

Baladna QPSC

Directors' Report

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present our annual report and consolidated financial statements of Baladna QPSC (“the Company”) for the period from December 2, 2019 “Establishment Date” to December 31, 2020.

Following on from our successful IPO last year, we have delivered on our promise to shareholders, realizing a 67.6% increase in revenue and a net profit margin of 18.7% in 2020, outperforming the QE Index with a share price increase of 79% and announcing our first interim dividend (of QR 0.021 per share) in April. We also joined Morgan Stanley Capital International (MSCI) Emerging Markets Small Cap Index in May and QE Index, QE Al Rayyan Islamic, and all Share and Sector Indices in October.

Fiscal year 2020 was an exceptional year upon which the Company experienced transformational changes across many areas of business. During the unprecedented business environment imposed by COVID- 19 pandemic we showcased our agility and resilience. This was evidenced by our swift response to ensure product availability while preserving the safety of our employees, customers and consumers. We continued to focus on over the course of 2020 to achieve significant top- and bottom-line increases and secure our future as Qatar’s most successful dairy farm.

That was translated into several successful milestones summarized below:

- Significant improvement in the yield per cow
- Increased product portfolio through the development of more SKUs
- Increased focus in the Food Service Channel
- Creating growth momentum through key initiatives in marketing, modern and traditional trade.

As of end-2020, Baladna maintains an extremely strong asset base; this is primarily funded by equity, as evidenced by our net debt-to-total-capital employed ratio of 34.5%.

We are almost entirely self-sufficient in our operations, serving the Qatari market in the absence of exposure to complex supply and distribution chains, which significantly reduces our vulnerability to external shocks. Whilst expanding our production capacity and safeguarding our growth trajectory, we have also prioritized measures to ensure the safety of our animals, employees and customers, as well as the environment in which we operate.

To this end, we have secured significant progress in the areas of governance, risk management and sustainability, laying the foundations for future growth and geographic expansion in a manner that is both responsible and beneficial to the people, society and natural spaces around us.

We continue to focus on achieving best practices in corporate governance, business integrity and professionalism under a framework that is aligned with Baladna’s strategic objectives and reflects regulatory guidelines, including those of Qatar Financial Markets Authority (QFMA). Our governance structure also includes a strong ethical code of conduct and a matrix of boards and committees with individual charters to maximize the efficiency of their actions and ensure clear lines of accountability.

Our focus on avoiding, managing and mitigating risks has served us well during this volatile and challenging year. Our Enterprise Risk Management methodology is regularly reviewed and updated in order to ensure the business avoids and minimizes the impact of any potential risks to the Company or its ability to execute its strategy and operate its business. We also developed a major incident and crisis management protocol, which would come into effect should any abnormal or unstable event threaten the Company's strategic objectives, reputation or ongoing viability. As such, we are in a stronger position than ever to combat potential risks that may hinder us from reaching our potential as a growing and thriving leader in our sector.

Financial Results confirm strong growth combined with high profitability

In 2020, Baladna achieved significant growth in terms of sales volume, revenue and net profit.

Total revenue for 2020 stand at QR 814.8 million, compared to QR 486.2 million in 2019. Our EBITDA at year-end was QR 322.5 million, reflecting an EBITDA margin of 39.6%. The business delivered a strong net profit of QR 152.1 million, compared to the previous year and represented a net profit margin of 18.7%.

We are pleased to have confirmed and further strengthened Baladna's market leading position in our target markets. In addition to product development and continued product innovation in existing product segments, entering new product segments was key to Baladna's growth. Specifically, the identified markets with high profit margins such as processed cheese, whipping/cooking cream and long-life juice were key success factors of our revenue growth and increase in margins in 2020.

Expanding market presence further fueled our growth. In the retail segment Baladna improved its market coverage. We enhanced customer service levels and further strengthened in-store visibility.

Rapid growth within the Food Services sector was underpinned by close collaboration with our strategic customers to deliver innovative tailor-made products as well as expanding the portfolio penetration

Dividend:

The Board of Directors is pleased to recommend 5.3 % of the share's nominal value as cash dividend for the period ended December 31, 2020 equivalent to QAR 0.053 /share. In addition to interim dividend of equivalent to QAR 0.021 /share already paid and distributed in May 2020.

Code of Corporate Governance:

The Board of Directors and management of the Company are committed to the principles of good governance. A full report of the Company's Corporate Governance activities, endorsed by the Board, has been provided in the Corporate Governance section of the annual report.

Financial Reporting Framework:

The Directors of Baladna QPSC, to the best of their knowledge, believe that:

- The consolidated financial statements, prepared by the management of the Company, fairly present 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.

In closing, I wish to express my thanks to the many people who have worked so hard to deliver Baladna's remarkable achievements. Whilst our recent successes are undoubtedly a result of our strategic approach and preparedness, they would be impossible without the careful diligence of our Board, the astute decision-making of our management, and the passion and commitment of our employees at all levels of the Company. Furthermore, I must express our deepest gratitude for the support and trust provided by our shareholders, without whom Baladna would not be the Company it is today. We remain wholeheartedly committed to rewarding this hard work, commitment and trust with further good performance and returns in the coming year, as we seek to reinforce our position as Qatar's market leader in dairy and beverages, whilst also exploring new markets for growth further afield.

Moutaz Al Khayyat

Chairman

17 March 2021

2021 Outlook

As we enter 2021, Baladna remains highly confident in our ability to continue growth. We intend to continue to focus on our successful core business, growing Baladna's dairy and juice portfolio in a value accretive manner through innovation and our experience. Furthermore, Baladna intends to continue exploring opportunities to enter new product categories if identified by our teams to be profitable within our capabilities.

We have proven our relentless pursuit of efficiencies through the entire value chain and stringent control of costs to enhance profitability and financial flexibility, and we intend to continue our efforts on this front.

In addition to the focus on shareholder value creation, Baladna is fully aware and proud of its role as well as contribution to the National Food Security Program.

We remain committed to investing in talent development and look forward to sharing progress updates about our business wide sustainability program. We continue to assess opportunities for geographical expansion- leveraging our existing asset base to develop an export business as well as transferring our experience and knowledge to business models in South East Asia and beyond. 2021 is expected to be an exciting year during which Baladna will continue preparations to meet the extensive demand dynamics of the 2022

FIFA World Cup in Qatar, which is expected to result in a significant increase in Qatar's population in the lead up to and during the event.

The considerable progress we have attained to-date, across all areas, is a result of the combined efforts of the entire Baladna family including our steadfast leadership, experienced management and dedicated employees, all of whom have been inspired by the trust placed in Baladna by our customers and shareholders. I wish to express my deepest thanks and appreciation to all of our vital partners in our collective success.