

# Chairman's Statement



# 773

(QR) million Revenue

# 17.3%

net profit margin

# in 2021

“ We have ensured that the service to our customers, clients and the people of Qatar has been flawless, the value to our shareholders and the vision for our future are reaching new heights. ”

**Moutaz Al Khayyat**  
Chairman

***In a year when so many businesses felt the full force of COVID-19's devastating effects, Baladna showed how the strength of our resolve and the depth of our conviction can steer us through the most testing of times. To not only survive but positively thrive in such circumstances is a testament to every colleague who kept us on course to meet our targets, expand our reach and diversify our products. The results we have delivered would be considered great progress in any year but to create the opportunities and realise their potential in 2021 has been a momentous achievement.***

***We have ensured that the service to our customers, clients and the people of Qatar has been flawless, the value to our shareholders and the vision for our future are reaching new heights. We can all allow ourselves to take great pride in our resilience and the unwavering will to succeed.***

## Resilience and Recovery

Regardless of our successes, the inevitable fluctuations in the market due to the pandemic caused their own challenges for many of our peers and competitors. A significant rise in freight charges along with increase in feeds, raw materials and packaging materials set the course for extremely hard times. Again, Baladna's foresight and strategies of innovation and expansion provided ideal solutions to some of the market's most difficult questions for generations.

The tightening of restrictions and dramatic fall in the population of Qatar as a consequence of COVID-19 had a direct effect on many businesses in the hospitality sector. As normality began to resume, we realised the vast potential of renewing and expanding our products in the hotels, restaurants and catering sector. Baladna focussed on ensuring our quality products were competitive in the industry.

## Commitment to our Country

It is a key priority and a promise to the people of Qatar, that throughout the year our role in the nation's food security is delivered and the population has access to sufficient, safe, and nutritious food at affordable prices in abundant supplies. This is a basic premise of our own success as a company and a duty of care to the nation.

Many of our achievements last year were inspired by Qatar Vision 2030 in terms of local and international expansion, diversification, innovation, self-sufficiency and ongoing contribution to the nation's economy as a whole. Our growth in 2021 applied to international opportunities as well as domestic diversification and we are making new inroads into foreign territories which could be profoundly beneficial and open up new markets.

Our investment in the progress and wellbeing of Baladna's 1,750 plus employees has been extremely positive as we continue to combine a collective culture of respect and a drive for success. Having completed more than 20,000 training hours in 2021, we have a workforce which is more capable of working to a technical and operational level than ever before. With regards to Qatar Vision 2030, our commitment to our employees is perfectly aligned.

## Broadening Boundaries

We had a number of innovation and diversification strategies across the year which we achieved largely through internal research and development, assessing local market trends, bridging sector gaps and identifying overseas opportunities. Our anticipation of the effects of the pandemic and reaction to the subsequent economic recovery were also paramount.

As the market leader in Qatar across four separate dairy and beverage categories, our brand and production excellence provides the perfect opportunity to enter more sectors. With the new evaporated milk plant and processed cheese diversification, for example, Baladna has the prospect of not just tapping into new lines but making rapid headway as a leading producer and provider.

Looking at the new markets in terms of geography as well as sectors, 2021 was a remarkable year. We initiated discussions with Azerbaijan, Indonesia and Philippines in addition to Malaysia.

We have delivered **QR 773 million** revenue for year 2021 with **17.3%** net profit margin



The agreement with Malaysia's Federal Land Consolidation and Rehabilitation Authority will initially focus on establishing a dairy herd of 10,000 high-yielding milking cows to reduce the country's reliance on milk and dairy imports and supply local communities.

With regards to Azerbaijan, Indonesia and Philippines, we are planning to progress for feasibility studies in early 2022.

### **Growth with Integrity**

Baladna's transparency, integrity and governance form the pillars of our company guide our direction in all aspects of the business. We are collectively aligned with the company's directions, goals, methods and criteria, which maintain our operations and brand as a benchmark for excellence. Through an ongoing philosophy of honesty, accountability and efficiency, we have succeeded in our 2021 strategy of innovation and expansion in the knowledge that our actions are both responsible and beneficial to both our customers and the community.

As part of that governance we must also ensure that we are unified in ensuring our ambitions and our actions are not detrimental in any way to the company. In a time of expansion our enterprise risk management is vitally important and is constantly reviewed and updated in order for us to drive our operations at the pace and effectiveness we have dictated.

### **Powering Sustainability**

Our environmental, social and governance practices in 2021 were both wide and effective, building excellent relationships with partners and consultants who continue to provide expert advice and analysis on how to implement our sustainability strategy.

We have initiated the process of establishing a water treatment unit with the aim of creating a closed loop system for dairy effluent and improving the ecology by re-using water to create additional revenue by capturing and composting fine solids. Among our other environmental initiatives, a new effluent treatment plant with a Biogas reactor will produce gas from our factory waste to generate energy.

### **A Promising Future**

Next year we will be building on the enormous possibilities we initiated in 2021. We have implemented the means to diversify and expand and in 2022 we will realise that potential given to us.

We will look to new markets, new categories and new product lines to drive progressive growth and diversification across our business.

As our evaporated milk plant and can factory become fully completed, we will have a new good avenue into a new market. Our cheese capacity expansion will also be a major factor in how we increase our market share even further.

In addition, the FIFA World Cup will provide excellent opportunities before, during and after the competition – a landmark event for Qatar and for Baladna to showcase our market-leading products for the whole world to enjoy.

### **Acknowledgements**

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 service possible.

The Baladna management team has shown great dedication, insight and professionalism and in a time of business turmoil, they have maintained our common vision and acted to realise 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





# Sustainable value creation through innovation

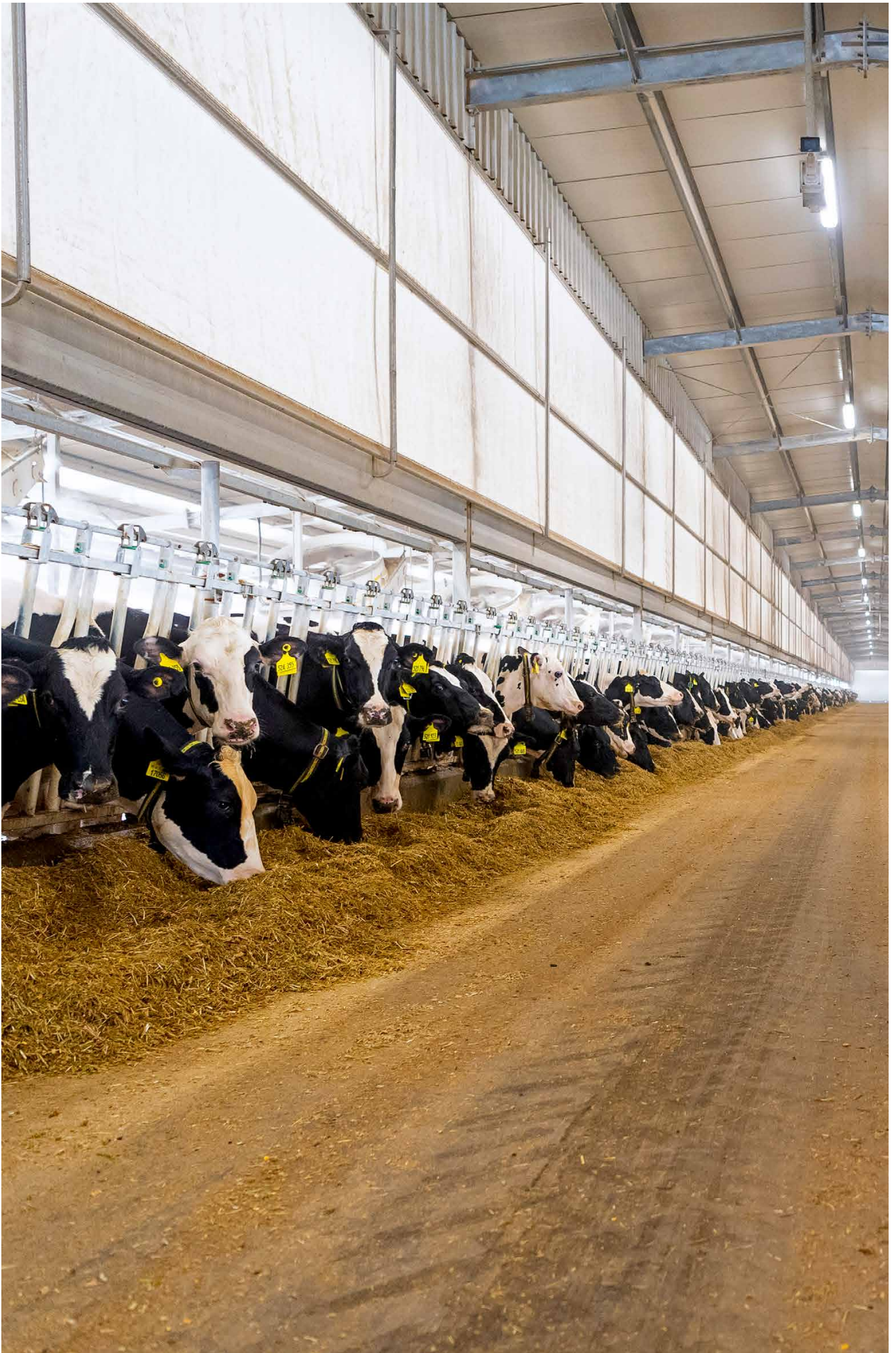
Exhibiting exceptional resilience and agility, Baladna navigated the volatility and continuing challenges of the operating environment this year to emerge stronger, maintaining industry leading profit margins and growing our market share.

Through the outstanding effort, focus and dedication of our people, we delivered on our promises to our clients and consumers, maintaining the highest standards of quality and living up to our reputation for efficient and trusted service across our growing footprint.

Through a commitment to continuous innovation, built on a solid foundation of close engagement with our consumers for deep understanding of their constantly evolving needs, we improve productivity, we enhance efficiency and strive for operational excellence.

In a year of memorable milestones, we launched new products, entered new categories and invested for the future, in order to grow our consumer base, generate sustainable value for our shareholders and ensure long-term food security for the people of Qatar.





# CEO's Review

44

new SKUs

38%

EBITDA margin

in 2021

At Baladna,  
we looked at this  
year as a tremendous  
opportunity to  
renew our presence  
and introduce  
new products.

**Piet Hilarides**  
CEO



**“Securing our people, business and market”**

**Baladna delivered on its strategy with focus and determination, expanding brand leadership in our traditional products and diversifying to new dairy & juice categories. The results of our investments were good throughout 2021 and, more importantly, they have laid the foundations for many more successes in the years to come.**

**Diversity to Overcome Adversity**

For many companies, 2021 was a difficult year. The effects of the pandemic were still rocking markets across the world, continuing to knock confidence and feed uncertainty. In the first half of 2021 the population of Qatar was impacted as many expatriate workers returned to their home countries. This had an adverse influence on the retail sector. In the second half of the year Horeca rebounded after consumers picked up their normal routine and started frequenting restaurant and catering.

Towards the end of the year, lives and businesses are beginning to return to pre-pandemic norms, although the virus is still impacting markets and supply chains. There is still a double digit market decline compared to 2020, but Baladna has recovered and recorded a revenue growth of 2% vs 2020 which was driven by a good performance in the last quarter.

At Baladna, we looked at this year as a tremendous opportunity to renew our presence and introduce new products. Our ongoing analysis and research into the many segments which make up our sector have played a large part in determining the paths we have taken and will continue to take.

Our diversification and growth in market share – driven by new categories such as cream, cheese and long-life Juice as well as the launch of 44 new SKUs – is a great achievement in a year when many businesses were restricting their output rather than investing in new lines and products. The strategy not only helped to mitigate the disruptions of the pandemic, our turnover showed growth versus 2020.

Our investment in technology has also played a large part in the drive for reorganisation and company development including sales, procurement and operational efficiency innovation. As part of Sales and Distribution, we have implemented “Route Pro Merchandising and Sales” and “SAP Sales and Operation Planning modules”. In addition, we have implemented “SAP Ariba Supplier Life Cycle Performance” in order to improve our Supply Chain Process. Information Security is one of the key concerns and we have invested in latest IT security control to predict, prevent, respond, detect and monitor any security concerns.

**A Robust Performance**

In 2021, Baladna was able to grow its top line by 2% in terms of revenue and manage a 38% EBITDA margin while the global material cost increased substantially. Total revenue for year 2021 stands at QR 773 million compared to QR 759 million in the last year same period. Our EBITDA for the year was QR 297 million which is same as last year similar period.

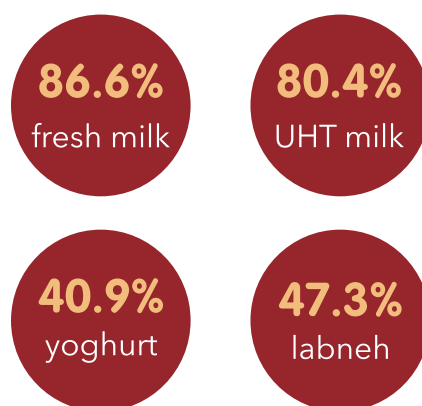
**Capitalising on our Strong Brands**

Due the unprecedented challenges brought about by COVID-19, our net profit slightly decreased compared to 2020. We increased revenues through challenging market conditions with cream, Juice and cheese sales being the segments which had year-on-year growth at 39%, 14% and 13% respectively.

Overall, margins decreased due to the pandemic effects which was caused by substantially increased raw material prices (+8.9%), packaging material prices (+6.8%) and logistic costs (+245%). The increase in promotions and discounts to increase revenue, as well as a reduction in government compensation as per the agreement contributed to the profit pressure. In light of the challenges, Baladna has delivered a good net profit margin which only declined 1% vs 2020.

**Market Share #1 Leader**

To achieve long term growth Baladna has invested in market share growth. This has led to the result that Baladna is market leader in its key categories:



Baladna has recovered and recorded a revenue growth of **2% vs 2020** which was driven by a good performance in the last quarter.





## Farming

Total herd reached to 23,581 which is 6.0% growth compared to the last year. Total milk production for year 2021 was 141 million liters while we are managing our yield per cow / day at the same level last year despite the extreme humid and hot weather conditions compared to last years. This is a huge achievement.

## Manufacturing, new products and processes

Investment in new lines of products and manufacturing methods have raised our operational efficiency to new levels, including our processing expansion with GEA, increased cooling capacity and the new UHT filling line. The new high total solids pasteuriser has improved our processing quality for products such as traditional labneh, desserts and processed cheeses as well as significantly increasing our capability to produce GDL feta.

Our own research and development teams along with the introduction of more sophisticated industry technology have played a major role in launching new, high-quality products and facilitating our increased production (Production rose with 5%).

However, the most significant factor in our manufacturing progress for 2021 is the construction of the evaporated milk factory which will be up and running in 2023.

## Sales, Marketing and Brands

Product portfolio management is one of the key factors for our growth and we are continuously focusing on introducing innovative and value-added products to our existing consumers as well as new target consumers. We have dedicated Research and Development team to focus on new product developments as well as adding value to the existing products based on consumer preferences. This resulted in launching 44 new products during the year whilst de-listing 11 products to optimize our portfolio.

## Powered by our People

The employees at Baladna continue to be one of our most important attributes, thanks to an innate sense of loyalty, a remarkable work ethic and a passionate community spirit. Our colleagues maintain the highest standards and give us the confidence that we can realize the strategy to achieve our most ambitious goals.

Over the past year we embarked on a journey of intense training, investing more than 20,000 hours in terms of developing productivity, management and technical capabilities. The quality of our workforce and the potential to further grow their careers is part of our mission to become a continuously learning organisation.

## Accelerating towards a brighter future

The foundations we laid in 2021 pave the way for many exciting new avenues 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 the Qatar 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.

## Acknowledgements

I would like to wholeheartedly thank every member of the Baladna team for their unwavering loyalty and outstanding efforts towards achieving our shared objectives under these unique and unpredictable circumstances.

I would also like to share my deep appreciation to our Chairman and Board of Directors for their support and guidance, as well as to our all shareholders and customers for their confidence and trust.

Together, our combined efforts have seen us through a challenging and yet highly successful year, and we look forward to building on those achievements in the future.

**Piet Hilarides**  
CEO



## CFO's Message



# 297

(QR) million - EBITDA

# 134

(QR) million - net profit

## in 2021

Our commitment to best practices and policies in place are recognised by all stakeholders, including, most recently the Company being recognised with an award by the Middle East Investor Relations Association (MEIRA).

**Saifullah Khan**  
CFO



## Performance highlights

Baladna recorded a total revenue of QR 773 million for 2021, which represents 2% growth compared to the previous year. The Company achieved this growth in revenues despite a significant temporary decrease in the total retail market in Qatar, which is estimated to have contracted by around 19% year-on-year. Baladna managed to adapt to these adverse market conditions through the introduction of new product lines and by growing our market share in existing segments through higher promotions and discount programmes.

Our continuous focus on product portfolio management resulted in our total SKUs reaching 268 products by the end of 2021, compared to 235 products at the end of 2020. Out of the total product portfolio, fresh milk, UHT milk and cheese provide the highest contribution to the total revenue. In terms of revenue growth, cheese, cream and juice were the top contributors. Despite the various challenges relating to external market conditions, Baladna was able to maintain industry leading profit margins.

For the year, Baladna achieved an EBITDA of QR 297 million and net profit of QR 134 million, which represents a 38% EBITDA margin and 17% net profit margin. These margins are a testament to our operational efficiency despite the challenges we had during the year due to pandemic where feed, raw material and packaging material prices increased significantly. It is important to highlight, that government support for the current year was QR 21 million less, reflecting a planned 15% decrease compared to the previous year, confirming Baladna's strength and ability to support to the National Food Security Program while at the same time contributing to the local economy.

## Baladna's 2021 commercial and financial performance confirms our key investment highlights:

- Market leader in dairy products and beverages in Qatar
- Proven ability to identify growth opportunities and successfully execute strategy
- Excellence in product innovation and development
- State-of-the-art facilities that increase efficiencies and lower operating costs
- Integrated value chain allowing full control by management
- Strong financial track record and solid financial position
- Strategic shareholder support

## Healthy cash flow generation and solid financial position

Baladna generated operating cash flows of QR 213 million for the year, which played a critical role in the settlement of debt facilities used for capital expenditures. During 2021, Baladna started investing in new factory expansions to produce evaporated milk and sterilised cream. These investments have the potential to drive the revenue growth and profitability in the coming years.

Additionally, Baladna started investing in shares of major companies listed on the Qatar Stock Exchange as well as regional exchanges as a part of our investment strategy. Investment in shares during the year resulted in a fair value gain of QR 11 million. Net debt to total capital employed ratio stands at 39%, compared to 35% for last year. This year's increase in debt is due to investments relating to factory expansions and investments in securities.

Key Financial Highlights				
Operational Performance		2021 12 Months	2020 12 Months	2020 13 Months*
Revenue	QR M	773	759	815
EBITDA	QR M	297	297	323
EBITDA Margin	%	38.4%	39.1%	39.6%
Net Profit	QR M	134	141	152
Net Profit Margin	%	17.3%	18.6%	18.7%
EPS	QR Per Share	0.070	0.074	0.082

Balance Sheet		31 December 2021	31 December 2020
Total Assets	QR M	3,912	3,623
Debt	QR M	1,397	1,129
Equity	QR M	2,271	2,241
Debt to Equity	%	61.5%	50.4%

\* for the period from 02 December 2019 ("Establishment Date") to 31 December 2020

## Robust risk management

As a strategic and preventive measure, Baladna maintains strategic inventory levels for all major raw materials required for our operations. This is intended to support continuity in the unlikely event of any unforeseen supply disruptions. Risks related to our distribution capabilities are minimal, as we manage our own distribution channels without third party interventions. Exchange rate risk is also limited for Baladna, as we currently cater to the local market with minimal exports. Our main exposure is to the Qatari Riyal and the US Dollar, of which the exchange rate is pegged. Other foreign exchange rate exposure is negligible.

With regards to corporate governance, Baladna has developed a comprehensive risk register and relevant initiatives are taken to mitigate identified risks. This includes written policies and procedures developed in line with local regulations and industry best practices.

Our commitment to best practices and policies in place are recognised by all stakeholders, including, most recently the Company being recognised with an award by the Middle East Investor Relations Association (MEIRA).

## Initiatives for greater efficiency

Baladna applies the latest technologies for milking and a state-of-the-art manufacturing facility designed to drive efficiencies across our business. We constantly monitor market demand and production requirements to optimise our milk production and reduce wastage. We support the natural growth of our herd, and increase milk yield by providing comfortable living conditions and necessary vaccines. We also conduct regular health and feed testing, which contributed to higher yield of milk per cow per day of 36.6 litres in the current year, under adverse weather conditions due to high humidity and temperature compared to the previous year.

Continuous product portfolio reviews and new product launches allow Baladna to maintain an optimum product mix, supporting margin improvements and accelerating the Company's growth. Baladna has introduced 44 products during the year, while 11 products were de-listed. Continuous focus on partnerships and logistics enables access of our products to a growing customer base, through our distribution network that has expanded to cover the current Qatari retail and HORECA market, resulting in lower cost of sales per unit driven by an increase in volumes.

## 2022 outlook

In 2022, Baladna aims to continue growing our volumes in existing product lines and through the introduction of new SKUs. The evaporated milk factory and butter processing facilities under construction are expected to be completed by the end of 2022. The increase in volumes is expected to further reduce the production cost per unit through greater economies of scale.

With the scheduled FIFA World Cup, we are expecting robust revenue and profitability growth, especially in the second half of 2022.

Strategic expansion and partnerships remain key for Baladna's long term growth. We initiated discussions with partners in Azerbaijan, Indonesia and Philippines where studies are still in the initial stages in addition to Malaysia.

During the year, Baladna also opened a new company, which is expected to own any future international agriculture expansion projects, as Baladna is currently assessing options for backward integration to have its own feed farms to grow forages and meet internal demand. In the event this strategic step is determined to be value accretive to the Company and approved by the Board, it is expected to increase the security and certainty of the supply and quality of feed.

Having a strong financial position and operational cash flow generation, Baladna is in a position to invest in large-scale projects while expanding the current business into new categories and investing in growth opportunities which have the potential to provide incremental returns. Building on the strong financial foundations established in 2021 and the diverse avenues available for diversification and expansion, the management targets favourable growth in revenue and profitability for the coming year.

**Saifullah Khan**  
CFO



