensation

Our motivation and incentive strategies of performance rewards and financial bonuses have contributed to our success as an employer of choice. The basis of our retention covers the entire chain of onboarding and orientation, mentorship programs, total reward policy, open communication, learning and development opportunities, employee engagement, flexible working hours, and teamwork.

More than that, we have respect for each other, a common understanding that every man and woman in the Company is equal, and a Company-wide belief in our part of the Group's success.

Our appreciation of our workforce ensures we will always offer competitive compensation and benefits including overtime payments, performance-based annual bonuses, allowances for children's education, comprehensive health insurance, parental leave, generous annual vacations, and flight tickets. Our salary structure is reviewed on an annual basis in collaboration with leading global management companies.

Putting People First continued

Learning and Development

In a rapidly evolving industry, it is crucial for us to maintain substantial investments in learning and development programs. This fortifies our position in the regional market, and empowers our team to achieve their utmost potential.

We offered a diverse range of high-quality courses, collaborating with renowned learning institutions such as KAUST (King Abdullah University of Science and Technology), Fakeeh Care, TUV SUD for Safety Engineering, Managerial and Financial Training Center, Skill Café, and IMD. Throughout this year, we organized 86 training sessions, accumulating a total of 3,525 hours of training. These sessions were attended by more than 1,129 employees, reflecting our commitment to continuous learning and development.

A Team Building Day was organized for MEPCO's Group Management. Facilitated by the GCHRO, it centered around the transformative principles outlined in the 'Good to Great' book with a focus on organizational excellence and growth. All 51 participants engaged in dynamic activities focusing on vision development and the identification of key factors necessary to propel an organization from a state of goodness to greatness.

Saudization

Saudization is a strategic initiative to actively contribute to the national vision of increasing the employment of Saudi nationals in the organization. Our strategy encompasses a multifaceted approach to promote the hiring and retention of Saudi talent within our organization. Currently, we have Green Saudization rate for MEPCO, Mid. Green Saudization rate for WASCO, and PLATINUM Saudization rate for Juthor. We are committed to exceeding mere numerical targets, viewing Saudization not only as a regulatory requirement, but as a genuine commitment to the development and empowerment of our Saudi workforce.

Through targeted recruitment efforts, comprehensive training and development programs, and strategic job localization, we aim to create an inclusive and thriving workplace where Saudi employees can excel and contribute meaningfully to the success of our organization. Our plan extends beyond compliance, emphasizing the cultivation of skills, knowledge, and confidence among our Saudi workforce, ultimately fostering a workforce that is competitive, skilled, and reflective of the rich talent pool within the Kingdom of Saudi Arabia.

Diversity and Inclusion

As a fifth-generation company, MEPCO actively fosters inclusion and diversity, recognizing these as integral contributors to the organization's success. Our commitment to diversity is evident across all organizational levels, spanning the Board, management, and the entirety of the workforce. In every aspect of our operations, we provide an environment where all individuals, irrespective of their background, race, gender, ethnicity, disability, or any other characteristic, have equal opportunities to thrive and advance.

Our recruitment and talent management practices are guided by the principles of fairness, ensuring every candidate is evaluated based on merit. Furthermore, we actively promote a workplace culture that embraces diverse perspectives, values individual contributions, and fosters a sense of belonging for everyone. This commitment extends throughout the employee lifecycle, from recruitment and onboarding to career development and advancement. We continually strive to create a workplace that celebrates diversity and harnesses its strength to drive our collective success.

Awards and Recognition

In 2023, MEPCO received several prestigious awards. These awards and recognitions not only showcase our commitment to our people and serve as a source of pride for our employees. They affirm that our efforts to create a supportive, engaging, and environmentally conscious workplace are being acknowledged and celebrated by industry experts and professionals.

Best Workplaces for Saudi Nationals

Our significant Saudization rate is a source of pride for us and being recognized as one of the Best Workplaces for Saudi Nationals in 2023 is evident through our local talent support. This recognition showcases our ability to attract and retain Saudi talent. We have participated in various recruitment campaigns providing opportunities for growth, skill development, and career advancement for our Saudi talent.

Certified a Great Place to Work

We have been recognized as a Great Place to Work in 2023, reflecting our commitment to creating a positive, safe, and engaging workplace environment. Notably, our journey towards this recognition has been marked by remarkable achievements. Our stringent focus on safety measures has yielded tangible results, as the number of incidents has significantly decreased. Most significantly, we have achieved the remarkable milestone of zero fatalities.

We conducted various initiatives towards employee engagement and community. Our efforts have been reflected in a notable increase in overall employee satisfaction, which has reached an impressive 48%.

Best Workplaces for Millennials – GCC

Millennials are known for their enthusiasm, innovation, and drive for continuous improvement. We have harnessed these qualities and provided a workplace where their talents can flourish. A substantial 42% of our workforce is made up of the millennial generation. This recognition emphasizes our ability to adopt the potential of this influential generation.

Best Workplaces in the Middle East

Reaching the 10th ranking among 80 organizations in the Middle East as the best workplace is a remarkable achievement. This recognition is evidence to our commitment to providing an exceptional work environment that prioritizes employee well-being and satisfaction.

Our focus on employee engagement, safety, and development has driven us to this outstanding position. We have created a culture where employees feel valued, supported, and entitled to contribute their best. MEPCO is a workplace to a diverse and competitive business, and achieving this ranking reflects our ability to stand out as a role model employer in the region.

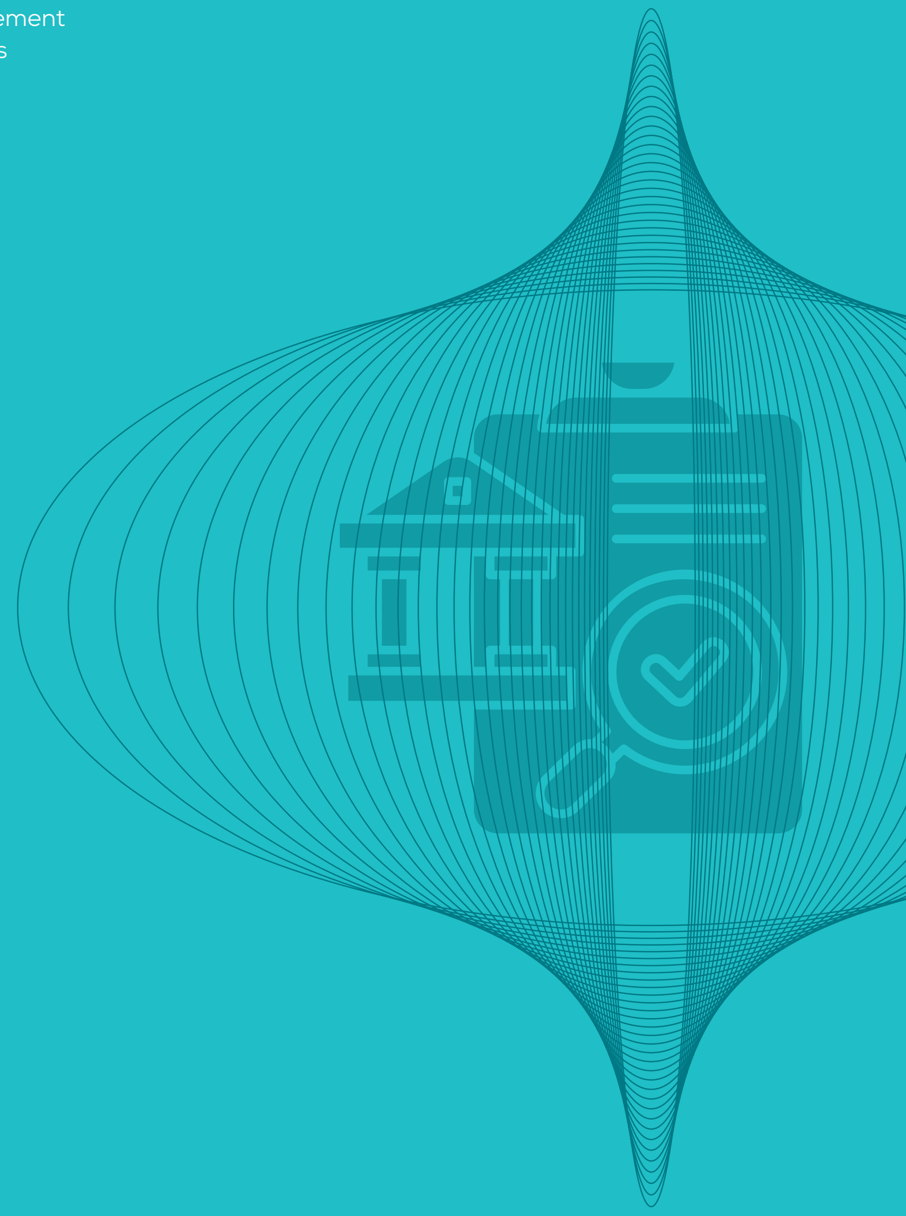
Our People Focus in 2024

Aligned with our broader business objectives, our 2024 HR objectives will revolve around elevating our people's practices:

- Commitment to talent development and upskilling, ensuring our workforce remains agile and equipped with the latest skills demanded by our industry.
- Ensuring diversity and inclusion as a cornerstone, fostering an environment where every individual feels valued and contributes to our collective success.
- Emphasis on digital transformation, leveraging technology to streamline HR processes and enhance employee experiences.
- Leadership development initiatives to nurture a cadre of capable leaders, driving innovation and fostering a positive company culture.
- Establishing hybrid models that offer work flexibility while maintaining collaboration and connection among team members.
- Focus on sustainability and CSR by emphasizing ethical practices, social responsibility, and environmental sustainability.

Through these concerted efforts, the HR objectives will not only align with the dynamic landscape of the business world, but will also reinforce our commitment to the growth, well-being, and success of the most valuable asset – our people.

5 Governance



Chairman of the Board Message

May God bless you all.

May the peace, mercy and blessings of God be upon you.

As Chairman of Middle East Paper Company (MEPCO), on behalf of the Board members, I am pleased to present to you the Board of Directors' Report that details the Company's main business activities, financial results, and achievements obtained during 2023.

I would like to acknowledge the regulatory developments that have shaped our operational environment. I am pleased to affirm that this report fully complies with Corporate Governance Regulations, underscoring our unwavering dedication to transparency, accountability, and responsible corporate practices.

We will reflect on the key achievements and performance milestones that have marked our journey through 2023. Our collective efforts and consistent pursuit of excellence have culminated in significant accomplishments in multiple areas, encompassing operational successes and strategic advancements.

Amid a competitive landscape, we reached our growth objectives, a feat made possible by the steadfast support and contributions from our Stakeholders.

In 2023, the Public Investment Fund has acquired a 23.08% stake in MEPCO, the leading manufacturer specialized in producing and recycling paper-based products in the Middle East and North Africa. This strategic investment enables MEPCO to expand its production, raise its operational efficiency, and support environmental sustainability through planned expansion projects such as the Paper Mill (PM5) and the Tissue Mill (TM6). The investment will also provide the Company with opportunities to acquire a set of assets and shares of existing establishments operating in the field of manufacturing and supply of corrugated boxes to achieve forward integration acquisition. Embracing the principles of the circular economy, MEPCO leads the way in waste management and recycling initiatives, which demonstrates its commitment to achieving the sustainability targets of the Kingdom of Saudi Arabia. The investment will further contribute to achieving MEPCO's expansion strategy.

Looking ahead, the Company is working on developing its capabilities to keep up with market growth, expand its business, and diversify its products to fulfill the local and global demand.

We value the determined efforts of the Board, its Committees and Executive Management to promote good governance practices. We are committed to develop and enhance our approaches to improve controls, risk management, and social responsibility, while also preserving the environment and intensifying our social engagement, aligning with the Kingdom's Vision 2030.

Finally, I would like to express my gratitude to your unwavering support and trust in our organization. Our shared dedication has led to significant achievements, and I am confident that our strategic vision, combined with robust governance, will propel us towards even greater successes in the future.

Board of Directors

The Board of Directors is elected by the General Assembly. It is delegated to direct, run, and operate MEPCO. The Board is well aware of its legal responsibilities whereby it is responsible to the Shareholders for the operation of the Company's affairs in a manner that secures the Shareholders' interests. Moreover, the regulations of both the corporate governance and the Board provide detailed provisions on the formation of the Board, its Committees, competencies, responsibilities, meetings, member privileges and duties, along with emphasizing the active participation in the business of the Board via decision-making processes. Additionally, those regulations strictly govern conflicts of interests between the Board members and the Company. Further, they embed honesty, trustworthiness, and due diligence into the code of conduct of our business. MEPCO's Articles of Association specify the number of Board members, their remuneration and powers, in addition to their appointment and termination of membership, taking into account the size and nature of MEPCO's business and the expertise required for membership.

MEPCO's Board of Directors is composed of 8 members, of whom 5 are independent members. They were elected by the Company's General Assembly in November 2022 for a 3-year term as at 14th November 2022.

Key roles and responsibilities of the Board include, but are not limited to, the following:

- Develop plans, policies, strategies, and major objectives for the Company. To oversee and periodically review such items and their implementation, ensuring the availability of the required human and financial resources and establishing, as well as broadly supervising, systems and internal audit controls.
- In accordance with regulatory requirements and best practices, review and update the rules of corporate governance and verify the Company's compliance therewith.
- Oversee the Company's financial management and cash flows, as well as its financial and credit relationship with others.
- Prepare interim and annual financial statements of the Company, along with the proposed mechanism for dividends and approve the same for presentation.
- Draft and approve the Board report before release.
- Devise policies and procedures that govern the Company's compliance with the rules and regulations, and its commitment to disclosing material information to Shareholders, creditors and other Stakeholders. Ensure the Executive Management acts accordingly.
- Ensure the accuracy and integrity of data and information that is required to be disclosed by relative policies and regulations.
- Create effective communication channels allowing Shareholders to access various Company activities and material developments constantly and periodically.

a) Composition and classification of the Board at the end of 2023

Name	Position	Membership
Mr. Musaab Sulaiman Al Muhaidib	Chairman	Non-Executive
Eng. Abdullah Abdulrahman Almoammar*	Vice-Chairman	Non-Executive
Mr. Emad Abdulkader Al Muhaidib**	Member	Non-Executive
Mr. Waleed Abdulrahman AlMonie	Member	Independent
Mr. Rakan Mohammed Abunayyan	Member	Independent
Mr. Rob Jan Renders	Member	Non-Executive
Mr. Victor Sanz Martinez	Member	Independent
Ms. Hawazen Nazih Nassief	Member	Independent
Mr. Walid Ibrahim Shukri***	Member	Independent
Mr. Farid Habib***	Member	Non-Executive

* Membership terminated on 11th December 2023.
** Membership terminated on 28th December 2023.
*** Membership started on 28th December 2023.

The member was nominated by one of the principal Shareholders (Public Investment Fund "PIF"), based on the terms of the Subscription Agreement signed between the Fund and MEPCO on 31st July 2023. The membership of the aforementioned member was changed to Non-Executive, starting from the date of the Assembly's approval of investor entry in its meeting held on 28th December 2023.

b) Board Meetings and Attendance Record

	Board Meetings held during 2023						
Name	12th March	1st May	11th April	25th July	6th September	13th December	Attendance
Mr. Musaab Sulaiman Al Muhaidib	Present	Present	Present	Present	Present	Present	6
Eng. Abdullah Abdulrahman Almoammar*	Present	Present	Present	Present	Present	-	5
Mr. Emad Abdulkader Al Muhaidib**	Present	Present	Present	Present	Present	-	5
Mr. Waleed Abdulrahman AlMonie	Present	Present	Present	Present	Present	Present	6
Mr. Rakan Mohammed Abunayyan	Present	Present	Present	Present	Present	Present	6
Mr. Rob Jan Renders	Present	Present	Present	Present	Present	Present	6
Mr. Victor Sanz Martinez	Present	Present	Present	Present	Present	Present	6
Ms. Hawazen Nazih Nassief	Present	Present	Present	Present	Present	Present	6

* Membership terminated on 11th December 2023.
** Membership terminated on 28th December 2023.

The Annual General Assembly for the fiscal year 2023 was held on 22nd June 2023. The Board held 3 further meetings as shown herein.

c) Academic qualifications and work experience of the Board and Committee members as well as Senior Executives.

Mr. Musaab Sulaiman Al Muhaidib

Chairman of the Board

Qualifications

- Bachelor's degree in Business Management, Miami University
- Master's degree in Business Management, Liverpool University

Experience, Current/Previous Positions

Mr. Musaab is extensively experienced in Strategies and Business Visibility Improvement. Lead strategic design, business development, market positioning, management of networks, performance management, financial management, and brand development. Musaab transformed business results in key areas and ensured significant increases in market share, growth, and profitability. Entrepreneur and investor with in-depth experience building and supporting businesses to achieve strategic objectives and thrive in a fast-paced environment. Musaab is part of many boards of influential organizations. He is currently the Chairman Masdar Group, Ebda Entertainment, Seedra Ventures and Goldman Sachs Saudi. He is on the board of Al Muhaidib Group, Shaker Group, Riyadh Chamber, Tasnee, JLL Saudi and Sabbar Company, And other companies with diversified field of industries. In his previous experience with Masdar Group, he served as CEO and was responsible for financial planning & growth, and P&L.

Eng. Abdullah Abdulrahman Almoammar

Vice-Chairman of the Board
Chairman of the Strategy Committee

Qualifications

- Bachelor of Industrial Engineering, King Saud University
- MA in Business Administration, King Fahd University

Experience, Current/Previous Positions

A founder of MEPCO, Eng. Almoammar has extensive experience in the Company's business. He has more than 25 years of experience in the industry, and with a demonstrated history of working in the paper, Starch & Glucose, waste management. Formerly, he was the Managing Director of MEPCO and a Board member of the Saudi Printing and Packaging Company. He assumed the positions of Deputy Director and General Manager of the Saudi Paper Manufacturers Company.

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Mr. Emad Abdulkader Al Muhaidib

Board Member

Qualifications

- Bachelor of Commerce
- Honorary Doctorate degree

Experience, Current/Previous Positions

A founder of MEPCO, Mr. Emad is also the Vice-Chairman of the Board of Al Muhaidib Group for Multi-Investments. He has gained vast experience in the fields of corporate business, commerce, business administration, investment, and business management. He served as a member of MEPCO's and several other companies' boards and chambers of commerce. Emad is also involved in social and non-profit work as the Chairman of the Al Muhaidib Social Foundation and a member of the Board of Makkah Governorate and Vice President of the Economic and Social Committees in the Governorate. He is also a member of several charitable and non-profit societies.

Mr. Victor Sanz Martinez

Board Member

Qualifications

- Bachelor in Business Management, Zaragoza University
- Master of Arts in Business Management, ESADE University

Experience, Current/Previous Positions

Mr. Martinez is a Senior Director with 30 years of extensive experience in the industry of paper and millboard, strategy and sustainability. An Independent Board member for mergers and acquisitions. His work focuses on the strategic action plan of industry and energy. He led internationalization of production in 4 countries, worked on mergers and acquisitions for more than 20 companies and laid the groundwork for 15 industrial firms. He led several strategic plans that recorded promising results and heavy revenues before interest, tax, depreciation, and amortization, as well as considerable sales growth, digitalization, and diversification of services and sources of income.

Mr. Waleed Abdulrahman AlMonie

Board Member

Qualifications

- Bachelor of Computer Information Systems, Fraser Valley University
- Master's degree in IT Management, Macquarie University

Experience, Current/Previous Positions

Mr. AlMonie is an expert in the strategy and project management domains. He has worked extensively on organizational transformation projects in key large scale entities including strategies' formulation and execution in multiple areas such as information technology, optimizing business models, and HR.

Mr. Rob Jan Renders

Board Member
Head of the Remuneration and Nominations Committee

Qualifications

- Master's in Mechanical Engineering, University of Technology Eindoven

Experience, Current/Previous Positions

Mr. Renders is a business consultant. He was a board member of Duropack GmbH from 2012 until the end of May 2015, as well as CEO of Duropack from May 2013 until May 2015. From 2006 to 2010, he served as Chairman of OTOR Société Anonyme, a leading packaging provider in France. Between 1989 and 2006, he held various positions at Svenska Cellulosa Aktiebolaget (SCA), a leading global producer of hygiene products and packaging solutions, including Mill Manager at SCA Packaging De Hoop, Managing Director of SCA Packaging De Hoop, President of SCA Packaging Containerboard, President of SCA Packaging Europe, and Senior Vice President Special Project Global Packaging for SCA Group. He has various consulting positions at several leading private equity firms (Carlyle, Blackstone, One Equity Partners Europe, 3i Netherlands) and is also the Chairman of the Supervisory Board of Walki Group Oy based in Espoo (Finland), a company specializing in sustainable packaging and engineered material solutions. He is an Independent Director of the Board and a member of the Human Resources and Compensation Committee and Audit and Risk Committee in Sappi Limited South Africa, a multi-national diversified wood fiber group.

Mr. Rakan Mohammed Abunayyan

Board Member

Qualifications
- Bachelor's Degree in Business Administration, Suffolk University

Experience, Current/Previous Positions
Mr. Abunayyan is the Managing Director of Mohammad Abunayyan Investment Company overseeing a diverse investment portfolio.
He is the Chairman of Afaq Foods, a quick service restaurant operator. He is also the Chairman of Afaq Express a fully integrated logistics company focusing on first mile services. Mr. Abunayyan is a Certified Board Director by GCC Board of Directors Institute with previous experience as an investment professional in Abraaj Group, Abunayyan Holding and Vision Invest.

Ms. Hawazen Nazih Nassief

Board Member

Qualifications
- Bachelor of International Relations, Boston University
- Master of Law and Diplomacy, Tufts University

Experience, Current/Previous Positions
Ms. Nassief is the acting head of Sustainability and Stewardship at the Public Investment Fund of Saudi Arabia. She has spent the majority of her career focusing on environmental, social and governance (ESG), sustainability and corporate responsibility, working in several multinational companies in the US, Saudi Arabia, and the UAE. She currently serves on the Board of Directors of Tanmiah Food Company (TFC), where she chairs the ESG Committee and is a member of the Nomination and Remuneration Committee (NRC). Ms. Nassief is also a member of the NRC of Bupa Arabia.

Mr. Walid Ibrahim Shukri

Board Member

Qualifications
- Bachelor's degree in Finance, King Fahd University of Petroleum and Minerals

Experience, Current/Previous Positions
Mr. Walid is a former Senior Partner at PwC Saudi Arabia. He is a current Board and Committee Member across a range of organizations, includes Saudi Electricity Company, General Authority for Military Industries (GAMI), Saudi Agricultural and Livestock Investment Company (SALIC), Diriyah Gate Development Authority, stc, and Tatweer Education Holding Company.

Mr. Farid Habib

Board Member

Qualifications
- Bachelor of Finance, American University of Beirut
- Bachelor of Economics, French School of Athens

Experience, Current/Previous Positions
Mr. Habib works as a Director in Industrials and Mining Sector at the Public Investment Fund, where he played a pivotal role in establishing the Fund's presence in the mining industry. Prior to joining PIF, he headed M&A for Europe, North America, and Middle East at Huhtamaki, a Finnish packaging company based in London. Mr. Habib also worked as M&A Manager at ArcelorMittal, a multinational steel and mining company. He was a Vice President in the Oil and Gas team at Barclays Capital in London.

Executive Management

Eng. Sami Ali Yousef Al Safran

Group President

Qualifications

- Bachelor of Science in Chemical Engineering, King Fahd University of Petroleum and Minerals

Experience, Current/Previous Positions

Eng. Al Safran has been the Group President of MEPCO from 2004 to date. Prior to this, he was the Project Manager at the Saudi Paper Industry Company from 2000 to 2004. His experience includes a role as the Technical Director at the Arab Paper Manufacturing Company (WARAQ) from 1997 to 2000, and he has served as a Technical Advisor for NALCO in Saudi Arabia.

Mr. Amr Masry

CFO

Qualifications

- Bachelor of Science degree in Business Administration, Notre Dame University-Louaize (NDU), Lebanon
- Executive MBA from London Business School

Experience, Current/Previous Positions

Mr. Masry is the Chief Financial Officer at MEPCO. Prior to his current role at MEPCO, he served as the Chief Finance Officer of a leading attraction and park operator in Riyadh, Saudi Arabia for 2 years, operating major attraction assets in the Kingdom. Prior to KSA, he served as the Director of finance of a leading attraction and theme park operator in Abu Dhabi, United Arab Emirates for 3 years. Before that, Mr. Masry was the Chief Financial Officer for a prominent holding conglomerate in Abu Dhabi, UAE, where he managed a diverse asset portfolio, exceeding a billion dirhams, across manufacturing, medical equipment, and materials, construction, and trading sectors for eight years. Prior to this, He worked as an auditor with one of the Big Four assurance firms in Khobar, Saudi Arabia, and Abu Dhabi, UAE.

d) Companies where any Director is currently a Board member, Director or Manager:

Name of Director	Mr. Musaab Sulaiman Al Muhaidib	
Companies where any Director is currently a Board member, Director or Manager	**Inside KSA Outside KSA**	**Legal Entity: Listed/Unlisted Joint Stock/ Limited Liability**
Hasan Ghazi Shaker Company	Inside KSA	Listed joint stock company
National Industrialization Company	Inside KSA	Listed joint stock company
Hoshan Co., Ltd.	Inside KSA	Closed joint stock company
Al Riyadh Chamber	Inside KSA	Government
Goldman Sachs Saudi Arabia	Inside KSA	Closed joint stock company
Masdar Group	Inside KSA	Closed joint stock company
Al Muhaidib Group	Inside KSA	Closed joint stock company
Sidra Investment Company	Inside KSA	Closed joint stock company
Ebda Creative Entertainment Company	Inside KSA	Closed joint stock company
Endeavor Saudi Arabia	Inside KSA	Closed joint stock company
Saudi Trades and Handicrafts Company	Inside KSA	Closed joint stock company
Daily Mealz Company	Inside KSA	Closed joint stock company
Sabbar Company	Inside KSA	Closed joint stock company
Family Business Council Gulf	Inside KSA	Non-profit
JLL Saudi	Inside KSA	Closed joint stock company

Name of Board Member	Mr. Emad Abdulkader Al Muhaidib	
Companies where any Director is currently a Board member, Director or Manager	**Inside KSA Outside KSA**	**Legal Entity: Listed/Unlisted Joint Stock/ Limited Liability**
Abdulkadir Al Muhaidib and Sons	Inside KSA	Closed joint stock company
Al Muhaidib Holding	Inside KSA	Limited liability
Ajyal Holding	Inside KSA	Limited liability
Arabian Maize Company	Inside KSA	Limited liability
United Feed Manufacturing Company	Inside KSA	Limited liability
United Feed	Inside KSA	Limited liability

Name of Board Member	Mr. Victor Sanz Martiniz	
Companies where any Director is currently a Board member, Director or Manager	**Inside KSA Outside KSA**	**Legal Entity: Listed/Unlisted Joint Stock/ Limited Liability**
GOTOR	Outside KSA	Unlisted
GRUPO MYA SL	Outside KSA	Limited liability

Name of Board Member	Eng. Abdullah Abdulrahman Almoammar	
Companies where any Director is currently a Board member, Director or Manager	**Inside KSA Outside KSA**	**Legal Entity: Listed/Unlisted Joint Stock/ Limited Liability**
Arabian Maize Company	Inside KSA	Limited liability
Al Saraya Investment Holding	Inside KSA	Limited liability

Name of Board Member	Ms. Hawazen Nazih Hasan Nassief	
Companies where any Director is currently a Board member, Director or Manager	**Inside KSA Outside KSA**	**Legal Entity: Listed/Unlisted Joint Stock/ Limited Liability**
Tanmiah Food Company	Inside KSA	Listed joint stock company

Name of Board Member	Mr. Rob Jan Renders	
Companies where any Director is currently a Board member, Director or Manager	**Inside KSA Outside KSA**	**Legal Entity: Listed/Unlisted Joint Stock/ Limited Liability**
Sappi Plc	Outside KSA	Limited liability
Walki Oy	Outside KSA	Unlisted

Name of Board Member	Mr. Rakan Mohammed Abunayyan	
Companies where any Director is currently a Board member, Director or Manager	**Inside KSA Outside KSA**	**Legal Entity: Listed/Unlisted Joint Stock/ Limited Liability**
MA Investment Company	Inside KSA	Limited liability company
Afaq Foods	Inside KSA	Unlisted joint stock company
Afaq Express for Storage	Inside KSA	Limited liability company

Name of Board Member	Mr. Waleed Abdulrahman AlMonie	
Companies where any Director is currently a Board member, Director or Manager	**Inside KSA Outside KSA**	**Legal Entity: Listed/Unlisted Joint Stock/ Limited Liability**
Saudi Reinsurance Company	Inside KSA	Listed joint stock company

Name of Board Member	Mr. Walid Ibrahim Shukri	
Companies where any Director is currently a Board member, Director or Manager	**Inside KSA Outside KSA**	**Legal Entity: Listed/Unlisted Joint Stock/ Limited Liability**
Saudi Electricity Company	Inside KSA	Listed joint-stock Company
The Saudi Agricultural and Livestock Investment Company (SALIC)	Inside KSA	Closed joint stock company
stc	Inside KSA	Listed joint stock company

Name of Board Member	Mr. Farid Habib	
Companies where any Director is currently a Board member, Director or Manager	**Inside KSA Outside KSA**	**Legal Entity: Listed/Unlisted Joint Stock/ Limited Liability**
Arabian Geophysical & Surveying Co.	Inside KSA	Limited liability

e) Communication with Shareholders and investors

Observing the Board's commitment to providing complete, clear, and precise information as well as updates in a timely manner to enable Shareholders to exercise their obligations fully, the Company has intensified its effort to reach out to Shareholders via digital means alongside investment conferences, and gatherings of local and global investment leading figures. The Investor Relations department hosted a number of meetings inside the head office of MEPCO in Tahlia, Jeddah. Investor relations programs focused on providing immediate and accurate information to all local and global investors to keep them updated of all changes and developments related to the Company's investments and financial results. The Company continued to hold video conferences with investors after each announcement of its annual and quarterly results, which provided a greater opportunity for investors and financial analysts to access all interim and annual financial and operational developments.

Furthermore, the Investor Relations department submits, by hand during conferences and gatherings or via the designated emails, a periodic report to the Board on its various activities with full data on Shareholders' and investors' opinions and inquiries.

f) How the Board evaluates its performance and the performance of its committees and members

In order to improve overall governance practices of the Board and the Company, the Board of Directors evaluates the performance of the Board and the committees once every Board session, through the Nominations and Remuneration Committee, which in turn recommends to the Board either that the evaluation be carried out through the committee or through an external evaluator.

Note that the last evaluation conducted for the Board of Directors and its committees was in the previous Board session in 2021 through an external consultant.

Board committees

In order to ensure the optimal performance of the Company's Management and to assist the Board in fulfilling its roles, the Board formed the Remuneration and Nomination Committee and the Strategy Committee. Furthermore, the General Assembly recommend the formation of the Audit Committee, which was approved on 16th June 2019.

The committees are composed by virtue of general rules set by the Board including the roles and responsibilities, term, competencies of each committee, along with Board oversight mechanisms. The committees shall with integrity inform the Board of their findings or decisions. In addition, the Board shall regularly monitor their work to ensure their commitment to their functions. Each committee shall be accountable to the Board for its actions, without prejudice to the Board's responsibility for those actions or the powers it delegates thereto. Moreover, the Company is committed to appointing a sufficient number of Non-Executives and Independent Board members to the committees to carry out assignments that may be a source of conflict of interest, such as ensuring the integrity of financial and non-financial reports, reviewing the transactions of related parties, nominating candidates for Board membership, appointing Senior Executives, and determining remunerations. The Chairpersons, along with the committee members, shall act with integrity, honesty, loyalty and due diligence, as well as give due attention to the interests of the Company and the Shareholders, putting such interests before theirs.

a) Audit Committee

The General Assembly of the Company approved the formation of the Audit Committee, its charter, and the remuneration of its members for a new term as at 14th November 2022 for 3 calendar years.

The Committee consists of four members, most of whom are knowledgeable in finance and accounting. The Committee exercises control over the Company's business, verifies the integrity of reports and financial statements, internal controls, the Company's compliance with applicable laws and regulations and quality of risk management standards, and assists the Board to discharge its oversight responsibilities for the Company's business.

Below are the key functions of the Committee:

- Studying the Company's interim and annual financial statements before being submitted to the Board, providing its opinion and recommendations thereon to ensure their integrity, fairness, and transparency.
- Examination of any significant or irregular matters contained in the financial reports.
- Delicate examination of any issues raised by the Company's Financial Manager, their delegate, Compliance Officer, or the Auditor.
- Expressing technical opinion upon the request of the Board, as to whether or not the Board's report and the financial statements are fair, balanced, and intelligible.
- Review the Company's internal and financial control and risk management systems and internal audit reports; and follow up on the implementation of corrective measures for the notes contained therein.
- Advise the Board on appointing the Head of the Internal Audit unit or department and the Compliance Officer and propose their compensation.
- Review the results of the reports by the regulatory authorities and verify the Company's compliance with laws and regulations.
- Review contracts and proposed transactions with related parties and provide the Board with recommendations and proposals.

Committee Members and Attendance Record

Name	Member-ship	Position	Committee Meetings held during 2023							Attend-ance
			18th January	15th March	22nd March	15th May	2nd August	2nd November	23rd November	
Mr. Nader Mohammed Saleh Ashoor	Inde-pendent	Chairman	Present	Present	Present	Membership terminated on 2nd April 2023				3
Mr. Fahad Mohammed Saleh Al Fawaz	Inde-pendent	Chairman	Membership started on 3rd April 2023			Present	Present	Present	Present	4
Mr. Walid Ibrahim Shukri	Inde-pendent	Member	Present	Present	Present	Present	Present	Present	Present	7
Mr. Mohamed Abdelkarim Mazi	Inde-pendent	Member	Present	Present	Present	Present	-	Present	Present	6
Mr. Rakan Mohammed Abunayyan	Inde-pendent	Member	Present	Present	Present	Present	Present	Present	Present	7

b) Nomination and Remuneration Committee

The Remuneration and Nomination Committee has been created to assist the Board to discharge its oversight roles, nominate Board members and Senior Executives and ensure the integrity of the remunerations, benefits, incentives, and salaries strategy.

Its key functions include:

- Assist with developing remuneration policies for the members of the Board, its committees, and the Executive Management; clarify the relationship between remuneration and policies; and periodically review the remuneration policy and assess its effectiveness in achieving its objectives.
- Pursuant to the approved policy, make recommendations to the Board on the remuneration of its members and the members of its committees as well as the Senior Executives.
- Nominate candidates for Board membership or re-nominate its members in accordance with the approved policies and standards; propose clear policies and criteria for Board membership and the Executive Management; and determine the time a member shall allocate to their roles in the Board.
- Create a job description of Board membership and Executive Management positions.
- Annually review qualifications and experience required for Board membership and Executive Management positions.
- Annually review the structures of the Board and Executive Management and make recommendations regarding possible changes.
- Conduct annual verification of the independence of independent members, and that no conflict of interest shall arise if any of them is a Board member in another company.
- Develop job descriptions for Executive members, Non-Executive members, Independent Members and Senior Executives.
- Lay out succession plans in the event that a Board member or Senior Executive position is declared vacant.
- The Committee was assigned Governance responsibilities by the Board on 12th March 2023.

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Governance responsibilities:

- Oversee the effectiveness and the implementation of the Group Corporate Governance framework.
- Consider and approve the Group's Corporate Governance framework on an annual basis, or more frequently as required. This should include the governance mechanism for all areas of risk and compliance.
- Provide guidance to management level and relevant functions of MEPCO Group on enterprise-wide risk management.
- Provide advice, as appropriate, to the Board Nomination and Remuneration Committee (NRC) to enable it to consider adjustments to business, functions, and remuneration to reflect risk management.
- Review and approve the Group Management Committee charters (Tier 1 Committees).
- Oversee the development of the Company's governance policies and monitor the implementation of the policies by the Executive Management across the Company, including its subsidiaries.
- Review and recommend updates to the governance framework pursuant to laws, requirements, and best practices.
- Review the existing governance guidelines, be attentive to developments in governance in the local, regional, and global context, and present ideas and recommendations for adjustments in these guidelines to the Board for its consideration.
- Ensure that Governance department does not face any resource constraint and has access to the Committee through the department head to report any constraints or issues.

Committee Members and Attendance Record

Name	Membership	Position	Committee Meetings held during 2023: 30th January	10th April	30th April	23rd July	5th September	19th October	12th December	Attendance
Mr. Rob Jan Renders	Non-Executive	Chairman	Present	Present	Present	Present	Present	Present	Present	7
Eng. Omar Mohamed Siraj Najjar	Independent	Member	Present	Present	Present	Present	Present	Present	Present	7
Ms. Nathalie Potvin	Independent	Member	Present	Present	Present	Present	Present	Present	Present	7

c) Executive and Strategic Committee (previously named the Strategic Committee, the Board decided to rename it as Strategic and Executive Committee on 13th December 2023)

The Committee was formed to assist the Board in carrying out its roles and responsibilities, monitoring the operational and administrative activities of the Company, as well as supervising the Company's Executive Management. The Committee makes recommendations and reviews the strategy-related studies as well as the Company objectives and investments. In general, it represents the Board in its meetings, providing the ability to respond quickly to pressing issues, in addition to assisting the Board in performing its supervisory tasks and implementing its recommendations efficiently and effectively.
Its key functions are as follows:

- Discuss and take urgent decisions to handle pressing issues.
- Follow up on preparation and implementation of, update and occasionally review the Company's long, medium- and short-term strategic plans.
- Meet with the heads of departments and other concerned personnel, as part of its function to monitor operational and financial performance of the Company and its departments.
- Nominate the Company's Senior Executives in coordination with the Remuneration and Nomination Committee.
- Follow up on the implementation of the Company's estimated budgets, analyze the causes of malfunctions, if any, and make recommendations thereon.
- Conduct regular review of actual capital expenditures and their compliance with the budgets approved by the Board.
- Advise on entering new investments and industrial projects, as well as the development of existing activities both vertically and horizontally.

Committee Members and Attendance Record

Name	Membership	Position	Committee Meetings held during 2023: 3rd March	24th July	5th September	11th December	Attendance
Eng. Abdullah Abdulrahman Almoammar	Non-Executive	Chairman	Present	Present	Present	Membership terminated on 11th December 2023	3
Mr. Musaab Sulaiman Al Muhaidib	Non-Executive	Member	Present	Present	Present	Present	4
Mr. Rob Jan Renders*	Non-Executive	Member	Present	Present	Present	Present	4
Mr. Victor Sanz Martinez	Independent	Member	Present	Present	Present	Present	4

* The member was chosen as Chairman of the Committee as at 11th December 2023.

d) Risk and Sustainability Committee (previously named the Risk and Social Responsibility Committee, the Board decided to rename it as Risk and Sustainability Committee on 12th March 2023)

On 24th April 2022, the Board approved the formation and charter of the Risk and Sustainability Committee. The Committee is composed of 3 members. The Committee is responsible for assisting the Board in fulfilling its corporate governance responsibilities by monitoring and reviewing the Company's governance, risk, compliance, environment and social management systems. The following shall be the principal responsibilities of the Committee:

Risk management:

- Set risk appetite under which the Management is expected to operate, and approve the Company's risk appetite statement and risk management strategy.
- Ensure the Company has an effective risk management framework incorporating management, operational, and financial controls.
- Assess, monitor and report to the Board on the risk culture in the Company, and the extent to which that culture supports the ability of the Company to operate consistently within its risk appetite; and identify any desirable changes to the risk culture and ensure the Company takes steps to address those changes.
- Promote a suitable risk culture with high standards of business ethics and corporate governance.
- Develop a strategy and comprehensive policies for risk management that are consistent with the nature and volume of the Company's activities, monitor their implementation, and review and update them based on the Company's internal and external changing factors.
- Ensure the feasibility of the Company continuation and the successful continuity of its activities, and determine the risks that threaten its existence.
- Oversee the Company's risk management system and assess the effectiveness of the systems and mechanisms used to identify and monitor the risks that threaten the Company in order to determine deficiencies therein.
- Regularly reassess the Company's risk appetite and exposure (e.g. using stress tests).
- Prepare detailed reports on the risk exposure and the recommended measures to manage such risks, and present the same to the Board.
- Oversee Senior Management's implementation of the Risk Management Strategy.
- Challenge Senior Management's proposals and decisions on all aspects of risk management arising from the Company's activities.
- Review the performance, and set the objectives of, the Company's risk management function, and ensure unrestricted access to the Board and the Committee.
- Provide recommendations to the Board on matters related to risk management, and advise the Board on the Company's overall current and future risk management strategy.
- Ensure the availability of adequate resources and systems for risk management.
- Review the organizational structure for risk management and provide recommendations on the same before being approved by the Board.
- Liaise with other risk committees within the Group to form an institution-wide view of the Company's current and future risk position relative to its risk appetite and capital strength.
- Verify the independence of the risk management employees from activities that may expose the Company to risk.
- Ensure risk management employees understand the risks threatening the Company; seek to raise awareness of the risk culture; and review any issues raised by the Audit Committee that may affect risks facing the Company.
- Business continuity plan for 2023 has been developed with an external consultant.

Environmental and social matters:

- Monitor and assess the Company's consideration of environmental and social matters in setting the general strategy of the Company pursuant to environmental and social laws and regulations applicable to the Company.
- Consider the need for sustainable development and development of Stakeholder relationships across MEPCO's activities, and assess the same from a compliance and risk governance perspective.
- Monitor, evaluate (if appropriate) and provide guidance on the Company's policies, procedures, and practices with respect to environmental and social matters.
- Review and monitor the Company's non-financial reporting pursuant to environmental and social laws and regulations applicable to the Company.
- Oversee the Company's public disclosure on environmental and social matters and their consistency, including any sustainability reports.
- Review and monitor the Company's initiatives to manage and mitigate its environmental impact.
- Monitor actions or initiatives taken to prevent, mitigate, and manage risks related to environmental and social matters that may have a materially adverse impact on the Company or are otherwise pertinent to its Stakeholders, and provide guidance hereon.
- Monitor and review, as appropriate, any significant investigation or audit by external auditors, regulators, or key environmental and social rating agencies on environmental and social matters.
- Monitor and review, as appropriate, the Company's human capital initiatives, for example, diversity and inclusion initiatives, employee wellbeing or engagement initiatives.
- Monitor and review the Company's social initiatives and commitments, as appropriate, including, among others, the Company's initiatives related to education.
- Coordinate with other Board committees for specific overlapping cases.
- Review the internal and external audit reports where matters related to environment and social management issues have been identified and monitor implementation of management action plans.

Health and safety:

- Review, monitor and make recommendations to the board on the organizational health and safety risk management framework and policies to ensure the organization has clear set of commitments to manage health and safety matters effectively.
- Review and make recommendations for Board approval on strategies for achieving health and safety objectives.
- Review and recommend targets for Board approval for health and safety performance and assess performance against those targets.
- Monitor the organization's compliance with health and safety policies as well as relevant applicable law.
- Ensure the health and safety performance of the organization and the systems used to identify and manage health and safety risks are:
  - Fit-for-purpose.
  - Effectively implemented.
  - Regularly reviewed and continuously improved.
- Ensure the Board is properly and regularly informed and updated on matters related to health and safety risks, including:
  - Review of (internal and external) audits.
  - System reviews
  - Performance results.
  - Significant incidents and investigations.
  - The impact of organizational changes.
  - Standard data.
- Seek assurance that the organization is effectively structured to manage health and safety risks, including having competent employees, adequate communication procedures, and proper documentation.
- Review health and safety-related incidents and consider appropriate actions to minimize the risk of recurrence.
- Make recommendations to the Board regarding the availability of appropriate resources for operating the health and safety management systems and programs.
- Any other duties and responsibilities assigned to the Committee from time to time.

Cybersecurity:

- Gain an understanding of the Company's cybersecurity landscape, including assets, threats, vulnerabilities, and regulatory requirements.
- Supervise the development of clear and comprehensive cybersecurity policies in line with standards, regulations, and legislations.
- Identify, assess, and prioritize risks, considering their potential impact and likelihood.
- Supervise the implementation of security controls and measures to mitigate identified risks, including technical solutions, operations, and staff training.
- Continuously monitor security measures and assess their effectiveness.
- Review regular reports from management and Stakeholders.
- Develop and regularly update an incident response plan to ensure swift and effective actions in case of a cyber incident.

Committee Members and Attendance Record

			Committee Meetings held during 2023					
Name	Membership	Position	8th January	10th April	23rd July	30th August	12th December	Attendance
Mr. Walid Ibrahim Shukri	Independent	Chairman	Present	Present	Present			5
Ms. Hawazen Nazih Nassief	Independent	Member	Present	Present	Present	Present		5
Mr. Waleed Abdulrahman AlMonie	Independent	Member	Present	Present	Present	Present		5
Ms. Nathalie Potvin	Independent	Member	Present	Membership terminated on 7th March 2023				1

Description of the Interests of Members of the Board, the Executive Management, their Wives and Minors in the Company's Shares

		Beginning of 2023		End of 2023			
No.	Name	Shares	Debt Instruments	Shares	Debt Instruments	Net Change during the year	Change Percentage
Board members, their wives and minors (if any)							
1	Mr. Emad Abdulkader Al Muhaidib*	1,333	-	1,333	-	-	-
2	Eng. Abdullah Abdulrahman Almoammar **	3,166,665	-	3,166,665	-	-	-
7	Mr. Musaab Sulaiman Al Muhaidib	1,333	-	1,333	-	-	-
Senior executives, their wives and minors (if any)							
1	Eng. Sami Ali Yousef Al Safran	332,702	-	332,702	-	-	-

* Ownership until 31st December 2023.
** Ownership until 31st December 2023.

Ownership of principal Shareholders with more than 5% of the Company's shares as at 31st December 2023.

No.	Name	Balance at the beginning of the year	Balance at the end of the year	Change	Percentage
1	Abdulkadir Al Muhaidib and Sons	8,965,200	8,965,200	0%	+0%

Remuneration and Compensation Policy

a) General criteria for remuneration

A policy of remuneration for the members of the Board and its Committee as well as Senior Executives was drafted by the Remuneration and Nomination Committee and approved by the General Assembly at its meeting on 5th December 2017. The policy is reviewed annually, pursuant to the provisions of the Companies Law and the Capital Market Authority Law, their implementing regulations, as well as the Company's Articles of Association. The following shall be observed in the policy:

- The policy shall be consistent with the Company's strategy and objectives, and with the size, nature, and level of risks of the Company.
- Remuneration shall be granted as incentives for the Board members and Executives to achieve long-term success and business development of the Company. For example, variable remunerations shall be linked to the long-term performance.
- Remuneration shall be proportionate with grade, roles and responsibilities, academic qualifications, work experience, skills, and performance.
- Practices of other companies shall be taken into consideration in determining remuneration, avoiding the unjustified rise in remuneration and compensations.
- The policy shall reasonably attract, retain, and motivate talents.
- The policy shall identify, in coordination with the Remuneration and Nomination Committee, remuneration to new appointments.
- The policy shall regulate granting or refund of remuneration if based on misinformation provided by a Board member or an Executive. This prevents abuse of office to obtain undeserved compensation.
- The policy shall regulate the granting of Company shares to the Board members and Executives and whether they are to be issued or bought by the Company.

The remuneration of Board and committee members shall be determined and granted pursuant to the policy approved by the General Assembly and in accordance with the following criteria:

- Subject to the provisions of the Company's Articles of Association, the remuneration of a Board member may not exceed the limits stipulated in the Companies Law and the regulations thereof. The members' remuneration and attendance bonuses shall be governed by the Committee's charters.
- The remuneration shall be proportionate with the member's engagement in the Board or its committees.
- The remuneration shall be far and proportionate with the member's competencies, roles, and responsibilities and the objectives set by the Board for the financial year.
- The remuneration shall be as recommended by the Remuneration and Nomination Committee.
- Apart from Independent members, the Board member's remuneration may be a percentage of the profits, provided that such may not exceed 10% and be granted pursuant to Companies Law and the regulations thereof as well as the Company's Articles of Association.
- The remuneration shall be reasonably competitive to attract sufficiently qualified and experienced candidates for membership of the Board and its committees.
- The remunerations may vary driven by, inter alia, the experience, competencies, roles, and responsibilities as well as attendance of the member.
- The remuneration of Independent Board members shall not be a percentage of the Company's profits or be based directly or indirectly on the Company's profitability.
- Pursuant to the Companies Law and the Company's Articles of Association, and in addition to the remuneration for membership of the Board and the committees, a Board member may obtain a remuneration for the membership thereof in the Audit Committee formed by the General Assembly, or for any business, executive, technical, administrative, or advisory positions or works conducted under a professional license.
- In the event that the membership of a Board member is terminated by the General Assembly for missing 3 consecutive Board meetings without a legitimate excuse, the member shall not be entitled to any remuneration for the period starting from the date of the last meeting attended by the same and shall refund all remunerations received for such period.

The remunerations of Executive Management shall be determined and granted pursuant to the policy approved by the Company's General Assembly and in accordance with the following criteria:

- The remuneration shall be as recommended by the Remuneration and Nomination Committee.
- In addition to fixed compensations and remuneration stated in their contracts, Senior Executives may be granted remuneration based on the evaluation of their performance. Remunerations may be granted in the form of shares in compliance with the regulations of the Companies' Law.
- Key performance indicators at the Company level shall include a set of short- and long-term objectives, such as profitability, solvency, liquidity, and growth indicators. The performance management process shall ensure that all objectives are properly aligned at all levels in the Company down to the relevant business units and employees.
- The application of performance indicators used for granting remunerations to Senior Executives and employees shall be monitored. Appropriateness of such indicators to remuneration shall also be reviewed.
- Remuneration aims to provide a competitive environment conducive to attracting and retaining qualified personnel as well as maintaining the talents needed by the Company.

The remuneration and allowances for MEPCO Board members attending meetings of the Board and its committee in 2023; external committee members attending committee meetings; and the top 5 senior executives in the Company, including the Group Chief Financial Officer in 2023, are outlined in the following tables:

b) Remuneration of Board members

	Fixed Remuneration						
Name	Designated Amount	Attendance Bonus	Total Committee Attendance Bonus	In-kind Advantages	Remuneration of Technical, Administrative and Advisory Works	Remunerations of the Board Chairman or the Managing Director or the Secretary, if a Board Member	Grand Total
Mr. Waleed Abdulrahman AlMonie	300,000	30,000	25,000	-	-	-	**355,000**
Mr. Rakan Mohammed Abunayyan	300,000	30,000	35,000	-	-	-	**365,000**
Mr. Victor Sanz Martinez	300,000	30,000	20,000	-	-	-	**350,000**
Ms. Hawazen Nazih Nassief	300,000	30,000	25,000	-	-	-	**355,000**
Total remuneration of Independent members	**1,200,000**	**120,000**	**105,000**	**-**	**-**	**-**	**1,425,000**
Mr. Musaab Sulaiman Al Muhaidib	350,000	30,000	20,000	-	-	-	**400,000**
Mr. Emad Abdulkader Al Muhaidib*	300,000	25,000	0	-	-	-	**325,000**
Eng. Abdullah Abdulrahman Almoammar**	300,000	25,000	15,000	-	-	-	**340,000**
Mr. Rob Jan Renders	300,000	30,000	20,000	-	-	-	**350,000**
Total remuneration of Non-Executive members	**1,250,000**	**110,000**	**55,000**	**-**	**-**	**-**	**1,415,000**

* Membership of Board member ended on 28th December 2023.
** Membership of Board member ended on 11th December 2023.

It should be noted that the members received no considerations based on a percentage of the profits, periodic remuneration, short- or long-term incentive programs, granted shares, end-of-service gratuity, or expense allowances.

c) Remuneration of Board Committee members

Member's Name	Fixed Remuneration (Exclusive of attendance bonus)	Attendance Bonus	Total
Audit Committee			
Mr. Fahad Mohammed Al Fawaz*	112,500	20,000	**132,500**
Mr. Nader Mohammed Ashoor*	37,500	15,000	**52,500**
Mr. Walid Ibrahim Shukri	150,000	35,000	**185,000**
Mr. Mohamed Abdelkarim Mazi	128,571	30,000	**158,571**
Mr. Rakan Mohammed Abunayyan	150,000	35,000	**185,000**
Total	**578,571**	**135,000**	**713,571**
Nomination and Remuneration Committee			
Mr. Rob Jan Renders	175,000	35,000	**210,000**
Ms. Nathalie Potvin	150,000	35,000	**185,000**
Eng. Omar Mohamed Siraj Najjar	150,000	35,000	**185,000**
Total	**475,000**	**105,000**	**580,000**
Strategic and Executive Committee			
Eng. Abdullah Abdulrahman Almoammar**	93,750	15,000	**108,750**
Mr. Rob Jan Renders	106,250	20,000	**126,250**
Mr. Musaab Sulaiman Al Muhaidib	100,000	20,000	**120,000**
Mr. Victor Sanz Martinez	100,000	20,000	**120,000**
Total	**400,000**	**75,000**	**475,000**
Risk and Sustainability Committee			
Mr. Walid Ibrahim Shukri	150,000	25,000	**175,000**
Mr. Waleed Abdulrahman AlMonie	125,000	25,000	**150,000**
Ms. Hawazen Nazih Nassief	125,000	25,000	**150,000**
Ms. Nathalie Potvin***	23,265	25,000	**48,265**
Total	**423,265**	**100,000**	**523,265**

* Mr. Fahad Al Fawaz resigned from the Audit Committee on 2nd April 2023 and was appointed Chairman of the Committee as on 3rd April 2023.
** Membership of Board member ended on 11th December 2023.
*** Resigned from the Committee on 7th March 2023.

It should be noted the members received no considerations based on a percentage of the profits, periodic remuneration, short- or long-term incentive programs, granted shares, end-of-service gratuity, or expense allowances.

d) Remuneration of Senior Executives (SAR)

The Chief Executive Officer and the Chief Financial Officer are among the 5 Senior Executives who received the highest remuneration.	Fixed Remuneration				Variable Remuneration							
	Salaries	Allowances	In-kind Advantages	Total	Periodic Remuneration	Short-term Incentive Programs	Long-term Incentive Programs	Value of the Granted Shares	Total	End of Service Benefits	Total Remuneration of the Board	Grand Total
Chief Executive Officer (CEO)	2,520,000	1,010,004	340,000	**3,870,004**	-	-	-	-	-	294,167	-	**294,167**
Chief Financial Officer (CFO)	765,000	274,950	92,500	**1,132,450**	-	-	-	-	-	57,775	-	**57,775**
Chief Operating Officer (COO)	1,206,084	532,236	75,000	**1,813,320**	-	-	-	-	-	144,860	-	**144,860**
Commercial Sector Head	1,200,000	519,996	-	**1,719,996**	-	-	-	-	-	143,333	-	**143,333**
Strategy and Transformation Head	1,041,000	373,925	130,000	**1,544,925**	-	-	-	-	-	138,088	-	**138,088**
Total	**6,732,084**	**2,711,111**	**637,500**	**10,080,695**	-	-	-	-	-	**778,223**	-	**778,223**

Statement of any Penalty, Sanction, Precautionary Procedures, or Limitations Imposed on the Company during 2023

c) Remuneration of Board Committee members

Type of Penalty	Reason for Penalty	The Disciplinary Authority	Remedy and Preventive Measures
There was no penalty, sanction, disciplinary measure or limitation imposed on the Company during 2023.			

Annual Audit Results of Reviewing the System of Internal Controls

1) Supervising the conduct of internal control functions:

As part of the yearly plan of controlling the Company's activities, the Audit Committee periodically reviews reports submitted by the Internal Audit Department and the Governance, Compliance and Risk department. The Audit Committee seeks to:

- Ensure compliance with applicable laws and regulations.
- Ensure the system of internal controls is adequate and sufficient.
- Check the procedures of assessing and updating policies as well as other procedures related to administrative, financial, operational, and marketing activities in the Company and its subsidiaries.
- Verify the information in the Company's financial statements by reviewing and approving the interim and annual results.
- Assess the periodic reports by Internal Audit, including the main notes, and track the implementation of relevant recommendations to improve internal controls considering that the Management shall be responsible for the design and implementation of internal regulations to enhance the efficiency and effectiveness of the system of internal controls.
- Ensure the independence of the Internal Audit department and provide the department with resources and support required to efficiently carry out their roles and responsibilities.

To conduct its functions, the Internal Audit department adopted the following process:

- Channeled its efforts to the high-risk activities as well as some medium-risk activities with a view to optimizing the effectiveness and efficiency of the Company's operations.
- Monitored the Executive Management to ensure it takes the procedures necessary to handle notes and implemented recommendations stated in audit reports.
- Drives effective coordination between the Management and the external Auditor.

2) Scope of Internal Audit Department work:

The Internal Audit department adopted a systematic approach to implement its activities, ensuring its independence. The scope of the department includes:

- Planning audit operations on a risk-assessment approach, where its priorities are determined by assessing the threats of high- and medium-risk operations in that order.
- Periodically auditing activities of departments, operations of the Company and its subsidiaries (together referred to as the Company) in alignment with the approved annual internal audit plan.
- Notifying the departments of the results of reviewing and auditing their activities and ensuring remedial actions are taken to correct deficiencies detected during the audit process.
- Evaluating the corrective action plans submitted by the departments and follow up on their implementation periodically.

The reports and notes by Internal Audit during 2023 contributed to a better understanding of risks and deficiencies of the operations and departments of the Company and its subsidiaries. Decisions and corrective measures were taken to handle the same. Some of these measures are still under development as clarified in the Internal Audit reports. Below are the key notes mentioned in the Internal Audit report of 2023:

- The current matrix of authorities has not been updated for the purposes of setting forth the responsibilities and delineating obligations in light of the current work procedures and the applicable resource planning system.
- The resource planning system is not optimally utilized as some financial and operating reports are being prepared manually or not fully integrated in the system (e.g. inventory obsolescence report).
- Some key positions are not covered by the succession plan.
- No procedures are developed to implement the continuity or disaster schemes.
- Not all branches of subsidiaries have the required licenses.
- Lack of the Company's compliance system maturity.

Audit Committee Opinion on the Effectiveness of the Internal Controls

After reviewing periodic Internal Audit reports, studying the attached notes, and tracking the corrective measures to enhance internal controls – and limited by the results of planned and additional auditing functions carried out by the Internal Audit department, in conjunction with written affirmations from Executive Management and the Chief Audit Executive regarding the adequacy and effectiveness of the Company's internal control and financial reporting systems, which encompass risk management procedures – and after deliberating with the external Auditor and the Executive Management on the interim and annual financial statements for 2023, the Audit Committee did not find any material deficiency in the internal controls. The Audit Committee recognizes the inherent limitations of any internal control system prevent its complete verification. However, areas for continuous improvement have been identified. Management, under the Board's direct oversight, remains responsible for designing and implementing the Company's internal controls.

The Audit Committee recommends that Management continue strengthening the system of internal controls by improving oversight environment, refining IT systems, applying an accredited framework in implementing and evaluating the system of internal controls, and maximizing the independence of control departments by providing required human resources. The Committee also advises more effort is needed to implement the recommendations and notes, and promptly apply the corrective action plans undertaken by the Management.

Social Responsibility Activities

Social responsibility of the Middle East Paper Company forms the core of its values and business model. By means thereof, the Company contributes to achieving the social sustainable development goals while committing itself to ethics, accountability, and transparency to enhance its competitive edge in the markets. The Company integrates its model of running daily operations with its social responsibility, as well as translating its commitment to social responsibility to specific objectives stated in the Company's policies, procedures and future objectives.

In running its business, the Company adopts modern sustainable practices without prejudice to the well-being of future generations. It is also committed to preparing strategies that bring us closer to sustainability and enhance the value provided to our customers.

To ensure our efforts are consistent with value generation, MEPCO's initiatives of corporate and social responsibility focus on 2 cornerstones: education and environment, which represent the key pillars of 2023.

Education and empowerment

Driven by a strong desire to strengthen the skills and rekindle enthusiasm of the Saudi Youth, and as part of its social responsibility, the Company took the initiative in 2011 to establish a non-profit entity: the Higher Institute for Paper and Industrial Technologies in Jeddah. It constitutes one of the strategic partnerships where an agreement was signed between MEPCO and the Technical and Vocational Training Corporation. The institute seeks to qualify Saudi high school graduates to study and join the private sector the day they are admitted.

In 2023, the number of trainees at the institute reached 611 while graduates numbered 2,000, of which 280 graduates are working at MEPCO.

The institute's vision is to have qualified Saudi Youth specialized in all types of manufacturing, while its mission is to provide high-quality training by adopting state-of-the-art training equipment and hiring professional instructors. The institute added a number of diploma programs including electricity, mechanics, supplies, and an occupational Health and Safety Cadre program. The institute is committed to creating a suitable environment to provide high-quality training on the technologies that the private sector needs for the manufacturing industries.

The environment

Sustainability is at the heart of the Company strategy and constitutes the fundamentals of its operating model. In addition to innovation and constant improvement of sustainable practices, we step up our engagement with society and industry to increase environmental awareness. The Company's initiatives in 2023 included the following:

- The International Recycling Day for 2022. The Company used the day to spread awareness about the role of recycling in preserving our key resources, securing the future of our planet, and developing eco-friendly habits within workplaces influencing how people act and benefiting the society as whole.
- We launched the Annual Ramadan Campaign in 2023, which handed out 800 food baskets to the needy covering all neighborhoods of Al-Khumrah district.
- In line with our social responsibility commitment, MEPCO proudly completed a new park in Al Khumra. This beautiful and secure space aims to enhance residents' well-being and foster stronger social connections. Designed as a hub for social and recreational activities, the park is a place where families and individuals connect with nature and enjoy fun experiences.
- MEPCO joined forces with the National Mowan Center to champion its environmental and sustainability efforts, while fostering awareness of the critical need to protect the environment. By showcasing its facilities within Saudi Green, MEPCO aspires to inspire others to embrace eco-friendly practices and contribute to a more sustainable future.
- For World Environment Day 2023, WASCO partnered with Jeddah Municipality to raise awareness about the importance of source sorting, demonstrating their commitment to environmental concerns alongside the community.
- WASCO strengthened partnerships across sectors by signing a Memorandum of Understanding with Kadana Waste Management for the Hajj and Umrah season.
- To promote paper recycling and sustainable practices, WASCO sponsored and participated in the Paper Recycling Exhibition, raising awareness among the public and participating companies.
- WASCO provided 75 containers to promote source sorting by sponsoring the Beach Carnival Expo. The company also raised awareness about recycling and encouraged sustainable behavior among visitors and participants.
- Partnering with Al Baik Beach Cleanup, WASCO provided specialized vehicles for waste collection and sorting. They also measured the environmental impact of the waste, categorizing it by type and source.

List of 2023 Shareholders' General Assemblies with attending Board members

Ordinary General Assembly Meeting on 04/12/1444H corresponding to 22nd June 2023.

The Ordinary General Assembly meeting was held virtually on 22nd June 2023, using the Tadawulaty system. The meeting results were published on Tadawul's website on 2nd July 2023.

Below are the voting results for the assembly agenda:

1. Approving the Auditor's report for the fiscal year ending 31st December 2022.
2. Approving the appointment of Ernst & Young, as recommended by the Audit Committee, as the Company's Auditor to review and audit financial statements for Q2, Q3, and Q4 of fiscal year 2023, as well as Q1 of fiscal year 2024, with fees to be determined.
3. Authorization for the Board of Directors to distribute interim dividends on a semi-annual or quarterly basis for fiscal year 2023.
4. Authorization for the Board of Directors to delegate the authority of the Ordinary General Assembly to authorize the license mentioned in Article 27(1) of the Companies Law for 1 year from the approval date or until the end of the current Board's term, whichever comes first. This delegation will comply with the listed shareholding companies' regulations within the Companies Law's executive regulations.
5. Approval of transactions with Arabian Maize Company (formerly Al Masirah International Industrial Investments Company): This involved the purchase of corn starch in 2022 for SAR 35,716,109 from a company where Messrs. Abdullah Abdulrahman Almoammar and Emad Abdulkader Al Muhaidib have a direct interest. The transactions were confirmed to be conducted without preferential terms.
6. Approval of transactions with United Mining Industries: This involved the purchase of gypsum board paper rolls in 2022 for SAR 26,514,609 from a company where Board member Mr. Emad Abdulkader Al Muhaidib has a direct interest. The transactions were confirmed to be conducted without preferential terms.
7. Approving the Board's recommendation to distribute SAR 33,333,334 (SAR 0.5 per share) in dividends to Shareholders for the fiscal year ending 31st December 2022. To be eligible, Shareholders must own shares on the record date, which is 2 trading days after the General Assembly meeting. The shares must be registered with Edaa (Securities Depository Center). Distribution will occur within 15 days of the record date.
8. Approving the Board's recommendation to appoint Mr. Rakan Mohammed Abunayyan (Independent Member) to the Audit Committee, replacing Mr. Saleh Abdulrahman Al-Fadl. Mr. Abunayyan's term will run from 2nd January 2023, until the committee's current term ends on 13th November 2025. This appointment aligns with the Audit Committee's regulations.
9. Approving the Board's recommendation to appoint Mr. Fahad Mohammed Saleh Mohammed Al-Fawaz (non-Board member) to the Audit Committee, effective 3rd April 2023, until the current committee's term ends on 13th November 2025. This appointment replaces Mr. Nader Mohammed Saleh Jameel Ashour, in accordance with the Audit Committee's regulations.

No.	Name	Attendance Record for 2023
		1st Meeting on 22nd June
1	Mr. Musaab Sulaiman Al Muhaidib	Present
2	Mr. Emad Abdulkader Al Muhaidib	Present
3	Eng. Abdullah Abdulrahman Almoammar	-
4	Mr. Victor Sanz Martinez (on behalf of the Executive Committee)	Present
5	Mr. Rakan Mohammed Abunayyan	Present
6	Ms. Hawazen Nazih Nassief (on behalf of the Sustainability Responsibility Committee)	Present
7	Mr. Rob Jan Renders (Chairman of the Remuneration and Nomination Committee)	Present
8	Mr. Waleed Abdulrahman AlMonie	-
9	Mr. Fahd Mohamed Saleh Al-Fawaz (Chairman of the Audit Committee)	Present

The Extraordinary General Assembly held on 15th Jumada II 1445H, corresponding to 28th December 2023, that included a vote to increase the Company's capital.

The Extraordinary General Assembly meeting was held virtually on 15th Jumada II 1445H, corresponding to 28th December 2023, using the Tadawulaty system. The meeting results were published on Tadawul's website on 31st July 2023. Below are the voting results for the assembly agenda:

1. Approving the recommendation of the Board of Directors to increase the Company's capital by issuing 19,999,999 new ordinary shares with suspended rights as follows:
2. Increasing the Company's share capital from SAR 666,666,660, divided into 66,666,666 ordinary shares of equal value, to SAR 866,666,650, divided into 86,666,665 ordinary shares of equal value. This increase will be achieved by issuing 19,999,999,999 new ordinary shares (the "New Shares") with a par value of SAR 10 per share. These New Shares will be offered for subscription at a price of SAR 31.50 per share, representing 30% of the Company's current share capital and raising a total of SAR 629,999,968.50. The Public Investment Fund (PIF) will acquire all new shares, increasing its ownership of the Company to 23.08% after the capital increase.
3. Granting the Fund the right to subscribe for shares on the day of the meeting, with the preemptive rights of existing Shareholders temporarily suspended, in connection with a capital increase.
4. Amending Article Seven of the Company's Articles of Association regarding the capital structure.
5. Amending Article Eleven of the Articles of Association related to share subscription procedures.
6. Approving amendments to the Company's Articles of Association to comply with the new Companies Law. This includes rearranging and renumbering the Articles as necessary to reflect the proposed changes.
7. Ratifying the Board of Directors' decision to appoint Mr. Farid Habib as a Non-Executive Board member, effective on 15th Jumada II 1445H, corresponding to 28th December 2023, until the current Board term ends on 22nd Jumada I 1447H corresponding to13th November 2025, succeeding Eng. Abdullah Abdulrahman Almoammar (Non-Executive), former Vice-Chairman.
8. Ratifying the Board of Directors' decision to appoint Mr. Walid Ibrahim Shukri as an Independent Board Member, effective on 15th Jumada II 1445H, corresponding to 28th December 2023, until the current Board term ends on 22nd Jumada I 1447H corresponding to 13th November 2025, succeeding Mr. Emad Abdulkader Al Muhaidib (Non-Executive).

No.	Name	Attendance Record
1	Mr. Musaab Sulaiman Al Muhaidib	Present
2	Mr. Victor Sanz Martinez	Present
3	Mr. Rakan Mohammed Abunayyan	Present
4	Ms. Hawazen Nazih Nassief	Present
5	Mr. Rob Jan Renders (Chairman of the Remuneration and Nomination Committee, and Head of the Executive Committee)	Present
6	Mr. Waleed Abdulrahman AlMonie	Present
7	Mr. Fahd Mohamed Saleh Al-Fawaz (Chairman of the Audit Committee)	Present
8	Mr. Walid Ibrahim Shukri (Head of Framework and Sustainability)	Present

About the Company and its Subsidiaries

Middle East Paper Company (MEPCO) is one of the largest producers of paperboard in the Middle East and Africa. It produces a wide range of paper products available to customers all over the world. MEPCO serves a diversity of industries in the packaging sector, including products for building and furniture at large scale.

MEPCO exports its products from the Kingdom of Saudi Arabia to GCC Member States, the Middle East, and Africa, in addition to South Asia, the Americas, and Europe.

The reflective integration cycle of the Company enhances its powerful performance and competitiveness in the market through Waste Collection and Recycling Co. Ltd. (WASCO). WASCO is a leading company in the field of waste management. It has launched a strategy towards the achievement of the Kingdom's environmental ambitions under Vision 2030.

The core values of MEPCO are to provide high-quality products to its customers, contribute to preserving the environment and fulfil the needs of the market. Since its inception, the Company has placed great emphasis on preserving the environment by recycling paper into products of economic value. Our environmental interests cover the whole production process, from treating and reusing water besides using renewable chemical additives. We are working to the best of our ability to conserve our green world.

The Company is the official sponsor of the Higher Institute for Paper and Industrial Technologies (HIPIT) in Jeddah. It is a non-profit organization that improves and develops the knowledge and technical expertise of the Saudi employees in the sector of paper and industrial technologies. This would sharpen their skills, knowledge, and experience, essential for recruitment. HIPIT is working under the supervision of the Technical and Vocational Training Corporation, the Saudi Center for International Strategic Partnerships, and the Company's Board of Directors. The institute is one of MEPCO's initiatives towards its social responsibility, and a number of its graduates are working in the Company.

The Company is carrying out several activities towards social responsibility and environmental education and has won several related awards.

It has 3 paper production lines in the factory located in Jeddah with an annual capacity of 475,000 tons of brown paper rolls. It is one of the largest companies in the region in terms of production capacity and geographical distribution of sales.

The Company invests heavily in research and development to provide a wide range of innovative products to its loyal partners and clients.

The Company observes the highest international quality standards related to environmental sustainability and operational efficiency and is always working to develop its activities to meet the variables and needs of the markets.

The local content of the Company's final product represents more than 75%, as WASCO, its subsidiary, recycles the combined cardboard paper and turns it into a raw material used by paper converters.

The strategic location of MEPCO, near Jeddah Islamic Port, facilitates the export of its products to a wide range of worldwide markets.

The Company provides a variety of products to several industrial sectors, including:

Packaging Sector

Cardboard paper: Used in producing cardboard boxes for packing foodstuff, electronics, and several other purposes.

Cardboard pipe paper: Used in a wide range of industries, including textile rolls, paper mills, etc.

Furniture Sector

High impregnated Formica paper: Used on furniture surfaces, including offices, kitchen cabinets, and doors.

Building and Construction Sector

Gypsum board paper: Used to manufacture gypsum board for walls and false ceilings.

a) Description of the key activities of the Company and its subsidiary:

- **The key activity of the Company is to manufacture and produce packaging and industrial paper.**
- **The main activity of its subsidiary is to collect, recycle, and trade in paper and waste.**
- **The main activity of MEPCO's subsidiary (Juthor) is the paper industry.**

Activity	Revenue from Activity	Percentage
Paper manufacture and production	760,078,570	88%
Collection and recycle of paper and waste (trade)	16,996,811	2%
Juthor Paper Manufacturing Co.	89,677,390	10%

Company Activities

1) Key developments

Saudi Arabia's Public Investment Fund (PIF) acquired a 23.08% stake in Middle East Paper Company (MEPCO) through a capital increase. This strategic investment aims to bolster MEPCO's operational efficiency, production capacity, and environmental sustainability efforts, particularly through the production of recyclable paper products. The move aligns with both PIF and Saudi Arabia's sustainability goals.

PIF's investment contributes to achieving MEPCO's expansion strategy, especially in the fields of packaging and specialized building products industries such as gypsum board, which will enhance local supply chains for various current and future projects.
It is worth mentioning that the completion of the investment transaction came after obtaining the required statutory approvals from the relevant authorities and the Extraordinary General Assembly held by the company on 28th December 2023.

2) Forecasts and way ahead

MEPCO aims to enlarge its operations to become more integrated in the field of paper industries. MEPCO's expansion plans encompass all aspects of growth, including the construction of a new 400,000 ton cardboard paper mill. This project will not only open new markets for export, but also boost overall sales. Additionally, MEPCO is expanding the sales and export operations of its subsidiary, Juthor Paper Manufacturing Co., and its existing paper mill. MEPCO has moved towards more digital transformation in support of the United Nations Sustainable Development Goals (UNSDG) and is consistent with the comprehensive transformation drive in alignment with Vision 2030.

Key Events and Disclosures during Financial Year 2023

No.	Event	2023
1	Announcing that eligible Shareholders received deposits in their accounts for fractional shares returned from the Company's capital increase.	2nd January
2	Resignation and appointment of a member of the Audit Committee.	4th January
3	Announcing the annual financial results for the year ending 31st December 2022.	21st March
4	Announcing and producing a paper about the resignation and appointment of an Audit Committee member.	4th April
5	Announcing the latest developments in the project to establish a factory for producing raw paper tissue rolls.	9th April
6	Signing of a non-binding Memorandum of Understanding (MOU) with the Public Investment Fund, where the PIF intends to subscribe for new shares to be issued by MEPCO (the proposed transaction).	7th May
7	Release of MEPCO preliminary financial results for the quarter ending 31st March 2023 (3 months).	21st May
8	Announcing cash dividend distribution to Shareholders for the fiscal year ending 31st December 2022.	23rd May
9	Announcing the latest developments in the project to establish a factory for producing raw paper tissue rolls (launching the pilot operation).	30th May
10	MEPCO invitation to Shareholders to attend the Company's inaugural Ordinary General Assembly meeting.	31st May
11	The Middle East Paper Manufacturing and Production Company announced a legal case filed against the Company.	19th June
12	Announcing the latest developments in the project to establish a factory for producing raw paper tissue rolls (launching the pilot operation).	22nd June
13	Sharing the first Ordinary General Assembly meeting results.	2nd July
14	Signing a subscription agreement with the Public Investment Fund.	1st August
15	Releasing preliminary financial results for the 6 months ending 30th June 2023.	8th August
16	Issuing a corrective announcement regarding the preliminary financial results for the 6 months ending 30th June 2023.	14th August
17	Filing an application with the Capital Market Authority to increase company capital by issuing shares with preemptive rights suspended.	3rd September
18	Filing a lawsuit against the Ministry of Environment, Water, and Agriculture (Makkah Region branch).	13th September
19	Providing an update on the lawsuit filed against the Company.	25th September
20	Corrected the date of the Board of Directors' decision to issue shares with suspension of preemptive rights.	28th September
21	Releasing preliminary financial results for the 9 months ending 30th September 2023.	8th November
22	Updating Shareholders on the application filed with the Capital Market Authority to increase Company capital by issuing shares with preemptive rights suspended.	5th December
23	Announcing the resignation and appointment of a Board member.	7th December
24	MEPCO invitation to Shareholders to attend the Company's inaugural Extraordinary General Assembly Meeting to discuss a capital increase.	7th December
25	Publishing a prospectus for a share issuance with preemptive rights suspended.	10th December
26	Announcing the subscription period for the new shares issued to raise capital without preemptive rights.	31st December
28	Announcing the outcome of the Extraordinary General Meeting held to approve a capital increase with preemptive rights suspended.	31st December

Resolutions of the Board during 2023

No.	Paragraph	Resolution
1	Recommendation to the Audit Committee on the need to appoint an internal Auditor in the Company if not available – MEPCO has had an Internal Audit department since 2013.	Not applicable
2	Audit Committee recommendations that interfere with the decisions of the Board, or those submitted by the Committee on the appointment or dismissal of an Auditor, determining their fees and assessing their performance or the appointment of an internal Auditor, but rejected by the Board along with justifications for those recommendations and the reasons for rejection.	Not applicable
3	A description of any interest within the class of voting shares, which belongs to parties (other than the Board members, Senior Executives, and their relatives) who have informed MEPCO of those rights or any amendment thereto during the financial year.	Not applicable
4	A description of the classes and numbers of convertible debt instruments, contractual securities, subscription notes, or other similar rights issued or granted by the Company during the fiscal year with clarification of any compensation obtained by the Company accordingly.	Not applicable
5	A description of any transfer or subscription rights executed under convertible debt instruments, contractual securities, subscription notes, or other similar rights issued or granted by the Company.	Not applicable
6	A description of any redemption, purchase, cancellation by the Company of any redeemable debt instruments or value of the remaining securities with a distinction between the listed securities purchased by the Company and those purchased by its subsidiaries.	Not applicable
7	Statement of any arrangement or agreement whereby a Board member or a senior Executive waived their remuneration.	Not applicable
8	Statement of the remunerations received by the Board members in their capacity as members or Directors, as well as the remuneration they received against technical, administrative, or advisory works.	Not applicable
9	Statement of any arrangement or agreement whereby a Shareholder of the Company waived any rights to profits.	Not applicable
10	Details of stock and debt instruments issued by each subsidiary.	Not applicable
11	Statement of the value of any investments or reserves created for the benefit of the Company's employees during 2020.	Not applicable
12	Information about existing or past business activities of our Board members that compete with the Company or its subsidiaries outlining the names of Directors involved, the nature of the competing businesses, and relevant terms.	Not applicable
	The Board further acknowledges the following: A. Books of account have been properly maintained. B. The system of internal control is sound in design and has been effectively implemented. C. No significant doubts about the Company's ability to continue its activity.	

No.	Paragraph	Resolution
13	There is no conflict with accounting standards issued by Saudi Organization for Chartered and Professional Accountants – SOCPA.	
14	No recommendation on prematurely replacing the Auditor was made during 2023.	
15	As per the Auditor's report for the financial year 2023, no qualified opinion was made on the financial statements.	
16	The Auditor neither provided any counseling services to the Company nor received any fees in this regard.	
17	The Auditor did not request the Board to summon the General Assembly during financial year 2023.	
18	The Chairman of the Board did not receive any written request to hold an extraordinary meeting of 2 or more members during financial year 2023.	
19	The Company emphasizes that no request was received from Shareholders with 5% or more of the capital to summon the General Assembly or add an item or more to its agenda during financial year 2023.	
20	The Company emphasizes it has not put in place any procedures or restrictions that may limit the Shareholders' exercise of their rights, which are guaranteed under the laws and regulations.	
21	The Company did not provide any cash loan of any kind to its Board members, nor did it guarantee any loans that any of them hold with third parties.	
22	The Company does not own preferred shares or voting shares, whether by Shareholders or Board members or their affiliates. Furthermore, all the shares of the Company are ordinary shares of equal nominal value, equal in voting, and other rights as provided for by the law.	

Risks Related to the Activities of the Company, its Subsidiaries and Operations

The Company's activities, financial position, future prospects, operation results, and cash flows may be adversely affected at a large scale by any of the following risks, or any other unidentified risks. The Company, as an industrial entity, is exposed to such risks in the course of its business. Accordingly, the Company takes all possible measures, sets policies, and provides adequate support and information to the Risk and Compliance department to mitigate the effects of such risks on its performance.

1) Risk management strategy

- Risk management strategy focuses on calculated risks. It is a systematic mechanism to identify and prioritize risks to apply strategies and action plans that minimize such risks. This mechanism aims to prevent potential risks while detecting actual problems early. It is an ongoing process where all business units including human resources are involved.
- Well-prepared risk management strategy enables Management, equipped with appropriate tools, to identify and analyze risks. Subsequently, a workable solution to eliminate such risk or reduce its effects would be developed.

The basic steps of a company's risk management strategy can be summarized in a 5-step process:

Environment assessment – This is done by establishing mechanisms to investigate and deal with risks. Thus, a risk management approach will be identified. Setting goals would help the Management to identify potential risks that affect its performance.

Risk identification – This is done by answering the following 2 questions: What will happen? How would it happen? Internal and external events affect the Company's ability to realize its goals. Moreover, the Management shall know the difference between risks and opportunities.

Risk analysis – This analysis is done by considering the possibility of risks and how they impact the Company's goals, so that a clear mechanism is set to assess and manage such risks.

Risk assessment – Management assesses potential risks and how to react thereto by avoiding, accepting, or reducing their impacts. The Management shall afterwards develop a set of activities to prioritize risks.

Risk discussion/management – At this stage, possible strategic alternatives are identified to control the risk. The optimal strategic option is then selected. Accordingly, plans, with necessary resources, shall be developed to handle the risk while taking cost into account.

To reinforce the above 5-step process, the risk management exercises oversight and makes adjustments as required. The control activities may be carried out severally or jointly for each individual step.

2) Risk management courses of action

Having recognized and assessed, risks are managed through one of the following courses of action:

Transfer: It is a medium that helps the Company transfer risks to a third party, usually through contracts or financial preventive measures. Insurance is an example of transferring the risk through contracts.

Avoidance: Avoiding activities leading to a certain risk suggests that avoidance is the remedy for all risks. However, benefits and profits from the avoided activities would be lost.

Mitigation: It includes ways and actions to reduce losses resulting from risks.

Retention: Retention is the acknowledgment and acceptance of a risk as a given. Usually, this mechanism is accepted to manage small-size risks where the cost of risk insurance over time is greater than the total loss. Therefore, all risks that cannot be avoided or transferred shall be retained.

3) Types of risks to the Company and its subsidiaries

a) Risks related to the Company's operations

1. Risks related to the Company's inability to implement its strategy
The Company's ability to increase its revenue and improve its profitability depends on the extent of the effective implementation of its business plans and the successful achievement of its strategy, including but not limited to: accelerating strategic growth initiatives including the Paper Mill (PM5), the Tissue Mill (TM6), and the acquisition of a set of assets and shares of existing entities involved in the field of manufacturing and supplying corrugated boxes to achieve forward integration. The Company's ability to expand its business in the future depends on its ability to continue implementing and improving operational, financial, and administrative information systems in an efficient and timely manner, as well as on its ability to increase, train, motivate, and maintain its workforce. Any business expansion plans the Company intends to undertake in the future will be subject to the estimated costs and the timetable specified for their implementation. The use of net proceeds is subject to change based on any economic, social, or political change in addition to any change in the Company's business plan. If the Company is not able to implement the business plan according to the schedule set for and the estimated costs of the projects – or in the event of not obtaining the necessary licenses, delay in obtaining the necessary licenses, or not achieving the desired profitability of these projects, which may be due to various reasons, including a change in the market situation at the time of implementation of these projects or if there is a defect in the feasibility study, and if the Company fails to implement any part of its strategy for any reason – this will negatively affect the competitive position of the Company. This, in turn, will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

2. Risk related to failure to meet the sales targets and inability to attract customers
If the Company fails to meet monthly or annual sales targets and is unable to attract local and international customers, it can directly impact revenue growth. Falling short of sales targets means fewer sales and potentially lower profits, hindering the overall financial performance of the Company. In addition, the inability to attract customers locally and internationally limits market reach and potential market share, thereby restricting revenue growth opportunities and limiting the Company's ability to expand and compete in the market. In the event the Company fails to meet its targets and is unable to attract customers, it will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

3. Risks related to reliance on key personnel
The Company presently relies on the capabilities and expertise of its Executives and key personnel. The Company's success also depends on attracting and retaining highly competent and experienced personnel to offset the risk of losing key personnel and thereby reducing the impact caused by key personnel leaving the Company. The Company might not in the future be able to attract or retain key personnel, which in turn will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

4. Risks related to reliance upon foreign labor
Labor procured and recruited from India represents 41% of the non-Saudi labor at the Company as at 30 June 2023; while labor recruited from Bangladesh for WASCO is 62% of the non-Saudi labor as at 30 June 2023. Therefore, the Company's business, financial position, and results of operations would be adversely affected if the Company or WASCO failed to retain Staff or qualified foreign labor, failed to find alternatives with the same level of expertise and skill, or changed its policies (such as wages or working hours) around recruitment from India, Bangladesh, or any other country the Company or WASCO relies on for recruiting skilled non-Saudi labor; or, if the Company failed to find alternatives with the same expertise and management skill, this will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

5. Risks related to the impact of increasing costs and operating expenses on the Company's business
The Company's operating expenses could increase as a result of a number of factors, including, but not limited to, the increase in the wholesale cost of products ordered from suppliers, labor costs, fuel and utility costs, repair and maintenance costs, insurance premiums, finance costs, and costs related to the increase of rents of real estate leased by the Company, among other things.

Product purchase costs will have a direct impact on the Company's profitability. Prolonged periods of product cost inflation may also have a negative impact on the Company's profit margins and earnings to the extent such product cost increases are not passed on to customers as they could resist such increase in prices. Furthermore, the Company's business model requires it to maintain an inventory of products, and changes in price levels during the turnover period would lead to unexpected shifts in demand for the Company's products or could require it to sell inventory at a loss. In addition, any further increase in Saudization requirements of the Company's workforce may lead to an increase in the Company's operational expenditure. The Company's operating expenses amounted to 108% of its total revenues for the 6-month period ended 30th June 2023, and 74% of the Company's total revenues for the financial year ended 31st December 2022, and 79% of the Company's total revenues for the financial year ended 31st December 2021G. Any increases in the Company's operating costs will also reduce its cash flow, profit margin and funds available to operate the Company's existing branches and for future expansion. In turn, this will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

6. Risks related to availability of raw materials
The Company relies on WASCO to provide a very large proportion of the raw materials (namely, OCC), which amounted to 49% of the Company's total supplies as at 30th June 2023. Therefore, any interruption or fluctuation in WASCO's operations could cause the Company to incur unexpected additional expenses to remedy a shortfall in supplies and this, in turn, will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

7. Risks related to the Company's relationship with suppliers of waste paper
The Company contracts with a number of suppliers. As at 30th June 2023, WASCO provides 81% of the Company's total value of waste paper needs by collecting waste paper from several sources including landfills, cardboard manufacturers, supermarkets, and streets. The percentage of waste collected through WASCO's labor reached 22% of WASCO's total collection operations as at 30th June 2023. WASCO also collects waste paper directly by purchase from supermarkets under regular contracts with periods that differ from 1 supplier to another in which a price is determined in advance according to the prevailing market price per ton of paper. Some parties who have contracted with WASCO have the power to terminate contracts unilaterally, which, if this were to occur, could adversely affect the availability of raw materials. The Company repurchases the raw materials for its operations from its current customers, purchasing scrap paper (which is paper wasted in the process of manufacturing cardboard boxes). As at 30th June 2023, the amount collected from these sources represents 9% of WASCO's total collection operations. If the Company were to fail to obtain sufficient quantities of recycled waste paper at a favorable rate, this would cause a reduction in the Company's production volume or could force the Company to purchase waste paper for paper manufacture at prevailing market rates that are higher than waste paper prices supplied by WASCO. If the Company did not increase the prices of its products to cover the increase in its production costs, the Company would have to cover this increase, which, in turn, will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

8. Risks related to the Group's inability to develop or acquire new technologies or services
The Group's growth is dependent on its ability to continue developing or acquiring new technologies, services, and solutions, as well as adapting its business to meet the needs of its customers, among other factors. These factors include its ability to innovate and develop new technologies, adapt its services and solutions to meet the needs of the targeted customers, identify emerging technological and other trends related to the targeted customers, develop or acquire competitive and innovative technologies and services, especially in the digital sphere, and bring them to market quickly and cost-effectively. In particular, the Group's customers require a great degree of efficiency in all services provided to them, as well as digital capabilities to monitor and manage these services. If the Group is unable to meet the aspirations of its customers or provide excellent products, services, and solutions, or encounters significant delays in the development of new technologies and digital offerings, the Group may lose key customers or future offers and opportunities, which could have a material adverse effect on the Group's business and will, in turn, have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

9. Risks related to export of waste paper
Due to global demand for waste paper used in the manufacture of recycled paper, its export affects its availability on the local market, and, accordingly, increases waste paper demand on the part of paper manufacturers, which drives an increase in price on the local market and an increase in the costs borne by local paper manufacturers, including the Company. In addition, a shortage of waste paper owing to an increase in global demand or the presence of new competitors in the local market would force the Company to cover this shortage by importing waste paper from global markets, which, in turn, would increase the Company's production costs. If the Company did not raise its product prices to cover the increase in its production costs, the Company would have to bear this increase and this will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

10. Risks related to export of the Company's products
As at 30th June 2023, the Company's exports amounted to 42% of total sales volume, and its exports to Algeria, Egypt, Kuwait, and Jordan reached 16% of total sales volume as at 30th June 2023. It is worth noting the aforementioned countries are party to the Greater Arab Free Trade Area Agreement, and therefore, the Company's products in these countries are not subject to any local protection or any protection against import, nor are they subject to any protection against the export of raw materials or end products. Accordingly, any change in the laws of such countries or any other country to which the Company exports its products, or any change in the Kingdom's domestic law and regulations around the export of the Company's products would affect its ability to make its products available to its customers in these countries and would therefore raise the cost of its products and affect its net profit margins. This, in turn, will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

11. Risks related to product quality
The Company quality tests all its products at the quality laboratory located at the factory headquarters. The laboratory selects regular samples from the production lines and conducts the tests necessary to ensure they meet production stage requirements. The laboratory selects end product samples and tests them to ensure they meet the Company's quality standards. It is well understood that the quality of a company's products is one of the most important factors in marketing. Product quality is dependent on the efficiency of the quality control system, which, in turn, is dependent on a number of factors including system design and quality control training programs that ensure employees comply with quality control policies and standards. If the Company were unable to maintain the standard and quality of its products, it would adversely affect its reputation in the market and the opinions of its customers. As such, customers might be reluctant to do business with the Company. This would undermine its competitive advantages in the recycled paper industry and would, in turn, adversely affect its business, operations, and financial position. If the Company were to lose any quality accreditations, this could affect demand for the Company's products, which will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

12. Risks associated with employee misconduct and errors
Misconduct of the employees or mistakes made that may result in a violation of any applicable laws, regulations, or instructions may lead to the imposition of penalties or financial obligations on the Company from the competent authorities or result in damage to the reputation of the Company. The Company does not warrant that misconduct or errors will not occur by its employees, including – but not limited to – illegal activities, misuse of information, disclosure of confidential information, involvement in the dissemination of misleading information, or non-compliance with the Company's internal controls. When cases of employee misconduct occur or mistakes are made, it will affect the reputation of the Company and may result in the imposition of penalties from the competent authorities, which will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

13. Risks associated with management decisions
The results of the Company's business depend mainly on the ability of its management to take the right and appropriate decisions regarding the Company's business and activities. In the event the decisions of the Company's Management are found to be inaccurate with regard to its business, it will have a negative and material impact on the Company, the results of its operations, financial position, prospects, and share price.

14. Risks related to the Company's related party transactions
In the normal course of its business, the Company deals with related parties. The entry into contracts and transactions with related parties is subject to the provisions of the relevant laws and regulations. As per Article 71 of the Companies Law and Article 64 (c) of the Implementing Regulation of the Companies Law for Listed Joint Stock Companies, any transactions in which any of the Company's Board of Directors has a direct or indirect interest shall be submitted to the General Assembly for approval. It is prohibited for any Director who has an interest in these transactions to vote thereon, whether at the level of the Board of Directors or the Shareholders' assemblies. Therefore, the Company may not be able to renew the contracts entered into with related parties at the end of their term, as the Board or the General Assembly of the Company may not approve such transactions. The Company may face the risk of objection to or nullification of those transactions. If the mentioned contracts are nullified or not renewed, the Company may not be able to conclude similar contracts or ones on the same terms. Additionally, any Board member who breaches the obligation to disclose their direct or indirect interest in the Company's contracts and transactions will be subject to a fine not exceeding (SAR 5,000,000) and/or imprisonment for a term not exceeding 3 (three) years. In addition, in the event that future related party transactions are not entered into on an arm's length basis, or if they are not approved by the Board of Directors or the General Assembly of the Company, or if they are not renewed, or if no similar contracts are concluded, or concluded under the same terms, it will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

15. Risks related to energy supplies
The Company is supplied with fuel oil at the prevailing prices (on the basis of the prevailing prices on the date of delivery of the products to the Company), pursuant to an agreement which sets forth several obligations, and the Company has fulfilled a number of these obligations, including maintaining a comprehensive insurance coverage for general liability of not less than SAR 2,000,000 (two million Saudi Riyals) for physical injuries and property damage in every accident that occurs during the term of the agreement. This insurance may not include a condition or exception intended to specifically exclude insurance for damage to the property of the supplier and car accident liability insurance covers the Company's owned and non-owned and rented cars within the limits of an amount not less than SAR 2,000,000 (two million Saudi Riyals) per accident against physical injuries and property damage. However, if the Company fails to fulfill the remaining conditions, this contract will either not be renewed or will be terminated, which would disrupt the Company's business, either temporarily or permanently, and will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

The price currently set by the supplier is low compared to the price of fuel on the international market. The price of heavy fuel oil, which the supplier supplies to the Company, might increase and the Company might be unable to increase its product prices to cover the increase in the price of fuel. This would adversely and materially affect the Company's business, prospects, results of operations, cash flows, financial positions and share price. Any failure by the supplier, as the sole supplier of fuel to the Company, to supply the fuel needed by the Company for its manufacturing processes, either in part or entirely, and any failure by the Company to bridge the shortfall from alternative sources at prices competitive with those of the supplier will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

16. Risks related to the Company's factory's site
As at 30th June 2023, approximately 98% of the Company's operations are centered in its factory located in the Al Khumra District of Jeddah in a special industrial zone on a plot owned by the Company. However, the area of Al Khumra is close to populated areas, which may force all factories in the future to move to other industrial zones. If laws are changed preventing factories from remaining outside the industrial cities belonging to the Saudi Authority for Industrial Cities and Technology Zones (MODON), it will result in closure of the Company's factory and thus disrupt the Company's business until the factory is relocated to a new site. This would cause the Company to incur considerable capital expenses, which would adversely affect the Company's business continuity and financial position. The Company also maintains an environmental permit issued by the General Authority of Meteorology and Environment Protection. If the Company is unable to maintain or renew its environmental permit, or if the Company's factory is moved to an area that is far from currently proximate water sources (including the water treatment plant at Al Khumra) for any reason, including regulatory reasons, this will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

17. Risks related to reliance on key customers
As at 30th June 2023, the Company's business relies primarily on the sale of 45% of its products to 10 (ten) of its most important customers, 5 (five) of which represent 30% of total sales as at 30th June 2023. In other words, a decline in demand from the Company's key customers for the Company's products would cause its sales and profits to drop or fluctuate and its net profits to decrease. This would, in turn, have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

18. Risks related to reliance on spare parts suppliers
The Company relies on spare parts provided by third-party suppliers and manufacturing machine partners for its manufacturing plants. In the event that the Company's relationships with third-party suppliers or manufacturing machine partners cease to be provided, owing to the termination of an existing contract (whether as a result of breach of contract or otherwise) or failure to renew a contract once completed, the Company cannot guarantee these suppliers will be able to provide the spare parts for which they have been contracted. In addition, any restriction by any manufacturer upon which the Company relies – in addition to temporary and permanent discontinuation of their business (including but not limited to loss of license or permit, or technical or industrial malfunctions) or inability to provide the spare parts at acceptable prices or conditions of the Company – would have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

Furthermore, delivery by the Company's suppliers of faulty equipment could also negatively impact the Company's manufacturing plants, and the Company may be unable to successfully obtain compensation from its suppliers. In addition, if the Company's suppliers experience financial difficulties or find it difficult to obtain sufficient financing to fund their shipments or operations, they may not be able to provide the Company with the contracted supplies for the Company's manufacturing plants.

In the event that a third-party supplier or manufacturing machine partners is unable to continue supplying to the Company, the Company may not be able to find a suitably qualified replacement promptly, on similar terms or at all. In the event that the Company is able to replace these relationships, the Company cannot ensure such substitution can be accomplished in a timely manner or without significant costs, disruption to its operations, or ensure a partner may be replaced with a party providing the same quality of spare parts. The Company's failure to build strong relationships with third-party suppliers and manufacturing machine partners, or any disruptions or failures caused by these relationships,
would have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

19. Risks related to expansion and implementation strategy

The Company's future performance relies on the effective implementation of its business plans and growth strategies, including manufacture of new products, expansion of the Company's products through building, equipping, and developing production lines with the Company's available competencies and with direct supervision over the installation and implementation of these plans by international companies specializing in such projects. Any failure on the part of the Company to implement business plans and growth strategies or to build necessary production lines in the appropriate manner, or any withdrawal or negligence on the part of the companies responsible for supervision would adversely affect the Company's business operations and financial position.

The Company's ability to manage its future business expansion relies on its ability to efficiently and rapidly implement and improve operational, financial and administrative information systems. It also depends on its ability to increase, train, motivate, and manage its labor force. In addition, the Company's ability to expand its business is contingent on regulatory authority approval for increasing its authorized capacity.

There are no guarantees that the employees hired by the Company or that the systems, procedures, and controls approved by the Company will be sufficient to support future growth and expansion. Moreover, there are no guarantees that the Company will obtain the regulatory approvals necessary for increasing licensed capacity. Any failure on the part of the Company to manage its expansion plans would cause an increase in costs due to the hiring of competent and experienced new employees, and the hiring of new consultants, as well as new studies to arrive at alternative expansion plans and management mechanisms, which would decrease profitability. In addition, any business expansion plans that the Company intends to implement in the future will be subject to obtaining the relevant regulatory approvals, a cost estimate and a specific time schedule, and the Company might need additional financing to complete any expansion plans. If the Company is unable to carry out expansion plans according to the specified schedule, the desired economic benefit will not be realized during the delay. This, in turn, will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

20. Risks related to operating and unexpected business interruptions

The Company's factory consists of several highly complex production lines and paper manufacturing equipment. If any defect, damage, or sudden disruption were to occur with these lines or equipment, this would adversely affect the Company's production throughout the defect, damage, or disruption period. This, accordingly, would adversely affect the Company's business, prospects, and results of operations throughout the production interruption period. The effect will be material if the disruption occurs on more than one production line at a time. The Group's business is currently centered at the factories that the Group owns and operates, and thus its business and results are entirely dependent on these factories and their ability to run continuously. If any issue were to arise that could adversely affect the Group's factories, whether for technical reasons (such as an electricity, energy, or water outage) or due to an incident or emergency affecting their continuity, whether temporarily or permanently, or due to a natural disaster (such as a flood), this will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

21. Risks related to natural disasters

Any damage from natural disasters affecting the Group's factories, such as floods, earthquakes, storms, the spread of diseases, infection, region wide power failures, act of terrorism and other natural disasters may cause the Company to incur large and huge costs, and will also severely affect the ability of the Company to carry out its operations and thus reduce its operating results. In the event of the occurrence of these natural disasters resulting in damage to the facilities of the Group or the Company's factory, where 98% of its operations are concentrated, as at 30th June 2023, will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

22. Risks related to the long cash conversion cycle

The Company sells its products at a final price inclusive of all costs and freight charges; however, the Company deals with several companies for the purpose of shipping the end products to its customers. The Company pays freight companies immediately with a grace period of 90 days. However, the Company's custom in dealing with these freight companies was to pay amounts owing within a period that exceeded the grace period. Any claim by any or all freight companies for amounts due – whether immediately or within the contractual grace period – would have an effect on the Company's working capital needs and would in turn adversely affect the Company's business.

In addition, a part of the raw material collection process is carried out on a daily basis by landfills and markets that supply WASCO and by WASCO workers who collect from public places. The price of these collected raw materials is paid in cash according to the kind of process, particularly with suppliers who have not entered into contracts with the Company, especially when the Company purchases raw materials in large quantities during periods when prices are low; this increases the Company's working capital needs. Also, the Company allows its local customers a grace period for payment ranging between 90 to 120 days, and it grants its international customers a payment period ranging between 60 to 90 days. An increase in the Company's inventory and a long payment period prolongs the cash collection cycle that averaged 92 days as at 30th June 2023, 139 days as at 31st December 2022, and 106 days as at 31st December 2021, which materially affects working capital. The long cash collection cycle has a major and material effect on the Company's ability to continue its business. Hence, any rise in the cash collection cycle could have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

23. Risks related to transportation

The Company does not have in place a transportation fleet to transport its products to the Company's customers. Instead, it relies on third-party transportation service providers to transport its products to its customers. Any disruption in these transportation services, whether due to a change in transportation laws and regulations or in the statutory requirements for transporting the Company's products, would temporarily affect the Company's ability to supply its products to its customers, which would adversely and materially affect its results, operations, prospects, and financial position.

The final price of the Company's products includes freight charges although the Company pays freight charges to carriers directly. However, if a problem occurs in the transportation process after the products have been sold, leading to increased transportation costs levied by alternative shippers, the Company will not be able to change the product price and add this cost to the product price. This will, in turn, have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

24. Risks related to compliance with Saudization

The Saudi Ministry of Human Resources and Social Development employs the Nitaqat program, which imposed varying Saudization percentages on entities by their economic activity(ies), i.e., ISIC4 licensed activities, and size. Saudization applies to all private entities in Saudi Arabia.

As at 14th November 2023, the Company achieved a Saudization percentage of 39.9%, and is therefore classified under the high green category, Juthor achieved a Saudization percentage of 43.4%, and classifying it in the platinum category, WASCO achieved a Saudization percentage of 12.0%, and classifying it in the medium green category, and Estidama achieved a Saudization percentage of 21.8%, and classifying it in the high green category.

There is no guarantee that the Company, WASCO, Juthor and/or Estidama will continue to maintain the required Saudization percentage within the limits prescribed, particularly as an entity must increase its Saudization percentage year on year to remain compliant. The Company, WASCO, Juthor and/or Estidama may be subject to penalties if it fails to comply with the decisions issued in this regard, including suspending the issuance of new work visas for foreign employees needed by the Company, WASCO, Juthor and/or Estidama, and/or ceasing sponsorship transfers for non-Saudi employees and/or excluding the Company, WASCO, Juthor and/or Estidama from applying for government tenders, which will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

25. Risks related to lawsuits
The Company, its subsidiaries, Directors, or officers may become involved in lawsuits and regulatory actions with parties including suppliers, employees, competitors, regulatory authorities, consumers or owners of lands leased to the Company or its subsidiaries for its operations. Any unfavorable outcome in such litigation and regulatory proceedings would have a material adverse effect on the Company's business, financial position, results of operations, or prospects.

In addition, regardless of the outcome of any litigation or regulatory proceedings, these proceedings could result in substantial costs and may require that the Company devote substantial resources to defend against these claims, which will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

26. Risks related to adequacy of insurance
The Company maintains insurance coverage that includes several types of insurance, including directors' and officers' liability insurance, property all risks policy, goods in transit open policy, commercial general liability insurance policy, fidelity guarantee insurance policy, marine cargo open cover, money insurance policy, contractor's all risk policy, and motor commercial fleet insurance. Circumstances might arise that would require the Company to make a claim to the relevant insurance company to compensate the Company for any insured loss or damage. The value of the Company's claims might exceed the value of insurance held by the Company, the damage incurred might not be covered, or the claim submitted by the Company to the relevant insurance company might even be rejected. The Company does not guarantee any future claims filed against it will be covered entirely under the relevant insurance policies. The Company might not be able to obtain adequate insurance coverage because of high insurance premiums or unavailability. Any inability on the part of the Company to obtain adequate insurance coverage could undermine its ability to conduct its business, which would affect its activities. The Company, its business, or its facilities could suffer any number of accidents that are outside its control and that might affect the course of its business. Such accidents that could affect the Company or any of its facilities include, for example, fires and natural disasters. This is because the Company relies greatly on raw materials imported from WASCO which, in turn, is susceptible to fires. Such accidents, were they to occur, could cause the suspension of work at affected facilities for a period of time, which would affect the Company's revenues during the suspension and disruption period. They could also cause the Company to incur emergency capital expenses, repair costs, reconstruction, and restoration to repair and restore affected facilities to their previous condition. Therefore, such accidents could adversely affect the Company's business, operations, and financial results. The Company might be unable to renew these agreements on the same terms and conditions or it may renew them under conditions that differ from the current ones or that are not suitable for the Company. This may adversely affect the Company's business and production capacity, which will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

The Company maintains insurance coverage that includes business interruption. However, there are situations where either the value of the claim could exceed the value of the Company's coverage, a claim submitted by the Company to the relevant insurance company could be rejected, or the claim period and compensation could take a long time, which will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

27. Risks related to the material agreements
The Company and its subsidiaries have entered into a number of framework agreements to facilitate its business and practice its commercial activities. There is no guarantee the contracting parties are able to fulfill their contractual obligations, which include framework agency agreements with parties outside the Kingdom, under which the Company is the principal and the other party is the agent, whereby the principal authorizes the agent to act on its behalf in an agreed upon, legal manner for the sale and promotion of the Company's products within a specific territory, and the agency is restricted.

The rights and obligations of the agent in the agreement include the following:

- The agent agrees to use its best endeavours to promote the sale of the products in the territory in accordance with the principal's instructions and shall protect the principal's interests.
- The agent shall not solicit orders from customers established outside the territory unless permitted to do so by the principal.
- Unless otherwise specifically agreed, the agent has no authority to enter into contracts on behalf of the principal or to bind him in any way towards third parties.
- When dealing with clients, the agent is bound by the agreed-upon terms and conditions.
- The agent is not entitled to receive payments on behalf of the Company without the prior written consent thereof.

The Company's obligations as principal in the agreement includes that the principal shall inform the agent without undue delay of its acceptance or rejection of the orders transmitted by the latter, the principal may accept or reject any individual order transmitted by the agent at its own discretion. The principal may not, however, unreasonably reject the orders transmitted by the agent. In particular, a repeated refusal of order contrary to good faith (e.g. if made for the only purpose of hindering the agent's activity) shall be considered as a breach of contract by the principal.

Moreover, the agent is obliged to exercise due care to keep the Company informed of: (i) the laws and regulations applicable in the territory, which the products must comply with (such as import regulations, labeling, technical specifications, safety requirements, etc.), and (ii) the laws and regulations related to their activities.

The agreements also include a non-competition clause applicable upon the agent without the written consent of the Company, a pledge against engaging sub-agents, and an undertaking to maintain confidentiality. However, nothing ensures that the Company or the contracting parties will not breach any of their obligations under the respective agreements. Any violation will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

28. Risks related to the existing Zakat matters
It is possible that the Group might not be able to finalize Zakat assessments in the future because it has not paid amounts owed to ZATCA, or because it has paid the required amounts but obtained only temporary, not final, certificates. This would cause ZATCA to impose additional Zakat payments which, in turn, would adversely affect the Group. In addition, if the Group fails to obtain the final Zakat assessment certificates, this will adversely affect its business, as it would limit its ability to collect the amounts it is owed, especially financing from financing institutions and amounts owed by clients who require that the Group obtain final zakat assessment certificates before they will provide facilities or pay amounts owed to the Group, as the case may be. Any such occurrences would have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

29. Risks related to reliance on financing and credit facilities
The Company has entered into 3 (three) facility agreements under which it obtained financing. The relevant facility agreements related to these financing arrangements include some commitments and impractical representations, warranties, covenants, and events of default the Company/Juthor is bound by, along with cases of breach that allow the financing parties to terminate the financing agreements. In the event of non-compliance with any provisions set out by relevant agreements, the relevant bank would have the right to take any steps to preserve its rights such as accelerating the payment of the amounts due and terminating the facilities. The Company or Juthor may not be able to obtain alternative sources of financing to repay such debts, which would have a material adverse effect on the Company's or Juthor's business, results of operations and financial position.

Additionally, the Company or Juthor may need additional funds to address the challenges it may face in the course of its business operation, implement its growth strategy, increase its market share across its current markets, expand into other markets, or expand its product offering. The liquidity generated from the Company's or Juthor's current operations and financial resources may not be sufficient to fund its growth strategy, and thus the Company or Juthor may seek to increase its capital, or may increase its indebtedness.

30. Risks related to aggressive time bar for obtaining force majeure relief
Under the framework agreement for the supply of corn material necessary for paper rolls manufacturing concluded between the Company and Arabian Maize Company for Industry dated 11th June 2020, each party must notify the other party of any force majeure event affecting its ability to perform its obligation under the agreement within 10 (ten) days of the occurrence of the force majeure event, in order to be eligible for relief from those obligations. Should the Company not be able to notify Arabian Maize Company for Industry of a force majeure event that has affected its ability to perform its obligations (including receiving the materials ordered from the Company pursuant to a purchase order and paying the value thereof) under the agreement, the Company will not be entitled to a force majeure relief, resulting in either party's ability to terminate the agreement if a force majeure event lasts for a period exceeding 20 (twenty) days, which would have a material adverse effect on the Company's business, results of operations, financial position, and prospects.

31. Risks related to liquidity
The Company's trading ratio (which is one of the financial ratios related to liquidity and measures the extent to which a company is able to pay its short-term obligations through its current assets, measured by dividing the total current assets by total current liabilities) amounted to 1.77 times as at 30th June 2023. It should be noted that the Company's operations require sufficient liquidity to finance its operating business and future capital expenditures. In the event that the Company is unable to maintain sufficient cash resources or secure financing in the future, the Company, its financial position, results of operations, and prospects will be negatively and materially affected. Liquidity risks include the failure of the Company to meet its obligations when they are due, to restructure its loans, or to meet its liquidity obligations except at a high cost. The Company may not be able to obtain additional financing in the future if necessary, or may not be able to provide the sufficient guarantees required from financiers to obtain the necessary financing. There is no guarantee the Company will be able to maintain high liquidity rates in the future, and there is no guarantee the Company will be able to meet its obligations when due. In the event that the Company is unable to provide sufficient liquidity in the future to cover its operations and capital expenditures, either through its internal resources or by obtaining external financing, this will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

32. Risks related to the inability to renew, amend, or maintain existing material contracts
The Company has entered into a number of agreements with WASCO, Industrial Cities Development and Operating Company, Arabian Maize Company for Industry. It should be noted that the Company's agreement with the Industrial Cities Development and Operating Company regarding water supply for manufacturing specifies that if the Company fails to settle water supply invoices within 30 (thirty) days of receiving them, the Industrial Cities Development and Operating Company is entitled to suspend water supply services without prior notice. There is no guarantee these contracts or agreements are secured from cancellation or termination during this period. Also, there is no guarantee about the renewal of these contracts and agreements, and in the event of renewal, there is no guarantee they are renewed on terms similar to the current conditions. The inability of the Company to maintain its current contracts and agreements, or the inability to renew them on similar terms, will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

33. Risks related to interest rates
The Company has in place several facilities at a variable interest rate. A rise in profit rates, whether constant or variable, (that is, profits taking SAIBOR (Saudi Arabia Interbank Offered Rate) as a basis for calculations), which is owed to institutions providing financing to the Company, will increase the cost of the financing needed by the Company for its business, which will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

34. Risks related to credit
Credit risks are the risks of financial loss due to any failure by the Company's customers to fulfill their obligations. The Company's credit risks are mainly related to receivables. As at 30th June 2023, the Company classified a total of SAR 29,474,204 as expected credit loss, which represents 11.2% of gross, total receivables and 3.1% of total sales; while the accounts receivable turnover rate averaged 90 days as at 30th June 2023, 92 days as at 31st December 2022, and 101 days as at 31st December 2021. A number of the Company's customers might suffer from poorer financial performance and the Company might not be able to analyze such parties' credit risks. Any decline in the general credit quality of the Company's customers will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

35. Risks related to intellectual property
The trade name and trademark registered in the names of the Company, WASCO, and Juthor promote the Company's business and help to clearly set the Company apart in the market for customers and suppliers alike. The Company, WASCO, and Juthor registered their three trademarks – MEPCO, WASCO, and Juthor – as trademarks registered with the Saudi Authority for Intellectual Property (SAIP) dated 27/08/2022G under registration No. 1443030562, 15/11/2022G under registration No. 1443030707, 04/08/2022G under registration No. 1443030729, respectively. The competitive position of the Company and WASCO depends on several factors including the ability to continue to use both trademarks in providing services in their sector and to protect their trademark rights against any illegal use. If the Company and WASCO fail to protect these trademarks for whatever reason, this will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

36. Risks related to laws, regulations, permits and licenses
The Company and its paper manufacturing and production business and WASCO's business in the field of waste collection and recycling are subject to supervision and control by several governmental authorities, including: the Ministry of Municipal and Rural Affairs and Housing (MOMRAH); the Chamber of Commerce; the Ministry of Commerce; the General Authority of Meteorology and Environment Protection; and the General Directorate of Civil Defense. These authorities constantly strive to apply laws and regulations, and revise them on a continuous basis.

If any amendments are made to present laws and regulations, or if new laws and/or regulations are passed in connection with paper manufacturing and production or waste collection and recycling, the Company and/or WASCO would be obliged, for compliance purposes, to make changes to its operations or its product marketing and sales methods, or to make changes to its products or production lines so as to comply with the requirements imposed by such laws. The Company would, as a result, bear unexpected additional expenses, which would materially affect the Company's operations. Most of the current licenses of the Company and WASCO are subject to conditions under which such licenses may be suspended or revoked if the Company and/or WASCO fails to comply with the licensing requirements necessary to carry out their business and activities, if they do not obtain the licenses required to conduct their business, if they are unable to renew or amend a license, or obtain additional licenses as required in the future. This will prejudice the Company and/or WASCO's ability to carry out its activities in whole or in part, or subject the Company and/or WASCO to financial fines, penalties, or punishments from the competent government authorities.

37. Risks related to handwritten title deeds
The Company owns a number of varying surface area sites in the Al-Khumra region in Jeddah Governorate, on which its industrial facilities operate. These sites are still registered in the name of the Company as per hardcopy real estate title deeds, which have not been updated to electronic deeds and registered through the Ministry of Justice's electronic title registration portal. Since these title deeds are still in hardcopy form, the Company will face problems when it decides to dispose of these title deeds by mortgage, sale or subdivision, because the Ministry of Justice, under its competence, has issued a number of circulars to notaries not to complete the sale, registration of mortgages or subdivision of any real estate deeds whose owners failed to update to digital form, which in turn will restrict the Company's ability to dispose of its real estate if it so desires. This will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

38. Risks related to mortgaged title deeds
The main risks faced by the Company as a result thereof will arise in the event that the Company is unable to fulfill its contractual obligations, which may cause the Company to lose ownership of real estate properties mortgaged to stakeholders, in the event that the Stakeholders decide to foreclose the property title deeds the Company has mortgaged to them, as applicable. This will have a material impact on the continuity of the Company's or Juthor's operations, as all the mortgaged title deeds are essential for the Company. This, in turn, will have a material and negative impact on the Company's business, results of operations, financial position, prospects, and share price.

39. Risks relating to information technology infrastructure, cyberattacks and data protection
The Company's success, business, and operations are dependent on the Company's information technology infrastructure and the technologies used in its processes. This infrastructure and processes may be impacted by natural disasters, electronic viruses, technical errors, human errors, cyberattacks, and other factors. A failure of the Company's infrastructure due to breaches of the Company's cyber defenses, negligence, intentional misconduct, or other reasons could seriously disrupt the Company's operations. This could result in the loss or misuse of data or sensitive information, injury to people, disruption to the business, harm to the environment or the Company's assets, legal or regulatory breaches, and legal liability. These could involve significant costs including fines, cost of remediation, or reputational consequences. Generally, any malfunction in the Company's information systems or an incident that exposes the Company to cyberattacks, which could harm its electronic infrastructure and result in the full or partial shutdown of the systems used by the Company, could interrupt the Company's business and operations. Any of the foregoing occurring will have a material adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

The Company also stores and processes employees', suppliers' and customers' data, including data with respect to international suppliers and customers. Data protection laws apply to the Company in the vast majority of countries in which the Company does business. Such laws and requirements regarding personal data, data storage, and processing are becoming more stringent and are being enforced more rigorously, and the Company must be able to adapt dynamically to any legislative or enforcement changes and be capable of updating its internal programs if necessary, as a result of which the Company may incur significant compliance costs in the future. The Company's failure to comply with any applicable data protection laws and regulations may also lead to governmental actions against the Company, including fines and penalties on the Company, employees', suppliers' or customers' claims requiring the Company to compensate them for damages, which, in turn, could result in significant costs and also harm the Company's reputation.

Each of these events, if they were to occur, will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

40. Risks associated with the Company's risk management strategy
The Company has not fully documented all work procedures that specify roles, responsibilities, duties, risks, controls, and systems used within the Company. Additionally, the Company does not currently utilize an enterprise resource planning (ERP) system to update budget estimates, monitor compliance with set objectives, and create regular variance reports. Monthly variance reports are manually prepared, which can be susceptible to human errors, are time-consuming, and costly. The Company lacks an updated and documented succession plan for key positions, including the identification of potential candidates. Well-prepared risk management strategy enables Management, equipped with appropriate tools, to identify and analyze risks. Subsequently, a workable solution to eliminate such risk or reduce its effects would be developed. Risk management strategy focuses on calculated risks. It is a systematic mechanism to identify and prioritize risks to apply strategies and action plans that minimize such risks. This mechanism aims to prevent potential risks while detecting actual problems early. It is an ongoing process where all business units including human resources are involved. It should be noted that the annual review results highlighted the lack of update in policies and procedures for some operations and departments within the Company, and the absence of disaster recovery plans. Additionally, the Company's compliance system lacks maturity, and the Company's internal control procedures are not being updated. Management failure to develop a succession plan, adopt best risk management practices, implement effective or adequate risk strategies (including as stated in the annual review results), or failure to update or modify them in a timely manner as necessary, will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

41. Risks associated with capital management
The Company's capital management aims to maintain its ability to sustain itself in the market, thereby providing returns to Shareholders and benefits to other Stakeholders, while preserving an optimal capital structure to reduce the cost of capital as well as safeguard and enhance it. The Company manages capital risks by monitoring its debt levels, liquid assets, and meeting future investment requirements and Shareholder expectations However, the Company may not be able to meet its obligations on the due dates. Capital management risks can also result from the inability to quickly sell financial assets at or near their fair value. Any unexpected or sudden events requiring immediate liquidity will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

42. Risks related to delay in implementing future projects
Through a capital increase, the Company intends to finance 2 projects: the paper production factory (PM5) and the tissue production factory (TM6). Although the Company is working according to a specific schedule, there are several factors beyond its control that could lead to delays or temporary/permanent halts in the execution of these projects. These factors include, for example: obtaining necessary governmental approvals and licenses for the projects (including but not limited to gas allocation licenses, water supply and drainage licenses, building permits, environmental impact assessments, civil defense permits, occupation and operation permits, contractor compliance, agreements with other parties, availability of labor, and other factors that, if disrupted, could temporarily or permanently suspend work. As at the date of this prospectus, the Company is unable to obtain the necessary licenses and permits for future projects, as these can be obtained only after achieving certain stages in the projects. If any of the above materializes, it will impact the Company's ability to utilize the offering proceeds as outlined in this prospectus, affecting its ability to achieve the anticipated benefits from these projects as planned, which will negatively affect the Company's operations, financial position, and share price.

43. Risk for forward integrating in the field of manufacturing and supplying corrugated cardboard
The Company's inorganic growth strategy depends on forward integration into the corrugated market, ideally through acquisition of one or more corrugated box players to increase aggregate. Unexpected circumstance in the acquisition market such as a lack of interested third-party sellers within the target market could pose a threat to achieving an acquisition with financial benefits. Furthermore, any loss of local customers for the corrugated boxes, unexpected changes in market distribution, and difficulties to capture synergies could have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

b) Risks related to the market and the sector

1. Risks related to the economic performance of the Kingdom
The expected future performance of the Company depends on a number of factors related to the economic conditions in the Kingdom in general, including, but not limited to, factors of inflation, GDP growth, average per capita income, and so on. The Kingdom's full and partial economy mainly depends on oil and industries oil prices, which still control a large share of the gross domestic product. Therefore, any unfavorable fluctuations in oil prices will have a direct and fundamental impact on the plans and growth of the Saudi economy in general and on government spending rates. This, in turn, will have a negative impact on the financial performance of Company and the Company itself, owing to its work within the Saudi economy, as well as on the government spending rates.

The continuation of the growth of the Saudi economy depends on several other factors, in which the continuation of the population growth and the investments of the governmental and private sectors in the infrastructure and others. Therefore, any negative change in any of these factors will have a great influence on the economy and thus will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

2. Risks related to mergers and acquisitions within the paper products sector
The mergers and acquisitions that may occur in the paper products sector among the companies operating therein will affect the market data and focus the controlling parties. It is also possible these mergers and acquisitions affect the selling prices of the Company and the size of the customer base that the Company is associated and deals with, the Company's subsidiaries, or its affiliates, which will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

3. Risks related to environmental responsibility
The business of the Company and of WASCO involves some risks that could subject the Company to legal liability under the Environmental Law and its implementing regulations. The General Authority of Meteorology and Environment Protection requires the Company to preserve the environmental safety, including that of the air and water, and not to disturb the surrounding area. Any violation of these requirements would render the Company subject to penalties and fines of up to SAR 20,000,000, and liable for the costs of removing these violations, as such damages are not covered by insurance. Repeat violations within a year from the date of the previous penalty becoming final may lead to doubling the penalty or revocation of the licenses granted to the Company by the relevant authorities, which will have a negative and material impact on the business continuity of the Company, and materially affect the results of its operations, financial position, prospects, and share price.

4. Risks related to import and export
The change of existing legal or regulatory requirements in countries or regional trading blocs (such as the Gulf Cooperation Council Customs Union) where the Company and its subsidiaries operate or the imposition of new requirements in relation to import and export including anti-dumping duties and customs tariffs, will affect the competitive position of the products manufactured by the Company and/or its subsidiaries or may prevent the sale of these products in some related countries, which will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

5. Risks related to change in products supply and demand
The markets of many of the products of the Company and its subsidiaries may witness cyclicality in the supply and demand within the paper products industry, some of which may contain a contraction of supply, which would cause an increase in prices and profit margins, and some periods that witness a recovery in production capacity, which would result in an oversupply and a decrease in prices and profit margins. Accordingly, the future growth of demand for the products of the Company and its subsidiaries may not be sufficient to mitigate the impact of a surplus in production capacity, especially since these conditions may last for a longer period or may be exacerbated more as a result of expected or unexpected additions in production capacity or due to any other events. As a result, the production levels of the Company and its subsidiaries, product sales, and profit margins may be significantly affected, which, in turn, leads to a decrease in their financial performance levels in general, and will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

6. Risks related to sector concentration and specialization
The Company's business is limited to 2 paper industry sectors: containerboard manufacture and industrial paper manufacture. Growth in industrial and agricultural production, an increase in population, and individual spending are considered among the main factors positively or negatively affecting this industry, and thus any change in these factors will affect the Company's operations, prospects and general financial position. In addition, developments in paper packaging techniques and methods by manufacturers and evolving awareness of the importance of paper recycling are all major factors influencing the industry. Accordingly, any adverse change in these factors will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

7. Risks related to the regulatory environment
The Company's business is subject to the laws in force in the Kingdom, while bearing in mind that the regulatory environment in which the Company operates is subject to change. Regulatory changes resulting from political, economic, technological, and environmental factors could affect the Company's operations and limit the development of the Company or its business. If new laws or regulations impose new requirements that are difficult or costly to comply with – and if the Company or WASCO has to change its products or operations in order to comply with such laws – this could result in an increase in the cost of their products, which would have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

Additionally, the Company is subject to a range of applicable laws and regulations in Saudi Arabia, which in many cases are applied by governmental authorities in accordance with government policy or directives. Demand for products sold by the Company and its business may be materially and adversely affected by changes in laws, regulations, government policy, and administrative directives, or the interpretation thereof, including in particular those with application to the industrial and environmental sector in Saudi Arabia. There can be no assurance of favorable or unfavorable future changes in laws and regulations and/or governmental policy in Saudi Arabia including the promulgation of new laws, changes in existing laws, or their interpretation or enforcement. The Company is unable to anticipate changes in the regulatory environment and therefore could be subject to fines and sanctions, which will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

8. Risks related to political and economic instability in emerging and developing countries
The Company operates and provides its services and products in the Kingdom, which is part of the Middle East and the Arabian Gulf region. It is worth noting that many emerging and developing countries to which the Company exports and from which it imports suffer from political and security instability at the present time. Therefore, there is no guarantees the political and security conditions in such countries will not have a negative and material impact on the business of the Company in the Kingdom, and therefore the occurrence of fundamental changes in the political, security or economic situation in such countries will negatively and materially affect the business of the Company, the results of its operations, financial position and prospects.

9. Risks related to fluctuation in the prices of raw materials
The Company's revenues and profits are contingent on the prevailing prices of goods and raw materials, especially waste paper (92% of which is obtained from WASCO as at 30th June 2023). The prices of such goods are dependent on local and international market prices, which are driven by supply and demand. Given that the factors affecting the prices of basic commodities are beyond the Company's control and are subject to changes in actual supply and demand as well as market and international economic fluctuations, any adverse change in such factors will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

Raw materials are purchased and then stored for a period ranging from 1 to 3 months before they are used in the manufacturing of the Company's various products. The Company stores this raw material to ensure that is always ready for production in the following period to avoid any disruptions in supply, as the Company's factory is in operation 24 hours a day. The Company faces a risk of a reduction in the value of the raw material inventory if it is purchased at high prices and stored. The cost of raw materials (namely, OCC) represented 39% of total Company sales costs as at 30th June 2023.

10. Risks related to the implementation of VAT
The Kingdom issued the Value Added Tax (VAT) Law, which came into effect on 1st January 2018. This law imposed 5% VAT on various products and services. Subsequently, the percentage increased to 15% on 1st July 2020G. The Company is committed to monthly VAT payments as stipulated under the law, and has consistently filed all its tax declarations since its registration (since 2018G until the date of this prospectus) within the specified deadlines. Additionally, all ZATCA tax obligations have been met within the prescribed timelines.

The Company must adapt to the changes resulting from the implementation of the Value Added Tax, including its collection and delivery, and the impact of the VAT Law on the Company's and its subsidiaries' operations. Any violation or incorrect application of the tax saw by the management of the Company or its subsidiaries could expose them to fines or penalties, harming their reputation and potentially increasing operational costs and expenses, which could reduce the Company's and its subsidiaries' competitiveness and affect demand for their services, leading to a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

Given that the VAT has been implemented relatively recently, the Company could make errors when implementing the regulatory requirements, which would lead to facing penalties imposed by ZATCA in accordance with the Value-Added Tax Law. Should that occur, it will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

11. Risks related to fluctuation in sale prices and net profit in previous years
The Company's future performance depends on its ability to acquire a market share, retain its market share, and increase it through production expansion and marketing. A decline in demand for the Company's products for any reason could adversely affect the Company's operations. The Company's future performance is contingent on its ability to sustain profitability through maintaining appropriate prices for its products and the ability to pass on any increase in production costs to its customers by raising product prices. This is beyond the Company's control as the final price the Company can obtain for its products depends on supply and demand in the local market.

Furthermore, in the first quarter of 2021, the Company recorded a decrease in net profits as a result of several factors, including market competition, an increase in the price of raw materials and manufacturing costs, and other factors. The Company does not currently have in place any hedging policies against price fluctuations. If the Company's net profit fluctuates again, this will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

12. Risks related to currency exchange rates
Exchange risks are the result of financial investments fluctuations due to changes in foreign exchange rates. Companies often encounter exchange risks when dealing with international counterparties, investing, purchasing machinery, equipment and materials, or when selling products in foreign markets.

The Company's transactions are carried out in local and foreign currencies. Subsequently, the Company is exposed to the currency exchange risk due to fluctuation in exchange rates of foreign currencies in relation to investments or other commitments in foreign currencies. In the event the Company collects any amounts from the sale of its products or foreign dealings in foreign currencies, it may encounter exchange risks and unexpected major fluctuations in exchange rates, which will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

13. Risks related to the competitive environment
The Company operates in a highly competitive environment and faces the possibility of being flooded with low-cost products from external competitors, which could lead to a decline in the prices of its products. There is no guarantee the Company can continue to effectively compete with other companies in the market. In addition, the pricing policies of the Company's competitors affect its financial performance. Moreover, a rise in supply of products manufactured by the Company relative to the demand for them will exert downward pressure on their prices and will accordingly have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

The Company's competitiveness depends on how well it differentiates its products from others offered on the market. It does this by providing high-quality products for reasonable prices. If current or potential competitors provide products of higher quality or for more competitive prices than those provided by the Company, it cannot guarantee it will be able to keep pace and adapt quickly to developing industry trends or changing market requirements, which will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

14. Risk related to the Competition Law
The Competition Law promulgated by Royal Decree No. M/75, dated 29/06/1440H (corresponding to 06/03/2019G) and its Implementing Regulations issued by the General Authority for Competition pursuant to Resolution No. 337, dated 25/01/1441H (corresponding to 24/09/2019G) prohibit practices (including agreements or contracts made between entities, irrespective of whether they are written or oral, express or implied) with anti-competitive objectives or effects, including practices such as fixing prices of goods, service fees, or terms of purchase and sale. Should the GAC decide to lead an investigation into the Company, or otherwise conclude the Company is in breach of the applicable Competition Laws, it may impose on the Company a fine of up to 10% of the total annual sales value which is the subject of the violation or no more than SAR 10,000,000 (ten million Saudi Riyals) where it proves impossible to estimate such value. Moreover, GAC may, at its discretion, impose a fine of up to 3 times the revenues made as a result of the breach and order the (partial or full) suspension of the Company's activities temporarily or permanently in case of repeated breach. The occurrence of any of the above risks will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

c) Risks related to the New Shares

1. Risks related to distribution of dividends
The distribution of dividends is dependent on several factors, including the Company's ability to generate profit, its financial position, statutory reserve requirements, limits on available credit, general economic conditions, and other factors subject to the recommendation of the Board of Directors in the announcement of dividend distribution as it deems proper. The Company does not guarantee that the factors enabling it to distribute dividends – as it deems proper – among its Shareholders will be present at that time. Additionally, pursuant to the Bank AlJazira (BAJ) Facility Agreement, the Company undertakes not to withdraw any money or distribute any dividends to its Shareholders of that financial year in the event that the Company defaults in paying any loan instalment. This undertaking shall remain valid until the payment obligations are fulfilled and Bank AlJazira's written consent is then obtained with respect to dividend distributions.

Therefore, there is no guarantee that the Company will announce or distribute dividends at any time after completion of the capital increase, and there is no guarantee as to the dividend amount, if any, that the Company will announce or distribute in any particular financial year. Furthermore, there is no guarantee the Company Shareholders will receive dividends or will be entitled to dividends equal to those distributed by the Company in the past. Finally, the dividend distribution policy may be modified from time to time following the completion of the capital increase, which may affect the availability, method and timing of any dividends.

2. Risks related to liquidity and fluctuation in the price of shares
The targeted investor may be unable to resell the New Shares at or above the offer price. The market price of the Company's shares may, after the offering, be adversely affected by factors within or outside the Company's control, including, but not limited to, a change in the Company's operating results, market conditions, or government regulations.

The targeted investor must recognize that the value of an equity investment (including the New Shares) may decline or rise, and the market price of equities may be volatile and subject to significant fluctuations due to changing market sentiment in terms of equities. From time to time, equity markets have experienced large fluctuations in prices and volume, which affected the market prices of securities but were not relevant to the Company's performance or the prospects of its activities. Furthermore, the Company's operating results and prospects may from time to time be less than those of market analysts and overall market conditions. Any of these events may lead to a decline in the market price of the shares.

d) Risks related to the change in the ownership of current Shareholders and associated reduction of voting powers

1. Risks related to the change in the ownership of current Shareholders and associated reduction of voting powers
Following the completion of the capital increase, the ability of the Shareholders in the Company to influence the decisions made may decrease due to the decrease in their voting rights, such as the election of the Board members and other important strategic decisions of the Company. In addition, their share of net profits will decrease as it will be divided over a larger number of shares, after completion of the capital increase.

2. Risks related to the influence of the targeted investor
Following the completion of the capital increase, the targeted investor will be able to influence all of the Company's business requiring Shareholders' approval, including decisions related to the appointment of Board members and committee members, or substantial decisions related to the Company's business, the distribution of dividends, or the adjustment of capital. It should be noted that as per the Subscription Agreement, the targeted investor will have the right to appoint 2 new members to the Company's Board of Directors and Executive Committee. The interests of the targeted investor may differ from the interests of other Shareholders in the Company; and given the ability to influence the Company's decisions that the targeted investor will have as a result of the capital increase, the targeted investor may prevent the Company from taking certain decisions or actions that may protect the interests of other Shareholders in the Company.

3. Risks related to decreasing earnings per share as a result of the capital increase
The future earnings of the Company's share depend on several factors, including the profitability of the Company and its ability to maintain its good financial position, capital needs, and general economic conditions. In addition, the capital increase may lead to a decrease in earnings per share in the future, on the grounds that the Company's profits will be distributed to a larger number of shares as a result of the increase in its capital. In all cases, the earnings per share should not be relied upon as in the financial statements, and there is no guarantee the earnings per share will continue at these levels or will rise, as they are subject to change at any time and depend largely on the financial performance of the Company after the completion of the capital increase.

Financial Information and Data

The consolidated financial statements of the Company shall be prepared in accordance with the International Financial Reporting Standards (IFRS) applicable in the Kingdom of Saudi Arabia in addition to other standards and circulars issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

The General Assembly appointed and agreed the fees of Ernst and Young (E&Y) to audit the Company's accounts as recommended by the Audit Committee. E&Y shall examine, review, and audit the interim financial statements of the 2nd and 3rd quarters as well as the annual ones for financial year 2023 and the first quarter of the fiscal year 2024.

a) Business results (SAR'000)

Description	2023	2022	2021	2020	2019
Sales	**866,753**	1,187,006	1,057,400	724,685	691,077
Costs of sales	**781,757**	684,220	663,297	581,436	549,368
Gross profit	**84,996**	502,786	394,102	143,249	141,710
Operating (loss)/ profit	**(51,234)**	304,294	242,318	43,592	31,860
Net (loss)/profit	**(87,637)**	270,730	220,710	20,176	6,128

b) Assets and liabilities (SAR'000)

Description	2023	2022	2021	2020	2019
Current assets	**619,829**	812,083	801,463	445,262	474,595
Non-current assets	**1,311,104**	1,134,431	1,068,655	1,132,097	1,102,216
Total assets	**1,930,933**	**1,946,514**	**1,870,118**	**1,577,359**	**1,576,811**
Current liabilities	**447,105**	282,887	405,907	406,231	420,460
Non-current liabilities	**415,625**	481,341	481,315	419,135	424,972
Total liabilities	**862,730**	**764,228**	**887,222**	**825,366**	**845,433**

c) Material changes in operating results (SAR'000)

Income Statement Indicators	2023	2022	Change value	Change Percentage	Reasons for change
Sales	**866,753**	1,187,006	(320,253)	-27%	Decline in revenue of SR 320 M (27%) owing to lower sales prices. The reduction in sales prices of MEPCO is consistent to global decline in paper prices and packaging. However, the sales volume have been increased by 6% over last year mainly due to commencement of Juthor tissue mill operations and increase in MEPCO sales volume in 2023.
Costs of sales	**(781,365)**	(684,220)	97,536	14%	Increase in cost of sales is due to increase in sales volume along with the increase in energy costs, maintenance and employee costs relating to Juthor.
Gross Profit	**84,996**	**502,786**	**(417,790)**	-83%	Because of lower sales price and higher cost of sales, gross profit reduced by SR 418 M (83%) resulting in GP margin of 10% dropped from 42% last year.
Operating expenses	**(144,992)**	(195,656)	(50,664)	-26%	Operational expenses comprise of selling, general and administrative expenses along with the impairment of financial assets. The reduction in these expenses is mainly due to following: • Decline in **selling and distribution** cost is mainly attributed to the decrease in shipping and transportation cost of goods by 29% as part of lower supply chain constraints globally. • Decrease in **general and administrative** expenses by SAR 3.5 M mainly due to reversal of penalty of SR 5 M in 2023 that was recorded last year in one of the subsidiary. • Reversal of **impairment of financial assets** of SR 6.7 M against SR (16) M impairment loss last year. This reversal is due to the improvement in customer collection days.
Other revenue/ (expenses)	**8,761**	(2,836)	11,597	409%	Other income of SR 9 M against other expenses of SR (3) M last year comprises of SR 4 M for the administrative services provided by the Company to one of the related party, SR 2 M insurance claim reimbursement, SR 2.5 M on foreign currency exchange gain and SR 2.7 M other scrap sales.
Operating (loss)/ profit	**(51,234)**	304,294	(355,529)	-117%	The reduction in operating profit is due to reduction in gross profit as mentioned above.

d) Geographical analysis of the Company and its subsidiaries total revenue

The Company and its subsidiaries operate in KSA, GCC countries, North and East Africa countries, and some other geographical regions.

The geographical distribution is as follows: (SAR'000)

Description	Kingdom of Saudi Arabia	Gulf Cooperation Council	Other Countries	Total Revenue
Company	476,881	69,724	213,472	760,078
Subsidiaries	104,845	69	1,760	106,674
Total	**581,726**	**69,793**	**215,232**	**866,752**

e) Information related to loans of MEPCO and its subsidiaries

1. Medium-term loans and credit facilities (SAR'000)

Entity	The principal loan amount / facilitations	Duration of the loan / facilitations	Balance at the beginning of the year	Added during the year / scaled during the year	Amount paid during the year	Balance at the end of the year
Saudi Industrial Development Fund (SIDF)	409,500	5 years	114,000	45,000	(14,400)	**144,600**
SABB	218,365	5 years	218,365	-	(54,591)	**163,774**
Bank Al Jazira	183,778	5 years	183,779	-	(22,972)	**160,806**
Total	**811,643**		**516,144**	**45,000**	**(91,964)**	**469,180**
Financing fees due, deferred financial charges	-	-	(4,989)	570	-	**(4,419)**
Total	**811,643**		**511,155**	**45,570**	**(91,964)**	**464,761**

2. Short-term loans and facilitations (rotating) (SAR'000)

Entity	The principal loan amount / facilitations	Duration of the loan / facilitations	Balance at the beginning of the year	Added during the year / scaled during the year	Amount paid during the year	Balance at the end of the year
Bank Al-Bilad	30,000	1 year	-	30,000	-	**30,000**
Saudi National Bank	75,000	6 months	-	30,000	-	**30,000**
EXIM	100,000	6 months	-	40,000	-	**40,000**
Bank Al Jazira	485,000	6 months	20,625	-	20,625	**-**
Total	**690,000**		**20,625**	**100,000**	**20,625**	**100,000**
Other and notes payable	-	-	12,940	-	(3,031)	**(9,909)**
Total	**690,000**		**33,565**	**100,000**	**(23,656)**	**109,909**
Total medium and short-term loans	**1,501,643**	-	**544,720**	**145,570**	**(115,620)**	**574,670**

3. Classification of total loans according to international standards (SAR'000)

Description	2023	2022
Short-term loans and facilities	109,909	33,565
Current portion of long-term loans	114,557	99,828
Long-term loans	350,204	411,327
Total	574,670	544,720

f) Subsidiaries

Company's Name	Capital	Activity	Country of Incorporation	Country of Activity	Ownership (%)
Waste Collection and Recycling Co. Ltd. (WASCO)	SAR 20 million	Used paper collection and trade	Saudi Arabia	Saudi Arabia and other countries	100%
Juthor Paper Manufacturing Co.	68 million	Tissue paper (Jumbo roll) manufacturing	Saudi Arabia	Saudi Arabia	100%
Estidama Environmental Services Company Limited	SAR 100,000	Water supplies, sewerage, waste management, and treatment	Saudi Arabia	Saudi Arabia	50%
Saudi- Jordanian Waste Collection and Recycling Company ("Saudi-Jordanian WASCO")	SAR 529,000	Recycle and collect carton waste, manufacture, import and export carton. Retail trade in paper and carton. Own movable and immovable funds to implement the company's objectives	Jordan	Jordan	50%

The subsidiaries are fully integrated into the Parent Company's course of business. The paper collection and sorting companies, along with their branches, supply the paper factory with amounts of raw material required for the Company's business activities, besides creating profits by selling their surplus in the target markets.

g) Due statutory payments with a brief description

- **Zakat:** The Company is subject to the laws of the General Authority of Zakat and Tax in the Kingdom of Saudi Arabia. Zakat is registered on an accrual basis. Subsidiaries operating outside the Kingdom of Saudi Arabia are subject to their local tax laws.
- **Tax:** The Company and its subsidiary registered in the Value Added Tax system, which was introduced in January 2018.
- **Social insurance:** The Company is subject to the social insurance law. Social insurance fees are recorded on an accrual basis, and social insurance is paid monthly based on the dues for the previous month.
- **Passport and visa costs:** These are costs that the Company pay to obtain visas, recruitment fees, and commercial visits.
- **Labor office fees:** Represent the costs of obtaining work permits and changing professions.

Financial statements of 2023	Due	Paid	Justifications
Zakat	8,871,226	13,005,262	Zakat computed by the consultant as per the Zakat regulations
Tax	149,502	17,594,230	VAT on goods and external services by foreign suppliers
General Organization for Social Insurance	-	4,768,407	Due payments as per the social security records
Visa and Passport costs	-	4,940,472	Recruitment, commercial visits, visas, and their renewal
Labor Office fees	-	2,059,175	Employment fees and work permits
Total	9,020,728	42,367,546	

Details of the Treasury Bills held by the Company and the Uses thereof

No treasury shares for year 2023.

Number of requests for the Shareholders' Register during 2023

MEPCO requested the Shareholders' register from the Securities Depository Center Company (Edaa) 14 (fourteen) times during 2023 for the following purposes:

- Statement of ownership of Board members, Senior Executives and principal Shareholders at the end of the year.
- Data on the movement of ownership ratios of companies and investment funds.
- Shareholders register for the purpose of the General Assembly.

S.	Date of Ownership File	Purpose for the Request
1	1st January 2023	Statement of ownership of Board members, Senior Executives and principal Shareholders at the end of the year.
2	29th January 2023	Data on the movement of ownership ratios of companies and investment funds.
3	8th March 2023	Data on the movement of ownership ratios of companies and investment funds.
4	3rd April 2023	Data on the movement of ownership ratios of companies and investment funds.
5	1st June 2023	Data on the movement of ownership ratios of companies and investment funds.
6	22nd June 2023	Shareholders' register for the purpose of the General Assembly.
7	4th July 2023	Data on the movement of ownership ratios of companies and investment funds.
8	10th August 2023	Data on the movement of ownership ratios of companies and investment funds.
9	7th September 2023	Data on the movement of ownership ratios of companies and investment funds.
10	2nd October 2023	Data on the movement of ownership ratios of companies and investment funds.
11	26th November 2023	Data on the movement of ownership ratios of companies and investment funds.
12	24th December 2023	Data on the movement of ownership ratios of companies and investment funds.
13	28th December 2023	Shareholders' register for the purpose of the General Assembly.
14	31st December 2023	Statement of ownership of Board members, Senior Executives and principal Shareholders at the end of the year.

Information about the contracts or deals that the Company signed with related parties

They are the same transactions that some members of the Board of Directors, the CEO or any related person have an indirect interest:

Contractual Nature	The other party in the contract	Conditions of Transaction or Contract	Beginning of Contract	Contract – Transaction Duration	Value of Transactions in Saudi Riyals during 2023	Member's name/ Senior Executive or any other relatives
Supply the maize starch necessary for paper rolls manufacturing	Arabian Maize Company for Industry	Continuous transactions done in the context of the normal business within the prevalent commercial conditions and without any preferential conditions	2020	5-year framework agreement	25,126,617	Mr. Abdullah Abdulrahman Almoammar
Purchase the Company's products from gypsum board rolls	United Mining Company	Continuous transactions done in the context of the normal business within the prevalent commercial conditions and without any preferential conditions	2010	Valid until termination by one of the parties whenever they desire	5,411,936	Mr. Emad Abdulkader Al Muhaidib
Supply water to meet the Company's needs among the approved suppliers	Industrial Cities Development and Operating Company	Continuous transactions done in the context of the normal business within the prevalent commercial conditions and without any preferential conditions	2005	Valid till 2025	6,322,318	Mr. Emad Abdulkader Al Muhaidib

The value of the above transactions is calculated after VAT deducted.

Cash dividends during 2023

The Ordinary General Assembly held on 06/22/2023 approved the Board of Directors' recommendation to distribute an amount of (33,333,334) riyals as dividends to shareholders for the financial year ending on 12/31/2022 at the rate of (0.5) riyals per share.

Dividend policy

1. Cash Dividends:

Dividends are paid to the Shareholders in accordance with the provisions of the Companies' Law, its regulations and the Company's Articles of Association. Net profits are distributed after deducting all general expenses and other costs particularly the following:

- 10% of the net profits shall be set aside to form a statutory reserve, and the Ordinary General Assembly may discontinue such deduction whenever the said reserve reaches 30% of the paid-up capital.
- The Ordinary General Assembly may decide, based on the Board's recommendation, to set aside a specific percentage of the net profits to form a consensual reserve towards certain purposes. Such reserve may only be used by a decision of an Extraordinary General Assembly.
- The Ordinary General Assembly may decide to form other reserves as may be essential to achieve the interests of the Company or to ensure fixed profits are distributed to the Shareholders. The aforementioned assembly may also deduct amounts from the net profits to establish social institutions for the employees of the Company or to support the existing ones.
- The remainder is then distributed as a first payment to Shareholders, equivalent to no less than 5% of the paid-up capital.
- Subject to the provisions of Article (21) of the Company's Articles of Association, and Article (76) of Saudi Companies' Law, a percentage of no more than 10% of the remainder shall be allocated to the remuneration of the Board if it is a certain percentage of the Company's profits, provided that the entitlement to this remuneration is proportional to the number of meetings attended by each member.
- Upon meeting the regulatory requirements, the Company may distribute semi-annual and quarterly dividends to Shareholders.

2. Distribution of bonus shares

- The Company may distribute the dividends in the form of bonus shares to the Shareholders to increase the capital by issuing bonus shares at the nominal value which is transferred from the retained earnings to the capital. To increase the capital, the approval of the Capital Market Authority (CMA) shall be obtained, followed by the approval of the Extraordinary General Assembly of the Company.
- As may be resolved by the General Assembly or by the Board on the interim dividends, the Shareholders receive their portion of net profits as cash dividends or bonus shares. The decision of the General Assembly or the Board shall specify the due date and date of distribution. The dividends are paid first to those registered on the Shareholders' register at the end of the specified maturity date.
- At its meeting dated 24th November 2022, the Extraordinary General Assembly approved the Board's recommendation to increase the Company's capital by issuing bonus shares to the Shareholders in an amount of 1 share for every 3 shares.

Governance of the Company

a) MEPCO Corporate Governance

The Company has laid down its own corporate governance system, setting rules and standards to ensure compliance with the best governance practices that protect rights of the Shareholders, Stakeholders and related parties. The rules, policies, and procedures stated in the Company's corporate governance regulations are binding on all Board members, Executive Management, key managerial personnel, and all employees of the Company. This system may only be modified via a Board decision.

The corporate governance system aims to make the optimal and most profitable investment of the Company's capabilities and resources by creating a work ecosystem based on the principles of responsibility, control, and commitment that is founded on clarity and transparency. Such principles shall be observed in defining the Company's goals and strategic business plans, in describing the rights and obligations of all its entities, and in managing its relationship with suppliers, creditors, consumers, and regulatory authorities. This ecosystem interacts and integrates with the local legislature so the Company may achieve its goals effectively and fairly.

MEPCO adopts the best standards of corporate governance and always adjusts its business models to be consistent with updated standards. This commitment constitutes a fundamental pillar for its long-term success. Therefore, the Company has developed its own governance rules, which align with the Company's commitment to integrity and quality in all of its operations, activities, and products.

MEPCO governance focuses on the following objectives:

- Activate the role of Shareholders in the Company and facilitate exercising of their rights.
- Embed transparency, integrity, and fairness in the Company, its operations, transactions, and business environment, and enhance disclosure therein.
- Provide effective and balanced tools to deal with conflicts of interest.
- Define the roles and responsibilities of the Board and the Executive Management.
- Activate the role of the Board and the committees and develop their efficiency to enhance decision-making processes in the Company.
- Strengthen the controls and accountability of Company employees.
- Establish a general framework for dealing with Stakeholders and respect their rights.
- Improve the effectiveness of internal control and oversight and provide the required tools.
- Educate employees on the professional conduct and urge them to adopt responsible and good behavior when exercising their duties.

Key Principles of MEPCO Governance

Responsibility	To ensure effective performance of functions using the best available capabilities.
Control and accountability	To control acts and conduct and hold accountable all decision-makers ensuring they can clarify and justify their actions.
Equality	Fair and indiscriminate treatment for all parties.
Transparency	Clear and accurate disclosure to ensure all Company operations and data are clear and available to all.
Ethics	Stick to the Code of Professional and Ethical Conduct and commit oneself to integrity, fairness, and professionalism with all parties.
A vision to record sustainable value	Long-term outlook for realizing sustainability, which ensures growth and promotes social well-being.

b) Articles of Association

The Articles of Association defines the identity of the Company and regulates its affairs, objectives, and management. It also governs its meetings and Shareholders' equities. It controls and monitors the Company's business, and its authority to borrow and grant shares, in addition to outlining its policy from its inception onwards.

Shareholders' rights

Our corporate governance framework attaches tremendous value to Shareholders' rights and urges them to participate effectively in the General Assembly Meetings. To that end, it educates them on voting rules, their right to fair and indiscriminate treatment, and to information they need to fully exercise their statutory rights. They are entitled to a share of the profits, to a share of the Company's assets upon liquidation, to attend Shareholder assemblies, to take part in its deliberations, to vote on its decisions, to dispose of shares, to request access to the Company's books and documents, to monitor actions of the Board, to inquire and request information that neither harms the Company's interests nor violates the Capital Market Law and its implementing regulations. They are also entitled to file a liability claim against the Board members, and to appeal against decisions made by Shareholder assemblies. Moreover, the framework lays great emphasis on the rights of other Stakeholders along with other rights guaranteed and stressed by the Company's Articles of Association.

c) Internal controls

Based on the recommendation by the Audit Committee, the Board adopted a system of internal control to evaluate the policies and procedures related to risk management, apply corporate governance rules and regulations, and to comply with relevant laws and regulations. The Audit Committee further recommended the use of the COSO framework in the evaluation, implementation, and supervision of internal controls. The internal control and risk management processes are listed according to the COSO framework as follows:

- **Strategy:** The Company's ultimate goals accord with and support its mission.
- **Operations:** The effective and efficient use of resources to achieve the targeted goals
- **Reports:** The reliability of financial reports.
- **Compliance:** Compliance with all applicable laws and regulations.

The Executive Management implements internal control system and risk management, verifies the effectiveness and adequacy thereof, and applies best practices. Internal control systems in the Company and its subsidiaries are monitored and assessed by both Internal Audit department, and the department of Governance, Compliance and Risk Management respectively. These departments are independent and report periodically to the Audit Committee and the Board.

Throughout 2020, the Company kept supporting the internal controls by adopting COSO framework, which is to remain in place as to the execution and annual evaluation of internal control procedures.

The Company has strengthened its governance role by the following:

1) Internal Audit

It is an independent department that operates under the Audit Committee. It provides the Board and Executive Management with an objective and comprehensive view of all the Company's activities and ensures the effectiveness of internal controls in handling the risks identified by the risk management function to mitigate and minimize such risks. Its duties and responsibilities will be discussed in the results of annual control review.

2) Corporate Governance and Compliance

An independent department that works in cooperation with other departments and under the supervision of the Board and the Audit Committee. It performs the following functions:

- Monitors the application of the general framework of governance and ensures it is reviewed periodically to be in line with amendments to the Company's objectives or activities, regulatory requirements or best practices in the field of governance.
- Tracks the amendments issued by the regulatory and supervisory authorities on the laws or the regulations and instructions of joint-stock companies; and updates the Company's internal regulations accordingly.
- Ensures the Company abides by the instructions and regulations set forth by the regulatory and supervisory authorities and which are linked to the Company's activities.
- Responds to inquiries and correspondence received by the Company from the regulatory and supervisory authorities, participates in training activities they run, and builds up trust between such authorities and the Company.
- Monitors Company compliance with policies and internal controls to achieve compliance with local laws and regulations.
- Promotes awareness of corporate governance and compliance within the Company and trains the employees accordingly.
- Keeps the Executive Management informed of the risks arising from non-compliance that may lead to statutory penalties and actions, financial losses or damage to the Company's reputation caused by its failure to implement the regulations, instructions, rules, or ethical values that control the business environment where the Company operates.
- Responds to alleged violations of rules, regulations, policies, procedures, moral standards, and ethics by running an assessment and recommends an investigation.
- Conducts an annual review of all instructions included in the governance policy and procedure manuals applicable to the Company to ensure they conform to the regulatory requirements and update accordingly.
- Monitors the Company's compliance with laws and regulations in its operations with other entities; the Company's unit compliance with the Company's corporate governance policies and internal regulations, and assists the Internal Audit department to fulfill its control role.

3) Risk Management

Operates under the Governance and Compliance department. Its key duties and functions are as follows:

- Ensures effective management of risks to which the Company is or may be exposed.
- Defines, develops, and monitors the application of guidelines and risk management procedures necessary to identify, measure, control, and monitor risks inherent in the Company's activities.
- Reviews the risk register submitted by each manager regarding their department. The register shall then be submitted to the Chief Executive Officer and the Company's Audit Committee. A regular report shall be prepared on the Company's risk management framework and risk structure.
- Promotes awareness of risks and risk management within the Company and train the employees accordingly.
- Ensures all employees are fully aware of the risks in their work environment and their individual responsibilities.
- Coordinates with the Executive Management to ensure the effectiveness and efficiency of the Company's risk management system.
- Submits reports to the Audit Committee and the Board, including recommendations to the Executive Management that support the effective risk management.

4) Legal Department

It is a specialized department that works with other departments to achieve objectives of the Company. It aims to ensure actions taken by other departments conform with the statutory rules. It also offers legal opinion, reviews the regulations, and audits contracts and agreements, as well as provides legal counsel on dealings referred to the department by other business units and departments. Its duties and functions include formulating decisions, letters and memos assigned thereto. It expresses the legal opinion on issues presented thereto and coordinates with the lawyers handling the Company's lawsuits, in addition to spreading legal awareness and educating the Company's employees through coordination with different departments.

Provisions of Corporate Governance Regulations: applied, not applied, and why.

The Company has implemented the obligatory provisions contained in the Corporate Governance Regulations of the Capital Market Authority as amended in 2023, with the exception of the following, which includes guiding provisions.

Number of the Article	Article Text	Reasons for Non-application
14 Paragraph (A)	When preparing the General Assembly's agenda, the Board shall take into consideration the matters the Shareholders wish to list; Shareholders holding no less than (5%) of the Company's shares are entitled to add one or more items to the agenda upon its preparation.	During 2023, the Company was not notified of any issues the Shareholders wish to include in the General Assembly Agenda.
39 Paragraph (2)	Developing the necessary mechanisms for Board members and the Executive Management to continuously enroll in training programs and courses to develop their skills and knowledge in the fields related to the activities of the Company.	The Company applied only Paragraph 1 of this Article. Latest updates on the Company's activities are conveyed to the Board in the meetings and through reports provided by the Management.
60	By a Board decision, a Remuneration Committee shall be formed of 3 Non-Executive members, of whom at least 1 is an Independent member. Upon recommendation by the Board, the General Assembly shall issue the charter of the Remuneration Committee.	Not applicable. The Company combined Remuneration Committee and Nomination Committee into a single committee.
63	The Remuneration Committee shall convene periodically at least annually and as needed.	Not applicable. The Company combined Remuneration Committee and Nomination Committee into a single committee.
70	The Board shall, by virtue of its own decision, form a Risk Management Committee. The Chairman and majority of its members shall be Non-Executive Board members. The members of that committee shall be adequately knowledgeable in risk management and finance.	In 24th April 2022, the Board of Directors approved the formation and charter of the Risk and Sustainability Committee.
72	The Risk Management Committee shall convene periodically and at least semi-annually and as needed.	The Risk and Sustainability Committee shall convene periodically at least every 3 months, and as needed.

Number of the Article	Article Text	Reasons for Non-application
85 Paragraph 3.1	The Company shall establish programs for developing and encouraging the engagement and performance of its employees. The programs shall particularly include the following: Formation of committees or specialized workshops where employees can speak their minds and discuss key issues. Programs to award the Company employees shares therein or portion of the profits or retirement programs in addition to setting up an independent fund to financially support such programs and create social welfare entities for the employees.	Partially not applicable. The Company has established a program to grant some employees shares in the Company. The Company provides means of communication for its employees to offer opinions and submit suggestions and complaints. Besides, employee satisfaction surveys are conducted through independent external parties. Furthermore, training courses for employees inside and outside the Company are also available.
88 Paragraph (1)	Setting indicators that link the Company's performance with its social initiatives and comparing it with other companies that engage in similar activities.	Not applicable. It is a guiding paragraph, and it specifically requires a comparison with other similar companies, which is difficult to implement owing to scarce information.
95	In the event that the Board forms a Corporate Governance Committee, it shall assign thereto the competencies stipulated in Article (94) of these Regulations. Such committee shall oversee all issues relating to the implementation of governance and shall submit to the Board its reports and recommendations at least annually.	The Company has not formed a dedicated governance committee. However, the Nomination and Remuneration Committee was assigned governance responsibilities by the Board on March 12, 2023.

Finally, the Board of Directors would like to extend its deepest gratitude to the Government of the Custodian of the Two Holy Mosques for its unqualified support to the private sector, through governmental initiatives. The Board is also grateful to all of the Company's clients, financial institutions, and suppliers. The Board expresses its sincere thanks and appreciation to the Shareholders of the Company, for their trust and unlimited support. I am confident such trust motivates us for more progress and profitability. We want to thank the Executive Management and employees of the Company for their relentless effort, and the Board looks forward to more achievements during 2023.

All wishes of success for our Company.

6 Financial Statements

Ernst & Young Professional Services (Professional LLC)
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER (A SAUDI JOINT STOCK COMPANY)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Middle East Company for Manufacturing and Producing Paper and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia, that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
Allowance for expected credit losses As at 31 December 2023, the gross trade receivables amounted to 289 million (2022: SR 329 million), against which an allowance for expected credit losses of SR 22 million (2022: SR 31 million) was maintained. The Group assesses at each reporting date whether trade receivables carried at amortized cost are credit impaired. The management determines and recognizes expected credit losses ('ECL') as required by International Financial Reporting Standard 9 (Financial Instruments) ('IFRS 9'). Significant judgments, estimates and assumptions have been made by the management in the calculation of ECL impact. We have considered this as a key audit matter as the determination of ECL involves significant management judgement and assumptions, including future macro-economic factors and the study of historical trends. Refer to note 3.7 to the consolidated financial statements for the accounting policy, note 2.6 for the material accounting judgements and estimates and note 11 for the disclosure of movement in allowance for impairment of trade receivables.	Our audit procedures performed included, among others, the following: • Evaluated the Group's accounting policy for ECL allowance in accordance with the requirement of IFRS 9. • Obtained an understanding of management's assessment of the impairment of trade receivables and allowance for expected credit losses. • Involved our internal specialist to assess the reasonableness of significant judgements, estimates and assumptions made by the management related to the Group's assessment of the probability of default, incorporation of forward-looking information and the loss given default parameter used in ECL model. • Tested the accuracy of trade receivables ageing generated by the accounting system which is used in the preparation of ECL model as at 31 December 2023. • Tested the arithmetical accuracy of the ECL model. • Assessed the adequacy and appropriateness of the related disclosures in the accompanying consolidated financial statements.
Allowance for slow moving inventories As at 31 December 2023, the Group had inventories amounting to SR 185 million (2022: SR 219 million) and related provision for slow moving and obsolete inventories amounting to SR 10 million (2022: SR 6 million). These inventories comprise raw materials, work in progress, finished goods, consumable spare parts and goods-in-transit. Group adopted the policy of providing provision for inventories identified as obsolete or slow-moving which are not expected to be sold / used in the normal business cycle and when there is evidence of deterioration in the physical condition, technological changes and/or no movements in the specific period. We considered this as a key audit matter because establishing a provision for slow-moving, obsolete and damaged inventories involves significant management judgement in respect of factors such as identifying those slow moving, dormant and obsolete, and assessing their future use and respective allowance. The gross inventories and related provision are material to the consolidated financial statements. Refer to note 3.4 to the consolidated financial statements for the accounting policy relating to the inventories, note 2.6 for the material accounting judgements and estimates and note 10.1 for the disclosure of movement in provision for slow moving and obsolete inventories.	Our audit procedures performed included, among others, the following: • Evaluated the Group's accounting policy for identifying the slow-moving and obsolete inventories. • Obtained an understanding of management's process for assessment of allowance for inventories. • We attended stock counts at the year-end to observe the Group's application of procedures for identifying obsolete inventory. • Tested, on sample basis, the underlying data related to damaged and obsolete inventories by category included in the allowance calculation. • Assessed the adequacy of the relevant disclosures included in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER (A SAUDI JOINT STOCK COMPANY) CONTINUED

Report on the Audit of the Consolidated Financial Statements continued

Other information included in the Group's 2023 Annual Report

Other information consists of the information included in the Group's 2023 annual report, other than the consolidated financial statements and our auditor's report thereon. The Management is responsible for the other information in its annual report. The Group's 2023 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Group's 2023 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Management and Those Charged with Governance for the Consolidated Financial Statements

The Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Parent Company's By-laws, and for such internal control as the Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for Ernst & Young Professional Services

Ahmed Ibrahim Reda
Certified Public Accountant
License No. 356

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CR 4030276644
Ernst & Young Professional Services (Professional LLC)

Jeddah: 21 Ramadan 1445H
31 March 2024G

Consolidated Statement of Financial Position

As at 31 December 2023
(Expressed in Saudi Riyals unless otherwise stated)

	Notes	31 December 2023	31 December 2022
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	**1,111,782,224**	871,799,672
Capital work in progress	6	**171,234,329**	233,703,635
Right-of-use assets	8	**27,763,340**	28,660,645
Intangible assets	9	**324,848**	267,692
TOTAL NON-CURRENT ASSETS		**1,311,104,741**	1,134,431,644
CURRENT ASSETS			
Inventories	10	**175,697,378**	212,777,017
Trade receivables	11	**266,336,680**	297,736,735
Capital project advances	7	**2,282,335**	47,715,916
Prepayments and other receivables	12	**8,189,154**	14,590,045
Other current assets	13	**110,768,636**	94,011,302
Financial asset at fair value through profit or loss	14	**5,633**	5,633
Cash and cash equivalents	15	**56,549,393**	145,246,081
TOTAL CURRENT ASSETS		**619,829,209**	812,082,729
TOTAL ASSETS		**1,930,933,950**	1,946,514,373
EQUITY AND LIABILITIES			
EQUITY			
Share capital	16	**666,666,660**	666,666,660
Statutory reserve	18	**135,278,852**	135,278,852
Reserve for employees' share-based payments	19	**10,500,000**	7,860,000
Retained earnings		**261,845,302**	371,242,769
Equity attributable to equity holders of parent		**1,074,290,814**	1,181,048,281
Non- controlling interests		**(6,087,404)**	1,237,841
TOTAL EQUITY		**1,068,203,410**	1,182,286,122
LIABILITIES			
NON-CURRENT LIABILITIES			
Long-term borrowings	20	**350,204,502**	411,327,423
Lease liabilities	21	**16,612,745**	21,999,430
Employee benefits	22	**48,808,117**	48,014,426
TOTAL NON-CURRENT LIABILITIES		**415,625,364**	481,341,279
CURRENT LIABILITIES			
Lease liabilities – current portion	21	**8,292,816**	7,430,410
Long-term borrowings – current portion	20	**114,556,914**	99,828,007
Short-term borrowings	24	**109,908,824**	33,564,696
Trade and other payables	25	**189,202,705**	123,950,413
Other current liabilities	26	**15,415,337**	4,726,875
Zakat payable	23.2	**9,728,580**	13,386,571
TOTAL CURRENT LIABILITIES		**447,105,176**	282,886,972
TOTAL LIABILITIES		**862,730,540**	764,228,251
TOTAL EQUITY AND LIABILITIES		**1,930,933,950**	1,946,514,373

Chief Financial Officer   Chief Executive Officer   Chairman of the Board

The accompanying notes from 1 to 40 form an integral part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2023
(Expressed in Saudi Riyals unless otherwise stated)

	Notes	2023	2022
Revenue	4	**866,752,771**	1,187,005,798
Cost of revenue	27	**(781,756,682)**	(684,219,701)
GROSS PROFIT		**84,996,089**	502,786,097
Selling and distribution expenses	28	**(61,606,662)**	(85,829,922)
General and administrative expenses	29	**(90,042,886)**	(93,542,482)
Reversal / (impairment) losses on financial assets	11	**6,657,591**	(16,283,851)
Other operating income/(expenses) - net	30	**8,761,401**	(2,835,459)
OPERATING (LOSS) / PROFIT		**(51,234,467)**	304,294,383
Finance costs	31	**(26,524,499)**	(18,483,106)
(LOSS) / PROFIT BEFORE ZAKAT		**(77,758,966)**	285,811,277
Zakat expense	23.2	**(9,878,531)**	(15,081,467)
(LOSS) / PROFIT FOR THE YEAR		**(87,637,497)**	270,729,810
Attributable to:			
Equity holders of the parent		**(80,269,141)**	269,698,532
Non-controlling interests		**(7,368,356)**	1,031,278
		(87,637,497)	270,729,810
OTHER COMPREHENSIVE INCOME / (LOSS):			
Items that will not be reclassified to statement of profit or loss:			
Actuarial gain / (loss) on re-measurement of employee benefit obligations	22	**4,248,118**	(4,199,580)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		**(83,389,379)**	266,530,230
Attributable to:			
Equity holders of the parent		**(76,064,134)**	265,498,952
Non-controlling interests		**(7,325,245)**	1,031,278
		(83,389,379)	266,530,230
(LOSS) / EARNINGS PER SHARE:			
(Loss) / Earnings per share attributable to ordinary equity holders of the Parent (SR)			
Basic and diluted	32	**(1.20)**	4.05

Chief Financial Officer   Chief Executive Officer   Chairman of the Board

The accompanying notes from 1 to 40 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023
(Expressed in Saudi Riyals unless otherwise stated)

		Attributable to equity holders of the Parent							
	Notes	Share capital	Statutory reserve	Treasury shares	Reserve for employees' share-based payments	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2022		500,000,000	108,308,999	(1,136,135)	1,715,000	373,801,465	982,689,329	206,563	982,895,892
Profit for the year		-	-	-	-	269,698,532	269,698,532	1,031,278	270,729,810
Other comprehensive loss for the year		-	-	-	-	(4,199,580)	(4,199,580)	-	(4,199,580)
Total comprehensive income for the year		-	-	-	-	265,498,952	265,498,952	1,031,278	266,530,230
Transfer to statutory reserve	18	-	26,969,853	-	-	(26,969,853)	-	-	-
Bonus issue	16	166,666,660	-	-	-	(166,666,660)	-	-	-
Additions during the year		-	-	-	7,860,000	-	7,860,000	-	7,860,000
Transfer from treasury shares		-	-	1,136,135	(1,136,135)	-	-	-	-
Gain on employee share-based payment plan		-	-	-	(578,865)	578,865	-	-	-
Dividends		-	-	-	-	(75,000,000)	(75,000,000)	-	(75,000,000)
Balance as at 31 December 2022		666,666,660	135,278,852	-	7,860,000	371,242,769	1,181,048,281	1,237,841	1,182,286,122
Loss for the year		-	-	-	-	**(80,269,141)**	**(80,269,141)**	**(7,368,356)**	**(87,637,497)**
Other comprehensive income for the year		-	-	-	-	**4,205,007**	**4,205,007**	**43,111**	**4,248,118**
Total comprehensive loss for the year		-	-	-	-	**(76,064,134)**	**(76,064,134)**	**(7,325,245)**	**(83,389,379)**
Addition during the year		-	-	-	**2,640,000**	-	**2,640,000**	-	**2,640,000**
Dividends	17	-	-	-	-	**(33,333,333)**	**(33,333,333)**	-	**(33,333,333)**
Balance as at 31 December 2023		**666,666,660**	**135,278,852**	-	**10,500,000**	**261,845,302**	**1,074,290,814**	**(6,087,404)**	**1,068,203,410**

Chief Financial Officer

Chief Executive Officer

Chairman of the Board

The accompanying notes from 1 to 40 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023
(Expressed in Saudi Riyals unless otherwise stated)

	Notes	2023	2022
OPERATING ACTIVITIES			
(Loss) / profit before zakat		**(77,758,966)**	285,811,277
Adjustment to reconcile (loss) / profit before zakat to net cash flows:			
Depreciation and amortization	5,8,9	**103,128,427**	100,368,813
Finance costs	31	**26,524,499**	18,483,106
Loss on disposal of property, plant and equipment	30	**412,321**	1,966,544
Impairment loss on property, plant and equipment	30	**2,155,875**	432,450
(Reversal) / allowance for impairment of trade receivables	11	**(6,657,591)**	16,283,851
Allowance / (reversal) for slow moving inventories	10.1	**4,440,268**	(1,208,641)
Provision against advances to suppliers and employees	13(d)	**208,582**	-
Employee benefits provision	22	**7,806,146**	7,007,279
Employee share-based payment cost		**2,640,000**	7,860,000
		62,899,561	437,004,679
Working capital changes:			
Decrease / (increase) in inventories		**32,639,371**	(67,550,605)
Decrease / (increase) in trade receivables		**38,057,646**	(22,639,225)
Decrease in prepayments and other receivables		**6,400,891**	2,764,350
Increase in other current assets		**(16,965,916)**	(7,211,822)
Decrease / (increase) in capital project advances		**45,433,581**	(47,715,916)
Increase / (decrease) in trade and other payables		**65,252,292**	(10,886,154)
Increase / (decrease) in other current liabilities		**10,688,462**	(6,545,046)
Cash generated from operations		**244,405,888**	277,220,261
Finance costs paid		**(28,978,448)**	(24,660,588)
Zakat paid	23.2	**(13,536,522)**	(8,447,501)
Employee benefits paid	22	**(2,764,337)**	(5,437,232)
Net cash flows from operating activities		**199,126,581**	238,674,940

Consolidated Statement of Cash Flows continued

For the year ended 31 December 2023
(Expressed in Saudi Riyals unless otherwise stated)

	Notes	2023	2022
INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangible assets	5 & 9	**(35,700,620)**	(21,246,254)
Additions to capital work in progress		**(234,516,050)**	(144,466,532)
Proceeds on disposal of property, plant and equipment		**159,058**	409,229
Net cash flows used in investing activities		**(270,057,612)**	(165,303,557)
FINANCING ACTIVITIES			
Net change in short-term borrowings		**74,446,677**	(63,684,296)
Proceeds from long-term borrowings	20	**45,000,000**	258,778,846
Repayments of long-term borrowings	20	**(91,963,608)**	(306,324,210)
Payment of principal portion of lease liabilities	21	**(11,915,393)**	(5,900,000)
Dividends	17	**(33,333,333)**	(75,000,000)
Net cash flows used in financing activities		**(17,765,657)**	(192,129,660)
Net decrease in cash and cash equivalents		**(88,696,688)**	(118,758,277)
Cash and cash equivalents at the beginning of year		**145,246,081**	264,004,358
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	15	**56,549,393**	145,246,081
MAJOR NON-CASH TRANSACTIONS			
Finance charges capitalized in capital work in progress		**5,924,868**	4,203,146
Amortization of deferred finance charges in finance charges		**857,344**	1,243,265
Transfers to property, plant and equipment		**(302,773,674)**	(9,512,902)
Transfers to intangible assets		**(136,550)**	-
Non-cash addition in right to use assets		**6,387,240**	1,137,966

Chief Financial Officer	Chief Executive Officer	Chairman of the Board

The accompanying notes from 1 to 40 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023
(Expressed in Saudi Riyals unless otherwise stated)

1. CORPORATE INFORMATION

Middle East Company for Manufacturing and Producing Paper ("MEPCO" or the "Company") and its subsidiaries (collectively "the Group") are engaged in the production and sale of container board, industrial paper and tissue paper. MEPCO is a Saudi Joint Stock Company incorporated and operating in the Kingdom of Saudi Arabia. The Company also uses the name Middle East Paper Company in its business operations, agreements and trademarks including places such as Saudi Stock Exchange.

The Company obtained its Commercial Registration No. 4030131516 on 3 Rajab 1421H, corresponding to 30 September 2000. During the year 2012, the legal status of the Company converted from a limited liability company into a Saudi Closed Joint Stock Company. The Ministry of Commerce approved the conversion of the Company to a Saudi Closed Joint Stock Company by Ministerial Decision No. 44 dated 14 Safar 1433H (corresponding to 8 January 2012). The Company was converted to Saudi Joint Stock Company on 14 Rajab 1436H (3 May 2015). The Company's office is located at Jeddah, P.O. Box 22523, Jeddah 6272, As-Sororyah Distt, Kingdom of Saudi Arabia.

The Company had investments in the following subsidiaries (collectively referred to as "Group"):

Subsidiary name	Country of incorporation	Principal business activity	31 December 2023	31 December 2022
			Effective ownership interest	
Direct holdings				
Waste Collection and Recycling Company Limited ("WASCO")	Saudi Arabia	Whole and retail sales of paper, carton and plastic waste	**100%**	100%
Juthor Paper Manufacturing Company formerly known Roots Paper Manufacturing Company Limited ("Juthor")	Saudi Arabia	Production and sales of tissue paper rolls.	**100%**	100%
Indirect holdings				
Estidama Environmental Services Company LLC ("Estidama")	Saudi Arabia	Whole sales of wastes, scrap, and other unclassified product and waste management and treatment services	**50%**	50%
Saudi- Jordanian Waste Collection and Recycling Company ("Saudi-Jordanian WASCO")	Jordan	Recycle and collect carton waste, manufacture, import and export carton. Retail trade in paper and carton. Own movable and immovable funds to implement the company's objectives.	**100%**	100%

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The shareholders approved the amended Articles of by-laws in their Extraordinary General Assembly meeting held on 28th December 2023. Subsequently, the management has amended its bylaws to align the Articles to the provisions of the Law.

2.2 Basis of measurement

These consolidated financial statements are prepared under the historical cost convention, except for investment at fair value through profit or loss which are measured at fair value. For employees' defined benefit obligations, actuarial present value calculations are used.

2.3 Functional and presentation currency

These consolidated financial statements of the Group are presented in Saudi Riyals ("SR") which is the functional and presentation currency of the Group.

2.4 New standards, interpretation and amendments standards adopted

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts; IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entity that issues them, as well as certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2023
(Expressed in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION continued

Definition of Accounting Estimates - Amendments to IAS 8
The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.
The amendments had no impact on the Group's consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's consolidated financial statements.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12
The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date

The amendments had no impact on the Group's consolidated financial statements as the Group is not in scope for income tax.

2.5 Standards and interpretations issued but not yet applied by the Group

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

2.6 Material accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and accompanying disclosures and disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Other disclosure relating to the Group's exposure to risks and uncertainties includes:

- Capital management (note 37)
- Financial risk management (note 36)
- Sensitivity analyses disclosures (note 22)

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2023
(Expressed in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION continued

2.6.1 Judgements

Determining the lease term of contracts with renewal and termination options – Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has lease contract that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Going concern

The Group exercises judgement in assessing its ability to continue as a going concern. The management has assessed the ability of the Group to continue as a going concern based on its existing liquidity position and cash flow projections, and is not aware of any material uncertainties that may cast significant doubt and the management is satisfied that the Group has the resources to continue and meet its obligations as they fall due in the ordinary course of business in the foreseeable future. Therefore, the consolidated financial statements of the Group continue to be prepared on the going concern basis.

Determining the timing of gain recognition on the sale of non-current assets

The Group has evaluated the timing of revenue recognition on the sale of non-current assets based on a careful analysis of the rights and obligations under the terms of the contract and legal advice from the Group's external counsels in various jurisdictions.

The Group has generally concluded that contracts relating to the sale of completed non-current assets are recognised at a point in time when control transfers. For unconditional exchanges of contracts, control is generally expected to transfer to the customer together with the legal title. For conditional exchanges, this is expected to take place when all the significant conditions are satisfied.

Zakat

The determination for zakat provision involves material management judgement that involves calculation of the zakat base and zakatable profits in accordance with the zakat and income tax regulations enforced in the Kingdom of Saudi Arabia, which may be subject to different interpretations. The final assessment amount could be significantly different from the declarations and appeals filed by the Company. In determining the amount payable to Zakat, Tax and Customs Authority ("ZATCA"), the Group has applied their judgement and interpretation of the ZATCA requirements for calculating Zakat.

2.6.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a material risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. Information about the assumptions and estimation uncertainties is included in the following areas:

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. To determine a recoverable amount, the management uses fair value using market approach and value in use approach.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in note 22.

Useful lives and residual value of property and equipment and intangibles assets

The Group's management determines the estimated useful lives of its property and equipment and intangibles assets for calculating depreciation and amortization. These estimates are determined after considering the expected usage of the assets and their physical wear and tear and technical obsolescence. Management periodically reviews the useful lives, residual value, depreciation and amortization method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Impairment for expected credit losses (ECL) in trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The Group's determination of ECL in trade receivables requires the Group to take into consideration certain estimates for forward-looking factors while calculating the probability of default. These estimates may differ from actual circumstances.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The Group has identified GDP growth rate to be the most relevant macro-economic factor of forward-looking information that would impact the credit risk of the customers, and accordingly adjusted the historical loss rates based on expected changes in this factor using different scenarios. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a material estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 11.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2023
(Expressed in Saudi Riyals unless otherwise stated)

2. BASIS OF PREPARATION continued

Employees' terminal benefits plan
The cost of the employees' terminal benefit plan and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employees' turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each year end. The most sensitive parameters are discount rate and future salary increases. In determining the appropriate discount rate, the management considers the market yield on high quality corporate/government bonds. Future salary increases are based on expected future inflation rates, seniority, promotion, demand and supply in the employment market.

The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes. Further details about employee benefits obligations are provided in note 22.

Leases - Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Allowance for inventory obsolescence
The Group determines its allowance for inventory obsolescence based upon historical experience, current condition, and current and future expectations with respect to sales or use. The Group provides an amount as an allowance for obsolete and slow-moving inventories on a monthly basis and reassesses the closing balance at each reporting date based on the result of a physical count and the outcome of the periodic inspections of inventory undertaken by its technical team. The estimate of the Group's allowance for inventory obsolescence could change from period to period, which could be due to differing remaining useful life, change in technology, possible change in usage, their expiry, sales expectation and other qualitative factors of the portfolio of inventory from year to year.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies adopted by the Group for the preparation of these consolidated financial statements are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for accounting policies related to the new standard adopted by the Group effective as of 1 January 2023 (see note 2.4).

In addition, the Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material' rather than 'significant' accounting policies. Although the amendments did not result in any changes to the accounting policy themselves, they impacted the accounting policy information disclosed in certain instances.

3.1 Basis of consolidation

(a) Subsidiaries
Subsidiaries are entities which are controlled by the Group. To meet the definition of control, all three criteria must be met:

i) the Group has power over the entity;
ii) the Group has exposure, or rights, to variable returns from its involvement with the entity; and
iii) the Group has the ability to use its power over the entity to affect the amount of the entity's returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which the control is transferred from the Group. The results of subsidiaries acquired or disposed of during the year, if any, are included in the consolidated statement of profit or loss and other comprehensive income from the date of the acquisition or up to the date of disposal, as appropriate.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

(b) Eliminations on consolidation
Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(c) Change in ownership
A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2023
(Expressed in Saudi Riyals unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION continued

3.2 Current versus non-current classification

Assets
The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting year; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting year.

All other assets are classified as non-current.

Liabilities
A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting year; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting year.

The Group classifies all other liabilities as non-current.

3.3 Property, plant and equipment

(a) Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use and borrowing costs on qualifying assets.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment are recognised net within other income in profit or loss.

(b) Subsequent costs
The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(c) Depreciation
Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land and capital work in progress are not depreciated.

The estimated useful lives for the current and comparative years are as follows:

	Years
Buildings and mobile cabinets	6 – 33
Machinery and equipment	2 – 30
Furniture and office equipment	5 – 20
Motor vehicles	4 – 5

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively, if required. For discussion on impairment assessment of property, plant and equipment, please refer note 3.9.

(d) Capital work in progress
Assets in the course of construction are capitalised in the capital work-in-progress account. The asset under construction is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management.

The cost of an item of capital work-in-progress comprises its purchase price, construction / development cost and any other directly attributable to the construction or acquisition of an item intended by management.

Borrowing costs related to qualifying assets are capitalised as part of the cost of the qualified assets until the commencement of commercial production. Capital work-in-progress is measured at cost less any recognised impairment.

3.4 Inventories

Raw materials and spares, work in progress and finished goods are measured at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2023
(Expressed in Saudi Riyals unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION continued

3.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other highly liquid investments with original maturities of three months or less from the date of acquisition.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

3.6 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary assets measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e. the translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

3.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Classification

On initial recognition, a financial asset is classified in the following categories:

- subsequently measured at amortised cost;
- subsequently measured at fair value through other comprehensive income ("FVOCI") – debt instrument;
- subsequently measured at fair value through other comprehensive income ("FVOCI") – equity instrument; or
- subsequently measured at fair value through profit or loss ("FVPL").

The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

(a) Measurement

Initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Subsequent measurement

Debt instruments subsequently measured at amortised cost

This category is the most relevant to the Group. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in profit or loss. The losses arising from impairment are recognised in profit or loss. This category generally applies to trade and other receivables, cash and cash equivalents, security deposits, advances to employees.

Instruments subsequently measured at fair value

For this category, if applicable, such financial assets are subsequently measured at fair value at the end of each reporting period, with all changes recognised either in profit or loss for equity instruments classified as FVPL, or within other comprehensive income for equity instruments classified as FVOCI.

(b) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or,
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Notes to the Consolidated Financial Statements continued

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3. MATERIAL ACCOUNTING POLICY INFORMATION continued

(c) Impairment

The Group applies the expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets that are debt instruments, and are measured at amortised cost (e.g. deposits, trade and other receivables and bank balances). The Group follows 'simplified approach' for recognition of impairment loss allowance on trade receivables, if they do not contain a significant financing component.

The application of a simplified approach does not require the Group to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECL at each reporting date, right from its initial recognition. Lifetime ECL is the expected credit loss resulting from all possible default events over the expected life of a financial instrument.

The Group uses a provision matrix in the calculation of the ECL on financial assets to estimate the lifetime expected credit losses, applying certain provision rates to respective contractual past due ageing buckets. The provision matrix was developed considering probability of default and loss given default which were derived from historical data of the Group and are adjusted to reflect the expected future outcome.

ECL impairment loss allowance or reversal recognised during the period is recognised as income/ expense in profit or loss.

(ii) Financial liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. The Group classifies non-derivative financial liabilities as 'financial liabilities at amortized cost'. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the EIR method.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(iii) Offsetting

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.8 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of consolidated statement of profit or loss and other over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of profit or loss and other comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Notes to the Consolidated Financial Statements continued

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3. MATERIAL ACCOUNTING POLICY INFORMATION continued

3.9 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment loss is allocated to reduce the carrying amount of the assets of the cash generating unit (group of units) in pro rata on the basis of the carrying amount of each asset in the unit (group of units). These reductions in carrying amounts shall be treated as impairment losses on individual assets and recognized. Non-current assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of profit or loss and other comprehensive income. Impairment losses recognized on goodwill are not reversible.

3.10 Employee benefits

The Group operates a single post-employment benefit scheme of defined benefit plan, driven by the Labor Laws and Workman Laws of the Kingdom of Saudi Arabia, which is based on most recent salary and number of service years. End of service payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the Labor Law of Saudi Arabia.

The Group's obligation under employee end of service benefit plan is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurements of the defined benefit liability, which comprise actuarial gains and losses are recognised immediately in consolidated statement of profit or loss and other. The Group determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

3.11 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.12 Revenue

Revenue comprises of sales to customers and is measured based on the considerations specified in contracts with customers and excludes rebates and amounts, if any, collected on behalf of third parties. Certain customers are eligible for volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognised based on the price specified in the contract. Revenue is recognised, when (or as) the Group satisfies the performance obligations as specified in the contract with the customer (buyer), when the seller has transferred to the customer control over the promised goods and services:

- at a point in time

The Group recognises revenue from the sale of the following goods directly to the customers:

- Sale of container board and industrial paper
- Whole and retail sales of paper, carton and plastic waste

The timing and measurement of revenue recognition for the above-mentioned main source of revenue is stated below:

Sale of goods directly to the customers

Revenue is recognised when a customer obtains control of the goods or services (i.e. when it has the ability to direct the use of and obtain benefits from the goods or services). Customers obtain control when goods are delivered to and have been accepted by the customers as per the applicable delivery terms, and accordingly, revenue is recognised at that point-in-time. This is normally happening in the case of the domestic sales for the Group.

Invoices are usually payable within the credit period agreed with the customer which may vary from one customer to another. The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

The Group sells a significant proportion of its goods which are exports on Cost and Freight ocean transport ("CFR") and Cost, Insurance and Freight ocean transport ("CIF") as per the International Commercial Terms ("Incoterms") and therefore, the Group is responsible for loading the promised goods on the vessel at the loading port. The physical loading of the approved promised goods on the vessel, satisfies the Group's performance obligation and triggers the recognition of revenue at a point in time as the control is transferred to the customer.

The Group has full discretion over the price to sell the goods. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

The Group recognises a trade receivable for the sale and delivery of the promised goods when the goods, delivered to the loading port, are loaded on to the vessel as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Notes to the Consolidated Financial Statements continued

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3. MATERIAL ACCOUNTING POLICY INFORMATION continued

3.13 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

IAS 23, Borrowing costs requires any incremental transaction cost to be amortised using the Effective Interest Rate (EIR). The Group accounts for finance cost (Interest cost and amortization of transaction cost) as per the effective interest rate method. For floating rate loans, EIR determined at initial recognition of loan liabilities is used for the entire contract period. General and specific borrowing cost directly related for any qualifying assets are capitalised as part of the cost of the asset.

3.14 Zakat and taxes

Zakat

The Company and its subsidiaries are subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat expense for the Company and zakat related to the Company's ownership in the subsidiaries is charged to the profit or loss. Additional zakat, if any, is accounted for when determined to be required for payment.

Withholding tax

The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under regulations of the ZATCA.

Value Added Tax ("VAT")

Assets and expenses are recognised net of amount of VAT, except when VAT incurred on a purchase of assets or services is not recoverable from the ZATCA, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

3.15 Selling and distribution expenses

Selling and distribution expenses comprise of all costs for selling, distribution and transportation of the Group's products and include other sales related expenses. Allocation between cost of sales, selling and distribution expenses and general and administrative expenses are made on a consistent basis, when required.

3.16 General and administrative expenses

General and administrative expenses include direct and indirect costs not specifically part of cost of sales or the selling and distribution activity of the Group. Allocation between cost of sales, selling and distribution expenses and general and administrative expenses are made on a consistent basis, when required.

3.17 Finance income and finance costs

Finance income and expenses are recognised within finance income and finance costs in statement of profit or loss and other comprehensive income using the effective interest rate method, except for borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, pre-payment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts

3.18 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, if any.

3.19 Segment reporting

Operating Segment

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

An operating segment is group of assets and operations:

(i) engaged in revenue producing activities;
(ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
(iii) financial information is separately available.

3.20 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

3.21 Equity-settled employee share-based payments

Employees (including key management) of the Group receive remuneration in the form of share-based payments, whereby qualifying employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity-settled transactions is determined by the fair value at the date when the grant is made based on market price of the Company's shares on Saudi stock exchange (Tadawul) at the grant date (see note 19).

That cost is recognised in employee benefits expense in their respective entities of the Group based on entitled employees included in program, together with a corresponding increase in reserve for employee share-based payments in equity as capital reserves, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised as equity-settled transactions at each reporting date until the vesting date, reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Notes to the Consolidated Financial Statements continued

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3. MATERIAL ACCOUNTING POLICY INFORMATION continued

Service and non-market performance conditions are not taken into consideration when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met.

Upon completion of vesting period, the treasury shares are offset with reserve for employee share-based payments in equity and any difference between reserve and treasury shares are directly charged to retained earnings.

3.22 Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

4. SEGMENT INFORMATION

The Group has two operating and reportable segments, i.e. manufacturing and trading, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different marketing strategies. For each of the strategic business units, the Group's top management reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Manufacturing segment represents manufacturing of container board and industrial paper as well as tissue paper.
- Trading segment represents wholesale and retail sales of paper, carton and plastic waste.

Segment results that are reported to the Chairman of the Board of Directors and top management (Chief Executive Officer (CEO), Chief Operating Officer (COO) and Chief Financial Officer (CFO)) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Information regarding the results of each reportable segment is included below. Performance is measured based on segment revenues and (loss)/profit before zakat, as included in the internal management reports that are reviewed by the top management.

The following table presents segment information:

	Manufacturing	Trading	Elimination	Total
Results for the year ended 31 December 2023				
Revenues	**849,755,960**	**231,121,904**	**(214,125,093)**	**866,752,771**
External revenues	**849,755,960**	**16,996,811**	**-**	**866,752,771**
Segment loss before zakat	**(88,233,674)**	**(45,282,767)**	**55,757,475**	**(77,758,966)**
Zakat	**9,337,012**	**541,519**	**-**	**9,878,531**
Financial costs	**25,373,274**	**1,292,820**	**(141,595)**	**26,524,499**
Additions to property, plant and equipment & capital work in progress (CWIP)	**268,734,887**	**7,618,820**	**(380,919)**	**275,972,788**
Additions to intangible assets	**168,750**	**-**	**-**	**168,750**
Depreciation and amortization	**88,351,410**	**14,777,017**	**-**	**103,128,427**
Results for the year ended 31 December 2022				
Revenues	1,167,957,709	333,238,799	(314,190,710)	1,187,005,798
External revenues	1,167,957,709	19,048,089	-	1,187,005,798
Segment profit before zakat	279,669,609	1,261,754	4,879,914	285,811,277
Zakat	14,372,318	709,149	-	15,081,467
Financial costs	16,971,636	1,511,470	-	18,483,106
Additions to property, plant and equipment & capital work in progress (CWIP)	162,853,168	7,703,566	(851,302)	169,705,432
Additions to intangible assets	38,000	172,500	-	210,500
Depreciation and amortization	83,053,000	17,315,813	-	100,368,813
As of 31 December 2023				
Total assets	**2,124,350,590**	**131,659,820**	**(325,076,460)**	**1,930,933,950**
Total liabilities	**838,953,870**	**105,390,251**	**(71,113,581)**	**873,230,540**
As of 31 December 2022				
Total assets	2,026,832,429	152,294,426	(232,612,482)	1,946,514,373
Total liabilities	706,816,209	82,171,468	(24,759,426)	764,228,251

Notes to the Consolidated Financial Statements continued

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4. SEGMENT INFORMATION continued

The revenue from business segments categorised by geographical region is as follows:

	Manufacturing	Trading	Total
31 December 2023			
Saudi Arabia	**566,397,225**	**14,337,290**	**580,734,515**
Other GCC Countries	**64,651,340**	**-**	**64,651,340**
Other Countries	**218,707,395**	**2,659,521**	**221,366,916**
	849,755,960	**16,996,811**	**866,752,771**
31 December 2022			
Saudi Arabia	742,946,023	15,303,734	758,249,757
Other GCC Countries	29,453,004	-	29,453,004
Other Countries	395,558,682	3,744,355	399,303,037
	1,167,957,709	19,048,089	1,187,005,798

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and mobile cabinets	Machinery and equipment	Furniture and office equipment	Motor vehicles	Total
Cost						
At 1 January 2022	139,328,401	190,992,059	1,537,554,753	30,903,194	33,751,781	1,932,530,188
Additions	170,476	406,534	14,628,241	3,047,676	2,782,827	21,035,754
Transfers from capital work-in-progress	-	2,018,978	6,175,854	1,318,070	-	9,512,902
Disposals	-	(3,282,321)	(1,426,199)	(967,787)	(385,872)	(6,062,179)
Write off	-	-	(2,222,302)	-	-	(2,222,302)
Reclassification	(2,100,000)	-	-	-	-	(2,100,000)
31 December 2022	137,398,877	190,135,250	1,554,710,347	34,301,153	36,148,736	1,952,694,363
Depreciation						
At 1 January 2022	-	(70,076,991)	(878,409,429)	(18,672,896)	(26,324,278)	(993,483,594)
Depreciation charge	-	(6,755,217)	(79,604,197)	(3,943,020)	(2,584,920)	(92,887,354)
Disposals	-	1,210,779	1,426,185	671,475	377,966	3,686,405
Write off	-	-	1,789,852	-	-	1,789,852
31 December 2022	-	(75,621,429)	(954,797,589)	(21,944,441)	(28,531,232)	(1,080,894,691)
Net book value						
At 31 December 2022	137,398,877	114,513,821	599,912,758	12,356,712	7,617,504	871,799,672

	Land	Buildings and mobile cabinets	Machinery and equipment	Furniture and office equipment	Motor vehicles	Total
Cost						
At 1 January 2023	137,398,877	190,135,250	1,554,710,347	34,301,153	36,148,736	1,952,694,363
Additions	-	1,214,029	28,361,855	3,177,082	2,778,904	35,531,870
Transfers from capital work-in-progress	-	67,339,854	235,225,177	169,643	39,000	302,773,674
Disposals	-	(447,754)	(100,658)	(321,257)	(2,477,621)	(3,347,290)
Write off	-	(736,922)	(2,860,632)	(2,840,437)	(12,534)	(6,450,525)
31 December 2023	**137,398,877**	**257,504,457**	**1,815,336,089**	**34,486,184**	**36,476,485**	**2,281,202,092**
Depreciation						
At 1 January 2023	-	(75,621,429)	(954,797,589)	(21,944,441)	(28,531,232)	(1,080,894,691)
Depreciation charge	-	(8,763,811)	(80,182,431)	(4,372,129)	(2,277,367)	(95,595,738)
Disposals	-	52,238	15,638	242,049	2,465,986	2,775,911
Write off	-	432,568	1,392,685	2,456,864	12,533	4,294,650
31 December 2023	**-**	**(83,900,434)**	**(1,033,571,697)**	**(23,617,657)**	**(28,330,080)**	**(1,169,419,868)**
Net book value						
At 31 December 2023	**137,398,877**	**173,604,023**	**781,764,392**	**10,868,527**	**8,146,405**	**1,111,782,224**

5.1 All land, buildings and mobile cabinets, machinery and equipment and furniture and office equipment relating to the Company are pledged as collateral to Saudi Industrial Development Fund (SIDF) as a first-degree pledge (see note 20).

5.2 Depreciation charge has been allocated as follows:

	2023	2022
Cost of revenue	**91,463,585**	89,313,067
Selling and distribution expenses (note 28)	**2,780,803**	2,278,648
General and administrative expenses	**1,351,350**	1,295,639
	95,595,738	92,887,354

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6. CAPITAL WORK IN PROGRESS

	Tissue Mill Factory	Plant and Machinery	Total
At 1 January 2022	23,187,564	71,359,295	94,546,859
Additions	132,193,599	16,476,079	148,669,678
Transfers to property, plant and equipment (refer note 5)	-	(9,512,902)	(9,512,902)
31 December 2022	155,381,163	78,322,472	233,703,635
Additions	**208,425,254**	**32,015,664**	**240,440,918**
Transfers to property, plant and equipment (refer note 5)	**(301,150,872)**	**(1,622,802)**	**(302,773,674)**
Transfers to intangible assets (refer note 9)	**(136,550)**	**-**	**(136,550)**
31 December 2023	**62,518,995**	**108,715,334**	**171,234,329**

Capital work in progress as at 31 December 2023 includes costs incurred related to the ongoing projects for plant and machinery related to MEPCO and WASCO amounting to SR 108.7 million (31 December 2022: SR 78.3 million). The other project pertains to tissue mill factory amounting to SR 63 million as at 31 December 2023 (31 December 2022: SR 155.4 million) located in King Abdullah Economic City, Rabigh under the wholly owned subsidiary Juthor Paper Manufacturing Company Limited. The tissue mill factory production plant has been substantially completed and ready for use during the year ended 31 December 2023, the other factory buildings are still under completion phase which are expected to be completed during 2024. The projects related to plant and machinery are expected to be completed during the year ending 31 December 2024. Refer to note 34 for capital commitments.

During the year ended 31 December 2023, finance costs amounting to SR 5.9 million were capitalized as part of capital work-in-progress (year ended 31 December 2022: SR 4.2 million). Average capitalization rate used ranges from 5%-5.5% (31 December 2022: 2.33%-3.45%).

7. CAPITAL PROJECT ADVANCES

Capital project advances as at 31 December 2023 includes advances related to the ongoing projects for plant and machinery, as well as construction of a tissue mill factory in King Abdullah Economic City, Rabigh under the wholly owned subsidiary Juthor Paper Manufacturing Company Limited. The materials and the services related to the projects are expected to complete during the year 2024.

8. RIGHT-OF-USE ASSETS

The Group has various leases contracts related to employees' accommodation, offices, warehouses buildings which are shown under the category buildings and landfills sites for its subsidiaries shown under leased land. Rental contracts are typically made for fixed periods of 1 to 15 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The Group's obligations under its leases are secured by the lessor's title to the leased assets.

The Group also has certain leased premises with lease terms of 12 months or less. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

	Leased land	Buildings	Total
Cost			
At 01 January 2022	48,028,022	7,069,133	55,097,155
Additions	-	1,137,966	1,137,966
31 December 2022	48,028,022	8,207,099	56,235,121
Additions	**3,533,689**	**2,853,551**	**6,387,240**
Terminations	**(3,055,606)**	**(1,183,604)**	**(4,239,210)**
31 December 2023	**48,506,105**	**9,877,046**	**58,383,151**
Depreciation			
At 01 January 2022	(17,037,513)	(3,901,030)	(20,938,543)
Depreciation charge	(4,977,252)	(1,658,681)	(6,635,933)
31 December 2022	(22,014,765)	(5,559,711)	(27,574,476)
Depreciation charge	**(5,000,331)**	**(2,284,214)**	**(7,284,545)**
Terminations	**3,055,606**	**1,183,604**	**4,239,210**
31 December 2023	**(23,959,490)**	**(6,660,321)**	**(30,619,811)**
Net book value			
At 31 December 2022	26,013,257	2,647,388	28,660,645
At 31 December 2023	**24,546,615**	**3,216,725**	**27,763,340**

(a) The following are the amounts recognised in the statement of profit or loss:

	2023	2022
Depreciation expense of right-of-use assets	**7,284,545**	6,635,933
Interest expense on lease liabilities (refer 21)	**1,003,874**	1,185,992
Expense relating to short-term leases (included in cost of revenue)	**2,006,552**	1,235,509
Total amount recognised in statement of profit or loss	**10,294,971**	9,057,434

Depreciation has been charged to cost of revenue.

The Company had total cash outflows for leases of SR 11.9 million (2022: SR 5.9 million). The Company also had non-cash additions to right-of-use assets and lease liabilities of SR 6.4 million (2022: SR 1.14 million). The future cash outflows relating to leases are disclosed in note 36.5.

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9. INTANGIBLE ASSETS

	2023	2022
Cost		
Balance at 1 January	**8,747,873**	8,537,373
Additions	**168,750**	210,500
Transfers from capital work in progress	**136,550**	-
Balance at 31 December	**9,053,173**	8,747,873
Accumulated amortization		
Balance at 1 January	**(8,480,181)**	(7,634,655)
Charge for the year	**(248,144)**	(845,526)
Balance at 31 December	**(8,728,325)**	(8,480,181)
Net book value as at 31 December	**324,848**	267,692

Intangible assets comprise Computer software and ERP. The estimated useful lives for the current and comparative periods are 2 – 5 years.

10. INVENTORIES

	31 December 2023	31 December 2022
Raw materials	**68,515,712**	107,021,516
Finished goods	**32,656,742**	44,094,754
Goods in transit	**22,869,607**	11,010,578
Work-in-progress	**1,877,813**	2,679,115
Consumable spare parts, not held for sale	**59,379,867**	54,075,024
	185,299,741	218,880,987
Less: Allowance for slow moving inventories (refer note 10.1)	**(9,602,363)**	(6,103,970)
	175,697,378	212,777,017

10.1 Movement in allowance for slow moving inventories is as follows:

	2023	2022
01 January	**6,103,970**	7,659,481
Provided / (reversal) during the year*	**4,440,268**	(1,208,641)
Write-offs	**(941,875)**	(346,870)
31 December	**9,602,363**	6,103,970

*Addition in allowance for slow moving inventories is recognised as an expense under cost of revenue.

11. TRADE RECEIVABLES

	31 December 2023	31 December 2022
Trade receivables – Local	**240,757,649**	260,954,638
Trade receivables – Foreign	**48,020,101**	67,992,516
	288,777,750	328,947,154
Less: Allowance for impairment	**(22,441,070)**	(31,210,419)
	266,336,680	297,736,735

Movement in allowance for impairment of trade receivables is as follows:

	2023	2022
1 January	**31,210,419**	15,176,259
(Reversal) / provided during the year	**(6,657,591)**	16,283,851
Write off during the year	**(2,111,758)**	(249,691)
31 December	**22,441,070**	31,210,419

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. The average credit period on sales of goods is less than one year and therefore are all classified as current and are mostly secured through trade insurance. Trade receivables are recognised at the amount of consideration that is unconditional. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Before accepting any new credit customer, the Group uses an internal credit review system to assess the potential customer's credit quality and defines credit limits by customer.

No interest is charged on trade receivables balances that are overdue. The overdue amounts are constantly monitored by the management and a provision towards expected credit loss is made in the books if required.

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11. TRADE RECEIVABLES continued

The Group has applied IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for average historical recovery rates. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and is based on the ageing of the days the receivables are past due and the rates as calculated in the provision matrix. On that basis, the loss allowance as at 31 December 2023 and 31 December 2022 was determined as follows:

Ageing	Gross carrying amount	Expected credit loss range (%)	Loss allowance
As at 31 December 2023:			
Within the credit period	**191,554,035**	**0%-1%**	**352,036**
1-90 days past due	**72,534,433**	**10%-15%**	**3,144,228**
91-180 days past due	**3,258,117**	**15%-20%**	**508,141**
181- 270 days past due	**3,769,351**	**50%-60%**	**2,126,131**
271- 360 days past due	**2,059,520**	**90%-100%**	**2,059,071**
More than 1 year past due	**15,602,294**	**90%-100%**	**14,251,463**
Total	**288,777,750**		**22,441,070**

Ageing	Gross carrying amount	Expected credit loss range (%)	Loss allowance
As at 31 December 2022:			
Within the credit period	150,628,262	0.00% - 0.3%	437,287
1-90 days past due	143,596,451	0.00%-6.22%	8,890,026
91-180 days past due	12,465,246	0.00% -19%	2,316,963
181- 270 days past due	2,074,461	34.47%-100%	718,425
271- 360 days past due	2,099,673	72.86%-100%	1,540,071
More than 1 year past due	18,083,061	94.75%-100%	17,307,647
Total	328,947,154		31,210,419

Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses in statement of profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

12. PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2023	31 December 2022
Prepaid expenses	**7,005,859**	10,226,333
Deposits with suppliers	**595,650**	1,023,330
Net value added tax (VAT) receivables	**98,344**	2,680,845
Others	**889,301**	1,059,537
Less: Provision against deposits with suppliers*	**(400,000)**	(400,000)
	8,189,154	14,590,045

*Provision against deposits with suppliers is charged to cost of revenue for the year ended 31 December 2023.

13. OTHER CURRENT ASSETS

	Notes	31 December 2023	31 December 2022
Advances to suppliers		**45,660,999**	40,134,826
Advances to suppliers – related party	(a)	**20,050,000**	20,050,000
Advance against land	(b)	**32,300,000**	32,100,000
Costs relating to share capital increase	(c)	**10,000,000**	-
Advances to employees		**3,454,663**	5,413,250
		111,465,662	97,698,076
Less: Allowance for impairment loss on advances	(d)	**(697,026)**	(3,686,774)
		110,768,636	94,011,302

(a) In 2021, an advance of SR 20 million was paid by the Company's subsidiary "Estidama" to Jeddah Development and Urban Regeneration Company ("JEDRIC") under an arrangement for the procurement of the raw materials ("Agreement"). Subsequent to year ended 31 December 2023, the Group entered into amendment to said agreement whereby the purpose of advances changed to right to receive all recyclable materials from the cleaning contractors contracting with the Municipality for a period of 5 years starting from the date of effectiveness of the contract with cleaning contractors dated 1st July 2024. Furthermore, the accounting treatment for advances will be changed to intangible assets from 1st July 2024 in accordance with the requirements of Intangible Assets "IAS 38".

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12. PREPAYMENTS AND OTHER RECEIVABLES continued

(b) During 2017, the management paid an amount of SR 30 million to acquire a land through public auction and classified it as land under property, plant and equipment account. Accordingly, the Court of appeal ruling of Makkah Region, issued a judgement to transfer this land to the name of Group. However, during 2021, the Company received certain information that the General Prosecution has banned the use and control of the land. During the year ended 31 December 2022, the Board has appointed a consultant to investigate and secure the land's title deed in the name of the Group. The Group's management consulted an external lawyer and is of the view that such a transfer in the name of the Group is a procedural aspect and would be completed soon. Accordingly, the management had decided to reclassify the land from property, plant and equipment to advances paid for acquisition of land along with the related legal costs amounting to SR 2.1 million till the time the land legal title transferred to the Group. As a result, the amount of SR 32.1 million is classified to advances paid for acquisition of land within other current assets in the year ended 31 December 2022. During the year ended 31 December 2023, these procedural aspects for the transfer in the name of the Group are still underway as communicated from the external lawyer. Additional legal costs during 2023 amounting to SR 0.2 million are added to the advance.

(c) These costs include legal and financial consultancy fees, documentation, prospectus and other costs ancillary to the increase of share capital as disclosed in note 38.

(d) Movement in allowance for impairment loss on advances is as follows:

	2023	2022
01 January	**3,686,774**	3,686,774
Additions*	**208,582**	-
Write-offs	**(3,198,330)**	-
31 December	**697,026**	3,686,774

*Addition in allowance for impairment loss on advances is recognised as an expense under general and administrative expenses.

14. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

During 2017, the Company had acquired the units of an unlisted open-ended mutual fund. As at 31 December 2023, the fair value of the investment is SR 5,633 (2022: SR 5,633).

15. CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Cash in hand	**1,008,539**	785,771
Cash at bank	**55,540,854**	144,460,310
	56,549,393	145,246,081

16. SHARE CAPITAL

As at 31 December 2023, the Company's authorized and issued share capital is SR 666.67 million (2022: SR 666.67 million) consists of 66.67 million (2022: 66.67 million) fully paid shares of SR 10 each. The Company has only one class of equity shares having a par value of SR 10 per share. Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

During 2022, the Board of Directors recommended on 08 August 2022 (corresponding to 10 Muharram 1444H) to the Extra ordinary General Assembly (EGA) to increase the Company's share capital from SR 500 million to SR 666.67 million via the capitalization of SR 166.67 million of retained earnings. Each shareholder is granted 1 share for each 3 shares owned at the eligibility date. The proposed increase in share capital was approved by the EGA on 24 November 2022 (corresponding to 30 Rabi' al-Thani 1444H) and bonus shares issuance to shareholders was completed during fourth quarter of the year 2022.

17. DIVIDENDS

On 23 May 2023, the Board proposed a final dividend for the year ended 31 December 2022 amounting to SR 33.33 million (SR 0.5 per share). The Annual General Assembly in its meeting held on 22 June 2023 approved the cash dividends of SR 33.33 million and was paid on 11 July 2023.

18. STATUTORY RESERVE

On 28 December 2023, the Company's Extraordinary General Assembly approved specific amendments to its By-laws to align with the new Companies Law (note 2.1). Notably, the requirement for transferring 10% of profits to the statutory reserve no longer required. Furthermore, As per the Companies Law the Ordinary/Extraordinary General Assembly can take a decision regarding whether to retain the accumulated amounts allocated to the statutory reserve or transfer it to retained earnings.

19. RESERVE FOR EMPLOYEES' SHARE-BASED PAYMENTS

During 2021, the Group's Board of Directors approved the equity settled share-based payments plan for the employees (including some key management personnel) working in operational departments of Group on completion of 3 years' vesting period ended on 1 January 2021 with a grant date of 1 July 2021. The Company has transferred all of the entitled shares to respective employees as of the period ended 31 December 2022. Accordingly, the Company only proportionately recognized the realized gain for the period ended 31 December 2022 amounting SR 578,865 on employees' equity settled shared based payment plan asset as the difference between cost of purchase of treasury shares and fair value at grant date in retained earnings.

During the year ended 31 December 2022, the Company recorded a shared based payments of the 300,000 equity shares which are granted to Group President with service for 5 years. The exercise price of the shares is equal to the market price of the underlying shares on the date of grant. The share options are vested as of 31 December 2023 and all the conditions mentioned for the President which are service, performance and market based are met, no final settlement approved as at 31 December 2023. Subsequent to the year ended 31 December 2023, the Board has approved a cash settlement options by paying SR 10,500,000 based on the settlement agreement and release of claims dated 13 March 2024. Accordingly, the reserve for employees' share-based payments shall be transferred to trade and other payables in 2024.

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20. LONG TERM BORROWINGS

	31 December 2023	31 December 2022
SIDF loans - Principal	**144,600,000**	114,000,000
Accrued finance charges – SIDF	**970,667**	456,169
Less: Deferred financial charges	**(7,844,764)**	(7,024,155)
Saudi Industrial Development Fund (SIDF) (refer note a)	**137,725,903**	107,432,014
Islamic banking facilities (Tawarruq)	**324,580,238**	402,143,846
Accrued finance charges – Banks	**2,455,275**	1,579,570
Islamic banking facilities (Tawarruq) (refer note b)	**327,035,513**	403,723,416
Long-term borrowings	**464,761,416**	511,155,430
Current portion shown under current liabilities		
Borrowings - gross	**113,535,962**	98,649,784
Accrued finance charges	**3,425,942**	2,035,739
Less: Deferred financial charges	**(2,404,990)**	(857,516)
	114,556,914	99,828,007
Long term borrowings shown under non-current liabilities		
Borrowings - gross	**355,644,276**	417,494,062
Less: Deferred financial charges	**(5,439,774)**	(6,166,639)
	350,204,502	411,327,423
Long-term borrowings	**464,761,416**	511,155,430

	2023	2022
Reconciliation of cash movement of borrowings		
Balance at beginning of year	**511,155,430**	561,760,665
Disbursements	**45,000,000**	258,778,846
Repayment of principal instalments	**(91,963,608)**	(306,324,210)
Movement in accrued financial charges	**1,390,203**	1,375,045
Movement in deferred financial charges	**(820,609)**	(4,434,916)
Balance at end of year	**464,761,416**	511,155,430

(a) During 2020, the Group had obtained new facility from Saudi Industrial Development Fund (SIDF) amounting to SR 55 million to finance the construction of manufacturing facilities and the Group has fully withdrawn this facility. The loan is repayable in unequal semi-annual instalments up to August 2025.

During 2021, the Group had obtained new facility from SIDF for the tissue paper factory amounting SR 150 million to finance the construction of manufacturing facilities. The Group has utilized SR 120 million as of 31 December 2023 (2022: SR 75 million). The loan is repayable in unequal semi-annual instalments up to year 2030.

Upfront fees were deducted at the time of receipt of the loans. These fees are amortised over the periods of respective loans. The loans bear a follow up fee to be paid on periodic basis. Under the terms of the SIDF loan agreement, the Company's property, plant and equipment are pledged as collateral to SIDF.

(b) During 2022, The Company has also obtained long-term credit facilities (Islamic Finance Tawarruq) from commercial banks amounting to SR 572 million. The Company has utilized of these facilities amounting to SR 324.6 million as of 31 December 2023 (2022: SR 402.1 million). These loans bear financial charges based on prevailing market rates in Kingdom of Saudi Arabia ("SIBOR"). These loans are repayable up to the year 2027.

Upfront fees were deducted at the time of receipt of loans from commercial banks, which are amortised over the period of the respective loans.

The above loans and facilities include certain covenants which require the Company to maintain certain levels of current and leverage ratios and certain restriction on dividend distribution and also notify the bank any breach or probable breach immediately. The Company has met most of debt covenants compliance requirements for banks as at 31 December 2023. The Company have received waiver letters as at 31 December 2023 from banks which are valid for next 12 months so management did not change the classification.

All the above long term loans are denominated in SR as at 31 December 2023 and 31 December 2022.

The scheduled maturities of the long-term borrowings outstanding are as follows:

Year ending 31 December 2023:	Loan's principal	Deferred financial charges	Accrued financial charges	Net loan amount
2024	**113,535,962**	**(2,404,990)**	**3,425,942**	**114,556,914**
2025	**129,135,960**	**(1,790,719)**	**-**	**127,345,241**
2026	**116,535,961**	**(1,481,748)**	**-**	**115,054,213**
2027	**43,972,355**	**(1,107,092)**	**-**	**42,865,263**
2028	**66,000,000**	**(1,060,215)**	**-**	**64,939,785**
	469,180,238	**(7,844,764)**	**3,425,942**	**464,761,416**

Year ending 31 December 2022:	Loan's principal	Deferred financial charges	Accrued financial charges	Net loan amount
2023	98,649,784	(857,516)	2,035,739	99,828,007
2024	118,335,962	(3,300,467)	-	115,035,495
2025	129,135,962	(1,255,005)	-	127,880,957
2026	116,535,960	(874,246)	-	115,661,714
2027	53,486,178	(736,921)	-	52,749,257
	516,143,846	(7,024,155)	2,035,739	511,155,430

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21. LEASE LIABILITIES

Movement in lease liabilities is summarized as follows:

	2023	2022
At the beginning of the year	**29,429,840**	33,005,882
Additions	**6,387,240**	1,137,966
Accretion of interest	**1,003,874**	1,185,992
Payments	**(11,915,393)**	(5,900,000)
At the end of the year	**24,905,561**	29,429,840

The scheduled maturities of the lease liabilities are as follows:

As at 31 December 2023	Principal amount	Interest	Net lease liabilities
Current portion	**9,022,321**	**(729,505)**	**8,292,816**
Non-current portion	**17,860,337**	**(1,247,592)**	**16,612,745**
	26,882,658	**(1,977,097)**	**24,905,561**

As at 31 December 2022	Principal amount	Interest	Net lease liabilities
Current portion	8,404,062	(973,652)	7,430,410
Non-current portion	24,078,993	(2,079,563)	21,999,430
	32,483,055	(3,053,215)	29,429,840

22. EMPLOYEE BENEFITS

Movement in provision for employee benefits is summarized as follows:

	2023	2022
At beginning of year	**48,014,426**	42,244,799
Current year charge:		
Current service cost	**7,263,156**	6,152,104
Interest cost	**542,990**	855,175
	7,806,146	7,007,279
Re-measurement (gain) / losses:		
Financial assumptions	**(4,351,815)**	2,400,245
Experience adjustment	**(7,602)**	1,804,115
Demographic assumptions	**111,299**	(4,780)
	(4,248,118)	4,199,580
Payments	**(2,764,337)**	(5,437,232)
At end of year	**48,808,117**	48,014,426

Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date:

	2023	2022
Discount rate	**4.45%**	4.10%
Future salary growth	**6%**	5.50%

Sensitivity analysis

	31 December 2023		31 December 2022	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	**(2,499,762)**	**2,800,851**	(2,634,290)	2,967,827
Future salary growth (1% movement)	**3,028,139**	**(2,751,406)**	3,143,255	(2,843,665)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with projected unit credit method at the end of the reporting period) has been applied when calculating the employee termination.

The expected maturity analysis of undiscounted employee benefits obligations is as follows:

	2023	2022
Less than a year	**9,916,389**	8,283,703
Between 1 – 5 years	**19,630,889**	18,544,930
Over 5 years	**35,367,459**	35,228,050

23. ZAKAT

23.1 Components of zakat base

The Company and its subsidiaries file separate zakat declarations which are filed on an unconsolidated basis. The significant components of the zakat base of each Company under zakat and income tax regulations are principally comprised of shareholder's equity, provisions at the beginning of the year, long-term borrowings and adjusted net income, less deductions for the adjusted net book value of property, plant and equipment and certain other items.

23.2 Provision for zakat

	2023	2022
At the beginning of the year	**13,386,571**	6,752,605
Provisions		
- Provision for current year	**9,878,531**	13,605,121
- Adjustment related to prior years	**-**	1,476,346
Payments	**(13,536,522)**	(8,447,501)
At the end of the year	**9,728,580**	13,386,571

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23. ZAKAT continued

23.3 Status of final assessments

Middle East Company for Manufacturing and Producing Paper("MEPCO")
The zakat assessments of the Parent ("MEPCO") are finalized for the years through 31 December 2008. During 2019, the Company received revised assessments for the years 2009 to 2012, where the Zakat, Tax and Customs Authority ("ZATCA") claimed SR 6.83 million. The Company escalated its objection to the General Secretariat for Tax Committees ("GSTC"), where the Tax Violation and Disputes Resolution Committee ("TVDRC") issued its decision in favour of the Company, reducing by SR 6.3 million from the original amount. During 2022, ZATCA raised an appeal to the Tax Violation & Disputes Appeal Committee ("TVDAC") against the TVDRC's decision. The Company has submitted its reply to memo against ZATCA's appeal. On 12 December 2023, the TVDAC decision came in favour of the company against ZATCA's appeal.

There are no open assessment for 2013 by ZATCA and return filed by the Company deemed final assessment. During July 2020, the ZATCA has issued an assessment for the year 2014, without any additional claim on zakat.

During December 2020, the ZATCA issued assessments for the years ended 31 December 2015 to 2018 claiming SR 30 million as additional zakat. The Company objected these assessments, however it was subsequently rejected by ZATCA. The Company escalated its objection to GSTC. During 2022, TVDRC rejected the Company's objection in Form, however the Company escalated the case to the Tax Violation & Disputes Appeal Committee ("TVDAC"). On 06 February 2024, TVDAC issued its decision in favour of the Company by accepting the case from the Formal Aspect and returning the case to the TVDRC to be re-studied from the Technical/subjective Aspect.

During 2021, ZATCA issued its assessments for the years 2019 & 2020, claiming additional zakat of SR 3.6 million. The Company objected against ZATCA's claim, and subsequently ZATCA revised its claim to be only SR 1.6 million for both years. The Company settled the revised claimed amount to clear these years with ZATCA. During 2024, ZATCA sent queries in relation to years 2021 & 2022, which is currently being prepared by the company.

The zakat declarations of the Company till 2022 are filed with the ZATCA and unrestricted zakat certificates have been obtained till 30 April 2024.

Waste Collection and Recycling Company Limited ("WASCO")
During July 2021, WASCO received the assessment for the years 2016 and 2017 where ZATCA claimed additional Zakat of SR 1.39 million and SR 0.169 million respectively. WASCO objected against these assessments, however ZATCA rejected the objection and accordingly WASCO escalated its objection to the GSTC to be heard in-front of the TVDRC. On 18 September 2022, the TVDRC issued their decision in favour of ZATCA. Accordingly, subsequently on 18 October 2022, the Company raised an appeal against TVDRC's decision. During 2023, the Appeal Committee has issued its decision in favour of ZATCA, however according to Article 49 of the Work Rules of Tax Committees, the Company has submitted a Reconsideration Request to the TVDAC which is currently under review by TVDAC. The zakat declarations of WASCO till 2022 are currently under review by ZATCA and unrestricted zakat certificates have been obtained till 30 April 2024.

Juthor Paper Manufacturing Company ("Juthor") & Estidama Environmental Services Company LLC ("Estidama")
Both companies filed their zakat declaration for the year 2022 and unrestricted zakat certificates have been obtained till 30 April 2024.

24. SHORT TERM BORROWINGS

	31 December 2023	31 December 2022
Islamic banking facilities (Tawarruq)	**99,999,000**	20,625,000
Notes payable	**7,781,295**	12,708,618
Accrued financial charges	**2,128,529**	231,078
	109,908,824	33,564,696

The Group has short-term credit facilities from commercial banks comprising of short-term loans, letters of credit and guarantees. These borrowings bear financing charges at the prevailing market rates. These facilities include certain financial covenants which require the Group to maintain certain levels of ratios. The Group has met most of debt covenants compliance requirements for banks as at 31 December 2023. All loans are denominated in SR as at 31 December 2023 and 31 December 2022.

The short-term borrowings under Islamic banking facilities bears average interest rate of 6.0% (2022: 6.84%).

25. TRADE AND OTHER PAYABLES

	31 December 2023	31 December 2022
Trade payables - third parties	**151,149,549**	75,925,960
Employees related accruals	**22,648,954**	33,813,502
Trade payables - related party (see note 35.3)	**5,914,180**	6,169,941
Net Value Added Tax (VAT) payables	**1,809,818**	119,016
Accrued sales services expenses	**592,298**	646,342
Accrued legal and consultancy fees	**291,725**	552,225
Accrued transportation expenses	**142,250**	230,427
Accrued directors' remuneration	**-**	405,751
Others	**6,653,931**	6,087,249
	189,202,705	123,950,413

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26. OTHER CURRENT LIABILITIES

	31 December 2023	31 December 2022
Advances from customers	**8,324,497**	4,726,875
Costs relating to share capital increase	**7,000,000**	-
Others	**90,840**	-
	15,415,337	4,726,875

27. COST OF REVENUE

	2023	2022
Material and employees' cost	**506,775,133**	467,798,633
Depreciation and maintenance cost	**138,854,794**	131,122,910
Energy costs	**54,800,323**	31,155,413
Transportation cost	**19,572,852**	15,285,479
Rent	**2,006,552**	1,235,509
Other overheads	**59,747,028**	37,621,757
	781,756,682	684,219,701

28. SELLING AND DISTRIBUTION EXPENSES

	2023	2022
Transportation and shipping	**41,319,658**	69,592,755
Salaries and related benefits	**9,464,471**	7,922,592
Depreciation (refer note 5.2)	**2,780,803**	2,278,648
Sales commission	**1,746,880**	2,236,037
Sales service expenses	**385,625**	774,645
Credit insurance	**107,606**	720,000
Others	**5,801,619**	2,305,245
	61,606,662	85,829,922

29. GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
Salaries and related benefits	**56,965,213**	59,233,995
Directors' remuneration (refer note 35.2)	**5,514,311**	3,209,490
Consultation fee	**6,445,669**	4,875,451
IT expenses	**2,952,982**	1,294,938
Government fee	**2,346,688**	2,377,831
Training	**1,932,936**	1,940,731
Bank charges	**1,799,687**	2,545,143
Depreciation and amortization	**1,784,936**	1,932,682
Travel expenses	**1,835,479**	1,060,967
Communication	**1,313,993**	949,665
Professional fee *	**1,231,249**	1,210,633
Insurance expenses	**1,019,814**	1,376,879
Repairs and maintenance	**1,005,450**	732,489
Provision against advances to suppliers	**208,582**	-
Penalty (reversal)/expense - note 34 (iii)	**(5,000,000)**	5,000,000
Others	**8,685,897**	5,801,588
	90,042,886	93,542,482

*Professional fees include audit fees amounted to SR 969,000 and non-audit services fees amounted to SR 183,750 for year ended 31 December 2023.

30. OTHER OPERATING INCOME / (EXPENSES)– NET

	2023	2022
Foreign currency exchange gain / (loss)	**2,568,191**	(4,133,050)
Consultancy services income	**4,000,000**	600,000
Scrap sales	**2,688,779**	1,034,615
Insurance claim recovery	**1,795,102**	-
Loss on disposal of property, plant and equipment	**(412,321)**	(1,966,544)
Impairment loss on write-off of property, plant and equipment	**(2,155,875)**	(432,450)
Loss on disposal of investment in subsidiary	**-**	(167,527)
Others, net	**277,525**	2,229,497
	8,761,401	(2,835,459)

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31. FINANCE COSTS

	2023	2022
Finance costs on long-term borrowings:		
- Tawarruq	**21,592,477**	12,887,322
- SIDF charges	**1,504,667**	1,086,470
- Amortisation of deferred financial charges	**857,516**	1,243,261
Finance costs on short-term borrowings:		
- Tawarruq	**1,573,037**	2,080,061
Interest on lease liabilities	**996,802**	1,185,992
	26,524,499	18,483,106

32. (LOSS) / EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2023	2022
Net (loss) / profit for the year attributable to equity holders of the Parent Company	**(80,269,141)**	269,698,532
Weighted average number of shares *	**66,666,666**	66,666,438
Basic and diluted (loss) / earnings per share (SR per share)	**(1.20)**	4.05

*The weighted average number of ordinary shares issued and outstanding at year end 31 December 2022 have been adjusted for the bonus shares issued during the year ended 31 December 2022.

33. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group holds various financial instruments in the ordinary course of its activities.

33.1 Financial instruments by category

(a) Financial assets subsequently measured at amortised cost:

	Notes	31 December 2023	31 December 2022
Trade receivables	11	**266,336,680**	297,736,735
Other current assets (Advances to employees)	13	**3,454,663**	5,413,250
Cash and cash equivalents	15	**56,549,393**	145,246,081
		326,340,736	448,396,066

(b) Financial assets at fair value through profit or loss:

	Notes	31 December 2023	31 December 2022
Investments at fair value through profit or loss	14	**5,633**	5,633

(c) Financial liabilities at amortised cost:

	Notes	31 December 2023	31 December 2022
Borrowings	20, 24	**574,670,240**	544,720,126
Trade and other payables	25	**189,202,705**	123,950,413
Lease liabilities	21	**24,905,561**	29,429,840
		788,778,506	698,100,379

The carrying amount of financial assets and liabilities approximates their fair value. Financial assets are not considered to pose a significant credit risk. Trade receivables are due from customers who have been assessed for credit-worthiness prior to entering into transactions with them.

33.2 Fair value of assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group fair values the derivative financial instruments and investment at fair value through profit or loss. The fair value of derivative financial instrument is calculated as the present value of the estimated future cash flows based on observable yield curves.

The fair value of investment at fair value through profit or loss is based on the net assets value (NAV) communicated by the fund manager. The fair values under Level 2 were as follows:

	31 December 2023	31 December 2022
Level 2		
Investments at fair value through profit or loss	**5,633**	5,633

During the year ended 31 December 2023, there were no movements between the levels.

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34. COMMITMENT AND CONTIGENCIES

i. At 31 December 2023, the Group had outstanding letters of credit of SR 28 million (2022: SR 36 million) and letters of guarantee of SR 1 million (2022: SR 1.5 million) that were issued in the normal course of the business.

ii. The capital expenditure contracted by the Group but not incurred till 31 December 2023 was approximately SR 32.7 million (2022: SR 125 million).

iii. During 2022, General Authority of Competition alleged that the one of the subsidiaries had been involved in fixing the prices and incurred penalty charges of SR 10 million. The subsidiary filed appeal against the decision in 2022. During the year ended 31 December 2023, the appellate court issues the decision in favour of the subsidiary and hence provision of SR 5 million is reversed.

35. RELATED PARTIES

35.1 Transactions with key management personnel

Key management personnel compensation comprised the following:

	2023	2022
Short term benefits	**43,035,774**	32,750,360
Post-employment benefits	**574,650**	302,056
Termination benefits	**2,147,833**	830,800
	45,758,257	33,883,216

Compensation to key management personnel includes salaries, and contributions to post-employment defined benefit plan. During the year ended 31 December 2023 and 2022, Director of operation of Juthor has been added in key management personnel compensation.

35.2 Related parties' transactions

Significant transactions with related parties in the ordinary course of business included in the consolidated financial information is summarized below:

Related party	Description of transaction	Relationship	2023	2022
Arabian Maize Company for Industry (formerly "Al Masirah International Industrial Investments Company")	Purchase of materials	Company of chairman board of directors	**25,126,617**	35,716,109
Directors	Directors' remuneration	Directors	**5,514,311**	3,209,490

35.3 Related parties' balances

Significant due from/(to) balances with related parties are summarized below:

	31 December 2023	31 December 2022
Jeddah Development and Urban Regeneration Company (note 13(a))	**20,050,000**	20,050,000
Advances to key management personnel	**210,000**	188,488
Accrued directors' remuneration (note 25)	**-**	(405,751)
Arabian Maize Company for Industry (note 25)	**(5,914,180)**	(6,169,941)

36. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group also uses derivative financial instruments to hedge certain risk exposures.

36.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is represented by interest rate risk, currency risk and other price risk.

36.2 Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments and entering into interest rates swap arrangements.

At 31 December 2023, if interest rates had been 1% higher/lower with all other variables held constant, future interest on outstanding loans will increase/decrease by SR 3,736,640 (2022: SR 8,957,586).

36.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did undertake significant transactions in currencies Saudi Riyals and US Dollars during the year ended 31 December 2023 and 2022. Since Saudi Riyal is pegged to the US Dollar, the Group is not exposed to significant foreign currency risk.

The Group also has significant exposure to Euro at the end of 2023 and 2022. The following tables demonstrate the sensitivity to a reasonably possible change in Euro and Saudi Riyals exchange rates, with all other variables held constant. The impact on the Group's (loss) / profit before zakat is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in rate Euros	Effect on (loss) / profit before zakat
31 December 2023	**+ 5%**	**82,751**
	- 5%	**(82,751)**
31 December 2022	+ 5%	4,880,176
	- 5%	(4,880,176)

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36. FINANCIAL RISK MANAGEMENT continued

36.4 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The management continuously monitors the credit exposure towards the customers and makes allowances against those balances considered doubtful of recovery using the expected credit loss model. To mitigate the risk, the Group has developed a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history. Outstanding customer receivables are regularly monitored. Most of the customers are secured, where possible, by way of inland letters of credit, cash security deposit, bank guarantees and insurance guarantees.

The Group's gross maximum exposure to credit risk at the reporting date is as follows:

	31 December 2023	31 December 2022
Financial assets		
Trade receivables	**288,777,750**	328,947,154
Other current assets (Advances to employees)	**3,454,663**	5,413,250
Cash at banks	**55,540,854**	144,460,310
Investment at FVTPL	**5,633**	5,633
	347,778,900	478,826,347

Trade receivables are due from customers who have been assessed for credit worthiness prior to entering into transactions with them. Cash at bank and short-term investments are placed with reputable local banks. There were no past due or impaired receivables from related parties.

36.5 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. The Group has no significant concentration of liquidity risk. For instance, concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowings or reliance on a particular market in which to realize liquid assets. The following is contractual undiscounted maturity analysis of the financial liabilities of the Group as at 31 December 2023. The Group does not hold financial assets for managing liquidity risk. Hence, these risks have not been considered for maturity analysis.

31 December 2023	1 year or less	Above 1 year to 5 years	More than 5 years	Total
Non derivative financial liabilities				
Borrowings	**254,368,843**	**382,922,691**	**439,059**	**637,730,593**
Trade and other payables	**189,202,705**	**-**	**-**	**189,202,705**
Lease liabilities	**9,022,321**	**4,025,465**	**13,834,872**	**26,882,658**
	452,593,869	**386,948,156**	**14,273,931**	**853,815,956**

31 December 2022	1 year or less	Above 1 year to 5 years	More than 5 years	Total
Non derivative financial liabilities				
Borrowings	160,338,353	450,884,298	-	611,222,651
Trade and other payables	123,950,413	-	-	123,950,413
Lease liabilities	8,404,062	10,244,121	13,834,872	32,483,055
	292,692,828	461,128,419	13,834,872	767,656,119

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

37. CAPITAL MANAGEMENT

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares. The Group also monitors capital using a gearing ratio, which is net debt, interest bearing loans and borrowings including finance cost thereon, less cash and bank balances. Capital signifies equity as shown in the statement of financial position plus net debt.

The capital gearing ratio is as follows:

	2023	2022
Borrowings	**574,670,240**	544,720,126
Total debt	**574,670,240**	544,720,126
Cash and cash equivalents	**(56,549,393)**	(145,246,081)
Net debt	**518,120,847**	399,474,045
Share capital	**666,666,660**	666,666,660
Statutory reserve	**135,278,852**	135,278,852
Reserve for employee share-based payments	**10,500,000**	7,860,000
Retained earnings	**261,845,302**	371,242,769
Non-controlling interest	**(6,087,404)**	1,237,841
Net equity	**1,068,203,410**	1,182,286,122
TOTAL EQUITY AND NET DEBT	**1,586,324,257**	1,581,760,167
Capital gearing ratio - %	**33%**	25%

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38. SUBSEQUENT EVENTS

- In accordance with the share subscription agreement signed between MEPCO and Public Investment Fund (PIF) dated 31 July 2023, MEPCO will increase its capital from SR 666,666,660 to SR 866,666,650 with the suspension of pre-emptive rights, by issuing 19,999,999 new ordinary shares (representing 30% of MEPCO's current capital), with a nominal value of SR 10 per share (the "New Shares") after approval of MEPCO's extra-ordinary general assembly on 28th December 2023.Subsequent to year ended 31 December 2023, PIF has paid to MEPCO a subscription amount of SR 31.50 per New Share being a total subscription amount of SR 629,999,968.50. The New Shares has been fully subscribed by PIF, so PIF's ownership in MEPCO's share capital becomes 23.08% after the capital increase. Management has updated its commercial registration on 07 February 2024.
- Other major subsequent events related to advances to suppliers– related party amounted to SR 20 million and cash settlement of employees' share-based payments amounted to SR 10.5 million are disclosed in note 13(a) and note 19 respectively.

39. COMPARATIVE FIGURES

Certain of the prior year amounts have been reclassified to conform with the presentation of the current year. These changes have been made to improve the quality of information presented. Such reclassification changes do not affect previously reported profit or equity.

Reclassification in the statement of financial position for the year ended 31 December 2022 is summarised below:

	As previously reported	Reclassification	As currently reported
Current assets			
Other current assets	91,911,302	2,100,000	94,011,302
Prepayments and other receivables	16,690,045	(2,100,000)	14,590,045

Reclassification in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2022 is summarised below:

	As previously reported	Reclassification	As currently reported
Selling and distribution expenses	(84,024,584)	(1,805,338)	(85,829,922)
General and administrative expenses	(95,347,820)	1,805,338	(93,542,482)

40. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Company's Board of Directors on 21 Ramadan 1445H (corresponding to 31 March 2024G).

MEPCO

Middle East Paper Company

شركة الشرق الأوسط لصناعة وإنتاج الورق