



Middle East Paper Company
شركة الشرق الأوسط لصناعة وإنتاج الورق

Demonstrating resilience

Building capacity

Improving results

Annual Report
2024



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



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

THEME OF THE YEAR

Demonstrating resilience

Building capacity

Improving results

In a year of progress and performance, MEPCO demonstrated resilience and strategic focus, strengthening its foundations and expanding its capabilities in an evolving global market. Despite economic shifts and industry challenges, the Company remained adaptable, leveraging digital transformation, operational efficiencies, and targeted investments to reinforce its position as a leading paper and packaging company in the MENA region. By aligning with industry trends and sustainability initiatives, MEPCO continued to enhance its long-term growth trajectory while maintaining its commitment to responsible business practices.

As part of its capacity-building efforts, MEPCO advanced key expansion projects, including PM5 and TM6, which will significantly increase production to meet rising demand. The investment by the Public Investment Fund (PIF) has provided additional resources to support geographic and product expansion, operational improvements, and sustainability initiatives. The Company's focus on forward integration, efficiency, and innovation ensures it remains well-positioned to navigate market complexities while delivering value to its Stakeholders.

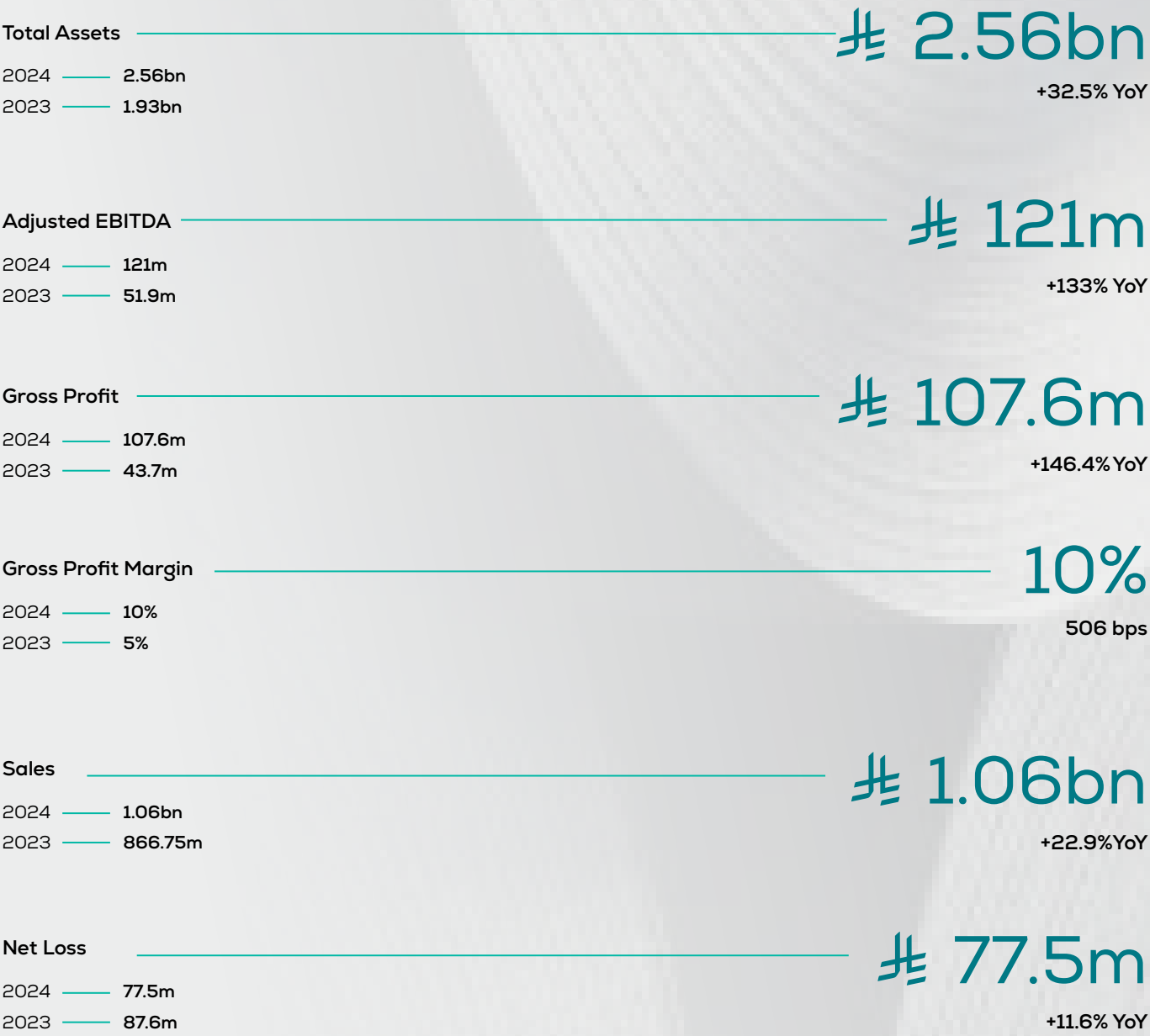
MEPCO's progress extends beyond financial performance to its broader impact on sustainability and industry development. Through its recycling and waste management initiatives, the Company continues to support the circular economy and improve resource efficiency. Investments in workforce development and technology further strengthen MEPCO's operational capabilities, while a commitment to governance and transparency reinforces trust among investors and partners.

With ambition and force of purpose, MEPCO remains focused on steady, sustainable growth moving forward. MEPCO's clear strategic direction and an emphasis on innovation and efficiency, position the Company to support Saudi Arabia's Vision 2030 and strengthen its role in the regional and global paper and packaging industry.

AT A GLANCE

Strong core business

Financial Highlights



Operational Highlights



Sustainability Highlights



Awards

- Future Industrialists Award 2024 – 1st Place (Creative Category)
- MEIRA Awards – 2nd Place for Best Printed 2023 Annual Report
- 2 Global ESG Awards
- Fastmarkets PPI Awards 2024 – Multiple Nominations

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Implementing strategies. Overcoming uncertainties.

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For more information, visit our website:
www.mepco.biz

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OVERVIEW

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MEPCO announces Tissue Paper Production Line 6 project (TM6).

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MEPCO is a compelling investment proposition, shaping the future of the industry.

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MEPCO AS A GROUP

MEPCO (Middle East Paper Company) is a leading integrated paper solutions provider in the MENA region. They are the largest paper manufacturer in the area, with a strong focus on sustainability and innovation. MEPCO produces a range of paper products, including containerboard, specialty papers, and tissue products. A key strength of MEPCO is their vertically integrated business model. This includes their wholly-owned subsidiary, WASCO, which is the largest waste management and recycling company in the Middle East. This integration allows MEPCO to control a significant portion of their raw material supply (recycled fibre) and contribute to the circular economy within the Kingdom of Saudi Arabia. They also have a joint venture focused on municipal recycling (Estidama).

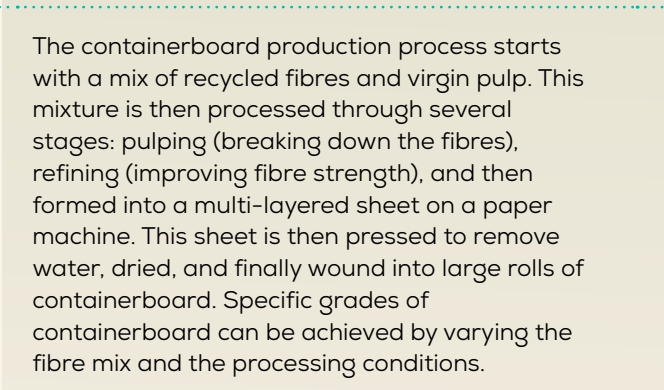
MEPCO’s strategy involves continuous growth and diversification, with investments in new production lines (like the PM5 for containerboard) and acquisitions to expand their product portfolio (e.g., in corrugated box manufacturing). They serve both domestic and international markets, exporting their products to numerous countries.

MEPCO emphasises eco-friendly and recyclable solutions, aligning with Saudi Vision 2030 and the Saudi Green Initiative. They are committed to sustainable practices and are recognised for their leadership in the regional paper industry.



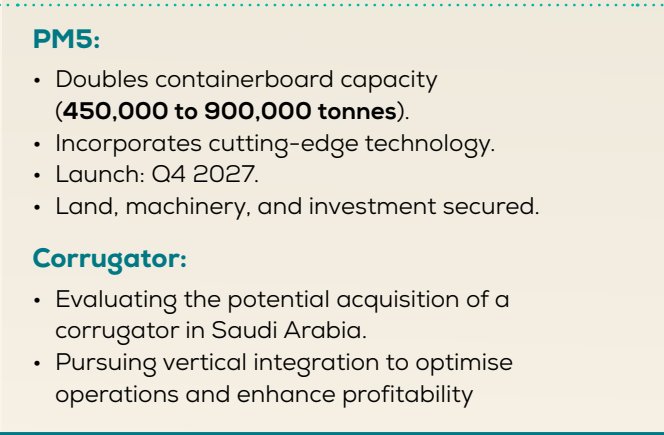
Overview

- The region’s **largest containerboard** producer.
- Leveraging over **2 decades** of international partnerships and expertise.
- Meeting **30%** of domestic demand.
- Global reach extending to over **30 countries**.
- Workforce of **+1,000 employees** (2024).
- Continuously **innovating** sustainable products and processes.
- Implementing robust water stewardship practices, recycling **29%** of process water



Production Processes

The containerboard production process starts with a mix of recycled fibres and virgin pulp. This mixture is then processed through several stages: pulping (breaking down the fibres), refining (improving fibre strength), and then formed into a multi-layered sheet on a paper machine. This sheet is then pressed to remove water, dried, and finally wound into large rolls of containerboard. Specific grades of containerboard can be achieved by varying the fibre mix and the processing conditions.



Future Projects

PM5:

- Doubles containerboard capacity (**450,000 to 900,000 tonnes**).
- Incorporates cutting-edge technology.
- Launch: Q4 2027.
- Land, machinery, and investment secured.

Corrugator:

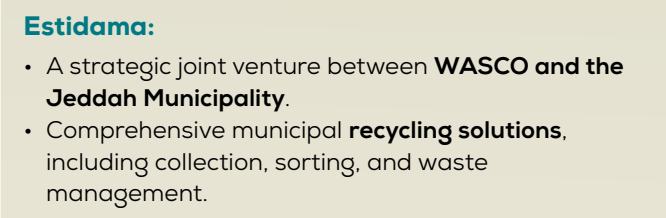
- Evaluating the potential acquisition of a corrugator in Saudi Arabia.
- Pursuing vertical integration to optimise operations and enhance profitability

Containerboard



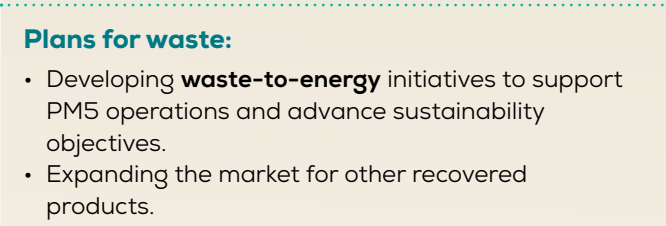
WASCO:

- A **wholly-owned subsidiary** of MEPCO.
- The region’s **largest waste collection** and sorting company.
- Operating **18 collection centres** across the Kingdom of Saudi Arabia.
- Annual collection and recycling capacity of approximately **500,000 tonnes**.
- Providing MEPCO with over **90%** of its raw materials and recycled fibre pulp, ensuring supply chain resilience.



Estidama:

- A strategic joint venture between **WASCO and the Jeddah Municipality**.
- Comprehensive municipal **recycling solutions**, including collection, sorting, and waste management.



Plans for waste:

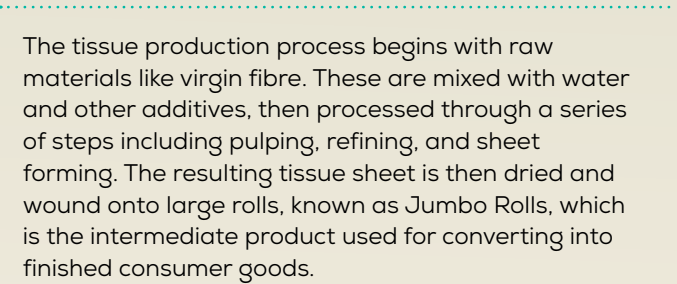
- Developing **waste-to-energy** initiatives to support PM5 operations and advance sustainability objectives.
- Expanding the market for other recovered products.

Waste



Juthor:

- A key player in the regional tissue market.
- Meeting **21%** of domestic demand.
- Total installed production capacity of approximately **60 tonnes**.
- Product portfolio: Facial tissues, toilet paper, kitchen towels, and napkins.



TM6:

- Doubling tissue production capacity from approximately 60 to **120 tonnes**.
- Anticipated launch: Q4 2026.
- Focusing on product diversification to enhance margins.
- Equipment secured.

Jumbo Roll

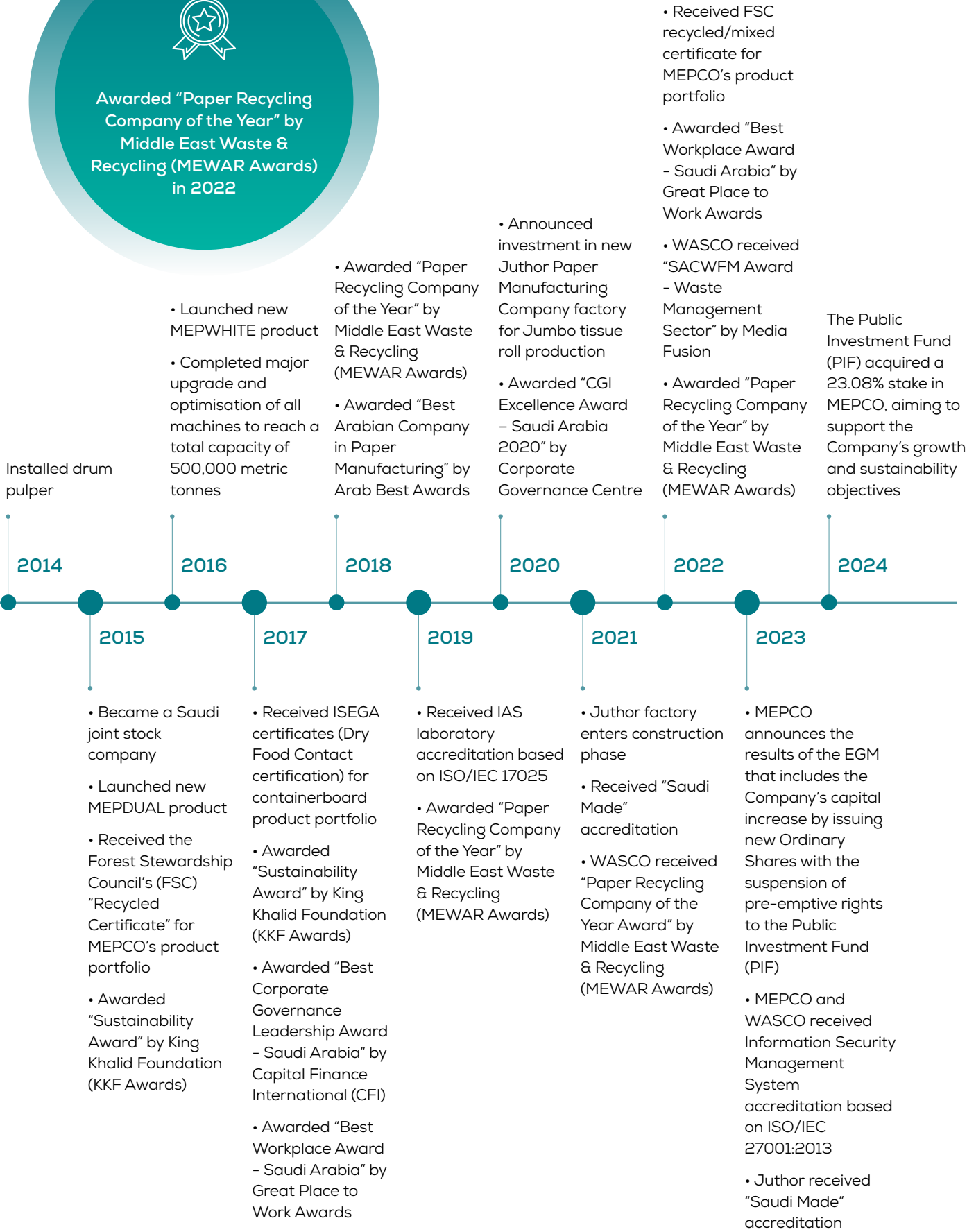
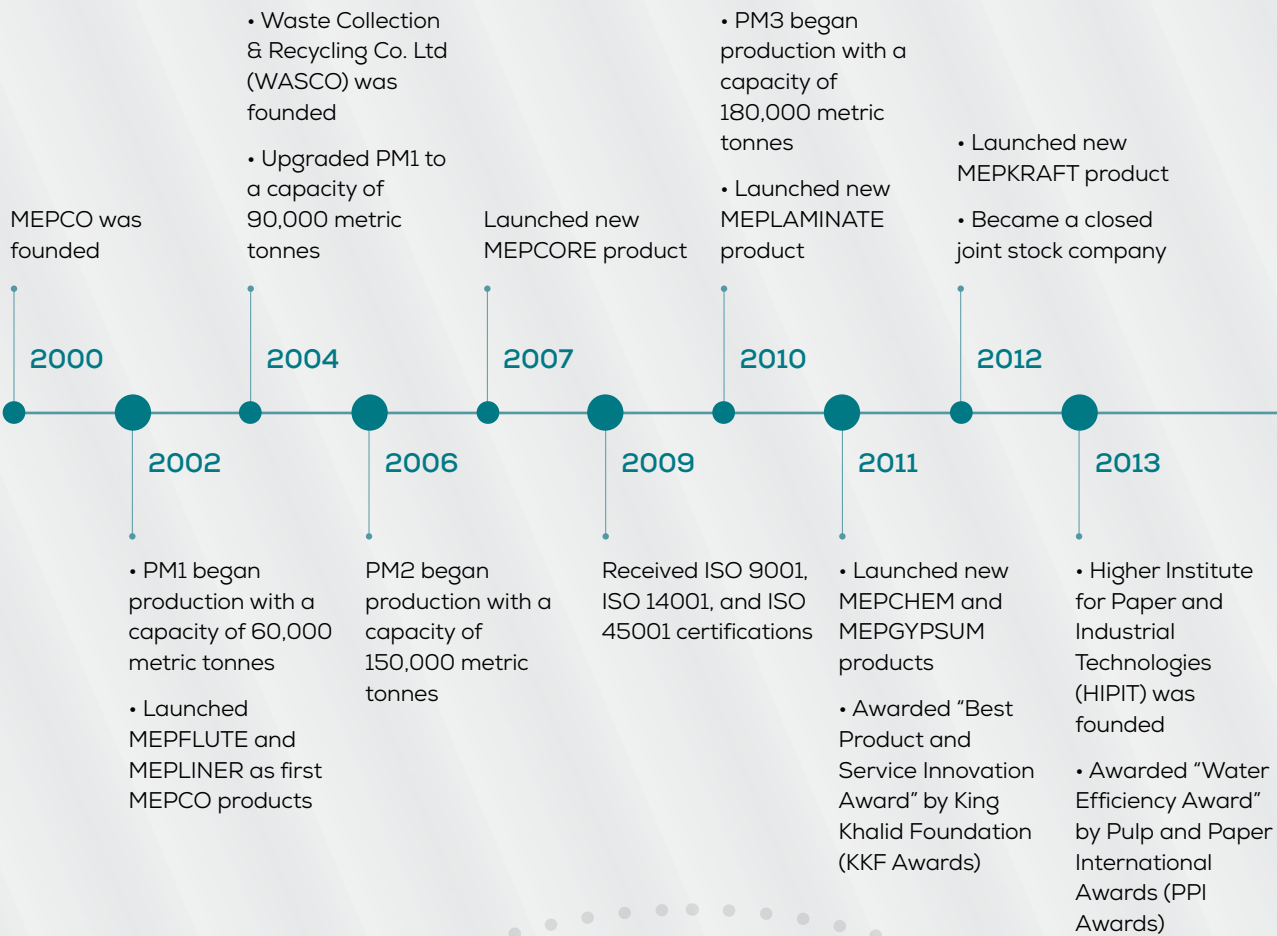
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OUR JOURNEY

Driven by innovation

For more than 20 years, MEPCO has been redefining excellence in the Kingdom of Saudi Arabia’s paper and packaging industry. With a successful portfolio of subsidiaries and products, commitment to continuous innovation and sustainability, and an expanding presence in over 33 countries, MEPCO has earned a strong reputation for quality and excellence on a global scale.



YEAR IN REVIEW

Leading with growth and sustainability

January

PIF announces completion of investment in MEPCO

The PIF acquired a 23.08% stake in MEPCO through a capital increase and subscription to new shares, supporting MEPCO's expansion into emerging markets, improving operational efficiency, and advancing sustainability initiatives.

March

MEPCO wins the "Risk and Safety Award 2024" at Fastmarkets PPI Awards 2024

MEPCO received the Fastmarkets PPI award for excellence in safety, risk management, and compliance with global industry standards.

MEPCO earns ISO 50001:2018 Certification for Energy Management

MEPCO earned the ISO 50001:2018 Energy Management certification from LRQA, showcasing its commitment to energy efficiency and sustainability across all operations.

February

MEPCO participates in future industrialists initiative

As a key partner, MEPCO facilitated workshops and mentorship programmes for 25,000 students in the Makkah region, highlighting the private sector's role in fostering industrial awareness and nurturing young talent.

April

MEPCO announces the launch of its 5th Paper Machine (PM5)

With an investment of ₪ 1.78 billion and a production capacity of 450,000 tonnes annually, PM5 has enhanced sustainability measures, including energy-efficient operations and waste reduction systems, and is expected to be completed by the end of 2027.



May

MEPCO wins "Best Digitalisation Initiative Award"

MEPCO was honoured at the 7th Middle East Enterprise AI and Analytics Summit and Awards 2024 for its AI-driven digital transformation, including advanced analytics and CRM systems.

October

MEPCO wins 2 "Global ESG Awards"

MEPCO received the Gold Award for "Generating Employment and Fostering a Quality Work Environment" and the Platinum Award for "Resource Optimisation", reflecting excellence in sustainability and social responsibility.

December

MEPCO secures 2nd place for "Best Printed 2023 Annual Report"

MEPCO was honoured at the Middle East Investor Relations Association (MEIRA) Awards, highlighting the Company's commitment to excellence in corporate reporting and transparency.

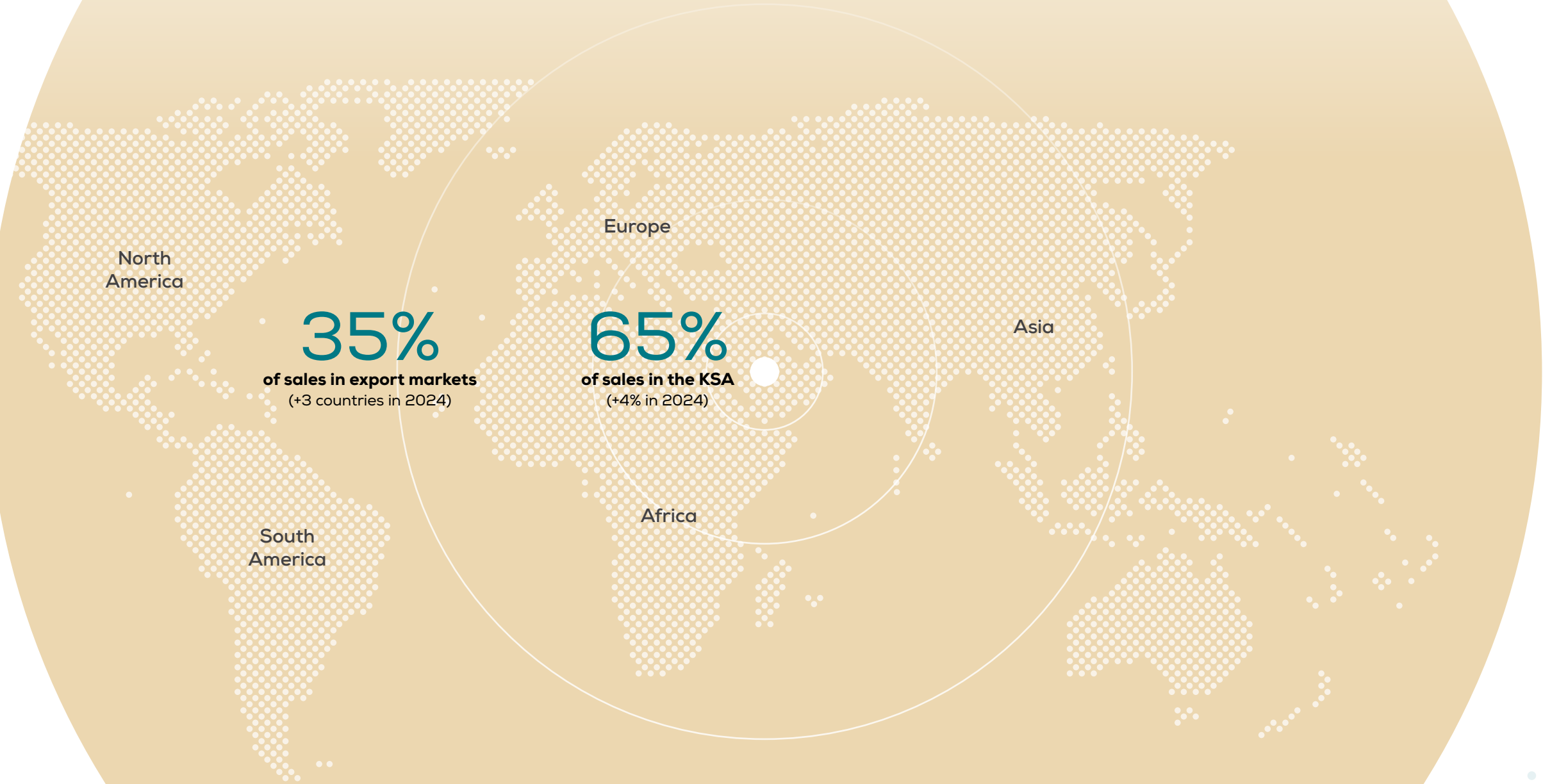


MEPCO's remarkable progress during this award-winning year showcases its strategic focus on diversification, market leadership, and sustainability.

By advancing innovative projects, forging impactful partnerships, and achieving global recognition for excellence in safety, energy management, and ESG practices, MEPCO solidified its position as a transformative force in the paper and packaging industry. These achievements reflect the Company's unwavering commitment to driving value for all Stakeholders, fostering industrial growth, and continually raising standards of operational and corporate performance.

GEOGRAPHIC FOOTPRINT

MEPCO is a recognised leader in paper manufacturing, driving innovation and excellence across the Kingdom of Saudi Arabia and its expanding global footprint. MEPCO delivers a diverse range of high-quality, sustainable products tailored to a wide range of requirements in packaging, tissue, construction, furniture, and paper core industries for its valued clients throughout Saudi Arabia and across the Company’s 33 export markets on 5 continents.



30%

KSA market share

34

Countries
(including Saudi Arabia)



5

Continents
(Import MEPCO products)



170+

Customers



INVESTMENT CASE

The region’s
foremost paper
and packaging
company

MEPCO is one of the leading paper and packaging company’s in the MENA region, consistently demonstrating exceptional performance and a commitment to innovation.

MEPCO’s clear strategic vision, operational excellence, and relentless focus on sustainability provide a robust foundation for driving transformative growth by meeting the surging demand for containerboard and tissue products in Saudi Arabia and beyond.

With an established legacy of success, MEPCO is a compelling investment proposition, shaping the future of the industry, delivering value to Stakeholders, and reinforcing its position as a market leader in a growing and evolving landscape.

Market
Leadership and
Growth:



- **Dominant market position:** MEPCO commands a leading market share in Saudi Arabia, holding approximately 30% of the containerboard market and 21% of the tissue market.
- **Rapidly growing market:** Demand for containerboard and tissue in Saudi Arabia is projected to grow at robust rates of 3.4% and 3.5%, respectively, in the coming years, presenting significant opportunities for MEPCO.
- **Strategic capacity expansion:** To capitalise on this growth, MEPCO is strategically investing in capacity expansion projects, including the PM5 (containerboard) and TM6 (tissue) projects, which are expected to double production capacity by 2027.
- **Proven track record:** MEPCO’s ability to execute successful projects is evident in the rapid ramp-up and profitability of its new tissue production facility, which achieved over 80% utilisation within its first year of operation.
- **Expanding product portfolio:** MEPCO’s forward integration strategy, including the planned corrugator acquisition, will allow to Company to offer a wider range of products and better serve its customers’ evolving needs. This expansion will also enable MEPCO to capture a greater share of the value chain by moving downstream into corrugated box manufacturing.

Operational
Excellence and
Innovation:



- **Continuous innovation:** MEPCO is committed to continuous improvement across all its operations. This includes implementing lean manufacturing principles, optimising production processes, and investing in digitalisation to drive efficiency gains, reduce costs, and enhance the quality of its products and services.
- **Juthor plant launch:** The 2023 launch of MEPCO’s state-of-the-art Juthor plant for Jumbo tissue roll production significantly expands the Company’s capacity and incorporates advanced automation technologies. This strategic investment allows MEPCO to diversify its product portfolio and capitalise on the rapidly growing tissue market in Saudi Arabia, where MEPCO is currently a net importer. The Juthor plant positions MEPCO to meet this significant domestic demand, capture attractive margins, and enhance its competitiveness in this key segment.
- **State-of-the-art facilities:** MEPCO’s advanced production and distribution facilities utilise cutting-edge technology and equipment. This enables the Company to manufacture lower GSM grade paper more cost- and energy-efficiently, enhancing competitiveness.
- **International footprint:** With a presence in over 30 international markets and a strategic location near the Jeddah Islamic Seaport, MEPCO is well-positioned for global reach and efficient export operations.

Financial Strength
and Investment
Highlights:



- **Attractive returns:** New projects are projected to deliver attractive internal rates of return (IRR) and promising EBITDA margins, demonstrating the Company’s commitment to profitable growth.
- **Forward integration strategy:** MEPCO’s forward integration strategy, including planned acquisitions in corrugated box manufacturing, allows the Company to capture additional value within the supply chain, mitigate price volatility for finished goods, and enhance overall profitability.
- **PIF investment:** The Public Investment Fund (PIF) of Saudi Arabia, a globally recognised sovereign wealth fund, has made a significant investment in MEPCO, acquiring a 23.08% stake. This investment underscores MEPCO’s strategic importance and growth potential.

23.08%
PIF Investment in MEPCO

Sustainability as a
Competitive
Advantage:



- **Pioneering circular economy:** MEPCO is a regional leader in recycling and waste management, championing the principles of the circular economy. This leadership is demonstrated through:
 - WASCO’s critical role in collecting, sorting, and supplying high-quality recovered paper.
 - The Company’s reliance on recycled paper for over 90% of its raw material needs.
 - Significant water conservation efforts, with approximately 29% of production water being recycled.
- **Alignment with global goals:** MEPCO’s Environmental, Social, and Governance (ESG) strategy is aligned with 7 United Nations Sustainable Development Goals (SDGs), demonstrating MEPCO’s commitment to contributing to a more sustainable future.

Experienced Leadership
and Commitment to
Shareholders:



- **Proven Management team:** An experienced and dedicated Management team drives MEPCO’s innovation and operational excellence, ensuring the Company’s continued success.
- **Transparent governance:** MEPCO maintains strong corporate governance practices and fosters transparent communication with Shareholders, building trust and accountability.
- **Alignment with Saudi Vision 2030:** MEPCO plays a key role in realising Saudi Vision 2030’s objectives for the paper industry, contributing to the Kingdom of Saudi Arabia’s economic diversification and sustainable development.



SHAREHOLDERS' INFORMATION

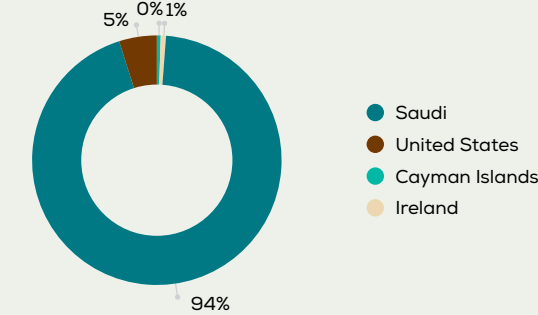
Share Information

Listing date: 3rd May 2015	ISIN: SA13Q050IP16	Market cap as at 31st December 2024: ﷼ 3.18 billion
Exchange: Saudi Stock Exchange (Tadawul)	Number of shares issued: 86,666,665	Foreign ownership limit: 49%
Symbol: 1202	Closing price as at 31st December 2024: ﷼ 36.75	Free float: 67.7%

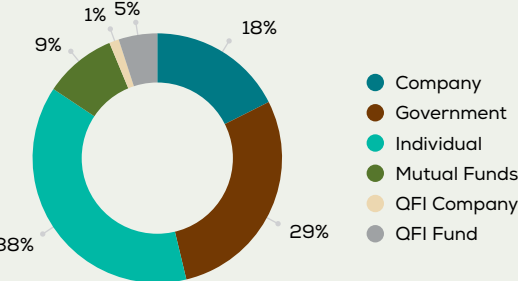
Share Price Performance vs. Benchmark Equity Indices (Middle East Paper Co. vs Peers)



Shareholding by Geography

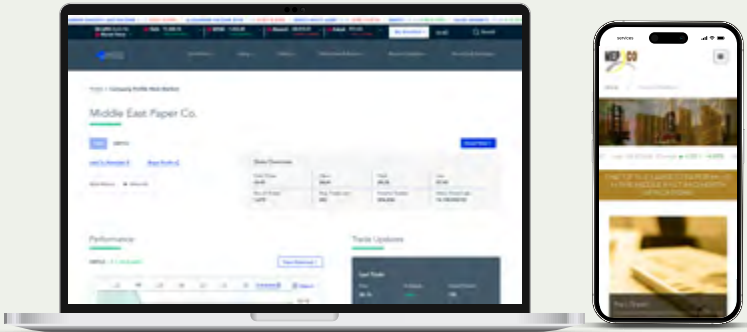


Shareholding by Type



Major Shareholders

23.08%	9.22%
Public Investment Fund (PIF)	Abdul Qader Al Muhaidib and Sons, a closed joint stock company



Investor Relations Calendar 2024-2025

19/02/2024	SCFM Conference
07/03/2024	EFG Hermes Conference
02/04/2024	Year End 2023 Financial Results Announcement
03/04/2024	MEPCO's Q4 2023 Earnings Conference Call
26/05/2024	Q1 2024 Financial Results Announcement
28/05/2024	Arqaam 11th Annual MENA Investor Conference
27/06/2024	Ordinary General Assembly Meeting (First Meeting)
11/08/2024	Q2 2024 Financial Results Announcement
19/08/2024	Q2 2024 Earnings Conference Call
11/11/2024	Q3 2024 Financial Results Announcement
20/11/2024	Q3 2024 Earnings Conference Call
12/12/2024	MEIRA Conference

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MEPCO has an absolute commitment to our environment, our community, and our people.

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MEPCO ensures alignment with national goals and global standards.

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Stakeholder Engagement 32

CHAIRMAN'S STATEMENT



While our financial and operational performance showed remarkable progress in the face of global logistical hurdles and rising inflation in 2024, MEPCO is also laying the foundations for unprecedented growth ahead.



With a steadfast commitment to succeed as a company and as a passionate contributor to the progress of the Kingdom of Saudi Arabia, MEPCO once again confirmed its resilience in the face of market headwinds and its intelligence as an industry leader, navigating another year of global market challenges. We have forged crucial partnerships, achieved sustainability benchmarks, and invested in a future which will propel us into a new era of growth, reinforcing the Company's strategic ability to adapt, diversify, and expand.

The Kingdom at our core

Above all, at the heart of our operations is the goal to support Saudi Vision 2030 and create a business which benefits the citizens, economy, and global standing of the Kingdom of Saudi Arabia at every level. In 2024, we developed a broad scope of strategies to maximise our contributions, increase our production, broaden our business footprint, and innovate to create new opportunities. The scale and commitment of our operations has added new dimensions to our Kingdom-wide diversification.

Playing a fundamental role in Saudi Arabia's circular economy, MEPCO and its subsidiaries have ensured that we not only drive the key principle of sustainability through reuse and recycling, but also increase "Made in Saudi" opportunities and maximise the efficiency of our operations and energy consumption. In addition, as Juthor tissue production grew exponentially in 2024, we substantially increased market share and reduced imports, adding significantly to our economic contribution.

Mr. Musaab Al Muhaidib
Chairman

Demonstrating resilience. Building capacity. Improving results.

Our historic progress

As the largest integrated paper production business in the region, MEPCO continues to not only expand its core business but also penetrate and grow in new markets. Following a landmark investment from the Public Investment Fund (PIF) we have aligned our focus on geographic and product expansion, especially for packaging and specialised building materials, in addition to potential acquisitions in corrugator board products.

As a result of the PIF investment, MEPCO will advance into emerging markets, improve operational efficiency, and create sustainability initiatives, in addition to driving forward integration as our TM6 and PM5 projects come online.

This investment marks a milestone in our national, regional, and international potential, cementing our position as an industry leader, while creating new opportunities for sustainable growth, and ambitious projects to support Saudi Arabia's goals of sustainability by recycling, reducing waste, and converting waste into energy sources to meet our business needs.

While our financial and operational performance showed remarkable progress in the face of global logistical hurdles and rising inflation in 2024, MEPCO is currently also in the preparatory stages of unprecedented growth.

Committing to our responsibilities

As we continue to shape the future of the regional industry, MEPCO has an absolute commitment to our environment, our community, and our people.

In compiling our unique 2024 Sustainability Report, we worked with key Stakeholders to review our materiality matrix, assessing which factors are most relevant, and created a course to prioritise their future strategic direction. Structured around 3 core domains of Better Business Practices, Innovating and Creating Value, and Putting People First, we remain dedicated to the ethical practices which are embedded in our DNA.

MEPCO is not only the region's largest and most successful business of its kind, but we are also the leading conduit for the future of the industry, having established the Higher Institute for Paper and Industrial Technologies (HIPIT), a modern establishment that utilises contemporary ideas and methods to inspire excellence in technical training under the guidance of top trainers in the field. The institute aims to equip Saudi youth with technical skills and refine them for a professional entry into the job market.

On a corporate level, we are extremely proud to have received the prestigious award for excellence from the Corporate Governance Centre at Alfaisal University, reinforcing our commitment to transparency, accountability, and sustainable growth.

In addition, our Gold Award for "Generating Employment and Fostering a Quality Work Environment" and Platinum Award for "Resource Optimisation", reflects excellence in our sustainability and social responsibility.

Reflecting the past, anticipating the future

On the back of a remarkable year of resilience, investment, and progress, MEPCO has solidified its foundations for unparalleled growth. The substantial investment from PIF has provided the equity for forward integration acquisitions for our TM6 and PM5 projects, accelerated our strategic progress, and created opportunities for landmark capacity and diversification.

Equally as important, as we look forward, we will continue to align perfectly with Vision 2030, growing in terms of economic contributions, sustainability goals, and broader impact on our communities and nation.

Acknowledgements

In closing, I would like to express my sincere gratitude to King Salman bin Abdulaziz Al Saud, Custodian of the Two Holy Mosques and His Royal Highness Crown Prince Mohammed bin Salman bin Abdulaziz Al Saud for their constant wisdom and guidance.

My great thanks also to the Government of Saudi Arabia for their constant support and my gratitude to our Shareholders, whose continued trust enables MEPCO to lead and grow as the largest and most successful paper and packaging company in the Middle East.

500,000
tons collected by WASCO

ACTING CHIEF EXECUTIVE OFFICER’S MESSAGE



Successfully overcoming market headwinds and volatility, MEPCO penetrated the most profitable markets at the most profitable times with the most profitable products.



MEPCO demonstrated its trademark resilience and adaptability throughout the year to overcome the global challenges raised by volatile pricing, scarce raw materials, and disruptions in logistics. Our flexibility and ability to diversify between export and domestic markets not only helped to mitigate market uncertainty, but we were also able to couple increased output with increased efficiencies to record positive sales and profit results.

Delivering beyond expectations

In a highly unstable business environment throughout the year, MEPCO produced a stellar performance to penetrate the most profitable markets at the most profitable times with the most profitable products. During a period where uncertainty reigned for many of our competitors, the Company has grown the tissue business to full capacity, increased market share, expanded operations, controlled costs, and improved efficiencies.

Closing 2024 with a total sales revenue of ₪ 1.06 billion, up by 22.9% over the previous year, and gross profit of ₪ 107.6 million, an increase of approximately 146.4%, MEPCO’s strategic diversification was indicative of its market experience and intelligence. Furthermore, in order to negate more expensive raw materials, fuel prices, and shipping rates, we shifted focus from our export market to domestic sales which rose by 16%.

- The mass increase of tissue production, MEPCO’s largest contributor to revenue in 2024, combined with a significant series of efficiencies, enabled adjusted EBITDA to reach ₪ 121 million, with an improved margin to 133%.

Mr. Rob Renders
Acting Chief Executive Officer

Demonstrating resilience. Delivering results.

Investing in expansion and experience

The PIF investment of a 23.08% stake in MEPCO enables us to build on our assets and expand to new levels of production which will create a landmark in the Company’s history in terms of capacity, market reach, and value. More than that, the PIF’s portfolio also includes a vast number of businesses that have the operational and growth experience which will prove to be invaluable.

Optimising operations

At the core of our business since its founding in 2000, MEPCO’s paper and packaging operations continued to act as the fulcrum of our success. It was vital that our strategic movement away from overseas markets towards the Saudi base, reinforced our 30% local market share while operating at 95% capacity throughout 2024.

As we continued to identify growing demands, diversify our production, and intensify our focus, paperboard products now play a key role in our operations, accounting for 18% of overall sales. As a leading provider, MEPCO has the potential to supply substantial amounts of paperboard to Saudi Arabia’s mass scale construction projects.

MEPCO’s waste management subsidiary, WASCO, has once again cemented its position as the most effective and innovative collection and recycling company in the region. Working alongside government agencies, WASCO has been instrumental in the transformation targets away from landfill towards recycling, collecting 500,000 metric tonnes in 2024 and supplying over 90% of MEPCO’s raw materials.

In addition, Estidama, a joint venture between WASCO and Jeddah Development and Urban Regeneration Company, now serves Jeddah City to recycle commercial, industrial, and domestic waste products. Reflecting its rapid growth and efficiency, the Company acquired 49% of the paper waste market in Jeddah, a growth of 6% over 2023.

Innovation and transformation

MEPCO’s leadership in the paper and packaging industry continues to be recognised, with the Company winning the “Best Digitalisation Initiative Award” at the 7th Middle East Enterprise AI and Analytics Summit and Awards 2024. This achievement highlights MEPCO’s commitment to innovation, as it leverages AI-driven digital transformation to enhance operational efficiency and customer engagement. By integrating advanced analytics and CRM systems, MEPCO is setting new industry benchmarks, reinforcing its position as a forward-thinking market leader that continuously adapts to evolving business landscapes.

Our driving force

Across our operations, MEPCO worked as a team to weather a turbulent year, and the people and colleagues whose individual efforts have united us have once again proved to be our most reliable, committed, and steadfast asset. With 1,162 employees across the Company, we continue to upskill their abilities, further their careers, and broaden their horizons with new opportunities.

The talent in the Company and the resilience of the individuals in a challenging year has been remarkable,

with a proactive workforce growing with their roles and moving forward with strategic projects. In addition, at a Management and Board level, all Company associates have steered MEPCO on a highly successful course.

History in the making

Our previous achievements over 2.5 decades have positioned MEPCO as the largest integrated paper and packaging company in the Middle East and our expansion through the new ₪ 450 million PM5 and ₪ 90 million TM6 facilities will double our tissue and containerboard output. We will be entering a new era of production.

In addition, we will continue to prioritise operational efficiencies and cost control, as we seek new opportunities for forward integration through collaborations and acquisitions. Despite the economic and geopolitical headwinds we faced in 2024, we have demonstrated that MEPCO is a strategist as well as an industry leader.

Acknowledgements

As we look back on a remarkable year of progress in a year of uncertainty, I would like to thank our Chair and Board of Directors for their support and guidance as we navigated a course to another highly successful stage in our history.

My thanks also go to our partners and suppliers, and to our clients for their continued custom and loyalty. In addition, I would like to extend my sincere gratitude to all employees and colleagues at MEPCO, whose efforts and commitment form the backbone of our Company and will power our future growth and success.

Sales Revenue

₪ 1.06 bn



Achieved the “Best Digitalisation Initiative Award”

BUSINESS MODEL

Driving growth,
creating value

MEPCO’s integrated strengths and strategic vision drive sustainable growth and value creation for its Shareholders and Stakeholders. By aligning operational excellence with environmental stewardship and strong governance, MEPCO consistently delivers innovative solutions, strengthens Stakeholder partnerships, and capitalises on market opportunities to secure long-term impact and industry leadership.

6 Capitals



Financial Capital:

- Equity investors.
- PIF investment.
- Working capital and access to debt.

Manufactured Capital:

- MEPCO (30% of Saudi market).
- Juthor (21% of Saudi market).
- WASCO + Estidama recycling facilities.

Human Capital:

- Renowned as a “Great Place to Work”.
- Experienced Board and Management team.

Natural Capital:

- Strategic location in Jeddah with proximity to the port for efficient exports.
- Facilities in Khumrah with access to water and government-subsidised energy.
- 6% Customers primarily located within a 20 km radius.
- Industry leadership in waste management.
- Juthor’s access to natural gas in KAEC.

Intellectual Capital:

- Full SAP integration for operational efficiency.
- 20+ years of experience and first-mover advantage.
- Being publicly listed strengthens corporate governance and transparency.

Social and Relationship Capital:

- Backed by the PIF as a Board member and Shareholder.
- Partnerships with municipalities, banks, and other value chain Stakeholders.
- Stable relationships with customers and suppliers.

Value Creation Model



3 Business Divisions

- **Paper and Packaging:** Addressing the growing demand for sustainable packaging solutions and optimisation of the existing business model by maximising resource efficiency and reducing waste.
- **Waste Management:** Converting waste into high-demand, sustainable products.
- **Tissue Production:** Reducing reliance on imports in net-importing markets.

Key Projects

TM6:

- Facilitates diversification.
- Supports Saudi market growth.
- Higher profitability margins.

PM5:

- Strengthens MEPCO’s leading position in the MENA region.
- Expected market growth of 10% with a TAM of 7%.
- Utilises recyclables in line with sustainability trends.
- Addresses surging demand for sustainable packaging.

Acquisition:

- Reduces market risk and volatility.
- Enhances stability in operations.
- Provides consistent growth opportunities.

Value Created



Environmental Impact:

- Landfill diversion by processing recyclables.
- Promotes sustainability through reduced plastic use and waste repurposing.

Social and Employment Benefits:

- Creation of higher direct and indirect job opportunities.
- Strengthened partnerships with municipalities and banks.

Market Impact:

- Addresses supply gaps in tissue and containerboard markets.
- Supports the growing trend of sustainable packaging.

Corporate Governance:

- Robust governance practices with committees ensuring Stakeholder rights.
- Enhanced transparency through structured Management and Board oversight.

STAKEHOLDER ENGAGEMENT

Driving growth, empowering communities, and shaping a sustainable future

MEPCO maintains its leadership in the Paper and Waste Sectors through a strategic focus on Stakeholder engagement, sustainability, and innovation. By fostering transparent relationships with its Shareholders, delivering tailored solutions to customers, collaborating with government bodies, and empowering its employees, MEPCO ensures alignment with national goals and global standards. Through MEPCO's initiatives in education, environmental stewardship, and community development, the Company is committed to creating long-term value and building a sustainable future for all its Stakeholders.

Our Shareholders

MEPCO remains steadfast in its commitment to engaging with and creating value for the Company's Shareholders, demonstrated through a series of strategic initiatives undertaken over the past year. MEPCO expanded its engagement beyond traditional methods, leveraging a combination of in-person and digital interactions to ensure constant and comprehensive dialogue with its investors.

Key highlights include participation in prominent conferences in Dubai and Riyadh, which served as valuable platforms to share MEPCO's vision, strategy, and financial performance while fostering direct interactions with investors. These conferences, along with regular earnings release calls, provided timely updates and maintained transparency regarding the Company's developments and financial disclosures.

MEPCO's dedication to transparency was further reinforced through investor tours of the MEPCO plant, including a tour conducted this year. These visits offered Shareholders an in-depth understanding of the Company's operations, deepening their confidence in MEPCO's long-term strategy and the value of their investment.

In addition, regular online and face-to-face meetings ensured that communication channels remained open and responsive, catering to evolving Shareholder needs and inquiries. This two-way interaction not only keeps MEPCO's investors well-informed but also provides invaluable feedback that drives continuous improvement and alignment with Shareholder expectations.

Throughout the year, MEPCO's efforts have focused on fostering a shared sense of purpose, building trust, and reinforcing a collective commitment to the Company's long-term growth and success.

Our Customers

Building and enriching relationships with MEPCO's diverse customer base, spanning local and international clients in the Paper and Tissue Sectors, is central to the Company's business strategy. MEPCO views its customers as the essence of the Company's enterprise, prioritising long-term partnerships over transactional relationships. This commitment drives MEPCO's efforts to understand their unique needs and deliver tailored products and services that consistently exceed expectations.

Regular engagement with customers ensures their satisfaction and provides exceptional after-sales service. Through open dialogue, MEPCO continually adapts its offerings, fostering high levels of satisfaction and retention while driving continuous quality improvement.

In waste management, MEPCO's approach is equally strategic and multifaceted. MEPCO works closely with B2B clients while maintaining strong relationships with suppliers, including traders, generators, and entities such as supermarkets and households, ensuring a sustainable and reliable supply of raw materials for MEPCO's recycling and production processes.

MEPCO's daily interactions are marked by responsiveness and a focus on innovative sales solutions that address the evolving needs of its customers. MEPCO is relentless in its pursuit of excellence in customer service, reflecting the Company's commitment to being a trusted, innovative partner for all Stakeholders. This focus underscores MEPCO's dedication to customer satisfaction and long-term success in every facet of the Company's business.

STAKEHOLDER ENGAGEMENT continued



Our Government and Regulatory Bodies

MEPCO's solid relationship with government and regulatory bodies is central to its operations and strategy. As a publicly listed company on Tadawul, the Company maintains a strong, compliant relationship with the Capital Market Authority (CMA) and Tadawul, maintaining transparency and adherence to CMA regulations and Saudi Organisation for Chartered and Professional Accountant (SOCPA) standards.

MEPCO's collaborations with customs authorities ensures seamless shipping operations, reflecting the Company's commitment to productive and compliant international trade practices. MEPCO cooperates with various ministries overseeing the environment, investment, foreign trade, and industry to align with Vision 2030. This alignment supports the Kingdom of Saudi Arabia's focus on the Non-oil Sector and the circular economy, both of which are integral to the Company's business model and ethos. By aligning with national goals, MEPCO adheres to regulations while contributing to the Kingdom of Saudi Arabia's broader economic and environmental objectives.

Under waste management, MEPCO's collaborations extend to entities such as the Ministry of Environment, Water, and Agriculture (MEWA) and the National Centre for Environment Compliance (NCEC). MEPCO regularly hosts inspection teams from

ministries and regulatory bodies to ensure its operations remain compliant with recent standards and practices. MEPCO's transparency and commitment to engage with audits highlights the Company's emphasis on environmental stewardship and regulatory compliance.

In addition, MEPCO's export activities involves close collaboration with the Export Development Authority and EXIM Bank, which are significant for facilitating international trade and navigating the complexities of global markets.

MEPCO engages with governmental entities to develop regulations for the Paper and Waste Sectors, allowing MEPCO to stay ahead of new regulations while fostering growth and sustainability, in alignment with the strategic direction of Saudi Arabia.

In addition, MEPCO also engages with the civil defense, and other entities such as MWAN, MIM, SIDF and MODON.

Overall, MEPCO's engagement with government and regulatory bodies reflects the Company's commitment to compliance, sustainability, and supporting Saudi Arabia's vision for a diversified and sustainable economy.



Our People

MEPCO's employees are at the heart of the Company's success, and its approach to human resources reflects a commitment to excellence in the Paper and Waste Sectors. MEPCO prioritises attracting and nurturing top talent, recognising their critical role in driving growth and innovation.

Diversity and inclusion are central to MEPCO's HR strategy, with a dedicated focus on increasing female participation in its workforce. This commitment enriches MEPCO's workplace culture and supports broader societal objectives. Additionally, the Company's strong Saudization score underscores MEPCO's dedication to empowering local talent and contributing to the Kingdom of Saudi Arabia's economic development.

Employee engagement is a continuous and multifaceted effort at MEPCO. Retaining top talent is as important as attracting it, which is why the Company implements comprehensive employee retention programmes designed to reward hard work and foster a sense of belonging.

Professional development is another core element of MEPCO's strategy, with tailored skill-building and training initiatives that enhance competencies and prepare the Company's workforce for the evolving demands of the industry.

By creating a nurturing and inclusive environment where talent thrives, diversity is celebrated, and continuous learning is a priority, the Company ensures MEPCO's current and future success in both the Paper and Waste Sectors.



Our Communities

Community engagement is a cornerstone of MEPCO's corporate ethos, demonstrating its deep commitment to social responsibility and sustainable development. Through a variety of impactful initiatives, MEPCO actively contributes to the well-being and progress of the communities it serves.

MEPCO's involvement in the Higher Institute for Paper and Industrial Technologies (HIPIT) programme exemplifies this dedication, as it nurtures the next generation of talent in the paper industry by fostering technical skills and supporting the Kingdom of Saudi Arabia's national economy with a skilled workforce for the future.

In environmental sustainability, MEPCO takes a proactive role through events and initiatives that align with the Company's focus on responsible waste management and environmental stewardship.

MEPCO's broader CSR efforts span educational programmes, environmental projects, and other community-driven initiatives, reinforcing the Company's role as a socially conscious corporate citizen.

By aligning MEPCO's business goals with societal needs, the Company contributes meaningfully to the communities where it operates, fostering lasting connections, and demonstrating that business success and social responsibility are inseparable at MEPCO.

Our Strategy

Leading regionally, impacting globally

MEPCO is a Saudi champion, regional leader, and international player in our industry, 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 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.



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.

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.



MARKET REVIEW

The global paper and board industry is adapting to economic fluctuations, geopolitical challenges, and evolving sustainability demands. MEPCO remains well-positioned to navigate these shifts through strategic growth, operational efficiencies, and a strong focus on sustainability, reinforcing its market leadership in the MENA region.

Global Industry Trends

The global containerboard market is set for recovery, with demand expected to grow at 2.7% annually between 2024 and 2028, rising from 187 million tonnes in 2023 to 222 million tonnes by 2028.

Key regional growth trends include Western Europe stabilising at 2.2% annual growth (2025-2028), Asia accelerating from 3% in 2024 to 4-5% annually (2025-2028) despite an oversupply challenge, and the Middle East growing at 3.7% annually, with significant capacity expansions expected by 2027.

This growth is driven by e-commerce expansion, a shift toward paper-based packaging, and post-pandemic market recovery. Sustainability remains a defining industry trend, with recycled containerboard expected to account for 80% of global production by 2028.

MENA Market Outlook

The MENA region is among the fastest-growing containerboard markets, with demand projected to grow at 3.7% annually through to 2035. This expansion is fuelled by the rapid rise of e-commerce, increasing regulatory support for sustainable packaging, and broader environmental initiatives aligned with Saudi Arabia's Vision 2030. As governments enforce stricter sustainability policies, the demand for recycled containerboard is set to rise, further supporting MEPCO's strategic focus on sustainability-driven production.

Saudi Arabia's Containerboard Market

Saudi Arabia's containerboard industry is undergoing significant growth, driven by Vision 2030 and increasing demand from key sectors, including food, agriculture, and industrial manufacturing. MEPCO is playing a pivotal role in this expansion, with plans to add an additional 450,000 tonnes per year of capacity by 2026, building on the current 500,000 tonnes annual capacity of current operations, alongside a heightened focus on recycling and eco-friendly packaging solutions.

Recovered Paper Market

The global recovered paper market is projected to expand at 2.2% annually through to 2028, with Saudi Arabian demand expected to reach 1.25 million tonnes by 2025. This growth directly supports MEPCO's expansion strategy and reinforces its commitment to sustainable raw material sourcing.

Tissue Market Growth

Saudi Arabia's tissue market is expected to reach 296,000 tonnes by 2025. MEPCO's subsidiary, Juthor, is positioned to capture 15-20% of the domestic market while expanding exports to 20% of total production, contributing to the Company's broader market diversification strategy.

Future Outlook

MEPCO is well-positioned for sustained growth through capacity expansions, recycling advancements, and market diversification. By focusing on innovation, efficiency, and sustainability, the Company continues to strengthen its competitive advantage and drive long-term value creation in the evolving paper and packaging industry.



MEPCO's subsidiary, Juthor, is positioned to capture 15-20% of the domestic market while expanding exports to 20% of total production.



CFO'S REVIEW

Despite the global industry challenges and headwinds of 2024, MEPCO's resilience, adaptability and diversification enabled us to post enhanced results in a market primarily dominated by logistics barriers and inflation, over capacity, and significant competition. In the face of fluctuating prices, raw material crises and export handicaps, MEPCO's flexibility once again proved to be a vital asset in navigating a complex trading year. In addition, the mass-scale tissue production from the manufacturing cluster had a profound effect on increased revenue and less volatile results.

Diversity and Delivery

Ending the year with a total adjusted EBITDA of ₪ 121 million – a rise of 133% over 2023 – MEPCO's diversification and navigation of turbulent supply chains proved to be pivotal in delivering a positive all-around performance.

Sales Revenues	₪ 1,065m	Total Assets	₪ 2,558.6m
2024	1,065m	2024	2,558.6m
2023	866.8m	2023	1,930.9m
2022	1,187m	2022	1,946.5m
	+22.9% YoY		+32.5% YoY
Gross Profit	₪ 107.6m	Gross Profit Margin	10%
2024	107.6m	2024	10%
2023	43.7m	2023	5%
2022	502.8m	2022	42.4%
	+146.4% YoY		+5% YoY
Adjusted EBITDA	₪ 121m	Net Loss	₪ 77.4m
2024	121m	2024	77.4m
2023	51.9m	2023	87.6m
2022	404.7m	2022	270.7m
	+133% YoY		+12% YoY
Net Loss / (Profit) to Parent	₪ 77.3m	Debt-to-equity ration	59.9%
2024	-77.3m	2024	59.9%
2023	-80.2m	2023	80.8%
2022	269.7m	2022	64.6%
	-4% YoY		-20.9% YoY
Cost of Sales	₪ 957.6m		
2024	957.6m		
2023	823.1m		
2022	684m		
	+16.3% YoY		

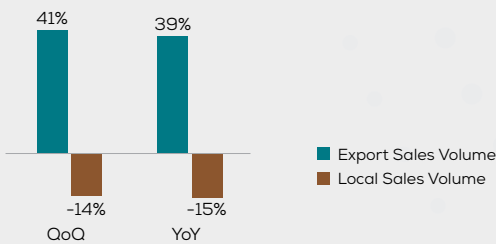
Mitigating higher prices for raw materials, fuel prices, and rising shipping rates, we decreased our export market by 10%, while increasing our domestic sales to 70%. In terms of overseas sales value, that equates to a fall of 5% to ₪ 12 million, and an increase of 5% to ₪ 25 million in local values. Additionally, under waste management, MEPCO also increased its sales of non-core recyclables (plastics) and other materials.

Furthermore, having realigned our focus toward the strong Saudi market, we increased our share in both tissue and containerboard to 15% and 24% respectively.

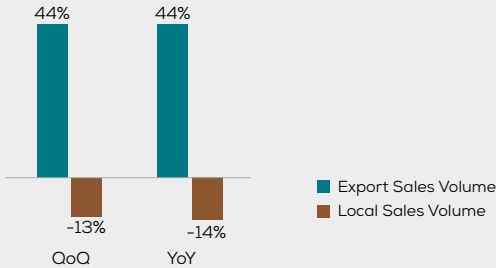
Exports and Local Sales

Numbers beginning Q1 2024 onwards include Containerboard, tissue and sale of other recyclables

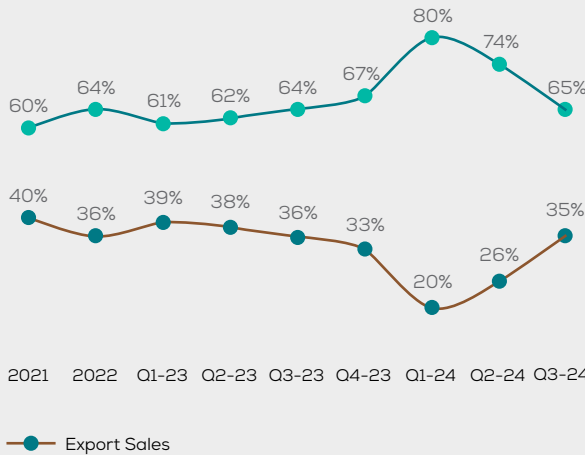
Sales Volume Growth change



Sales Volume Growth change



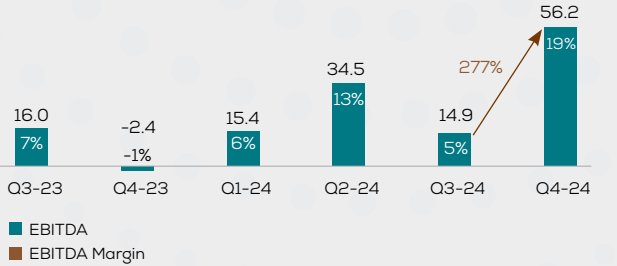
Sales distribution in value



Higher Production and Lower Costs

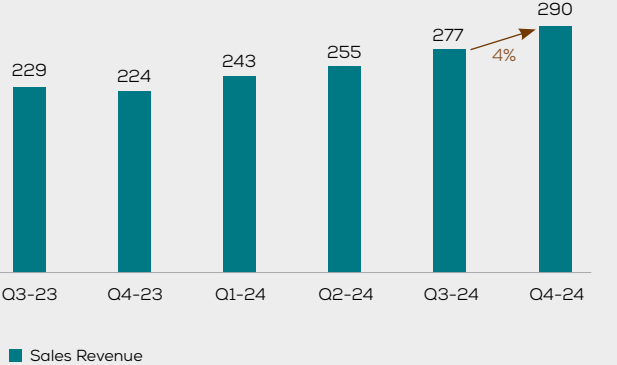
The 155% increase in tissue production from 19,884 thousand tons to 50,721 thousand, due to commercial production started from mid-2023 and gradually increased over the year. which enabled adjusted EBITDA to reach ₪ 121 million, with the margin improving from 6% in 2023 to 11% in 2024.

EBITDA and EBITDA Margin, ₪ million



Sales revenue of ₪ 1,065 million, a rise of 22.9% over the previous year, is primarily attributed to increased prices and the sales quantity of the tissue mill. The manufacturing cluster was not only the largest contributor to revenue and profit in 2024 but also achieved significant cost savings through its transition from diesel to gas, marking a key milestone in operational efficiency.

Sales Revenue, ₪ million



CFO’S REVIEW continued

Following the ₪ 19.5m investment for PM5 in 2024, which will nearly double MEPCO production, CapEx for 2024 stood at ₪ 1.28 billion.

Investment for Expansion

The Public Investment Fund (PIF) allocated ₪ 629.9 million to MEPCO for major expansion projects including doubling containerboard capacity, expansion in tissues, and the potential acquisition in the corrugator board market. The subsequent increase in working capital combined with loan repayments enabled us to post a healthy balance sheet, ending the year with a debt-to-equity ratio of 59.9%.

Broadening Horizons

Looking ahead, we are positioned for significant growth in terms of production capacity, product diversification, and market expansion. This growth will be driven by the execution and deployment of greenfield projects, alongside efforts to complete vertical integration at MEPCO through strategic inorganic growth. We are also focused on enhancing our margins through maintaining effective cost control. Ultimately, on the back of our achievements in 2024, we are committed to strengthening our position as one of the leading and most successful paper mills in the Middle East.



03

BUSINESS REVIEW

Paper and Packaging	46
Integrated Waste Development	50

MEPCO's Paper and Packaging division operated at an impressive 93% capacity throughout the year

.....
Paper and Packaging 46

34
markets globally
across 5 continents

.....
Integrated Waste Development 50

PAPER AND PACKAGING



Despite a year of ongoing geopolitical issues and inflationary pressures, MEPCO remained resolute in its ambitions for 2024 and agile in its strategic direction. As the challenges of sea-based exports continued to mount, much of the Company’s focus turned to the domestic market, where MEPCO’s production volumes remained high, and sales remained strong.

Strategic Leadership

Against a tide of external hurdles, MEPCO once again demonstrated its ability to anticipate and react to unstable market dynamics, assessing, analysing, and acting on a course which altered, but did not deviate from, the Company’s strategy to expand and strengthen its presence.

Specifically, MEPCO’s agility and flexibility enabled a swift and decisive realignment towards its primary Saudi stronghold, increasing domestic sales by 10% and reinforcing MEPCO’s 30% market share, which accounts for 45% of total production.

While raw materials and shipping prices rose, product prices dropped, and logistics channels became more problematic. MEPCO redirected a larger proportion of its overseas sales to road transportation. This shift allowed MEPCO to increase its market share in nearby regions achieving a 13% market share increase. This approach ensures a continuous flow of products to fulfil the Company’s supply commitments.

Despite external pressures, MEPCO’s Paper and Packaging division operated at an impressive 93% capacity throughout the year, ensuring consistent deliveries, and maintaining sales volumes in line with 2023.

Market Foresight

More than 2 decades of innovative operations, MEPCO has consistently looked ahead to new opportunities, confident in its ability to pre-empt demand and its capacity to supply.

As MEPCO diversifies and adapts to market trends, promoting paperboard products has become a key priority. Making up 15% of total sales, paperboard stands out as a strategic growth area for 2024, meeting customer demands for higher-value solutions.

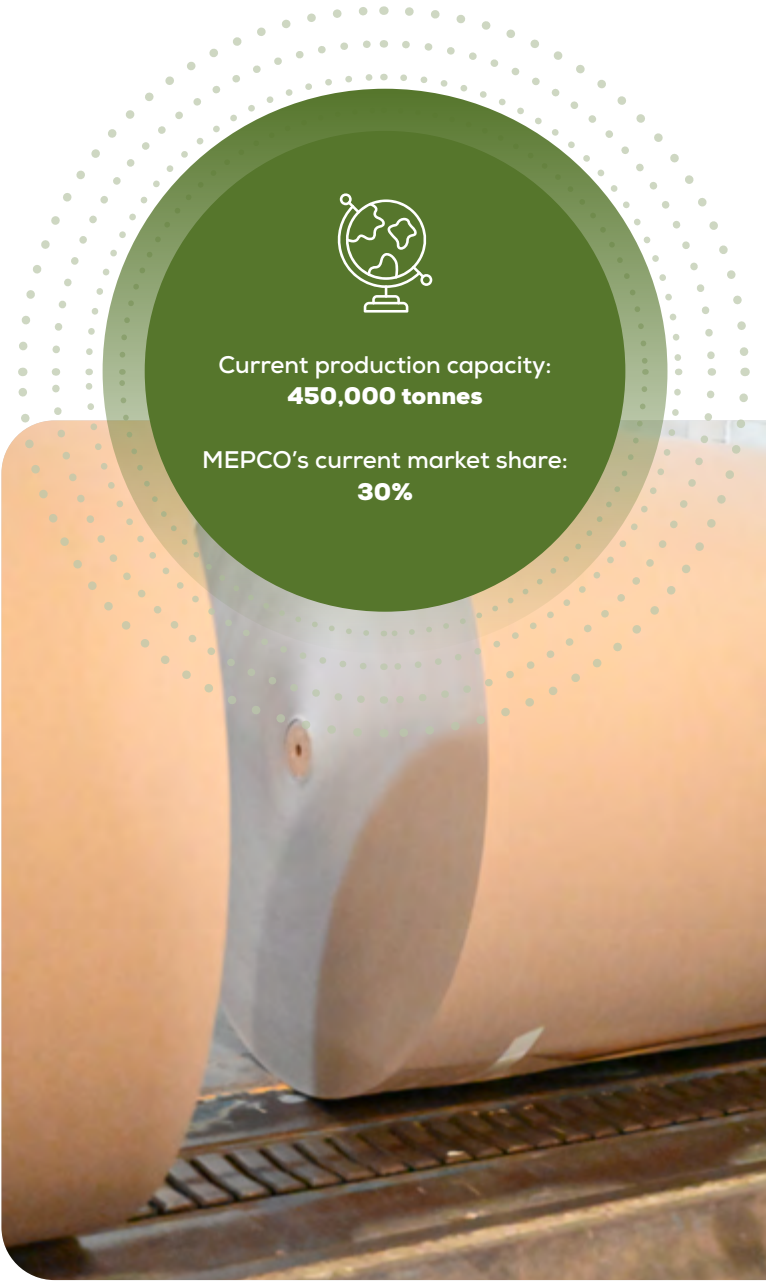
Looking towards the future, paperboard will play a crucial role in MEPCO’s long-term growth, particularly in the burgeoning Saudi construction industry and its use alongside gypsum. This is a prime opportunity for MEPCO to capitalise on the product’s rising market demand and positions the Company for continued success and expansion.

Brave New World

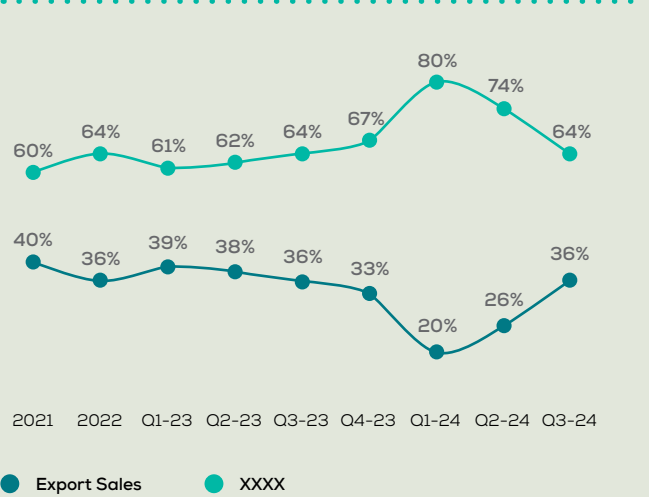
In commissioning Germany-based Voith to construct the PM5 project that produces low grammage of 70 GSM, MEPCO has witnessed a true landmark in its history. The additional 450,000 metric tonnes of production will almost double the current levels. This expansion not only strengthens MEPCO’s position in the market, but it also enables the Company to meet the increasing demand for paper and packaging products. This is a testament to MEPCO’s commitment to its future, showcasing both its ambitious vision and capabilities.

In addition, the approval of a 6th tissue line, TM6, will add a further 60,000 tonnes, driving both MEPCO’s potential and production higher than ever before.

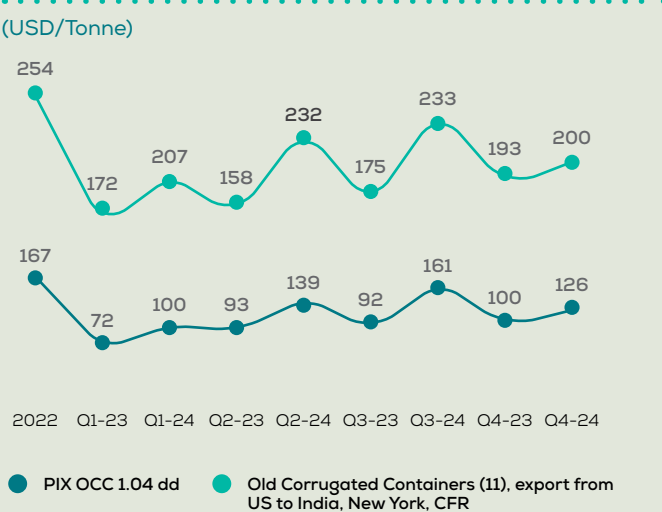
MEPCO has the potential to expand its production and business capabilities through new investments, mergers, and acquisitions in the Paper and Packaging Sector. MEPCO’s M&A activities are progressing positively, and the Company anticipates receiving favourable developments in the near future, which could further reinforce its growth strategy and strengthen its market position.



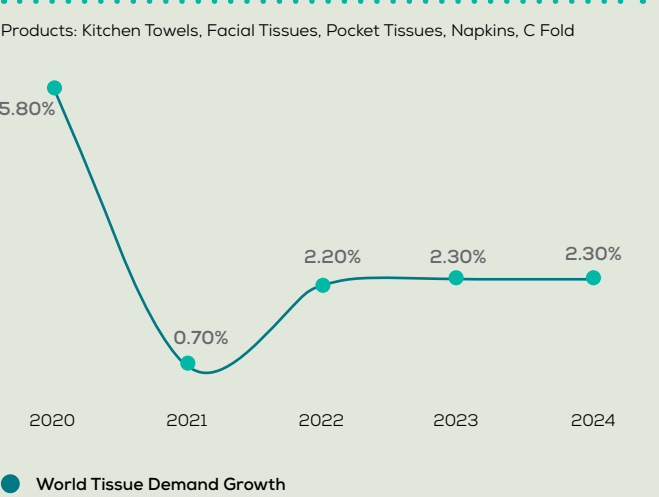
Sales Distribution in Value



International Prices for Old Corrugated Containers



Tissue Market Review



2024 Containerboard Estimates



PAPER AND PACKAGING continued

Throughout the year, MEPCO has dedicated significant efforts to strategizing and improving product quality, ensuring its offerings meet the highest industry standards. This focus has reinforced the Company’s competitive edge and customer satisfaction.

Alongside quality improvements, MEPCO prioritised stabilising the market by adopting and executing proactive strategies. These efforts have helped stabilise market positioning, building resilience amid fluctuating demand and evolving regional dynamics.

This year, MEPCO successfully expanded into 5 new markets – Syria, Zimbabwe, Malawi, Mozambique, and the USA – strengthening its global presence across Africa, the Middle East, and North America. This strategic growth reinforces MEPCO’s commitment to broadening its geographic reach and seizing new market opportunities.

Leading the Future
MEPCO is looking forward to new achievements, as the Company optimises the efficiency and effectiveness of its current facilities. While MEPCO constantly seeks new opportunities, it has always understood that progress is built on the present and the Company is committed to creating more productive and efficient operations.

In terms of growing its footprint, MEPCO will not only strengthen its presence in existing markets, but will also drive expansion into fresh territories, reinforcing its commitment to existing customers, while satisfying the demands of new clients.

As an essential element of MEPCO’s operations, the Company is dedicated to achieving maximum sustainability, ensuring that its recycling operations are prioritised, MEPCO’s waste is minimised, and its employees have an innate sense of environmental responsibility. Each year, MEPCO promotes new initiatives and innovations to ensure it maintains a strong sustainability footprint.

Through its industry experience and market intelligence, MEPCO has closed another impressive year in the face of strong logistical and economic headwinds, consistently reassuring its customers that MEPCO is a dependable, progressive, and responsible market leader.



INTEGRATED WASTE MANAGEMENT



In 2024, WASCO showcased its unwavering commitment to integrated waste management and sustainability. WASCO’s progress, expansion, and sales volumes are reflected in its performance, which has reinforced WASCO’s position as the most effective and ambitious waste management company in the Middle East. MEPCO has contributed more than ever to the government’s transformation targets away from landfill and towards recycling and have played a proactive and practical role in investing heavily in innovation, infrastructure, and strategic partnerships.

Partners and Performance

Throughout WASCO’s 13 collection centres and 3 MRF, the Company made tremendous progress in recovering finances and reducing operational costs, while increasing the volume of collecting recyclable materials from 460,000 metric tonnes in 2023 to 500,000 metric tonnes in 2024. This constitutes 50% of the Kingdom’s total of 1 million metric tonnes, an increase of 8% over 2023, and 364,000 metric tonnes of MEPCO’s raw materials.

In terms of non-fibre scrap collection and sales, WASCO achieved 20,000 metric tonnes in 2024, an increase of 100% over the previous year. This equates to total revenues of ﷲ 22.5 million, contributing 4% in total net profits.

These outstanding results underscore MEPCO’s commitment to a more sustainable future for Saudi Arabia and the essential part it plays in realising its goal of a diversion rate of 50% from landfills by 2030, and 94% from municipal solid waste landfills by 2035. With a fleet of 110 vehicles operating 24 hours a day 7 days a week, in 2024 WASCO continued to forge large contracts and partnerships with both the public and private sector, signing Memorandums of Understanding (MoU) with Makkah and Al Madina municipalities as part of the strategic expansion to enter new territories and penetrate new markets. Overall, this created significant value for MEPCO by controlling the prices of old corrugated containers (OCC) within the limits of ﷲ 600/tonne and handling the Company’s requirements at a 12% lower cost than it would have cost through imports.

The Spirit of Innovation

As the Middle East and North Africa’s most progressive and prominent waste management entity, WASCO has invested in advanced technology, continuing to spearhead operational efficiency and lead by example in reducing its own environmental footprint. WASCO is recognised as a pioneer and educator in recycling, helping to protect national, regional, and local ecosystems. As competition increases and industrial recycling becomes more widespread, it is vital that WASCO integrates cutting-edge products and digital solutions to maximise its operations and optimize its costs.

Our Practical Support for Vision 2030

WASCO is continuously contributing to the national targets of Saudi Vision 2030, reaching environmental goals, diversifying the Kingdom’s economy and providing quality products to a global market as part of its ‘Made in Saudi’ strategy.

In addition, on a community basis, WASCO is committed to instilling a sense of environmental duty and responsibility at ground level to nurture a new generation of awareness. The Company is privileged to play a part in the workshops and education projects which form the heart of future sustainability, infrastructure, and strategic partnerships.



Additionally, WASCO will provide a greater focus on the collection and pricing of old corrugated containers, as well as on increasing sales to new customers in the market.

Our Goals for the Future

As WASCO seeks to continually build on its successes and broaden its horizons, the Company will aim to further increase its collection and sales of on-fibre materials, building on the additional 8,000 metric tonnes achieved in 2024, an outstanding achievement in its own right.

Additionally, WASCO will provide a greater focus on the collection and pricing of old corrugated containers, as well as on increasing sales to new customers in the market.

Finally, for the years ahead, as the Company continues to play a significant role in the Kingdom’s landfill and recycling ambitions, WASCO will take proactive steps to align with these goals, investing in talent development, infrastructure, and strategic partnerships.



INTEGRATED WASTE MANAGEMENT continued



Etidama

For Etidama, 2024 was a year of resilience and recovery. A joint venture, launched in 2021 between WASCO and Jeddah Development and Urban Regeneration Company, Etidama Environmental Services Company now serves Jeddah City to recycle commercial, industrial, and domestic waste products.

Playing a vital role in collecting recyclable materials from the Commercial Sector and cleaning companies, Etidama feeds local industries with recyclables to be used as raw materials in their manufacturing processes.

The Company's primary strategy is to raise the quantity of recyclables in the local market while supporting MEPCO with a continuous supply of waste cardboard and paper.

In 2024, the Company acquired 49% of the paper waste market in Jeddah, a growth of 6% over the previous year, and also implemented exclusive performance contracts with cleaning companies to receive recyclable materials after sorting them from their source.

These were giant steps forward for Etidama, which had an even balance sheet at the end of the year and a growth in quantities of approximately 10%, compared to a net loss of 14 million in 2023. Furthermore, Etidama expanded its presence with the opening of 2 new branches.

Ambitions for 2025

WASCO's goals for the year ahead and beyond revolve around the consistency, reliability, and quality of the services it provides. It is not only the volume of the work that makes WASCO the best known and most highly-respected waste management company in the region; it is also the lasting relationships they have built with their partners. In 2025 WASCO will welcome many more.

In terms of this industry and its ideals, the Company is proud to uphold the values which it encourages and endorses in others. To build a sustainable future, WASCO must focus on its actions today. From awareness and protection to reusing and recycling, every step matters in shaping a better future for generations to come.



Furthermore, Etidama expanded its presence with the opening of 2 new branches.



04

SUSTAINABILITY

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Certified under the
ISO 50001 energy
management standard

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Better Business
Practice

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Our holistic 'people
first' culture focuses on
creating positive value
for our employees,
communities, and society

.....
Putting People First

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About the Report

The reported data under the sustainability section covers MEPCO’s environmental, social, and governance (ESG) performance for the period between January 1st and 31st of December 2024.

Our reporting boundary for environmental related metrics includes the MEPCO’s head office and plant in Saudi Arabia unless stated otherwise as we expanded the scope in 2024 to include subsidiaries operating in Saudi Arabia. For human resource data, we have included our subsidiaries operating in Saudi Arabia (WASCO, ESTIDMA and JUTHOR). In general, unless otherwise stated this report does not include the activities or performance of business partners, suppliers, or contractors.

This insert has been prepared in reference to the Global Reporting Initiative (GRI) 2021 Standards.

In addition, MEPCO aligns its sustainability management and reporting practices with the National Standards of Sustainability (NSS) outlined in the Saudi Vision 2030 as

established by the Kingdom of Saudi Arabia (KSA). We have also taken guidance from the Saudi Green Initiative targets and the Saudi Stock Exchange (Tadawul) ESG Guidelines. This report also highlights the ways MEPCO is working to support the United Nations Sustainable Development Goals (SDGs). This was also prepared in alignment with the following standards issued by the Sustainability accounting standards Board (SASB):

- 1- “Resource and Transformation”, focusing on “Containers & Packaging”
- 2- “Renewable Sources & Alternative Energy.”

KPMG Professional Services Company carried out a limited assurance for the selected quantitative indicators, which included, greenhouse gas emissions Scope 1 & 2, water consumption and water consumption per metric tonne of production, energy consumption, waste management, SOx and NOx emissions to air, donations and sponsorships, training hours and new employees hires (See page 170 for independent limited assurance report).

Message from the Risk and Sustainability Committee Chair

It is my honor to share this 2024 update on MEPCO’s sustainability performance. Our commitment to sustainability, driven by our determination to advance a circular economy for paper products across our industry and our region, is central to our values and our business model.

As the Chair of the Risk and Sustainability Committee, I have the privilege of ensuring MEPCO’s approach to ESG – including the development, implementation, and governance of our ESG sustainability strategy and roadmap – is conducted in full alignment with our long-term corporate strategy, national and global ambitions, and internationally recognized best practices.

As a committee, we aim to identify and mitigate risks associated with our ESG efforts, ensure regulatory compliance, and position MEPCO to take full advantage of the opportunities for innovation and growth the changing sustainability landscape presents.

This approach is organized around three clear pillars: robust governance at the Board committee level to provide oversight and accountability; a transparent reporting process that involves comprehensive data collection, third-party assurance and clear disclosure of our ESG performance, and stakeholder engagement practices that feature regular dialogue with investors, customers, and our broader community.

As we continue to advance and evolve our strategic and operational approach to sustainability, I remain excited and optimistic about the role MEPCO is playing in driving innovation and opportunity for our business, our industry, and our region.

Mr. Walid Ibrahim Shukri

Awards, Recognitions and Certifications

- ISO/IEC 17025: 2017 Testing and Calibration Laboratories
- ISO 14001:2015 Environmental Management System
- ISO 45001:2018 Occupational Health and Safety Management System
- ISO 9001:2015 Quality Management System
- 7 MEPCO products are FSC certified
- 6 MEPCO products have ISEGA Food Contact Certificates by ISEGA Germany
- FSC Mix and Recycled certification of MEPWHITE and MEPKRAFT
- Part of the “Made in Saudi” program, a National Industrial Development and Logistics Program (NIDLP) initiative led by the Saudi Export Development Authority
- ISO 50001 Energy Management System certification

ESG Highlights

Better Business Practices	Innovating and Creating Value	Putting People First
• 100% of MEPCO’s operations are ISO 14001 certified • Total waste generated was reduced by 48% compared to 2023 • ISO 5001 certified • ISO 14001 certified • 15% reduction in vehicles petrol consumption • 10% reduction in HFO consumption from operations compared to 2023 • 71% of our suppliers are local	• 95% of MEPCO’s input materials were recycled, marking a 5.6% increase from 2020 • 6 MEPCO products hold ISEGA Food Contact Certificates for safety and sustainability • 78% of MEPCO’s product range are Forest Stewardship Council certified • The only containerboard manufacturer in the Middle East to maintain ISO/IEC 17025:2017 certification • 8.9 customer satisfaction score • No incidents of breach and loss of customer data despite 3,366 cyber-attack attempts	• 100% of MEPCO’s employees participated in performance and career reviews • 23% of the workforce are in the 18-30 age range • No incidents of discrimination • 40% and 41% Saudization rate at MEPCO and Juthor respectively • 3,448 hours of training provided during 2024 • ISO 9001 certified • SAR 2 million invested in community development

Our Approach to Sustainability

Advancing a circular economy for the paper products industry is the central focus of our sustainability approach. We are taking a multi-faceted approach to closing the circularity gap through by diversifying and innovating circular products crafted from recycled inputs while simultaneously enhancing the critical infrastructure and systems necessary for the collection and cycling of paper products into new raw material.

Mobilized by a sustainability framework informed by national and international priorities alongside those of our stakeholders, we take a materiality-based, impact-driven approach to operationalizing our sustainability commitment through our strategy and management practices.

Our Sustainability Ambitions

Reducing carbon emissions through waste diversion.	Enhancing water recycling within operations.	Further advancing circularity by producing paper from materials collected domestically.	Reducing reliance on imports for paper and tissue, reinforcing the Made in Saudi initiative.	Optimizing costs and energy use to achieve maximum operational efficiency.
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Sustainability Framework

Our sustainability framework is organized around three core domains, each with defined key performance metrics and targets attached.





Sustainability Framework

Better Business Practices

We uphold strong governance, risk management, and accountability practices while advocating for sustainability throughout its value chain. The Company is committed to reducing its environmental impact by addressing climate, water, and waste management and minimizing virgin resource consumption.

Innovating and Creating Value

We innovate to develop sustainable, high-quality products that meet customer needs, enabling a shift from plastic packaging and leveraging trends like e-commerce. MEPCO is committed to supporting its customers with safe, durable, and high-performance products, driving productivity, creating value for all stakeholders.

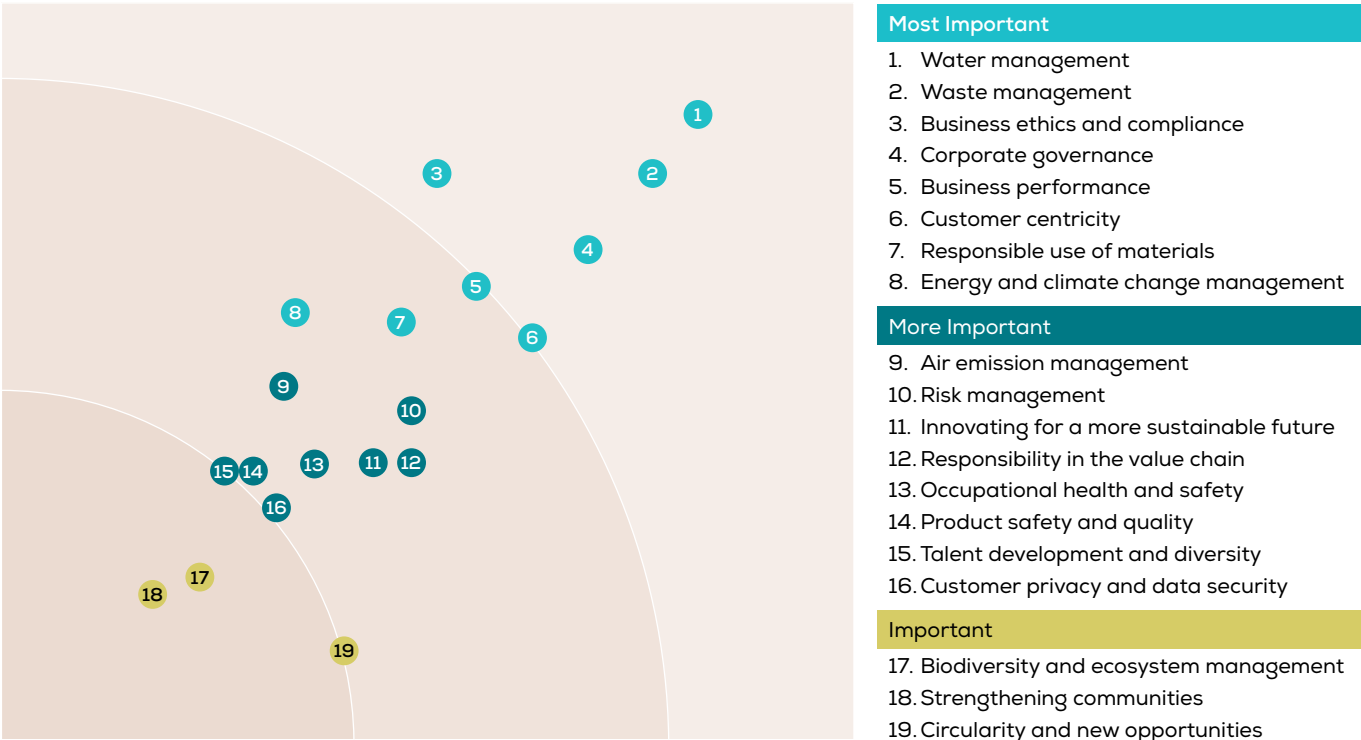
Putting People First

We foster a fair and inclusive workplace that attracts top talent and provides equal opportunities for employees to thrive. Beyond its workforce, the Company contributes to societal well-being through community support, aligned with Saudi Vision 2030 and the UN SDGs.

In 2022, we conducted a robust materiality assessment through direct engagement with a diverse group of internal and external stakeholders. We gathered insights on the issues they view as most critical to MEPCO. This dialogue shaped the development of a materiality matrix

that highlights and prioritizes 19 key topics, helping to focus our efforts where they can deliver the greatest impact. Please refer to MEPCO’s 2022 Sustainability Report pages 15-17 for further details.

Materiality Matrix



Sustainability Governance

Our principled approach to conducting business in a transparent, ethical, accountable, and responsible manner encompasses our approach to sustainability governance. ESG principles are embedded in our governance framework. Our Board of Directors holds ultimate oversight for our sustainability activities through

our Board-level Risk and Sustainability Committee. Comprised of three Board members with deep strategic and sustainability expertise, the committee is responsible for ESG initiatives across the Company, with further ESG oversight assigned to our management team to drive performance on these initiatives across our operations.

MEPCO Risk and Sustainability Committee

Mr. Walid Ibrahim Shukri: A former senior partner at PwC Saudi Arabia, Mr. Shukri serves on various boards and committees, including the Saudi Electricity Company, General Authority for Military Industries (GAMI), Saudi Agricultural and Livestock Investment Company (SALIC), Diriyah Gate Development Authority, etc, and Tatweer Education Holding Company.

Ms. Hawazen Nazih Nassief: Former Head of Sustainability and Stewardship at the Public Investment Fund of Saudi Arabia, Ms. Nassief has extensive experience in ESG, sustainability, and corporate

responsibility across the US, Saudi Arabia, and the UAE. She serves on the board of directors at Tanmiah Food Company (TFC), where she chairs the ESG Committee and is a member of the Nomination and Remuneration Committee (NRC). She is also a member of the NRC at Bupa Arabia.

Mr. Waleed Abdulrahman AlMonie: An expert in strategy and project management, Mr. AlMonie has led organizational transformation projects in key large-scale entities, focusing on strategy formulation and execution across various domains.

Sustainability Targets and Performance

	Targets	2024 performance
Better business practices	15% reduction in water intensity by 2030 compared to the 2019 baseline of 7.9 m³ / ton of production	6.02
	70% of suppliers based in Saudi Arabia by 2030	66%
Innovating and creating value	83.5% of product range are FSC certified by 2030	78%
Putting people first	2025 minimum female employment targets: 14% women in senior management 8.5% in middle management 4.5% women across operations	0% 9.6% 2.9%
	Reach platinum status in Nitaqat by 2025	40.5%
	Increase employee training to five hours per employee per year until end of 2025 1% of our net income spent on community investment initiatives from 2025 onwards	3 hours per employee -2.62%

² The value is negative since the net income for FY 2024 is a net loss as a result of non-recurring expenses incurred in Q4 2024 and other contributing factors, such as higher cost of raw materials and shipping costs.

Supporting UN Sustainable Development Goals and Saudi Vision 2030

UN SDGs	Saudi Vision 2030 Targets	How We Contributed in 2024
  	Diversifying the economy	Achieved record production levels, introduced innovative products (e.g. lower GSM plasterboard, high-performance core board), optimized raw material costs, and started operations at Juthor tissue mill.
  	Promoting local job creation	Hired over 55 new employees with a focus on diversity and inclusion, maintained female workforce participation, and sponsored HIPIT for training Saudis in paper and industrial technologies.
 	Supporting small and medium-sized enterprises (SME)	Engaged with SMEs upstream and downstream, with an emphasis on Saudi suppliers, across the value chain and within the same industry segment.
 	Enhancing environmental sustainability	Reduced greenhouse gas emissions, increased recycled wastewater usage, obtained ISO 14001 certification, and upgraded the effluent treatment plant (ETP).
 	Promoting local content and job creation	Achieved “High Green” Nitaqat rating and increased average training hours per employee by 50%.
 	Promoting local job creation	Partnered with HIPIT to provide vocational and administrative training, fostering skilled employment opportunities for Saudi youth.

Better Business Practices



Underpinned by rigorous governance practices and our commitment to serving as a trusted partner for all our stakeholders, customers, and suppliers, our approach to environmental responsibility reflects our focus on circularity as an integral part of our long-term business strategy. Extending across our entire value chain, our environmental stewardship practices focus on increasing the volume of recycled raw materials we use, conserving water and energy, and minimizing waste through smart operations and enhanced paper product collection and recycling systems.

Environmental Management

Our environmental stewardship initiatives prioritize action towards pressing global and regional environmental challenges such as climate change, water scarcity, and biodiversity loss across every facet of our Company. Guided by MEPCO’s Quality, Health, Safety, and Environment (QHSE) Policy, we operationalize our environmental stewardship practices using robust environmental management systems (EMS) certified under ISO 14001.

Water Management

Producing paper in a water-scarce region like the Middle East means we have a significant responsibility to maximize our water efficiency. In accordance with our “every drop counts” philosophy, our flagship water management initiative is the development of a closed-loop water system, which uses an on-site effluent treatment plant to enable the capture, treatment, and recycling of wastewater for continuous reuse in our manufacturing processes. Recycled water use has increased following recent system upgrades. We are also targeting a 15% reduction in water intensity compared to the 2019 baseline.

Refer to Appendix A for year-on-year performance details.



Waste Management

Driving circularity by reducing our reliance on virgin raw materials by growing the volume of recycled materials we use as primary raw inputs, creating fully recyclable paper products, and enhancing the infrastructure and systems necessary for the collection and recycling of those products is our ultimate ambition. We are systematically working towards this goal by continuously advancing our waste management practices and technologies while responsibly managing key waste streams including sludge (from effluent treatment plant), plant rejects, heave fuel oil sludge, used oil discharge and water. These waste streams are carefully monitored and managed in compliance with our QHSE policies, GAMEP guidelines and all relevant environmental and waste regulations. We have installed a Dewatering Unit and modified the Old Corrugated Containers which have led to significant reduction of waste generated.

Refer to Appendix A for year-on-year performance details.

WASCO

Our WASCO subsidiary is focused on developing circular systems that maximize the value of waste materials through innovative recycling solutions. WASCO applies advanced technologies to minimizing landfill use and environmental impact, using integrated waste management services such as material recovery facilities, recycling centers, and processes for generating alternative energy and producing soil fertilizers.

Biodiversity

Preserving natural habitats and the species they support is a non-negotiable part of our obligation to protect and conserve the land and resources of our region and beyond. Our dedication to protecting biodiversity and our ecosystems is evident in our focus on prioritizing recycled, non-virgin input materials and maintaining FSC certification for as many of our products as possible.

Energy and Climate Change Management

Certified under the ISO 50001 energy management standard, our energy and climate change management approach centers on increasing electrification to drive down reliance on fossil fuels, recognizing the strong link between carbon reduction, energy efficiency, and air quality. In alignment with Saudi Vision 2030 targets, we are addressing carbon reduction and air quality by implementing measures such as desulphurization technology and a boiler monitoring system, ensuring emissions remain within GAMEP limits through regular assessments and third-party audits. In 2024, we achieved a 10% reduction in heavy fuel oil (HFO) consumption compared to the previous year, primarily

due to the scheduled annual boiler shutdown conducted between January and March. In contrast, diesel fuel consumption increased to support operations during the shutdown period. Our Scope 1 emission has been reduced from 520,142 metric tonnes to 498,803 metric tonnes, representing the decrease of 4%, as compared to 2023.

Refer to Appendix A for year-on-year performance details.

Responsibility in the Value Chain

Our commitment to strong environmental and social performance encompasses our subsidiaries and our suppliers. All value-aligned partners selected by MEPCO and our WASCO, Estidama, and Juthor subsidiaries are required to adhere to the MEPCO Supplier Code of Conduct, which promotes ethical, accountable, and transparent practices across our supply chain. In alignment with Saudi Vision 2030 ambitions for sustainable economic development, we also prioritize partnerships with local suppliers – a move that supports the diversification of our local economy and local manufacturing communities and helps reduce transport-related emissions. The percentage of local suppliers engaged in 2024 is 71%. This includes Juthor, WASCO, and MEPCO.

Refer to Appendix A for year-on-year performance details.

Risk Management

MEPCO’s operations, particularly in Jeddah, face heightened risks owing to water scarcity driven by changing climate patterns. Because water is essential for the pulp processing and paper production, any disruption poses significant threat to our business continuity and our supply chain. In addition, the energy-intensive nature of paper manufacturing exposes us to fluctuations in energy prices driven by climate mitigation policies and external factors. While we are leveraging growing demand for eco-friendly products and the increasing use of recycled raw material to drive innovation and business growth, we are also aware these conditions pose a risk to business continuity.

To prevent and minimize interruption risks, our Business Continuity Management (BCM) framework includes contingency planning, resource allocation, and regular testing to ensure operations can continue with minimal interruption should unforeseen adversity or crisis arise.

Led by our Risk and Compliance department in collaboration with our business units, our comprehensive risk management approach also encompasses a

spectrum of robust policies, including credit, treasury, and marketing, that enable us to identify and prevent potential risks at an early stage, enabling swift mitigation and proactive monitoring, thereby minimizing potential impact on our business performance.

Business Ethics and Compliance

The principles of integrity and ethical conduct and a commitment to compliance with all applicable laws and regulations are embedded across our business practices and formalized in our comprehensive Code of Conduct. The code governs all interactions with employees, suppliers, and other stakeholders, addressing issues such as labor relations, confidentiality, and intellectual property protection. The policy also encompasses conflicts of interest, ensuring disclosure and oversight by the Governance, Risk, and Compliance department with review from our Audit Committee. Transactions requiring Board or General Assembly approval are transparently reported and managed.

Should any instances of fraud, conflict of interest or violations of our Code of Conduct arise, MEPCO’s Anti-Fraud and Whistleblowing policy enables employees, suppliers, and other stakeholders to make reports of misconduct through secure and anonymous channels such as a grievance register and hotline without fear of reprisal.



Innovating and Creating Value

Our commitment to leading a circular economy for paper products is driven by innovation. By focusing on advancing recycled materials and developing novel paper products, we are advancing circularity and creating value for our customers.

In 2024, 95% of MEPCO’s input materials were recycled, marking a 5.6% increase from 2020 and reducing reliance on virgin raw materials to just 1.5%. This shift not only supports forest conservation, but also fosters a sustainable and cost-effective supply chain. Optimized production processes further enhanced efficiency, achieving record-low consumption rates for white pulp (32.7%), starch (40 kg/t), filler polymer (68% reduction), and kraft pulp (30%).

Our R&D investments in innovation also act as an enabler of Saudi Vision 2030 and the Saudi Green Initiative ambitions, helping drive breakthroughs in resource conservation, waste reduction, and circular practices. To date, these R&D investments have included initiatives for reducing critical environmental challenges such as plastic pollution through the delivery of recyclable, biodegradable product alternatives. As part of this work, the R&D team is focused on the innovation of products that feature increased recycled fiber content while maintaining durability, tear resistance, and moisture protection for specialized markets, including packaging and construction. Other innovations include energy-efficient machinery and heat recovery systems designed to reduce energy consumption across our manufacturing processes.

Six MEPCO products hold ISEGA Food Contact Certificates for safety and sustainability.

Our hybrid-grade products like MEPCHEM, MEPWHITE, MEPDUAL, and MEPKRAFT offer durable, sustainable alternatives to virgin fiber products, with MEPDUAL enabling customers to reduce stock requirements by up to 50%, promoting both sustainability and efficiency.

MEPCO has secured Forest Stewardship Council (FSC) certification for over 78% of its product range, including MEPWHITE and MEPKRAFT. We have also completed third-party audits by FSC and Integrated Management Systems (IMS).

Product Safety and Quality

As the only containerboard manufacturer in the Middle East with ISO/IEC 17025:2017 accreditation for testing and calibration laboratories since 2019, MEPCO sets industry benchmarks for safe, high-quality paper products that help protect consumer health and safeguard our environment. We also hold Food Contact certifications for six products, including MEPLINER and MEPKRAFT, and conduct annual audits to uphold rigorous standards.

In 2024, we further enhanced our quality measures by introducing new testing methods, upgrading all lab and measuring equipment, and implementing an online quality compliance system. To ensure transparency, Material Safety Data Sheets (MSDS) also accompany all products, providing customers with detailed safety and handling information.

Customer Centricity

We cultivate strong relationships with our customers through open, two-way communication. This regular engagement gives us valuable insight and understanding of our customers’ needs and expectations, helping us swiftly respond to potential complaints and enabling the innovation of a diverse range of products and services that anticipate their future needs.

With a zero complaint ambition as our priority, in 2024 we strengthened our customer-centric engagement through a series of initiatives aimed at enhancing customer satisfaction. These include structured feedback mechanisms, including online surveys and direct interviews designed to deepen our understanding of customer needs and inform the refinement of our products and services.

Improved digital communication channels, such as upgraded CRM systems, provided real-time updates, order tracking, and seamless access to product specifications. To address specific industry requirements, we also prioritized tailored solutions for key sectors like packaging and construction. Interactive engagement events, including exhibitions and customer visits showcasing MEPCO’s operations, sustainability practices, and product innovations, facilitated direct dialogue with our technical teams.

Refer to Appendix A for year-on-year performance details.

Maintained 8.9 customer satisfaction score in 2024

Privacy and Customer Data Security

Our Data Privacy Policy guides our approach to maintaining data privacy and security in a rapidly evolving digital landscape. In addition to ISO 27001 standards, advanced compliance with the Personal Data Protection Law (PDPL), and an enhanced cybersecurity framework in line with National Cybersecurity Authority guidelines, we use cutting-edge security systems, regular employee training, and proactive communication to mitigate cyber risks.

Refer to Appendix A for year-on-year performance details.

MEPCO has initiated the transition process to align with the updated ISO 27001:2022 standards.

In 2024, we recorded a total of 3,366 cyber-attack attempts but none of it actualized. There are also no incidents of breach and loss of customer data.

Digital Transformation

We have embarked on a comprehensive digital transformation journey to support our regional and global expansion strategy. We made significant strides on this journey in 2024 by leveraging technology to enhance efficiency and customer engagement. Our activities included the implementation of automation tools such as robotic press automation (RPA) to streamline repetitive tasks, and the integration of enterprise resource planning (ERP) systems with third-party applications to optimize core business functions.

The adoption of data analytics powered by SAP Analytics Cloud (SAC) enabled us to derive actionable insight, improve decision-making, and refine strategies to better address market trends and customer needs. In addition, we enhanced our capacity to deliver a seamless digital customer experience through Advanced SAP Cloud solutions (CX).

Putting People First

Our holistic “people first” culture focuses on creating positive value for our employees, communities, and society. Attracting top regional talent, fostering an equitable work environment, and actively investing in our communities in ways that align with UN Sustainable Development Goals and Saudi Vision 2030 ambitions are at the heart of this commitment.

Engaging Our Employees

We strive to put people first by creating an equitable, inclusive, and rewarding work environment that enables all employees to build thriving, successful careers at MEPCO. Regular performance reviews, career development planning, and tailored training opportunities are hallmarks of our workplace. Employee engagement is also fostered through events celebrating national holidays, religious festivities, and sports activities, promoting team spirit and camaraderie.



Our HR Policy is aligned with Saudi Labor Law and approved by the Ministry of Human Resource and Social Development. Employees are trained on labor law compliance, including prohibitions on child and forced labor, and the policy is shared during onboarding to ensure adherence.

Employee Diversity and Inclusion

As a Saudi company with a global reach, we understand the importance of a workforce that reflects the diversity of the customers and markets we serve. Our employees represent 15 countries, including Saudi Arabia, Bangladesh, India, and Pakistan, and we are proud to foster an inclusive environment that embraces equal opportunity regardless of gender, race, or background. MEPCO is committed to advancing gender equality through a strategic goal of increasing female representation across all company functions, including management and operations. While the nature of our manufacturing business results in a predominantly male

workforce, especially in plant and factory roles, we are actively working to create a more equitable distribution of talent and opportunity. Notably, in 2022, MEPCO appointed the first female member to its Board of Directors. We continue to set targets for increasing women’s participation in leadership and operational roles; a 14%, 8.5% and 4.5% increase in women representation by 2025 in senior management, middle management and across operations respectively.

Refer to Appendix A for year-on-year performance details.

MEPCO is also committed to advancing gender equality by increasing female representation across all functions and leadership roles, creating an environment where women can thrive and excel.

Supporting Saudi Nationals

Our Saudization initiative aligns with Saudi Vision 2030 by fostering the recruitment, training, and advancement of Saudi nationals. Beyond compliance, we focus on building skills, confidence, and leadership among Saudi employees through targeted recruitment, training programs, and job localization. Since 2013, MEPCO’s Higher Institute for Paper and Industrial Technologies (HIPIT) has trained Saudi high school graduates with essential skills to excel in the paper and industrial sectors, contributing to a skilled and competitive workforce.

Talent Development

We foster innovation and a high-performance culture by investing in employee growth. Through collaborations with institutions like KAUST, Fakeeh Care, skill café and IMD, we offer diverse, accessible training and professional development opportunities via our online Learning Hub and MEPCO’s SAP, as part of our broader digitization efforts. MEPCO employees are further empowered through on-the-job training and targeted programs tailored to their needs.

Refer to Appendix A for year-on-year performance details.

Occupational Health and Safety

The health and safety of all employees, contractors, and communities will always be our top priority. Under the leadership of our Health, Safety, and Environment (HSE) department with oversight from our HSE Committee, we foster a safe working environment through rigorous protocols, ongoing training, and adherence to regulatory standards. Our Code of Conduct further emphasizes occupational health and safety (OHS) measures for all employees and business partners.



Our key safety initiatives include a Safety Champion program to promote a strong safety culture, comprehensive medical insurance, on-site clinics, and emergency response services. One hundred percent of employees are also covered by the health and safety management system, and joint committees ensure workforce participation.

Health and Safety Risks

We have comprehensive procedures in place for workplace hazard and risk management, including conducting regular hazard identification, risk assessments, and process safety analyses across departments, with engineering controls and standardized safety measures applied to mitigate risks.

Because fire is a material risk for paper production, our HSE department places a critical focus on fire risk management practices, ensuring full compliance with NFPA codes, conducting regular fire drills, and providing firefighting equipment and training. Our fire suppression systems are routinely monitored and upgraded to maintain safety standards, and regular safety audits are conducted by internal teams and external bodies like TÜV-NORD and SIDF.

OHS Training

The HSE Committee ensures compliance and promotes safety education through 2 regular training sessions each month covering a variety of safety topics as set forth in our Safety Training Matrix. We also provide external training such as First Aid and Forklift Operation safety in coordination with Human Resources. All training is provided in Arabic, English, and Urdu.

Health and Safety Performance

In 2024, we celebrated a significant safety record with only 1 lost-time incident (LTI) reported during the year. As a result of our collective efforts to promptly mitigate risks, 3,500 health, safety, and environment (HSE) observations were also identified and communicated across departments, resulting in an impressive 96% closure rate.

This unwavering commitment to employee safety and risk management was recognized externally with the prestigious PPI Risk and Safety Award for our leadership in fostering a safe and secure work environment.

Refer to Appendix A for year-on-year performance details.

Strengthening Communities

Strong, thriving communities are essential to the long-term resilience, strength, and success of our nation, our region, and our business. Our social engagement activities focus on education and empowerment, and environmental stewardship, including active support for local initiatives that promote community well-being and sustainability.

Our 2024 initiatives included:

Khumrah Neighborhood Center: MEPCO inaugurated the Khumrah Neighborhood Center to support the local community by hosting activities and events that foster societal development and empowerment. The center serves as a hub for training residents in various fields, contributing to comprehensive neighborhood development.

Environmental initiative: In alignment with Saudi Vision 2030’s goal to plant 11 million trees across the Kingdom, MEPCO spearheaded an initiative to plant 500 trees in Khumrah Garden, furthering its commitment to environmental sustainability.

FI Program recognition: MEPCO was honored with awards in the Creative and Explorer categories under the FI Program for industrial manufacturing. These accolades highlight MEPCO’s dedication to creating opportunities for young Saudis and contributing to the growth of Saudi Arabia’s industrial sector.

Refer to Appendix A for year-on-year performance details.



Sustainability Related Disclosure

Water	Unit	2022	2023	2024
Total water withdrawal – third party	Megaliters	3,081	3,032	3,395
Recycled wastewater reuse	Megaliters	556	956	993
Water discharge – third party	Megaliters	1,821	1,432	1,896
Total water consumption*	Megaliters	1,817	2,557	2,491
Water consumption per metric tons of production*	m3/ tons of production	4.3	6.2	6.02

*Assured by KPMG.

Waste	Unit	2022	2023	2024
Total waste generated	Tonnes	149,208	168,979*	88,545*
Hazardous waste	Tonnes	2,076	5,876*	6,122*
Non-hazardous waste	Tonnes	147,132	163,103*	82,423*

*Assured by KPMG.

Energy and Emissions Data	Unit	2022	2023	2024
Direct Energy Consumption				
Petrol consumption from vehicles	GJ	1,275	1,223*	1,094*
Diesel consumption from operations	GJ	101,977	55,107*	88,629*
Diesel consumption from vehicles	GJ	11,505	11,793*	10,998*
HFO consumption from operations	GJ	6,235,829	6,221,653*	6,041,258*
LPG		19	34*	17*
Fugitive Emission – Kyoto Protocol				
R410A	kg	-	-	990*
R404A	kg	-	-	79*
Indirect Energy Consumption				
Electricity consumption from offices	kWh	1,533,056*	1,524,167*	1,564,430*
	GJ	5,519*	5,487*	5,632*
Electricity consumption from operations	kWh	28,608,644*	52,204,128*	71,215,511*
	GJ	102,991*	187,935*	256,376*
GHG and other Air Emissions				
Direct GHG emissions (Scope 1)*	Metric tonnes of CO2eq	531,514	520,864	498,803
Indirect GHG emissions (Scope 2)*	Metric tonnes of CO2eq	16,250	30,518	41,339
Total GHG emissions (Scope 1 & 2)*	Metric tonnes of CO2eq	548,634	551,381	540,142
GHG emission intensity*	Metric tonnes of CO2eq/tonne production	1.32	1.35	1.30
NOx emissions	Metric tonnes	380	376*	415*
SOx emissions	Metric tonnes	-	20*	103*
PM emissions	Metric tonnes	30	17	0

*Assured by KPMG.

The annual SOx and NOx emissions were calculated on average emission basis and based on third party fuel analysis of HFO fuel quantities and specifications.

Local Procurement	Unit	2022	2023	2024*
Total suppliers engaged	Number	451	461	805
Total local suppliers engaged	Number	253	263	569
Total procurement spending	SAR million	699	539	887.4
Procurement spending on local suppliers	SAR million	467	380	585.9
Percentage of spending on local suppliers	Percentage	67%	71%	66%

*2024 data includes Juthor, WASCO and MEPCO.

Product Safety	2022	2023	2024
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	0	1	0

Customers' Satisfaction	Unit	2022	2023	2024
Customer satisfaction score (0 to 10)	Number	8.80	8.89	8.89
Customers actively responding the survey	Percentage	25%	35%	46%

Customers' Complaints	Unit	2022	2023	2024
Customer complaints received through communication channels	Number	54	57	88
Resolved issues that were raised through the complaint channels	Number	100%	100%	100%

Human Resources Data	Unit	2022	2023	2024
Total number of employees	Number	1,164	1,271	1,162
Full-time employees	Number	1,164	1,271	1,162
Part-time employees	Number	0	0	0
Employees by employment level				
Full-time employees in senior management	Number	10	7	4
Full-time employees in middle management	Number	59	42	62
Full-time staff (not senior or middle management)	Number	1,103	1,222	1,096
Workforce by age				
Workforce by age 18-30	Number	262	310	265
Workforce by age 31-50	Number	746	789	736
Workforce by age 51+	Number	156	172	161
Workforce by gender				
Female	Number	24	37	34
Male	Number	1,140	1,234	1,128
New employee hires by employment level*				
New employee hires in senior management	Number	2	2	0
New employee hires in middle management	Number	5	7	9
New staff hires (not senior or middle management)	Number	55	156	45
New employee hires by gender				
Female	Number	7	12	11
Male	Number	55	153	43
New employee hires by age				
Workforce aged 18-30	Number	24	88	21
Workforce aged 31-50	Number	35	74	32
Workforce aged 51+	Number	3	3	1
Employee turnover				
Total number of employees who left the organization	Number	72	49	199
Turnover rate	Percentage	6.1%	4%	16%
Turnover by employment level				
Senior management	Number	1	0	2
Middle management	Number	6	6	6
Employees	Number	104	66	86

Human Resources Data	Unit	2022	2023	2024
Turnover by gender				
Female	Number	0	2	10
Male	Number	72	47	189
Turnover by age				
Workforce by age 18-30	Number	16	17	43
Workforce by age 31-50	Number	49	29	108
Workforce by age 51+	Number	7	3	48
Absentee rate				
Employee absentee rate	Rate	25.6%	20%	24%
Employee engagement and satisfaction				
Employee engagement	Percentage	90%	93%	93%
Employee satisfaction	Percentage	90%	91%	91%
Employees who received a performance and career development review	Percentage	100%	100%	100%
Diversity and Equality	Unit	2022	2023	2024
Number of female employees	Number	24	37	34
Female employment rate	Percentage	2.1%	2.9%	2.9%
Females in middle management	Number	2*	3	6
Females in middle management	Percentage	4%	7%	9%
Nationalization		2022	2023	2024
Saudization rate at MEPCO		33%	38%	40%
Saudization rate at WASCO		13%	12%	9%
Saudization rate at Juthor		N/A	42%	41%
Parental Leave	Unit	2022	2023	2024
Number of female employees who took parental leave	Number	0	1	9
Number of female employees who returned to work after parental leave ended (return to work)	Number	0	1	8
Anti-Discrimination	Unit	2022	2023	2024
Number of these performance grievance addressed or resolved	Number	0	0	0
Harassment cases	Number	0	0	0
Incidents of discrimination	Number	0	0	0
Employee Training		2022	2023	2024
Total hours of training for employees*		2,191	3,909	3,448
Average hours of training per employee*		1.9	3.1	2.97

*Assured by KPMG

Occupational Health and Safety	Unit	2022	2023	2024*
Total employee man hours*	Number	1,880,424	1,814,904	2,908,985
Employee fatalities as a result of work-related injury	Number	0	0	0
Contractor fatalities as a result of work-related injury	Number	0	0	0
Employee high consequence work-related injury (excluding fatality)	Number	0	2	4
Contractor high consequence work-related injury (excluding fatality)	Number	0	0	4
Employee work-related injury (excluding fatality and high consequence work)	Number	0	2	0
Contractor work-related injury (excluding fatality and high consequence work)	Number	0	0	0
Fatalities as a result of work-related ill health	Number	0	0	0
Cases of recordable work-related ill health	Number	0	0	0
TRIR (total recordable injury rate)	Rate	0.00	0.44	0.55
LTIFR (lost-time injury frequency rate)	Rate	0.00	1.10	2.75
Severity	Rate	0.00	0.22	0.38

*2024 data includes Juthor, WASCO and MEPCO.

Community Investment	Unit	2022	2023	2024
Community investments, including donations and sponsorships	SAR	1,294,758	299,200*	2,028,686*
Total number of employee volunteering hours	Number	350	60*	120*

*Assured by KPMG

A photograph of three men in an industrial setting, likely a refinery or chemical plant. They are standing in front of large, vertical, cylindrical storage tanks. The man on the left is wearing a yellow hard hat, a light blue polo shirt, and blue jeans. The man in the middle is also wearing a yellow hard hat, a light blue polo shirt, and dark trousers, and is gesturing with his right hand. The man on the right is wearing a black t-shirt, a high-visibility orange safety vest with reflective stripes, and light blue trousers. The background shows the industrial structure of the facility.

05

GOVERNANCE

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Board of Directors

Elected by the General Assembly to fulfill its governance responsibilities, the Board of Directors plays a vital role in steering the Company’s activities. Comprised of skilled leaders, the Board is fully aware of its legal obligations and accountability to the Company’s Shareholders for effectively managing the Company in a way that maximises their interests. The governance regulations and the Board’s operating guidelines clearly delineate the framework for forming the Board and its committees, as well as their powers, responsibilities, meeting structures, and the rights and duties of each member. We firmly uphold the principles of effective participation in decision-making and rigorously manage any potential conflicts of interest among Board members and the Company. Honesty, integrity, care, and diligence are essential values

that guide the Board’s work. The MEPCO’s Articles of Association specify the composition of the Board, including the number of members, their remuneration, their authority, the procedure for their appointment, and the conditions for terminating their membership. This structure is thoughtfully designed to fit the size and nature of MEPCO’s business, ensuring that the right expertise in place.

The MEPCO Board is comprised of 8 members, including 5 independent Directors, all elected by the General Assembly in November 2022. The term of office for the Board spans 3 calendar years, commencing on 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 2024

Name	Position	Membership
Mr. Musaab Sulaiman Al Muhaidib	Chairman	Non-Executive
Mr. Rob Jan Renders	Member	Executive
Mr. Farid Habib	Member	Non-Executive
Mr. Rakan Mohammed Abunayyan	Member	Independent
Mr. Victor Sanz Martinez	Member	Independent
Ms. Hawazen Nazih Nassief	Member	Independent
Mr. Walid Ibrahim Shukri	Member	Independent
Mr. Waleed Abdulrahman AIMonie	Member	Independent

b) Board Meetings and Attendance Record

Name	Board Meetings held during 2024							Total Attendance
	20th March	30th April	11th June	26th June	10th October	18th September	18th December	
Mr. Musaab Sulaiman Al Muhaidib	Present	Present	Present	Present	Present	Present	Present	7
Mr. Rob Jan Renders	Present	Present	Present	Present	Present	Present	Present	7
Mr. Farid Habib	Present	Present	-	Present	Present	Present	Present	6
Mr. Victor Sanz Martinez	Present	Present	Present	Present	Present	Present	Present	7
Ms. Hawazen Nazih Nassief	Present	Present	Present	Present	-	Present	Present	6
Mr. Walid Ibrahim Shukri	Present	Present	Present	Present	-	Present	Present	6
Mr. Waleed Abdulrahman AIMonie	Present	Present	Present	Present	Present	Present	Present	7
Mr. Rakan Mohammed Abunayyan	Present	Present	Present	Present	Present	Present	Present	7

The Annual General Assembly for the fiscal year 2024 was held on 27th June 2024. The Board held 3 further meetings as shown herein.

Board Members

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

Musaab Al Muhaidib is a distinguished Board member of Al Muhaidib Group and is renowned for his extensive finance expertise and exceptional ability to cultivate businesses that achieve their strategic aspirations. His visionary outlook and talent for building strong relationships have been instrumental in the triumph of numerous projects.

In addition to his pivotal role as a Board member, Musaab proudly chairs several prestigious companies within the Al Muhaidib Group, including Masdar, MEPCO, and Sidra Investment Company. He also serves as Vice Chairman of Hoshan Company and Shaker Group, where his influence continues to drive success. Moreover, he actively contributes to various boards, such as the King Abdulaziz Royal Reserve and the National Industrialization Company, further showcasing his commitment to fostering growth and innovation in diverse sectors.



Mr. Rakan Mohammed Abunayyan
Board Member

Qualifications

- Bachelor's degree in Business Administration, Suffolk University

Experience, Current/Previous Positions

Rakan Abunayyan is currently the Chief Executive Officer of Mohammed Abdullah Abunayyan Investment Company, Chairman of Afaq Food Trading Company and Afaq Express Logistics Company, as well as a Board member of Industrial Means Company.

Prior to that, Rakan held positions at Vision International Investment Company in the Asset Management Department, Abunayyan Holding Company as an Investment Analyst, and Abraaj Group as a Private Equity Analyst. He was also a Board Member of Advanced Pipe Solutions Company, the largest manufacturer of glass-reinforced pipes in the Eastern Province.



Mr. Rob Jan Renders
Acting Chief Executive Officer/Board Member

Qualifications

- Master's degree in Mechanical Engineering, University of Technology Eindhoven

Experience, Current/Previous Positions

Rob Renders is a Business Consultant. He was the Chairman of the Supervisory Board of Walki Group Oy based in Espoo (Finland), a company specialising in sustainable packaging and engineered material solutions from 2018 until April 2024. He was a Board member of Duropack GmbH in Austria 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). Since 2018 he is an Independent Director of the Board and a member of the Human Resources and Compensation Committee and the Audit and Risk Committee for Sappi Limited South Africa, a multi-national diversified wood fibre group.



Mr. Farid Habib
Board Member

Qualifications

- Bachelor's degree of Finance, American University of Beirut
- Bachelor's degree of Economics, French School of Athens

Experience, Current/Previous Positions

Farid Habib is the Head of the Mining Investments Unit at the Public Investment Fund, where he played a pivotal role in establishing the fund's presence in the mining industry. Before joining PIF, he headed M&A for Europe, North America, and the Middle East at Huhtamaki, a Finnish packaging company based in London. Farid also worked as M&A Manager at ArcelorMittal, a multinational steel and mining company. He was a Vice President of the Oil and Gas team at Barclays Capital in London. He also worked as an Associate at Deloitte, and currently serves on the Board of Directors of Argas (a subsidiary of the Saudi Industrialization and Energy Services Company TAQA) and is a member of the Executive Committee of Manara Minerals Investment Company.

Board Members



Mr. Victor Sanz Martinez
Board Member

Qualifications

- Bachelor’s degree in Business Management, Zaragoza University
- Master’s degree in Business Management, ESADE University

Experience, Current/Previous Positions

Victor Martinez is a Senior Director with extensive experience from over 3 decades in industries such as paper and packaging, energy, and sustainability. He currently serves as an Independent Board member in a private equity fund specialising in the Technology and Circular Economy Sectors and in a telecommunications company, and IT solutions firm. Throughout his career, Victor has successfully led internationalisation projects, establishing operations in diverse markets, and has played a key role in executing complex mergers and acquisitions. He has been instrumental in shaping and implementing strategic action plans that have driven organisational growth, digital transformation, and operational diversification. His expertise extends to sustainability initiatives, enhancing corporate performance, and fostering innovation in highly competitive industries.



Ms. Hawazen Nazih Nassief
Board Member

Qualifications

- Bachelor’s degree in International Relations, Boston University
- Master’s degree of Law and Diplomacy, Tufts University

Experience, Current/Previous Positions

Hawazen Nassief is the former 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). Hawazen 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

Walid Shukri is a former Managing Partner at PwC. Prior to that, he held the position of Senior Auditor at Deloitte Touche Tohmatsu in Portland, USA, and was also a Lecturer in the Department of Industrial Management at King Fahd University of Petroleum and Minerals. He currently serves as a member of the Board of Directors of Saudi Telecom Company (STC), Saudi Agricultural Livestock Company (SALIC), Middle East Paper Company (MEPCO) and Saudi Electricity Company (SEC). He is also a former member of the Board of Directors of Kanoo Group, Matbouli Group, Aurecon International, Saudi Mechanical Industries Company and Al Hokair Holding Group.



Mr. Waleed Abdulrahman AlMonie
Board Member

Qualifications

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

Experience, Current/Previous Positions

Waleed AlMonie is the Corporate Operations Audit Director at King Abdullah Financial District Development & Management Company. He is a seasoned professional with a proven track record in organizational transformation, strategic initiatives and project management, governance, quality, performance management and decision support. He has extensive experience in leading and managing large scale strategic initiatives and projects across various large and reputable organisations.

Executive Management



Eng. Sami Ali Yousef Al Safran*
Group President

Qualifications

- Bachelor's degree in Chemical Engineering, King Fahd University of Petroleum and Minerals

Experience, Current/Previous Positions

Sami 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. Sami Al Safran submitted his resignation from his position on 13th June 2024.



Mr. Amr Masry
Chief Financial Officer

Qualifications

- Bachelor's degree in Business Administration, Notre Dame University-Louaize (NDU), Lebanon
- Executive MBA, London Business School

Experience, Current/Previous Positions

Amr 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 working in the 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, Amr was the Chief Financial Officer for a prominent holding conglomerate in Abu Dhabi, UAE, where he managed a diverse asset portfolio, exceeding AED 1 billion dirhams, across manufacturing, medical equipment, and materials, construction, and trading sectors for 8 years. Prior to this, Amr worked as an Auditor with one of the Big Four assurance firms in Khobar, Saudi Arabia, and Abu Dhabi, UAE.



Mr. Rob Jan Renders**
Acting Chief Executive Officer/ Board Member

Qualifications

- Master's degree in Mechanical Engineering, University of Technology Eindhoven

Experience, Current/Previous Positions

For a detailed biography, please refer to page 4 of this report.

** Mr. Rob Jan Renders was appointed as Acting Chief Executive Officer on 13th June 2024.

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			Inside KSA	Listed joint stock company	
National Industrialization Company			Inside KSA	Listed joint stock company	
Hoshan Co., Ltd.			Inside KSA	Closed joint stock company	
King Abdulaziz Royal Reserve			Inside KSA	Governmental - Non-profit	
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	
Family Business Council Gulf			Inside KSA	Non-profit	
JLL Saudi			Inside KSA	Closed joint stock company	

Name of Director			Mr. Victor Sanz Martinez		
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 company	

Name of Director			Ms. Hawazen Nazih 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 Director			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 company	

Name of Director			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	
Alwasail Industrial Company			Inside KSA	Unlisted joint stock company	
Horizon Food for food trade			Inside KSA	Unlisted	
Afaq Express for Storage			Inside KSA	Unlisted	
Mohammed Abdullah Abunayyan Investment Company			Inside KSA	Unlisted	

Name of Director			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 Director			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 company	

Name of Director			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	
stc			Inside KSA	Listed joint stock company	
General Authority for Military Industries			Inside KSA	Governmental authority	
The Saudi Agricultural and Livestock Investment Company (SALIC)			Inside KSA	Unlisted	
Diriyah Gate			Inside KSA	Governmental authority	
Education Development Holding Company			Inside KSA	Unlisted	

e) Communication with Shareholders and Investors

In line with the Board’s commitment to transparency and timely information dissemination, the Company has implemented several initiatives to enhance Shareholder communication and investor relations. These include:

- Expanding communication channels: Beyond traditional methods, the Company has increased its digital outreach to Shareholders, ensuring broader and more immediate access to information.
- Direct engagement: The Investor Relations Department has conducted numerous meetings with investors at the Company’s headquarters in Jeddah. These meetings facilitate direct dialogue and address investor queries effectively.
- Proactive information dissemination: The Investor Relations team is committed to providing accurate and timely updates to both I Increased accessibility:

- Following each quarterly and annual results announcement, the Company hosts video conferences, providing investors and analysts with direct access to Management and detailed insights into the financial and operational performance.
- Continuous feedback mechanism: The Investor Relations Department provides regular reports to the Board, summarising key investor interactions, feedback, and inquiries gathered through meetings, conferences, and digital channels.

These initiatives reinforce the Company's commitment to maintaining transparent and proactive communication with its Shareholders and the broader investment community.

Investor Relations Calendar 2024:

Event	Date
SCFM Conference	19th February 2024
EFG Hermes Conference	7th March 2024
Year End 2023 Financial Results Announcement	2nd April 2024
Q4 2023 Earnings Conference Call	3rd April 2024
Q1 2024 Financial Results Announcement	26th May 2024
Arqam 11th Annual MENA Investor Conference	28th May 2024
Ordinary General Assembly Meeting (First Meeting)	27th June 2024
Q2 2024 Financial Results Announcement	11th August 2024
Q2 2024 Earnings Conference Call	19th August 2024
Q3 2024 Financial Results Announcement	11th November 2024
Q3 2024 Earnings Conference Call	20th November 2024
MEIRA conference	12th December 2024

f) The Means Relied upon by the Board of Directors to Evaluate its Performance and the Performance of its Committees and Members

To improve the governance practices of the Board of Directors and the Company, the Board assesses its own performance as well as that of its Committees once every Board term. This evaluation is conducted by the Remuneration and Nomination Committee, which recommends to the Board whether to carry out the evaluation internally or engage an external evaluator. The Nomination and Remuneration Committee has suggested that the Board of Directors appoint a specialised external consultant to evaluate the performance of both the Board and its Committees. This evaluation is expected to be completed in the first quarter of 2025.

Board Committees

In accordance with the procedures sanctioned by the Board of Directors, specialised Committees are formed to tackle specific tasks with precision and expertise. These Committees operate under the vigilant oversight of the Board, ensuring a continuous evaluation of their progress and contributions.

Objectives of the Committees:

1. **Specialisation:** Each Committee focuses on a specific area of the Company’s operations, enabling more accurate and effective decision-making.
2. **Responsibility:** The Committees are accountable for executing the tasks assigned to them and for making recommendations to the Board of Directors.
3. **Control:** The Committees serve as a mechanism for internal control over the Company’s operations, which enhances transparency and integrity.

Committee Tasks

The responsibilities of the committees include, but are not limited to the following:

1. Reviewing financial and non-financial reports: Ensuring the accuracy and transparency of these reports.
2. Evaluating the performance of Executive Management: Identifying strengths and weaknesses and proposing development plans for improvement.
3. Reviewing related party transactions: Verifying that these transactions are in the best interests of the Company.
4. Nominating Board members: Proposing qualified candidates for membership on the Board.

Committee Members

Committee members bring together a diverse group of experts, including both Independent and Non-Executive Directors. Their commitment to the principles of transparency, integrity, and unwavering loyalty to the Company and its Shareholders is paramount. This dedication ensures a robust foundation for decision-making that ultimately drives success and fosters trust.

The Relationship between Committees and the Board of Directors

Committees serve as an extension of the Board of Directors and work collaboratively to fulfil the Company’s objectives. The Chairs of the Committees provide regular reports to the Board and take part in discussions on significant issues affecting the Company.

Responsibility

The Board of Directors holds the ultimate responsibility for all Company decisions, including those entrusted to various Committees. Each Committee member plays a vital role in executing their assigned tasks with diligence while also ensuring compliance with all applicable laws and regulations. Together, they uphold the integrity and success of the Company.

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 4 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.

Key Functions of the Committee include:

- 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.
- Examining any significant or irregular matters contained in the financial reports.
- Delicately examining 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.
- Reviewing the Company’s internal and financial control and risk management systems and internal audit reports and following up on the implementation of corrective measures for the notes.
- Advising the Board on appointing the Head of the Internal Audit Department and the Compliance Officer and proposing their compensation.
- Reviewing the results of the reports by the regulatory authorities and verifying the Company’s compliance with laws and regulations.
- Reviewing contracts and proposed transactions with related parties and providing the Board with recommendations and proposals.

Committee Members and Attendance Record

			Committee Meetings held during 2024									
Name	Membership	Position	18th March	25th March	9th May	15th May	6th August	5th September	9th October	3rd November	9th November	Attendance
Mr. Fahad Mohammed Saleh Al Fawaz	Independent	Chairman	Present	Present	Present	Present	Present	Present	Present	Present	Present	9
Mr. Walid Ibrahim Shukri	Independent	Member	Present	Present	Present	Present	Present	Present	Present	Present	Present	9
Mr. Mohamed Abdelkarim Mazi	Independent	Member	Present	Present	Present	Present	Present	-	Present	Present	-	7
Mr. Rakan Mohammed Abunayyan	Independent	Member	Present	Present	Present	Present	Present	Present	Present	Present	Present	9

b) Remuneration and Nomination 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.

Key Functions of the Committee include:

- Assisting with the development of remuneration policies for the members of the Board, its Committees, and the Executive Management; clarifying the relationship between remuneration and policies; and periodically reviewing the remuneration policy and assessing its effectiveness in achieving its objectives.
- Pursuant to the approved policy, making recommendations to the Board on the remuneration of its members and the members of its Committees as well as the senior Executives.
- Nominating candidates for Board membership or re-nominating its members in accordance with the approved policies and standards; proposing clear policies and criteria for Board membership and the Executive Management; and determining the time a member shall allocate to their roles in the Board.
- Creating a job description of Board membership and Executive Management positions.
- On an annual basis, reviewing qualifications and experience required for Board membership and Executive Management positions.
- On an annual basis, reviewing the structures of the Board and Executive Management and making recommendations regarding possible changes.
- Conducting 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.
- Developing job descriptions for Executive members, Non-Executive members, Independent members, and Senior Executives.
- Laying 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.

Committee’s Role in Governance:

- 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 Boards’ 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 the Governance Department does not face any resource constraints and has access to the Committee through the department head to report any constraints or issues.

Committee Members and Attendance Record

			Timeline of Committee Meetings during the Year 2024							
Name	Membership Classification	Position	28th February	19th March	27th May	25th June	17th September	13th October	17th December	Attendance
Mr. Walid Ibrahim Shukri	Independent	Chairman	Membership started on 01/09/2024				-	Present	Present	3
Ms. Hawazen Nazih Nassief	Independent	Chairman	Present	Present	Present	Present	Membership expired on 01/09/2024		4	
Mr. Rob Jan Renders	Independent	Member	Present	Present	Present	Membership ended on 13/06/2024				3
Eng. Omar Mohammed 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) Strategic and Executive Committee

The purpose of forming this Committee is to support the Board of Directors in fulfilling its responsibilities. This includes monitoring the Company’s operational and administrative functions, supervising the Executive Management, providing recommendations, and reviewing necessary studies on strategic matters, general Company objectives, and investments. Additionally, the Committee aims to enhance the Board’s responsiveness in emergency situations and assist in effectively implementing the Board’s supervisory duties and recommendations.

Key Functions of the Committee include:

- Discussing and making decisions regarding urgent issues that require immediate action.
- Overseeing the preparation and execution of the Company’s short-, medium-, and long-term strategic plans, and updating and reviewing them as needed.
- Meeting with department heads and other Stakeholders to assess the operational and financial performance of the Company and its sectors.
- Nominating senior Executive employees in collaboration with the Remuneration and Nomination Committee.
- Monitoring the implementation of the approved budgets, analysing any performance deviations, and making recommendations for improvement.

- Conducting periodic reviews of actual capital expenditures and ensuring they align with budgets approved by the Board of Directors.
- Recommending participation in new investment and industrial projects, as well as expanding and enhancing existing activities, both vertically and horizontally.

Committee Members and Attendance Record

			Timeline of Committee Meetings during the Year 2024								
Name	Membership Classification	Position	6th March	18th March	28th April	24th June	16th September	29th October	16th December	Attendance	
Mr. Rob Jan Renders	Executive	Chairman	Present	Present	Present	Present	Present	Present	Present	7	
Mr. Musaab Sulaiman Al Muhaidib	Non-Executive	Member	Present	Present	Present	Present	Present	Present	Present	7	
Mr. Victor Sanz Martinez	Independent	Member	Present	Present	Present	Present	Present	Present	Present	7	
Mr. Farid Habib	Non-Executive	Member	Present	Present	Present	Present	Present	Present	Present	7	

d) Risk and Sustainability Committee

Key Functions of the Committee include:

Risk Management

- Establishing the risk appetite under which the Management is expected to operate and approving the Company's risk appetite statement and risk management strategy.
- Ensuring the Company has an effective risk management framework incorporating management, operational, and financial controls.
- Assessing, monitoring, and reporting 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 identifying any desirable changes to the risk culture and ensuring the Company takes steps to address those changes.
- Promoting a suitable risk culture with high standards of business ethics and corporate governance.
- Developing a strategy and comprehensive policies for risk management that are consistent with the nature and volume of the Company's activities, monitoring their implementation, and reviewing and updating 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 to determine deficiencies therein.
- Regularly re-evaluate the Company's ability to bear risks and exposure to such risks (through stress tests, for example).
- Prepare detailed reports on the risk exposure and the recommended measures to manage such risks, and present the same to the Board.
- Overseeing the implementation of the risk management strategy by senior management.

- Challenge senior management's proposals and decisions on all aspects of risk management arising from the Company's activities.
- Reviewing the performance and setting objectives of the Company's risk management function, ensuring unrestricted access to the Board and committees.
- Making recommendations to the Board on matters relating to risk management and advising the Board on the Company's current and future overall risk management strategy.
- Ensuring that adequate resources and systems are available for risk management.
- Review the organisational structure of risk management and making recommendations thereon prior to approval by the Board of Directors.
- Coordinating with other risk committees within the Group to form an enterprise-wide view of the current and future risk position of the Company in relation to its risk appetite and capital strength.
- Verifying the independence of risk management staff from activities that may expose the Company to risks.
- Ensuring risk management staff understand the risks threatening the Company and seek to increase awareness of the risk culture. And review any issues raised by the Audit Committee that may impact the Company's risks.
- A business continuity plan was developed in 2023 in collaboration 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 Company has a 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 Company's compliance with health and safety policies as well as the relevant applicable law.

Ensure the health and safety performance of the Company. 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 organisational changes.
 - Standard data.
- Seek assurance that the Company 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 minimise 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 prioritise 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 of 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

Name	Membership Classification	Position	Timeline of Committee Meetings during the Year 2024					Attendance
			19th March	25th June	17th September	25th September	15th December	
Mr. Walid Ibrahim Shukri	Independent	Chairman	Present	Present	Present	Present	Present	5
Ms. Hawazen Nazih Nassief	Independent	Member	Present	Present	Present	-	Present	4
Mr. Waleed Abdulrahman AlMonie	Independent	Member	Present	Present	Present	Present	Present	5

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

		Beginning of 2024		End of 2024		Net Change during the Year	Change Percentage
S	Name	Shares	Debt Instruments	Shares	Debt Instruments		
Board Members, their Wives and Minors (if any)							
1	Mr. Walid Ibrahim Shukri	1,333	-	1,333	-	-	-
2	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	-	158,515	-	-	-52%

Ownership of principal Shareholders with more than 5% of the Company’s shares as at 31st December 2024

	Name	Balance at the Beginning of the Year		Balance at the End of the Year		Change	Percentage
1	Public Investment Fund	19,999,999		19,999,999		0	0
2	Abdulkadir Al Muhaidib and Sons	8,965,200		7,992,777		972,423	-10.8%

* Ownership until 31st December 2024.

Remuneration and Compensation Policy

a) General Criteria for Remuneration

A policy of remuneration for the members of the Board and its Committees, 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 for 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 the 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 with the Board or its Committees.

- The remuneration shall be fair 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, if such it may not exceed 10% and is to 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 remuneration for the membership thereof on the Audit Committee formed by the General Assembly or for any business, executive, technical, administrative, or advisory positions, or work conducted under a professional license.
- If 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.

b) Remuneration of Board Members

	Fixed Remuneration						
					Technical Remuneration, Administrative and Advisory Works	Remuneration of the Board Chairman or the Managing Director or the Secretary, if a Board Member	
Name	Designated Amount	Attendance Bonus	Total Committee Attendance	In-kind Advantages			Grand Total
Mr. Waleed Abdulrahman AlMonie	300,000	30,000	20,000	-	-	-	350,000
Mr. Rakan Mohammed Abunayyan	300,000	35,000	45,000	-	-	-	380,000
Mr. Victor Sanz Martinez	300,000	35,000	35,000	-	150,000	-	520,000
Mr. Walid Ibrahim Shukri	300,000	35,000	80,000	-	-	-	415,000
Ms. Hawazen Nazih Nassief	300,000	30,000	40,000	-	-	-	370,000
Total Remuneration of Independent Members	1,500,000	165,000	220,000	-	150,000	-	1,620,000
Mr. Musaab Sulaiman Al Muhaidib	350,000	35,000	35,000	-	-	-	420,000
Mr. Farid Habib	300,000	30,000	35,000	-	-	-	365,000
Mr. Rob Jan Renders*	300,000	35,000	50,000	-	-	-	385,000
Total Remuneration of Non- Executive Members	950,000	100,000	120,000	-	-	-	1,585,000

* Mr. Rob Jan Renders changed from Non-Executive Director to Executive Director on 13th June 2024 after being appointed as Chief Executive Officer.

c) Remuneration of Board Committee Members

Member's Name	Fixed Remuneration (exclusive of attendance bonus)	Attendance Bonus	Total
Audit Committee			
		50,000	
Mr. Fahad Mohammed Al Fawaz	175,000	45,000	220,000
Mr. Walid Ibrahim Shukri	150,000	45,000	195,000
Mr. Mohamed Abdelkarim Mazi	150,000	35,000	185,000
Mr. Rakan Mohammed Abunayyan	150,000	45,000	195,000
Total	625,000	170,000	795,000
Remuneration and Nomination Committee			
		100,000	
Ms. Hawazen Nazih Nassief*	116,667	20,000	136,667
Mr. Walid Ibrahim Shukri	58,333	15,000	73,333
Ms. Nathalie Potvin	152,000	35,000	187,000
Eng. Omar Mohamed Siraj Najjar	150,000	35,000	185,000
Mr. Rob Jan Renders**	75,000	15,000	90,000
Total	552,000	120,000	672,000

*Ms. Hawazen Nazih Nassif resigned from her membership on the Committee and Mr. Walid Ibrahim Shukri assumed the Chairmanship of the Committee on 1st September 2024.
**Mr. Rob Jan Renders resigned from his membership on the Remuneration and Nomination Committee on 12th June 2024.

Member's Name	Fixed Remuneration (exclusive of attendance bonus)	Attendance Bonus	Total
Strategic and Executive Committee			
		50,000	
Mr. Rob Jan Renders	175,000	35,000	210,000
Mr. Farid Habib	150,000	35,000	185,000
Mr. Musaab Sulaiman Al Muhaidib	150,000	35,000	185,000
Mr. Victor Sanz Martinez	150,000	35,000	185,000
Total	625,000	140,000	765,000
Risk and Sustainability Committee			
		100,000	
Mr. Walid Ibrahim Shukri	150,000	20,000	170,000
Mr. Waleed Abdulrahman AlMonie	125,000	20,000	145,000
Ms. Hawazen Nazih Nassief	125,000	20,000	145,000
Total	400,000	60,000	460,000

•Noting that there are no amounts received by members for the following items (percentage of profits, periodic bonus, short- or long-term incentive plans, granted shares, end-of-service bonus, expense allowance).

d) Remuneration of Senior Executives (₪'000s)

The Chief Executive Officer and the Chief Financial Officer are among the 5 senior Executives who Received the Highest Remuneration	Fixed Remuneration				Variable Remuneration				End of Service Benefits		Total Remuneration of the Board	Grand Total
	Salaries	Allowances	In-kind Advantages	Total	Periodic Remuneration	Short-term Incentive Programs	Long-term Incentive Programs	Value of the Granted Shares	Total			
Fiscal Year 2024	8,334	2,073	356	10,763	-	-	-	10,500	10,500	3,708	-	24,971

The Company is committed to disclosing the remuneration of senior Executives in accordance with the regulatory requirements contained in Article (90) of the Corporate Governance Regulations as an aggregated total, in order to avoid any unjustified harm, and to give the correct impression of the mechanism of remuneration and compensation procedures, which depend on the competitiveness of human capital.

Statement of any Penalty, Sanction
Precautionary Procedures, or Limitations
Imposed on the Company during 2024

Type of Penalty	Reason for Penalty	The Disciplinary	Remedy and Preventive Measures
A fine of ₪ 20,000	Obstructing environmental inspectors from performing their work or preventing them from entering the activity site without an acceptable justification	Environmental Control Centre	It was directed that no government inspection agency should be prevented from entering the factory.

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 optimising 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.
- 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 implementing 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 2024 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 2024:

- The current matrix of authorities has not been updated for the purposes of setting forth the responsibilities and delineating obligations considering 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 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 2024, the Audit Committee did not find any material deficiency in the internal controls.

The Audit Committee recognises 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 the 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 the 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 MEPCO 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 2024.

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 2024, 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, MEPCO stepped up its engagement with society and industry to increase environmental awareness. The Company’s initiatives in 2024 included the following:

- The International Recycling Day for 2024. The Company used the day to spread awareness about the role of recycling in preserving its key resources, securing the future of the planet, and developing eco-friendly habits within workplaces influencing how people act and benefiting the society as a whole.
- MEPCO launched the Annual Ramadan Campaign in 2024, which handed out 800 food baskets to the needy covering all neighborhoods of Al-Khumrah district.
- In line with the Company’s 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 and its employees also participated in the 2024 Tree Planting Day campaign at the Al-Khumra Model Centre for planting 500 trees, in line with the Saudi Green Initiative under the Kingdom’s 2030 economic vision to plant 10 billion trees as a goal to improve the environment and diversify contributions to preserving the environmental climate.
- MEPCO partnered with the National Center for Sustainable Development. This participation aims to

highlight the environmental and sustainable initiatives undertaken by the Company and raise awareness of the importance of preserving the environment. By showcasing the Group’s facilities in Green Saudi Arabia, the Company seeks to inspire and encourage others to take environmentally friendly actions and adopt sustainable practices.

- MEPCO received the Community Service Award (Silver Category) from the Ministry of Human Resources and Social Development for the year 2024 in Corporate Social Responsibility for its commitment to pioneering community service.
- MEPCO also received the 2024 Annual Global Award in Dubai, which celebrates excellence in environmental, social and governance practices for its dedication to sustainable growth and its positive impact on society today.
- MEPCO received the Corporate Governance Award from Alfaisal University for the year 2024, in recognition of its commitment to adhering to corporate governance standards.
- In 2024, MEPCO won the Future Industrialists Initiative Award for the first category of innovators for its support of the Industrial Sector in the Kingdom in line with the goals of the Kingdom of Saudi Arabia’s vision to enhance next-generation innovations.
- In 2024, MEPCO opened the Al-Khumra Model Neighborhood Centre as a community service initiative in the Western Region in cooperation with the Neighborhood Centres Association in the Western Region and the Jeddah Governorate Municipality.
- MEPCO was also honoured in Dubai for the year 2024 with the Happiness Award for Sustainability in the Arabian Gulf region for its continued efforts to build a bright and sustainable future.

The 2024 Shareholders’ General Assembly Meeting with attending Board Members

Ordinary General Assembly Meeting on 21/12/1445H corresponding to 27th June 2024.

The Ordinary General Assembly Meeting was held virtually on 27th June 2024, using the Tadawulaty system. The meeting results were published on Tadawul’s website on 30th June 2024.

Below are the voting results for the Assembly agenda:

- Approved the Auditor’s report for the fiscal year ending 31st December 2023.
- The Company’s financial statements for the fiscal year ending 31st December 2023 were reviewed and discussed.
- The Board of Directors’ report for the fiscal year ending 31st December 2024 was reviewed and discussed.
- Approved the appointment of Ernst & Young Professional Services, 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 2024, as well as Q1 of fiscal year 2025, with fees to be determined.
- Authorised for the Board of Directors to delegate the authority of the Ordinary General Assembly to authorise the license mentioned in Article (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.

- Approved of transactions with Arabian Maize Company (formerly Al Masirah International Industrial Investments Company): This involved the purchase of corn starch in 2023 for ﷲ 25,126,617 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.
- Approved of transactions with United Mining Industries: This involved the purchase of gypsum board paper rolls in 2023 for ﷲ 5,411,936 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.
- Approval of the works and contracts concluded between the Company and the Industrial Cities Development and Operation Company, in which the former Board member Mr. Imad Abdul Qader Al-Muhaidib has an indirect interest, which is the supply of water to meet the Company’s needs from among the approved suppliers in the amount of 6,322,318 riyals in the year 2023, which was done without preferential conditions.

Name	Attendance Record for 2024 1st Meeting on 27th June
Mr. Musaab Sulaiman Al Muhaidib	Present
Mr. Walid Ibrahim Shukri	Present
Mr. Victor Sanz Martinez	Present
Mr. Rakan Mohammed Abunayyan (On behalf of the Chairman of the Audit Committee)	Present
Ms. Hawazen Nazih Nassief (Chairman of the Remuneration and Nomination Committee)	Present
Mr. Rob Jan Renders (Chairman of the Strategic and Executive Committee)	Present
Mr. Waleed Abdulrahman AIMonie (on behalf of the Risk and Sustainability Committee)	Present
Mr. Farid Habib	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 on a 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. MEPCO's environmental interests cover the whole production process, from treating and reusing water besides using renewable chemical additives. The Company is working to the best of its ability to conserve the 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 organisation 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 tonnes 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**
Containerboard paper: Used in producing Containerboard boxes for packing foodstuff, electronics, and several other purposes.
Coreboard: 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) Key Activities of the Company and its Subsidiary:

- The key activity of the Company is to manufacture and produce packaging and specialty paperboard.
- The main activity of its subsidiary WASCO is to collect, recycle, and trade in paper and waste.

- The main activity of MEPCO's subsidiary (Juthor) is tissue paper manufacturing. Juthor's new tissue machine capacity is 60,000 metric tonnes.

Revenue from Activity 2024	Revenue from Activity 2024 (ﷲ)	Percentage (%)
Paper manufacturing	766,005,219	59
Collection and recycle of paper and waste (trade)	38,161,531	21
Tissue manufacturing	261,089,210	20

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 the PIF and Saudi Arabia's sustainability goals.

The PIF's investment contributes to achieving MEPCO's expansion strategy, especially in the fields of packaging and specialised 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 450,000 tonne container 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's) and is consistent with the comprehensive transformation drive in alignment with Vision 2030.

Key Events and Disclosures during Financial Year 2024

S	2024	Event
1	2nd January	Announcing the issuance of a judicial ruling in favour of its subsidiary company in the appeal filed before the Administrative Court of Appeal in the Makkah Al-Mukarramah region against the General Authority for Competition.
2	4th January	Announcing the latest developments regarding the Company's announcement of filing a lawsuit against the Ministry of Environment, Water, and Agriculture (Makkah Region branch).
3	4th January	Announcing the results of the subscription process for new shares resulting from an increase in capital, with the suspension of priority rights.
4	4th January	Announcing receipt of a notice of an increase in the prices of fuel products used in production.
5	30th March	Announcing the annual financial results for the year ending 31st December 2022.
6	23rd April	Announcement regarding the containerboard factory project (Line 5).
7	23rd April	Announcement of signing of contract with G.M. Voith SE & Co. K.Z.
8	30th April	Announcing the latest updates regarding the case against the Ministry of Environment, Water, and Agriculture (Makkah Region branch).
9	19th May	Announcement of Interim Financial results for the Period Ending on 31st March 2024 (three months).
10	21st May	Announcement of the Board of Directors' recommendation regarding the transfer of the Company's statutory reserve to the retained earnings.
11	5th June	Announcement of Board invitation to attend the Ordinary General Assembly Meeting (First Meeting).
12	13th June	Announcement of the resignation and appointment of a Chief Executive Officer.
13	30th June	Announcement of the results of the Ordinary General Assembly Meeting (First Meeting).
14	11th August	Announcement of the interim financial results for the period ending on 30th June 2024 (six months).
15	18th August	Announcement of the Tissue Paper Production Factory 6 project (TM6).
16	11th November	Announcement of the interim financial results for the period ending on 30th September 2024 (nine months).
17	11th November	Announcement of the subsidiary (Juthor) signing a contract with Andritz AG Company

Resolutions of the Board during 2024

S	Resolution	Paragraph
1	Not applicable	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.
2	Not applicable	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.
3	Not applicable	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.
4	Not applicable	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.
5	Not applicable	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.
6	Not applicable	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.
7	Not applicable	Statement of any arrangement or agreement whereby a Board member or a senior Executive waived their remuneration.
8	Not applicable	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.
9	Not applicable	Statement of any arrangement or agreement whereby a Shareholder of the Company waived any rights to profits.
10	Not applicable	Details of stock and debt instruments issued by each subsidiary.
11	Not applicable	Statement of the value of any investments or reserves created for the benefit of the Company's employees during 2024.
12	Not applicable	Information about existing or past business activities of 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.
The Board further Acknowledges the following		
13		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.
14		There is no conflict with accounting standards issued by the Saudi Organisation for Chartered and Professional Accountants – SOCPA.
15		No recommendation on prematurely replacing the Auditor was made during 2024.
16		As per the Auditor's report for the financial year 2024, no qualified opinion was made on the financial statements.
17		The Auditor neither provided any counselling services to the Company nor received any fees in this regard.
18		The Auditor did not request the Board to summon the General Assembly during financial year 2024.
19		The Chairman of the Board did not receive any written request to hold an Extraordinary Meeting of 2 or more members during financial year 2024.
20		The Company emphasises 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 2024.
21		The Company emphasises 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.
22		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.
23		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.
24		Except what was disclosed earlier in this report, there are no interests, contractually based securities, or subscription rights of the issuer's Directors, senior Executives, and their relatives in the shares or debt instruments of the issuer or any of its subsidiaries; nor was there any change in those interests or rights during 2024, except what was disclosed earlier in this report.

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

Risk Management

The Paper industry faces significant challenges like ensuring sustainable practices to reduce environmental impact, managing rising costs of raw materials and energy, and staying competitive through continuous innovation and technology adoption. They must navigate market dynamics such as fluctuating demand and regulatory changes, contend with complex waste streams, and handle significant upfront costs for comprehensive recycling programmes.

In an increasingly competitive global market, standing out through product offerings becomes crucial. Significant investments in infrastructure, technological innovation, quality assurance, and strict adherence to regulatory frameworks are essential. Companies must navigate this transformation by promptly adapting, diversifying their product portfolios, congenial relations with partners, consciousness towards price, and providing seamless customer experiences to maintain a competitive edge. Risk management is integral to the strategic framework, guiding business planning and performance evaluation, and embedding risk considerations into critical decision-making processes to maximise impact.

Enterprise Risk Management (ERM) Governance

The Board of Directors upholds the highest standards of corporate governance by continually assessing and implementing best practices in corporate governance development. Consequently, the Board has formed the Risk and Sustainability Committee, which is overseeing the execution of ERM policies and framework, ERM strategy, and monitoring MEPCO's risk management system. This Committee periodically reviews top risks, risk profile and the strategies employed to manage them. An approved risk strategy is available to elevate current practices and enhance ERM maturity. The risk management function operating under the guidance of the GRC Director and reporting directly to the Group President, is designed to identify, assess, and manage risks in a structured manner. This approach ensures that potential risks are managed effectively and that emerging opportunities are leveraged.

MEPCO's ERM infrastructure outlines clear roles and responsibilities, ensuring accountability at all levels. The Company promotes risk awareness through regular training programmes, communication campaigns, and leadership support.

Risk Management Framework

MEPCO's risk management framework is designed to provide a standard and consistent approach to risk management across the Company. The updated framework is fully aligned, in principle and in practice, with 2017 COSO ERM Framework.

The framework includes objectives, a mandate, and commitment to manage risks and organisational 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.

Risk Management Highlights/Achievements

MEPCO's risk management initiatives reached new heights during the year with the successful update of the Enterprise Risk Management (ERM) and Business Continuity Management (BCM) infrastructure. This includes enhancement of the ERM policy, risk appetite statement and risk assessment criteria wherein the Company's risk attitude was defined for each risk sub-category along with defining of the acceptable, tolerable and beyond capacity thresholds, risk management processes, ERM strategy and Business Continuity Plans (BCPs). MEPCO is proud to have received the prestigious award for excellence in corporate governance from the Corporate Governance Centre at Alfaisal University, reinforcing its commitment to transparency, accountability, and sustainable growth.

Principal Risks

As a prominent player in the waste recycling, paperboard, and tissue manufacturing industries, MEPCO and its subsidiaries (MEPCO Group) operate within a landscape full of uncertainties and rapid changes. Success in this dynamic environment is predicated on its proactive anticipation of potential developments and the systematic identification, evaluation, and management of the consequent risks and opportunities. MEPCO regards an effective risk management system as an indispensable component of its value-driven corporate governance. In the risk evaluation phase, it categorises risks into Financial, Operational, Environment Social and Governance (ESG), People and Culture, Legal, Strategic and Reputational, IT and Cybersecurity, and Fire and Safety domains. This classification enhances its

comprehension of each risk's unique characteristics and informs its management approach, allowing it to craft tailored oversight and assurance strategies.

'The material risks that could affect MEPCO are outlined below, including any material exposure to environmental or social risks, and how it seeks to manage them. The risk management process reflects the most significant risks identified at the entity level.

Risk 1 - Price Volatility (Risk Category – Financial)

Volatility in prices of raw materials and finished goods due to changes in market forces, global supply/demand of raw materials, supply chain disruptions, and geopolitical factors. This may lead to uncertainty in meeting the targeted profit margins and forecasted revenue resulting in increased cost of production, reduced profit margins and loss of market share.

Controls –

- For key raw materials, pricing data is obtained from leading industry market intelligence sources such as RISI reports, and subscription-based websites (e.g. fastmarkets.com) and is monitored on a continuous basis. The Commercial Department also monitors the macro-economic trends at a high level to predict market changes to better forecast the potential price volatilities.
- For finished goods, prices are decided in advance for each quarter by the Pricing Committee (comprising of the President, Chief Commercial Officer, Chief Financial Officer and key Stakeholders).

Risk 2 - Supply Chain Disruptions (Risk Category – Operational)

Disruption of supply chain and logistics due to geopolitical instability, military action, piracy, terrorism, Suez Canal choke point, or lack of effective maritime governance. This may result in delays in imports, delivery of goods, increased shipping costs, potential shortages of critical materials, operational delays and disruption of production schedules, and loss of goods.

Controls –

- The Company monitors the geo-political situations and identifies any potential supply chain disruptions proactively that may impact the supply of key imported raw materials and shipping of finished goods (export sales) respectively.
- Safety stocks levels of key raw materials are continuously monitored and orders are placed immediately to minimise the impact of supply chain disruptions.

- In case of any foreseen supply chain disruption, the need for revising the production plan is assessed to ensure avoiding pile up of redundant finished goods inventory.
- Marine cargo insurance in place to mitigate the loss of goods in transit (due to accidents / terrorist attacks)

Risk 3 - Loss of City-based Collection Centres and Relationship with Critical Partners (Risk Category – Operational)

Loss of local city-based collection centres and soured relationship with partners due to unfulfilled contractual obligations by either of the parties, or the inability to arrive at a consensus with a counterparty. This may result in the loss of raw material collection capacity leading to issues in raw material availability, or fulfilling market demand, negatively impacting MEPCO's competitiveness and market share.

Controls - The Management monitors the performance of companies formed for waste collection, along with the compliance with the targets vs actual, and the compliances of the contractual obligations. The Management follows up on a periodic basis.

Risk 4 - Increasing Competition in Waste Management Market and Emergence of Scavengers (Risk Category – Financial)

Loss of market share in waste collection due to increasing competition, emergence of scavengers, and the lack of barriers to entry and less-regulated markets. This may result in reduced profit margins, potential loss of key customers, financial instability, and the need for significant strategic adjustments to maintain competitiveness.

Controls –

- The Company strategy for WASCO has been adjusted to expand into diversified areas, thereby allowing it to gain a larger share of the market and help build strategic ties with the government and PIF entities.
- Relationship with government individuals is leveraged to gain regulatory support.

Risk 5 – Increasing Environmental and Pollution Prevention Regulations (Risk Category – ESG)

Stricter environmental and pollution prevention regulations will require MEPCO Group and entities to adapt quickly to new compliance standards, which can strain resources and operations. This could happen due to governmental pressure, rising concerns for sustainable practices, and global environmental and climate change management priorities. It may potentially lead to increased compliance costs and potential fines and penalties for non-compliance.

Controls –

- The HSE, RO Plant ETP, and Powerplant Departments along with other relevant Stakeholders are mandated with environmental sustainability and pollution targets.
- As part of MIS, environmental sustainability performance is continuously monitored, tracked, and then measured against these targets.
- On an annual basis, the Corporate Strategy team prepares the Environmental Sustainability Report which captures all the environmental sustainability data, including the corrective actions and way forward plans.

Risk 6 – Safety Culture and Fire Hazards (Risk Category – Fire and Safety)

A weak safety culture and inadequate fire hazard management can increase the likelihood of accidents and workplace incidents. This could happen due to inadequate safety training, inadequate fire prevention measures, non-compliance with safety practices resulting in workplace injuries, loss of life, damage/loss to property and fixed assets, and operational downtime. It may also lead to legal liabilities, and increased insurance costs.

Controls –

- Personal Protective Equipment (PPE) are available and provided to MEPCO employees.
- Firefighting and fire prevention systems are installed.
- Managers and departmental safety committees are established to monitor safety compliance.
- Members of the Safety Department are present on site 24 hours a day.
- First aid boxes are maintained and available at all sites.

Risk 7 – Delays in Completing PM5 Project (Risk Category – Strategic and Reputational)

Delays in PM5 going live due to supply chain constraints, project delays, inadequate project management, budget constraints, regulatory approval setbacks, and

construction/installation challenges. This may cause MEPCO to miss opportunities in the evolving lightweight packaging market resulting in excess capitalisation and operational costs, loss of market share and competitiveness in an evolving industry.

Controls –

- PMO, Engineering, Procurement, and Operations work closely together to address any cross-departmental dependencies that could delay the project.
- Vendor has been engaged to strategize and implement the roll out of PM5.

Risk 8 – Cybersecurity Intrusions and Attacks (Risk Category – IT and Cybersecurity)

A breach in cybersecurity could compromise sensitive data and disrupt operations due to outdated IT systems, lack of security protocols, ineffective penetration testing, and targeted attacks. This may lead to data loss, disruption of operations, financial penalties, and reputational damage.

Controls –

- MEPCO has partnered with a comprehensive awareness platform named knowbe4 to deliver the IT and cybersecurity awareness to users which includes phishing simulations and various other video and interactive training modules. This platform is strictly followed by delivering trainings and awareness periodically.
- Incident management policy and procedures are present, and all the incidents are tracked properly. MEPCO is also an ISO27001 certified company.
- MEPCO has a multi-layered cybersecurity framework that includes firewalls, encryption, and regular monitoring. This framework covers all areas of IT infrastructure, including networks, endpoints, and cloud environments.

Risk 9 – Sustainable Product Portfolio (Risk Category – Strategic and Reputational)

Lack of product portfolio diversification and relying heavily on a few core products, increases vulnerability to market shifts and demand changes. This could happen due to changing market demands, customer preferences, budget constraints, inadequate production capacity, inadequate Capex, R&D constraints, or over-reliance on successful products without exploring new markets or customer needs. This would result in reduced resilience to market fluctuations, decreased competitiveness, and potential loss of revenue if demand shifts.

Controls –

- Comprehensive market research is conducted to identify emerging trends, customer preferences, and opportunities for new product offerings.
- Allocated resources for product innovation and diversification. Possibilities are assessed for developing new products based on sustainable materials, innovative designs, or niche market needs (e.g., specialty packaging, eco-friendly products).
- A product lifecycle management process is in place to regularly assess the performance of existing products and identify opportunities for improvement or phase-out.

Risk 10 – Talent Attraction and Retention (Risk Category – People and Culture)

Increased employee turnover and inability to attract talented resources due to non-competitive compensation and benefits being offered, limited career growth opportunities, or misalignment with industry compensation packages. This may lead to high workload pressure on remaining employees, reduced employee

morale, a talent gap, increased spending on recruitment and training, and operational disruptions which can hinder the Company’s performance and innovation capabilities, potentially resulting in a loss of competitive advantage.

Controls –

- Conducted salary benchmarking against industry peers and competitors in past to ensure that MEPCO’s compensation packages are competitive.
- Performance-based rewards, such as bonuses and recognition programmes, to incentivise high-performing employees are present.
- Exit interviews are conducted to document the reasons for employees leaving.

Financial Information and Data

Company’s Main Activities

Activity	Revenue in ٬*	Percentage
MEPCO is engaged in production and sale of container board and specialty paperboard. MEPCO is a Saudi joint stock company incorporated and operating in the Kingdom of Saudi Arabia.	766,005,219	59%
Total	766,005,219	59%

* Revenue includes internal income.

Affiliates’ Main Activities

Activity	Revenue in ٬	Percentage
Waste Collection and Recycling Company Limited (“WASCO”) is engaged in waste collection and recycling .	281,453,806	21%
Juthor Paper Manufacturing Company Limited is engaged to carry out manufacturing of pulp, paper and paperboard, tissue papers, roll paper and packaging, in addition to manufacturing of corrugated paper (carton), sanitary paper, napkins, and towels.	261,089,210	20%
Total (combined revenue)	542,543,016	

The Company’s Business Results, Assets, and Liabilities

Affiliates’ Main Activities (₪'000s)

Description	2024	2023	2022	2021	2020
Current assets	1,268,753	619,829	812,083	801,463	445,262
Non-current assets	1,289,847	1,311,105	1,134,431	1,068,655	1,132,097
Total assets	2,558,600	1,930,934	1,946,514	1,870,118	1,577,359
Current liabilities	655,753	447,105	282,887	405,907	406,231
Non-current liabilities	302,814	415,625	481,341	481,315	419,135
Total liabilities	958,567	862,730	764,228	887,222	825,366

Business Comparison (5 years) (₪'000s)

Description	2024	2023	2022	2021	2020
Sales	1,065,256	866,753	1,187,006	1,057,400	724,685
Costs of sales	957,629	823,076	684,220	663,297	581,436
Gross profit	107,627	43,676	502,786	394,102	143,249
Zakat and tax	19,568	9,879	15,081	6,957	4,517
Operating profit / (loss)	(52,533)	(51,234)	304,294	242,318	43,592
Net profit / (loss)	(77,468)	(87,637)	270,730	220,710	20,176

Material Changes in Operating Results (₪'000s)

Income Statement Indicators	2024	2023	Change Value	Change Percentage	Reasons for Change
Sales	1,065,256	866,753	198,503	23%	Increase in revenue of ₪ 198.5 million (%23) owing to higher sales prices and quantities. The increase in MEPCO’s sales prices is consistent with the global rise in paper prices and packaging. The sales volumes have increased by %10 by over the last year mainly due to the commencement of Juthor’s tissue mill operations and the increase in MEPCO’s sales volume in 2023.
Cost of sales	(957,629)	(823,076)	134,553	16%	The increase in cost of sales is due to the increase in sales volumes along with the increase in energy costs, maintenance, and employee costs relating to MEPCO and Juthor.
Gross Profit	107,627	43,676	63,951	146%	Due to the higher sales price and relatively lower increase in cost of sales, as a percentage of revenue compared to the previous year, gross profit increased by ₪ 64 million (%146), resulting in a gross profit margin of %10, an increase from %5 last year.
Operating expenses	(146,387)	(103,672)	(32,714)	32%	Operational expenses comprise of selling, general, and administrative expenses along with the impairment of financial assets. The increase in these expenses is mainly due to following: • Increase in selling and distribution cost is mainly attributed to the increase in shipping and transportation cost of goods by %8.5. • Increase in general and administrative expenses by ₪ 20.8 million is mainly due to an increase in salaries by ₪ 14 million, ₪ 10 million related to provisions taken for an ongoing case in the subsidiary, and an increase in consultation fees by ₪ 6.3 million. • There was a reversal of impairment of financial assets of ₪ 6.7 million in 2023 against ₪ 5.5 million impairment charge during 2024. The reversal was due to the improvement in customer collection days.
Other revenue/ (expenses), net	4,631	10,917	(6,287)	-58%	Other income/(expense) reduced by ₪ 6 million mainly due to foreign currency losses in 2024 vs gain in 2023. Additionally, consultancy service income was lower in 2024 vs 2023.
Operating (loss)/ profit	(52,533)	(51,234)	8,701	-17%	The reduction in operating loss is due to an increase in gross profit as mentioned above.

The geographical distribution is as follows (٠'000s)

Description	Kingdom of Saudi Arabia	Gulf Cooperation Council	Other Countries	Total Revenue
Manufacturing	756,111	78,516	189,456	1,027,095
Trading	38,162	-	-	38,162
Total	794,273	78,516	189,456	1,065,256

Subsidiaries

Company's Name	Capital	Activity	Country of Incorporation	Country of Activity	Ownership (%)
Waste Collection and Recycling Co. Ltd. (WASCO)	٠ 20 million	Used paper collection and trade	Saudi Arabia	Saudi Arabia and other countries	100%
Juthor Paper Manufacturing Company	٠ 68 million	Tissue paper (Jumbo roll) manufacturing	Saudi Arabia	Saudi Arabia	100%
Green Recycling Industrial Company	٠ 100,000	Production of containerboard and corrugated paper	Saudi Arabia	Saudi Arabia	100%
Estdama Environmental Services Company Limited	٠ 100,000	Water supplies, sewerage, waste management, and treatment	Saudi Arabia	Saudi Arabia	50%
Saudi- Jordanian Waste Collection and Recycling Company (Saudi- Jordanian WASCO)	٠ 529,000	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	100%

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.

- **Passport and visa costs:** These are costs that the Company pays to obtain visas, recruitment fees, and commercial visits.
- **Labor office fees:** Represent the costs of obtaining work permits and changing professions.

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.

(٠'000s)

Financial Statements of 2024	Due	Paid	Justifications
Zakat	19,910,229	9,386,336	Zakat computed by the consultant as per the Zakat regulations
Tax (VAT)	1,316,353	34,604,430	VAT on goods and external services by foreign suppliers
General Organisation for Social Insurance	2,560,350	5,512,996	Due payments as per the social security records
Visa and passport costs	-	1,752,401	Recruitment, commercial visits, visas, and their renewal
Labor Office fees	-	3,945,390	Employment fees and work permits
Total	20,639,704	55,201,553	

Due Payments for 2024 (٠'000s)

Year	2020	2021	2022	2023	2024
Employee payments	79,413	79,239	88,111	95,135	101,853
Expenses and other liabilities	15,646	24,615	6,275	11,161	5,979
Restructuring allowance	-	-	-	-	-
Zakat and income tax	4,693	6,753	13,387	9,729	19,910
Total	99,752	110,607	107,773	116,024	127,742

Information related to Loans of MEPCO and its Subsidiaries

Medium-term loans and credit facilities (٠'000s)

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)	174,600	5 years	144,600	30,000	(13,000)	161,600
SABB	163,774	5 years	163,774	-	(54,592)	109,182
Bank Al Jazira	183,778	5 years	160,806	-	(34,458)	126,348
Total	522,152	-	469,180	30,000	(102,050)	397,130
Financing fees due, deferred financial charges	-	-	(4,419)	-	-	(4,775)
Total	522,152	-	464,761	30,000	(102,050)	392,355

Short-term loans and facilitations (rotating) (﷼'000s)

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	-	1 year	30,000	-	(30,000)	-
Saudi National Bank	-	6 months	30,000	-	(30,000)	-
EXIM	80,000	6 months	40,000	160,000	(120,000)	80,000
Bank Al Jazira	50,000	6 months	-	145,793	(94,065)	51,728
Al Rajhi Bank	200,000	9 months	-	164,972	-	164,972
SABB	67,600	6 months	-	8,268	-	8,268
Total	397,600		100,000	479,033	(274,065)	304,968
Accrued finance charges	-	-	9,909	-	-	5,263
Total	397,600	-	109,909	479,033	(274,065)	310,231
Total medium and short-term loans	919,752	-	574,670	509,033	(376,115)	691,144

Classification of total loans according to international standards (﷼'000s)

Classification	2024	2023
Short-term loans and facilities	310,231	102,128
Current portion of long-term loans	129,760	114,557
Long-term loans	251,153	350,204
Total	691,144	566,889

Details of Treasury Shares held by the Company and Details of the Uses of these Shares

No treasury shares for the year 2024.

Number of Requests for the Shareholder Register during 2024

- MEPCO requested the shareholder register from the Securities Depository Centre Company (Edaa) 14 times during 2024 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	3rd January 2024	Data on the movement of ownership ratios of companies and investment funds.
2	21st January 2024	Data on the movement of ownership ratios of companies and investment funds.
3	18th February 2024	Data on the movement of ownership ratios of companies and investment funds.
4	31st March 2024	Data on the movement of ownership ratios of companies and investment funds.
6	30th April 2024	Data on the movement of ownership ratios of companies and investment funds.
5	30th May 2024	Data on the movement of ownership ratios of companies and investment funds.
7	4th June 2024	Data on the movement of ownership ratios of companies and investment funds.
8	27th June 2024	Shareholders register for the purpose of the General Assembly.
9	31st July 2024	Data on the movement of ownership ratios of companies and investment funds.
10	31st August 2024	Data on the movement of ownership ratios of companies and investment funds.
11	30th September 2024	Data on the movement of ownership ratios of companies and investment funds.
12	31st October 2024	Data on the movement of ownership ratios of companies and investment funds.
13	30th November 2024	Data on the movement of ownership ratios of companies and investment funds.
14	31st December 2024	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

Not applicable

Dividend Policy

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:

- 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 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.

It should be noted that no cash dividends were paid in 2024, as the Company did not profit during that period.

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 the 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 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 behaviour 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	Adhere 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 realising 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, and 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 the Internal Audit Department, and the departments of Governance, Compliance, and Risk Management respectively. These departments are independent and report periodically to the Audit Committee and the Board. Throughout 2024, 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.

1) Governance, Risk, Compliance and Legal Affairs Department

The Legal Department collaborates with the Company’s various departments under the oversight of the Board of Directors and its committees. Its primary responsibilities include the following:

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 trains 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

A specialised department that works with other departments to achieve the 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
67	A committee known as the Risk Management Committee will be established by a decision of the Company's Board of Directors. The Chairman and the majority of its members will be Non-Executive members of the Board. All members should possess a suitable level of knowledge regarding risk management and financial matters.	The Board of Directors approved the creation of the Risk and Sustainability Committee, along with its responsibilities and operational controls, on 24th April 2022.
69	The Risk Management Committee shall meet at least every 6 months and as needed.	The Risk and Social Responsibility Committee meets every 3 months and as needed.
82 Paragraph (1,2,3)	The Company shall implement programmes aimed at developing and enhancing the participation and performance of its employees. These programmes will specifically include the following: 1. Formation of committees or organisation of specialised workshops to gather employees' opinions and engage in discussions about key issues and topics relevant to important decisions. 2. Initiatives to grant employees shares in the Company or a portion of its profits, along with retirement programs, and the establishment of an independent fund to support these initiatives. 3. Creation of social institutions for the Company's employees.	The information is partially not applicable, given that the Company has implemented a programme that grants shares to some employees. Additionally, the Company provides communication channels for employees to express their opinions, submit suggestions and complaints, and conducts job satisfaction surveys through independent external parties. Furthermore, training courses are available for employees both within and outside the Company.
85 Paragraph (1)	Creating measurement indicators that connect the Company's performance to its social work initiatives, while comparing these metrics to other companies with similar activities.	It is not applicable because the text is vague and challenging to apply, especially in comparison to other companies with similar activities due to limited information.
92	If the Board of Directors establishes a committee focused on corporate governance, it must delegate the powers outlined in Article 91 of these regulations to that committee. This committee is responsible for monitoring all matters related to governance practices and must report its findings and recommendations to the Board of Directors at least once a year.	The Company did not establish a special governance committee, and on 3rd December 2023, the Board of Directors assigned governance responsibilities to the Remuneration and Nomination Committee.
Paragraph 4 of Article 90	A description of the necessary details with respect to the remunerations and compensations granted to each of the following, separately: a. Board members; b. 5 senior Executives who have received the highest remuneration from the Company, provided that the Chief Executive Officer and Chief Financial Officer are among them.	The Company is committed to disclosing the remuneration of senior Executives in accordance with the regulatory requirements contained in Article 90 of the Corporate Governance Regulations in general, in order to avoid any unjustified harm, and to give the correct impression of the mechanism of remuneration and compensation procedures, which depend on the competitiveness of human capital.

06

FINANCIAL STATEMENTS

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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 2024, 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 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting 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 that 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 2024, the gross trade receivables amounted to 366 million (2023: ₪ 289 million), against which an allowance for expected credit losses of ₪ 28 million (2023: ₪ 22 million) was maintained. The Group assesses at each reporting date whether trade receivables carried at amortized cost are credit impaired. The Group uses the simplified approach for 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 3.9 to the consolidated financial statements for the accounting policy, note 2.7 for the significant accounting judgements and estimates and note 11.1 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 the ECL allowance to ensure compliance with the requirements of IFRS 9. • Obtained an understanding of management’s assessment regarding the impairment of trade receivables and the allowance for ECL • Involved our internal specialists to assess the reasonableness of significant judgments, estimates, and assumptions made by management related to the Group’s assessment of the probability of default, the incorporation of forward-looking information, and the loss given default parameter used in the 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 2024. • 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 2024, the gross inventories amounted to ₪ 212 million (2023: ₪ 185 million), against which an allowance for slow moving and obsolete inventories amounting to ₪ 34 million (2023: ₪ 10 million). These inventories comprise raw materials, work in progress, finished goods, consumable spare parts and goods-in-transit. Group adopted policy of providing allowance 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 given the significant management judgement in respect of factors such as identifying those slow moving, dormant and obsolete items, and assessing their future use and assessment of inventory items that may not be recoverable as damaged and obsolete. The gross inventories and related provision are material to the consolidated financial statements. Refer to note 3.6 to the consolidated financial statements for the accounting policy relating to the inventories, note 2.7 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 allowance for slow-moving and obsolete inventories. • Assessed the reasonableness of the assumptions used in estimating the allowance for slow-moving and obsolete inventories. This included reviewing the accuracy and completeness of key inputs against the underlying supporting documents and verifying the accuracy of management’s calculations. • Reviewed recent inventory count results from a sample of the Group’s locations to ensure that the year-end provision for damaged and obsolete inventories adequately reflected the level of inventory losses experienced during the year. • Assessed the adequacy and reasonableness of the relevant disclosures included in the consolidated financial statements.

Independent Auditor’s Report (Continued)
TO THE SHAREHOLDERS OF MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER (A SAUDI JOINT STOCK COMPANY)

Other information included in the Group’s 2024 Annual Report

Other information consists of the information included in the Group’s 2024 annual report, other than the consolidated financial statements and our auditor’s report thereon. Management is responsible for the other information in its annual report. The Group’s 2024 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.

If, based on the work we have performed on other information obtained prior to the date of auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting 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 Regulation of Companies and Parent Company’s By-laws, and for such internal control as 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, 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance i.e, the Audit Committee is 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 management.
- Conclude on the appropriateness of 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes 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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سجل تجاري ١٠٢٠٢٧١١١
CR: 4930276644
شركة Ernst & Young
(مغفلة ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Jeddah: 27 Ramadan 1446H
27 March 2025G

Consolidated Statement of Financial Position

As at 31 December 2024
(Expressed in ₪ unless otherwise stated)

	Notes	2024	2023
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,221,071,925	1,111,782,224
Capital work in progress	6	27,621,024	171,234,329
Right-of-use assets	8(a)	20,007,916	27,763,340
Intangible assets	9	21,146,421	324,848
TOTAL NON-CURRENT ASSETS		1,289,847,286	1,311,104,741
CURRENT ASSETS			
Inventories	10	186,367,314	175,697,378
Trade receivables	11	338,341,685	266,336,680
Capital project advances	7	-	2,282,335
Prepayments and other receivables	12	9,211,564	8,189,154
Other current assets	13	124,149,293	110,768,636
Financial asset at fair value through profit or loss	14	-	5,633
Cash and short-term deposits	15	610,683,119	56,549,393
TOTAL CURRENT ASSETS		1,268,752,975	619,829,209
TOTAL ASSETS		2,558,600,261	1,930,933,950
EQUITY AND LIABILITIES			
EQUITY			
Share capital	16	866,666,650	666,666,660
Share premium	16	419,999,979	-
Statutory reserve	18	135,278,852	135,278,852
Reserve for employees' share-based payments	19	-	10,500,000
Retained earnings		184,282,212	261,845,302
Equity attributable to equity holders of the parent		1,606,227,693	1,074,290,814
Non- controlling interests		(6,194,341)	(6,087,404)
TOTAL EQUITY		1,600,033,352	1,068,203,410
LIABILITIES			
NON-CURRENT LIABILITIES			
Interest-bearing long-term borrowings	20(a)	251,152,604	350,204,502
Lease liabilities	8(b)	10,208,662	16,612,745
Employee defined benefits liabilities	21	41,452,198	48,808,117
TOTAL NON-CURRENT LIABILITIES		302,813,464	415,625,364
CURRENT LIABILITIES			
Lease liabilities – current portion	8(b)	7,577,431	8,292,816
Interest-bearing long-term borrowings – current portion	20(a)	129,759,552	114,556,914
Interest-bearing short-term borrowings	20(b)	310,231,050	102,127,529
Trade and other payables	23	184,404,644	196,984,000
Other current liabilities	24	3,870,539	15,415,337
Zakat payable	22.2	19,910,229	9,728,580
TOTAL CURRENT LIABILITIES		655,753,445	447,105,176
TOTAL LIABILITIES		958,566,909	862,730,540
TOTAL EQUITY AND LIABILITIES		2,558,600,261	1,930,933,950


Chief Financial Officer


Chief Executive Officer


Chairman of the Board

The accompanying notes from 1 to 38 form an integral part of the consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024
(Expressed in ₪ unless otherwise stated)

	Notes	2024	2023 Restated (note 36.2)
Revenue	4	1,065,255,961	866,752,771
Cost of revenue	25	(957,629,091)	(823,076,340)
GROSS PROFIT		107,626,870	43,676,431
Selling and distribution expenses	26	(21,831,983)	(20,287,004)
General and administrative expenses	27	(119,013,437)	(90,042,886)
(Impairment)/reversal losses on financial assets	11	(5,541,311)	6,657,591
Write-off for property, plant and equipment	5	(16,543,432)	(2,155,875)
Write-off for capital work in progress	6	(1,860,000)	-
Other operating income/(expenses) – net	28	4,630,622	10,917,276
OPERATING LOSS		(52,532,671)	(51,234,467)
Finance costs	29	(36,181,033)	(26,524,499)
Finance income	15	30,813,689	-
LOSS BEFORE ZAKAT		(57,900,015)	(77,758,966)
Zakat expense	22.2	(19,567,985)	(9,878,531)
LOSS FOR THE YEAR		(77,468,000)	(87,637,497)
Attributable to:			
Equity holders of the parent		(77,326,129)	(80,269,141)
Non-controlling interests		(141,871)	(7,368,356)
		(77,468,000)	(87,637,497)
OTHER COMPREHENSIVE (LOSS)/ INCOME:			
Items that will not be reclassified to statement of profit or loss in subsequent period:			
Re-measurement (loss)/gain on employee benefits obligations	21	(202,027)	4,248,118
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(77,670,027)	(83,389,379)
Attributable to:			
Equity holders of the parent		(77,563,090)	(76,064,134)
Non-controlling interests		(106,937)	(7,325,245)
		(77,670,027)	(83,389,379)
LOSS PER SHARE:			
Basic and diluted, loss per share attributable to ordinary equity holders of the parent (₪)	30	(0.89)	(1.20)


Chief Financial Officer


Chief Executive Officer


Chairman of the Board

The accompanying notes from 1 to 38 form an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024
(Expressed in ₺ unless otherwise stated)

	Attributable to equity holders of the Parent							
	Share capital	Statutory reserve	Share premium	Reserve for employees' share-based payments	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2023	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)
Additions during the year	-	-	-	2,640,000	-	2,640,000	-	2,640,000
Dividends (note 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
Loss for the year	-	-	-	-	(77,326,129)	(77,326,129)	(141,871)	(77,468,000)
Other comprehensive (loss)/ income for the year	-	-	-	-	(236,961)	(236,961)	34,934	(202,027)
Total comprehensive loss for the year	-	-	-	-	(77,563,090)	(77,563,090)	(106,937)	(77,670,027)
Issue of share capital (note 16)	199,999,990	-	419,999,979	-	-	619,999,969	-	619,999,969
Settlement of share-based payments (note 19)	-	-	-	(10,500,000)	-	(10,500,000)	-	(10,500,000)
Balance as at 31 December 2024	866,666,650	135,278,852	419,999,979	-	184,282,212	1,606,227,693	(6,194,341)	1,600,033,352


Chief Financial Officer


Chief Executive Officer


Chairman of the Board

The accompanying notes from 1 to 38 form an integral part of the consolidated financial statements.

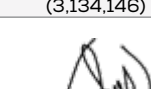
Consolidated Statement Of Cash Flows

For the year ended 31 December 2024
(Expressed in ₺ unless otherwise stated)

	Notes	2024	2023
OPERATING ACTIVITIES			
Loss before zakat		(57,900,015)	(77,758,966)
Adjustment to reconcile loss before zakat to net cash flows:			
Depreciation	5	105,178,033	95,595,738
Depreciation of right-of-use assets	8	7,927,036	7,284,545
Amortization of intangible assets	9	573,945	248,144
(Gain)/loss on disposal of property, plant and equipment	28	(167,632)	412,321
Write-off for property, plant and equipment	5	16,543,432	2,155,875
Write-off for capital work in progress	6	1,860,000	-
Charge/(reversal) of allowance for impairment of trade receivables	11	5,541,311	(6,657,591)
Charge of allowance for slow moving and obsolete inventories	10.1	34,158,259	4,440,268
Provision against advances to suppliers and employees	13(c)	176,013	208,582
Provision for employee benefits	21	8,054,270	7,806,146
Provision of legal cases	23	10,000,000	-
Employee share-based payment cost		-	2,640,000
Finance costs	29	36,181,033	26,524,499
Finance income	15	(30,813,689)	-
		137,311,996	62,899,561
Working capital changes:			
(Increase)/decrease in inventories		(41,976,578)	32,639,371
(Increase)/decrease in trade receivables		(77,546,316)	38,057,646
(Increase)/decrease in prepayments and other receivables		(349,379)	6,400,891
Increase in other current assets		(43,551,037)	(16,965,916)
Decrease in capital project advances		2,282,335	45,433,581
(Decrease)/ Increase in trade and other payables		(22,579,356)	65,252,292
(Decrease)/Increase in other current liabilities		(11,544,798)	10,688,462
Cash flows (used in)/from operations		(57,953,133)	244,405,888
Finance costs paid		(36,694,207)	(29,982,448)
Finance income received		30,140,658	-
Share-based payments paid		(10,500,000)	-
Zakat paid	22.2	(9,386,336)	(13,536,522)
Employee benefits paid	21	(15,612,216)	(2,764,337)
Net cash flows (used in)/from operating activities		(100,005,234)	198,122,581
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(24,618,042)	(35,531,870)
Proceeds from disposal of property, plant and equipment		167,649	159,058
Purchase of intangible assets	9	(1,395,518)	(168,750)
Additions to capital work in progress	6	(64,200,324)	(234,516,050)
Net cash flows used in investing activities		(90,046,235)	(270,057,612)
FINANCING ACTIVITIES			
Proceeds from issue of shares	16	629,999,969	-
Net change in short-term borrowings		204,969,375	74,446,677
Proceeds from long-term borrowings	20	30,000,000	45,000,000
Repayments of long-term borrowings	20	(113,493,069)	(91,963,608)
Payment of principal portion of lease liabilities	8	(7,291,080)	(10,911,393)
Dividend paid to equity holders of the parent	17	-	(33,333,333)
Net cash flows (used in)/from financing activities		744,185,195	(16,761,657)
Net increase/(decrease) in cash and short-term deposits		554,133,726	(88,696,688)
Cash and short-term deposits at the beginning of year		56,549,393	145,246,081
CASH AND SHORT-TERM DEPOSITS AT THE END OF YEAR	15	610,683,119	56,549,393
SUPPLEMENTARY NON-CASH INFORMATION			
Finance charges capitalized in capital work in progress	6	3,291,129	5,924,868
Amortization of deferred finance charges in finance charges	20	284,301	820,609
Transfers of capital work in progress to property, plant and equipment	6	(206,393,141)	(302,773,674)
Transfers to intangible assets		(20,000,000)	(136,550)
Interest income receivable	12	(673,031)	-
Non-cash addition in right to use assets	8	324,057	6,387,240
Modification of lease contracts	8	(152,445)	-
Reclassification of Capital Work in Progress to Inventory	6	(2,851,617)	-
Transaction costs related to issue of share capital (note 16)	13	10,000,000	-
Movement in accrued interest long-term loans	20	640,492	(1,390,203)
Movement in accrued interest short-term loans	20	(3,134,146)	(1,897,451)


Chief Financial Officer


Chief Executive Officer


Chairman of the Board

The accompanying notes from 1 to 38 form an integral part of the consolidated financial statements.

Notes To The Consolidated Financial Statements

For the year ended 31 December 2024
(Expressed in ﷲ unless otherwise stated)

1. CORPORATE INFORMATION

Middle East Company for Manufacturing and Producing Paper (“MEPCO” or the “Company” or the “Parent 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 the following address:
P.O. Box 22523
As-Sororyah District, Jeddah 6272,
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	2024	2023
			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%
Al-Tadweer Al-Akhdar Industrial Company (see note a)	Saudi Arabia	Production of cardboards, corrugated paper and other papers	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%

(a) On 4 June 2024 (corresponding to 27 Dhul-Qa’dah 1445H), the Company has established a wholly owned subsidiary namely Al-Tadweer Al-Akhdar Industrial Company (Paper Machine 5), a one-person limited liability company with 100% investment in paid-up share capital to implement the expansion project of cardboard and corrugated paper production in The Saudi Authority for Industrial Cities and Technology Zones (Modon), Jeddah, Saudi Arabia. This subsidiary obtained Commercial Registration No. 7039584003 on 27 Dhul-Qa’dah 1445H, (corresponding to 4 June 2024). All the transactions incurred by Al-Tadweer Al-Akhdar Industrial Company have been reflected in these consolidated financial statements for the year ended 31 December 2024.

Notes To The Consolidated Financial Statements (Continued)

For the year ended 31 December 2024
(Expressed in ﷲ unless otherwise stated)

Sustainability and climate related matters

MEPCO is subject to short-term and long-term climate-related risks. These risks are inherent part of operating in a paper production industry and manufacturing industries overall. MEPCO continually works to reduce the environmental footprint of the business and enhance the processes of environmental sustainability and safeguards.

Water consumption, waste, and greenhouse gas emissions associated with fuel and electricity consumption have an impact on both the environment and MEPCO financial performance.

Climate-related risks currently have no significant impact on measurement; however, the Group is closely monitoring relevant changes and developments, such as new climate-related legislation. The items and considerations that are most directly impacted by climate-related matters are:

- Useful life of property, plant and equipment. When reviewing the residual values and expected useful lives of assets, the Group considers climate-related matters, such as legislation, regulations that may restrict the use of assets or require significant capital expenditure and upgrades.
- Impairment of non-financial assets. The value-in-use may be impacted in several different way by transition risk in particular, such as climate-related legislation and regulations. The Group considered such factors in the assessing the value-in-use amounts.
- Decommissioning liability. The impact of climate-related legislation and regulations is considered in estimating the timing and future costs of decommissioning one of the Group’s manufacturing facilities.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS Accounting 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 (“SOCPA”) (collectively referred to as “IFRSs as endorsed in KSA”).

2.2 Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis.

The group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

2.3 Functional and presentation currency

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

2.4 Basis of consolidation

The financial statements comprise the financial statements if the Company and its subsidiaries “the Group” as at 31 December 2024 as detailed in note 1.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Group, using consistent accounting policies of the Group.

Control is achieved when the Group is exposed, or has rights, to variable returns from its transactions with the investee and has the ability to affect those returns through exercising its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its transactions with the investee.
- The ability to use its power over the investee to affect its returns.

Notes To The Consolidated Financial Statements (Continued)

For the year ended 31 December 2024
(Expressed in ₪ unless otherwise stated)

2. BASIS OF PREPARATION (continued)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has control over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated.

Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2.5 New standards, interpretation and amendments standard applied

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet 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 recognize any amount of the gain or loss that relates to the right of use it retains.

The new standard had no impact on the Group's consolidated 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 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 2024
(Expressed in ₪ unless otherwise stated)

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

2.6 Standards issued but not yet effective

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

Lack of exchangeability – Amendments to IAS 21

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

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

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Group is currently working to identify all impacts the amendments will have on the primary consolidated financial statements and notes to the consolidated financial statements.

Notes To The Consolidated Financial Statements (Continued)

For the year ended 31 December 2024
(Expressed in ﷼ unless otherwise stated)

2. BASIS OF PREPARATION (continued)

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards. IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

As the Group's equity instruments are publicly traded, it is not eligible to elect to apply for IFRS 19.

2.7 Significant 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 35)
- Financial risk management (note 34)
- Sensitivity analyses disclosures (note 21)

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

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.

Notes To The Consolidated Financial Statements (Continued)

For the year ended 31 December 2024
(Expressed in ﷼ unless otherwise stated)

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.

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:

Useful lives and residual value of property and equipment and intangibles assets

The Group's management determines the estimated useful lives and residual value 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. The management reviews the residual value and useful lives annually and future depreciation/amortization charges are adjusted where management believes the useful lives differ from previous estimates.

Allowance for slow moving and obsolete inventories

The Group recognizes an allowance for inventory losses due to factors such as obsolescence, physical damage based upon historical experience, current condition, and current and future expectations with respect to sales or use. The estimate of the Group's allowance for slow moving and obsolete inventory 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.

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 31.

Notes To The Consolidated Financial Statements (Continued)

For the year ended 31 December 2024
(Expressed in ₪ unless otherwise stated)

2. BASIS OF PREPARATION (continued)

Impairment for expected credit losses (ECL) in trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. 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 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 assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant 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 customers' actual default in the future. The information about the ECLs on the Group trade receivables is disclosed in note 11.

Employee defined benefits plans

The cost of the employee defined 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 reporting period.

The calculation most sensitive parameter to change is discount rate and future salary increases. In determining the appropriate discount rate, the management considers the market yield on high quality 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 21.

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).

Notes To The Consolidated Financial Statements (Continued)

For the year ended 31 December 2024
(Expressed in ₪ unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION

The following are the material accounting policies applied by the Group consistently in preparing its consolidated financial statements except for the new and amended standards and interpretations as disclosed in note 2.5.

3.1 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.

3.2 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment is stated at cost net of accumulated depreciation and accumulated impairment losses, if any.

Such 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 "capital work in progress" includes the cost of materials and direct labor, 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, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within other income in the consolidated statement of profit or loss.

Notes To The Consolidated Financial Statements (Continued)

For the year ended 31 December 2024
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3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized 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 derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized 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 recognized 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

* Leasehold building and improvements are depreciated over the shorter of the shorter of useful life or related lease term.

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) Derecognition

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in consolidated statement of comprehensive income.

(e) 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 recognized impairment.

Notes To The Consolidated Financial Statements (Continued)

For the year ended 31 December 2024
(Expressed in ₪ unless otherwise stated)

(f) Capital Spare Parts

The Group classifies spare parts into strategic spare parts and general spare parts using the below guidance:

- A strategic spare part is one that is on “stand-by”, i.e. probable to be a major item/part critical to be kept on hand to ensure uninterrupted operation of production. They would normally be used only due to breakdown and are not generally expected to be used on a routine basis. Depreciation on these spare parts commences immediately on the date being available for use.
- General spare parts are other major spare parts which bought in advance due to planned replacement schedules (in line with prescribed maintenance program) to replace existing major spare parts. Such items are considered to be “available for use” only at a future date, and hence depreciation commences when it is installed as a replacement part. The depreciation period for such general spare parts is over the lower of its useful life, and the remaining expected useful life of the equipment to which it is associated.

3.3 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.4 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Lands 15 years
Buildings 2 to 15 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Notes To The Consolidated Financial Statements (Continued)

For the year ended 31 December 2024
(Expressed in ﷲ unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs).

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The unwinding component of finance cost is included in the consolidated statement of profit or loss.

The lease liabilities are presented as a separate line in the consolidated statement of financial position.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

3.5 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in consolidated statement of comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets under development consists of costs incurred in relation to development of software which will be eventually transferred to intangible assets. Intangible assets with indefinite useful lives (goodwill) are not amortized, but are tested for impairment annually, or earlier if there is an indication of impairment either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss when the asset is derecognized.

Notes To The Consolidated Financial Statements (Continued)

For the year ended 31 December 2024
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Intangible assets represent computer software and right of use contract which have finite useful lives. The estimated rates of amortization of intangible assets are as follows:

Software	4 years
Contractual right	5 years

3.6 Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost on a weighted average costs basis
- Finished goods and work in progress: cost of direct materials, direct labor 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.
- Spare parts: purchase cost on a first-in/first-out basis.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Spare parts other than capital spare parts which doesn't meet the criteria of property, plant and equipment are included as consumable spare parts in inventory and are classified as current assets.

3.7 Cash and short-term deposits

Cash and cash equivalents balances comprise of cash at banks, cash on hand and short-term highly liquid deposits with original maturities of three months or less that are held for the purpose of meeting short-term cash commitments and are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

3.8 Foreign currency

The Group's consolidated financial statements are presented in Saudi Riyals ("ﷲ"), which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange ruling at the reporting date.

All differences arising on settlement or translation of monetary items are recognized in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency, if any, are translated using the exchange rate as at the date of the initial transaction. 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 items measured at fair value is treated in line with the recognition of a gain or loss on change in fair value of the item.

3.9 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.

Notes To The Consolidated Financial Statements (Continued)

For the year ended 31 December 2024
(Expressed in ₪ unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(a) Measurement

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables, the Group initially measures a financial asset at its fair value and in the case of a financial asset not carried at fair value through profit or loss, fair value plus transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price and for other trade receivables, that contain a significant financing component, the Group adjusts the transaction price in respect to the significant financing component.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in following categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in consolidated statement of profit or loss when the asset is derecognized, modified, or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, trade receivables, employee loans and margin on letter of credit.

The Group's write-off policy for financial assets is when management has indications that there is no reasonable expectation of recovery.

Notes To The Consolidated Financial Statements (Continued)

For the year ended 31 December 2024
(Expressed in ₪ unless otherwise stated)

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to consolidated statement of profit or loss.

Currently, the Group does not have any debt instruments designated at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognized as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

(b) De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognized (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

Notes To The Consolidated Financial Statements (Continued)

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3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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 recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes 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.

(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 amortized 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 recognizes 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 trade receivables 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 recognized during the year is recognized as income/ expense in profit or loss.

(i) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group’s financial liabilities include trade payables, due to related parties and lease liabilities.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Notes To The Consolidated Financial Statements (Continued)

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Gains or losses on liabilities held for trading are recognized in the consolidated statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortized cost (loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortisation process.

Amortized 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 as finance costs in the consolidated statement of profit or loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 recognized in the consolidated statement of profit or loss.

3.10 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 comprehensive income. Impairment losses recognized on goodwill are not reversible.

3.11 Employee defined benefits plans

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 recognized immediately in consolidated statement of other comprehensive income. 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 recognized in profit or loss.

Notes To The Consolidated Financial Statements (Continued)

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(Expressed in ₭ unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.12 Zakat and taxes

The Group (entities registered in Kingdom of Saudi Arabia only) is subject to the Regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. Zakat is provided for in accordance with the Regulations of the Zakat, Tax and Customs Authority (ZATCA) in the Kingdom of Saudi Arabia and on accruals basis. The zakat charge is computed on the zakat base of the individual companies in the Group and is charged to consolidated statement of comprehensive income. Any shortfall / excess on finalization of an assessment is accounted for in the year in which assessment is finalized.

Withholding tax

The Group withholds taxes on transactions with non-resident parties in accordance with ZATCA regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

3.13 Value Added Tax ("VAT")

Revenues, expenses, and assets are recognized net of the amount of Value Added Tax ("VAT") except:

- Where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to the ZATCA is included as part of receivables or payables in the consolidated statement of financial position.

3.14 Selling and distribution expenses

These include any costs incurred to carry out or facilitate selling activities of the Group. These costs typically include salaries of the commercial staff, marketing, distribution, and logistics expenses.

3.15 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 of overhead between cost of sales, selling and distribution expenses and general and administrative expenses are made on a consistent basis, when required.

3.16 Revenue

The Group is in the business of the whole sale of container board, industrial paper, and recycling material of paper, carton and plastic. Revenue from contracts with customers is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements, since it typically controls the goods before transferring them to the customer as the primary obligor in all arrangements, has the pricing latitude and is also exposed to inventory and credit risk.

Revenue from these sales is recognized based on the price specified in the contract. The Group doesn't offer volume discounts, rebates or any such discounts to its customers. Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, when (or as) the Group satisfies the performance obligations as specified in the contract with the customer (buyer), when the Group has transferred to the customer control over the promised goods.

The Group recognizes 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:

Notes To The Consolidated Financial Statements (Continued)

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Sale of goods directly to customers

- Local Sales: Local sales are recognized when goods are delivery and have been accepted by the customers as per the applicable delivery terms "mainly delivery at the customer's location", and accordingly, revenue is recognized at that point-in-time.
- Export sales: 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 and initiation of voyage, 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.

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.

A receivable is recognized by the Group upon transfer of control 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.

It is the Group's policy to sell its products to its customers with a right of return with certain requirements. However, the management concluded that the expected returns based on pattern of historical returns is deemed immaterial, accordingly the management has not accounted for it.

3.17 Earnings per share

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Group (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

3.18 Cash dividend to shareholders of the Group

The Group recognized a liability to pay a dividend when the distribution is recognized and no longer at the discretion of the Group. As per the By-laws of the Company, a distribution is recognized when it is approved by the shareholders. A corresponding amount is recognized directly in shareholders' equity.

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.

The executive management (Chairman of the Board of Directors and top management (Chief Executive Officer (CEO), Chief Operating Officer (COO) and Chief Financial Officer (CFO)) is the Chief Operating Decision Maker ("CODM") and monitor the operation results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

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.

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(Expressed in ﷲ unless otherwise stated)

3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.20 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 recognized 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 recognized 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 recognized as at the beginning and end of that period.

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 recognized 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.

3.21 Contingencies

Contingent liabilities are not recognized 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 recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

4. SEGMENT INFORMATION

The entire Group’s revenues have been recognized at point of time.

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.

Notes To The Consolidated Financial Statements (Continued)

For the year ended 31 December 2024
(Expressed in ﷲ unless otherwise stated)

The following table presents segment information:

	Manufacturing	Trading	Elimination	Total
Results for the year ended 31 December 2024				
Revenues	1,027,094,429	281,453,806	(243,292,274)	1,065,255,961
External customers	1,027,094,429	38,161,532	-	1,065,255,961
Segment loss before zakat	(44,909,449)	(34,477,712)	21,487,146	(57,900,015)
Zakat	19,262,361	305,624	-	19,567,985
Financial costs	32,975,229	3,477,774	(271,970)	36,181,033
Additions to property, plant and equipment & capital work in progress	86,480,933	5,666,916	(38,354)	92,109,495
Additions to intangible assets	1,395,518	20,000,000	-	21,395,518
Depreciation and amortization	99,796,990	13,882,024	-	113,679,014
Results for the year ended 31 December 2023				
Revenues	849,755,960	231,121,904	(214,125,093)	866,752,771
External customers	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	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
As of 31 December 2024				
Total assets	3,125,037,944	127,136,559	(693,574,242)	2,558,600,261
Total liabilities	1,004,639,191	135,123,687	(181,195,969)	958,566,909
As of 31 December 2023				
Total assets	2,124,350,590	131,659,820	(325,076,460)	1,930,933,950
Total liabilities	828,453,870	105,390,251	(71,113,581)	862,730,540

The revenue from business segments categorized by geographical region is as follows:

2024	Manufacturing	Trading	Total
Saudi Arabia	756,110,747	38,161,532	794,272,279
Other GCC Countries	78,516,518	-	78,516,518
Asia	113,193,204	-	113,193,204
Africa	48,498,918	-	48,498,918
Europe	29,120,553	-	29,120,553
Americas	1,654,489	-	1,654,489
	1,027,094,429	38,161,532	1,065,255,961
2023			
Saudi Arabia	566,397,225	14,337,290	580,734,515
Other GCC Countries	64,651,340	-	64,651,340
Asia	128,902,545	2,659,521	131,562,066
Africa	79,091,250	-	79,091,250
Europe	10,052,264	-	10,052,264
Americas	661,336	-	661,336
	849,755,960	16,996,811	866,752,771

Notes To The Consolidated Financial Statements (Continued)

For the year ended 31 December 2024
(Expressed in ₪ unless otherwise stated)

4. SEGMENT INFORMATION (continued)

Adjustments and eliminations

Eliminations represents inter-group revenues, transactions and balances that are eliminated on consolidation.

Reconciliation of assets

	2024	2023
Segment operating assets	3,252,174,503	2,256,010,410
Capital work in progress	(2,131,606)	(2,093,252)
Right-of-use assets	(8,884,345)	(9,439,641)
Investment in subsidiaries at equity method	(510,830,239)	(256,423,549)
Inventories, unrealized profit	172,192	4,180,895
Trade receivables, inter-group balance	(2,896,070)	-
Other current assets, inter-group loans	(169,004,174)	(61,300,913)
	2,558,600,261	1,930,933,950

Reconciliation of Liability

	2024	2023
Segment operating Liabilities	1,139,762,878	933,844,121
Lease liabilities	(9,358,484)	(9,812,668)
Short-term borrowings, inter-group loans	(81,000,000)	(60,000,000)
Trade and other payables, inter-group balance	(90,837,485)	(1,300,913)
	958,566,909	862,730,540

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and mobile cabinets	Machinery and equipment	Furniture and office equipment	Motor vehicles	Total
Cost						
At 1 January 2024	137,398,877	257,504,457	1,815,336,089	34,486,184	36,476,485	2,281,202,092
Additions		1,183,753	18,873,118	3,039,817	1,521,354	24,618,042
Transfers from capital work-in-progress (note 6)	-	34,694,969	171,237,414	460,758	-	206,393,141
Disposals		-	(3,306,941)	(3,825)	(237,266)	(3,548,032)
Write off (note 5.1)	-	(5,109,896)	(106,986,782)	(9,224,024)	(2,497,340)	(123,818,042)
31 December 2024	137,398,877	288,273,283	1,895,152,898	28,758,910	35,263,233	2,384,847,201
Depreciation						
At 1 January 2024		(83,900,434)	(1,033,571,697)	(23,617,657)	(28,330,080)	(1,169,419,868)
Depreciation charge		(11,596,446)	(87,770,349)	(3,509,874)	(2,301,364)	(105,178,033)
Disposals	-	-	3,306,928	3,824	237,263	3,548,015
Write off (note 5.1)	-	3,208,981	92,790,156	8,821,807	2,453,666	107,274,610
31 December 2024		(92,287,899)	(1,025,244,962)	(18,301,900)	(27,940,515)	(1,163,775,276)
Net book value						
At 31 December 2024	137,398,877	195,985,384	869,907,936	10,457,010	7,322,718	1,221,071,925

5.1 During the year, the Group conducted and completed a full property, plant and equipment tagging and physical verification which resulted on identify certain assets with net book value amounting to ₪ 16.5 million to be written-off either due to scrapped items disposed, damage, or not in working condition “obsolete” which were all due to wear and tears and normal maintenance requirements.

Notes To The Consolidated Financial Statements (Continued)

For the year ended 31 December 2024
(Expressed in ₪ unless otherwise stated)

5.2 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).

	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 (note 6)	-	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

5.3 Depreciation charge has been allocated as follows:

	2024	2023
Cost of revenue	100,379,077	91,463,585
Selling and distribution expenses	1,710,022	2,780,803
General and administrative expenses	3,088,934	1,351,350
	105,178,033	95,595,738

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For the year ended 31 December 2024
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6. CAPITAL WORK IN PROGRESS

	Tissue mill factory	Plant and Machinery	Paper Machine-5 (PM5)	
	(note a below)	(note b below)	(note c below)	Total
At 1 January 2023	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	(136,550)	-	-	(136,550)
31 December 2023	62,518,995	108,715,334	-	171,234,329
Additions	15,751,715	32,223,000	19,516,738	67,491,453
Transfers to property, plant and equipment (refer note 5)	(78,270,710)	(128,122,431)	-	(206,393,141)
Reclassification to consumable spare parts	-	(2,851,617)	-	(2,851,617)
Write off during the year	-	(1,860,000)	-	(1,860,000)
31 December 2024	-	8,104,286	19,516,738	27,621,024

(a) Tissue mill factory

The project of the tissue mill factory amounting to ₪ Nil as at 31 December 2024 (31 December 2023: ₪ 62.5 million) located in King Abdullah Economic City, Rabigh under the wholly owned subsidiary Juthor Paper Manufacturing Company Limited. During the year, the tissue mill factory, and all related facilities have been completed and commenced its production.

(b) Plant and Machinery

Capital work in progress as at 31 December 2024 includes costs incurred related to the ongoing projects for plant and machinery related to MEPCO and WASCO amounting to ₪ 8.1 million (31 December 2023: ₪ 108.7 million). During the year, certain projects related to improvements and enhancements of the existing product lines amounted of 128 million have been fully completed and started in its intended use. The remaining projects related to plant and machinery are expected to be fully completed during the year ending 31 December 2025. During the year ended 31 December 2024, finance costs amounting to ₪ 3.3 million were capitalized as part of capital work-in-progress (year ended 31 December 2023: ₪ 5.9 million). Average capitalization rate used ranges from 5.8%-6.5% (31 December 2023: 5%-5.5%). Furthermore, the amount of ₪ 1.86 million written-off during the year, in addition to amount of ₪ 2 million related to the same project charged directly to statement of profit or loss within general and administrative expenses.

(c) Paper Machine-5 (PM5)

Additions during the year ended 31 December 2024 include cost related to new project amounting of ₪ 19.5 million relating to newly established subsidiary namely “Al-Tadweer Al-Akhdar Industrial Company” i.e. Paper Machine-5 (PM5). The project related to PM-5 is expected to be completed by 30 June 2027.

7. CAPITAL PROJECT ADVANCES

Capital project advances as at 31 December 2023 included advances related to the capitalized 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. During the year, the materials and the services related to the projects have been rendered.

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group has various leases contracts related to employees’ accommodation, offices, and 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 2 to 15 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The Group applies the ‘short-term lease’ recognition exemptions for the leases which have lease term lower than or equal to one-year.

Notes To The Consolidated Financial Statements (Continued)

For the year ended 31 December 2024
(Expressed in ₪ unless otherwise stated)

(a) Set out below are the carrying amounts of right-of-use assets recognized and the movements during the year:

	Lands	Building	Total
As at 1 January 2024	24,546,615	3,216,725	27,763,340
Additions during the year	-	324,057	324,057
Modification during the year	-	(152,445)	(152,445)
Depreciation expense	(5,819,661)	(2,107,375)	(7,927,036)
As at 31 December 2024	18,726,954	1,280,962	20,007,916
As at 1 January 2023	26,013,257	2,647,388	28,660,645
Additions during the year	3,533,689	2,853,551	6,387,240
Depreciation expense	(5,000,331)	(2,284,214)	(7,284,545)
As at 31 December 2023	24,546,615	3,216,725	27,763,340

(b) Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2024	2023
At the 1 January	24,905,561	29,429,840
Additions during the year	324,057	6,387,240
Accretion of interest during the year	939,213	1,003,874
Payments during the year	(8,230,293)	(11,915,393)
Modification during the year	(152,445)	-
At the end of the year	17,786,093	24,905,561
Current	7,577,431	8,292,816
Non-current	10,208,662	16,612,745

The additions, and modifications during the year occurred in normal course of business.

The scheduled maturities of the lease liabilities are as follows:

As at 31 December 2024	Principal amount	Interest	Net lease liabilities
Current portion	8,144,465	(567,034)	7,577,431
Non-current portion	10,958,226	(749,564)	10,208,662
	19,102,691	(1,316,598)	17,786,093

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

Notes To The Consolidated Financial Statements (Continued)

For the year ended 31 December 2024
(Expressed in ₪ unless otherwise stated)

8. RIGHT-OF-USE ASSETS AND LEASE LIABILTIES (continued)

(c) The following are the amounts recognized in the statement of profit or loss:

	2024	2023
Depreciation expense of right-of-use assets	7,927,036	7,284,545
Interest expense on lease liabilities (refer 29)	939,213	1,003,874
Expense relating to short-term leases (included in cost of revenue)	1,496,465	2,006,552
Total amount recognized in statement of profit or loss	10,362,714	10,294,971

Depreciation has been charged to cost of revenue and general and administrative expenses.

The Group had total cash outflows for leases of ₪ 8.2 million (2023: ₪ 11.9 million). The Company also had non-cash additions to right-of-use assets and lease liabilities of ₪ 0.3 million (2023: ₪ 6.4 million). The future cash outflows relating to leases are disclosed in note 34.5.

9. INTANGIBLE ASSETS

	Software	Contractual right	Total
Cost:			
At 1 January 2023	8,747,873	-	8,747,873
Additions	168,750	-	168,750
Transfers from capital work in progress	136,550	-	136,550
At 31 December 2023	9,053,173	-	9,053,173
Additions (refer note 9.2)	1,395,518	20,000,000	21,395,518
At 31 December 2024	10,448,691	20,000,000	30,448,691
Accumulated amortization:			
At 1 January 2023	(8,480,181)	-	(8,480,181)
Amortization	(248,144)	-	(248,144)
At 31 December 2023	(8,728,325)	-	(8,728,325)
Amortization charge for the year	(240,612)	(333,333)	(573,945)
At 31 December 2024	(8,968,937)	(333,333)	(9,302,270)
Net book value:			
At 31 December 2024	1,479,754	19,666,667	21,146,421
At 31 December 2023	324,848	-	324,848

9.1 The amortization charge for the year has been charged to general and administrative expenses and cost of sales.

9.2 Additions during the year included amount of ₪ 20 million paid by the Company’s subsidiary “Estidama” to Jeddah Development and Urban Regeneration Company (“JEDRIC”) under an arrangement for the procurement of raw materials (“Agreement”). During the year, 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. The Group started to receive the material and benefit related to this contract on December 2024, which considered as the effective data to start the contract and related amortization of the contract period.

Notes To The Consolidated Financial Statements (Continued)

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(Expressed in ₪ unless otherwise stated)

10. INVENTORIES

	2024	2023
Raw materials	95,668,168	68,515,712
Finished goods	29,768,274	32,656,742
Goods in transit	21,728,800	22,869,607
Work-in-progress	-	1,877,813
Consumable spare parts, not held for sale	73,634,162	59,379,867
	220,799,404	185,299,741
Less: Allowance for slow moving and obsolete inventories (refer note 10.1)	(34,432,090)	(9,602,363)
	186,367,314	175,697,378

During 2024, ₪ 768 million (2023: ₪ 675 million) was recognized as an expense for inventories carried at net realizable value. This is recognized in cost of revenue.

10.1 Movement in allowance for slow moving and obsolete inventories is as follows:

	2024	2023
01 January	9,602,363	6,103,970
Allowance during the year (note a)	34,158,259	4,440,268
Write-offs	(9,328,532)	(941,875)
31 December	34,432,090	9,602,363

a) During the year, management has undertaken a reassessment of inventory provision estimation process which resulted into change of estimates based on a comprehensive technical evaluation of spare parts, considering obsolescence, recoverability, and alignment with strategic plans. The assessment incorporated spare parts categorization, aging analysis, and future usability, factoring in technological advancements and upcoming production lines. The change of estimate of ₪ 34 million. This charge was recognized in the statement of profit and loss within cost of revenue.

11. TRADE RECEIVABLES

	2024	2023
Trade receivables – Local	299,986,740	240,757,649
Trade receivables – Foreign	65,940,971	48,020,101
	365,927,711	288,777,750
Less: Allowance for impairment (refer note 11.1)	(27,586,026)	(22,441,070)
	338,341,685	266,336,680

11.1 Movement in allowance for impairment of trade receivables is as follows:

	2024	2023
1 January	22,441,070	31,210,419
Charge / (reversal) during the year	5,541,311	(6,657,591)
Write off during the year	(396,355)	(2,111,758)
31 December	27,586,026	22,441,070

Notes To The Consolidated Financial Statements (Continued)

For the year ended 31 December 2024
(Expressed in ₪ unless otherwise stated)

11. TRADE RECEIVABLES (continued)

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 recognized 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 amortized 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.

Trade receivables are non-interest bearing and are generally on terms of 30 – 90 days. The overdue amounts are constantly monitored by the management and a provision towards expected credit loss is made in the books if required.

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 2024 and 31 December 2023 was determined as follows:

Ageing	Gross carrying amount	Expected credit loss range (%)	Loss allowance
As at 31 December 2024:			
Within the credit period	247,634,151	0%-1%	288,662
1-90 days past due	77,394,290	0.3%-3%	1,417,002
91-180 days past due	12,390,002	10%-27%	1,979,789
181- 270 days past due	2,871,412	15%-39%	1,061,100
271- 360 days past due	1,419,929	50%-57%	785,463
More than 1 year past due	24,217,927	96%-100%	22,054,010
Total	365,927,711		27,586,026

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

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.

Notes To The Consolidated Financial Statements (Continued)

For the year ended 31 December 2024
(Expressed in ₪ unless otherwise stated)

12. PREPAYMENTS AND OTHER RECEIVABLES

	2024	2023
Prepaid expenses	6,360,125	7,005,859
Deposits with suppliers	698,235	595,650
Interest income receivable	673,031	-
Others	1,880,173	987,645
Less: Provision against deposits with suppliers*	(400,000)	(400,000)
	9,211,564	8,189,154

* Provision against deposits with suppliers is charged to cost of revenue for the year ended 31 December 2024.

13. OTHER CURRENT ASSETS

	Notes	2024	2023
Advances to suppliers		90,118,559	45,660,999
Advances to suppliers – related party	Note 9	-	20,050,000
Advance against land	(a)	32,330,000	32,300,000
Costs relating to share capital increase	(b)	-	10,000,000
Advances to employees		2,573,773	3,454,663
		125,022,332	111,465,662
Less: Allowance for impairment loss on advances	(c)	(873,039)	(697,026)
		124,149,293	110,768,636

(a) During 2017, the management paid an amount of ₪ 32.3 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. During the year ended 31 December 2024, all restrictions related to the former landlord have been cleared out and the procedural aspects for the transfer in the name of the Group are underway and expected to be completed in 2025.

(b)These costs were related to legal and financial consultancy fees, documentation, prospectus and other costs ancillary to the increase of share capital as disclosed in note 16.

(c) Movement in allowance for impairment loss on advances is as follows:

	2024	2023
01 January	697,026	3,686,774
Charge during the year*	176,013	208,582
Write-offs	-	(3,198,330)
31 December	873,039	697,026

*Addition in allowance for impairment loss on advances is recognized as an expense under general and administrative expenses.

Notes To The Consolidated Financial Statements (Continued)

For the year ended 31 December 2024
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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. This investment portfolio has been closed during the year 2024.

15. CASH AND SHORT-TERM DEPOSITS

	2024	2023
Cash on hand	977,015	1,008,539
Cash at bank	299,076,353	55,540,854
Short-term deposits	310,629,751	-
	610,683,119	56,549,393

At 31 December 2024, the Group had short-term bank deposits with original maturities of less than three months. The Group earned ﷲ 30.8 million (2023: ﷲ Nil) on the murabaha and term-deposits at rate of return ranging between 5.60% to 6.15%.

At each reporting date, all bank balances are assessed to have low credit risk as they are held with reputable and high credit rating domestic and international banking institutions and there has been no history of default with any of the Group bank balance. Therefore, the probability of default based on forward looking factors and any loss given defaults are negligible.

16. SHARE CAPITAL AND SHARE PREMIUM

As at 31 December 2024, the Company’s authorized and issued share capital is ﷲ 866.67 million (2023: ﷲ 666.67 million) consists of 86.67 million (2023: 66.67 million) fully paid shares of ﷲ 10 each. In accordance with the share subscription agreement signed between MEPCO and Public Investment Fund (PIF) dated 31 July 2023, MEPCO increased its capital from ﷲ 666,666,660 to ﷲ 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 ﷲ 10 per share (the “New Shares”) after approval of MEPCO’s extra-ordinary general assembly on 28 December 2023.

On 04 January 2024, the new share capital has issued, and PIF has paid to MEPCO a subscription amount of ﷲ 31.50 per new share being a total subscription amount of ﷲ 629,999,969. The transaction charges of ﷲ 10 million are deducted upfront from the subscription proceeds and the Company received net amount of ﷲ 619,999,969. After the full subscription of new shares by PIF, its ownership in MEPCO’s share capital becomes 23.08% after the capital increased. Management has updated its commercial registration on 07 February 2024.

17. DIVIDENDS

On 23 May 2023, the Board proposed a final dividend for the year ended 31 December 2022 amounting to ﷲ 33.33 million (ﷲ 0.5 per share). The Annual General Assembly in its meeting held on 22 June 2023 approved the cash dividends of ﷲ 33.33 million and was paid on 11 July 2023. There were no dividends proposed during 2024.

18. STATUTORY RESERVE

In accordance with the previous Company’s By-laws, the Group used to be required to maintain statutory reserve equal to a maximum of 30% of its share capital. According to the latest update in the companies’ law in KSA, the mandatory statutory reserve requirement had been abolished. On 15 Jumada Al-Alkhirah1445H (corresponding to 28 December 2023), the Company’s General Assembly approved amending the Company’s bylaws to comply with the new Companies’ Law, to remove the article of the bylaws related to Company’s statutory reserve. Based on that, the Board of Directors recommended to the general assembly to approve the transfer of the entire statutory reserve to retained earnings which amounted of ﷲ 135,278,852 as at December 2023. The Group’s Assembly General Meeting didn’t issue any resolution to transfer such outstanding statutory reserve up to date of the consolidated financial statement.

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(Expressed in ﷲ unless otherwise stated)

19. RESERVE FOR EMPLOYEES’ SHARE-BASED PAYMENTS

During 2022, the Company had recorded a share-based payments of the 300,000 equity shares which were granted to Group President or Chief Executive Officer (CEO) with service for 5 years. The exercise price of the shares was equal to the market price of the underlying shares on the date of exercise which was 31 December 2023. All the vesting conditions mentioned for the Group President were met. During the year ended 31 December 2024, the Board had approved a cash settlement option by paying ﷲ 10.5 million based on the settlement agreement and release of claims dated 13 March 2024. Accordingly, the reserve for employees’ share-based payments has been settled with the full amount of ﷲ 10.5 million.

A new employment agreement related to Group President or Chief Executive Officer (CEO) was started from 1 January 2024 in which the Company has granted another share-based option of the 300,000 equity shares to Group President with service for 5 years starting from 1 January 2024 and ending on 31 December 2028 subject to market based and non-market-based performance conditions. The Group President has resigned from the Company effective from 12 June 2024. An independent consultant has determined the final settlement of the former Group President to be ﷲ 7.8 million which is reviewed by Nomination and Remuneration Committee of the Board and approved by Board of Directors. The settlement includes end of service benefits, vacations benefits etc. which is presented part of the trade and other payables balances in consolidated financial statements as at 31 December 2024. This amount has been fully paid.

20. LOANS AND BORROWINGS

20.1 Long-term borrowings

	2024	2023
Saudi Industrial Development Fund (“SIDF”) loans - Principal	161,600,000	144,600,000
Accrued finance charges – SIDF	1,058,467	970,667
Less: Deferred financial charges	(7,560,465)	(7,844,764)
Saudi Industrial Development Fund (SIDF) (refer note a)	155,098,002	137,725,903
Islamic banking facilities (Tawarruq)	224,087,171	324,580,238
Accrued finance charges – Banks	1,726,983	2,455,275
Islamic banking facilities (Tawarruq) (refer note b)	225,814,154	327,035,513
Long-term borrowings	380,912,156	464,761,416
Current portion shown under current liabilities		
Borrowings – gross	129,178,854	113,535,962
Accrued finance charges	2,785,450	3,425,942
Less: Deferred financial charges	(2,204,752)	(2,404,990)
	129,759,552	114,556,914

Long term borrowings shown under non-current liabilities	2024	2023
Borrowings – gross	256,508,317	355,644,276
Less: Deferred financial charges	(5,355,713)	(5,439,774)
	251,152,604	350,204,502
Long-term borrowings	380,912,156	464,761,416

Notes To The Consolidated Financial Statements (Continued)

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(Expressed in ₪ unless otherwise stated)

20. LOANS AND BORROWINGS (continued)

Reconciliation of cash movement of borrowings	2024	2023
Balance at beginning of year	464,761,416	511,155,430
Proceeds during the year	30,000,000	45,000,000
Repayment of principal instalments	(113,493,069)	(91,963,608)
Movement in accrued financial charges	(640,492)	1,390,203
Movement in deferred financial charges	284,301	(820,609)
Balance at end of year	380,912,156	464,761,416

(a) During 2020, the Group had obtained new facility from Saudi Industrial Development Fund (SIDF) amounting to ₪ 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 ₪ 150 million to finance the construction of manufacturing facilities. The Group has utilized ₪ 150 million as of 31 December 2024 (2023: ₪ 120 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 amortized 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.

The commission is payable on the amount of the borrowing drawdowns and is mainly calculated at a market rate plus a margin.

(b)During 2022, The Company has also obtained long-term credit facilities (Islamic Finance Tawarruq) from commercial banks amounting to ₪ 572 million. The Company has utilized of these facilities amounting to ₪ 224.1 million as of 31 December 2024 (2023: ₪ 324.6 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 amortized over the period of the respective loans.

Long-term borrowings under Islamic banking facilities bears average interest rate of 7.25% (2023: 6.51%).

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 all of the debt covenants compliance requirements for banks as at 31 December 2024.

All the above long-term loans are denominated in ₪ as at 31 December 2024 and 31 December 2023.

Notes To The Consolidated Financial Statements (Continued)

For the year ended 31 December 2024
(Expressed in ₪ unless otherwise stated)

The scheduled maturities of the long-term borrowings outstanding are as follows:

	Loan’s principal	Deferred financial charges	Accrued financial charges	Net loan amount
Year ending 31 December 2024:				
2025	129,178,854	(2,204,752)	2,785,450	129,759,552
2026	116,535,962	(1,817,234)		114,718,728
2027	43,972,355	(1,490,407)		42,481,948
2028	27,000,000	(1,120,403)		25,879,597
2029	69,000,000	(927,669)		68,072,331
	385,687,171	(7,560,465)	2,785,450	380,912,156

	Loan’s principal	Deferred financial charges	Accrued financial charges	Net loan amount
Year ending 31 December 2023:				
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

(b) Short-term borrowings

	2024	2023
Islamic banking facilities (Tawarruq)	304,968,375	99,999,000
Accrued financial charges	5,262,675	2,128,529
	310,231,050	102,127,529

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 all of debt covenants compliance requirements for banks as at 31 December 2024. All loans are denominated in ₪ as at 31 December 2024 and 31 December 2023.

Short-term borrowings under Islamic banking facilities bears average interest rate of 6.9% (2023: 6.0%).

Notes To The Consolidated Financial Statements (Continued)

For the year ended 31 December 2024
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21. EMPLOYEE DEFINED BENEFIT

Movement in provision for employee benefits is summarized as follows:

	2024	2023
At beginning of year	48,808,117	48,014,426
Current year charge:		
Current service cost	7,860,105	7,263,156
Curtailment gain	(348,409)	-
Interest cost	542,574	542,990
	8,054,270	7,806,146
Re-measurement (gain) / losses:		
Financial assumptions	1,743,126	(4,351,815)
Experience adjustment	(1,675,695)	(7,602)
Demographic assumptions	134,596	111,299
	202,027	(4,248,118)
Payments	(15,612,216)	(2,764,337)
At end of year	41,452,198	48,808,117

Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date:

	2024	2023
Discount rate	5.6%	4.45%
Future salary growth	5%	6%
Withdrawal rate	13%	13.31%
Employee turnover and retirement age	Moderate/65	Moderate/60

Sensitivity analysis

	31 December 2024		31 December 2023	
	Increase	Decrease	Increase	Decrease
Discount rate (%1 change)	(2,859,050)	3,272,339	(2,499,762)	2,800,851
Future salary growth (%1 change)	3,457,827	(3,075,488)	3,028,139	(2,751,406)
Withdrawal rate (%10 change)	264,754	(282,340)	105,240	(110,872)

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:

	2024	2023
Less than a year	4,727,097	9,916,389
Between 5 – 1 years	18,351,461	19,630,889
Over 5 years	46,392,817	35,367,459

Notes To The Consolidated Financial Statements (Continued)

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(Expressed in ₪ unless otherwise stated)

22. ZAKAT

22.1 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.

22.2 Provision for zakat

	2024	2023
At the beginning of the year	9,728,580	13,386,571
Provision for current year	16,216,680	9,878,531
Provision related to zakat assessment	3,351,305	-
Payments	(9,386,336)	(13,536,522)
At the end of the year	19,910,229	9,728,580

22.3 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.

Years 2008 to 2014:

The zakat assessments of the Parent (“MEPCO”) are finalized for those years.

Years 2015 to 2018:

During year 2020, ZATCA issued its assessments for the years 2015 to 2018 claiming additional Zakat of ₪ 30 million, which was objected by the Company, and further escalated to the Tax Violation & Disputes Resolution Committee (“TVDRC”).

On July 9, 2024, TVDRC issued its decision, which partially came in favor of the Company reducing ZATCA’s claim by ₪ 18 million. Accordingly, the Company escalated the case to the Tax Violation & Disputes Appeal Committee (“TVDAC”), aiming to reduce ZATCA’s claim by the remaining amount, which is currently under study by the TVDAC.

Before end of year 2024, ZATCA approached the Company for a settlement offer with the Internal Settlement Committee (“ISC”). Subsequently, the Company received a final settlement with an additional zakat liability amounted of ₪ 3.3 million. The management decided to accept the ISC’s offer to clear those year with ZATCA.

Years 2019 to 2022:

The zakat assessments of the Parent (“MEPCO”) are finalized for those years.

Year 2023

During the year, ZATCA sent queries related to the year 2023, for which the Parent Company have replied. The Parent Company filed its Zakat returns till 2023 and obtained the certificate valid till 30 April 2025.

Waste Collection and Recycling Company Limited (“WASCO”)

During 2021, ZATCA issued its assessment for the years 2016 and 2017 claiming additional Zakat of ₪ 1.39 and ₪ 0.169 million respectively, which the Company has objected, and further escalated to the TVDRC and TVDAC, which issued their decisions in favor of ZATCA. However, the Company settled the Zakat dues for appeal case on May 13, 2024, therefore the Zakat position is cleared for this years.

The zakat declarations of WASCO till 2023 are currently under review by ZATCA and unrestricted zakat certificates have been obtained till 30 April 2025.

Notes To The Consolidated Financial Statements (Continued)

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22. ZAKAT (continued)

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 2025.

Al-Tadweer Al-Khadar Industrial Company (“Al Tadweer”)

The Company registered with ZATCA on June 4, 2024, and is currently in the process of submitting the Zakat return for FY24 to ZATCA by the deadline of April 30, 2025.

23. TRADE AND OTHER PAYABLES

	2024	2023
Trade payables - third parties	143,267,674	158,930,844
Employees related accruals	21,114,766	22,648,954
Trade payables - related party (see note 33.2)	1,381,208	5,914,180
Net Value Added Tax (VAT) payables	1,316,353	1,809,818
Accrued sales services expenses	363,889	592,298
Accrued legal and consultancy fees	382,000	291,725
Accrued transportation expenses	46,184	142,250
Provision of legal cases	10,000,000	-
Others	6,532,570	6,653,931
	184,404,644	196,984,000

24. OTHER CURRENT LIABILITIES

	2024	2023
Contract liabilities (note 24.1)	3,870,539	8,324,497
Costs relating to share capital increase	-	7,000,000
Others	-	90,840
	3,870,539	15,415,337

24.1 During the year, revenue recognized from advances to customers balance as at 31 December 2023 was amounting to ₪ 8 million

Notes To The Consolidated Financial Statements (Continued)

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(Expressed in ₪ unless otherwise stated)

25. COST OF REVENUE

	2024	2023 Restated (note 36.2)
Direct material costs	498,877,684	420,423,785
Direct employees' costs	78,168,510	86,351,348
Depreciation and amortization	108,879,517	98,562,688
Energy costs	72,174,379	54,800,323
Shipping and delivery costs	44,840,667	41,319,658
Maintenance cost	37,911,744	39,336,767
Allowance for slow moving and obsolete inventories (refer note 10.1)	34,158,259	4,440,268
Transportation cost	19,961,898	19,572,852
Utilities	21,299,469	18,527,891
Production expense	24,644,595	25,560,309
Short-term leases	1,496,465	2,006,552
Other overheads	15,215,904	12,173,899
	957,629,091	823,076,340

26. SELLING AND DISTRIBUTION EXPENSES

	2024	2023 Restated (note 36.2)
Salaries and related benefits	10,631,214	9,464,471
Depreciation of property, plant and equipment (refer note 5.3)	1,705,123	2,780,803
Sales commission	1,716,055	1,746,880
Sales service expenses	184,925	385,625
Credit insurance	798,409	107,606
Others	6,796,257	5,801,619
	21,831,983	20,287,004

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27. GENERAL AND ADMINISTRATIVE EXPENSES

	2024	2023
Salaries and related benefits	70,764,684	56,965,213
Consultation fee	12,783,527	6,445,669
Directors’ remuneration (refer note 33.2)	5,532,261	5,514,311
Repairs and maintenance	3,395,009	1,005,450
Depreciation and amortization	3,094,374	1,784,936
IT expenses	2,565,763	2,952,982
Insurance expenses	1,270,742	1,019,814
Bank charges	1,208,380	1,799,687
Training	1,165,750	1,932,936
Travel expenses	1,115,200	1,835,479
Government fee	969,730	2,346,688
Professional fee *	1,455,300	1,231,249
Communication	293,425	1,313,993
Penalty (reversal)/expense	10,000,000	(5,000,000)
Provision against advances to suppliers	176,013	208,582
Others	3,223,279	8,685,897
	119,013,437	90,042,886

*Professional fees include audit fees amounted to ₪ 1.15 million for year ended 31 December 2024.

28. OTHER OPERATING INCOME / (EXPENSES)– NET

	2024	2023
Foreign currency exchange gain / (loss)	(2,076,130)	2,568,191
Consultancy services income	2,092,744	4,000,000
Scrap sales	3,344,587	2,688,779
Insurance claim recovery	3,063,098	1,795,102
Gain / (loss) on disposal of property, plant and equipment	167,632	(412,321)
Others, net	(1,961,309)	277,525
	4,630,622	10,917,276

29. FINANCE COSTS

	2024	2023
Finance costs on long-term borrowings:		
Tawarruq	17,324,350	21,592,477
SIDF charges	3,298,195	1,504,667
Amortisation of deferred financial charges	2,703,300	857,516
Finance costs on short-term borrowings:		
Tawarruq	11,915,975	1,565,965
Interest on lease liabilities	939,213	1,003,874
	36,181,033	26,524,499

Notes To The Consolidated Financial Statements (Continued)

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30. LOSS PER SHARE

The Group presents basic and diluted loss per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2024	2023
Net loss for the year attributable to equity holders of the Parent Company	(77,326,129)	(80,269,141)
Weighted average number of shares *	86,502,282	66,666,666
Basic and diluted loss per share (₪ per share)	(0.89)	(1.20)

*The weighted average number of ordinary shares issued and outstanding at year end 31 December 2023 have been adjusted for the new shares issued on 04 January 2024 (refer note 16).

31. 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.

31.1 Financial instruments by category

(a)Financial assets subsequently measured at amortized cost:

	Notes	2024	2023
Trade receivables	11	338,341,685	266,336,680
Other current assets (Advances to employees)	13	2,573,773	3,454,663
Cash and short-term deposits (excluding cash on hand)	15	609,706,104	55,540,854
		950,621,562	325,332,197

(b) Financial assets at fair value through profit or loss:

	Note	2024	2023
Investments at fair value through profit or loss	14	-	5,633

(c) Financial liabilities at amortized cost:

	Notes	2024	2023
Borrowings	20	691,143,206	566,888,945
Trade and other payables	23	184,404,644	196,984,000
Lease liabilities	8	17,786,093	24,905,561
		893,333,943	788,778,506

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 creditworthiness prior to entering into transactions with them.

31.2 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:

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31. FINANCIAL INSTRUMENTS (continued)

- 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:

	2024	2023
Level 2		
Investments at fair value through profit or loss	-	5,633

During the year ended 31 December 2024, this portfolio has been closed.

32. COMMITMENT, CONTIGENCIES AND LITIGATION

- i. As at 31 December 2024, the Group had outstanding letters of credit of ₪ 23 million (2023: ₪ 28 million) and letters of guarantee of ₪ 1 million (2023: ₪ 1 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 2024 was approximately ₪ 16 million (2023: ₪ 32.7 million).
- iii. During the year ended 31 December 2024, a labor case was filed against the Company by a former employee of the Company with additional claim not exceeding ₪ 19 million. According to the opinion of the Company's external legal counsel, the management is confident of winning the case and it is expected that the ultimate outcome will not result in any cash outflow other than what has already been settled. Accordingly, no provision has been recorded in the financial statements for the year ended 31 December 2024. Subsequent to the year end, first level of the court dismissed the former employee's request and the court's conclusion was in favor of the Company
- iv. One of the Group's subsidiaries was previously involved in litigation with the General Authority for Competition, where the Administrative Court of Appeal ruled in its favor. However, the Supreme Administrative Court has overturned this ruling and referred the case back to the Administrative Court of Appeal for a new judgment. Given this development and based on the management assessment and the legal view the management recorded ₪ 10 million during the year ended 31 December 2024, recognizing the ongoing legal uncertainty and in accordance with International Accounting Standards ("IAS") 37 Provisions, Contingent Liabilities and Contingent Assets.

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33. RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent the partners, directors and key management personnel of the Group, affiliates (the Company and the entities are members of the same group), and entities controlled, jointly controlled, or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Following is the list of related party transactions and balances of the Group:

33.1 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	2024	2023
Arabian Maize Company for Industry Company	Purchase of materials	Company of chairman board of directors	18,128,375	25,126,617
Directors	Directors' remuneration	Directors	5,532,261	5,514,311

33.2 Related parties' balances

Significant due from/(to) balances with related parties are summarized below:

Related party	2024	2023
Jeddah Development and Urban Regeneration Company	-	20,050,000
Advances to key management personnel	148,750	210,000
Accrued directors' remuneration	1,425,603	-
Arabian Maize Company for Industry (note 25)	(1,381,208)	(5,914,180)

33.3 Transactions with key management personnel

Key management personnel compensation comprised the following:

	2024	2023
Short term benefits	13,496,317	14,665,549
Share-based payment	-	2,640,000
Post-employment benefits	189,238	218,250
Termination benefits	625,729	728,580
	14,311,284	18,252,379

Compensation to key management personnel includes salaries, and contributions to post-employment defined benefit plan.

Related party balances are generally unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables.

Notes To The Consolidated Financial Statements (Continued)

For the year ended 31 December 2024
(Expressed in ₪ unless otherwise stated)

34. 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.

34.1 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.

34.2 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 2024, if interest rates had been 1% higher/lower with all other variables held constant, future interest on outstanding loans will increase/decrease by ₪ 447,365 (2023: ₪ 3,736,640).

34.3 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 ₪ and US Dollars during the year ended 31 December 2024 and 2023. Since ₪ 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 2024 and 2023. The following tables demonstrate the sensitivity to a reasonably possible change in Euro and ₪ exchange rates, with all other variables held constant. The impact on the Group’s (loss) 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
2024		
	+ 5%	515,244
	- 5%	(515,244)
2023		
	+ 5%	82,751
	- 5%	(82,751)

34.4 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.

Notes To The Consolidated Financial Statements (Continued)

For the year ended 31 December 2024
(Expressed in ₪ unless otherwise stated)

The Group’s gross maximum exposure to credit risk at the reporting date is as follows:

	2024	2023
Financial assets		
Trade receivables	365,927,711	288,777,750
Other current assets (Advances to employees)	2,573,773	3,454,663
Cash at banks	299,076,353	55,540,854
Investment at FVTPL	-	5,633
	667,577,837	347,778,900

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.

34.5 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 2024. The Group does not hold financial assets for managing liquidity risk. Hence, these risks have not been considered for maturity analysis.

2024	1 year or less	Above 1 year to 5 years	More than 5 years	Total
Non derivative financial liabilities				
Borrowings	458,443,278	267,965,702	-	726,408,980
Trade and other payables	184,404,644	-	-	184,404,644
Lease liabilities	8,144,465	10,958,226	-	19,102,691
	650,992,387	278,923,928	-	929,916,315

2023	1 year or less	Above 1 year to 5 years	More than 5 years	Total
Non derivative financial liabilities				
Borrowings	246,587,548	382,922,691	439,059	629,949,298
Trade and other payables	196,984,000	-	-	196,984,000
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

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Notes To The Consolidated Financial Statements (Continued)

For the year ended 31 December 2024
(Expressed in ₪ unless otherwise stated)

34. FINANCIAL RISK MANAGEMENT (continued)

34.6 Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities:

2024	1 January 2024	Cash flows	New leases	Others	31 December 2024
Non derivative financial liabilities					
Interest-bearing long-term borrowings	464,761,416	(83,493,069)	-	(356,191)	380,912,156
Short-term borrowings	102,127,529	204,969,375	-	3,134,146	310,231,050
Lease liabilities	24,905,561	(7,291,080)	324,057	(152,445)	17,786,093
	591,794,506	114,185,226	324,057	2,625,510	708,929,299

2023	1 January 2023	Cash flows	New leases	Others	31 December 2023
Non derivative financial liabilities					
Interest-bearing long-term borrowings	511,155,430	(46,963,608)	-	569,594	464,761,416
Short-term borrowings	33,564,696	74,446,677	-	(5,883,844)	102,127,529
Lease liabilities	29,429,840	(10,911,393)	6,387,114	-	24,905,561
	574,149,966	16,571,676	6,387,114	(5,314,250)	591,794,506

The ‘Other’ column includes the effect of accrued but not yet paid interest on interest-bearing loans and borrowings, lease modifications, and other adjustments. The Group classifies interest paid as cash flows from operating activities.

35. 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:

	2024	2023
Borrowings	691,143,206	566,888,945
Total debt	691,143,206	566,888,945
Cash and short-term deposits	(610,683,119)	(56,549,393)
Net debt	80,460,087	510,339,552
Share capital	866,666,650	666,666,660
Share premium	419,999,979	-
Statutory reserve	135,278,852	135,278,852
Reserve for employee share-based payments	-	10,500,000
Retained earnings	184,282,212	261,845,302
Non-controlling interest	(6,194,341)	(6,087,404)
Net equity	1,600,033,352	1,068,203,410
TOTAL EQUITY AND NET DEBT	1,680,493,439	1,578,542,962
Capital gearing ratio - %	4.79%	32.33%

Notes To The Consolidated Financial Statements (Continued)

For the year ended 31 December 2024
(Expressed in ₪ unless otherwise stated)

36. COMPARATIVE FIGURES

36.1 Certain prior year information has been reclassified to conform with the presentation in the current year. As a result of such reclassification, there is no impact on the consolidated statement of profit or loss and Comprehensive Income, consolidated statement of changes in shareholders’ equity and consolidated statement of cashflows.

Reclassification in the consolidated statement of financial position for the year ended 31 December 2023 is summarised below:

	As previously reported	Impact of reclassification	As currently reported
Trade and other payables	189,202,705	7,781,295	196,984,000
Short-term borrowings	109,908,824	(7,781,295)	102,127,529

36.2 Management has reassessed the classification of shipping and delivery costs based on the requirements of IFRS 15 ‘Revenue from contracts with customers’. Accordingly, based on the management assessment, the Group has a performance obligation i.e., sale of goods, in addition to a promise to transfer/deliver the goods which shall be classified in cost of sales as it represents costs to fulfil the revenue obligation instead of classified in selling and distribution expenses. Consequentially, prior year shipping and delivery cost amounting to ₪ 41.3 million has been reclassified from selling and distribution expenses to cost of sales to conform with the current year presentation. Such reclassification changes do not affect previously reported profit or equity. Reclassification in the statement of profit or loss and other comprehensive income for the year ended 31 December 2023 is summarized below:

	As previously reported	Impact of reclassification	As currently reported
Cost of Sales	781,756,682	41,319,658	823,076,340
Gross profit	84,996,089	(41,319,658)	43,676,431
Selling and distribution expenses	61,606,662	(41,319,658)	20,287,004

37. SUBSEQUENT EVENTS

There have been no significant subsequent events since the year ended 31 December 2024, which would have a material impact on the financial position of the Group as reflected in these consolidated financial statements.

38. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorized for issue by the Company’s Board of Directors on 27 Ramadan 1446H (corresponding to 27 March 2025G).



07

INDEPENDENT LIMITED
ASSURANCE REPORT



KPMG Professional Services Company

Roshn Front, Airport Road
P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

شركة كي بي إم جي للاستشارات المهنية مساهمة مهنية

ولجته روشن، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent limited assurance report to Middle East Paper Company for Manufacturing And Producing Paper on selected quantitative indicators disclosed in its Annual Report for the year ended 31 December 2024

To the Board of Directors of the Middle East Paper Company For Manufacturing And Producing Paper ("MEPCO")

We have been engaged by the management of the **Middle East Paper Company For Manufacturing And Producing Paper** ("the Company", "MEPCO") to carry out a limited assurance engagement in order to state whether anything has come to our attention that causes us to believe that the subject matter information detailed below ("Subject Matter"), has not been prepared, in all material respects, in accordance with the applicable criteria ("Applicable Criteria") as set out below.

Subject Matter

The Subject Matter for our limited assurance engagement were the selected quantitative indicators ("the Indicators") as detailed in Annexure 1(a) of this report, disclosed in MEPCO's Annual Report for the year ended 31 December 2024 ("the Report"), as prepared and presented by the management of the Company.

The Indicators are aggregated based on the reporting boundaries developed by the Company which are detailed in Annexure 1(b) of this report.

Applicable Criteria

The Applicable Criteria for this limited assurance engagement were the requirements of the Global Reporting Initiative ("GRI") Standards, as applicable to the Subject Matter, the details of which are mentioned in Annexure 2 of this report.

The Company's responsibility

The management of the Company is responsible for preparing and presenting the Subject Matter information that is free from material misstatement in accordance with the Applicable Criteria and for the information contained therein.

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of the Subject Matter information that is free from material misstatement, whether due to fraud or error. It also includes developing the Applicable Criteria as the criteria to evaluate the Subject Matter information and determining the completeness and accuracy of reporting boundaries and appropriately describing the selection basis.

The management of the Company is also responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with the laws and regulations applicable to its activities. The management of the Company is responsible for ensuring that staff involved with the preparation of the Subject Matter information are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.



Independent limited assurance report

To the Board of Directors of MEPCO (continued)

Our responsibility

Our responsibility is to examine the Subject Matter information prepared by the Company and to report thereon in the form of an independent limited assurance conclusion based on the procedures we have performed and the evidence obtained. We conducted our engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and ISAE 3410 *Assurance Engagements On Greenhouse Gas Statements* as endorsed in the Kingdom of Saudi Arabia and the terms and conditions for this engagement as agreed with the Company's management. ISAE 3000 (Revised) and ISAE 3410 require that we plan and perform the engagement to obtain limited assurance about whether the Subject Matter information has been properly prepared, in all material respects, in accordance with the Applicable Criteria.

Our firm applies the International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The procedures selected depend on our understanding of the Subject Matter and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise.

In obtaining an understanding of the Subject Matter information and other engagement circumstances, we have considered the process used to prepare the Subject Matter information in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the preparation and presentation of the Subject Matter information. A limited assurance engagement in accordance with ISAE 3000 (Revised) and ISAE 3410 involves assessing the risks of material misstatement of the Subject Matter information, whether due to fraud or error, responding to the assessed risks as necessary in the circumstances of the engagement and evaluating the overall presentation of the Subject Matter information.

Our engagement also included: assessing the appropriateness of the Subject Matter, the suitability of the criteria used by the Company in preparing the Subject Matter information in the circumstances of the engagement, evaluating the appropriateness of the procedures used in the preparation of the Subject Matter information and the reasonableness of estimates made by the Company.

Limited assurance is less than absolute assurance and reasonable assurance. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Independent limited assurance report

To the Board of Directors of MEPCO (continued)

Procedures performed

Our limited assurance engagement on the Subject Matter information consisted of making enquiries, primarily of persons responsible for the preparation of the Subject Matter information, and applying analytical and other procedures, as appropriate. These procedures were based on our professional judgement and included the following, amongst others, for the year ended 31 December 2024:

- Obtaining an understanding of the collection, compilation and reporting processes for the Company, including obtaining an understanding of internal controls, systems and processes relevant to the preparation of the Subject Matter;
- Interviewing management responsible for data collection, data management, and data analysis pertaining to the Indicators in scope;
- Reviewing management documentation and Company data reporting tools to the extent they underpinned the preparation of the Subject Matter;
- Assessing the appropriateness of the conversion factors applied by the Company in arriving at the Indicator's quantitative data in accordance with the assigned unit of reporting, where applicable;
- Obtaining inventory data for each selected Indicator, at aggregated corporate level as per the reporting boundary developed by management and agreeing the data with the information detailed in the Subject Matter;
- Obtaining inventory breakdown data for each selected Indicator, selecting a sample and performing the following in relation to the Indicators, where applicable:
 - Agreeing the Indicator's information to the consolidated data inventory; and
 - Obtaining supporting evidence to agree the sampled data points to the source data, and or underlying records / calculations.
- Assessing the suitability of the Applicable Criteria used by the management in preparing the Subject Matter information subject to this limited assurance engagement; and
- Reviewing the consistency of the Subject Matter information in relation to the wider Report, including reviews of the qualitative narratives that support the Subject Matter information.

Characteristics and limitations

Due to the inherent limitations of any internal control structure, it is possible that errors or irregularities in the information presented in the Subject Matter may occur and not be detected. The assurance relies on documentation furnished by the Company and interactions with relevant personnel within the Company to validate the Subject Matter information. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation of the Subject Matter information as the procedures performed were undertaken on a test basis.

Independent limited assurance report

To the Board of Directors of MEPCO (continued)

Characteristics and limitations (continued)

Our engagement was not designed to test, verify or audit the completeness and accuracy of system outputs from the Company.

Furthermore, for the purpose of this limited assurance engagement, we have not performed any procedures around:

- Checking the disclosure of Indicators in reference to any framework or guidance other than what is entailed in the Applicable Criteria;
- Assessing compliance of any other indicators or related information, either qualitative or quantitative, which is not part of the Indicators selected for this engagement, as featuring in the Report with the disclosure requirements of any applicable internal and external standards;
- Assessing the accuracy, completeness and reasonableness of the reporting boundary determined by the management for the purposes of the Report;
- Auditing, reviewing or verifying the Subject Matter information, or the underlying records or other sources from which the Subject Matter information was extracted;
- Assessing the appropriateness of the materiality approach applied by management in preparation of the Report and selection of the material sustainability related Indicators that were subject to limited assurance;
- Ensuring completeness and accuracy of baseline figures that are reported in the Report, where applicable;
- Testing, verifying or auditing the completeness and accuracy of system outputs and other data collection systems used for the compilation of the Subject Matter information; and
- Testing the effectiveness of internal controls over the preparation of the Subject Matter information as the procedures performed were undertaken on a test basis.

Limited assurance conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Subject Matter information is not prepared, in all material respects, in accordance with the Applicable Criteria.

Independent limited assurance report

To the Board of Directors of MEPCO (continued)

Restriction of use of our report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, for any purpose or in any context. Any party other than the Company who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this independent limited assurance report, or for the conclusions we have reached.

Our report is released to the Company on the basis that it shall not be copied, referred to or disclosed, in whole (save for the Company's own internal purposes) or in part, without our prior written consent.

KPMG Professional Services Company



Fahad Mubark Aldossari
License no: 469

Riyadh, 29 May 2025
Corresponding to: 2 Dhul Hijjah 1446H



Annexure 1

(a) Details of the selected quantitative indicators ("the Indicators") comprising of the Subject Matter:

Indicator description	Page number of Annual Report 2024 where the indicators are disclosed
1. Greenhouse gas ("GHG") emissions - Scope 1 and Scope 2	66
2. Water consumption and water consumption per metric tons of production	66
3. Energy consumption	66
4. Waste management (Hazardous and non-hazardous waste)	66
5. SOx and NOx emission to air	66
6. Community investments including donation and sponsorship	69
7. New employee hires	67
8. Training hours	68

b) Details of the reporting boundary established for the aggregation of Subject Matter information:

Indicator description	Reporting boundary
1. Greenhouse gas ("GHG") emissions - Scope 1 and Scope 2	Reporting boundary comprised MEPCO's head office and plants in Saudi Arabia.
2. Water consumption and water consumption per metric tons of production	
3. Energy consumption	
4. Waste management (Hazardous and non-hazardous waste)	
5. SOx and NOx emission to air	
6. Community investment (donation and sponsorship)	Reporting boundary comprised MEPCO's head office (including plants in Saudi Arabia) and its subsidiaries WASCO, Estidama and Juthor.
7. New employee hires	
8. Training hours	

Annexure 2

Details of the Applicable Criteria for each selective quantitative Indicator:

#	Indicator	Relevant section of the GRI standards referred to as the Applicable Criteria
1	Greenhouse gas ("GHG") emissions - Scope 1 and Scope 2	Scope 1: Compilation requirement 2.1 and 2.2 of Disclosure 305-1 Direct (Scope 1) GHG emissions (a) Gross direct (Scope 1) GHG emissions in metric tons of CO₂ equivalent. Scope 2: Compilation requirement 2.3 and 2.4 of Disclosure 305-2 Energy indirect (Scope 2) GHG Emissions (a) Gross location-based energy indirect (Scope 2) GHG emissions in metric tons of CO₂ Equivalent of GRI Standard 305 "Emissions 2016"
2	Water consumption and water consumption per metric tons of production	Requirement (a) of Disclosure 303-5 "Water consumption for Water consumption from all areas in megalitres related to GRI standard 303 "Water and Effluents 2018 & Requirement (a) of Disclosure 303-1 "Interactions with water as a shared resource to GRI standard 303 "Water and Effluents 2018.
3	Energy consumption	Requirement (e) of Disclosure 302-1 "Energy consumption within the organization of GRI standard 302 "Energy 2016".
4	Waste management	Requirement (a) and Compilation requirement 2.1 of Disclosure 306-3 "Waste generated" of GRI standard 306 "Waste 2020".
5	Sulfur oxide ("Sox") and Nitrogen oxide ("Nox") emissions	Requirement (a) (i) and (ii) of Disclosure 305-7 "Nitrogen oxides (NO _x), sulfur oxides (Sox) and other significant air emissions" of GRI standard 305 "Emissions 2016".
6	Community investment, including donation and sponsorship	Requirement of Disclosure 201-1 (a) (i) Economic value distributed: operating costs, employee wages and benefits, payments to providers of capital, payments to government by country, and community investments" of GRI standard 203 "Indirect Economic Impacts 2016".
7	New employee hires	Requirement (a) and the Compilation Requirement 2.2 of Disclosure 401-1(a) New employee hires of GRI standard 401 "Employment 2016".
8	Training hours	Requirement (a) for Disclosure 404-1 "Average hours of training per year per employee of GRI standard 404 "Training and Education 2016".