**EPC: Explanation for the financial statement of 2019**

On 30 Mar 2020, Eapok Coffee Joint Stock Company explained the financial statement of 2019 as follows:

Reason for the losses:

First: Coffee processing section lost VND 5,323 million due to the sudden increase in depreciation expense after equitization, from VND 1,700 million/ year to VND 8,273 million/ year. Especially, the original value of coffee gardens increased from VND 9,200 million to VND 60,937 million; garden depreciation increased from VND 242 million/ year to VND 4,782 million/ year

As a result, the price of products increased, especially the price of coffee increased from VND 24,752/ kg to VND 39,246/ kg, the breakeven point selling price of coffee beans: VND 56,735/ kg. Thus, for every 1 kg of coffee beans, the Company lost VND 16,507/ kg

Second: Coffee purchasing - exporting industry lost VND 2,012 million, mainly due to export losses. The average export price is lower than the local price from VND 1,778/ kg while the export cost of 1 kg of coffee was higher VND 1,598/ kg. The reason for the low export price is that the Company signed a series of early export contracts (February 2019) of more than 700 tons, plus USD 135 - 140. Because the market price of Lon Don continuously declined from USD 1,700/ ton to USD 1,250/ ton: the moment of London market price of USD 1,700/ ton, the domestic price of was equal to London market minus USD 120/ ton; when the London market price dropped to USD 1,300/ ton, price of the domestic market was equal to the London market plus USD 180/ ton. As a result, for every 1 kg of coffee exported, the loss is USD 300/ ton (=USD 120 + USD 180). And this is also a common problem for all coffee exporters in 2018 - 2019 in general; more export more loss

Third: In addition to the cause of losses from production and business activities of the coffee industry, there is another reason that in February 2018, the Company liquidated 16.5 hectares of coffee that were too old and no longer for exploitation. Number of coffee areas is over 30 years old. However, when determining the value of the enterprise for equitization, 16.5 hectares of coffee were re-evaluated worth of VND 1,015 million. After liquidation, the recovered value was VND 520 million, resulting in a loss of VND 495 million. Those are the three main reasons leading to the loss of over 3 billion dongs in production and business results of the Company. These are the common difficulties of all coffee companies in general in DakLak province after equitization