Board of Directors' Report.

Dear Shareholders,

On behalf of the members of the Board of Directors of Omani Euro Food Industries SAOG, we are pleased to present the Balance Sheet and the Profit and Loss Account of the Company for the year ended 31 December 2025.

Overview and Operations

During the year under review, the Company operated under challenging market and financial conditions. Despite these constraints, management continued to focus on maintaining operational continuity, safeguarding product quality, and ensuring compliance with regulatory and governance requirements.

Following work done by two independent technical experts. The Board is in the process of formulating a comprehensive plan to upgrade key plant and machinery at the Company's Sohar facility. This will work in tandem with the strategy of developing the local brand "mother's choice" and continue working with regional manufacturers. In parallel, enhancements in Health, Safety & Environment (HSE) and quality control systems are being pursued, recognizing their critical role in sustaining operational excellence and long-term competitiveness.

Financial Performance

For the year ended 31 December 2025:

- Total Revenue amounted to RO 0.746 million, compared to RO 1.373 million in the previous year, reflecting a significant decline in sales volumes.
- Total Expenses stood at RO 1.340 million, resulting in a
- Net Loss after tax of RO 0.594 million, compared to a net loss of RO 0.418 million in the previous year.

The continued losses were primarily attributable to reduced sales volumes, under-utilisation of production capacity, and fixed cost pressures in a highly competitive and cost-sensitive market environment.

Capital Position and Going Concern

As at 31 December 2025, the shareholders' equity of the Company remains fully eroded and is Negative RO 2.533 million. The Board acknowledges the seriousness of this position and confirms that discussions are ongoing with major shareholders, lenders, and relevant stakeholders to address the capital structure and long-term sustainability of the Company.

The future course of action, including financial restructuring and shareholder support, will be discussed in detail at the forthcoming Extraordinary General Meeting (EGM).

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Sales and Market Conditions

- Addressing the concentration of sales to 2 main clients & working into multiple clients & enhance own brand sales. Time is required to develop the brand & reintroduce it to the local market.
- Work has been completed on the brand update & the new packs will be in the market by Q1.
- Marketing & Sales support are planned for the relaunch.

Mother's Choice, as sales decreased from RO 0.627 million to RO 0.499 million i.e. a decrease of about 20.4%.

Heinz Company's sales decreased from RO 0.366 million during the same period last year to RO 0.246 million during this year, i.e. a 32.7% decrease.

Complan product decreased from RO 0.381 million during the same period last year to RO 0.001 million in 2025 during this year, i.e. a 99.7% decrease.

Management is actively working on **revitalising sales**, strengthening distributor relationships, rationalising markets, and exploring new opportunities with improved margin discipline.

Expected economic recovery in target countries will improve the business prospects in future.

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Funding and Shareholder Support

To meet immediate operational requirements and support planned upgrades, the Company continues to engage with its major shareholders. Funding support is expected to be structured in a manner that aligns with the Company's broader financial restructuring plans.

Government Soft Loans and Bank Restructuring

With regard to the government soft loan, discussions are ongoing with the Ministry of Finance and Oman Arab Bank to present a comprehensive restructuring plan. Both parties have, in principle, agreed to place legal proceedings on hold while a mutually acceptable restructuring solution is pursued.

The Board remains confident that a constructive outcome can be achieved through continued engagement and cooperation.

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Quality, Safety, and Compliance

The Company continues to maintain high standards of quality and food safety and is accredited with:

- ISO 22000:2018
- GMP
- HACCP
- HALAL Food Safety Management System

A fully-equipped Research & Development laboratory supports quality assurance and product development initiatives.

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Internal Control and Audit

The Company maintains an Internal Audit System appropriate to the nature and scale of its operations. Internal audits are conducted under the supervision of the Internal Audit Committee, in line with corporate governance requirements.

The Company continues to comply with all applicable laws and regulations of the Sultanate of Oman. In 2025, two independent machinery audits were completed, and workflow processes were assessed to improve efficiency.

Corporate Social Responsibility

During the year, the Company allocated RO 1,500 towards Corporate Social Responsibility (CSR) initiatives, reaffirming its commitment to responsible corporate citizenship.

Human Resources

The Board recognises that employees remain the Company's most valuable asset. Despite financial constraints, management continues to focus on employee engagement, retention, and maintaining a motivated workforce aligned with the Company's long-term vision.

Appreciation

The Board wishes to express its sincere appreciation to:

- Oman & Emirates Investment Holding Company, and
- Arab Authority for Agricultural Investment & Development

for their continued support and confidence in the Company.

Special thanks are also extended to Oman Arab Bank for its patience and cooperation during this challenging period, and to all employees for their dedication and commitment.

Finally, on behalf of the Board, we express our deepest gratitude to His Majesty Sultan Haitham bin Tarik, may Allah protect him, for his leadership, vision, and continued support to the industrial and food security sectors of the Sultanate of Oman.

For and on behalf of the Board of Directors

Anees Redha Sultan

Chairman.