

Oman Flour Mills Company S.A.O.G

Board of Directors’ Report for the Quarter Ended 30 June 2025

RESPECTED SHAREHOLDERS,

On behalf of the Board of Directors, I present Oman Flour Mills Company SAOG (the Parent Company) along with its subsidiaries (the Group), unaudited financial statements for the period ended 30 June 2025.

GROUP FINANCIAL PERFORMANCE HIGHLIGHTS:

Overview: The Group's performance in the first half of 2025 reflects a continued recovery from the global commodity price pressures experienced in recent years. Revenue grew by 3.2% year-on-year to RO 67.8 million, supported by sustained demand. Gross profit rose by 13.5% to RO 14.8 million, with gross margin improving from 19.9% to 21.9%, showcasing better cost efficiency at the production level. Operating expenses increased, including higher administrative and distribution costs, as well as impairment and other losses. Finance income more than doubled to RO 574k, and the Group recorded a profit from associates, compared to a loss in the same period last year. As a result, net profit after tax increased by 22.4% to RO 4.32 million.

Revenue & COGS: The Group’s revenue (post intercompany eliminations) increased by 3.2% to RO 67.8 million in 2025, up from RO 65.7 million in the previous year. The H1-2025 revenue is categorized as follows:

Segment	Company Name	2025 Revenue (OMR)	% of Total (2025)	2024 Revenue (OMR)	% of Total (2024)
Feed	Oman Flour Mills (Feed Mills)	36.20m	53.4%	33.37m	50.8%
Flour	Oman Flour Mills (Flour Mills)	22.03m	31.1%	21.79m	33.2%
	Sohar Flour Mills	2.04m	3.0%	3.54m	5.4%
Bakery	Atyab Food Industries	9.47m	14.0%	7.33m	11.2%
Testing, Inspection, & Certification	Atyab International Services	1.14m	1.7%	1.05m	1.6%

Cost of sales increased marginally by 0.71% to RO 52.99 million in 2025, compared to RO 52.61 million in the previous year. This increase was modest relative to the growth in revenue, resulting in a 13.5% rise in gross profit to RO 14.83 million and an improvement in gross margin from 19.9% to 21.9%.

Indirect Expenses: General and administrative expenses rose by 14.7% to RO 4.24 million in 2025, compared to RO 3.70 million in the previous year. The increase was primarily driven by higher employee-related costs, rent and utilities, and repairs and maintenance. Moreover, selling and distribution expenses increased by 8.7% to RO 3.29 million in 2025, up from RO 3.03 million in the prior year. The increase was primarily driven by higher employee-related costs and vehicle expenses, indicating increased sales activity

Finance Costs: Finance costs decreased by 4.2%, from RO 2.38 million in 2024 to RO 2.28 million in 2025. This reduction was primarily recorded at the parent company level and is mainly attributed to the interest rate cuts that have taken place since 2024, easing overall borrowing costs

GROUP FINANCIAL PERFORMANCE HIGHLIGHTS (CONTINUED):

Finance & other Income: Finance income rose sharply to RO 574k in 2025, compared to RO 253k in the previous year. The increase was primarily driven by higher interest earnings from fixed and call account deposits, along with delay charges on outstanding receivables.

Net Impairment on Financial Assets: The Group recognized net impairment losses of RO 377k in 2025, compared to RO 105k in the previous year. The increase reflects higher expected credit loss (ECL) provisions, driven by an expanded receivables base in line with sales growth.

Other gains and losses moved from a gain of RO 217k in 2024 to a net loss of RO 379k in 2025. This shift was primarily due to provisions made against financial assets following a more conservative assessment of their recoverability.

The Group recorded a profit of RO 348k from its associates in 2025, compared to a loss of RO 145k in the previous year. This turnaround reflects an overall improvement in the performance of key associates, with notable contributions as below:

- Atyab IFFCO remained the largest contributor, recording a profit share of RO 216k, though lower than the RO 253k reported in the prior year due to a diminished gross margin driven by higher input costs.
- Arabian Food Production delivered a significant recovery, shifting from a loss of RO 374k in 2024 to a profit of RO 97k in 2025, with the group companies all operating at full capacity during the entire period.
- Modern Dairy Factory also improved, with profit rising to RO 35k from RO 5k in the previous year.

As a result of the above, the group recorded RO 4.3 million compared to RO 3.5 million against the same period last year, demonstrating a solid increase of 22.36%.

SEGMENT PERFORMANCE OVERVIEW:

1. Flour Segment

Market Outlook: Global wheat price volatility persists due to geopolitical tensions. Oman’s focus on food security supports local milling, though OFM faces margin pressure from rising costs.

Oman Flour Mills SAOG (OFM): The Flour Division recorded a 3.3% decline in revenue to RO 21.1 million during H1 2025, compared to RO 21.8 million in the prior year. This was primarily due to a 3.8% drop in sales volume, which stood at 126,984 MT.

Local sales accounted for 87.0% of total revenue, with export sales making up the remaining 13.0%, a decrease from 18.3% in H1 2024.

Despite the volume reduction, cost per unit reduced by 13.0%, from RO 162.40 to RO 141.32. The average selling price remained relatively stable, edging up by 0.6% to RO 166.05 per MT.

Sohar Flour Mills LLC (SFM): Sohar Flour Mills reported revenue of RO 2.04 million in 2025, a 42% decline from RO 3.54 million in 2024. This downturn is primarily driven by a steep decline in the Milling division, where revenue dropped from RO 2.86 million to RO 1.19 million, a reduction of nearly RO 1.67 million (58%). In contrast, the Silo division recorded an increase in revenue, rising from RO 681k to RO 848k, representing a 24% growth.

Cost of sales decreased from RO 3.10 million to RO 1.75 million, helping the company achieve a gross profit of RO 287k, though this remains lower than the RO 438k recorded in 2024. The gross margin remained relatively stable despite reduced milling volumes, supported by higher-margin activities such as private labeling and silo storage rental.

Operating expenses were largely in line with the prior year:

- Selling and distribution expenses: RO 109k (vs RO 113k in 2024)
- General and administrative expenses: RO 228k (vs RO 222k in 2024)

The company recorded a net gain of RO 30k under other income/expenses, compared to RO 6k last year.

Despite efforts to control costs, finance costs remained high at RO 1.25 million, only slightly below RO 1.27 million in 2024. As a result, the company reported a net loss of RO 1.28 million, unchanged from the prior year.

SEGMENT PERFORMANCE OVERVIEW: (CONTINUED)

2. Animal Feed Segment

Market Outlook: Strong local demand persists, but global grain prices and freight costs strain profitability. Sourcing and efficiency remain key.

Oman Flour Mills (OFM): The Feed Division delivered solid growth in H1 2025, with sales revenue increasing by 8.5% to RO 36.2 million, supported by a 16% rise in sales volume to 244,517 MT.

Local sales remained the dominant revenue stream, contributing 97.8% of total revenue. Export sales increased by 77% to RO 802k but continued to represent a relatively small 2.2% share of total feed revenue.

The average selling price declined by 6.5% to RO 148.06 per MT, while cost per unit dropped by 7.1% to RO 117.45 per MT.

Bio Products Oman SAOC (BPO): Atyab Investment acquired full ownership of Bio Products Oman 2024, and effective 2025, the company has transitioned from an associate to a wholly owned subsidiary within the OFM Group.

Bioproducts reported a net loss of RO 114k, compared to RO 74k during the same period last year. The company plans to commence commercial activities by Q3 of this year.

SEGMENT PERFORMANCE OVERVIEW: (CONTINUED)

3. Bakery Segment

Market Outlook: Consumer demand for packaged bakery items is growing, but rising input costs are putting pressure on profitability. Recent acquisition of Sohar Beach Bakery is expected to enhance efficiency.

Atyab Food Industries LLC (AFI): AFI reported revenue of RO 9.47 million in 2025, marking a strong increase of RO 2.15 million compared to RO 7.33 million in 2024. The cost of sales also rose significantly by RO 1.45 million from RO 4.58 million to RO 6.04 million, resulting in a gross profit of RO 3.44 million, up by 25% from the prior year.

Despite improved top-line performance, profitability was constrained by rising operating expenses. Selling and distribution expenses increased to RO 2.56 million from RO 2.39 million, while general and administrative expenses surged to RO 947k, compared to RO 394k reported in 2024 — an increase of 140%. This material rise reflects expanded overheads, including staffing, rent and utilities, and other integration costs associated with the Sohar Beach Bakery acquisition, completed on January 1, 2025.

The company also incurred a net impairment loss of RO 33k on financial assets, compared to a minimal RO 3k in the prior year.

As a result, AFI posted a net loss of RO 32.5k in 2025, compared to a net profit of RO 31k in 2024, representing a decline of RO 63.5k. The shift from profit to loss underscores the short-term financial impact of the acquisition and rising cost structure.

Integration efforts for the newly acquired entity are ongoing, with future focus on operational alignment and cost optimization to restore profitability and leverage revenue synergies.

SEGMENT PERFORMANCE OVERVIEW: (CONTINUED)

4. Testing, Inspection, and Certification (TIC)

Market outlook: Growing regulatory focus on food safety is driving demand for certification. While regional expansion faces initial delays, long-term prospects remain strong.

Atyab International Services LLC (AIS) Group: AIS recorded a notable improvement in 2025, with revenue increasing by 8.5% to RO 1.14 million, up from RO 1.05 million in 2024. Better margins accompanied this growth in topline, as the cost of sales rose only marginally by 0.4%, from RO 699k to RO 702k, resulting in a gross profit of RO 442k, up 24.3% from RO 355k in the previous year.

Operating expenses remained relatively stable, with

- Selling and distribution expenses decreasing to RO 5.9k (from RO 14.5k), and
- General and administrative expenses slightly down to RO 348k (from RO 352k)

As a result, AIS Oman recorded a profit before tax and share of results of subsidiaries of RO 92.9k, demonstrating a strong recovery compared to the operating loss posted in 2024.

The Uzbek branch has commenced commercial activities; however, as services are still ongoing, no revenue has been recognized yet. The entity has only received advance payments, which will be recognized as revenue upon completion of performance obligations. During the period, the branch incurred expenses totaling RO 128k (2024 – RO 106k), including staff costs, depreciation, and other overheads.

Despite the operational recovery in Oman, the group reported a net loss of RO 50k in 2025, an improvement from the RO 117k loss in 2024.

SEGMENT PERFORMANCE OVERVIEW: (CONTINUED)

5. Poultry Segment

Market Outlook: Cost challenges from import restrictions (hatching eggs) persist, but domestic demand and government support offer growth opportunities for efficient players.

Sohar Poultry: The company reported Q2 2025 revenue of RO 6.80 million, up 13% from RO 6.03 million in Q2 2024. The growth was driven by higher sales of both finished goods (RO 5.88 million vs RO 5.43 million) and live chicken and feed (RO 923k vs RO 603k).

Despite the increase in topline, gross profit declined to RO 2.30 million, compared to RO 2.35 million in Q2 2024 — a drop of 2%, representing pressure on margins. This was largely due to a rise in input costs, with cost of materials consumed increasing to RO 4.50 million (vs RO 3.68 million) and production overheads also rising slightly.

A key contributor to the input cost pressure was the increase in average net consumption per KG, which rose from 0.892 Bz to 0.974 Bz, indicating a higher production cost per unit. Additionally, with import restrictions still in place, the company continued to rely on local suppliers for hatching eggs, adding to cost inefficiencies relative to global sourcing alternatives.

Operating profit declined to RO 542k, down from RO 634k in Q2 2024, despite a slight increase in other income (RO 76k vs RO 55k). With finance costs largely

unchanged, net profit before tax stood at RO 461k, compared to RO 539k in the same period last year.

Osool Poultry Co SAOC: Osool Poultry is one of the most significant projects in the Middle East, producing and marketing broiler hatching eggs. The investment is classified as Assets Available for Sale. During the year, the company recorded a profit of RO 1.92 million, compared to RO 487k in the previous year.

SEGMENT PERFORMANCE OVERVIEW: (CONTINUED)

6. Table Eggs Segment

Market Outlook: Demand remains resilient, supported by wider distribution reach. Ongoing import challenges reinforce the importance of scaling local production.

Modern Poultry Farms SAOC (MPF): MPF reported a Q2 2025 revenue of RO 9.68 million, indicating a 20% increase from RO 8.06 million in Q2 2024. The growth was driven by both higher volumes (502,256 MT vs 466,762 MT) and improved pricing of 12%.

Gross profit increased to RO 1.22 million, up from RO 1.05 million in the prior year, despite a rise in material costs to RO 8.47 million (vs RO 7.01 million in Q2 2024). The improvement in gross profit highlights resilient margins, supported by improved cost absorption due to volume growth.

Marketing and sales overheads increased to RO 574k, up from RO 428k, demonstrating expanded distribution activity. Administration overheads also rose slightly to RO 236k (from RO 357k), due to reinstated or reallocated support costs across group companies.

The company recorded other income of RO 26.6k, which contributed to a strong improvement in overall profitability.

As a result, operating profit surged to RO 434k, compared to RO 260k in Q2 2024, with net profit after tax at RO 434k, representing a 66% increase.

Gulf International Poultry Farms LLC (GIPF): GIPF recorded a Q2 2025 revenue of RO 8.63 million, showcasing a strong increase of 34% compared to RO 6.42 million in Q2 2024. This growth is supported by higher sales volume, which rose to 498,271 MT from 436,534 MT in the prior period. Both the increase in selling price and increase in the volume equally contributed to the increase in revenue.

Materials cost increased to RO 7.01 million from RO 6.45 million, while production overheads remained broadly stable. Despite the cost increase, the company delivered a gross profit of RO 1.62 million, a substantial turnaround from the gross loss of RO 32k recorded in Q2 2024.

The improvement in gross margin is driven by higher capacity utilization, along with a favorable reallocation of overhead costs at the intercompany level, improving the cost structure and efficiency.

Total selling and administrative overheads declined to RO 392K from RO 660K, following a change in the group’s policy under which a portion of the overheads is now retained by the parent company instead of being allocated to the subsidiaries.

Operating profit reached RO 1.23 million, compared to an operating loss of RO 692k in the same quarter last year. Although finance costs rose to RO 606k (from RO 459k), the company posted a net profit after tax of RO 625k, a full recovery from the RO 1.14 million loss in Q2 2024.

Emirates Poultry Farms (EPF): EPF reported Q2 2025 revenue of RO 1.96 million, representing a 38% decline from RO 3.15 million in Q2 2024. The sharp drop in sales is primarily due to a significant reduction in production volumes (87,269 units vs. 170,669 units), which was driven by ongoing export restrictions and the gradual discontinuation of certain operations.

Correspondingly, materials cost dropped from RO 2.76 million to RO 1.63 million, resulting in a gross profit of RO 329k, slightly below RO 387k in the previous year.

Marketing and sales overheads decreased significantly to RO 348k, down from RO 589k, largely due to reduced commercial activity and costs tied to the ongoing wind-down of operations. Administrative overheads, however, rose modestly to RO 50k (vs RO 37k in Q2 2024).

The company posted an operating loss of RO 64k, an improvement over the RO 245k loss reported last year. However, with the inclusion of an RO 85.6k loss

from discontinued operations, net loss for the quarter reached RO 150k, compared to a net loss of RO 245k in Q2 2024.

SEGMENT PERFORMANCE OVERVIEW: (CONTINUED)

7. Dairy Segment

Market Outlook: Rising demand and government support to local producers benefit the sector. Success will depend on optimizing new operations and improving cost efficiency.

Modern Dairy Factory (MDF): MDF SAOC shifted to its new facility in Rusayl, Muscat on 25 February 2025, with Q2 2025 marking the first full quarter of commercial operations from the upgraded premises.

The company recorded revenue of RO 1.75 million, up 21% from RO 1.45 million in Q2 2024. This growth was driven by a combination of higher production volume (up from 2.46 million liters to 3.04 million liters), the launch of new SKUs (rising from 14 to 18), and an expansion in distribution routes (from 17 to 25), reflecting the company’s growing footprint in the market.

However, the cost of sales increased significantly, with the cost per liter rising from RO 0.351 to RO 0.384, due to increased global milk powder prices and higher production overheads pertaining to the new facility. Total materials and production costs rose from RO 876k to RO 1.27 million, resulting in a gross profit of RO 478k, down from RO 568k in the prior year.

Selling and distribution expenses climbed to RO 458k (vs RO 297k), primarily due to route expansion (from 17 to 25) and increased fuel and logistics costs. Administrative overheads rose slightly to RO 205k (from RO 181k), reflecting increased headcount (rising from 94 to 105 employees) and departmental buildup in line with the expanded operations.

A key contributor to performance was a one-off other income transaction of RO 289k. As a result, net profit after tax rose to RO 78k, compared to RO 12k in the previous year.

SEGMENT PERFORMANCE OVERVIEW: (CONTINUED)

8. Commodity Trading Segment

Market Outlook: Global grain volatility continues. Oman’s push for direct sourcing and import diversification may strengthen future supply security.

OM AUS PTY: This wholly owned subsidiary in Australia was established to directly procure raw materials from growers. However, no transactions were undertaken during the first quarter. Over the course of the year, the company incurred RO 31k in general administrative expenses.

CORPORATE SOCIAL RESPONSIBILITY (CSR):

The shareholders have approved a budget of RO 150K for CSR activities for 2025. OFM successfully allocated RO 133K to support various initiatives, including providing free flour bags to needy families during Ramadan in collaboration with Zakat committees and other organizations and contributing for general health services.

FUTURE OUTLOOK:

Multiple projects are being evaluated across the Group. The projects focus on integration across the value chain as well as diversification into new ventures:

Mergers & Acquisitions

- **Sohar Beach Bakery Acquisition:** Atyab Food Industries completed the acquisition of Sohar Beach Bakery in January 2025. Integration of operations is ongoing and progressing in line with expectations.
- **Feed Mill Segment:** Legal and financial due diligence for a potential acquisition in the feed mill segment has been completed. However, no agreement has been reached on key commercial terms.

Operational Efficiencies

- **Shared Farming Trial in Australia:** A shared farming trial proposal has been developed and will be presented to the Board. The project initially targets domestic sales, with a long-term goal of securing captive grain usage for the Group.

Greenfield Projects

- **Health Bar Manufacturing:** Oman Flour Mills is initiating a health bar project, beginning with a small-scale setup within existing facilities. Potential relocation to the food cluster is under consideration. The investment decision is expected by Q4 2025. If approved, production is projected to begin by mid-2026, following a 10-month lead time for equipment procurement and installation.
- **Insect Meal Facility:** A desktop feasibility study has been completed for an insect meal manufacturing facility. The project aims to produce alternative protein from organic and poultry waste for use in animal feed.
- **Functional Foods Expansion:** The Company is exploring opportunities in the functional foods segment, focusing on high-value nutritional products aligned with global health and wellness trends.
- **Baby Food Facility in Uzbekistan:** A baby food manufacturing project in Uzbekistan is under assessment. Desktop feasibility is complete, and internal alignment is in progress ahead of engaging potential JV partners for further due diligence. The project targets growing demand in Central Asia.

THANKS AND APPRECIATION :

The Board of Directors expresses its deepest appreciation to the Government of the Sultanate of Oman for its continued support, under the wise leadership of His Majesty Sultan Haitham bin Tariq — may God protect and preserve him.

Regards,

Ahmed bin Ali bin Sulaiman Al Bulushi

Chairman, Board of Directors