**HOM: Explanation on measures and routes to overcome the situation of securities being put under alert**

On August 16, 2024, VICEM Hoang Mai Cement JSC announced Official Dispatch No. 2958/XMHM-TCKT on reporting measures and route to overcome the situation of securities being put under alert as follows:

Entering 2024, the cement industry continues to be affected by weak demand as the real estate market shows no signs of recovery, public investment projects are slow to be implemented, the application of reinforced concrete expressway overpasses is still limited, and the solution of using cement to reinforce and stabilize the ground has not been applied. Cement and clinker exports in the first months of 2024 continue to face many difficulties due to economic and political instability in many import markets, increased trade protection policies, and export competition from countries in the region. The price level of exported cement and clinker continues to decrease due to competitive pressure, especially when China, Vietnam's largest import market, also boosts exports, making it even more difficult for Vietnamese cement products to compete. In addition, the export price of clinker is very low, only USD31-32/ton, while in the same period last year, it was USD38-39/ton. At the same time, supply far exceeds demand, making domestic market competition increasingly fierce, reducing the selling price level and reducing the efficiency of the system. The increasing trend of shifting demand from bagged cement to bulk cement reduces VICEM's business efficiency due to the brand value associated with bagged cement.

Despite identifying and forecasting difficulties, VICEM Hoang Mai Cement JSC has made efforts to adjust kiln capacity, optimize production processes, control costs, and adjust business strategies to adapt to the market situation. However, major challenges from the Vietnamese economy and the cement industry have caused Vicem Hoang Mai's production and business results in the first 6 months of 2024 to not meet expectations. Specifically, although the profit after tax of the Company in Q2/2024 reached VND270.4 million, the accumulated loss in the first 6 months of 2024 was still VND39.9 billion, decreased VND40.5 billion compared to the same period in 2023 and changed from a profitable state (profit after tax in the first 6 months of 2023 reached VND0.6 billion) to a loss this year. Some of the main reasons for this decrease include:

Cement consumption output in the first half of 2024 increased, however, the output structure changed towards increasing bulk cement, increasing exported cement, increasing cement consumption output in Ha Tinh and Central regions, and decreasing output in Nghe An, thereby affecting output, product structure, and consumption locations towards increasing output with lower efficiency, causing profits to decrease by VND24.3 billion. In addition, clinker consumption output in the first half of 2024 increased by 89 thousand tons compared to the same period in 2023, causing profits to decrease by VND7.9 billion.

Regarding the selling price received: The average domestic cement price received in the first half of 2024 was VND921 thousand/ton, a decrease of VND77 thousand/ton compared to the same period in 2023, causing profits to decrease by VND47.3 billion; The average price of exported cement in the first half of 2024 was VND820 thousand/ton, decreased VND37 thousand/ton, causing a profit decrease of VND6 billion; the average price of Clinker at the factory in the first half of 2024 was VND646 thousand/ton, decreased VND131 thousand/ton compared to the same period, causing a profit decrease of VND20.5 billion.

Regarding the input material cost: The average electricity price in the first half of 2024 was VND1,704/kWh, up VND109/kWh compared to the same period in 2023 (in 2023, Vietnam Electricity adjusted the electricity price twice, the first time increasing the price by 3.5% in May and the second time increasing by 4% in November), causing a profit decrease of VND6.4 billion.

Entering the last 6 months of 2024, the cement industry in general and VICEM Hoang Mai Cement JSC in particular will continue to face many difficulties due to the complicated global economic situation, tight monetary policy, increased transportation costs, and impacts from natural disasters and epidemics. Although the Vietnamese real estate market has shown signs of improvement thanks to the Government's policies, the cement industry still faces challenges such as supply-demand imbalance, fierce price competition, and demand shift from bagged cement to bulk cement.

The export market is also not favorable: demand for cement in the Philippines is forecast to decrease, and export cement prices may fall below USD41/ton due to strong competition; other markets such as Central America, South Africa, South America, and the US market require high quality, especially low alkalinity. Clinker exports face difficulties as China, Indonesia, and Pakistan increase exports at low prices.

To achieve the production and business goals in the last 6 months of 2024, VICEM Hoang Mai Cement JSC will continue to implement the solutions proposed in Document 1190/XMHM-TCKT dated April 15, 2024, on reporting measures and route to overcome the situation of securities being warned, focusing on implementing key measures for each specific field.

1. Production:

Thoroughly implement programs of innovation, creativity, and discipline in production, and at the same time use common solid waste generated from industries to replace part of fossil fuels in the production process. Make the most of and optimize the use of alternative fuels in clinker production, increase the rate of use of ash and slag as additives in cement production, and optimize the use of gypsum after putting the warm gypsum line into operation.

1. Consumption:

Closely follow the progress of key projects such as wharfs 5 and 6 of Vung Ang Port, Quang Tri Airport, My Thuy Port, etc. to access and distribute cement; Proactively coordinate bulk cement sources at warehouses; access, complete capacity profiles, distribute, test, select suitable suppliers to increase bulk cement consumption output.

Review market demand, and study customer feedback to complete and improve the image of new packaging according to VICEM's orientation to achieve efficiency while ensuring the Company's communication effectiveness. Continue to promote communication work, and seize opportunities when new packaging is introduced to the market and is highly appreciated by consumers.

Develop export markets: Coordinate with distributors to find new customers and expand the market in the US. Closely monitor price developments in the Philippine market to negotiate orders, and increase cement export output.

1. Construction investment:

Project Utilizing waste heat to generate electricity: Implementing Contract Package No. 1 "Providing design, materials, technical services, fabrication, and installation" according to the signed Contract and completing the selection of contractors for Package No. 3 "Construction supervision", Package No. 9 "Estimating construction project costs", Package No. 10 "Verifying construction drawing designs and construction project costs" and Package No. 16 "Consulting on the verification of construction drawing designs, fabrication and installation of equipment" of the Project Utilizing waste heat to generate electricity - Hoang Mai Cement Factory in accordance with the procedures and regulations of the law. The project's goal when put into operation is to utilize the excess energy generated during the Clinker burning process to generate electricity, which can serve the needs of about 25% of the factory's electricity consumption, contributing to reducing cement production costs and improving the competitiveness of the Company's products in the market.

Project Using Waste as Alternative Fuel in Clinker Production: Currently, VICEM Hoang Mai Cement JSC is testing the Project's combustion system, and it is expected that the Drying System will be tested and handed over to put the project into synchronous use in 2024. The goal of the project when put into operation is to use about 25% of conventional industrial solid waste as alternative fuel (by hour) to improve production and business efficiency and save non-renewable resources. At the same time, use waste sources from industries to reduce emissions to the environment.