

BUSINESS PERFORMANCE EVALUATION OF THE EXECUTIVE BOARD IN 2019 PLANS FOR 2020

I. VIETNAM'S SOCIO-ECONOMIC CONTEXT IN 2019

2019 is considered a successful year for Vietnam when it managed to maintain the stable economic growth rate of over 7%. According to the General Statistics Office's report, Vietnam's gross domestic product - GDP increased by 7.02% amid the sluggish growth of the world economy and the complicated developments of the US-China trade war. Vietnam's GDP has exceeded the target of 6.6% -6.8% set by the National Assembly, which is considered the most remarkable achievement of 2019. "Dark clouds continue to pull on in the global economy but the sun is still shining above the Vietnamese sky" - *said the General Secretary cum State President Nguyen Phu Trong*. Indeed, in 2019, Vietnam has made significant progress in economic development. Vietnam recorded a trade surplus in 2019, with total import and export turnover of US\$ 516 billion. The trade surplus is estimated at US\$ 9.9 billion.

On June 30, 2019, the free trade agreement between Vietnam and the European Union (EU) signed in Hanoi opened up unprecedented development prospects for businesses, consumers and workers of both the EU and Vietnam. Foreign investment in Vietnam also increased by 6.8% in 2019. The disbursed foreign capital flows are estimated at US\$ 20.38 billion. Against the backdrop of universal decline of foreign direct investment (FDI), the increase in capital inflows into Vietnam represents a respectable achievement. However, besides FDI, capital inflows into Vietnam through merger and acquisition (M&A) also increased rapidly in 2019.

II. VIETNAM PHARMACEUTICAL INDUSTRY 2019 - INDUSTRY DEVELOPMENT TRENDS IN 2020 AND FOR THE PERIOD 2020-2025

According to Fitch Solutions, Vietnam's Pharmaceutical industry revenue will reach about US\$6.5 billion in 2019 and continue to grow in the future. Vietnam is still in a period of golden population structure, but its population has started the so-called "aging phase" since 2017. A report by the World Bank (WB) shows that the aging process of Vietnam will take place in a very short time and will be completed before 2040. Vietnam's population aging rate is among the fastest in the world and according to the Ministry of Labor, Invalids and Social Affairs' statistics, by 2049, one in four

Vietnamese people will be old. Aging population, increasing per capita income thanks to the rise of the middle class, improved awareness of the Vietnamese people, air and environment pollution also opened up prospects for the pharmaceutical industry.

Currently, Vietnam is still an importer of pharmaceuticals and pharmaceutical materials. In particular, by the end of 2019, the share of imported drug selected in biddings nearly reached 75%. In addition, 2019 was also a busy year for merger and acquisition (M&A) activities given highly potential market, competition also increased as foreign players dive deeper into the domestic market.

The OTC and ETC markets also witnessed significant changes over the past year. The OTC channel is growing slowly, as the market shows signs of saturation after a period of heated growth, and more stringent regulations on prescription drugs at pharmacies also affect the OTC market.

The Ministry of Health's Circular No. 15/2019/TT-BYT on drug procurement at public health facilities, taking effect as of October 2019, has opened up many opportunities for prestigious domestic pharmaceutical companies. This Circular helps the Government accelerate the transition from imported drugs to domestically produced drugs while encouraging domestic businesses to boldly invest in improving technologies and raising Vietnamese medicine to a new level. Businesses with EU-GMP or PIC/S factories certified by ICH countries are currently prioritized in bidding for categories 1 & 2. However, pharmaceutical raw materials remains a puzzling issue for domestic businesses when currently over 90% of raw materials are imported from overseas, mainly from China and India. The pandemic situation in China has disrupted global raw materials supply, affecting the supply capacity and gross profit margin of pharmaceutical businesses in 2020.

III. OPERATIONAL AND FINANCIAL PERFORMANCE 2019

Operational performance briefing 2019

Indicator (VND million)	2019	2018	% Change	2019 target	% of 2019 target
Total net revenue and other income	1,420,716	1,207,125	17.7%	1,450,000	98.0%
Net revenue	1,402,454	1,184,818	18.4%		
<i>Export turnover</i>	<i>505</i>	<i>12,482</i>	<i>(96)%</i>		
<i>Revenues from produced goods (Imexpharm products)</i>	<i>1,293,655</i>	<i>1,064,214</i>	<i>16.5%</i>		
<i>Revenues from franchises</i>	<i>95,937</i>	<i>67,329</i>	<i>42.4%</i>		
<i>Revenues from other goods</i>	<i>12,358</i>	<i>40,793</i>	<i>(69.7)%</i>		
Financial income and other income	10,049	22,307	(55)%		
Cost of goods sold	874,535	715,187	22.2%		
Gross profit	527,920	469,631	12.4%		

Indicator (VND million)	2019	2018	% Change	2019 target	% of 2019 target
Operation expenses	343,723	318,169	8%		
<i>Financial expenses</i>	<i>18,670</i>	<i>17,599</i>	6%		
<i>Selling expenses</i>	<i>225,124</i>	<i>212,134</i>	6.1%		
<i>General administration expenses</i>	<i>99,753</i>	<i>88,184</i>	13.1%		
<i>Other expenses</i>	<i>176</i>	<i>252</i>	(69.8%)		
Pre-tax profit & appropriation to science & technology development funds	222,429	192,769	15.4%	220,000	101.1%
Pre-tax profit	202,249	173,769	16.4%		
Profit after tax	162,387	138,683	17.1%		
Total assets	1,847,174	1,774,247	4.1%		
Owner's equity	1,558,889	1,504,613	3.6%		
Charter capital	494,212	494,212	0%		
% COGS/Net Revenue	62.3%	60.4%	1.9%		
% Operating Expense/Net Revenue	24.5%	26.9%	(2.4%)		

1. Performance of 2019 Revenue Targets

In 2019, the total revenue and income target set by the General Meeting of Shareholders is VND1,450 billion, up by over 20% yoy. By the end of 2019, Imexpharm achieved 98% of our revenue target, equivalent to VND1,420 billion. Although the revenues are not up to expectations, Imexpharm's collective efforts are appreciated. As mentioned earlier, in 2019 the whole pharmaceutical industry is faced with the saturation of OTC market and merger activities in line with globalization trends. Amidst increasingly fierce competition, it is a challenge just to maintain the market share but Imexpharm successfully managed to maintain a growth rate of 17.7% in gross revenue and 18.4% in net revenue.

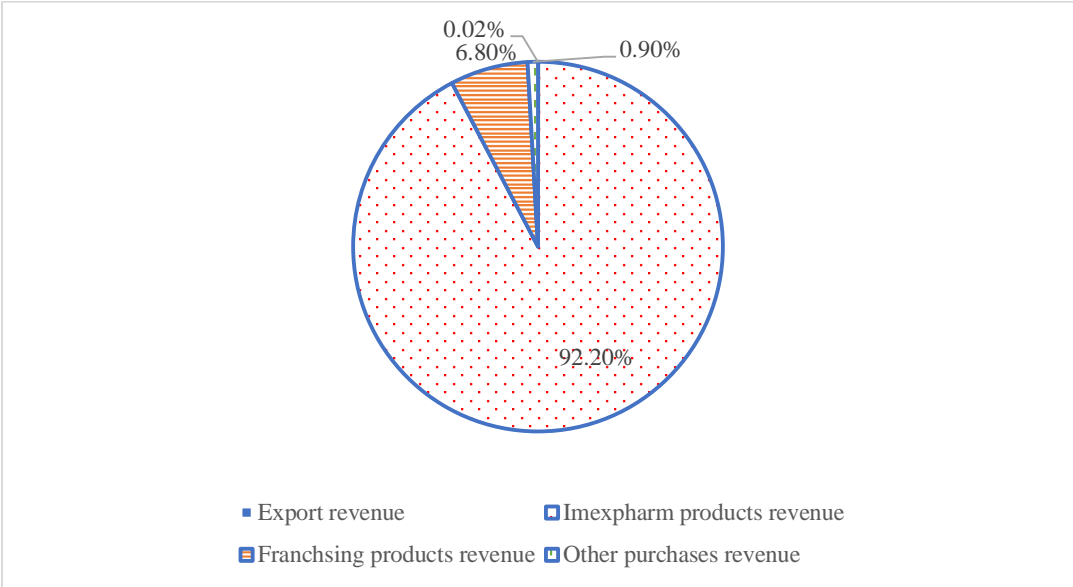
The Executive Board also recognizes limitations in developing export markets and increasing export sales. Given intensified domestic competition, exports are seen as targets to ease pressure on the OTC segment. However, Imexpharm has not operated effectively in the export business line in 2019. In 2020, the Executive Board will promote market research activities and source markets for high quality products from EU-GMP factories.

Revenues from other goods also decreased in line with the Company's direction of shifting focus on exploiting key product lines to increase profits. Revenues from

financial activities in 2019 witnessed a downturn due to Imexpharm’s divestment from S.Pharm Pharmaceutical Joint Stock Company and Da Nang Pharmaceutical-Medical Equipment Joint Stock Company in 2018. By late 2019, except for dividends received from Argimexpharm, the company has no major financial activities.

The Executive Board recognizes Imexpharm's collective efforts in fulfilling 2019 revenue targets, although the actual results are lower than expected. In particular, the Company sets a high reward for branches which can achieve revenue targets within 11 months and 11.5 months, helping the Company plan forward in terms of production, business, inventory stocking and receivables.

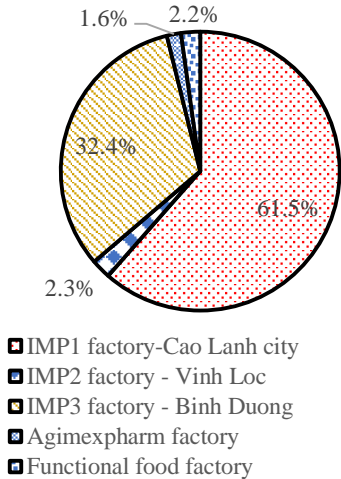
Revenue Structure by Product Category



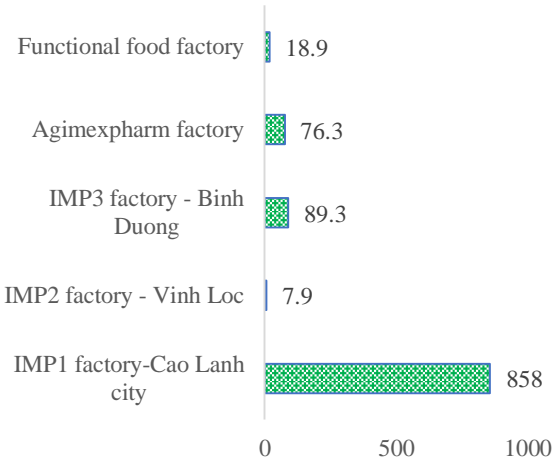
Revenues from Imexpharm branded products still account for the overwhelming majority and contributes over 92% in the revenue structure. Franchised goods in 2019 account for 6.8%. Exports, outsourcing and other goods account for a negligible proportion in the total revenue.

Production and consumption

Value contribution from factories



Volume (million unit)

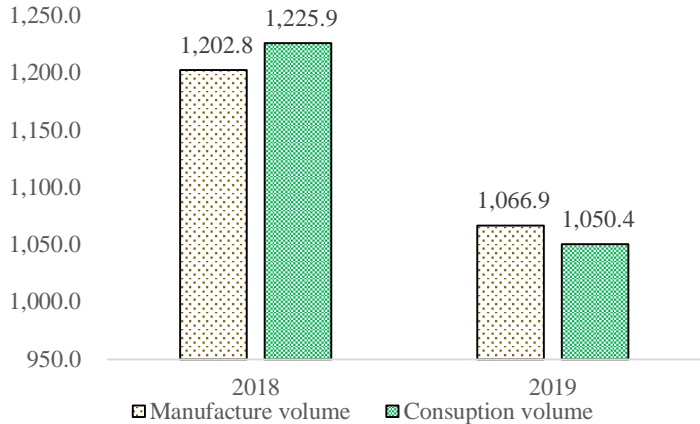


The IMP1 factory in Cao Lanh, which has been in operation for over 22 years, contributes 61.5% to the company’s total revenues and also accounts for 81.7% of the total production output.

Although IMP3 Binh Duong's production output accounts for only 8.5% of the total, its value represents 32.4% due to high quality EU-GMP certified products.

The contribution of Vinh Loc factory is marginal since it was only put into operation in early 2019. Besides key product lines, Imexpharm also have products processed at Argimexpharm and dietary supplement products. However, the contribution value of these product groups remains modest.

Given Imexpharm’s restructuring of our key product portfolio towards lower share of low-value pill products at IMP1 and higher value of Cephalosprins and Penicillin injection product lines at IMP3, so production output decreased compared to 2018.



2. Cost of Goods Sold and Operating Expenses

Cost of goods sold accounted for 62.4% of the net revenue, compared to 60.3% in 2018. In 2019, ETC revenues grew dramatically. Distribution activities in ETC channel are mainly done through Imexpharm's partners, so gross profit margin will not be as high as when distributed by Imexpharm ourselves, leading to higher ratio of COGS/net revenue. On the other hand, selling through partners will substantially reduce the risks for Imexpharm and align with the development trend while ensuring the net profit ratio for the Company. Taking into account the fluctuations of raw material prices in 2019, the Executive Board acknowledges that despite Imexpharm’s initiatives to proactively cope with raw material price escalation, heavy dependence on imported raw materials inevitably leads to price increase. Imexpharm is trying to diversify our supplier base, thereby planning better amidst rising material prices. The Executive Board will continue to strictly control this matter. Besides, worsening environment and pandemic crisis together with climate change also take their toll on the material supply chain. The Executive Board also regularly assesses risks to devise coping solutions.

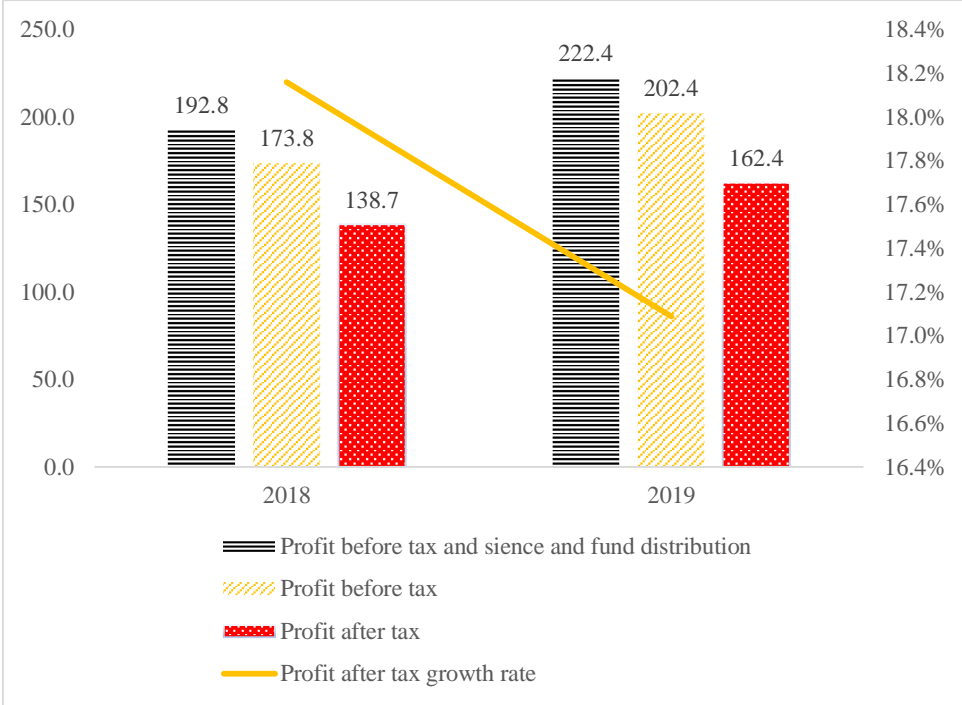
A positive highlight for Imexpharm in 2019 is the selling and general administration expenses are well under control. Selling expenses increased marginally

by 6.1% and general administration costs increased by 13.1%. In the context of 2.8% inflation, especially at the end of 2019 when the consumer price index increased sharply, the company's costs were reasonably curbed to maintain profitability. Total operating expenses increased by 8% yoy, much lower than the revenue growth rate, which is an encouraging signal. However, the company will take more radical measures in controlling costs to improve profitability.

Given the current growth context, the Executive Board appreciates Imexpharm's cost and COGS control, but many limitations need to be addressed to increase the company's operational efficiency.

3. Performance of profit targets

As raw material prices increase, other costs also escalate in line with the overall growth of the economy; therefore, it is a challenge to achieve the profit before tax and distribution to the Science and Technology Development Fund of VND220 billion. However, Imexpharm successfully managed to exceed the profit target, reaching VND222 billion, up by 15.4% yoy. As price competition becomes more intense, the profit margins of pharmaceutical companies decrease significantly compared to the period of 2010-2015, however Imexpharm relies on our core competencies of quality products which can directly compete with foreign players with EU-GMP products, thereby easing price competition pressure for the company. Imexpharm's investment in EU-GMP plants has started to bear fruit, as the company's profits grow steadily and among the few listed pharmaceutical companies to meet its profit targets in 2019.



In general, Imexpharm's profit growth rate in 2019 is more or less slower than 2018. However, excluding proceeds from divestments and other income, the profit before tax in 2019 was VND193.9 billion, up by 19.3% yoy despite decreasing by 4.2%

compared to the audited financial statements. Imexpharm has successfully focused on core values, namely high quality products to generate profits.

For this reason, the Executive Board take pride in business results made by collective efforts of each Imexpharm member. However, keeping in mind Imexpharm's motto "Complacency is the biggest single enemy to the process of continuously learning from experience", the Executive Board always reminds the team that greater challenges still lie ahead. The 2020 plan is more challenging than the 2019 plan, so all Imexpharm employees must try harder to maintain success over the years.

4. Total assets and equity

Total assets and equity in 2019 increased marginally at 4.1% and 3.6%, respectively, while the charter capital remained stable at VND494.2 billion.

Imexpharm's assets have gradually stabilized after the completion of Vinh Loc high-tech antibiotic factory and Binh Duong hi-tech factory (IMP4) has also been granted with WHO-GMP certification and prepared for the final stage of EU-GMP review, so the assets would not increase as strongly as in the previous period.

Equity also remained unchanged since the company did not issue any new share during the year. 2018 dividend accounted for 20% of the charter capital and was paid in cash in 2019.

In general, Imexpharm has managed effectively asset and capital ratios and the progress of factories, besides leveraging existing and new assets. Working capital is also strictly controlled to meet production and business needs.

5. Payables and receivables

By the end of December 31, 2019, Imexpharm's trade receivables was VND254.2 billion, up by 18.1% yoy. Receivables increased at the end of the year along with Lunar New Year sales programs. Imexpharm's net revenues have increased significantly in 2019, almost proportionately with the growth of accounts receivable.

In particular, provisions for receivables were VND14.4 billion, up by VND1.9 billion compared to 2018. Against the backdrop of fierce competition, stringent debt policies will hurt Imexpharm's revenue. However, in order to mitigate risks from bad debts, in 2019, the Executive Board decided to continue the policies of shortening accounts receivable days. Specifically, accounts receivable days of ETC channel decreased from 75 days to 60 days, and of OTC channel decreased from 45 days to 30 days. On top of that, the Executive Board continued to direct the finance department to assess risks associated with receivables to take more reasonable credit control measures for effective debt management.

6. Science and Technology Development Fund

Imexpharm contribution to and use of Science and Technology Fund for 7 years as follows:

(Unit: VND million)

Year	Distributed amount	Used	Closing balance
2012	11,500	-	11,500
2013	10,500	2,793	19,207
2014	12,200	3,909	27,498
2015	13,000	11,180	29,318
2016	14,000	21,597	21,721
2017	16,000	3,310	34,411
2018	19,000	20,805	32,606
2019	20,000	27,065	25,541
Total	116,200	90,659	25,541

Science and technology is promoted to invest in internationally standardized products and improve management capacity through the application of advanced software such as: SAP, supply chain management software - DMS, Balanced scorecard - BSC. In addition, the costs of EU-GMP consultancy and review are also financed by this source.

2019 is the 8th year Imexpharm replenishes this fund, in an amount of VND20 billion as approved by the Board of Directors, equivalent to 9.0% of profit before tax and distribution to the Science and Technology Development Fund. It is expected that when Binh Duong High-tech Factory (IMP4) is put into commercial operation in 2020, the company will consider suspending this Fund.

7. Cash flows

Cash flows	2019	2018	% of change
Net cash flows from operating activities	68,632	132,094	(48%)
Net cash flows from investing activities	(122,665)	(48,101)	(155%)
Net cash flows from financing activities	(61,363)	-	N/A
<i>Net cash flows in the period</i>	(115,396)	83,993	(237.3%)
<i>Closing cash and cash equivalents</i>	75,035	190,437	(60.6%)

Cash flows in 2019 generally decreased compared to 2018. Despite increase in operating profits, receivables increased sharply, leading to a decrease in net cash flow from operating activities by 48% yoy. Acquisition of assets for new plants has decreased in 2019 compared to 2018, however divestments from Da Nang Pharmaceutical-Medical Equipment Joint Stock Company and S.Pharm Pharmaceutical Joint Stock Company in 2018 also made financial revenue soar. In 2019, Imexpharm did not have any outstanding financial activities, so the cash flows from investing activities also decreased. Besides, the Company has paid VND98.8 billion dividends in cash to shareholders in 2019, thus

net cash flows from financing activities dropped dramatically. At the end of 2019, cash and cash equivalents decreased, as bank deposits reduced significantly.

In general, cash flows in 2019 fluctuate in an unfavorable direction for the company, but it is mainly attributed to the fact that increased revenue will lead to increases in receivables and inventories, and cash dividend payment also affected the company's cash flows. Imexpharm will maintain close oversight to ensure stable cash flows, contributing to the business's sustainable growth.

IV. ANALYSIS OF FINANCIAL INDICATORS

Key indicators	2019	2018	Change
Profit margin			
Operating income/Revenue	13.9%	14.4%	(0.5%)
ROS (Net profit/Revenue)	11.6%	11.7%	(0.1%)
ROA (Net profit/Assets)	9.0%	7.8%	1.2%
ROE (Net profit/Owner's equity)	10.6%	9.6%	1.0%
Liquidity ratio (times)			
Quick ratio	1.6	2.2	(0.6)
Current ratio	3.0	3.5	(0.5)
Days Working Capital (days)			
Average days of inventories	139	153	(14)
Average days of trade receivables	56	63	(7)
Average days of trade payables	41	84	(43)
Days Working Capital	154	132	22
Debt ratios			
Liabilities/Owner's equity	18.5%	17.9%	1.6%
Liabilities/Total assets	15.6%	15.2%	0.4%
Stock market performance indicators			
EPS (VND)	2,893	2,470	17.1%
Market price on December 31 (VND/share)	48,000	60,900	(21.2%)
P/E ratio (times)	17	25	(8)
Book value of a share (BV, VND)	31,544	30,457	3.6%
P/B ratio (times)	1.5	2	(0.5)

1. Profitability ratios

Return on sales (ROS) decreased slightly over the same period due to the fact that net sales grew at a faster rate than profits. However, ROE and ROA are both higher than 2018. Specifically, ROA reached 9%, up by 1.2% yoy while ROE reached 10.6%, up by 1% yoy. These indicators are expected to grow in 2019 and beyond when Imexpharm's new factories have been completed and put into operation. The Executive Board also recognizes that Imexpharm's ROA and ROE are somewhat lower than other companies in the same industry and more efforts are needed to further improve these indicators in the coming years via leveraging the potential of EU-GMP certified factories that Imexpharm has invested.

2. Liquidity ratios

All Imexpharm's liquidity ratios decreased compared to 2018, but still within the prudential thresholds. Specifically, its current ratio is 3 times, down by 0.5 times yoy. The quick ratio is 1.6 times, down by 0.4 times. In 2019, cash and cash equivalents decreased, and the company's dividend payment in cash also affect liquidity ratios. However, the Company followed an agile and flexible approach to maintains a sound financial position, thereby supporting its production and business activities.

3. Efficiency ratios

Imexpharm's days in inventory were 139 days, down by 14 days yoy and accounts receivable days also decreased by 7 days. On the other hand, accounts payable days are also shortened by 43 days yoy and hence, days working capital increased to 22 days. These indicators have decreased but not to the level targeted by Imexpharm. The company will try to reduce the number of days in inventory and accounts receivable days while improving the bargaining power with suppliers to increase accounts payable days in 2020.

4. Debt ratios

IMP's debt ratio in 2019 improved compared to 2018. The debt-to-equity ratio increased by 1.6% from 17.9% in 2018 to 18.5% in 2019. The debt/asset ratio increased marginally by 0.4% over the same period. Despite an increase in Imexpharm's debt ratios, it is still curbed within prudential level and the company also has a low risk appetite. However, Imexpharm will consider the cost of capital to use leverage in business operations for better capital efficiency.

5. Stock market performance indicators

Imexpharm's earnings per share (EPS) increased by 17.1% yoy thanks to higher profits and no new share issuance in 2019. P/E indicators. P/B are down compared to 2018 due to diminution of IMP stock price by 21.2% yoy. IMP stocks now became more attractive to investors and more liquid.

V. PERFORMANCE REPORT OF THE EXECUTIVE BOARD IN 2019

1. Sales - Distribution - Marketing

In 2019, although the revenues still fall short of expectations, sales team's substantial efforts are highly appreciated in achieving the sales target set out by the company. The OTC market in 2019 is under critical saturation pressure while there are many small manufacturers on the market; however, Imexpharm's OTC channel still managed to achieve stable sales of over VND835 billion. The ETC channel has grown significantly by 98.3% in 2019, contributing VND387 billion to the total revenues. ETC revenue increased sharply thanks to the efficient operation of the EU-GMP factories in Binh Duong and Vinh Loc. Imexpharm has gradually established firm footprint in the premium drug segment and gained initial results. In 2019, Imexpharm focuses on the core product lines according to the original orientation of the Executive Board. The sales

department has successfully completed the sales target of key products, thereby achieving the desired profit target.

By the end of 2019, Imexpharm has 20 sales branches nationwide and possesses one of the best pharmaceutical distribution network in Vietnam. Sales are performed by a team of experienced medical representatives and supported by DMS management software. However, branch management remains suboptimal. Most notably, sales forecast at branches is not done effectively to inform production planning, and the commitment of each branch in fulfilling the company's targets is not really high, leading to a situation in which the medical representatives only sells items that sell well rather than key products in line with the company's strategic direction. Therefore, the goal of 2020 is for all sales branches to improve their forecasting capacity and work closely with the production department to ensure optimal inventory control and avoid shortage of goods when the production capacity is still high. KPIs for each medical representative must be set in accordance with the company's strategic directions towards achieving revenue and profit targets.

The marketing department in 2019 coordinated with sales branches to perform well marketing and customer care activities. The acceptance of the EACRI project for Bactamox products was completed as planned. In addition, Marketing department has actively supported the sales team in guiding physicians and doctors to visit Imexpharm's EU-GMP certified factories to enhance interactions and promote Imexpharm's image to our targeted customer base.

2019 also marked the first time Imexpharm organized a Medical Forum with the participation of over 200 leading doctors and experts on the topic of community pneumonia treatment. The event is appreciated and Imexpharm will continue to leverage this strength in the future.

2. Improve and maintain a high quality production system

Quality control activities remain top priority at Imexpharm because product quality is the first commitment that Imexpharm delivers to customers.

EU-GMP review for Vinh Loc high-tech antibiotic factory was completed in late 2018 and officially put into operation in early 2019, contributing to improving the investment strategy for firm footprint in the premium drug segment that used to be the playground of multinational pharmaceutical corporations.

In July 2019, Imexpharm also successfully obtained the re-approval of EU-GMP certification for the factory in Binh Duong (IMP3) with 3 existing production lines and 2 more new ones were certified.

Binh Duong High-tech Factory (IMP4) was also completed and certified for WHO-GMP in September 2019. The Executive Board is expediting the EU-GMP approval process so that it can be conducted in Quarter 2/2020, and the plant will be officially put into operation at the end of Quarter 3/2020, one quarter later than the committed schedule with shareholders due to the complicated situation of Covid-19.

In 2020, Imexpharm will become the first domestic pharmaceutical company to possess the largest number of EU-GMP factories in Vietnam. This achievement is the outcome of persistent investment from the whole Imexpharm team, backed by trust and support from shareholders and investors. Without such dedication, the company could not have achieved impressive growth in the period of 2011-2015 to focus on investing in capital quality which is considered as the core competency of the company.

In Quarter 4/2019, Imexpharm also commenced the construction of the Pharmaceutical Manufacturing Plant & Testing Center at Cao Lanh Head Office, Dong Thap province, with initial capital investment of nearly VND80 billion.

Besides achievements, production is still posed by many shortcomings, failing to meet the expectations of the Executive Board; in particular, the coordination between the production, sales and input supply department has not been really smooth. The Executive Board will review and address these weaknesses in 2020.

3. Human resources training and development

High quality human resources is the key success factor of Imexpharm. The company always focuses on succession planning to maintain Imexpharm's production and business efficiency. In 2019, recruitment activities are maintained steadily to meet the human resources needs of new factories. High quality training is focused on key personnel and sales teams. The company spent VND4 billion on our training activities in 2019. Staff rotation between factories was also implemented effectively to meet the Company's strategic requirements. High quality human resources is crucial to Imexpharm's operation of EU-GMP compliant factories. However, many shortcomings still remain in human resource management. Amidst fluctuations of the pharmaceutical industry, human resources need to stay responsive to such changes and fit the new situation. The Executive Board also acknowledges that besides the positive factors, some employees are not really committed to the Company's common goals, which we are actively working on via Imexpharm culture programs with a view to improving engagement, for the common interests of the Company in 2020. Besides, we will pay due attention on the living quality and well-being of each employee. The Executive Board also conveyed to all employees about the company's medium- and long-term vision so that each individual can adapt to the overall situation. We consider working capacity and attitude most valuable factors in developing Imexpharm towards integration and sustainable growth.

4. Develop and consolidate a sound and transparent financial system

Imexpharm view a sound financial position as the top goal for business development, and hence is exposed to low financial risks. Financial activities in 2019 mainly revolve around controlling costs, debts and tracking changes in the **material market** to take preventive measures and maintain stable profit margins. It is equally important to maintain working capital for the company's operations. The Executive Board acknowledges the efforts of the financial team in building a sound system and controlling costs. However, bad debt management and recovery still has room for

improvement. The Executive Board recognizes this issue and will continue to address and develop preventive measures in 2020.

5. Legislation and Compliance

Imexpharm undertakes to fully comply with the legal provisions and actively develops a robust risk prevention system to minimize possible damages to the company in case any compliance issues arise. In 2019, no significant violations were recorded at Imexpharm, which, according to the Executive Board, resulted from successful governance and risk prevention. However, the tax administrative penalties, though insignificant, also present potential risks. Therefore, the Executive Board requires that compliance activities be strengthened, preventive measures to cope with potential risks be systematically developed, and risk assessment be reviewed periodically. In 2020, Imexpharm's Code of Ethics and Compliance will also be issued as a guidance to Imexpharm's employees on corporate compliance and ethical standards.

6. Sustainable development

Impacts of air and environmental pollution on human health are unquestionable, especially in the current situation when natural disasters are increasingly frequent with such climatic events as forest fires, floods. In addition to increased health spending on prevention and treatment of relevant diseases, Imexpharm also cares about the physical and mental damages to the community which the Company has been aware of and made efforts to address. Specifically, the Imexpharm's Executive Board envisions responsible production and consumption to contribute to environmental protection and mitigation of climate change.

Imexpharm is fully compliant with the legal regulations in its production and wastewater treatment and discharge as part of its responsibility to maintain a healthy environment for our community. Energy saving and water saving are introduced as assessment criteria for efficiency of the production, contributing to a better awareness among its employees in environmental protection and thrift practices.

Imexpharm also internally circulates its sustainable development directions through its Sustainable Development Committee and training programs on sustainable development in collaboration with GRI- Global Reporting Initiative in Vietnam in 2019.

In addition to the impacts of climate change, the development of dangerous epidemics is also on the rise. As a pharmaceutical manufacturer, Imexpharm also benefits from many opportunities while facing challenges in this situation. In every situation, Imexpharm is always a responsible manufacturer, undertaking risk assessment of diseases for its supply chain as well as the production capacity to meet community needs.

VI. ACHIEVEMENTS AND LIMITATIONS IN 2019 PERFORMANCE

1. Achievements in 2019

In the context of fluctuating material prices, operating costs increased but Imexpharm has successfully managed to achieve our profit targets. The Executive Board once again appreciates the entire team's achievements towards important goals of 2019.

Outstanding performance of key product lines

In 2019, Imexpharm focuses on restructuring its key product lines in which Imexpharm holds competitive edges to consolidate profits in the context of escalating competition and raw material prices. Sales of key product lines have exceeded our targets. The Executive Board acknowledges the efforts of the sales team for such exceptional performance.

Efficient marketing activities

Imexpharm's marketing in 2019 is centered around efficiency in line with the company's strategic direction. Forums and conferences to connect health practitioners were successfully organized, contributing to enhancing Imexpharm's brand image. In addition, customer care activities have also been improved remarkably, thereby increasing customer interactions and enhancing Imexpharm's image.

Timely completion and re-application of certification for factories

On January 5, 2019, Vinh Loc high-tech antibiotic factory was granted with the EU-GMP certification by the Portuguese Ministry of Health for 3 production lines: Tablets, capsules and packs.

On top of that, Imexpharm's first factory to achieve EU-GMP certification (IMP3) in Binh Duong was successful in its re-application process and received certificate in July 2019. In total, in this review, IMP3 factory has 5 production lines that meet EU-GMP standards.

Basic construction for Binh Duong high-tech factory IMP4 has been completed and 4 production lines have been granted with WHO-GMP certification while EU-GMP is expected in Quarter 1/2020.

In 2019, the Company also successfully passed the 6th re-application for the Penicillin factory and the Non-betalactam factory in Dong Thap.

Research and development, drug registration activities in line with the company's orientation

Imexpharm pursues intensive investment in research and development activities to increase our competitive advantages and product differentiation. Last year, the R&D department has actively researched and successfully registered 48 Registration Numbers for IMP3 factory and is currently registering products for the new IMP4 factory.

Stable salary and bonus for employees

In 2019, human resources have met the needs of new factories, with regular training and retraining being conducted at Imexpharm. Imexpharm's remuneration policies and talent policies are well implemented to maintain a competent and engaged team for the overall development of the Company.

2. Limitations in 2019 performance

Governance and sales forecasting of sales branches

The 2019 revenue, despite its strong growth, has not met the targets of the General Meeting of Shareholders. Therefore, the Executive Board believed that the governance of the sales branches has not been so effective as expected. The branches have not delivered the target goals in a systematic manner and failed to offer their complete and determined focus on such goals. The Executive Board acknowledged this limitation and provided its specific guidance to each sales branch, for all the goals set by the company for 2020 to be met.

Quarterly and annual sales forecasting by each sales branch has failed to produce expected results. This disabled the production to plan and purchase the necessary materials, while also affecting the inventories of the company. In 2020, sales branches shall focus on addressing this limitation for stronger synergies with other departments and improved efficiency of Imexpharm's supply chain.

Bad debts and capital tie-up among medical representatives still exist

Internal control activities are always strengthened, while the legal department always coordinates with sales branches to ensure internal compliance; yet, bad debts and capital tie-up among medical representatives still exist. In 2020, the Executive Board will direct relevant branches and departments to stick to agreed targets to thoroughly handle Imexpharm's bad debt issue.

Commenced production at Vinh Loc high-tech antibiotic factory (IMP2);

IMP2 factory was just put into operation in early 2019, this is the second factory of Imexpharm to meet EU-GMP standard. Production activities are somewhat behind the planned schedule due to a number of bottlenecks. However, since this is a new factory, coordination with other teams is not really smooth, time is needed to overcome the above mentioned situation. The Executive Board will actively direct training, team development, operation review of the plant in 2020 to make necessary adjustments in line with emerging situation.

VII. KEY OBJECTIVES IN 2020

1. Business performance targets for 2020

Based on the development potential of the company and changes in the pharmaceutical market, Imexpharm's Board of Directors has endorsed the proposals of the Executive Board to be presented to the General Meeting of Shareholders as follows:

Target (VND billion)	2020	2019	Growth
Total net revenue and income	1,750.0	1,420.7	23.2%
Profit before tax and distribution for Fund for Science & Technology Development	260.0	222.4	16.9%
Pre-tax profit	260.0	202.4	28.4%

Imexpharm's total net revenue target for 2020 is VND1,750 billion or a yoy growth rate of 23.2%. In 2020, Imexpharm does not plan to distribute to the Science &

Technology Development Fund, so the company's targeted profit before tax is VND260 billion or a yoy growth rate of 28.4% compared to 2019. These targets are highly ambitious amidst the current pandemic context but Imexpharm team is confident that together we will successfully fulfill the task of 2020.

2. Complete the construction of the factories

Binh Duong High-tech Plant (IMP4) is expected to be reviewed for EU-GMP to be officially certified by the end of Quarter 3/2020. The Executive Board has directed the departments to coordinate closely to complete the plant on schedule and put into commercial production by Quarter 4/2020.

Construction of the Pharmaceutical Manufacturing Plant & Testing Center in Dong Thap province commenced at the end of 2019 and is expected to be completed in 2020 to diversify its product lines released to the OTC market, as well as improve the quality testing of Imexpharm products.

3. Maintenance of a quality management system for factories, especially EU-GMP certified factories

Operation of factories must follow the initially approved standards. Every activity in a factory must be strictly adhered to such standards to ensure the highest-quality products. EU-GMP certified factories must be reviewed every 3 years; thus, quality management, trouble shooting and handling of gaps must be supervised and delivered as planned to ensure maintenance of EU-GMP quality management systems for factories.

4. Promote research activities and drug registration

In the current context where many businesses are upgrading their factories following latest applicable standards, making a difference is more important than ever. Therefore, Imexpharm will continue to strongly promote its research and development activities, especially product lines for EU-GMP certified factories.

VIII. IMPLEMENTATION SOLUTIONS FOR 2020

In order to deliver the plan for 2020, the Executive Board has provided specific instructions for the departments as follows:

Sales, Marketing and Material Supply: The sales department shall closely track the targets as assigned by the Executive Board, provide forecasts of the expected volume of products so that the Material Supply department is ready in stockpiling raw materials. In the current complicated situation due to the Covid-19 outbreak, the marketing department shall work closely with the sales department to review the annual sales and customer care programs for any necessary adjustments to the work plan in line with the actual market and Imexpharm's development. The Material Supply department shall coordinate closely with the factories to ensure adequate inventories to timely meet production needs.

Strategic management: The strategic management department shall evaluate the impacts of external issues on the overall strategies of Imexpharm. This will provide a ground for relevant recommendations to the Executive Board. Imexpharm's current and future opportunities and challenges must be carefully analyzed and corresponding

strategies must aim to promote growth and improve the reputation of the Imexpharm brand.

Human resources management: The employee recruitment for EU-GMP certified factories must be conducted in parallel with the training and development of high-performing officers to maintain effective operation of Imexpharm. Salary and bonus policies for employees must be based on latest market rates while ensuring the competitiveness of Imexpharm brand to attract and retain talents.

Production Division: Addressing the shortcomings of the factories must be conducted continuously, while the production division should coordinate more closely with the material supply department to ensure adequate volume of goods released to the market and delivery of the company's sales targets.

Finance and accounting: It is necessary to closely coordinate with the sales department in the implementation of sales programs, and, at the same time, undertake inventory assessment and coordinate with the material supply department to ensure the stockpiling of products in the current complicated situation due to the Covid-19 outbreak in China that has had negative impacts on the global supply chain. At the same time, debt review must be conducted regularly to ensure transparency in financial activities and control capital tie-ups.

Legal Department: Regularly update regulations and policies, especially changes in the pharmaceutical industry to timely update the departments, thereby improving management efficiency and regulatory compliance at Imexpharm.

IX. CONCLUSION

2019 draws to a close with great successes and embraces challenges ahead for Imexpharm. Once again, the Executive Board would like to convey our heart-felt thanks for dedicated support of the shareholders, investors, and over 1,200 Imexpharm engaged family members who have contributed their precious part to our achievements last year.

2020 will be a challenging year for Imexpharm, but it is expected to be a year when the Company continues to affirm our position as the leading pharmaceutical company in Vietnam in the new decade. Although the journey ahead will not be easy, the Executive Board is convinced that Imexpharm with our inherent core values and internal resources will successfully fulfill our production and business targets for 2020 and the term 2018-2022.

Sincerely,

**ON BEHALF OF THE EXECUTIVE
BOARD
GENERAL DIRECTOR**

(Signed)

Pharm. Tran Thi Dao