

MANAGEMENT DISCUSSION AND ANALYSIS

Year ended 31st March 2026

This report contains forward-looking statements that reflect management’s current views, estimates, and expectations. These statements involve risks and uncertainties that may cause actual results to differ materially, including but not limited to changes in general economic conditions, foreign exchange fluctuations, competitive pressures, commodity price volatility, and regulatory developments.

I. Key Performance Highlights

- The Company achieved a net profit of RO 1,009,567 for the financial year 2025–26 compared to RO 915,508 in the previous year, representing a growth of approximately 10% year-on-year. This performance reflects sustained operational efficiency and improved product mix.
- Growth was achieved across all regions except Africa region through focused execution of strategic initiatives, including:
 - Strategic partnerships with retailers and distributors
 - Trade loyalty and retention programs
 - Inroads into new markets like USA & Canada
 - Continuous introduction of innovative products and expansion into new market segments
- The key financial performance of the company for the last 5 financial years are as follows:

	2021-22	2022-23	2023-24	2024-25	2025-26
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	(12 Months)	(9 Months)	(12 Months)	(12 Months)	(12 Months)
Sales (RO '000)	11,832	11,742	17,210	19,689	19,481
Profit after tax (RO '000)	234	193	723	916	1,010
Equity (RO '000)	7,575	7,517	990,7	8,656	9,166
Dividend paid during the year (%)	25%	25%	25%	50%	60%

II. Industry Structure and Development

- The Company is expanding its footprint across the Oman through wider retail coverage, while navigating growing competition from overseas manufacturers and rising local production in the region.
- The Company is expanding its product portfolio tailored to regional consumer preferences, enabling deeper market penetration and improved alignment with evolving demand trends.
- The Company has invested in multi-channel distribution expansion, and portfolio innovation is reinforcing the Company’s competitive position across GCC markets.
- The Company is improving brand visibility and market penetration across neighboring regional export markets.
- Ongoing efforts to enhance brand equity through integrated marketing and in-store visibility programs are supporting stronger consumer recall and differentiation in competitive retail environments.

III. Opportunities and Threats

Opportunities

Export Markets

- Launch multi brand portfolio addressing different consumer needs in export markets.
- New Channel like Food Service & E-com must be tapped across GCC markets.
- Continued enhancement of product–market fit and brand portfolio across existing markets, with a focus on premium product segments.
- Increased investment in consumer engagement programs and digital/social media platforms to strengthen brand awareness for new launches.
- Expansion into new geographies across Asia, Africa, Levant, and MENA regions, driven by value-added product offerings.

Threats

a) Geo- Political Situation

- Increasing uncertainty in global FMCG supply chains and delaying shipments.
- Freight and logistics cost escalation due to rerouting of vessels, higher insurance premiums, and war surcharge spikes, directly increasing landed cost of all incoming goods.
- Supply chain delays and longer lead times, with ships taking alternative routes, leading to inventory imbalances and stockout risks in markets.
- Frequent volatility in trade flows and demand uncertainty, making demand planning and procurement more complex and increasing working capital pressure.

b) Credit exposure

- The Company extends credit to domestic and international customers, exposing it to credit risk.
- Risk mitigation measures include:
 - Bank guarantees
 - Letters of Credit

- Credit insurance coverage
- Transactions are primarily conducted with established and reputable distributors to minimize default risk.

c) **Foreign currency exposure**

- The Company is exposed to foreign exchange fluctuations due to export operations.
- However, most financial assets and liabilities are denominated in Omani Rial or US Dollar, to which the Omani Rial is pegged.
- Accordingly, management does not expect any material impact on profitability from currency fluctuations, assuming other factors remain constant.

IV. Financial and Operational Performance

a) **Gross Margin**

- Gross margins improved compared to the previous year, driven by a favorable product mix shift towards higher-margin products.

b) **Overheads**

- Overheads were effectively controlled throughout the year.

Risks and Concerns

Key business risks include:

Geopolitical Escalation Risk – Ongoing regional conflicts and tensions are increasing uncertainty, disrupting buyers’ confidence, and elevating operational risks across GCC markets, particularly through maritime routes.

Supply Chain and Shipping Disruptions – Conflict-driven instability is affecting global shipping lanes and logistics corridors, leading to higher freight costs, delays, rerouting of cargo, and reduced reliability of raw material imports and exports.

Regulatory, Trade Restrictions Risk – Increasing geopolitical fragmentation is leading to tighter export norms within the region, evolving trade

restrictions, and stricter compliance requirements that may affect cross-border trade and export markets.

I. Internal Control Systems, their Adequacy and CMA Compliance

The Company maintains a robust internal control system commensurate with the scale and complexity of its operations.

The Company is committed to upholding strong corporate governance practices in accordance with applicable guidelines issued by the Financial Services Authority.

Accordingly, the Company has established comprehensive policies and manuals covering:

- Authority structure and delegation of powers
- Procurement policies and procedures
- Human resource policies
- Accounting and financial reporting systems
- Corporate governance framework

These are aligned with applicable regulatory requirements, including CMA circulars No. 04/2002 and E/4/2015, as amended from time to time.

II. Corporate Social Responsibility

The Company continues to contribute to community welfare through CSR initiatives, including:

- Distribution of Company products free of cost as part of social contribution programs, with a total market value of approximately RO 7,965 during the year.
- Employment of five differently abled individuals within the organization, supporting inclusive employment practices

III. Outlook for the financial year 2026-27

The outlook for 2026–27 remains challenging due to ongoing geopolitical uncertainties, which are expected to drive increases in input costs and logistics costs. However, limited pricing flexibility in consumer markets may constrain the ability to fully pass these costs on to end customers, thereby placing pressure on profitability. In response, management will continue to focus on cost optimization initiatives, operational efficiencies, and sustained product innovation to mitigate these impacts and support long-term business resilience and competitiveness.

For, National Biscuit Industries Ltd S.A.O.G.