

## 3-1 Operational Review

First Milling Company is engaged in the production, packaging and selling of flour products and wheat byproducts, such as animal feed, bran and wheat germ. The Company is a market leader in the production of flour products. This is supported by strategically located, modern, innovative and efficient production facilities in four main regions. These regions are, Makkah Region (Jeddah Governorate), Al-Qassim Region (Buraidah Governorate), Tabuk Region (Tabuk City), and Eastern Region (Al-Ahsa Governorate), providing the Company with an important competitive advantage and accelerated pace in its operational processes as the only local player with production facilities located in

four regions throughout the Kingdom.

The Company plays an active and prominent role by providing innovative solutions in production to enhance its integrated role in the stability of food security in the Kingdom of Saudi Arabia. First Milling Company has achieved outstanding operational performance in 2023G in conjunction with its shares listing on the Saudi Stock Exchange «Tadawul». The listing was an additional incentive to continue leadership and excellence in the production of high-quality products with continuous innovation.

### The main activities of First Milling Company include the following:

Wheat packing and grinding	Preparation, grinding and pressing of animal feed	Retail of barley
Corn Filling and grinding	Poultry feed industry	Road Transportation of Goods
Filling and grinding barley	Bird feed industry	Food and animal feeds storage
Filling and grinding groats, semolina and bulgur	Wholesale of barley	Storage in warehouses of grain, flour and agricultural products
Oats production	Wholesale of cereals except for barley	Dry food stores
Concentrated animal feed industry	Wholesale of livestock feed for pharmaceutical feed additives	Activities of head offices
Cattle feed industry	Wholesale of feed and non-pharmaceutical feed additives	Motor equipment rental
Making plant by-products as animal food	Wholesale of food and beverage	Rental of measuring and control devices
Retail for cattle feed	Bakery of flour and dough industry	

First Milling Company conducted a distinguished operational performance during 2023G. The Company succeeded in achieving its strategic goals despite the unfavorable conditions and challenges that cast their shadows on the markets. The Company also expects to continue to deliver promising growth across two main paths. The first path is its core business portfolio, by optimizing cost and production dynamics in order to achieve economies of scale as a result of the

diversification of its geographical presence and the diversity of its customer portfolio. In addition to the Company's continuous expansion across the finished products sectors, which in turn will contribute to increasing revenue growth. This will require allocating more capital and operational expenditures as a second path to support this growth and increase the Company's market share.

## Flour Products:

The Company produces various types of flour for multiple uses. These types of flour are usually classified according to their extraction percentage from wheat.

During the milling process, the flour is extracted from whole wheat kernels, separating the starchy endosperm elements of the wheat kernel from the bran and germ elements. The amount of the wheat kernel that remains after the flour extraction process is referred to as the «Extraction Percentage». A lower extraction percentage, from which more of the bran and germ has been removed, results in a finer, whiter flour. A higher extraction percentage, which includes more of the bran and germ elements, results in a coarser, more whole-grain type of flour.

### The Company produces the following classes of flour:

Type	Usage
1 Premium Flour Extraction 70%	For the confectionery, pastry and bakery
2 Bakery Flour Extraction 80%	For making Arabic bread and other traditional and Western baking products
3 Whole Wheat Flour Extraction 95%	For making Whole meal bread
4 Superior Wheat Flour Extraction 70% with fine bran additives	For making special traditional meals

The Company sells the flour in the form of packs or in bulk, with the packs ranging in size from 1kg to 45kg.

**Notably, the Company is the first milling company to obtain a license of Durum Mill to produce semolina locally.**

## Flour Product Portfolio of First Milling Company includes:



### Superior Whole Wheat Flour

Characterized by a high extraction percentage of up to 80% of wheat grain, which enhances the quality of the product and increases its nutritional value. This product is the right choice for many popular Saudi recipes.



### Brown Flour

Characterized by a high extraction percentage of 97.5% of wheat grain. Due to its richness, in fiber and nutrients, it is the perfect choice for preparing the most delicious healthy baked goods.



### Bakery Flour

The basic ingredient of various delicious baked goods, and most suitable choice for many types of bread.



### 100% Whole Wheat Flour

Characterized by being a fiber-rich 100% whole grain and is the perfect choice for tasty popular dishes with great benefits.



### Superior Flour

Produced with an extraction percentage of 70% of wheat grain to provide an ideal balance between texture, flavor and puffiness, to be suitable for various types of delicious and fresh baked goods.

### Super Superior Flour

Distinguished by a white color, and is suitable for various types of desserts and pastries for a puffy and tender texture.



### Super Superior Whole Wheat Flour

Contains high amounts of fiber, protein, iron and essential vitamins, making it a nutrient-rich product and an essential in every kitchen - an ideal choice for brown bread.



The value of flour sales amounted to 57% of the Company's total revenues for 2023G, with an increase of 9%, compared to the previous year

Year	2019	2020	2021	2022	2023
Flour Revenues (SAR Million)	438.2	469.8	494.8	507.4	552.9
Annual Milling Installed Capacity	1,348,200	1,348,200	1,348,200	1,348,200	1,476,600
Actual Tons of Grinded of Wheat	1,063,869	1,103,404	1,184,740	1,310,309	1,355,336
Installed Milling Capacity Utilization	79%	82%	88%	88%	89%
Superior Flour 70% (tons)	14%	15%	15%	12%	13%
Bakery Flour 80% (tons)	79%	77%	78%	81%	80%
Brown Flour 95% (tons)	7%	8%	7%	7%	7%
Gross Flour Production (tons)	830,872	857,243	903,765	987,810	1,031,400



### Bran Products and Wheat Derivatives:

The Company also produces other wheat derivatives (mainly composed of animal bran) from the byproducts of the milling process, including fine bran suitable for human consumption, bran for animals and wheat germ. These products are offered in bulk and are typically sold to feed producers, feed traders and cooperatives dealing with animal breeders.

Bran is one of the most important wheat byproducts, which the Company uses in its feed production or sells to other feed producers in the Kingdom.

### The bran product portfolio of First Milling Company includes:



**Edible Bran**

Edible bran of First Milling Company is rich in fiber, and contains wheat germ to help obtaining an ideal texture for various types of baked goods and enhance their nutritional value.

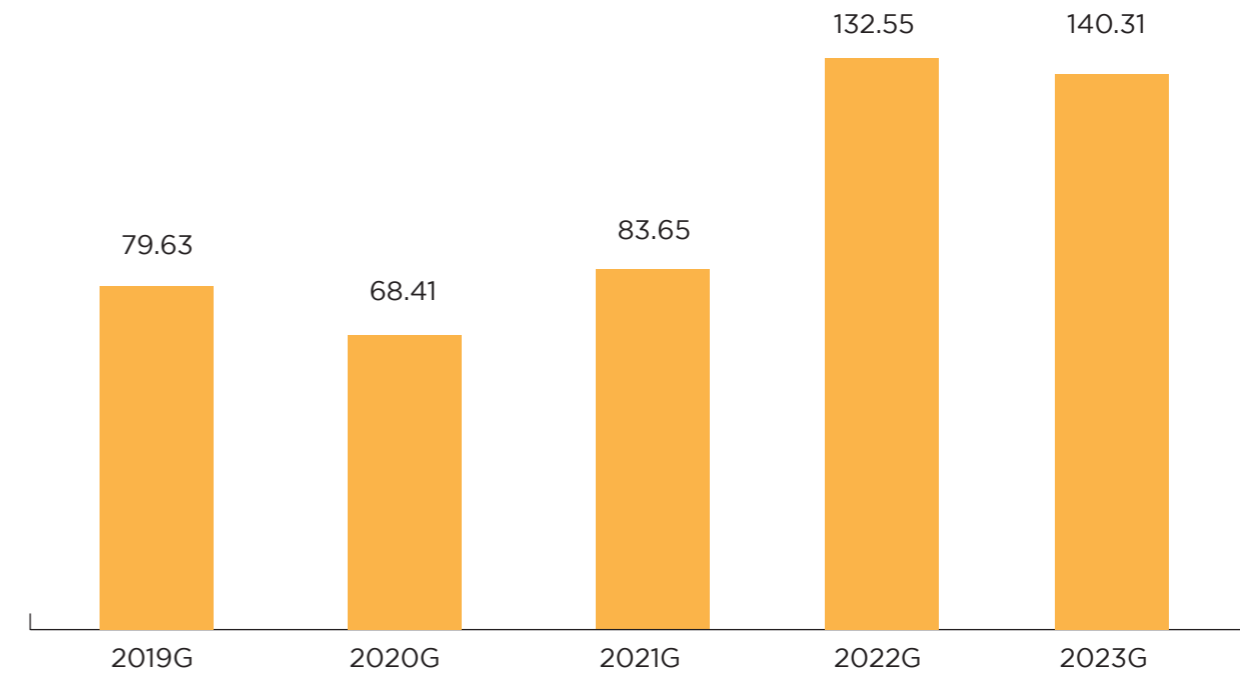


**Animal Bran**

Being rich in fiber and wheat germ, animal bran of First Milling Company is a key component in the manufacture of compound feed, and can be consumed separately.

### Bran, and Wheat Derivatives Revenues

(SAR Million)



The contribution of sales of bran and wheat derivatives to the revenues of First Milling Company has witnessed a significant growth in the last five years, as the percentage jumped to 12% in 2023G to reach SAR 140.31 million.

First Milling Company produces flour and other wheat derivatives such as bran in all Company's four plants with a total production capacity of 4,900 tons/day.

