**HOM: Measures and roadmap for securities put under alert**

On April 15, 2024, VICEM Hoang Mai Cement JSC announced Official Dispatch No. 1184/XMHM-TCKT on reporting the measures and roadmap to overcome the status of securities being put under alert as follows:

In 2023, the cement industry in general and VICEM Hoang Mai Cement JSC in specific were greatly impacted by the global and domestic situations, specifically:

The global situations continue to encounter many difficulties and challenges; monetary policies are tightened, the public debts of the world increase to a record level; the conflict between Russia and Ukraine continues while the conflict between Israel and Hamas in the Middle East is increasingly complicated. These cause major impacts on the global supply chain of energy, food, etc. The instability in geopolitics, food security, natural disasters, climate change, etc. is also increasing.,

The real estate market has not seen signs of recovery, constructions and projects are slowly being implemented, delayed, or postponed due to the difficulties in capital sources, disbursement of public investment capital is still slow; the scarcity and increased prices of construction materials (sand, stone, gravel) affect the construction progress in many areas, especially in the Central and Southwest regions, etc., leading to the sharp decline in domestic demand for cement (domestic cement consumption in 2023 decreased by 16.9% compared to that in 2022).

The supply of cement continues to exceed the demand (in 2023, cement supply was around 117.8 million tons, while the demand for cement was only 56-56.5 million tons), leading to the increasingly fierce competition.

Loan interest rates tend to decrease but remain high, credit extension is tightened, causing difficulties in capital sources for the operation of businesses; input expenses for production remain high while the output market is difficult.

Prices of raw materials and fuel inputs for cement production tend to decrease but remain high; The average retail electricity price increased by 3% from May 04, 2023 and continued to increase by 4.5% from November 9, 2023; The trend of demand shifting from bagged cement to bulk cement continues to increase, reducing the business efficiency of cement manufacturing Companies, including VICEM member units as the added value and brand value are mainly associated with bagged cement.

The export market for cement and clinker encounters many difficulties: The real estate market in China has not seen signs of improvement, the demand for importing clinker of Bangladesh and China has decreased (China has been exporting cement and clinker due to excess domestic supply); the protection for domestic cement production in the Philippines (imposing anti-dumping duties on cement imported from Vietnam); competition from excess supplies in the Middle East, Southeast Asia, etc. Cement and clinker export prices (FOB Quang Ninh) decreased sharply compared to these in the end of 2022 (cement prices decreased by USD 5-6/ton, clinker prices decreased by USD 9-10/ton) and tend to continue due to the competition for orders of exporters; clinker export tax increased from 5% to 10% from January 01, 2023; Many VICEM units cannot export products because the proceeds cannot cover the variable costs.

The decline in domestic cement consumption and exports of cement and clinker has caused the inventories to increase, leading some factories to reduce their productivity or stop kilns to limit the dumping of clinker. This reduces their production and business efficiency. Cement manufacturing companies are having large inventories and, under pressure, must flexibly adjust their sales policies and reduce selling prices to compete, limit the decline in sales volume and maintain market share.

Due to the above difficulties, in 2023, the profit after tax of the Company was a loss of VND 31.1 billion, decreased by VND 52.4 billion compared to that in the same period in 2022, and changed from profit to loss (profit after tax for the same period in 2022 was VND 21.3 billion), in which there are a number of reasons for the reduction of profit, such as:

The total domestic sales volume in 2023 was 1,234 thousand tons, decreased by 136 thousand tons compared to the results in 2022, causing the profit to decrease by VND 36.4 billion (in which the manufactured cement decreased by 84 thousand tons, causing the profit to decrease by VND 14.2 billion) Due to the decline in sales volume, the production volume of cement in 2023 also decreased by 118 thousand tons year on year, causing the profit to decrease by VND 7 billion; the production volume of clinker in 2023 decreased by 97 thousand tons year on year, causing the profit to decrease by VND 11.7 billion.

Regarding the selling price obtained: The average price of exported cement in 2023 decreased by VND 50,938/ton year on year, causing the profit to decrease by VND 9.1 billion (in 2023, the Company had 4 sale-offs, specifically on May 11, 2023 with a decrease of USD 0.5, July 19, 2023 with a decrease of USD 1.75, September 01, 2023 with a decrease of USD 0.5, and October 02, 2023 with a decrease of USD 1). The price of clinker in 2023 was VND 716,531/ton, decreased by VND 125,697/ton year on year, reducing profits by VND 30 billion. The domestic selling price of cement decreased, causing the profit to decrease by VND 4.8 billion.

Regarding the price of input materials: The prices of input materials like coal, electricity, additives, etc. are still high, increasing costs and reducing profits by VND 23.8 billion year on year, in which coal price alone increased by VND 15/Kcal (the result in 2023 was VND 616/Kcal while that in the same period in 2022 was VND 601/Kcal), causing profits to decrease by VND 15.6 billion year on year. Especially in 2023, EVN increased the electricity prices twice. Specifically, the average electricity price increased by 3% from May 4, 2023 and continued to increase by 4.5% from November 9, 2023, causing profits to decrease by VND 3.2 billion.

In 2024, the Cement industry in general and Vicem Hoang Mai in particular continue to face common global and domestic difficulties as follows:

The global situations are forecasted to continue to evolve unpredictably; competition between power countries is becoming more intense and comprehensive; The military conflict between Russia and Ukraine is becoming complicated, the conflict between Israel and Hamas is causing a comprehensive crisis in the Gaza Strip and containing a risk of spreading to the Middle East; global economic, trade, and investment growth continues to slow down.

Vietnam's economy has very basic advantages but also suffers from the "double negative impacts" from unfavorable external factors and internal limitations and inadequacies; opportunities and advantages are intertwined with difficulties and challenges, but the difficulties and challenges are greater, especially in implementing solutions in macroeconomic management, in controlling inflation as well as promoting growth, etc.

Domestic cement demand in 2024 is unlikely to have high growth due to the following main reasons:

* The Government, Departments, Ministries, and Sectors have drastically implemented solutions to promote public investment, overcome limitations and inadequacies, rectify investment preparation stages, speed up the disbursement of public investment capital, speed up key and strategic infrastructure projects (North - South expressway phase 2, Long Thanh International Airport, Ring Road 3 of Ho Chi Minh City, Ring Road 4 - Hanoi Capital Region, etc.) However, the current reality is that the capital disbursement in most localities is still slowly carried out (due to problems with legal procedures, site clearance, limited capacity of contractors, unfavorable weather conditions, etc.)
* The real estate market is expected to recover and grow but will not be vibrant again soon.
* Cement supply will continue to exceed demand (in 2024, there will continue to be a number of new cement production lines coming into operation such as: Vissai Dai Duong 2 cement, Xuan Son cement will increase the cement supply to about 122.5 million tons; while the domestic cement consumption demand is forecasted to be about 59.2 million tons, an increase of about 5% compared to 2023), leading to increasingly fierce competition, many companies continue to have to reduce their productivity or stop kilns.
* Prices of raw materials and fuel inputs for cement production continue to remain high, retail electricity prices are forecasted to continue to increase while the selling prices of cement on the market remain low, cement production units cannot compensate for the increase in input expenses, reducing production and business efficiency.
* The trend of demand shifting from bagged cement to bulk cement continues to increase, reducing the production and business efficiency of cement companies because the brand value is mainly associated with bagged cement.

It is forecasted that Vietnam cement export output in 2024 is unlikely to grow compared to that in 2023 (about 20.5 million tons, increased by 1.5% compared to that in 2023) due to the competition for export sources from China, Turkey and some other countries in the region.

* The Philippines needs to import about 7 million tons of cement/year, but it is forecasted to reduce the imports from Vietnam when many export sources compete to get into this market such as: Indonesia, China in the upcoming time.
* The US still needs to import cement, but it is predicted that the import volume will decline in the first 6 months of 2024 due to blockage of the Panama Canal. It will be very difficult for cement exports from Vietnam to compete with Turkish cement when it comes to the market in the East Coast of the United States.
* The Central and South American market is predicted to grow because some importing countries in this region have advantages in import-export tax regulations of 0% for new members of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in the period of 2022-2027.
* The Singapore market is predicted to remain stable as it was in 2023 because Japan has not yet exported again. However, it is very difficult to get into this market due to high quality requirements and difficult delivery conditions.
* In China, the real estate sector has seen no signs of recovery in 2024, leading to a continued surplus of cement in the country. China is predicted to be a competitive export country with Vietnam to get into the markets of the Philippines, Central America, and South Africa.
* Bangladesh imports clinker mainly from Pakistan and Indonesia with the advantages in freight and competitive selling prices
* The European market has not imported as much as the expectation but requires a mandatory CE Marking certificate for goods exported to Europe. In addition, from October 2023, Europe has been implementing the Carbon Border Adjustment Mechanism (CBAM) for imported cement.

Given the actual situation in 2023 and the basis of the forecast of the economic, production and business situation in 2024 mentioned above, 2024 is also considered as a difficult year for the cement industry. On that basis, the Company builds a roadmap and corrective measures for the coming period as follows:

1. Production:

* Carry out repairs and maintenance of stages in the line according to plan, ensuring safety and efficiency.
* Maintain the stable operation of equipment, reduce production losses by finding appropriate operating parameters.
* Strengthen maintenance, supervision, and inspection of equipment to take timely repair measures, prevent incidents from occurring, improve the equipment productivity, comply with not running equipment under load, no load, or in peak hours when it is not necessary to reduce the unit prices of electricity, contributing to reducing electricity expenses for production.
* Continue to implement the innovation, creativity, and discipline program in production, using conventional solid waste generated from industries to partially replace fossil materials in production.
* Continue to utilize and increase the ratio of ash and slag as additives in cement production to the maximum allowed level, strive to use artificial gypsum to replace natural gypsum for all products on an average of 90% to increase business efficiency.
* Research and use low-quality fuel sources that are suitable for the current production and business situation to optimize the Company's production and business efficiency.
* Develop operating plans, strictly control expenses by stage, reduce variable costs and repair costs.

1. Consumption:

* Review and restructure the distribution systems in Thanh Hoa, Ha Tinh, Quang Ngai, Binh Dinh, Gia Lai, Khanh Hoa, and Ninh Thuan, build close relationships with stores with long-term policies to increase sales volume.
* Continue to implement the marketing for Max Pro cement product. Review market demand, research to propose effective plans for using new products/packaging according to the orientation of VICEM.
* Closely follow the progress of Rural Transport bidding packages of the provinces and People's Committees of districts and communes, directly or coordinately work with distributors to approach and continue to offfer Vicem Hoang Mai cement products for Rural Transport bidding packages in localities, aiming to increase the bagged cement output in conditions where bagged cement demand has not increased. Develop distribution systems in Ha Tinh, Quang Ngai, Binh Dinh in parallel with implementing Rural Transport bidding packages for cement.
* Continue the implementation to approach investors, contractors of ongoing projects and upcoming projects to offer and inject Vicem Hoang Mai cement product into the project right from the early stages like partial projects of the North-South expressway.
* Review and work again with the system of large mixing plants in Nghe An and Ha Tinh, implement the supports for compatible additives, increase the efficiency of using Vicem Hoang Mai cement, and at the same time develop appropriate policies to increase the production in the context of declining demand.

1. Construction investment:

Coordinate with relevant units and sectors to implement and accelerate key projects such as: The project on using waste as alternative fuel in clinker production (expected to be put into use in Q2/2024); The project on utilizing the heat from waste to generate electricity to improve production and business efficiency.

1. Corporate governance and administration:

* Strictly control the implementation of the production and business plans of the Company.
* Implement management measures in purchasing, spending, and practice savings to prevent waste. Continue to review inventories and use components of the inventories to continue to reduce the value of inventories as much as possible in 2024.
* Implement the reduction in production and business expenses in all stages.
* Strictly implement regulations on financial management, spending management, and strict management of sales debt.