Middle East Paper Company

شركة الشرق الأوسط لصناعة وإنتاج الورق

Prospectus for Share Issuance with Suspension of Preemptive Rights

Middle East Paper Company (Saudi joint-stock company)

Subscription Period: (3) Business Days

Commencement of the Subscription Period for New Shares: within two (2) Business Days following the approval of the Extraordinary General Assembly for Capital Increase to be held on 19/06/1445H (corresponding to 01/01/2024G)

End of the Subscription Period for New Shares: within four (4) Business Days following the approval of the Extraordinary General Assembly for Capital Increase to be held on 21/06/1445H (corresponding to 03/01/2024G)

Middle East Paper Company (hereinafter referred to as the "**Company**" or the "**Issuer**") is a Saudi public joint-stock company, incorporated as a limited liability company and converted into a joint-stock company by virtue of Council of Ministers Resolution No. 44/Q dated 14/02/1433H (corresponding to 08/01/2012G) and registered under Commercial Register No. 4030131516 issued in Jeddah on 03/07/1421H (corresponding to 30/09/2000G).

Offering of nineteen million nine hundred ninety-nine thousand nine hundred and ninety-nine (19,999,999) new ordinary shares at a nominal value of ten (SAR 10) Saudi Riyals per share, representing an increase of thirty percent (30%) of the Company's current capital, through increasing the Company's capital by way of issuing new cash shares with the suspension of preemptive rights of existing shareholders, to represent 23.08% of the Company's capital post-increase, for a subscription value of thirty-one and a half (SAR 31.50) Saudi Riyals per share, and a total value of six hundred twenty-nine million nine hundred ninety-nine thousand nine hundred sixty-eight and a half (SAR 629,999,968.50) Saudi Riyals.

On 06/05/1421H (corresponding to 06/08/2000G), the Company was incorporated as a limited liability company by Abdulkader Al Muhaidib & Sons Company and Al Muhaidib Holding Company, with a capital of fifteen million (SAR 15,000,000) Saudi Riyals, converted into a joint-stock company by virtue of Council of Ministers Resolution No. 44/Q dated 14/02/1433H (corresponding to 08/01/2012G) and having its head office in Jeddah, Saudi Arabia. The Company and the Public Investment Fund (the "**Targeted Investor**") have entered into a subscription agreement (the terms of which are detailed in Section 8 "**Summary of the Subscription Agreement**" of this Prospectus), whereby the Targeted Investor undertakes to subscribe to the New Shares in consideration for the Subscription Price (the "**Subscription Agreement**"). The price of the New Shares has already been determined and agreed upon in the Subscription Agreement. It should be noted that the Targeted Investor is not a related party in the Company. The Targeted Investor is also classified as an Institutional Client, pursuant to the definitions set out in the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority (the "**Exchange**" or "**Tadawul**"). The Targeted Investor does not own any shares in the Company before the capital increase, and the Targeted Investor will own 23.08% of the Company's capital, after the capital increase.

The New Shares will be issued as tradable securities following the Extraordinary General Assembly for Capital Increase scheduled to be held on 15/06/1445H (corresponding to 28/12/2023G) (the "**Eligibility Date**"). The New Shares will be deposited into the Targeted Investor's portfolio within five (5) to seven (7) Business Days from the Eligibility Date.

Upon the completion of the Capital Increase, the Company's capital will be eight hundred sixty-six million six hundred sixty-six thousand six hundred and fifty (SAR 866,666,650) Saudi Riyals, divided into eighty-six million six hundred and sixty-six thousand six hundred and six hundred sixty-five (86,666,665) ordinary shares with a nominal value of ten (SAR 10) Saudi Riyals per share. The Net Proceeds will be primarily utilized to accelerate strategic growth initiatives including the Paper Mill (PM5), the Tissue Mill (TM6), and the acquisition of a set of assets and shares of existing establishments operating in the field of manufacturing and supply of corrugated boxes, to achieve forward integration and create stable containerboard demand by utilizing the Group's processing capacities (For more information, please refer to Section - 4 "**Use of Proceeds and Future Projects**" of this Prospectus).

All Company shares are of one class, and no share gives its holder preferential rights. The New Shares will be fully paid in value and fully equal in rights and obligations to outstanding shares. Each share entitles its holder to one vote, and each Shareholder in the Company (the "**Shareholder**") has the right to attend and vote at the ordinary and extraordinary general assembly of Shareholders (the "**General Assembly**"). The owner of the New Shares is entitled to any dividends declared by the Company from the date of issuance of the New Shares (For more information, please refer to Section 2 - "**Risk Factors**" of this Prospectus).

Currently, the Company's Current Shares are traded on the Saudi Stock Exchange. The Company has filed an application with the Saudi Capital Market Authority ("**CMA**") in the Kingdom of Saudi Arabia for registering and offering the New Shares. Another application has been submitted by the Company with Tadawul to accept the listing of the New Shares. This Prospectus has been approved as all the required documents have been submitted and all the requirements of the relevant authorities have been fulfilled. (For further information, please refer to page (viii) ("**Key Dates and Subscription Procedures**") of this Prospectus). The Offering Period shall commence two (2) Business Days after the approval of the Extraordinary General Assembly for Capital Increase and shall last for a period of three (3) Business Days. No conditions apply to the Offering, and the New Shares will be subscribed to, in full, by the Targeted Investor.

The Company's current capital is six hundred sixty-six million six hundred sixty-six thousand six hundred and sixty (SAR 666,666,660) Saudi Riyals, divided into sixty-six million six hundred sixty-six thousand six hundred and sixty-six (66,666,666) ordinary shares, with a fully-paid up nominal value of ten (SAR 10) Saudi Riyals per share, all of which are fully paid up.

This Prospectus is an unofficial English translation of the official Arabic Prospectus and is provided for information purposes only. The Arabic Prospectus published on the CMA's website (www.cma.org.sa) remains the only official, legally binding version and shall prevail in the event of any conflict between the two language versions.

On 13/02/1445H (corresponding to 29/08/2023G), the Company's Board of Directors recommended increasing the Company's capital, with the suspension of preemptive rights, by thirty percent (30%) of the Company's current capital, whereby the capital shall be increased from six hundred sixty-six million six hundred sixty-six thousand six hundred and sixty (SAR 666,666,660) Saudi Riyals divided into sixty-six million six hundred and sixty-six thousand six hundred and six hundred sixty-six (66,666,666) ordinary shares with a nominal value of ten (SAR 10) Saudi Riyals per share, to eight hundred sixty-six million six hundred sixty-six thousand six hundred and fifty (SAR 866,666,650) Saudi Riyals, divided into eighty-six million six hundred and sixty-six thousand six hundred and six hundred sixty-five (86,666,665) ordinary shares with a nominal value of ten (SAR 10) Saudi Riyals per share, through an increase of one hundred and ninety-nine million nine hundred and ninety-nine thousand nine hundred and ninety (SAR 199,999,990) Saudi Riyals divided into nineteen million nine hundred ninety-nine thousand nine hundred and ninety-nine (19,999,999) ordinary shares, with a nominal value of ten (SAR 10) Saudi Riyals per share (referred to each as "**New Share**" and collectively as "**New Shares**") (the "**Capital Increase**") at an offer price of thirty-one and a half (SAR 31.50) Saudi Riyals per share, and a total value of six hundred twenty-nine million nine hundred ninety-nine thousand nine hundred sixty-eight and a half (SAR 629,999,968.50) Saudi Riyals (the "**Subscription Price**"). The New Shares will be fully subscribed to by the Targeted Investor, subject to obtaining the necessary regulatory approvals and the approval of the Extraordinary General Assembly for Capital Increase as prescribed in the timeline (the "**Offering**"). It should be noted that the Targeted Investor shall not dispose of the New Shares for a period of two (2) years from the date of their listing in the Saudi Stock Exchange (Tadawul), as per the waiver issued by the Capital Market Authority regarding the Capital Increase (For more information, please refer to Section 9 - "**Waivers**" of this Prospectus).

On 15/06/1445H (corresponding to 28/12/2023G), the Company's Extraordinary General Assembly approved the increase of the Company's share capital through the issuance of new shares with the suspension of the preemptive rights. The Subscription consists of offering nineteen million nine hundred and ninety-nine thousand nine hundred and ninety-nine (19,999,999) new ordinary shares with a nominal value of ten (SAR 10) Saudi Riyals per share, at an Offer Price of thirty-one and a half (SAR 31.50) Saudi Riyals per share, and a total offer value of six hundred twenty-nine million nine hundred ninety-nine thousand nine hundred sixty-eight and a half (SAR 629,999,968.50) Saudi Riyals, which will be fully subscribed to by the Targeted Investor.

The Board of Directors recommended the Capital Increase because it believes it would reinforce the strategic growth initiatives planned by the Company by accelerating, inter alia, the establishment of the Company as a leading national company in Saudi Arabia in the integrated paper and packaging sector and the positioning of the brand name globally; the development of the Group as a key enabler in the waste management and recycling industry, directly contributing to the Saudi Vision 2030; and greater access to resources to consider external growth through value accretive merger and acquisition opportunities beyond its current domain and/or capabilities. Additionally, the Board of Directors believes that the Capital Increase will boost the Company's efforts to strengthen its shareholder base and allow minority shareholders to be part of a larger market player, with a higher market capitalization, which in turn would help with the positioning of the Company's brand globally. The members of the Company's Board of Directors also affirm that the Capital Increase will be in the interest of the Issuer and its shareholders.

It is important to carefully read the entirety of the Prospectus, together with the "**Important Notice**" on page (i) and Section 2-"**Risk Factors**" of this Prospectus, prior to making a decision to invest in the New Shares offered hereunder.

Financial Advisor and Lead Manager

SNB Capital

This Prospectus includes information provided as part of the application for registration and offer of securities in compliance with the Rules on the Offer of Securities and Continuing Obligations of the Capital Market Authority of the Kingdom of Saudi Arabia (the "**Authority**") and the application for listing of securities in compliance with the Listing Rules of the Saudi Stock Exchange. The Directors, whose names appear herein, collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The Authority and the Saudi Stock Exchange Company do not take any responsibility for the contents of this Prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. If any of the contents of this Prospectus is difficult to understand, a licensed financial advisor must be consulted.

This Prospectus was issued on 20/05/1445H (corresponding to 04/12/2023G).

MEPCO

Middle East Paper Company

شركة الشرق الأوسط لصناعة وإنتاج الورق

IMPORTANT NOTICE

This Prospectus (the "**Prospectus**") contains detailed information relating to the Company and the Capital Increase. In subscribing to the New Shares, the Targeted Investor shall be treated as applying on the basis of the information contained in this Prospectus, copies of which are available at the head office of the Company or the Financial Advisor, or by visiting the Company's website (www.mepco.biz), the Financial Advisor's website (www.alahlicapital.com), or the CMA's website (www.cma.org.sa).

The Prospectus will be published and made available to the public no less than (14) days prior to the date of the Extraordinary General Meeting held regarding the Capital Increase. In the event that the Extraordinary General Meeting does not approve the Capital Increase within six (6) months from the date of the CMA's approval of registering and offering the New Shares, such approval given by the CMA shall be deemed to be canceled.

The Company has appointed SNB Capital Company as a financial advisor (the "**Financial Advisor**") and lead manager (the "**Lead Manager**") regarding the Capital Increase under this Prospectus.

This Prospectus includes information provided in compliance with the Rules on the Offer of Securities and Continuing Obligations issued by the board of the CMA pursuant to Resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G), as amended. The members of the Board of Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable inquiries that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The CMA or Tadawul will not take any responsibility for the contents of this Prospectus, will not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

The information contained in this Prospectus as at the date hereof, is subject to change. In particular, the financial position of the Company and the value of Offer Shares may be adversely affected by future developments such as inflation, interest rates, taxation, or other economic, political and other factors, over which the Company has no control (For more information, please refer to Section 2 - "**Risk Factors**" of this Prospectus). Neither this Prospectus nor any oral or written communication in relation to the Capital Increase is intended to be, nor should be construed as, or relied upon in any way as a promise or representation as to future earnings, results, or events.

This Prospectus should not be regarded as a recommendation by the Company or any of its Directors or Advisers, to participate in the subscription process to the New Shares. Moreover, the information provided in this Prospectus is of a general nature and has been prepared without taking into account the Targeted Investor's investment objectives. Prior to making an investment decision, the Targeted Investor shall obtain independent professional advice from a financial adviser licensed by CMA in relation to subscribing for the New Shares in order to assess the appropriateness of investment opportunity and information herein, with regard to the Targeted Investor's objectives, financial position, and needs.

The Subscription Period shall commence within two (2) Business Days following the approval of the Extraordinary General Assembly for Capital Increase scheduled to be on 15/06/1445H (corresponding to 28/12/2023G), and shall continue for three (3) Business Days.

The offering of the New Shares under this Prospectus is contingent on the Shareholders' approval of the Capital Increase, in accordance with the Board's recommendation and the Company's obtaining regulatory approvals. An invitation was sent to hold an Extraordinary General Assembly for Capital Increase on 23/05/1445H (corresponding to 07/12/2023G). The Shareholders should note that if their approval is not obtained to increase the capital, the issuance and offering of the New Shares will automatically stop. In such case, this Prospectus shall be considered void and the Shareholders will be notified accordingly.

FINANCIAL INFORMATION

The consolidated financial statements of Middle East Paper Company and its subsidiaries (the "**Group**") have been audited for the financial years ended 31 December 2021G and 2022G, and the interim condensed unaudited financial statements for the six-month period ended 30 June 2022G and 2023G have been audited by the independent auditor Ernst & Young Professional Services (Professional LLC).

The Company's financial statements for the financial years ended 31 December 2021G and 2022G, in addition to the notes thereto were prepared in accordance with the International Financial Reporting Standards (IFRS) as approved in the Kingdom of Saudi Arabia, and other standards and issues approved by the Saudi Organization for Chartered and Professional Accountants (SOCPA) (together referred to as the "International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia"). The unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G and 2023G were prepared in accordance with International Accounting Standard 34 (Initial Financial Report) approved in the Kingdom of Saudi Arabia, and other standards and issuances approved by the Saudi Organization for Chartered and Professional Accountants (SOCPA) (together referred to as the "International Accounting Standard 34 (Interim Financial Report) approved in the Kingdom of Saudi Arabia").

The Company issues its financial statements in Saudi Riyals. Some of the financial and statistical information contained in this Prospectus has been rounded, and accordingly, if the numbers indicated in the tables are added, their sum may not correspond to the totals set forth in this Prospectus.

FORECASTS AND FORWARD-LOOKING STATEMENTS

The forward-looking statements contained in this Prospectus have been assumed based on the Company's market experience as well as publicly advertised and publicly available market information. The Company's future circumstances may differ from the assumptions used, and therefore there is no warranty or representation as to the accuracy or completeness of any such forecast.

Certain statements in this Prospectus constitute "forward-looking statements". Such statements can be identified by their use of forward-looking words such as "will", "may", "plans", "intends", "estimates", "believes", "expects", "anticipates", "should", "would be", or the negative or other variation of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company and its management with respect to future events and are not a guarantee or confirmation of the Company's future performance. Many factors could cause the actual results, performance, or achievements of the Company to be significantly different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements. The most important risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (please refer to Section 2 - "**Risk Factors**" of this Prospectus). Should any of these risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated, planned, or expected.

Subject to the requirements of the Rules on the Offer of Securities and Continuing Obligations, the Company must submit a supplementary prospectus to the CMA if, at any time after the Prospectus has been approved by the CMA and before listing its shares on Tadawul, the Company becomes aware that: (i) there has been a significant change in material matters contained in this Prospectus, or (ii) additional important matters that should have been included in this Prospectus.

Except for both aforementioned circumstances, the Company does not intend to update or otherwise revise any forward-looking statements in this Prospectus, whether as a result of new information, future events, or otherwise. As a result of the above, other risks, uncertainties, and assumptions, the forward-looking events, and future circumstances discussed in this Prospectus might not occur in the way the Company expects, or not occur at all. The Targeted Investor should consider all forward-looking statements in light of these explanations and should not primarily rely on forward-looking statements.

Company Directory

Address of the Company and Delegated Representatives	
Company Address	
Middle East Paper Company Prince Mohammed bin Abdulaziz Street, Al Andalus Unit No: 45 P.O. Box: 32913, Jeddah 23326 Kingdom of Saudi Arabia Tel: +966 (12) 638 0111 Fax: +966 (12) 638 9111 Website: www.mepco.biz Email: info@mepco.biz	
Company Representatives	
Musaab Sulaiman Abdulqader Al Muhaidib **Chairman** Work Tel: +966 (12) 256 9600 Fax: +966 (12) 638 9111 Work Address: Prince Muhammad bin Abdulaziz Street, Al Andalus Unit No: 45 P.O. Box: 32913, Jeddah 23326 Kingdom of Saudi Arabia Email: musaab@mbm.com.sa	**Sami Ali Yousef AlSafran** **CEO** Tel: +966 (12) 638 0111 Fax: +966 (12) 638 9111 Work Address: Prince Muhammad bin Abdulaziz Street, Al Andalus Unit No: 45 P.O. Box: 32913, Jeddah 23326 Kingdom of Saudi Arabia Email: safran@mepco.biz
Stock Exchange	
Saudi Exchange King Fahad Road - Olaya 6897 P.O. Box 3388 Riyadh 12211 Kingdom of Saudi Arabia Tel: +966 (92) 000 1919 Fax: +966 (11) 218 9133 Website: www.saudiexchange.sa Email: csc@saudiexchange.sa	
Securities Depository Center Company (Edaa)	
Securities Depository Center Company (Edaa) King Fahad Road - Olaya 6897 Unit No. 11 P.O. Box 3388 Riyadh 12211 Kingdom of Saudi Arabia Tel: +966 (92) 0026000 Fax: +966 (11) 218 9133 Website: www.edaa.sa Email: cc@edaa.sa	

Advisors and Auditors
Financial Advisor and Lead Manager
SNB Capital Company King Saud Road, SNB Regional Building P.O. Box 22216 Riyadh 11495 Saudi Arabia Tel: + 966 (92)0000232 Fax: +966 (11)4060052 Website: www.alahlicapital.com Email: snbc.cm@alahlicapital.com
Legal Advisor
Abdulaziz bin Ibrahim AlAjlan & Partners, Lawyers and Legal Advisors Al Olayan Complex, Tower II, third floor Al Ahsa Street, Al Malaz P.O. Box: 69103 Riyadh 11547 Kingdom of Saudi Arabia Tel: +966 11 265 8900 Fax: + 966 11 265 8999 Website: www.legal-advisors.com Email: legal.advisors@legal-advisors.com
Independent Auditor
Ernst & Young Professional Services (Professional LLC) King Road Tower - thirteenth floor King Abdulaziz Road (King Road) P.O. Box: 1994 Jeddah 21441 Kingdom of Saudi Arabia Tel: +966 (12) 222 8400 Fax: +966 (12) 664 4408 Website: ey.com Email: ey.ksa@sa.ey.com

Note:

All the above-mentioned Advisors, Lead Manager, and Independent Auditor have provided, and have not withdrawn, their written consent (as appropriate), as at the date of this Prospectus, to the publication of their names, logos and statements attributed to them in the context in which they appear in this Prospectus. As at the date of this Prospectus, all these parties and their employees who are part of the work team providing services to the Company or its Subsidiaries hold no shareholding or interest of any kind in the Company or its Subsidiaries which would impair their independence.

Summary of the Offering

This Summary is intended to provide a brief overview of the information contained in this Prospectus. As such, it does not contain all of the information that may be important to the Shareholders and the Targeted Investor. Accordingly, the Targeted Investor should carefully read the entirety of the Prospectus prior to making a decision to invest in the New Shares offered hereunder. In particular, it is important to carefully consider Section 1- "**Important Notice**" and Section 2 - ("**Risk Factors**") of this Prospectus. The following is a summary of the Offering:

<table>
<tr><td>Issuer's Name, Description, and Information of Incorporation</td><td>Middle East Paper Company was incorporated as a limited liability company, registered under Commercial Register No. 4030131516 on 03/07/1421H (corresponding to 30/09/2000G), with a capital of fifteen million (SAR 15,000,000) Saudi Riyals. The Company was then converted into a closed joint-stock company by virtue of Council of Ministers Resolution No. 44/Q dated 14/02/1433H (corresponding to 08/01/2012G). The Company's head office is in Jeddah, Saudi Arabia. The Company's current capital is six hundred sixty-six million six hundred sixty-six thousand six hundred and sixty (SAR 666,666,660) Saudi Riyals, divided into sixty-six million six hundred sixty-six thousand six hundred and sixty-six (66,666,666) ordinary shares.</td></tr>
<tr><td>Issuer's Activities</td><td>The Company's current main activity is the manufacture of containerboard grades (test liner, high-performance fluting, white top test liner, Kraft liner board, and Semi-Chemical Fluting (SCF)) along with other grades of industrial paper (core board, plasterboard liner, and superabsorbent Kraft) and recycling.
The activities of the Company, as set out in its Bylaws, include the following:
1- Manufacture of Kraft liner board and high-performance fluting, under License No. P/1500 dated 28/11/1420H, issued by the Ministry of Industry and Electricity (Ministry of Commerce and Industry).
2- Manufacture of paper products from:
- Pulp.
- Production of boxes, containers, and cartons.
- Paper tissues.
- Cardboard.
- Writing and printing paper.
- Sensitized paper.
- Printing books, magazines, and newspapers.
- Printing calendars and results.
- Printing advertisements and maps.
3- Wholesale and retail of paper and paper products, stationery, advertising materials, teaching aids, books, and publications.
4- Wholesale, retail, and transportation of water purifiers and building materials.
5- Purchase of real property and land to construct buildings thereon, and invest such buildings and real property by way of selling and renting them for the Company's benefit.</td></tr>
<tr><td>Substantial Shareholder</td><td>The following table sets out the number of shares and ownership of the Substantial Shareholder (who owns 5% or more of the Company's shares) in the Company, as at the date of this Prospectus pre- and post-Offering:
Table (1.1): Ownership of the Substantial Shareholder in the Company
<table>
<tr><th rowspan="2">Shareholder</th><th colspan="2">Ownership Pre-Capital Increase (Direct)</th><th colspan="2">Ownership Post-Capital Increase (Direct)</th></tr>
<tr><th>Number of Shares</th><th>Ownership (%)</th><th>Number of Shares</th><th>Ownership (%)</th></tr>
<tr><td>Abdulkader Al Muhaidib & Sons Company (closed joint-stock)</td><td>8,965,200</td><td>13.45%</td><td>8,965,200</td><td>10.34%</td></tr>
</table>
Source: Tadawul and the Company, as at 20/05/1445H (corresponding to 04/12/2023G)</td></tr>
<tr><td>Nature of the Offering</td><td>Increase of the Issuer's capital by thirty percent (30%) with the suspension of preemptive rights, by way of issuing and offering nineteen million nine hundred ninety-nine thousand nine hundred and ninety-nine (19,999,999) ordinary shares, with a nominal value of ten (SAR 10) Saudi Riyals per share, at an Offer Price of thirty-one and a half (SAR 31.50) Saudi Riyals per share, and a total offer value of six hundred twenty-nine million nine hundred ninety-nine thousand nine hundred sixty-eight and a half (SAR 629,999,968.50) Saudi Riyals, which will be fully subscribed to by the Targeted Investor, during two (2) to five (5) Business Days after obtaining the approval of the Extraordinary General Assembly for Capital Increase.</td></tr>
</table>

<table>
<tr><td>Offering</td><td>Issue nineteen million nine hundred ninety-nine thousand nine hundred and ninety-nine (19,999,999) new ordinary shares, with the suspension of preemptive rights, at a total of six hundred twenty-nine million nine hundred ninety-nine thousand nine hundred sixty-eight and a half (SAR 629,999,968.50) Saudi Riyals, which will be fully subscribed to by the Targeted Investor.</td></tr>
<tr><td>Offering Period</td><td>The Subscription Period will last for three (3) Business Days, and will commence two (2) Business Days following the date of the approval of the Extraordinary General Assembly for Capital Increase.</td></tr>
<tr><td>Subscription Agreement</td><td>On 13/01/1445H (corresponding to 31/07/2023G), the Company and the Targeted Investor entered into a Subscription Agreement, under which the Targeted Investor shall subscribe to all New Shares, after fulfilling the conditions precedent stipulated in the Subscription Agreement, including the approval of the Extraordinary General Assembly for Capital Increase. (For more information, please refer to Section 8.2.2 - "Conditions Precedent" of this Prospectus)</td></tr>
<tr><td>Purpose of the Capital Increase with the Suspension of Preemptive Rights</td><td>The purpose of the Capital Increase is to reinforce the strategic growth initiatives planned by the Company by accelerating, inter alia, the establishment of the Company as the national leading in Saudi Arabia for the integrated paper and packaging industry and the positioning of the brand name globally; the development of the Company as a key enabler in the waste management and recycling industry, directly contributing to the Saudi Vision 2030; and greater access to resources to consider external growth through value accretive merger and acquisition opportunities beyond its current domain or capabilities.</td></tr>
<tr><td>Offering Costs</td><td>The Company shall bear all expenses associated with the Capital Increase, which are estimated at approximately ten million ninety thousand four hundred and fifty-seven Saudi Riyals nine and nine halalas (SAR 10,090,457.09) Saudi Riyals not including VAT, which shall not be paid from the Offering Proceeds. Such expenses will be deducted from the total Offering Proceeds of six hundred twenty-nine million nine hundred ninety-nine thousand nine hundred sixty-eight and a half (SAR 629,999,968.50) Saudi Riyal. Such amounts include the fees of the Financial Advisor, Lead Manager, Legal Advisor, and Independent Auditor, as well as other related expenses (for more information, please refer to Section 4 - ("Use of Proceeds and Future Projects") of this Prospectus).</td></tr>
<tr><td>Total Estimated Proceeds, Analysis and Description of its Recommended Use</td><td>The Total Proceeds from the offering of the New Shares shall be six hundred and twenty-nine million nine hundred and ninety-nine thousand nine hundred and sixty-eight and a half (SAR 629,999,968.50) Saudi Riyals, ten million ninety thousand and four hundred and fifty-seven and nine halalas (SAR 10,090,457.09) Saudi Riyals not including VAT, which shall not be paid from the Offering Proceeds, shall be used to satisfy all Offering-related costs, including Financial Advisor, Lead Manager, Legal Advisor, and Independent Auditor, as well as other Offering-related expenses; while the Net Proceeds from the Offering after subtracting Offering Costs are expected to be six hundred and nineteen million nine hundred and nine thousand five hundred and eleven and forty-one halalas (SAR 619,909,511.41) Saudi Riyals, which shall be mainly used to accelerate strategic growth initiatives to be taken by the Company, by enabling the Group to achieve several plans much more quickly, including the Paper Mill (PM5), the Tissue Mill (TM6) and the acquisition of a set of assets and shares of existing establishments operating in the field of manufacturing and supply of corrugated boxes, to achieve forward integration and create stable containerboard demand by own converting processing capacities. Net Proceeds shall be used as follows:
<table>
<tr><th colspan="2">Activity</th><th>Amounts allocated from Net Proceeds (SAR)</th></tr>
<tr><td rowspan="3">PM5</td><td>Land allocation</td><td>50.000,000.00</td></tr>
<tr><td>Main Equipment Contracts</td><td>124,806,124.00</td></tr>
<tr><td>PM5 Subtotal</td><td>174,806,124.00</td></tr>
<tr><td rowspan="4">TM6</td><td>Main Equipment Contracts</td><td>90,000,000.00</td></tr>
<tr><td>Building Construction</td><td>40,000,000.00</td></tr>
<tr><td>Equipment Installation</td><td>23,978,495.76</td></tr>
<tr><td>TM6 Subtotal</td><td>153,978,495.76</td></tr>
<tr><td></td><td>Acquisition of a set of assets and shares of existing establishments operating in the field of manufacturing and supply of corrugated boxes to achieve forward integration acquisition</td><td>291,124,891.65</td></tr>
<tr><td colspan="2">Total</td><td>619,909,511.41</td></tr>
</table>
(For more information, please refer to Section 4- ("Use of Proceeds and Future Projects") of this Prospectus).</td></tr>
<tr><td>Company's Capital</td><td>Six hundred sixty-six million six hundred sixty-six thousand six hundred and sixty (SAR 666,666,660) Saudi Riyals.</td></tr>
<tr><td>Total Number of Company's Shares</td><td>Sixty-six million six hundred sixty-six thousand six hundred and sixty-six (66,666,666) ordinary fully paid-up shares.</td></tr>
</table>

Company's Capital Post-offering	Eight hundred sixty-six million six hundred sixty-six thousand six hundred and fifty (SAR 866,666,650) Saudi Riyals.
Total Number of Issuer's Shares Post the Offering	Eighty-six million six hundred sixty-six thousand six hundred and sixty-five (86,666,665) ordinary shares.
Nominal Value Per Share	Ten Saudi Riyals (SAR 10) per share.
Total Number of New Shares Offered for Subscription	Nineteen million nine hundred ninety-nine thousand nine hundred and ninety-nine (19,999,999) ordinary shares, to be fully subscribed to by the Targeted Investor.
Percentage of New Shares Offered to the Capital	30%.
Percentage of New Shares Offered to the Capital Post the Capital Increase	23.08%.
New Shares	Nineteen million nine hundred ninety-nine thousand nine hundred and ninety-nine (19,999,999) ordinary shares.
Offering Price	Thirty-one and a half (SAR 31.50) Saudi Riyals per share.
Total Offering Value	Six hundred twenty-nine million nine hundred ninety-nine thousand nine hundred sixty-eight and a half (SAR 629,999,968.50) Saudi Riyals.
Targeted Investor and Category Thereof	The Public Investment Fund (PIF), a sovereign wealth fund established in 1391H pursuant to the Public Investment Fund Law promulgated by Royal Decree No. M/92 dated 12/08/1440H, as amended, with its head office located in Riyadh, Kingdom of Saudi Arabia. The Targeted Investor is also classified as an Institutional Client, pursuant to the definitions set out in the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority.
Issuance of Shares with Suspension of Preemptive Rights	Offering additional shares with the suspension of the Shareholders' preemptive rights.
Entitlement to Dividends of the New Shares	The Targeted Investor shall be entitled to any dividends declared by the Company as of the date of subscribing to the New Shares.
Voting Rights in the New Shares	All Company shares are of one class, and no share gives its holder preferential rights. The New Shares will be fully paid in value and exactly equal to the outstanding shares. Each share entitles its holder to one vote at the Ordinary and Extraordinary General Assembly of Shareholders, where cumulative voting shall be used to elect the members of the Board of Directors. General assembly meetings may be held with Shareholders participating in deliberations and voting by modern technological means in accordance with the controls set by the competent authority.
Restrictions on the New Shares (Lock-Up Period)	The Targeted Investor shall not dispose of the New Shares for a period of two (2) years from the date of their listing on the Saudi Exchange, as per the waiver issued by the Capital Market Authority regarding the Capital Increase (for more information, please refer to Section 9 - ("**Waivers**") of this Prospectus).
Percentage Decrease in the Ownership of the Company's Current Shareholders due to the Capital Increase for the purpose Disclosed in the Prospectus	23.08%.

Shares Previously Listed by the Issuer	On 19/06/1436H (corresponding to 08/04/2015G), the Company listed and registered fifteen million (15,000,000) ordinary shares on the Saudi Stock Exchange, offered through an initial public offering, representing thirty percent (30%) of the then-current Company's share capital. During its meeting held on 30/04/1444H (corresponding to 24/11/2022G), the Extraordinary General Assembly approved the recommendation of the Board of Directors regarding the increase of the Company's capital by one hundred sixty-six million six hundred sixty-six thousand six hundred and sixty (SAR 166,666,660) Saudi Riyals, through a bonus issue of shares to the Company's Shareholders. The Company's capital was then increased to six hundred sixty-six million six hundred sixty-six thousand six hundred and sixty (SAR 666,666,660) Saudi Riyals, divided into sixty-six million six hundred sixty-six thousand six hundred and sixty-six (66,666,666) ordinary shares, which is the Company's current capital.
Risk Factors	Investing in this Offering involves certain risks, which can be categorized into: (i) risks related to the Company's Operations, (ii) risks related to the market and sector (iii) risks related to the New Shares, and (iv) risks related to change in the ownership of current shareholders and associated reduction of voting power (please refer to Section 2 - "**Risk Factors**" of this Prospectus).
Material Changes to the Information Disclosed in the Latest Prospectus	The CMA approved the publication of the Company's latest prospectus on 25/05/1436H (corresponding to 16/03/2015G). The material changes include: **Date – Material Change** 2020G – The Company announced the establishment of a factory for manufacturing raw tissue paper rolls and sanitary paper. 2021G – The Company signed a SAR 123 million agreement to manufacture and supply a raw tissue rolls production line. 2021G – WASCO signed a partnership agreement with Jeddah Development & Urban Regeneration Co. to establish a limited liability, commercial company, to develop the waste management market in Jeddah and its suburbs, by establishing and operating recyclable materials transfer centers operating under the framework of the management of recyclable municipal commercial waste in the province of Jeddah. 2022G – The Company announced the commencement of the interim procedures for establishing a cardboard factory with a production capacity of 400,000 tons annually, at a projected investment of nearly SAR 1.5 billion.

Note: It is important to carefully consider the "**Important Notice**" on page (i) and Section 2 ("**Risk Factors**") set forth herein prior to making any investment decision in the New Shares.

The Capital Increase is contingent on the Shareholder's approval of the Capital Increase at the Extraordinary General Assembly for Capital Increase.

Key Dates and Subscription Procedures

Table (1.2): Expected Timeline of New Shares' Registration and Offering

Event	Date
1- **Procedures related to the Extraordinary General Assembly for Capital Increase**	
Saudi Exchange's approval, conditional on CMA's approval	11/04/1445H (corresponding to 26/10/2023G).
CMA's Approval of the Capital Increase	20/05/1445H (corresponding to 04/12/2023G).
Announcement on the CMA's website regarding calling the Extraordinary General Assembly for Capital Increase to convene (with reference to the possibility of holding a second meeting one hour after the specified period for the first meeting if the legal quorum required for the first meeting is not met)	23/05/1445H (corresponding to 07/12/2023G).
Publication of the Prospectus	23/05/1445H (corresponding to 07/12/2023G).
Providing access to Documents Available for Inspection	From 23/05/1445H (corresponding to 07/12/2023G) until the date of the Extraordinary General Assembly for Capital Increase (Sunday to Thursday, from 9:00 AM to 5:00 PM, excluding official holidays in the Kingdom).
Commencement of the electronic voting period for Shareholders in the Extraordinary General Assembly regarding the Capital Increase.	11/06/1445H (corresponding to 24/12/2023G).

Event	Date
Convening the Extraordinary General Assembly for Capital Increase (First Meeting). The legal quorum is met with the presence of a number of Shareholders representing at least half of the Company's capital	15/06/1445H (corresponding to 28/12/2023G).
Convening the Extraordinary General Assembly for Capital Increase (Second Meeting). The legal quorum is met with the presence of a number of Shareholders representing at least one quarter of the Company's capital	15/06/1445H (corresponding to 28/12/2023G).
Publishing the decision to increase the capital and other resolutions adopted during the first or second meeting of the Extraordinary General Assembly for Capital Increase on the CMA's website, (or announcing the non-occurrence of the Extraordinary General Assembly for Capital Increase in case the legal quorum is not met)	18/06/1445H (corresponding to 31/12/2023G).
2- Procedures in the event that the legal quorum is not met for the first and second meetings of the Extraordinary General Assembly for Capital Increase	
Announcement on the CMA's website regarding the invitation to the third meeting of the Extraordinary General Assembly for Capital Increase	19/06/1445H (corresponding to 01/01/2024G).
Commencement of the electronic voting period for Shareholders in the third meeting of the Extraordinary General Assembly for Capital Increase	06/07/1445H (corresponding to 18/01/2024G).
Convening the third meeting of the Extraordinary General Assembly regarding the Capital Increase. The legal quorum for the third meeting of the Extraordinary General Assembly for Capital Increase shall be satisfied regardless of the number of shares represented thereat	10/07/1445H (corresponding to 22/01/2024G).
Publishing on the CMA's website the decision to increase the capital and other resolutions adopted during the third meeting of the Extraordinary General Assembly for Capital Increase	11/07/1445H (corresponding to 23/01/2024G).
3- Procedures in the event the Extraordinary General Assembly for Capital Increase approves the Capital Increase and other related resolutions	
Announcement of the Subscription Period for New Shares	One (1) Business Day following the date of approval of the Extraordinary General Assembly for Capital Increase.
Commencement of the Subscription Period for New Shares	Two (2) Business Days following the date of approval of the Extraordinary General Assembly for Capital Increase.
End of the Subscription Period for New Shares	Four (4) Business Days following the date of approval of the Extraordinary General Assembly for Capital Increase.
Announcing the results of the New Shares subscription	After completion of all subscription procedures for the New Shares by the Targeted Investor, which is expected to take place five (5) Business Days following the date of approval of the Extraordinary General Assembly for Capital Increase.
Announcement by the Securities Depository Center of the deposit of the New Shares in the portfolio of the Targeted Investor.	Within Five (5) to seven (7) Business Days following the date of approval of the Extraordinary General Assembly for Capital Increase, with the suspension of the preemptive rights
Announcing the amendment of the Bylaws and Commercial Register	The Company shall submit a request to the Ministry of Commerce to amend the Commercial Register and the Bylaws after completing the Capital Increase.
Expected date for commencement of trading in the New Shares	Trading in the New Shares shall commence upon the completion of all related regulatory procedures for listing the New Shares. Trading will be announced later through the Tadawul website (www.saudiexchange.sa).

Note: All the above-mentioned dates are approximate. Actual dates will be communicated on the website of Tadawul (www.saudiexchange.sa).

Table (1.3): Key Announcement Dates

	Announcement	Announcer	Announcement Date
In the event that the Extraordinary General Assembly for Capital Increase is convened in the first meeting or the second meeting	Announcement on the CMA's website regarding the invitation to the Extraordinary General Assembly for Capital Increase (with the possibility of holding a second meeting one hour after the specified period for the first meeting, in the event that the legal quorum required for the first meeting is not met)	The Company	23/05/1445H (corresponding to 07/12/2023G).
	Publication on the CMA's website of the resolution to increase the capital and other resolutions adopted during the first or second meeting of the Extraordinary General Assembly for Capital Increase (or announcement of the non-convening of the Extraordinary General Assembly for Capital Increase in the event that the legal quorum is not met)	The Company	18/06/1445H (corresponding to 31/12/2023G).
In the event of convening the Extraordinary General Assembly for Capital Increase during the third meeting	Announcement on the CMA's website of the call for the third meeting of the Extraordinary General Assembly for Capital Increase	The Company	19/06/1445H (corresponding to 01/01/2024G).
	Publication on the CMA's website of the resolution to increase the capital and other resolutions taken in the third meeting of the Extraordinary General Assembly for Capital Increase	The Company	11/07/1445H (corresponding to 23/01/2024G).
Announcement of the Subscription Period for New Shares		The Company	• 18/06/1445H (corresponding to 31/12/2023G) in the event that the Extraordinary General Assembly for Capital Increase is convened in the first meeting or the second meeting. • 11/07/1445H (corresponding to 23/01/2024G) in the event of convening the Extraordinary General Assembly for Capital Increase during the third meeting.
Announcement regarding the results of the subscription in the New Shares		The Company	Takes place after all New Shares subscription procedures are completed by the Targeted Investor
Announcing the amendment of the Bylaws and Commercial Register		The Company	Takes place after all New Shares subscription procedures are completed by the Targeted Investor, which is expected to take place five (5) Business Days following the date of approval of the Extraordinary General Assembly for Capital Increase, with the suspension of the preemptive rights
Announcing the completion of subscription and deposit of New Shares into the Targeted Investor's portfolio		Securities Depository Center Company (Edaa)	Trading in the New Shares shall commence upon the completion of all related regulatory procedures for listing the New Shares. Trading will be announced later through the Tadawul website (www.saudiexchange.sa).

Note: All of the above-mentioned dates are indicative. Actual dates will be communicated on Tadawul's website (www.saudiexchange.sa). In addition, the date of depositing the New Shares into the Targeted Investor's portfolio will be determined in coordination with the Securities Depository Center Company (Edaa).

It should also be noted that in the event that an announcement related to the Offering is published in a local newspaper after the Prospectus has been published, per Article 51 (e) of the Rules on the Offer of Securities and Continuing Obligations, the announcement will include:

1- The issuer's name and commercial registration number.
2- The securities and their value, type, and class covered by the securities registration and offering application.
3- Websites where the public can obtain the Prospectus.
4- The date of publication of the Prospectus.
5- A statement that the announcement is for information purposes only and does not constitute an invitation or an offer to own the securities by purchasing or subscribing thereto.
6- Name of the Lead Manager, Financial Advisor and Legal Advisor.
7- A disclaimer as follows: "The Capital Market Authority and the Saudi Exchange do not assume any responsibility for the contents of this announcement, nor do they give any representations regarding its accuracy or completeness, and they expressly disclaim any responsibility for any loss they have suffered as a result of what is contained in this announcement or from reliance on any part thereof".

Summary of Key Information

This summary is a brief overview of the information contained in this Prospectus but does not contain all of the information that may be of interest to the Targeted Investor. Therefore, the Targeted Investor should read the entire Prospectus before making a decision as to whether or not to invest in the New Shares. All terms contained in this Prospectus have been defined in Section 1 - "**Terms and Definitions**" as well as in other sections.

Company Overview

History and Incorporation

Middle East Paper Company is a Saudi public joint-stock company, established by virtue of Council of Ministers Resolution No. 44/Q dated 14/02/1433H (corresponding to 08/01/2012G) and registered under Commercial Register No. 4030131516 issued in Jeddah on 03/07/1421H (corresponding to 30/09/2000G).

On 06/05/1421H (corresponding to 06/08/2000G), the Company was incorporated as a limited liability company by Abdulkader Al Muhaidib & Sons Company and Al Muhaidib Holding Company, with a capital of fifteen million (SAR 15,000,000) Saudi Riyals, having its head office in Jeddah, Saudi Arabia.

The Company's current capital is six hundred sixty-six million six hundred sixty-six thousand six hundred and sixty (SAR 666,666,660) Saudi Riyals, divided into sixty-six million six hundred sixty-six thousand six hundred and sixty-six (66,666,666) ordinary shares, with a fully paid-up nominal value of ten (SAR 10) Saudi Riyals per share.

Substantial Shareholder

As of the date of this Prospectus, the Company's Substantial Shareholder, who owns directly or indirectly 5% or more of the Company's shares, is Abdulkader Al Muhaidib & Sons Company (closed joint-stock). The following table sets out the Substantial Shareholder's number of shares and ownership in the Company:

Table (1.4): Ownership of the Substantial Shareholder in the Company

	Shareholder	Number of Shares	Ownership (%)
1	Abdulkader Al Muhaidib & Sons Company (Closed Joint-Stock)	8,965,200	13.45%

Source: Tadawul and the Company, as at 20/05/1445H (corresponding to 04/12/2023G).

Board of Directors

Table (1.5): Members of the Company's Board of Directors

Name	Position	Nationality	Capacity
Musaab Sulaiman Al Muhaidib	Chairman of the Board	Saudi	Non-independent – Non-Executive
Abdullah Abdulrahman Al-Muammar	Deputy Chairman of the Board	Saudi	Non-independent – Non-Executive
Robertus Johannes Antonius Reynders	Board member	Dutch	Independent – Non-Executive
Walid Abdulrahman Al-Manea	Board member	Saudi	Independent – Non-Executive
Rakan Mohamed Abunayyan	Board member	Saudi	Independent – Non-Executive
Emad Abdulkadir Al Muhaidib	Board member	Saudi	Non-independent – Non-executive
Victor Saenz Martinez	Board member	Spanish	Independent – Non-Executive
Hawazen Nazih Nassif	Board member	Saudi	Independent – Non-Executive

Under the Subscription Agreement, the Targeted Investor shall have the right to nominate two (2) members to the Board of Directors and the Executive Committee of the Company (for more information, please refer to Section 8.2.2.3 - "**Targeted Investor Conditions**" of this Prospectus). Therefore, two members of the Company's current Board of Directors mentioned above will resign in order to appoint the Targeted Investor's nominees in their place.

Summary of the Company’s Activities and Products

The Company provides a diverse range of services in the containerboard and industrial paper manufacturing sector, and recycling, including containerboard grades (test liner, high-performance fluting, Kraft liner board, Semi-Chemical Fluting (SCF)) along with other grades of industrial paper (core board, superabsorbent Kraft, and plasterboard liner). The Company strives to provide high-quality products to its clients, contribute to environmental preservation, and meet the ever-changing market needs.

Company’s Mission, Strategy, and Values

Company’s Vision

To be the leading company in the field of sustainable products manufactured in the Kingdom and the largest contributor to the circular paper economy, ensuring sustainable growth and maximizing stakeholder value.

Company’s Mission

The Company aims to lead the industry in sustainability, innovation, and quality, while maintaining its commitment to ethical and safe business practices. Additionally, through its diverse and talented team, the Company aims to provide cost-effective solutions that enhance customer value and benefit the environment. The Company strives to maintain pride in its high-quality products made from recycled fibers, which it produces for the industries it serves for the coming decades in the Kingdom, MENA markets, and globally.

Company’s Strategy

The Company's strategic objective is to become the leading containerboard manufacturer in the Middle East. This is achieved through:

- Being a strategic market partner offering local and global end-to-end solutions.
- Being a prominent name in the circular economy by providing environmentally-conscious solutions to support the Saudi Green Initiative through energy efficiency, carbon footprint reduction, and waste management sector transformation.
- Being the employer of choice, fostering a diverse workforce and empowering young Saudi talents at all organizational levels to sustainably drive our strategy.
- Adding value to Saudi society and economy, supporting Vision 2030 by diversifying the economy and delivering to the world high-quality products made in Saudi Arabia.
- Diversifying its partnership portfolio for sustainable growth and building strong operations.
- Offering innovative, digitally integrated, and cost-effective products and solutions to ensure superlative sustainable returns for all stakeholders.

Company Values

The Company's values stem from:

- **Collaboration:** The Company recognizes its responsibilities towards the planet and future generations, constantly striving to enhance its performance. The Company also collaborates with all stakeholders to achieve common goals and objectives.
- **Excellence:** The Company aspires to surpass all expectations in all its actions.
- **Care:** The Company's concern for individuals extends beyond its employees, whereby it cares for its employees, suppliers, customers, the environment, and stakeholders.
- **Integrity:** The Company aims to be honest, fair, trustworthy, and respectful in all its actions. It also values and respects the beliefs, feelings, and backgrounds of others.
- **Solidarity:** The Company believes in the strength of collective efforts to achieve better and greater results than the individual contributions of its employees. It understands that collaborative effort produces positive results that cannot be achieved through individual effort alone.

Summary of Competitive Advantages and Strengths

The Company is the largest containerboard manufacturer in the MENA region. As an active player in the market, the Company has developed its competitive advantages and strengths, as follows:

- The Company's relationship with its all customers extends more than a decade, indicating its strong position in the market. The Company is currently extending this customer base through diversification.
- The Company is one of the lowest cost manufacturer of containerboard in the region, due to efficiencies established throughout the years of its operations, as certified by international industrial bodies.
- The Company's 100% ownership of WASCO, which operates in the waste collection and recycling sector, enables guaranteed feedstock for paper manufacturing. Currently 85% of raw materials used by The Company is recycled paper.

An Overview of the Industrial Paper Sector in Saudi Arabia

Demand in Saudi Arabia for recycled containerboard is expected to grow at 4.2% p.a. (CAGR 2021G-2035G), a much higher pace than the MENA region and compared to the wider global market, where growth is expected to be at 2.2% p.a. Demand for containerboard is fueled by:

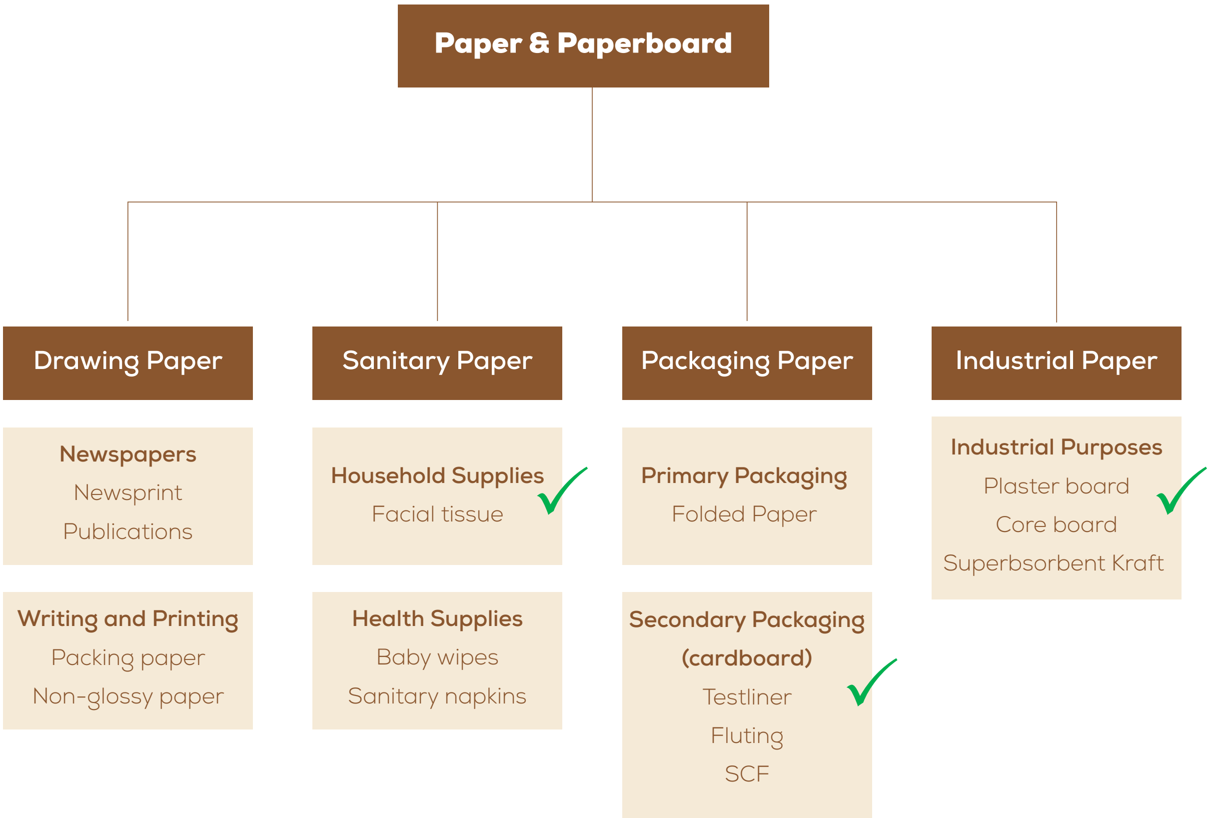
1- **Macroeconomy:** Increasing GDP, government focus on developing the non-oil sector, and population growth; are all contributing positively for the growth in the containerboard market in Saudi Arabia.

2- **End use Markets:** Growth in e-commerce, as well as growth in agricultural and food markets (particularly export of fruits) have resulted in a steady increase in demand for containerboard.

3- **Substitution:** Substituting plastics has led to the adoption of fiber-based packaging solutions in the paper industry.

Saudi Arabia has been a net importer of containerboard in the past, with an average import of close to 378,000 tons, with imports primarily originating in the USA, Germany, France and the UAE. The Company's growth plans are envisioned to meet this growing market and reduce reliance on these imports.

The market in which the Company currently operates is illustrated below:



✓ = The market in which the Company currently operates:

1- Industrial paper, which is used for industrial purposes to produce cardboard for plaster board, core board, and superabsorbent Kraft.
2- Packaging paper is divided into two groups, primary packaging and secondary packaging (containerboard), both of which are used to produce paperboard, food containers, recycled packaging paper, liner, fluting and liner containerboard, Kraft paper amongst other products.
3- Hygienic paper, which is used for household and health purposes such as facial tissue, bathroom tissue, sanitary napkins, and baby wipes.
4- Drawing paper is used primarily for newspapers, stationery, printing paper and non-glossy paper.

Containerboard and industrial paper constitute the largest proportion of demand in the paper and paperboard industry. The Company focuses mainly on secondary packaging within packaging paper as well as industrial paper products.

The Company is currently expanding its customer product range by venturing into the tissue market through the development of its manufacturing subsidiary, Juthoor; additionally, it is operating modern internationally recognized industrial tissue paper mills within the King Abdullah Economic City in the Kingdom of Saudi Arabia.

SUMMARY OF FINANCIAL INFORMATION

The selected financial information set out below should be read together with the audited consolidated financial statements for the financial years ended 31 December 2021G and 31 December 2022G, which were prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed in the Kingdom of Saudi Arabia (IFRS-KSA) and the unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G and 2023G prepared in accordance with International Accounting Standard 34 (Initial Financial Report) approved in the Kingdom of Saudi Arabia and for which Ernst & Young Professional Services issued an independent auditor's report.

Summary Table of the consolidated statement of profit or loss and other comprehensive income of the Group for the financial years ended 31 December 2021G and 31 December 2022G and for the six-month period ended 30 June 2022G and 30 June 2023G

SAR in 000s	FYs Ended 31 December		Six-month Period Ended 30 June	
	2021G	2022G	2022G (unaudited)	2023G (unaudited)
Revenues	1,057,399.6	1,187,005.8	651,964.9	413,315.8
Cost of Revenue	(663,297.4)	(684,219.7)	(348,249.8)	(355,151.7)
Gross Profit	394,102.2	502,786.1	303,715.1	58,164.1
Selling and Distribution Expenses	(81,451.8)	(84,024.6)	(41,850.3)	(29,128.8)
General and Administrative Expenses	(75,259.8)	(95,347.8)	(41,488.5)	(48,765.2)
Costs of Financing	(14,493.8)	(18,483.1)	(8,066.7)	(11,376.1)
Zakat	(6,957.5)	(15,081.5)	(8,079.6)	(6,812.5)
Net Profit / (Loss)	220,866.7	270,729.8	192,212.1	(29,861,1)

Source: Consolidated Financial Statements for the financial year ended 31 December 2021G and 31 December 2022G and for the six-month period ended 30 June 2022G and 30 June 2023G and the unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G and 2023G

Summary Table of Balance Sheet Consolidated for the Group for the financial years ended 31 December 2021G and 31 December 2022G and for the six-month period ended 30 June 2022G and 30 June 2023G

SAR in 000s	As of 31 December		As of 30 June	
	2021G	2022G (audited)	2022G (unaudited)	2023G (unaudited)
Total Current Assets	801,463.0	812,082.7	805,870.1	730,909.0
Total Non-Current Assets	1,068,654.8	1,134,431.6	1,089,159.3	1,281,038.8
Total Assets	**1,870,117.8**	**1,946,514.4**	**1,895,029.5**	**2,011,947.8**
Total Current Liabilities	405,907.0	282,887.0	294,156.9	411,873
Total Non-Current Liabilities	481,314.9	481,341.3	476,592.0	475,721.3
Total Liabilities	**887,221.9**	**764,228.3**	**770,748.9**	**887,594.4**
Total Equity	982,895.9	1,182,286.1	1,124,280.6	1,124,353.5
Total Equity and Liabilities	**1,870,117.8**	**1,946,514.4**	**1,895,029.5**	**2,011,947.8**

Source: Consolidated Financial Statements for the financial year ended 31 December 2021G and 31 December 2022G and for the six-month period ended 30 June 2022G and 30 June 2023G and the unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G and 30 June 2023GSummary Table of Cash Flows Consolidated for the Group for the financial years ended 31 December 2021G and 31 December 2022G and for the six-month period ended 30 June 2022G and 30 June 2023G

Summary Table of Cash Flows Consolidated for the Group for the financial years ended 31 December 2021G and 31 December 2022G and for the six-month period ended 30 June 2022G and 30 June 2023G

SAR in 000s	FYs Ended 31 December		Six-month Period Ended 30 June	
	2021G	2022G	2022G (unaudited)	2023G (audited)
Net cash flow from operating activities	251,301.7	286,390.9	192,745.4	185,243.5
Net cash flows used in investment activities	(57,707.4)	(213,019.5)	(69,557.0)	(189,333.9)
Net cash flows (used in) / from financing activities	24,954.8	(192,129.7)	(197,634.7)	26,070.4

Source: Consolidated Financial Statements for the financial year ended 31 December 2021G and 31 December 2022G and for the six-month period ended 30 June 2022G and 30 June 2023G and the unaudited condensed consolidated interim financial statements for the six-month period ended 30 June 2022G and 30 June 2023G

Summary Table of Financial Indicators for the financial years ended 31 December 2021G and 31 December 2022G and for the six-month period ended 30 June 2022G and 30 June 2023G

(%)	FYs Ended 31 December		Six-month Period Ended 30 June (6)	
	2021G	2022G	2022G	2023G
Gross Profit Margin (1)	37.3%	42.4%	46.6%	14.1%
Net Profit Margin (2)	20.9%	22.8%	29.5%	(7.2%)
Debt to Equity (times) (3)	0.67	0.46	0.46	0.51
Return on Equity (4)	22.5%	22.9%	31.3%	4.3%
Return on Assets (5)	11.8%	13.9%	18.6%	2.4%

Source: Management's Analysis

(1) Gross Profit Margin is calculated as follows: Gross Profit (for the year/for the period) / Revenue (for the year/for the period ended 30 June); and is expressed as a percentage.

(2) Net Profit Margin is calculated as follows: Net Profit (for the year/for the period) / Revenue (for the year/for the period ended 30 June); and is expressed as a percentage.

(3) Total Debt to Equity is calculated as follows: Total Long Term and Short Term Debt (for the year/for the period) / Total Equity (for the year/for the period)

(4) Return on Equity (ROE) is calculated as follows: Net Profit (for the year/ for the period ended 30 June on an annual return basis) / Total Equity (as of the end year /for the period) and is expressed as a percentage.

(5) Return on Assets (ROA) is calculated as follows: Net Profit (for the year/ for the period ended 30 June on an annual return basis) / Total Assets (as of the end year/for the period ended 30 June); and is expressed as a percentage.

Table of Contents

Index of Tables


SAUDI
MADE

1. TERMS AND DEFINITIONS

Term	Definition
Company or Issuer	Middle East Paper Company (MEPCO).
Management or Senior Management	Executive board members and senior executives of the Company.
Board or Board of Directors	Company's Board of Directors.
Kingdom or KSA	Kingdom of Saudi Arabia.
Government	Government of the Kingdom of Saudi Arabia.
Share(s)	Any fully paid ordinary share of the Company with a nominal value of SAR 10 per share in the Company's capital.
Subsidiaries	Juthor and WASCO.
Current Shares	Six hundred sixty-six million six hundred sixty-six thousand six hundred and sixty (SAR 666,666,660) Saudi Riyals, divided into sixty-six million six hundred sixty-six thousand six hundred and sixty-six (66,666,666) ordinary shares, with a fully paid-up nominal value of ten (SAR 10) Saudi Riyals per share, all of which are fully paid-up.
New Shares	Nineteen million nine hundred ninety-nine thousand nine hundred and ninety-nine (19,999,999) new ordinary shares.
Tadawul System	Automated system for trading Saudi Shares.
Financial Statements	The audited consolidated financial statements of the Group (which include financial information related to the Company and its Subsidiaries) for the financial years ending on 31 December 2021G and 2022G, which were prepared in accordance with International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia, and other standards and issuances approved by the Saudi Organization for Auditors and Accountants (SOCPA). And the unaudited condensed consolidated interim financial statements (which include financial information related to the company and its subsidiaries) for the six-month period ending on 30 June 2022G and 2023G, which were prepared in accordance with International Accounting Standard 34 (Initial Financial Report) approved in the Kingdom of Saudi Arabia, and other standards and issuances approved by the Authority. Saudi Auditors and Accountants (SOCPA).
Lead Manager	SNB Capital, in its capacity as Lead Manager regarding the Offering.
Financial Advisor	SNB Capital, in its capacity as the Company's Financial Advisor regarding the Offering.
Targeted Investor	The Public Investment Fund, which is a government fund established in 1391H, in respect of which the Public Investment Fund Law was issued pursuant to Royal Decree No. M/92 dated 12/08/1440H as amended. Its headquarters is located in Riyadh, Kingdom of Saudi Arabia. It should also be noted that the Targeted Investor is classified as an Institutional Client, pursuant to the definitions set out in the Glossary of Defined Terms Used in the Regulations and Rules of the Capital Market Authority.
Group	The Company, its Subsidiaries, Estidama, and the Saudi Jordanian Company for Waste Recycling and Collection
Bylaws	The Company's Bylaws.
Offering	The issuance of nineteen million nine hundred and ninety-nine thousand nine hundred and ninety-nine (19,999,999) new ordinary shares, with the suspension of preemptive rights of existing shareholders, for a total value of six hundred twenty-nine million nine hundred ninety-nine thousand nine hundred sixty-eight and a half (SAR 629,999,968.50) Saudi Riyals, all of which shall be offered to the Targeted Investor.
Estidama	Estidama Environmental Services Company is a Saudi limited liability company registered with Commercial Register No. 4030425769 issued by the city of Jeddah on 10/01/1443H (corresponding to 18/08/2023G).
Juthor	Juthor Paper Manufacturing Company is a Saudi sole proprietorship with limited liability, registered with Commercial Register No. 4627100075 issued by King Abdullah Economic City in Rabigh on 08/06/1442H (corresponding to 21/01/2021G).

Term	Definition
Offering Price	Thirty-one and a half (SAR 31.50) Saudi Riyals per share.
OSCOs	The Rules on the Offer of Securities and Continuing Obligations issued by the board of the CMA pursuant to its resolution number 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G), amended by resolution number 8-5-2023 dated 25/06/1444H (corresponding to 18/01/2023G), as amended.
Listing Rules	The Listing Rules of Tadawul issued by the Board of the CMA pursuant to resolution No. 3-123-2017 dated 09/04/1439H (corresponding to 27/12/2017G) as amended pursuant to resolution number 1-108-2022 dated 23/03/1444H (corresponding to 19/10/2022G), as amended.
CML	The Capital Market Law issued by Royal Decree Number M/30 dated 02/06/1424H (corresponding to 31/07/2003G), as amended.
Institutional Client	means any of the following: a- The Government of the Kingdom or any supranational authority recognized by the Authority. b- Companies fully owned by the government or any government entity, either directly or through a portfolio managed by a Capital Market Institution authorized to carry on managing business. c- any legal person acting for its own account and be any of the following: 1- a company which owns, or is a member of a group which owns, net assets of more than (SAR 50,000,000) Saudi Riyals; 2- an unincorporated body, partnership company or other organization which has net assets of more than (SAR 50,000,000) Saudi Riyals; 3- a person acting in the capacity of director, officer or employee of a legal person and responsible for its securities activity, where that legal person falls within the definition of paragraph (c/1) or (c/2). d- A company fully owned by a legal person who meets the criteria of paragraph (b) or (c). e- An investment fund. f- A counterparty.
Advisors	The Company's advisors in connection with the Offering whose names appear on page (iv).
Prospectus	This document prepared by the Company in relation to the Capital Increase.
CMA or Authority	The Capital Market Authority of the Kingdom of Saudi Arabia.
Saudi Exchange (Tadawul)	The Saudi Exchange Company (Tadawul), established pursuant to Council of Ministers Resolution dated 29/02/1428H (corresponding to 19/03/2007G), in implementation of the Capital Market Law, a closed Saudi Joint Stock company, and the only entity authorized to operate as a stock exchange in the Kingdom of Saudi Arabia, on which securities are listed and traded.
Saudi Stock Exchange, Stock Exchange, Stock Market, Exchange, or Tadawul	The Saudi Stock Exchange.
Substantial Shareholder	The Shareholder owning 5% or more of the total Shares of the Company. As of the date of this Prospectus, the Company has one Substantial Shareholder, which is Abdulkader Al Muhaidib & Sons Company, a closed joint-stock company holding 8,965,200 Shares, representing 13.45% of the Company's capital, as of the date of this Prospectus.
General Assembly	Both the Extraordinary General Assembly and the Ordinary General Assembly.
Ordinary General Assembly	Ordinary General Assembly Meeting convened in accordance with the Company's Bylaws.
Extraordinary General Assembly	Extraordinary General Assembly Meeting convened in accordance with the Company's Bylaws.
Extraordinary General Assembly for Capital Increase	The Extraordinary General Assembly of the Company that will be held to vote on the Capital Increase and on authorizing the Company's Board of Directors, or any person authorized by the Company's Board of Directors, to issue any decision or take any action, as may be necessary to implement the necessary procedures related to the Capital Increase.
Corporate Governance Regulations	The KSA Corporate Governance Regulations issued by the CMA's Board pursuant to Resolution No. 8-16-2017 dated 16/05/1438H (corresponding to 13/02/2017G), as amended by Resolution No. 8-5-2023 dated 25/06/1444H (corresponding to 18/01/2023G), as amended.

Term	Definition
Related Parties	Means, under OSCOs and the Glossary of terms used in the regulations of the Capital Market Authority as issued by the CMA Board Resolution No. 4-11-2004 dated 20/08/1425H (corresponding to 04/11/2004G), and amended by Capital Market Authority Board Resolution No 2 -26 – 2023 dated 05/09/1444H (Corresponding to 27/03/2023G) on the following: 1- Affiliates of the Issuer. 2- Issuer Substantial Shareholders. 3- Board members and senior executives of the Issuer. 4- Board members and senior executives Subsidiary with the Issuer. 5- Board members and senior executives of the Issuer's Substantial Shareholders. 6- Any relatives of persons referred to in (1, 2, 3, 4 or 5) above. 7- Any company controlled by any of the persons referred to in (1, 2, 3, 4, 5 or 6) above. 8- Persons who act jointly and who jointly own 5% or more of the class of shares to be listed.
Companies Law	Companies Law issued by Royal Decree No. M/132 dated 01/12/1443H (corresponding to 30/06/2022G), as amended by virtue of CMA Board Decision No. 2-26-2023, dated 05/09/1444H (corresponding to 27/03/2023G).
MoC	Ministry of Commerce in the Kingdom of Saudi Arabia.
MoMRAH	Ministry of Municipal, Rural Affairs and Housing in the Kingdom of Saudi Arabia.
WASCO	Waste Collection & Recycling Company, a Saudi limited liability company with Commercial Register No. 4030148944 issued by the city of Jeddah on 12/03/1425H (corresponding to 01/05/2004G).
The Public	Under OSCOs, means persons any person other than the following: 1- Issuer affiliates. 2- Issuer Substantial Shareholders. 3- Board members and senior executives of the Issuer. 4- Board members and senior executives Subsidiary with the Issuer. 5- Board members and senior executives of the Issuer's Substantial Shareholders. 6- Any relatives of persons referred to in (1, 2, 3, 4 or 5) above. 7- Any company controlled by any of the persons referred to in (1, 2, 3, 4, 5 or 6) above. 8- Persons who act jointly and who jointly own 5% or more of the class of shares to be listed.
International Financial Reporting Standards Applicable in KSA (IFRS-KSA)	The International Financial Reporting Standards (IFRS), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by SOCPA.
Financial Year(s)	Company's financial year, which starts from 1 January to 31 December of each calendar year.
Localization/Saudization	Replacement of expatriate workers by Saudi citizens in private sector jobs.
SAR	The official currency of the Kingdom of Saudi Arabia.
SOCPA	Saudi Organization for Certified Public Accountants in the Kingdom of Saudi Arabia
GOSI	General Organization for Social Insurance in the Kingdom of Saudi Arabia
Subscription Period	Three (3) Business Days starting two (2) Business Days following the date of the Extraordinary General Assembly's approval regarding the Capital Increase
Lock-Up Period	The two-year period during which the Targeted Investor may not dispose of any of its shares starting from the date of listing the New Shares on the Saudi Stock Exchange (For more information, please refer to Section 9 - "**Waivers**" of this Prospectus).
Risk Factors	A set of potential factors that should be understood and hedged against before making a decision as to whether or not to subscribe.
Business Day	Any working day except for Friday and Saturday, official holidays in the Kingdom of Saudi Arabia, or days on which banking institutions are not open for business in accordance with applicable regulations and other government procedures.

Term	Definition
Labor Law	The Saudi Labor Law issued by Royal Decree No. M/51 dated 23/08/1426H (corresponding to 27/09/2005G), amended by Royal Decree No. M/5 dated 07/01/1442H (corresponding to 26/08/2020G) as amended.
Securities Depository Center Company/Edaa	A closed joint-stock company wholly owned by the Saudi Stock Exchange (Tadawul) and established in 2016G under the Saudi Companies' Law issued by Royal Decree No. M/3 dated 28/01/1437H (corresponding to 11/11/2015G).
H	Hijri calendar.
G	Gregorian calendar.
Vision 2030	Saudi Vision 2030 is a plan to reduce Saudi Arabia's dependence on oil. It was announced on 25/4/2016G and is regulated by the Council of Economic and Development Affairs chaired by Crown Prince Mohammed bin Salman bin Abdul-Aziz Al Saud. It was presented to the Council of Ministers headed by the Custodian of the Two Holy Mosques.
VAT	On 02/05/1438H (corresponding to 30/01/2017G), the Council of Ministers decided to approve the unified VAT agreement for Gulf Cooperation Council (GCC) countries, which came into force on 01 January 2018G, as a new tax added to the system of taxes and other fees to be implemented by Specific industries in the Kingdom, and in the GCC countries. The amount of this tax is 5%, where a number of products have been excluded from it (such as basic foods, services related to health care and education). The Kingdom's government decided to increase the value-added tax rate from 5% to 15% starting from 01 July 2020G.
Person	Any natural or legal person recognized as such under the laws of the Kingdom.
Listing	Listing of all the Company's Shares on the Saudi Stock Exchange in accordance with the Listing Rules.
Shareholder	Owner or holder of Shares, as of any specified time.
GCC	Cooperation Council for the Arab Gulf States.
Compound Annual Growth Rate (CAGR)	A method used to calculate the growth rate of a particular item over a specified period of time.
ZATCA	The Zakat, Tax and Customs Authority (formerly known as the General Authority of Zakat and Tax) in the Kingdom of Saudi Arabia.
Nitaqat Program	A program established by the Ministry of Human Resources and Social Development to motivate establishments to employ Saudis. It was approved by Resolution No. 4040 dated 12/01/1432H (corresponding to 10/09//2011G) based on Council of Ministers Resolution No. 50 dated 13/05/1415H (corresponding to 27/10/1994G). The Program evaluates the performance of the facility on the basis of specific ranges (platinum, green, yellow and red) according to the activity and sector under which the company is registered. The Nitaqat Program was amended pursuant to Resolution No. 63717 dated 29/03/1441H (corresponding to 26/11/2019G), whereby the yellow category was cancelled from the Nitaqat Program and all facilities in the yellow category were transferred to the red category, with red category criteria applied thereto in compliance with the Nitaqat Program Manual.

2. RISK FACTORS

Before deciding whether to invest in the New Shares, the Targeted Investor is advised to carefully consider all the information contained in this Prospectus, particularly the risk factors described below. These risk factors may not include all the risks that the Company may encounter, and additional risks may exist that are not currently known by the Company, or that may be deemed immaterial but may nevertheless affect the Company's operations. The Company's business, financial position, results of operations, cash flows and future prospects could be adversely and materially affected if any of the following risks actually occurs.

The Directors confirm that, to the best of their knowledge and belief, there are no other material risks besides those mentioned in this section, the exclusion of which would affect Targeted Investors' and Shareholders' decisions as at the date of this Prospectus.

Investment in the New Shares may only suit investors capable of assessing the benefits and risks of such an investment, and who have sufficient resources to bear any losses that may result therefrom. The Targeted Investor should consult a financial advisor licensed by the CMA for advice in case of any doubts concerning the subscription to the New Shares.

If any of the following risks, which are currently identified as material, or if any other risks that the Company has not identified or are currently considered not to be material, actually occur, this would result in a decrease in the price of the Company's shares in the market and could also result in the Targeted Investor losing all or part of their investment in the Company's shares.

The risks and uncertainties described below are presented in an order that does not reflect their importance. Additional unknown risks and uncertainties or those deemed immaterial now by the Company may have the impact or consequences described in this Prospectus.

2.1 Risks Related to the Company's Operations

2.1.1 Risks related to the Company's Inability to implement its Strategy

The Company's ability to increase its revenue and improve its profitability depends on the extent of the effective implementation of its business plans and the successful achievement of its strategy, including but not limited to: accelerating strategic growth initiatives including the Paper Mill (PM5), the Tissue Mill (TM6) and the acquisition of a set of assets and shares of existing entities involved in the field of manufacturing and supplying corrugated boxes to achieve forward integration. The Company's ability to expand its business in the future depends on its ability to continue implementing and improving operational, financial and administrative information systems in an efficient and timely manner, as well as on its ability to increase, train, motivate and maintain its workforce. Any business expansion plans the Company intends to undertake in the future will be subject to the estimated costs and the timetable specified for their implementation (For more information, please refer to Section 4 - "**Use of Proceeds and Future Projects**" of this Prospectus). The use of Net Proceeds is subject to change based on any economic, social or political change in addition to any change in the Company's business plan (noting that the Company will disclose to the public any changes to the planned use of 5% or more of the Net Proceeds of the Offering).

If the Company is not able to implement the business plan according to the schedule set for and the estimated costs of the projects, or in the event of not obtaining the necessary licenses, delay in obtaining the necessary licenses (for more information, please refer to Section 2.1.43 - "**Risks Related to Delay in Implementing Future Projects**" of this Prospectus), or not achieving the desired profitability of these projects, which may be due to various reasons- including a change in the market situation at the time of implementation of these projects or if there is a defect in the feasibility study- and if the Company fails to implement any part of its strategy for any reason, this will negatively affect the competitive position of the Company, which will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

2.1.2 Risk related to failure to meet the sales targets and inability to attract customers

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

2.1.3 Risks related to reliance on key personnel

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

2.1.4 Risks related to reliance upon foreign labor

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

2.1.5 Risks related to the impact of increasing costs and operating expenses on the Company's business

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

Product purchase costs will have a direct impact on the Company's profitability. Prolonged periods of product cost inflation also may have a negative impact on the Company's profit margins and earnings to the extent such product cost increases are not passed on to customers as they could resist such increase in prices. Furthermore, the Company's business model requires it to maintain an inventory of products, and changes in price levels during the turnover period would lead to unexpected shifts in demand for the Company's products or could require it to sell inventory at a loss.

In addition, any further increase in Saudization requirements of the Company's workforce may lead to an increase in the Company's operational expenditure (For more information, please refer to Section 2.1.25 - "**Risks related to compliance with Saudization**" of this Prospectus). The Company's operating expenses amounted to 108% of its total revenues for the six-month period ended on 30 June 2023G, and 74% of the Company's total revenues for the financial year ended on 31 December 2022G, and 79% of the Company's total revenues for the financial year ended on 31 December 2021G. Any increases in the Company's operating costs will also reduce its cash flow, profit margin and funds available to operate the Company's existing branches and for future expansion. In turn, this will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

2.1.6 Risks related to availability of raw materials

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

2.1.7 Risks related to the Company's relationship with suppliers of waste paper

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

2.1.8 Risks related to the Group's inability to develop or acquire new technologies or services

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

2.1.9 Risks related to export of waste paper

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

2.1.10 Risks related to export of the Company's products

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

2.1.11 Risks related to product quality

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

2.1.12 Risks associated with employee misconduct and errors

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

2.1.13 Risks associated with management decisions

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

2.1.14 Risks related to the Company's Related Party Transactions

In the normal course of its business, the Company deals with Related Parties. The Company has entered into two (2) agreements with Related Parties, 1) an agreement concluded between the Company and Arabian Maize Company for Industry to supply the corn material necessary for paper rolls manufacturing, in which the members of the Board of Directors of the Company Mr. Abdullah Abdulrahman Al-Moammar and Mr. Emad Abdulkadir Al Muhaidib have a direct interest, for an amount of SAR 35,716,109 as of 31 December 2022G, the General Assembly approved the transaction in its meeting, held on 04/12/1444H corresponding to 22/06/2023G, at an amount of SAR 23,035,088 for the year 2021G,and its meeting held on 14/11/1443H corresponding to 13/06/2022G, with an amount of SAR 8,722,682 for the year 2020G, the General Assembly approved this transaction in its meeting, held on 12/11/1442H corresponding to on 22/06/2021G), and 2) an agreement concluded between the Company (in its capacity as the supplier) and United Mining Company (in its capacity as the customer) for products from gypsum board rolls, in which the member of the Board of Directors Mr. Emad Abdulkadir Al Muhaidib has a direct interest, at an amount of SAR 26,514,609 as of 31 December 2022G the General Assembly approved the transaction in its meeting, held on 04/12/1444H corresponding to 22/06/2023G, and an amount of SAR 10,627,974 for the year 2021G, the General Assembly also approved the transaction in its meeting, held on 14/11/1443H corresponding to 13/06/2022G.

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

2.1.15 Risks related to energy supplies

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

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

2.1.16 Risks related to the Company's Factory's Site

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

2.1.17 Risks related to reliance on key customers

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

2.1.18 Risks related to reliance on spare parts suppliers

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

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

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

2.1.19 Risks related to expansion and implementation strategy

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

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

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

2.1.20 Risks related to operating and unexpected business interruptions

The Company's factory consists of several highly complex production lines and paper manufacturing equipment. If any defect, damage, or sudden disruption were to occur with these lines or equipment, this would adversely affect the Company's production throughout the defect, damage, or disruption period. This, accordingly, would adversely affect the Company's business, prospects, and results of operations throughout the production interruption period. The effect will be material if the disruption occurs on more than one production line at a time (for more information regarding the risks associated with the Company's factory, please refer to Section 2.1.16 - "**Risks related to the Company's Factory's Site**" of this Prospectus). The Group's business is currently centered at the factories that the Group owns and operates, and thus its business and results are entirely dependent on these factories and their ability to run continuously. If any issue were to arise that could adversely affect the Group's factories, whether for technical reasons (such as an electricity, energy, or water outage) or due to an incident or emergency affecting their continuity, whether temporarily or permanently, or due to a natural disaster (such as a flood), this will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

2.1.21 Risks related to natural disasters

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

2.1.22 Risks related to Company inventory

The Company stores some raw materials, other than the wastepaper that is necessary for manufacturing its products, at its warehouses (chemicals, spare parts). WASCO also stores the raw materials that it collects at its warehouses. However, such raw materials may be subject to continuous exposure to recurring risks such as fire or damage. If production policy is changed, or if unexpected incidents occur, or if the Company or WASCO fails to take proper care of their respective inventory, or if such inventory is subject to damage or risk, this will adversely and materially affect the Company's ability to obtain raw materials promptly and hence continue production. Accordingly, the cost of its products will increase, which will affect net profit margins, which will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

2.1.23 Risks related to the long cash conversion cycle

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

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

2.1.24 Risks related to transportation

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

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

2.1.25 Risks related to compliance with Saudization

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

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

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

2.1.26 Risks related to lawsuits

The Company, its Subsidiaries, Directors, or officers may become involved in lawsuits and regulatory actions with parties including suppliers, employees, competitors, regulatory authorities, consumers or owners of lands leased to the Company or its Subsidiaries for its operations. Any unfavorable outcome in such litigation and regulatory proceedings would have a material adverse effect on the Company's business, financial position, results of operations, or prospects. In addition, regardless of the outcome of any litigation or regulatory proceedings, these proceedings could result in substantial costs and may require that the Company devote substantial resources to defend against these claims, which will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

As at the date of this Prospectus, the Company is party to four (4) non-material lawsuits (as plaintiff in 3 of those lawsuits and defendant in one) that arose in its normal course of business. The total value of these non-material lawsuits is estimated at SAR 3,427,850.05. In addition, the General Authority for Competition (GAC) issued a decision to fine WASCO SAR 10,000,000, with respect to WASCO's alleged violation of Article 5(1) of the Competition Law, and colluding with competitors to set the prices of purchasing cardboard. WASCO has submitted an appeal to the Administrative Court in this regard on 25/07/1444H (corresponding to 16/02/2023G), where the tribunal suspended the enforcement of the decision until a judgment is issued. As at the date of this Prospectus, the aforementioned dispute remains ongoing.

The Company also filed a lawsuit against the Ministry of Environment, Water and Agriculture (MEWA) in the Jeddah Administrative Court on 23/02/1445H (corresponding to 13/09/2023G) regarding the Company's expropriation from its property on 21/08/1428H (corresponding to 04/07/2007G) by MEWA, which consists of commercial land located in the Al-Saruriyah neighborhood in the southern part of Jeddah, under the jurisdiction of the South Jeddah Municipality, within the urban area defined by the approved plan of the Jeddah Province. Whereas, Article 17 of the Law of Eminent Domain and Temporary Taking of Property stipulates the following: "In all cases, if the agency owning the project requests the owner to vacate the real property or prevents him from using said real property prior to receiving the relevant compensation, whether in exceptional cases or otherwise, said owner shall be paid the rent for the period between said vacation and the date of receiving the compensation, unless the owner is responsible for the delay of compensation. The rent shall be determined by the committee provided for in Article 7 of this Law", the Company filed a lawsuit to request compensation for the period during which the property was vacated. A compensation of seventy-four million and sixty thousand (SAR 74,060,000) Saudi Riyals, as determined by an accredited real estate appraisal office recognized by the Saudi Authority for Accredited Valuers (TAQEEM), was paid by MEWA for the period from 21/08/1428H (corresponding to 04/07/2007G) until 15/03/1438H (corresponding to 15/12/2016G). However, the Company was previously informed by the MEWA's designated lawyer that the compensation assessment amounted to two million six hundred and one thousand eight hundred and sixty-four (SAR 2,601,864) Saudi Riyals, which was unacceptable to the Company. Accordingly, the Company filed a lawsuit with the Jeddah Administrative Court in order to seek a new ruling regarding the reevaluation of the fair compensation in accordance with the real estate appraiser's report.

2.1.27 Risks related to adequacy of insurance

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

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

2.1.28 Risks related to the Material Agreements

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

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

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

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

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

The agreements also include a non-competition clause applicable upon the agent without the written consent of the Company, a pledge against engaging sub-agents, and an undertaking to maintain confidentiality. However, nothing ensures that neither the Company nor the contracting parties will not breach any of their obligations under the respective agreements. Any violation will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

2.1.29 2.1.29 Risks related to the existing Zakat matters

The Zakat position of the Company and its Subsidiaries is as follows:

The Company:

ZATCA issued revised assessments for years 2009G to 2012G, claiming additional zakat of SAR 6.8 million. Accordingly, the Company escalated its objection to the Tax Violation and Disputes Resolution Committee ("**TVDRC**") via the General Secretariat for Tax Committees ("**GSTC**"). TVDRC issued its decision in favor of the Company, reducing ZATCA's claim to SAR 0.5 million. On October 16, 2022G, ZATCA appealed to the Tax Violation & Disputes Appeal Committee ("**TVDAC**") against the TVDRC decision. As at the date of this Prospectus, the aforementioned dispute remains ongoing.

ZATCA issued its assessment for the years 2015G to 2018G claiming additional Zakat of SAR 30 million, and the Company objected to these assessments. The objection was rejected by the ZATCA and accordingly, the Company escalated its objection to TVDRC. During 2022, TVDRC issued its decision in favor of the ZATCA rejecting the Company's objection in form. The Company escalated the case to TVDAC. As at the date of this Prospectus, the aforementioned dispute remains ongoing.

During 2021G, ZATCA issued its assessment for the years 2019G and 2020G, claiming additional Zakat of SAR 3.6 million. The Company objected to ZATCA's claim, and subsequently ZATCA revised its claim to SAR 1.6 million. The Company settled the revised claimed amount to finalize these years with ZATCA.

WASCO:

During 2021, ZATCA issued its assessment for years 2016G and 2017G claiming additional Zakat of SAR 1.39 million and SAR 169K for each year. respectively, WASCO objected. To the additional Zakat for the year 2016G. Following ZATCA's rejection of the objection, WASCO escalated its objection to TVDRC. On September 18, 2022, the TVDRC issued its decision in favor of ZATCA, and WASCO appealed its case to TVDAC. On 18 October 2023G, TVDAC issued its decision in favor of ZATCA. As per Article 49 of the Tax Committees' Operating Rules, WASCO is entitled to request a review by the TVDAC. WASCO may be obliged to pay the mentioned amounts to ZATCA, which may have a negative impact on the Company's operations, financial position, and business results.

The Group did not make a provision for any additional amounts in respect of any of the above matters as the Group believes that it will prevail in its appeals. This may expose the Group to be obligated to pay additional amounts to ZATCA, and could have a negative impact on the Group's business, financial position, and results of operations.

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

2.1.30 Risks related to reliance on financing and credit facilities

As of the date of this Prospectus, the Company has entered into three (3) facility agreements under which it obtained financing from the Saudi Awwal Bank for SAR 296,815,000 (the "**SAB Facility Agreement**"), and from Bank AlJazira for an amount of SAR 485,000,000 (the "**BAJ Facility Agreement**"), and from the Saudi Industrial Development Fund (SIDF) for an amount of SAR 55,000,000 (the "**2020 SIDF Loan Agreement**"). And as of the date of this Prospectus, Juthor has entered into a facility agreement with the SIDF for an amount of SAR 150,000,000 (the"**2021 SIDF Loan Agreemen**t"). The relevant facility agreements related to these financing arrangements include some commitments and impractical representations, warranties, covenants, and events of default the Company/Juthor is bound by along with cases of breach that allow the financing parties to terminate the financing agreements.

For instance, under the BAJ Facility Agreement, Bank AlJazira has the right to increase or reduce the limit of the financing or amend or cancel the same at its absolute discretion. Bank AlJazira is not obliged to renew, rollover, increase the financing or re-allocate between limits and may demand payment at any time.

Pursuant to the general terms and conditions (the "**SAB General Terms and Conditions**"), SAB may at its sole discretion approve for a facility limit or sub-limit to be interchanged, cancelled and varied. Under the SAB General Terms and Conditions, SAB has the right to declare that all or part of the liabilities or any other amounts accrued under the finance agreements shall immediately become payable on demand upon the occurrence of any event of default. Additionally, there are broad set off rights.

Under the 2020 and 2021 SIDF Loan Agreements, Juthor/the Company, respectively, shall execute further mortgages over the property comprised in the mortgage note from time to time as required by SIDF. Further, Juthor /the Company, respectively, shall not create any security on any of its property, revenue or assets now owned or hereafter acquired. There are also restrictions on Juthor/the Company, respectively, on selling, transferring or leasing any of its relevant projects or its financial assets whether owned by it now or in the future without SIDF's consent. Additionally, there are broad cross default provisions.

In the event of non-compliance with any provisions set out above, the relevant bank would have the right to take any steps to preserve its rights such as accelerating the payment of the amounts due and terminate the facilities. The Company or Juthor may also not be able to obtain alternative sources of financing to repay such debts, which would have a material adverse effect on the Company's or Juthor's business, results of operations and financial position.

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

2.1.31 Risks related to aggressive time bar for obtaining force majeure relief

Under the framework agreement for the supply of corn material necessary for paper rolls manufacturing concluded between the Company and Arabian Maize Company for Industry dated 11/06/2020G each party must notify the other party of any force majeure event affecting its ability to perform its obligation under the agreement within ten (10) days of the occurrence of the force majeure event, in order to be eligible for relief from those obligations. Should the Company not be able to notify Arabian Maize Company for Industry of a force majeure event that has affected its ability to perform its obligations (including receiving the materials ordered from the Company pursuant to a purchase order and paying the value thereof) under the agreement, the Company will not be entitled to a force majeure relief, resulting in either party's ability to terminate the agreement if a force majeure event lasts for a period exceeding twenty (20) days, which would have a material adverse effect on the Company's business, results of operations, financial position and prospects.

2.1.32 Risks related to liquidity

The Company's trading ratio (which is one of the financial ratios related to liquidity and measures the extent to which a company is able to pay its short-term obligations through its current assets, measured by dividing the total current assets by total current liabilities) amounted to 1.77 times as at 30 June 2023G, 2.87 times as at 31 December 2022G, and 1.97 times as at 31 December 2021G, as the cash ratio (which is one of the financial ratios related to liquidity and measures the extent to which a company is able to pay its short-term obligations through cash and cash equivalents, measured by dividing total cash and cash equivalents by total current liabilities) amounted to 0.41 times as at 30 June 2023G, 0.51 times as at 31 December 2022G, and 0.65 times as at 31 December 2021G. It should be noted that the Company's operations require sufficient liquidity to finance its operating business and future capital expenditures. In the event that the Company is unable to maintain sufficient cash resources or secure financing in the future, the Company, its financial position, results of operations and prospects will be negatively and materially affected. Liquidity risks are represented in the inability of the Company to meet its obligations when due, or to restructure its loans, or to meet its liquidity obligations except by at a high cost. The Company may not be able to obtain additional financing in the future if necessary, or may not be able to provide the sufficient guarantees required from financiers to obtain the necessary financing. There is no guarantee that the Company will be able to maintain high liquidity rates in the future, and there is no guarantee that the Company will be able to meet its obligations when due. In the event that the Company is unable to provide sufficient liquidity in the future to cover its operations and capital expenditures, either through its internal resources or by obtaining external financing, this will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

2.1.33 Risks related to the inability to renew, amend or maintain existing material contracts

The Company has entered into a number of agreements with WASCO, Industrial Cities Development and Operating Company, Arabian Maize Company for Industry. It should be noted that the Company's agreement with the Industrial Cities Development and Operating Company regarding water supply for manufacturing specifies that if the Company fails to settle water supply invoices within thirty (30) days of receiving them, the Industrial Cities Development and Operating Company is entitled to suspend water supply services without prior notice. For more information on the Company's agreement with the Arabian Maize Company for Industry (please refer to Section 2.1.31 - "**Risks related to aggressive time bar for obtaining force majeure relief**" of this Prospectus.) There is no guarantee that these contracts or agreements are secured from cancellation or termination during this period. Also, there is no guarantee about the renewal of these contracts and agreements, and in the event of renewal, there is no guarantee that they are renewed on terms similar to the current conditions. The inability of the Company to maintain its current contracts and agreements, or the inability to renew them on similar terms, will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

2.1.34 Risks related to interest rates

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

2.1.35 Risks related to credit

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

2.1.36 Risks related to intellectual property

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

2.1.37 Risks related to laws, regulations permits and licenses

The Company and its paper manufacturing and production business and WASCO's business in the field of waste collection and recycling are subject to supervision and control by several governmental authorities, including: The Ministry of Municipal and Rural Affairs and Housing (MOMRAH), the Chamber of Commerce, the Ministry of Commerce, the General Authority of Meteorology and Environment Protection, and the General Directorate of Civil Defense. These authorities constantly strive to apply laws and regulations and they revise them on a continuous basis. If any amendments are made to present laws and regulations, or if new laws and or regulations are passed in connection with paper manufacturing and production or waste collection and recycling, the Company and/or WASCO would be obliged, for compliance purposes, to make changes to its operations or its product marketing and sales methods, or to make changes to their products or production lines so as to comply with the requirements imposed by such laws. The Company would, as a result, bear unexpected additional expenses which would materially affect the Company's operations.

Most of the current licenses of the Company and WASCO are subject to conditions under which such licenses may be suspended or revoked in the event that the Company and/or WASCO are unable to comply with the licensing requirements necessary for them to carry out their business and activities, or do not obtain licenses required to conduct their business, or if the Company and WASCO are unable to renew or amend a license, or unable to obtain additional licenses as required in the future, this will prejudice the Company and/or WASCO's ability to carry out its activities in whole or in part, or subject the Company and/or WASCO to financial fines, penalties, or punishments from the competent government authorities, including the imposition of fines from Civil Defense of up to (SAR 30,000) Saudi Riyals, or revocation of the license from the Ministry of Industry and Mineral Resources, or from the General Authority of Meteorology and Environment Protection of up to (SAR 20,000,000) Saudi Riyals, or from the MOMRAH of up to (SAR 5,000) Saudi Riyals for each violating site. Moreover, there is no guarantee that the competent authority will renew or modify the scope of the relevant license, or if it agrees to the renewal or modification, there is no guarantee that it will not impose conditions unfavorable to the Company and/or WASCO. While the Company believes that it has obtained the appropriate licenses for its activities, there is no guarantee that the Company will not be obligated to obtain additional licenses in the future. The Company has not yet obtained all the necessary licenses to operate its new projects; the paper production factory (PM5) and the tissue production factory (TM6), which will be financed using the Offering Proceeds. For further information about the licenses required for the PM5 and TM6 projects, please refer to Section 2.1.43 "**Risks Related to Delay in Implementing Future Projects**" of this Prospectus. In this regard, failure to obtain or maintain all licenses and permits and comply with their requirements will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

2.1.38 Risks related to handwritten title deeds

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

2.1.39 Risks related to mortgaged title deeds

In order to secure financial liquidity to implement its projects, the Company obtained a loan from the Saudi Industrial Development Fund (SIDF). As a guarantee for the performance of the Company's obligations to pay the loan due to the SIDF, the Company pledged the title deeds of the lands on which its factory is located (where 98% of the Company's operations are concentrated), in favor of SIDF. Additionally, the Company has pledged the title deed of the land on which the head office of Juthor is situated, in favor of SAB. The main risks faced by the Company as a result thereof arise in the event that the Company is unable to fulfill its contractual obligations vis-à-vis the SIDF or SAB, which may cause the Company to lose ownership of real estate mortgaged to SIDF or SAB, in the event that, in order to recover its rights, the SIDF or SAB decided to foreclose on the property deeds pledged thereto, as applicable, which will have a material impact on the continuity of the Company's or Juthor's operations, as all the pledged title deeds are essential for the Company, which will have a material negative impact on the Company's business, results of operations, financial position, prospects, and share price.

2.1.40 Risks relating to information technology infrastructure, cyber-attacks and data protection

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

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

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

2.1.41 Risks associated with the Company's Risk Management Strategy

The Company has not fully documented all work procedures that specify roles, responsibilities, duties, risks, controls, and systems used within the Company. Additionally, the Company does not currently utilize an Enterprise Resource Planning (ERP) system to update budget estimates, monitor compliance with set objectives, and create regular variance reports. Monthly variance reports are manually prepared, which can be susceptible to human errors, are time-consuming, and costly. The Company lacks an updated and documented succession plan for key positions, including the identification of potential candidates. Proper preparation for risk management strategy enables management to identify and analyze risks using the appropriate methods, then find suitable solutions to either eliminate or mitigate the effects thereof. The risk management strategy involves a systematic process of identifying risks, prioritizing them, and implementing strategies and action plans to reduce or mitigate these risks. This process includes both preventing potential risks and early detection of actual problems and is an ongoing effort involving human resources at all levels of the Company. It should be noted that the annual review results highlighted the lack of update in policies and procedures for some operations and departments within the Company, and the absence of disaster recovery plans. Additionally, the Company's compliance system lacks maturity, and the Company's internal control procedures are not being updated. Failure to develop a succession plan, adopt best risk management practices, effectively implement risk strategies (including as stated in the annual review results), or the failure to update or modify them in a timely manner, will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

2.1.42 Risks associated with Capital Management

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

2.1.43 Risks Related to Delay in Implementing Future Projects

Through a Capital Increase, the Company intends to finance two projects: the paper production factory (PM5) and the tissue production factory (TM6) (For more information, please refer to Section 4 - ("**Use of Proceeds and Future Projects**") of this Prospectus)). Although the Company is working according to a specific schedule, there are several factors beyond its control that could lead to delays or temporary/permanent halts in the execution of these projects. These factors include, for example: obtaining necessary governmental approvals and licenses for the projects (including but not limited to: gas allocation licenses, water supply and drainage licenses, building permits, environmental impact assessments, civil defense permits, occupation and operation permits) (For more information, please refer to Section 2.1.37 - ("**Risks related to laws, regulations permits and licenses**" of this Prospectus)), contractor compliance, agreements with other parties, availability of labor, and other factors that, if disrupted, could temporarily or permanently suspend work. As of the date of this Prospectus, the Company is unable to obtain the necessary licenses and permits for future projects, as these can only be obtained after achieving certain stages in the projects. If any of the above materializes, it will impact the Company's ability to utilize the Offering Proceeds as outlined in this Prospectus, affecting its ability to achieve the anticipated benefits from these projects as planned, which will negatively affect the Company's operations, financial position, and share price.

2.1.44 Risk for forward integrating in the field of manufacturing and supplying corrugated cardboard

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

2.2 Risks related to the market and the sector

2.2.1 Risks related to the economic performance of the Kingdom

The expected future performance of the Company depends on a number of factors related to the economic conditions in the Kingdom in general, including, but not limited to, factors of inflation, GDP growth, average per capita income, and so on. The Kingdom's full and partial economy mainly depends on oil and industries oil prices, which still control a large share of the gross domestic product, and therefore any unfavorable fluctuations in oil prices will have a direct and fundamental impact on the plans and growth of the Saudi economy in general and on government spending rates, which would negatively affect the financial performance of Company and the Company, given their work within the Saudi economy and their impact on government spending rates.

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

2.2.2 Risks related to mergers and acquisitions within the paper products sector

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

2.2.3 Risks related to environmental responsibility

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

2.2.4 Risks related to import and export

The change of existing legal or regulatory requirements in countries or regional trading blocs (such as the Gulf

Cooperation Council Customs Union) where the Company and its Subsidiaries operate or the imposition of new requirements in relation to import and export including anti-dumping duties and customs tariffs, will affect the competitive position of the products manufactured by the Company and/or its Subsidiaries or may prevent the sale of these products in some related countries, which will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

2.2.5 Risks related to change in products supply and demand

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

2.2.6 Risks related to sector concentration and specialization

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

2.2.7 Risks related to the regulatory environment

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

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

2.2.8 Risks related to political and economic instability in emerging and developing Countries

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

2.2.9 Risks related to fluctuation in the prices of raw materials

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

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

2.2.10 Risks related to VAT

The Kingdom issued the Value Added Tax (VAT) Law, which came into effect on 01 January 2018G. This Law imposed a 5% VAT on various products and services. Subsequently, the percentage increased to 15% on 01 July 2020G. The Company is committed to monthly VAT payments as stipulated under the Law, and has consistently filed all its tax declarations since its registration (since 2018G until the date of this Prospectus) within the specified deadlines. Additionally, all ZATCA tax obligations have been met within the prescribed timelines.

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

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

2.2.11 Risks related to fluctuation in sale prices and net profit in previous years

The Company's future performance depends on its ability to acquire a market share, retain its market share, and increase it through production expansion and marketing. A decline in demand for the Company's products for any reason could adversely affect the Company's operations. The Company's future performance is also contingent on its ability to maintain profitability through maintaining appropriate prices for its products and the ability to pass on any increase in production costs to its customers by raising prices; this is beyond the Company's control as the final price that the Company can obtain for its products depends on supply and demand in the local market.

Furthermore, in the first quarter of 2023G, the Company recorded a decrease in net profits as a result of several factors, including market competition, an increase in the price of raw materials and manufacturing costs, and other factors. The Company does not currently have in place any hedging policies against price fluctuations. If the Company's net profit fluctuates again, this will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

2.2.12 Risks related to currency exchange rates

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

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

2.2.13 Risks related to the competitive environment

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

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

2.2.14 Risk related to the Competition Law

The Competition Law promulgated by Royal Decree No. M/75, dated 29/06/1440H (corresponding to 06/03/2019G) and its implementing regulations issued by the General Authority for Competition pursuant to Resolution No. 337, dated 25/01/1441H (corresponding to 24/09/2019G) prohibit practices (including agreements or contracts made between entities, irrespective of whether they are written or oral, express or implied) with anti-competitive objectives or effects, including practices such as fixing prices of goods, service fees, or terms of purchase and sale. Should the GAC decide to lead an investigation into the Company, or otherwise conclude that the Company is in breach of the applicable Competition Laws, it may impose on the Company a fine of up to 10% of the total annual sales value which is the subject of the violation or no more than ten million (SAR 10,000,000) Saudi Riyals where it proves impossible to estimate such value. In addition, the General Authority for Competition (GAC) issued a decision to fine WASCO SAR 10,000,000. For more information, please refer to Section No. 2.1.26 - "**Risks related to lawsuits**" of this Prospectus. Moreover, GAC may, at its discretion, impose a fine of up to three times the revenues made as a result of the breach and order the (partial or full) suspension of the Company's activities temporarily or permanently in case of repeated breach. The occurrence of any of the above risks will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

2.3 Risks related to the New Shares

2.3.1 Risks related to distribution of dividends

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

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

2.3.2 Risks related to liquidity and fluctuation in the price of shares

The Targeted Investor be unable to resell the New Shares at or above the Offer Price. The market price of the Company's shares may, after the Offering, be adversely affected by factors within or outside the Company's control, including, but not limited to, a change in the Company's operating results, market conditions, or government regulations.

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

2.4 Risks related to the change in the ownership of current shareholders and associated reduction of voting powers

2.4.1 Risks related to change in the ownership of existing shareholders and the accompanying decrease in voting power

Following the completion of the Capital Increase, the shareholding of the existing shareholders in the Company will decrease from 100% to 76.92%, which is equivalent to a decrease of 23.08%. Therefore, the ability of the shareholders in the Company to influence the decisions will be decrease due to the decrease in their voting rights, such as the election of the Board Members and other important strategic decisions of the Company, will decrease. In addition their share of net profits will decrease as it will be divided over a larger number of shares, after completion of the Capital Increase.

2.4.2 Risks related to the influence of the Targeted Investor

Following the completion of the Capital Increase, the shareholding of the Targeted Investor will amount to 23.08%. Therefore, the Targeted Investor will be able to influence all of the Company’s business requiring shareholders’ approval, including decisions related to the appointment of Board Members and committee members, or substantial decisions related to the Company's business, the distribution of profits, or the adjustment of capital. It should be noted that as per the Subscription Agreement, the Targeted Investor will have the right to appoint two new members to the Company's Board of Directors and Executive Committee. For further details, please refer to Section 8.2.2.3 - ("**Targeted Investor Conditions**") of this Prospectus. The interests of the Targeted Investor may differ from the interests of other shareholders in the Company; and given the ability to influence the Company's decisions that the Targeted Investor will have as a result of the Capital Increase, the Targeted Investor may prevent the Company from taking certain decisions or actions that may protect the interests of other shareholders in the Company.

2.4.3 Risks related to decreasing earnings per share as a result of the Capital Increase

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

3. EMPLOYEES

3.1 Employee Share Schemes Prior to Submitting an Application for Registration and Offering of New Shares under this Prospectus

As at the date of this Prospectus, the employees had a total shareholding of 347,445 shares in the Company.

There is no employee share scheme in place prior to the Application for Registration and Offering of New Shares under this Prospectus.

3.2 Arrangements for the Participation of Employees in the Capital

There are no arrangements involving the employees in the Capital.

4. USE OF PROCEEDS AND FUTURE PROJECTS

4.1 Net Offering Proceeds

The total Proceeds from the Offering of the New Shares are estimated at an amount of six hundred and twenty-nine million nine hundred and ninety-nine thousand nine hundred and sixty-eight and a half (SAR 629,999,968.50) Saudi Riyals, of which ten million and ninety thousand four hundred fifty-seven and nine halalas (SAR 10,090,457.09) Saudi Riyals not including VAT, which shall not be paid from the Offering Proceeds, will be paid to cover the offering expenses, which include the fees of the Financial Advisor, Lead Manager, Legal Advisor and the Auditor and other expenses related to the subscription. The net Offering Proceeds will amount to six hundred and nineteen million nine hundred and nine thousand five hundred and eleven and forty one halalas (SAR 619,909,511.41) Saudi Riyals, which will be used to accelerate strategic growth initiatives including the Paper Mill (PM5), the Tissue Mill (TM6) and the acquisition of a set of assets and shares of existing establishments operating in the field of manufacturing and supply of corrugated boxes, to achieve forward integration and create stable containerboard demand by utilizing the Group's processing capacities.

The Company will disclose to the public on the Tadawul website in the event of any discrepancy of 5% or more between the actual use of the Offering Proceeds against what has been disclosed in this Prospectus as soon as it becomes aware of that in accordance with of Article 72 (f) of the Rules on the Offer of Securities and Continuing Obligations which states that "The issuer must, in the event of any discrepancy of (5%) or more between the actual use of the Proceeds from a rights issue or a share issuance with the suspension of preemptive rights and the planned use of Proceeds that was disclosed in the relevant prospectus, disclose such discrepancy to the public as it becomes aware of such discrepancy".

4.2 Use of Offering Proceeds

The net Offering Proceeds amounting to six hundred and nineteen million nine hundred and nine thousand five hundred and eleven and forty one halalas (SAR 619,909,511.41) Saudi Riyals will be used as follows:

Activity	Total Cost of Activity (SAR)	Amount Used from Other Sources (Million SAR)	Amount Used from Offering Proceeds (Million SAR)
Paper Manufacturing (PM5)	1,770,000,000.00	1,595,193,876.00	174,806,124.00
Tissue Manufacturing (TM6)	373,446,003.33	219,467,507.57	153,978,495.76
Acquisition of a set of assets and shares of existing establishments operating in the field of manufacturing and supply of corrugated boxes, to achieve forward integration.	291,124,891.65	-	291,124,891.65
Total	**2,434,570,894.98**	**1,814,661,383.57**	**619,909,511.41**

The following table summarizes the timeline established for the use of the Net Proceeds allocated for the Paper Mill (PM5), the Tissue Mill (TM6), and the external acquisition to achieve forward integration and create stable containerboard demand by own processing capacities.

Activity (Million SAR)		Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Total
		2023G	2024G				2025G				
Paper Mill (PM5)	Land Allocation	50,000,000.00	-	-	-	-	-	-	-	-	-
	Main Equipment Contracts	124,806,124.00	-	-	-	-	-	-	-	-	-
	Subtotal of Paper Mill (PM5)	174,806,124.00	-	-	-	-	-	-	-	-	174,806,124.00
Tissue Mill (TM6)	Main Equipment Contracts	-	-	-	90,000,000.00	-	-	-	-	-	-
	Building Construction	-	-	-	-	-		40,000,000.00	-	-	-
	Equipment Installation	-	-	-			-	-	23,978,495.76	-	-
	Subtotal of Tissue Mill (TM6)	-	-	-	90,000,000.00	-		40,000,000.00	23,978,495.76	-	153,978,495.76
Acquisition of a set of assets and shares of existing establishments operating in the field of manufacturing and supply of corrugated boxes, to achieve forward integration		-	291,124,891.65		-	-	-	-	-	-	291,124,891.65
Total		174,806,124.00	291,124,891.65		90,000,000.00	-		40,000,000.00	23,978,495.76		619,909,512.41

4.2.1 Paper Mill (PM5)

The Company conducted a feasibility study addressing technology, market assessment, funding and optimal geographical location. Approximately 28.2% of Net Proceeds are expected to be allocated to PM5's capital expenditures. PM5 is a high-speed containerboard machine with a net production capacity of 400,000 tons, designed to focus on lightweight containerboard grades. The new plant will satisfy current and future demand through the adoption of the latest paper manufacturing technologies and will represent the largest expansion in MEPCO's history thus far. Production mainly relies on recovered paper as raw material, which will be procured from MEPCO's backward integrated wholly owned subsidiary WASCO, specialized in the collection of wastepaper and cartons, and Estidama MEPCO's Public-Private-Partnership with Jeddah Development and Urban Generation Company, which is engaged in the whole sales of wastes, scrap, other unclassified products and waste management and treatment services. Basic engineering activities and technical parameters for major processes and utility delivery packages have already been completed, along with raw material preparation, which is expected to be finalized in December 2023G. Preliminary approval for gas allocation has been received from the Ministry of Energy in April 2023G, and final approval is expected in December 2023G. Financial modelling for the project's expected returns have also been finalized. The total investment cost for PM5 is approximately SAR 1,770,000,000.00, of which SAR 1,595,193,876.00 will be self-financed by the Company itself or through bank loans, and the remaining amount of approximately SAR 174,806,124.00 will be financed using the Net Offering Proceeds. The Company expects the PM5 project to be completed in Q4 2026G.

4.2.2 Tissue Mill (TM6)

The Company completed a feasibility study for its Tissue Mill (TM6). With the project's business plan and financial modelling which have recently been completed, MEPCO estimates that TM6 could be funded through 24.8% of the Net Offering Proceeds. The mill will establish a further production capacity of 60,000 tons of jumbo tissue roles for the final production of napkins, facial tissue and toilet tissues. The products will be manufactured in the form of jumbo rolls. TM6 will be an expansion to MEPCO's recently launched Tissue Mill (TM4) in King Abdullah Economic City and will be addressing further local and regional market demand for locally produced tissue products. TM6 capital expenditure is expected to be lower than that of TM4, as a result of certain elements that have been sized in anticipation of TM6, and to ensure capital efficiency. Key milestones of the project included market feasibility studies, costing analysis, and initial quotations from similar plant and equipment suppliers to those for TM4. The total investment cost of TM6 is approximately SAR 373,446,003.33, of which SAR 219,467,507.57 will be self-financed by the Company itself or through bank loans, and the remaining amount of approximately SAR 153,978,495.76 will be financed using the Net Offering Proceeds. The Company expects the TM6 project to be completed in Q2 2026G.

4.2.3 The acquisition of a set of assets and shares of existing establishments operating in the field of manufacturing and supply of corrugated boxes, to achieve forward integration

The Company was established in 2000G as a backward integrated paper manufacturing company. It offers a diverse range of packaging and paper products for industries worldwide, including packaging, construction, furniture, and basic paper industries. The Company engages in the production of various containerboard grades (corrugated cardboard, fluting, white top test liner and Kraft liner board, along with other grades of industrial paper (core board, plasterboard liner, and superabsorbent paper for Formica) using three paper machines, primarily utilizing paper waste as a principal raw material for its products.

MEPCO Group encompasses the following companies: (i) WESCO: A prominent integrated company in waste recycling and management, specializing in collecting paper and cardboard waste, particularly old corrugated cardboard, which is sold as raw material to paper product manufacturing industries. (2) Estidama Co.: This company operates in the sale of waste, scrap, and other uncategorized products, offering waste management services and processing. (iii) Juthor Co.: Engaged in the production and sale of tissue paper rolls.

The Company purchases the majority of its fiber needs (over 90%) from WESCO, which procures them at competitive prices from the local Saudi market. The reverse integration with WESCO provides the Company with a consistent supply of fibers to meet its manufacturing requirements.

The containerboard industry is inherently cyclical. The Company's average selling price is closely linked to global indicators, especially European indicators, which often entail periods of strong demand and manufacturing difficulties that raise prices, followed by weaker demand and increased capacity, resulting in price decreases. Similarly, fiber prices are influenced by supply-demand imbalances, where demand for containerboard increases prices, and vice versa, among other factors. The Company faces price fluctuations for paper and fibers that can cause periods of decline followed by recovery, prompting the Company to adopt a forward integration strategy to mitigate these cyclical fluctuations. Forward integration is expected to stabilize and enhance the Company's profit margins, improving its ability to manage costs during downturns by optimizing inventory management across the value chain.

As part of the Company's forward integration growth strategy, the Company has been in discussions with various external parties regarding potential acquisitions of assets and facilities. These discussions are ongoing. The Company aims to increase its integrated production capacity to 50%, utilizing approximately SAR 291,124,891.65 from the Net Proceeds, representing 47.0% of Net Offering Proceeds, for the purpose of acquiring a set of assets and shares of existing establishments operating in the field of manufacturing and supply of corrugated boxes, to achieve forward integration, which will enable the Company to convert packaging paper into corrugated boxes, positioning the Company as a leading entity in the Saudi and regional market for sustainable and integrated paper and packaging. The Company aspires to become a national champion operating across the entire value chain. This forward integration is anticipated to significantly contribute to achieving the goals and aspirations of this sector in alignment with Saudi Vision 2030, with financial benefits expected to impact the Company's operating net profits during Q2 2024G.

4.3 Indicative timeline for the use of Net Proceeds and possible changes

The Company intends to use the Net Proceeds to cover some or all the activities mentioned above throughout a timeframe of 24 months from the date of the Prospectus.

The use of Net Proceeds reflects the Company's business plan and market conditions as of the date of the Prospectus. The use of Net Proceeds is subject to change based on any economic, social or political change in addition to any change in the Company's business plan.

5. EXPERT STATEMENTS

As at the date hereof, the Financial Advisor, Lead Manager, Legal Advisor, and Independent Auditor listed on page (iv) have given and not withdrawn their written consent to the publication of their names, logos and statements (as applicable) in the form and content contained herein. As at the date of this Prospectus, all these parties and their employees who are part of the work team providing services to the Company or its Subsidiaries hold no shareholding or interest of any kind in the Company or its Subsidiaries which would impair their independence.

6. DECLARATIONS

As at the date hereof, the Directors hereby declare:

- There has been no significant interruption in the Company's or any of its Subsidiaries' operations that could have had, or had, a material impact on their financial position during the last twelve (12) months.
- No commissions, discounts, brokerage fees or other non-cash compensations were granted by the Company or its Subsidiaries within the year immediately preceding application for registration and offer of shares in connection with the issuance or offering of any shares.
- There has been no material negative change in the business or financial position of the Company or any of its Subsidiaries in the year immediately preceding application for registration and offer of shares.
- Except as described in Section 2.1.14 - "**Risks related to the Company's Related Party Transactions**" on page 4 of this Prospectus, neither the Directors nor any of their relatives hold any shares or interests of any kind in the Company or any of its Subsidiaries.
- The Directors have not declared bankruptcy and have not been subject to bankruptcy procedures at any time.
- None of the Directors were appointed to an administrative or supervisory position in any company that declared bankruptcy or insolvency in the five (5) years preceding the date of this Prospectus.

7. LEGAL INFORMATION

As at the date hereof, the Directors hereby declare:

- The Offering does not violate applicable laws and regulations in the Kingdom.
- The Offering does not prejudice any contracts or agreements, which the Company is a party thereof.
- All material legal information relating to the Company has been disclosed in the Prospectus.
- Except for matters disclosed in Section 2.1.26 - "**Risks related to lawsuits**" on page 10 of this Prospectus, the Company and its Subsidiaries are not party to any lawsuits or legal proceedings that may, individually or collectively, have a material effect on the business or financial position of the Company and its Subsidiaries.
- The Directors are not subject to any lawsuits or legal proceedings that may, individually or collectively, have a material effect on the business or financial position of the Company and its Subsidiaries.

8. SUMMARY OF THE SUBSCRIPTION AGREEMENT

The Company and the Targeted Investor entered into a Subscription Agreement on 13/01/1445H (corresponding to 31/07/2023G), which included specific terms pertaining to the steps and procedures related to the Capital Increase, in addition to certain undertakings and warranties from both the Company and the Targeted Investor. Therefore, the Capital Increase shall be subject to the terms outlined in the Subscription Agreement as mentioned below. The following is a summary of the key terms and conditions, as well as the conditions precedent or undertakings stated in the Subscription Agreement.

8.1 Issuance of the New Shares

8.1.1 Issuance of and Subscription to the New Shares

a- In accordance with the terms and conditions stipulated in the Subscription Agreement, the Company undertakes to increase its capital as set forth in this Prospectus. Under the Subscription Agreement, the Targeted Investor thereby agrees to subscribe to the New Shares (for more information, please refer to Page (vi) "**Summary of the Offering**" of this Prospectus.

b- The Company undertakes to suspend the exercise of preemptive rights on the New Shares by any person entitled to such rights on or before the completion date.

c- The parties have agreed that the Targeted Investor shall pay a subscription amount equal to (SAR 31.50) Saudi Riyals per New Share, representing a total subscription amount of six hundred and twenty-nine million, nine hundred and ninety-nine thousand, nine hundred and sixty-eight and a half (SAR 629,999,968.50) Saudi Riyals in exchange for the issuance of the New Shares.

8.2 Conditions

8.2.1 Conditions to Completion of the Transaction

Conclusion of the Subscription Agreement and the Capital Increase is conditional upon the fulfillment (or, as applicable, waiver) of the following conditions precedents ("**Conditions**"). The first Business Day on which all Conditions are fulfilled or waived in writing by the other party shall be deemed the "**Unconditional Date**".

8.2.2 Conditions Precedent

Completion of the transaction is subject to the following conditions:

8.2.2.1 Joint Condition:

No governmental authority issued, published, enacted, enforced, or implemented any law or order that could potentially prevent the completion of the transaction as provided in the Subscription Agreement.

8.2.2.2 Company's Conditions:

a- Obtain all necessary approvals for the capital increase, including the approval of CMA, the approval of Tadawul, and the approval of the Extraordinary General Assembly for Capital Increase;

b- The Company obtaining any internal authorization or approval required under its constitutional documents to execute the capital increase as stipulated in the Subscription Agreement;

c- The Company obtaining signed resignation letters from resigning Directors (and all board committees they serve in, as applicable), which shall be effective from the completion date;

d- The Company providing reasonable and satisfactory written proof to the Targeted Investor confirming obtaining the required approvals and waivers from, or submitting the required notifications to, third parties under the financing agreements that require prior approval.

8.2.2.3 Targeted Investor Conditions

a- The Targeted Investor obtaining relevant internal approvals, such that the Targeted Investor is duly authorized to take all necessary actions and perform all necessary tasks to complete the transaction as provided in the Subscription Agreement;

b- Delivering (or causing to be delivered) all required or necessary documents and information relating to the appointment of two members to the Company's Board of Directors and two members to the Executive Committee, nominated by the Targeted Investor to the Company and any governmental authority.

8.3 Pre-completion Obligations

The Company undertakes to the Targeted Investor and shall procure, on a best-efforts basis and to the extent within its control and in compliance with and subject to Applicable Law, from the date of the Subscription Agreement until the Completion Date, that each of its Group Companies shall reasonably consult with the Company in relation to any matters that are outside the ordinary course of business and may have a material effect upon any such Group Company or its business and shall comply at all times with the Disclosure Obligations and shall inform the Targeted Investor of any disposal of valuable material assets of the Group as soon as practicable, and shall not undertake a number of actions without obtaining prior written consent from the Targeted Investor, including, but not limited to, the following:

1- Make any changes to the agreed use of Proceeds;

2- alter the general nature or scope of its businesses in any material way or enter into any material new lines of business;

3- conclude, enter into or terminate any Material Agreement;

4- create, allot or issue or grant an option to subscribe for any share capital or issue any security which is convertible into shares;

5- make any amendments to its share capital or its constitutional documents (including its Bylaws);

6- materially change any method of accounting, accounting reference period, accounting policy or auditing practice;

7- enter into any loan or financing arrangement except in relation to the projects listed in paragraph (1) above, or amend any existing loan or early repayment of any financing arrangement, in excess of 20% of the total existing facilities at the date of the Subscription Agreement;

8- declare, distribute, pay any dividends or any other form of distribution (whether in cash or in-kind) for any period;

9- proceed with any restructuring, acquisition, merger, transfer of shares or other similar transaction affecting the current shareholding of any of member of the Group;

10- institute or settle any legal proceedings (except in respect of debt collection in the ordinary course of business and employment matters): (i) which will result in any payment being made by a Group Company outside the ordinary course of business; (ii) where the claim is for an amount in excess of one million Saudi Arabian Riyals (SAR 1,000,000); or (iii) against any related party;

11- propose, approve or carry out any share buy-back or share cancellation for any reason; or

12- allow or procure any act or omission (in each case save only as may be required to give effect to the Subscription Agreement) that would constitute or give rise to a breach of any Warranty or any other provision of the Subscription Agreement.

The above shall not operate so as to restrict or prevent the Company from:

1- Conducting discussions in relation to any Permitted Transactions and concluding such Permitted Transactions;

2- taking any action, the commencement of which has been publicly announced, or specifically communicated to the Targeted Investor, prior to the date of the Subscription Agreement;

3- undertaking any matter contemplated by the Subscription Agreement.

8.4 The Company's Warranties

The Company has provided the Targeted Investor with several warranties regarding its eligibility, authority, ownership of shares, and constitutional documents, including, but not limited to, in relation to its capacity to enter into the Subscription Agreement and obtaining all necessary approvals therefor. Additionally, it has undertaken to comply with applicable regulations and existing agreements, its ownership in its subsidiary companies and group companies, and not granting any rights related to the issuance of shares or debt instruments to any third parties. The Company has also provided warranties related to its commitment to all applicable disclosure requirements for Tadawul-listed companies, warranties related to the accuracy of its financial statements, licenses, disputes, and litigation, and the absence of any unregistered or potential Company or Group subsidiary assets, liabilities, warranties, other than those detailed in the financial statements or the notes thereto.

8.5 Completion of the Transaction

8.5.1 Timeframe

a- Completion of the transaction shall take place as soon as practicable, subject to the satisfaction (or as the case may be, the waiver) of the conditions precedent ("Completion Date"). The Company's obligations upon completion of the transaction shall include the delivery (or causing the delivery) of a duly authorized resolution from the Company's Board of Directors approving the Capital Increase, the convening of the Extraordinary General Assembly for Capital Increase, and its approval of the Capital Increase (and any other necessary resolutions to fulfill the Company's obligations under the Subscription Agreement).

b- Upon completion of the transaction or as soon as practicable thereafter, the Company shall make reasonable efforts to ensure the appointment of two Targeted Investor nominees to the Company's Executive Committee in accordance with the Company's Bylaws and applicable CMA regulations. Additionally, the Company shall publish the results of the Extraordinary General Assembly for Capital Increase, submitting all resolutions and amendments to the Company's Bylaws to the relevant authorities, and the issuance of an updated Commercial Registration reflecting the Capital Increase, as well as ensure the listing and trading of the New Nhares.

c- The Targeted Investor agrees (in addition to any specific commitments set forth elsewhere in the Subscription Agreement) to fully pay the Subscription Amount.

8.6 Termination

a- The Targeted Investor may terminate the Subscription Agreement with immediate effect by written notice to the Company at any time prior to the Completion Date if the Company materially breaches its obligations under the Subscription Agreement, including in relation to the accuracy and validity of its warranties in all material aspects, and such breach cannot be remedied before the Completion Date, or if the Company discloses any matter that adversely affects the transaction (or is required to be disclosed pursuant to disclosure obligations) before the Completion Date, or if any material adverse event occurs.

b- The Company may terminate the Subscription Agreement with immediate effect by written notice to the Targeted Investor at any time prior to the Completion Date if the Targeted Investor materially breaches its obligations under the Subscription Agreement, including in relation to the accuracy and validity of its warranties in all material aspects, and such breach cannot be remedied before the Completion Date, or if the Targeted Investor fails to satisfy the conditions set forth in the Subscription Agreement.

c- The rights and obligations of both Parties shall immediately become null and void upon the termination of the Subscription Agreement, except for the rights and obligations accruing to a Party as of the termination date or its rights and obligations arising as a result of the termination, and the provisions that remain in effect after the termination of the Subscription Agreement as provided therein or which by their nature or context are intended to survive the termination of the Subscription Agreement, and any provision of the Subscription Agreement that is necessary for its interpretation or enforcement after the termination of the Subscription Agreement (for any reason). However, the termination of the Subscription Agreement (for any reason) shall not affect the rights and obligations of each Party prior to termination.

9. WAIVERS

The Company submitted a request to the CMA on 3/11/1444H (corresponding to 23/05/2023G) to waive the requirements stipulated in Article 72 (b) of the Rules on the Offer of Securities and Continuing Obligations, which stipulates that "The total increase in capital with the suspension of preemptive rights shall not exceed 15% of the Issuer's capital for each issue, and the offer of the shares of a capital increase with the suspension of preemptive rights shall be limited to investors of the categories of Qualified Clients and Institutional Clients." The Company obtained CMA exemption on 29/01/1445H (corresponding to 16/08/2023G) to increase the Company's capital by 30% at most, on the condition that such waiver shall apply only once and that the Targeted Investor shall not dispose of the New Shares for a period of not less than two (2) years from their listing date.

10. SHARES AND OFFERING TERMS AND CONDITIONS

The Company submitted an application to the CMA for the registration and offering of the New Shares, and to Tadawul for the listing of the New Shares. All the requirements under Rules on the Offer of Securities and Continuing Obligations and the Listing Rules have been fulfilled.

10.1 The Offering

Offering nineteen million nine hundred ninety-nine thousand nine hundred and ninety-nine (19,999,999) new ordinary shares, representing an increase of thirty percent (30%) to the Company's current capital with the suspension of preemptive rights, at a nominal value of ten (SAR 10) Saudi Riyals per share, for a subscription value of thirty-one and a half (SAR 31.50) Saudi Riyals per share and a total value of six hundred twenty-nine million nine hundred ninety-nine thousand nine hundred sixty-eight and a half (SAR 629,999,968.50) Saudi Riyals.

10.2 Subscription Method

All New Shares shall be subscribed to by the Targeted Investor within a period of three (3) Business Days, starting two (2) Business Days from the date of the Extraordinary General Assembly's approval of the Capital Increase.

10.3 Offering Period and Conditions

The Offering Period shall be three (3) Business Days, starting two (2) Business Days from the date of the Extraordinary General Assembly's approval of the Capital Increase, with no Offering conditions.

10.4 Suspension or Cancellation of the Offering

The CMA may, at any time, issue a decision to suspend the Offering if it deems that the Offering could result in a violation of the Capital Market Law, its Implementing Regulations, or market rules. Additionally, the Offering may be canceled if the Extraordinary General Meeting held regarding the Capital Increase does not approve any of the Offering details.

10.5 Approvals and Decisions under which the Shares are Offered

On 13/02/1445H (corresponding to29/08/2023G), the Company's Board of Directors recommended an increase of 30% in the Company's capital through the issuance and offering of nineteen million, nine hundred and ninety-nine thousand, nine hundred and ninety-nine (19,999,999) new ordinary shares, with the suspension of preemptive rights.

On 11/04/1445H (corresponding to 26/10/2023G), Tadawul approved the request for listing the New Shares. The approval included the publication of this Prospectus and all supporting documents requested by the CMA, on the date of announcement thereof on the CMA's website on 20/05/1445H (corresponding to 04/12/2023G).

The Extraordinary General Assembly meeting, dated 15/06/1445H (corresponding to 28/12/2023G), approved a 30% increase in the Company's capital by issuing and offering nineteen million, nine hundred and ninety-nine thousand, nine hundred and ninety-nine (19,999,999) new ordinary shares, with suspension of preemptive rights, to be fully subscribed to by the Targeted Investor.

10.6 Existing Arrangements for Restricting Transactions in Specific Shares

There are no existing arrangements to prevent transactions in any shares.

11. SUBSCRIPTION UNDERTAKINGS

11.1 Subscription Application and Undertakings

Under the Subscription Agreement, the Company shall issue the New Shares immediately following the Extraordinary General Assembly's approval of the Capital Increase, and the Targeted Investor shall pay the New Shares' total value of six hundred twenty-nine million nine hundred ninety-nine thousand nine hundred sixty-eight and a half (SAR 629,999,968.50) Saudi Riyals during the Subscription Period.

11.2 Allocation of Shares

Upon the Extraordinary General Assembly's approval of the Capital Increase, all New Shares will be allocated to the Targeted Investor during the Subscription Period, as per Article 129 of the Companies Law.

11.3 The Saudi Stock Exchange

Tadawul was founded in 2001G as the successor to the Electronic Securities Information System. Electronic stock trading commenced in the Kingdom in 1990G. Trading occurs every Business Day from Sunday to Thursday during a single session from 10:00 a.m. to 3:00 p.m., during which orders are executed. Outside these hours, order entry, modification, and cancellation are allowed from 9:30 a.m. to 10:00 a.m.

Transactions take place through the automatic matching of orders based on price. Generally, market orders, which are orders at the best available price, are executed first, followed by limit orders. If several orders are generated at the same price, they are executed according to the time of entry.

Tadawul distributes a comprehensive range of information through various channels, including in particular, the Tadawul website. Market data is provided instantaneously to recognized information providers such as "Reuters." Settlement of transactions occurs automatically within two Business Days (T+2).

The Company is obligated to disclose all important decisions and information relevant to the Targeted Investor through the Tadawul system, which assumes the responsibility of market monitoring to ensure trading fairness and market efficiency.

11.4 Trading Company Shares on Tadawul

An application has been submitted to the CMA for the registration and offering of the New Shares on the Saudi Stock Exchange, and to Tadawul for the listing of the New Shares. Approval has been granted for this Prospectus on 20/05/1445H (corresponding to 04/12/2023G), and all requirements have been fulfilled.

It is expected that the registration and commencement of trading in the New Shares on the Saudi Stock Exchange will take place after they have been deposited into the portfolio of the Targeted Investor. This will be announced in due course on Tadawul. The dates mentioned in this Prospectus are considered tentative and are subject to change with the approval of the CMA.

Although the existing shares are registered on the Saudi Stock Exchange and the Company's shares are listed on Tadawul, trading in the New Shares can only occur after they have been deposited into the portfolio of the Targeted Investor and the expiry of the Lock-Up Period.

12. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the Company's head office located in Prince Muhammad bin Abdulaziz Street, Al Andalus, Unit No: 45, P.O. Box: 32913, Jeddah, Saudi Arabia, during official working hours from 8:00 a.m. to 5:00 p.m., fourteen (14) days prior to the date of the Extraordinary General Meeting held regarding the Capital Increase. These documents will remain available for inspection until the end of the Offering.

Company Documents

- Commercial Registration Certificate.
- Company's Articles of Association.
- Company's Bylaws and any amendments thereto.

Share Offering

- CMA announcement approving the New Share Offering.
- Tadawul approval for the listing the New Shares.
- Board of Directors' recommendation for the Capital Increase.

Reports, Correspondences, and Documents

- Feasibility study for the Paper Mill project (PM5).
- Feasibility study for the Tissue Mill project (TM6).
- Written consent from the Financial Advisor and Lead Manager (SNB Capital Company) for inclusion of its name, logo, and declarations in this Prospectus.
- Written consent from the Legal Advisor (Abdulaziz I. AlAjlan and Partners, Legal Advisors) for the inclusion of its name, logo, and declarations in this Prospectus.
- Written consent from the Independent Auditor (Ernst & Young Professional Services) for the inclusion of its name, logo, and declarations in this Prospectus as Independent Auditor of the Company's consolidated audited financial statements for the financial years ended December 31, 2021G and 2022G, and for the unaudited consolidated interim financial statements for the six-month period ended 30 June 2022G and 2023G.

MEPCO
Middle East Paper Company
شركة الشرق الأوسط لصناعة وإنتاج الورق

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