

Market and Sector Overview

Gross Domestic Product (GDP)

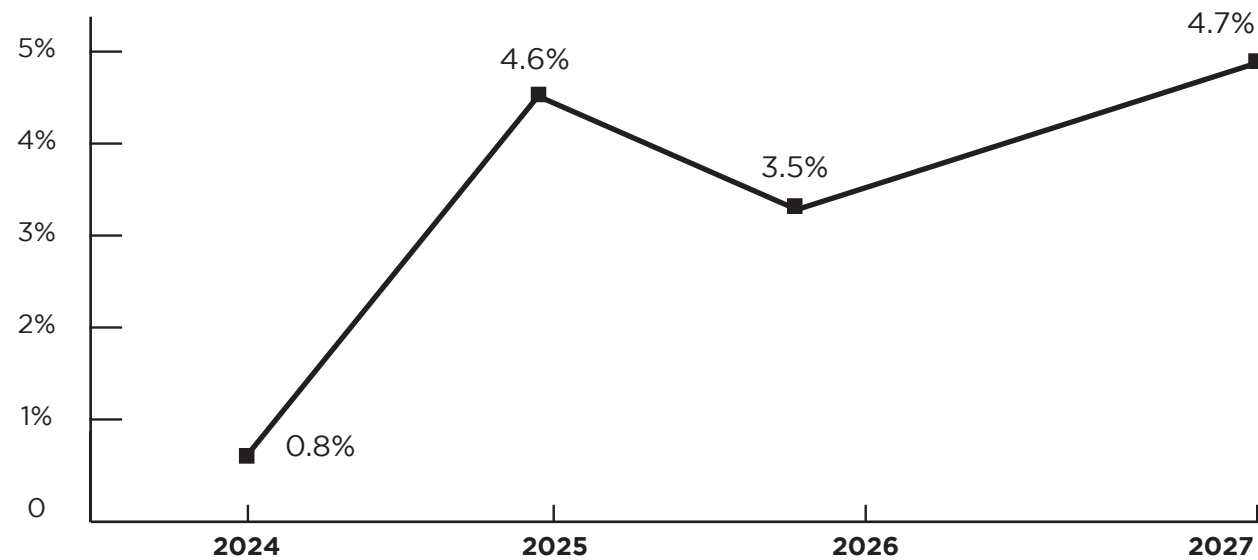
Saudi Arabia continues its remarkable economic progress driven by its efforts to achieve the objectives of the Kingdom's Vision 2030, and the comprehensive structural and financial reforms. These reforms aim to diversify and expand the Country's economic base, promote the growth of non-oil activities, diversify income sources, improve the business environment to strengthen the role of the private sector, and support the growth of promising sectors.

The Saudi economy recorded positive performance, which was reflected in the growth of non-oil activities. This growth has contributed to a reduction in unemployment rates to their lowest historical levels, and also contributed to containing inflation rates, compared to global ones.

The real GDP achieved an annual growth rate of 0.8% by the end of 2024G. This was the result of a 3.7% growth in non-oil activities, compared to the previous year, in addition to a 2.6% growth in government activities, while oil activities experienced a 4.5% decline year-on-year (YOY). This reflects the success of economic diversification and reduced dependence on oil, as compiled by the data from the General Authority for Statistics (GASTAT).

Looking ahead to 2025G, the real GDP is projected to grow by 4.6%, driven by growth in non-oil activities, through increased private sector contribution and empowerment to achieve positive growth rates in the coming year, and continued efforts to promote economic diversification.

Real GDP Growth in the Kingdom for 2024 and the Expected Growth for the Next 3 Years



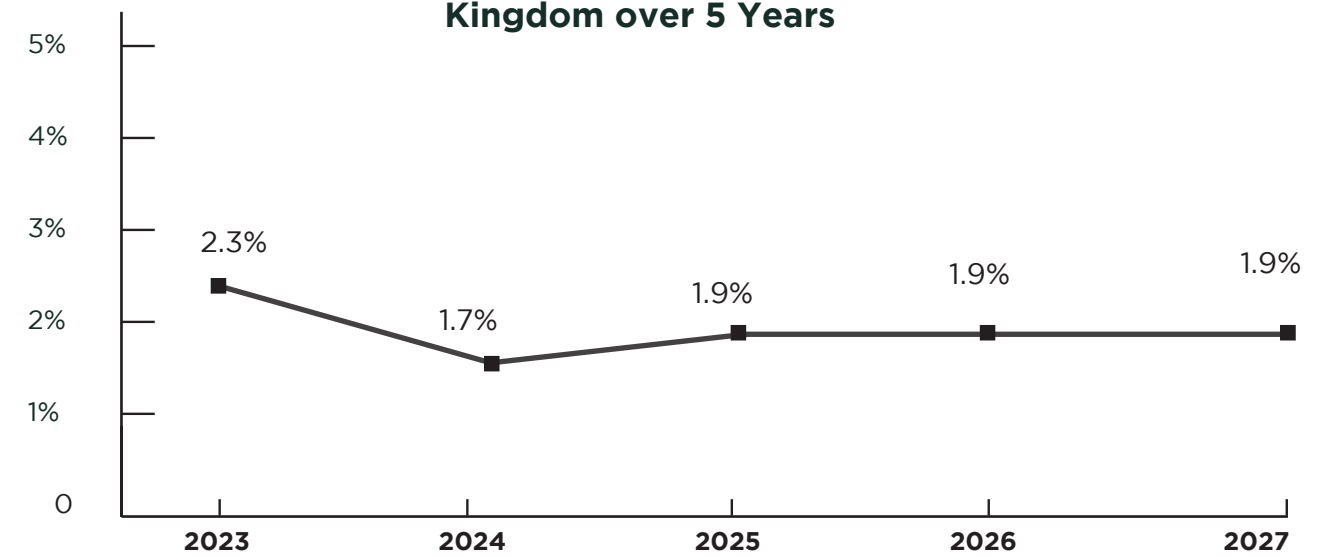
Source: Data from GASTAT, and MOF Forecasts

Inflation

2024G data showed a 1.7% decrease in inflation, compared to 2.3% in the previous year. Saudi Arabia maintained relatively acceptable levels compared to global inflation thanks to continuous improvement in the Kingdom's economic conditions, in addition

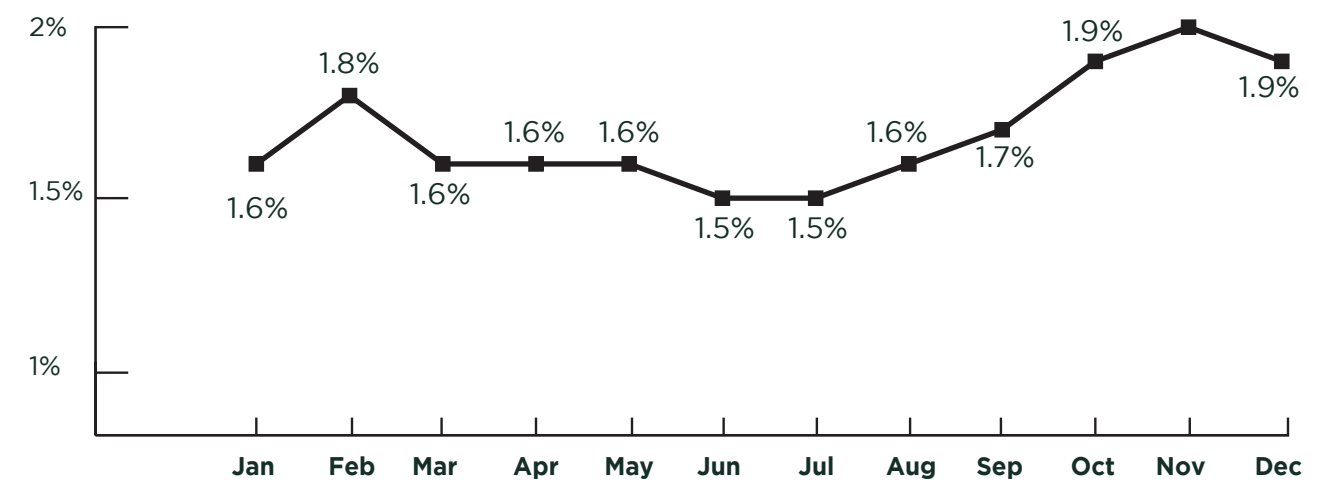
to proactive measures and policies taken by the government to contain rising prices, which included capping gasoline prices and raising the level of food stock availability.

Development of Inflation Rate in the Kingdom over 5 Years



Source: The Ministry of Economy and Planning (MEP), Preliminary Estimates

Development of Inflation Rate in the Kingdom during 2024



Source: The General Authority for Statistics (GASTAT)



Demographic Indicators

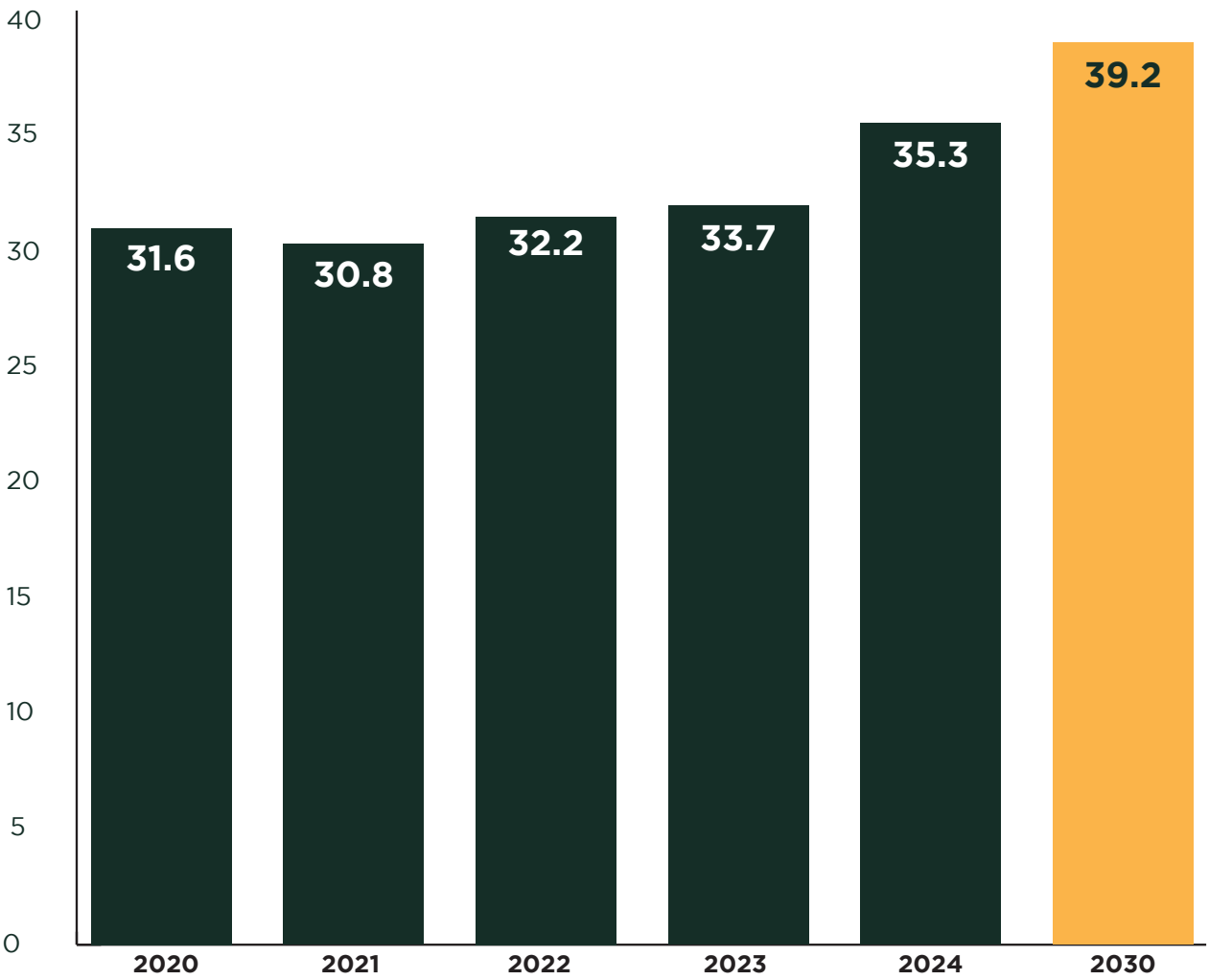
Personal consumption expenditures (PCE) on food products is increasing in line with the natural and expected population growth in Saudi Arabia, necessitating the provision of strategic and indispensable commodities, including wheat, corn, and grains of all kinds.

The improving economic environment is expected to drive rapid population growth, with the population projected to reach 39.2 million by 2030G, reflecting

a compound annual growth rate (CAGR) of 2.5% during the period from 2022G to 2030G. However, in alignment with the objectives of the Kingdom's Vision 2030, the Kingdom adopts an optimistic outlook, with a projected population increase to 50 million by 2030G, with expatriates comprising half of the total number. This will lead to a significant increase in consumption and consequently consumption expenditure on food.

Development of Population Growth in Saudi Arabia

Population Million



Source: The General Authority for Statistics (GASTAT)



Global Wheat Market Overview

The global wheat market has seen a notable recovery in recent years, driven by increasing demand from developed and growing countries. Global population growth and changing dietary patterns have also led to increased wheat consumption, contributing to the rising value of the global wheat market.

Globally, China, India, and Russia are the top wheat producers, accounting for over 320 million tons of global wheat production. Russia is also the world's leading wheat exporter.

Russia-Ukraine War Impact on Wheat Market

The global wheat market has seen a sharp rise in prices since the start of the COVID-19 pandemic, due to supply chain disruptions. This increase has continued amid the Russia-Ukraine war, as both countries are among the world's largest wheat exporters.

Wheat prices have risen by over 25% since the eruption of the war, however, other nations' intervention to bridge the global supply gap, including that of the United States of America (USA) and Australia, has lessened the impact of

the war and kept it from dragging on for too long. Russia also benefited significantly from the decline in Ukrainian grain exports to Asia and North Africa. Russia increased its exports substantially to these regions, which led to a decrease in wheat prices and a return to normal levels.

The consequences mentioned above led to an increase in Saudi Arabia's imports of wheat from Russia in 2022 and 2023. In 2023G, the Kingdom imported 2.23 million tons of wheat, up 49% from the previous year.

Saudi Arabia's Wheat Import Volume

(All Quantities in '000 Tons)

		Ukraine	Russia	Other Countries
Pre-war (2021G)	Quantity ('000 Tons)	222	291	2,487
	Percentage	7%	9%	84%
Post-war (2023G)	Quantity ('000 Tons)	129	2,232	2,212
	Percentage	3%	49%	48%

Source: The General Food Security Authority (GFSA) Annual Report 2023

Saudi Arabia's milling and flour sector remained unaffected by these repercussions, despite the direct impacts of the Russia-Ukraine war on the global wheat market. This was due to the success of the government's wheat price subsidy system in shielding the Kingdom from inflation, compared

to the rest of the world. GFSA sells flour to milling companies at a fixed price of SAR180 (approximately USD 48) per ton to maintain subsidized flour prices in the local market, achieve economic stability, protect consumers, and enhance food security.

Saudi Arabia's Wheat Market

The Kingdom's Vision 2030 aims to develop and enhance the milling sector, being one of the pivotal sectors that plays an important role in the provision of food and achieving food security in the Kingdom. The wheat and milling sectors are overseen by GFSA, which manages production, imports, and storage of strategic reserves. GFSA plays a pivotal role in regulating the sector and acts as the sole buyer of wheat, purchasing both locally produced and imported grains.

GFSA procures wheat from three main sources, namely: global markets, which are the largest source of wheat; local production from licensed farmers; and Saudi investors abroad, which is the smallest quantity due to the program's recent launch, which aims to diversify sources of purchase.



Quantities and Average Prices of Wheat Imported by GFSA in the Last Years

Year	Contracted Quantity ± 10% ('000 Tons)	USD/Ton	SAR/Ton
2020	3,040	253.70	951.00
2021	4,056	339.39	1,273.00
2022	3,971	410.38	1,539.00
2023	3,730	292.06	1,095.00

Source: The General Food Security Authority (GFSA)

Since 2008G and in order to conserve water resources, the Kingdom reduced its domestic wheat cultivation and started depending more on wheat imports. As support is continued for this sector, on December 19, 2023G, the Saudi Council of Ministers agreed to allow local agricultural companies and major farmers to plant seasonal wheat and feed according to the controls of the Ministry of Environment, Water and Agriculture (MEWA). The total purchases of wheat by GFSA during 2023G amounted to 5.76 million tons.

In recent years, the domestic demand for wheat products has steadily increased. The compound annual growth rate (CAGR) for flour production in

the Kingdom was 7.1% between 2018G and 2022G. This is reflected in the increased wheat purchases by the four milling companies over the years, indicating growing domestic demand and consumption of wheat products.

The expansion of the flour market in Saudi Arabia will surely be aided by the expansion of the food service and tourism sectors. Bakeries and food processing companies are among the largest consumers of flour, accounting for approximately 80% of total flour consumption. Tourism, in all its forms, represents a major part of the Kingdom's Vision 2030, which aims to attract more than 150 million visitors annually by 2030G.

Total Wheat Flour Production in the Kingdom (2018-2028)

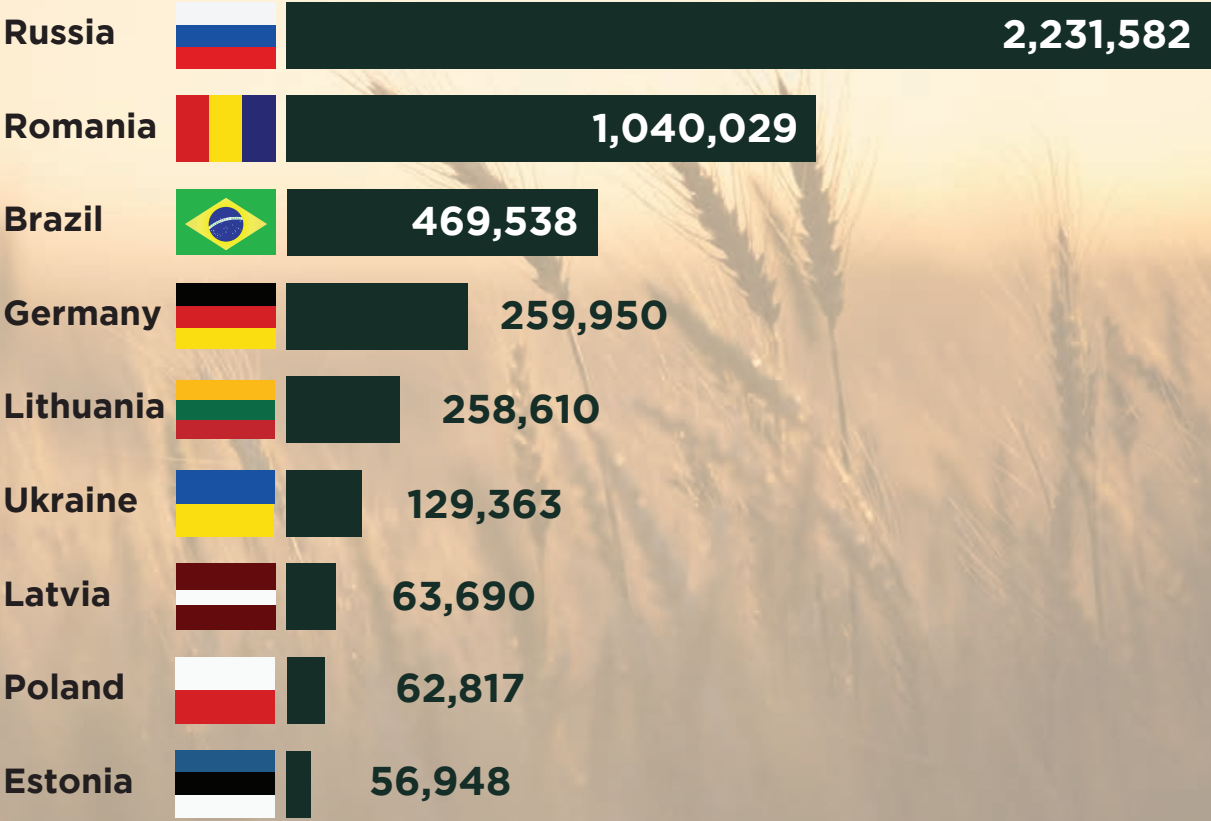
(All Quantities in '000 Tons)

Category	2018	2019	2020	2021	2022	2023	2028	CAGR (2018-2022)	CAGR (2023-2028)
Wheat Flour Domestic Production	2,601.6	2,622.6	2,650.1	2,637.8	3,423.9	3,515.8	4,137.5	7.10%	3.30%
Wheat Flour Domestic Sales	2,550.1	2,588.8	2,608.9	2,621.3	3,349.6	3,464.8	4,077.5	7.10%	3.30%
Imported Wheat Flour	93.1	98.6	101.2	89.3	74.6	72.4	62.9	-5.40%	-2.80%

Source: Euromonitor International, based on Secondary Research and Business Interviews with Companies Operating in the Sector.

List of Countries From which the Kingdom Imports Wheat

(All Quantities in '000 Tons)



Source: The General Authority for Statistics (GASTAT)

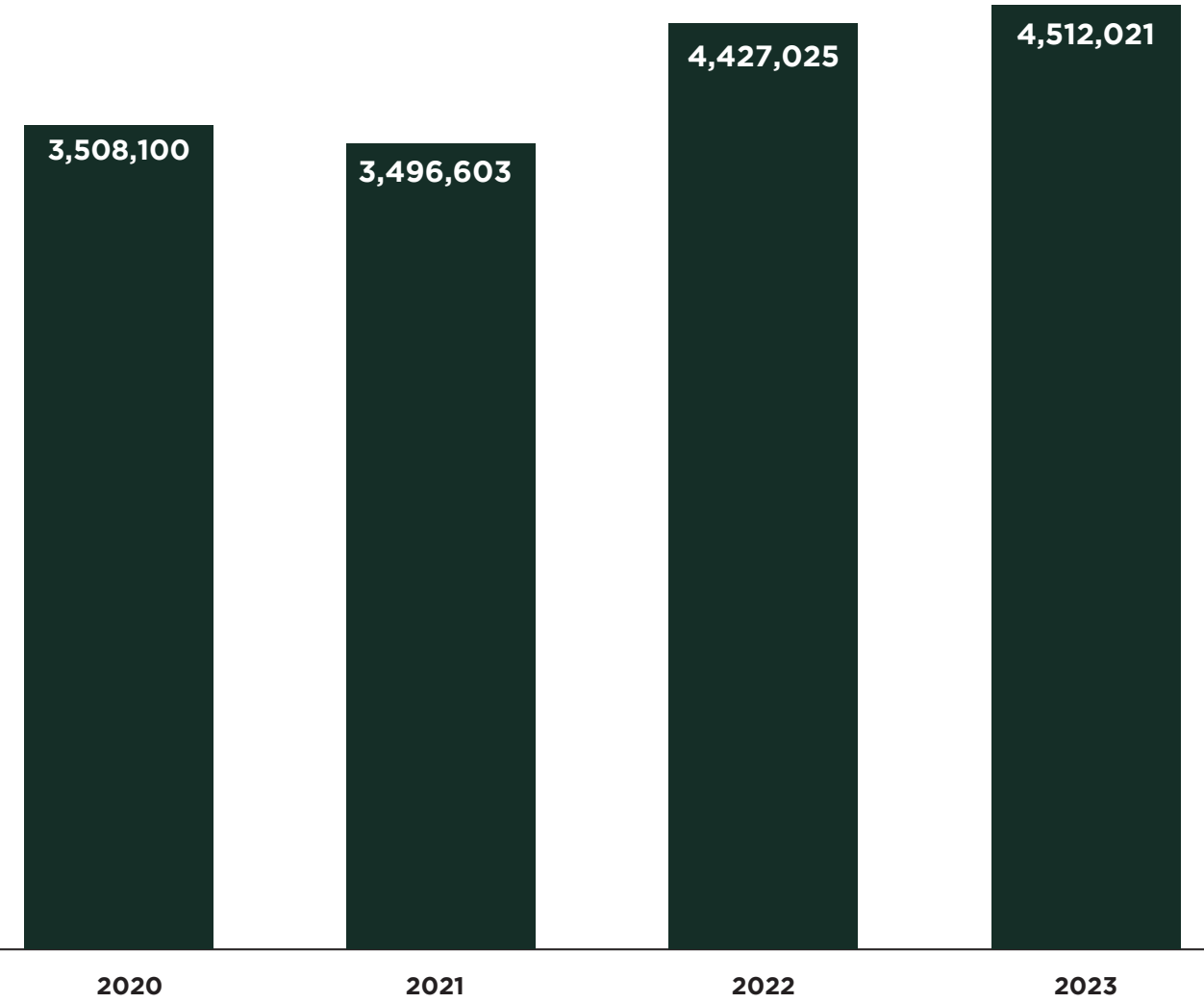


Saudi Milling Companies

The milling sector in Saudi Arabia comprises four major companies: First Milling Company, Arabian Mills Company, Modern Mills Company, and Fourth Milling Company. GFSA oversees and monitors these companies, distributing wheat quantities based on companies' requests. First Milling Company led the market with a 30% share in 2023G.

Development of Wheat Sales for the Four Milling Companies during 4 Years

(All Quantities in '000 Tons)



Source: The General Food Security Authority (GFSA) Annual Report 2023



Government Wheat Subsidies

The Saudi government is subsidizing the wheat sector by stabilizing prices and supplying it to milling companies at a fixed price of SAR 180 per ton. GFSA also mandates a maximum selling price of SAR 500 per ton for flour in 45 kg bags and above. This is aimed at maintaining price stability, achieving domestic economic stability, and protecting consumers from price fluctuations, as wheat is one of the most consumed food commodities in Saudi

Arabia. Wheat subsidy represents more than 25% of the subsidy item in the Kingdom's budget. In the recent and current periods, First Milling Company has already begun to expand its portfolio of non-subsidized products and increase its marketing efforts. This is aimed at mitigating the impact of any changes in government subsidy laws or procedures, should they occur.

First Milling and The Kingdom's Vision 2030

First Milling Company aspires to be a key player in achieving the objectives of the Kingdom's Vision 2030, which focuses on food security, self-sufficiency, and the localization of knowledge and local production capacity. The Company plans to increase investment in cutting-edge technologies and enhance its production capabilities to meet growing market demands.

First Milling Company's commitment to quality and sustainability enables the Company to effectively contribute to the realization of the ambitious objectives of the Kingdom's Vision 2030, which enhances its position as a driving force in the national economy and offers numerous prospects and opportunities for future growth.