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## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

Oman National Engineering & Investment Co. SAOG is pleased to present its report on the Company's performance for the financial year 2025, with an overview of business opportunities, anticipated challenges, and the adopted mechanisms to achieve its objectives and mitigate potential risks, with the aim of safeguarding the interests of the nation, shareholders, employees, and business partners.

The Company achieved positive results during 2025, as the parent company recorded notable growth in earnings before and after interest and taxes compared to the previous year. Consolidated profits also demonstrated clear improvement at both the operating and net levels. This growing performance reflects the strength of the Group's financial position and the efficiency of its operational management, in addition to the continued robustness of the Company's project portfolio, which amounts to approximately 180 million Omani Rials and represents a fundamental pillar supporting sustainability and growth in the coming periods.

The Company continues its dedicated efforts to diversify its sources of income by exploring new business sectors and establishing promising strategic partnerships that enhance its competitive position and support its future plans.

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### **SEGMENT-WISE ANALYSIS**

The Company successfully maintained positive growth rates during the financial year 2025. Below is an analysis of the performance of the Company's various business segments:

#### **1. Billing Department:**

The value of ongoing projects within this division amounted to approximately 22.5 million Omani Rials by the end of 2025. In this context, the executive management adopted key initiatives in line with the strategy set by the Board of Directors, focusing on streamlining the division's operations in accordance with market developments. Chief among these initiatives was the enhancement of electronic collection mechanisms and the reduction of reliance on labor-intensive activities associated with higher risks. The new business models have proven effective and are planned to be implemented across billing branches throughout the Sultanate, particularly as traditional meter reading activities have declined following the installation of smart water and electricity meters.

The strategic vision pursued by the Company over the past years to develop this sector has yielded tangible successes. The Company recorded significant growth in electronic collections through its mobile application (Bill & Pay), alongside a substantial expansion in the application's user base by the end of the period. Furthermore, the Company successfully concluded several partnership agreements with government entities and key institutions, including the Ministry of Labour, the Social Protection Fund, the Ministry of Housing and Urban Planning, and the Supreme Judicial Council, among others. The Company also takes pride in its continued collaboration with the Royal Oman Police in providing vehicle registration printing, driving license services, and traffic fine payments through self-service kiosk deployed across various governorates of the Sultanate. In addition, the Company operates its electronic wallet, which is expected to achieve strong results based on the Company's strategic market position and its extensive customer base.

The Company has also advanced its expansion strategy by growing its business in the supply of self-service kiosks to the telecommunications sector and providing cash deposit and withdrawal machines to banking institutions. At the same time, it continues to pursue expansion into other promising economic sectors, including insurance, healthcare, logistics, outdoor advertising, and other active industries, thereby enhancing revenue diversification and supporting sustainable growth.

#### **2. Operation & Maintenance (O&M) Department**

The division achieved outstanding results during 2025, with the value of ongoing projects reaching approximately 94.9 million Omani Rials as of 31 December 2025. The

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division’s performance is expected to further improve in 2026, particularly in terms of projects currently under award. The division successfully secured the operation and maintenance contract for the Qurayyat Water Desalination Plant and the sewerage network in the Wilayat of Masirah., which is anticipated to generate healthy profit margins. It also obtained a contract from a government entity relating to technical facilities management services. Notably, work on the sewer line construction project for Sultan Haitham City is progressing as planned. These projects represent a qualitative shift in diversifying the division’s project portfolio and moving beyond traditional partnership frameworks through the acquisition of projects across multiple sectors, while continuing to execute projects with its established partners. The primary challenge facing the division remains delays by certain entities in settling outstanding dues owed to the Company. The Company continues to take the necessary measures to recover its financial entitlements, while maintaining positive and professional relationships with all relevant stakeholders.

3. Engineering, Procurement & Construction (EPC) Department

With regard to the Engineering Sector, the challenges faced during the past period were evident. However, through the dedicated efforts of the team and the adoption of strategic initiatives, the sector succeeded in securing a number of high-quality projects and achieving positive results. The value of ongoing projects within this division reached approximately 54 million Omani Rials, reflecting a noticeable improvement in performance indicators. This is expected to have a positive impact on the division’s results in the coming periods, starting from 2026, supported by the volume of works under execution and the stability of the project portfolio.

- The division has enhanced its technical and execution capabilities and is currently implementing the construction of a 400 kV power station in the Wilayat of Ibri, with work progressing in line with the approved plan. In addition, it is executing a 220 kV power station project in the Wilayat of Mahdha, valued at approximately OMR 13 million.
- The division has adopted a clear project selection strategy focused on targeting projects with higher profit margins, while expanding into renewable energy projects in collaboration with various public and private sector entities across different industries. This approach aligns with sustainability objectives and is expected to strengthen the Company’s future returns.

4. Product & Solution Department

The value of contracts currently under execution within this division amounted to approximately 8 million Omani Rials. The division is also expected to be awarded new contracts in the coming months, which will contribute to strengthening its revenues and increasing profitability. These strategic initiatives are anticipated to yield tangible positive results in the near future, thereby supporting the division’s growth plans and the Company’s overall objectives. It is worth noting that the division is executing a contract for the supply of smart energy meters in the Dhofar Governorate under an agreement with Nama Dhofar Services SAOC. In addition, the division is engaged in the distinguished manufacturing of Capacitor Banks and continues to receive orders for its products from both local and regional markets on an ongoing basis, including Control Panels. Furthermore, the division is implementing several projects related to the installation, maintenance, and supervision of electronic water and electricity meters.

5. Fire & Safety Department

The company is recognized as a leading entity in implementing quality, health, safety, and environmental standards, alongside its strong commitment to social responsibility practices. The company’s track record in safety and environmental protection is distinguished, as it diligently undertakes all necessary measures to provide a safe and healthy working environment for employees at work sites and staff accommodation camps.

FINANCIAL OVERVIEW

| Particulars   | Parent Company |             |          | Group       |             |          |
|---------------|----------------|-------------|----------|-------------|-------------|----------|
|               | 31 Dec 2025    | 31 Dec 2024 | Variance | 31 Dec 2025 | 31 Dec 2024 | Variance |
|               | OMR            | OMR         | %        | OMR         | OMR         | %        |
| Total assets  | 168,868,969    | 162,543,983 | 3.9      | 171,794,007 | 162,872,541 | 5.5      |
| Total equity  | 33,706,507     | 31,086,413  | 8.4      | 34,179,382  | 31,340,053  | 9.1      |
| Total revenue | 92,636,881     | 71,579,261  | 29.4     | 93,178,643  | 71,926,596  | 29.5     |

|                  |             |             |      |             |             |      |
|------------------|-------------|-------------|------|-------------|-------------|------|
| Total expense    | 89,421,952  | 68,778,553  | 30.0 | 90,482,302  | 69,272,342  | 30.6 |
| Profit after tax | 3,214,929   | 2,800,708   | 14.8 | 2,696,341   | 2,654,254   | 1.6  |
| Order book       | 180,328,836 | 169,906,785 | 6.1  | 181,028,836 | 170,406,785 | 6.2  |

The company confirms that all accounting entries related to project revenues have been recorded in accordance with the International Financial Reporting Standards (IFRS), and the necessary controls have been established to mitigate all potential risks in this regard.

Furthermore, our ongoing business improvement initiatives continue to enhance our ability to sustainably develop operations, increase returns for shareholders, and contribute to national economic development. We would also like to emphasize that the executive management has successfully reduced operating costs significantly through various measures implemented during the year. Consequently, the results reflect the effectiveness of the company’s business strategy, the efficiency of its operational models, and the company’s capability to perform well under varying economic conditions.

**OMANISATION AND COMMUNITY SERVICE:**

Driven by its strong belief in the competence of Omani youth to perform across various levels of responsibility, the company has continued to implement its workforce localization policies. Omanis represent 100% of leadership positions and more than 70% of middle management and supervisory roles, in addition to their active presence in engineering projects, whether in projects execution or operations and maintenance. The company takes pride in being a model for organizations that firmly believe in the capabilities of Omani youth and their ability to successfully undertake such responsibilities. It also provides a supportive work environment that fosters career development and job stability.

On the other hand, and as part of its social responsibility commitment, the company established the “Basmat Khair” team, which implements a year-round program of various charitable initiatives. Furthermore, the AGM Meeting approved an annual allocation for social responsibility, which is disbursed to different charitable associations across various governorates, covering a diverse range of activities.

**GRATITUDE & ACKNOWLEDGMENTS**

The Executive Management wishes to express its highest sentiments of loyalty and gratitude to His Majesty Sultan Haitham bin Tariq, may God protect and preserve him, affirming our commitment to exert every effort to realize His vision and the aspirations of the people of Oman for a prosperous future under his wise leadership, God willing.

The Executive Management extends its sincere appreciation to the Board of Directors and its affiliated committees for their dedicated efforts aimed at enhancing the company’s efficiency and overcoming challenges through clear vision and exceptional expertise, expressing heartfelt thanks for their continued support.

We also convey our gratitude to the electricity companies, represented by Nama Group and Dhofar Integrated Services Company, the various ministries, the Royal Oman Police, all banks operating in the Sultanate, and our valued customers who have entrusted their confidence in our company over the years. We assure them that we will continue striving to provide the highest level of services that meet their expectations and to deliver the added value they seek.

Furthermore, we thank the loyal employees of the company for their continuous efforts and tireless dedication to the success of the company’s operations, reflecting a commendable image through transparency, diligence, respect, and the delivery of outstanding services to our clients. To all of them, we extend our sincere thanks and appreciation.

**Rashid Mohamed Al Ghailani**

**Chief Executive Officer**