

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 of Baladna Q.P.S.C. ("the Group") for the year ended 31st December 2022.

While Baladna achieved remarkable growth in revenue the profitability was challenged by global factors that resulted in significant higher cost for the business. Despite these challenges, Baladna has made timely responses to support the food security in the country. Baladna proud to have played a vital role in the most successful FIFA World Cup ever hosted and remain fully committed to bolstering Qatar's self-sufficiency for the future.

Revenue grew significantly by 28% while net profit margins declined by 9% over the last year. Total revenue for the year 2022 stands at QR 986 million compared to QR 773 million for the same period in the last year. At the same time, we paid a total dividend of QR 101 million for the financial results achieved in the year 2021.

2022 was a challenging year due to the increase in global material prices such as animal feed, raw material, packaging material, fuel cost, logistics expenses and finance cost which negatively impacted the company's profits, results and cash flow, leading to the company's inability to pay dividend to its shareholders for 2022 results as we used to do every year.. Irrespective of higher cost, retail prices of most of the products remains unchanged. Baladna's accelerated efficiency improvements contributed to control the impact of unexpected higher cost but not to the extent to cover the full impact.

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

- Managed to have an average milk yield per cow per day of 36.7 liters (Last year 36.6 liters) under extreme weather conditions compared to last year.
- Optimized its product portfolio by adding 15 new products to reach 254 by end of 2022.
- Increase the market share across all product categories.
- Reached to final stage of the construction works of the evaporated milk and Sterlized Cream factory which is expected to be completed by end of Q1 2023.
- Final dividend declaration of QR 101 million in April 2022 (QR 0.053 per share).
- Signed an MoU with The Philippines Board of Investments and The National Dairy Authority of the Philippines to cooperate and support the development of the dairy industry in the Philippines.
- Increasing ownership stake to 10% in Juhayna Food Industries, a company listed on the Egyptian Stock Exchange, in line with its strategic plans to enhance the shareholder value by expanding its footprint to other countries outside Qatar in the F&B market.

- Entered into a conditional shareholders' agreement with Malaysian companies FGV Holdings Berhad (FGV) and Touch Group Holdings Sdn Bhd (TGH) to develop an integrated dairy farming business in Malaysia. Feasibility study has been completed.
- Signed an MoU with The Ministry of Investments and Foreign Trade of the Republic of Uzbekistan to explore cooperation for the production and processing of a wide range of fresh milk and dairy products, and the overall development of the dairy industry in Uzbekistan.
- Worked with multiple other international partners to seek the opportunity for international expansion.
- Acquisition of a 75% shareholding of E-Life Detergent factory WLL to diversify the Group's revenue streams.
- Working for the backward integration plans to grow forage to ensure security and certainty of the supply and quality of feed.

Baladna maintains over 92% and 84% market share in fresh milk and UHT milk respectively. During the year Baladna managed to significantly increase creams category market share to 60% from 26%. That shows our market leading position for the dairy and beverage sector in the state of Qatar; the rest of the product segments we are managing possess a considerable market share position with future potential growth. Further we have invested in new product lines to increase our production capabilities and achieve further efficiencies. Our own research and development team is playing a key role in launching new products with superior quality.

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 Qatar Financial Markets Authority (QFMA). Our governance structure also includes a strong ethical code of conduct and a matrix of boards and its 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 risk that can challenge achieving our corporate objectives. We also manage incident and crisis management protocol to have a corporate plan to act in a any abnormal or unstable event that might jeopardize the achieving of the company's objectives. As of now, we are in strong position to respond to those potential risks.

Financial and operating results confirms our ability to overcome market and operational challenges

Baladna was able to grow its revenue by 28% in 2022 compared to the previous year. Total revenue for 2022 stands at QR 986 million compared to QR 773 million recorded for the same period in the last year. Through efficient management of overheads and resources while the input material costs and finance cost were skyrocketing, we were able to achieve QR 283 million EBITDA translate to 29% of EBITDA margin compared to QR 297 million reflecting 38% margin for the last year similar period. Baladna delivered a net profit of QR 81 million for the year which reflects 8% net profit margin.

Our research and development team along with the manufacturing, quality and marketing teams are continuously working towards introducing new products. Our farming operation continued prioritize the health and wellbeing of our herd while focusing on sustainable farming operation.

During the year, we have strengthened our presence in cream, cheese, and yoghurt segments by gaining considerable market share in addition to the market share gains in all other categories. Our market leading distribution infrastructure and capabilities deliver over 250 products to more than 3,500 customers and contact points across Qatar around the clock and every day of the year. The sales and merchandising system (“Route Pro”) introduced last year resulted in significant improvement in our sales performance with reduction in wastage and improvement in sales efficiency.

Environmental, Social and Governance

Our commitment to corporate sustainability is deeply imbedded in our strategy. During the year, we have done number of initiatives such as:

- Completed new waste-water treatment plant that enabling the use of recycled water for agricultural irrigation.
- Invested in a state-of-the-art composting facility to reduce methane emissions.
- Supporting Gulf Organisation for Research & Development (GORD) in developing a patented, sustainable fresh air-handling dehumidification and cooling technology.
- Supported the first-ever carbon neutral FIFA World Cup.
- Baladna participated in The One Tide Industry Coalition and several industry events and coalitions and collaborated with a range of stakeholders.
- Continuous commitment to the principles of good governance.

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 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.

I would like to thank all those at Baladna who have made 2022 a successful year. 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 and service. Baladna management team has shown great dedication, insight and professionalism which stood out in times of business turmoil, 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 2023 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

2023 Outlook

Key measures and initiatives we took in 2022 to respond to significant challenges have equipped Baladna well for further growth and sustain the profitability. With the commencement of the commercial operation of evaporated milk plant and acquisition of E-life detergent factory we have opportunities to further grow our revenue streams. Further we are continuously focusing to raise our market share in existing product categories. International expansion and partnerships are key for long term growth and will remain a key focus area for Baladna. In addition, the backward integration plan of Baladna to grow forage will also be a focus area during the year. With all these plans we feel confident about 2023.

Baladna will issue its first Sustainability Report in 2023, which will elaborate on our substantive measures to improve efficiencies across the business and to reduce our environmental impact.

In line with ongoing commitment, we will continue to drive 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.