



ANNUAL REPORT | 2016





STEEL PRODUCTION SEGMENT

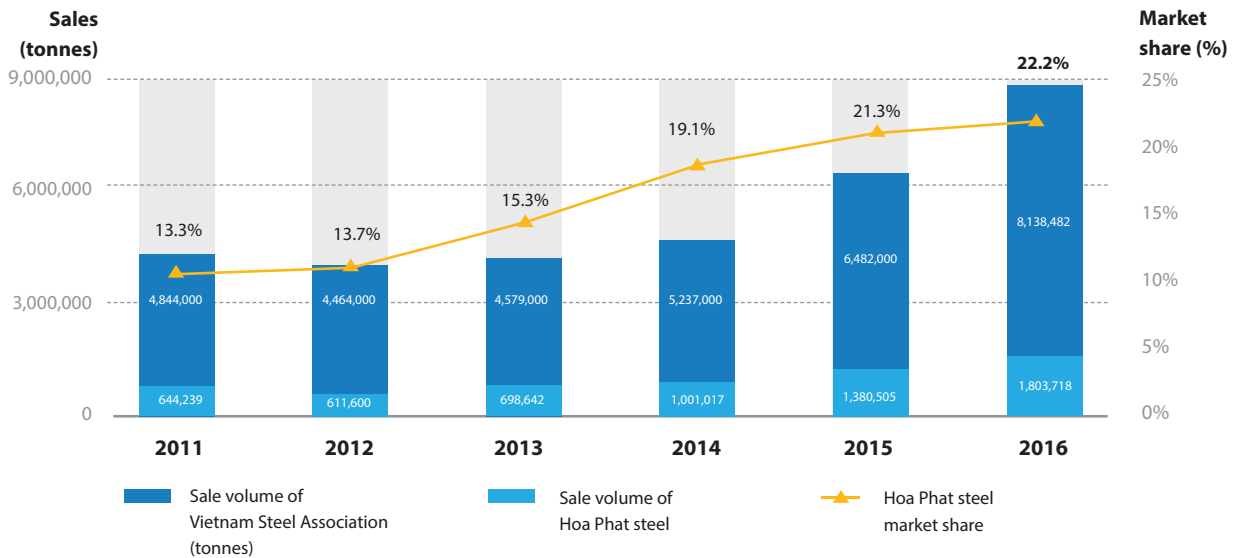


The steel production segment and other related segments made many record marks in 2016. All target of production, sales and profit highly exceeded the plan, contributing to the outstanding success of Hoa Phat in the last year. Specifically, the steel subsidiaries contributed 86.1% and 88.4% to the total revenue and profit after tax of the Group.

Hoa Phat Steel - new milestones

In December 2016, sales of Hoa Phat construction steel recorded a new sales record when it reached over 223,000 tons, nearly 2 times higher than the same period. For the whole year 2016, Hoa Phat steel sold over 1.8 million tons, an increase of 30% compared to 2015 and exceeding 10% of the year plan. Hoa Phat steel also recorded a growth rate of nearly 50% in the export market with an output of over 52,000 tons.

Sale volume and consumption market share of construction steel



From the first quarter of 2016, phase III of Hoa Phat Steel integrated Complex in Hai Duong province has been formally put into operation, contributing significantly to the overall output of the Group in the past year. In addition, steel mill and

steel rolling mill in Hung Yen province that operated by Hoa Phat Steel One Member Co. Ltd. also reached 306,000 tons and 346,800 tons, respectively.

Outputs and market shares of 5 market leading steel manufacturers

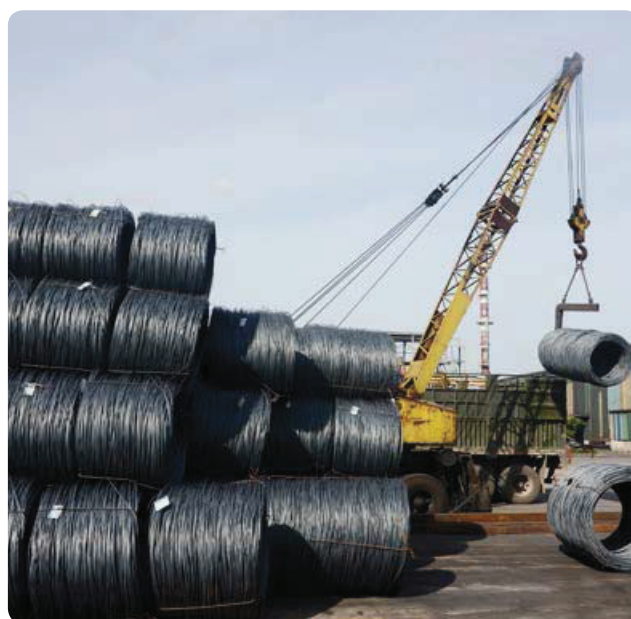
No	Manufacturers	Current designed capacity (thousand tonnes)	2015			2016		
			Production capacity (thousand tonnes)	Consumption (thousand tonnes)	Market share (%)	Production capacity (thousand tonnes)	Consumption (thousand tonnes)	Market share (%)
1	Hoa Phat	2,000	1,390	1,381	21.3%	1,814	1,804	22.2%
2	Pomina	1,100	809	817	12.6%	953	969	11.9%
3	Tisco	1,000*	720	670	10.3%	824	815	10.0%
4	Vinakyoei	950	603	552	12.1%	728	724	8.9%
5	PoscoSS	1,000*	209	141	2.2%	581	561	6.9%

Source: VSA

* Tisco steel capacity includes output in cordinated to Thai Trung steel company. PoscoSS's capacity is included 500,000 tons/year of form steel

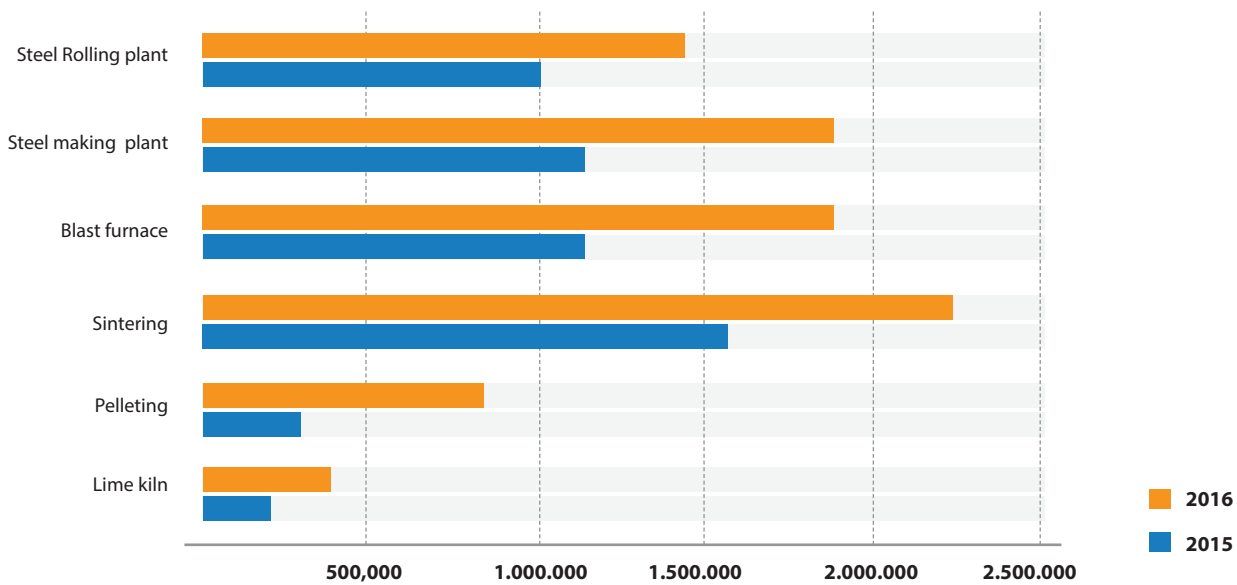
In addition to taking full advantage of steel billet, Hoa Phat has supplied to other Vietnamese steel rolling mill with sales volume of more than 222,000 tons of billets for VPS Posco, Viet Duc Steel, Vinakyoei (Vung Tau), KFCC (Vinakyoei Ninh Binh), and Viet-Australia steel. This shows that Hoa Phat has brought into full play the capacity of the factories to supply the domestic market with reasonable price in a timely manner, avoiding dependence on imported billet.

Hoa Phat has been promoting the production and supply of $\phi 6$ SAE1008 wire rod steel according to ASTM A510 / A510M-13 standards for the domestic market. More than 48,000 tons of steel wire rod production has been sold in 2016. Particularly, Hoa Phat started exporting the first construction steel volume to the US and Canada through some large multinational firms with an output of over 10,000 tons per month. This is considered a milestone, marking the success of Hoa Phat Steel in conquering the most difficult markets.



Hoa Phat steel integrated Complex grew remarkably

The Hoa Phat Steel Integrated Complex (the Complex) which is being operated by Hoa Phat Steel JSC has recorded a remarkable growth rate in the last year. All plants have achieved an increase of 40-65% compared to 2015, and the iron ore pelleting plant have increased by 205%.



The capacity addition of 750,000 tons/year of the Complex's 3rd phase has helped Hoa Phat steel to achieve many historical landmarks. In terms of the Complex's production output without the third phase, the output of blast furnace, steel making and rolling mill have just reached 1 million tons in the period of 2013-2015. However, since the end of 2015, the blast furnace, steel making factory of the third phase has been completed, boosting steel output in 2016. Particularly, the blast furnace and steel making furnace increase of 62% with over 1.8 million tons. With nearly 1.5 million tons, the output of rolling steel mill increased 46% in compared to 2015. The auxiliary lines such as raw material processing, lime

kilns, pellets, sintering also grew strongly to meet the demand for raw input materials for production.

With the strategy of diversifying products, Hoa Phat has promoted the production of some high quality steel (wire rod steel, filler wire steel) for the domestic market and export with high grade products like H08A, SAE1006-1012, C12D, ... These products were previously imported from many countries, mainly China. Hoa Phat is one of the few steel enterprises that can manufacture these products. In 2016, the Complex manufactured more than 53,000 tons of high quality steel, more than half of this serving domestic demand and the remains were exported to Australia, Malaysia, and Singapore.

Strongly increase to product high quality steel in 2017

In 2017, Hoa Phat steel aims to reach 2 million tons (excluding billets for the Vietnamese other rolling mills). In particular, the wire rod, high-quality steel will be promoted, expected to supply 30,000 tons of wire rod steel per month for the domestic market and export 15-20,000 tons to the markets USA, Canada, Australia, ASEAN countries. In order to achieve this goal, the steel Complex in Hai Duong plays a key role.

The leadership of Hoa Phat steel targets to promote high capacity further and improve the equipment performance in order to accomplish the general plan of the Group in construction steel segments. It is noteworthy that this year, the Company will increase the high quality wire rod output up to 8 times of last year to supply to the market.

