

*Bac Giang, April 02, 2025*

**REPORT TO THE 2025 ANNUAL GENERAL MEETING OF  
SHAREHOLDERS**

**Regarding the Production and Business Results in 2024 and Plan for 2025**

**I. PRODUCTION AND BUSINESS RESULTS IN 2024**

**1. General Assessment**

**- Advantages:**

+ The decision by the Vietnam Development Bank (VDB) to write off 243 billion VND in interest on late payment interest incurred in 2024 has significantly helped improve the efficiency of production and business operations for the Company.

+ The National Assembly's approval of a 2% reduction in VAT for 2024 has helped businesses lower costs.

**- Challenges:**

+ The machine operating time in 2024 decreased due to stormy weather, and lightning strikes causing prolonged shutdowns for equipment repairs.

+ The fertilizer market faced fierce competition between domestic and imported products. The selling price of  $\text{NH}_3$  has decreased compared to the beginning of the year and remains at a low level.

+ Unpredictable weather conditions, especially Typhoon No. 3 and its aftermath disrupted material supply chains and caused unstable power supply.

+ Vietnam National Coal And Mineral Industries Holding Corporation Limited (VINACOMIN) supplied 5a.10 coal instead of 5a.1 coal at a higher price, increasing production costs by approximately 70 billion VND.

**2. Key Business Results**

No.	Indicators	Unit	2024 Plan Assigned by GMS	2024 Actual Performance		
				Actual	% of Plan Achieved	% Compared to 2023 Actual
I	Budget Contribution	Billion VND	74.9	69.5	92.8	117.9

<b>II</b>	Industrial Production Value (Market Price)	"	4,667.1	4,163.3	89.2	98.8
<b>III</b>	Total Revenue	"	4,720.4	4,466.4	94.6	100.9
<b>IV</b>	<b>Production &amp; Business Efficiency</b>	<b>Billion VND</b>	168.3	6.8	4.1	0.8
<b>V</b>	<b>Production Output</b>					
*	Total output converted to Urea (Based on liquid NH3 production)	Tons	440,160	434,268	98.7	96.0
1	Urea	"	367,440	397,658	108.2	101.7
2	NH3 commercial products	"	40,000	19,486	48.7	55.8
3	Electricity Production	Mw.h	140,250	134,041	95.6	89.2
<b>VI</b>	<b>Sales Volume</b>					
*	Total output converted to Urea (Based on liquid NH3 production)	Tons	439,444	440,882	100.3	93.6
1	Urea	Tons	370,000	407,052	110.0	99.1
2	NH3 commercial products	"	40,000	19,486	48.7	55.9

**\* GENERAL ASSESSMENT:** Despite numerous challenges in production and business operations - such as a sharp decline in product selling prices compared to the planned targets, equipment failures, and a lightning strike incident that led to prolonged downtime and reduced production output - the Company successfully navigated these difficulties. This was achieved through the timely and close leadership of the Leaders, along with the collective determination and efforts of all employees. The Company strived to: Maintain the longest possible production period in the second half of 2024 to achieve the highest possible production output, adhering closely to the planned targets with a flexible and well-balanced product structure to effectively meet market demands; Boost urea exports amid difficulties in NH3 consumption; Ensure full and timely repayment of bank loans in line with the restructuring plan; Effectively carry out machinery and equipment maintenance. As a result, the Company's production and business activities continued to be profitable for the



fourth consecutive year since 2021. The life of employees is ensured, providing a stable and secure working environment for all staff members.

### **3. Reduce Cost Management**

In 2024, the Company successfully reduced costs by 76.8 billion VND, including:

- Reducing raw material consumption compared to the planned consumption targets: saved 60 billion VND
- 16.8 billion VND saved in contractor selection throughout the year, compared to the approved bidding package value.

### **4. Assessments of Business Operations Management**

#### **4.1. Production Operations and Equipment Management**

In 2024, the Company's production management and operations faced significant challenges due to a lightning strike incident, which forced the production line to shut down for extensive repairs from late April 2024. The recovery period lasted 45 days, reducing the available production time compared to the initial plan for the year.

Despite these unfavorable production conditions, the Company implemented innovative and flexible solutions, ensuring safe operation for both personnel and equipment, while maintaining stable technology. The key consumption rates remained at or below the planned targets. As a result, the 2024 production results closely aligned with the targets assigned by the General Meeting of Shareholders. The operating time is 309 days out of the planned 313 days, with the average production line load (based on Urea products) reaching approximately 90.5%.

Production Management Measures Implemented by the Company include:

- + Focused efforts on machine operation, balancing production loads, and adjusting technological parameters flexibly to align with raw material availability and equipment conditions.
- + Urged Vinacomin to deliver sufficient coal per monthly demand, closely monitored coal reception, storage, and usage complied with Company regulations, and strictly controlled coal quality. Evenly mixed coal before feeding into production to stabilize boiler and Shell furnace operations while reducing coal consumption.
- + Evaluated and balanced material purchasing timing to ensure competitive pricing, quality assurance, and timely supply.

+ Ensured power grid systems were stable for production; properly isolated power for Production Line 2 during storms or power fluctuations to protect production operations

+ Developed and implemented a Response Plan for Typhoon No. 3, including inspections of facilities, securing equipment, and covering storage areas to safeguard personnel and machinery during heavy rains and strong winds. Assigned standby personnel during storm periods.

+ Regularly inspected and reminded departments of fire prevention and safety measures to ensure a safe working environment, particularly in production areas.

+ Production Reorganization & Innovation, Technology & Innovation Adoption, Product Diversification: The Company has been reviewing, revising, and supplementing its repair and production procedures (Amended and issued 04 procedures). Continues to focus on applying scientific and technical advancements, as well as implementing innovations and solutions in production and business activities. In 2024, 18 innovations were recognized, generating an estimated economic benefit of approximately 4 billion VND. Additionally, the Company is conducting research on a new low-biuret Urea product to meet market demand.

#### **4.2. Machinery and Equipment Maintenance**

The Company has effectively carried out scheduled maintenance and repairs from the beginning of the year to ensure equipment upkeep. Additionally, it has conducted unplanned shutdown repairs to address unexpected issues in the production line, helping maintain quality and meet project timelines. This has contributed to the successful completion of key tasks and the prompt stabilization of operations. The total value of major repairs executed in 2024 was 64.3 billion VND.

Notably, the Company implemented several measures to reduce repair time and extend production periods. For example, it expedited maintenance tasks originally planned for Q3/2024 by integrating them with the repairs required after the lightning strike incident. The Company also executed decisive measures to minimize downtime, successfully reducing the repair period by 25 days.

#### **4.3. Market Operations and Product Consumption**

- For Urea Products: In 2024, market conditions were unfavorable as urea and NH<sub>3</sub> prices declined from the beginning of the year and remained below planned sales prices. In Q2, an extended production halt resulted in a shortage of inventory during the peak sales season. To mitigate this, the Company flexibly



purchased approximately 11,200 tons of urea to meet market demand during peak consumption periods and fulfill export contracts with customers.

The Company expanded urea sales to maintain its traditional market base and took advantage of off-season export opportunities to countries such as South Korea, Japan, the Philippines, Taiwan, Malaysia, Australia, and India. This resulted in record-high urea exports, with total export value reaching 46.4 million USD and export volume amounting to 117,250 tons - the highest ever achieved.

- For NH3 Products: Selling prices remained low, and the Company was unable to compete with imported NH3, leading to lower-than-expected sales compared to both the 2024 plan and 2023 levels. To meet contractual commitments, the Company imported 4,100 tons of NH3 for distribution to customers.

#### **4.4. Financial Operations**

In 2024, the Company implemented various measures to ensure sufficient cash flow for business operations. Notably, the Company proactively negotiated with Vinacomin to extend coal payment deadlines, alleviating financial pressure during the repair period when production was halted, and no inventory was available for sale. At the same time, the Company prioritized debt repayment for investment loans and bank interest, successfully repaying a total of 523.24 billion VND in 2024 (specifically: VDB: 103 billion VND in principal repayment and 234.34 billion VND in interest payments, 103.4 billion VND in principal repayment and 82.5 billion VND in interest payments) These repayments were in line with the Company's restructuring plan which approved by the Government.

#### **4.5. Labor and wages**

- The average number of employees on the payroll in 2024 was 1,255 people (excluding company manager), equivalent to 94.3% of the annual plan and 101.7% compared to 2023.

- In 2024, the average salary of employees under labor contracts was 8.404 million VND/person/ month, reaching 99% of the annual plan and 99.8% compared to 2023. The actual average income, including overtime wages (due to a lower-than-planned workforce), was 13.714 million VND/person/ month. The total wage fund for employees in 2024 was 192.675 billion VND, achieving 97% of the annual plan and 76.4% compared to 2023.

#### **4.6. Investment and Construction Results**

- Total investment and construction expenditure in 2024 reached 9.959 billion VND, including: Equipment costs: 9.171 billion VND; Other costs: 0.788 billion VND

- Results of investment projects according to the plan:
  - + 06 projects have been completed, including: 3-ton KOMASU forklifts (02 units); 29-seat passenger vehicle; 11-seat electric Bus; 3-bowl Vibrating grinder; 7-seat passenger vehicle; automated and continuous environmental monitoring system at the outlet of the A/O wastewater treatment station.
  - + Ongoing investment project (01 project): Sulfur analyzer for coal (purchase contract signed).
  - + Investment preparation stage (03 projects): Investment in a 130-ton/h boiler for the Thermal workshop; Investment in a Bag handling system (02 Bag-stacking robots); wheel loader (bucket capacity ~0.167 m<sup>3</sup>).
  - + The limestone grinding system project has been shifted towards upgrading and improving the existing system and has been classified as a scientific and technical research project instead.

## **II. BUSINESS PLAN FOR 2025**

### **1. Market Assessment**

- The Value-Added Tax (VAT) Law, passed by the National Assembly, will classify fertilizers as taxable goods with a 5% VAT rate, effective from July 2025, helping ease difficulties for fertilizer manufacturers.
- The fertilizer market is expected to remain volatile, with Urea prices fluctuating widely in response to global trends, while NH<sub>3</sub> prices are projected to decline and stay at a low level.
- Ongoing global and regional political conflicts continue to create uncertainty, leading to fluctuations in raw material prices for production. Coal prices are expected to remain high.

### **2. Key Targets**

*(In accordance with the attached Proposal regarding the 2025 Business & Production Plan)*

### **3. Key Tasks & Solutions**

**General Objective for 2025:** The company will focus on strengthening management and operational efficiency, striving to achieve the assigned business, production, and investment targets for 2025.

To accomplish this goal, the company must implement the following key tasks and solutions:

#### **3.1. Investment and Construction**

- The Company continues to take steps to implement investment in production-serving projects with a total investment value of 21,502 billion VND, focusing on implementing the investment project for the Bag Handling System.



### **3.2. Production Operations Management**

- Focus all resources and implement synchronized solutions in production management, balancing the load to ensure safety and achieve the highest efficiency. Proactively review the entire system of equipment and production lines to assess their operational status and plan timely maintenance, ensuring continuous long-term operation.

- Optimize coal blending and ensure even coal feeding for boilers and Shell gasification furnaces to stabilize furnace technology and reduce coal consumption. Adjust Shell furnace technology appropriately to extend its operating cycle.

- Promote cost-saving practices in production, prevent wastefulness, reduce expenses, and lower consumption norms to enhance the Production and Business Efficiency of the Company.

- Closely coordinate with Bac Giang Electricity Company to ensure the safety of the Company's power supply corridor. Implement rooftop solar power cooperation to reduce costs, ensure a stable electricity supply for production, lower greenhouse gas emissions, and protect the environment.

- Strengthen research, updates, and apply advanced scientific and technological advancements in production, while accelerating the integration of digital technology into production and business activities.

- Regularly ensure occupational safety, hygiene, and environmental protection; conduct maintenance and inspections of the fire prevention and control system.

### **3.3. Procurement of Materials**

- Accurately assess and forecast the impact of the input raw material market to determine and balance the optimal timing for material procurement, ensuring it aligns with actual conditions, maintains competitive purchasing prices, and guarantees quality and delivery schedules.

- Procure necessary materials and spare parts to ensure stable and uninterrupted production. Strengthen supervision and inspection of material supply and usage.

- Effectively implement the Company's procurement policies for materials and goods, as well as the procurement policies among internal units of HCVN Group, ensuring efficiency.

### **3.4. Market Operations and Product Consumption**

- Enhance forecasting capabilities and closely monitor global price trends to adopt flexible sales policies, improving Production and Business Efficiency. Maintain and strengthen brand promotion efforts for the Company's products, reinforcing and sustaining the customer network. Develop detailed sales plans on

a weekly and monthly basis to proactively manage production. Flexibly structure Urea/NH3 product sales to meet market demand while continuing to boost Urea sales for export and as a raw material for production.

- Closely monitor market trends to maintain and ensure a stable NH3 supply for customers with demand.

### **3.5. Financial Operations**

- Balance cash flow for the Company's production and business activities and repay principal and interest on long-term bank loans in accordance with the restructuring plan approved by the Government.

- Strictly manage financial expenditures, ensuring cost savings and compliance with the Company's policies.

### **3.6. Labor and wages**

- Review the 2025 workforce structure, rearrange, and reallocate employees to effectively support the Company's production needs. For positions with labor shortages, continue assigning overtime work and compensate employees according to regulations.

- Implement mergers and consolidations of the Company's affiliated units to reduce hierarchical layers, streamline operations, and enhance effectiveness and efficiency, following Resolution No. 18-NQ/TW dated October 25, 2017, issued by the Central Committee of the Communist Party of Vietnam on restructuring the political system's organizational apparatus.

- Organize short-term training courses to enhance skills, update knowledge, and improve the professional and technical expertise of the Company's officers and employees.

### **3.7. Other Tasks**

- Implement the Company's circular economy strategy in accordance with Directive No. 14/CT-BCT dated 02.12.2024, issued by the Ministry of Industry and Trade, on promoting circular economy practices in the industrial sector.

- Continue working with the EPC contractor to resolve outstanding issues and finalize the EPC contract and Project settlement.

- Strengthen the application of digital technology in managing the Company's production and business activities. Urgently update and upgrade the Bravo software system to improve management efficiency and enhance business operations.

- Prepare and successfully organize the 65th-anniversary celebration of the Company's establishment.

In 2025, the company's production and business operations will continue to face various challenges. Therefore, it is crucial to build on the achievements



of the past year, effectively address existing limitations, and put forth maximum effort. At the same time, the company must remain proactive and adaptable to changing circumstances to achieve the highest overall efficiency and strive to meet the planned targets for 2025.

***Recipients:***

- Propose to GMS;
- BOD (report);
- Archived: Office, Plan – Investment Dep.



**GENERAL DIRECTOR**

**Nguyen Van Dung**