

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

For the Year Ended 31 December 2025

1. Company Overview

Oman Cement Company SAOG (“OCC” or “the Company”) was established in 1978 as part of the economic renaissance initiated under the leadership of the Late His Majesty Sultan Qaboos bin Said. OCC is one of the leading cement manufacturers in the Sultanate of Oman and plays a vital role in supporting the country’s infrastructure and construction sectors.

The Company commissioned its first cement plant in 1983 with a clinker capacity of 0.6 million metric tons (“MT”) per annum. In response to growing regional demand, clinker capacity was expanded to 1.2 million MT per annum in 1998, enabling cement production of approximately 1.26 million MT per annum.

In 2011, OCC further enhanced its clinker capacity to 2.4 million MT per annum through the installation of Kiln–3. Subsequently, in 2014, Kiln–1 was upgraded to a capacity of 2,700 MT per day, increasing total clinker capacity by approximately 0.21 million MT per annum to reach 2.6 million MT. With the commissioning of Cement Mill–5 in 2016, having a capacity of 15 MT per hour, the Company’s total cement grinding capacity increased to 3.6 million MT per annum.

In 2023, Oman Cement Company SAOG was acquired by Huaxin (Hong Kong) International Holdings Limited. Following completion of the mandatory acquisition and takeover procedure, Huaxin (Hong Kong) International Holdings Limited, through its wholly owned subsidiary Abra Holdings Limited, Mauritius (“Abra”), holds an aggregate of 64.66% of the issued share capital of the Company.

2. Product Portfolio

During the year 2025, OCC manufactured and marketed the following types of cement:

1. **Ordinary Portland Cement (OPC)** in compliance with:
 - ◊ Omani Standard Specification OS 7/2001
 - ◊ BS EN 197-1:2011 CEM I 42.5N
 - ◊ ASTM C150/C150M Type I
2. **Moderate Sulphate Resistant Cement (MSRC)** in accordance with ASTM C150/C150M Type II.
3. **Sulphate Resistant Cement (SRC)** in accordance with:
 - ◊ ASTM C150/C150M Type V
 - ◊ BS EN 197-1:2011 CEM I – SR5 – 42.5N
4. **Oil Well Cement – Class A (O)** in accordance with API Specification 10A.
5. **Oil Well Cement – Class G (HSR)** in accordance with API Specification 10A.
6. **Portland Limestone Cement (PLC – Hareer)** in accordance with BS EN 197-1:2011 CEM II/A-L 42.5N.
7. **Portland Limestone Cement (PLC – Al Burj)** in accordance with BS EN 197-1:2011 CEM II/B-L 32.5N.
8. **Composite Well Cement (CWC)** meeting Class L requirements of API Specification 10A (25th Edition).

All major raw materials required for clinker production are sourced domestically. Fly ash used for blended cement products, including Composite Well Cement, is imported through approved local suppliers.

3. Shareholding Structure

The shareholding pattern of the Company as at 31 December 2025 is as follows:

S. No.	Shareholder	% of Holding
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1	Abra Holdings Limited	64.66
2	Portfolios under Trusts & Corporates	18.28
3	Social Protection Fund	9.80
4	Individuals	7.26
	Total	100.00

4. Corporate Governance and Management Philosophy

The Company is committed to the adoption of best management practices and has consistently implemented sound principles of corporate governance. OCC believes that robust governance, transparency and accountability are essential for sustainable growth and long-term value creation for all stakeholders.

5. Operational Performance

5.1 Production Performance

The Company's installed production capacity stands at 2.6 million MT per annum of clinker and 3.6 million MT per annum of cement. During the year ended 31 December 2025, operational performance was as follows:

Clinker Production	2,968,992 MT
Cement Production	3,383,932 MT

The production levels reflect stable operations and effective capacity utilization during the year.

5.2 Marketing and Sales Performance

Despite continued competitive pressure in the domestic market, cement demand in Oman remained broadly stable during 2025 and is expected to remain at similar levels in the near term. However, aggressive pricing by certain competitors continued to pose challenge

Cement sales - 2025

Local Sales	3,369,803 MT
Export Sales	29,046 MT
Total	3,398,849 MT

Clinker Sales – 2025

Local Sales	57,554 MT
Total	57,554 MT

The Company continued its efforts to develop new domestic and export markets for Oil Well Cement (Class A and Class G), which were supplied both locally and internationally. Subject to market conditions and barring unforeseen circumstances, management remains confident of maintaining its market share in Oman.

6. Human Capital

Omanisation and Talent Development

- A. The Company achieved an Omanisation level of 76.9% during the year and continues to promote employment of Omani nationals. Besides, the company boosts recruitment of locals through the contractors.
- B. OCC remains committed to employee development through structured training programs, succession planning and internal promotions.
- C. During 2025, 54 training programs were conducted, benefiting 525 employees through online, on-the-job and locally delivered courses.
- D. Employees are encouraged to pursue higher education, including university and postgraduate studies, with support provided through flexible working arrangements.

7. Financial Performance

7.1 Profitability

Profit before tax for the year ended 31 December 2025 amounted to RO 9.574 million, compared to RO 13.067 million in 2024, reflecting a decrease of RO 3.493 million (-26.73%), mainly due to market pricing pressures and cost increases.

7.2 Five-Year Financial Summary

(RO. Million)

Year	2021	2022	2023	2024	2025
Profit before Tax (RO)	5.184	5.981	7.010	13.067	9.574
Profit after Tax (RO)	4.447	5.040	6.003	11.121	8.303
Dividend (RO)	3.308	3.308	40.000	29.778	*15.4
Dividend %	10%	10%	120.89%	90%	*46.54%
Paid up Capital (RO)	33.087	33.087	33.087	33.087	33.087

**Dividend for 2025 is subject to recommendation and approval by the Board of Directors and Shareholders.*

7.3 Treasury and Investments

Surplus funds of the Company were invested in low-risk fixed income instruments, primarily call deposit accounts with reputable commercial banks.

8. Risks, Opportunities and Outlook

8.1 Key Risks and Challenges

The cement industry continues to face structural and operating challenges which may impact performance. The key risks identified by management include:

- **Energy Cost Risk:** Progressive increases in natural gas prices since 2015 and the implementation of cost-reflective electricity tariffs from 2017 continue to exert upward pressure on production costs.

- **Market and Pricing Risk:** Intense competition from domestic producers and imports from neighboring countries has resulted in sustained pressure on selling prices.
- **Input Cost Inflation:** Increases in lease rentals, logistics costs and other operating inputs may adversely affect margins.
- **Regulatory and Compliance Risk:** Changes in environmental, labor, and industrial regulations may require additional compliance costs and operational adjustments.

8.2 Opportunities

Despite the above challenges, the Company continues to benefit from several opportunities:

- Stable underlying demand from infrastructure, housing and industrial sectors in Oman.
- Expansion of specialized products such as Oil Well Cement (Class A and Class G) in domestic and export markets.
- Operational efficiencies and cost optimization initiatives supported by process improvements and technology.

8.3 Outlook and Strategic Focus

While market conditions remain competitive, management remains cautiously optimistic. The Company's strategic priorities for the near to medium term include:

- Strengthening cost control and operational efficiency
- Optimizing capacity utilization across clinker and cement operations
- Expanding geographically diversified market segments
- Implementing disciplined and dynamic pricing strategies
- Enhancing productivity, safety and environmental performance

The outlook statements are based on current assumptions and market conditions. Actual results may differ due to factors beyond the Company's control. Management will continue to monitor developments closely and take appropriate measures to safeguard the interests of shareholders and other stakeholders.

Jiang Tao

Actg. Chief Executive Officer