

Oman Flour Mills Company S.A.O.G
Board of Directors’ Report

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’s) unaudited financial statements for the period ended 31 March 2026.

GROUP PERFORMANCE HIGHLIGHTS:

The Group delivered improved performance for the period ended March 2026, with growth in both revenue and profitability, despite a challenging geopolitical environment impacting regional supply chains and input costs. Through proactive inventory planning and maintaining adequate strategic stock levels, the Group ensured continuity in production and avoided supply disruptions, supporting consistent customer demand fulfilment across core segments. At the parent level, monthly sales volumes remained stable at approximately 65–66k MT, compared to MT 59-64k in the same period last year, demonstrating effective inventory planning and uninterrupted supply chain operations despite the challenging logistical environment.

Looking forward, OFM has taken substantial cover for the grains, which is expected to cover production continuity.

Sales increased by 5% to OMR 35.7m (2025: OMR 34.0m), primarily due to steady activity levels across core operations. Revenue growth was primarily driven by the feed segment, supported by higher local sales, while flour revenues also increased in the domestic market, offsetting a decline in export sales. Across the Group, growth was largely supported by strong local demand, with export markets remaining comparatively less during the period.

Gross profit declined by 12% to RO 6.78m (2025: RO 7.68m), mainly due to a 36% decrease in AIS Group profitability following the commencement of operations in Uzbekistan, which resulted in additional cost of sales of RO 55k. This was further compounded by a significant increase in Bio Products cost of sales to RO 193k (2025: RO 31k).

At the parent level (OFM), despite higher sales volumes, cost of sales increased in line with higher quantities sold, alongside additional direct costs including lease amortization and silo restoration depreciation of RO 39k, as well as a reduction in subsidy income of RO 173k, collectively leading to margin compression at the group level.

Operating expenses improved overall, with S&D costs decreasing by 5% to OMR 1.49m (2025: OMR 1.57m), primarily due to reduced advertising and promotional expenditure. G&A expenses declined by 16% to OMR 1.81m (2025: OMR 2.16m), attributed to by lower professional fees at the holding company and parent level, along with reduced rental and utilities costs at Atyab Food Industries following the integration of Sohar Beach Bakery operations and related streamlining.

Other income increased to OMR 72k (2025: OMR 28k), while other gains/(losses) recorded a net gain of OMR 355k compared to a net loss of OMR 250k in 2025, mainly due to gains on liquidation of financial assets.

PARENT, SUBSIDIARY, AND ASSOCIATES COMPANIES: (CONTINUED)

As a result, operating income increased by 6% to OMR 3.80m (2025: OMR 3.58m).

Finance income increased to OMR 372k (2025: OMR 205k), mainly supported by higher interest income on deposits. Finance costs rose to OMR 811k (2025: OMR 697k), mainly due to interest on lease liabilities, while interest on bank borrowings remained reduced by OMR 50k. Overall, net finance costs improved to OMR 439k (2025: OMR 492k)

The Group recorded a share of profit from associates of OMR 166k (2025: OMR 133k), supported by stronger contributions from Atyab IFFCO and Arabian Food Production Company (AFPC), partially offset by higher losses from Modern Dairy Factory. Furthermore, the Group recorded a profit from discontinued operations of OMR 62k compared to a loss of OMR 140k in 2025.

Overall, profit for the period increased by 17% to OMR 2.95m (2025: OMR 2.52m), shaped by resilient core operations, controlled cost management, and favorable movements in other gains and associate contributions.

The parent company's performance (before tax), along with our subsidiaries and associates, is as follows:

1. Oman Flour Mills SAOG (OFM):

OFM delivered a solid financial performance in 2026, with revenue growth of 6.7% year-on-year, driven by stable demand. Profitability improved at the operating level despite margin pressure from increased cost of sales.

Net profit for the year reached RO 3.09 million, reflecting a 12.3% increase compared to 2025. The growth was supported by higher operating income, improved finance income, and favorable gains from non-operating activities.

Revenue increased to RO 30.88 million (2025: RO 28.93 million), reflecting continued demand across key product segments. The increase of RO 1.95 million compared to the prior period is mainly due to higher sales volumes contributing RO 1.90 million, while pricing had a marginal positive impact of RO 44k.

The sales volumes has increased by 6.6% from 186,128 MT to 198,370 MT, mainly due to a 9.9% growth in feed volumes (+13k MT), while flour volumes remained broadly stable (+0.4%).

Feed revenue grew by 9.4% in line with volumes, while flour revenue recorded a modest increase of 1.5%. Growth was primarily supported by strong local sales performance (+9.9% in volume and +8.7% in value).

Cost of goods sold increased to RO 25.78 million from RO 23.18 million, up by RO 2.60 million or 11.2%, primarily due to higher raw material costs, which rose significantly even after accounting for government subsidy. Employee costs and depreciation saw marginal increases.

PARENT, SUBSIDIARY, AND ASSOCIATES COMPANIES: (CONTINUED)

Cost of materials increased by approximately 11.2%, broadly in line with higher production volumes during the year. The increase was driven by higher sales volumes contributing RO 1.37 million and an increase in raw material prices amounting to RO 1.23 million.

Other cost components showed mixed movements. Transport costs increased significantly by RO 351k, mainly due to higher movement of goods between storage locations. Utilities rose by RO 34k (16%), reflecting increased operational activity and usage levels. Import-related costs also increased by RO 89k (65%), driven by higher procurement volumes and associated logistics expenses. Additionally, provision for inventory increased significantly due to higher spare parts provisioning.

These increases were partially offset by savings in certain areas, including a reduction in marine insurance of RO 6k and a net decrease in demurrage costs of RO 47k, reflecting improved supply chain handling and reduced delays.

Overheads decreased to RO 1.32 million in 2026 compared to RO 1.53 million in 2025, reflecting a reduction of RO 0.21 million or 13.7%.

Selling and distribution expenses declined to RO 210k from RO 276k, driven primarily by lower advertising costs by 57%, which reduced significantly during the year. This was partially offset by a slight increase in employee-related costs of 26%.

General and administration expenses decreased to RO 1.11 million from RO 1.26 million, mainly due to lower professional fees (49%), CSR spending (53%), travel costs (32%), and miscellaneous expenses. This was partially offset by higher staff costs (17%), while other overheads remained broadly stable. Directors’ meeting fees following the reversal of prior year provisions reduced from RO 300k to RO 150k.

Other income mainly comprises rental, shared services, and miscellaneous income. Rental income includes RO 15k from two parties. Shared services income from Atyab Investments remained consistent at RO 11.4k in both periods. In addition, miscellaneous income includes tender fees amounting to RO 5k.

Other gains/(losses) recorded a net gain of RO 390k from the disposal of quoted shares in the current year, compared to a net loss of RO 250k in 2025 arising from the impairment provision on the same investment. This was partially offset by a loss of RO 35k recognized on the disposal of a truck following an accident.

Finance costs increased overall, mainly driven by a rise in lease interest expenses from RO 1.5k to RO 119k following the recognition of interest on newly leased land. This was partially offset by a reduction in interest on bank borrowings, which declined from RO 570k to RO 519k despite an increase in outstanding loan balances, reflecting more favorable borrowing rates.

PARENT, SUBSIDIARY, AND ASSOCIATES COMPANIES: (CONTINUED)

1. Atyab Food Industries SAOC (AFI) (100%):

AFI reported revenue of OMR 4.68m for YTD March 2026 (2025: OMR 4.87m), a decline of OMR 190k.

Revenue growth is attributed to local sales increasing to OMR 3.61m (2025: OMR 3.34m) and export sales rising to OMR 245k (2025: OMR 207k). Growth was due to higher sales in core bakery segments, particularly bread (+OMR 90k) and variety (+OMR 108k), while trading declined by OMR 29k and bun sales reduced by OMR 18k, partially offsetting the gains.

However, this improvement was more than offset by the exit from UAE operations, which contributed OMR 305k in the prior year, and a reduction in Sohar Beach Bakery (SBB) revenues to OMR 821k (2025: OMR 1.02m) following post-acquisition normalization.

Overall, performance indicates a shift toward a more streamlined operating structure, with growth in core Oman bakery segments offset by the discontinuation of UAE

operations and normalization of SBB revenues.

Cost of sales decreased to OMR 2.98m (2025: OMR 3.11m), primarily in line with revenue, while production overheads remained stable. As a result, gross profit stood at OMR 1.70m (2025: OMR 1.76m), supported by cost efficiencies and operational synergies following integration.

Overheads declined to OMR 1.57m (2025: OMR 1.74m) because of integration of operations between SBB and AFI, resulting in reduced manpower and overall cost base.

Operating profit increased to OMR 167k (2025: OMR 61k), while finance costs rose to OMR 29k (2025: OMR 3k) due to interest on term loan facilities. Consequently, profit for the period improved to OMR 120k (2025: OMR 49k), supported by overhead optimization and integration benefits.

2. Atyab International Services LLC (AIS) (100%):

AIS reported revenue of OMR 555k for YTD 2026 (2025: OMR 581k), due to a decline in core lab services, particularly in chemistry and microbiology, due to reduced testing demand from hospitality and export-related activities amidst the geopolitical situation. Pest control services also recorded lower activity during the period.

Across other revenue streams, the overall decline was partially offset by contributions from Sohar lab operations (including Shinas), Bio Oman contracts and IPMS product sales, while certification, training and calibration services underperformed during the period.

Cost of sales remained broadly stable at OMR 349k (2025: OMR 343k), demonstrating the largely fixed cost structure of the business. As a result, gross profit declined to OMR 206k (2025: OMR 238k).

PARENT, SUBSIDIARY, AND ASSOCIATES COMPANIES: (CONTINUED)

G&A expenses stood at OMR 199k (2025: OMR 171k), including expected credit loss provisions, resulting in a marginal operating profit of OMR 18k (2025: OMR 62k).

Share of loss from the Uzbekistan operations amounted to OMR 66k (2025: OMR 64k), resulting from ongoing overheads with minimal revenue contribution. Consequently, the business reported a net loss of OMR 50k for the period (2025: profit of OMR 11k).

3. OMAUS PTY (100%): The company incurred OMR 6k in professional fees. No shipments purchased during the period through the Australian subsidiary due to unfavorable market conditions.

4. Sohar Flour Mills LLC (SFM) (60%):

Sohar Flour Mills reported a net loss of OMR 352k for YTD March 2026, an improvement compared to 2025 (loss of OMR 572k). Revenue declined to OMR 599k (2025: OMR 641k), primarily due to significantly lower export volumes and reduced private label sales, along with weaker local volumes.

The decline in volumes led to under-absorption of fixed production costs, resulting in a gross loss of OMR 20k compared to a gross loss of OMR 52k in 2025. Cost of sales decreased in line with lower material usage, while fixed production overheads remained largely unchanged.

Operating loss stood at OMR 160k (2025: OMR 171k), with lower activity levels partially offset by a reduction in sales and administrative expenses. Finance costs remained elevated at OMR 255k (2025: OMR 261k), continuing to weigh on overall profitability.

Overall performance was supported by a profit of OMR 62k from discontinued operations, with improved silo and berth operational activities, and a reduction in direct costs following the cessation of depreciation & amortization on assets held for sale.

5. Bio Products Oman SAOC (BPO) (100%):

BPO generated revenue of OMR 41k (2025: OMR 15k), marking the initial stage of commercial operations following the commencement of activities toward the end of 2025. Cost of sales increased to OMR 194k (2025: OMR 32k), resulting in a gross loss of OMR 152k (2025: OMR 16k loss). The increase attributed to the start of depreciation on newly capitalized plant and equipment, rising to OMR 73k (2025: OMR 7k), together with higher production overheads as the business moves into the production phase with low-capacity utilization.

General and administrative expenses rose to OMR 52k (2025: OMR 35k), arising from staffing ramp-up and the establishment of operational support functions. Finance costs, which used to get capitalized, of OMR 94k were incurred in relation to project funding, resulting in a net loss of OMR 299k (2025: OMR 52k loss).

PARENT, SUBSIDIARY, AND ASSOCIATES COMPANIES: (CONTINUED)

The current loss position is expected at this stage, with performance impacted by depreciation commencement, initial cost absorption, and low utilization levels as operations scale. Raw material procurement has been ongoing since the start of the year to support planned sales volumes as production ramps up.

6. Atyab IFFCO Poultry (50%):

a. Sohar Poultry delivered a strong performance in YTD March 2026, with net profit increasing to OMR 356k (2025: OMR 241k). Revenue growth was supported by higher volumes of 2.01m kg (+6% YoY), supported by a slight improvement in average selling price (OMR 1.55 vs 1.53).

Operational efficiency improved, with FCR at 1.33 (2025: 1.35), supporting feed efficiency and helping contain cost per kg despite higher input prices. Hatchability remained stable at 88.5%, while mortality was broadly in line at 3.9% (2025: 3.6%). Yield remained high (97%), supported by low wastage and stable hatch performance.

Gross margin improved to 34.7% (2025: 33.0%), supported by better volume, pricing and improved absorption of fixed costs, which remained broadly stable. Selling and distribution expenses increased to OMR 399k (2025: OMR 358k), mainly due to higher rebates and discounting to support volumes, partially offset by lower transport and fuel costs.

As a result, profit before tax increased to OMR 419k (2025: OMR 284k).

b. Osool Poultry Co. SAOC (9.9%):

Osool Poultry reported revenue of OMR 6.32m for YTD 2026 (2025: OMR 6.91m), with lower sales volumes of 37.9m eggs (2025: 40.0m) and weaker pricing (OMR 0.148 vs 0.162), impacted by market conditions and pricing pressure.

Production declined to 37.9m eggs (2025: 40m), mainly due to early depletion and underperformance of certain flocks, along with seasonal factors affecting hatchability.

Cost of sales decreased to OMR 5.32m (2025: OMR 4.96m), due to lower production volumes, partially offset by higher utilities and vaccination costs. As a result, gross profit declined to OMR 1.0m (2025: OMR 1.95m), indicating margin compression.

Operating profit stood at OMR 695k (2025: OMR 981k), with lower gross profitability partially offset by reduced general and administrative expenses of OMR 306k (2025: OMR 352k). Finance costs remained elevated at OMR 541k (2025: OMR 615k), resulting in a profit before tax of OMR 154k (2025: OMR 981k).

Osool is classified as a **financial asset** through other comprehensive income.

PARENT, SUBSIDIARY, AND ASSOCIATES COMPANIES:(CONTINUED)

7. Arabian Food Production Company SAOC (AFPC) (33.33%):

AFPC Group reported revenue of OMR 6.43m for YTD March 2026 (2025: OMR 6.44m), with sales volumes declining to 304k cartons (2025: 342k cartons), mainly due to lower wholesale demand in UAE and Oman markets, amidst the geopolitical situation. along with Ramadan seasonality. This was partly offset by stronger performance in retail and food service channels, along with improved pricing and product mix.

The volume shortfall was concentrated in wholesale, while retail and food service segments showed growth. A shift toward higher-value product categories supported pricing and limited the impact of lower volumes on revenue.

Cost of sales decreased to OMR 4.44m (2025: OMR 4.89m), primarily due to lower volumes, supported by improved feed efficiency and better procurement costs. As a result, gross profit increased to OMR 1.99m (2025: OMR 1.55m), with margin improving to 31% (2025: 23.9%), stemming from stronger pricing and favorable sales mix.

Operating profit increased to OMR 957k (2025: OMR 588k), supported by higher gross profitability, while other overheads were slightly higher at OMR 1.06m (2025: OMR 986k).

Finance costs decreased to OMR 257k (2025: OMR 302k), resulting in profit before tax of OMR 701k (2025: OMR 287k).

Profit from continuing operations (after tax) increased to OMR 570k (2025: OMR 202k), while losses from discontinued operations narrowed to OMR 36k (2025: OMR 50k), resulting in net profit of OMR 535k (2025: OMR 152k).

Looking forward, AFPC is focused on recovering the volume and revenue shortfall recorded in March 2026, while maintaining NSR per carton and reducing egg inventory levels. Feed supply remains secured under the OFM agreement, with contingency measures in place to ensure continuity of critical inputs. The company is targeting achievement of budgeted April performance and key YTD financial indicators.

8. Modern Dairy Factory (MDF) (45.5%):

MDF reported a net revenue of OMR 1.30m for YTD 2026 (2025: OMR 956k), strong year-on-year growth; however, performance was constrained by supply limitations, resulting in lower volumes and an unfavorable product mix, with reduced contribution from higher-value categories such as cheese and UHT milk. Demand remained robust, supported by seasonal uplift during Ramadan and improved performance in March, which implies that the constraints are primarily operational rather than demand driven.

Despite a strong revenue increase, gross profit stood at OMR 306k (2025: OMR 303k), mainly attributable to low-capacity utilization & product mix.

General and administrative were stable at OMR 102k, while sales and distribution expenses have increased by OMR 46k, with employee costs & increased vehicle hires

being the main drivers.

PARENT, SUBSIDIARY, AND ASSOCIATES COMPANIES:(CONTINUED)

As a result, the business reported an operating loss of OMR 71k, driven by high distribution costs and overheads not yet absorbed by current revenue levels. Finance costs increased to OMR 52k, alongside higher depreciation from newly commissioned assets, further impacting profitability. Consequently, net loss for the year widened to OMR 122k (2025: OMR 62k).

AWARDS AND ACHIEVEMENTS:

In 2026, the following key achievements were accomplished:

- 1) Entered into a cooperation agreement with Ithkaa Group to undertake a feasibility study on digital transformation and automation initiatives.
- 2) Expanded product portfolio with the launch of:
 - Zaad Al Khari
 - Tandoori Flour (50 kg)
- 3) Established presence in the Senegal market through exports.
- 4) Full Regulatory Compliance – Animal Feed Products
 - Achieved **100% compliance** for animal feed products, ensuring full alignment with GSO standards, Omani regulatory requirements, and applicable international management system standards.
- 5) Integrated Management System Certification Transition
 - Successfully transitioned Integrated Management System certifications to AIS as the official certification body, completed without major non-conformities and with no disruption to operations.
 - Certification scope includes:
 - ◊ ISO 9001 – Quality Management System
 - ◊ ISO 14001 – Environmental Management System
 - ◊ ISO 45001 – Occupational Health & Safety
 - ◊ FSSC Version 6 – Food Safety Management
 - ◊ ISO 20000 – IT Service Management
 - ◊ HACCP – Food Safety Framework
 - This transition strengthens the Group’s compliance framework and supports ongoing operational excellence and continuous improvement.

CORPORATE SOCIAL RESPONSIBILITY (CSR):

The shareholders have approved a budget of OMR 300k for CSR activities for 2025. OFM successfully allocated OMR 42k during the period to support various initiatives, including providing free flour bags to needy families during Ramadan in collaboration with Zakat committees and other organizations and contributing to 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:

- **Insect Meal Facility:**
Exploring a joint venture structure with potential technology and strategic partners. Technical and commercial feasibility assessments are ongoing, covering feedstock supply, production setup, and off-take arrangements.
- **Chlorella Production:**
Development progressing with successful initial poultry trials. Project being executed in phases, starting with pilot-scale validation, with plans to scale into full production for feed and functional food applications.
- **Functional Foods:**
Evaluating entry into high-value, health-oriented products including fortified and protein-enriched offerings. Concepts under review include kefir-based beverages, high-protein yogurt, and other wellness-focused formulations.
- **Health Bars Line:**
Assessing establishment of a dedicated production line, with a consultant engaged for technology selection, capacity planning, and feasibility validation.
- **AFI Bakery Merger Evaluation:**
Assessing potential merger of Atyab Food Industries (AFI) with Salalah-based bakery operations to enhance synergies. Valuation exercise underway with external consultant, with draft report expected following validation of key assumptions.

THANKS AND APPRECIATION:

The Members of the Board of Directors would like to extend their most sincere appreciation and gratitude to the government for the continuous support under the 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

