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PRESS RELEASE

Ref: 1Q2020 BUSINESS RESULTS

“Net revenue increased by 7.3%; Sponsored nearly VND 30 billion to combat the Covid-19 pandemic”

Vietnam Dairy Products JSC (“Vinamilk” or “The Company”) has announced the financial statements for the 1st quarter of 2020 on the Company’s website at <https://www.vinamilk.com.vn/en/financial-information>

Summary of the 1Q2020 consolidated financial results (VND billion)

Profit & Loss	1Q2020	1Q2019	Change	Balance Sheet	31/3/2020	31/3/2019
Net sales	14,153	13,189	7.3%	Cash & cash equivalents	15,750	10,876
<i>Domestic</i>	<i>12,092</i>	<i>11,212</i>	<i>7.9%</i>	Accounts receivable	4,132	5,076
<i>Direct export</i>	<i>2,061</i>	<i>1,977</i>	<i>4.2%</i>	Inventory	5,734	5,354
Cost of sales	7,547	7,034	7.3%	Net fixed assets & CIP	15,627	14,183
<i>Domestic</i>	<i>6,388</i>	<i>5,964</i>	<i>7.1%</i>	Other assets	4,831	2,816
<i>Direct export</i>	<i>1,159</i>	<i>1,070</i>	<i>8.3%</i>	Total assets	46,074	38,305
Gross profit	6,606	6,155	7.3%	Account payables	4,205	3,560
<i>Domestic</i>	<i>5,704</i>	<i>5,248</i>	<i>8.7%</i>	Short-term debt	6,150	2,126
<i>Direct export</i>	<i>901</i>	<i>907</i>	<i>-0.6%</i>	Long-term debt	120	218
SG&A expenses	3,393	2,949	15.1%	Other liabilities	3,353	3,478
Other non-interest financial income/(expenses)	146	136	6.9%	Stockholders’ equity	32,247	28,923
EBITDA	3,956	3,835	3.2%	Total liabilities & equity	46,074	38,305
Depreciation & Amortization	555	472	17.6%			
Interest expenses	42	20	112.1%			
Profit before tax	3,358	3,343	0.5%	Return ratios	Q1/2020	Q1/2019
Income tax	581	545	6.6%	ROE	32.7%	35.7%
Net profit after tax	2,777	2,797	-0.7%	ROA	22.9%	26.9%
Earnings per share (VND)	1,427	1,452	-1.7%	ROIC	32.2%	35.0%

1. Analysis of net revenue:

Consolidated net revenue was VND 14,153 billion in the first quarter of 2020 (“1Q2020”), increased by 7.3% Year-over-Year (“YoY”), of which:

Domestic business posted net revenue of VND 12,092 billion, grew by 7.9% YoY and accounted for 85.4% of consolidated net revenue. This growth was driven by:

- Vinamilk has consolidated the business results of GTNFoods JSC (“GTN”, VNM owns 75% of capital) since 1Q2020. In 1Q2020, GTN booked the net revenue of VND 633 billion, up 1.6% YoY and contributed significantly to the 7.9% growth of the group.
- Parent company’s net revenue grew was VND 10,911 billion, up 1.2% YoY and driven by flagship categories. The low single-digit growth is due to the effects of Covid-19.

Accordingly, sales of some distribution channels have underperformed. Particularly, schools across the country have shut down since the end of January 2020, while international flights have been suspended and domestic flights have been limited since the end of March 2020 to prevent the outbreak of Covid-19. On the bright side, GT channel, MT channel and Vinamilk's standalone stores still achieved positive revenue growth, among which the MT channel recorded double-digit growth rate, thanks to the effective marketing activities and the consumer needs for health care and supplementation of nutritious food to enhance immune system during the disease outbreaks.

Direct export posted net revenue of VND 1,081 billion, grew 7.5% YoY and accounted for 7.6% of consolidated net revenue, driven by key export markets in Middle East. Typically, in February 2020, Vinamilk won a USD 20 million milk export contract at the 2020 Gulfood Dubai expo.

Overseas subsidiaries posted net revenue of VND 980 billion, grew 0.8% YoY and accounted for 6.9% of consolidated net revenue. The low single-digit growth was because the business of the subsidiary Driftwood in the US (Vinamilk owns 100% capital) was affected, though significantly, after schools in California – Driftwood's main customers – shut down in mid-March 2020 when the Covid-19 outbreak began in this area. The revenue of the subsidiary Angkor Milk in Cambodia (Vinamilk owns 100% capital) still achieved positive growth. In particular, the domestic sales of Angkor Milk recorded double-digit growth thanks to the low consumption of dairy products in this market.

2. Analysis of profit margins and cost structure:

- Consolidated gross profit margin ("GPM") was 46.7%, unchanged YoY but slightly dropped by 51 basis points ("bp") versus end-2019 as the inclusion of GTN has diluted consolidated figures. On the single account, the GPM reached 50.5%, up 265 bp YoY thanks to the improved sales mix.
- Consolidated SG&A expenses incurred VND 3,393 billion, equivalent to 24% of net revenue (1Q2019: 22.4%). This ratio increased mainly due to consolidating SG&A costs of GTN and incremental sales support expenses during the Covid-19 pandemic.
- Net profit after tax was VND 2,777 billion in 1Q2020, down 0.7% YoY as operating expenses increased faster than revenue and the effective corporate income tax increased by 100 basis points to 17.3%. Accordingly, the consolidated net profit margin was 19.6% and earnings per share was 1,427 VND, down 160 bp and 1.7% YoY. Net profit margin of GTN was 6.3%, up 353 bp YoY, indicating the effectiveness of Vinamilk when taking over and improving business performance at this entity.

3. Other operational highlights:

- Amid the complicated development of Covid-19, Vinamilk has implemented the following measures to stabilize the business and prepare for possible fluctuations:
 - ✓ Proactively and strictly implementing the Government's regulations and instructions on disease prevention, health and safety for the Company's employees;

- ✓ Arrange working schedule to ensure business as usual and require 100% of employees to register for health declaration to prevent possible infection in the Company;
 - ✓ Postpone or extend some capex projects in the first half of 2020 to ensure liquidity and financial stability. As of March 31, 2020, the net cash balance (cash & cash equivalents minus borrowings) was nearly VND 9,500 billion, equivalent to 20% of total assets, of which the net cash balance at the Parent Company was nearly VND 7,000 billion;
 - ✓ Balance and maintain a reasonable inventory of raw materials. For the primary raw materials, continuing to monitor market fluctuations to purchase at the best price, which would contribute to improving the GPM in the remaining months of the year;
 - ✓ Strengthen the control over sales receivables, timely detect any signal of financial difficulty to have proper control measures and respond to debt recovery;
 - ✓ Ensure Vinamilk's existing IT platforms effectively support remote working and management.
- Community support is a highlight in 1Q2020, in which Vinamilk prioritized focusing on promoting these activities to cope with the complicated developments of Covid-19 and accompany the Government and frontline forces fighting against the pandemic as well as take care of vulnerable groups such as children. Up to now, Vinamilk has supported nearly VND 30 billion through various community support activities. Specifically:
 - ✓ Vinamilk has supported more than 4,000 frontline officials, doctors and soldiers of the Central Government and provinces and cities across the country to combat the pandemic by sponsoring nutritional products. Earlier, Vinamilk had a support package of VND 10 billion to buy medical biological equipment to help quickly detect SARS-COV-2 virus.
 - ✓ Especially, for children who are in difficult situations during the pandemic, Vinamilk and the Stand Tall Vietnam Milk Fund have implemented a program to donate 1.7 million glasses of milk equivalent to VND 12.5 billion to provide nutrition to those children.
 - ✓ Vinamilk's staff voluntarily contributed 1-day salary for community activities and joined fundraising walks to donate facemasks, hand sanitizers, and milk to more than 6,000 children across the country.
 - Vinamilk paid the 2nd interim dividend of 2019 at the ratio of 10% (each share received VND 1,000) on February 28, 2020.
 - Vinamilk has announced information on rescheduling the 2020 AGM due to the impact of Covid-19 and obtain the shareholders' opinion to organize the online AGM on June 26, 2020. The related information disclosure was posted on Vinamilk's website at: <https://www.vinamilk.com.vn/en/announcements/2065/disclosure-of-information-on-date-register-list-agm-2020>
 - Currently, the total cow herd managed and operated by Vinamilk group is more than 150,000 cows, with the total raw milk production of approximately 1,200 tons/day.
 - On March 31, 2020, Vinamilk's share closed at VND 91,000, equivalent to the P/E of 16.7x (estimated by Vinamilk) which is also the lowest level in the past 3 years.

ABOUT VINAMILK

Vinamilk is the leading nutrition company in Vietnam and currently in the Top 50 largest dairy companies in the world. With the mission of becoming an international brand in food and beverages sector and a trusted brand for Vietnamese consumers about nutritional and health products, we are committed to bring to the community high quality products with our respect, love and responsibility for life and society.

Visit the website to know more about us <https://www.vinamilk.com.vn/>

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