

Operating Review

Manufacturing

Our Manufacturing operation is dedicated to delivering value, every day. This ensures all products made in our facilities meet and exceed the highest standards our consumers expect and deserve and are aligned with our operational and employee health and safety targets.

In 2023, we not only met these objectives, but in many of our metrics, exceeded them. This was the result of continuous improvement in our manufacturing processes to deliver more efficient use of resources and higher operational results.

With the welfare of our employees a key priority, we were very pleased by the improvement in our lost time injury frequency rate (LTIFR), which measures the number of lost-time injuries per million hours worked in a single financial year. In 2023, our LTIFR was below the targets we set for the year. Ongoing reductions in our injury rate were improved through root cause analysis and corrective actions to reduce future occurrences.

Furthermore, during 2023, we approved a new health and safety policy that will improve operating procedures for our manufacturing business to comply with the ISO 45001 Occupational Health and Safety Management System by 2024. These improvements will contribute to operating the most secure and incident-free environment possible.

Continuous improvements also delivered enhanced line efficiencies, lower product losses and increased overall equipment efficiency. Our KPI for loss in process (LIP) was exceeded, ending at 3.4% in 2023 compared to 3.8% in 2022, with annual savings of QR 2.6 million. This was achieved by applying new controls over finished product weights, optimising planning to

reduce product changeovers, and adjusting product flush volumes during processing.

Overall equipment efficiency (OEE) showed a pleasing improvement compared to last year. We extracted these gains by adopting better planning, adjusting plant operating conditions, and providing additional staff training and development.

Alongside commissioning a new processed cheese line to increase production capacity, we made volume and efficiency modifications that raised the efficiency of our machines and improved the manufacturing process.



Operational highlights

Product Category	Total Production Volume 2023 (kg/million litres)
Fresh and UHT milk	81.5
Yoghurt	13.6
Laban and Ayran	8.4
Cheese	5.3
Labneh	0.9
Fresh and UHT cream	5.6
Other dairy products (i.e. custard, desserts, ghee)	0.8
Chilled and long-life juice	15.0
Total	131.1

In the 2023 year, our total production volume was 131.1 million litres of the highest quality products that generated more than QR 1 billion in revenue for the year.

Our largest production category remained fresh and long-life milk, with output of 81.5 million litres. Our entry into new product categories and expansion into others resulted in the addition of evaporated milk, sterilised cream, thick cream, shredded Kashkaval cheese, Greek yoghurt variants, and long-life juice in mango and cocktail flavours.

In addition, our manufacturing agreement with global food company, the Bel Group, saw the addition of spreadable cheese under the brand name of La Vache Qui Rit and Jibnet Abu Al Walad to our manufacturing facility. Pleasingly, our cost per litre improved over our targets, owing to efficiency gains and continuous improvement across the entire manufacturing process.

A significant development in 2023 was the commissioning of Plant 4 and a successful first production run and launch to the market. We started constructing this state-of-the-art manufacturing facility in 2021 with the aim of producing evaporated milk (EVAP) and sterilised cream, which have historically been imported into Qatar.

Our total investment in Plant 4 of QR 425 million is one of the many ways Baladna supports Qatar's National Food Security Strategy. Once fully operational, Plant 4 has the capacity to produce the nation's total evaporated milk requirements. It will also become an alternative production facility for certain existing products manufactured at our main plant.

A food safety and quality culture

The exceptional quality and safety of our products, along with the rigorous practices we employ to uphold them, are hallmarks of our commitment to the highest standards. Continuous

improvement is the driving force behind our 3-year food safety and quality culture action plan. This comprehensive initiative focuses on engaging top management, empowering employees and fostering a deep-seated awareness of food safety and quality principles. By implementing quarterly communications and dedicated training programmes, we aim to equip our staff with the knowledge and skills to consistently deliver excellence in every aspect of food production and handling.

Further down the road in our customer satisfaction journey

In 2023, we significantly upgraded our consumer complaint handling system, making it easier for customers to provide feedback on our products. This resulted in increased engagement and, ultimately, allowed us to elevate customer satisfaction.

Setting the benchmark in sustainability

As the leading local dairy company, Baladna recognises its responsibility to champion sustainability practices. Sustainability, integrated into our corporate strategy in 2023, is a passion we actively pursue. We constantly seek ways to reduce our reliance on non-renewable resources and embrace responsible waste management.

In 2023, a manufacturing initiative focused on reducing plastic bottle weight, yielded a significant 55,000 kg decrease in plastic usage. This achievement involved optimising the weight of our 2-litre bottles and 170 g yoghurt cups. The lighter weight not only reduced our plastic footprint, but also benefited energy consumption through manufacturing, transportation, and storage. We are actively exploring

further weight reductions for our plastic bottles, aiming for an even more substantial decrease in annual plastic production and its associated energy demands.

Our commitment to recycling resulted in the reuse of 231,285 paper-based carton trays and boxes in our production line in 2023.

Looking ahead to 2024

In 2024, Baladna will undertake proactive initiatives to raise sustainability across the business including the reduction of water and energy consumption in manufacturing processes. A Continuous Improvement team will focus on reducing LIP water consumption, chemical consumption and improving overall manufacturing efficiency.

Operations will focus on the reduction of external warehouse costs by optimising stock holding periods and utilising internal warehouse space. We will commission a new research and development plant for product testing and improvement, secure FSSC 22000 Food Safety, ISO 31000 Risk Management, and ISO 45001 Occupational Health and Safety Management certifications for our manufacturing operations. The transfer of production from Plants 1 and 2 to Plants 3 and 4 will improve efficiency and reduce overhead costs.

Overall, Baladna's plans for 2024 focus on enhancing sustainability, reducing environmental impact and resource consumption, optimising operations, increasing efficiency, and reducing costs and improving product quality through investment in R&D and quality certifications.

