



MEPCO POSTS STRONG 1H'22 RESULTS WITH SR 191 Mn IN NET INCOME

Gross Profit margin records 46.6% and Net Income margin 29.3 %

Jeddah, Saudi Arabia | August 9, 2022 | The Middle East Paper Co. ('MEPCO'), the region's leading vertically integrated paper manufacturer, announced its results for the first half of 2022. Results show a significant and sustainable growth reflecting continuous strength and development in MEPCO strong operational and financial position. Profit margins continues on strongly with significant rise compared to previous year's results.

Comparing to the last quarter of 2022, the results show MEPCO's strong direction towards growth despite any global challenges as MEPCO continues to prove its resiliency providing sustained profit margins from quarter to quarter.

Highlights

- **Sales revenue** – recorded SR 652 M representing a 44.6 % increase compared to 1H 21 and an increase of 13.7% compared to Q1'21. The YoY increase is primarily attributed to the increase in international price levels average selling price increased by 45.6 %. while the QoQ increase was also due to international prices as well as MEPCO's operational development to satisfy both local and global demand
- **Gross profit** – recorded SR 303.7 M up from SR 131.3 M amplifying a significant increase of 131 % YoY as well as a continued increase of 12.2% QoQ from SR 143 M to SR 160.5 M, driven by higher sales levels and effective sustained cost management, since implementing several cost controls in 2021. The gross profit margin was increased from 29.1% to 46.6% in 1H 22 mounting 17.5 basis points YoY and a very slight decrease of 0.7 basis points QoQ from 46.9% to 46.3%.
- **EBIT** – have mounted an increase YoY by 197 % and continued to improve QoQ by 10.2 %, rising from SAR 72.8 M to SAR 216.4 M YoY and from SAR 101.2 M to SAR 111.6 M QoQ.
Even though the EBIT margin has slightly decreased by 1 basis point QoQ from 33.2% to 32.2%, this was due to the logistic cost increase which increased by 24% QoQ, as a result of the current geopolitical situation. But it is also worth mentioning other slight increase in expenses in 1H 22 that is due to some operational necessity. Not to forget to highlight MEPCO achieved an EBIT margin increase YoY with 17 basis point from 16.2 % to 33.2 %.
- **Net income** – rose from SAR 60.1 M to SAR 191 M YoY an increase of 214,1 % and a sustained increase QoQ from SAR 92 M to SAR 98.5 M reaching to 6.7 % increase. The Net Profit margin declined slightly from 30.3% to 28.4% QoQ. while significantly improved on the YoY by 15.8 basis points mounting from 13.5% to 29.3%.

Eng. Sami Safran, President of MEPCO, commented:

"MEPCO continues to grow achieving higher profitability more than ever despite current global logistic challenges and current geo-political situation which no doubt can impose some anticipated impacts in the coming quarter such as some normal stabilizing to the selling prices within the expected normal ranges of the prices trends. Regardless, we managed to mitigate the risk for the logistic challenges as we aimed to achieve higher local sales which were reflected in our financial results.

Yet we continuously welcome challenges as opportunity for growth. We continue to work on sustaining our growth and increase in sales revenues while finding ways to improve and develop operationally and this was reflected in our strong operational cash flow that increased from SAR 65 m to SAR 192 m by 197%. MEPCO's net debt decreased by 53.7%, net debt/equity decreased from 0.62 to 0.29 YoY which reflect our strong management and diligence to maintain strong



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financial position. In addition, as MEPCO seeks to satisfy our esteemed shareholders and investors, we have issued in Q2 22 the approved dividend for FY21 which is SAR 1 per share, providing dividend payout 23% and dividend yield 1.7%.

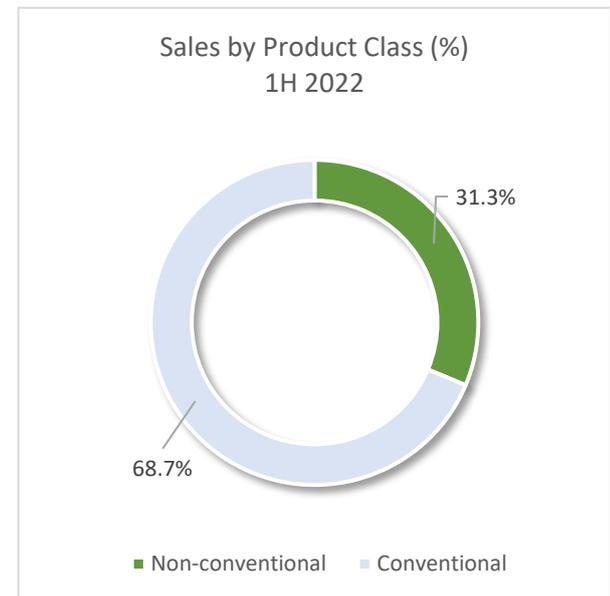
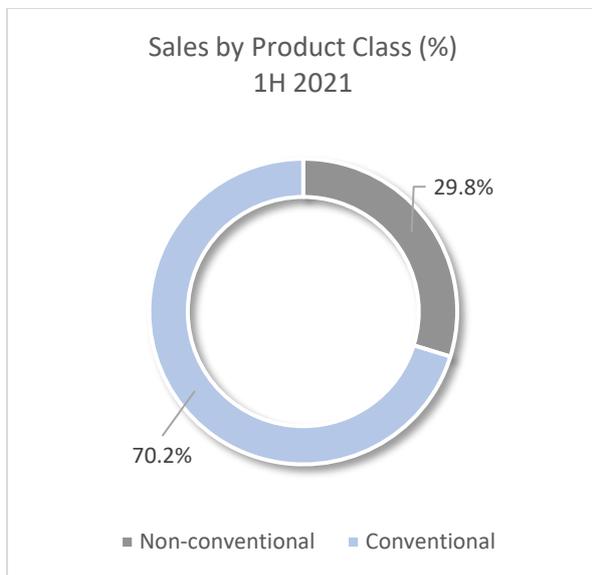
We are proud of our joint venture financial results with Jeddah Municipality creating our esteemed Estidama Environmental Services company serving Jeddah city to recycle Jeddah's recyclable waste, in alignment with Saudi Arabia vision for 2030 to transform our Kingdom towards the green economy to achieve economic and environmental gains. As MEPCO owns 50% of Estidama with paid in capital SR 50,000 . the company achieved net profit of SR 313,127 as of 31 December 2021 just for the first 3 months since Estidama was launched.

For 1H 22 we are proud to announce that our fruitful investment collaboration have achieved net profit SR 2,461,384.

We are delighted to announce that we are aligned with our planned schedule for launching our new tissue manufacturing project that is much anticipated to satisfy our great kingdom local demand and we look forward to further provide a higher shareholder value".

Sales Highlights

Sales breakdown¹ by value in (SAR)



¹ Refers to MEPCO standalone sales.



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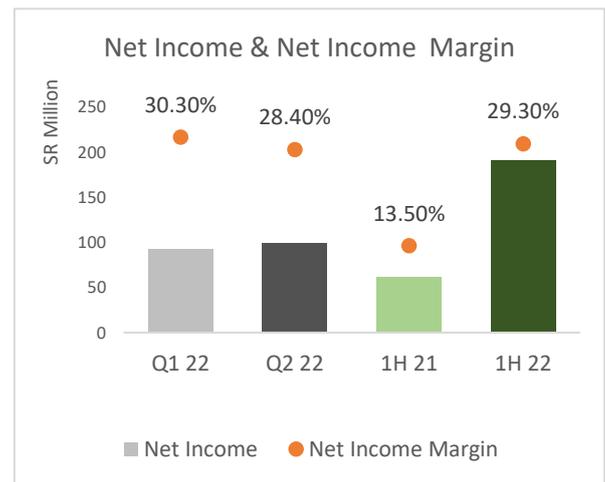
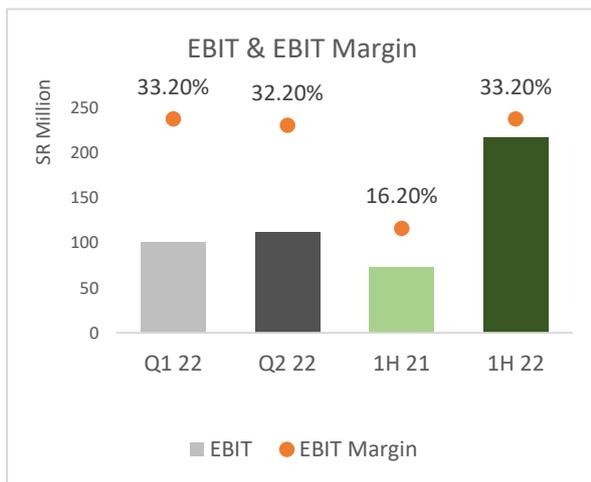
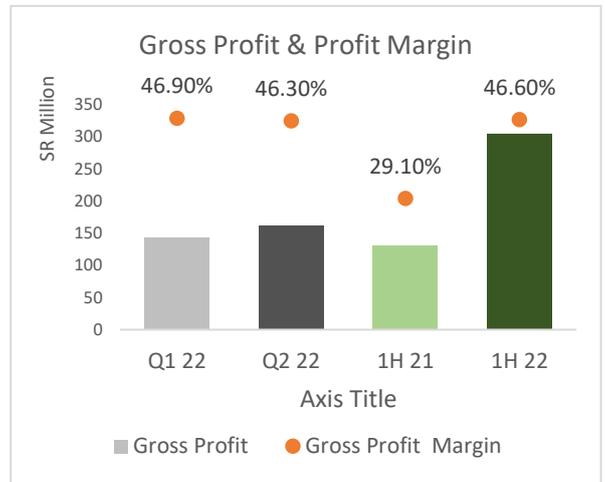
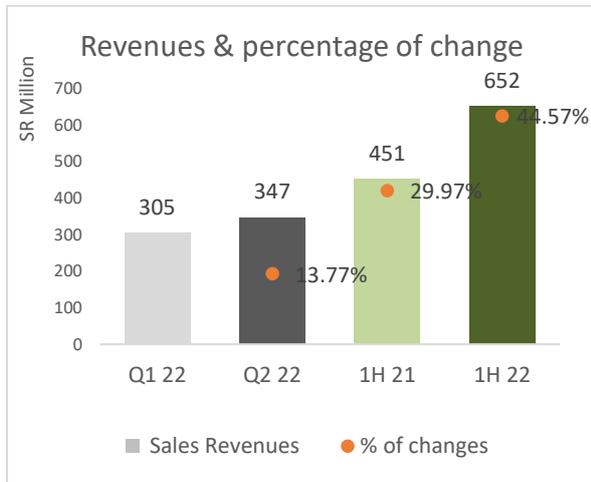
Financial Review

For the financial period ended June 30, 2022; all figures are in SAR '000, unless stated otherwise.

in SAR ,000	Previous Quarter	Current Quarter	QoQ Change	Previous Period	Current Period	YoY Change
	Q1 22	Q2 22		1H 21	1H 22	
Sales Revenue	305,017	346,948	13.7%	450,967	651,965	44.6%
Gross Profit	143,157	160,559	12.2%	131,301	303,715	131.3%
Gross Profit %	46.9%	46.3%	-0.7 bps	29.1%	46.6%	17.5 bps
EBITDA	125,202	135,902	8.5%	123,914	265,211	114.0%
EBITDA %	41.0%	39.2%	-1.9 bps	27.5%	40.7%	13.2 bps
EBIT	101,294	111,660	10.2%	72,872	216,425	197.0%
EBIT%	33.2%	32.2%	-1.0 bps	16.2%	33.2%	17.0 bps
Net Profit	92,386	98,595	6.7%	60,807	190,981	214.1%
Net Profit %	30.3%	28.4%	-1.9 bps	13.5%	29.3%	15.8 bps
Earnings Per Share (SAR)	1.85	1.97	0.12 SAR	1.22	3.84	2.62 SAR

bps=basis points

Sales Revenues, Gross Profit, EBIT, and Net Profit Trends | QoQ and YoY





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As of 30 June, 2022 (SAR '000)

	Jun-21	Jun-22	Change (SAR)	Change %
STL*	130,089	55,233	(74,857)	(57.5%)
MTL**	443,988	458,432	(14,444)	(3.3%)
Total debt	574,077	513,665	(60,413)	(10.5%)
Cash Balance	68,209	189,558	(121,350)	178.0%
Net debt	505,87	324,107	(181,762)	(6.1%)
Equity	812,564	1,124,281	(311,716)	38.4%
Debt/Equity (x)	0.71	0.46	(0.25)	(35.3%)
Net debt/Equity (x)	0.62	0.29	(0.33)	(53.7%)

* STL includes: Notes Payable liability against import bills

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

*** Total Equity including Non-Controlling Interest with value of SR 1,437 thousand.

-Ends-

About MEPCO

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

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

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

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