

Baladna Q.P.S.C. Directors' Report

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present our annual report and consolidated financial statements for Baladna Q.P.S.C. (“the Company”) for the year ended 31st December 2021.

Despite adverse market conditions caused by the pandemic, Baladna made timely responses to support food security in the country. Revenue grew by 2% and Baladna delivered a healthy 17% net profit margin. Total revenue for the year 2021 amounted to QR 773 million v’s QR 759 million for the same period last year. At the same time, we delivered on our promise to our shareholders by paying a total dividend of QR 141 million for the financial year 2020.

2021 was a challenging year due to increases in global material prices and logistics expenses that directly affected profitability. Baladna’s careful supply chain management and cost control initiatives helped mitigate this impact on profitability.

Despite the challenges across the globe, Baladna was able to deliver the following major achievements during the year:

- Maintained average milk yield per cow per day at of 36.6 liters (last year 36.7 liters)
- Increased its product portfolio to 268 products by yearend, with the launch of 44 new products and the de-listing 11 slow moving products.
- Increased market share across major product categories.
- Commenced construction works for an Evaporated Milk and Sterilized Cream Manufacturing Plant which is expected to be completed by year-end 2022.
- Final dividend declaration of QR 101 million in April 2021 (QR 0.053 per share) in addition to a QR 40 million (QR 0.021 per share) interim dividend.
- Initiated discussion with potential international partners in Azerbaijan, Indonesia and the Philippines while we expect to finalize the feasibility study for Malaysia early in the 2nd quarter of 2022.

Baladna maintains its strong asset base primarily funded through equity. Our net debt to capital employed ratio stood at 39% as of 31st December 2021.

Baladna market share is 86% in fresh milk and 80% market share in UHT milk.

In addition, we have invested in new product lines to increase our production capabilities and achieve further efficiencies.

Baladna is continuously promoting the culture of best practice in corporate governance, risk management and sustainability. In terms of corporate governance, we focus on achieving industry best practices and our strategic objectives are aligned with business integrity and regulatory guidelines including those of the Qatar Financial Markets Authority (QFMA). Our governance structure also includes a strong ethical code of conduct and a matrix of Board committees and Management committees with individual charters to maximize the efficiency of their actions and ensure clear lines of accountability.

Risk management plays a key role during challenging and volatile market conditions. Our Enterprise Risk Management methodology is regularly reviewed and updated to avoid and minimize the potential risks that can challenge the achievement of our corporate objectives. We also use Crisis Management Protocols to ensure we can respond to events that might jeopardize the achievement of the Baladna's objectives. As of now, we are in strong position to respond to potential risks and our financial and operating results confirms our ability to overcome market and operational challenges

Baladna was able to grow topline revenue by 2% despite Qatar's dairy market falling by 19% in 2021 compared to the previous year. Total revenue for 2021 was QR 773 million v's QR759 in 2020. Through efficient management of overheads and resources while the input material costs were rising, we achieved an EBITDA of QR 297 million or 38% v's QR 297 million or 39% for the same period last year. Baladna delivered a strong net profit of QR 134 million for the year and a 17% net profit margin.

Our research and development team along with the manufacturing, quality and marketing teams are continuously working towards introducing new products. During the year, we have strengthened our presence in cream and cheese segments by gaining considerable market share in addition to market share gains in almost all other categories.

Our market leading distribution infrastructure and capabilities deliver over 260 products to more than 3,400 customers and contact points across Qatar around the clock and every day of the year. During the year, we introduced a new sales and merchandising system (“Route Pro”) which resulted in significant improvement in our sales performance with reductions in wastage and an improvement in sales efficiency.

Dividends

The Board of Directors are pleased to recommend 5.3% nominal value as a cash dividend for the year ended 31st December 2021 equivalent to QR 0.053 per share.

Environmental, Social and Governance

Our commitment to corporate sustainability is deeply imbedded in our strategy.

During the year, we:

- Started building a new waste-water treatment plant that aims to eliminate any farm related odors.
- Pledged to plant 5,000 trees in line with the 2021 “Sustainability” theme and support government efforts to reduce air pollutants and carbon dioxide emissions.
- Sponsored sports and entertainment events and organizations.
- Continued our school informative tours to Baladna farm.
- Continue to commit to the principles of good governance, and a full report of the Company’s Corporate Governance activities has been provided as part of Baladna’s Annual Report.

Financial Reporting Framework

The Directors of Baladna Q.P.S.C. to the best of their knowledge, believe that:

- The consolidated financial statements, prepared by the management of the Company, fairly reflect its state of affairs, the results of its operations, cash flows, and change in equity,
- The Company has maintained proper books of accounts,
- International Financial Reporting Standards (IFRS), as applicable, have been followed in the preparation of these consolidated financial statements,
- The system of internal control is sound in design and has been effectively implemented and monitored,
- There is no doubt about the Company's ability to continue as a going concern.

I would like to thank all those at Baladna who have made 2021 such a successful year and been so resolute in the face of adversity. Every employee has played an essential role in helping us to achieve our ambitions and I am sure this will continue.

My thanks also to all consumers and stakeholders for their loyalty, support and confidence that Baladna will always provide them with the highest quality products and service.

Baladna management team has shown great dedication and professionalism, they have maintained our common vision and acted to realize our unified goals. We owe our shareholders unqualified gratitude for their belief in Baladna and support in our strategies and successes. I am confident that 2022 will provide great opportunities and rewards for all. To my fellow Board Members, many thanks and appreciation for your endorsement and guidance. We look forward to another year of growth and diversification.

Moutaz Al Khayyat

Chairman

2022 Outlook

The foundations we laid in 2021 paved the way for many exciting new opportunities as we manufacture new products and enter new international markets. With the opportunities to diversify even further we can raise our market share and increase what is effectively the established brand of Qatar's dairy and beverage sector. We feel confident about 2022.

The FIFA World Cup 2022 will be a great opportunity for us to both increase our sales in the short-term and promote the brand to an international audience with the possibility of longer-term benefits. In line with ongoing commitment, we will continue to drive Qatar's National Food Security Strategy 2018-2023 by ensuring that we remain as self-sufficient and cost-effective as possible, supplying the population with an abundant supply of good quality, nutritious and affordable food.