



المطاحن  
الأولى  
**FIRST  
MILLS**

# Dare to Grow

Annual Report

**2023**



The Custodian of the Two Holy Mosques

**King Salman Bin Abdulaziz Al Saud**



His Royal Highness Crown Prince, Prime Minister, Chairman of  
the Council of Economic and Development Affairs

**Mohammad Bin Salman Bin Abdulaziz Al Saud**

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## 1 - 1 Company Overview

**First Milling Company (the “Company”) is generally regarded as one of the leading milling companies in the Kingdom of Saudi Arabia producing high-quality flour, animal feeds, bran and wheat derivatives. The Company plays a substantial role in maintaining food security all over the Kingdom.**

Over the past four decades, First Milling Company, and its management, have developed a long-standing experience in the production of food and feed products which enabled the Company to earn a pioneering position in both sectors. As a result of this experience, the Company now produces a variety of basic products of the highest levels of quality and excellence that satisfy the vital needs of Saudi market through various sale channels, in a sustainable manner that meets all needs. From day one and since its inception, the Company has been committed to a clear path towards achieving food abundance, security and stability for the entire community through the provision of its various basic commodities in compliance with the strategies of the regulatory authorities and its own goals on its way to achieving the objectives of 2030 Vision.

First Milling Company has been established in 1972G, as part of a group of wheat milling companies that were previously operated as subsidiaries of the General

Food Security Authority (the “GDSA”). In November 2016G, the Company has been launched as a closed joint-stock company and a standalone entity headquartered in Jeddah and wholly owned by the Public Investment Fund (the “PIF”) pursuant to Council of Ministers’ Resolution No. (35).

On 17/10/1441H (Corresponding to 09/06/2020G) pursuant to Council of Ministers’ Resolution No. (631) the PIF transferred all of its shares in the Company to the National Center for Privatization (NCP). On 16/05/1442H (corresponding to 31/12/2020G), NCP transferred all of its shares in the Company to Al-Raha Al-Safi Food Company.

On 30/11/1443H (corresponding to 29/06/2022G), the Company’s General Assembly approved the merger of Al-Raha Al-Safi Food Company with all its assets, rights, liabilities and obligations, as a merged entity with First Milling Company. It is worth mentioning that Al-Raha Al-Safi Food Company was established as a Special Purpose Entity (SPE)

to meet one of the privatization requirements, namely that each qualified bidder shall undertake to establish a legal entity in the Kingdom to acquire First Milling Company.

On 04/12/1444H (Corresponding to 22/06/2023G) the Company’s shares were listed on the Saudi Stock Exchange as the first Saudi milling company to go for initial public offering “IPO” and be listed.

First Milling Company has substantially succeeded in enhancing its customers’ confidence and expanding its presence in the local market.

The Company has set “Quality is First” as its logo and has worked on implementing comprehensive quality management, which has placed the quality of the Company’s products as a main pillar for building a wide reputation, as compared to other products in the market.

Working under the logo of “Quality is First” truly embodies

the Company’s strategic vision and values, on the course of achieving its objectives sustainably.

The Company is also seeking always to develop its production operations and ensure its operational excellence in all its various businesses. Stemming from its logo, the Company has been committed towards the highest control standards starting from the receipt of raw materials to delivering the end product of flour and feed, in a way that ensures providing high-quality products.

First Milling Company has a specialized quality control team that continuously monitors the quality of raw materials. This is achieved by conducting all necessary tests to detect any sort of mycotoxins or microbial load, in addition to other chemical and physical analyses. For the Company, transparency has always been one of the main Company’s core values, as the Company undertakes, through labelling its products, to raise its customers’ and consumers’ awareness

about the nutritional values, and instructions for use and storage of its products.

The Company is widely known for its high-level quality products and developed services that satisfy the needs of its customers and even exceed their expectations. First Milling Company has been an emblem of innovation and excellence in the Saudi market and is always pleased to provide the best to its clients and to contribute to the development of the local industrial sector.

The Company’s main business activities center around packing and milling wheat, maize, barley, groats, semolina and bulgur, the production of oats, the manufacture of flour and dough for bakeries, the manufacture of concentrated fodder for animals; cattle fodder; and plant byproduct as animal feed. The Company’s main activities also include the preparation, milling and pressing of animal feed; the manufacture of poultry fodder; and bird fodder; wholesale of

barley; grain wholesale except for barely; wholesale of livestock feed for pharmaceutical feed additives; wholesale of feed and non-medical feed additives; retail sale of barley. Further, the Company’s main activities comprise animal food and feed stores; storage in warehouses of grain silos, flour and agricultural products; and dry food storage.

First Milling Company works with a diverse range of business sector customers including industrial manufacturers, commercial bakeries, restaurants, hospitality businesses, and catering companies, as well as other wholesalers, flour traders, modern and traditional trade customers, farms, feed distributors and retail customers.

## Geographic Footprint:

The Company geographic presence and spread in more than main administrative regions in the Kingdom plays an important and decisive role in its sales growth, and supports achieving its business model's targets. The Company focus on ensuring demand on its products in various areas inside the Kingdom in a way that enables the Company to access a larger and more variant customer base.

First Milling Company has four main production facilities in each of Jeddah, Al-Qassim, Tabuk and Al-Ahsa, thus covering a wide geographic scope of the Kingdom. Jeddah Production Facility, the oldest and largest manufacturing facility of all First Milling Company's facilities, located near Jeddah Islamic Port, on the international maritime corridor overlooking the Red Sea and connecting the East and the West.

Jeddah Facility has the largest storage capacity of 120,000 tons of wheat, followed by Al-Qassim Facility with 60,000 tons of wheat, then Al-Ahsa Facility with 30,000 tons of wheat and finally Tabuk Facility with

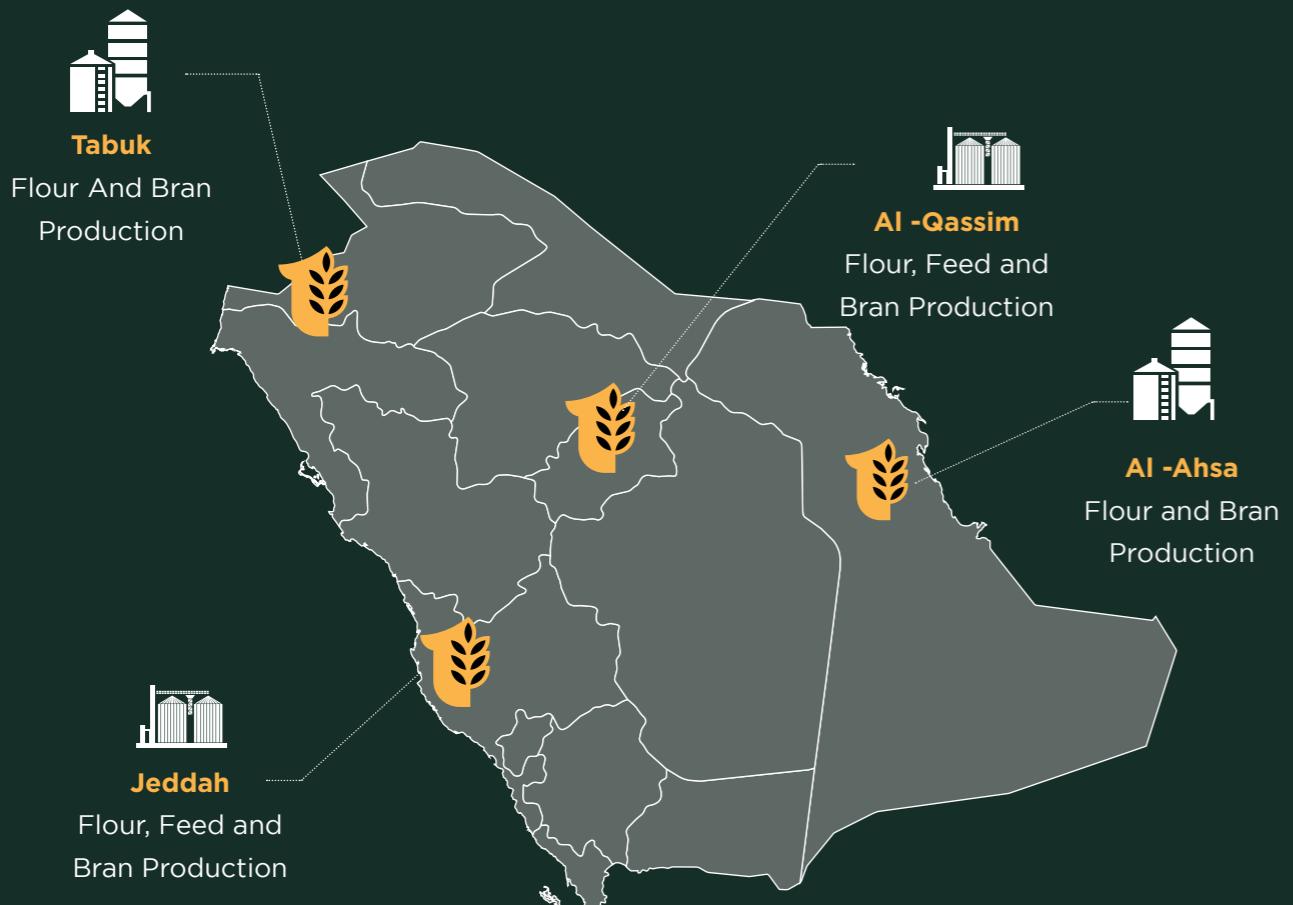
10,000 tons of wheats.

The Company's sales are not limited to the locations of its main branches, as the Company's products are present in other regions through sales and distribution warehouses belonging to the Company or its authorized distributors.

The Company's daily milling capacity of wheat is 4,900\* tons plus 240 tons of daily mixing production and 900 tons of daily feed capacity. The Company's silo storage capacity is 220,000 tons, and the total number of clients is about 7,500 clients (Direct and indirect).

The contribution ratio of every geographic region differs in the Company's annual revenues. Jeddah Facility acquired the biggest stake as its contribution ratio 45% by the end of 2023G.

Currently, the Company seeks new opportunities to increase sales in other regions of the Kingdom with high population centers.

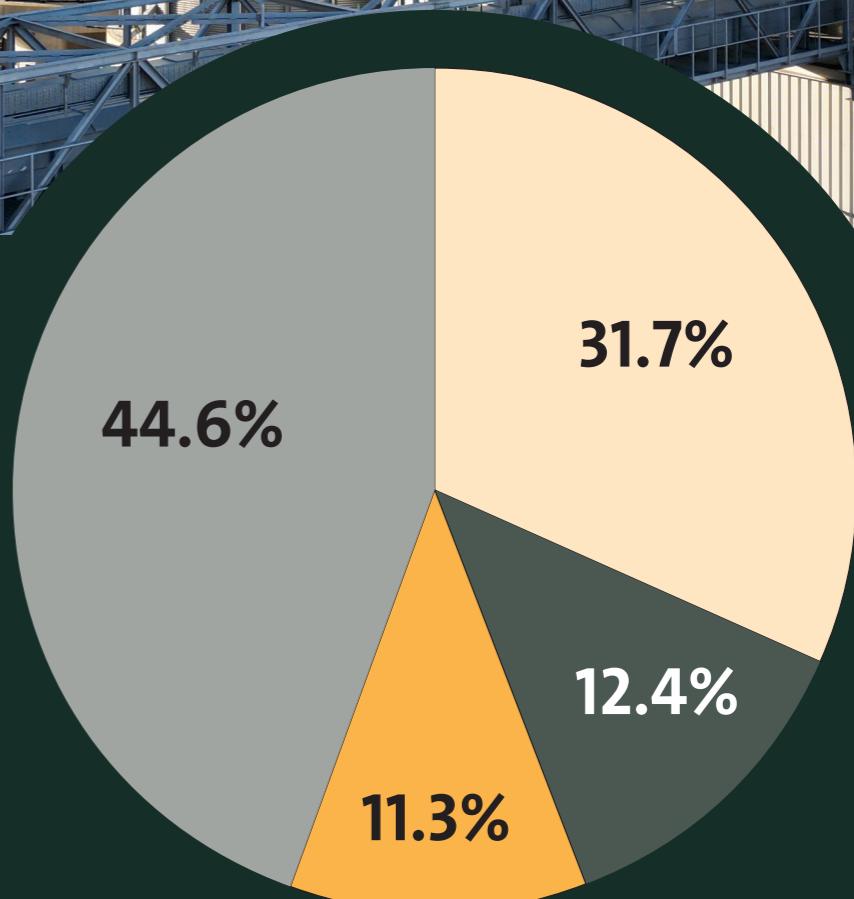


\* Including 300 tons of Durum



The Geographical Contribution by Region in the Company's Revenue in 2023

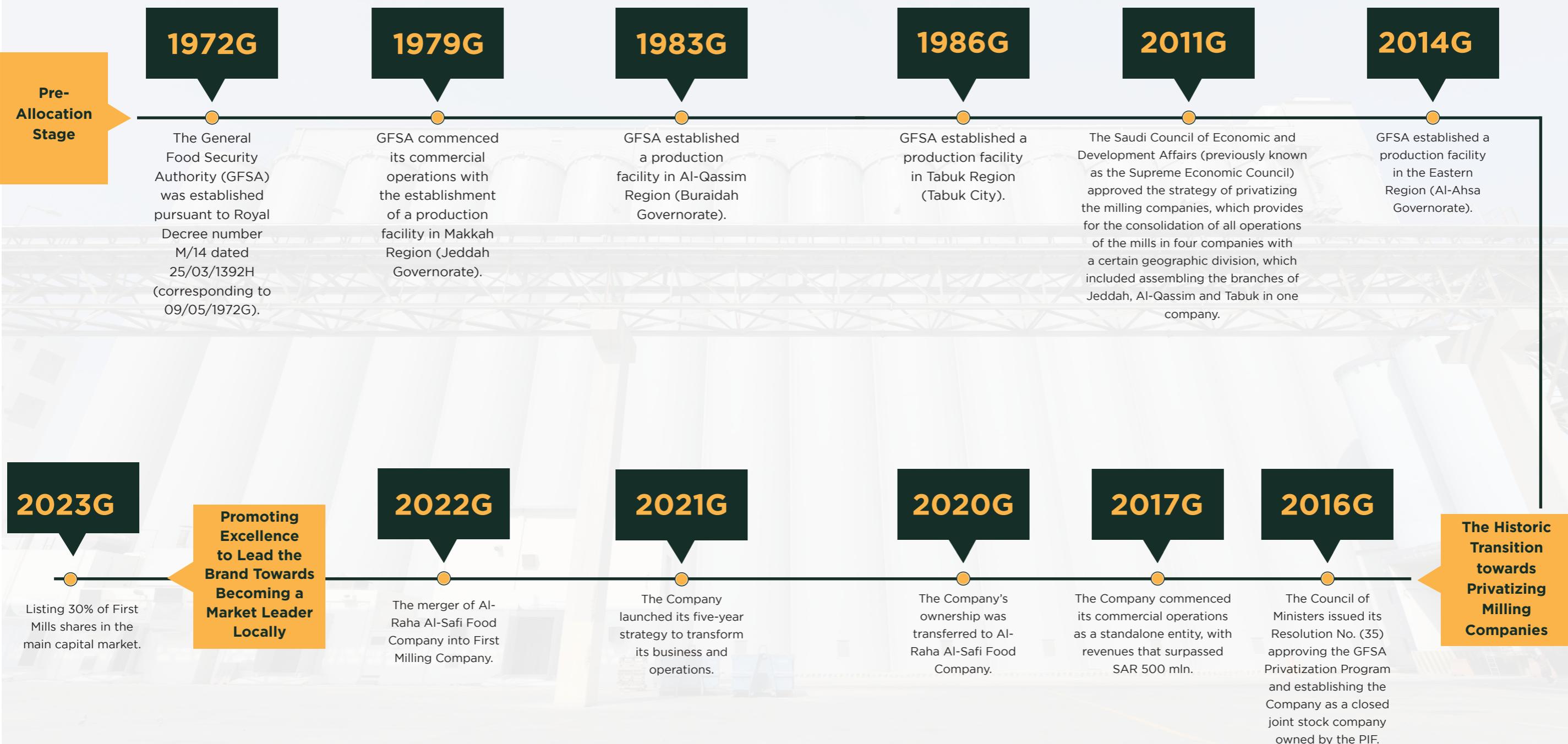
- Western Region and Southern Region
- Central Region
- Eastern Region
- Northern Region



To know more about the Company's locations and facilities information, kindly see section 3, page 97.

## Company's Growth Journey:

During its journey in the local market, First Milling Company has witnessed remarkable growth throughout its long history ever since 1972G, during which the Company marked its debut as one of the leading milling companies in KSA until it was successfully listed in the Kingdom's main capital market in June 2023G.



## 1-2 Vision and Mission

### Vision of the Company

To be the first partner of choice in the food & feed sectors and a credible source of vital products for communities and markets across the region.

### Mission of the Company

We are the reliable source of innovative, high-quality products in the food and feed sectors and be fully committed to enabling food availability and sustainability.

### Company's Strategy

The company aims to achieve its vision by focusing on four main pillars: enhancing market leadership, establishing an efficient and distinguished operational framework, creating outstanding products, providing exceptional services, and developing the necessary capabilities and an effective framework to implement the company's strategy.

#### Enhancing

Market Leadership

#### Establishing

An Efficient and Distinguished Operational Framework

#### Creating

Outstanding Products and Providing Exceptional Services

#### Developing

Necessary Capabilities and an Effective Framework





## 1-3 Investment Case

Market leadership is a crucial determinant of the company's success in a competitive market and a significant draw for investors. First Milling Company consistently strives to lead the market, positioning itself as a top choice for secure and efficient investments with long-term, stable, and sustainable returns compared to other local and international competitors in the sector. By enhancing its strengths and competitive edge, the company aims to capitalize on opportunities in its operational markets in alignment with its vision and mission.



\*Source: Euromonitor International from the secondary research and business interviews with companies in the same sector.

## 1-4 Core Values

### Integrity

The Company is committed to operating with integrity and according to its moral ethics and has thus developed a code of professional conduct to guide its business and daily decision-making ethically and transparently. The Company has also launched a mandatory training program that will introduce its employees to the Code of Professional Conduct while binding them to implement the same.

### Transparency

First Milling Company maintains a continuous and effective line of communication with all concerned authorities, thus assuring its transparency and credibility which are key to the quality of its business, the success of its operations and strength of competitiveness.

To this effect, the Company has recently updated its customer complaints protocol to provide effective and timely resolution of all complaints while identifying the reasons thereof, which in turn reveal possible improvements in its internal operations as required.

### Passion

First Milling Company diligently focuses on developing a compelling and varied range of commodities and products tailored to cater to a broader spectrum of clients and consumers, particularly in anticipation of the projected population growth across various cities in the Kingdom in the coming years. The company firmly believes that the diversity within its product portfolio, coupled with seamless integration among them, is instrumental in securing a prosperous future for its business. This strategic approach is poised to yield increased revenues, facilitating the expansion of the company's operations and activities. Moreover, the diversified product portfolio is expected to enhance shareholders' returns, safeguard their investments, and thereby bolster the company's overall success and business sustainability.

### Accountability

Accountability forms a fundamental component of the company's values matrix. A primary focus is placed on upholding the safety and security of our employees, enhancing their productivity, fostering awareness, and implementing diverse training programs aimed at their professional development and the enhancement of their personal and job-related skills.

A leading Saudi company in its industry, First Milling Company plays a significant role in supporting and empowering local talents in the food and feed production sector, aligning with Saudi Vision 2030 and the Saudization directives set forth by the Ministry of Human Resources and Social Development (HRSD).

First Milling Company has laid down a Saudization strategy based on supporting and enabling Saudi talents in both the food and feed industries. To achieve this strategy, the Company has developed numerous initiatives in order to meet and even exceed the required Saudization rates.

### Wellbeing

The health and safety of the company's employees are paramount among its priorities, reflecting the management's strong emphasis on the well-being of its workforce and its commitment to fostering an optimal work environment for all employees.

The Company's ISO 14001 certification validates its systematic approach in addressing environmental concerns, such as carbon emissions, within its operations. Regular inspections by regulatory bodies consistently result in outstanding evaluations and commendable feedback for the company's production facilities.

In the next phase, the Company plans to continue tracking and managing its environmental footprint systematically, by sourcing appropriate technologies to further reduce carbon emissions, rarely found, in its operations, which almost does not exist at all, in addition to adopting a deliberate and targeted water and waste management program, which would help it reduce their passive environmental impacts. The Company also seeks to reduce harmful emissions by implementing a thermal treatment project that will completely halt the use of chemical pesticides.

One of the Company's top priorities is to maintain the well-being and productivity of its employees. The Company also aims to continuously maintain the health and safety of its employees, as the Company obtained the ISO 45001 certificate for occupational health and safety. The Company further intends to continue its efforts to develop a safe work environment for its employees and avoid any workplace potential injuries.

### Teamwork

The Company aims to magnify the wealth of its shareholders and to register a constant increase in the revenues of their investments in a sustainable way. The Company is also keen on enhancing teamwork with all stakeholders to establish and to increase the spread of the Company's value-added products by increasing the diversity of its product portfolio and its geographic presence.

In addition, the Company is continuously modernizing its mills and expanding its production lines, in line with the market needs and the discretion of the Company's senior management. That would enable the Company to produce more value-added products such as the stone mill (Pisa Mill) products, Mixing Plant products, and Durrum Mill for Semolina products, which were launched recently this year.



## 1-5 Offering and Listing Experience



Ever since the Company's General Assembly approved the increase of the Company's capital from five million Saudi Riyals (SAR 5,000,000) to five hundred fifty-five million Saudi Riyals (SAR 555,000,000), on 6 October 2022G, the Company's Board and Executive Management set as a target of the necessity of being listed in the Saudi capital market "Tadawul".

First Milling Company has applied to the Capital Market Authority (CMA) for the registration and offering of its shares and further applied to the Saudi Exchange "Tadawul" to accept the listing of its shares. After meeting all requirements, all consents related to the offering were obtained in 2023G, and on 05/09/1444H, corresponding to 27 March 2023G, the CMA agreed to the Company's request for the registration of its shares with an initial public offering (IPO) of 16,650,000 shares, representing 30% of the total Company shares.

Obtaining the regulatory authorities in a record-time approval of the Company's application to register

its shares stands as bare evidence that the Company, along with its management, is ready for the offering and listing stage. First Milling Company is considered as being a leading company operating under the supervision of an expert and specialized administrative team in the sector and is the first Saudi milling company to be listed following the privatization process that the sector has seen.

The initial public offering (IPO) of the Company shares has passed through a number of stages starting with announcing the offering on 17 May 2023G, followed by announcing the final price of the offering on SAR 60 per share at the maximum price range which sets the Company's market value upon listing at SAR 3.33 billion (\$888 million). The value of the subscription application received during the Book Building Process amounted to SAR 68.818 billion (\$18.351 million) associated with the listing coverage of the institutions and participating parties 68.9 times, followed by the subscription of individual investors on 6 June 2023G.

On 12 June 2023G, the final allocation of the offering shares has been announced. The number of subscribers in the Company's subscription reached 334,000 subscribers with a percentage coverage of individual subscribers amounted to 997% through which four (4) shares at minimum have been allocated for each individual subscriber included in the subscription application, while the remaining shares have been proportionately allocated according to the size of each subscriber to the total number of remaining shares required for subscription with a percentage of 2.1552%.

Later on, the refund of the subscribers' excess monies has been announced on 19 June 2023G, and this process was a success. The Company's shares were listed and traded officially on "Tadawul" on 22 June 2023G with a trading code (2283) and ISIN Code "SA15QGU13LH9".

## Key Milestones for the IPO until Tadawul Listing





## Summary Data of Listing and Subscription

Company (Issuer)	First Milling Company
Short Name on Tadawul	First Mills
Market	Main Market - TASI
Sector	Food & Beverages
Tadawul Code	2283
Company's Business Field	Flour, Feed, bran and diverse flour derivatives Production and Storage
Company's Capital	SAR 555 mln
Total Number of Shares	55.5 mln shares
Shares Offered for Individuals (Share)	16,650,000
Offering Percentage	30%
Price Range of Share	SAR 55 and SAR 60 per share
Offering Price (SAR)	60
Total Offering	SAR 999 mln (USD 266 mln)
Institutions' and Participating Parties' Coverage	68.9 times of total offered shares
Individual Coverage	9.97 times of total offered shares
Number of Subscribers in Subscription ('000 Subscribers)	334.02
Allocation	4 shares minimum per individual
Allocation of Remaining Shares	Proportionately at 2.1552%

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Operating Review

Corporate Governance

Financial Performance

## 1-6 Key Financial and Operational Results



**No. of Factories**  
**4**



**No. of Mills**  
**11**



**Total Silos Storage Capacity**  
**220,000 Tons**



**Daily Design Capacity for Wheat Milling**  
**4,900 \* Tons**



**Market Share**  
**Exceeds > 30%**



**Daily Feed Production Capacity**  
**900 Tons**



**No. of Clients  
(Direct & Indirect)**  
**7,500**



**Daily Milling Durum Capacity**  
**300 Tons**

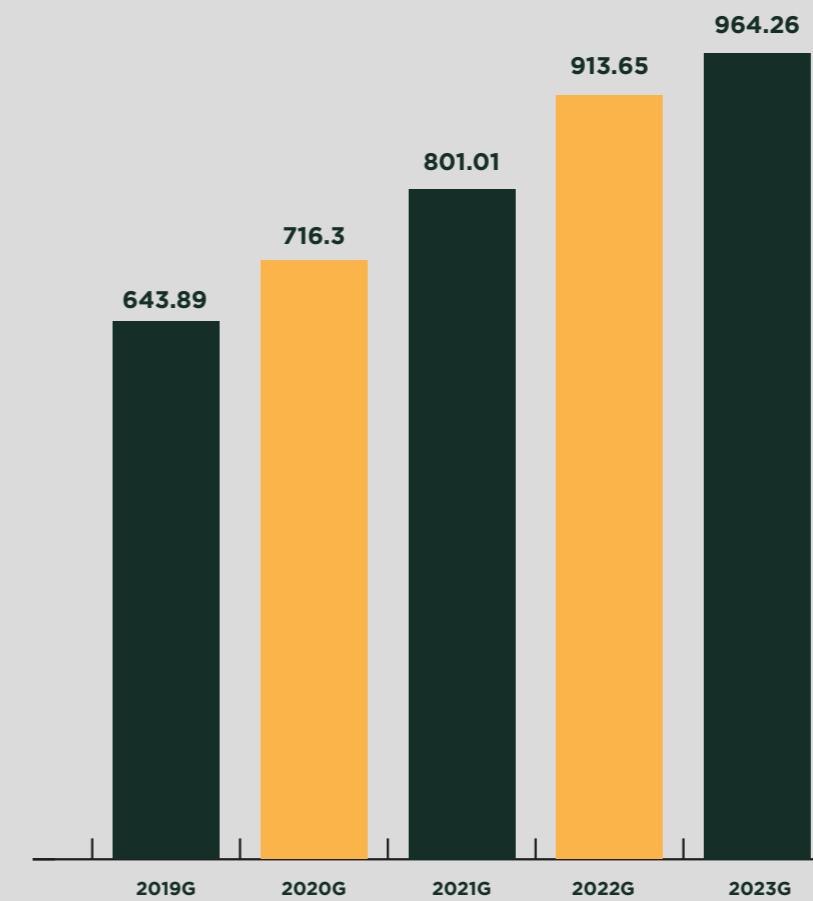


**Sales in Cash %**  
**~ 95%**



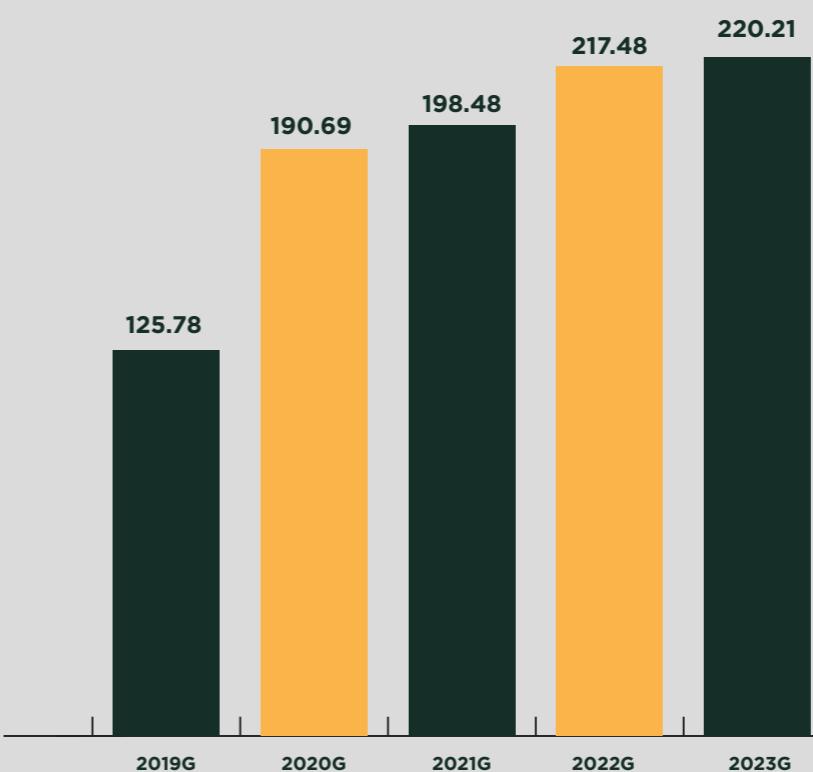
**No. of Products**  
**More than (50)**

### Key Financial Results of the Company



**First Mills of Revenues**

**Last 5 Years**  
(Amount in SAR mln)



**First Mills of Net Profit**

**Last 5 Years**  
(Amount in SAR mln)

\* Including 300 tons of Durum

Introduction

Strategy

Operating Review

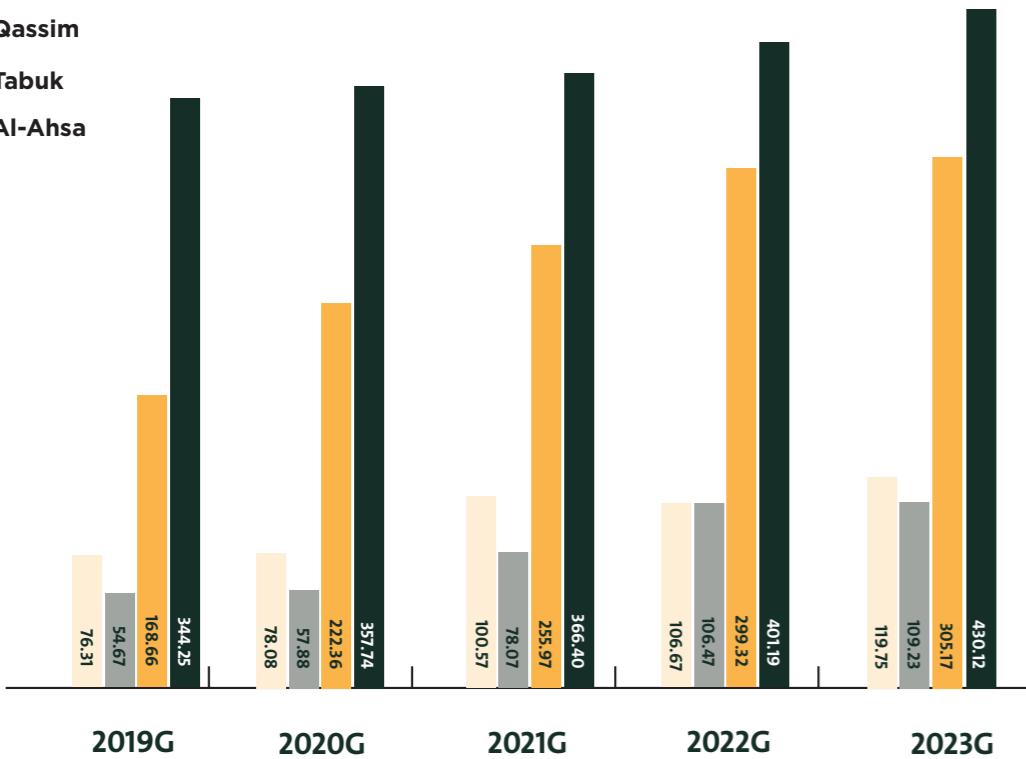
Corporate Governance

Financial Performance

## Analysis of Revenues by Geographic Regions in the Last 5 Years

(Amount in SAR mln)

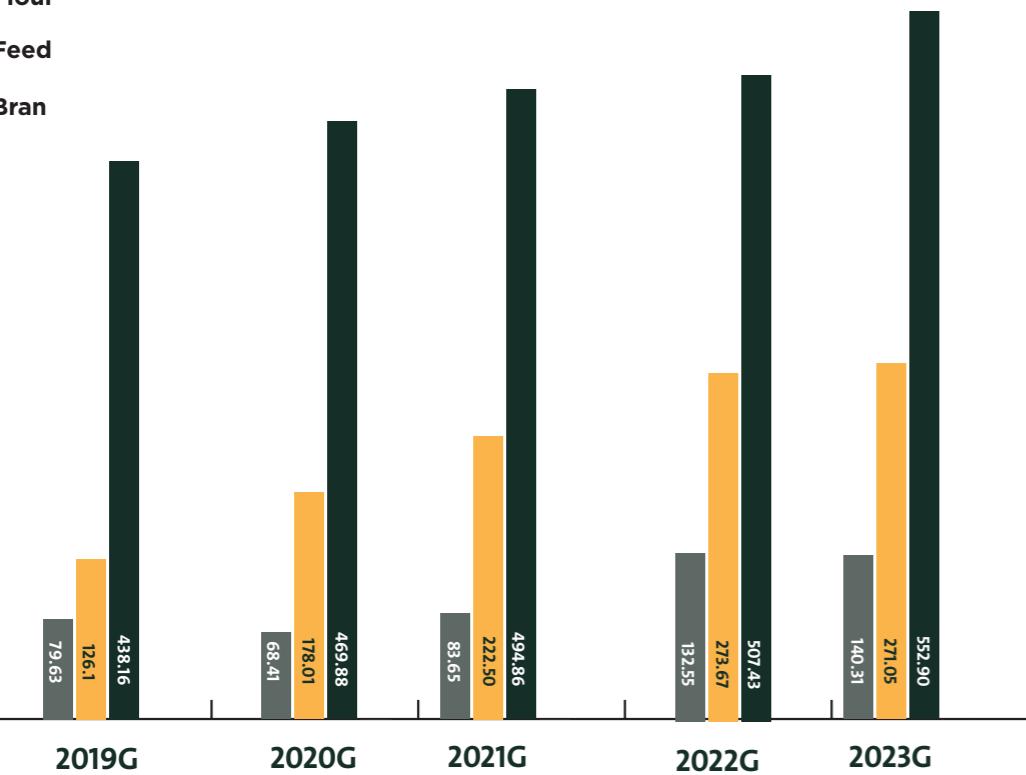
- Jeddah
- Qassim
- Tabuk
- Al-Ahsa



## Sales by Product Last 5 Years

(Amount in SAR mln)

- Flour
- Feed
- Bran



## 1-7 Company's Products

First Milling Company is dedicated to satisfying the diverse preferences of its clients and consumers, while also fulfilling the essential requirements of the local market with its wide array of product offerings.

The Company has a daily wheat milling capacity of 4,900 tons and produces about 3,557 tons of flour per day, equivalent to more than 79,044 bags, each weighing 45 kg. Wheat is then transported through an automated conveyor to mills with full lines that work with a fully automated system, under direct supervision

from a control room equipped with state-of-the-art technologies and managed by skilled and trained national staff.

The Company's branches have (11) mills and the factories also comprise a large number of wheat storage silos with a capacity of 220,000 tons, to receive the wheat. Recently, the fourth mill in Jeddah branch has been fully updated with a daily production capacity of 550 tons.



To know more about the Company's products and details, kindly see section 3, page 85.

Feeds are currently being produced in Jeddah and AlQassim only. The Company's feed production amounts to 900 tons per day, equivalent to 18,000 bags, each weighing 50 kg, with an annual capacity of 5,760,000 bags. The Company produces numbers of special feeds for poultry, livestock, birds horses and experimental animals.

The Company also produces around 1,000 tons of bran

per day, with an annual capacity of 320,000 tons.

The Company sells more than 50 main products, most of which are flour products, and provides a wide and various selection with different packs ranging in size from 1, 2, 5, 10, 20 and 45 kg, in addition to the bran products, mixes, animal feeds and other related products.



## 1-8 Company's Success Partners

First Milling Company firmly believes that achieving its strategic objectives, market excellence, and leadership is only possible through collaborative teamwork and expanding cooperation with its diverse partners. These partners actively contribute to the company's success by supporting the implementation of its plans and initiatives across all production stages until the final products are delivered to the market, catering to a wide range of consumers and beneficiaries.

Renowned for its exceptional reputation in the local market, First Milling Company is a frontrunner in the manufacturing of flour, feed, and bran products. Additionally, the company is recognized as a pioneer

in advancing flour milling technologies and producing feed and bran using cutting-edge methods, with the guidance of industry experts. These experts not only focus on meeting market demands but also play a crucial role in collaborating with the company's partners, offering support and advice to ensure the production of top-quality products.

This collaborative effort is facilitated directly by the company's sales team and indirectly through authorized distributors. The company segments its customer base into four distinct sales channels:



## 1 -9 Company's Trademarks

The value of the Company's trademarks is a unique element for any company aspiring to enhance its market leadership and expand its multi-sales channels. Such trademarks represent the Company's identity, reflect the Company's values and vision, and further contribute to establishing strong relationships between the Company and its clients. Boosting the presence of the trademark in the market shall enable the Company to create a competitive edge and enhance clients' and consumers' loyalty.



The addition of a new trademark maximizes the Company's ability to diversify its revenues and achieve a higher level of sustainable development. The Company has registered a number of trademarks with the Commercial Trademarks Department of the Ministry of Commerce. The Company relies on these trademarks to ensure the success of its businesses and support its competitive position in the market. In this respect, "First Milling Company" and other trademarks derived therefrom have been registered.

N	Company	Country of Registration	Trademark No.	Expiration Date	Classification	Logo
1	First Milling Company	Saudi Arabia	1443015736	04/05/1453H Corresponding to 23/08/2031G	30	FIRST MILLS
2	First Milling Company	Saudi Arabia	1443016327	09/05/1453H Corresponding to 28/08/2031G	30	Aloula
3	First Milling Company	Saudi Arabia	1441001813	11/01/1451H Corresponding to 24/05/2029G	31	Naffaa
4	First Milling Company	Saudi Arabia	1439016477	17/07/1449H Corresponding to 16/12/2027G	31	Aloula Professional



## 1-10 Our Initiatives

The company is dedicated to launching a series of initiatives aimed at continuously and comprehensively enhancing its business model to align with the evolution of its strategic vision. This effort is intended to bolster the company's pursuit of its objectives, broaden its business reach, and ensure alignment with the goals of Saudi Vision 2030. It is important to highlight that the primary aim of Vision 2030 is to drive national economic growth through the diversification of economic activities in the Kingdom and the efficient utilization of available resources to enhance food security.

### Digital Initiatives:

First Milling Company has initiated a complete road map of digital initiatives in order to back up the digital transformation efforts of its business, ensuring a smooth transition into a more digitally savvy and efficient company.

Such a digital transformation

initiative started with the complete enterprise resource planning (ERP) migration into SAP as a first cornerstone that is being followed by several initiatives across all sectors to continue building a more efficient and effective organization.

The Company has created G2M (Go to market) as the latest online technology for ordering, scheduling, delivery and invoicing available through handheld technology and B2B ecommerce.

The Company's cybersecurity role has also been activated to create an effective line of defense against any potential cyberattacks and discover vulnerabilities for urgent investigation and treatment.

### Electronic Invoicing Application Project:

Electronic invoicing is a procedure that aims to convert the issuing of paper invoices and notes into an electronic process that allows the exchange and processing of invoices, credit notes & debit

notes in a structured electronic format between buyer and seller through an integrated electronic solution. The Company is keen to successfully implement the electronic invoicing system in cooperation and continuous communication with the Zakat, Tax and Customs Authority as part of its commitment to comply with all regulatory requirements in this aspect and to ensure proper activation, facilitation of financial transactions and increased efficiency.

The company is currently well-positioned to maximize its production capacity and market share, especially considering the rising demand for flour-based products and the anticipated growth in the local meat market. These initiatives aimed at boosting local production of specialized animal feeds further enhance the company's strategic advantage.

The cooperation of the Company with the public sector is

represented in vigorously joining the Future Factories initiative in the Kingdom, with the aim of developing the industrial sector in the Kingdom by designing new factories in accordance with the highest international standards in efficiency, manufacturing and production. Further, to transform the current factories into factories that apply the highest standards of operational excellence and advanced technologies. Add to this raising the efficiency of labor and developing their skills by providing continuous training.

### Saudization Initiatives:

First Milling Company has assumed a significant role in bolstering the local workforce in alignment with Saudi Vision 2030 and the Saudization directives established by the Ministry of Human Resources and Social Development (HRSD). The company has implemented a Saudization strategy aimed at empowering and fostering Saudi national talents within the food

and feed sectors. First Milling Company has endeavored to achieve this goal by implementing a series of initiatives that not only meet but also surpass the mandated Saudization rates.

To achieve this objective, the company carries out various initiatives such as creating employment opportunities for Saudis, establishing specialized training programs, improving the work environment, and fostering partnerships with governmental bodies and educational institutions. These efforts aim to enhance collaboration, develop national skills in the food sector, and promote mutual growth.

Such initiatives are significantly important for boosting self-sufficiency, enhancing the local economy, and achieving sustainable development in the Kingdom of Saudi Arabia.

## 1-11 Key Milestones in 2023G

In 2023, First Milling Company achieved significant milestones by solidifying its status as a leading entity in the flour industry within the Kingdom of Saudi Arabia. This success can be largely credited to the company's consistent adoption of technological advancements and innovative practices, resulting in improved production efficiency and elevated product quality.

2023G has witnessed the expansion of the Company's client base, building strategic partnerships, in addition to achieving huge success in the sustainability of business practices and promoting corporate social responsibility (CSR).

One of the notable achievements was the listing of First Milling Company on the Saudi Exchange "Tadawul," marking it as the first Saudi milling company to be listed since the sector's privatization. This milestone aligns with the extensive economic reforms envisioned by the Kingdom under Saudi Vision 2030.



**Several accomplishments were realized across administrative sectors and operational divisions, which can be summarized as follows:**

**1**

First Milling Company has been awarded a number of prizes, certifications and certificates of appreciation in recognition of its excellent performance in the sector, including the ISO quality certificates and other certificates like "HACCP" Hazard Analysis Critical Control Points that reflect the Company's compliance with the provision of high-quality products and services to its clients.

**2**

First Milling Company has successfully activated "Tamheer Program" in cooperation with the Ministry of Human Resources.

**3**

First Milling Company has activated the performance management system (SAP SUCCESS FACTORS).

**4**

First Milling Company has successfully initiated the Saudization program "Tawteen" with the Ministry of Human Resources which achieved financial revenues for the Company.

**5**

The Company has been awarded Mowaamah's certificate due to the employment of people with disabilities.

**6**

In 2023, First Milling Company achieved significant milestones by solidifying its status as a leading entity in the flour industry within the Kingdom of Saudi Arabia. This success can be largely credited to the company's consistent adoption of technological advancements and innovative practices, resulting in improved production efficiency and elevated product quality.

**7**

A project has been signed to upgrade two mills in Jeddah Facility, starting in 2024G.

**8**

Completing the 5 key projects for expansion and product diversification leading to increase of Fixed Assets by 125 mln.

**9**

Automation of (Financial, Admin, and Operational) Processes as Strategy Management - Contract and license tracking - customer portal.

**10**

The Company has technically participated in obtaining the highest assessments from the Saudi Food and Drug Authority (SFDA) for its food facilities at the Company's branches.

## 1-12 Theme of the Year



### Dare to Grow

This year's theme embodies the Company's objectives, vision, and supporting strategy.

At First Milling Company, we take pride in our ambitious goals, strategic objectives, and leadership in the local market through the provision of diverse products to all segments of the community. This led us to choose a theme for the year 2023 that reflects our relentless efforts to elevate the company's standing, enhance its commendable initiatives, and achieve sustainable growth for its shareholders by attracting more

clients and delivering top-quality products. Our aim is to realize a consistent growth in sales volume and partner loyalty rates.

The transformation of First Milling Company into a publicly listed company on the Saudi Exchange in mid-2023 marked a significant milestone. As the first Saudi milling company to go public, this event signifies a pivotal moment in our continuous journey towards becoming the preferred partner in the food and feed sectors throughout the Kingdom. We strive to be recognized as a reliable

source of essential products for the community.

As we focus on flour milling, bran, and feed production, we aim for this year's theme to convey a strong message to our shareholders, potential investors, and clients. This message emphasizes the company's unwavering commitment to achieving strategic objectives while upholding core values. Our goal is to enhance the company's brand, ensure top-notch product quality, foster innovation diversity, and cultivate strategic partnerships in the food and feed sectors. These

efforts will solidify the company's position as the preferred partner and a trusted source of premium-quality products that actively contribute to food resource provision and sustainability.

# 2

## Overview of Strategy

**“Dare to Grow”**

- ❖ 2-1 Chairman's Statement
- ❖ 2-2 CEO's Message
- ❖ 2-3 Strategy and Key Performance Indicators “KPIs”
- ❖ 2-4 Business Model
- ❖ 2-5 Market and Sector Overview
- ❖ 2-6 CFO's Review
- ❖ 2-7 2024G Future Outlook
- ❖ 2-8 Challenges and Opportunities
- ❖ 2-9 Risk Management



## 2-1 Chairman's Statement

**Dear Valued Shareholders and Partners,**

On behalf of First Milling Company Board, it gives me great pleasure to share with you our annual report for the year ended on December 31, 2023G. I would like to take this opportunity to thank you for your unwavering trust, which has allowed us to continue our path of growth toward accomplishing the Company's goals and intended strategy.

**First Milling Company's transformation  
into a publicly listed Company on the  
Saudi Exchange will mark a significant  
turning point**



For First Milling Company, 2023G has been an incredible year despite all rising geopolitical tensions, economic unpredictability, and global inflation rates. We stayed true to our core strengths which helped us to continue leading the list of Kingdom's producers of flour products and its derivatives.

With your help and well wishes, First Milling Company transformation into a publicly listed company on the Saudi Exchange "Tadawul" through its initial public offering "IPO" has marked a significant turning point in our long and continuous journey toward stabilizing national food security and offering a wide range of cutting-edge products to our partners and customers everywhere, every day. Furthermore, our success has been greatly influenced by the pivotal role played by the Saudi Government and all related organizational authorities in such a crucial stage. First Milling Company now had occupied a significant position that helps its move to achieving its long-term goals which is to shape a different future for the Saudi Arabian food sector.

As we approach the end of our first year as the first Saudi milling company to be listed on Tadawul, I am overcome with gratitude for the existence of such a robust and supportive investing environment that is loaded with lots of factors that has fueled our listing operation and produced such remarkable success. I would like to take this opportunity to express my gratitude to the wise leadership of the Kingdom for its enlightening guidance and motivating vision, which have driven our development. I also want to express my gratitude to the Capital Market Authority "CMA" for its collaboration, support and unique role as the regulatory authority for the Saudi financial market.

**We made significant steps  
toward solidifying dominant  
position in the local market**

As we look to the challenges that turned into opportunities in 2023G, we can confidently state that First Milling Company made significant steps toward solidifying its dominant position in the local market. This year we further expanded the scope of our operations and introduced new high-quality products, which helped diversifying the Company's sources of income and achieved sustainable growth and investment value to all our shareholders. Moreover, the Company succeeded in achieving its goals for sustainability and social responsibility, on the heels of adopting methodological business principles and implementing projects to improve the optimal use of energy and preserve our environment. In addition, the Company supported Saudi youth through its social responsibility programs which positively improved the Company's reputation and its relation to the community.

First Milling Company made significant progresses in a number of business-related areas in 2023G. In general, the Company's financial results grew compared to the previous year. Such sustainable results were primarily attributed to the efforts of our committed and qualified team that strenuously and ruthlessly works to achieve our strategic objectives. Above all, I want to sincerely thank each and every one of you for your invaluable contribution and commitment to improving the Company's overall performance.

First Mills kept up its rapid steps in 2023G, taking advantage

of promising growth prospects owing to the development of digital technologies and modern production techniques. In fact, the Company's reliance on these technologies led to fundamental changes in the business landscape and accelerated the production engine without sacrificing the superior quality of the products we offer to our customers. Such efforts were the fruit of a robust operational performance that yielded a growth in the production volume and an increase in revenues, which led to superior sustainable financial performance.

**The Company's reliance  
on the Advanced digital  
technologies and modern  
production techniques led  
to fundamental changes on  
our business landscape**

In our capacity as a leading national company in the production of top quality flour, feed, bran, and wheat derivatives products, we take pride in our leading position in the local market with regard to the number of business sectors and products categories, which reflects the constant loyalty of our customers and their continuous support for us.

In 2024G, we look forward to going on with implementing our strategic plans, diversifying the innovation of our products and developing our integrated solutions to meet the needs of our customers in a way that enhances our productivity potentials. We constantly seek to invest in our leading position in economic and social sustainability. In the upcoming year, First Milling Company aims to continue its healthy and sustainable growth, to double its efforts in terms of innovation and enhance quality of its products and services. We are further committed to continuously boosting our customers' satisfaction and achieve the vision of our Company, to be the leading company in its field in the region.

To conclude, I would like to express my gratitude and appreciation to my fellow Board Members and the Executive Management Team for their past, current and future efforts to achieve the Company's vision and strategy. I truly appreciate the harmony between the Executive Management and the Board to ensure the implementation of the Company's plans. It would be of worth here to note that the Board shall continue to support the Executive Management by all possible means, in accordance with our governance framework, on grounds of the implementation of the resolutions that shall pace up the progress of the Company's business.

I would also like to take this opportunity to thank all the Company's employees for their hard work over the years and our honorable shareholders for their support and confidence in First Milling Company. We are quite positive that we shall continue our successes and shall strongly and diligently counter all future challenges.

**Tariq Mutlaq Abdullah AlMutlaq**

Chairman

## 2-2 CEO's Message

**Dear Shareholders,**

In 2023, First Milling Company remained steadfast in its commitment to enhancing its business and operational efficiency to further its growth potential and uphold its position as the market leader in its sector. This year marked a significant milestone for the company with its transition from a closed joint stock company to a public joint stock company and its listing as the first Saudi milling company on the Saudi capital market. Throughout the year, we made substantial strides towards achieving our strategic objectives and meeting the diverse needs of our customers by offering a wide array of superior services and products.



In general, the Company's strategy has raised customer satisfaction, increased operational efficiency, increased profit margins, and generated new revenue streams that support directives going forward in the sector. On the long run, this strategy strengthened the foundations that accelerated our sustainable growth, opening the door to realizing our vision and winning over our partners' confidence. We're proud of our ability to establish First Milling Company as the pioneer and industry leader in this area of the food industry.

This year witnessed achieving record figures in terms of production, sales, revenues, net income, and free cash flows. This comes in light of the Company's deeply rooted obligation to achieve operational efficiency and financials control towards continuing our sustainable growth in revenues and enhancing value for shareholders. Given its unwavering and never-waning commitment to its shareholders, First Milling Company is always eager to work with all of its stakeholders to create a better future for everybody. As a result, the Company is steadily moving forward on the path of growth and innovation. This methodology forms the basis of our business strategy, operational effectiveness, and outstanding performance.

In First Milling Company, we are taking giant steps forward by launching new innovative products. This has pushed us towards launching lots of initiatives that are expected to yield in the near future, like updating and upgrading the production capacities of our mills. Further, we launched the Premix plant and started working on our Durum Mill to produce semolina, the first of its kind in the Kingdom, which, in turn, enhanced our strategy and huge focus on diversifying our sources of economy and minimizing reliance on any other source, thus making sustainable profit margins on the long term.

**We're proud of our ability to establish First Mills as the pioneer and leader in the food industry**

In First Milling Company, we are primarily concerned with the development of our employees and providing them with the best healthy, professional and attractive work environment that would encourage their innovative skills. We support our employees through the provision of development and training programs that motivates them to give more, to develop their potentials and gear up their powers to enthusiastically complete all tasks assigned to them, therefore efficiently and proficiently achieving the Company's objectives. We aim to be the perfect destination in our industry and to be on top of the latest technological developments needed.

Given the solidarity and integration of our First Milling Company team, all through the past year, we managed to resume our efforts aiming to promote products and services provided to our customers, which positively reflected on the Company's revenues by the end of the year. Thanks to the administrative resilience and the efforts exerted by our team, we managed to push forward the business locomotive with a faster pace, while focusing on First Mills' values, which we all strongly believe in.

Through its social responsibility programs, First Milling Company

totally demonstrates its solid commitment to its community role. These programs center on collaborating with the local community by engaging in numerous initiatives that support families during the month of Ramadan and taking part in new community initiatives that encourage business entrepreneurship, raise social health, and all the address needs for the community.

**We continue our commitment towards our shareholders and add value to all related stakeholders**

Today, First Milling Company holds a leading position in the local market with the biggest market share in the field of flour production in the Kingdom. It has also largely supported the leading transformation and privatization journey of the local milling companies by being the first Saudi milling company to become listed in the Saudi Stock Exchange. At the same time, the Company worked on developing its operational model, making it more flexible and diverse, thus supporting the best use of its strategic partnerships with its customers, while continuing to provide innovative products satisfying their needs.

In light of 2023G results, we expect our strenuous efforts to yield in the next year and the years to come. So that such initiatives would actively reflect on the Company's results within the positive economic environment inside the Kingdom and speedy measures taken by our wise government to achieve a development boom that will position the Kingdom among the developed countries.

Year after year, we are honored by our contribution to achieving the objectives of the Kingdom's Vision 2030, under which the Saudi government takes strategic steps to boost the local food production sector, to achieve food security and self-sufficiency, to nationalize our local knowledge and production capacity. In the years to come, we will endeavor to intensify our participation in the Kingdom's Vision 2030, which serves as the fundamental compass for its progress in the areas of economic and social development, sustainability, technical innovation, among other crucial areas. As we move forward into the future, we look forward to expanding the power and scope of the First Milling Company "Aloula" brand presence and keep taking advantage of the significant chances that are approaching on all aspects.

Finally, but just as importantly, I would like to convey my sincere gratitude and respect to the Company's Board for its infinite continues support to the Executive Management, relevant departments, and every employee of First Milling Company, while growing the Company and accomplishing its goals. I also want to thank our customers for being the best advocates for our success and for their valued confidence. First Milling Company will continue to focus its efforts and carry out its strategic directives over the coming period for a better future for us, for our honorable shareholders, and for our partners/customers.

**Abdullah Abdulaziz Abdulla Ababtain**

CEO

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## 2-3 Strategy and Key Performance Indicators “KPIs”

In light of the ongoing developments in the food and feed industries at the level of the local and international markets alike, First Milling Company has established its strategic flexibility and responsiveness to pace up with any changes. In fact, the constant technological innovations and active competitiveness have further motivated the Company to double its efforts in order to achieve a comprehensive strategic transformation for the entire organization.

Further to the Company's success in introducing a qualitative transformation at the level of its main activities and operations, and stemming from its sted belief in the Kingdom's Vision 2030 as a source of guidance for formulating its directives, First Milling Company has developed its strategies and objectives around the provision of high quality premium products in both food and feed sectors to reach its aspirations in becoming the first partner of choice in the food and feed sectors across the Kingdom and the credible source of vital products to the market and communities.

The Company's strategy has set a number of targets which First Milling Company is attempting to achieve by continuing its leading role in the market and by its active contribution to the provision of sustainable sources of food. This is done through four main pillars:



1

### Enhancing Market Leadership



Aiming to be the first choice for our consumers & customers and the first in the market in terms of the volume, revenue and market share in flour products.

#### Criteria for Measuring Success and KPIs



Maximize the Company Valuation



Grow Revenue & Profit in Sustainable Manner



Expand into New Categories



Improve Distribution & Sales Channels

#### Highlights of 2023G

- Achieving a Y-O-Y increase of 6% of the Company revenues.

- Flour sales represented 57% of the Company's total sales with an annual increase of 9%, compared to the previous year.

- Continuing the spread of coverage through the e-trade channels while expanding presence in new geographic areas to add new partners in all categories.

- 2023G revenues amounted to SAR 964.3 million compared to SAR 913.6 million in 2022G.

- Continuing to achieve stable revenues and double-digit profits, with net profit margin of 22.8% during the year.

- Achieving free cash flows of SAR 222.4 million with annual cash conversion ratio (CCR) of 66.3%.

- Regulating and managing operational costs to maintain the same levels compared to the previous year.

# 2

## Creating Outstanding Products and Providing Exceptional Services



Aiming to have the most powerful brand, the best-in-class customer service, and well-known for its products innovation.

### Criteria for Measuring Success and KPIs



### Highlights of 2023G

- Continuing expansion in retail sector led by "Aloula" brand and First Milling to achieve an increase in sales Y-o-Y amounted 37%. with the growth in sales. Expanding in terms of customer base and presence on the level of all regions.



- The market share of the Company reached 30%.



- Launching flour products specialized for industrial purposes and readymade flour through the Premix plant in Q3 of 2023G.



- Launching Chakki Atta (Al-Raha) Flour and 100% Whole Wheat Flour product range for the stone mill (Pisa Mill) by the beginning of Q3 of 2023G.



- Adding 7 new products in 2023G, thus increasing the Company's products to 50 products, which in turn, enhances the portfolio of provided products.



- Starting the trial operation of the Durrum Mill to produce Semolina in Q4 of 2023G.



- The Customer Satisfaction Score on Net Promoter Score (NPS) reached 88.5% in 2023G.



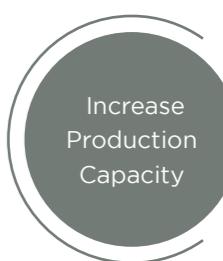
# 3

## Building an Efficient and Distinguished Operational Framework



Aiming to produce premium quality products, in the most efficient manner utilizing world class technology at the right competitive cost

### Criteria for Measuring Success and KPIs



### Highlights of 2023

- Enhancing the production capacity of Mill C in Jeddah Plant to 250 tons per day in the wheat milling operations with commencing operation in Q4 of 2023G.



- Updating the A&B milling units in Jeddah Plant to increase its production capacity and continue to provide high quality products to customers.



- The Company's efficiency rate of its production capacity reached 89%.



- The number of safe man-hours in the Company and all its affiliated facilities amounted to 356 days during the year, with a decrease in the accidents and injuries numbers to 12, compared to 18, in the previous year.



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# 4

## Building Necessary Capabilities and an Efficient Framework to Achieve the Company's Strategy



Aiming to be the employer of choice, known for its high safety standards and high capable team working together within the right culture & systems in place.



### Criteria for Measuring Success and KPIs

#### Highlights of 2023G

- Obtaining high assessments by SFDA in recognition of the Company's efforts in maintaining HSE.



- The Company has been successfully listed on Tadawul by the end of H1 of 2023G, as the first milling company to be listed following privatization, as the Company's market value reached SAR 3.3 billion during the period of subscription with a coverage of 68.9 times (for institutional investors) which is one of the highest demands on subscriptions in 2023G.



- Introducing the Employees' Equity Incentive Plan as well as a number of initiatives to motivate employees and build an attractive work environment.



- Abiding by the constant development of employees, having provided more than 7,474 training hours to 1,053 employees during 2023G.



- Continuing to protect the Company employees' health and safety by obtaining the ISO45001 for occupational health and safety in addition to organizing more than 11 internal training programs for more than 1,881 employees during 2023G.



- Approving the Company's strategy towards supporting digitalization projects and initiatives with the use of the latest systems, like SAP 4HANA and SAP analytical cloud, which has reflected on developing and boosting the efficiency of performance of all Company's sectors.



- The Company has joined the MSCI index and FTSE Russell index for emerging markets and low capital companies, which reflects the application of the highest governance compliance and transparency standards in terms of disclosure to shareholders, investment community and regulatory authorities.



- The Company has trained more than 35 university students to provide them with the necessary knowledge and talents and to qualify them for the labor market in partnership with 6 local and regional universities, including the Company's participation in the Career Day and signing a number of strategic partnerships with Saudi universities.



- The Company announced the distribution of cash dividends for H1 of 2023G. Furthermore, the Board has approved the distribution of cash dividends for H2 of the year, to be distributed in Q2 of 2024G.



- Continuing the HR development and recruitment of the best talents which has led to the increase of loyalty and satisfaction rates to 87%, according to the most recent Company's surveys.



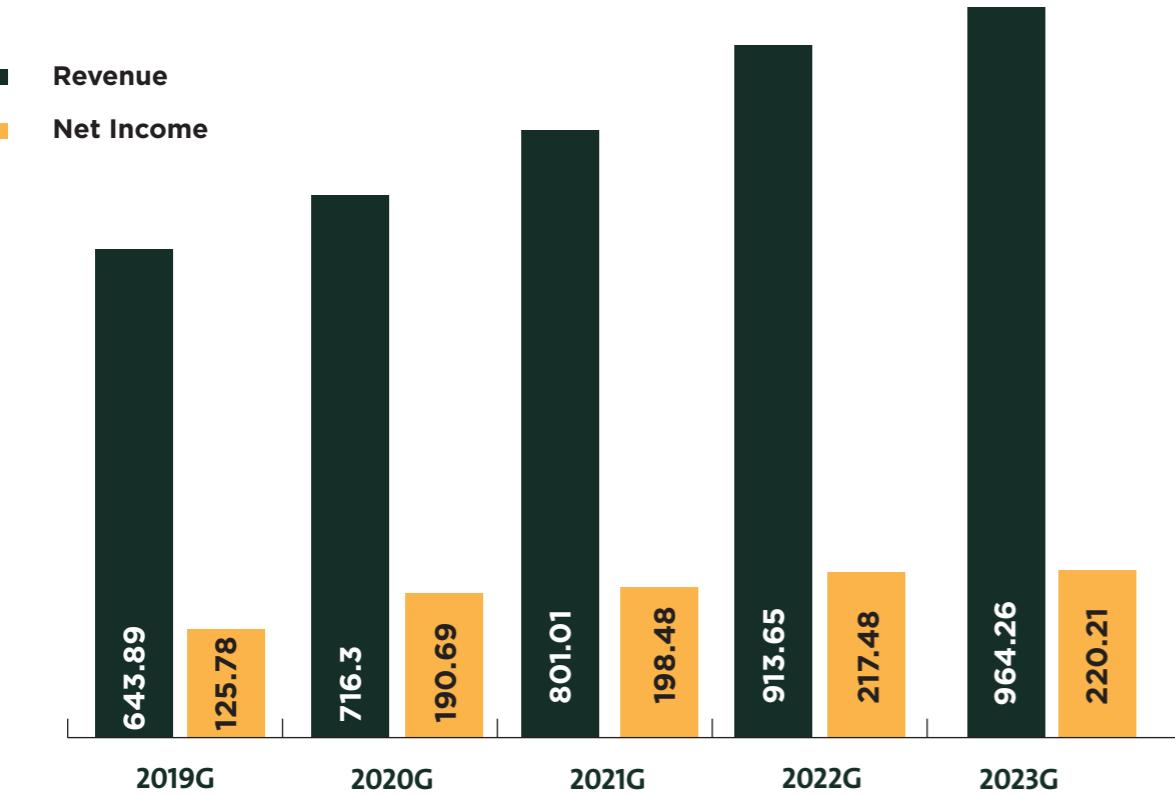
- Three quarterly earnings calls have been held in addition to scheduling an extraordinary general assembly (EGA) meeting (first meeting), which represents an official interaction with the shareholders in line with our abidance by the transparency and compliance.



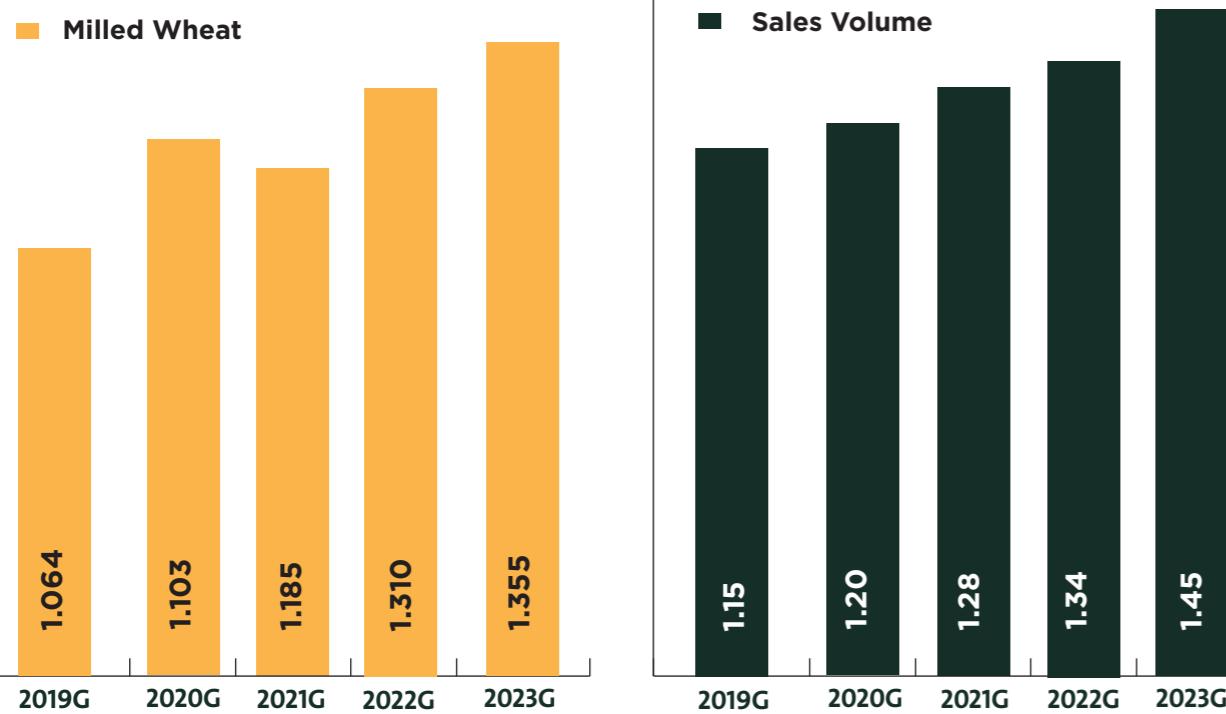
## Key Performance Indicators (KPIs)

The following Table sets forth the Company's key performance operating metrics, which the Management considers the key performance indicators (KPIs) for the last five financial years:

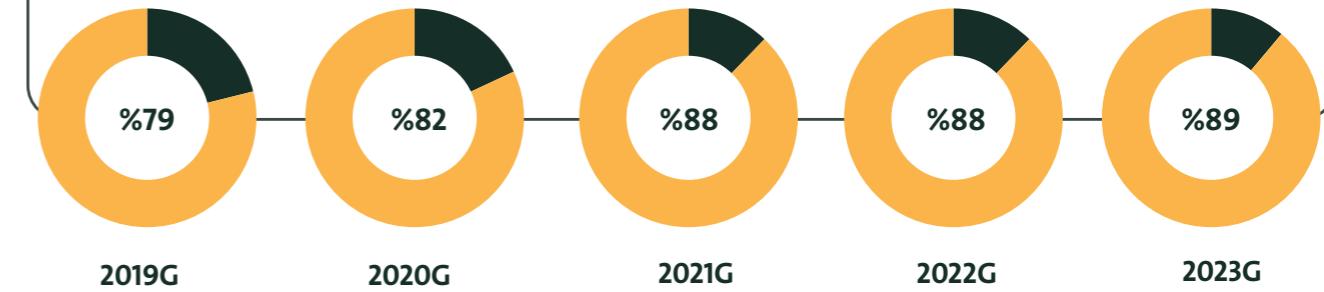
(All Amounts in SAR Million)



(All Quantities in Tons Million)

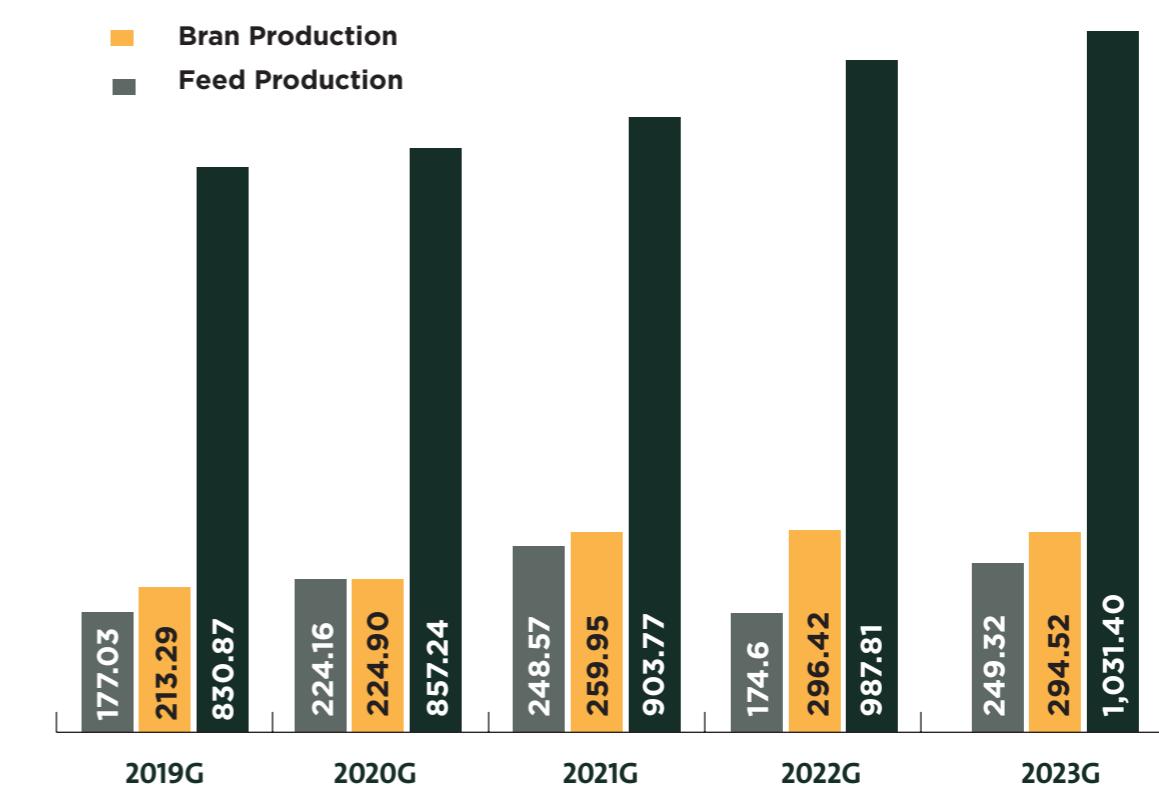


Installed Milling Capacity Utilization



Production (000' tons)

■ Flour Production  
 ■ Bran Production  
 ■ Feed Production



(Source: First Milling Company)

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## 2 - 4 Business Model

First Milling Company strongly believes that achieving sustainable development is a constant obligation that comes as part of its social responsibility and contribution to achieving economic development in light of the Kingdom's Vision 2030. Therefore, the Company dedicates all its potentials to create an added value for all its shareholders while seeking to be the first partner of choice in food and feed across the Kingdom and the credible source of vital products to the community and

the market. Ever since its establishment, the Company has followed a developed commercial business model based on quality and advanced technology, aiming to provide high quality food products to its customers. For this purpose, the Company employs the latest technologies in production, manufacturing and control to contribute to achieving efficiency and competitiveness in the market.

## Strengths and Competitive Advantages of the Company

### Leading Local Market Position

- The Company's market share reached 30%\* in the flour local market.
- The Company also holds a prominent position in the animal feed market in the Kingdom, and maintains its leadership position through several factors..
- Distinguished profit margins and sustainable growth that exceeds the market rates and averages.
- More than 95% of the Company's product sales were effectuated in cash that guarantees the unrestricted conduct of its business in the short and medium terms.

### Diversity in Product Range and Geographical Spread of the Company

- Diverse product portfolio with more than 50 types of food and feed products.
- 4 facilities in Strategic geographical locations: Makkah Region (Jeddah Governorate), Al-Qassim Region (Buraidah Governorate), Tabuk Region (Tabuk City) and the Eastern Region (Al-Ahsa Governorate).
- Sale and distribution warehouses for the Company or its distributors spread all over the Kingdom.
- Close and robust relations with all suppliers of raw materials including GFSA.

### The Company's Commitment to Provide Quality Products

- High responsiveness and flexibility in face of local market changes and global market movement to meet variable needs of clients.
- High ability to expand and enter new geographic locations through the provision of required products with the highest quality.
- Constant control and precise tests of raw materials and final products by an experienced certified team.

\*According to GFSA updated report

\*\* Including 300 tons of Durum

### Company Mission:

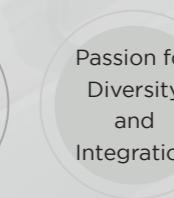
To be the reliable source of innovative, high-quality products in the food and feed sectors and be fully committed to enabling food availability and sustainability.

### Company Vision:

To be the first partner of choice in the food and feed sectors all over the Kingdom and a credible source of vital products for communities and markets across the region.

### Company Values:

In First Milling Company, our values are generally regarded as our culture with which we work and by which we define our behavioral criteria and decision-making process to achieve the Company's objectives and Vision.



## Relationships with Authorities and Stakeholders

### 1 Shareholders and Investors

- First Milling Company abides by the implementation of the principles that protect the rights of shareholders and achieve the principle of justice through the timely provision of suitable information.
- By virtue of its clear dividend distribution policy, the Company seeks to create better value for shareholders through the dividend distribution and achieve sustainable revenues for investors in the long term.
- An amount of SAR 1.37 has been distributed as cash dividends per share for H1 of 2023G, in addition to a consent from the Board to the distribution of cash dividends for H2 of 2023G, with the amount of SAR 1.41 per share.
- The Company fully complies with the implementation of all policies and measures related to the disclosure of financial statements, performance reports and any substantial changes according to the legal requirements, regulatory regulations applicable and instructions issued by the concerned authorities.
- The Company has established a dedicated investor relations department that has a qualified team and members, holding IFSAH Professional Exam Certificate (IFSAH), and the Certified Investor Relations Officer Certificate, who receive all inquiries and questions from shareholders and work on handling and resolving them.

### 2 Consumers

- The Company adopts a client-oriented principle in all its operations and constantly seeks to meet their various needs with the ultimate quality.
- Customers are registered in a system that is supervised by the GFSA, that organizes the Company sales process for the flour product clients, so that the registration of each client for which the Company sells the subsidized flour products, the sale price and allocated quantities are previously approved.
- Before requesting for an approval, each client is subject to an assessment process that includes a number of factors, inter alia field visits to the clients' facilities, an assessment to the clients' production lines and production capacity, in addition to special examinations to be carried on the clients' products which contain flour.

### 3 Employees

- Developing human capabilities and national cadres which coincides with adapting to the technological and digital development.
- Currently, the Company seeks to be one of the best work environments in Saudi Arabia.
- Approving the Employees Stock Incentive Plan and Program to boost and to maintain the Company's talents and attract the best potential candidates

### 4 Communities

- Developing sustainability and social responsibility programs with more than 20 initiatives and objectives which shapes our steady compliance to the ESG aspects.
- Paying attention to community initiatives like the "Saudi Bakery" program which has contributed to training and qualifying more than 400 young men and women by experts and specialists in the field of baking in 3 different cities (140 training days with 430 certified training hours). The program's objective is to prepare and graduate competent national cadres, in collaboration with the Small and Medium Enterprises General Authority (Monsha'at), the Culinary Arts Commission, and the National Center for Corporate Social Responsibility, can launch and oversee innovative baked goods projects.
- Building efficient cooperation by participating in the Cooperative Training Program and the Career Forum held at King Abdulaziz University (KAU).
- Cooperating with Keswa Aisha endowment for the distribution and preparation of 1,000 food baskets for needy families before the blessed month of Ramadan, in which a number of the Company's employees participated. To ensure that this support encompasses the entire community, the flour has been provided as in-kind aid to a number of other societies.
- The Company obtained the certificate of compliance "Mowaamah certificate" as a work environment that helps and supports the recruitment and employment of special needs.

### 5 Regulatory and Government Authorities

- Maintaining the highest standards of governance and disclosure requirements through a strong collaboration with the CMA and Tadawul pre and post listing.
- Cooperating with the Zakat, Tax and Customs Authority (ZATCA) for the successful implementation of the e-invoicing system as part of our commitment to compliance. (as well as cooperation with Civil Defense and the High Commission For Industrial Security).
- The Company's products and operations are in line with the GFSA's food security strategy, the Ministry of Environment, Water and Agriculture (MEWA) and the Kingdom's Vision 2030 and Saudi Food & Drug Authority, for the sake of enhancing the food security indices, achieving the self sufficiency and combating any challenges to climate changes and scarcity of resources.
- Working hand in hand with the Ministry of Human Resources and Social Development (HRSD) to increase the percentage of Saudization in various positions (Current percentage of Saudization stands at 39% at the level of the Company in all positions, while the percentage of women stands at 3%).

## 2-5 Market and Sector Overview

### GDP and Inflation

Saudi Arabia's Government has taken quick steps that keep up with the importance of its economy at the regional and international levels. This comes as the Saudi economy continues its positive performance in pushing down the locomotive of growth by implementing initiatives and structural reforms to support economic diversity and increase the private sector's contributions, and thus, attain the objectives of the Kingdom's Vision 2030, ensure the economic stability and achieve sustainable development.

In light of the positive local developments, the economic growth rates in the Kingdom have been reviewed on the medium range in 2024G. According to the Saudi Arabia Budget statement for the fiscal year 2024G, it is anticipated that the positive economic growth rates shall be

maintained during 2024G, on the medium range led by the non-oil sector, fueled by the efforts exerted to pace up the economic diversity to ensure the sustainable economic growth under the current reforms.

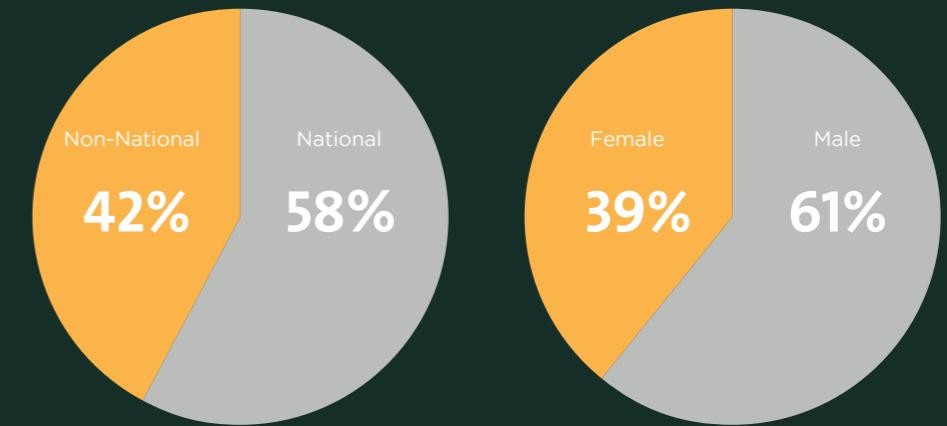
The initial estimates for the year 2024G pointed a growth of 4.4% on the real GDP backed by the GDP expected growth in non-oil activities, as a direct result of strenuous efforts exerted to enhance and develop the private sector and raise its contributions to lead the economic growth. Overall, this shall contribute to creating new and sustainable job opportunities in the labor market, backed up by continuing the completion of programs and projects of the Kingdom's Vision 2030, as a key tool to achieve targets of the economic transformation.

Furthermore, in view of the enhancement of the economic environment, according to the latest EuroMonitor International report, it is expected that the average consumption income per capita shall continue to grow at an annual compound rate of 4.7% between 2022G and 2030G, which shall contribute to increasing the consumer expenditure on bread and cereals at an annual compound rate of 5.4% during the same period.

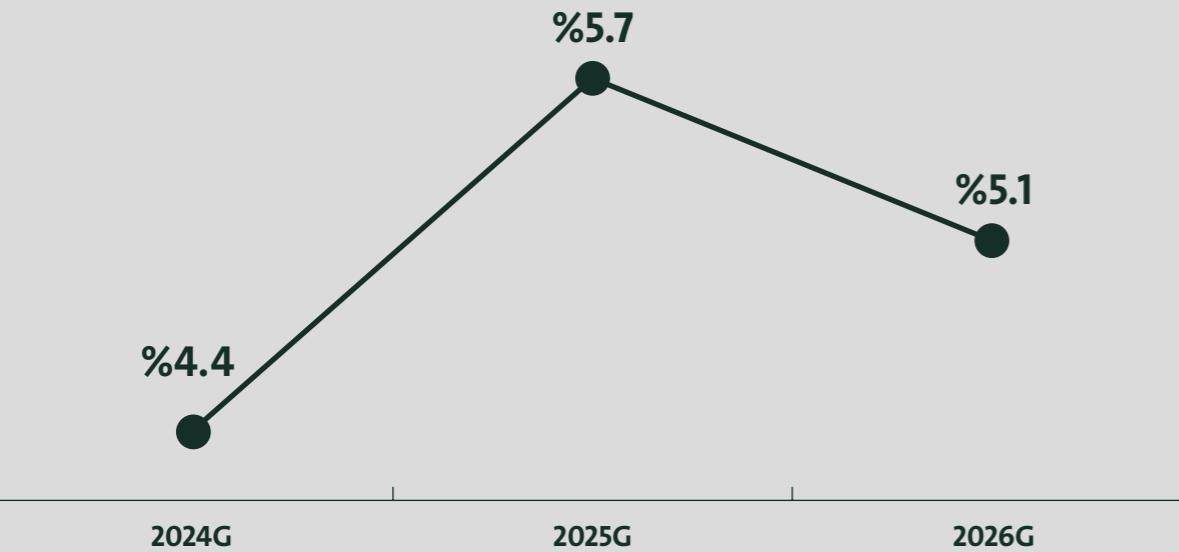
Such increase in consumption expenditure per capita on food stuff coincides with the normal

expected growth of the Kingdom's population, which urgently necessitates the provision of indispensable strategic commodities, including wheat and derivatives, including flour of all types and products, bran, among many other indispensable products for all families in the community. This enhancement of economic environment is likely to strongly expedite the growth in population which is expected to reach an estimated of 39.2 million by 2030G, growing at a CAGR of 2.5% for the period 2022G-2030G.

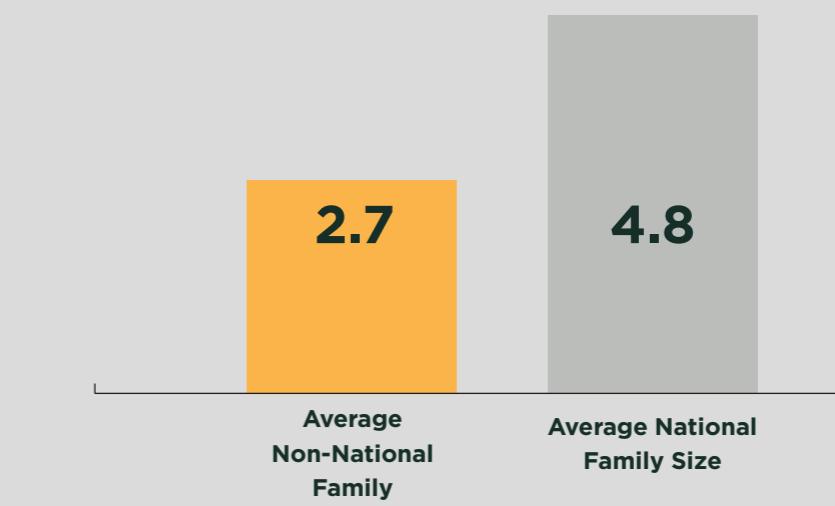
**32.18** Mln People  
The Kingdom Total Population by the end of 2022G



### Expected Real GDP Growth in the Kingdom During 3 Years



(Source: Data from General Authority for Statistics and the Ministry of Finance Outlook)



(Source: Population Report - General Authority for Statistics)

## 2-5 Market and Sector Overview

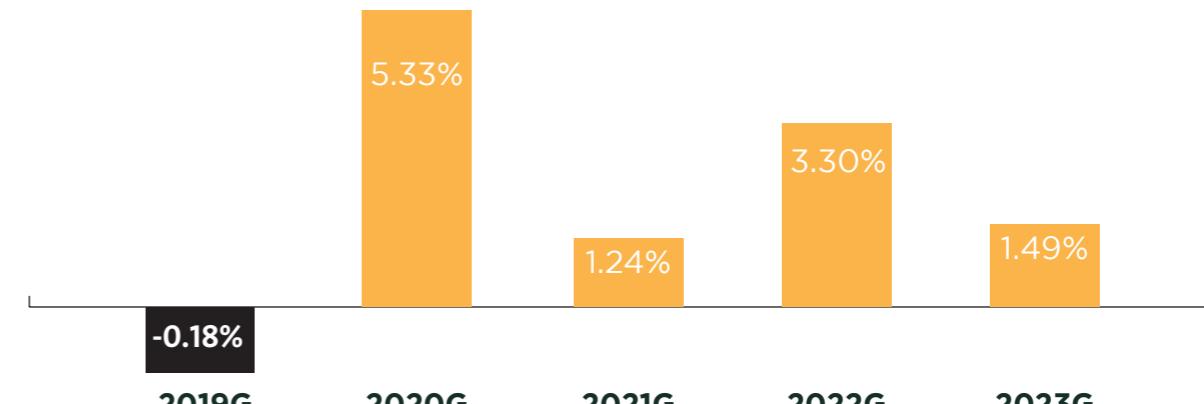
Over the past years, the Saudi Government has taken a number of measures to restrain inflation and thus maintain the stability of the Saudi economy. Such measures included the increase in the production of basic commodities and services and the provision of the same at reasonable prices, in addition to organizing the financial sector, controlling cash policies and enacting suitable legislations.

### Key Demographic Indicators in Saudi Arabia, 2022G-2030G

Category	Data Type	2022G	2026G	2030G	CAGR 2022G - 2030G
Total Population	Million	32.1	38.5	39.2	%2.5

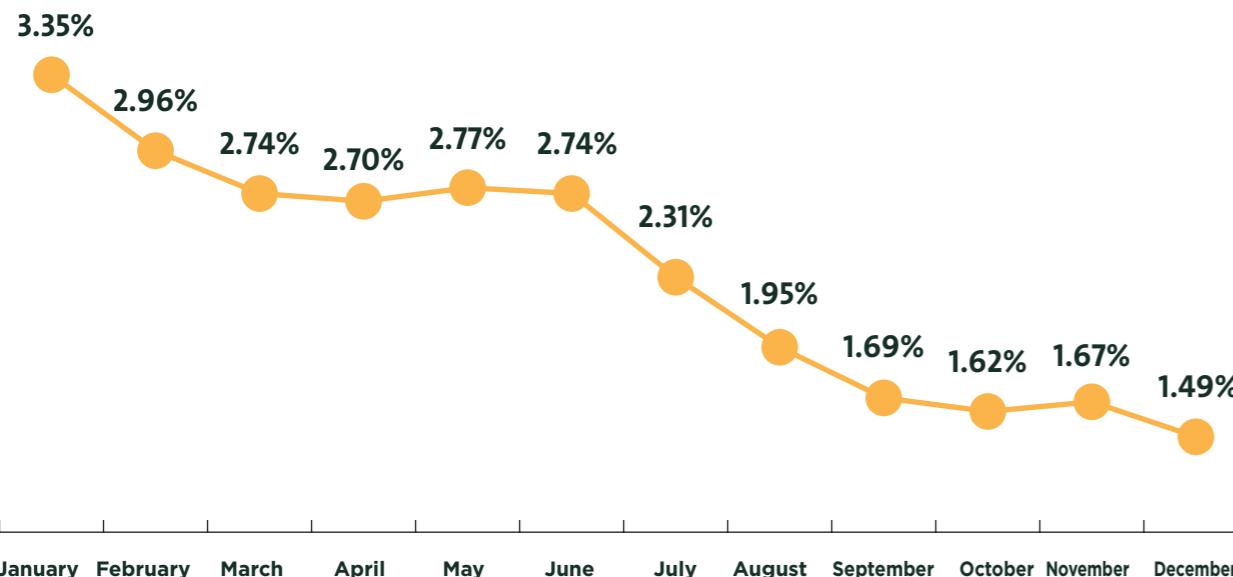
The inflation rates during 2023G have been variously affected in terms of both supply and demand, including enhanced rates of private local consumption despite the continued rise of interest rates since 2022G. In addition to the Russian-Ukrainian conflict which dealt a severe blow to the global supply chains, however the Kingdom's financial and cash policies have alleviated the effect of inflation, to the extent of slowing down inflation rates.

### Development of Inflation Rates in the Kingdom in 5 Years



(Source: General Authority for Statistics)

### Development of inflation Rate in the Kingdom 2023



(Source: General Authority for Statistics)

Within the framework of its commercial strategy, the Kingdom works on providing basic necessary commodities to ensure the sustainability of the economic growth, which synchronizes with imposing stringent control on the markets to ensure that the consumer is protected, and that the stability of the local market is maintained.

### Average Prices of Some Food Commodities in the Kingdom in 2023G

(All Prices are in SAR)

Commodity	Unit	Months of the Year											
		January	February	March	April	May	June	July	August	September	October	November	December
Local Brown Wheat Flour (Grain)	kg 1	3.09	3.13	3.11	3.09	3.09	3.14	3.16	3.13	3.16	3.11	3.20	3.16
Local White Flour (Grain)	kg 2	4.75	4.81	4.83	4.87	4.91	4.95	4.92	4.94	4.85	4.86	4.91	4.80
Sorghum (white corn)	kg 40	139.37	140.02	140.48	140.59	141.69	139.91	139.06	137.86	139.21	140.94	143.89	145.03

Meanwhile, the Kingdom is focusing on developing its commercial strategy to be more robust and efficient in a way that enhances the local economy and the competitiveness of commercial business in the Kingdom. At the same time, the Kingdom is highly concerned with protecting consumer interests, by holding continuous studies of the market and identifying opportunities and potential commercial threats, and thus, laying down suitable strategies for improving industrial sectors, developing products and services, and laying down proper mechanisms to provide strong consumer protection against unfair commercial practices and unsafe products.



## Global Grain Market

The grain market is generally regarded as a vital sector in the global economy, as it plays a decisive role in meeting the demand for food. It thus follows that the agricultural technologies and innovations are among the factors that have caused a radical change in the grain industry. Such agricultural developments included the use of smart fertilizers and modern irrigation technologies, which contributed to the increase of grain production.

Furthermore, the grain markets have witnessed a remarkable boom lately, as a result of the increasing demand from the developed and emerging countries, let alone the increase of the world population and changes of the food pattern that led to the increasing grain consumption, which has contributed to the increase of its value in the global market.

Towards the end of November 2023G, the Food and Agriculture Organization (FAO) has maintained its outlook for the global grain production in 2023G at 2,819.3 million tons, with an increase of 0.9% (26 million ton) compared to 2022G.

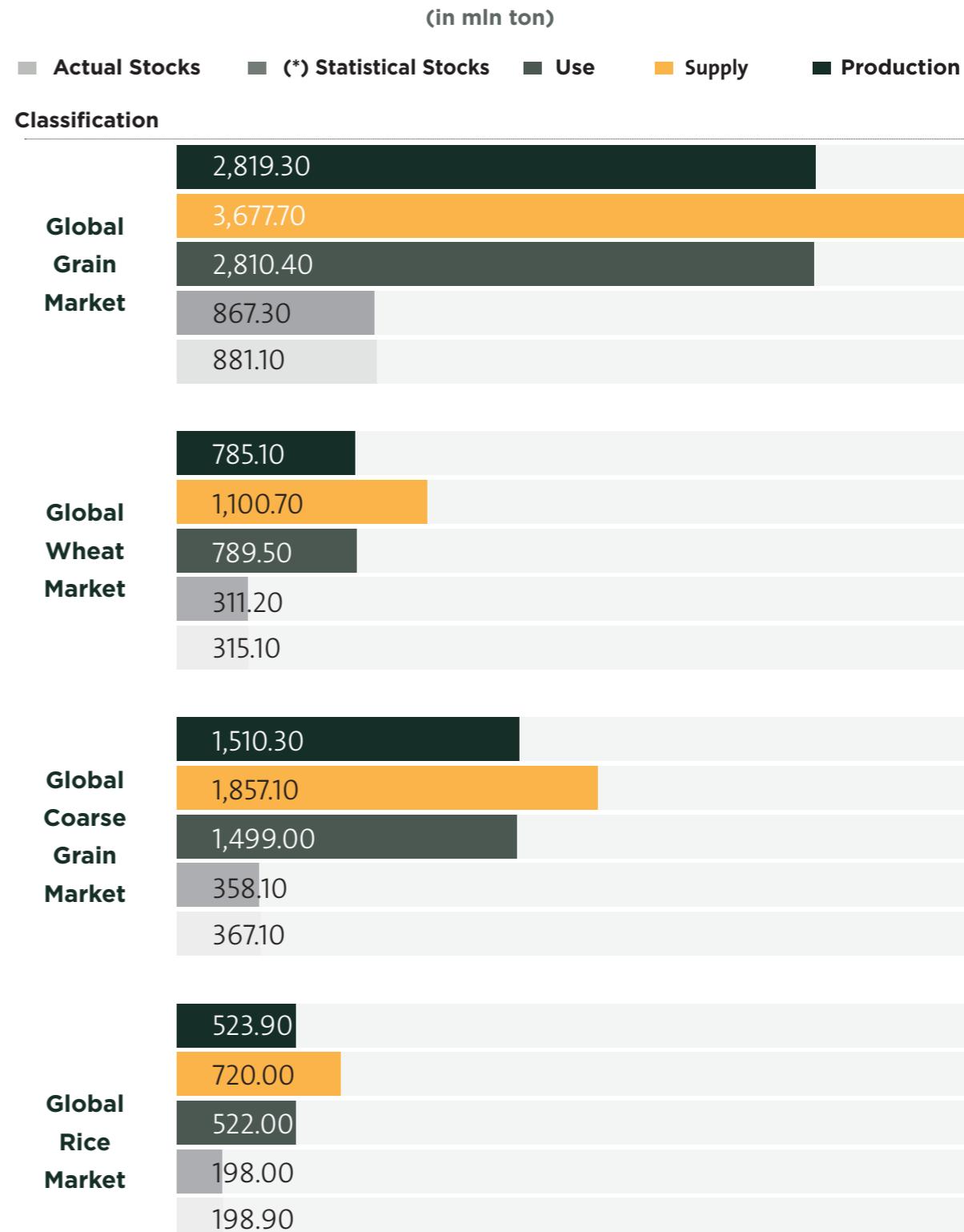
FAO anticipated that the global production of wheat in 2023G would stand at 785.1 million ton, i.e. 2.2% (18

million ton) less than last year.

The global production of coarse grain reached the amount of 1,510.30 million ton in 2023G, and thus, remained unchanged from one month to the other, with an increase of 2.7% (38.8 million ton) compared to the level recorded last year. Yet, some notable changes have occurred at the regional level, which by the end of 2023G have been mostly related to the implemented regulations by the State of China, as it included an increase of planted areas, more than what was expected, which translated into promises for an increased in yield by 4 million tons.

FAO has further raised its expectations for production in most West African countries, in line with the official data published by the end of 2023G. Such ascending changes have compensated for the great reductions in corn and sorghum production anticipations in USA in light of the unstable weather conditions and in EU as anticipations for the corn crops fell due to the dry weather in the eastern part of Europe.

## Global Grain Production in 2023G



(\*) Difference between demand and use, and this difference may not be equal due to the differences in marketing years for each country.

- Source: Food and Agriculture Organization (FAO)

As for next year 2024G, according to the FAO report, the wheat winter agriculture is underway in the northern part of the globe, and the expansion of the planted areas is expected to be limited.

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## Local 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 Vision's objectives aim to develop this sector by applying principles of sustainability, digital transformation and increasing competitiveness in the sector. This comes as the General Food Security Authority (GFSA) continues to work on securing the Kingdom's requirements for wheat to meet the needs of all companies operating in the sector, through GFSA purchases of this strategic commodity, and launching tenders all over the year.

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), which shall support the development of the agricultural sector and achieve food security and environmental balance. In addition, protecting natural resources and their sustainability, expanding the scope of the private sector participation in agriculture and providing an environment that is attractive to the investment in the agricultural activities and services.

### Amounts and Average Prices of Wheat According to GFSA Import Contracts over Last 5 Years

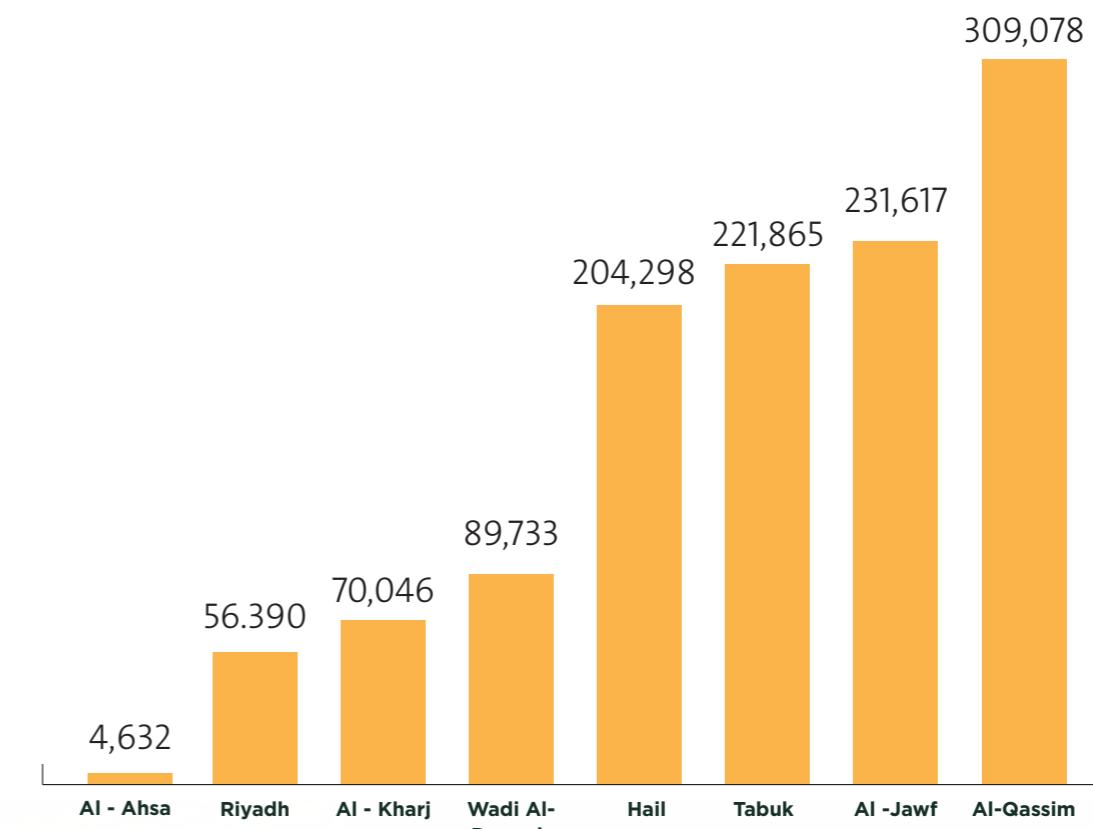
Year	Amounts Contracted Upon 310 % (000' ton)	\$/ton	SAR/ton
2019G	3,360	234.33	879.00
2020G	3,040	253.70	951.00
2021G	4,056	339.39	1,273.00
2022G	3,971	410.38	1,539.00
2023G	3,730	292.06	1,095.00

(Source: General Food Security Authority "GFSA")

By the end of December this year, GFSA announced the end of the season for purchasing local wheat for the year 1444H/1445H (2023G), with the supply of a net quantity of 1,187,659 ton, with an increase of 121% compared to last season, for almost SAR 2 billion.

### The Kingdom's regions with the most local wheat supply for the year 2023

(Quantities in tons)



(Source: General Food Security Authority "GFSA")



## 2-5 Market and Sector Overview

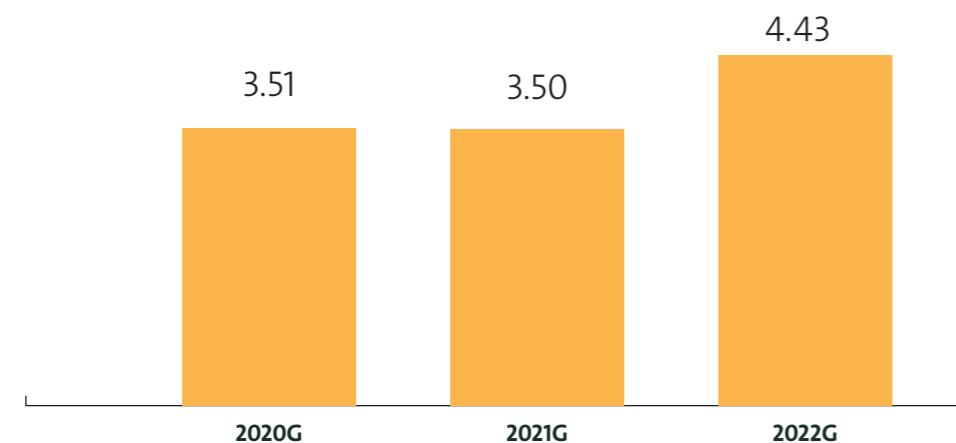
With the increase of turnout in light of the enhanced consumption spending in the Kingdom, the demand on wheat products in the bakery and food stuff sector rose. It is worth here to note that the compound growth rate of this sector is expected to pace up in the Kingdom from 2.9% during the period from 2018G to 2021G to reach 5.5% within the period from 2022G to 2026G, which shall lead to the growth of the wheat market by 3.5% during the same period, in addition to the continuous growth of the noodles production, which shall further increase the demand on flour according to the EuroMonitor International report.

The General Authority of Statistics (Stats) reported that the total value of Saudi Arabia's wheat imports amounted to about SAR 7 billion during 2022G, with the biggest share from Russia at 46%, at a value of SAR 3.2 billion against importing around 1.77 million ton of wheat.

Over the last four years, wheat sales for the four milling companies in the Kingdom have witnessed a notable development, as GFSA is selling the ton of wheat for any of the four milling companies at a subsidized price, in order to maintain the set subsidized selling prices of flour and wheat derivatives in the local market.

### Development of Wheat Sales of 4 Milling Companies in 3 Years

(Quantities in mln ton)



(Source: General Food Security Authority "GFSA")

Meanwhile, GFSA is resuming its role in securing the Kingdom's wheat demand to meet all needs of the four milling companies. In 2022G, GFSA sales of this strategic commodity reached about 3.89 million tons. Within the framework of implementing plans for diversifying the sources of wheat purchases, GFSA has mainly depended on three sources; namely: imports by

making global tenders in which qualified international companies specialized in the trade of grains shall submit their bids, imports by holding private tenders for the Saudi investors abroad and the purchase of local wheat within the framework of implementing procedures for halting the agriculture of green feed.

Category	Statement	% of Imported	% of Local Production
Total Flour Purchased during the year 2022G by GFSA	3.89 million Tons	86.2%	13.8%

It is worth here to note, that GFSA has a control role in the progress of flour production and distribution inside the Kingdom according to the normal rates to maintain the supply chains for bakeries and plants and to ensure the availability of flour in the market. Furthermore, GFSA makes field tours to control the quality of production.

According to the GFSA statistics for the year 2022G, the four local milling companies operating in the Kingdom have operating silos with a total storage capacity of 745 thousand tons, while the total production capacities available for the production of flour stands at 17,200 tons per day, while the total production capacity available for the feed facilities stands at 3,000 tons per day.

Total for the Year	2020G	2021G	2022G
Amounts of Wheat Used in Flour Production (ton)	3,422,061	3,476,531	4,481,923
Amounts of Flour Produced (ton)	2,650,111	2,637,821	3,423,882
Amounts of Flour Sold (ton)	2,608,888	2,621,323	3,349,588
Amount of Wheat Derivatives Sales (ton)	3,485	3,452	3,764
Amounts of Animal Bran Production (ton)	460,123	880,228	1,104,188
Amounts of Animal Bran Sold (ton)	460,123	499,550	716,134
Amounts of Feed Production (ton)	559,562	632,425	737,894
Amounts of Feed Sales (ton)	559,562	624,117	718,738
Percentage of Flour Sales to Amounts of Production	98.44%	99.37%	97.83%
Percentage of Animal Bran Sales to Amounts of Production	100%	56.75%	64.86%
Percentage of Feed Sales to Amounts of Production	100%	98.69%	97.40%

(Source: General Food Security Authority "GFSA")

In its turn, First Milling Company has the biggest share of wheat in the local market characterized by its growing population, consumption momentum and wide consumers' tastes and patterns, which thus qualifies the Company to achieve a strong and sustainable growth over the upcoming years, driven by its pioneering position in the market and its wide selection of products like flour and semolina, plus the bran and animal feed products.

First Milling Company aims to enhance and develop the milling sector in the Kingdom through constant innovation and the up-to-date production and distribution technologies, especially in light of the sustainable growth that the sector has witnessed over the last few years and the increase of demand on the related products by consumers and the food sector in the Kingdom. With growing demand in bakeries and consumer food needs, the local production is anticipated to continue growing to reach over 4.38 million tons by 2030G, according to EuroMonitor estimates. It is also worth noting that the importation of wheat flour in the market is very limited and has consistently declined compared to local production for the year of 2022 at approximately 1.5%, compared to 98.5%, with the Kuwaiti and the UAE products representing a dominant share of around 90% from the total imports.

### Indicators of Flour Production & Sale in the Kingdom for 2022G-2030G

Category	Data Type	2022G	2030G	CAGR 2022G-2030G
Total local production of wheat flour	Million Tons	3.42	4.38	3.1%
Total sales of wheat flour from local production	Million Tons	3.34	4.32	3.1%
Total imported wheat flour	Thousand Tons	51.0	42.0	(2.4%)

The Company is generally regarded as a vital part of the food supply chain, as it plays an important role in the production of main products like bread and bakeries. Therefore, the Company substantially contributes to meeting food needs and enhancing food security in the Kingdom in line with the Kingdom's Vision 2030.

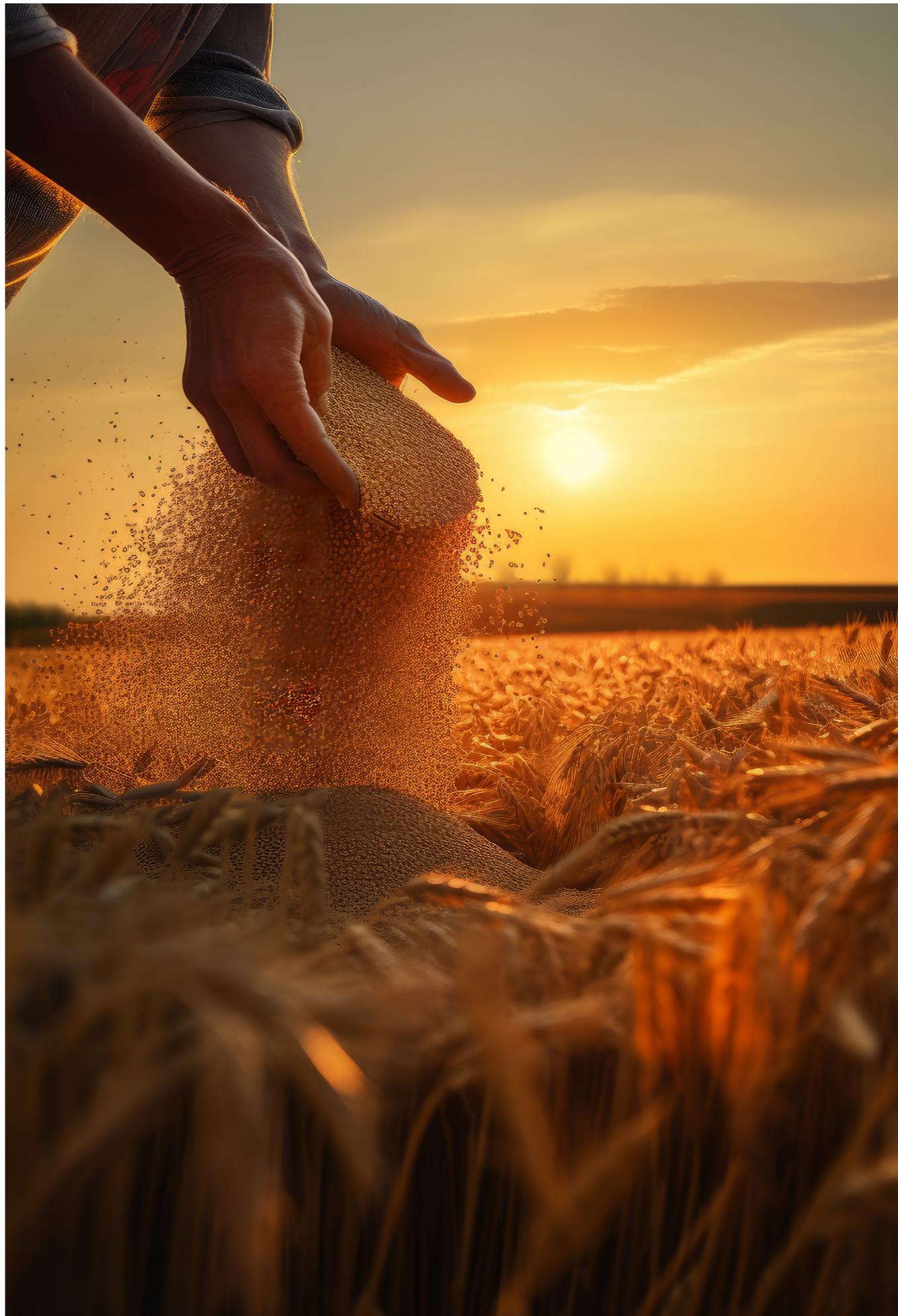
First Milling Company is optimally positioned to make the best use of the positive market dynamics, which is evident in the increase of the Company's flour market share ever since it was launched until the end of this year, thus becoming the leader of this market.

### Development of First Mills Market Share for the Years 2022G-2023G

Product Classification of Flour	Data Type	As Per GFSA Data for the Total Market		The Company's Share (By Quantity)		The Company's Share (As %)	
		2022G	2023G	2022G	2023G	2022G	2023G
Total Flour Volume	Thousand Tons	3,350.1	3,457.4	965.4	1,042.0	29%	30%

Furthermore, the Company is occupying an advanced position in the compound animal feed market, which multiplies its chances in making use of its production capacity and geographic spread, as a result of the increasing demand on the flour-based products, the potential growth of the local meat market in addition to government initiatives aiming to increase the local production of compound feed. Moreover, the EuroMonitor International latest report, animal bran production volume is anticipated to reach about 925.5 tons by 2030G growing at a CAGR of 2.9% for the period of 2022G-2030G.

The Company started the trial operation of its Durrum Mill to produce Somolina which is regarded as the first of its kind in the Kingdom with a daily production capacity of 300 tons.



## 2-6 CFO's Review

First Milling Company has continued to deliver superior sustainable financial results this year and has maintained its pioneering position in the food production sector. The year 2023G has been loaded with many opportunities for the Company's growth and development, as well as successes and challenges. Thanks to the Company's solid business foundation that guided us to be able to increase operational efficiency across all economic endeavors. Furthermore, we managed to create the best environment for conducting business according to the highest international standards, while being committed to the proper bases of management, which contributed to the implementation of the Company's strategy and positively reflected on the annual financial results.



**Total Annual Revenue of SAR 964.3 million with an increase of 5.5% YoY**

Given the diversity of the First Milling Company product portfolio and the expansion of its geographical reach within the local market, the Company managed to grow its revenues and net profits during this year, which synchronized with investing in future strategic expansions, diversification of revenue sources and maintaining strong cash flow position. The Company's total annual revenues increased by 5.5% to SAR 964.3 million, compared to the last year. The net profits climbed 1.2%, exceeding SAR 220 million by the end of 2023G, under our strategy and promises which aim at achieving healthy and sustainable growth that would magnify the investments of our shareholders.

First Milling Company outstanding revenue performance has been matched with its persistent dedication to cost control, which has produced exceptional profits and excellent operating cash flows. This has been further supported by the Company's commitment to meeting its stated financial goals and preserving healthy profit margins while pursuing progressive growth in all activities, including expanding the scope of its business, improving operational efficiency, and boosting productivity.

**First Mills flour production exceed one million ton in 2023G**

It is worth noting that the Company has witnessed a significant rise in production along with a gradual increase in the consumption of raw materials over the past five years. This year, the Company achieved a production of over a million tons of flour, surpassing the 987.8 thousand tons produced in 2022. This increase had a favorable effect on flour and feed sales, which rose by 9% by the year's end, reaching SAR 552 million for flour and SAR 271 million for feed.

As for the Company's geographical presence all over the Kingdom, Jeddah Plant has contributed with the largest portion to our annual revenues during the current year, with a share of 44.6%. Noting that the revenue

contribution of Jeddah Plant was SAR 430 million, followed by Al Qassim Plant with a contribution of SAR 305 million, which made up 31.7% of the company's annual revenues, then Al Ahsa Plant with SAR 120 million, i.e. 12.4% of revenues, Tabuk Plant with SAR 109 million, that contributed to revenues with 11.3%.

In general, in 2023G, First Milling Company has managed to achieve the targets of growth with great results at all levels, despite facing some challenges that affected the Company's results like the climatic changes in Q1 and Q2 this year, and attempts pace up with the competition by offering promotions and reducing prices.

**Jeddah Plant generates the biggest share of the Company's revenues by 44.6% in 2023G**

In light of such unique financial performance, First Milling Company Board of Directors has approved dividends distribution of SAR 1.37 for the H1-2023. Further, the Board approved cash dividends distribution SAR 78.2 million, i.e. SAR 1.41 per share for H2-2023, which shall be paid in Q2 of 2024G, and raises the total dividends distribution to SAR 154.2 million, i.e. 70% of the total net profits of 2023G, in line with the Company's policy to distribute dividends in order to reward its honorable shareholders.

Looking ahead for 2024G, First Milling Company aspires to continue its path of progress as a company that takes pride in its Saudi identity, further looking forward towards achieving the confidence of all stakeholders. The implementation of our strategy has shaped new rules that shall pace up our growth and expand the Company's business. In the future, we shall focus more on increasing our market share, magnifying our potentials to achieve growth in the current operations, while maintaining good profits margins and maximizing the value of the investments of our shareholders at the same time.

**Manwel A. Bou Hamdan**  
CFO

## 2-7 2024G Future Outlook



The Company is implementing all its expansion and future plans based on a comprehensive and ambitious strategy that achieves the Company's vision and mission and meets the aspirations and desires of all the related authorities, that's why the Company's strategy is the basis for all the Company's initiatives and future plans.

First Milling Company constantly seeks to introduce new initiatives stemming from a number of pillars that are generally related to the business development plans, diversifying sources of incomes and enhancing profit margins by boosting the level of operational efficiency and effectiveness, in addition to the continuous assessment and follow up of the performance of the current projects.

The Company is seeking to make the best use of its acquisitions and achievements in 2023, and to continue the same in order to implement the Company's five-year strategic plan in the next year and the years to come.

The Company is also keen to pace up with the latest local market changes and trends in order to meet all needs on

one hand, and to build strategic partnerships with special entities to achieve the full sustainability on the other while adopting the best practices.

Generally speaking, First Milling Company aims to increase its profitability by raising the efficiency of the production capacity processes, enhancing its relations with suppliers, instantly developing the operational standards and optimally recruiting and employing the best human calibers, in addition to boosting the organizational and work structure to sustainably save all related costs in the future.

The Company is periodically evaluating its projects and production lines in all phases of production and distribution and then follows up the necessary maintenance and updates of such projects and lines in accordance with the market requirements and clients' needs, which shall reflect on the increase of the Company's capacity to elevate its quality and competitiveness and to enhance its presence in the local market.

## Company's Future Objectives



## The Company periodically and constantly plans to implement a number of development options like:



## 2024G Outlook

First Milling Company has high aspirations and ambitions within its work environment inside the Saudi market, as the Company seeks to benefit from its initiatives in development, research and marketing in order to enhance its position in the local market.

The Company continuously works on developing its business models through enhancing its profit margins and raising its operational and production efficiency in the next year.

In light of the competition challenges that the Company is facing in the sector, and the changes to pace up with the technological developments to meet the customers' ambitions and aspirations, First Milling Company shall

continue to enhance its relations with its clients to build strategic partnerships that would achieve sustainable success in the local market.

First Milling Company wishes to achieve partnership with the Ministry of Industry in the Kingdom, by participating in the initiative of "Future Factories" to promote the Company's strategic objectives and increase the factories efficiency and production capacity, in a way that shall contribute to elevating the level of the Saudi industry in general, thus making Saudi Arabia among the most industrially advanced countries.





First Milling Company has already completed two stages out of the four stages of the “Future Factories” initiative, while other stages shall be completed over the upcoming years. The said initiative shall positively reflect on the Company’s results, its operational efficiency, enhancing the cost management and raising the level of digitalization in the Company in a speedy and remarkable way.

It would be of worth here to mention that the Company has obtained the consent of GFSA to increase the production capacity of its mills A&B, after signing a contract for purchasing two new flour mills from Bühler AG, a leading company in wheat milling industry headquartered in Switzerland, to update such two units in the biggest Company’s factors in terms of the

production capacity located in Jeddah. This project will allow the Company to increase its production capacity and to continue the provision of high-quality products to its clients. As Mill (A), whose current wheat milling capacity is 300 tons per day, shall be upgraded with a new mill unit with a capacity of 550 tons per day with an increase of 83%. While Mill (B) with a wheat milling capacity of 450 tons per day shall be upgraded with a new mill unit with a capacity of 550 tons per day, with an increase of 22.2%.

In 2024G, First Milling Company aspires to enhance operation and to ensure efficiency, as its objectives include investment in the advanced technology, skills development, data integration, achieving the supply chain vision, enhancing resources, working in other various initiatives like sustainability efforts, risk management and cooperating with specialists and regulatory authorities. All the above combined shall help achieve the Company’s objectives in supporting the smoothness of the Company’s operations, enhancing the efficiency and effectiveness of its different departments.

Next year, the Company wishes to enhance the flexibility of the supply chain, merge advanced technologies, focus on sustainability, manage costs, ensure legal compliance and to adapt to increasing requirements of e-trade.

Consolidating and improving efforts with specialists and regulatory authorities is indispensable to achieve more efficient logistic operations based on meeting the clients’ requirements and variable needs.

We strongly believe that sky is the limit and thus our future aspirations are “endless”. We also believe that the future will definitely be better, considering the current expansions in the Company, which gives more strength and power in light of the Board strategic plans, new technologies employed in implementing lots of new projects and opening new production lines operated by skillful and trained employees. All of which are factors that shall contribute to creating multiple courses for revenues, enhancing the expansion of business and growing profits.

## 2-8 Challenges and Opportunities

The Company managed to overcome all various challenges and circumstances in its work environment in order to meet its promises and obligations towards its consumers and clients, and to further create a sustainable value-added point to the Company's shareholders and all stakeholders inside and outside the Kingdom.

Broadly speaking, the Company's Management is carefully considering and analyzing all investment opportunities available in the market based on the study and analysis of market trends to make the best use of the development of consumers' behaviors and the change of their patterns and consumption tastes. This shall enable the Company to lay the suitable plans that keep up with the future developments and combat any challenges by finding innovative solutions for the Company's clients on one hand and developing the infrastructure, raising the operational efficiency and increasing the competitive capacity on the other.

The high-level competition in the local market is generally regarded as one of the biggest challenges facing the Company, despite this; First Milling Company strongly seeks to always be the best and to maintain its leadership among all competitors.

We may safely say that what distinguishes First Milling Company is its mill that is directly positioned in Jeddah port on the Red Sea, which is one of the

best competitive advantages for the Company, specially that it is the biggest of all the Company's mills in terms of storage capacity and productivity. It is of worth to mention that there is only one other mill that is competitive to the Jeddah mill in terms of its location in Dammam port, yet, as it is well known that the Red Sea is most commonly used compared to the Arabian Gulf, since it is closely attached to the Kingdom's largest ports regarding capacity, and size of commercial traffic thereof.

Moreover, the Company has a good delivery fleet, which gives it a better opportunity to reach distances beyond areas in which its mills are located, let alone the Company's warehouses and suppliers in a number of cities outside the scope of the areas of its facilities, which in turn gives the Company a competitive advantage and more investment opportunities. Add to this the high quality of its products, being the best products in the local market, due to the Company's dependence on distinguished laboratories and highly skilled and experienced calibers in managing the process and quality of supervision.



## 2-9 Risk Management

The efficient risk management is one of the pillars of First Milling Company's management approach as the Company adopts a wise culture in dealing with such topic. In general, the Company is keen on ensuring the sustainability of its work to mitigate the danger of its risks as necessary and acceptable in order to fully and efficiently apply the Company's strategy. This is achieved by following a robust risk management system. As one of many companies that works in any of

the market economic sectors, a number of risks would be faced, especially if this economic environment is fertile with lots of hectic transformations and increasing growth, as is the case here in the Kingdom.

In addition to the above, the region is witnessing a number of accelerated events at all levels and in all political, economic and social aspects of life.

### Risk Management Framework:

First Milling Company's risk management framework is aligned with the leading global standards and the best industry practices.

### Risk Management Governance:

One of the Company's points of strength is its ability to manage risks. Risk management is generally handled by a number of employees at various levels, with the help of the Company's Audit Committee. Risk management is under the supervision of the Board of Directors and the Chief Executive Officer has a direct oversight of governance, risk and compliance management. Operationally, the Company relies on supply, wholesale, and retail operations, achieving profits that depend on economies of scale and value chain integration. The Company seeks to maintain its profit levels by applying comprehensive and strict policies, practices and guidelines approved by the Board of Directors to motivate the Company to adopt proactive and preventive measures to mitigate the impact of risks.

The Executive Management Team carries out a periodical assessment of the Company's general risks by setting suitable policies to ensure the management of main risks and maintaining such risks at acceptable levels. In the cases in which the risks exceed acceptable levels, the Company's Executive Management Team works on laying down clear action plans that include specified responsibilities and timetables to mitigate the strength of risks. The Executive Management Team also periodically follows up work to ensure progress within timetables of action plans.

### Determining & Identifying Risks:

Risk management starts with determining the total potential risks, by analyzing the Company's operations, the external environment within which the Company operates and the regulatory landscape. This would include impacts on the Company's strategy, objectives and key processes.

### Prioritizing Risks:

The potential risks are arranged according to their effect in order to optimally manage resources and facilitate the decision-making process. Usually, risks are arranged according to the priority of their effect on limiting their potential occurrence and resisting their potential effect on the Company.

The Company constantly works on assessing all the risks facing its usual business and activities. Through such assessment, various risks are periodically reviewed, whether at the level of teams, departments sectors or at the level of the Executive Management Team by holding weekly, monthly and quarterly meetings, in order to review such risks and to take the right measures to combat and handle the same.

### Risk Response:

The Company takes necessary measures to respond to risks and closely monitors such risks in order to avoid and mitigate the same to avert any potential damage they may cause.



## Major Key Risks:

In First Milling Company, we are keen on increasing the awareness of current and potential investors of all elements of risks which the Company might be subject to within the course of its business, to allow them to carefully consider the same before taking any investment decisions, since the occurrence of any of such risks might negatively or substantially affect the Company's business, financial status, business results and future outlook.

Like all companies operating in the local market, First Milling Company might be subject to a number of risks that may directly and/or indirectly affect its activities, continuity of its works, profitability and financial position. In the following section, we shall be tackling the potential effect of such risks:



## 1- Operational Risks:

### Rising costs and increasing operational expenses:

The Company periodically works on reviewing its costs and ensuring that they are properly managed to achieve the best possible results.

### Accidents Related to Occupational Safety:

The Company is subject to the health and safety laws applicable in Saudi Arabia, in addition to the best international practices. The Company is keen on employing highly efficient and experienced employees in the field of production to limit mistakes as much as possible. Furthermore, the Company provides lots of manuals, regulations and training courses to ensure the availability of information and the due progress of business.

### Technical and Technological Malfunctions:

The Company adopts developed systems and depends on the latest technological advanced devices in order to take the necessary precautions to ensure the smoothness of its operations, and facing any potential malfunctions using hedging plans that would help it to solve problems as soon as they occur.

### Disruption of Supply Chains and Change in Prices of Raw Materials:

In general, the Company purchases wheat from GFSA at fixed prices and sells the flour it produces at fixed prices as well, which protects it from the fluctuations that the wheat price markets might face. At the same time, First Milling Company attempts to hedge

against the fluctuation of prices of other products and commodities used in its products.

Meanwhile, the Company further maintains its strategic relations with local and international suppliers and preemptively communicates with them in case of any delays. On its part, the Executive Management Team closely monitors stocks of raw materials on a regular basis and submits its report to responsible regulatory authorities, so that efficient measures are employed to manage procurements and stocks.

The Company constantly works on maintaining a certain level of stocks to prevent any problems in the market supply, and to avert any substantial effects as a result of the rise in the price of raw materials.

### Bad Storage and Mismanagement of Stocks:

The Company relies on its experience in the feed and food sectors and on knowing the demand for its products in order to manage stocks of flour and wheat derivatives to combat any risks with regards to bad storage conditions and the mismanagement of stocks.

### Production Defects:

The Company is primarily concerned with the provision of the best quality by working on the use of the best machines and equipment and holding all necessary tests to limit defects of production and keep them at a minimum.

## 2- Financial and Economic Risks:

### Interest Rates:

The Company is regularly considering the interest rate risks through a specialized team, that analyzes local and international economies and raw material markets for products and their relation to interest rates, and then the necessary measures are taken to face any potential risks.

### Fluctuation in Exchange Rates of Currencies:

The fluctuation in the exchange rate of currencies might generally affect the Company's ability to meet its obligations, since some transactions are made in a currency other than the Saudi Riyal. However, the Company constantly works on considering the exchange prices market and understanding the fluctuations in currencies, in order to alleviate and minimize such risks.

### Credit Risks:

The Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables. However, First Milling Company's management also considers the factors that may influence the credit risk of its customer base, including the default risks associated with the industry in which customers operate. Owing to the nature of the Company's business, a significant portion of payments are collected in cash due to which the Company is not significantly exposed to credit risks.

### Liquidity Deficit and Expansion of Loans:

The Company has strong cash flows that would help it counter any future challenges if the need arises for pumping more liquidity, which is mainly attributed to the Company's strong financial position that can limit the risks of liquidity deficits.

## 3- Organizational Risks:

### Government Subsidies

The Company purchases its principal raw material, wheat, from its Key Supplier, GFSA, according to the conditions of the purchase arrangements concluded by and between the Company and GFSA, the Company may purchase wheat for subsidized prices and with better conditions than those available for purchasing wheat in the free market. The Company cannot predict whether any restrictions or reforms related to these subsidies would be introduced in the future that will reduce the Company's margins or adversely affect its ability to introduce new products profitably. However, the Company is strategically expediting its focus on expanding its non-subsidized products portfolio and largely increasing its market presence in order to alleviate the effect of any actions that might be taken in response to any change in the government subsidy laws.

### Organizational Compliance:

First Milling Company complies with lots of organizational requirements including the requirements of the General Food Security Authority (GFSA), the General Authority for Competition (GAC), the Ministry of Commerce (MOC), the Saudi Food and Drug Authority (SFDA), the General Authority for Zakat, Taxes and Customs (ZATCA), the Ministry of Human Resources and Social Development (HRSD), the Capital Market Authority (CMA), the Saudi Exchange (Tadawul), and many other authorities. As the Company has laid down clear practical measures to manage its organizational compliance while maintaining strong relations with main organizational authorities. The Executive Management Team oversees the Company's

compliance with all applicable standards on a regular basis.

### Scope of Licensing:

The Company organizes work with government authorities through its specialized teams, to maintain the renewal of licenses and permits required to mitigate any risks regarding the suspension or expiry of any of the Company's licenses or permits.

### Taxes and Charges:

Currently, the Company is subject to the Zakat and the value added tax, while considering any government decisions related to taxes and charges preemptively in order to determine its strategy for dealing with the same.

### Laws and Regulations:

The Company abides by the applicable laws and regulations Saudi Arabia, as well as the latest legislations and laws that are binding for all companies operating in the Kingdom. Moreover, the Company has a specialized team to consider legislations related to its activity and files regular reports on any developments in the latest legislations in order to mitigate risks of being subject to any legal fines or penalties.

### Saudization Requirements and Foreign Employees:

The Company is committed to the employment of a certain percentage of Saudis in its team and to maintain this percentage. It also applies more efforts to qualify and support the Saudi youths through the provision of specialized training courses to prevent the possibility of reducing its percentage of Saudization.

## 4- Market Risks:

### Competitive Environment:

The Company might be affected by the increasing competitiveness in the local market posed by other local and international companies working in the food and feed sectors. However, both the Company and its Executive Management closely monitor the market conditions, prices and promotions on a regular basis to achieve the highest degree of competitiveness and to well understand the opportunities and challenges that might come its way, while considering the necessary solutions and scenarios to face such competition, including laying down a strategy for continuously enhancing its brand and the quality of its products.

### The Company Revenues Being Focused on Certain Geographic Areas:

The Company gladly welcomes any new opportunities for expansion and works on spreading in the local market as permitted by the organizational authorities. This is achieved by developing its products and increasing its market share, which shall alleviate the concentration of its revenues on certain geographical areas.

### Change in Patterns of Consumption:

The Company works on updating the production and marketing strategies in line with the changes in the food and feed sectors inside the Kingdom, in order to meet the aspirations of consumers and provide the best possible quality.

### Market Conditions that Are Out of Control:

First Milling Company may be affected by the dominant political and economic conditions in the world, which might lead to an increase of inflation rates and costs. The Company is keen on keeping abreast of all variables of microeconomics by studying and analyzing the market and holding a stringent process to evaluate the effect of any such developments on its clients and suppliers. In an attempt to overcome such risks, the Company takes the suitable strategic actions like enhancing the production operations, developing storage technologies, in addition to being flexible in adapting to the continuous changes in the raw materials market and adopting any suitable approach to handle any possibilities that might arise as a result of such developments.

### Natural Disasters and Climate Change:

The Company lays down emergency plans to combat natural disasters and climate changes including the rainy season, which might affect the feed production and demand. It further lays down scenarios to deal with the same and to alleviate the damages resulting from such climate changes.

### Outbreak of Pandemics and Infectious Diseases:

The preventive measures taken by the government have greatly limited the spread of pandemic and viruses. This is what happened when dealing with the outbreak of Corona (COVID-19). On its part, the Company lays down plans to deal with such risks and limit the consequent damages thereof.

### Cybersecurity:

The occurrence of any accident related to cybersecurity might lead to an unauthorized access or misuse of the Company's information systems and data, which might lead to the leakage of any confidential or sensitive information, the loss of the main data assets, obstructing the business movement and operations and shall harming the Company's reputation.

Therefore, the Executive Management Team closely monitors the effectiveness of cybersecurity programs and depends on new technologies through the provision of top of the notch tools to detect and limit all potential threats related to cybersecurity and security violations. The Company continues to enhance its technical infrastructure in order to enhance its ability to withstand such threats and employs effective plans to ensure the continuity of suitable businesses and mechanisms to limit any obstructions in case of any technical breakdowns.

On the other hand, it should be noted that the risks mentioned in this report might not occur in the first place, whether in the way anticipated by the Company, represented by its Board or staff who are responsible for monitoring, assessing and analyzing such risks on an immediate basis and for studying its effect on the Company business. Therefore, the events and conditions expected in the future might not occur in the way that the Company or the Board members expect or might not occur at all.



# 3

## Operational Review

**“Diverse Product Portfolio and Strong  
Geographical Expansion Support  
Growth in Finished Products”**

- ❖ 3-1 Operational Review
- ❖ 3-2 Customers and Partners to Success
- ❖ 3-3 Quality Assurance and Control
- ❖ 3-4 Company's Infrastructure
- ❖ 3-5 Marketing and Corporate Communication
- ❖ 3-6 Corporate Social Responsibility
- ❖ 3-7 Human Capital and Employees
- ❖ 3-8 2023 Highlights of the Year
- ❖ 3-9 Stakeholders Engagement



## 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
<b>1 Premium Flour</b>	For the confectionery, pastry and bakery
<b>Extraction</b>	
<b>70%</b>	
<b>2 Bakery Flour</b>	For making Arabic bread and other traditional and Western baking products
<b>Extraction</b>	
<b>80%</b>	
<b>3 Whole Wheat Flour</b>	For making Whole meal bread
<b>Extraction</b>	
<b>95%</b>	
<b>4 Superior Wheat Flour</b>	For making special traditional meals
<b>Extraction</b>	
<b>70%</b>	

with fine bran additives

**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

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## 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**

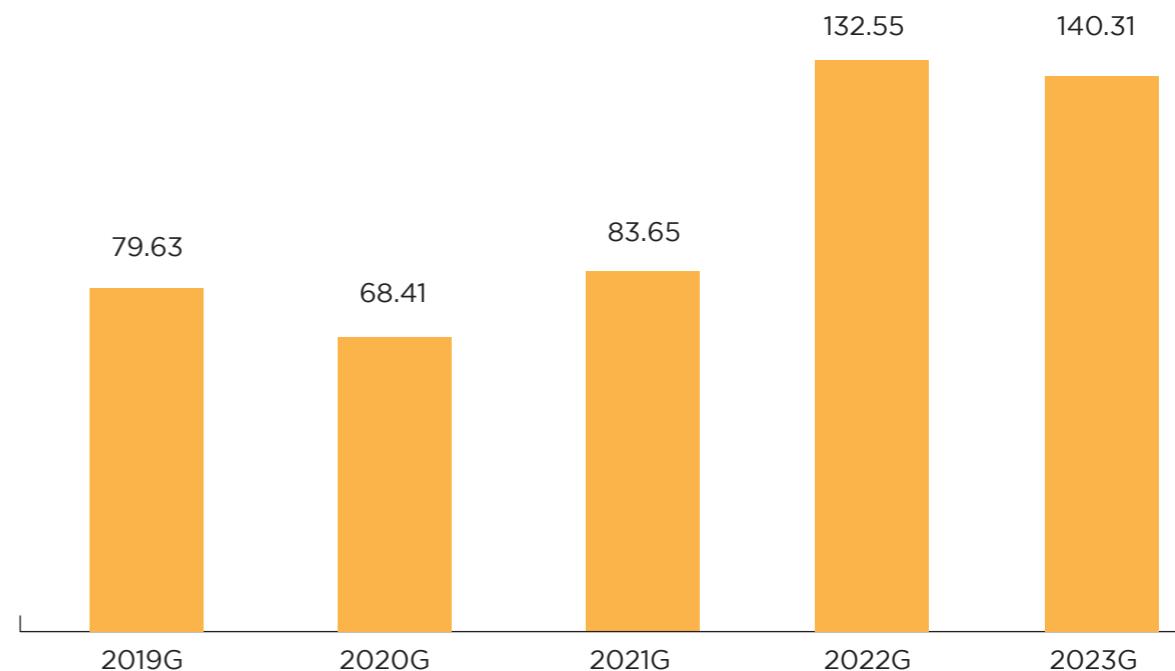
**Animal Bran**

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.

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.



## Animal Feed Products:

The Company uses the byproducts of the flour milling process, such as bran, together with other materials such as corn and soy, to produce a range of animal feed products. These animal feed products include livestock feed (including lamb feed, horse feed, camel feed and bird feed among others).

These animal feed products are offered in large packs (50kg) and are typically sold to feed producers, feed traders and cooperatives dealing with animal breeders across the Kingdom, with a special focus on the Central and Western Regions.

The Company prides itself on producing high quality animal feed products, with animal health and safety in

mind as a top priority. The production of animal feed is highly efficient, and perform a great synergistic role in the offering of the Company as it utilizes identical capabilities through deploying similar manufacturing processes and utilizing the byproduct as input.

The feed production capacity of First Milling Company is 900 tons per day, equivalent to 18,000 bags weighing 50kg per bag, with an annual capacity of 4,500,000 bags. The Company also produces more than 30 different types of feed such as poultry feed, livestock feed, pigeon feed, horse feed and dairy cattle feed.

## Feed Portfolio of First Milling Company includes:


**Pigeon Feed**

**Horse Feed**

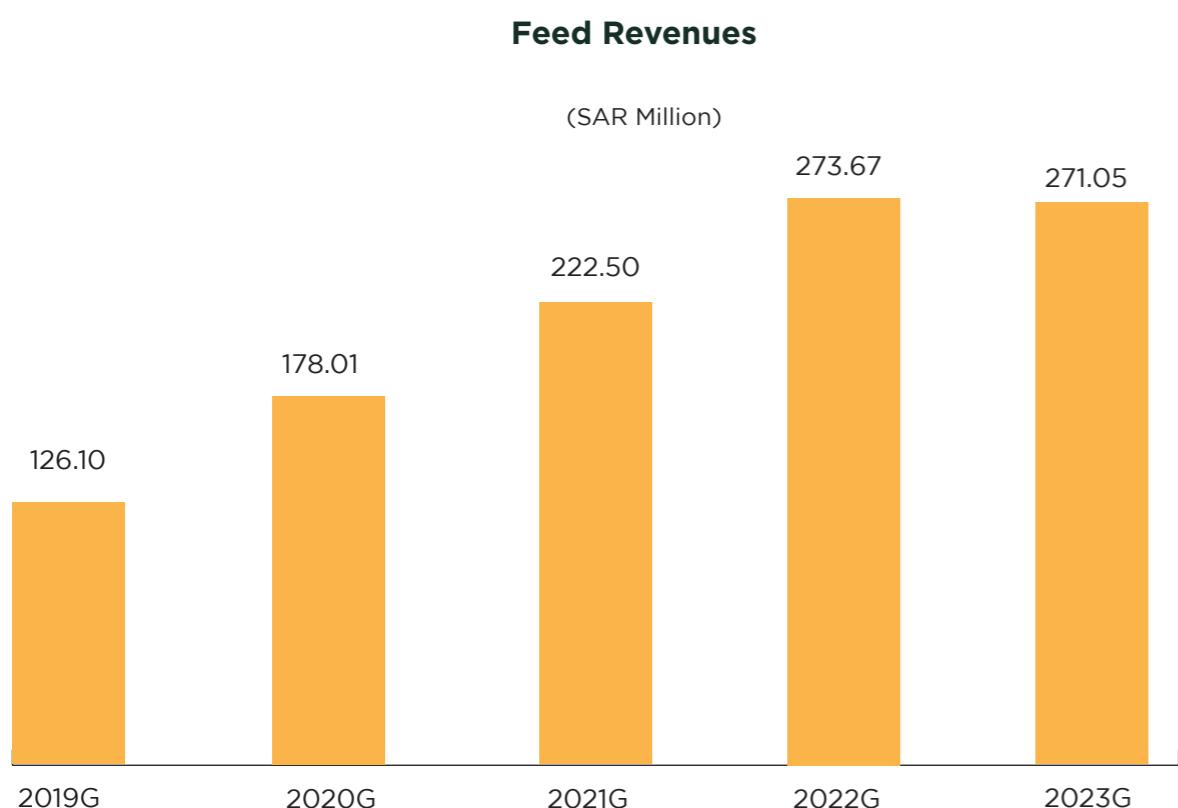
**Dairy Cattle Feed**

**Lamb Feed**

**Livestock Fattener Feed**

**Lamb Feed 21**

**Complete Crushed Feed**

**Poultry Feed**


First Milling Company is expected to benefit from increased demand for compound animal feed in the coming period as a result of government initiatives to regulate and restrict the production of green feed. First Milling Company produces animal feed in the Company's branches in Jeddah and Al-Qassim only.

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A feed with a unique combination of plant-sources ingredients, fortified with salts and vitamins essential to optimum the growth of healthy and performance of lambs.

A concentrated feed specifically formulated to meet the growth needs of camels, sheep, and goats.

A feed manufactured from the finest plant-based materials to meet the needs of poultry for egg production and support their health.

## Flour Production Stages

### 1 Grain Reception and Preliminary Cleaning

Wheat grains are received from the silos, then unloaded for inspection, and a sample is sent to the laboratory for examination and analysis. Then, wheat is cleaned of all impurities such as stones, dust, glass, metal pieces and seeds of other plants.

### 2 Washing and Tempering

Water is added to wheat to moisten it, in order to facilitate the process of separating flour from bran and storing it for 24 hours before the milling process begins.

### 3 Milling

The milling process is carried out through wheat crushing and grinding cylinders, where wheat grains are ground, separated, smoothed, and rechecked to ensure that they are free of impurities. Samples are also sent to the Quality Control Department on a regular basis to ensure that the quality standards of each product are met.

### 6 Loading and Packing

Flour is loaded directly to the trucks intended for transporting, or packed in preparation for transportation, distribution and sale to various outlets and customers.

### 5 Storage

Flour is stored in silos in preparation for packaging in different-weights packages.

### 4 Sorting

Ensuring, ensuring that the product is free of bran which is made by sending each type to special equipment to extract flour from the wheat grains, where coarse and fine semolina is sorted for grinding.



## 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.

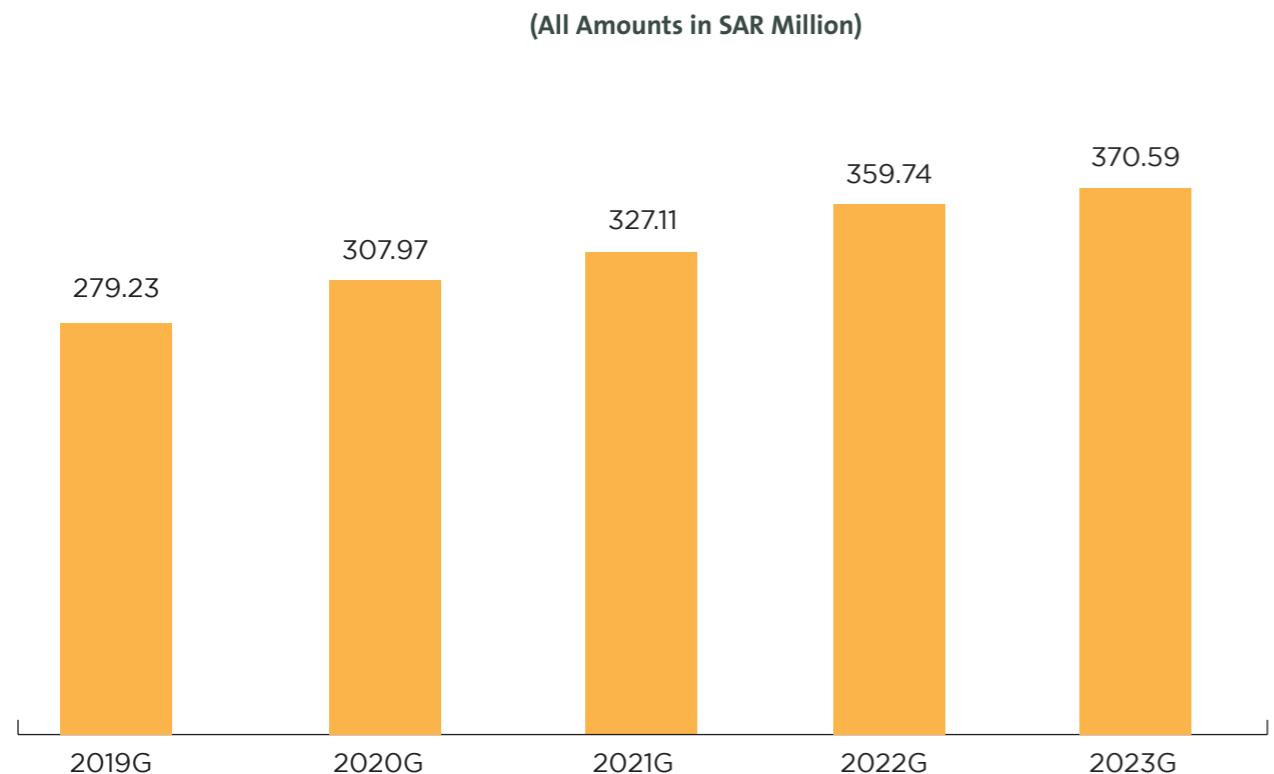
The Company relies on the best milling equipment available globally from leading international suppliers such as "Bühler" in Switzerland and "Ocrim" in Italy.

### 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



(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 perishability 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.

## First Mills Operational Capabilities in Numbers:

**4**  
Factories in the most strategic locations across the Kingdom

**4,900 tons**  
Wheat Daily Milling Capacity plus Daily 300 tons of Durum

**220,000 tons**  
Silos Total Storage Capacity

The Company has four factories in operation in the Kingdom. Each of which is regulated under GFSA (for wheat and flour products), and the Saudi Food and Drug Authority (SFDA) (for feed products and others), which directly supervises the work of these factories.

All the Company's factories comply with regulatory standards, including those set by regulatory bodies, and have received several certificates in Quality System Management from the International Organization for Standards (ISO).

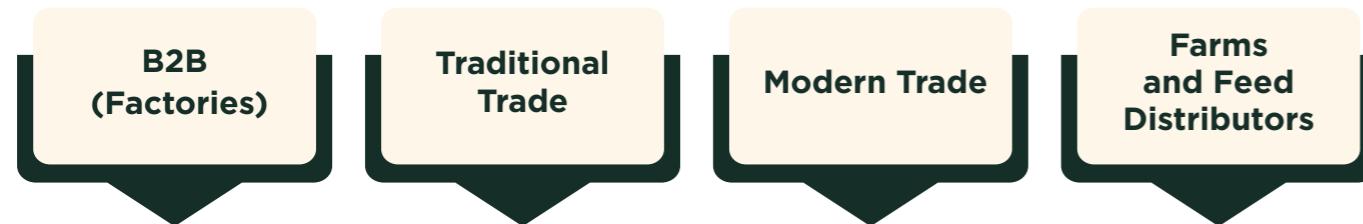


## Information about the Company's Factories by the End of 2023G

	Jeddah	Al-Qassim	Tabuk	Al-Ahsa	Total
Foundation Year	1979G	1983G	1998G	2014G	-
Total Area (SQM)	114,834	197,455	175,763	389,854	877,906
Coverage Areas	Jeddah and Makkah Region	Al-Qassim Region	Tabuk and Northern Region	Al-Ahsa and Eastern Region	-
Number of Milling and Mixing Lines	(9) Mill-A Mill-B Mill-C Mill-D Mill-E Mill-F Mill G (Durum Mill for Semolina production) Premix Plant Mill Feed Mill	(3) Mill-A Mill-B Feed Mill	(1) Mill-A	(1) Mill-A	(14)
Products	Flour/Bran/Feed	Flour/Bran/Feed	Flour/Bran	Flour/Bran	-
Number of Packaging Lines	12	7	6	5	30
Wheat Daily Milling Capacity (tons)	2,500	900	600	600	4,600
Daily Semolina Production Capacity (tons)	300	-	-	-	300
Daily Premix Production Capacity (tons)	240	-	-	-	240
Daily Feed Mixing Capacity (tons)	300	600	-	-	900
Silos Storage Capacity (tons)	120,000	60,000	10,000	30,000	220,000
Annual Revenue	430.12	305.17	109.23	119.75	964.26
% of Year Total Revenue	44.6%	31.7%	11.3%	12.4%	100%

## 3 -2 Customers and Partners to Success

First Milling Company classifies its customer portfolio into four sales channels, namely:



Represents those factories that use flour component in their operations (such as food manufacturing companies and large commercial bakeries) and smaller businesses (restaurants, catering businesses, small bakeries).

Represents distributors and wholesalers who purchase the Company's products and resell them later to other customers (flour traders and large and small wholesalers).

Represents retail sales to consumers (such as supermarket customers and other retail sales outlets).

Farms and Feed Distributors

Represents traders and distributors of feed who use animal feed and wheat derivative products.



The Company's sale of flour to customers is regulated by GFSA. As the Authority must pre-approve every customer to whom the Company sells flour (45 KG or bulk) as well as the price at which the flour is sold and the quantity assigned to each customer. Potential new customers must register with the Company and undergo an internal assessment process. This assessment includes, among other things, site visits to the customer's facilities; assessments of its production lines and production capacity; and assessments examination of the products in which the flour is to be used. The completed assessment is then submitted to GFSA for approval or rejection.

Although the modern trade channel has historically contributed to a small share of the Company's total sales, the Company is currently increasing its focus on this channel, specifically retail sales, in order to expand its consumer base and increase its market share.



## First Milling Company is committed to producing premium flour products that meet the diverse needs of its customers.

Our offers for "Aloula" flour include suitable and diverse products for the production of a wide range of baked goods, pastries and cakes. In addition, we offer 100% whole wheat flour for traditional foods and gluten-free custom flour to meet the needs of consumers with celiac problems, gluten sensitivity or wheat allergy in general.

At Aloula, we believe that baking is more than just ingredients. It is an experience worthy of everyone to live, and through which they express their desires and feelings, ambitions and culture, and present it in delicious baked goods.

Everyone can innovate using own hands. It's why we see baking is for everyone. No matter the skill, no matter the profession, no matter the creation. Aloula is always within reach. At the end of the day, baking is always better by your hands!

### "Aloula" products portfolio includes:

- Patent Flour**  
(All-Purpose - Different Size) Aloula Patent Flour, suitable for all purposes, is the secret of the distinctive flavor of baked goods, as it is packed with natural enhanced ingredients extracted from wheat.
- Brown Flour**  
(All-Purpose) Aloula Brown Flour is characterized by its rich flavor and contains natural fibers to promote a healthy and balanced system.
- Chakki Flour**  
(100% Whole Wheat) Aloula Chakki Flour is rich in nutritional value and natural fiber, as it is extracted from whole wheat grains, and is a best choice for popular meals.
- Gluten-Free Flour**  
(All-Purpose) Delicious taste and high quality are guaranteed for all gluten-free recipes. An ideal alternative for those wishing to follow a diet with some dietary restrictions.
- Italian Pizza Mix** Aloula's Mix for Italian Pizza is characterized by its perfect texture and distinctive homogeneous blend to ensure an exceptional tender dough, hand-stretched in the original Neapolitan way.
- Pastry Mix** Aloula's Pastry Mix makes it the secret to achieving heavenly fluffiness in all your culinary creations. From fluffy croissants to light-textured pies, your everyday specials will be transformed into baked perfection.



**20.7%**

Consumer Penetration Rate

**1.7**

Purchase Frequency

**3.7kg**

Average Quantity Purchased  
Per Visit



\* As of December 2023G

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## 3-3 Quality Assurance and Control

Quality is the cornerstone of the Company's day-to-day operations as the Company adheres to quality in designing, producing and launching its products at a high level. The Company has not only adopted the standards set by the regulatory and supervisory bodies, but rather went beyond them and set its own standards to ensure the development of products with consistent and distinguished quality. First Milling Company applies an integrated Quality Management System based on international ISO standards, which ensures that quality control measures are adhered to during all operational processes. First Milling Company has obtained (ISO 9001, ISO 14001, ISO 45001, ISO 22000) certificates for all of its four facilities. This serves as the foundation on which the Company is building to improve and reinforce its quality systems.

The Company has adopted rigorous standards to ensure food safety, namely Good Manufacturing Practices (GMP) and Hazard Analysis and Critical Control Points (HACCP). These standards help the Company to improve the adopted quality standards.

First Milling Company has a fully equipped team that ensures the quality of operational processes at all stages for all factories, equipment, products and adopted methods. The Quality and Safety Sector includes three departments, namely Quality Assurance, Research and Development (R&D), and Environmental Health and Safety.

In addition to qualified employees, the Company has the latest state-of-the-art analysis equipment and devices. This is to ensure the highest standards of compliance and quality by conducting a wide range of tests to determine protein content, moisture level, breakdown of starch and any impurities, etc. This is in addition to other tests such as sterility tests, water testing, among others.

### Key Numbers in Quality Assurance

<b>21</b>	<b>469</b>	<b>730,000</b>
No. of 2023 Training Courses in the Quality Department:	No. of Trainees:	Tests Conducted
<b>400</b>	<b>1,500</b>	<b>100</b>
Daily Physical Tests	Daily Chemical Tests	Microbiological Tests

**The Company conducts quality assurance processes and procedures at every stage of production, starting from the examination of raw materials to the testing of finished products:**

#### Quality of Raw Materials:

The Company uses high-quality raw materials which are stored in well-designed, segregated facilities at an appropriate temperature until put into use in production.

Raw materials are checked to the Company's predefined standards, using the latest tools and devices to determine their quality standards.

#### Quality of Packaging Materials:

The Company uses packaging components that are treated similar to raw materials in terms of storage and examination.

#### Finished Products Quality:

Each finished commercial batch produced undergoes checking with respect to the approved quality specification. This further ensures that the product is of right quality. These products are then stored in the Company's warehouses at an appropriate temperature, which in turn, is subject to instant monitoring prior to distribution or delivery to customers.

### Information of ISO Certifications Obtained by the Company

ISO Certificate / Number	Certificate Number
ISO 45001:2018	SA0028522
ISO 14001:2015	SA0028522
IEC/ISO 9001:2015	SA0028522
ISO 22000:2018	IND.23.0177/FM/U
ISO 22000:2018	IND.23.0174/FM/U
ISO 22000:2018	IND.23.0176/FM/U
ISO 22000:2018	IND.23.0175/FM/U

In confirmation of its commitment to provide the highest level of health and safety for its employees and ensure quality and ideal environment within all its facilities, First Milling Company has recently obtained ISO certificates in Occupational Health and Safety Management (ISO 45001), Quality Management (ISO 9001) and Environmental Management (ISO 14001). These certificates were accredited by the International Organization for Standardization (ISO), and were granted to the Company for its commitment to applying international standards and requirements necessary for its operations.





### Heat Treatment “Thermal Treatment Project”:

The Company aims to completely stop using harmful chemical pesticides through the implementation of the heat treatment project.

At First Milling Company, we affirm our constant commitment to providing high-quality flour products, aware of the challenges imposed by pests in this field. We have adopted an advanced approach to combating these pests through the heat treatment project, which allows us, with great pride, to be the pioneers in using this technology, resulting in many benefits that support our distinction in the field of flour production.

Like any flour milling facility, First Milling Company faces the constant threat of pest infestation, which can jeopardize the quality and safety of the product. Recognizing the need for a strong and environmentally friendly solution to combat them, the Company resorted to using this technology as a proactive measure to protect its processes and maintain the application of the highest standards expected by its customers.

Our adoption of thermal treatment technology as a key pest control strategy is not just a response to challenges, but a testament to our commitment to innovation and sustainability efforts. At First Milling Company, we have implemented heat treatment protocols that ensure the complete elimination of pests at all stages of their life cycle. From egg to adult, this technology leaves no room for the return of these pests, ensuring a pest-free environment at all times.

We are also proud of our environmentally friendly practices. By choosing heat treatment technology over traditional chemical pesticides, we reduce environmental damage, in line with the global demand for sustainable and responsible business operations.

This technology has also contributed to reducing the number of total downtime days of the factories during the cleaning and sterilization period, from an average of 10 to 12 days per year in the past to only 3 to 5 days per year currently. This has a positive impact on the Company's production and profitability.

Our heat treatment methods are carefully designed to target specific areas within our facilities, preventing any compromise in the quality or nutritional value of our products.

Our journey towards excellence involves the seamless integration of heat treatment methods specifically designed to sterilize our facilities, equipment, and the specific pests we face. This is achieved through ensuring regular monitoring, prompt preventive treatment, and a clear and scheduled pest control plan. This supports our proactive approach to protect our products and ensure customer satisfaction.

As pioneers of this innovative approach, we remain steadfast in our commitment to providing high-quality flour products while supporting sustainability and environmental responsibility. At First Milling Company, we do not just mill flour, we elevate it to an art form. We ensure that every product that bears our name is a testament to our dedication to quality, excellence, and innovation.

### Health, Safety and Environment “HSE”:

One of the Company's core values is safety. As such, First Milling Company is committed to excellence in environment, health and safety by instilling a “Safety First” culture in all its operations. Thus, it is operating in a way that ensures people's safety and protects the environment and making it integral to its business processes, planning, and decision making. Therefore, the Company, in all its activities, has adopted comprehensive systems and procedures for responsible and ethical management in all matters related to environment, health and safety. This is to ensure safe working conditions for employees, visitors and other entities with which the Company deals.

This is done by conducting daily, weekly, monthly, annual checks and in all Company's different locations. The Company has obtained a number of certificates from the International Standards Organization (ISO). This indicates that the Company's environmental, health and safety management system complies with the best international standards.

### Key Numbers in Health, Safety and Environment

#### 1 Summary of Safe Working Hours and Accidents

Total Safe Operating Hours Per Year

**1,440,000**

(100% Achieved in 2023G)

#### 2 Summary of Health, Safety and Environment Training

**11**

Number of Training Courses

**1,881**

Number of Trainees

**2.5** Hours

(Average Number of Training Hours per Training Session)

#### 3 A list of the Number of Trainees for Health, Safety and Environment Training Courses at the Company's Factories

Training Location	Jeddah Facility	Al-Qassim Facility	Tabuk Facility	Al-Ahsa Facility
HSE Training Courses in 2023	<b>623</b>	<b>516</b>	<b>408</b>	<b>334</b>

**The Company adopts a proactive** approach based on identifying potential risks in order to avoid any injuries or illnesses or environmental damage to any of its employees, visitors or others. The Environment, Health, and Safety Department is also responsible for overseeing the Company's compliance with procedures and standards related to environmental protection.

## 3-4 Company's Infrastructure

First Milling Company is keen to focus mainly on building a strong and advanced infrastructure that helps improve production quality, reduce costs and increase productivity. This is achievable by providing the Company with the state-of-the-art technologies, machinery and equipment to achieve these goals on the one hand, and increasing its competitiveness in the market on the other.

The Company relies on its infrastructure to reach a large segment of consumers in different regions all over the Kingdom. Therefore, First Milling Company is working to increase investment in infrastructure, capital and operating expenses in key regions, and improve the efficiency of factories in all locations. This is in parallel with the continuous expansion to cover new outlets and services, thereby achieving the required growth and increasing the Company's market share.

The Company has a strong infrastructure consisting of lands, buildings, four factories including modern and sophisticated machines, equipment and mills

that adopt the best technologies and are among the latest in the Kingdom. This is in addition to the huge storage silos designed as per international standards and specifications. The Company also has a good fleet of transport vehicles used for loading and distribution. All of this is preceded by an expert team working in harmony to achieve the Company's strategic goals.

Various departments within First Milling Company strive to strengthen this infrastructure, and its related activities. These activities start from planning and supervising the execution of projects, providing support services in various activity fields, and ending with the project's completion in the best way with the highest specifications, in order to achieve the desired goals targeted by the organization as a whole.



## 3-5 Marketing and Corporate Communication

Through its marketing activities, the Company focuses on promoting its brand equity in a way that is consistent with permanent and ongoing innovation by exploring new horizons to satisfy customers and consumers.

The Company implements an integrated and comprehensive model applied in communication to engage with multiple marketing channels and touchpoints. These channels and touchpoints include digital media (i.e. social media and websites), billboards, prominent public advertisements, in-store displays; and events such as live cooking shows in a variety of shopping malls across the Kingdom.

The cornerstone for the successful implementation of its marketing strategy is the focus on digital marketing, by regular promotional posts on social media every month. In addition to interacting with various influencers to expand the Company's consumer base and attract further shoppers.

### Launching of the Updated Company Page & Website

The successful launch of our Company's website, application, and e-commerce platform demonstrates our commitment to adopting digital innovation, enhancing customer and investor experiences, and expanding our business horizons. These applications demonstrate our dedication to providing easy-to-access and seamless solutions for our stakeholders, while establishing our position as a forward-thinking and customer-centric organization in a rapidly evolving landscape.

The update of First Milling Company's website is a focal point and part of our overall development journey, as it provides a digital hub for our business operations. The website serves as a comprehensive platform where customers, investors, the public, and other stakeholders can access information about the Company, including information about its products, factories, and financial figures. In addition to the social responsibility initiatives that the Company undertakes in accordance with its values. It provides an easy-to-use interface with smooth navigation, ensuring a comfortable browsing experience for visitors. Through the website, we aim to create a strong online presence, enhance brand visibility, and enable continuous interaction with our audience and customers. The website offers pages specifically designed to meet the many specific needs of consumers and users. For example, Aloula products page (Consumers) has a completely different look and feel than Aloula products page (Business), and the same goes for other product pages.

### Launch of Company Application

Our Company's application represents a step forward in our efforts to meet the needs of both investors and clients and provide them with ease of communication. The easy-to-use mobile application allows users to stay up-to-date with all financial and other information about the Company, and access various documents, directly on their mobile phones. For customers, the application serves as a proper tool for exploring our product offerings, as well as placing and tracking orders. By launching the First Milling Company application, we aim to provide a seamless and personalized experience for our valued investors and customers, which enhances their overall satisfaction and engagement with our Company.

#### Application Link:



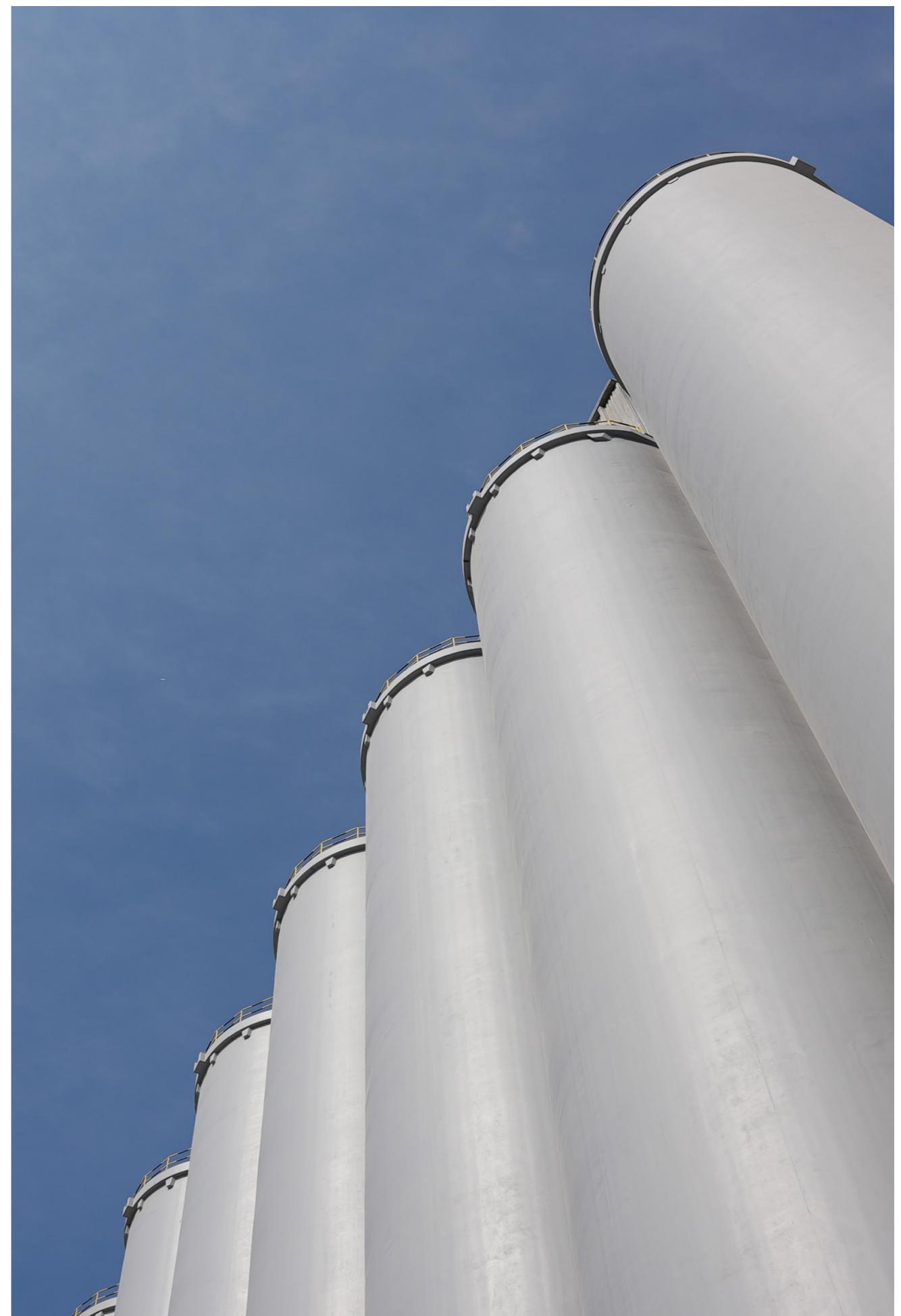
IOS: <https://bit.ly/3RZH3xj>

Android: <https://bit.ly/3RZH4kR>

The Company Accounts on Social Networking  
Sites and Applications



Launching First Milling Company  
Documentary Video:



## Participation in Forums and Conferences

### Regional and International Presence

Our presence at local international exhibitions allowed us to build valuable relationships with industry leaders, potential customers, and consumers while providing a platform to demonstrate our commitment to innovation.



Participation in the 33rd Annual International Conference of the International Association of Operative Millers (IAOM) in Cairo (Gold Sponsorship).



Participation in the Foodex Saudi 2023G in Riyadh.



-Participation in the Annual National and Consumer Industrial Exhibition 2023G in Jeddah.



-Hosting the Regional Forum of the International Association of Operative Millers (IAOM) for the first time in the Kingdom.



Participation in the 40th Edition of the Saudi Agriculture in Riyadh (Platinum Sponsorship).



-Participation in the 14th Kleja Festival for the sixth consecutive year in Al-Qassim (Strategic Partner).



-Participation in the Saudi Food Show 2023G in Riyadh.



Participation in Saudi Made Exhibition, by the Saudi Export Development Authority in its second edition in Riyadh (Event Partner).



## 3 -6 Corporate Social Responsibility

### Overview of Social Responsibility Activities

- Cooperation with «Kiswat Alsayyida Aisha» endowment to prepare and distribute 1000 food baskets for needy families before the holy month of Ramadan with the participation of the Company's employees.

- Cooperation with Charity Orphans Care Foundation (Ekhaa) in organizing a fun day for orphans with the participation of the Company's employees.

### Saudi Bakery Initiative

First Milling Company takes pride in its commitment to social responsibility through the «Saudi Bakery» initiative. The initiative aims to train and graduate qualified and capable national cadres to set up and manage pioneering projects in the field of baked goods. This initiative is in cooperation with the National Center for Social Responsibility, the Culinary Arts Commission and the Small and Medium Enterprises General Authority (Monsha'at).

**Signing a strategic partnership with the National Center for Social Responsibility to train and empower local talents and entrepreneurs in the field of baked goods.**

#### Saudi Bakery

Each story of passion told in Saudi Bakery is part of our success stories

Training Batches	Trainees	Feasibility Studies	Training Days
14	400	145	140
Trainers and Consultants	Approved Training Hours	Graduates	Saudi Bakery
41	430	374	

### Occasions and Events

Participation in social events and occasions is one of the important things that contribute to strengthening relations between employees. In addition, social events play an important role in spreading the Company corporate culture among employees, as they help to strengthen team spirit and sense of belonging to the Company, strengthen social relationships between employees and the Company's management.

During 2023G, First Milling Company celebrated and participated in several occasions, including Founding Day, Saudi National Day, Head Office Relocation ceremony. In addition to events such as World Health Day, Medical Day, seasonal flu vaccination campaigns, and group iftar during Ramadan and Eid al-Fitr at the head office and at the Company's factories.



## 3-7 Human Capital and Employees

First Milling Company's strategy, related to developing human resources capabilities, supporting and empowering local talents and developing them, and in everything it provides to its employees, aligns with the Kingdom's Vision 2030 and the enforcement of Saudization decisions issued by the Ministry of Human Resources and Social Development (HRSD). The Company aims to ensure the empowerment and provision of Saudi citizens with the capabilities, skills and competencies required to enhance the current and future competitiveness of the Kingdom and its business organizations globally.

The main responsibilities of the Company's Human Capital Department include developing and implementing strategies that focus on talent acquisition, providing full orientation programs and support, performance management, training and development.

At First Milling Company, and during the following years, the Human Resources strategy revolves around how to enable the organization to achieve its goals through its employees and the continuous development of their capabilities. This will be done by linking the relationship between the organizational goals of their sectors and the goals of the Company. The Human Resources Department cultivates and instills a culture that motivates and rewards the individual achievements and believes in the development of the individual. This contributes to achieving the Company's goals and ensure the development of competencies in the appropriate positions, with appropriate recognition for all employees.

In 2023G, First Milling Company has developed many policies and procedures to the Human Capital Department. These policies cover the Company's organizational structure, HR policies and procedures, employee's compensation and benefits policy, employee handbook, job descriptions, code of conduct document, code of ethics document, gift acceptance policy, whistleblowing policy, conflict of interest policy, and disclosure form. These procedures and policies have been implemented and applied by First Milling Company, and their understanding and application have been approved by the Company's employees.



### Number of employees in the company

Department	2022G			2023G		
	Saudi Employees	Non-Saudi Employees	Total	Saudi Employees	Non-Saudi Employees	Total
<b>Executive Management</b>	4	3	7	4	3	7
<b>CEO Office</b>	6	1	7	6	0	6
<b>Finance</b>	8	10	18	12	10	22
<b>Quality and Safety</b>	1	2	3	1	3	4
<b>Human Capital</b>	10	2	12	10	3	13
<b>Strategy and Corporate Planning</b>	1	1	2	1	0	1
<b>Commercial</b>	9	2	11	11	4	15
<b>Operations</b>	3	1	4	4	2	6
<b>Governance, Risk and Compliance</b>	0	0	0	1	0	1
<b>Total in the Company's Head Office</b>	<b>42</b>	<b>22</b>	<b>64</b>	<b>50</b>	<b>25</b>	<b>75</b>
<b>Jeddah Facility</b>	56	213	269	61	208	269
<b>Al-Qassim Facility</b>	53	105	158	46	101	147
<b>Tabuk Facility</b>	27	84	111	30	82	112
<b>Al-Ahsa Facility</b>	37	84	121	35	78	113
<b>Total in the Company's Facilities</b>	<b>173</b>	<b>486</b>	<b>659</b>	<b>172</b>	<b>469</b>	<b>641</b>
<b>Overall Total</b>	<b>215</b>	<b>508</b>	<b>723</b>	<b>222</b>	<b>494</b>	<b>716</b>

## Saudization

The number of Saudi employees in the Company has reached 222, with an average Saudization rate of 39.3% on both the Company's head office & factories as of December 31, 2023G. By virtue of its position as a leading Saudi Company, First Milling Company plays a major role in supporting and empowering national cadres by developing a Saudization strategy based on supporting and empowering Saudi talents in the food and feed sectors. To achieve this strategy, the Company has developed numerous initiatives in order to meet and exceed the required Saudization rates.

The aim of national talent acquisition is to attract the elite of national cadres from various regions across the Kingdom in all professions and career levels. The Company also strives to meet and exceed the Saudization rates issued by HRSD related to manufacturing, engineering, accounting and other professions.

Additionally, the Company has set internal objectives for the Saudization of certain administrative positions to achieve a balance in the Saudization of different job levels. In order to achieve such initiatives, the Company has targeted many universities and technical colleges in the Kingdom's regions with which the Company aims to build strategic relationships and attract qualified graduates and technicians from local universities and technical colleges through various activities. Such activities include participation in job fairs and career days as well as providing training opportunities for students in the Company's departments and sectors in accordance with the agreements concluded with the several technical colleges across the Kingdom in order to foster their knowledge, skills and abilities and help them embark on their career journey.

**The below table sets out the Saudization rate and the Company's Nitaqat category within HRSD, as of 31 December 2023G, and the target percentages in the coming period:**

Location / Classification	Current		Target	
	Scope	percentage	Scope	percentage
Company Head Office	Platinum	44%	Platinum	45%
Company's Facilities	Low Green	35%	High Green	37%
Average Saudization Percentage in the Company	High Green	39%	Platinum	44%

The Company also emphasizes on employing, empowering and providing a suitable and safe work environment for female nationals in all its sectors. The female hiring rate increased from 3% of total hiring in 2021G to 10.5% of total hiring as end of 2023G.

### Percentage of Male and Female Employees from Total Employees of the Company in the Last 4 Years

Year	Male Ratio	Female Ratio
2020G	100%	0%
2021G	99%	1%
2022G	98%	2%
2023G	97%	3%

## Successes and Opportunities

During 2023G, the Company succeeded in attracting highly-qualified talents from the labor market as per the Company's needs. This is done in line with improving the work environment at the head office and the Company's factories, activating the Performance Management System (SAP Success Factories). In addition to activating programs to raise loyalty and belonging rates within the Company, and maintaining the voluntary turnover rate to be less than 3% during the year.

**The Company's Human Resources Department has distinct opportunities and programs to work on in cooperation with HRSD in the Kingdom, namely:**

Program Name	Description	Cooperation Result
Nationalization & Saudization Program	<p>It is one of HRSD programs dedicated to employing job seekers who have never entered the labor market or have been laid off from the private sector. The Program aims to support private sector institutions by providing them with qualified national cadres. It also provides incentives for institutions and workers, and enables national cadres to enter the labor market, gain experience, career growth and develop necessary skills through training. The Program supports job stability and sustainability to achieve the goals of institutions and workers, according to the requirements, terms and policies of the Program. These requirements and policies can be updated based on changes in the labor market and HRSD's Saudization plans.</p>	<p>The Company received financial support from the Human Resources Development Fund in exchange for nationalization of the targeted jobs in the Company. This support will continue in 2024G to contribute to the employment of citizens within the targeted sectors in the private sector</p>
Tamheer Program	<p>The company presents its job and training needs through the Human Resources Development Fund platform and HRSD nominates trainees for the Company for 6 months, where the Ministry grants a subsidy in order to support the payment of their salaries and any financial obligations towards them. The trainees work full-time with the Company, and after the end of the training period, the Company has the option to tenure them or redirect them to the Ministry</p>	<p>It is the Company's internal Program for external scholarships. This Program enables the Company to refine the skills of its employees with the latest developments in various areas. This includes both administrative and financial skills, as well as skills related to modern technology and its applications in specific fields like milling, maintenance, and quality control. The goal of this Program is to develop highly experienced and skilled millers and technicians by providing them with the latest knowledge and practical experience.</p>
External Development & Training program	<p>Registration has been completed and the program will be activated during the second quarter of 2024G as planned.</p>	<p>Scholarships granted to 30 employees.</p>

## Rewards and Incentives

The Company is committed to retaining and celebrating its outstanding national talents. This is achieved through setting out tangible and intangible incentive programs and benefits, including total rewards.

In addition, First Milling Company adopts other reward and incentive programs for employees in the Company, which link financial rewards to individual/collective performance. The Human Capital Department has obtained the approval of the Company's Nomination and Remuneration Committee (NRC) for the proposal to provide (monthly/ quarterly and annual distinguished awards for employees) as a form of appreciation and recognition for distinguished employees. It will be applied during 2024G for the first time, and it is as follows:

<b>Yearly Ceremony</b>	<b>Excellence Award (Employees of the Year)</b>	<b>Innovation Award</b>
1-Arrange yearly ceremony for the recognition in all the plants lead by the CEO and all Chiefs which includes various prizes to the targeted audience.  2- Preparing an activity program (Team Building) in the HQ and the company's plants with prizes for the participants.	It is given to employees who excel in their field and whose work is related to quantity or bearing pressures at work, whether (administrative - financial - technical - technical) or to employees whose services require mastery of the work they do, such as production maintenance/ quality/supply chains.	Given to an individual or members of a team with the most important three initiatives that has been conducted with direct profits.
<b>Pioneer Award</b>	<b>Mastery Award</b>	<b>Quick Added Value to the Company Initiative</b>
Employees in the four plants who are characterized by unlimited loyalty to the company and have spent long periods in the company.	Given to the team for the three most important initiatives undertaken that achieved cost savings.	A financial incentive is given to a member or team members that have accomplished a quick added value to the company through cost savings or direct profits to the company.

## Training and Development

First Milling Company is working on implementing a strategy for development and training programs that includes career succession plans, as the number of participants in training courses increased by about 335% to 1,053 male and female employees in 2023G.

The Company is committed to qualifying the current leadership team through cooperation with the best training institutions and specialized international institutes. So, part of these programs is organized and held inside the Kingdom, and another part is held abroad in classrooms customized for specialized training.

The Company's employees receive many types of training programs such as technical and vocational training, team leadership training, soft skills training, and on-the-job training. Training is carried out on-site or training centers or online. Trainees receive professional certificates in various fields.

In 2024G, First Milling Company aims to activate the "Waed" Program and "Maharat" Program for training and developing new employees, supported by HRSD. By activating these programs, the Company aims at reducing the costs of the training budget and making the most of the available programs supported by HRSD for the private sector.

## Number of Participants in Training Courses

<b>Employees</b>	<b>2022G</b>	<b>2023G</b>
Males	233	993
Females	9	60
Total	242	1,053

## List of Courses

<b>Course Name</b>	<b>Provider</b>	<b>Number of Employees</b>
FMC Project Management	First Milling Company	16
Finance for Non-Finance Professionals	First Milling Company	13
Dust Explosion	First Milling Company	181
Public Safety Awareness	First Milling Company	160
Personal Hygiene	First Milling Company	87
Personal Protective Equipment (PPE)	First Milling Company	157
Mentorship Skills	American Authority for Improving Training Quality (AAITQ)	13
Professional Coaching	American Authority for Improving Training Quality (AAITQ)	13
Financial Statements and Market Value	Expertise Forum for Training and Consulting	52
Legal Aspects of Human Resources	Expertise Forum for Training and Consulting	16
Effective Communication	HNI	32
Sales Academy Program	HNI	26
On-Site Maintenance Automation Training	Buhler	15
Governance, Risk and Compliance (GRC)	Financial Training Center	1
Reward and Benefits	CIPD	2
Organizational Development	CIPD	1
Data Analysis Skills (Excel)	Money Experts	45
Omni-Channel Category Management	Nielsen NIQ	3
Good Manufacturing Practices	OPI	45
Psychometric Course	The Arts of Success	8
First Milling Company' Competencies and Values workshop	The Arts of Success	12
(IMS) Integrated Management System Awareness Training	TUV Nord	45
ISO 22000 (Food Safety) Awareness Training	TUV Nord	43
ISO 22000 Internal Audit Training	TUV Nord	27
ISO-IMS Integrated Management System	TUV Nord	25
Certified KPI Professional	The KPI Institute	3
Wheat Milling for Head Millers	Buhler	6
Wheat Milling for Operators	Buhler	6

## 3-8 2023 Highlights of the Year

2023G was a strategic year full of challenges and significant opportunities for the Company. First Milling Company had multiple goals, on top of which was to achieve sustainable growth in sales and raise the level of performance in the business sector. Then, enhancing the Company's competitiveness through improving processes and developing innovation in the field of flour, feed, bran, semolina and premix industries.



Since the beginning of the year, new targets have been taking a place as the Company seeks to be listed in the main Saudi Stock Exchange, after completing all listing requirements and conditions, and obtaining approval for the listing request from the Capital Market Authority (CMA) and "Tadawul". Thus, First Milling Company has become the first Saudi national milling company to be listed in the Saudi capital market after the privatization of the industry.

The listing was not the only target of the Company, as it strongly sought to strengthen its share in the local market. In addition to expanding investment in modern technology, research and development, and improving infrastructure in order to increase productivity and deliver high-quality products to the Company's customers.

2023G was also marked by First Milling Company's adoption of sustainability principles in all aspects of its business, due to the importance of environmental, social, governance and compliance sustainability. The Company implemented innovative sustainability practices, through which it worked to raise awareness among employees, customers and investors about the environmental and social importance in its business chain.

Overall, 2023G is the conclusion of the Company's successes in achieving development and growth, and continuing to strengthen its position in the Saudi market. First Milling Company is looking forward to continuous improvement in performance and achieving future goals through a commitment to innovation in production methods and adhering to quality and sustainability standards.

## Key Highlights of the Year 2023

### Q1

**The Capital Market Authority (CMA)** approves the Company's request to register its shares and offer 16.65 million shares for public subscription, representing 30% of the Company's total shares.

### Q2

**The Institutional IPO covered** 68.9 times of the total offered shares.

**First Milling Company subscription** was covered by 996.90%, and 4 shares were allocated to each individual subscriber as a minimum.

**The listing and trading of First Milling Company** shares on the main market started as of June 22.

**The Company's market** share is 30% in the flour products market and 16% in the compound animal feed market.

### Q3

**Signing a contract to purchase two** new flour mills to upgrade the Mill-A and Mill-B units in the Company's largest factory located in Jeddah at an approximate cost of SAR 98 million. Mill-A unit will be upgraded with a new one, with a capacity of 550 tons/day, with an increase of 83%, while Mill-B unit will be upgraded with a new one, with a capacity of 550 tons/day, with an increase of 22.2%.

### Q4

**The recommendation of Board of Directors** to purchase of a number of the Company's shares, up to 300,000 shares maximum, for holding them as treasury shares, and allocating them to the long-term employee incentive program.

**FTSE Russell announces its quarterly** index review adding "First Milling Company" to the Micro Cap and All Cap indices.

**MSCI announces the periodic review** of its indices, adding "First Milling Company" to Micro Cap companies.

### 3- 9 Stakeholders Engagement

In this year, First Milling Company has set out towards new horizons of growth at an accelerated pace. The Company continued its efforts to organize and strengthen its relations with all stakeholders and relevant authorities in a way that creates sustainable value, and ensures continued effective communication to enhance trust and transparency.

#### Stakeholders

Shareholders and Investors	Customers and Suppliers	Government and Regulatory Authorities	Employees
<p><b>Shareholders and Investors</b></p> <ul style="list-style-type: none"> <li>The Company held an Ordinary General Assembly meeting with shareholders as part of its commitment to transparency and governance rules.</li> <li>The Board of Directors approved the distribution of cash dividends by 70% of the net profit for the year of 2023G.</li> <li>The Company has maintained an active relationship with the Capital Market Authority (CMA) and "Tadawul", which contributed to the success of the Company's IPO and listing in the main market.</li> <li>The Company organized a number of conference calls with financial analysts and investors to discuss its business results during the periods of 2023G.</li> <li>Working to strengthen the relationship between the Board of Directors and shareholders; to keep abreast of any developments or changes that may affect the shareholders' orientations.</li> <li>Activating the role of investor relations in the Company to enhance continuous communication with shareholders, investors and regulatory bodies through various communication channels.</li> </ul>	<p><b>Customers and Suppliers</b></p> <ul style="list-style-type: none"> <li>The Company acquires a share exceeding 30% of the local market, and aims to gradually increase it in the coming years.</li> <li>The Company targets different regions in the Kingdom, and seeks to reach a large segment of customers from various categories.</li> <li>The Company establishes strategic partnerships with its key customers in each of the sales channels.</li> <li>The Company is keen to establish strong relationships and partnerships with suppliers and vendors in order to become their preferred partner.</li> <li>The Company adheres to the systems and contractual relations with all parties without prejudice to its legal rights.</li> <li>Launching the updated version of the Company's website and mobile application, which will positively contribute to developing and improving the customer experience in obtaining information, submitting purchase orders, and following up on their implementation.</li> </ul>	<p><b>Government and Regulatory Authorities</b></p> <ul style="list-style-type: none"> <li>First Milling Company is a reliable partner for the government and regulatory bodies, including GFSA and SFDA.</li> <li>The Company adheres to the rules of fair competition, and fully complies with all relevant laws and regulations issued by the General Authority for Competition in the Kingdom.</li> <li>The Company is always keen to comply with all applicable government regulations, and submit detailed reports to the competent authorities in accordance with the requirements of these authorities.</li> <li>The Company has settled all lawsuits and fines prior to the privatization period, which were previously disclosed in offering prospectus.</li> <li>The Company's commitment to applying necessary systems to implement the electronic billing system in cooperation with the Zakat, Tax and Customs Authority (ZATCA).</li> <li>Continuous cooperation with HRSD through various programs to support the achievement of the Company's goals.</li> <li>Participation in many events and conferences in cooperation with many local and international entities.</li> <li>Cooperation with both the Culinary Arts Commission, Monsha'at and the National Center for Social Responsibility within the Saudi bakery program.</li> </ul>	<p><b>Employees</b></p> <ul style="list-style-type: none"> <li>First Milling Company attracts graduates, qualified technicians and skilled workers with competence and provides them with 7,474 hours of training.</li> <li>The Company provides an attractive and professional work environment for all employees by preventing discrimination, harassment, and violence. This was reflected in high results scored in employee satisfaction surveys, making it one of the highest according to Glint's classification at 87%, compared to the sector's average of 75%. The participation rate in the survey also reached 93%, which was provided in four different languages.</li> <li>The training of all the Company's employees on the Code of Conduct policies applied in First Milling Company, with an average of 13.5 training hours per employee.</li> <li>Hiring female cadres in various fields in parallel with the Company's transition from the public to the private sector.</li> <li>Achieving 100% of the annual employment plan, in order to provide the appropriate human cadres to achieve the Company's goals for 2023G.</li> <li>Providing an employee support program that includes psychological, family and educational counseling.</li> <li>Periodic medical examination in the workplace in cooperation with accredited health authorities.</li> <li>Working on renovating and developing workers' housing in all of the Company's facilities.</li> </ul>
<p><b>Community</b></p> <ul style="list-style-type: none"> <li>The Company is committed to implementing social responsibility programs with the aim of creating a sustainable society.</li> <li>The Company's aspirations on climate change, energy rationalization, water consumption, heat treatment and reducing the environmental impact of the business to support its sustainability efforts.</li> <li>The Company is keen to invest in community and increase its contribution to the growth of the national economy.</li> <li>Maintaining ethical practices in the supply of materials, and responsible marketing of products.</li> </ul>			



# 4

## Corporate Governance

«Efficient and Effective Organization

Led by Expert Management and  
Specialized Committees»

- 4-1 Introduction
- 4-2 Board Members, Committee Members and Senior Management
- 4-3 Current and Previous Positions of Board Members in Companies, Inside or Outside the Kingdom
- 4-4 Board Meetings and Attendance Record
- 4-5 Summary of Board Committees Competencies, Duties and Annual Meetings
- 4-6 General Assemblies of Shareholders and Board Members Attendance Record
- 4-7 Ownership Structure
- 4-8 Remuneration of Board Members, Committee Members and Senior Executives
- 4-9 Board Performance Assessment
- 4-10 Company's Bylaws
- 4-11 Provisions and Compliance
- 4-12 Penalties, Sanctions, and Cases
- 4-13 Transactions with Related Parties
- 4-14 Statutory Payments
- 4-15 Treasury Shares
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- 4-17 Shareholders Information
- 4-18 Social Responsibility and Sustainability
- 4-19 Results of the Annual Review of the Company's Internal Control Procedures
- 4-20 Board Declarations



The Board of Directors of First Milling Company is keen to establish an effective governance framework that administratively and financially regulates the Company's business. The Company's annual report is one of the important tools for communicating with shareholders and other stakeholders. Therefore, the Company's commitment to apply the highest standards of governance enhances its values towards credibility and transparency in its disclosures. It also reflects the Company's commitment to the statutory regulations approved by the Capital Market Authority (CMA) to provide a clear and fair image of the Company's financial position and results of its operations, which is an important factor in its continued success.

## 4 - 1 Introduction

- First Milling Company has worked on developing its own governance regulations in line with the Corporate Governance Provisions issued by CMA.

- The organizational structure of First Milling Company consists of the Board of Directors «the Board» and four Board Committees. In addition to a team of Company executives «the Executive Management».

- The Company's Board of Directors has the overall responsibility for developing, supervising and reviewing the principles and policies of governance to ensure full compliance with relevant regulations, which enhances the Company's growth and sustainability.

- The Board of Directors has formed four committees to enhance its functions, namely (Audit Committee, Remuneration and Nomination Committee, Executive Management Committee and Optimization Committee). The performance of these committees is subject to periodic review by the Board of Directors, in accordance

with the regulatory requirements and according to the Board's need for the recommendations issued by these committees.

- The Company's governance framework is based on continuous communication with the Company's shareholders, where the Board organizes an effective communication session for the shareholders to listen to their suggestions and recommendations about the Company and its performance. The Company has also established the Investor Relations Department, in order to strengthen its relationship with the investors and answer their inquiries as quickly as possible (for more information about the Investor Relations Department, please refer to page No. 156).

## 4 - 2 Board Members, Committee Members and Senior Management

### Company Organizational Structure:

The organizational structure of First Milling Company includes a statement of the Board Members, Committees Members and Executive Management, their positions, qualifications and experiences.

### Board Members Biographies

Article (18) of First Milling Company's Bylaws stipulates that the Company shall be managed by a Board of Directors consisting of seven (7) members elected by the Ordinary General Assembly of Shareholders for a period not exceeding three years. The membership of the Board shall expire upon the expiry of the Board tenure or upon the expiry of the member's term in office, in accordance with any law or instructions in force in the Kingdom.

The Board of Directors of First Milling Company shall assume the responsibility of supervising the management of the Company. It shall bear the primary responsibility towards the shareholders and act in their best interests by directing and monitoring the Company's business and affairs. The Board of Directors shall also be responsible for the overall strategic direction and the general policy framework of the Company.

## Biographies of the Members of the Board of Directors

### Tariq Mutlaq Abdullah AlMutlaq



**Position:** Chairman of the Board of Directors

**Nationality:** Saudi

**Appointment Date:**  
31/12/2020G

**Academic Qualification:**

Bachelor's Degree, Commerce, the American University, Washington, 1986G.

**Type of Membership:** Non-executive

### Current Positions:

- Since 2007G: Chairman, AlMutlaq Real Estate Investment Co., a limited liability company, operating in construction and real estate sector as an investor and real estate developer.
- Since 2014G: Chairman, Daikin KSA, a limited liability company, operating in industry sector.
- Since 2017G: Board Member, Galaxy Company, a limited liability company, operating in plastic pallets industry sector.
- Since 2016G: Board Member, Iplast Company, a limited liability company, operating in the manufacturing of metallic containers used for transporting and packaging commodities.
- Since 2015G: Vice Chairman, and Managing Director, AlMutlaq Group, a closed joint stock company, operating in industrial and commercial investment sector.
- 2016G-2020G: Chairman, Ajyad Knowledge Company, a limited liability company, operating in education and training sector.
- 2007G-2020: Board Member, Acwa Power Company, a listed joint stock company, operating in general utilities sector.
- 2007G-2014G: Board Member, Sahara Petrochemicals Company, a listed joint stock company, operating in Chemical Manufacturing.
- 2018G-2020G: Board Member, Gas Industry Company for Industrial Services, a limited liability company, operating in the gas conversion industry.
- 2019G-2020G: Vice-Chairman, Arabian Qudra Company, a limited liability company, operating in energy and gas conversion industry.
- 2015G-2020G: Chairman, Gas Integrated Company Ltd, a limited liability company, O&M service provider in gas sector.
- 2016G-2020G: Board Member, Jazan Integrated Gasification and Power Company, a limited liability company, operating in energy and gas conversion.

### Previous Positions:

- 2009G-2012G: Chairman, AlWaha Petrochemical Company, a limited liability company, established to construct, own, and operate a petrochemical complex and propylene and polypropylene production.
- 2007G-2012G: Chairman, SHUAA Capital Saudi Arabia, a closed joint stock company, operating in real estate asset management, portfolio management and investment funds sector licensed by the Capital Market Authority.
- 2014G-2019G: Chairman, United Feed Manufacturing Company, a limited liability company, operating in animal feed sector.
- 2019G-2021G: Board Member, United Feed Manufacturing Company, a limited liability company, operating in animal feed sector.
- 2006G-2012G: Vice-Chairman, Arabia Insurance Company, a listed joint stock company, operating in insurance sector.

## Abdullah Ahmed Sultan Al-Shehri



**Post:** Vice Chairman

**Type of Membership:**  
Non-executive

**Nationality:** Saudi

**Appointment Date:** 31/12/2020G

**Academic Qualification:**  
 - Master's Degree, Professional Accounting, University of Miami, USA, 1990G.  
 - Bachelor of Accounting, King Abdulaziz University, KSA, 1986G.

### Current Positions:

- Since 2020G: Chairman, Tamkeen Company, a closed joint stock company, operating in human resources sector.
- Since 2019G: Chairman, Green Environment Company, a limited liability company, operating in recycling management sector.
- Since 2019G: Board Member, IKEA Saudi Arabia, a closed joint stock company, operating in home furniture design, manufacturing, and retail sector.
- Since 2019G: Chairman, Audit Committee, IKEA Saudi Arabia, a closed joint stock company, operating in home furniture design, manufacturing, and retail sector.
- Since 2008G: Board Member, Al Mozaini Real Estate Company, a closed joint stock company, operating in real estate development sector.
- Since 2008G: Chairman, Audit Committee, Al Mozaini Real Estate Company, a closed joint stock company, operating in real estate development sector.
- Since 2018G: Member, Board of Directors, Accenture Saudi Arabia Limited Company, a limited liability company, operating in management consulting and professional services sector.
- Since 2003G: Chief Development Officer, Al Faisaliah Group, a closed joint stock company, operating in dairy products, consumer electronics, games, healthcare services, and food services sector.
- Since 2018G: Chief Officer, Development and Strategic Investments, Al Faisaliah Group, a closed joint stock company, operating in dairy products, consumer electronics, games, healthcare services, and food services sector.

### Previous Positions:

- 2014G-2020G: Member, Audit Committee, Pharma International Company, a Jordanian limited liability company, operating in pharmaceuticals.
- 2015G-2018G: Board Member, Board of Directors, Al Safi Danone Company, a limited liability company, operating in dairy products sector.

## Essa Abdulla Ahmad Al-Ghurair



**Position:** Board Member

**Type of Membership:**  
Non-executive

**Nationality:** Emirati

**Appointment Date:**  
31/12/2020G

**Academic Qualification:**

- Bachelor's Degree, Business Administration, San Diego State University, USA, 1984G.

### Current Positions:

- Since 2018G: Board Member, Binladin Contracting Group, a limited liability company, operating in contracting sector in UAE, specializing in civil engineering and infrastructure development, public and recreational buildings, airports and electromechanical projects.
- Since 2014G: Chairman, Essa Al-Ghurair Investment L.L.C., a limited liability company, operating in establishing and managing industrial, agricultural and commercial projects.
- Since 2015G: Chairman, Advisory Board, Tharawat Family Business Forum, a limited liability company, operating in organizing and managing exhibitions, conventions and seminars

- Since 2018G: Board Member, Awqaf and Minors Affairs Foundation (AMAF), a Dubai government department responsible for the legal supervision over the Awqaf (endowments), its care and investment. It manages and invests such money within the endowment terms.

### Previous Positions:

- 2015G-2021G: Board Member, Dubai Chamber of Commerce and Industry, a non-profit public organization, operating in the government sector and having a mission to represent, support and protect the interests of Dubai's business community by creating a business-driven environment.

## Yazeed Abdullah Abdulaziz AlOthman



**Position:** Board Member

**Type of Membership:**  
Independent

**Nationality:** Saudi

**Appointment Date:**  
31/12/2020G

**Academic Qualification:**

- Mechanical Engineering Technology Degree, Yanbu Industrial College, Yanbu, KSA, 2002G

### Current Positions:

- Since 2020G: Board Member, Rabi AlMarifah for Trading Co., a limited liability company, operating in travel and tourism agencies sector.
- Since 2022G: CEO, Alansoon Trading Company, a closed joint stock company, operating in providing many integrated solutions in security, safety and the solar energy sector.

- Company, a limited liability company, operating in transportation sector.
- 2022G: Advisor, Emdad Al khebrat Ltd. (assigned as a consultant to the Ministry of Environment, Water and Agriculture), a limited liability company, operating in recruitment sector to provide human cadres to its projects.

### Previous Positions:

- 2016G-2017G: Member, Poultry Producers National Committee, Riyadh Chamber of Commerce.
- 2019G-2020G: Member, National Committee for Feed Manufacturers, Federation of Saudi Chambers.
- 2020G-2022G: Board Member, AlRaha AlSafi Food Company, a limited liability company, operating in food industry.
- 2018G-2020G: Board Member, Al Khumasia for Food Industries, a limited liability company, operating in meat production sector.
- 2016G-2020G: Board Member, Agricultural Gulf Layer Breeder Company (GLBCO), a limited liability company, operating in poultry production sector.
- 2016G-2020G: Board Member, Tarhal Al Gharb Trading

## Rakan Abdullah Rashid Abunayyan



**Position:** Board Member

**Type of Membership:**  
Non-executive

**Nationality:** Saudi

**Appointment Date:**  
31/12/2020G

**Academic Qualification:**

- Master of Science, Finance, University of Illinois, Urbana, Champaign, 2005G.
- Bachelor's Degree, Accounting, King Saud University, KSA, 2001G.
- Fellowship, The American Institute of Certified Public Accountants, California Board of Accountancy, USA, 2006G.

**Current Positions:**

- Since 2022G: Chairman, Alistithmar for Financial Securities and Brokerage Company (Alistithmar Capital), a closed joint stock company, operating in investment sector.
- Since 2019G: Board Member, Unigaz Arabia Company, a limited liability company, operating in the implementation, maintenance, and operation of mechanical works and installation of central gas systems networks.
- Since 2018G: Chairman, Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (Medgulf), a listed joint stock company, operating in insurance sector.
- Since 2015G: Board Member, Venture Capital Company, a limited liability company, operating in the sector of management and leasing of owned or rented real estate (non-residential).
- Since 2015G: Board Member, Abunayyan Trading Corp., a limited liability company, operating in trading, contracting, and manufacturing.
- Since 2015G: Board Member, Abunayyan Electric Company, a limited liability company, operating in electrical works contracting sector.
- Since 2015G: Board Member, Jobar International Contracting Company, a limited liability company, operating in the implementation of contracts for construction, maintenance and operation of pumping and purification stations sector.
- Since 2012G: Board Member, Electronic & Electrical Industries Corporation (EEIC), a limited liability company, operating in manufacturing prefabricated buildings, generators and engines sector.
- Since 2012G: Board Member, Water and Environment Technologies Company, a limited liability company, operating in soap manufacturing, industrial detergents and cosmetics industry.
- Since 2011G: Board Member, Middle East Agriculture Company, a limited liability company, operating in the implementation, establishment, and maintenance of water projects, irrigation systems, and landscaping and planting of gardens and parks sector.

## Massimo Ambrosio



**Position:** Board Member

**Type of Membership:**  
Independent

**Nationality:** Italian

**Appointment Date:**  
31/03/2021G

**Academic Qualification:**

- Bachelor's Degree, Business Administration, International Finance, Georgetown University, USA, 1985G

**Current Positions:**

- Board Member, First Milling Company, he is not holding any other memberships or executive positions now.

**Previous Positions:**

- 2006G-2021G: Board Member, Italgrani Company USA, a limited liability company, operating in semolina and wheat flour sector.

## Murad Ahmed AlKatib



**Position:** Board Member

**Type of Membership:**  
Independent

**Nationality:** Canadian

**Appointment Date:**  
31/03/2021G

**Academic Qualification:**

- Bachelor's Degree, Commerce, University of Saskatchewan, Canada, 1994G.
- Master's Degree, International Management, Thunderbird School of Global Management, Arizona State University, USA, 1995G.
- Honorary Doctorate, Laws, University of Regina, Canada, 2018G.

**Current Positions:**

- Since 2004G: Board Member, Canadian Special Crops Association, an industrial association of agricultural manufacturers and processors, operating in agricultural sector.
- Since 2004G: Chairman, Canadian Special Crops Association, an industrial association of agricultural manufacturers and processors, operating in the agricultural sector.
- Since 2019G: Board Member, Protein Industries Canada, an industry association of agronomists and processors, operating in the management of innovation, research and development funds for Canadian agricultural companies and plant-based manufacturing.
- Since 2001G: President & CEO,

AGT Food and Ingredients, a closed joint stock company, operating in the milling, retail, packaged foods, value-added agricultural processing, and distribution sector.

of Canada on devising national agricultural development strategies.

- 1995G-2001G: Senior Manager, Saskatchewan Trade & Export Partnership (STEP), a government company operating in international trade sector and development of export markets.
- 2016G-2021G: Chairman, Board of Canada's Strategic National Agriculture Service, a government initiative to advise the Government of Canada on devising national agricultural development strategies.

**Previous Positions:**

- 2016G-2021G: Chairman, Board of Canada's Strategic National Agriculture Service, a government initiative to advise the Government

## Classification of Board Members

S	Name	Position	Type of Membership			
			Independent	Non-Independent	Executive	Non-Executive
1	Tariq Mutlaq Abdullah AlMutlaq	Chairman of the Board	-	✓	-	✓
2	Abdullah Ahmed Sultan Al-Shehri	Vice Chairman	-	✓	-	✓
3	Essa Abdulla Ahmad Al-Ghurair	Board Member	-	✓	-	✓
4	Yazeed Abdullah Abdulaziz AlOthman	Board Member	✓	-	-	✓
5	Rakan Abdullah Rashid Abunayyan	Board Member	-	✓	-	✓
6	Massimo Ambrosio	Board Member	✓	-	-	✓
7	Murad Ahmed AlKatib	Board Member	✓	-	-	✓

## Board Committee Members

The Board of Directors shall form committees in order to better run the Company, as the Company currently has (4) committees. Each Committee shall have its own framework that determines the Committee's roles, responsibilities, and powers. The Committees shall periodically hold meetings for the purpose of carrying out the tasks entrusted thereto.

### Board Committees and Committee Members

#### 2 Audit Committee

S	Name	Position	Qualification
1	Abdulrahman Sulaiman Hammoud Al-Tariqi	Committee Chairman	<ul style="list-style-type: none"> <li>- Bachelor's Degree, Industrial Engineering, King Saud University, KSA, 1986G.</li> <li>- Bachelor's Degree, Industrial Management, University of Missouri, USA, 1994G.</li> <li>- Master's Degree, Industrial Systems Engineering, University of Michigan, USA, 1990G.</li> <li>- Bachelor's Degree, Industrial Management, University of Missouri, USA, 1997G.</li> </ul>
2	Bassem Muhammad Bandari Hussein	Member	<ul style="list-style-type: none"> <li>- Bachelor's Degree, Commerce, Zagazig University, Egypt, 1991G.</li> <li>- Chartered Certified Accountant, Ministry of Finance, Egypt, 1997G, and Fellow of the Egyptian Society of Accountants &amp; Auditors.</li> </ul>
3	Muhammad Abdullah Saleh Al-Wabel	Member	<ul style="list-style-type: none"> <li>- Bachelor's Degree, Accounting, King Saud University, KSA, 1988G.</li> </ul>
4	Murad Ahmed AlKatib	Member	<ul style="list-style-type: none"> <li>- Bachelor's Degree, Commerce, University of Saskatchewan, Canada, 1994G.</li> <li>- Master's Degree, International Management, Thunderbird School of Global Management, Arizona State University, USA, 1995G.</li> <li>- Honorary Doctorate, Laws, University of Regina, Canada, 2018G.</li> </ul>

#### 1 Nomination and Remuneration Committee

S	Name	Position	Qualification
1	Massimo Ambrosio	Committee Chairman	<ul style="list-style-type: none"> <li>- Bachelor's Degree, Business Administration, International Finance, Georgetown University, USA, 1985G.</li> </ul>
2	Abdullah Ahmed Sultan Al-Shehri	Member	<ul style="list-style-type: none"> <li>- Master's Degree, Professional Accounting, University of Miami, USA, 1990G.</li> <li>- Bachelor's Degree, Accounting, King Abdulaziz University, KSA, 1986G.</li> </ul>
3	Rakan Abdullah Rashid Abunayyan	Member	<ul style="list-style-type: none"> <li>- Master of Science, Finance, University of Illinois, Urbana, Champaign, 2005G.</li> <li>- Bachelor's Degree, Accounting, King Saud University, KSA, 2001G.</li> <li>- Fellowship, The American Institute of Certified Public Accountants, California Board of Accountancy, USA, 2006G.</li> </ul>
4	Ahmed Nasr Hasan Al-Homoud	Member	<ul style="list-style-type: none"> <li>- Bachelor of Sciences Degree, Mechanical Engineering, King Fahd University of Petroleum &amp; Minerals, KSA, 1990G.</li> </ul>
5	Ahmad Misfer Saleh Al Ghamdi	Member	<ul style="list-style-type: none"> <li>- MBA, Hull University, UK, 2009G.</li> <li>- Bachelor's Degree, Industrial Engineering, King Fahd University of Petroleum &amp; Minerals, KSA, 2004G.</li> </ul>

#### 3 Executive Management Committee

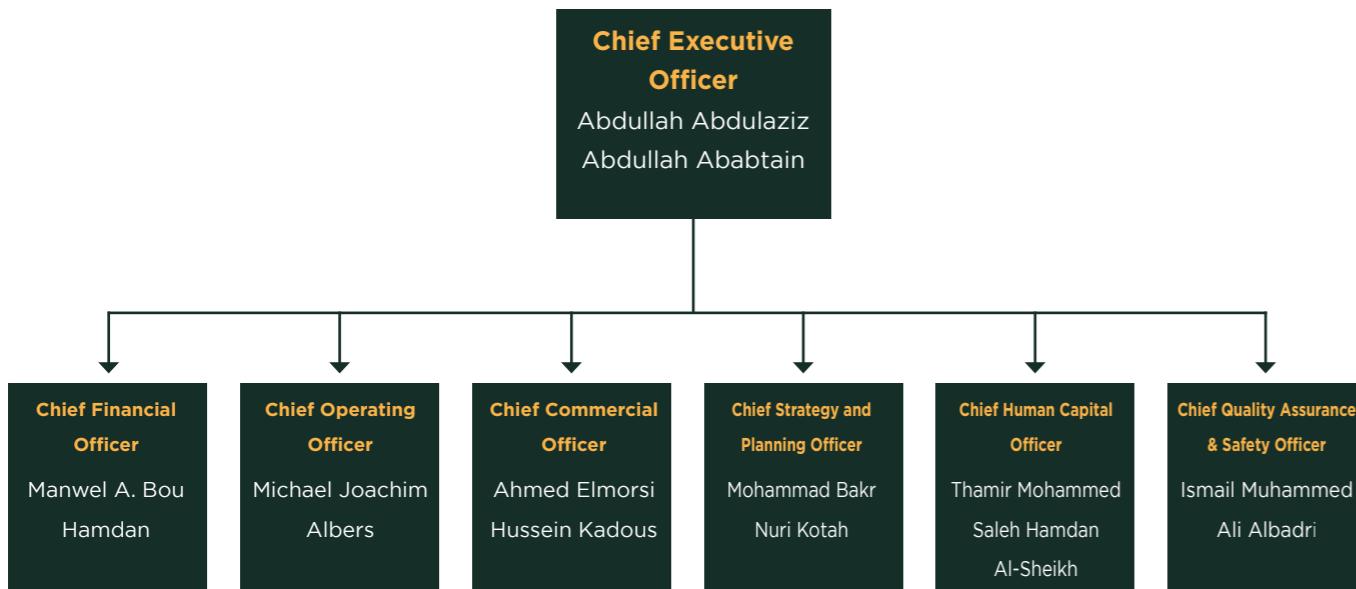
S	Name	Position	Qualification
1	Tariq Mutlaq Abdullah AlMutlaq	Committee Chairman	<ul style="list-style-type: none"> <li>- Bachelor's Degree, Commerce, the American University, Washington, 1986G.</li> </ul>
2	Abdullah Ahmed Sultan Al-Shehri	Member	<ul style="list-style-type: none"> <li>- Master's Degree, Professional Accounting, University of Miami, USA, 1990G.</li> <li>- Bachelor's Degree, Accounting, King Abdulaziz University, KSA, 1986G.</li> </ul>
3	Murad Ahmed AlKatib	Member	<ul style="list-style-type: none"> <li>- Bachelor's Degree, Commerce, University of Saskatchewan, Canada, 1994G.</li> <li>- Master's Degree, International Management, Thunderbird School of Global Management, Arizona State University, USA, 1995G.</li> <li>- Honorary Doctorate, Laws, University of Regina, Canada, 2018G.</li> </ul>

## 4 Optimization Committee

S	Name	Position	Qualification
1	Massimo Ambrosio	Committee Chairman	- Bachelor's Degree, Business Administration, International Finance, Georgetown University, USA, 1985G.
2	Rakan Abdullah Rashid Abunayyan	Member	- Master of Science, Finance, University of Illinois, Urbana, Champaign, 2005G. - Bachelor's Degree, Accounting, King Saud University, KSA, 2001G. - Fellowship, The American Institute of Certified Public Accountants, California Board of Accountancy, USA, 2006G.
3	Essa Abdulla Ahmad Al-Ghurair	Member	- Bachelor's Degree, Business Administration, San Diego State University, USA, 1984G.

## Executive Management Members

The Company's Executive Management is comprised of (7) qualified members with significant local and international expertise in the food and feed sectors. The primary responsibility of the Chief Executive Officer is to manage the Company's business and supervise its performance in line with the objectives and guidance of the Board of Directors and shareholders.



## Biography of the Executive Management Members

### Abdullah Abdulaziz Abdullah Ababtain



**Current Position:** Chief Executive Officer

**Nationality:** Saudi

**Appointment Date:** 01/01/2017G

**Academic Qualification:**

- Bachelor's Degree, Mechanical Engineering, Riyadh College of Technology, Mechanical Technology Department, Riyadh, 2012G.
- Master's Degree, Business Administration, Sulaiman Al Rajhi University, Riyadh, 2021G.
- A Certificate in Mill Technology, Operation and Maintenance, National Association of British & Irish Millers, 1997G.

**Current Positions:**

- Since 2013G: Member, Saudi Council of Engineers (SCE), a scientific professional authority, operating in the engineering sector.
- Since 2012G: Member, International Association of Operative Millers (IOAM), an international association, operating in the flour, grain and seeds sector, allied commercial representatives and their related companies.
- Since 2015G: Member, Education Committee of the International Association of Operative Millers (IOAM), an international association operating in the flour, grain and seeds sector, allied commercial representatives and their related companies.

**Previous Executive Positions:**

- 2008G-2014G: Director, Operations and Maintenance, General Food Security Authority (GFSA), a governmental authority operating in the mills and feed sector.
- 2012G-2014G: Project Implementation Manager,

General Food Security Authority (GFSA), a governmental authority operating in the mills and feed sector.

- 2015G-2016G: Deputy Governor, General Food Security Authority (GFSA), a governmental authority operating in the mills and feed sector.

**Previous Memberships:**

- 2009G-2014G: Chairman, Foreign Employees Interview Committee, General Food Security Authority (GFSA), a governmental entity operating in the mills and feed sector.
- 2000G-2007G: Member, Education Centre Committee, General Food Security Authority (GFSA), a governmental entity operating in the mills and feed sector.

Introduction

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## Manwel A. Bou Hamdan



**Current position:** Chief Financial Officer

**Nationality:** Lebanese

**Appointment Date:** 26/12/2021G

**Academic Qualification:**

- Bachelor's Degree, Accounting & Finance, Lebanese University, Lebanon, 2003G.
- Master's Degree, Business Administration (Post Graduate Diploma), University of Wales, Wales, UK, 2012G.

## Ahmed Elmorsi Hussein Kadous



**Current position:** Chief Commercial Officer

**Nationality:** Egyptian

**Appointment Date:** 01/11/2021G

**Academic Qualification:**

- Bachelor's Degree, Accounting & Business Administration, Faculty of Commerce, Tanta University, Egypt, 2004G.
- Master's Degree, Business Administration, Marketing, ESLSCA France Business School, Paris, France, 2013G.

**Previous Positions:**

- 2019G-2020G: Finance Director, FrieslandCampina, DACH region, a limited liability company, operating in dairy and cheese industry, packaging solutions, food retail and commercial activities.
- 2004G-2011G: Finance Manager, Nestle Middle East, a limited liability company, operating in the production of canned foods, infant foods, coffee derivatives and milk products.
- 2018G-2019G: Finance Director, FrieslandCampina, Middle East region, specifically the DMCC, UAE, a limited liability company, operating in dairy and cheese industry, packaging solutions, food retail and commercial activities.
- 2015G-2018G: Head of Finance/ Business Controller, FrieslandCampina, Nigeria and UAE, a limited liability company, operating in dairy and cheese industry, packaging solutions, food retail and commercial activities.
- 2011G-2015G: Reporting and Planning Manager, FrieslandCampina, UAE, a limited liability company, operating in dairy and cheese industry, packaging solutions, food retail and commercial activities.

operating in dairy and cheese industry, packaging solutions, food retail and commercial activities.

- 2004G-2011G: Finance Manager, Nestle Middle East, a limited liability company, operating in the production of canned foods, infant foods, coffee derivatives and milk products.

**Previous Memberships:**

- 2018G-2020G: Board Member, FrieslandCampina, Middle East region in DMCC, UAE, a limited liability company, operating in the dairy and cheese industry, packaging solutions, food retail and commercial activities.
- 2020G-2021G: Member, Supervisory Council, FrieslandCampina, Germany, DACH region, a limited liability company, operating in the dairy and cheese industry, packaging solutions, food retail and commercial activities.

**Previous Positions:**

- 2019G-2021G: Executive Director, Sales & Distribution, Oils, Sugar and New Products Sectors, Savola-KSA Company, a listed joint stock company, operating in Fast Moving Consumer Goods sector.
- 2017G-2018G: Commercial Director, Food Oils, Savola-KSA Company, a listed joint stock company, operating in Fast Moving Consumer Goods sector.
- 2015G-2016G: Senior Manager, Group Business Development, Savola Iran & Turkey Company, a listed joint stock company, operating in Fast Moving Consumer Goods sector.
- 2013G-2014G: National Sales Manager, Savola Egypt Company, a listed joint stock company, operating in Fast Moving Consumer Goods sector.

- 2008G-2012G: Regional Sales Manager, Savola Egypt Company, a listed joint stock company, operating in Fast Moving Consumer Goods sector.

- 2006G-2007G: Sales Supervisor, Savola Egypt Company, a listed joint stock company, operating in Fast Moving Consumer Goods sector.

- 2004G-2005G: Team Leader, Unilever-Egypt Company, a listed joint stock company, operating in Fast Moving Consumer Goods sector.

## Michael Joachim Albers



**Current position:** Chief Operating Officer

**Nationality:** German

**Appointment Date:** 02/04/2022G

**Academic Qualification:**

- Milling Technologist, Master in Milling, Deutsche Mullerschule Braunschweig, Germany, 2010G.

## Mohamed Bakr Nouri Kotah



**Current position:** Chief Strategy and Planning Officer

**Nationality:** Saudi

**Appointment Date:** 01/09/2021G

**Academic Qualification:**

- Bachelor's Degree, Manufacturing Engineering & Management, University of Nottingham, UK, 2007G.
- Master's Degree, Entrepreneurship, University of Nottingham, Business School, UK, 2008G.

**Previous Positions:**

- 2017G-2022G: Head, Training Centre, Bühler Group, a listed joint stock company, operating in manufacturing machines used in various businesses.

Company, a limited liability company, operating in management consulting sector.

- 2015G-2018G: Head, Technical Support Department, Procter & Gamble Company, a joint stock company, operating in basic consumer goods and production, manufacture and distribution of food sector.

**Previous Positions:**

- 2021G-2021G: Head, Strategic Management Office, Halwani Brothers Company, a joint stock company, operating in consumer goods and production, manufacture and distribution of food sector.
- 2018G-2021G: Senior Consulting Manager, Kafaa

## Thamir Mohammed Saleh Hamdan Al-Sheikh



**Current position:** Chief Human Capital Officer

**Nationality:** Saudi

**Appointment Date:**  
01/01/2017G

### Academic Qualification:

- Master's Degree in Business Administration from Al-Faisal University in Jeddah in 2023G.
- Bachelor's Degree, Arts and Humanities, King Abdulaziz University, KSA, 2011G.
- Intermediate University Degree (Diploma in Mechanical Technology and Production), College of Technology, Jeddah, KSA, 2001G.
- Certificate of Accreditation, Human Resources Professional (SHRM), American Human Resources Association, KSA, 2022G.

## Ismail Mohammed Ali Albadri



**Current position:** Chief Quality Assurance and Safety Officer

**Nationality:** Saudi

**Appointment Date:**  
01/01/2017G

### Academic Qualification:

- Mater's Degree in Business Administration from Al-Faisal University in Jeddah in 2023G.
- Bachelor's Degree, General Administration, Organization and Administrative Development, King Abdulaziz University, KSA 2016G.
- Bachelor's Degree, General Chemistry, American World University, USA, 2011G.
- Diploma, General Chemistry, Chemical Laboratories, King Abdulaziz University, KSA 2002G.
- Master's Degree, Small Business Administration, Canada, in cooperation with Ain Shams University, Egypt, 2017G.

### Previous Positions:

- 2018G-2020G: Director, Human Resources, Headquarters of First Milling Company, a closed joint stock company, operating in food and animal feed sectors.
- 2017G-2018G: Head, Human Resources Department, Jeddah Facility, First Milling Company, a branch of a closed joint stock company, operating in food and animal feed sectors.
- 2014G-2016G: Head, Maintenance Department, & Liaison Officer, Jeddah Facility, GFSA, a government authority, operating in mills and animal feed sectors.
- 2010G-2013G: Maintenance Supervisor, Jeddah Facility, General Food Security Authority (GFSA), a government authority, operating in mills and animal feed sectors.
- 2021G-2021G: Member, Management Team, participating in the Executive Committee for Business Development, First Milling Company, a closed joint stock company, operating in food and animal feed sectors.
- 2021G-2021G: Member, Joint Committee of Human Resources, Interview Committee of Investors, Consultants and Privatization Team, First Milling Company, a closed joint stock company, operating in food and animal feed sectors.

- 2017G-2020G: Member, Company's Representative of the Interview Committee of Investors, Consultants and Privatization Team, First Milling Company, a closed joint stock company, operating in food and animal feed sectors.
- 2018G-2020G: Member, Coordinator, Privatization Team Inquiries Respond Committee, First Milling Company, a closed joint stock company, operating in food and animal feed sectors.
- 2015G-2016G: Member, International Association of Operative Millers, Middle East and North Africa, a regional association, operating in mills and animal feed sectors.
- 2010G-2012G: Chairman, Internal and External Purchases Committee, Jeddah Facility, General Food Security Authority (GFSA), a government authority, operating in mills and animal feed sectors.
- 2009G-2013G: Member, Development and Improvement Committee, Jeddah Facility, General Food Security Authority (GFSA), a government authority, operating in mills and animal feed sectors.

### Previous Positions:

- 2017G-2020G: Head, Quality Assurance and Industrial Safety, First Milling Company, a closed joint stock company, operating in food and animal feed sectors.
- 2013G-2017G: Director, Quality Assurance Department, General Food Security Authority (GFSA), a government authority, operating in mills and animal feed sectors.
- 2009G-2013G: Head, Food Laboratories, General Food Security Authority (GFSA), a government authority, operating in Fast-Moving Consumer Goods.
- 2021G-2021G: Member, Management Team, participating in the Executive Committee for Business Development, First Milling Company, a closed joint stock company, operating in food and animal feed sectors.
- 2018G-2021G: Member, International Association of Operative Millers, Middle East and North Africa, a regional association, operating in mills and animal feed sectors.

- 2017G-2020G: Member, Company's Quality Assurance and Industrial Safety Representative of the Interview Committee of Investors, Consultants and Privatization Team, First Milling Company, a closed joint stock company, operating in food and animal feed sectors.
- 2018G-2020G: Chairman, Privatization Team Inquiries Respond Committee, First Milling Company, a closed joint stock company, operating in food and animal feed sectors.
- 2009G-2013G: Member, Development and Improvement Committee, Jeddah Facility, General Food Security Authority (GFSA), a government authority, operating in mills and animal feed sectors.





## 4 - 4 Board Meetings and Attendance Record

The Company's Board of Directors held (4) scheduled meetings during 2023G, and «First Milling Company» paid an amount of SAR 1,945,000 to the Board Members as remuneration and expenses for the year 2023G. It is worth noting that the current session of the Board of Directors began on 15/08/2023G for three years expires on 15/08/2026G. The following are the details of the meetings held by the Company's Board of Directors during the year, and the Members' attendance record:

S	Name	First Meeting 11/4/2023G	Second Meeting 27/7/2023G	Third Meeting 30/10/2023G	Fourth Meeting 27/12/2023G	Total	Attendance Rate
1	Tariq Mutlaq Abdullah AlMutlaq	✓	✓	✓	✓	4	%100
2	Abdullah Ahmed Sultan Al-Shehri	✓	✓	✓	✓	4	% 100
3	Rakan Abdullah Rashid Abunayyan	✓	✓	✓	✓	4	% 100
4	Essa Abdulla Ahmad Al-Ghurair	✓	✓	✓	✓	4	% 100
5	Yazeed Abdullah Abdulaziz AlOthman	✓	✓	✓	✓	4	% 100
6	Massimo Ambrosio	✓	✓	✓	✓	4	% 100
7	Murad Ahmed AlKatib	✓	✓	✓	✓	4	% 100

## 4 - 5 Summary of Board Committees Competencies, Duties and Annual Meetings

The Company's Board of Directors, in accordance with the Company's Bylaws and the Corporate Governance Regulations issued by the Capital Market Authority (CMA), and based on the best practices in the sector has formed four committees to assist the Board of Directors in carrying out its tasks in a complete and effective manner. These committees comprise of the Nominations and Remuneration Committee, Audit Committee, Executive Management Committee, and Optimization Committee.

**The following is a summary of the duties, responsibilities, number of meetings, meetings' schedules and the attendance record of their members:**

### 1 Nomination and Remuneration Committee

**The main function of the Nomination and Remuneration Committee is to determine policies and procedures related to the nomination of the Board Members, its Committees' Members, and the Executive Team Members, and to determine policies and procedures related to their remunerations. The Committee's scope of work includes all duties designed to enable it to fulfil its functions, including:**

- Suggest clear policies and standards for membership of the Board and its Committees.
- Set procedures to be followed if the position of a Member of the Board becomes vacant.
- Support the Board of Directors in filling vacant positions on the Company's Board of Directors or Committees including the CEO position. The Nomination and Remuneration Committee shall follow sound nomination practices to improve the quality of recruitment.
- Supervise the appointment, performance assessment and dismissal of Senior Executives.
- Ensure that an effective business model and an effective and high-level organizational structure are in place.
- Oversee the development of succession plans for the Board and Executive Management; set clear plans and study challenges and risks associated therewith. While taking into consideration the candidates' skills, knowledge, experience, independence, and background diversity. The succession planning program shall be studied at least annually, and reports thereon shall be submitted to the Board of Directors.
- Prepare a description of the qualifications required for membership of the Board positions, and determine the amount of time that the Member must allocate to the activities and functions of the Board.
- Determine the expected roles to be discharged by the Board Committees and Members.
- The Committee shall maintain a record of the skills and qualifications of each Member of the Board of Directors and Board Committees that will qualify them for such roles in order to ensure their ability to fulfil responsibilities and tasks assigned thereto.
- Review the structure and formation of the Board and the Executive Management and provide recommendations regarding changes that may be made.
- Provide an assessment tool that enables the Chairman of the Board of Directors to annually evaluate the performance of the Board Members, according to a set of skills required for such Members.

- Draw clear policies regarding the remunerations of the Board Members, Board Committees' Members and Senior Executives (CEO, Deputy CEO, Chief Financial Officer and Chief Operating Officer) and submit the same to the Board for approval and signature.
- Review the remuneration policy and comparing it with the remuneration policies adopted by other similar companies. The Committee may seek the expertise of an external consultant to ensure that appropriate remuneration plans are in place. The Committee shall also seek to attract, motivate, reward and retain Members of high integrity and superior ability, who are focused on enhancing long-term Shareholder value.
- Review and clarify the relation between remunerations being paid and the applicable remuneration policy, and highlight any material deviation from that policy. The Board approval is required for any exceptions in that regard.
- Provide recommendations to the Board in respect of the remuneration of its Members, the Committee' Members and Executive Management, among others, in accordance with the approved policy.
- Periodically review grades and salary ranges adopted by the Company to ensure that internal and external property rights are preserved at all times.
- Recommend to the Board of Directors total amounts and total annual cash rewards, the Employees' Equity Incentive Plan, and proportions of their allocation and distribution among the Company's employees and Executive Management.
- Determine a balanced and appropriate ratio between fixed, performance-related, immediate and future bonuses.

### Nomination and Remuneration Committee Members and their Attendance Record

S	Name	Member Position	Type of Membership	Meetings Attendance Record					Attendance Rate
				First Meeting	Second Meeting	Third Meeting	Fourth Meeting	Fifth Meeting	
				16/3/2023G	1/6/2023G	18/7/2023G	11/10/2023G	6/12/2023G	
1	Massimo Ambrosio	Committee Chairman	Independent	✓	✓	✓	✓	✓	% 100
2	Abdullah Ahmed Sultan Al-Shehri	Member	Non-Executive	✓	✓	✓	✓	✓	% 100
3	Rakan Abdullah Rashid Abunayyan	Member	Non-Executive	✓	✓	✓	✓	✓	% 100
4	Ahmed Nasr Hasan Al-Homoud	Member	Independent	✓	✓	✓	✓	x	% 80
5	Ahmad Misfer Saleh Al Ghamdi	Member	Independent	✓	✓	✓	✓	✓	% 100



## 2 Audit Committee

**The main function of the Audit Committee is to verify the adequacy and effective implementation of the internal control system, and to make any recommendations to the Board of Directors that would actuate and develop the system to achieve the Company's objectives. The Committee's scope of work includes all duties designed to enable it to fulfil its functions, including:**

### Financial Statements:

- Oversee the arrangements for the completion of the year-end financial statements, and compare them with the financial audit plan of the external auditor (specifically, proposed audit scope and approach) including coordination of the financial statements' audit effort with the internal auditor.
- Review the audited financial statements covering the audit approach and accounting adjustments with the external auditors, and recommend for improving the internal controls and any other significant audit findings to the Board.
- Review the external auditor's comments on the financial statements and monitor the actions taken regarding them.
- Review the interim and annual financial statements prior to presenting them to the Board of Directors. In addition, study any significant and extraordinary matter included in the financial statements.
- Review with Management and the external auditor the effect of regulatory and accounting initiatives on First Milling Company' financial statements.
- Check the accounting predictions in significant and material matters mentioned in the financial statements.
- Regularly report to the Board any issues that arise with respect to the quality or integrity of the Company's financial statements, compliance with legal or regulatory requirements, and the performance and independence of the external auditor.
- Prepare and present an annual report to Shareholders that includes the structure and responsibilities of the Committee and any other information required, including its approval of services outside the scope of reviewing the financial statements.
- Review the Company's interim and annual financial statements, including the impact of any unusual items.
- At the request of the Board of Directors, provide opinion as to whether the Board of Directors' report and financial statements are fair, balanced, and understandable and include information that allow Shareholders and Investors to evaluate the Company's financial position, performance, business model and strategy.

### Auditors

- On an annual basis, the Audit Committee shall recommend to the Board the appointment, dismissal, and remuneration of the Company's external auditors as well as report their independence and any other relevant matter.
- Review and confirm the independence of external auditors by obtaining statements from the external auditors on relationships between the external auditors and the Company, including non-audit services, and discussing the relationships with the external auditors.
- Review external auditor's reports; work with and support the external auditors where practicable and provide an alternative communication link between the external auditors and the Board as and when needed; and review the actions taken in relation to what the external auditors report included.
- Annually review and evaluate the external auditor's qualifications, performance, independence, objectivity, fairness, and effectiveness of the annual audit activities including a review and evaluation of the lead partner, taking into account the opinions of the Company's Management and internal auditors, and present its conclusions to the Board. The Audit Committee shall assure the regular rotation of the external auditor as required under applicable laws, and shall consider the regular rotation of the lead audit partner to assure continuing auditor independence that should be present.
- Review the terms, specifications and remunerations and provide feedback regarding any special audit/ consultancy assignment performed by the external auditors.
- On a regular basis, meet with the external auditors to discuss specific matters in private or to discuss any other matters that the auditors deem necessary to discuss in private and in a confidential manner.
- At least once per year, review the performance of the internal auditor and concur on the annual compensation and salary adjustment, if required.
- Review the findings of any examinations done by regulatory authorities and any auditor observations, and verify that the Company has taken the necessary measures in this regard.

### Internal Audit:

- With the Company's Management and internal and external auditors, review the Company's general policies and procedures to reasonably assure the adequacy of financial accounting principles and practices applied by the Company.
- Monitor and oversee the performance and activities of the internal auditor and the Internal Audit Department in the Company to ensure the availability of the necessary resources and their effectiveness in performing the tasks assigned to them.
- Review and analyze the internal controls system and prepare a report about the adequacy of the Company's internal controls system and other activities that it conducts within its competence. The Board shall make available sufficient copies of said report at the Company's Head Office at least twenty-one (21) days prior to date set for the General Assembly meeting, in order to provide each Shareholder with a copy of said report.
- Ensure that First Milling Company formally sets the purpose, authority, and responsibility of the Internal Audit Department to provide and preview the ongoing assessments of the Company's operations and internal controls system in coordination with the Executive Management and Audit Committee.
- Study and review First Milling Company' internal controls system and prepare a written report on its opinion regarding the adequacy thereof and other activities that it conducted within its competence. The Board shall make available sufficient copies of said report at First Milling' Head Office at least twenty-one (21) days prior to date set for the General Assembly meeting, in order to provide each Shareholder with a copy of said report, which shall be read during the Assembly.
- Recommend to the Board the annual remuneration, performance appraisal and salary adjustment of the Chief Audit Executive in line with the Company's compensation and benefits policy.
- Recommend to the Chairman of the Board the appointment and dismissal of the Chief Audit Executive.
- Oversee the Internal Audit Department and review its Charter, scope, efficiency, independence, objectivity, performance, and work plan. Review with the Chief Audit Executive the results of the internal audit on a quarterly basis, or as deemed necessary, and view periodical and annual internal audit reports
- Review the summary of all internal audit reports; including the Management replies and comments, and the exceptions noted; and pursue the implementation of corrective measures and procedures.
- Supervise the Company's Internal Audit Department to ensure its effectiveness in executing activities and duties specified by the Board of Directors.
- Review and concur on the appointment, replacement, or dismissal of the Chief Audit Executive, and ensure there are no unjustified restrictions or limitations.
- Review the effectiveness of the Internal Audit Department, including compliance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.
- On a regular basis, meet separately with the Head of the Internal Audit Department to discuss any matters that should be discussed privately.
- The Head of the Internal Audit Department shall submit to the Board an annual report that includes the views of the Audit Committee.
- Study and review the internal controls, financial, and risk management systems of the Company.
- Review the effectiveness of the internal controls system for monitoring and extent of compliance with laws and regulations, and the results of investigating and following-up (including any disciplinary action) on any instances of non-compliance.
- Have the final authority to review and approve the annual audit plan and all major changes to the plan.
- Assess the matters that fall within its purview or those referred thereto by the Board and communicate its recommendations to the Board to issue decisions in connection therewith. The Audit Committee shall take decisions in regard to these matters if delegated by the Board, with the Board held liable for said decisions.
- Review any other reports issued by the Company related to the Committee's responsibilities.
- Perform other related activities as requested by the Board.
- Review with the Management the status of zakat returns and tax issues.
- Evaluate the Audit Committee's and its Members' performance on a regular basis.

## Risk Management:

- Consider any significant relevant findings and recommendations made by the external auditors and the Internal Audit Department, as well as the Management responses thereto; including consideration of the schedule for implementing recommendations to correct identified weaknesses in security controls and systems, including any significant risks related to key controls.
- Review coordinating audit efforts between the internal auditor and the external auditors to ensure that the audit includes the main system controls and risk areas related to IT controls.
- Oversee the Company's risk management framework.
- Support the Board in setting up and monitoring Key Risk Indicators (referred to as "KRIs") and related threshold levels and regularly review them in light of the Company's risk tolerance.
- Ensure the adoption of a written and comprehensive strategy, policies and procedures for risk management commensurate in line with the size of the Company's activities, its complexity, structure, business model and risks to which it is exposed, and verify the implementation of said strategy, policies and procedures.
- Ensure that the Company's risk management framework is assessed and reviewed annually or as needed, to ensure that risk management practices, design and outputs are up-to-date and reflect the reality of the Company.
- Establish an organizational structure for risk management, delegate responsibilities, update them when needed and submit recommendations regarding the same and present them to the Board for approval.
- Ensure the availability of adequate risk management resources and systems.
- Verify the independence of the risk management team from activities that may expose the Company to risk.
- Develop a common language for dealing with risks to

## Compliance:

- Review the process for communicating and publishing the Code of Business Conduct to the Company personnel, and for monitoring compliance therewith.
- Ensure First Milling Company' compliance with relevant laws, regulations, policies, and instructions and report to the Board any issues in connection with what it deems necessary to take action on and providing recommendations as to the steps that should be taken.
- Review the contracts and proposed Related Party transactions and provide its recommendations to the Board in connection therewith.
- Obtain regular updates from the Management and the Company's general counsel/ advisor regarding compliance matters.
- Raise issues to the Board of Directors where action is deemed necessary, and make recommendations for the actions to be taken.

ensure that all Stakeholders in the Company have an understanding of the common terminology related to risks.

- Ensure continuous communication with all the Company's Stakeholders and conduct a critical assessment of the Company's business strategies and plans from a risk perspective.
- Oversee the implementation and periodical review of risk management processes and ensure the effectiveness of procedures used by the Company to identify, analyze, evaluate and treat risks.
- Review the Company's business continuity plan.
- Provide administrative oversight of all prudential reviews and follow-up on any administrative procedures required within the relevant areas of business, as well as ensure that there is room for a more comprehensive and broader analysis of future risks, taking into account all trends.
- Refer significant and emerging risks to the Board for consideration as appropriate.
- Prepare detailed reports on the exposure to risks and the recommended measures to manage such risks and present them to the Board.
- The Audit Committee has the power to appoint an independent lawyer and other advisors, as it deems necessary, to perform its duties.
- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, including procedures for the submission by Company employees of concerns regarding questionable accounting, auditing, or any other suspected matters.
- The Audit Committee shall always be available to receive suggestions, questions or recommendations from the external auditors, internal auditor, and Executive Management.

- Prepare and publish its annual report to the Board of Directors and the General Assembly of Shareholders, as well as other reports required under relevant laws and regulations.
- Prepare periodic reports to the Board of Directors on the activities of the Audit Committee and related issues and submit its recommendations.
- Review and comment on significant additions or changes to existing policies and procedures adopted by the Management.
- Examine the adopted accounting policies and provide opinions and recommendations to the Board.
- Annually review and evaluate the adequacy of

the Audit Committee's Charter and request the recommendation of the Board of Directors to facilitate its General Assembly approval of proposed changes and ensure appropriate disclosure, as required under laws or regulations.

- Confirm annually that all responsibilities outlined in this Charter have been carried out.
- Investigate any issues raised by the Company's CFO or whomever assumed the duties thereof, or the Company's compliance officer, or external auditor, etc.
- Respond to the queries of the Company's external auditor.
- Periodically report to the Board.

## IT Systems Audit:

- Review and consider the effectiveness of the Company's internal control and financial control systems, including the security and control of the information technology systems.
- Consider the effectiveness or weaknesses of the

Company's information security controls and system.

- Examine the status and adequacy of management information systems and other information technologies.

## Audit Committee Members and their Attendance Record

S	Name	Member Position	Type of Membership	Meetings Attendance Record					Attendance Rate
				First Meeting	Second Meeting	Third Meeting	Fourth Meeting	Fifth Meeting	
				10/4/2023G	19/5/2023G	24/7/2023G	23/10/2023G	21/12/2023G	
1	Abdulrahman Sulaiman Hammoud Al-Tariqi	Committee Chairman	Independent	✓	✓	✓	✓	✓	100%
2	Bassem Muhammad Bandari Hussein	Member	Independent	✓	✓	✓	✓	✓	100%
3	Muhammad Abdullah Saleh Al-Wabel	Member	Independent	✓	✓	✓	✓	✓	100%
4	Murad Ahmed AlKhatib	Member	Independent	✓	x	✓	✓	✓	80%

### 3 Executive Management Committee

The Board Executive Committee shall be composed of Non-Executive Members of the Board, not less than three (3) Members and no more than five (5) Members. The Board shall appoint the Committee Members, and the Committee shall include at least one Independent Member. The Board Chairman shall be the Committee Chairman if appointed as a Member thereof. The functions of the Committee as stipulated in its Charter include:

The Committee shall perform the following functions as part of its recurring activities in fulfilling its responsibilities:

- Assist the Board in fulfilling activities and functions delegated thereto by the Board of Directors, to facilitate the workflow of First Milling Company.
- Assist the Company Management in overcoming obstacles to the achievement of the Company's strategies, and ensuring that the Company is suitably qualified and has the necessary resources and capabilities to implement the strategy approved by the Board of Directors.
- Play an important role in planning and studying the Company's annual business, and the budget preparation process, ensuring alignment between business plans, budgets and the Company's vision, mission and strategy.
- May review the Company's annual budget and recommend it to the Board of Directors.
- Ensure that the business complies with all legislative requirements, and adheres to the highest standards of quality, safety and security.
- Assure the Board that the Company is adequately resourced, and has the necessary capacity to meet its short, medium and long-term plans.
- Review and submit proposals to the Board regarding any acquisition or exit of shares in other companies.
- Assist the Board and Executive Management in forming or restructuring any joint venture or partnership, including any associated expenses, subject to the approval of the Board.
- Recommend to the Board the establishment of branches, agencies, subsidiaries or new activities.
- Assess the capacity of the (business partner) in the projects carried out by the Company, if any.
- The CEO provides updates to the Committee regarding investment strategy and investment policies (subject to the Board approval).
- Review capital investments and other new proposed ones to facilitate making investment-related decisions, compliance with investment policies and procedures, and refer to the

#### Executive Management Committee Members

S	Name	Member Position	Type of Membership	Meetings Attendance Record							Attendance Rate
				First Meeting	Second Meeting	Third Meeting	Fourth Meeting	Fifth Meeting	Sixth Meeting	Seventh Meeting	
				2023G/3/11	2023G/3/19	2023G/5/14	2023G/9/13	2023G/10/18	2023G/10/25	2023/12/12	
1	Tariq Mutlaq Abdullah AlMutlaq	Committee Chairman	Non-Executive	✓	✓	✓	✓	✓	✓	✓	100%
2	Abdullah Ahmed Sultan Al-Shehri	Member	Non-Executive	✓	✓	✓	✓	✓	✓	✓	100%
3	Massimo Ambrosio	Member	Independent	✓	✓	✓	✓	✓	✓	✓	100%

### 4 Optimization Committee

The Optimization Committee is a standing committee of the Board of Directors. The directions, rules and approvals given by the Committee shall be in accordance with its Charter. The Committee's scope of work, as delegated by the Board, includes conducting all actions that enable the Committee to achieve its functions based on the Board's authorization. Such actions include:

- Review and recommend for approval of the Board of Directors the five-year development plans and guiding policies related to maintaining, optimizing or developing production facilities, i.e., "mixing facility", "germs stabilization facility", and "Feed manufacturing facility" or any other facilities, as specified by the Board of Directors.
- Review and recommend for approval of the Board all annual plans/ budget for factory update, supply chain activates, materials sourcing or processing, including the performance optimization of all production facilities and supply chain activities and its related systems and people capabilities.
- Review and recommend to the Board of Directors any

vertical or horizontal mergers plans and investments related to all production facilities and supply chain activities and its related systems and people capabilities, including the acquiring of new facilities or updating existing ones, and the detailed implementation timeline.

Review and recommend the automation, standardization, streamlining or maintaining on-going operational activates that may impact the production facilities' performance or the supply chain/ procurement process. This include but not limited to the revision of existing systems and people capability.

#### Optimization Committee Members

S	Name	Member Position	Type of Membership	سجل دخور الاجتماعات						Attendance Rate
				First Meeting	Second Meeting	Third Meeting	Fourth Meeting	Fifth Meeting	Sixth Meeting	
				2023G/3/15	2023G/6/11	2023G/9/20	2023G/10/5	2023G/10/12	2023G/12/14	
1	Massimo Ambrosio	Committee Chairman	Independent	✓	✓	✓	✓	✓	✓	100%
2	Essa Abdulla Ahmad Al-Ghurair	Member	Non-Executive	✓	✓	✓	✓	✓	✓	100%
3	Rakan Abdulla Rashid Abunayyan	Member	Non-Executive	✓	✓	✓	✓	✓	✓	100%

### 4 - 6 General Assemblies of Shareholders and Board Members Attendance Record

First Milling Company held two Shareholders' Assemblies during 2023G. The following is their Assemblies, and attendance record of the Board Members:

S	Name	Position	Attendance Record	
			First Meeting Ordinary General Assembly (Pre-listing)	Second Meeting Extraordinary General Assembly (Post-listing)
			Date: 06/03/2023G	Date: 11/05/2023G
1	Tariq Mutlaq Abdullah AlMutlaq	Chairman of the Board of Directors	✓	✓
2	Abdullah Ahmed Sultan Al-Shehri	Vice Chairman	✓	✓
3	Rakan Abdulla Rashid Abunayyan	Board Member	✓	✓
4	Essa Abdulla Ahmad Al-Ghurair	Board Member	✓	✓
5	Yazeed Abdulla Abdulaziz AlOthman	Board Member	✓	✓
6	Massimo Ambrosio	Board Member	✓	✓
7	Murad Ahmed AlKatib	Board Member	✓	✓

## 4 - 7 Ownership Structure

The following table shows the ownership structure of First Milling Company and the change in ownership ratios for the period before the Company's shares were offered on the Saudi Stock Exchange «Tadawul», and the changes that occurred thereto, as of 2023G:

Owner	Previous Ownership Ratio (Pre-Offering)	Current Ownership Ratio (Post-Offering)	Change (3)
AlMutlaq Group for Industrial Investment Co.	35%	30%	-5%
Abdullah Abunayyan Trading Corp.	30%	21%	-9%
Al Safi Advanced Investment	25%	12%	-13%
Essa Al-Ghurair Investment	10%	7%	-3%
The Public	-	30%	+30%
<b>Total</b>	<b>100%</b>	<b>100%</b>	

## 4 - 8 Remuneration of Board Members, Committee Members and Senior Executives

Subject to the Company's Bylaws, remunerations of the Board of Directors shall be determined by the Ordinary General Assembly (OGA) in accordance with the relevant official decisions and instructions issued by the Ministry of Commerce, and within the provisions of the Companies Law and any other relevant supplementary laws, as well as the Company's Bylaws. The attendance, and any other allowances, shall be determined by the Board according to the applicable laws, decisions and directions identified by the competent entities in the Kingdom.

Pursuant to the Company's Bylaws, neither the Board Members nor the Senior Executives have the authority

to vote on their remuneration or indemnities. The remuneration of Senior Executives shall be determined by virtue of each respective employment contract, in accordance with the Company's remuneration policy. Furthermore, neither the Board Members nor the Senior Executives have powers to borrow from the Company or vote on a contract or an arrangement in which they have a material interest.

The following table shows the remunerations of the Board of Directors Members, the Board Committees Members and the top five Senior Executives, including the CEO, the CFO, as stipulated in the Regulations:

### Remunerations of Board Members 2023G

(Amounts in SAR)

Name	Position	Annual Remuneration
Non-Executive Members		
Tariq Mutlaq Abdullah AlMutlaq	Chairman of the Board of Directors	300,000
Abdullah Ahmed Sultan Al-Shehri	Vice Chairman	250,000
Essa Abdulla Ahmad Al-Ghurair	Board Member	250,000
Rakan Abdullah Rashid Abunayyan	Board Member	250,000
Independent Members		
Yazeed Abdullah Abdulaziz AlOthman	Board Member	250,000
Massimo Ambrosio	Board Member	322,500
Murad Ahmed AlKatib	Board Member	322,500

## Remuneration of Board Committees Members 2023G

(Amounts in SAR)

Name	Position	Annual Remuneration
Nomination and Remuneration Committee Members		
Massimo Ambrosio	Committee Chairman	150,000
Abdullah Ahmed Sultan Al-Shehri	Member	120,000
Rakan Abdullah Rashid Abunayyan	Member	120,000
Ahmed Nasr Hasan Al-Homoud	Member	120,000
Ahmad Misfer Saleh Al Ghamdi	Member	120,000
Audit Committee Members		
Abdulrahman Sulaiman Hammoud Al-Tariqi	Committee Chairman	150,000
Bassem Muhammad Bandari Hussein	Member	120,000
Muhammad Abdullah Saleh Al-Wabel	Member	98,958.90
Murad Ahmed AlKatib	Member	120,000

## Remuneration of Top Five Senior Executives 2023G

(Amounts in SAR)

	Annual Remuneration
Remuneration Paid to Top Five Senior Executives (Including the CEO, the CFO)	9,475,905.03

## 4 - 9 Board Performance Assessment

In order to follow up and develop the performance of the Board, comply with the regulatory requirements, apply best practices in governance and enhance the effectiveness of the Board, the Board of First Milling Company shall prepare an appropriate assessment policy for the performance of the Members of the Board and the Board Committees. The aim is to ensure that the Members of the Board and its Committees shall continue to meet the criteria and conditions set forth in the procedures specified for

membership in the Board of Directors, and continue to meet the requirements of all laws, regulations and instructions issued by the Ministry of Commerce and the Capital Market Authority (CMA), as these are among the important guidelines that the Company seeks to activate in the coming period. This is because the Board has not set any performance indicators or individual assessments for this year.

## 4 - 10 Company's Bylaws

First Milling Company's Bylaws, a document that sets the legal regulations and directive principles of the Company activity and the main objective thereof. The Bylaws include a set of key articles which introduces the Company, its business, organizational structure, governing measures and policies, without prejudice to the provisions of the Companies Law and the Governance Regulations applicable in the Kingdom.

It should be noted that under the Company's Bylaws, internal regulations, policies and procedures, Board

Members and the CEO may not participate in the voting on a contract or proposal in which they have an interest, or the right to vote on their remuneration. Additionally, the Board Members and Senior Executives may not borrow funds from the Company.

The First Milling Company' Bylaws consist of several articles that establish the regulatory rules for relations and transactions inside and outside the Company. (The Bylaws can be viewed by visiting the Company's website or the Company's page on Tadawul's website).

## 4 - 11 Provisions and Compliance

First Milling Company Management has laid down the rules through which it can lead and direct the Company. Such rules include the mechanisms for organizing various relations between the Board, CEOs, Shareholders and Stakeholders, by developing special procedures to facilitate decision making and to add a sense of transparency and credibility in order to protect the rights of Shareholders and Stakeholders and to establish justice, competitiveness and transparency in the market and business environment. The Company is keen to abide by the Corporate Governance Regulations issued by the Capital Market Authority (CMA) which require the Company

to declare in the Board's report the provisions of the Corporate Governance Regulations that have been applied and those that were not, stating the reasons beyond failure to apply such provisions.

The Governance and Compliance Department at the market works, in coordination with the Executive Management and Executive Committees, on reviewing and updating the governance policies and practices, with the aim of enhancing integrity, transparency and compliance. First Milling Company applies all provisions stated therein except the guiding articles included below:

No. of Article/Paragraph	Title	Text of Article/ Paragraph	Degree of Application	Causes of Non-Application
37	Training	<p>The Company shall pay adequate attention to training and qualifying Members of the Board, Committees and the Executive Management, and shall develop the necessary programs for the same, taking the following into account:</p> <ol style="list-style-type: none"> <li>1) Preparing programs for the newly appointed Members of the Board and Executive Management to familiarize them with the progress of the Company's business and activities, particularly the following:                     <ul style="list-style-type: none"> <li>A. The Company's strategy and objectives.</li> <li>B. Financial and operational aspects of the Company's activities.</li> <li>C. The obligations, duties, responsibilities and rights of the Board Members.</li> <li>D. Duties and competencies of the Company's Committees.</li> </ul> </li> <li>2) Developing the necessary mechanisms for Members of the Board, Committees and the Executive Management to continuously enroll in training Programs and courses in order to develop their skills and knowledge in the fields related to the activities of the Company.</li> </ol>	Partially Applied	<b>Guiding Article</b> There is no fixed program, but rather according to need, as courses and attendance of some specialized international conferences are also arranged, in addition to field visits.
39	Performance Assessment	<p>A) The Board shall develop, based on a proposal of the Nomination Committee, the necessary mechanisms for annual performance assessment of the Board, its Members, Committees and Executive Management annually. This shall be done using appropriate performance indicators. These indicators are linked to the extent to which the strategic objectives of the Company have been achieved, the quality of the risk management and the efficiency of the internal control systems, among others. The strengths and weaknesses shall be identified, and proposals for addressing them shall be made in accordance with the best interests of the Company.</p> <p>B) The performance assessment shall be in writing, clearly stated and disclosed to the Board Members and parties concerned with this assessment.</p> <p>C) The performance assessment shall entail an assessment of skills and experiences of the Board, identification of the weaknesses and strengths of the Board and shall attempt to resolve such weaknesses using the available methods, such as nominating competent professional staff able to improve the performance of the Board. The performance assessment shall also entail the assessment of the mechanisms of the Board's activities in general.</p> <p>D) The individual assessment of Board Members shall take into account the extent of effective participation of the Member and his commitment to performing his duties and responsibilities, including attending the Board and its Committee meetings and dedicating adequate time thereof.</p> <p>E) The Board shall carry out the necessary arrangements to obtain an assessment of its performance from a competent third party every three years.</p> <p>F) The Board shall ensure that Non-Executive Members carry out periodic assessment of the performance of the Chairman taking into consideration the views of the Executive Members, without the Chairman attending the discussion designated for this purpose. The strengths and weaknesses shall be identified, and proposals for addressing them shall be made, in accordance with the best interests of the Company.</p>	Not Applied	<b>Guiding Article</b> The company is working on activating it in the coming period, as the Board has not performance indicators or individual assessments for this year.
67	Risk Management Committee Formation	<p>The Company's Board shall, by resolution therefrom, form a committee to be named the "Risk Management Committee". Chairman and majority of its Members shall be Non-Executive Members. The Members of that Committee shall possess an adequate level of knowledge in risk management and finance.</p>	Not Applied	<b>Guiding Article</b> The Company did not allocate an independent committee for risk management, but its tasks have been included with the Audit Committee as a single committee
68	Competencies of Risk Management Committee	<p>The competencies of the Risk Management Committee shall include the following:</p> <ol style="list-style-type: none"> <li>1-Developing a strategy and comprehensive policies for risk management that are consistent with the nature and volume of the Company's activities, monitoring their implementation, and reviewing and updating them based on the Company's internal and external changing factors.</li> <li>2-Determining and maintaining an acceptable level of risk that may be faced by the Company and ensuring that the Company does not go beyond such level.</li> <li>3-Ensuring the feasibility of the Company continuation, the successful continuity of its activities and determining the risks that threaten its existence during the following twelve (12) months.</li> </ol> <p>The competencies of the Risk Management Committee shall include the following:</p> <ol style="list-style-type: none"> <li>1-Developing a strategy and comprehensive policies for risk management that are consistent with the nature and volume of the Company's activities, monitoring their implementation, and reviewing and updating them based on the Company's internal and external changing factors.</li> <li>2-Determining and maintaining an acceptable level of risk that may be faced by the Company and ensuring that the Company does not go beyond such level.</li> <li>3-Ensuring the feasibility of the Company continuation, the successful continuity of its activities and determining the risks that threaten its existence during the following twelve (12) months.</li> <li>4-Oversee the Group's risk management system and assessing the effectiveness of the systems and mechanisms for determining and monitoring the risks that threaten the Company in order to determine areas of inadequacy therein.</li> <li>.5-Regularly reassessing the Company's ability to take risks and be exposed to such risks through stress tests as an example.</li> <li>6-Preparing detailed reports on the exposure to risks and the recommended measures to manage such risks, and presenting them to the Board.</li> <li>7-Providing recommendations to the Board on matters related to the risk management.</li> <li>8-Ensuring the availability of adequate resources and systems for risk management.</li> <li>9-Reviewing the organizational structure for the risk management and providing recommendations regarding the same before approval by the Board.</li> <li>10-Verifying the independence of the risk management employees from activities that may expose the Company to risk.</li> <li>11-Ensuring that the risk management employees understand the risks threatening the Company and seeking to raise awareness of risk culture.</li> <li>12-Reviewing any issues raised by the Audit Committee that may affect the Company's risk management.</li> </ol>	Not Applied	<b>Guiding Article</b> The Company did not allocate an independent committee for risk management, but its tasks have been included within the Audit Committee as a single committee

No. of Article/Paragraph	Title	Text of Article/ Paragraph	Degree of Application	Causes of Non-Application
69	Meetings of Risk Management Committee	<p>The Risk Management Committee shall convene periodically at least once every six months, and as may be necessary.</p>	Not Applied	<b>Guiding Article</b> The Company did not allocate an independent committee for risk management, but its tasks have been included within the Audit Committee as a single committee
82	Employee Incentives	<p>The Company shall establish programs for developing and encouraging the participation and performance of the Company's employees. The programs shall particularly include the following:</p> <ol style="list-style-type: none"> <li>1) Forming committees or holding specialized workshops to hear the opinions of the Company's employees and discuss the issues and topics that are subject to important decisions.</li> <li>2) Establishing a scheme for granting Company shares or a percentage of the Company profits and pension programs for employees, and setting up an independent fund for such program.</li> <li>3) Establishing social organizations for the benefit of the Company's employees.</li> </ol>	Partially Applied	<b>Guiding Article</b> The Company establishes other programs to develop and motivate the participation and performance of the Company's employees.
85	Social Initiatives	<p>The Board shall establish programs and determine necessary methods for proposing social initiatives by the Company, which include:</p> <ol style="list-style-type: none"> <li>1. Establishing indicators that link the Company's performance with its social initiatives and comparing it with other companies that engage in similar activities.</li> <li>2. Disclosing the objectives of the Company's social responsibility to its employees and raising their awareness and knowledge of social responsibility.</li> <li>3. Disclosing plans for achieving social responsibility in the periodical reports on the activities of the Company.</li> <li>4. Establishing awareness programs to the community to familiarize them with the Company's social responsibility.</li> </ol>	Partially Applied	<b>Guiding Article</b> The Company shall focus on promoting participation in social activities in order to sustain them and achieve desired goals
92	Formation of the Corporate Governance Committee	<p>If the Board forms a Corporate Governance Committee, it shall assign to it the competencies stipulated in Article (94) of these Regulations. Such Committee shall oversee any matters relating to the implementation of governance, and shall provide the Board with its reports and recommendations at least annually.</p>	Not Applied	<b>Guiding Article</b> The Board shall ensure compliance with the Company Corporate Governance Regulations, review and update them. The Board shall also review and develop the Code of Professional Conduct and other internal policies and procedures, and shall keep the Board Members informed of developments in the field of governance, as the Company does not see the need to form a committee now.

## 4 - 12 Penalties, Sanctions, and Cases

The following table shows a detailed description of the penalties, sanctions and fines issued by the Capital Market Authority (CMA) or a supervisory, regulatory or judicial authority against the Company during 2023G:

S	Violation Type	Violation Issuer	Violation Year	Date of Decision Publication	Financial Impact in 2023G	Violation Cause	Final Amount of Violation	Violation Processing
1	Financial Fine	General Authority for Competition (GAC)	2019G	2023G/06/14	No current or future financial impact	Violation of the Competition Law and its Implementing Regulations	10,000,000.00	Paid in 2022G i.e., pre-offering in the stock market
2	Financial Fine	General Food Security Authority (GDSA)	2023G	2023G/09/25	No negative financial impact	Violations of the provisions or regulations of the Flour Production Mills Law	6,303,176.50	The Company has conservatively set aside a provision of SAR 8,853,334 million as part of accrued expenses in the financial statements for 2022G (Paid).

First Milling Company pays full respect to all above decisions and affirms its full compliance with all laws and rules of the regulatory authorities in a way that protects its shareholders' and customers' rights. The Company is always looking

forward to achieve its vision to be the first and best partner of choice in the food and feed sectors. Furthermore, the Company aims to be the credible source of vital products to the market and communities of the region.

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## 4 -13 Transactions with Related Parties

The following table shows a detailed description of the contracts concluded with the related parties in 2023G, and the interests of the Company's Board Members and Senior Executives in these contracts:

S	Related Party	Nature of Contract	Type of Relation with the Company	Duration	Amount in SAR
1	Ehata Financial Company	Financial Consulting	Sister Company	Year	163,300
2	Almutlaq Real Estate Investment Company	Projects	Sister Company	Year	2,462,227
3	AI Safi Danone Company	Bran Sales	Sister Company	Year	3,303,825
4	AIMutlaq Group for Industrial Investment Co	IPO Costs	Contributor	Offering Period	9,720,459
5	Abdullah Abunayyan Trading Company	IPO Costs	Contributor	Offering Period	8,331,822
6	AI Safi Advanced Investment	IPO Costs	Contributor	Offering Period	6,943,185
7	Essa Al-Ghurair Investment	IPO Costs	Contributor	Offering Period	429,436

## 4 - 14 Statutory Payments

The following table shows a statement of the value of any paid and outstanding statutory payments on account of any Zakat, taxes, fees or any other charges that have not been paid by the Company until the end of 2023G:

Description	(Amounts in SAR) 2023G	
	Paid	Due Until the End of Financial Period and not Paid
Value Added Tax (VAT)	69,440,217	1,329,847
General Organization for Social Insurance (GOSI)	10,404,980	741,527
Zakat	5,508,920	6,208,179
Withholding Tax	1,629,337	111,131
Labor Office Fees	638,375	-
Visa and Passport Costs	331,921	-
Others	-	-

## 4 - 15 Treasury Shares

On November 20, 2023G, First Milling Company announced the Board's recommendation to purchase a maximum of 300,000 ordinary shares of the Company's shares. The purpose of purchasing these shares is for keeping them as treasury shares and allocating them to the long-term Employees' Equity Incentive Plan. The purchase of treasury shares will be financed by the Company's available cash.

The Board's recommendation to purchase the shares shall be voted on by the Extraordinary General Assembly to be held on January 10, 2024G. The vote shall be in accordance with the requirements of Paragraph 4 of Article 17 of the Implementing Regulations of the

Companies Law for Listed Joint Stock Companies, and after the Company fulfills all solvency conditions set out in Paragraph 3 of Article 17 of the Implementing Regulations of the Companies Law for Listed Joint Stock Companies. A report issued by the Company's chartered accountant shall also be submitted, as per the requirements of this Paragraph. The shares to be purchased shall not have the right to vote in the Company's Shareholders General Assemblies.

## 4 -16 Loans

The Company is not inclined to obtain any loans from commercial banks. However, now that the Company has been listed, First Milling Company is currently exploring other possibilities if the need arises for additional resources from the Agricultural Development Fund or the Industrial Development Fund and other supporting entities.

The following table includes a list of the change in the total value of the Company's loans between 2022G and 2023G with details:

Description	2023G	2022G
Long-term Loans	936,386,086	1,006,401,558
Traded Part of Long-term Loans	107,722,374	164,272,151
Short-term Loans	-	-
Total	1,044,108,460	1,170,673,709

(All above amounts are in Saudi Riyals)

The following table includes the detailed data of the value of loans due upon the Company to banks until the end of 2023G:

S	Lending Entity	Original Loan Amount	Loan Duration	Amounts Paid during Previous Years	Amounts Paid during the Year	Loan Balance, as of the End of the Year
1	Alinma Bank	1,300,000,000	Until 2035G	111,565,761.20	158,976,807.76	(1,029,457,430.99)

(All above amounts are in Saudi Riyals)

The Company is continuously working towards reducing its dependence on loans. The Company's current loan was directly intended to support the Company's purchase from its parent company, Al-Raha Al-Safi Food Company, to complete the allocation purposes. The Company Management is

currently making every effort to repay a large part of that loan, supported by its strong position and financial liquidity. In early 2023G, SAR 100 million was repaid in advance as one of the steps towards speeding up the repayment process.



## 4 - 17 Shareholders Information

Based on the Board's commitment to provide the highest standards of disclosure and transparency of the complete, clear and accurate information that would enable shareholders to fully exercise their rights, timely provide such information and regularly update the same, the Company has intensified its efforts in communicating with shareholders through various means of communication, in an official manner and by the quarterly calls. Furthermore, in cooperation

with the Investor Relations Department, the Executive Management is planning to start on with attending various investment conferences, in addition to holding meetings with investment managers and market and sector financial analysts from inside the Kingdom and abroad. It would be of worth here to note that the Investor Relations Department welcomes holding meetings in the Company HQ in Jeddah or organizing visits to the Company's sites and facilities.

### Shareholders Information

Date Established	November 10, 2016G
Listing Date	June 22, 2023G
Company's Short Name on Tadawul	First Mills
Company's Code on Tadawul	2283
ISIN Code	SA15QGU13LH9
Affiliate Market	Saudi Tadawul - Main Market - TASI
Scope of Work	Flour and Feed Production and Storage
Sector	Food Production
No. of Issued Shares	55,500,000
Paid Capital	SAR 555,000,000
Par Value/Share	SAR 10
of Free Float %	30%
Foreign Ownership by the End of 2023G	2.17%
Share Closing Price by the End of 2023G	SAR 75.10
Market Cap by the End of 2023G	About SAR 4.17 billion

### Substantial Shareholders

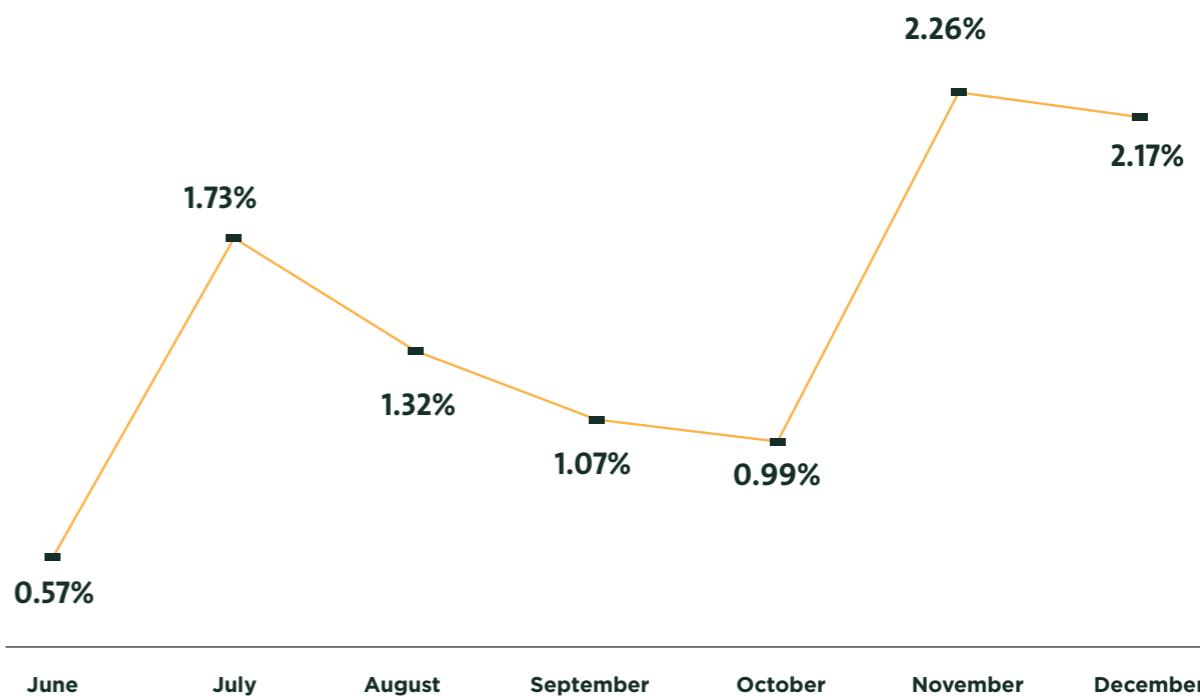
Shareholder Name	No. of Shares	Percentage of First Milling Company Total Shares
AlMutlaq Group Industrial Investment Company (Sole Proprietorship)	16,650,000	30%
.Abdullah Abunayyan Trading Company (L.L.C)	11,655,000	21%
(Al Safi Advanced Investment (Sole Proprietorship)	6,660,000	12%
(.Essa Al-Ghurair Investment (L.L.C	3,885,000	7%

### Foreign Investors' Ownership

The following table shows the change in the actual percentage of foreign investors' ownership in the Company as at the listing date (22/06/2023G), compared to the end of 2023G, noting that the maximum possible percentage of foreign investors' ownership at First Milling Company is 49%.

Company	All Foreign Investors' Ownership	
	(As at the Listing Date (June 22, 2023G	As at December 31, 2023G
First Milling Company	0.32%	2.17%

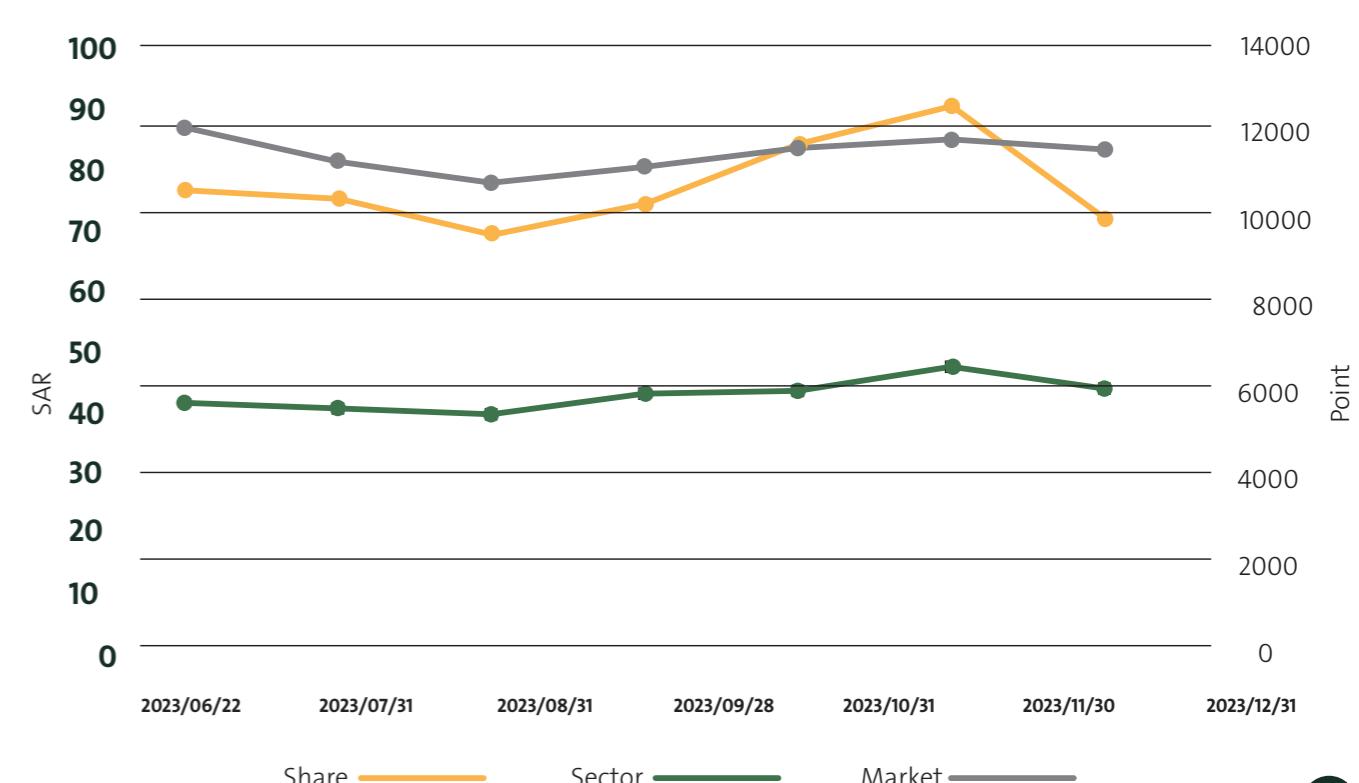
### Monitoring Development in the Percentage of Foreign Investors' Ownership in First Milling Company, 2023G



(Source: Disclosures of Saudi Tadawul)

### Performance of the Company Share in 2023G

Comparison of the Performance of "First Milling Company" Shares with indices "TASI" and "Food & Beverages" sector since Listing on June 22, 2023G to the End of the Year



**Monitoring the Monthly Performance Development of First Milling Company Share in 2023G**  
**(Previous and Current Monthly Closing Prices in SAR)**

Month	Current Close	Previous Close	Change	of Change %
June	70.50	(*)66.00	4.50	6.82
July	88.90	70.50	18.40	26.10
August	82.70	88.90	(6.20)	(6.97)
September	72.90	82.70	(9.80)	(11.85)
October	67.80	72.90	(5.10)	(7.00)
November	73.70	67.80	5.90	8.70
December	75.10	73.70	1.40	1.90

(\*) Opening price on the first trading day after being listed in the main market on June 22, 2023G.

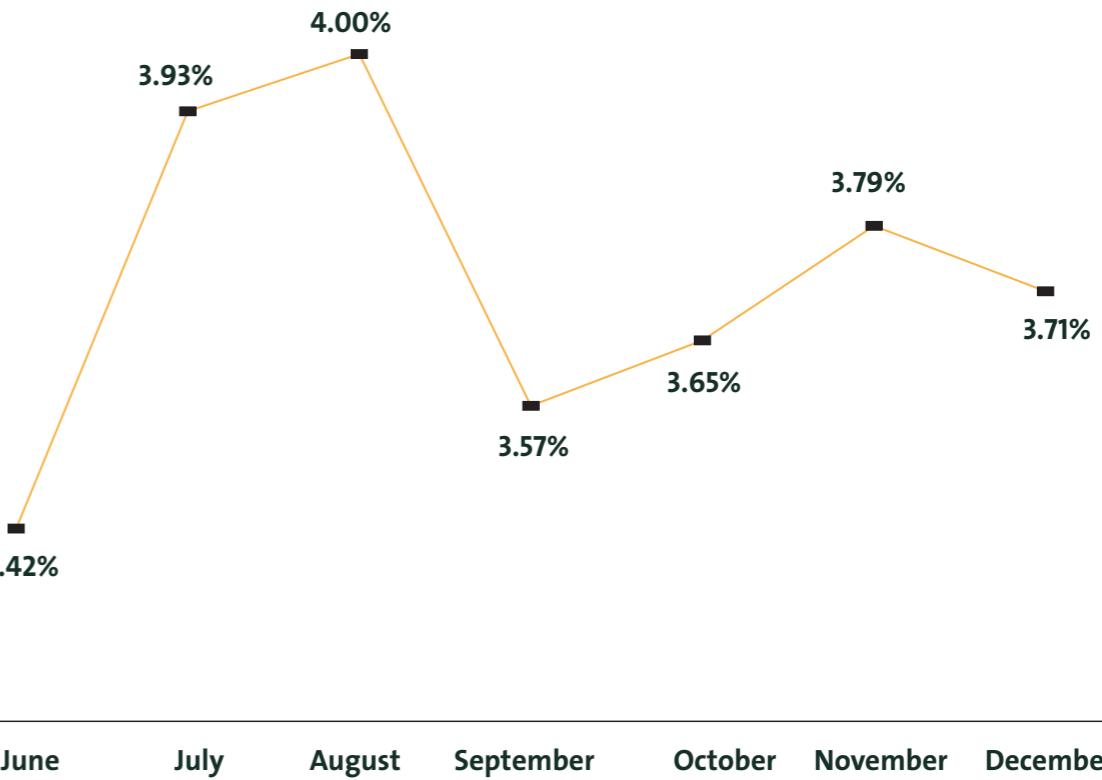
**Monitoring the Development of Monthly Trading Movements of First Milling Company Share in 2023G**

Month	Trading Volume (Share)	Trading Value (SAR)	No. of Transactions
June	8,528,116	634,044,055	37,136
July	66,604,469	5,993,066,458	297,256
August	13,965,873	1,223,833,824	90,523
September	13,186,786	1,002,282,989	122,086
October	7,784,162	545,420,820	45,059
November	14,495,659	997,965,597	71,351
December	9,380,413	683,010,507	44,140
<b>Total</b>	<b>133,945,478</b>	<b>11,079,624,249</b>	<b>707,551</b>

**The Company Weight as a Percentage of the Main Market (TASI) by the End of Each Month as a Market Cap**

Month	Company's Market Cap (SAR Bln)	Main Market Cap (SAR Bln)	Company's Weight as a Percentage of the Market
June	3.91	10,907.50	0.0358%
July	4.93	11,012.99	0.0448%
August	4.59	11,518.71	0.0398%
September	4.05	11,410.53	0.0355%
October	3.76	10,933.81	0.0344%
November	4.09	11,059.56	0.0370%
December	4.17	11,259.32	0.0370%

**The Company Weight as a Percentage of the Sector by the End of Each Month as a Market Cap**



**Company's Shareholders Register Requests in 2023G**

In 2023, First Milling Company has requested the shareholders register from the Securities Depository Center (Edaa) on the following dates and for the following reasons:

S	Date of Request	Reasons for Request
1	02/07/2023G	For the purpose of the Company's reporting and internal procedures
2	03/07/2023G	For the purpose of the Company's reporting and internal procedures
3	06/07/2023G	For the purpose of the Company's reporting and internal procedures
4	02/08/2023G	For reasons related to accrued dividends
5	14/08/2023G	For the purpose of the Company's reporting and internal procedures
6	15/08/2023G	For the purpose of the Company's reporting and internal procedures
7	17/08/2023G	For the purpose of the Company's reporting and internal procedures
8	31/08/2023G	For the purpose of the Company's reporting and internal procedures
9	26/09/2023G	For the purpose of the Company's reporting and internal procedures
10	10/10/2023G	For the purpose of the Company's reporting and internal procedures
11	20/11/2023G	For the purpose of the Company's reporting and internal procedures
12	06/12/2023G	For the purpose of the Company's reporting and internal procedures

## • Disclosure and Transparency

The Company's Ordinary General Assembly has approved the Company's amended Corporate Governance Regulations and the amended work regulations, including the "Disclosure Policy". First Milling Company is committed to disclose all substantial decisions and information to the investors through Tadawul and the Investor Relations website, in order to achieve the principle of transparency and justice. Hence, the Company is fully committed to implement all policies and procedures related to the disclosure of financial statements and performance reports, by virtue of the applicable legal requirements, regulatory regulations and the instructions issued by the competent authorities.

The Company compliance serves the implementation of the principles that protect the shareholders' rights, and achieves justice through the timely provision of information for all of them with equal opportunities and in the generally acknowledged methods.

The Company provides details on its performance, activities and business all over the year, through its annual report and the General Assembly meeting. This allows all its shareholders

and investors to have full access to the latest substantial developments that might affect the Company's financial position and business without prejudice to its competitive potentials.

First Milling Company is keen on regularly distributing dividends to its entitled shareholders, and the Company constantly reminds its shareholders of the importance of updating their personal info and linking their bank accounts to their portfolios in order to avoid any delay in distribution.

First Milling Company cooperates with a number of participants in the global and local financial capital markets, including institutions, individuals and financial analysts on purchase and sale, by maintaining a continuous and open line of communication, holding quarterly and periodic meetings or participating in investor conferences and seminars.

First Milling Company has allocated a special department for investor relations comprising a work team and qualified members with iFsah (Disclosure) Professional Exam and Investor Relations Officer (IRO) certificates.

### First Milling Company Financial Statements and Disclosures in 2023G

S	Date	Announcement Title
1	5/7/2023G	• First Milling Company announces interim financial results for the period ending as at March 31, 2023G (three months)
2	31/7/2023G	• First Milling Company announces interim financial results for the period ending as at June 30, 2023G (six months)
3	31/7/2023G	• First Milling Company announces the distribution of cash dividends on shareholders for H1 2023G
4	1/8/2023G	• A corrective announcement by First Milling Company regarding the announcement of the semi-annual financial statements for the year 2023G
5	1/8/2023G	• First Milling Company announces the upgrade of flour Mills A&B in Jeddah production facility
6	14/8/2023G	• A corrective announcement by First Milling Company regarding the distribution of cash dividends on shareholders for H1 2023G
7	26/9/2023G	• First Milling Company announces the latest developments declared in the prospectus regarding the claim lodged by GFSA before the Committee for the Adjudication of Violations of the Flour Production Mills Law alleging that the Company has violated the provisions and regulations stipulated in the Flour Production Mills Law
8	31/10/2023G	• First Milling Company announces interim financial results for the period ending as at September 30, 2023G (nine months)
9	2/11/2023G	• First Milling Company announces the organization of a meeting over the phone to discuss the results of Q3 of FY2023G with analysts and investors using the modern technology
10	20/11/2023G	• First Milling Company announces its intention to purchase a number of the Company shares to allocate the same for Employees' Equity Incentive Plan
11	12/12/2023G	• First Milling Company announces the latest developments regarding the aforementioned claim lodged by GFSA
12	18/12/2023G	• First Milling Company invites its shareholders to attend the Extraordinary General Assembly Meeting (first meeting)

## • Distribution of Dividends

The Board of Directors shall recommend declaring and paying any dividends before approval by the Shareholders at the meeting of the General Assembly. The Company is under no obligation to declare dividends and any decision to do so will depend on, inter alia, the Company's historic and anticipated earnings and cash flow, financing and capital requirements, market and general economic conditions, restrictions to which the dividend distribution process is subject under financing and debt agreements, the Zakat, and other legal and regulatory considerations.

**After deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:**

1- Ten percent (10%) of the net profits shall be retained to form a statutory reserve. Such retention may be discontinued by the Ordinary General Assembly when said reserve totals thirty percent (30%) of the Company's paid-up capital, excluding share premium.

2- The Company may, upon the Ordinary General Assembly approval, retain 5% of the net profits to form a contractual reserve to be allocated for special purposes.

3- The Ordinary General Assembly may resolve to retain other reserves, to the extent that doing so serves the interest of the Company or ensures the distribution of as a stable dividend as possible to shareholders. The said Assembly may also deduct from the net profits amounts for the establishment of social institutions for the Company's employees or to support existing institutions.

4- The Ordinary General Assembly may resolve to distribute the remainder of the above to the Shareholders at a rate of 5% of the paid-up capital of the Company.

5- Subject to the provisions set forth in Article 23 of the Company's Bylaws, and Article 76 of the Companies Law, no more than 10% of the remainder of the net profits shall be retained to remunerate the Board of Directors, provided that the entitlement of such remuneration shall be commensurate with the number of meetings attended by the Member.

It would be of worth here to mention that the dividend distribution policy may change from time to time, as the Board of Directors may resolve, subject to the approval of the Ordinary General Assembly, to pay interim dividends to the Company's Shareholders.

### Company's Distribution of Dividends in 2023G

Description	Period	
	H1	H2
Dividend Payout Ratio	70 %	70 %
Total Distribution Amount (in SAR)	76,035,000	78,255,000
Dividends Per Share (DPS) (in SAR)	1.37	1.41

### Dividends Distributed on Shareholders Over the Last Years

Year	Distribution Rate	Distribution Amount (in SAR)
2023G	70%	154,290,000
2022G	69%	149,472,047
2021G	25%	644,416,358

In order to promote the best practices of corporate governance for the Board of Directors and the Company, First Milling Company has completed an assessment and review of the governance practices of the Board of Directors and its Committees in coordination with the Company's Nominations and Remuneration Committee. The review covered the following dimensions:

- 1** Board leadership and governance.
- 2** Communication and flow of information between the Board and Shareholders.
- 3** The timely provision of suitable information for all shareholders through the Company's communication channels.
- 4** Disclosure of substantial developments regarding the Company's performance, activities and operations, including financial statements and performance reports.
- 5** The Company's financial strength, especially in terms of the growth of profits.
- 6** Regular communication with investors and analysts.
- 7** The Company is committed to work in accordance with laws and regulations to protect its shareholders.

### Shareholders Suggestions and Feedback regarding the Company and its Performance

Following measures are taken by First Milling Company Board of Directors to inform its Members – specially Non-Executives – of the Shareholders suggestions and feedbacks regarding the Company and its performance:

- 1** Board Members and Committees' Chairmen attend the General Assembly meetings to keep abreast of the Shareholders feedbacks and suggestions.
- 2** A special investor relations unit has been established under the CFO, to inform the Board Members of the Shareholders feedbacks and suggestions.
- 3** Quarterly and annual meetings were held with investors and financial analysts to discuss the Company's financial results.
- 4** A website and application for managing investor relations have been launched in both Arabic and English.

For more information, kindly visit First Milling Company investor relations website using the following link: <https://firstmills.com/en/investor-relations.php>

For more inquiries and questions, kindly email directly on: [IR@firstmills.com](mailto:IR@firstmills.com)



## 4 - 18 Social Responsibility and Sustainability

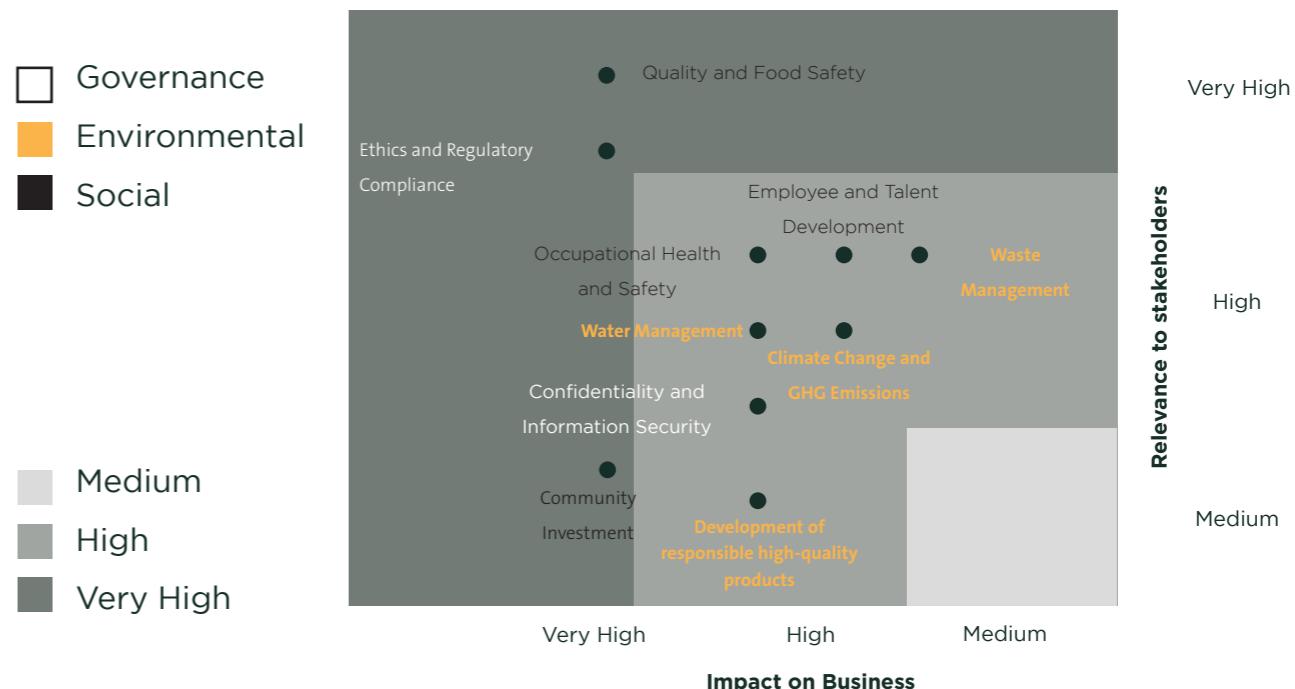
### Towards A Sustainable Community

Sustainability is a key factor in building the Company's reputation and enhancing relations with consumers and the community in general. Accordingly, First Milling Company works on sustainability in all aspects of its business and activities.

Individuals & Community	Environment	Public Health	Employees	Economy
Meeting the needs of the community is at the top of the sustainability pyramid.	Preserving and managing natural resources in a good manner.	Providing healthy and nutritious products.	Enhancing the living standards of employees and their families.	Effective Sustainability ensures the success of the Company, the growth of its business, and maximizing the profits of its shareholders.
Providing various programs of responsibility towards the community.	Rationalizing the consumption of water, food and power sources enhances community development.	Protecting the environment against pollution.	Providing the proper health care for employees and their families, including their parents, spouses and children.	The Company's application of sound sustainability contributes to accelerating the growth of the national economy.
Sustainable community ensures economic growth.	Compliance to the international specifications and standards in terms of reducing the waste in resources.	Healthy and safe Packaging.	Maintaining the well-being and welfare of employees.	Contributing to the development of the mills sector in the Kingdom is one of the Company's priorities.
A sustainable community is less vulnerable to risks.	Focusing on food preservation, and encouraging the reduction of food waste and loss.	Emphasizing the necessity of adding the nutritional value tables for products launched in the market with the appropriate details.	Giving special care to the moral principles and the code of conduct.	Achieving financial sustainability is a key goal of the Company.
Continuous development of sustainability benefits the community.	Promoting the reuse and recycling of food in the Kingdom.	Launching sustainability initiatives to improve job performance and operational aspects.	Training and raising employee awareness as part of the corporate social responsibility.	Strengthening cooperation between the private sector, government agencies, non-governmental organizations, restaurants and retail stores.
Increasing the Saudization rates of jobs in the Company serves the Saudi community.	Implementing the thermal treatment program to ensure the non-use of chemical pesticides, achieve better results that support the environment, and ensure higher quality of the finished products.			

In 2023G, in line with the materiality assessment procedures issued as per the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB), First Milling Company continued its efforts "Towards a Sustainable Community". Such shall be achieved by developing a more comprehensive sustainability strategy that revolves around three pillars; namely environmental, social and governance aspects, to align its sustainability approach with the renewable expectations of stakeholders.

### Materiality Assessment of Fundamental Sustainability Issues in "First Milling Company", 2023G



## Examples of the Company's Initiatives in Sustainability and ESG

The Company continues to focus on core value factors in the areas of environment, society and governance, which shapes its sustainability strategy. Today, the Company is a key player in the critical food supply chain, and its position as well as measures taken thereby on environmental, social and governance issues are key to its continued success. The Company firmly believes that the above would contribute to sustainable development and generate shared value in the market and local communities throughout the Kingdom as part of the Kingdom's Vision 2030, and more broadly in the Middle East region.

### 1 Environmental Initiatives

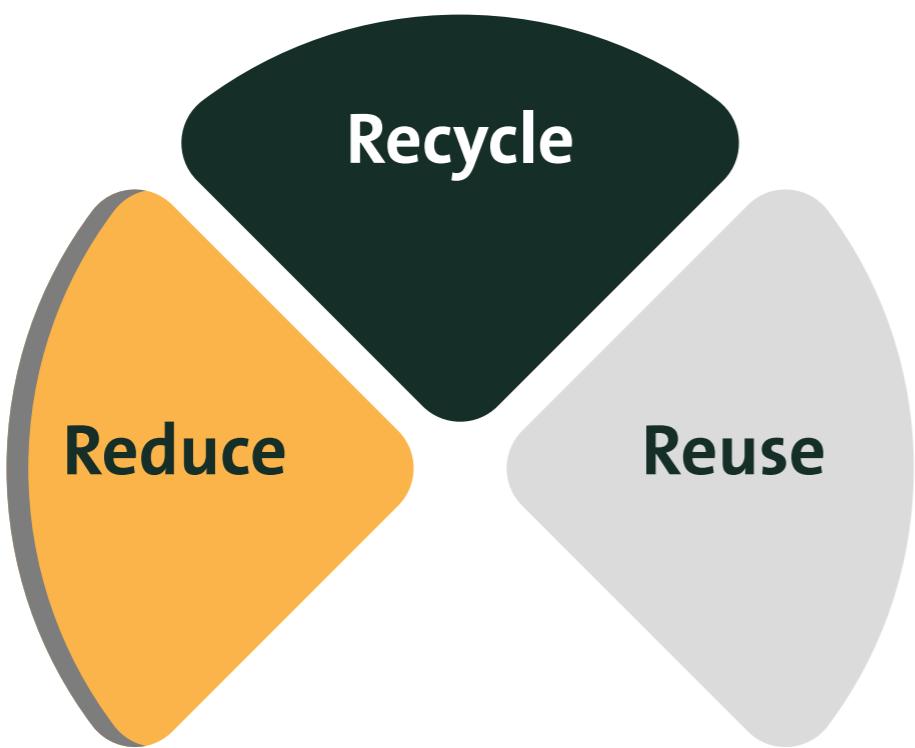
The environmental protection is one of the main objectives that the Company wishes to deeply instill in its business model. Hence, First Milling Company is keen on achieving excellence in all matters related to the environment, as well as the rationalization of water and direct and indirect power consumption. First Milling Company instills the culture of environmental protection in all its operations, and hence ensures that work is done in a way that protects the safety of man and the environment, as an integrate part of its commercial operations, plans and decisions.

#### Water Management

As for water management, First Milling Company is keen and committed to the rationalization of water consumption, as each of the Company's production facilities has a sewage water treatment plant with a capacity of 200 cubic meters, in which the sewage water is treated and stored in large tanks to be reused in agriculture and public services.

#### Waste Management

The disposal of wastes in landfills might pose a threat to the health of individuals and community as a whole, therefore, First Milling Company aims to apply the best waste management practices with the use of the 3R system to reduce, reuse and recycle wastes.



### Climate Change and GHG Emissions

The Company is aware of its responsibility and leadership role in protecting the environment. This responsibility stems from the fact that the Company is subject to various laws and regulations related to environment, health and safety, including laws and regulations related to the generation and treatment of waste containing hazardous materials. It should be noted that the Company holds the ISO 14001 certificate, which confirms that the Company employs a systematic approach that enables it to deal with various environmental issues in its operations, including carbon emissions. The Company has replaced the use of chemical pesticides with implementing a heat treatment project which serves the purpose of reducing harmful gas emissions and is more effective in pest control (Kindly review the details of the heat treatment project on page 104 of the report).

**The Company obtained  
(ISO14001)  
For Environmental Management**

**The Company obtained  
(ISO45001)  
Occupational Health and Safety**

### Development of Responsible Products

First Milling Company is committed to the development and production of high-quality flour products that fulfil various needs of its customers and enhances the products transparency, including the provision of the suitable brands, disclosures and quality. The Company has provided a number of various options for different sectors of the community like the gluten-free products, among others.

### 2 Social Initiatives

First Milling Company focuses on effective initiatives that directly affect the community, including the social, healthcare and educational initiatives, in addition to other initiatives that could unfold opportunities to develop and boost citizens and to care for their physical and psychological health. At the same time, the Company attempts to create some sort of balance between the economic, social and environmental needs while maintaining sustainable growth and community welfare.

#### Occupational Health and Safety

The Company's aims to continuously maintain the health and safety of its employees. The Company intends to continue its efforts to develop a safe work environment for its employees and avoid workplace injuries. In addition, the Company conducts periodic reviews for all its sites and production facilities in order to assess compliance with health, safety and environmental policies. The Company is subject to safety and health laws in force in the Kingdom, which set out various standards for regulating aspects of health, safety and security quality, and impose civil and criminal penalties and other liabilities for violations or breaches.

#### Employee and Talent Development - Employees Efficiency and Diversity

On top of the Company's priorities come the prosperity and productivity of employees. As for talent development, the Company has set up various

bespoke training and development programs. The Company continues to participate in all diversity and equality initiatives of all kinds, aiming to create additional value and enhance organizational performance, by organizing more than 24 training courses and preparing a training program for more than 1,053 employees in 2023G.

#### Food Safety and Quality

The Company has adopted more rigorous food safety standards, namely Good Manufacturing Practices (GMP) and Hazard Analysis & Critical Control Points (HACCP) that will help the Company to further enhance its public health standards. First Milling Company actively contributes to the provision and sustainability of food resources inside the Kingdom. The Company is also keen on maintaining the safety of the food served to consumers and clients through the provision of leading premium quality products. All of the Company's production facilities comply with regulatory norms, including those set by SFDA and GFSA, and have received Quality System Management (ISO) certifications.

#### Community Investments

Responsibility and oversight towards the protection of the environment and the entire planet. Our initiatives are related to activities like the Corporate Social Responsibility and the local community initiatives.

### 3 Governance Initiatives

The Company is keen to abide by regulatory regulations including the Corporate Governance Regulations, and further abides by the Kingdom's government approved policies, legislations and measures

#### Ethics and Regulatory Compliance

The Company is committed to operate with integrity and has developed a code of professional conduct to guide its business and daily decision-making in an ethical and transparent manner. The Company is currently launching a mandatory training program that will introduce its employees to the Code of Professional Conduct. Moreover, the Company has also completed the implementation of a comprehensive corporate governance framework, within which fair and transparent reporting mechanisms have been adopted. This includes a whistle-blowing

policy, which allows employees to report in good faith problems and concerns experienced thereby without fear of repercussions. A new position has been created within the Company dedicated to Governance, Risk and Compliance, which will be responsible for tracking, monitoring and reporting on governance and compliance initiatives, including environmental, social and governance commitments within the Company.

#### Confidentiality and Information Security

Through its IT and communications department, the Company has taken a number of overall security measures to protect information (companies, customers and employees). Ever since the onset of the year until now, no complaints/ security incidents or violations have been reported.

#### • Sustainability Objectives Achieved by the Company in 2023G

- 1** Responsibility and oversight towards the environmental protection.
- 2** Systematically tracking and managing the environmental footprint.
- 3** Prioritize food quality and integrity.
- 4** Enhance transparency about products, including the provision of appropriate labels and disclosures.
- 5** Invest in a safe workplace for employees by enhancing the culture of an injury-free workplace.
- 6** Various training and development programs and investing in the diversity and equality initiatives.
- 7** The continuous development of the Company's products.
- 8** Maintain and protect data security.

#### Community Contributions

First Milling Company focuses on the effective initiatives that directly affect the community, including the social, healthcare and educational initiatives, in addition to other initiatives that could unfold opportunities to develop and boost citizens and to care for their physical and psychological health. At the same time, the Company attempts to create some sort of balance between the economic, social and environmental needs while maintaining sustainable development and the community welfare.

#### Social Initiatives

Saudi Bakery Program	National Orphans Day	Ramadan Food Baskets
The Saudi Bakery program is a huge CSR initiative, which helps Saudi professionals with enthusiasm for bakery to have a career in the bakery world whether by opening a commercial project or by getting a job in this field. In its turn, First Milling Company is committed to empower the community and contribute to the provision of abundant food .and economic sources	It has been more of an annual tradition to celebrate the Saudi National Day (September 23) with the Charity Orphans Care Foundation (Ekhaa).	During the month of Ramadan 2023G, First Milling Company has donated flour to a number of charities, in addition to affixing the phrase "Made in Saudi Arabia" in the Company's donated boxes which included basic food stuff for the .needy families
Young Program Graduates Trained and Motivated to 400 Step into the World of Baking	About 30 Orphans have Benefited from the Company's Social Responsibility Projects	Donating Around 1000 kg for Beneficiaries of Food Basket Programs

First Milling Company allows its employees to volunteer in charity work, such as Kiswat Alsayyida Aish Endowment, to which First Milling Company and other companies donate, where the Company's employees have the opportunity to volunteer to complete these works. The boxes are prepared over three days before being sent to the organization.

### Sustainability in 2024G

First Milling Company hopes to increase its social role in 2024G through the community participation which plays an important and prominent role in achieving the objectives of the Company's strategic plan.

In the next phase, the Company plans to continue tracking and managing its environmental footprint systematically, by sourcing appropriate technologies to further reduce carbon and harmful gas emissions in its operations, in addition to adopting a well-thought-out and targeted water and waste management program. This would help the Company reduce its negative environmental impact. The Company also seeks to reduce harmful emissions by implementing a heat treatment project that will completely halt the use of chemical pesticides.

The Company's Management is constantly developing a sustainability strategy, which will positively affect the Company and other parties such as communities and shareholders.

### 4 - 19 Results of the Annual Review of the Company's Internal Control Procedures

#### Internal Control

The Board shall approve the internal control system for the Company in order to assess the policies and procedures relating to risk management, implementation of the provisions of the Company's governance rules approved by the Company and compliance with the relevant laws and regulations. Such system shall ensure compliance with clear accountability standards at all executive levels in the Company, and that Related Party transactions are implemented in accordance with the relevant provisions and controls.

#### Internal Audit Department Scope of Work

Review and Discussion	Oversight and Follow up	Check and Assess	Verify and Confirm	Recommend
Review of the submitted internal audit reports, and discuss any feedback	Oversight the Company's internal audit work, and follow up the effective implementation of its operations	Check and assess the effectiveness and adequacy of the Company's internal control systems	verify the presence of an effective internal control system inside the Company, and confirm that all violations are rectified	Recommend to the Board to activate and enhance the Company's internal controls

#### Auditing Process

The auditing reports did not reveal any substantial weakness in the Company's internal controls regarding the financial statements. In fact, most feedback mainly focused on enhancing performance, boosting the work of various departments and sections and raising the efficiency thereof, completing the authentication process for the sake of strengthening the control system and optimally using available resources.

#### Internal Auditor's Report

First Milling Company's Internal Audit Department has carried out a number of internal auditing processes during 2023G, in accordance with risk-based internal audit plan approved by the Audit Committee, with a special focus on the high-risk activities and processes in order to achieve the Company's objectives and protect its assets. In this respect, a number of internal auditing processes have been carried out to determine the adequacy and efficiency of the internal control system. The results were then reported to the relevant departments in order to handle the same and lay down the necessary corrective measures, to follow up the implementation thereof and in turn regularly report the results to the Audit Committee.

#### Audit Committee Opinion

In light of the findings of the internal audit tasks carried out by the relevant department, and following the discussions held with the independent auditor and the Executive Management on First Milling Company' annual and interim financial statements for the year 2023G, the Audit Committee did not detect any substantial deficit in the internal control environment, specially that the efficiency of the internal control system cannot be reliably assured.

## Maintaining Internal Audit Reports

The Company shall keep records of the audit reports and business documents, which shall clarify its accomplishments, findings and recommendations, and all actions taken in their regard.

## Audit Committee Recommendation Regarding the Need for Appointing an Internal Auditor in the Company, if There is None

The Audit Committee recommended the appointment of an internal auditor to the Company and started on the recruitment procedures and sorting nominees, since the internal audit tasks are currently assigned to a Third Party until the completion of the internal auditor recruitment process. So far, no recommendations have been issued by the Audit Committee that conflict with the Board resolutions and the Board did not refuse any of the recommendations made by the Audit Committee to the Board in 2023G.

## Corporate Governance Regulations

Generally speaking, First Milling Company complies with the provisions of the Corporate Governance Regulations issued by the Capital Market Authority (CMA) and the main governance principles for the companies operating in the Kingdom. First Milling Company is keen to abide by all governance regulations to pace up with the latest developments thereof, and to continuously update related policies and measures in the event of any regulatory updates that require the same.

## 4 - 20 Board Declarations

### First Milling Company Board hereby declares that:

- The accounting records have been duly updated and prepared.
- The internal control system has been duly made and adequately implemented.
- The Board has no doubts in First Milling Company' ability to continue its activity.
- The consolidated financial statements for the financial year ending as at December 31, 2023G have been prepared in accordance with full IFRS-KSA, and with other standards and pronouncements that are endorsed by SOCPA.
- No substantial events have occurred that affect the safety of the Company's financial position following the end of the financial year 2023G, that need to be disclosed, other than the already available information declared earlier.
- The Company Board did not receive any request from the financial auditors calling upon the General Assembly to convene in 2023G.
- The Company Board did not receive a request from Shareholders holding 5% or more of the Company Capital claiming upon the General Assembly to convene in 2023G.
- No measures have been taken obstructing the rights of Shareholders to vote.
- First Milling Company did not report any normal or legal person who holds 5% or more of the Company's issued shares in 2023G.
- There are no convertible debt instruments into shares, there are no option rights, subscription right memos or similar rights issued or granted by the Company in 2023G.
- The subsidiaries hold no equity shares or debt instruments.
- There are no recoveries, purchases or cancellations by the Company during 2023G for any of the recoverable debt instruments.
- No arrangements or agreements have been concluded, according to which any of the Company's Board Members or Senior Executives have assigned any salaries or remunerations.
- No arrangements or agreements have been concluded, according to which any of the Company's Shareholders have assigned any of their rights in dividends.
- First Milling Company is not party to any agreement in which any of the Board Members, CEO, CFO or any related person has or had a substantial interest, save for what has been already disclosed in the General Assembly meeting.
- First Milling Company did not offer any cash loans whatsoever to any of its Board Members and did not serve as a guarantor for any loan to any Third Party.
- No option rights or subscription rights are held by any of the Board Members, Senior Executives, their spouses or minor children.
- First Milling Company' independent auditor has expressed its opinion without reservations on the consolidated financial statements of 2023G.
- No recommendations have been issued by the Audit Committee that conflict with the Board resolutions or which the Board did not accept regarding the Company's auditor appointment, dismissal, remuneration, performance appraisal or the appointment of the internal auditor.
- None of the Board Members is/was exercising any business activities that are competitive to the Company business or any of the branches thereof.





## Financial Performance

**"Our Objective is Sustainable Profitable Growth"**

- 🌾 5-1 The Development of the Company's Financial Statements in the Last Five Years
- 🌾 5-2 Key Financial Ratios
- 🌾 5-3 Analysis of Annual Results in Summary
- 🌾 5-4 Overview of Quarterly Results
- 🌾 5-5 Notes on any Deviations from the Accounting Standards endorsed by SOCPA
- 🌾 5-6 Auditor's Report and Financial Statements for FY Ended 31 December 2023



## 5 - 1 The Development of the Company's Financial Statements in the Last Five Years

First Milling Company has achieved an ascending growth in its revenue over the last five years, despite of the increase of the cost of revenue as a percentage of

revenue from 56.5 in the last year to 57.2% this year, as a result of speeding the rhythm of Company operations and launching projects of new products.

### Summary of the Company's Financial Statements in the Last 5 Years

(All amounts in SAR mln)					
Description / Financial Year	2019G	2020G	2021G	2022G	2023G
<b>Business Results</b>					
Revenue	643.89	716.30	801.01	913.65	964.26
Cost of revenue	-441.27	-457.64	-469.54	-515.72	-551.12
Gross profit	202.62	258.66	331.47	397.93	413.14
Operating profit/loss	134.55	199.31	213.30	255.61	286.96
Net profit/loss	125.78	190.69	198.48	217.48	220.21
Earnings/Losses per Share (SAR)	2.33	3.54	396.95	24.33	3.97
<b>Statement of Financial Position</b>					
Current assets	477.39	650.92	298.65	415.11	357.54
Liabilities	88.89	77.80	154.30	337.44	289.36
Non-current assets	764.01	830.72	857.77	2,011.24	2,113.18
Non-current liabilities	261.94	322.59	336.93	1,337.95	1,289.22
Total assets	1,241.40	1,481.64	1,156.42	2,426.35	2,470.72
Total liabilities	350.84	400.39	491.23	1,675.39	1,578.58
Equity	890.57	1,081.25	665.19	750.96	892.14
Total liabilities and equity	1,241.40	1,481.64	1,156.42	2,426.35	2,470.72
Cash and cash equivalents	320.34	518.75	157.49	215.33	192.11
Total loans	0.00	0.00	0.00	1,170.67	1,044.11
<b>Statement of Cash Flows</b>					
Net cash from operating activities	140.22	255.02	303.22	232.48	317.89
Net cash from investing activities	-49.09	-35.15	-38.69	-37.10	-119.40
Net cash from financing activities	-51.03	-21.45	-625.80	-219.08	-221.71
Cash and cash equivalents as at the beginning of the year	280.24	320.34	518.75	157.49	215.33
Cash and cash equivalents at the end of the year	320.34	518.75	157.49	215.33	192.11

## 5 - 2 Key Financial Ratios

The following table shows the development of the business results and financial position over the last five years:

### Company's Most Prominent Financial Ratios over 5 Years

Description/Financial Year	2019G	2020G	2021G	2022G	2023G
<b>Liquidity Ratio</b>					
Working capital (SAR mln)	388.5	573.1	144.3	77.7	68.2
(%) Current ratio	537.0	836.6	193.5	123.0	123.6
(%) Cash ratio	360.4	666.8	102.1	63.8	66.4
(%) Equity ratio	71.7	73.0	57.5	31.0	36.1
<b>Debt Ratio</b>					
(%) Total debt ratio	28.3	27.0	42.5	69.0	63.9
Total asset to equity ratio (times)	1.4	1.4	1.7	3.2	2.8
(%) Total liabilities to equity ratio	39.4	37.0	73.8	223.1	176.9
(%) Debt-to-total-assets ratio	0.0	0.0	0.0	48.2	42.3
<b>Profit Ratio</b>					
(%) Total profit margin	31.5	36.1	41.4	43.6	42.8
(%) Net profit margin	19.5	26.6	24.8	23.8	22.8
(%) Return on assets	10.1	12.9	17.2	9.0	8.9
(%) Return on equity	14.1	17.6	29.8	29.0	24.7

## 5 - 3 Analysis of Annual Results in Summary

First Milling Company has achieved an ascending growth in its revenue over the last five years, despite of the increase of the cost of revenue as a percentage of

revenue from 56.5 in the last year to 57.2% this year, as a result of speeding the rhythm of Company operations and launching projects of new products.

### Income Statement

- The Company revenues increased about 5.5% amounting to SAR 964.3 million in 2023G, compared to SAR 913.7 million in 2022G. This came as the flour revenue hiked 9% to SAR 552.9 million, backed by launching projects of new products and the robust growth in the sales of mini packages. It would be of worth here to note that for the first time, the Company has registered sales in the ready-to-bake mixes, launched lately, in addition to the sales of the Pesa mill. The sales of the Company's brand "Aloula" witnessed a growth in the retail sales by 37% in mini packages on an annual basis. The bran revenues also climbed 5.9% thus becoming SAR 140.31 million, with a slight dip in the feed revenue of about 1%, despite the increase in amounts soled by 9% year-on-year (Y-O-Y), thus growing to SAR 271.05 million. Such retreat is attributed to the first half of the year, to pace up with competitiveness by reducing the feed products prices, in response to the decrease in demand and the extended rain season in the Kingdom.
- First Milling Company net profits climbed by the end of the current year by about 1.25%, rising to SAR 220.21 million, compared to SAR 217.48 million last year. Profits increased despite the interest costs due to the transfer of the long-term financing, following the completion of the merge with the mother company "Al-Raha Al-Safi Food Company", which was entered in First Milling Company registers as of 15/09/2022G. Save for the interest rate costs, the net profits for this period on a back-to-back basis will register an approximate increase of about 17.6%, compared to the year-ago period. This is mainly due to the increase in profit rates and the increase in the Company's sales sizes and values in general, led by the flour products sales. Let alone, the review and management of the general and administrative expenses which fell by SAR 24 million including some expenses that were not repeated and were only registered for once. The sales and distribution expenses rose by 21.5% in 2023G, as a result of adding the costs of the new projects, the additional investment in the brand "Aloula", and the expenses related to the transfer of inventories among branches, to support the temporary suspension of Mill C in Jeddah Facility and some other organizational expenses.
- The Company's operating profits have been enhanced in the current year to reach SAR 286.96 million, compared to SAR 255.61 million in 2022G, with an increase of 12.3%, which is mainly due to the decrease of the general and administrative expenses at about 23.7%.

### Annual Change in Main Items of the Income Statement

(All amounts in SAR mln)

Most Prominent Items in Income Statement	2022G	2023G	Change	(%) Change
Revenue	913.65	964.26	50.61	5.54
Cost of Revenue	-515.72	-551.12	-35.39	6.86
Gross Profit	397.93	413.14	15.22	3.82
Operating profit/loss	255.61	286.96	31.35	12.27
Net profit/loss	217.48	220.21	2.73	1.25

### Statement of Financial Position

- In 2023G, the Company's total assets hiked 1.8% to reach SAR 2,470.72 million, compared to SAR 2,426.35 million in 2022G. This hike is due to the increase in the item of property, plant and equipment from 2022G to 2023G by 24.7%, as well as the rise in the value of inventories from SAR 119.1 last year to SAR 148.35 million this year, with an increase of 24.6%.
- Over both years, subject of comparison, the total equity rights rose by 18.8% to SAR 892.14 million, compared to SAR 750.96 million last year, as a result of the increase of retained earnings by 101.4% Y-O-Y, rising to SAR 245.03 million by the end of this year, compared to SAR 121.69 million in 2022G.

### Annual Change in Main Items of the Financial Position Statement

(All amounts are in SAR mln)

Most Prominent Items of Income Statement	2022G	2023G	Change	(%) Change
Current assets	415.11	357.54	-57.57	-13.87
Non-current assets	2,011.24	2,113.18	101.94	5.07
Total assets	2,426.35	2,470.72	44.37	1.83
Current liabilities	337.4	289.36	-48.08	-14.25
Non-current liabilities	1,337.95	1,289.22	-48.73	-3.64
Total liabilities	1,675.39	1,578.58	-96.81	-5.78
Total equity	750.96	892.14	141.18	18.80
Total liabilities and equity	2,426.35	2,470.72	44.37	1.83

### 5 - 4 Overview of Quarterly Results

The Company's quarterly results saw an increase in Q1 and Q4 of this year, compared to the last year, while the profits of Q2 and Q3 of the current year decreased,

compared to the year-ago period. The following table shows the development of the Company's quarterly results between 2022G and 2023G:

Description/Period	Q1		Q2		Q3		Q4		Total	
	2022G	2023G								
Total revenue	242.37	255.55	206.85	213.96	237.84	248.14	226.60	246.62	913.65	964.26
Total profit	111.36	120.14	94.88	87.99	103.76	100.40	87.92	104.60	397.93	413.14
Operating profit/loss	77.53	90.97	66.16	51.33	74.77	70.73	37.16	73.93	255.61	286.96
Net profit/loss	72.45	73.76	61.25	34.91	63.49	54.04	20.29	57.50	217.48	220.21

## 5 - 5 Notes on any Differences from the Accounting Standards Endorsed by SOCPA

### Description

The accounting policies applicable to preparing the abridged interim financial statements do comply with those applicable in preparing the Company's financial statements for the year ending as at December 31, 2022G, save for the adoption of the new standards, interpretations and amendments effective as of January 1, 2023G, as stated in Note 5-1. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

### New Standards, Interpretations and Amendments

#### 1 New Standards, Interpretations and Amendments Applied

Several amendments and interpretations are adopted for the first time in 2023G, which are effective for annual periods beginning on or after 1 January, 2023G which do not have a material effect on these financial

statements except for amendments to IAS 1 "Disclosure of Accounting Policies" the effect of which have been reflected in the Company's financial statements .

Standards, Interpretations and Amendments	Description	Effective from Periods Beginning on or after the Following Date
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	These amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	January 1, 2023G
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	January 1, 2023G
IFRS 17, 'Insurance contracts', as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	January 1, 2023G
International tax reform - pillar two model rules - amendments to IAS 12	The amendments introduce a relief from deferred tax accounting for the global minimum top-up tax under Pillar Two, which applies immediately, and new disclosure requirements, which apply from 31 December 2023. No disclosures are required in interim periods ending on or before 31 December 2023.	May 23, 2023G

#### 2

#### New Standards, Interpretations and Amendments Issued but not yet Adopted

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the financial statements are disclosed below. The Company intends to adopt these standards, where

applicable, when they become effective. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Standards, Interpretations and Amendments	Description	Effective from Periods Beginning on or after the Following Date
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period.	January 1, 2024G
Amendments to IAS 7 and IFRS 7	The classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing change to this amendment.	January 1, 2024G
Amendments to IAS 1	Supplier finance arrangements	January 1, 2024G
Amendments to IFRS 16	Non-current liabilities with covenants	January 1, 2024G
IFRS S1	Lease liability in a sale and leaseback	January 1, 2024G
IFRS S1	General requirements for disclosure of sustainability related financial information	January 1, 2024G
IFRS S2	Climate related disclosures	January 1, 2024G
Amendments to IAS 21	Lack of exchangeability	January 1, 2024G
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely

The standards, interpretations and amendments with effective date as of January 1, 2024G, or after, will not have any material impact on the Company's financial statements, whereas for other above-mentioned

standards, interpretations and amendments, the Company is currently assessing the impacts on the Company's financial statements upon adoption.

## 5 - 6 Auditor's Report and Financial Statements for Financial Year Ended 31 December 2023

**THE FIRST MILLING COMPANY**  
(A Saudi Joint Stock Company)

**FINANCIAL STATEMENTS**  
For the year ended 31 December 2023

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**THE FIRST MILLING COMPANY**  
(A Saudi Joint Stock Company)

**FINANCIAL STATEMENTS**  
For the year ended 31 December 2023  
with  
**INDEPENDENT AUDITORS' REPORT**

Introduction

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**KPMG Professional Services**

Zahran Business Center  
Prince Sultan Street  
P.O. Box 55078  
Jeddah 21534  
Kingdom of Saudi Arabia  
Commercial Registration No 4030290792  
  
Headquarters in Riyadh

**كي بي إم جي للاستشارات المهنية**  
مركز زهان للأعمال  
شارع الأمير سلطان  
ص.ب. 55078  
جده 21534  
المملكة العربية السعودية  
سجل تجاري رقم 4030290792  
المركز الرئيسي في الرياض

# Independent Auditor's Report

To the Shareholders of The First Milling Company

## Opinion

We have audited the financial statements of **The First Milling Company ("the Company")**, which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



# Independent Auditor's Report

To the Shareholders of The First Milling Company (continued)

## Revenue recognition

Refer Note 4.10 for the accounting policy relating to revenue recognition and Note 28 for the relevant disclosure.

### Key audit matter

During the year ended 31 December 2023, the Company recognized total net revenue of SR 964 million (2022: SR 914 million).

Revenue from sales is recognised at point in time when control over the goods is transferred to the customer on delivery of the goods in accordance with "IFRS 15 - Revenue from contracts with customers".

Revenue is a key indicator for measuring performance, and this implies the presence of inherent risks to overstate revenue recognition to increase profitability and earnings. Therefore, revenue recognition was considered a key audit matter.

### How the matter was addressed in our audit

Our audit procedures performed included, among other audit procedures, the following:

- Assessed the appropriateness of the Company's accounting policies for revenue recognition in line with the requirements of IFRS Accounting Standards that are endorsed in Kingdom of Saudi Arabia;
- Evaluated key contractual and returns arrangements by considering relevant documentation and agreements with the customers;
- Assessed the design and implementation, of the Company's controls, including anti-fraud controls, over the recognition of revenue;
- Performed variance analysis by comparing the current year's revenue with the historical trend, and discussed material variances, if any;
- Selected a sample of sales transactions taking place during the year and inspected the supporting documents to ensure they were recognized at the correct amounts;
- Recalculated and inspected discounts and rebates for a sample of customers according to their agreements;
- Inspected a sample of sales transactions taking place before and after the year-end to assess whether revenue was recognized in the correct accounting period; and
- Assessed the adequacy of the relevant disclosures in accordance with the requirements of IFRS 15 included in the financial statements.

## Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

# Independent Auditor's Report

To the Shareholders of The First Milling Company (continued)

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Board of directors, are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **The First Milling Company** ("the Company").

# Independent Auditor's Report

To the Shareholders of The First Milling Company (continued)

## Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## KPMG Professional Services



Ebrahim Oboud Baeshen  
License No. 382

Jeddah, 12 March 2024  
Corresponding to 2 Ramadan 1445H

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**THE FIRST MILLING COMPANY**  
 (A Saudi Joint Stock Company)

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2023

(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Notes	31 December 2023	31 December 2022
<b>Assets</b>			
Property, plant and equipment	7	<b>670,765,957</b>	537,778,519
Right-of-use assets	8	<b>303,965,688</b>	319,617,116
Intangible assets	9.1	<b>5,072,978</b>	5,018,059
Derivative financial instruments	10	<b>42,706,671</b>	58,158,366
Goodwill	11	<b>1,090,669,302</b>	1,090,669,302
<b>Non-current assets</b>		<b>2,113,180,596</b>	<b>2,011,241,362</b>
Inventories	12.1	<b>148,348,323</b>	119,100,330
Trade receivables	13.1	<b>5,079,540</b>	6,182,342
Prepayments and other current assets	14	<b>12,003,623</b>	66,587,729
Due from related parties	38	--	7,912,120
Cash and cash equivalents	15	<b>192,106,283</b>	215,326,438
<b>Current assets</b>		<b>357,537,769</b>	<b>415,108,959</b>
<b>Total assets</b>		<b>2,470,718,365</b>	<b>2,426,350,321</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	16	<b>555,000,000</b>	555,000,000
Shareholders' contributions	17	<b>6,751,214</b>	4,278,483
Merger reserve	18	<b>(37,554,503)</b>	(37,554,503)
Statutory reserve	19	<b>82,823,399</b>	60,802,576
Cash flow hedge reserve	10	<b>32,772,540</b>	46,749,353
Employees' share based payments reserve	20	<b>7,313,714</b>	--
Retained earnings		<b>245,030,498</b>	<b>121,685,113</b>
<b>Total equity</b>		<b>892,136,862</b>	<b>750,961,022</b>
<b>Liabilities</b>			
Long-term loans	23	<b>936,386,086</b>	1,006,401,558
Lease liabilities	22	<b>315,388,331</b>	326,656,872
Long-term payable	24	<b>30,897,915</b>	--
Employees' defined benefit obligations	25	<b>6,552,000</b>	4,892,000
<b>Non-current liabilities</b>		<b>1,289,224,332</b>	<b>1,337,950,430</b>
Trade and other payables		<b>48,925,432</b>	44,137,592
Accrued expenses and other liabilities	26	<b>74,238,203</b>	81,846,360
Current portion of long-term loans	23	<b>107,722,374</b>	164,272,151
Current portion lease liabilities	22	<b>22,701,707</b>	23,084,338
Current portion of long-term payable	24	<b>9,651,927</b>	--
Advances from customers	27	<b>18,776,505</b>	17,669,986
Due to related parties	38	<b>686,140</b>	261,449
Zakat payable	35.1	<b>6,654,883</b>	6,166,993
<b>Current liabilities</b>		<b>289,357,171</b>	<b>337,438,869</b>
<b>Total liabilities</b>		<b>1,578,581,503</b>	<b>1,675,389,299</b>
<b>Total equity and liabilities</b>		<b>2,470,718,365</b>	<b>2,426,350,321</b>

 Tariq Mutlaq Abdullah AlMutlaq  
 Chairman

 Abdullah Abdul-Aziz Abdullah Ababtain  
 CEO

 Manwel Adib Bou Hamdan  
 CFO

 The accompanying notes from 1 to 42 form an  
 integral part of these financial statements.

**THE FIRST MILLING COMPANY**  
 (A Saudi Joint Stock Company)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2023

(Expressed in Saudi Arabian Riyals, unless otherwise specified)

	Notes	2023	2022
Revenue from contracts with customers	28	<b>964,261,133</b>	913,649,822
Cost of revenue	29	<b>(551,117,257)</b>	(515,723,784)
<b>Gross profit</b>		<b>413,143,876</b>	<b>397,926,038</b>
Selling and distribution expenses	30	<b>(47,755,357)</b>	(39,303,827)
General and administrative expenses	31	<b>(78,059,958)</b>	(102,338,998)
Expected credit loss on trade receivables	13.2	<b>(622,031)</b>	(675,593)
Gain on disposal of property, plant and equipment		<b>255,025</b>	--
<b>Operating profit</b>		<b>286,961,555</b>	<b>255,607,620</b>
Finance costs	32	<b>(93,688,155)</b>	(36,931,751)
Finance income	33	<b>32,743,108</b>	4,757,213
Other income	34	<b>188,528</b>	272,404
<b>Profit before zakat</b>		<b>226,205,036</b>	<b>223,705,486</b>
Zakat expense	35.1	<b>(5,996,810)</b>	(6,224,755)
<b>Profit for the year</b>		<b>220,208,226</b>	<b>217,480,731</b>
<b>Other comprehensive (loss) / income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of defined benefit liability	25	<b>1,192,982</b>	(707,205)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Effective portion of changes in fair value of cash flow hedge	10	<b>(13,976,813)</b>	4,229,356
<b>Other comprehensive (loss) / income for the year</b>		<b>(12,783,831)</b>	<b>3,522,151</b>
<b>Total comprehensive income for the year</b>		<b>207,424,395</b>	<b>221,002,882</b>
<b>Earnings per share for the year attributable to shareholders of the Company (SR):</b>			
Basic	37.1	<b>3.97</b>	24.33
Diluted	37.1	<b>3.95</b>	24.33

Tariq Mutlaq Abdullah AlMutlaq

Chairman

Abdullah Abdul-Aziz Abdullah Ababtain

CEO

Manwel Adib Bou Hamdan

CFO

 The accompanying notes from 1 to 42 form an  
 integral part of these financial statements.



**THE FIRST MILLING COMPANY**  
 (A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2023  
 (Expressed in Saudi Arabian Riyals, unless otherwise specified)

**1. COMPANY INFORMATION**

The First Milling Company (the "Company"), a Saudi Joint Stock Company, was incorporated in accordance with the Companies' Regulations in the Kingdom of Saudi Arabia under Commercial Registration No. 4030291813 issued on 10 November 2016 (corresponding to 10 Safar 1438H). The Company's licensed activities include flour production in the Kingdom of Saudi Arabia and all activities related to the provision of wheat products, animal feed and related products, including making any contracts or making any related arrangements.

The Company was formed by the Public Investment Fund (the "PIF") pursuant to the resolution of the Council of Ministers No. (35) of 9 November 2015 (corresponding to 27 Muharram 1437H) approving the adoption of the necessary actions to establish four Joint Stock Milling Companies according to the proposed geographical distribution. The Public Investment Fund, in coordination with the General Food Security Authority ("GDSA") previously known as Saudi Grains Organization (the "SAGO"), shall do so in accordance with Royal Decree No. (62) dated 31 July 2014 (corresponding to 4 Shawwal 1435H).

The Company is selling various products of flour, feed and bran out of which the selling prices of only the flour products weighing 45 KGs and above are determined by the GDSA.

On 9 September 2020 (corresponding to 17 Shawwal 1441H), Cabinet Resolution No. (631) was issued to transfer the ownership of the Company to the National Center for Privatisation (the "NCP") and for the NCP to carry out the tasks assigned to the Public Investment Fund by Cabinet Resolution No. (118) and dated 30 October 2018 (corresponding to 21 Safar 1440H). The Company's shares were wholly sold to Al Raha Al Safi Food Company (the "Parent Company") on 31 December 2020 (corresponding to 16 Jumada Al Awal 1442H).

The Company has entered into a subsidised wheat purchase agreement with GDSA, as GDSA imports wheat to Saudi Arabia for the purpose of producing subsidised flour. This agreement was entered into force on 1 January 2017 (corresponding to 3 Rabi Al Thani 1438H). The agreement stipulates that the purchase price of the subsidised wheat is calculated according to the monetary value per metric ton of subsidised wheat specified by the Government of the Kingdom of Saudi Arabia at SR 180 per metric ton since 2017. The Company also has an option to import the wheat directly or to source it from the open market.

On 30 November 2020 (corresponding to 15 Rabi' Al Thani 1442H), the wheat purchase agreement was extended and it will be in force until the date of expiry of the Company's milling operating license, subject to an automatic extension of the contract term to match the term of the Company's license. This license shall remain valid for a period of twenty-five (25) Gregorian years, counted from the date of completion of the transfer of ownership of all shares of the licensee to the private sector that was completed on 31 December 2020 (corresponding to 16 Jumada Al Awal 1442H).

On 29 June 2022 (corresponding to 30 Dhul Qadah 1443H), the Company entered into a merger agreement (the "Merger") pursuant to which the Company and the Parent Company have agreed to take necessary steps to implement the Merger between the two Companies. Subsequently, on 15 September 2022 (corresponding to 19 Safar 1444H), pursuant to the approval of the Ministry of Commerce (the "MOC"), the Parent Company ceased to exist and all of the assets and liabilities of the Parent Company were transferred to the Company.

**THE FIRST MILLING COMPANY**  
 (A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2023  
 (Expressed in Saudi Arabian Riyals, unless otherwise specified)

**1. COMPANY INFORMATION (continued)**

The Company and the Parent Company have satisfied the required regulatory approvals and the Merger conditions agreed between the two companies in the Merger agreement. The legal formality has been completed and the amended By-Law and commercial registration were issued on 6 November 2022 (corresponding to 12 Rabi Al Thani 1444H).

The members of the Extraordinary General Assembly have approved the offering and listing of the Company's shares in Tadawul on 6 November 2022 (corresponding to 12 Rabi Al Thani 1444H). On 17 May 2023 (corresponding to 27 Shawwal 1444H) the Company announced its intention to float 16,650,000 shares representing 30% of the Company's share capital and to proceed with an initial public offering and listing on the main market of the Saudi Exchange (Tadawul). The Company was successfully listed on the Saudi Exchange on 22 June 2023 corresponding to 4 Dhul Hijjah 1444H.

The new Companies Law issued through Royal Decree M/132 on 30 June 2022 (corresponding to 1 Dhul Hijjah 1443H) (hereinafter referred as "the Law") came into force on 19 January 2023 (corresponding to 26 Jumada Al-Thani 1444H). For certain provisions of the Law, full compliance is expected not later than two years from 19 January 2023 (corresponding to 26 Jumada Al-Thani 1444H). The management has assessed the impact of the New Companies Law on its By-Laws for any changes to align the Articles to the provisions of the Law. Consequently, the Company presented the amended By-Laws to the shareholders in their extraordinary General Assembly meeting for their ratification that have been approved by the members of General Assembly on 10 January 2024 (corresponding to 28 Jumada Al-Thani 1445H). The Company completed the legal procedures and the commercial register and the amended By-laws were issued on 4 February 2024 (corresponding to 23 Rajab 1445H) and 29 January 2024 (corresponding to 17 Rajab 1445H) respectively.

The registered address of the Company is as follows:

Jeddah Islamic Port  
 Between Gates 7 and 8  
 Jeddah 22312  
 Kingdom of Saudi Arabia

The Company operates through four branches, which are as follows:

Branch Location	Date	Commercial Registration No.
Jeddah	28 March 2017 (corresponding to 29 Jumada Al Thani 1438H)	4030294014
Qassim	28 March 2017 (corresponding to 29 Jumada Al Thani 1438H)	1131057624
AlAhsa	28 March 2017 (corresponding to 29 Jumada Al Thani 1438H)	2250067938
Tabuk	28 March 2017 (corresponding to 29 Jumada Al Thani 1438H)	3550038652

**THE FIRST MILLING COMPANY**  
 (A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2023

(Expressed in Saudi Arabian Riyals, unless otherwise specified)

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and other standards and pronouncements that are endorsed in the Kingdom of Saudi Arabia issued by the Saudi Organization for Chartered and professional Accountants ("SOCPA") collectively referred to as "IFRS Accounting Standards" as endorsed in the Kingdom of Saudi Arabia.

**2.2 Basis of measurement**

These financial statements have been prepared using accrual basis of accounting, going concern concept and under the historical cost basis, except employees' defined benefit obligations which are recognised at the present value of future obligation using the Projected Unit Credit Method and derivative financial instruments which are recognised at fair value through other comprehensive income.

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison.

**2.3 Functional and presentation currency**

These financial statements are presented in Saudi Arabian Riyals (SR) which is the functional and presentation currency of the Company. All amounts have been rounded to the nearest SR, unless otherwise stated.

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of Company's financial statements require management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of revenues, expenses, assets, liabilities and accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**Estimates and assumptions**

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 year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**THE FIRST MILLING COMPANY**  
 (A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2023

(Expressed in Saudi Arabian Riyals, unless otherwise specified)

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS  
 (continued)**

**3.1 Useful lives and residual value of property, plant and equipment and intangible assets**

The Company's management determines the estimated useful lives of its property, plant and equipment and intangible assets with finite useful lives for calculating depreciation and amortisation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value, depreciation and amortisation methods and useful lives annually and future depreciation and amortisation charges would be adjusted where the management believes the useful lives differ from previous estimates and to ensure that the methods and period of depreciation and amortisation are consistent with the expected pattern of economic benefits from these assets.

**3.2 Determining lease term for leases with termination option - Company as lessee**

The Company determines the term of the lease as non-cancellable in any periods covered by the option to terminate the lease if the Company is certain of the reasonableness of exercising that option.

The Company has several lease contracts that include termination options. The Company decides through its evaluation of the lease whether it is reasonable to exercise the option to terminate the lease. This means that the Company considers all relevant factors that constitute an economic incentive to exercise the option to terminate the lease. After the lease commencement date, the Company reassesses the lease term if there is an event or change in circumstances within the Company's control that affects the Company's ability to exercise the option to terminate (such as: making material improvements to the lease or a material restructuring of the lease).

**3.3 Leases - Estimating the incremental borrowing rate**

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

**3.4 Provision for slow moving and obsolete inventory items**

The management makes a provision for slow moving and obsolete inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the financial position date to the extent that such events confirm conditions existing at the end of year.

**THE FIRST MILLING COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2023

(Expressed in Saudi Arabian Riyals, unless otherwise specified)

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS  
(continued)**

**3.5 Defined benefit plans**

The cost of the employees' defined benefit obligations and other post-employment medical benefits and the present value of the employees' defined benefit obligations are determined based on the Projected Unit Credit Method as defined under IAS-19 "Employee Benefits" using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long- term nature, employees' defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

**3.6 Impairment of non-financial assets**

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

**3.7 Determination of discount rate for present value calculations**

Discount rates represent the current market assessment of the risks specific to each cash flow stream, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and is derived from recent market transactions and a market yields overview.

**3.8 Going concern**

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on going concern basis.

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**4. MATERIAL ACCOUNTING POLICIES**

The Company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise.

In addition, the Company adopted the Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material' rather than 'significant' accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in certain instances.

**4.1 Property, plant and equipment**

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit or loss and other comprehensive income as incurred. The present value of the expected cost for the decommissioning (if any) of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the assets for the calculation of depreciation are as follows:

<b>Categories</b>	<b>Useful lives</b>	<b>Categories</b>	<b>Useful lives</b>
Buildings	shorter of the useful life and lease term	Furniture and fittings	6.67 - 10 years
Plant and machinery	10 - 25 years	Computer equipment	3 - 4 years
Motor Vehicles	5 years		

The depreciation of plant is calculated on the useful lives of the components of the principal asset.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income as gain or loss on disposal of property, plant and equipment as a part of the operating profit when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Projects under construction are not depreciated and are stated at cost less accumulated impairment losses, if any, and are classified under "Capital work in progress". These assets are transferred to property, plant and equipment as and when assets are available for intended use.

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.2 Leases**

**4.2.1 Right-of-use assets**

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

**4.2.2 Lease liabilities**

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the year on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

**4.3 Goodwill**

Goodwill represents the difference between the cost of businesses acquired and the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill arising on acquisitions is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses on goodwill are not reversed.

Goodwill is assessed for impairment at Company level (group of CGUs) and is not allocated to different business units (CGUs).

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.4 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**4.4.1 Financial Assets**

The Company's financial assets comprise of cash and cash equivalents, trade and other receivables, margin against letter of credits and guarantees and due from related parties.

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

On initial recognition, a financial asset is classified as measured at:

- Amortized cost;
- Fair value through other comprehensive income (FVOCI) – debt instruments;
- Fair value through other comprehensive income (FVOCI) – equity instruments; or
- Fair value through profit or loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash at banks and on hand and short-term deposits with a maturity of 90 days and are subject to an insignificant risk of changes in value.

**Trade receivable and other current financial assets**

Trade receivables and other current financial assets are measured at amortized cost and comprise of trade receivables and other current financial assets.

**Due from related parties**

Amounts due from related parties are measured at amortized cost.

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.4 Financial instruments (continued)**

**4.4.2 Financial liabilities**

Financial liabilities are classified as measured at amortized cost or financial liabilities at fair value through profit or loss FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities are classified as "held for trading" if they are acquired for the purpose of selling in the near future. This category includes derivative financial instruments entered by the company that are not designated as hedging instruments as stated in IFRS 9. Other financial liabilities are measured at amortized cost using the effective interest method.

The Company's financial liabilities include trade payables, certain accrued expenses and other current liabilities, loans, lease liabilities and due to related parties. At 31 December 2023, all the Company's financial liabilities are classified at amortised cost.

**Loans**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**4.5 Derivative financial instruments and hedge accounting**

Derivative financial instruments including interest rate swaps and profit rate cap are measured at fair value and these are designated as cash flow hedge. For the purpose of hedge accounting, these hedging instruments are classified as cash flow hedge.

Fair values are obtained by reference to quoted market prices and/or valuation models as appropriate.

**Hedge accounting**

The Company designates certain derivatives as hedging instruments in qualifying hedging relationships to manage exposures to interest rate risk, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risk, the Company applies hedge accounting for transactions that meet specific criteria. The Company is applying the hedge accounting as per the requirements of IFRS 9 for its derivatives.

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.5 Derivative financial instruments and hedge accounting (continued)**

**Hedge accounting (continued)**

In order to qualify for hedge accounting, the hedge should be expected to be "highly effective", i.e., the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and should be reliably measurable. At inception of the hedge, the risk management objective and strategy are documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Company will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each reporting date.

A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognised in the profit or loss. For situations where the hedged item is a forecast transaction, the Company also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the statement of profit or loss and other comprehensive income.

**Cash flow hedges**

In relation to cash flow hedges which meet the criteria for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised initially in cash flow hedge reserves under equity through other comprehensive income and the ineffective portion, if any, is recognised in the profit or loss. For cash flow hedges affecting future transactions, the gains or losses recognised in cash flow hedge reserve, are transferred to the profit or loss in the same period in which the hedged transaction affects the profit or loss. However, if the Company expects that all or a portion of a loss recognised in other comprehensive income will not be recovered in one or more future periods, it shall reclassify into the profit or loss as a reclassification adjustment the amount that is not to be recognised.

Hedge accounting is discontinued when the hedging instrument is expired or sold, terminated or exercised, or no longer qualifies for hedge accounting, or the forecast transaction is no longer expected to occur or the Company revokes the designation then hedge accounting is discontinued prospectively. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognised in cash flow hedge reserve from the period when the hedge was effective is transferred from equity to the profit or loss when the forecasted transaction occurs.

Where the hedged forecasted transaction is no longer expected to occur and affect the profit or loss, the net cumulative gain or loss recognised in cash flow hedge reserve is transferred immediately to the profit or loss.

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.6 Inventories**

Cost is measured as follows:

Finished goods	Direct cost of raw materials as well as overheads, the latter of which is allocated based on the normal level of activity. Finished goods are stated at cost or net realizable value, whichever is lower with provision for any obsolete or slow-moving goods. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.
Wheat	Weighted average of SR 180 per metric ton (Note 1).

Goods of production inputs, goods of production services and others Weighted average

**4.7 Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash at banks and short-term deposits, as defined above, net of outstanding bank overdrafts, if any, as they are considered an integral part of the Company's cash management.

**4.8 Employees' defined benefit obligations**

**Defined benefit plans**

The Company has defined benefit plans with General Organization for Social Insurance "GOSI" where the Company and the employees contribute fixed percentage of their salary toward the retirement of its employees. The Company operates defined benefit plans, under the Saudi Arabian Labor Law based on employees' accumulated periods of service at the statement of financial position date.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the year end in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.8 Employees' defined benefit obligations (continued)**

Past service costs are recognized in income at the earlier of:

- The date of the plan amendment or curtailment; and
- The date on which the Company recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Company recognizes the changes in the net defined benefit obligation for service costs that comprises current service costs, past-service costs, gains and losses on curtailments and non-routine settlements under "general and administrative expenses" and for net interest expense or income under "finance cost" in the statement of profit or loss and other comprehensive income.

**Share based payment plan**

The Company maintains an equity-settled share based payment plan for its key management. The grant-date fair value of such share based payment arrangement granted to employees is recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

The Company will acquire its own shares in connection with the anticipated grant of shares to the key management in future. Until such time as the beneficial ownership of such shares in the Company passes to the employees, the unallocated / non-vested shares will be treated as treasury shares.

**4.9 Impairment of non-financial assets**

The Company assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.9 Impairment of non-financial assets (continued)**

Impairment losses of continuing operations are recognised in the statement of profit or loss and other comprehensive income in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss and other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

**4.10 Revenue from contracts with customers**

The Company is involved in manufacturing of flour, feed, bran (by-product) and other related products. The revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on dispatch of goods from the warehouse. The revenue is recognized at an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those goods or services.

Under IFRS 15 Revenue from Contracts with Customers, the Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer.

The Company has concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

**4.11 Zakat**

Zakat provision is calculated and recorded based on the zakat base according to the regulations of the Zakat, Tax and Customs Authority (“ZATCA ”). The expense relating to a provision is charged to the statement of profit or loss and other comprehensive income.

**4.12 Operating profit**

Operating profit is the result generated from the continuing principal revenue producing activities of the Company as well as other income and expenses related to operating activities. Operating profit excludes finance costs, finance income and zakat expense.

**4.13 Selling, distribution, general and administrative expenses**

Selling, distribution, general and administrative expenses include direct and indirect costs not specifically part of cost of revenue. Allocations between cost of revenue, selling and distribution, and general and administrative expenses, when required, are made on a consistent basis.

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**4. MATERIAL ACCOUNTING POLICIES (continued)**

**4.14 Finance costs**

Finance costs comprises of finance cost on loans, amortisation of loan transaction cost, finance cost on lease liabilities, interest cost on employees' defined benefit obligations and financing charges as and when incurred by the Company.

**5. NEW STANDARDS, INTERPRETATION AND AMENDMENTS**

**5.1 New standards, interpretations and amendments adopted**

Several amendments and interpretations apply for the first time in 2023, which are effective for annual periods beginning on or after 1 January 2023 which do not have a material effect on these financial statements except for amendments to IAS 1 “Disclosure of Accounting Policies” the effect of which have been reflected in these financial statements.

*Effective from periods beginning on or after the following date*

1 January 2023

**Standards, amendments, interpretations**

**Description**

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Amendment to IAS 12-deferred tax related to assets and liabilities arising from a single transaction

These amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

IFRS 17, ‘Insurance contracts’, as amended in December 2021

This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

International tax reform – pillar two model rules – amendments to IAS 12

The amendments introduce a relief from deferred tax accounting for the global minimum top-up tax under Pillar Two, which applies immediately, and new disclosure requirements, which apply from 31 December 2023. No disclosures are required in interim periods ending on or before 31 December 2023.

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**5. NEW STANDARDS, INTERPRETATION AND AMENDMENTS (continued)**

**5.2 New standards, interpretations and amendments issued but not adopted**

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the financial statements are disclosed below. The Company intends to adopt these standards, where applicable, when they become effective.

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

<b>Standard / Interpretation</b>	<b>Description</b>	<b>Effective from periods beginning on or after the following date</b>
Amendments to IAS 1, Presentation of financial statements, on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period.	1 January 2024
	Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	
	Note that the IASB has issued a new exposure draft proposing change to this amendment.	
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	1 January 2024
Amendments to IAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to IFRS 16	Lease liability in a sale and leaseback	1 January 2024
IFRS S1	General requirements for disclosure of sustainability related financial information	1 January 2024
IFRS S2	Climate related disclosures	1 January 2024
Amendments to IAS 21	Lack of exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely

The standards, interpretations and amendments with effective date of 1 January 2024 and after will not have any material impact on the Company's financial statements, whereas for other above-mentioned standards, interpretations and amendments, the Company is currently assessing the implications on the Company's financial statements on adoption.

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**6. SEGMENT INFORMATION**

The Company operates in four regions in the Kingdom of Saudi Arabia, which are its reportable segments. These regions are identified as a separate reportable segment because the Company managed them separately.

The management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on income and is measured consistently in the financial statements.

Transfer prices between operating segments are on cost and any transmission and distribution costs are recovered from the segments in a manner similar to transactions with third parties.

The selected financial information for these business units is set out below. All unallocated amounts are related to the head office and are not allocatable to the operating segments. Segment profit before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

For the year ended 31 December 2023	Jeddah	Qassim	Tabuk	Al Ahsa	Total segments
Total revenue	430,116,952	305,173,022	109,225,723	119,745,436	964,261,133
Cost of inventories	(168,302,982)	(143,983,712)	(33,541,571)	(35,687,992)	(381,516,257)
Employee benefits	(28,741,903)	(21,796,624)	(13,407,236)	(13,462,396)	(77,408,159)
Depreciation	(18,454,949)	(5,684,710)	(5,804,947)	(15,914,389)	(45,858,995)
Other expenses	(35,240,266)	(20,226,523)	(12,381,962)	(11,173,911)	(79,022,662)
Financing costs	(7,471,141)	(2,005,967)	(133,918)	(1,798,378)	(11,409,404)
Other income	64,046	29,486	94,996	--	188,528
Gain on disposal of property, plant and equipment	255,025	--	--	--	255,025
Segment profit	172,224,782	111,504,972	44,051,085	41,708,370	369,489,209

For the year ended 31 December 2022	Jeddah	Qassim	Tabuk	Al Ahsa	Total segments
Total revenue	401,186,785	299,317,267	106,474,009	106,671,761	913,649,822
Cost of inventories	(144,464,025)	(137,587,232)	(31,254,872)	(30,937,119)	(344,243,248)
Employee benefits	(29,941,828)	(24,164,250)	(14,848,961)	(15,216,542)	(84,171,581)
Depreciation	(26,198,863)	(5,481,363)	(3,910,087)	(14,601,878)	(50,192,191)
Other expenses	(37,417,218)	(23,136,277)	(9,913,931)	(9,996,119)	(80,463,545)
Financing costs	(7,676,071)	(2,073,682)	(137,380)	(1,852,796)	(11,739,929)
Other income	113,213	39,521	10,298	5,370	168,402
Segment profit	155,601,993	106,913,984	46,419,076	34,072,677	343,007,730

At 31 December 2023	Jeddah	Qassim	Tabuk	Al Ahsa	Total segments
Total assets	572,375,590	151,177,253	122,764,613	295,558,562	1,141,876,018
Total liabilities	329,030,933	82,254,954	20,175,569	72,149,353	503,610,809
Other disclosures:					
Property, Plant and Equipment with Right-of-use assets	448,975,243	98,746,534	110,199,982	282,386,875	940,308,634
Inventories	76,498,058	49,487,154	10,636,892	11,726,219	148,348,323
Intangible assets	17,786	1,060,744	14,120	2,742	1,095,392



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

**7.2** As at 31 December 2023, projects under progress mainly consists of the following projects:

- i) Rehabilitation project of alarm and firefighting systems in Jeddah
- ii) Sifter upgrade in Qassim
- iii) Renovation works in Jeddah

Capital commitments relating to these projects amount to SR 105.25 million (31 December 2022: SR 90.32 million)

**7.3** The depreciation charge on property, plant and equipment for the year has been allocated as follows:

	<u>2023</u>	<u>2022</u>
Cost of revenue (Note 29)	26,643,134	30,506,217
General and administrative expenses (Note 31)	3,913,731	3,355,054
Selling and distribution expenses (Note 30)	<u>1,356,799</u>	<u>876,788</u>
	<u><b>31,913,664</b></u>	<u><b>34,738,059</b></u>

**7.4** The following projects have been completed during the year:

- i) Premix plant for Jeddah
- ii) Pesa Mill Integration in Mill D Jeddah
- iii) C Mill in Jeddah
- iv) Durum Mill in Jeddah

**8. RIGHT-OF-USE ASSETS**

The Company leases silos, lands, buildings, warehouses and equipments. Silos and lands are leased from the GFSA with a lease term of twenty-five calendar years commenced from 1 January 2017 (corresponding to 3 Rabi Al Thani 1438H) and is renewable for a similar period. In 2020, the lease term was extended by an additional three years. Other leases typically run for a period of 3 to 18 years, with an option to renew the lease after that date. For leases, the Company is restricted from entering into any sub-lease arrangements.

The Company leases warehouses with contract terms of one year. These leases are short term leases. The Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

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**8. RIGHT-OF-USE ASSETS (continued)**

	<u>Silos</u>	<u>Lands</u>	<u>Buildings and warehouses</u>	<u>Equipment</u>	<u>Total</u>
<b>Cost</b>					
As at 31 December 2021	262,147,500	110,595,477	17,024,777	1,561,840	391,329,594
Additions during the year	--	--	2,242,538	--	2,242,538
<b>At 31 December 2022</b>	<b>262,147,500</b>	<b>110,595,477</b>	<b>19,267,315</b>	<b>1,561,840</b>	<b>393,572,132</b>
<b>Accumulated depreciation</b>					
At 31 December 2021	42,430,771	10,139,283	5,096,281	5,746	57,672,081
Charge for the year	9,434,360	4,815,960	1,455,001	577,614	16,282,935
<b>At 31 December 2022</b>	<b>51,865,131</b>	<b>14,955,243</b>	<b>6,551,282</b>	<b>583,360</b>	<b>73,955,016</b>
<b>Charge for the year</b>					
At 31 December 2023	9,551,152	4,354,664	1,169,570	576,042	15,651,428
<b>At 31 December 2023</b>	<b>61,416,283</b>	<b>19,309,907</b>	<b>7,720,852</b>	<b>1,159,402</b>	<b>89,606,444</b>
<b>Net book Value</b>					
At 31 December 2022	210,282,369	95,640,234	12,716,033	978,480	319,617,116
<b>At 31 December 2023</b>	<b>200,731,217</b>	<b>91,285,570</b>	<b>11,546,463</b>	<b>402,438</b>	<b>303,965,688</b>

**8.1** The depreciation charge on right-of-use assets for the year has been allocated as follows:

	<u>2023</u>	<u>2022</u>
Cost of revenue (Note 29)	15,002,952	15,819,555
General and administrative expenses (Note 31)	604,929	419,779
Selling and distribution expenses (Note 30)	43,547	43,601
	<b>15,651,428</b>	<b>16,282,935</b>

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**9. INTANGIBLE ASSETS**

- 9.1 Intangible assets include computer programmes and software. Movement in intangible assets is as follows:

	<u>Computer software</u>	<u>Projects under progress</u>	<u>Total</u>
<b>Cost:</b>			
At 31 December 2021	4,977,473	--	4,977,473
Additions during the year	294,718	915,573	1,210,291
Transfers during the year	915,573	(915,573)	--
At 31 December 2022	6,187,764	--	6,187,764
Additions during the year	566,720	144,000	710,720
Transfers during the year	144,000	(144,000)	--
At 31 December 2023	6,898,484	--	6,898,484
<b>Accumulated amortization:</b>			
At 31 December 2021	644,159	--	644,159
Charge for the year	525,546	--	525,546
At 31 December 2022	1,169,705	--	1,169,705
Charge for the year	655,801	--	655,801
At 31 December 2023	1,825,506	--	1,825,506
<b>Net book value</b>			
At 31 December 2022	5,018,059	--	5,018,059
<b>At 31 December 2023</b>	<b>5,072,978</b>	--	<b>5,072,978</b>

- 9.2 The amortisation charge on intangible assets for the year has been allocated as follows:

	<u>2023</u>	<u>2022</u>
Cost of revenue (Note 29)	117,733	29,433
General and administrative expenses (Note 31)	525,504	493,574
Selling and distribution expenses (Note 30)	12,564	2,539
	<b>655,801</b>	<b>525,546</b>

**10. DERIVATIVE FINANCIAL INSTRUMENTS**

To hedge the variability in interest rate on Term Murabaha facility, the Company entered into a profit rate cap agreement with Gulf International Bank.

The profit rate cap agreement requires the Company to pay floating rate interest payment of SAIBOR until it reaches to 2%, post which the Company will pay only the cap rate of 2% in addition to the pre-determined margin. The maturity date of the agreements is 29 March 2026.

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**10. DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

For the purpose of hedge accounting, profit rate cap has been designated into cash flow hedge. The fair value and notional amount of the profit rate cap derivative is as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
<b><u>Profit Rate Cap</u></b>		
Notional amount	<b>733,005,455</b>	753,830,267
Positive fair value	<b>42,706,671</b>	58,158,366

The hedge has been assessed to be effective and as at 31 December 2023, net un-realised loss of SR 13.98 million (31 December 2022: un-realised gain of SR 4.23 million) has been included in the statement of profit or loss and other comprehensive income.

The amount of SR 32.77 million shown as cash flow hedging reserve in the statement of financial position as at 31 December 2023 is expected to affect the profit or loss in forthcoming years.

At 31 December 2023, the Company held the profit rate cap to hedge exposures to changes in interest rate. The table below summaries the maturity profile of the derivative financial instruments based on contractual undiscounted payments.

	<u>Maturity</u>		
	<u>Less than 12 months</u>	<u>1 – 5 years</u>	<u>Total</u>
31 December 2022	25,687,756	37,442,995	63,130,751
<b>31 December 2023</b>	<b>25,301,757</b>	<b>20,115,682</b>	<b>45,417,439</b>

**11. GOODWILL**

Pursuant to privatization programme by the GFSAs, the Parent Company entered into an agreement with NCP and Public-Private Partnership (PPP) on 17 September 2020 to acquire 100% equity stake in the Company. The transaction was completed by 31 December 2020.

The Parent Company paid a consideration of SR 2,198 million to acquire the Company with book value of net assets of SR 1,081 million. The Parent Company completed the purchase price allocation (“PPA”) to net assets within a measurement period of one year after the date of acquisition in which the Parent Company identify and measure the identifiable assets and liabilities assumed as of the acquisition date in accordance with the requirements of IFRS 3 Business Combination. The following adjustment has been recorded by the Parent Company:

- Net uplift of SR 22.4 million to property, plant and equipment; and
- Uplift of SR 4.54 million to spare parts under inventories.

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**11. GOODWILL (continued)**

Break-up of net assets of the Company at the time of acquisition was as follows:

	<u>SR</u>
Property, plant and equipment, with right of use assets	830,433,309
Intangible assets	285,860
Inventories	118,803,883
Trade receivables	20,292
Prepayments and other current assets	13,319,205
Bank balances	518,754,365
Lease liabilities – non-current liabilities	(321,815,636)
Employees' defined benefit obligations	(772,931)
Trade payables and other current liabilities	(49,647,333)
Lease liabilities – current liabilities	(9,767,397)
Advances from customers	(18,362,771)
	 <u>1,081,250,846</u>

Goodwill is assessed for impairment at Company level and is not allocated to different business units. The Company has performed its impairment test for goodwill on 31 December 2023.

The recoverable amount of the Company of SR 3,904 million as at 31 December 2023 has been determined based on a value-in-use calculation using cash flow projections from financial budgets reviewed by senior management covering a five-year period. The pre-zakat discount rate applied to cash flow projections is 11.11%. As at 31 December 2023, the value-in-use of the CGUs was higher than the net assets value of the Company, indicating no impairment of goodwill.

**Key assumptions used in value in use calculations and sensitivity to changes in assumptions**

The calculation of value in use is most sensitive to the following assumptions:

**Gross margins**

Gross margins are dependent on certain forward-looking plans. These forward-looking plans are subject to risks, uncertainties and assumptions about the Company and its investments, including, among other things, the development of its business, financial condition, prospects, growth, strategies, as well as the trends in the industry and macroeconomic developments in the Kingdom. Many of these risks and uncertainties relate to factors that are beyond the Company's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of regulators and any changes in applicable laws or regulations or government policies. The company is aiming to deliver sustainable profitable growth and didn't consider any price increase over the future period while maintaining healthy margins. Decreased demand can lead to a decline in the gross margin. 1% variance in growth rate in gross margins will increase or decrease the recoverable amount by SR 130.33 million.

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**11. GOODWILL (continued)**
**Discount rates**

Discount rates represent the current market participant's view, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation also takes into account the specific circumstances of the Company and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company's investors from a market participant's view. The cost of debt is based on the market participant's view based on the Company's performance. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-zakat discount rate.

A rise in the pre-tax discount rate to 29.05% (i.e., +17.94%) would result in impairment.

**Revenue**

When using industry data for growth rates, these assumptions are important because management assesses how the business position, relative to its competitors, might change over the forecast period. Management has used a growth rate linked to its capacity increase and market demand which varies year on year as per the future planning. 1% variance in growth rate in revenue will increase or decrease the recoverable amount by SR 123.33 million.

**Growth rates used to extrapolate cash flows beyond the forecast period**

Rates are based on the market growth and the projection of the Company for coming years. The Company has assumed a terminal value growth rate (TVGR) of 2% to extrapolate cash flows beyond the forecast period. 1% increase in TVGR will increase the recoverable amount by SR 359.53 million and 1% decrease in TVGR will decrease the recoverable amount by SR 288.39 million.

As management does not expect new entrant in market in the coming 10 years, management build the growth plan based on the value creation plan focusing on key enablers to gain market share in retails segment while expanding the base by on-boarding new industrial consumer.

**12. INVENTORIES**
**12.1 Inventories comprise of the following:**

	<u>31 December 2023</u>	<u>31 December 2022</u>
Spare parts	77,091,003	78,002,513
Raw materials	59,959,665	32,598,201
Finished goods	13,445,109	23,684,834
Goods in transit	21,585,823	141,218
Others	658,733	701,978
Less: allowance for slow moving inventories of spare parts and raw materials	(24,392,010)	(16,028,414)
	 <u>148,348,323</u>	 <u>119,100,330</u>

**12.2** During the year ended 31 December 2023, the Company has provided for the slow-moving inventories of spare parts and raw materials amounting SR 8.36 million (31 December 2022: SR 7.16 million). The amount is included in the cost of revenue.



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**17. SHAREHOLDERS' CONTRIBUTIONS**

The amount of SR 6,751,214 (31 December 2022: SR 4,278,483) represents the Company's share of IPO costs that has been collected from the shareholders.

The amount of SR 550,000,000 was the cash contributed by the shareholders through bank transfer on 29 September 2022 (corresponding to 3 Rabi Al Awal 1444H). The amount has been transferred to the share capital after the Company has completed the legal procedures for increase in its share capital on 6 November 2022 (corresponding to 12 Rabi Al Thani 1444H).

**18. MERGER RESERVE**

On 17 February 2022 (corresponding to 16 Rajab 1443H) the shareholder of the Company through the Extraordinary General Assembly approved to decrease the Company's capital from SR 539,236,780 to SR 5,000,000 by share cancellations and maintain the capital amount reduced of SR 534,236,780 as a reserve to facilitate the merger transaction that was completed on 15 September 2022 (corresponding to 19 Safar 1444H).

The balance of SR 37,554,503 merger reserve on 31 December 2023 and 31 December 2022 shows the difference between the amount of share capital reduced to facilitate the merger transaction and net assets of the Parent Company recognised in the Company (note 39).

**19. STATUTORY RESERVE**

In accordance with the By-laws of the Company, the Company transfers 10% of its net income each year as a statutory reserve until such reserve reaches 30% of the share capital. The Management is intending to transfer statutory reserve to the reserves to be maintained as required by the updated By-laws of the Company. (note 41.1)

**20. EMPLOYEES' SHARE BASED PAYMENTS RESERVE**

The Company has established a share based compensation scheme for its key management that entitles them to the shares of the Company subject to successfully meeting certain service and performance conditions. Under the share based remuneration scheme, the Company has only one outstanding plan. Significant features of the scheme are as follows:

<u>Nature of plan</u>	<u>Equity based long term bonus plan</u>
Grant date	10 January 2024
Maturity date	31 December 2025
Vesting period	3 years (2023 – 2025)
Method of settlement	Equity-settled transaction
Fair value per share on grant date	SR 75.1

The shareholders of the Company through Extraordinary General Assembly Meeting held on 10 January 2024 (corresponding to 28 Jumada Al-Thani 1445H), approved the purchase of a number of shares which shall not exceed 300,000 shares for the purpose of allocating such shares to employees as part of the employee share scheme which shall be financed through the funds present in the Company, and on authorizing the Board to complete the purchase within a period not exceeding twelve months from the date of the extraordinary general assembly's resolution.

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**20. EMPLOYEES' SHARE BASED PAYMENTS RESERVE (continued)**

The grant date has been determined as the date of approval of the scheme from shareholders of the Company. The provision has been recognized in the financial statements of the Company based on the fair value of shares as on the reporting date based on the services provided by the employees for the year ended 31 December 2023.

These shares are granted only under a service/performance condition with no market condition associated with them.

Total amount of expense recognized in the statement of profit or loss and other comprehensive income during the year ended 31 December 2023 in respect of this scheme is SR 7.31 million (2022: NIL) for 292,159 shares granted during the year at a weighted average price of SR 75.1 per share.

**21. DIVIDENDS**

**21.1** On 27 July 2023, the Board of Directors of the Company, as authorised by the resolution of the ordinary general assembly held on 6 March 2023 to distribute the interim dividends for the year 2023, approved the distribution of the interim dividends for the first half year of 2023 of SR 1.37 per share amounting to SR 76,035,000. The dividends were paid on 14 August 2023.

**21.2** On 3 March 2022, the Shareholder of the Company on recommendation of the Company's Board of Directors approved the distribution of the Company's net profit after taxes, Zakat and the statutory reserve for the financial period 1 October 2021 to 31 December 2021 of the fiscal year 2021 of SR 0.56 per share amounting to SR 30,000,000. The dividends were paid on 15 March 2022.

**21.3** On 15 March 2022, the Shareholder of the Company on recommendation of the Company's Board of Directors approved the distribution of the interim dividends of SR 0.22 per share amounting to SR 11,932,210. The dividends were paid on 22 March 2022.

**21.4** On 12 June 2022, the Board of Directors of the Company as authorised by the revised by-laws of the Company approved the distribution of the Company's net profit after taxes, Zakat and the statutory reserve for the financial period 1 April 2022 to 30 June 2022 of the fiscal year 2022 as interim dividends of SR 85.08 per share amounting to SR 42,539,836. The dividends were paid on 22 June 2022.

**21.5** On 21 November 2022, the Board of Directors of the Company as authorised by the revised by-laws of the Company approved the distribution of the Company's net profit after taxes, zakat and the statutory reserve for the fiscal year 2021 as dividends of SR 0.51 per share amounting to SR 28,147,290 and for the financial period 1 January 2022 to 30 June 2022 of the fiscal year 2022 as interim dividends of SR 85.08 per share amounting to SR 66,852,711. The dividends were paid on 14 December 2022 and 15 December 2022.



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**24. LONG-TERM PAYABLE (continued)**

Long-term payable represents the amount payable to Buhler AG for the purchase of machines and equipment for projects under progress in Jeddah. The amount of SR 44.59 million (CHF 12,529,095) at the time of initial recognition is repayable in ten equal semi-annual instalments of CHF 1,252,909.50 commencing from 28 November 2023.

**Maturity analysis - contractual undiscounted cash flow**

	<b>31 December 2023</b>	<b>31 December 2022</b>
Within one year	10,813,862	--
One to five years	37,848,517	--
	<b>48,662,379</b>	<b>--</b>

**25. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS**

**Present value of defined benefit obligation**

	<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>6,552,000</b>	4,892,000

**ACTUARIAL ASSUMPTIONS**

The major financial assumptions used to calculate the defined benefit obligation are as follows:

	<b>31 December 2023</b>	<b>31 December 2022</b>
Discount rate	4.80%	4.20%
Salary increase rate	2.00%	5.00%
Mortality Table	Saudi Life Table	Saudi Life Table
Employee turnover (withdrawal) rate	1%-25%	1%-25%
Expected retirement age	60 Years	60 Years

At 31 December 2023, the weighted-average duration of the defined benefit obligation was 4 years (2022: 5 years).

**AMOUNT CHARGED TO PROFIT OR LOSS**

	<b>2023</b>	<b>2022</b>
Service cost	3,947,000	3,814,000
Gain on settlement	(336,000)	--
Net interest amount charged on the net defined benefit liability	<b>348,000</b>	120,000
The total amount charged to profit or loss	<b>3,959,000</b>	3,934,000

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**25. EMPLOYEES' DEFINED BENEFIT OBLIGATIONS (continued)**

**AMOUNT CHARGED TO OTHER COMPREHENSIVE INCOME**

	<b>2023</b>	<b>2022</b>
(Gain) / loss resulting from the change in financial assumptions	(1,163,000)	(47,000)
(Gain) / loss resulting from experience adjustments	(29,982)	--
(Gain) / loss resulting from the change in demographic assumptions	--	754,205
<b>Actuarial (gain) / loss</b>	<b>(1,192,982)</b>	707,205

**NET DEFINED BENEFIT OBLIGATION**

	<b>31 December 2023</b>	<b>31 December 2022</b>
Net defined benefit obligation at the beginning of the year	4,892,000	698,000
Service cost	3,611,000	3,814,000
Interest expense	348,000	120,000
Paid during the year	(1,106,018)	(447,205)
Remeasurement of the net defined benefit liability	(1,192,982)	707,205
Present value of the defined benefit obligation at the end of the year	<b>6,552,000</b>	4,892,000

The Company expects to pay SR 1,777,000 out of defined benefit plans in 2024.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions 31 December 2023 is:

	<b>Original</b>	<b>Increase / (decrease) in present value of the defined benefit obligation</b>
	<b>%</b>	<b>Amount (SR)</b>
Discount rate	6,552,000	+ 1% 6,296,000 - 1% 6,839,000
Salary increase rate	6,552,000	+ 1% 6,844,000 - 1% 6,287,000
Employee turnover rate	6,552,000	+1% 6,567,000 - 1% 6,534,000





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**35. ZAKAT (continued)**

**35.2 Zakat Status**

The Company has filed Zakat return with Zakat, Tax and Customs Authority (“ZATCA”) for the year ended 31 December 2022 and has obtained the required certificate. Following the ZATCA’s assessments, the Company has resubmitted the Zakat return for the year ended 31 December 2022 with an additional liability of SR 680,691, which covers the entire fiscal year 2022. The resubmitted Zakat return for the year ended 31 December 2022 is still under review with ZATCA.

**36. CAPITAL COMMITMENTS AND CONTINGENCIES**

**36.1 Contingencies**

- a) The Company has provided bank guarantees amounting to SR 2,232,315 in favour of GFSA for lease of silos in Jeddah, Qassim and Al-Ahsa. These guarantees are valid up to 31 December 2041.
- b) The Company has provided bank guarantees amounting to SR 329,494 in favour of GFSA for lease of lands in Qassim, Tabuk and Al-Ahsa. These guarantees are valid up to 22 June 2024.
- c) On 23 March 2023 (corresponding to 1 Ramadan 1444H) GFSA has lodged a claim against the Company before the Committee for the Adjudication of Violations of the Flour Mills Law, alleging that Company did not comply with the terms and regulations stipulated in The Flour Mills Law and implementing regulations, Mill Operating License and Wheat Purchase Agreement that are as follows:
  - i) accepting membership requests from the new customers without GFSA’s approval - fine amounting to SR 20,000,000 and financial recoveries amounting to SR 33,848,850.59;
  - ii) updating key information of customers without submitting a request to GFSA – fine amounting to SR 100,000 and financial recoveries amounting to SR 6,012,915.32; and
  - iii) exceeding allocated sale quantities approved by GFSA – fine amounting to SR 1,000,000 and financial recoveries amounting to SR 8,801,333.59

Based on the advice of the Company’s legal counsels, the Company recognized a provision amounting to SR 8.85 million during the year ended 31 December 2022 as the Company expected to be successful in defending the claim and the allegations made had no reasonable legal grounds. Management assessed the balance of the claims as a contingent liability as at 31 December 2022.

The Company submitted a reply against this claim to the GFSA on 16 April 2023 (corresponding to 25 Ramadan 1444H).

On 25 September 2023 (corresponding to 10 Rai Al-Awal 1445H) the Company received response from GFSA with a revised claim amounting to SR 6.30 million. The Company and GFSA both had the right to appeal the decision to the administrative court within 60 days from the date of notification of the decision, in accordance with the provisions of paragraph three of article twenty-seven of the Flour Mills Law.

As neither party involved in the lawsuit has appealed the decision within the allowed timeframe, the Company paid an amount of SR 6.30 million on 11 December 2023 corresponding to 27 Jumada Al-Awal 1445H to the GFSA and reversed the excess provision of SR 2.55 million accordingly.

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**36. CAPITAL COMMITMENTS AND CONTINGENCIES (continued)**

**36.2 Commitments**

The following Letter of credits (LCs) are outstanding as at 31 December 2023:

- a) LC import sight negotiation amounting to SR 56,810,044.34 (CHF 12,750,543) (31 December 2022: SR 51,841,157.73 (CHF 12,750,543)) with an outstanding amount of SR 51,227,706.06 (CHF: 11,497,633.50) in favour of Buhler AG for supply of machines and equipment for five projects in Jeddah. The LC will remain valid till 28 February 2028.
- b) Outward LC import sight amounting to SR 9,787,500 (USD 2,610,000) (31 December 2022: SR 18,709,706.25 (USD 4,989,255)) with an outstanding amount of SR 906,647.44 (USD: 241,772.65) in favour of Al Ghurair Resources International LLC for purchase of yellow corn. The LC will remain valid till 30 January 2024.
- c) Outward LC import sight amounting to SR 18,535,687.50 (USD 4,942,850) (31 December 2022: NIL) with an outstanding amount of SR 3,707,129.66 (USD: 988,567.91) in favour of Moderne Semolerie Italiane SPA for purchase of durum wheat. The LC will remain valid till 30 January 2024.
- d) Outward LC import sight amounting to SR 2,605,612.04 (CHF 584,808) (31 December 2022: NIL) in favour of Buhler AG and Scherler AG for upgrade of Mill A and Mill B. The LC will remain valid till 08 Aug 2024.
- e) Outward LC import sight amounting to SR 6,395,250 (USD 1,705,400) (31 December 2022: NIL) with an outstanding amount of SR 639,525 (USD: 170,540) in favour of Al Ghurair Resources International LLC for purchase of Soybean. The LC will remain valid till 01 Mar 2024.
- f) Outward LC import sight amounting to SR 52,983,237.66 (CHF 11,891,648) (31 December 2022: NIL) in favour of Buhler AG for upgrade of Mill A and Mill B. The LC will remain valid till 30 Dec 2025.
- g) Outward LC import sight amounting to SR 15,765,000 (USD 4,204,000) (31 December 2022: NIL) with an outstanding amount of SR 8,179,796.25 (USD: 2,181,279) in favour of Al Ghurair Resources International LLC for purchase of Soybean. The LC will remain valid till 30 May 2024.
- h) Outward LC import sight amounting to SR 8,250,000 (USD 2,200,000) (31 December 2022: NIL) in favour of Al Ghurair Resources International LLC for purchase of yellow corn. The LC will remain valid till 28 Mar 2024.
- i) Outward LC import sight amounting to SR 1,379,250 (USD 367,800) (31 December 2022: NIL) with an outstanding amount of SR 1,517,175 (USD: 404,580) in favour of Al Ghurair Resources International LLC for purchase of Soybean. The LC will remain valid till 28 Jan 2024.

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**37. EARNINGS PER SHARE**

**37.1 Basic and diluted earnings per share**

The calculation of basic earnings per share has been based on the distributable earnings attributable to shareholder of ordinary shares and the weighted average number of ordinary shares outstanding at the date of the financial statements.

	<u>2023</u>	<u>2022</u>
Profit for the year	220,208,226	217,480,731
Weighted average number of ordinary shares for basic and diluted EPS	55,500,000	8,939,726
Earnings per share - basic	3.97	24.33

The calculation of diluted earnings per share has been based on the earnings attributable to shareholder of ordinary shares and the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares if any. The diluted earnings per share is adjusted with the impact of the employees' share based payments plan.

	<u>2023</u>	<u>2022</u>
Profit for the year	220,208,226	217,480,731
Weighted average number of ordinary shares for basic and diluted EPS	55,792,159	8,939,726
Earnings per share - diluted	3.95	24.33

The Company's Board of Directors proposed to decrease the share capital on 24 January 2022 (corresponding to 21 Jumada al-Thani 1443H) from SR 539,236,780 to SR 5,000,000 which was approved by the members of the Extraordinary General Assembly on 17 February 2022 (corresponding to 16 Rajab 1443H). The per share calculations for both basic and diluted EPS for the year ended 31 December 2022 reflects the retrospective adjustment for this decrease in share capital.

**38. RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties represent the shareholders and key management personnel of the Company, and entities controlled or significantly influenced by such parties (affiliate). The terms of the transactions with related parties are approved by the Company's management. Transactions with related parties are on the basis of contractual arrangements made with them.

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**38. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

**TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL**

For the purposes of the disclosure requirements contained in IAS 24 Disclosures Related to Related Parties, the phrase "key management personnel" (i.e., those persons who have the authority and responsibility to plan, direct and control the activities of the Company) refers to the board of directors, chief executive officer and other executives of the Company.

The compensation of the senior management personnel includes salaries and other benefits. The amounts disclosed in the table represent the amounts recognised as an expense during the financial year in respect of key management personnel.

**Compensation of key management personnel of the Company for the year ended 31 December:**

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	12,223,337	12,962,152
Post-employment benefits	642,311	522,386
Share-based payments	3,375,923	--
Total compensation paid to key management personnel	<u>16,241,571</u>	<u>13,484,538</u>

Short term employee benefits include SR 3.08 million (31 December 2022: SR 2.84 million) board and committees' fees, rewards and allowances.

**OTHER RELATED PARTY TRANSACTIONS**

Transactions with related parties arise mainly from services provided/received and payments made on behalf of each other and are undertaken at mutually agreed terms. IPO costs have been recovered directly from the Bank from the proceeds of the subscription. Due to related parties are the balances payable on demand, interest free and unsecured.

The aggregate value of related parties' transactions and outstanding balances including those related to key management personnel, and entities over which they have control or significant influence are as follows:

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**38. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**
**OTHER RELATED PARTY TRANSACTIONS (continued)**

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>		<u>Closing balance</u>	
			<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<u><i>Due from related parties</i></u>						
Al Mutlaq Group Industrial Investment Company	Shareholder	IPO costs	<b>9,720,459</b>	2,769,242	--	2,769,242
Abdullah Abunayyan Trading Company	Shareholder	IPO costs	<b>8,331,822</b>	2,373,636	--	2,373,636
Al Safi Advanced Investments	Shareholder	IPO costs Quality and operational consulting	<b>6,943,185</b>	1,978,030	--	1,978,030
Essa Al Ghurair Investments	Shareholder	IPO costs	<b>440,042</b>	981,243	<u>--</u>	<u>791,212</u>
			<b>2,777,274</b>	791,212	<u>--</u>	<u>7,912,120</u>
<u><i>Due to related parties</i></u>						
Al Mutlaq Group Industrial Investment Company	Shareholder	Expenses incurred on behalf of the Company	--	50,000	--	50,000
Ehata Financial Company	Affiliate	Financial advisory	<b>163,300</b>	299,000	<b>9,200</b>	17,250
Al Mutlaq Real Estate Investments	Affiliate	Project implementation consultancy	<b>2,078,278</b>	537,858	<b>676,940</b>	194,199
					<b>686,140</b>	<u>261,449</u>
<u><i>Due to related parties – included in advance from customers</i></u>						
Al Safi Danone Company	Affiliate	Sales of bran	<b>3,303,825</b>	3,134,429	<b>273,239</b>	364,687
					<b>273,239</b>	<u>364,687</u>

**39. MERGER TRANSACTION**

Effective 15 September 2022 (corresponding to 19 Safar 1444H), the Company completed a statutory merger with its Parent Company which resulted in the Company being the surviving entity. By virtue of this merger, all of the Parent Company's assets and liabilities have been transferred to the Company.

The Company has not applied IFRS 3 "Business Combinations" as the merger has not resulted in any change to the economic substance of the reporting group and has been affected between companies under common control.

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**39. MERGER TRANSACTION (continued)**

The Merger of the Company with the Parent Company (its 100% shareholder) has been accounted for as a capital reorganization, a "hive down", whereby all the assets and liabilities of the Company and the Parent Company have been combined using their pre-merger carrying value as stated in the Parent Company's consolidated financial statements. The merger has been reflected in the Company's financial statements prospectively from the date of the merger onwards. All the equity components of the Parent Company were recorded as part of the Company's equity except for share capital and statutory reserve.

The net adjustment of transferring the Parent Company's assets, liabilities and equity balances has been recorded in the Company's equity as a merger reserve which is as follows:

<b>SR</b>	<b>5,000,000</b>
	<b>1,500,000</b>
	<b>6,500,000</b>
	<b>(5,000,000)</b>
	<b>(39,054,503)</b>
	<b>(44,054,503)</b>
<b>Merger reserve</b>	<b>(37,554,503)</b>
Break-up of net assets as stated in the Parent Company's financial statements that were transferred to the Company at the time of merger were as follows:	
Goodwill	<b>1,090,669,302</b>
Cash and cash equivalents	<b>81,541,989</b>
Derivative financial instruments	<b>55,905,238</b>
Property, plant and equipment	<b>18,976,176</b>
Inventories	<b>4,548,065</b>
Prepayments and other current assets	<b>1,747,310</b>
Long term loans	<b>(1,685,019,806)</b>
Current portion of long-term loans	<b>(58,886,931)</b>
Cash flow hedge reserve	<b>(42,519,997)</b>
Accrued expenses and other liabilities	<b>(19,523,199)</b>
Retained earnings	<b>(19,229,430)</b>
Net assets of the Parent Company	<b>(571,791,283)</b>
Share capital reduced	<b>534,236,780</b>
Merger reserve	<b>(37,554,503)</b>

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**40. FINANCIAL INSTRUMENTS**

Set out below is an overview of financial assets held by the Company:

	<u>31 December 2023</u>	31 December 2022
<b>Financial assets at amortised cost:</b>		
Bank balances and short-term deposits	192,106,283	215,326,438
Trade receivables	5,079,540	6,182,342
Other current financial assets	373,017	828,146
Due from related parties	--	7,912,120
	<b>197,558,840</b>	<b>230,249,046</b>

	<u>31 December 2023</u>	31 December 2022
--	-----------------------------	---------------------

**Financial assets at fair value – hedging instruments:**

Derivative financial instruments	42,706,671	58,158,366
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Set out below is an overview of financial liabilities held by the Company:

	<u>31 December 2023</u>	31 December 2022
<b>Financial liabilities at amortised cost:</b>		
Trade and other payables	48,925,432	44,137,592
Accrued expenses and other liabilities	20,217,462	2,859,699
Long-term loans	1,059,449,501	1,188,434,238
Lease liabilities	338,090,038	349,741,210
Long-term payable	40,549,842	--
Due to related parties	686,140	261,449
	<b>1,507,918,415</b>	<b>1,585,434,188</b>

**Fair value hierarchy**

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. Financial instruments comprise of financial assets and financial liabilities. The Company's financial assets consist of bank balances and short-term deposits, trade receivables, amount due from related parties and other current assets. Its financial liabilities consist of trade and other payables, long-term loans, obligations under finance lease, long-term payable and amounts due to related parties.

The management assessed that fair value of bank balances and short-term deposits, trade receivables, amounts due from related parties, other current assets, trade and other payables, certain accrued expense and other liabilities, long-term loans, obligations under finance lease, long-term payable and amounts due to related parties approximate their carrying amounts, largely due to the short-term maturities of these instruments except for the long-term loans which carries floating rate based on the market terms.

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**40. FINANCIAL INSTRUMENTS (continued)**

All financial instruments for which fair value is recognised or disclosed are categorised 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; or

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

	31 December 2023			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Financial assets</b>				
Derivative Financial Instruments	--	42,706,671	--	42,706,671

	31 December 2022			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Financial assets</b>				
Derivative Financial Instruments	--	58,158,366	--	58,158,366

Derivative financial instruments have been valued using the present value technique under income approach as per IFRS 13. The fair value of the hedge instrument has been calculated as the present value of the intrinsic value that has been treated based on the difference between implied SAIBOR 3-months curve and cap rate as at 31<sup>st</sup> December in order to reflect the market conditions as at the date.

There were no transfers between levels of fair value measurements in 2023 and 2022. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period.

**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The main purpose of the Company's financial instruments is to raise finances for the Company's operations.

The Company's activities expose it to a variety of financial risks that include credit risk, liquidity risk, and market risk. These financial risks are actively managed by the Company's Finance Department under strict policies and guidelines approved by the Board of Directors. The Company's Finance Department actively monitors market conditions minimising the volatility of the funding costs of the Company.

There were no changes in the policies for managing these risks.

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**40. FINANCIAL INSTRUMENTS (continued)**

**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

*Credit risk*

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer which the Company seeks to manage its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Owing to nature of the Company's business, significant portion of revenue is collected in cash due to which the Company is not significantly exposed to credit risks.

The Company is exposed to credit risk on its bank balances and short-term deposits, trade receivables, other current financial assets and due from related parties as follows:

	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Financial assets at amortised cost</b>		
Bank balances and short-term deposits	192,106,283	215,326,438
Trade receivables	5,079,540	6,182,342
Other current financial assets	373,017	828,146
Due from related parties	--	7,912,120
	<b>197,558,840</b>	<b>230,249,046</b>

The carrying amount of financial assets represent the maximum credit exposure. Credit risk on amounts due from related parties and balances with banks is limited as:

- Amounts due from related parties are inter-balances of an operating nature.
- Cash balances are held with banks with sound credit ratings as below:

<b>Banks</b>	<b>Rating</b>			<b>31 December 2023</b>	<b>31 December 2022</b>
	<b>Short- term</b>	<b>Long- term</b>	<b>Rating agency</b>		
Gulf International Bank	P-2	A-3	Moody's	8,112,507	27,680,671
Banque Saudi Fransi	P-1	A-2	Moody's	183,457,581	10,492,973
Alinma Bank	P-1	A-2	Moody's	536,195	177,152,794
				<b>192,106,283</b>	<b>215,326,438</b>

Ratings of Prime-1 (P-1) reflect a superior ability to repay short-term obligations (Aaa – A3).

Ratings of Prime-2 (P-2) reflect a strong ability to repay short-term obligations (A2 – Baa2).

*Expected credit losses:*

The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings (long-term) of the respective counterparties.

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**40. FINANCIAL INSTRUMENTS (continued)**

**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

*Trade receivables*

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The Company limits its exposure to credit risk from trade receivables by establishing and maintaining a cash-based mode of conducting business. As the advance of customer is received before any supply of goods, the Company's exposure to any such credit risk on trade receivables is very limited.

*Expected credit loss assessment for accounts and other receivables*

As per IFRS 9, the simplified approach is used to measure expected credit losses which uses a lifetime expected loss allowance for all financial assets measured at amortised cost and contract assets.

The expected loss rates are based on the payment profiles of receivables over a suitable period and corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified GDP of Kingdom of Saudi Arabia (the country in which it renders the services) to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Company assessed the concentration of risk with respect to trade receivables and concluded it to be low. The Company has recognized allowance for expected credit losses against their trade receivables amounting to SR 622,031 (31 December 2022: SR 675,593). The Company has written off its receivables during the period amounting to SR 882,428 (31 December 2022: NIL).

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2023. The table below does not include gross carrying amount of SR 2.00 million outstanding from one of the customers of the Company falls within the bucket of 181 – 360 days past due for which a specific provision of SR 1.00 million (50%) has been recorded as on the reporting date.

<b>Trade receivables</b>	<b>Loss rate</b>	<b>Gross carrying amount</b>	<b>Loss allowance</b>	<b>Credit-impaired</b>
Current (not past due)	0.61%	2,812,032	17,134	No
0 – 30 days past due	2.52%	490,166	12,329	No
31 – 90 days past due	3.44%	565,651	19,463	No
91 – 180 days past due	7.98%	12,420	991	No
181 – 360 days past due	20.22%	308,655	62,425	Yes
More than 360 days past due	100.00%	182,324	182,324	Yes

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**40. FINANCIAL INSTRUMENTS (continued)**
**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2022.

Trade Receivables	Gross carrying amount	Loss allowance	Credit-impaired
Loss rate			
Current (not past due)	0.05%	1,437,540	658
0 – 30 days past due	1.80%	1,012,031	18,243
31 – 90 days past due	8.19%	2,331,007	190,992
91 – 180 days past due	12.12%	1,457,819	176,729
181 – 360 days past due	46.64%	619,539	288,971
More than 360 days past due	100%	882,428	882,428

**Liquidity risk**

Liquidity risk is the risk that the Company will be unable to meet its payment obligations as they fall due. The Company seeks to manage its liquidity risk to be able to meet its operating cash flow requirements, finance capital expenditures and service maturing debts. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

**Excessive risk concentration:**

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The table below summarises the maturities of the Company's financial liabilities as 31 December 2023 and 31 December 2022 based on contractual payment dates and current market interest rates as following.

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**40. FINANCIAL INSTRUMENTS (continued)**
**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**
**Liquidity risk (continued)**
**31 December 2023**

Non derivative financial liabilities	Carrying amounts	Contractual amounts			Total contractual amounts
		1 year or less	1 to 5 years	More than 5 years	
Trade and other payables	48,925,432	48,925,432	--	--	48,925,432
Accrued expenses and other current liabilities	20,217,462	20,217,462	--	--	20,217,462
Long-term loans	1,059,449,501	209,190,617	539,830,927	867,942,362	1,616,963,906
Lease liabilities	338,090,038	22,934,333	89,176,571	354,372,547	466,483,451
Long-term payable	40,549,842	10,813,862	37,848,517	--	48,662,379
Amounts due to related parties	686,140	686,140	--	--	686,140
	<u>1,507,918,415</u>	<u>312,767,846</u>	<u>666,856,015</u>	<u>1,222,314,909</u>	<u>2,201,938,770</u>

**31 December 2022**

Non derivative financial liabilities	Carrying amounts	Contractual amounts			Total contractual amounts
		1 year or less	1 to 5 years	More than 5 years	
Trade and other payables	44,137,592	44,137,592	--	--	44,137,592
Accrued expenses and other current liabilities	2,859,699	2,859,699	--	--	2,859,699
Long-term loans	1,188,434,238	232,857,509	538,024,887	964,609,001	1,735,491,397
Lease liabilities	349,741,210	23,119,633	90,047,925	376,435,526	489,603,084
Amounts due to related parties	261,449	261,449	--	--	261,449
	<u>1,585,434,188</u>	<u>303,235,882</u>	<u>628,072,812</u>	<u>1,341,044,527</u>	<u>2,272,353,221</u>

**Market risk**

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return. Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises of three types of risk: foreign currency risk, interest rate risk and other price risks.

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**40. FINANCIAL INSTRUMENTS (continued)**
**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**
*Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency). However, as the Company primarily deals in USD, CHF and Euro, with CHF and EURO being immaterial and the majority being in USD, which is pegged with SR, the Company's exposure to foreign currency risk is immaterial. No sensitivity for foreign currency risk is presented due to its minimal effect on the financial statements.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

The Company manages its interest rate risk by entering into hedging contracts for its floating rate long-term loans. The Company hedges long term interest rate sensitivities through hedge strategies, including use of derivative financial instruments and regularly monitors market special commission rates. The Company does not account for any fixed special commission rate bearing financial assets or financial liabilities at fair value and therefore, a change in special commission rates at the reporting date would not have any effect on the financial statements relating to these financial instruments.

*Sensitivity analysis*

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit / OCI by the amounts shown below. This analysis assumes that all other variables remain constant.

**31 December 2023**

	<u>Impact on net profit / OCI</u>	
	<u>100 bps increase</u>	<u>100 bps decrease</u>
Floating rate financial liabilities	10,441,085	(10,441,085)
Financial derivatives	(12,374,515)	12,517,447
Net sensitivity	(1,933,430)	2,076,362

**31 December 2022**

	<u>Impact on net profit / OCI</u>	
	<u>100 bps increase</u>	<u>100 bps decrease</u>
Floating rate financial liabilities	11,706,737	(11,706,737)
Financial derivatives	(17,643,512)	18,075,893
Net sensitivity	(5,936,775)	6,369,156

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**40. FINANCIAL INSTRUMENTS (continued)**
**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**
*Interest rate risk (continued)*
*IBOR Reforms*

Following the decision by global regulators to phase out IBORs and replace them with alternative reference rates, the ultimate parent company has established a project to manage the transition for any of its contracts that could be affected. The project is being led by senior representatives from functions across the ultimate parent company including the lenders facing teams, legal, finance etc. The parent company is confident that it has the capability to process the transitions to risk free rates ("RFR") for those interest rate benchmarks such as USD LIBOR that will cease to be available after 30 June 2023. IBOR reform exposes the Company to various risks, which the project is managing and monitoring closely. These risks include but are not limited to the following:

- Conduct risk arising from discussions with lenders due to the amendments required to existing contracts necessary to effect IBOR reform.
- Financial risk to the Company that markets are disrupted due to IBOR reform giving rise to financial losses.
- Pricing risk from the potential lack of market information if liquidity in IBORs reduces and RFRs are illiquid and unobservable.
- Accounting risk if the Company's hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to RFR.

The tables below show the Company's exposure to significant IBORs subject to reform that have yet to transition to RFRs as at the current period-end:

	<b>Floating rate financial liabilities</b>	<b>Derivatives notional</b>
<b>31 December 2023</b>	<b>1,059,449,501</b>	<b>733,005,455</b>
31 December 2022	1,188,434,238	753,830,267

Uncertainties and potential accounting risks associated with the IBOR reforms on the Company's financial statements are explained below.

*a) Effective interest rate method and liability derecognition*

IBOR reform Phase 2 requires, as a practical expedient that changes to the basis for determining contractual cash flows that are necessary as a direct consequence of IBOR reform are treated as a change to a floating rate of interest provided that the transition from IBOR to an RFR takes place on a basis that is 'economically equivalent'. To qualify as 'economically equivalent', the terms of the financial instrument must be the same before and after transition except for the changes required by IBOR reform.

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**40. FINANCIAL INSTRUMENTS (continued)**
**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

For changes that are not required by IBOR reform, the Company will apply judgement to determine whether they result in the financial instrument being derecognised. Therefore, as financial instruments transition from IBOR to RFRs, the Company will apply judgment to assess whether the transition has taken place on an economically equivalent basis. In making this assessment, the Company will consider the extent of any changes to the contractual cash flows as a result of the transition and the factors that have given rise to the changes, with consideration of both quantitative and qualitative factors. Examples of changes that are economically equivalent include changing the reference interest rate from an IBOR to an RFR, changing the reset period for days between coupons to align with the RFR, adding a fallback to automatically transition to an RFR when the IBOR ceases, and adding a fixed credit adjustment spread based on that calculated by ISDA or which is implicit in market forward rates for the RFR.

The Company will derecognise financial liabilities in case of substantial modification of their terms and conditions. In the context of IBOR reform, many financial instruments will be amended in the future as they transition from IBORs to RFRs. In addition to the interest rate of a financial instrument changing, there may be other changes made to the terms of the financial instrument at the time of transition. For financial instruments measured at amortised cost, the Company will first apply the practical expedient as described above, to reflect the change in the referenced interest rate from an IBOR to an RFR. Second, for any changes not covered by the practical expedient, the Company will apply judgement to assess whether the changes are substantial and if they are, the financial instrument is derecognised and a new financial instrument is recognised. If the changes are not substantial, the Company will adjust the gross carrying amount of the financial instrument by the present value of the changes not covered by the practical expedient, discounted using the revised EIR.

**b) Hedge Accounting**

The Company applies the temporary reliefs provided by the IBOR reform Phase 1 amendments, which enable its hedge accounting to continue during the period of uncertainty, before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. For the purpose of determining whether a forecast transaction is highly probable, the reliefs require it to be assumed that the IBOR on which the hedged cash flows are based is not altered as a result of IBOR reform. The reliefs end when the Company judges that the uncertainty arising from IBOR reform is no longer present for the hedging relationships referenced to IBORs. This applies when the hedged item has already transitioned from IBOR to an RFR and also to exposures that will transition via fallback to an RFR when certain LIBORs cease on 1 January 2022.

The IBOR reform Phase 2 amendments provide temporary reliefs to enable the Company's hedge accounting to continue upon the replacement of an IBOR with an RFR.

**Capital Risk Management**

For the purpose of the Company's management, capital includes issued share capital, and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximize the shareholders' value.

**THE FIRST MILLING COMPANY**  
 (A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**

 For the year ended 31 December 2023  
 (Expressed in Saudi Arabian Riyals, unless otherwise specified)

**40. FINANCIAL INSTRUMENTS (continued)**
**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

The Company manages its capital structure and makes adjustments in light of changes in economic conditions. The Company monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Company includes within net debt, loans and borrowings, lease liabilities, long-term payable, employees' defined benefit obligations, zakat payable, less cash and cash equivalents. The gearing ratio as at 31 December 2022 and 31 December 2023 is as follows:

	<u>31 December 2023</u>	<u>31 December 2022</u>
Loans and borrowings	1,044,108,460	1,170,673,709
Lease liabilities	338,090,038	349,741,210
Long-term payable	40,549,842	--
Employees' defined benefit obligations	6,552,000	4,892,000
Zakat payable	6,654,883	6,166,993
Less: Cash and cash equivalents	(192,106,283)	(215,326,438)
<b>Net debt</b>	<b>1,243,848,940</b>	1,316,147,474
Share capital	555,000,000	555,000,000
Shareholders' contributions	6,751,214	4,278,483
Statutory reserve	82,823,399	60,802,576
Retained earnings	245,030,498	121,685,113
<b>Equity</b>	<b>889,605,111</b>	741,766,172
<b>Capital and net debt</b>	<b>2,133,454,051</b>	2,057,913,646
<b>Gearing ratio</b>	<b>58.30%</b>	63.96%

**41. SUBSEQUENT EVENTS**

**41.1** In accordance with the amended By-laws of the Company that have been approved by the members of General Assembly on 10 January 2024 (corresponding to 28 Jumada Al-Thani 1445H), the Company when determining the share of dividends in net profits, is required to set aside a reserve not exceeding 10% of the profits. The ordinary General Assembly may, upon the proposal of the Board of Directors, decide to allocate this reserve in a manner that benefits the Company or shareholders according to the Implementing Rules of the Companies Regulations for Listed Joint-Stock Companies.

**41.2** No matter other than as disclosed in note 20 and note 41.1 has occurred up to and including the date of the approval of these financial statements by the Board of Directors which could materially affect these financial statements and the related disclosures for the year ended 31 December 2023.

**42. APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were approved and authorised for issuance by the Company's Board of Directors on 10 March 2024, corresponding to 29 Sha'ban 1445H.

 Tariq Mutlaq Abdulla AlMutlaq  
 Chairman



 Abdullah Abdul-Aziz Abdulla Ababtain  
 CEO



 Manwel Adib Bou Hamdan  
 CFO



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