

**DHG PHARMACEUTICAL JSC**

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**Founded:** 02/Sep/1974  
**Equitized:** 02/Sep/2004  
**Listed:** 21/Dec/2006

**Le Thi Hong Nhung**

Head of IR Board

**Head of Finance & IR Dept.**

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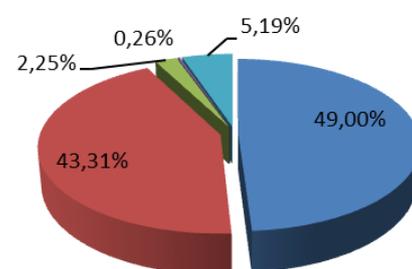
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**IR ACTIVITIES 7 MONTHS/2016**

- Completed and received awards for annual reports and sustainability development report of 2016
- Organized Q1 & Q2 shareholders and investors meeting
- Held 15 meetings, met directly with 73 funds and securities companies
- Introduced Taisho partner from Japan to become strategic shareholder

**Shareholder structure**

SCIC 43,31%  
Foreign 49,00%  
Employees 2,25%  
Other 5,19%  
Treasury 0,26%



**RESULTS FROM OPERATIONS 6 MONTHS/2016**

(Data from the audited financial statements 6 months / 2016)

Target	Units: Billion VND			
	1H 2016	Target 2016	Growth	% Target
<b>Net Sales</b>	<b>1,691</b>	<b>3,733</b>	<b>15.2%</b>	<b>45.3%</b>
<i>In which</i>				
<i>in-house goods</i>	1,382	3,068	18.8%	45.0%
<i>Other</i>	309	665	1.6%	46.5%
Profit before tax	339	750	7.4%	45.2%
Profit after tax	307		17.4%	

**Majority shareholders as of 07/07/2016:**

SCIC: 43.31%; Related foreign institutional investors: FTIF Templeton: 12.95%; Taisho Pharmaceutical Co. Ltd: 24.5%

**Notes on business results of 6 months / 2016:**

**Net sales** from 1H/2016 reached VND 1,691 billion, increased 15.2% y.o.y, achieved 45.3 % annual target. In which:

Sales from brand products: reaching 1,299 billion, accounting for 94% of company sales production, grew 21.5% in value and 23.4% in volume, achieved 45% of annual plan. Due to the increase in sales volume and the operational effectiveness of the "restructuring sales systems" project helped stabilizing revenue in each quarter, increased in coverage, increased in the number and quality of customers. Major brands with increased investment in brand communications showed high growth rate compared to 2015

Major proportion of the brand products are the 3 main categories: antibiotics, antipyretic /analgesics and nutrition.

Export sales: 14.9 billion over 6 months, reaching 99% of the 6 months plan, an increase of 14.9% over the same period in 2015.

In May 2016, DHG Pharma held the nationwide Cambodian customers meeting, the program was held successfully.

Other sales: reaching 309 billion, down slightly by 4 billion, mainly due to reduced in sales promotion of 16%. This reduction has been forecasted in the annual plan due to the change in promotion policy from goods to cash.

Sales volume: total volume sold 1H2016 reached 2.329 billion units, up 20.7% over the same period in 2015.

## COST FLUCTUATION ANALYSIS 1H/2016

Target	1H/2016	(%)	1H/2015	(%)	+/-	% growth
<b>Net Sales</b>	<b>1,691</b>	<b>100.0%</b>	<b>1,468</b>	<b>100%</b>	<b>223</b>	<b>15.2%</b>
<i>From in-house goods</i>	<i>1,382</i>	<i>81.7%</i>	<i>1,164</i>	<i>79.3%</i>	<i>218</i>	<i>18.8%</i>
<i>From other goods</i>	<i>300</i>	<i>17.8%</i>	<i>291</i>	<i>19.8%</i>	<i>10</i>	<i>3.4%</i>
<i>From services</i>	<i>9</i>	<i>0.5%</i>	<i>14</i>	<i>0.9%</i>	<i>-5</i>	<i>-36.3%</i>
<b>Cost of goods sold</b>	<b>935</b>	<b>55.3%</b>	<b>853</b>	<b>58.1%</b>	<b>82</b>	<b>9.7%</b>
<b>Gross profit</b>	<b>756</b>	<b>44.7%</b>	<b>615</b>	<b>41.9%</b>	<b>141</b>	<b>22.9%</b>
<i>From in-house goods</i>	<i>740</i>	<i>43.7%</i>	<i>594</i>	<i>40.5%</i>	<i>145</i>	<i>24.5%</i>
<i>From other goods</i>	<i>14</i>	<i>0.8%</i>	<i>17</i>	<i>1.2%</i>	<i>-3</i>	<i>-17.1%</i>
<i>From services</i>	<i>2</i>	<i>0.1%</i>	<i>4</i>	<i>0.2%</i>	<i>-2</i>	<i>-45.6%</i>
Selling expense	288	17.0%	200	13.6%	88	43.8%
G&A expense	131	7.7%	116	7.9%	14	12.4%
<b>Profit from operation</b>	<b>325</b>	<b>19.2%</b>	<b>275</b>	<b>18.7%</b>	<b>51</b>	<b>18.4%</b>
Other profit	13	0.8%	41	2.8%	-27	-67.4%
<b>Profit before tax</b>	<b>339</b>	<b>20.0%</b>	<b>315</b>	<b>21.5%</b>	<b>23</b>	<b>7.4%</b>
Corporate income tax	31	1.9%	54	3.6%	-22	-41.4%
<b>Profit after tax</b>	<b>307</b>	<b>18.2%</b>	<b>262</b>	<b>17.8%</b>	<b>45</b>	<b>17.4%</b>

**Gross profit increased by 141 billion** (+ 22.9%), the increase was higher than the increase of sales. Gross profit margin 1H/2016 increased by 2.8%. This is because the proportion of sales from in-house goods increased from 79.3% to 81.7% of total net revenue. In-house goods are mainly from brand products with high gross profit margin, thus impact the overall gross profit margin.

**Cost of sales increased by 88 billion** (+ 43.8%), thus the ratio of cost of sales / net sales increased by 3.4% accordingly. Cost of sales increased mainly due to the increase in sales salaries of 35.6 billion (+ 46.2%) and advertising costs increased by 53 billion (+ 100.2%). Sales wage increased with the increase in sales volume (20.6%), increase in social insurance contributions 4%, the rest of the increase due to 2015 salary reserved fund was cut to ensure targets for 2015. Advertising expenses increased to promote media communications and marketing for brands that is prepaid according to the contract signed.

**G&A expenses increased by 14 billion** (+12.4%), but the ratio of G&A expenses / net sales decreased 0.2%. G&A expenses increased mainly due to the increase in staff costs by 22.5 billion (+ 28.2%). Other G&A expenses decreased by 8.1 billion due to effective governance & cost savings initiatives.

**Other profit: 13 billion**, down **27 billion** (- 67.4%) due to the reversal of temporary deduction of promotional costs of 13 billion, income from other sales commission decreased by **VND 4 billion**, ...

**Profit before tax** reached **339 billion**, up **23.3 billion** (+ 7.4%) over the same period and achieved 45.2% of annual plan.

**Profit after tax** reached **307 billion**, up **45 billion** (+ 17.4%) over the same period due to the increase in profit before tax and the decrease in corporate income tax: (i) tax incentives for new plants (39.2 billion); (ii) income tax rate decreased from 22% (2015) to 20% (2016)

## BRIEF NEWS OF DHG 7 MONTHS/2016

### Notable awards and achievements

DHG Pharma is one of the 40 most valuable company brands in Vietnam, nominated by Forbes.

Top 50 most effective Companies in Vietnam in 2016 and is one of ten outstanding companies in top 50 for five consecutive years (2012-2016) voted by the Vietnam Investment Review.

20 consecutive years achieved the “high quality Vietnamese products” voted by consumers.

Top 50 sustainable development company in 2011 – 2015 voted by the Vietnam Investment Review.

1<sup>st</sup> place in Annual Report with best governance content. 2<sup>nd</sup> in best Annual Report award. 2<sup>nd</sup> in best Sustainability Development Report.

### Production activities:

Production output 6 months / 2016 reached 2.18 billion product units, growth of 19.2% over the same period and reached 50.9% of annual plan. The production value reached 1,949 billion, an increase of 33% over the same period and reached 48.9% of annual plan.

In which, Tan Phu Thanh factory’s production reached 1,315 million product units, up 80.9% in volume and 132.27% in value compared to the same period in 2015. The printing and packaging factory (DHG PP1) has achieved ISO 15 378:2011 standard on June 17, 2016.



### Marketing activities:

Established modern distribution channels through distribution to large supermarkets, convenience stores, pharmacy chains.

The categories, brands deployed communications activities directly to consumers and product introduction workshops, made advertisements on television and science workshops for doctors, pharmacists, customers and consumers.

*This newsletter is issued to provide quick updates for investor regarding status of production, operation, investment, project progress, important strategic decisions from the Board of Directors, Board of Management of Hau Giang Pharma (DHG).*

*At the same time, DHG wishes to share with investors’ information regarding IR, in order to affirm the role of investors in the strategic direction of DHG’s trident (investors – customers – employees).*