



MEPCO Achieves Record Quantity Sold in a Single Half-year

Financial KPIs affected negatively by declining international paper prices

Jeddah, Saudi Arabia | 1 August, 2019 | The Middle East Paper Co. ('MEPCO'), the region's leading vertically-integrated paper manufacturer, today announced its 1H/Q2 2019 results.

MEPCO achieved high operational performance levels with record sales volume pertaining to half year. The financial performance came under pressure from continuing price declines of paper prices internationally impacted by slower international demand.

Strategic Highlights

1H/Q2 2019 results show the impact of weaker international demand on containerboard paper, as shown by the indicators below:

- **Sales revenue** – dropped by 3.2% and 19.3%, reaching SAR176.1MM and SAR357.9MM for Q2 and 1H, 2019, respectively as a direct result of paper price drop relative to previous comparable figures.
- **Gross profit** – decreased by 15.8% and 42.2%, reaching SAR33.1MM and SAR72.4MM for Q2 and 1H, 2019, respectively. GP margin of Q2 2019 dipped below the 20.0% threshold while it remained at 20.2% for the first half of 2019.
- **EBITDA line and margin** – Declined significantly for both periods to record SAR27.3MM and SAR63.5MM yielding a margin of 15.5% for Q2 2019 and 17.7% for 1H 2019, respectively.
- **Net profit/loss** – Q2 2019 recorded a loss of SAR4.0MM resulting in negative EPS of SAR0.08. Collectively; 1H 2019 had a positive net income of SAR1.8MM yielding EPS of SAR0.04 as of 30 June, 2019.

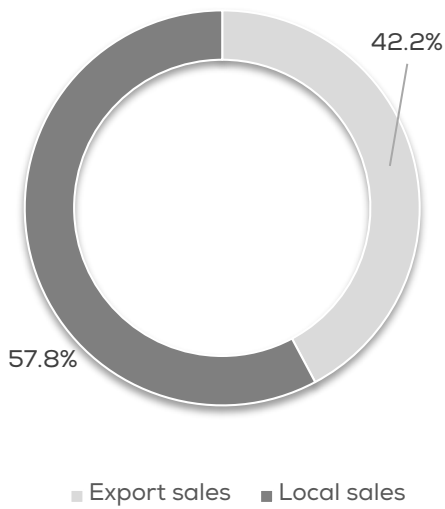
Eng. Sami Al Safran, MEPCO CEO, commented: "The results exhibit the continuation of paper downward price trend, which we addressed in the first quarter of this year. Paper prices, as a commodity, is impacted by the slowdown of the world economy. However, the trend is becoming less steep and prices seem to be close to equilibrium. On the cost side; international Kraft prices are still declining, but at a slower rate than that of the paper. This could allow us to revert to a higher portion of high-margin products in our sales mix during the second half of 2019. We are operating at full throttle with a rate still above 90%. This translated into achieving a record quantity sold in half year. Our superior marketing capabilities, and the logistical advantages paired with production scale; grant us regional market leadership. Paper prices are cyclical, which could be a challenge, but we see an opportunity in every challenge, and we are making this one work for us on all fronts".

1H 2019 | Earnings Release

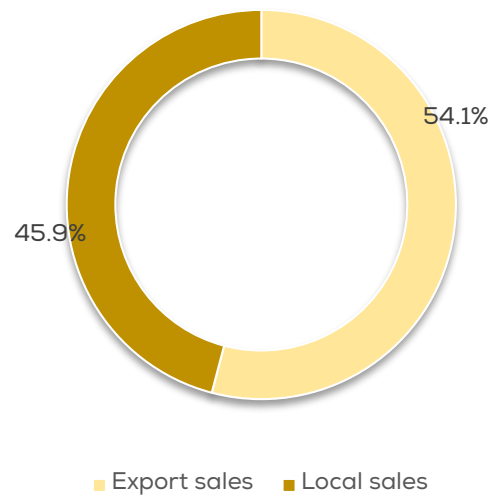
Sales Highlights

Sales breakdown¹ by value (SAR)

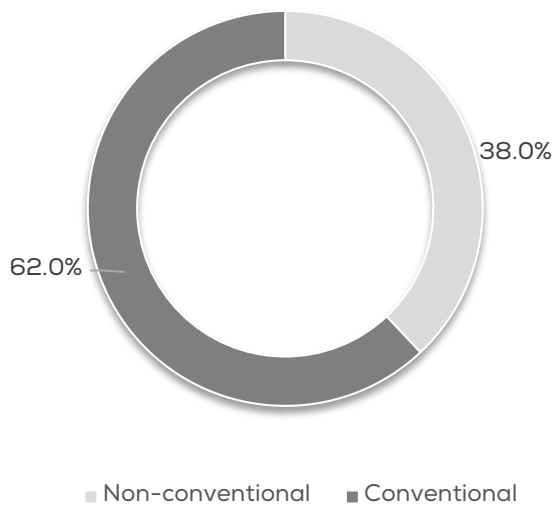
Local vs. Export Sales (%)
1H 2018



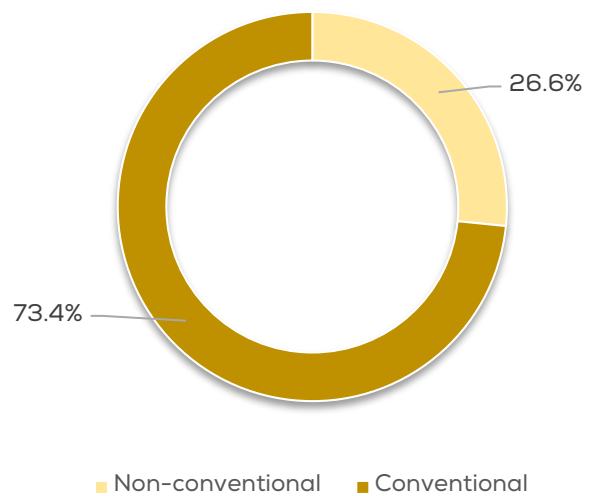
Local vs. Export Sales (%)
1H 2019



Sales by Product Class (%)
1H 2018



Sales by Product Class (%)
1H 2019



¹ Refers to MEPCO standalone sales.



1H 2019 | Earnings Release

Financial Review

For the 3 and 6 months ended 30 June, 2019; all figures are in SAR '000 unless stated otherwise.

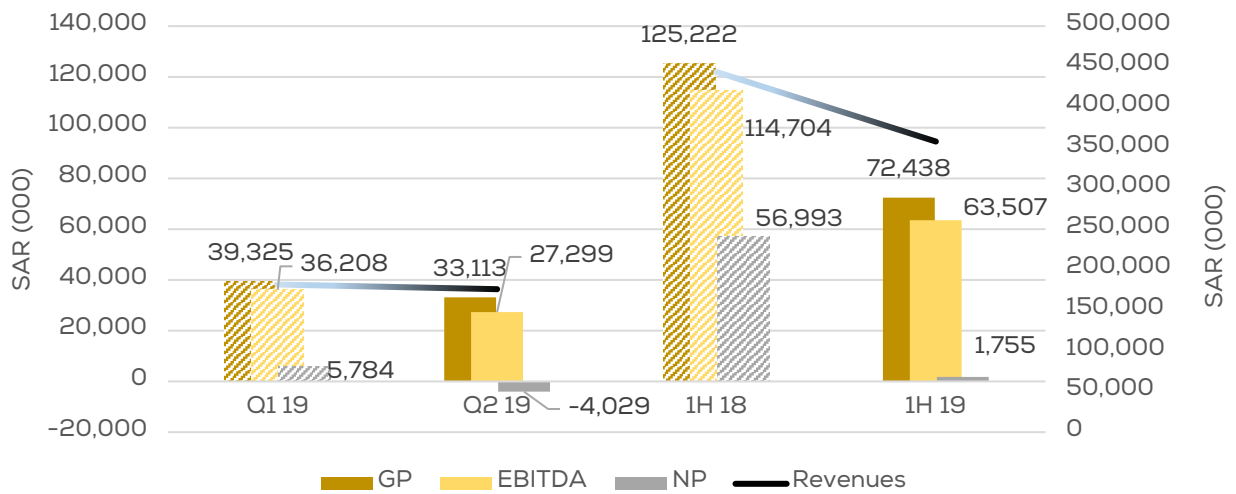
	Previous Quarter Q1 19	Current Quarter Q2 19	QoQ Change	Previous Period 1H 18	Current Period 1H 19	YoY Change
Sales Revenue	181,844	176,086	-3.2%	443,579	357,930	-19.3%
Gross Profit	39,325	33,113	-15.8%	125,222	72,438	-42.2%
Gross Profit %	21.6%	18.8%	-2.8 bps	28.2%	20.2%	-8.0 bps
EBIDTA	36,208	27,299	-24.6%	114,704	63,507	-44.6%
EBIDTA %	19.9%	15.5%	-4.4 bps	25.9%	17.7%	-8.1 bps
Net Profit (Loss)	5,784	-4,029	-169.7%	56,993	1,755	-96.9%
Net Profit (Loss) %	3.2%	-2.3%	-5.5 bps	12.8%	0.5%	-12.4 bps
Earnings Per Share (SAR)	0.12	(0.08)	-0.20 SAR	1.14	0.04	-1.10 SAR

bps=basis points

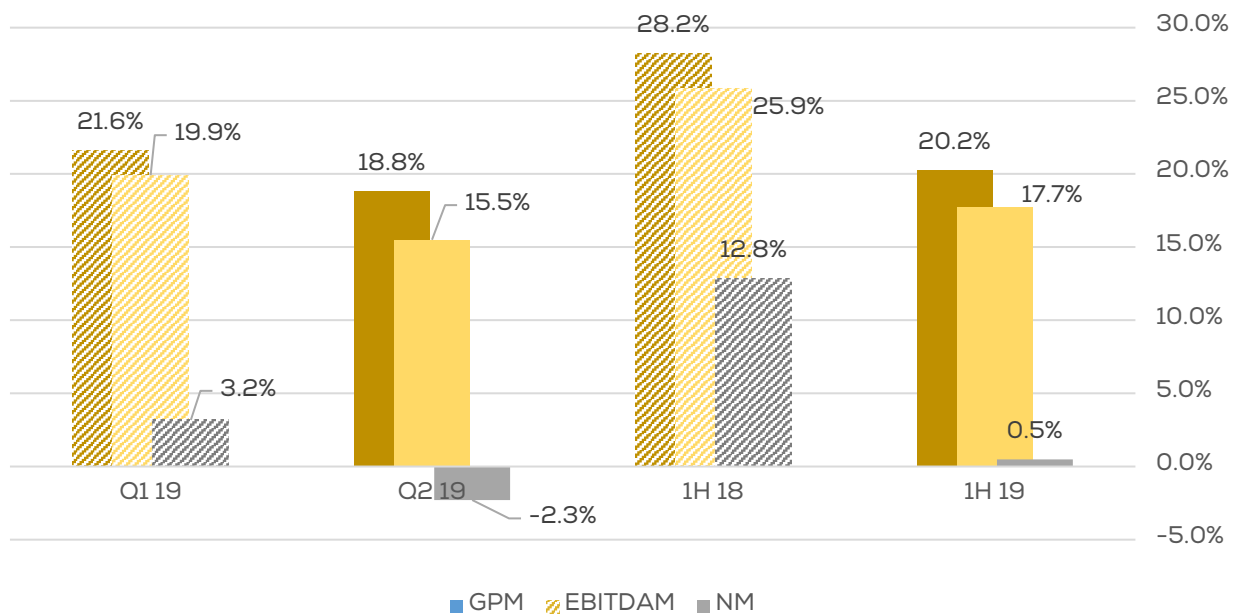
Dr Mohamed Saleh Darweesh, MEPCO Group Chief Financial Officer, commented: "The second quarter's results show the impact of price drops. We are doing every effort to ensure the full optimization of our cost structure while further enhancing our trade flows and debt structure. We secured good cost savings in the raw materials compared to 2018. Working capital need are mostly met through internal cash generation. We are constantly working to restructure our debt situation to arrive at the lowest cost of debt possible. Further cost optimization plans are well underway in the second half of 2019".

1H 2019 | Earnings Release

Revenues, Gross Profit, EBITDA, and Net Profit Trends | (SAR, 000) | QoQ and YoY



Gross Profit Margin, EBITDA Margin, and Net Margin Trends | (SAR, 000) | QoQ and YoY





Debt Structure

As of 30 June 2019 (SAR ,000)

	Jun-19	Jun-18	Change (SAR)	Change %
STL*	139,662	247,995	-108,332	-43.7%
MTL**	539,178	422,758	116,420	27.5%
Total debt	678,840	670,753	8,088	1.2%
Cash Balance	23,102	12,311	124,508	87.6%
Net debt	655,739	658,442	-2,703	-0.4%
Equity	728,068	735,057	-6,989	-1.0%
Debt/Equity (x)	0.93	0.91	0.02	-
Net debt/Equity (x)	0.90	0.90	0.00	-

* STL includes: Notes Payable liability against import bills

** MTL includes: Current Portion of Term Loans

-Ends-

About MEPCO

MEPCO is the leading vertically-integrated paper manufacturer in the Middle East, offering a diverse range of containerboard and specialty paper products for the packaging, construction, furniture and paper core industries worldwide. MEPCO supplies its products to the local Saudi market, as well as the GCC, Middle East and Africa. Its growing global footprint spans 41 countries, including across South Asia, the Americas and Europe.

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

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

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