EARNINGS RELEASE

Q2 2026

Middle East Paper Company, MEPCO, posted a Total Revenue figure of SAR 298.0m, for the second quarter of 2026, marking an 8% increase from the same quarter of 2025.

Key Highlights

Total Revenue amounted to SAR 298.0m, up from SAR 275.1m the previous year, an 8% increase.

Operational Profit increased 70%, reaching SAR 20.4m, up from SAR 12.0m in the same period of 2025.

Net Income (attributable to the equity holders) hit SAR 15.3m, a 193% increase from the SAR 5.2m witnessed in the same quarter of 2025.

Total Comprehensive Income (attributable to the equity holders) amounted to SAR 18.2m, an increase of 204% from the SAR 6.0m profit posted in the same quarter of 2025.

Jeddah, Saudi Arabia | 11 August 2026

Q2 2026 result

The Company delivered a robust performance in the second quarter of 2026, supported by evolving market dynamics. Revenue reached SAR 298.0m, representing an 8% growth compared to Q2 2025, primarily driven by a 17% increase in sales of containerboard and industrial papers. This growth reflected the Company's continued focus on enhancing its product mix, strengthening market positioning, and increasing market share. Despite mixed regional conditions, growth in Saudi Arabia and Asia helped partially offset weaker performance in other markets. The Company prioritized local markets and Asia (specifically surrounding countries where freight expenses do not affect pricing competitiveness) during the period, as higher fuel prices increased freight costs and made exports to other regions less competitive. Gross profit stood at SAR 56.5m, with gross margin improving to 19% from 13% in the prior-year period, supported by stronger sales performance and the Company's ability to secure essential materials despite ongoing regional disruptions. Ongoing cost optimization initiatives, including lower selling and distribution expenses and the reversal of impairment losses on financial assets, contributed to operating profit rising to SAR 20.4m. Net profit for the period increased to SAR 15.3m, further supported by lower finance costs and zakat expense. In parallel, the Company remained on track to launch its two flagship projects, PM5 and TM6, and invested SAR 238.9m in capital work-in-progress during the period. Operating cash flow remained positive in line with business performance, while increased borrowings supported the Company's strategic growth investments and future capacity expansion plans, while keeping leverage within healthy levels.

H1 2026 result

MEPCO delivered a resilient performance in the first half of 2026, achieving revenue of SAR 542.3m, representing a 2% increase compared to H1 2025. The growth was primarily driven by an 8% increase in sales of containerboard and industrial papers, supported by optimal product mix. Lower cost of revenue, combined with higher sales, contributed to an increase in gross profit to SAR 83.1m from SAR 71.0m in the prior-year period. Operating profit stayed at almost the same level at SAR 25.1m, as a result of reduction in selling and distribution expenses. These improvements were offset by lower other operating income, higher impairment losses on financial assets and general and administrative expenses. Net profit for the period increased to SAR 13.9m from SAR 10.3m in H1 2025, benefiting from lower finance costs and a significant reduction in zakat expense, although the increase was partially tempered by lower finance income. The Company continued to focus on operational efficiency and cost optimization while maintaining progress on its strategic growth initiatives, supporting its long-term value creation objectives.

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Musab Sulaiman Al-Muhaidib, Chairman of the Board of Directors of the Middle East Paper Company, commented:

Since MEPCO's establishment more than two decades ago, the Company has evolved into a leading contributor to the Kingdom's industrial and environmental landscape, building a strong legacy in paper production, recycling, and the circular economy. Our ability to transform recovered materials into valuable resources reflects our commitment to sustainable industrial development and aligns closely with Saudi's Vision 2030 ambitions for resource efficiency, environmental stewardship, and economic diversification.

The first half of 2026 demonstrated the resilience of our business and the strength of our strategic direction. Against a dynamic market backdrop, MEPCO delivered growth in revenue and profitability, supported by stronger sales, an improved product mix, disciplined cost management, and continued focus on operational efficiency. We remain firmly on track with our two flagship projects, PM5 and TM6, which will expand production capabilities, strengthen operational resilience, and position the Company to capture future market opportunities. These investments reflect our confidence in MEPCO's long-term fundamentals and our commitment to disciplined capital allocation.

Looking ahead, our priorities remain clear; to drive operational excellence, strengthen our market position, optimize costs, advance our sustainability agenda, and execute our strategic investments with discipline. We are confident in our ability to build on the progress achieved and enter MEPCO's next phase of development as a stronger, more resilient, and future-ready organization. We remain committed to supporting the Kingdom's industrial and environmental ambitions while delivering sustainable, long-term value to our shareholders and stakeholders.

Faisal Haddawi, Chief Executive Officer of the Middle East Paper Company, commented:

The second quarter of 2026 marked a positive improvement in the Company's performance, supported by stronger sales and continued focus on operational efficiency. The results were good enough to offset the drawback from Q1 2026. Revenue increased by 8% year-on-year to SAR 298.0 million in Q2, contributing to H1 revenue growth of 2% to SAR 542.3 million. The improvement in sales, particularly in containerboard and industrial papers, together with an improved product mix and disciplined cost management, supported a significant improvement in profitability, with Q2 gross margin increasing to 19% compared to 13% in the prior year period.

We continued to make meaningful progress in our strategic investment program, with the PM5 and TM6 projects remaining on track to commence soft operations by late 2027. The Company invested SAR 238.9 million in capital work-in-progress during the period, reflecting our continued commitment to expanding capacity, enhancing operational resilience, and strengthening our product offering. At the same time, we maintained our focus on cost optimization and operational efficiency, supporting improved profitability despite evolving market conditions. Efficient inventory management resulted in decreasing inventory levels by more than 30% positively contributing to our Cash Conversion Cycle.

Our priority remains to build on this momentum while maintaining a disciplined approach to growth and capital allocation. We will continue to capitalize on our high and flexible production capacity that enables us to strengthen our market position, optimizing our cost base, improving operational performance, and advancing our strategic investments. With the progress achieved during the first half of the year and our planned capacity expansion, we remain confident in our ability to capture future market opportunities and deliver sustainable long-term value for our shareholders.

Income Statement Summary

by value in (SAR)

	Three-month period ended 30-Jun			***Six-month period ended 30-Jun***		
	2026 (unaudited)	*2025 Restated (unaudited)*	***YoY Change***	***2026 (unaudited)***	*2025 Restated (unaudited)*	***YoY Change***
Revenue	**298,012,904**	275,129,510	**8%**	**542,305,194**	534,219,588	**2%**
Cost of revenue	**-241,491,893**	-238,068,071	**1%**	**-459,174,865**	-463,211,466	**-1%**
GROSS PROFIT	**56,521,011**	37,061,439	**53%**	**83,130,329**	71,008,122	**17%**
Selling and distribution expenses	**-3,745,759**	-4,852,582	**-23%**	**-7,092,333**	-9,798,738	**-28%**
General and administrative expenses	**-34,049,660**	-24,298,793	**40%**	**-50,133,273**	-44,885,215	**12%**
Reversal/(Impairment) of losses on financial assets	**935,248**	-1,381,039	**-168%**	**-3,076,762**	2,518,733	**-222%**
Other operating income, net	**712,725**	5,423,226	**-87%**	**2,316,255**	6,340,026	**-63%**
OPERATING PROFIT/(LOSS)	**20,373,565**	11,952,251	**70%**	**25,144,216**	25,182,928	**0%**
Finance costs	**-7,280,441**	-9,079,306	**-20%**	**-15,897,788**	-18,934,311	**-16%**
Finance income	**4,034,037**	6,031,967	**-33%**	**8,806,197**	12,290,729	**-28%**
INCOME/(LOSS) BEFORE ZAKAT	**17,127,161**	8,904,912	**92%**	**18,052,625**	18,539,346	**-3%**
Zakat expense	**-1,797,726**	-3,857,290	**-53%**	**-4,123,601**	-8,194,687	**-50%**
INCOME/(LOSS) FOR THE PERIOD	**15,329,435**	5,047,622	**204%**	**13,929,024**	10,344,659	**35%**
Attributable to:						
Equity holders of the parent	**15,288,530**	5,225,375	**193%**	**13,294,448**	10,556,727	**26%**
Non-controlling interests	**40,905**	-177,753	-	**634,576**	-212,068	-
	15,329,435	5,047,622	**204%**	**13,929,024**	10,344,659	**35%**
OTHER COMPREHENSIVE INCOME						
Items not to be reclassified to statement of profit or loss in subsequent periods:						
Re-measurement gain on employee defined benefits obligations	**2,873,495**	723,351	**297%**	**2,873,495**	723,351	**297%**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**18,202,930**	5,770,973	**215%**	**16,802,519**	11,068,010	**52%**
Attributable to:						
Equity holders of the parent	**18,151,249**	5,969,554	**204%**	**16,157,167**	11,300,906	**43%**
Non-controlling interests	**51,681**	-198,581	-	**645,352**	-232,896	-
	18,202,930	5,770,973	**215%**	**16,802,519**	11,068,010	**52%**
EARNINGS/(LOSS) PER SHARE:						
Earnings/(loss) per share attributable to ordinary equity holders of the Parent						
- Basic and diluted	**0.18**	0.06	**200%**	**0.15**	0.12	**25%**

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In Q2 2026, gross profit increased 53% year-on-year to SAR 56.5m from SAR 37.1m in Q2 2025. This was driven by an 8% rise in revenue to SAR 298.0m from SAR 275.1m, while cost of revenue increased by only 1% to SAR 241.5m. For the six-month period, gross profit rose 17% to SAR 83.1m from SAR 71.0m in H1 2025, supported by a 2% increase in revenue to SAR 542.3m, further strengthened by a 1% decrease in cost of revenue to SAR 459.2m.

Operating profit increased 70% in Q2 2026 to SAR 20.4m from SAR 12.0m in Q2 2025. The improvement was supported by stronger gross profit, lower selling and distribution expenses, which declined 23% to SAR 3.7m, and a SAR 0.9m reversal of losses on financial assets compared with SAR 1.4m impairment in Q2 2025. These gains were partly offset by a 40% increase in general and administrative expenses and an 87% decrease in other operating income. For the six-month period, operating profit remained broadly stable at SAR 25.1m compared with SAR 25.2m in H1 2025, reflecting improved gross profit and lower selling and distribution expenses, offset by higher general and administrative expenses, impairment losses on financial assets, and lower other operating income.

Income before Zakat increased 92% in Q2 2026 to SAR 17.1m from SAR 8.9m in Q2 2025, supported by the improvement in operating profit and a 20% reduction in finance costs, partly offset by a 33% decline in finance income. After a 53% reduction in Zakat expense, income for the period rose 204% to SAR 15.3m from SAR 5.0m, while net income attributable to equity holders of the parent increased 193% to SAR 15.3m from SAR 5.2m. For H1 2026, income for the period increased 35% to SAR 13.9m from SAR 10.3m, while total comprehensive income reached SAR 16.8m, up 52% from SAR 11.1m in H1 2025.

Balance Sheet Summary
by value in (SAR)

	30-Jun 2026 (Unaudited)	*31-Dec 2025 (Audited)*	% Change
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	**1,637,305,852**	1,431,865,458	14%
Investment property	**32,330,000**	-	-
Intangible assets	**14,924,274**	17,056,251	-12%
TOTAL NON-CURRENT ASSETS	**1,684,560,126**	1,448,921,709	16%
CURRENT ASSETS			
Inventories	**149,452,980**	215,492,407	-31%
Trade receivables	**359,293,241**	347,694,427	3%
Prepayments and other receivables	**11,094,842**	11,503,557	-4%
Other current assets	**137,139,420**	149,290,684	-8%
Cash and short-term deposits	**454,792,432**	495,352,589	-8%
TOTAL CURRENT ASSETS	**1,111,772,915**	1,219,333,664	-9%
TOTAL ASSETS	**2,796,333,041**	2,668,255,373	5%
EQUITY AND LIABILITIES			
EQUITY			
Share capital	**866,666,650**	866,666,650	-
Share premium	**419,999,979**	419,999,979	-
Retained earnings	**357,659,687**	341,502,520	5%
Equity attributable to equity holders of parent	**1,644,326,316**	1,628,169,149	1%
Non-controlling interests	**-6,785,009**	-7,430,361	-9%
TOTAL EQUITY	**1,637,541,307**	1,620,738,788	1%
LIABILITIES			
NON-CURRENT LIABILITIES			
Interest-bearing long-term borrowings	**346,078,558**	257,106,834	35%
Lease liabilities	**20,909,208**	20,651,883	1%
Employee defined benefits liabilities	**35,272,793**	38,139,995	-8%
TOTAL NON-CURRENT LIABILITIES	**402,260,559**	315,898,712	27%
CURRENT LIABILITIES			
Interest-bearing long-term borrowings – current portion	**96,414,605**	120,009,417	-20%
Interest-bearing short-term borrowings	**394,842,582**	337,301,909	17%
Trade and other payables	**241,122,925**	251,545,855	-4%
Other current liabilities	**18,021,891**	9,220,823	95%
Zakat payable	**6,129,172**	13,539,869	-55%
TOTAL CURRENT LIABILITIES	**756,531,175**	731,617,873	3%
TOTAL LIABILITIES	**1,158,791,734**	1,047,516,585	11%
TOTAL EQUITY AND LIABILITIES	**2,796,333,041**	2,668,255,373	5%

By the end of H1’26, total assets reached SAR 2.8b, a 5% increase compared with SAR 2.7b at the end of 2025. The growth was driven by a 16% rise in non-current assets to SAR 1.7b, supported mainly by a 14% increase in property, plant and equipment to SAR 1.6b, the addition of SAR 32.3m in investment property, and 12% decline in intangible assets. This was partially offset by a 9% decline in current assets to SAR 1.1b, reflecting a 31% reduction in inventories, 8% decrease in cash and short-term deposits, 8% decline in other current assets, and 4% decrease in prepayments and other receivables, partly offset by 3% increase in trade receivables.

Total equity and liabilities reached SAR 2.8b, up 5% from SAR 2.7b at the end of 2025. Total equity increased 1% to SAR 1.6b, supported by a 5% rise in retained earnings while share capital and share premium remained unchanged. Total liabilities rose 11% to SAR 1.2b, driven primarily by a 27% increase in non-current liabilities to SAR 402.3m, mainly due to a 35% rise in interest-bearing long-term borrowings. Current liabilities increased 3% to SAR 756.5m, as higher short-term borrowings and other current liabilities were partly offset by lower current portions of long-term borrowings, trade and other payables, and Zakat payable.

Debt Analysis
by value in (000SAR)

	June 2026	December 2025	Change %
STL	394,843	337,302	17%
MTL*	442,493	377,116	17%
Total debt	837,336	714,418	17%
Cash Balance	454,792	495,353	-8%
Net debt	382,543	219,066	75%
Equity **	1,637,541	1,620,739	1%
Debt/Equity (x)	0.51	0.44	16%
Net debt/Equity (x)	0.23	0.14	73%

* MTL includes Current Portion of Long-Term Loans and net-off Deferred Finance Charges (DFC)
** Total Equity including Non-Controlling Interest with value of SR (7.4) M.

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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, with a growing global footprint spanning over 40 countries, including across the Middle East, 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 materials 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.mep.co.

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