



CHAPTER 3

CORPORATE PERFORMANCE REPORT

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RISK ANALYSIS ON BUSINESS PERFORMANCE AND TARGET ACHIEVEMENTS

OPERATION RISKS

Phu My Fertilizer Plant, the main production plant of PVFCCo, has been operating for over 16 years. Despite having regular and heavy maintenance, it has entered an age where mechanical wear and tear posed more risks. The potential operational problems may cause the production downtime. As a result, the downtime may significantly affect production efficiency, input costs and revenue and profit targets. In addition, the problems at the factory may pollute the environment, impact the employees and increase the maintenance cost.



MARKET RISKS

At present, the total domestic demand of Urea is about 2 million tons, while the total domestic production capacity exceeds 2.6 million tons. In recent years, despite strong competition from domestic producers, they have not reached full production capacity as yet. Admittedly, Phu My Urea is a strong brand and all its production has been sold at an optimal market price. However, there is always a possibility of losing its market share and having to conduct price cutting, especially after the production capacity and operational efficiency of other producers have improved. There is also the threat from Urea imports.

As for Phu My NPK products, it is now positioned as high-end products with high quality, suitable for high value crops with large investment levels. As a result, the production and market share are at risk of decline due to falls in agricultural product prices.

In addition to this, risks of climate change, natural disasters, extreme and unusual weather, and the spread of counterfeit goods also pose major threats to the fertilizer industry, and especially to a prestigious brand like Phu My Fertilizer.



INPUT PRICE RISKS

Gas is the key production input for Urea and it takes a major portion of cost of goods sold. Although gas supply is assured by the Government of Vietnam, the price is set by the market with annual transportation costs depending on gas sources approved by the competent authorities. And the market price fluctuates widely and affects input cost and in turn profitability. In addition to this, since natural gas is considered a limited resource with unstable sources in the long term, mobilizing gas from different sources can often be subject to fluctuations in transportation costs.



FINANCIAL AND RESTRUCTURING RISKS

The Corporation has several long-term investments in non-core business. Some of these investments are under performing, such as, VNPOLY (PVTEX) and PVC Mekong. According to the restructuring plan, PVFCCo has set a target date to divest these investments, in spite of great difficulty. Although the Corporation has provided for investment loss, it has plans to improve the performance of these companies so as to attract potential investors at a higher valuation. These supports may expose other costs for the Corporation.

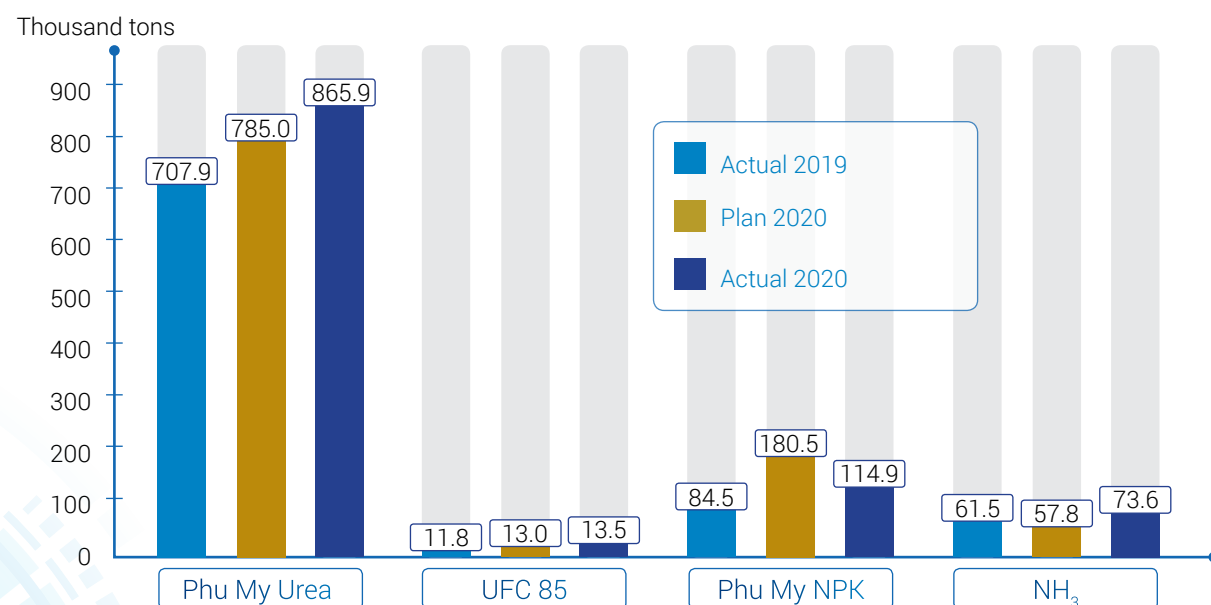


BUSINESS PERFORMANCE

SUMMARY ON BUSINESS PERFORMANCE 2020

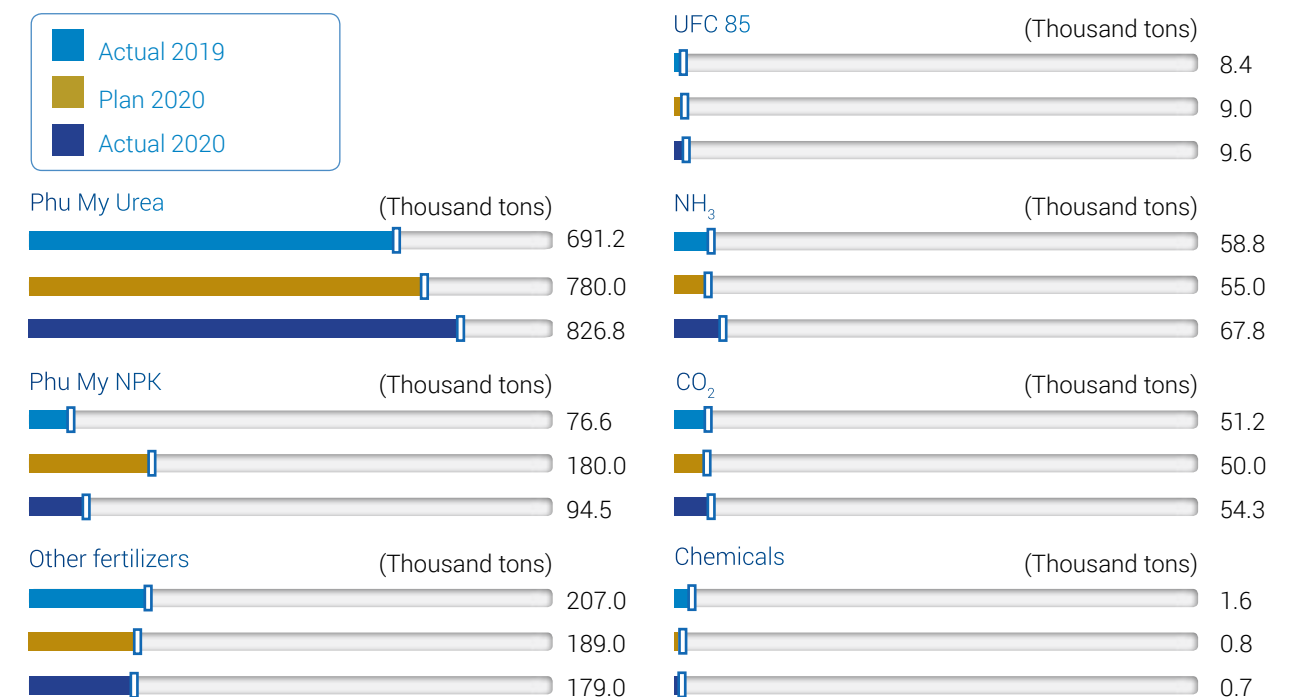
No.	Item	Unit	Actual 2019	Plan 2020	Actual 2020	Ratio compared with 2019 (%)	Plan completion rate (%)
A	B	C	1	2	3	4=3/1	5=3/2
1	PRODUCTION						
1.1	Phu My Urea	Thousand tons	707.9	785.0	865.9	122%	110%
1.2	UFC 85	Thousand tons	11.8	13.0	13.5	115%	104%
1.3	Phu My NPK	Thousand tons	84.5	180.0	114.9	136%	64%
1.4	NH ₃ (for trading)	Thousand tons	61.5	57.8	73.6	120%	127%
2	SALES VOLUME						
2.1	Phu My Urea	Thousand tons	691.2	780.0	826.8	120%	106%
2.2	Phu My NPK	Thousand tons	76.6	180.0	94.5	123%	52%
2.3	Other fertilizers	Thousand tons	207.9	189.0	179.0	86%	95%
2.4	UFC 85	Thousand tons	8.4	9.0	9.6	114%	107%
2.5	NH ₃ (for trading)	Thousand tons	58.8	55.0	67.8	115%	123%
2.6	CO ₂	Thousand tons	51.2	50.0	54.3	106%	109%
2.7	Chemicals	Thousand tons	1.6	0.8	0.7	41%	84%
3	CONSOLIDATED FINANCIAL INDICATORS						
3.1	Total revenue	Billion VND	7,831.0	9,237.5	8,038.0	103%	87%
3.2	Profit before Tax	Billion VND	467.1	512.6	847.9	182%	165%
3.3	Profit after Tax	Billion VND	388.9	432.8	701.6	180%	162%
3.4	Budget payable (paid)	Billion VND	127.9	159.2	439	343%	276%

Fertilizer and chemicals production in 2020



No.	Item	Unit	Actual 2019	Plan 2020	Actual 2020	Ratio compared with 2019 (%)	Plan completion rate (%)
A	B	C	1	2	3	4=3/1	5=3/2
4	PARENT COMPANY'S FINANCIAL INDICATORS						
4.1	Owner's equity	Billion VND	8,041.5	7,589.1	8,127.1	101%	107%
4.2	In which: Charter capital	Billion VND	3,914.0	3,914.0	3,914.0	100%	100%
4.3	Total revenue	Billion VND	7,006.1	8,703.1	7,411.4	106%	85%
4.4	Profit before Tax	Billion VND	435.5	491.4	815.2	187%	166%
4.5	Profit after Tax	Billion VND	370.4	420.5	691.3	184%	162%
4.6	Ratio of Profit after tax/Charter capital	%	9%	11%	17%	184%	162%
4.7	Budget payable	Billion VND	106.7	141.9	419.2	343%	276%
4.8	Investment						
4.8.1	Total investment	Billion VND	116.3	106.7	75.0	64%	70%
	Capex	Billion VND	100.0	66.7	56.1	56%	84%
	Equipment procurement	Billion VND	16.3	40.0	18.8	116%	47%
	Capital investment	Billion VND					
4.8.2	Capital investment source	Billion VND	116.3	106.7	75.0	64%	70%
	Owner's equity	Billion VND	41.8	83.2	75.0	179%	90%
	Loans and others	Billion VND	74.5	23.5		0%	0%

Fertilizer and chemicals sales volume in 2020





BUSINESS PERFORMANCE (CONTINUED)

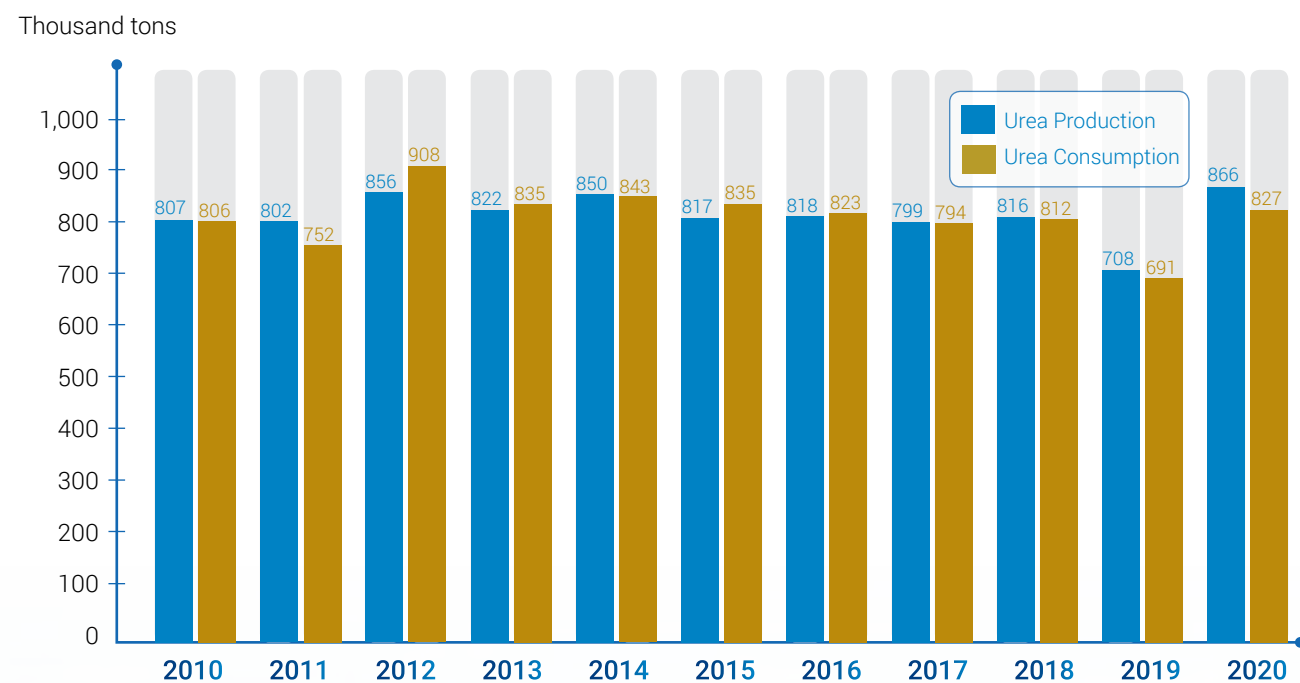
PRODUCTION AND SALES OF PHU MY UREA

PRODUCTION AND SALES OF PHU MY UREA OVER 2010-2020 PERIOD

Unit: **Thousand tons**

PRODUCT	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Urea Production	807	802	856	822	850	817	818	799	816	708	866
Urea Consumption	806	752	908	835	843	835	823	794	812	691	827

Production and sales of Urea indicators structure



INTRODUCTION OF PVFCCo

CORPORATE STRUCTURE
AND HUMAN RESOURCES
MANAGEMENT

**CORPORATE PERFORMANCE
REPORT**

CORPORATE GOVERNANCE

SUSTAINABLE DEVELOPMENT
REPORT

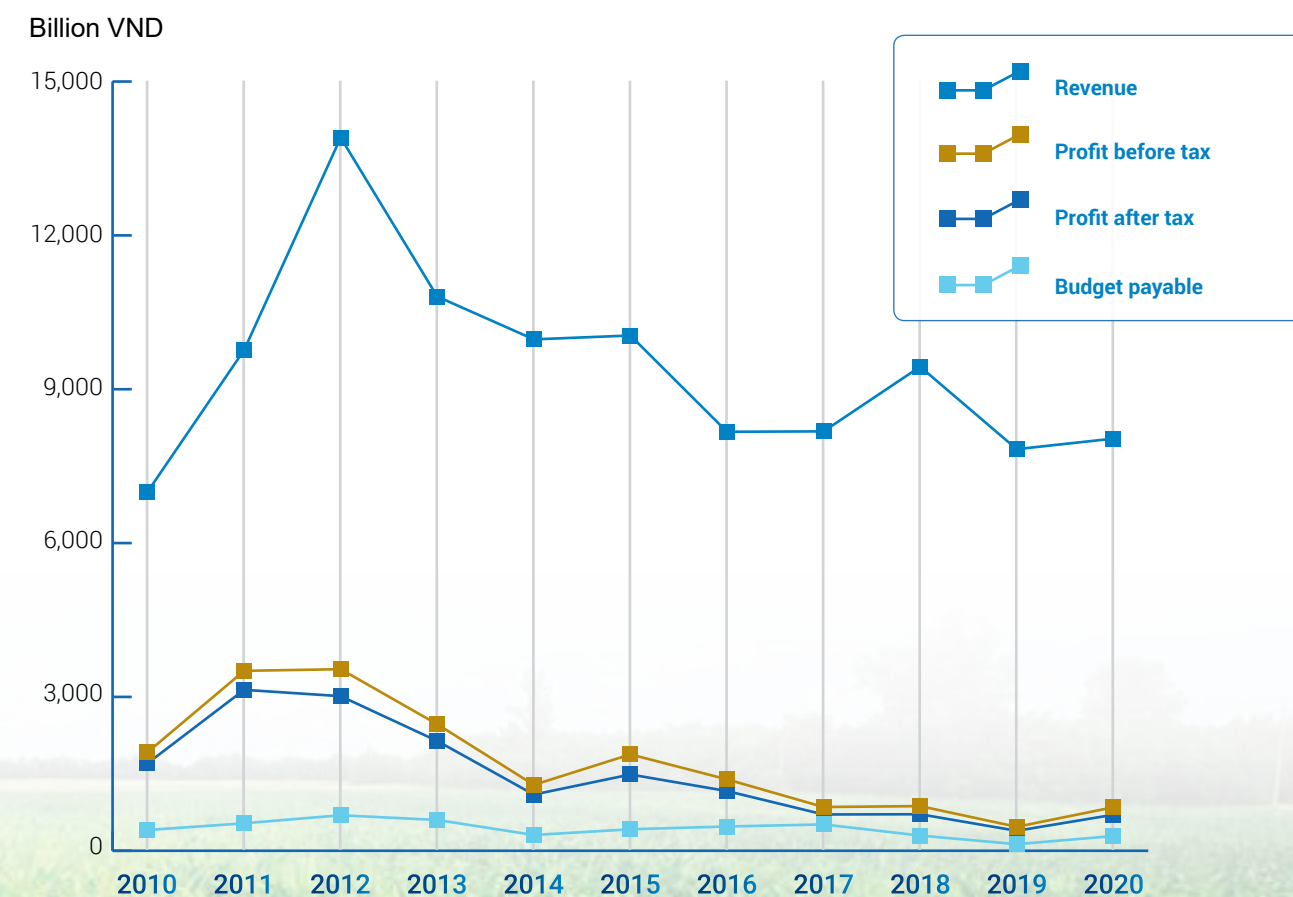
CONSOLIDATED FINANCIAL
STATEMENTS

CONSOLIDATED FINANCIAL INDICATORS

Unit: **Billion VND**

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	6,999	9,763	13,906	10,807	9,972	10,047	8,170	8,178	9,439	7,831	8,038
Budget payable	405	537	694	602	308	420	474	515	297	128	439
Profit before tax	1,922	3,510	3,542	2,468	1,285	1,880	1,393	853	871	467	848
Profit after tax	1,706	3,140	3,016	2,142	1,096	1,488	1,165	708	712	389	702

Consolidated financial indicators structure



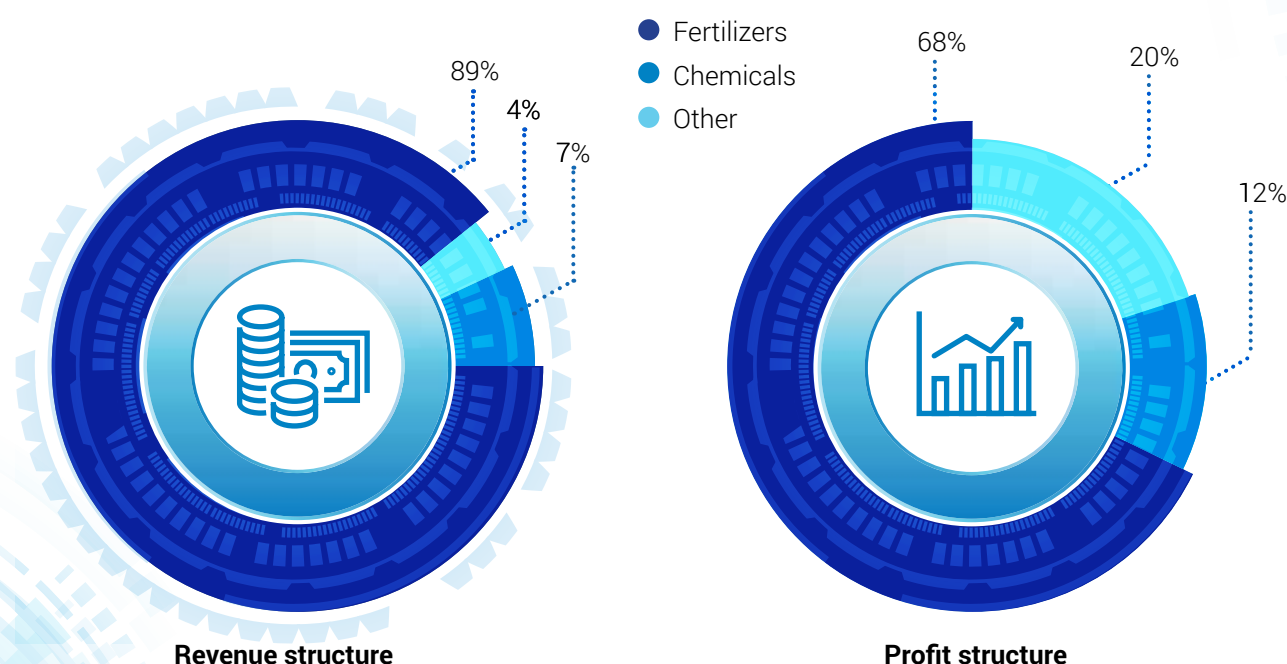


MAJOR CHANGES IN BUSINESS STRATEGY, REVENUE, PROFIT, EXPENSES, MARKET, PRODUCTS AND SUPPLIES - THE REASONS:

MAJOR DIFFICULT FACTORS IN PRODUCTION AND SALES IN 2020 CAN BE EVALUATED AS FOLLOWS:

- › Market: In 2020, Vietnam showed a dramatic decrease in Urea import (by 78% in volume and by 80% in turnover) as compared to 2019 due to Covid-19. Urea import price was much higher than that of domestic price whilst domestic supply was on the increase. In the meantime, Urea export skyrocketed in 2020, reaching 450 thousand tons, 133% higher than 2019. Besides, turnover increased by 106%, standing at USD 116 million. The selling price of the agricultural products which are the main consumers of NPK and Urea, such as pepper, coffee, rubber and rice all plummeted. This discouraged investing/re-investing in fertilizers. In some other regions, farmers were inclined to abandon their old farming land, bringing about the decrease in the selling price of key fertilizer products in comparison to 2019. Climate change, drought and saltwater intrusion in the Central South, the Central Highlands, the Southeast and the Mekong Delta, as well as floods in the Central Region further caused a reduction of cultivation area and crop yields, leading to reduced demand for fertilizers.
- › The Covid-19 pandemic has seriously affected the export of Vietnam's agricultural products to its main agri-product consumer markets. It also disrupted Vietnam's agribusiness in these markets. For the time being, every trading activities were implemented very cautiously to avoid Covid-19 infection, which lead to reductions in export and considerable drop in agri-product, limited agricultural investment and demand for fertilizers.
- › The proportion of low-priced associated gas (Bach Ho - Rong Doi Moi fields in Cuu Long basin) is lower than the plan and declining faster than expected, whilst the proportion of compensated gas from other sources (Nam Con Son and Cuu Long) has increased with associated high transportation costs, leading to gas price increase.

Revenue and profit structure of fertilizers and chemicals in 2020



PRODUCTION AND BUSINESS ANALYSIS

Total production of Phu My Urea

866

thousand tons

Production

The Phu My Fertilizer Plant fulfilled its production plan 36 days early with the total production of 866,000 tons, up 10% when compared to the plan. Phu My NPK's output was 115 thousand tons – reaching 64% of the plan and 36% higher than 2019. NH_3 output reached 68 thousand tons - 15% higher than 2019.

Sales volume

1.1

million tons of fertilizer

Business

With a sales volume of 1.1 million tons of fertilizer (827,000 tons of Phu My Urea; 95,000 tons of Phu My NPK; 179,000 tons of other fertilizer) and 132,000 tons of chemical, along with activities such as:

- › Phu My Urea remained the leading brand of fertilizer.
- › The quality of Phu My fertilizer product sets continued to be affirmed as Phu My Urea products achieved the title of Vietnamese High-Quality Goods for the 17th consecutive time; National Brand for the 4th consecutive time.
- › Phu My Urea export volume reached almost 71,000 tons.

Revenue

8,038

BILLION VND

Revenue

Revenue reached VND 8,038 billion, achieving 87% of the plan in 2020, increasing 3% yoy. This was mainly due to unfavorable market movements, causing selling price to decrease.

Profit before tax

848

BILLION VND

Profit before tax

Profit before tax reached VND 848 billion - achieving 165% of the plan in 2020, increasing 82% yoy. Revenue did not meet the plan but profit exceeded the plan in 2020, mainly due to the optimization in sales management cost and the reduction of energy limits and input costs compared to the plan, leading to the reduction in the price of main products by 3-15%.



PROJECT AND OTHER INVESTMENT

According to the 2020 plan, total capital for investment in construction and procurement was VND 107 billion. In 2020, PVFCCo disbursed VND 75 billion, achieving 70% of the plan according to the actual progress.

RETURN ON CAPITAL

(Summary report on the performance of subsidiaries and capital contributors)

No.	ITEM	Equity to total charter capital ratio (Billion VND)	Total invested capital (Billion VND)	Charter capital (Billion VND)	Profit after tax (PAT) (Billion VND)	PAT to charter capital ratio	2020 dividend (Billion VND)
I	Investment in subsidiaries		386.25	515.00	41.25		31.88
1	PVFCCo North	75.00%	90.00	120.00	8.79	7.3%	9.00
2	PVFCCo Central	75.00%	75.00	100.00	12.83	12.8%	9.00
3	PVFCCo SE	75.00%	93.75	125.00	11.26	9.0%	7.50
4	PVFCCo SW	75.00%	127.50	170.00	8.37	4.9%	6.38
II	Investment in joint venture companies		680.90	2,487.80	-586.70		1.42
1	VNPOLY	25.99%	562.70	2,165.11	-603.03	-	-
2	PVC Mekong	35.63%	100.00	280.69	10.14	3.6%	-
3	PVFCCo Packaging	43.34%	18.20	42.00	6.19	14.7%	1.42
III	Other long-term investments		20.50	396.35	-41.89		0.07
1	PAIC	8.50%	3.60	42.35	3.58	8.4%	0.07
2	Ut Xi Aquatic Products Processing Corporation	6.78%	16.90	354.00	-45.47	-	-
TOTAL			1,087.65	3,399.15	-587.34	-	33.37



THE CORPORATION'S FINANCIAL PERFORMANCE

ASSETS AND CAPITAL

Unit: **Billion VND**

ITEM	31/12/2019	31/12/2020	% Increase (Decrease)
TOTAL ASSETS	11,440	11,300	-1%
› Current assets	5,944	6,314	6%
› Non-current asset	5,496	4,986	-9%
TOTAL RESOURCES	11,440	11,300	-1%
LIABILITIES	3,279	3,052	-7%
OWNER'S EQUITY	8,161	8,247	1%
› Charter capital	3,914	3,914	0%
TOTAL REVENUE	7,831	8,038	3%
TOTAL COST	7,366	7,192	-2%
INTEREST	106.9	88.4	-17%
EBIT	574	934	63%
PROFIT BEFORE TAX	467	848	82%
PROFIT AFTER TAX	389	702	80%
› Profit after tax of minority shareholders	11	10	-8%
› Profit after tax of parent company	378	692	83%

FINANCIAL INDICATORS

ITEM	2019	2020
LIQUIDITY RATIOS		
Current ratio	2.88	3.12
Quick ratio	2.23	2.39
SOLVENCY RATIOS		
Total debt/total assets	28.66%	27.01%
Total debt/total equity	40.18%	37.01%
OPERATIONAL CAPACITY RATIOS		
Inventory turnover	4.17	4.28
Net revenue/total assets	67.16%	68.69%
PROFITABILITY RATIOS		
Net profit after tax/Net revenue	5.06%	9.04%
Profit before tax/Total revenue	5.96%	10.55%
ROE	4.74%	8.55%
ROA	3.45%	6.17%



BOARD OF MANAGEMENT REPORT

IN GENERAL

AFTER 18 YEARS OF ESTABLISHMENT AND 14 YEARS OF OPERATION AS A JOINT STOCK COMPANY, PVFCCo HAS BEEN INCREASINGLY GROWING, DEVELOPING AND IMPROVING ITS SUSTAINABLE VALUES. THE CORPORATION IS INSPIRED BY PAST EXPERIENCES TO PROMOTE HUMAN RESOURCE DEVELOPMENT IN LINE WITH DYNAMIC CHANGES IN ORGANIZATION STRUCTURE, MANAGEMENT, AND BUSINESS OPERATIONS. IN 2020, DESPITE FACING MANY CHALLENGES AND DIFFICULTIES, THE CORPORATION HAS STRIVED TO ACHIEVE CERTAIN RESULTS IN PRODUCTION AND BUSINESS ACTIVITIES TO CREATE PREMISE FOR ITS DEVELOPMENT IN THE COMING YEARS.

In order to achieve the important targets assigned by the General Meeting of Shareholders in 2020, the Corporation has taken advantages of and overcome the following main difficulties:

ADVANTAGES

The input supply of gas is ensured and fully meets the operational demands of the Phu My Fertilizer Plant.

Phu My brand has created its prestige with customers.

The distribution system has been deployed deeply and widely to the consumption regions.

Funds are sufficiently and promptly secured for production and business activities.

DISADVANTAGES

As a result of climate change, serious droughts, floods and rising salinity have caused a drop in agricultural output and have even impacted cultivation ability in some regions. Serious drought and saltwater intrusion in the Central South, the Central Highlands, the Southeast and the Mekong Delta, as well as floods in the Central Region further caused a reduction of cultivation area and crop yields, leading to reduced demand for fertilizers;

The Covid-19 pandemic has seriously affected the export of Vietnam's agricultural products to its main agri-product consumer markets. It also disrupted Vietnam's agribusiness in these markets. For the time being, every trading activities were implemented very cautiously to avoid Covid-19 infection, which lead to reductions in export and considerable drop in agri-product, limited agricultural investment and demand for fertilizers;

The proportion of low-priced associated gases (Bach Ho - Rong Doi Moi fields in Cuu Long basin) is lower than the plan and declining faster than expected, whilst the proportion of compensated gas from other sources (Nam Con Son and Cuu Long) has increased with associated high transportation costs, leading to gas price increase.

The fiercely competitive market, with a high inventory of fertilizers and lowered prices affects the consumption;

Phu My NPK which produced by Phu My NPK Plant, needs more time to improve;

The spread of counterfeit and poor-quality products on the fertilizer market are still not controlled closely.

Machinery and equipment that has been used constantly for 16 years requires higher maintenance costs.



Export to India

PRODUCTION AND BUSINESS PERFORMANCE

As mentioned above - Business performance at page 48-49

Major achievements in 2020:

PRODUCTION



With the experience accumulated in periodic maintenance, in 2020, PVFCCo continued to actively and promptly clear up problems that arose and effectively carry out periodic and preventative maintenance for production equipment, a crucial factor in minimizing machine breakdowns. The review, adjustment, and application of these norms were obviously effective, resulting in the total energy consumption of production workshops in 2020 being lower than targets, and the total energy saving costs in the production sector reached VND 39 billion.

BUSINESS



Phu My Urea brand retains its solid position in the domestic market amid fierce competition, while taking advantage of the international market's recovery momentum to develop the export market with the highest quarterly export volume (70 thousand tons of Urea in Quarter 3, 2020). In addition, it has created a foothold in the market with the quality of Phu My NPK, MOP, DAP, and continues to develop chemical production and business activities.

CAPITAL CONSTRUCTION INVESTMENT AND PROCUREMENT PROJECTS



Total disbursement for investment and procurement projects is VND 75 billion.

The NH₃ Revamp - Phu My NPK Complex: The projects of increasing the capacity of the NH₃ production workshop at the Phu My Fertilizer Plant by 90,000 tons/years (20% higher than the existing capacity) and constructing the plant which utilized the NH₃ source made by chemical technology, to produce 250,000 tons of NPK fertilizer per year has been put into operation. In 2020, the Complex project continued to contribute about VND 1,200 billion in revenue, equivalent to 15% of total revenue of the Corporation.

RESEARCH & DEVELOPMENT



Aiming to conduct research and development with the market in mind, utilizing existing advantages, products and technologies to help solve problems of the Corporation, the research and development of new products in 2020 showed improvement with special achievements. Specifically, the Corporation successfully tested the new Urea-based products (Phu My Urea + KeBo Fertilizer) and officially put them into commercial production from 2021; it introduced liquid NPK products in line with modern, water-saving and environmentally friendly cultivation trends; it conducted assessments and reported on investment opportunities for potential projects/products such as hydrogen peroxide, melamine, organic fertilizers, etc.

HUMAN RESOURCES



The Projects of Remuneration Policy Improvement and KPI have provided motivation for employees to promote creativity and improvement in their work and help the Corporation to retain the high-qualified staff.

However, there's a need to fix some remaining issues:

- › The project progress is behind schedule.
- › Financial investment (joint venture) was not efficient.



BOARD OF MANAGEMENT REPORT (CONTINUED)

FINANCIAL ANALYSIS



ASSETS AND LIABILITIES

Total assets as at 31/12/2020 was VND 11,300 billion, decrease of 1% from the beginning of the year (VND 11,300/11,440 billion). Cash and cash equivalents decreased by 32% from the beginning of the year (VND 2,029/2,977 billion) as PVFCCo's over 3-month term deposits increased by 111%, compared to the beginning of the year (VND 2,185/1,035 billion).

TOTAL ASSETS AS AT
31/12/2020

11,300
BILLION VND



LIABILITIES

PVFCCo's 2020 liabilities were VND 3,052 billion, decrease of 7% as compared to the beginning of the year (VND 3,052/3,279 billion).

Total liability to total assets ratio and total liability to equity ratio decreased compared to those of 2019, but current ratio and quick ratio in 2020 were remained higher than 1. This shows the ability to pay the debts well, and the Corporation does not have any pressure on due debt, ensuring good production and business activities.

Given the closing balance of Cash and Cash equivalents at VND 2,029 billion, there is sufficient funding for manufacturing, trading and investment projects as planned.

Liabilities as at 31/12/2020

3,052
BILLION VND

Decrease of
7% as compared
to the
beginning of
the year



PROFITABILITY

Profitability ratios of PVFCCo such as ROE, ROA increased significantly compared to those in 2019 (81% and 79%, respectively).

ROE and ROA are notably expanded
by 81% and 79% respectively

81% AND 79%

