



BUSINESS PERFORMANCE REPORT

(For the accounting period from 1st Jan to 30th Jun 2016)

Planning Team – Everpia JSC

- *Ending of the first 06 months, although sales in second quarter increased by 5% over the same period, the impact from the first quarter led to revenue of the company reached to VND377.8 bil., along with 41,1 bil. VND on NPAT which relatively decreased 4% and 18% compared to the same period of last year.*
- *Padding business and Bedding Export are two main activities which highly increased in this period;*
- *New Bedding collection 2017 with 38 Everon designed patterns, 6 Everon Lite patterns and 13 highclass Artemis designed patterns have been all introduced to customers at Annual Agent Meeting on 29th June 2016*

Quarterly business performance

Unit: Mil.VND

	Q2.14	Q2.15	Q2.16	+/- (%)
Bedding	59,389	86,668	92,080	6%
Padding	131,019	129,956	134,300	3%
Total Sales	190,408	216,624	226,380	5%
NPAT	27,811	33,207	26,990	-19%

Total sales and revenue in 2nd Quarter has increased 5%, in which Bedding sales increased 6% while Padding sales increased 3%.

Due to changes in sales policy (taking orders for the new product from July), the company has produced a large number of bedding products in the first 6 months and this period is not the high season for bedding products that result in the low sale. The company has seriously considered to make provision up to VND 5.8 bil. bringing the total provision balance to VND 15.9 bil., up by 57% compared to the same period of last year. That would explain why NPAT of 2nd Quarter 2016 has decreased 19%. This provision amount is expected to revert at the end of this year when most of these short-term receivable amounts will be realized from agents who have been actively operating the business and in good relationship with the Company.

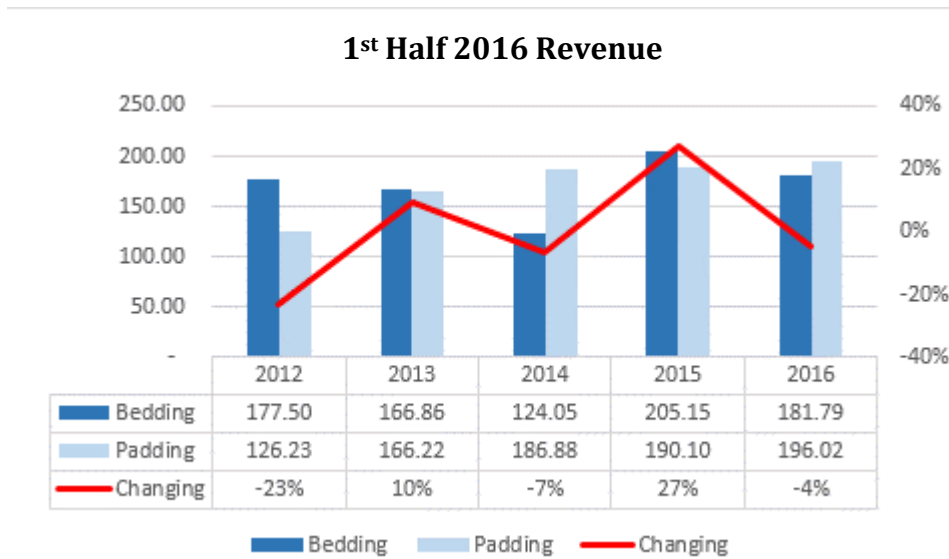


Semiannual business performance

❖ **Business activities**

Net sales of the first six months 2016 has gained 377,8 bil.VND, which includes 48% from Bedding business, 52% from Padding business

Unit: Bil. VND



Bedding business: The recovery of retail selling has supported to increase 6% of Bedding business in Quarter II, 2016. However, as accumulated to the end of the first six months, Bedding sales has decreased 11% due to the decrease in sales in 1st quarter (29% lower compared to the same period of last year), which is explained by such following activities: i) Last year, the Company introduced new patterns to the market and received orders instantly from the end of Quarter III, as well implemented several promotion programs in Quarter IV. Hence, till the end of 2015, most of agents had sufficient products in stock; ii) This year, time for Tet holiday has come earlier than last year, which explained why the number of orders from agents in this 1st Quarter has not been significant.

Based on business performance from each particular department, it seems that Bedding Export activity has been strongly improved by getting more orders from major customers. These orders are continued to produce and export till next months.



Padding business: The Company keeps stabilizing and developing this business as possible. Accumulated sales and revenue for the first six months of 2016 has increased 3% compared to the same period of last year, reached to 196 bil. VND. Despite the reduce of fiber price that force the Company lower its selling price, sales and gross profit gained from this business was still upward, as a result of: i) the increase in sales volume and ii) higher sales proportion from Quilting than that from finished Padding products.

In terms of customer structure on Padding, 60% of total orders came from Korea buyers, 35% was from domestic buyers and the final of 5% was from foreign buyers.

❖ Operating results

Unit: Mil.VND

	Q2.15	Q2.16	+ / -	6T.2015	6T.2016	+ / -
Net sales	216,624	226,380	5%	395,253	377,807	-4%
COGS	132,060	145,815	10%	252,237	246,405	-2%
Gross margin	84,563	80,565	-5%	143,017	131,402	-8%
SG&A	42,659	45,932	8%	78,774	82,936	5%
NPBT	43,604	34,171	-22%	65,785	52,674	-20%
NPAT	33,207	26,990	-19%	50,321	41,149	-18%

Although the cost of main raw materials decreased and the Company has implemented a series of measures to effectively manage SG&A expenses, a slight decrease on gross profit margin (1.4%) still happened over the same period due to an increase in salary. The wage increased by the following reasons: i) recruiting new workers, ii) workers have to work overtime to meet the deadline of orders and deliveries, iii) insurance cost increased to comply with new policy.

The affiliated – Intermaru Vina JSC has contributed 635 mil. VND on company's consolidated profit. This is just a small amount in terms of profit but shows that this affiliated company has begun to stabilize its operation and made profit.

**❖ Financial Status**

Items	1Half. 2014	1Half. 2015	1Half. 2016
Profitability			
Gross p/m	36%	36%	35%
ROS	10%	13%	11%
ROE	4%	6%	5%
ROA	3%	5%	3%
Liquidity			
Current ratio	5.06	3.71	3.97
Quick ratio	2.80	1.86	2.01
Debt/Equity	0.20	0.31	0.30

Within the first six months of 2016, EVE maintained VND 218.0 bil. short-term and VND 54.2 bil. long-term debt, due to USD borrowing to support for raw materials and some machinery payment.

The owner's equity currently reached 914.3 bil VND, while total liabilities was only 272.3 bil VND, which showed stable and sound financial structure of the company, which has no big change compared to the period of last year (the leverage was at 0.3 times. The current ratio of 3.97x and quick ratio of 2.01x showed good capability of EVE to meet its short-term obligations without depending too much on inventory.

❖ Highlight events:

- Annual General Shareholder Meeting 2016 (on 15th Apr 2016) and Extraordinary General Shareholder Meeting (on 24th Jun 2016) have received approval on important issues, such as: Profit distribution plan 2015, amendment and supplementation of Company Charter, Business plan and Sales & Profit target in 2016
- Cash dividend plan 2015 with the rate of 20% has been accomplished (in which, each shareholder having 01 share would receive 2.000 VND)
- Board of Management has approved on the establishment of subsidiary company in Korea with the name of Everpia Korea JSC. This company will be focused on two main business: Bedding and Padding sales in Korean market
- Annual Agent Meeting on 29th Jun 2016 has introduced 57 new designed patterns which are from Bedding Collection 2017. This new collection has caught strong interest from customers with high appreciation. In this meeting, total amount of orders received for bedding season has been 26% higher than last year.



Plan for the next six months

❖ Business activities

• Bedding business

- Pushing implementation process of orders received;
- Set up plans and programs handling with inventory in order to reduce warehouse cost, as well increase cash flow and its overall sales and revenue;
- Keep enhancing marketing activities, strengthen agent system in depth: close such agents not having required standards on display or having overdue debt and low sales & revenues over two continuous years; in the meantime, open new potential agents to replace;
- **For B2B activities:** Increase marketing activities in new tourist-attraction area such as Phu Quoc, Quy Nhon, Vung Tau... with over 80.000 hotel rooms being about to exploit. Moreover, the Company will intensively focus on seeking and implementing orders from banks or organizations who usually buy goods to give their employees or customers as gift items. Expanding business scope as approved by GSM has not only contributed to the increase of orders' value received from traditional customers, but also been helpful for the company to diversify customer portfolio.
- **For Exportation:** Beside carrying out existing orders, the Company also pays attention to pushing standardization of manufacturing process as well sourcing raw materials to meet international quality standard. EVE is known for exporting Bedding products through: i) direct exportation via subsidiary companies, ii) cooperation agreement, iii) affiliated investment

• Padding business

Competing on price is main strategy that most EVE's competitors used to attract customers. However, if the Company keeps reducing its price, there will be an impact to company's profit. Hence, the Company still gives reasonable price in order to ensure the profit, while strengthens its competitive advantages: stable product quality, guarantee delivery time, exclusive Padding products: Invista (America) and Advansa (Europe). Besides, the Company tries to raise number of Quilting orders due to its higher profit margin. Enhancing local orders is also the Company's target in this upcoming time.



❖ **Investment**

• **New factory in Hung Yen Province**

The Company has been negotiating about contract to conduct compensation for land clearance of 95.000m² in Hung Yen. The new factory is expected to be built in early 2017 and be in operation from Q3.2017. This factory will contribute to lessen pressure on production volume and lower expenses of outsourcing.

New subsidiary company in Korea

Currently, the Company has received approval on investment. Hence, Everpia Korea is expected to be in operation since Q4.2016. Apart from enhancing business activities and promotion in the market that Everpia has lots of experiences and long lasting business partners, the subsidiary in Korea will be helpful for the Company on implementing other projects in long-term.

❖ **Others**

Lately, on 20th July 2016 the Company has received closing list of shareholders for paying stock dividend 2015. The Company is implementing procedure for additional listing and registering, so that such added shares will be in shareholders' account before 31st August 2016

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