

## HAG: Explanation for consolidated business result in Q1, 2014

Hoang Anh Gia Lai Joint Stock Company (stock code: HAG) would like to give the explanations on the fluctuations in business results in the consolidated financial statements for the 1<sup>st</sup> quarter of 2014 as compared to those for the 1<sup>st</sup> quarter of 2013 as follows:

- Profit after tax in the 1<sup>st</sup> quarter of 2014: VND 398,766,046 thousand
- Profit after tax in the 1<sup>st</sup> quarter of 2013: VND 123,084,698 thousand

### Description of the fluctuations:

#### 1. Business operations

- Sales in the period increased by VND 203 billion as compared to those in the same period of 2013 (the 1<sup>st</sup> quarter of 2013: VND 722 billion; the 1<sup>st</sup> quarter of 2014: VND 925 billion). The major fluctuations were as follows:
  - + Revenue from building contracts in the period increased by VND 204 billion as compared to that in the same period of 2013 (the 1<sup>st</sup> quarter of 2013: VND 45 billion; the 1<sup>st</sup> quarter of 2014: VND 249 billion) due to the revenue recorded from Nongkhang Airport project, Huaphan Province, Laos (completed volume: 13%).
  - + Revenue from sales of sugar in the period increased by VND 161 billion as compared to that in the same period of 2013 (the 1<sup>st</sup> quarter of 2013: VND 331 billion; the 1<sup>st</sup> quarter of 2014: VND 492 billion) due to the increases in production and consumption volumes in comparison with those of the same period of the previous year.
  - + Revenue from sales of minerals in the period decreased by VND 91 billion as compared to that in the same period of 2013 (the 1<sup>st</sup> quarter of 2013: VND 111 billion; the 1<sup>st</sup> quarter of 2014: VND 20 billion) because the scope of the mining sector has been narrowed down, so its output was lower than that of the same period of the previous year.
  - + Revenue from sales of products and services in the period decreased by VND 57 billion as compared to that in the same period of 2013 (the 1<sup>st</sup> quarter of 2013: VND 89 billion; the 1<sup>st</sup> quarter of 2014: VND 32 billion) because the furniture sector has been sold to the employees in the 3rd quarter of 2013, so there was no revenue from this sector since the 1st quarter of 2014.
  - + Revenue from sales of electricity in the period decreased by VND 47 billion as compared to that in the same period of 2013 because the hydropower projects in Vietnam have been sold in the 2nd quarter of 2013.
    - Corresponding to the fluctuations in revenues, the costs of goods sold increased by VND 112 billion as compared to those in the same period of 2013 (the 1<sup>st</sup> quarter of 2013: VND 382 billion; the 1<sup>st</sup> quarter of 2014: VND 494 billion). The major fluctuations were as follows:
      - + The costs of building contracts in the period increased by VND 115 billion as compared to those in the same period of 2013 (the 1<sup>st</sup> quarter of 2013: VND 35 billion; the 1<sup>st</sup> quarter of 2014: VND 150 billion), mainly from Nongkhang Airport, Huaphan Province, Laos.
      - + The costs of sugar in the period increased by VND 79 billion as compared to those in the same period of 2013 (the 1<sup>st</sup> quarter of 2013: VND 117 billion; the 1<sup>st</sup> quarter of 2014: VND 196 billion).

- + The costs of minerals in the period decreased by VND 51 billion as compared to those in the same period of 2013 (the 1<sup>st</sup> quarter of 2013: VND 62 billion; the 1<sup>st</sup> quarter of 2014: VND 11 billion).
- + The costs of electricity in the period decreased by VND 25 billion as compared to those in the same period of 2013, because there was no electricity in the 1st quarter of 2014.
- Gross profit from sales of products in the period increased by VND 92 billion as compared to that in the same period of 2013.
- Selling expenses in the period decreased by VND 29 billion as compared to those in the same period of 2013 (the 1<sup>st</sup> quarter of 2013: VND 46 billion; the 1<sup>st</sup> quarter of 2014: VND 17 billion). The main cause is that the selling expenses of mining sector has decreased by VND 22 billion as compared to those in the same period of 2013 (the 1st quarter of 2013: VND 28 billion; the 1<sup>st</sup> quarter of 2014: VND 6 billion).

## **2. Financial operations**

- Financial income in the period increased by VND 100 billion as compared to that in the same period of 2013 (the 1<sup>st</sup> quarter of 2013: VND 63 billion; the 1<sup>st</sup> quarter of 2014: VND 163 billion). The major fluctuations were as follows:
  - + Interest on loans given increased by VND 116 billion as compared to that in the same period of 2013 (the 1st quarter of 2013: VND 31 billion; the 1st quarter of 2014: VND 147 billion) owing to the company's loans given to An Phu Real Estate Investment JSC in the 1st quarter of 2014 for the amount of VND 114 billion.
  - + Interest on bank deposit decreased by VND 22 billion as compared to that in the same period of 2013 (the 1<sup>st</sup> quarter of 2013: VND 32 billion; the 1<sup>st</sup> quarter of 2014: VND 10 billion).
- Financial expenses in the period decreased by VND 32 billion as compared to that in the same period of 2013 (the 1<sup>st</sup> quarter of 2013: VND 160 billion; the 1<sup>st</sup> quarter of 2014: VND 128 billion). The major fluctuations were as follows:
  - + Loan interest expenses decreased by VND 25 billion as compared to that in the same period of 2013 (the 1st quarter of 2013: VND 127 billion; the 1st quarter of 2014: VND 102 billion). That was due to a decrease in loan interest expenses of hydropower projects in Vietnam, the sales of furniture sector and a decrease in loan interest rates in comparison with those of the same period of the previous year.
  - + Expenses of issuing bonds decreased by VND 20 billion as compared to that in the same period of 2013 because there was no bond issuing expenses in the 1st quarter of 2014.
  - + Other expenses increased by VND 13 billion as compared to that in the same period of 2013.

### **3. Corporate income tax**

Current corporate income tax: owing to the profit from the investment projects in Laos, making a substantial contribution to the profit in this period, enjoying the exemption from corporate income tax in the period, the current corporate income tax was much lower than that in the same period of the previous year.

The Group's other operations have been going on normally with no considerable fluctuations.

Above is the company's explanation on the business results in the consolidated financial statements for the 1<sup>st</sup> quarter of 2014.