

**MIDDLE EAST COMPANY FOR  
MANUFACTURING AND PRODUCING PAPER  
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S  
REVIEW REPORT**

**FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2026**

MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER  
(A SAUDI JOINT STOCK COMPANY)  
UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2026

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**Ernst & Young Professional Services (Professional LLC)**  
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**INDEPENDENT AUDITOR'S REVIEW REPORT ON  
THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
TO THE SHAREHOLDERS OF MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING  
PAPER (A SAUDI JOINT STOCK COMPANY)**

**Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Middle East Company for Manufacturing and Producing Paper ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 31 March 2026, and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the Three-month period then ended, and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statement consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

**Emphasis of Matter**

We draw attention to Note 10(b) to the interim condensed consolidated financial statements, which describes the advance paid by the Group in prior years to acquire land through a public auction. As at 31 March 2026, while the legal ownership of the land is not under dispute, the administrative and procedural steps required to complete the transfer of the title deed into the Group's name remain ongoing. Our conclusion has not been modified in respect of this matter.

for Ernst & Young Professional Services

Ahmed Ibrahim Reda  
Certified Public Accountant  
License No. 356

Jeddah: 26 Thul-Qi'dah 1447H  
(13 May 2026G)



**MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER  
(A SAUDI JOINT STOCK COMPANY)**


**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 March 2026

(Expressed in Saudi Riyals unless otherwise stated)

	Notes	31 March 2026 (Unaudited)	31 December 2025 (Audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	1,548,631,166	1,431,865,458
Intangible assets		15,945,604	17,056,251
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,564,576,770</b>	<b>1,448,921,709</b>
<b>CURRENT ASSETS</b>			
Inventories	8	183,634,203	215,492,407
Trade receivables	9	355,354,018	347,694,427
Prepayments and other receivables		15,215,016	11,503,557
Other current assets	10	176,522,006	149,290,684
Cash and short-term deposits	11	463,758,512	495,352,589
<b>TOTAL CURRENT ASSETS</b>		<b>1,194,483,755</b>	<b>1,219,333,664</b>
<b>TOTAL ASSETS</b>		<b>2,759,060,525</b>	<b>2,668,255,373</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	14	866,666,650	866,666,650
Share premium	14	419,999,979	419,999,979
Retained earnings		339,508,438	341,502,520
<b>Equity attributable to equity holders of parent</b>		<b>1,626,175,067</b>	<b>1,628,169,149</b>
Non-controlling interests		(6,836,690)	(7,430,361)
<b>TOTAL EQUITY</b>		<b>1,619,338,377</b>	<b>1,620,738,788</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing long-term borrowings	12(a)	291,261,892	257,106,834
Lease liabilities	7	21,863,432	20,651,883
Employee defined benefits liabilities		37,333,331	38,139,995
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>350,458,655</b>	<b>315,898,712</b>
<b>CURRENT LIABILITIES</b>			
Interest-bearing long-term borrowings – current portion	12(a)	114,521,009	120,009,417
Interest-bearing short-term borrowings	12(b)	383,192,831	337,301,909
Trade and other payables		259,362,727	251,545,855
Other current liabilities		16,321,182	9,220,823
Zakat payable	13	15,865,744	13,539,869
<b>TOTAL CURRENT LIABILITIES</b>		<b>789,263,493</b>	<b>731,617,873</b>
<b>TOTAL LIABILITIES</b>		<b>1,139,722,148</b>	<b>1,047,516,585</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,759,060,525</b>	<b>2,668,255,373</b>

  
Chief Financial Officer

  
Group Chief Executive Officer

  
Chairman of the Board

The accompanying notes from 1 to 22 form an integral part of these interim condensed consolidated financial statements.

**MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER  
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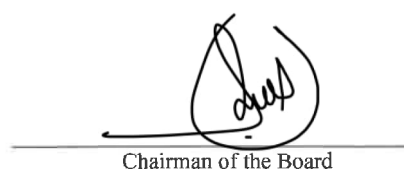
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

For the three-month period ended 31 March 2026  
(Expressed in Saudi Riyals unless otherwise stated)

	Notes	<i>Three-month period ended 31 March</i>	
		<i>2026 (unaudited)</i>	<i>2025 (unaudited)</i>
Revenue	4	244,292,290	259,090,078
Cost of revenue		(217,682,972)	(225,143,395)
<b>GROSS PROFIT</b>		<b>26,609,318</b>	<b>33,946,683</b>
Selling and distribution expenses		(3,346,574)	(4,946,156)
General and administrative expenses		(16,083,613)	(20,586,423)
(Impairment) / reversal of losses on financial assets		(4,012,010)	3,899,773
Other operating income, net		1,603,530	916,800
<b>OPERATING PROFIT</b>		<b>4,770,651</b>	<b>13,230,677</b>
Finance costs		(8,617,347)	(9,855,005)
Finance income		4,772,160	6,258,762
<b>PROFIT BEFORE ZAKAT</b>		<b>925,464</b>	<b>9,634,434</b>
Zakat expense	13	(2,325,875)	(4,337,397)
<b>(LOSS) / PROFIT FOR THE PERIOD</b>		<b>(1,400,411)</b>	<b>5,297,037</b>
<b>Attributable to:</b>			
Equity holders of the parent		(1,994,082)	5,331,352
Non-controlling interests		593,671	(34,315)
		<b>(1,400,411)</b>	<b>5,297,037</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items not to be reclassified to statement of profit or loss in subsequent periods:</i>			
Actuarial gain on re-measurement of employee benefit obligations		-	-
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD</b>		<b>(1,400,411)</b>	<b>5,297,037</b>
<b>Attributable to:</b>			
Equity holders of the parent		(1,994,082)	5,331,352
Non-controlling interests		593,671	(34,315)
		<b>(1,400,411)</b>	<b>5,297,037</b>
<b>(LOSS) / EARNINGS PER SHARE:</b>			
Basic and diluted, (Loss) / earnings per share attributable to ordinary equity holders of the Parent (ﷲ)	16	(0.02)	0.06

  
Chief Financial officer

  
Group Chief Executive Officer

  
Chairman of the Board

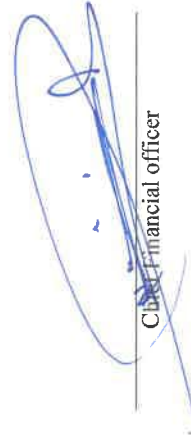
The accompanying notes from 1 to 22 form an integral part of these interim condensed consolidated financial statements.

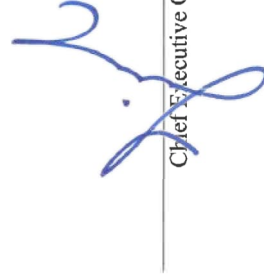
**MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER  
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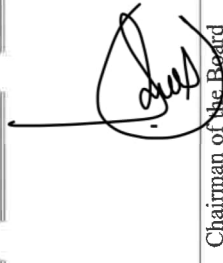
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the Three-month period ended 31 March 2026  
(Expressed in Saudi Riyals unless otherwise stated)

	<i>Attributable to equity holders of the Parent</i>							
	<i>Share capital</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>Reserve for employees' share-based payments</i>	<i>Retained earnings</i>	<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
Balance as at 01 January 2026 (Audited)	866,666,650	419,999,979	-	-	341,502,520	1,628,169,149	(7,430,361)	1,620,738,788
(Loss) / profit for the period	-	-	-	-	(1,994,082)	(1,994,082)	593,671	(1,400,411)
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total comprehensive (loss) / income for the period	-	-	-	-	(1,994,082)	(1,994,082)	593,671	(1,400,411)
<b>At 31 March 2026 (Unaudited)</b>	<b>866,666,650</b>	<b>419,999,979</b>	<b>-</b>	<b>-</b>	<b>339,508,438</b>	<b>1,626,175,067</b>	<b>(6,836,690)</b>	<b>1,619,338,377</b>
Balance as at 01 January 2025 (Audited)	866,666,650	419,999,979	135,278,852	-	184,282,212	1,606,227,693	(6,194,341)	1,600,033,352
Profit/(loss) for the period	-	-	-	-	5,331,352	5,331,352	(34,315)	5,297,037
Other comprehensive income/ (loss) for the period	-	-	-	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	-	-	5,331,352	5,331,352	(34,315)	5,297,037
Addition to share based payment	-	-	-	87,500	-	87,500	-	87,500
<b>At 31 March 2025 (Unaudited)</b>	<b>866,666,650</b>	<b>419,999,979</b>	<b>135,278,852</b>	<b>87,500</b>	<b>189,613,564</b>	<b>1,611,646,545</b>	<b>(6,228,656)</b>	<b>1,605,417,889</b>

  
Chief Financial officer

  
Chief Executive Officer

  
Chairman of the Board

**MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER  
(A SAUDI JOINT STOCK COMPANY)**


**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the three-month period ended 31 March 2026

(Expressed in Saudi Riyals unless otherwise stated)

	Note	2026 (Unaudited)	2025 (Unaudited)
<b>OPERATING ACTIVITIES</b>			
Profit before zakat		925,464	9,634,434
<i>Adjustments to reconcile profit before zakat to net cash flows:</i>			
Depreciation of property, plant and equipment	5	25,768,663	30,466,545
Amortization of intangible assets		1,110,647	1,094,387
Loss on disposal of property, plant and equipment		32,474	-
Charge / (reversal) of allowance for impairment of trade receivables	9	4,012,010	(3,899,773)
Charge of allowance for slow moving inventories	8	750,000	750,000
Employee benefits provision		1,232,360	1,473,182
Employees share-based payments expense		-	87,500
Finance costs		8,617,347	9,855,005
Finance income		(4,772,160)	(6,258,762)
		<u>37,676,805</u>	<u>43,202,518</u>
<i>Working capital changes:</i>			
Decrease in inventories		31,108,204	20,098,976
(Increase) / decrease in trade receivables		(11,671,601)	7,901,006
(Increase) / decrease in prepayments and other receivables		(2,636,529)	(1,254,641)
Increase in other current assets		(27,231,322)	(28,596,986)
Increase / (decrease) in trade and other payables		10,118,163	(16,033,687)
Increase in other current liabilities		7,100,359	2,214,187
		<u>44,464,079</u>	<u>27,531,373</u>
Cash from operations			
Finance costs paid		(10,668,705)	(5,372,536)
Finance income received		3,697,230	6,010,966
Employee benefits paid		(2,039,024)	(2,299,403)
		<u>35,453,580</u>	<u>25,870,400</u>
<b>Net cash flows from operating activities</b>			
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(2,572,505)	(2,424,181)
Purchase of intangible assets		-	(53,000)
Proceeds from disposal of property and equipment		26,524	-
Additions to capital work in progress		(135,659,177)	(94,556,884)
		<u>(138,205,158)</u>	<u>(97,034,065)</u>
<b>Net cash flows used in investing activities</b>			

  
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Chairman of the Board

The accompanying notes from 1 to 22 form an integral part of these interim condensed consolidated financial statements.

**MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER  
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

For the three-month period ended 31 March 2026

(Expressed in Saudi Riyals unless otherwise stated)

	note	2026 (Unaudited)	2025 (Unaudited)
<b>FINANCING ACTIVITIES</b>			
Net change in short-term borrowings	12(b)	44,570,958	(16,060,561)
Proceeds from long-term borrowings	12(a)	72,081,169	94,218,841
Repayments of long-term borrowings	12(a)	(43,032,036)	(33,433,990)
Payment of principal portion of lease liabilities	7	(2,462,590)	(3,551,024)
<b>Net cash flows from financing activities</b>		<b>71,157,501</b>	<b>41,173,266</b>
Net decrease in cash and cash equivalents		(31,594,077)	(29,990,399)
Cash and cash equivalents at the beginning of the period		495,352,589	610,683,119
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>463,758,512</b>	<b>580,692,720</b>

	Note	2026 (Unaudited)	2025 (Unaudited)
<b>SUPPLEMENTARY NON-CASH INFORMATION</b>			
Finance charges capitalized in capital work in progress	6	2,988,839	1,177,055
Amortization of deferred finance charges	12	486,567	625,424
Transfers from capital work in progress to property, plant and equipment	5&6	-	562,932
Addition to right-of-use assets and lease liabilities	7	1,372,848	24,246,178

  
Chief Financial officer

  
Chief Executive Officer

  
Chairman of the Board

The accompanying notes from 1 to 22 form an integral part of these interim condensed consolidated financial statements.

# MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2026

(Expressed in Saudi Riyals unless otherwise stated)

### 1 CORPORATE INFORMATION

Middle East Company for Manufacturing and Producing Paper (“MEPCO” or the “Company”) and its subsidiaries (collectively “the Group”) are engaged in the production and sale of container board, industrial paper and tissue paper. MEPCO is a Saudi Joint Stock Company incorporated and operating in the Kingdom of Saudi Arabia. The Company also uses the name Middle East Paper Company in its business operations, agreements and trademarks including places such as Saudi Stock Exchange.

The Company obtained its Unified Identification No. 7001404602 and Commercial Registration No. 4030131516 on 3 Rajab 1421H, corresponding to 30 September 2000. During the year 2012, the legal status of the Company converted from a limited liability company into a Saudi Closed Joint Stock Company. The Ministry of Commerce approved the conversion of the Company to a Saudi Closed Joint Stock Company by Ministerial Decision No. 44 dated 14 Safar 1433H (corresponding to 8 January 2012). The Company was converted to Saudi Joint Stock Company on 14 Rajab 1436H (3 May 2015).

The Company had investments in the following subsidiaries (collectively referred to as “Group”):

<i>Subsidiary name</i>	<i>Unified Identification No.</i>	<i>Commercial Registration No.</i>	<i>Country of incorporation</i>	<i>Principal business activity</i>	<i>Effective ownership interest</i>	
					<i>31 March 2026</i>	<i>31 December 2025</i>
<b>Direct holdings</b>						
Waste Collection and Recycling Company Limited (“WASCO”)	7001464002	4030148944	Saudi Arabia	Whole and retail sales of paper, carton and plastic waste	100%	100%
Juthor Paper Manufacturing Company Limited (“Juthor”)	7021283937	4627100075	Saudi Arabia	Production and sales of tissue paper rolls.	100%	100%
Al-Tadweer Al-Akhdar Industrial Company (“Al-Tadweer”)	7039584003	4030559839	Saudi Arabia	Production of cardboard, corrugated paper and other papers (not yet operated)	100%	100%
<b>Indirect holdings</b>						
Estidama Environmental Services Company LLC (“Estidama”)	7025433355	4030425769	Saudi Arabia	Whole sales of waste, scrap, and other unclassified products and waste management and treatment services.	50%	50%
Saudi - Jordanian Waste Collection and Recycling Company (“Saudi- Jordanian WASCO”) (see note a)	200091340	15293	Jordan	Recycle and collect carton waste, manufacture, import and export carton. Retail trade in paper and carton.	100%	100%

- a) During the year 2025, management decided to dispose of Saudi Jordanian WASCO as no longer deemed sustainable or strategically beneficial. On 15 April 2025, management signed sales and purchase agreement with third-party to sell Saudi Jordanian WASCO with cash consideration amounted to ~~SR~~ 211,500 subject to Board approval, receiving of full consideration and completion of relevant formalities and legal requirements. On 22 May 2025 the Board approved the sale of Saudi Jordanian WASCO however the cash consideration is not received in full and legal and compliance formalities are still in process, Management is expecting the sale to be completed in 2026. As at 31 December 2025, Saudi Jordanian WASCO had net liabilities of ~~SR~~ 190,122 (31 December 2025: ~~SR~~ 201,234) and had net profit of ~~SR~~ 11,112 (31 December 2025: net losses of ~~SR~~ 370,396). Saudi Jordanian WASCO has not been considered as a separate significant operation or geographical area for the Group. Accordingly, the criteria for discontinued operations under IFR 5 have not been met and the disclosure has not been accounted for under IFRS 5.

# MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month period ended 31 March 2026

(Expressed in Saudi Riyals unless otherwise stated)

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

The interim condensed consolidated financial statements for the three-months ended 31 March 2026 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia as well as other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA"). The Group has prepared the interim condensed consolidated financial statements on the basis that it will continue to operate as a going concern.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2025 (see also note 2.5).

#### 2.2 Basis of measurement

These interim condensed consolidated financial statements are prepared under the historical cost convention.

#### 2.3 Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Riyals (ﷲ), which is the Group's functional and presentation currency.

#### 2.4 Material accounting judgements, estimates and assumptions

The preparation of the Group's interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and accompanying disclosures. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, were disclosed in annual consolidated financial statements for the year ended 31 December 2025. Any future change in the assumptions and estimates could result in outcomes that could require material adjustment to the carrying amounts of the assets or liabilities affected in the future periods.

#### 2.5 Material accounting policies

The accounting policies adopted by the Group for the preparation of these interim condensed consolidated financial statements are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended 31 December 2025, except for accounting policies related to the new standard adopted by the Group effective as of 1 January 2026 (see note 3). The Group has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

### 3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP

#### Annual Improvements to IFRS accounting Standards - Volume 11

In July 2024, the IASB issued nine narrow scope amendments as part of its periodic maintenance of IFRS accounting standards. The amendments include clarifications, simplifications, corrections or changes to improve consistency in IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial instruments: Disclosure and its accompanying Guidance on implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements and IAS 7 Statements of Cash Flows. The amendments had no impact on the Group's interim condensed financial statements.

#### Contracts Referencing Nature-dependent Electricity - Amendments to IFRS 9 and IFRS 7

In December 2024, the IASB issued Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature- dependent Electricity. The amendments apply only to contracts that reference nature-dependent electricity, and they:

- Clarify the application of the 'own-use' requirements for in-scope contracts
- Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts
- Add new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows.

The amendments had no impact on Group's interim condensed financial statements.

# MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month period ended 31 March 2026

(Expressed in Saudi Riyals unless otherwise stated)

### 3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

#### *Classification and Measurement of Financial Instruments - Amendments to IAS 9 and IFRS 7*

In May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- Clarifications of the requirements for recognition and derecognition of financial assets and financial liabilities. In particular, a financial liability is derecognised on the 'settlement date' and an accounting policy choice is introduced (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI)

The amendments had no impact on the Group's interim condensed financial statements.

MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER  
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month period ended 31 March 2026

(Expressed in Saudi Riyals unless otherwise stated)

**4 DISAGGREGATED REVENUE AND SEGMENT INFORMATION**

**4.1 Disaggregated revenue information**

Set out below is the disaggregation of the Group's revenue from contracts with customers:

The entire Group's revenues have been recognized at a point in time.

Segment	For the period ended 31 March 2026		
	<i>Manufacturing</i>	<i>Trading</i>	<i>Total</i>
<b><i>Type of goods or services</i></b>			
Sale of container board and industrial papers	180,532,318	-	180,532,318
Sale of tissue paper	59,654,583	-	59,654,583
Sale of paper, carton and plastic waste	-	4,105,389	4,105,389
<b>Total revenue from contracts with customers</b>	<b>240,186,901</b>	<b>4,105,389</b>	<b>244,292,290</b>
<b><i>Geographical markets (customers location)</i></b>			
Saudi Arabia	199,814,744	4,105,389	203,920,133
Other GCC Countries	8,982,723	-	8,982,723
Asia	21,777,831	-	21,777,831
Africa	1,562,677	-	1,562,677
Europe	5,384,278	-	5,384,278
Americas	2,664,648	-	2,664,648
<b>Total revenue from contracts with customers</b>	<b>240,186,901</b>	<b>4,105,389</b>	<b>244,292,290</b>
	For the period ended 31 March 2025		
<b>Segment</b>	<i>Manufacturing</i>	<i>Trading</i>	<i>Total</i>
<b><i>Type of goods or services</i></b>			
Sale of container board and industrial papers	182,949,835	-	182,949,835
Sale of tissue paper	69,247,760	-	69,247,760
Sale of paper, carton and plastic waste	-	6,892,483	6,892,483
<b>Total revenue from contracts with customers</b>	<b>252,197,595</b>	<b>6,892,483</b>	<b>259,090,078</b>
<b><i>Geographical markets (customers location)</i></b>			
Saudi Arabia	186,399,744	6,892,483	193,292,227
Other GCC Countries	20,951,857	-	20,951,857
Asia	30,400,378	-	30,400,378
Africa	6,434,917	-	6,434,917
Europe	7,273,615	-	7,273,615
Americas	737,084	-	737,084
<b>Total revenue from contracts with customers</b>	<b>252,197,595</b>	<b>6,892,483</b>	<b>259,090,078</b>

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**4. DISAGGREGATED REVENUE AND SEGMENT INFORMATION (continued)**

**4.2 Segment information**

For management purposes, the Group is organized into business units based on its products, nature of production processes, business nature and strategies and has two reportable operating segments, as follows:

- Manufacturing segment represents manufacturing of container board and industrial paper as well as tissue paper.
- Trading segment represents wholesale and retail sales of paper, carton and plastic waste.

No operating segments have been aggregated to form the above reportable operating segments. The entire Group's business notes are located and operating in KSA.

The Strategic and Executives Committee is the Chief Operating Decision Maker ("CODM") and monitor the operation results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

The following table presents segment information:

<i>Results for the three-month period ended 31 March 2026 (Unaudited)</i>	<i>Manufacturing</i>	<i>Trading</i>	<i>Elimination</i>	<i>Total</i>
External customers	240,186,901	4,105,389	-	244,292,290
Inter-segment	-	65,234,232	(65,234,232)	-
<b>Total revenues</b>	<b>240,186,901</b>	<b>69,339,621</b>	<b>(65,234,232)</b>	<b>244,292,290</b>
Segment profit / (loss) before zakat	4,466,567	(3,559,898)	18,795	925,464
Zakat	2,317,120	8,755	-	2,325,875
Finance costs	7,883,001	819,746	(85,400)	8,617,347
Depreciation and amortization	22,662,394	4,216,916	-	26,879,310
<i>Results for the three-month period ended 31 March 2025 (Unaudited)</i>				
External customer	252,197,595	6,892,483	-	259,090,078
Inter-segment	-	63,377,354	(63,377,354)	-
<b>Total revenues</b>	<b>252,197,595</b>	<b>70,269,837</b>	<b>(63,377,354)</b>	<b>259,090,078</b>
Segment profit / (loss) before zakat	15,837,425	(1,535,425)	(4,667,566)	9,634,434
Zakat	4,284,317	53,080	-	4,337,397
Finance costs	8,936,031	983,842	(64,868)	9,855,005
Depreciation and amortization	27,344,577	4,216,355	-	31,560,932
<b>As of 31 March 2026 (Unaudited)</b>				
Total assets	3,452,382,974	124,203,239	(817,525,688)	2,759,060,525
Total liabilities	1,224,233,324	152,888,023	(237,399,199)	1,139,722,148
<b>As of 31 December 2025 (Audited)</b>				
Total assets	3,293,194,372	116,601,554	(741,540,553)	2,668,255,373
Total liabilities	1,117,665,539	141,717,683	(211,866,637)	1,047,516,585

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**5. PROPERTY, PLANT AND EQUIPMENT**

	31 March 2026 (unaudited)			31 December 2025 (audited)		
	<i>Property, plant and equipment – owned (refer note 5.1)</i>	<i>Property, plant and equipment – Leasehold (refer note 7)</i>	<i>Total</i>	<i>Property, plant and equipment – owned (refer note 5.1)</i>	<i>Property, plant and equipment – Leasehold (refer note 7)</i>	<i>Total</i>
Cost						
At 01 January	2,664,012,388	90,207,868	2,754,220,256	2,412,468,225	62,010,624	2,474,478,849
Additions	141,220,521	1,372,848	142,593,369	251,767,513	28,450,790	280,218,303
Disposals	(869,674)	-	(869,674)	(223,350)	(253,546)	(476,896)
As at	<u>2,804,363,235</u>	<u>91,580,716</u>	<u>2,895,943,951</u>	<u>2,664,012,388</u>	<u>90,207,868</u>	<u>2,754,220,256</u>
Depreciation						
At 01 January	(1,271,470,904)	(50,883,894)	(1,322,354,798)	(1,163,775,276)	(42,002,708)	(1,205,777,984)
Depreciation charge	(23,616,740)	(2,151,923)	(25,768,663)	(107,913,628)	(9,013,907)	(116,927,535)
Disposals	810,676	-	810,676	218,000	132,721	350,721
As at	<u>(1,294,276,968)</u>	<u>(53,035,817)</u>	<u>(1,347,312,785)</u>	<u>(1,271,470,904)</u>	<u>(50,883,894)</u>	<u>(1,322,354,798)</u>
Net book value	<u>1,510,086,267</u>	<u>38,544,899</u>	<u>1,548,631,166</u>	<u>1,392,541,484</u>	<u>39,323,974</u>	<u>1,431,865,458</u>

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**5. PROPERTY, PLANT AND EQUIPMENT (continued)**

5.1 Property, plant and equipment – Owned

	<i>Land</i>	<i>Buildings and mobile cabinets</i>	<i>Machinery and equipment</i>	<i>Furniture and office equipment</i>	<i>Motor vehicles</i>	<i>Capital work in progress (note 6)</i>	<i>Total</i>
Cost							
At 1 January 2026	137,398,877	288,869,893	1,913,923,061	30,053,542	37,389,986	256,377,029	2,664,012,388
Additions	-	127,489	2,397,504	9,712	37,800	138,648,016	141,220,521
Disposals	-	-	-	-	(869,674)	-	(869,674)
31 March 2026	<u>137,398,877</u>	<u>288,997,382</u>	<u>1,916,320,565</u>	<u>30,063,254</u>	<u>36,558,112</u>	<u>395,025,045</u>	<u>2,804,363,235</u>
Depreciation							
At 1 January 2026	-	(103,553,600)	(1,116,676,545)	(21,060,562)	(30,180,197)	-	(1,271,470,904)
Depreciation charge	-	(2,713,036)	(19,805,765)	(577,952)	(519,987)	-	(23,616,740)
Disposals	-	-	-	-	810,676	-	810,676
31 March 2026	<u>-</u>	<u>(106,266,636)</u>	<u>(1,136,482,310)</u>	<u>(21,638,514)</u>	<u>(29,889,508)</u>	<u>-</u>	<u>(1,294,276,968)</u>
<b>Net book value At 31 March 2026 (unaudited)</b>	<u>137,398,877</u>	<u>182,730,746</u>	<u>779,838,255</u>	<u>8,424,740</u>	<u>6,668,604</u>	<u>395,025,045</u>	<u>1,510,086,267</u>

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**5. PROPERTY, PLANT AND EQUIPMENT (continued)**

5.1 Property, plant and equipment – Owned (continued)

	<i>Land</i>	<i>Buildings and mobile cabinets</i>	<i>Machinery and equipment</i>	<i>Furniture and office equipment</i>	<i>Motor vehicles</i>	<i>Capital work in progress (note 6)</i>	<i>Total</i>
Cost							
At 1 January 2025	137,398,877	288,273,283	1,895,152,898	28,758,910	35,263,233	27,621,024	2,412,468,225
Additions	-	571,914	11,965,133	1,294,632	2,350,103	235,585,731	251,767,513
Transfers from capital work-in-progress (note 6)	-	24,696	6,805,030	-	-	(6,829,726)	-
Disposals	-	-	-	-	(223,350)	-	(223,350)
31 December 2025	<u>137,398,877</u>	<u>288,869,893</u>	<u>1,913,923,061</u>	<u>30,053,542</u>	<u>37,389,986</u>	<u>256,377,029</u>	<u>2,664,012,388</u>
Depreciation							
At 1 January 2025	-	(92,287,899)	(1,025,244,962)	(18,301,900)	(27,940,515)	-	(1,163,775,276)
Depreciation charge	-	(11,265,701)	(91,431,583)	(2,758,662)	(2,457,682)	-	(107,913,628)
Disposals	-	-	-	-	218,000	-	218,000
31 December 2025	<u>-</u>	<u>(103,553,600)</u>	<u>(1,116,676,545)</u>	<u>(21,060,562)</u>	<u>(30,180,197)</u>	<u>-</u>	<u>(1,271,470,904)</u>
Net book value							
At 31 December 2025 (audited)	<u>137,398,877</u>	<u>185,316,293</u>	<u>797,246,516</u>	<u>8,992,980</u>	<u>7,209,789</u>	<u>256,377,029</u>	<u>1,392,541,484</u>

5.2 Certain buildings, mobile cabinets, machinery and equipment, furniture and office equipment relating to one of the Group subsidiaries “Juthor” are pledged as collateral to Saudi Industrial Development Fund (SIDF) as a first-degree pledge (refer note 12).

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**6. CAPITAL WORK IN PROGRESS**

	<i>Paper Machine-5 (PM5) (note a below)</i>	<i>Tissue mill factory (TM6) (note b below)</i>	<i>Plant and Machinery (note c below)</i>	<i>Total</i>
At 1 January 2026 (audited)	153,148,196	95,703,589	7,525,244	256,377,029
Additions	36,241,606	101,394,556	1,011,854	138,648,016
<b>31 March 2026 (unaudited)</b>	<b>189,389,802</b>	<b>197,098,145</b>	<b>8,537,098</b>	<b>395,025,045</b>
At 1 January 2025 (audited)	19,516,738	-	8,104,286	27,621,024
Additions	133,631,458	95,703,589	6,250,684	235,585,731
Transfers to property, plant and equipment (refer note 5.1)	-	-	(6,829,726)	(6,829,726)
31 December 2025 (audited)	153,148,196	95,703,589	7,525,244	256,377,029

**(a) Paper Machine-5 (PM5)**

During the year 2024, the Group started construction process of a new production line (“PM5”) with expected total value at completion of ﷲ 1,760 million. As at 31 March 2026, PM5 related costs amounted to ﷲ 189.4 million (31 December 2025: ﷲ153.2 million). PM5 is expected to be completed during 2027. During the period ended 31 March 2026, finance costs amounting to ﷲ 2.1 million were capitalized as part of capital work-in-progress (31 March 2025: ﷲ 1.2 million). The average capitalization rate used was 6.7% (31 March 2025: 6.7%).

PM5 is located in Modon, Jeddah under the wholly owned subsidiary Al-Tadweer.

**(b) Tissue mill factory (TM6)**

During the year 2025, the Group started the construction process of the new tissue mill factory (“TM6”), as a new production line with total expected value at completion of ﷲ 350 million. As at 31 March 2026, TM6 related costs amounted to ﷲ 197.1 million (31 December 2025: ﷲ 95.7 million). TM6 is expected to be completed during 2026. During the period ended 31 March 2026, finance costs amounting to ﷲ 0.9 million were capitalized as part of capital work-in-progress, average capitalization rate used was 6.7% (31 March 2025: Nil).

TM6 are located in King Abdullah Economic City, Rabigh under the wholly owned subsidiary Juthor.

**(c) Plant and Machinery**

Capital work in progress as at 31 March 2026 includes costs incurred related to the ongoing projects for plant and machinery related to MEPCO and WASCO amounting to ﷲ 8.5 million (31 December 2025: ﷲ 7.5 million). During the year ended 31 December 2025 certain projects related to improvements and enhancements of the existing production lines amounting of ﷲ 6.8 million have been fully completed and started in their intended use. The remaining projects related to plant and machinery are expected to be fully completed during the year 2026 and 2027.

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**7. LEASES**

The Group has various leases contracts related to employees' accommodation, offices, and warehouses buildings which are shown under the category buildings and landfills sites for its subsidiaries shown under leased land. Rental contracts are typically made for fixed periods of 2 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The Group applies the 'short-term lease' recognition exemptions for the leases which have lease terms lower than or equal to one-year.

(a) Set out below are the carrying amounts of right-of-use assets recognized (included within PP&E (note 5) and the movements during the period:

	<i>Leasehold land – included within PP&amp;E (Note 5)</i>	<i>Leasehold buildings – included within PP&amp;E (Note 5)</i>	<i>Total</i>
As at 1 January 2026 (Audited)	36,147,215	3,176,759	39,323,974
Additions during the period	-	1,372,848	1,372,848
Depreciation expense	(1,761,901)	(390,022)	(2,151,923)
<b>As at 31 March 2026 (unaudited)</b>	<b>34,385,314</b>	<b>4,159,585</b>	<b>38,544,899</b>
As at 1 January 2025	18,726,954	1,280,962	20,007,916
Additions during the year	24,655,314	3,795,476	28,450,790
Lease termination	-	(120,825)	(120,825)
Depreciation expense	(7,235,141)	(1,778,766)	(9,013,907)
As at 31 December 2025	36,147,127	3,176,847	39,323,974

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

	<i>31 March 2026 (Unaudited)</i>	<i>31 December 2025 (Audited)</i>
At the 1 January	30,994,540	17,786,093
Additions during the period/year	1,372,848	28,450,790
Accretion of interest during the period/year	416,973	2,354,159
Payments during the period/year	(2,879,563)	(17,369,799)
Lease termination	-	(226,703)
At the end of the period / year	<b>29,904,798</b>	<b>30,994,540</b>

The scheduled maturities of the lease liabilities are as follows:

	<i>Principal Amount</i>	<i>Interest</i>	<i>Net lease liabilities</i>
<b>As at 31 March 2026</b>			
Current portion - included within trade and other payables	13,164,494	(5,123,128)	8,041,366
Non-current portion	35,177,526	(13,314,094)	21,863,432
	<b>48,342,020</b>	<b>(18,437,222)</b>	<b>29,904,798</b>
<b>As at 31 December 2025</b>			
Current portion - included within trade and other payables	13,493,373	(3,150,716)	10,342,657
Non-current portion	34,059,071	(13,407,188)	20,651,883
	<b>47,552,444</b>	<b>(16,557,904)</b>	<b>30,994,540</b>

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**8. INVENTORIES**

	<i>31 March 2026 (Unaudited)</i>	<i>31 December 2025 (Audited)</i>
Raw materials	<b>108,569,749</b>	100,950,504
Finished goods	<b>28,322,200</b>	28,029,709
Goods in transit	<b>10,939,779</b>	47,407,229
Consumable spare parts, not held for sale	<b>66,543,024</b>	69,095,514
	<b>214,374,752</b>	245,482,956
Less: Allowance for slow moving and obsolete inventories (refer note 8.1)	<b>(30,740,549)</b>	(29,990,549)
	<b>183,634,203</b>	215,492,407

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

	<i>31 March 2026 (Unaudited)</i>	<i>31 December 2025 (Audited)</i>
01 January	<b>29,990,549</b>	34,432,090
Charge during the period/year	<b>750,000</b>	2,651,185
Write-offs period/year	-	(7,092,726)
31 December	<b>30,740,549</b>	29,990,549

**9. TRADE RECEIVABLES**

	<i>31 March 2026 (Unaudited)</i>	<i>31 December 2025 (Audited)</i>
Trade receivables – Local	<b>355,918,494</b>	335,826,320
Trade receivables – Export	<b>25,849,052</b>	34,269,625
	<b>381,767,546</b>	370,095,945
Less: Allowance for impairment (refer note 9.1)	<b>(26,413,528)</b>	(22,401,518)
	<b>355,354,018</b>	347,694,427

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

	<i>31 March 2026 (Unaudited)</i>	<i>31 December 2025 (Audited)</i>
1 January	<b>22,401,518</b>	27,586,026
Charge / (reversal) during the period/year	<b>4,012,010</b>	(4,095,504)
Write off during the period/year	-	(1,089,004)
	<b>26,413,528</b>	22,401,518

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10. OTHER CURRENT ASSETS

	<i>Notes</i>	<i>31 March 2026 (Unaudited)</i>	<i>31 December 2025 (Audited)</i>
Capital project advances	(a)	<b>115,580,151</b>	97,560,384
Advances to suppliers		<b>26,957,834</b>	16,956,739
Advance against land	(b)	<b>32,330,000</b>	32,330,000
Advances to employees		<b>2,927,060</b>	3,716,600
		<b>177,795,045</b>	150,563,723
Less: Allowance for impairment on advances to suppliers		<b>(1,273,039)</b>	(1,273,039)
		<b>176,522,006</b>	149,290,684

(a) Capital project advances include advances related to the projects of the new production lines under construction i.e., PM5 and TM6.

(b) During 2017, the Group paid ~~SR~~ 32.3 million to acquire land through a public auction. The Court of Appeal of the Makkah Region subsequently issued a final judgment in 2018 confirming the Group as the legal owner of the land. In 2021, the Group was notified that, due to enforcement related restrictions imposed on the former landowner in connection with enforcement proceedings, the Group was unable to complete the procedural requirements to register the title deed in its name, notwithstanding the final court rulings in the Group's favour. These restrictions were subsequently addressed, and the related legal claims were dismissed with final, non-appealable rulings issued in favour of the Group. As at 31 March 2026, the legal ownership of the land is not under dispute; however, the administrative and procedural steps required to complete the registration of the title deed in the Group's name have not yet been finalised. Management, supported by its external legal counsel, expects that these procedures will be completed in the Group's favour.

11. CASH AND SHORT-TERM DEPOSITS

	<i>31 March 2026 (Unaudited)</i>	<i>31 December 2025 (Audited)</i>
Short-term deposits	<b>366,965,006</b>	451,719,643
Cash at bank	<b>96,286,501</b>	43,252,444
Cash in hand	<b>507,005</b>	380,502
	<b>463,758,512</b>	495,352,589

Short-term deposits are placed with a local commercial bank with the original term of maturities up to three months and denominated in ~~SR~~. Short-term deposits yield financial income at prevailing market rates of interest. During the period, the Group earned ~~SR~~ 4.7 million (Three-month period ended 31 March 2025: ~~SR~~ 6.2 million) on short-term deposits at the rate of return ranging between 4.45% to 5.27% (Three-month period ended 31 March 2025: from 4.95% to 6.15%).

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**12. LOANS AND BORROWINGS**

(a) Interest-bearing long-term borrowings

	<i>31 March 2026 (Unaudited)</i>	<i>31 December 2025 (Audited)</i>
Saudi Industrial Development Fund (SIDF) loans - Principal	<b>133,000,000</b>	133,000,000
Accrued finance charges	<b>1,475,667</b>	810,636
Less: Deferred financial charges	<b>(4,869,175)</b>	(5,355,713)
	<hr/>	<hr/>
SIDF loans (i)	<b>129,606,492</b>	128,454,923
Commercial banks - Islamic banking facilities (Tawarruq)	<b>273,273,330</b>	244,224,168
Accrued finance charges – Banks	<b>2,903,079</b>	4,437,160
	<hr/>	<hr/>
Islamic banking facilities (Tawarruq) (ii)	<b>276,176,409</b>	248,661,328
	<hr/>	<hr/>
Total Interest-bearing long-term borrowings	<b>405,782,901</b>	377,116,251
	<hr/> <hr/>	<hr/> <hr/>

*Interest-bearing long-term borrowings shown under current liabilities (current portion):*

Borrowings – gross	<b>111,888,149</b>	116,578,855
Accrued finance charges	<b>4,378,746</b>	5,247,796
Less: Deferred financial charges	<b>(1,745,886)</b>	(1,817,234)
	<hr/>	<hr/>
	<b>114,521,009</b>	120,009,417
	<hr/>	<hr/>

*Interest-bearing long-term borrowings shown under non-current liabilities (non-current portion):*

Borrowings - gross	<b>294,385,181</b>	260,645,313
Less: Deferred financial charges	<b>(3,123,289)</b>	(3,538,479)
	<hr/>	<hr/>
	<b>291,261,892</b>	257,106,834
	<hr/>	<hr/>

**Reconciliation of cash movement of borrowings**

	<i>31 March 2026 (Unaudited)</i>	<i>31 December 2025 (Audited)</i>
Balance at beginning of the period/year	<b>377,116,251</b>	380,912,156
Proceeds during the period/year	<b>72,081,169</b>	120,672,927
Repayment of principal instalments	<b>(43,032,036)</b>	(129,135,961)
Movement in accrued financial charges	<b>(869,050)</b>	2,462,378
Movement in deferred financial charges	<b>486,567</b>	2,204,751
	<hr/>	<hr/>
Balance at the end of period /year	<b>405,782,901</b>	377,116,251
	<hr/> <hr/>	<hr/> <hr/>

# MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2026 (Unaudited)

(Expressed in Saudi Riyals unless otherwise stated)

### 12 LOANS AND BORROWINGS, (continued)

#### (a) Interest-bearing long-term borrowings (continued)

- (i) During 2020, the Group had obtained facility from Saudi Industrial Development Fund (SIDF) amounting to **ﷲ** 55 million to finance the construction of manufacturing facilities and the Group has fully withdrawn this facility. The loan is repayable in unequal semi-annual instalments up to August 2025. This loan has been completely settled during the year ended 31 December 2025.

During 2021, the Group obtained a new facility from SIDF for the tissue paper factory amounting to **ﷲ** 150 million to finance the construction of manufacturing facilities. The Group has utilized **ﷲ** 150 million as of 31 March 2026 (31 December 2025: **ﷲ** 150 million). The loan is repayable in unequal semi-annual instalments up to the year 2030.

Upfront fees were deducted at the time of receipt of the loans. These fees are amortized over the period of respective loans. The loans bear a follow up fee to be paid on periodic basis. Under the terms of the SIDF loan agreement, the Group's property, plant and equipment are pledged as collateral to SIDF.

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

- (ii) During 2022, the Group has also obtained long-term credit facilities (Islamic Finance Tawarruq) from commercial banks amounting to **ﷲ** 572 million. The Group has utilized these facilities amounting to **ﷲ** 148.6 million as of 31 March 2026 (31 December 2024: **ﷲ** 224.1 million). These loans bear financial charges based on prevailing market rates in Kingdom of Saudi Arabia ("SIBOR"). These loans are repayable up to the year 2027.

During 2024 and 2025, the Group obtained long-term credit facilities (Islamic Finance Tawarruq) from commercial banks amounting to **ﷲ** 1,380 million for the purpose of the initiation of new production lines i.e., PM5 and TM6. The Group has utilized these facilities, amounting to **ﷲ** 177 million as of 31 March 2026 (31 December 2025: **ﷲ** 124 million). These loans bear financial charges based on prevailing market rates in Kingdom of Saudi Arabia ("SIBOR"). The Group has a re-payment grace period of 3 years; accordingly, these loans will be repayable starting from 2028.

Upfront fees were deducted at the time of receipt of loans from commercial banks, which are amortized over the period of the respective loans.

Long-term borrowings under Islamic banking facilities bears average interest rate of 6.46% (2025: 6.86%).

The above loans and facilities include certain covenants which require the Company to maintain certain levels of current and leverage ratios and certain restrictions on dividend distribution and also notify the bank of any breach or probable breach immediately.

All the above long-term loans are denominated in Saudi Riyals as at 31 March 2026 and 31 December 2025.

#### (b) Interest-bearing short-term borrowings

	<i>31 March 2026 (Unaudited)</i>	<i>31 December 2025 (Audited)</i>
Commercial banks - Islamic banking facilities (Tawarruq)	376,553,277	331,982,319
Accrued financial charges	6,639,554	5,319,590
	<u>383,192,831</u>	<u>337,301,909</u>

The Group has short-term credit facilities from commercial banks comprising of short-term loans, letters of credit and guarantees. These borrowings bear financing charges at the prevailing market rates. These facilities include certain financial covenants which require the Group to maintain certain levels of ratios. All loans are denominated in **ﷲ** as at 31 March 2026 and 31 December 2025.

The short-term borrowings under Islamic banking facilities bears average interest rate of 6.03% (31 December 2025:5.93%).

# MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2026 (Unaudited)

(Expressed in Saudi Riyals unless otherwise stated)

### 13 ZAKAT

#### 13.1 Components of zakat base

During 2025, the Parent Company along with its wholly owned subsidiaries, i.e., Juthor, WASCO and Al-Tadweer have been requested and obtained an approval from ZATCA to file their zakat based on a unified zakat return as one zakat group. Starting from the year ended 31 December 2025 and onward, the Group zakat unified return will be based on special purpose financial statements prepared solely for zakat filing purpose.

#### 13.2 Provision for zakat

	<i>31 March</i> <i>2026</i> <i>(Unaudited)</i>	<i>31 December</i> <i>2025</i> <i>(Audited)</i>
At the beginning of the period/year	13,539,869	19,910,229
Provision for current period/year	2,325,875	13,435,907
Payments	-	(19,806,267)
At the end of the period/year	<u>15,865,744</u>	<u>13,539,869</u>

#### 13.3 Status of zakat assessments

##### *Middle East Company for Manufacturing and Producing Paper (“MEPCO”)*

The zakat assessments of the Parent (“MEPCO”) are finalized for the years through 31 December 2023.

##### *Years 2015 to 2018:*

During 2020, Zakat, Tax and Customs Authority (“ZATCA”) issued its assessment for those years, claiming additional Zakat of  $\text{SAR}$  30 million, which the Company objected to till reached the Appeal Committee.

During 2024, ZATCA approached the Company for a settlement offer with the Internal Settlement Committee (“ISC”). During the period, the Company received a final settlement with an additional zakat liability amounting of  $\text{SAR}$  3.3 million. The management decided to accept the ISC’s offer to clear those years with ZATCA. Subsequently on April 2025, the MEPCO settled this amount, therefore zakat position is finalized for those years.

##### *Years 2019 to 2022:*

Zakat position is finalized for those years with no outstanding liabilities.

##### *Year 2023*

ZATCA has conducted and issued an assessment with zakat difference amount of  $\text{SAR}$  841,235; however, The Company submitted a request along with the zakat calculation based on the updated regulations, which was accepted by ZATCA. As a result, ZATCA issued the final assessment without any additional zakat liabilities. Accordingly, zakat assessment for the year 2023 has been finalized.

##### *Year 2024*

MEPCO is currently under review by ZATCA; however, no assessment has been issued to date.

##### *Year 2025*

The Group has filed its unified zakat returns for the year 2025 and in process to obtain the certificate.

##### *Waste Collection and Recycling Company Limited (“WASCO”)*

##### *Years 2016 and 2017*

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

##### *Years 2018 to 2024*

The Company filed its zakat returns and no open assessments to date.

##### *Juthor Paper Manufacturing Company (“Juthor”) & Estidama Environmental Services Company LLC (“Estidama”) & Al Tadweer Al-Akhdar Industrial Company (“Al Tadweer”)*

These companies filed their zakat declaration up to the year 2024 and no open assessments to date.

# MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2026 (Unaudited)

(Expressed in Saudi Riyals unless otherwise stated)

### 13 ZAKAT (continued)

#### 13.4 Status of VAT assessments

##### *Years up to 2023*

The Group have completed VAT audits with ZATCA and no outstanding liabilities exist.

##### *Years 2024*

Subsequent to the three months period ended 31 March 2026, the Group received a preliminary VAT assessment on 16 April 2026, indicating VAT differences of ~~ﷲ~~ 1,879,550. A final assessment was issued on 20 April 2026. The Company settled the full amount on 23 April 2026.

##### *Years 2025*

There are no VAT audits or reviews that have been conducted to date.

### 14 SHARE CAPITAL AND SHARE PREMIUM

As at 31 March 2026, the Company's authorized and issued share capital is ~~ﷲ~~ 866.67 million (31 December 2025: ~~ﷲ~~ 866.67 million) divided into 86.67 million shares (31 December 2025: 86.67 million shares) with nominal value of ~~ﷲ~~ 10 each (31 December 2025: ~~ﷲ~~ 10 each).

During 2024, MEPCO issued 19.99 million new shares with nominal value of ~~ﷲ~~ 10 per share. MEPCO has received a net subscription amount of ~~ﷲ~~ 619.99 million from Public Investment Fund ("PIF") against the full subscription of the new shares and acquisition of 23.08% of MEPCO ownership.

As at 31 March 2026, the Company's share premium resulted from the subscription of new shares and acquisition of PIF amounted ~~ﷲ~~ 419.99 million (31 December 2025: ~~ﷲ~~ 419.99 million)

### 15 STATUTORY RESERVE

In accordance with the previous Company's By-laws, the Parent Company used to be required to maintain a statutory reserve equal to a maximum of 30% of its share capital. According to the latest update in the companies' law in KSA, the mandatory statutory reserve requirement had been abolished. On 15 Jumada Al-Alkhirah 1445H (corresponding to 28 December 2023), the Company's General Assembly approved amending the Company's bylaws to comply with the new Companies' Law, to remove the article of the bylaws related to Company's statutory reserve. Based on that, the Board of Directors recommended the General Assembly to approve the transfer of the entire statutory reserve to retained earnings which amounted of ~~ﷲ~~ 135,278,852 as at 31 December 2024. On 26 June 2025, the General Assembly approved the transfer of the entire statutory reserve to retained earnings.

### 16 EARNINGS PER SHARE

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

	<i>Three-month period ended</i>	
	<i>31 March</i>	<i>31 March</i>
	<i>2026</i>	<i>2025</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net (loss) / profit attributable to equity holders of the Parent Company	<u>(1,994,082)</u>	<u>5,331,352</u>
Weighted average number of shares	<u>86,666,666</u>	<u>86,666,666</u>
Basic and diluted (loss) / earnings per share ( <del>ﷲ</del> per share)	<u>(0.02)</u>	<u>0.06</u>

# MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2026 (Unaudited)

(Expressed in Saudi Riyals unless otherwise stated)

### 17 FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All financial instruments for which fair value is recognized or disclosed are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. The management assessed that the fair value of cash and cash equivalents, trade and other receivables. Short-term borrowings and trade payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

### 18 COMMITMENTS, CONTINGENCIES AND LITIGATION

The Group had outstanding letters of guarantee, letter of credits and capital commitments “contracted but not incurred” that were in the normal course of the business and pertains mainly two the new production line PM5 and TM6. Below are the related outstanding contingencies and commitments:

<b>31 March 2026:</b>	<b>Paper Machine 5 (PM5)</b>	<b>Tissue Mill 6 (TM6)</b>	<b>Other plant and machinery</b>	<b>Total</b>
Letters of guarantee	-	-	<b>15,000,000</b>	<b>15,000,000</b>
Letters of credit	<b>509,296,718</b>	<b>80,493,447</b>	<b>4,773,738</b>	<b>594,563,903</b>
Capital commitments	<b>1,186,047,912</b>	<b>70,474,042</b>	<b>1,702,242</b>	<b>1,258,224,196</b>
	<b><u>1,695,344,630</u></b>	<b><u>150,967,489</u></b>	<b><u>21,475,980</u></b>	<b><u>1,867,788,099</u></b>
<b>31 December 2025:</b>	<b>Paper Machine 5 (PM5)</b>	<b>Tissue Mill 6 (TM6)</b>	<b>Other plant and machinery</b>	<b>Total</b>
Letters of guarantee	-	-	15,000,000	15,000,000
Letters of credit	455,732,780	155,956,054	13,379,754	625,068,588
Capital commitments	828,273,186	157,558,207	2,834,566	988,665,959
	<b><u>1,284,005,966</u></b>	<b><u>313,514,261</u></b>	<b><u>31,214,320</u></b>	<b><u>1,628,734,547</u></b>

**MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER  
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

At 31 March 2026 (Unaudited)

(Expressed in Saudi Riyals unless otherwise stated)

**19 RELATED PARTY TRANSACTIONS AND BALANCES**

**19.1 Key management compensation**

Compensation for key management is as follows:

	<i>Three-month period ended</i>	
	<i>31 March 2026 (Unaudited)</i>	<i>31 March 2025 (Unaudited)</i>
Short-term benefits	4,199,701	2,976,564
Post-employment benefits	65,421	117,770
Termination benefits	228,132	104,583
	<u>4,493,254</u>	<u>3,198,917</u>

Compensation to key management personnel includes salaries, and contributions to a defined benefit plan.

**19.2 Related party transaction**

Significant transaction with related parties in the ordinary course of business included in the interim condensed consolidated financial statements is summarized below:

<i>Related party</i>	<i>Description of transaction</i>	<i>Relationship</i>	<i>Three-month period ended</i>	
			<i>31 March 2026 (Unaudited)</i>	<i>31 March 2025 (Unaudited)</i>
Directors	Directors' remuneration	Directors	1,340,000	1,514,996
	Purchase of recyclable material	Shareholder of a partially owned subsidiary	-	175,729
Jeddah Development and Urban Regeneration Company ("JEDCO")	Waste collection and transportation services	("Estidama")	72,450	-
Arabian Maize Company for Industry	Purchase of raw material	Affiliate company	3,105,288	1,838,333

**19.3 Related parties' balances**

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

	<i>31 March 2026 (Unaudited)</i>	<i>31 December 2025 (Audited)</i>
Advances to key management personnel	800,920	1,226,250
Jeddah Development and Urban Regeneration Company ("JEDCO")	509,121	536,671
Accrued board remuneration	(690,000)	-
Arabian Maize Company for Industry	(3,105,288)	(5,075,987)

# MIDDLE EAST COMPANY FOR MANUFACTURING AND PRODUCING PAPER (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2026 (Unaudited)

(Expressed in Saudi Riyals unless otherwise stated)

### **20 GEOPOLITICAL DEVELOPMENTS**

During the current period, geopolitical tensions in parts of the Middle East have increased. Public communications from government and regulatory authorities have continued to emphasize the resilience of the economy and the continuation of business operations across key sectors, supported by established business continuity and risk management frameworks.

The Group has assessed the potential implications of these events on its operations, financial position and performance. Based on information currently available, including the continuation of core business activities, it is not practicable to reliably estimate the full financial effect of these geopolitical events on future periods.

Management has also considered the impact of these events on the Group's ability to continue as a going concern and has concluded that the going concern basis of preparation remains appropriate.

### **21 EVENTS AFTER THE REPORTING PERIOD**

There have been no significant subsequent events since the period ended 31 March 2026, which would have a material impact on the financial position of the Group as reflected in these interim condensed consolidated financial statements

### **22 AUTHORISATION OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

These interim condensed consolidated financial statements were authorized for issue by the Company's Board of Directors on 19 Thul-Qi'dah 1447H (corresponding to 6 May 2026G).