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*Hanoi, April 01, 2021*

**REPORT OF BUSINESS AND PRODUCTION SITUATION IN 2020  
AND PLAN IN 2021**

**To: General Meeting of Shareholders of Hoa Phat Group Joint Stock Company**

On behalf of the Board of Directors, I would like to report to you about business results in 2020 and plan in 2021.

**I. SUMMARY OF PRODUCTION AND BUSINESS SITUATION IN 2020**

Facing complicated developments of the global pandemic SARS CoV-2, the world economy strongly declined on a large scale, natural disasters, epidemics, catastrophes, conflicts and violence covered many places, Vietnam still got impressive results with a growth rate of 2.91%, was one of the few countries with positive growth. Finished steel output of all types of production and consumption for the whole market grew by 2.7% and 1.4%, respectively, over the same period in 2019. Hoa Phat always tried its best to exceed the target as assigned by the General Meeting of Shareholders. The data of the consolidated financial statements for the whole Group in 2020:

- Consolidated revenue of the whole Group reached 91,279 billion VND and 13,506 billion VND of profits after tax, up 41% and 78% respectively over the same period of 2019, exceeding 6% and 50% of the business plan.

+ **Steel sector** was still the core and leading, accounting for 84% and 82% of revenue and profits after tax of the Group. In 2020, Hoa Phat continued to set the highest business record ever with 6,770,000 tons of finished steel products, an increase of 1.2 times compared to 2019. Of the total output as mentioned above, construction steel accounted for 3,400,000 tons, 1,770,000 tons of steel billets, 577,000 tons of hot-rolled steel coil, and 822,000 tons of steel pipes and 175,000 tons of galvanized steel sheet. Construction steel continued to set a record of the highest consumption ever, up 23% compared to 2019. In which, exports of 1,660,000 tons, up 6.5 times compared to 2019, to the markets such as China, Japan, Indonesia, Philippines, Cambodia, Korea, Taiwan, Malaysia, Sri Lanka, Australia, the US ... and was receiving large volume orders. Hoa Phat Steel also won the case, was not subject to anti-dumping tax on the Australian market, and was participating in the investigation as the defendant in anti-dumping events in India and Malaysia. This was an important victory in international trade, demonstrating Hoa Phat's proactiveness and activeness in trade defense lawsuits, contributing to diversifying export markets. The measures to increase electrical capacity, technological and technical improvements in Hai Duong contributed to maximizing benefits from a closed steel production chain. The market share of Hoa Phat construction steel and steel pipe was 32.5% and 31.7%, respectively, nationwide. Steel pipes completed the investment in large pipe production line. This was the first and only large steel pipe production project in the North region, contributing to asserting the No. 1 position in Vietnam of Hoa Phat Steel Pipe. The items of Hoa Phat Dung Quat Iron and Steel Production Complex were completed, respectively blast furnaces and related items in the closed production chain from iron ore to construction steel put into production. The total volume of cargo handled through Hoa Phat Dung Quat Seaport reached nearly 15 million tons, 4 times higher than the volume of cargo through the

port in 2019. From the end of July 2020, Hoa Phat Dung Quat Seaport was able to welcome ships with tonnage up to 200,000 tons.

+ *The Agriculture sector* initially recorded breakthrough results after 5 years of investment, revenue and profit contributed 12% to the consolidated revenue and profit of the Group respectively. Revenue grew 32% and profits after tax were 3 times that of 2019. From bran production to livestock farms, they started to operate stably and gradually increase in scale. The national output of bran consumption increased by 17% over the same period in 2019. For pig breeding segment, the output of nearly 385,000 pigs, an increase of 18% compared to 2019, the production target was in the top of the livestock industry. Hoa Phat focused on supplying high quality brood breeders, pig breeds, and porkers to the market from farms in Yen Bai, Hoa Binh, Thai Binh, Bac Giang, Binh Phuoc. Beef consumption of nearly 150,000 units, up 12% over the same period in 2019, continued to maintain Hoa Phat's Australian beef market share over 50% of the national market share, which was understood as every 2 Australian cows in Vietnam, one cow would be from Hoa Phat. With this output, Hoa Phat affirmed its position and held the No. 1 market share in Vietnam for the supply of Australian beef. During the year, eggs were released to the market more than 165 million eggs/year, and produced nearly 700,000 eggs/day.

+ *The Real Estate sector* contributed 4% and 6% respectively to the revenue and profits after tax of the Group. The company focused on investing in Pho Noi A Urban Area Project with an area of 262 hectares in Hung Yen. Pho Noi A Industrial Park expanded by 92.5 hectares, bringing the total area of the Industrial Park to 686.5 hectares, compensated 50% of the area. Yen My II Industrial Park with a total area of 200ha had also basically completed phase 1 infrastructure, started opening to investors and is doing procedures to apply for approval of industrial zone project located No. 6 Ly Thuong Kiet in area of 217ha.

- For financial indicators:

+ *Equity* as at December 31, 2020 is 59,220 billion VND, up 24% compared to 2019.

+ *The total assets* of the whole Group as at December 31, 2020 were 131,511 billion VND, an increase of 29% compared to 2019. Of which, current assets were 56,747 billion VND, an increase of 86% compared to 2019, the production scale would grow, mostly from Hoa Phat Dung Quat Iron and Steel Production Complex put into operation in synchronous stages; non-current assets was 74,764 billion VND, an increase of 5% compared to 2019

+ *The total short and long-term loans* of the whole Group as at December 31, 2020 was 54,142 billion VND. Bank loans to equity ratio was 0.91 times. But net bank loan on equity was currently at 0.54 times, a low average level of financial leverage. Although it was the year with the highest bank loan milestone ever due to the sharp increase in scale, it was still controlled at a safe level, helping the Group have a strong resilience in the near future.

- *Total contribution to the State budget* in the year was nearly 7,300 billion VND, up 10% over the same period. In which, the three provinces of Hoa Phat with the most budget contributions were Quang Ngai, Hung Yen and Hai Duong. Hoa Phat Group was honored to be in the Top 10 non-state enterprises, Top 30 typical enterprises awarded by the Ministry of Finance for having outstanding tax achievements in the period of 1990 - 2020.

- Create jobs for more than 25,000 officers and employees of the whole Group.

- During the year, Hoa Phat Group decided to restructure the organizational model with the divestment of capital from the furniture industry and the establishment of Corporations

in charge of each field of activity. Hoa Phat also researched to apply modern management solutions such as ERP, electronic office and some other software for better management, moving towards digital transformation.

**In addition to the achievements, the Group also found many challenges:**

- The complex evolution of the global pandemic SARS CoV-2 had spread, causing very serious consequences in all aspects, political instability in many parts of the world, and the tension between the US and China, with a significant impact on the world economy and Vietnam's economy.
- Trade protectionism was on the rise in many regions and countries.
- The level of competition was increasing in the Group's manufacturing sectors, especially steel.
- Fuel prices tended to increase due to tighter control of epidemic prevention measures, enhanced environmental protection in areas with large mines.
- New projects put into operation are not running at full capacity.
- Increased financial costs due to increased production scale.

## **II. DETERMINATION OF SITUATION AND ORIENTATION IN 2021**

Executive Committee of the Group determines: In 2021, both fighting against epidemic diseases and focusing on maintaining the growth momentum for the leap "new strength, new stature", the revenue is expected to increase sharply by bringing the whole project, Iron and Steel Production Complex in Dung Quat, Color-coated steel sheet production line, Agriculture sector gradually increases output. But and also, there are still many challenges, fuel prices tend to increase, new projects put into operation have not run at full capacity, financial costs increase due to increasing scale. The Group's leadership strives to achieve the following objectives:

- ✓ Complete Phase 2 construction investments and related legal papers for the Expansion Phase of Hoa Phat Dung Quat Iron and Steel Production Complex;
- ✓ Consume all of the products produced. Continue to lead the national market share in construction steel and steel pipe in steel production and trading. Strive to continue to hold the No. 1 market share in the supply of Australian cows in the agricultural sector.
- ✓ Well manage inventories, closely follow material price movements, and adopt reasonable regulatory policies.
- ✓ Update changes in the economic situation in the world and in the country, especially the trend of exchange rates and interest rates to have an effective cash flow management policy.
- ✓ Invest in digital technology in corporate governance.

With the goal of sustainable development, the Board of Directors would like to submit to the Board of Management to approve the consolidated business plan for the whole Group in 2021 as follows:

Revenue plan: **120,000 billion VND**

Profits after tax plan: **18,000 billion VND**

***Kindly submit to the General Meeting of Shareholders for consideration and approval.***

**FOR BOARD OF DIRECTORS**