THANH THANH CONG - BIEN HOA JOINT STOCK COMPANY
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# FINANCIAL STATEMENT INTERPRETATION OF THE THIRD QUARTER OF FISCAL YEAR 2017-2018
# THANH THANH CONG - BIEN HOA CORPORATION (SBT)

***Positive performance is due to high growth of production compared to that of last year.***

Net revenue (NR) of the first nine months of the year has increased 154% to reach VND 8,200 billion compared to that figure of last year period, fulfilling 83% of annual plan. This revenue is attributed from cumulative consumption of approximately 438,000 tons. Gross profit and profit after tax (PAT) marked VND 966 billion and VND 397 billion and equaled to a yearly increase of 127% and 54% respectively.

The fiscal year 2017-2018 is still in the downward trend of the sugar industry. However, the capability of planning, forecasting and executing strategies along with generated power from M & A transaction with BHS entail a yearly growth of 224% in terms of third quarter's consumption and 228% in terms of nine-month-accumulative consumption. Estimated annual consumption is 616,000 tons of sugar, which is 250% higher than the number of previous year and is 17% higher than the approved target of 525,000 tons from by the Board of Shareholders. This target complies with the strategic path of increasing production and dominating the market to reach 1,118,000 tons of sugar during the period of 2018-2020.

*Unit: Ton*

| Channel | Third Quarter/ 17-18 | Third Quarter/ 16-17 | Growth rate (%) | Accumulation up to Third quarter/17-18 | Accumulation up to Third quarter/17-18 | Growth (%) |
|---|---|---|---|---|---|---|
| Consumption | 10,178 | 326 | 3.020 | 34,668 | 853 | 3.966 |
| Large industry | 52,165 | 25,879 | 102 | 188,643 | 72,057 | 162 |
| Handicraft industry | 13,803 | 399 | 3.358 | 43,450 | 1,482 | 2.832 |
| Commerce | 34,523 | 5,219 | 561 | 102,124 | 18,012 | 467 |
| Export | 17,945 | 7,830 | 129 | 68,411 | 41,139 | 66 |
| **Total** | **128,614** | **39,653** | **224** | **437,296** | **133,543** | **228** |

*Source: Business Division of SBT*

SBT took advantage of the diverse sales segments to focus on growing sales volume, increasing market coverage and market share in all distribution channels in compliance with the orientation of increasing profit through sales expansion. By the third quarter, revenue (R) and Profit before tax (PBT) achieved 83% and 72% planned target approved at the General Meeting of Shareholders. Achieving good performance in the first nine months of this year, SBT has a great potential to complete its full year plan of NR of VND 9,900 billion VND and PBT of VND 680 billion.

*Currency: Million VND*

| Quota | Third quarter 17/18 | Third quarter/ 16-17 | Growth | Accumulation Third quarter /17-18 | Accumulation Third quarter /16-17 | Growth |
|---|---|---|---|---|---|---|
| Net Revenue | 2,731,194 | 1,137,951 | 140% | 8,199,763 | 3.234.576 | 154% |
| Gross Profit | 358,254 | 136,856 | 162% | 966.485 | 426.081 | 127% |
| Profit before tax | 158,840 | 89,381 | 78% | 486.175 | 282.797 | 72% |
| Profit after tax | 137,887 | 83,457 | 65% | 397.026 | 257.383 | 54% |

*Source: Financial Statement (FS) third quarter 2017-2018*

Before 2018, SBT has actively invested in a several potential real estate projects, particularly the industrial zone to create financial resources when divesting its shares. In the third quarter of this year, SBT estimated that it was the right time to divest its shares and contributed the revenue of over VND 100 billion to working capital for business operations of the company.

***Expenses were better controlled and brought superior financial performance than those of last year.***

In the third quarter, the cost of goods sold/NR ratio was reduced thanks to good control of the cost of raw materials and input costs of all subsidiaries when the production cost at all plants are lower than planned. It makes the gross profit margin in the third quarter increased 9% over one year, reaching to 13% compared to 12% of last year. By applying the value chain model in management and production, the company has been gradually self-reliant and stable in terms of stabilizing raw material resources, increasing productivity and lowering price to increased low-cost competitiveness.

Thanks to the advantage of BHS's nationwide distribution system, selling expenses were controlled better and was 29% lower than cumulative third quarter’s planned expenses. Similarly, SBT also managed the general and administrative expenses to be 6% lower than cumulative third quarter’s planned expenses.

***High growth of assets and capital.***

Since the beginning of the fiscal year2017-2018, total assests (TA) has reached VND 18,906 billion, equivalent to 833 million USD which is 2.42 times as high as TA at the beginning of the year. This is due to the short-term assets and long-term assets witnessed the rise of 150% and 131% respectively comparing to the numbers on 30 June 2017.

In comparison to inventories on 30 June 2017, inventories (I) went up to 1,724 billion VND due to the seasonal factors in sugar production and business. Annually, sugar mills officially start the season in December or January. Recently, the production is in the peak stage when all the factories have large quantities of finished products to ensure supply for the market in the next period. In addition,

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the increase in I is mainly concentrated on raw materials, accounting for 57% of the total increase of I. Taking advantage of the decrease of the world's raw sugar price, the company has been intentionally importing raw materials to proactively produce cheap sugar for the strategy of expanding the market in the future. Thus, with the reduction of cost price, SBT has a low-price quantity of finished products, in addition to cheap raw materials, this will be competitive advantages in the remaining period of the 2017-2018 and early 2018-2019.

Receivables increased after year due to an increase in receivables from M&A transaction and a strategy to expand market share, and to focus on the segment of industrial customers and SMEs. Industrial customer growth rate has rised 201% after one year.

Cash flow from business operation in the third quarter accounted for over VND 1,072 billion which is a positive sign when considering the value of VND -315 billion in the third quarter of last year. This improvement comes from the outstanding sales growth and advanced cash flow management as well as reasonable debt policy.

Long-term assets increased 132% mainly due to increased fixed assets investment to expand production and business activities. Until 31 March 2018, Equity (E) reached VND 7,292 billion, represents a 134% increase compared equity on June 30, 2017, mainly due to M&A transaction from BHS.

***Basic finanicial ratios are balanced at reasonable level.***

| **Basic financial quotas** | **Unit** | **Third quarter/ 17-18** | **Beginning of the period** | **Increase/ Decrease (%)** |
|---|---|---|---|---|
| **1. Quota of payment capacity** | | | | |
| Short-term payment ratio | Time | 1.35 | 1.41 | - 5 |
| Quick ratio | Time | 0.9 | 0.79 | 14 |
| **2. Quota of capital structure** | | | | |
| Liability-borrowing ratio/TTS | Time | 0.51 | 0.54 | -6 |
| Liability-borrowing ratio /VCSH | Time | 1.32 | 1.44 | -8 |
| | **Unit** | **Third quarter / 17-18** | **Third quarter / 16-17** | **Increase/ Decrease** |
| **3. Profitability ratio** | | | | |
| Gross profit margin | % | 13.1 | 12.0 | 9 |

*Source: Financial statement of third quarter of 2017-2018*

*Payment capacity is always controlled and secured*: The debt payment situation is still guaranteed when the short-term payment index is 1.35 which is higher than 1.0 and even higher than the bank's requirement of 1.25.

*Reasonable use of financial leverage:* In the third quarter, Debt/Total assets ratio and Debt/Equity ratio were 0.51 and 1.32, slightly decreased 6% and 8% respectively after one year. Debt ratio was improved within the limits of financial risk control and ensured efficiency. SBT recognizes that the external financing still remains large, which will help the company to sponsor working capital to support its target of expanding market share and consumption of 1,118,000 tons in 2020.

In the most difficult cycle of sugar industry, SBT has been actively expanding its market share, strengthening competitive competency, ensuring short-term and long-term cash flow, managing financial risks properly, and being available to achieve the approved target EBT of VND 680 billion.

SBT's market capitalization on May 4, 2015 was VND 10,165 billion, equivalent to 452 USD million USD, accounting for 0.4% of the market. SBT is the leading capitals in Vietnamese sugar industry, accounting for approximately 42% sugarcane’s market capitalization and is 16 times as large as the second biggest company in the same industry. SBT's liquidity was relatively good with trading volume and value matched nearly 3.4 million shares and VND 81 billion per session.

In the end of March 2018, SBT shares were ranked 4th over 10 shares in the MSCI Viet Nam Small Cap Index (USD) with a weight of 5.73%. In addition, the MVIS Vietnam Index also selected SBT in its portfolio with a weight of 2.19%. In addition, SBT share is also named in the VN30 and was named as one of the stock of other leading companies. These are prestigious indices, brands and voices on the stock market of Vietnam.

**Financial statement summary of SBT – Third Quarter/2017-2018**

| **BALANCE SHEET**<br>*VND Million* | **2014 - 2015 (30/6/2015)** | **2015 - 2016 (30/6/2016)** | **2016 - 2017 (30/6/2017)** | **Third quarter/ 2017-2018 (31/3/2018)** | **Increase/Decrease Comparing to the first quarter** |
|---|---|---|---|---|---|
| **Short-term assets** | **1,891,271** | **4,216,029** | **4,472,667** | **11,188,500** | **150%** |
| Cash and cash equivalents | 138,062 | 855,375 | 202,593 | 226,041 | 12% |
| Short-term investment | 7,022 | 46,424 | 112,386 | 459,666 | 309% |
| Short-term receivables | 960,917 | 1,930,582 | 2,067,764 | 6,555,774 | 217% |
| Inventories | 749,236 | 1,333,277 | 1,958,095 | 3,682,270 | 88% |
| Other short-term inventories | 36,035 | 50,371 | 131,830 | 264,749 | 101% |
| **Long-term assets** | **1,405,314** | **2,620,668** | **3,333,549** | **7,717,385** | **132%** |
| Long-term receivables | 48,612 | 194,048 | 247,604 | 51,723 | -79% |
| Fixed assets | 703,959 | 1,680,175 | 1,520,951 | 4,725,636 | 211% |
| Real estate investment | - | - | 131,118 | 137,022 | 5% |

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| **BALANCE SHEET** | **2014 - 2015** | **2015 - 2016** | **2016 - 2017** | **Third quarter/** | **Increase/Decrease Comparing to the** |
|---|---|---|---|---|---|
| Long-term assets in progress | - | - | - | 438,601 | |
| Long-term investment | 612,261 | 686,068 | 1,372,916 | 667,376 | -51% |
| Other long-term assets | 40,483 | 60,376 | 60,959 | 1,697,028 | 2.684% |
| Goodwill | - | - | - | | |
| **Total assets** | **3,296,586** | **6,836,697** | **7,806,216** | **18,905,885** | **142%** |
| **Liabilities** | **1,375,002** | **4,134,301** | **4,692,716** | **11,613,829** | **147%** |
| Short-term liabilities | 866,293 | 2,774,321 | 3,169,470 | 8,305,388 | 162% |
| Long-term liabilities | 508,709 | 1,359,980 | 1,523,246 | 3,308,441 | 117% |
| **Equity** | **1,921,584** | **2,702,396** | **3,113,501** | **7,292,056** | **134%** |
| **Total equity** | **3,296,586** | **6,836,697** | **7,806,217** | **18,905,885** | **142%** |

*Source: Financial statement third quarter of 2017-2018*

| **INCOME STATEMENT**<br>*VND Million* | **2014 - 2015 (30/6/2015)** | **2015 - 2016 (30/6/2016)** | **2016 - 2017 (30/6/2017)** | **Accumulation up to Third quarter/ 2017-2018 (31/3/2018)** | **Increase/Decrease** |
|---|---|---|---|---|---|
| Net Revenue | 2,066,900 | 4,027,233 | 4,498,383 | 8,199,763 | 154% |
| Gross Profit | 258,660 | 605,003 | 614,018 | 966,485 | 127% |
| Profit from business activities | 200,165 | 303,829 | 358,941 | 474,553 | 71% |
| Profit before tax | 208,306 | 310,076 | 367,478 | 486,175 | 72% |
| Profit after tax | 188,973 | 294,166 | 339,302 | 397,026 | 54% |
| EBITDA | 377,124 | 624,877 | 824,194 | 1,469,014 | 139% |

*Source: Financial statement third quarter of 2017-2018*