



Chapter 2

2023 PERFORMANCE AND BOM'S ASSESSMENT

ONE HEART ONE GOAL

30	Market overview in 2023
32	PVFCCo value chain
34	Production and business operations
38	Investment in and implementation of projects
40	The Corporation's financial performance
41	BOM's assessment report

MARKET OVERVIEW IN 2023

INTERNATIONAL MARKET



The global fertilizer market in 2023 was significantly impacted by geopolitical turmoil and export restrictions in certain countries, leading to a rapid decline in fertilizer prices compared to 2022. Ongoing conflicts such as Russia-Ukraine and Israel-Hamas raised concerns about potential escalation in the Middle East, a major fertilizer production region. Following record-high prices in 2022, fertilizer prices plummeted from the fourth quarter of 2023, with Urea prices dropping by approximately 64% and Potash prices by 67%.



DOMESTIC MARKET

In 2023, the domestic fertilizer market faced significant adverse impacts:

- 1

Firstly, the domestic fertilizer market in 2023 encountered heightened competitive pressures stemming from increased imports. Vietnam's economy, characterized by extensive participation in various free trade agreements, faced constraints in terms of scale, resilience, and competitive capabilities.

- 2

Secondly, unresolved inconsistencies persisted in fertilizer tax policies. A 5% export tax diminished the competitiveness of domestic enterprises.

- 3

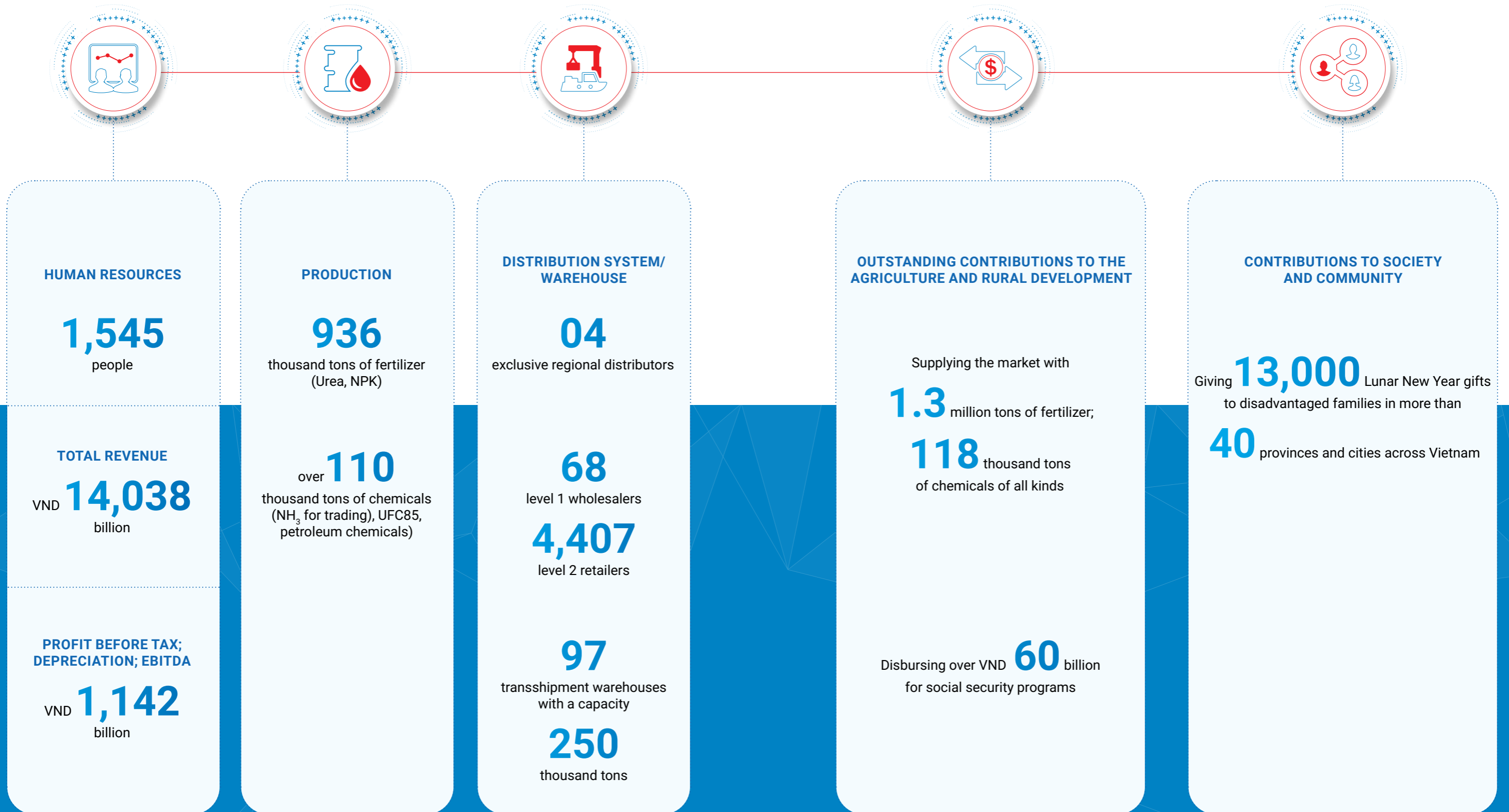
Thirdly, a notable surge in inventory levels escalated competition among local enterprises. Early in 2023, inventory management challenges triggered a climate of fire sales and price undercutting, notably affecting NPK products. Furthermore, there was a notable emergence and proliferation of substitute products, characterized by lower quality or counterfeit attributes, such as N21-25% as a Urea substitute and Ammonium as a Potassium substitute.

- 4

Fourthly, the increased cost of production materials, particularly the price of gas for Urea production, posed challenges. For PVFCCo, the price of gas for Phu My Urea production increased by 18% in 2023 compared to 2022 (gas price with VAT was 10.51/8.88 USD/MMBTU). The heightened cost of raw gas material resulted in additional production expenses of over VND 1,000 billion for the entire year compared to 2022.

In conclusion, given these circumstances, the production and business outcomes of fertilizer enterprises in the market witnessed substantial declines compared to the corresponding period.

PVFCCo VALUE CHAIN



HUMAN RESOURCES

1,545
people

PRODUCTION

936
thousand tons of fertilizer (Urea, NPK)

over **110**
thousand tons of chemicals (NH₃ for trading), UFC85, petroleum chemicals)

DISTRIBUTION SYSTEM/ WAREHOUSE

04
exclusive regional distributors

68
level 1 wholesalers
4,407
level 2 retailers

97
transshipment warehouses with a capacity
250
thousand tons

OUTSTANDING CONTRIBUTIONS TO THE AGRICULTURE AND RURAL DEVELOPMENT

Supplying the market with
1.3 million tons of fertilizer;
118 thousand tons of chemicals of all kinds

Disbursing over VND **60** billion for social security programs

CONTRIBUTIONS TO SOCIETY AND COMMUNITY

Giving **13,000** Lunar New Year gifts to disadvantaged families in more than **40** provinces and cities across Vietnam

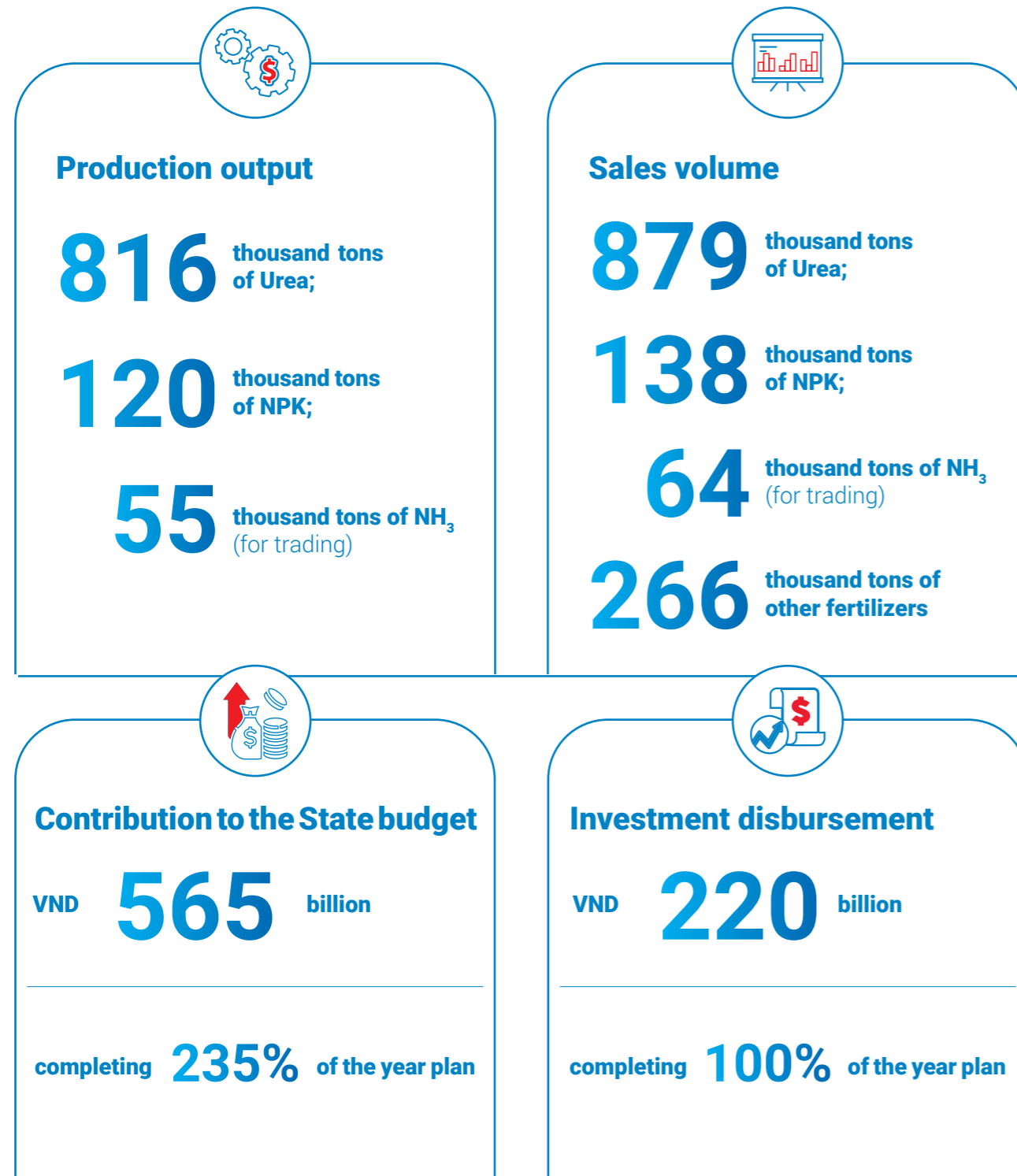
TOTAL REVENUE
VND **14,038**
billion

PROFIT BEFORE TAX; DEPRECIATION; EBITDA
VND **1,142**
billion

PRODUCTION AND BUSINESS OPERATIONS

OUTSTANDING FACTORS AND TARGETS IN PRODUCTION AND BUSINESS OPERATIONS IN 2023

Against the backdrop of 2023, PVFCCo persisted in capitalizing on various advantageous factors. These included the esteemed reputation of the Phu My fertilizer brand and the expansive geographical reach of its distribution network. Operations at the Phu My Fertilizer Plant remained steadfastly stable, operating at high capacity levels with ample gas supply. Financial health remained robust, bolstering both production and business endeavors, thereby attaining a range of notable performance targets:



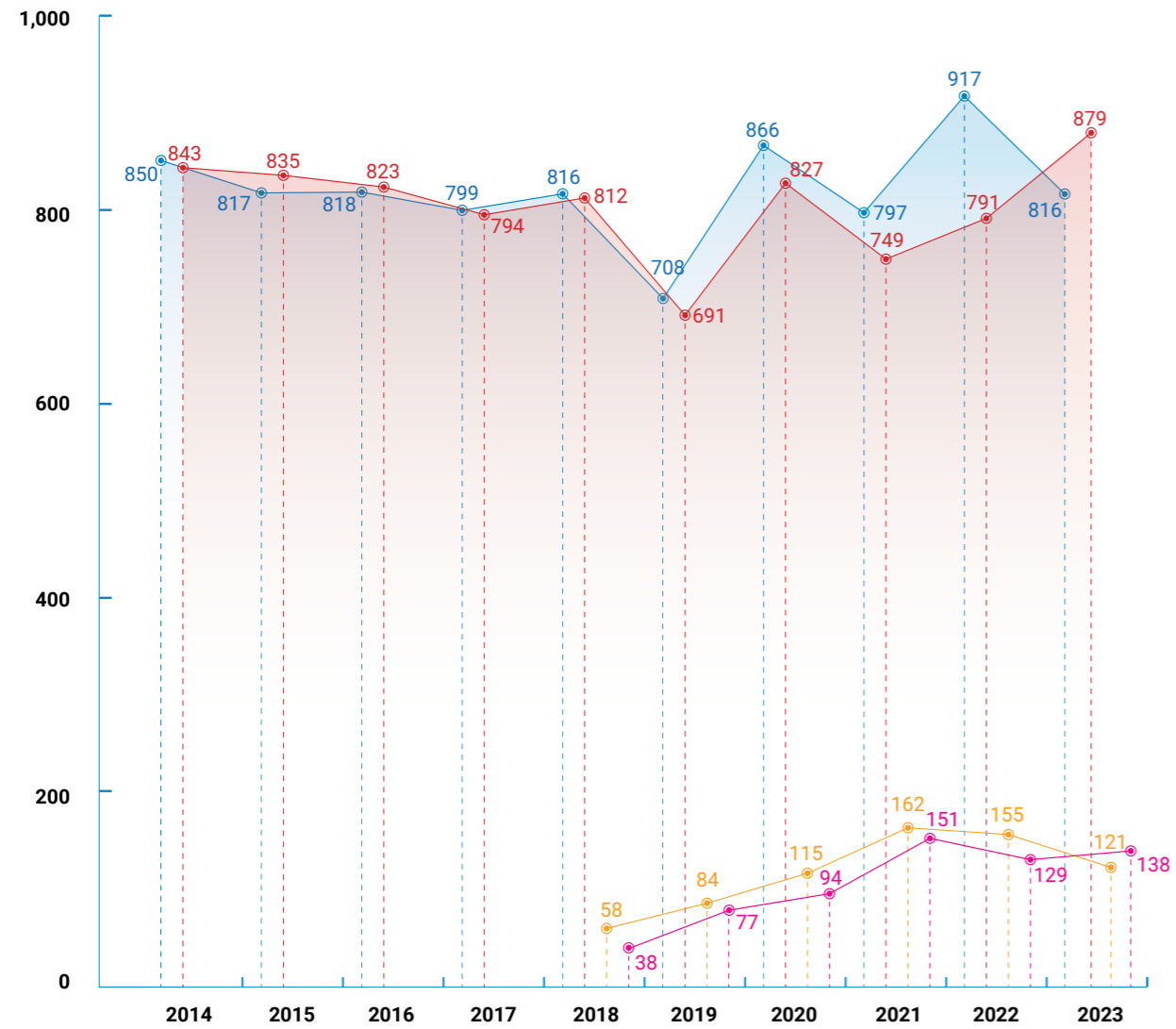
SUMMARY ON BUSINESS PERFORMANCE IN 2023

No.	Item	Unit	Actual 2022	Plan 2023	Actual 2023	Ratio compared with 2022 (%)	Plan completion rate (%)
A	B	C	1	2	3	4=3/1	5=3/2
I Production output							
1.1	Phu My Urea	Thousand tons	917	785	816	89%	104%
1.2	UFC 85	Thousand tons	13.2	12.0	12.2	92%	102%
1.3	NPK	Thousand tons	155	121	120	77%	100%
1.4	Phu My Urea + KeBo	Thousand tons	4.5	6.9	7.0	155%	101%
1.5	NH ₃ (for trading)	Thousand tons	74	55	55	73%	100%
II Sales volume							
2.1	Phu My Urea	Thousand tons	791	830	879	111%	106%
2.2	NPK	Thousand tons	129	130	138	107%	106%
2.3	Phu My Urea + KeBo	Thousand tons	2.6	7.0	7.9	299%	113%
2.4	Other fertilizers	Thousand tons	209	240	266	127%	111%
2.5	UFC 85	Thousand tons	9.5	8.5	9.1	95%	107%
2.6	NH ₃ (for trading)	Thousand tons	71	62	64	89%	102%
2.7	CO ₂	Thousand tons	54	39	44	82%	111%
2.8	Chemicals	Thousand tons	1.03	0.67	1.54	149%	231%
III Consolidated financial indicators							
3.1	Total revenue	VND billion	19,013	13,067	14,038	74%	107%
3.2	Profit before tax	VND billion	6,606	610	691	10%	113%
3.3	Profit after tax	VND billion	5,585	463	530	9%	114%
3.4	Budget payable (paid)	VND billion	1,614	240	565	35%	235%
IV Parent company's financial indicators							
4.1	Owner's equity	VND billion	13,779	10,149	11,374	83%	112%
4.2	In which: Charter capital	VND billion	3,914	3,914	3,914	100%	100%
4.3	Total revenue	VND billion	16,924	11,652	12,093	71%	104%
4.4	Profit before tax	VND billion	6,507	635	709	11%	112%
4.5	Profit after tax	VND billion	5,511	495	569	10%	115%
4.6	Ratio of Profit after tax/ Charter capital	%	141%	13%	15%	10%	115%
4.7	Budget payable (paid)	VND billion	1,551	205	503	32%	245%
4.8	Investment						
4.8.1	Investment disbursement	VND billion	118.14	220.6	219.74	186%	100%
	▸ Capex	VND billion	74.70	102.9	102.45	137%	100%
	▸ Equipment procurement	VND billion	43.44	117.7	117.29	270%	100%
	▸ Capital investment	VND billion					
4.8.2	Capital investment source	VND billion	118.14	220.6	219.74	186%	100%
	▸ Owner's equity	VND billion	118.14	220.6	219.74	186%	100%
	▸ Loans and others	VND billion					

PRODUCTION AND BUSINESS OPERATIONS (continued)

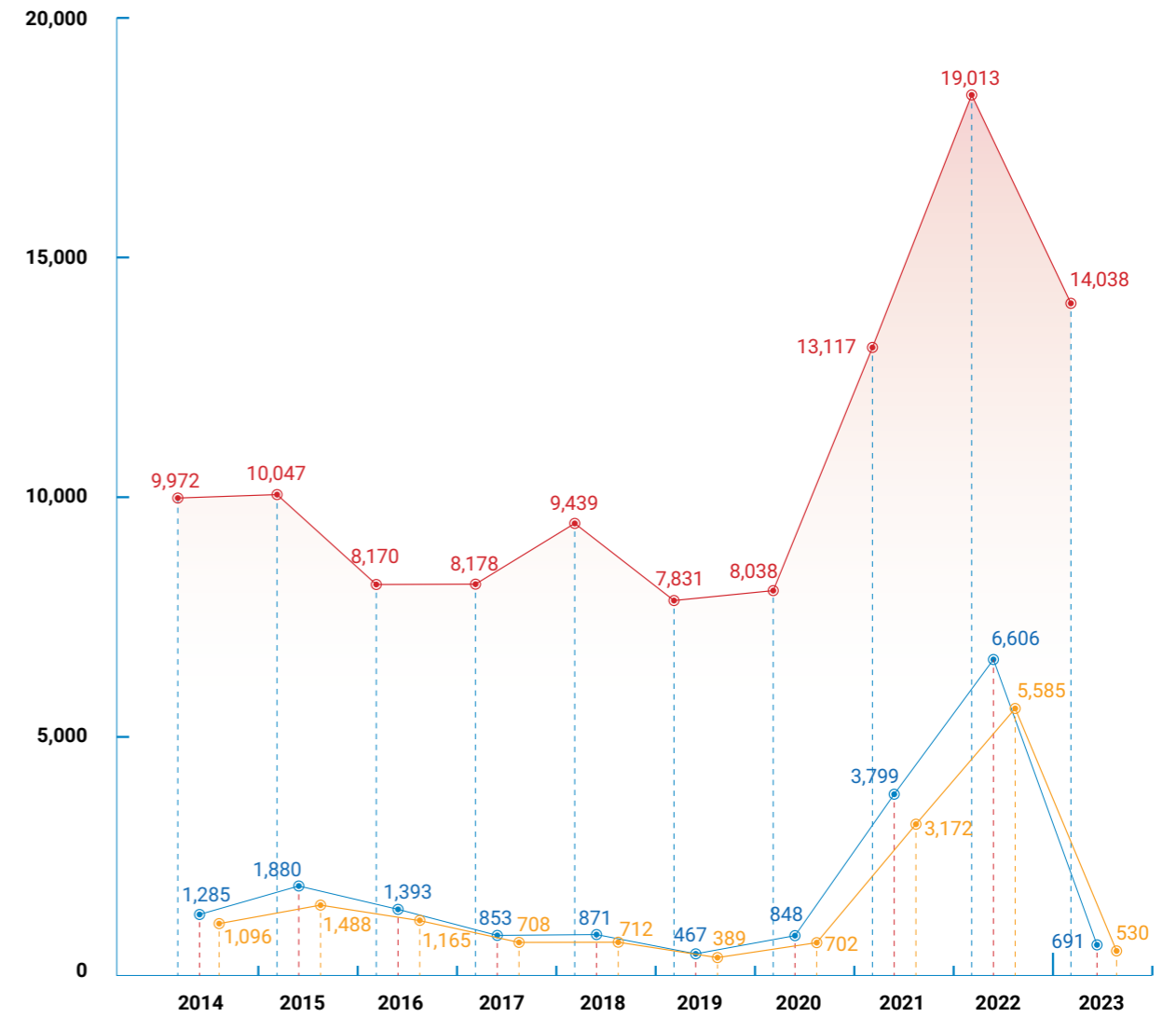
Production and business statistics for the Corporation's leading products over 2014-2023 period

Production and sales targets (thousand tons)



- Urea Production
- Urea Consumption
- NPK Production
- NPK Consumption

Consolidated financial indicators (VND billion)



- Revenue
- Profit before tax
- Profit after tax

INVESTMENT IN AND IMPLEMENTATION OF PROJECTS

INVESTMENT PROJECTS PLANNED IN 2023



- ▶ **The NH₃ Revamp - Phu My NPK Complex:** The Corporation has completed project settlement report and verification and approval on capital settlement.
- ▶ **Hydrogen Peroxide (H₂O₂) Plant:** Already completed feasibility study report (FS), submitted for FS verification, hired FS verification consultant and submitted to the relevant State authorities.
- ▶ **Offgas recovery project:** Already completed and approved feasibility study report.
- ▶ **Melamine project:** Already completed feasibility study report.
- ▶ **DEF/Adblue project:** Completing feasibility study report.
- ▶ **Soda Ash project:** Completed feasibility study report. The project was assessed as ineffective and the BOD decided to stop further investment research.
- ▶ **Project for warehouse of 20 thousand tons of finished goods at Phu My Fertilizer Plant:** The project was completed and put into service on 21 June 2023 and is under the process of completing capital settlement.
- ▶ Other investment and procurement projects are being implemented as planned.

INVESTMENT AND PROCUREMENT DISBURSEMENT SITUATION IN 2023



According to the 2023 plan, total capital for investment in construction and procurement was VND 220.58 billion. PVFCCo disbursed over VND 219.74 billion, achieving nearly 100% of the plan according to the actual progress, an increase of 84% compared to 2022.



PERFORMANCE OF SUBSIDIARIES AND DEPENDENT UNITS

No.	Contents	Equity to total charter capital ratio	Total invested capital (VND billion)	Charter capital (VND billion)	Profit after tax (PAT) (VND billion)	PAT to charter capital ratio	2023 dividend (VND billion)
I	Investment in subsidiaries		386.25	515.00	41.39		44.78
1	PVFCCo North	75.00%	90.00	120.00	6.32	5.27%	10.8
2	PVFCCo Central	75.00%	75.00	100.00	20.94	20.94%	22.5
3	PVFCCo SE	75.00%	93.75	125.00	12.07	9.66%	
4	PVFCCo SW	75.00%	127.50	170.00	2.06	1.21%	11.48
II	Investment in joint venture companies		680.90	2,487.80	849.48		2.18
1	VNPOLY	25.99%	562.70	2,165.11	850.41	39.28%	
2	PVC Mekong	35.63%	100.00	280.69	-8.16	-2.91%	-
3	PVFCCo Packaging	43.34%	18.20	42.00	7.23	17.21%	2.18
III	Other long-term investments		20.50	396.35	-9,2		0.29
1	PAIC	8.50%	3.60	42.35	4,82	11.38%	0.29
2	Ut Xi Aquatic Products Processing Corporation	6.78%	16.90	354.00	-14.02	-3.96%	
	TOTAL		1,087.65	3,399.15	881.67		57.94

THE CORPORATION'S FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE

Unit: VND billion

Item	31/12/2022	31/12/2023	% Increase (Decrease)
TOTAL ASSETS	17,699	13,309	-25%
Current assets	13,579	9,565	-30%
Non-current asset	4,120	3,744	-9%
TOTAL RESOURCES	17,699	13,309	-25%
LIABILITIES	3,681	1,764	-52%
OWNER'S EQUITY	14,017	11,545	-18%
▶ Charter capital	3,914	3,914	0%
TOTAL REVENUE	19,013	14,038	-26%
TOTAL COST	12,410	13,349	8%
INTEREST	65	51	-22%
EBIT	6,668	739	-89%
PROFIT BEFORE TAX	6,606	691	-90%
PROFIT AFTER TAX	5,585	530	-91%
▶ Profit after tax of minority shareholders	20	10	
▶ Profit after tax of parent company	5,565	519	

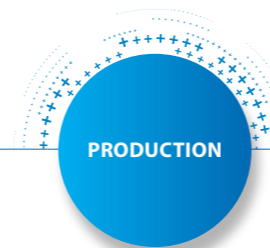
FINANCIAL INDICATORS

Item	2022	2023
Liquidity ratios		
Current ratio	4.53	6.44
Quick ratio	3.24	5.16
Solvency ratios		
Total debt/total assets	21%	13%
Total debt/total equity	26%	15%
Operational capacity ratios		
Inventory turnover	3.25	4.12
Net revenue/total assets	1.18	0.88
Profitability ratios		
Net profit after tax/Net revenue	30.0%	3.9%
ROE	45.2%	4.1%
ROA	35.3%	3.4%
EPS	13,897	1,030

BOM'S ASSESSMENT REPORT

ASSESSMENT ON PERFORMANCE

In the actual situation and conditions of production and business activities in 2023 as reviewed and evaluated above, on the basis of the tasks and targets of the annual plan approved by the General Meeting of Shareholders, PVFCCo's Board of Management evaluated the implementation of timely, synchronous and flexible solutions, helping the Corporation achieve business results in 2023 for each specific field as follows:



With the experience accumulated in periodic maintenance, in 2023, PVFCCo quickly handled arising issues, reducing machine downtime. The review, adjustment, and application of the requirements were clearly effective, as **total energy consumption of production progress in 2023 was lower than targets, and overall fuel, energy savings in the production sector reached VND 220 billion**. In particular, there were numerous measures to increase the quality and output of NPK.

Phu My Fertilizer Plant achieved a production output of **800,000 tons of Urea 13 days in advance, the whole year's output reached 815,859 tons, 4% higher than the plan**. The NH₃ Revamp - Phu My NPK Complex was operated and taken advantage of stably. In 2023, the project complex continued to contribute nearly VND 2,300 billion in revenue, equivalent to 18% of the total revenue of the Corporation.



In the face of fierce competition, the Phu My Urea brand maintained its solid position and market share in the domestic market, through its progress towards the goal of developing foreign markets. **In 2023, the Corporation exported 100 thousand tons of Phu My Urea**. Furthermore, it has established a market presence with the quality of Phu My NPK, Potassium, and DAP, and continues to expand chemical production and business activities. The Corporation was flexible in implementing changes and improvements in transportation, distribution, sales, and inventory policies, among others, to improve the business effect and expand the customer segment. The Corporation has effectively traded nearly 1.3 million tons of fertilizers (879 thousand tons of Phu My Urea; 138 thousand tons of Phu My NPK; 266 thousand tons of other fertilizers) and over 118 thousand tons of chemicals.



Total disbursement for investment and procurement projects is over VND 220 billion.



The Remuneration Policy Improvement project and KPI project have provided motivation for employees to promote creativity and improvement in their work and assisted the Corporation in retaining highly skilled personnel.



Security, safety, fire prevention, and rescue were always appreciated and strengthened by the business units, especially during holidays, Tet, etc. As a result, in 2023 the Corporation did not have any accidents happen affecting labor safety, production and business activities.

BOM'S ASSESSMENT REPORT (continued)

FINANCIAL PERFORMANCE (continued)

Limitations and solutions, details as follows:



PRODUCTION

Phu My Fertilizer Plant, after many years of operation, despite regular maintenance, engineering and technical issues have surfaced in fixed equipment, which affected or threatened the stability of the whole Plant's operation, many outdated systems need to be upgraded.



BUSINESS

Fertilizer business has become more and more difficult when facing the challenges in unstable prices, economic slowdown and climate changes. Therefore, the analysis and forecast of market need to be strengthened to grasp future opportunities and optimizing business efficiency.



RESTRUCTURING

Restructuring has reached a certain conclusion; however, the management structure is still cumbersome and does not satisfy our expectations. The restructuring project for the next stage has been submitted to the proper authorities for approval.



CAPITAL CONTRIBUTION TO ASSOCIATED COMPANIES

The planned divestments and withdrawal of capital from associated companies, such as: VNPOLY, PVC Mekong, and Ut Xi Aquatic Products Processing Corporation were delayed, etc., the operations of these companies continued to deteriorate.

FINANCIAL ANALYSIS

Assets and Capital

Total assets according to PVFCCo's consolidated financial statements as of 31 December 2023 were VND 13,309 billion, a decrease of 25% compared to the beginning of the year (13,309/17,699). PVFCCo's cash and cash equivalents decreased by 40% compared to the beginning of the year (VND 1,242/2,084 billion). This reduction is primarily attributed to the Corporation's cash dividend payout for the year 2022 (at a rate of 70% of the par value of shares, equivalent to VND 2,739 billion).

Liabilities

- ▶ PVFCCo's liabilities as of 31/12/2023 were VND 1,764 billion, a decrease of 52% compared to the beginning of the year (VND 1,764/3,681 billion).
- ▶ Total liability to total assets ratio and total liability to equity ratio decreased compared to those of 2022, but the current ratio and quick ratio in 2023 remained higher than 1. This demonstrates a good capacity to pay debts, and the Corporation is not under any pressure on due debt, ensuring good production and business activities.
- ▶ Given the closing balance of Cash and Cash equivalents of VND 1,242 billion, there is sufficient funding for manufacturing, trading and investment projects as planned.



Profitability

PVFCCo's profitability ratios such as ROE and ROA drastically decreased compared to the same period mainly due the decrease in 2023 profit after tax, by 90% from 2022, leading to the decrease in ROE and ROA.

IMPROVEMENTS IN ORGANIZATIONAL STRUCTURE, POLICIES, AND MANAGEMENT

The Corporation has developed and executed a restructuring plan and roadmap for the 2021-2025 period. This includes ongoing review, adjustment, and updating of department/unit functions and tasks. Additionally, efforts are underway to enhance internal regulations, risk management, and salary policies, while accelerating the digital transformation journey.

DEVELOPMENT PLAN FOR THE FUTURE

Board of Management is executing strategic development plans, including mid-term production and business plans approved by General Meeting of Shareholders and Board of Directors.

MAKING ASSESSMENTS ON ENVIRONMENTAL, STAFF AND SOCIAL RESPONSIBILITIES.

Details of the assessment on environmental, staff and social responsibilities are presented in Chapter 5 – Sustainable Development Report pages 80-105.