

## Operation and Production:

The production process in the Company's factories is characterized by advanced production capabilities and exceptional mixing potentials using the latest Swiss technology in the field of milling.

First Milling Company stands out for its exceptional operational framework characterized by a seamless and meticulously controlled model. At the core of this model lies a meticulously crafted raw materials import chain, meticulously aligned with the supply chain system overseen by the General Food Security Authority (GFSA). This strategic alignment not only underscores our commitment to ensuring food safety and security within the Kingdom but also fortifies our operational integrity.

The Company relies on the best milling equipment available globally from leading international suppliers such as "Bühler" in Switzerland and "Ocrim" in Italy.

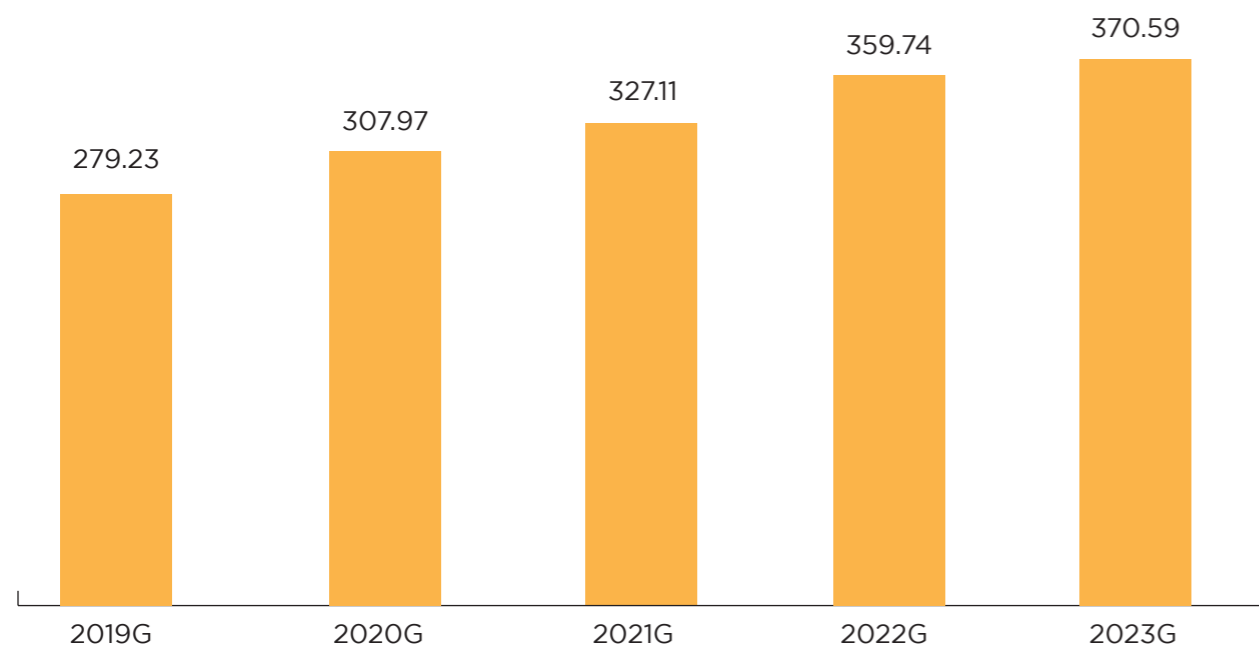
## Importing of Raw Materials:

The import chain process kicks off as soon as the Company receives GFSA's subsidized wheat supply at the wheat collection point on the dates agreed between the Company and GFSA. The process of procuring wheat from international and local farms with predetermined specifications, characteristics and features is undertaken by GFSA, while the Company procures the rest of the raw materials for the feed manufacture, including yellow corn, which is used in animal feed production. The Company also purchases other materials such as soybeans, plants, palm oil and vitamins from local Suppliers within the Kingdom.

For bran, as a flour production derivative, it is extracted as a byproduct of the milling process. For primary packaging and wrapping materials such as packets made of food grade plastic and paper packaging and sachets, the Company obtains them mainly from suppliers located in the Kingdom.

## Value of Raw Materials the Company Consumed during the Last 5 Years

(All Amounts in SAR Million)



(Source: First Milling Company)

The Company's relationships with its suppliers are regulated in most cases under standardized purchase and supply contracts. These contracts include commercial terms such as product purchase prices; delivery and payment provisions; duration of the contract and provisions for termination and renewal available to the parties; incentives; discounts, as well as other items.

It is noteworthy that the Company has a long-term wheat supply agreement of up to 25 years with GFSA, which commenced as of December 2020G and expectedly to be renewed automatically, unless there are material violations. The said agreement is subject to amendment in line with governmental and regulatory reforms or even, in some cases, cancel upon violation or non-compliance. The wheat purchase price from the Authority is also pegged to the flour product price sold to customers. This results in a specific profit margin for the Company on those products, and effectively providing a subsidy on the wheat purchase price,

### Transportation and Storage:

GFSA oversees the transportation of imported wheat from ports and local suppliers to strategic storage silos within the Kingdom. Subsequently, the Authority transfers the wheat from these storage silos to the Company's operational silos, which are situated near or in close proximity to the Authority's facilities. The Company then manages the transportation and storage of wheat feedstock at its various geographically dispersed sites.

The company keeps a safety stock of raw materials at its facilities to meet production needs for a specific duration. The amount of this safety stock varies based on storage needs and the perish ability of different commodities. Unlike other raw materials, the company does not store significant reserves of wheat at its facilities. This is because GFSA oversees and controls the wheat stocks, allowing the company to depend on them for the timely supply of the required quantities of wheat.

### Milling Process & Production:

The production of flour includes the use of wheat grains that are transferred to large silos, where scaling, sieving, metals removal, and moisture control occur. Following this process, the different varieties of wheat are blended until the resulting blend meets the targeted mixture by the Quality and Safety specifications for milling process.

The milling process of wheat begins with purification and cleaning using refineries and air through which any impurities are removed. Following this step, the wheat is moistened and dried in preparation for the start of the milling process. The wheat milling process is carried out by the crushing cylinders passing through it, where the ground wheat is then sent to the sifting device. In the sifting device, different types of grains are produced, as they are separated and classified into coarse, medium, and fine grains. At this stage, flour is produced, after which the re-milling and purification processes continue until reaching the finished products for flour of all kinds, bran, semolina, in addition to wheat germ. The quality laboratory is monitoring and supervising the quality of these products around the clock.

### Packaging and Wrapping:

Following the completion of the production processes, the Company packs in packages of various weights of the category (1kg, 2kg, 5kg, 10kg, 20kg, 40kg, 45kg and 50kg). As for bulk flour, it is loaded directly into dedicated client trucks. Finished products of flour of all kinds, bran and animal feed are stored in the Company's warehouses where customers load and transport them to their factories for production or to distributors' warehouses for distribution.

### Sales and Distribution:

The Company employs a dedicated sales team that is responsible for providing services to customers, implementing the pricing strategy and promoting the Company's products. The sales team communicates with customers directly to make sure all their requests are met. It is reported that about 90% of purchases were picked up directly by the customers from the Company's production facilities (i.e., sales handed over on the production facilities premises "EX-Factory"). The Company also has a fleet of vehicles that provides delivery services for some special products of small size (retail sales in modern and traditional trade sales channel) for a number of customers, no more than 5% of total sales as of the end of 2023G. Delivery costs are typically borne by the Company.