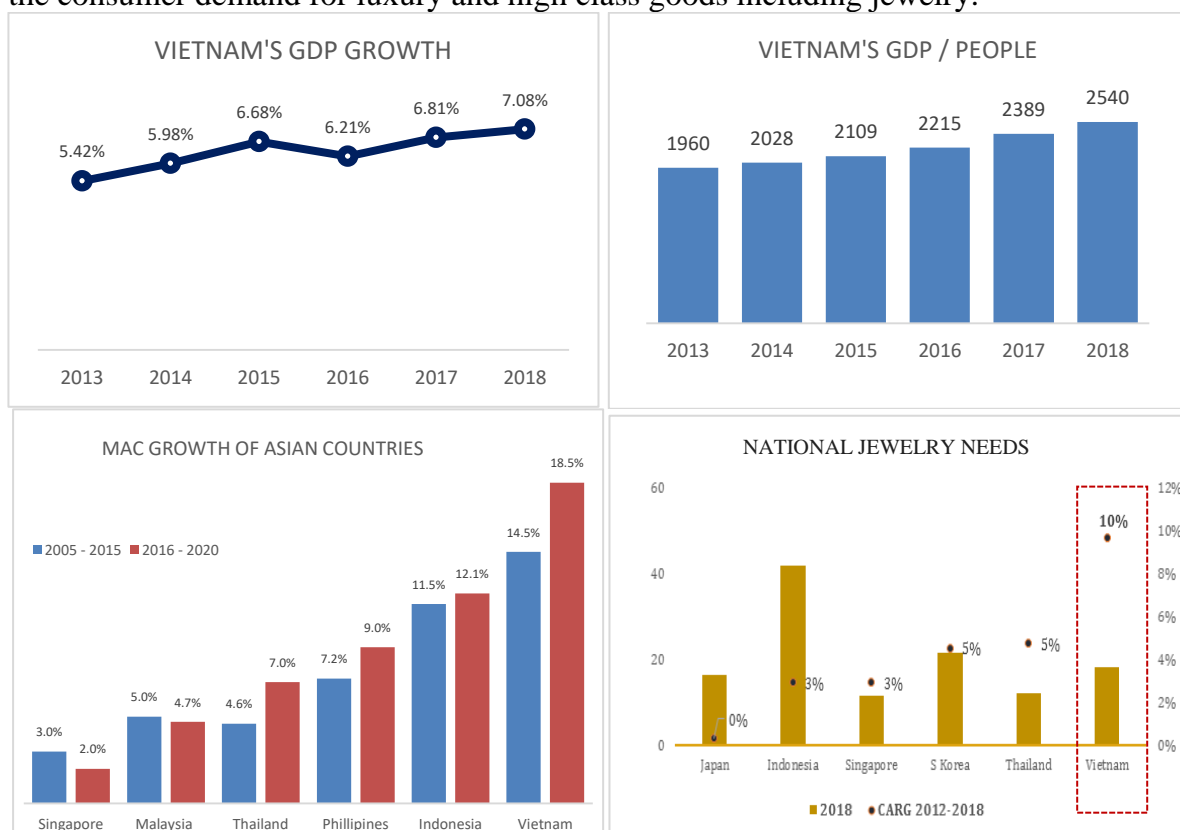


## SUMARY REPORT OF 2018 BUSINESS RESULTS

### A. MARKET OVERVIEW:

- Vietnam economy in 2018 achieved many outstanding results with the highest rate of GDP growth in 5 years, well – controlled inflation, per capita income strongly growth, stable political situation. That favorable economic condition has positively stimulated the consumer demand for luxury and high class goods including jewelry.



- According to the 4th the quarterly report in 2018 of World Gold Council, demand for jewelry gold in Vietnam are in highest level of 10 years, reach 18,2 ton/year. Besides, the price of gold was recovered from 8/2018 also shows that the demand for gold in the world is increasing again.
- The industrial revolution 4.0 has been profoundly changing the retail industry on many aspects and creating pressure for retail companies that have to really change to survive or be eliminated by the market in long-term.
- Approximately 70% market share of gold jewelry market are still in the segment of traditional gold shops, however, the market share of large jewelry enterprises – high-class line business are increasing rapidly every year, is now over 30%.
- Besides, the world trade war and the concern of the economic crisis in some big countries create a risk to the global economy – this may adversely affect to the luxury goods industry.

## B. BUSINESS RESULT IN 2018 – SUSTAINABLE DEVELOPMENT:

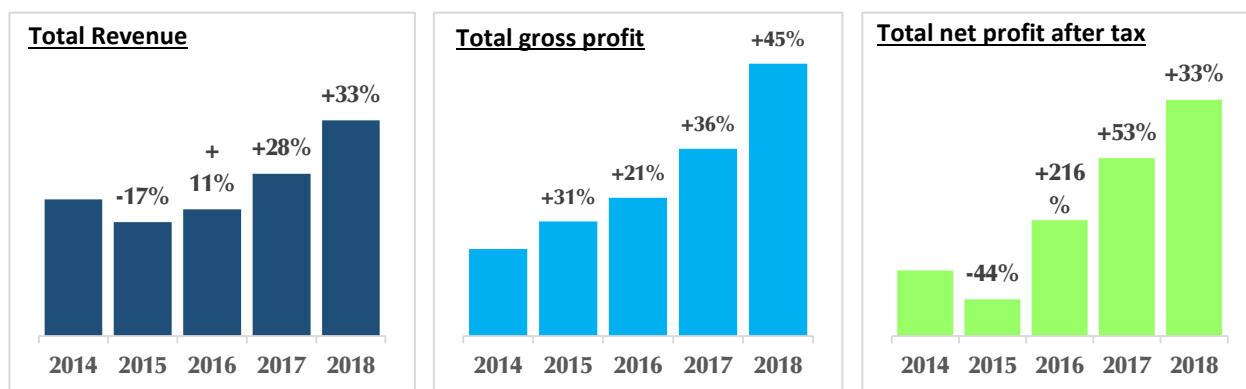
Marking 30 year of establishment and development, 2018 is a year that PNJ conquered many great and outstanding successes in many fields.

### 1. Financial result of Group:

Unit: Million VND

Stt	Items	Result 2017	Budget of 2018	Result 2018	+/- (%)
1	Total of net revenue	10,976,836	13,727,000	14,571,135	+33%
2	Gross profit from sale of goods and rendering of services	1,911,964	2,477,528	2,779,083	+45%
3	Financial income	8,795	21,701	6,846	-22%
4	Financial expenses	56,476	64,800	66,346	+17%
5	Selling expenses	774,978	1,086,655	1,170,069	+51%
6	General and administration expenses	187,936	247,767	345,868	+84%
7	Net operation profit	901,369	1,100,007	1,203,646	+33%
8	Net profit before tax	907,379	1,100,007	1,205,550	+33%
9	Net profit after tax	724,856	882,406	959,923	+32%
10	ROE	24.57%		25.64%	
11	Ratio of net profit after tax/Charter capital	67.05%		57.49%	
12	ROA	15.86%		14.91%%	

Source: Financial consolidated report of PNJ



Source: Financial consolidated report of PNJ

### Some outstanding achievements in 2018:

- Total net revenue of the Group is **14.571** billion VND, up **33%** compared to 2017, this is the highest increase of the last 5 years.
- Total gross profit increased **45%** compared to 2017, the highest ever.
- Profit before tax has exceeded 1,000 billion VND for the first time, reaching VND **1,205.5** billion VND for the whole year, increasing **33%** compared to 2017 and exceeding 9.6% of the plan.

### 2. 2018 Business Results of Subsidiary Companies:

#### • PNJP:



#### **Outstanding achievements in 2018:**

- Optimized production process => contributing to improving the capacity of delivering goods on time – up 5% compared to 2017.
- Researched and launched many new product lines for PNJ with sophisticated and advanced finishing quality.
- Implemented many technical improvement and innovations, reducing loss in production these help PNJP saving over 10 billion VND.
- Invested and applied many new machining technologies to help improving the perfectionism and quality of the products.

#### **• CECL:**



#### **Outstanding achievements in 2018:**

- Researched and implemented a professional business model for fashion watches.
- Successful research and negotiation with partners to enter into a range of exclusive products and exclusively distribute 2 Swiss brands: Jowissa and Silvana.
- Built an online selling capacity combined with traditional selling points.
- Researched and planned to operate a new store model: independent store, flagship store beside “shop in shop” model.

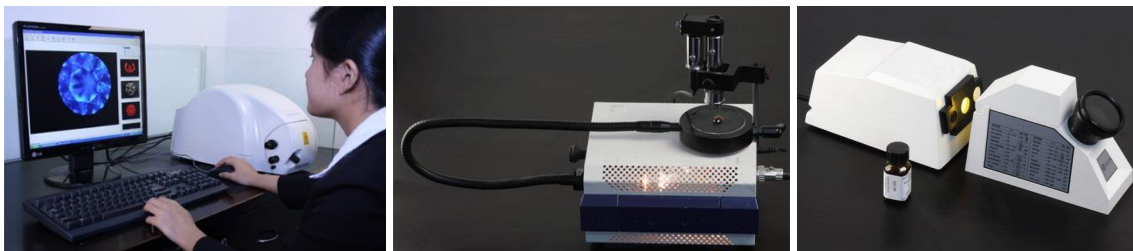
#### **• CAO:**

#### **Outstanding achievements in 2018:**

- Revenue increased by 13% compared to that of 2017 – the number of customers grew by 67%.
- In 2018, CAO introduced many product lines with unique design and story, honoring the Eastern-culture beauty (Oriental Collection) as well as the contemporary Western-culture beauty (Glamorosa Collection).
- Built a group of loyal and sustainable customers (39% of VIP customers contributed 65% of revenue in 2018).



- **PNJL:**

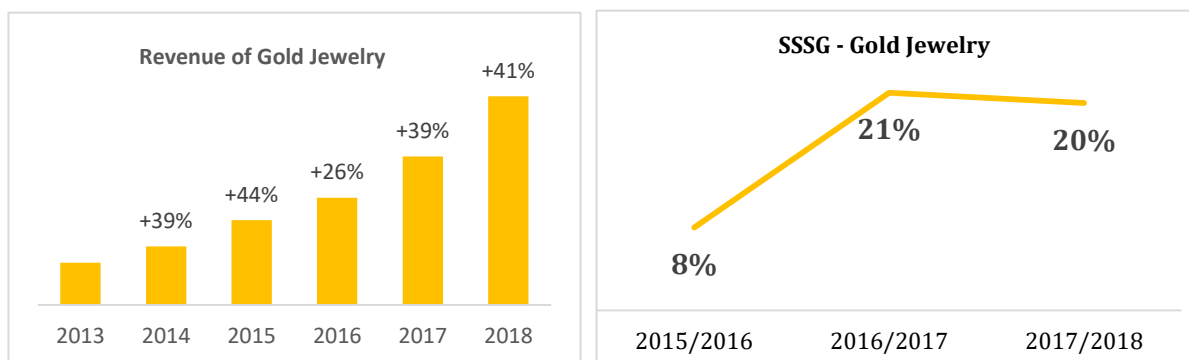


**Outstanding achievements in 2018:**

- Continued a stable growth momentum when Revenue grew more than 49% compared to that 2017.
- Initial research and application of technology systems (ERP) into management activities.
- Maintained the 1<sup>st</sup> position for jewelry and gem testing center in Vietnam.

### 3. 2018 business results of PNJ in channel:

- **Gold Jewelry:**

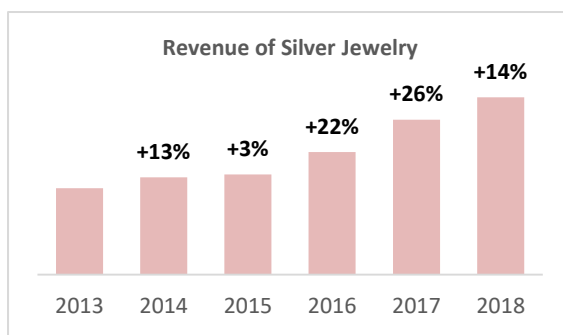


*Data source and chart: PNJ business report 2018*

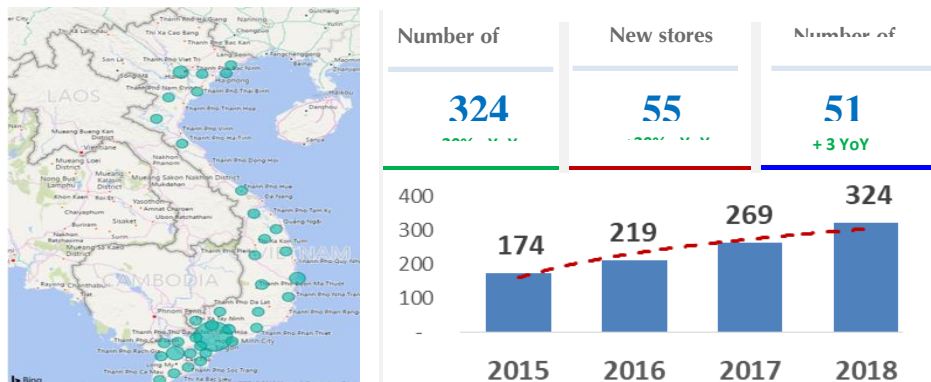
Following the growth of 2017, the retail gold business in 2018 recorded a remarkable revenue: completing **108%** of the plan, up 41% compared to 2017 and contributing over 54% to the total revenue of the company. Retail gold jewelry business continues to be the main growth engine, boosting the system revenue by **33%** compared to that of 2017.

- **Silver Jewelry:**

2018 is the start of the process of restructuring PNJ-Silver brand to prepare new growth platforms in this long-term business. The business results in 2018 grew 14% compared to that of 2017.



#### 4. Store expansion:



Source: PNJ business report 2018

- 2018 can be seen as one of PNJ's strongest growth years in retail expansion. The number of stores increased by 55, bringing the number of official stores to **324** stores at the end of 2018.
- Together with the grand openings of many stores and selling points, the same store sale growth (SSSG) is still very high (**+ 20%**). This shows that the market capacity is still large and PNJ's brand reputation has been clearly defined as in consumers' minds.
- In addition to opening more stores, PNJ has made good use of social media to reach young and trendy customers. There are over 600,000 followers on Facebook PNJ, over 300,000 followers of PNJ Silver fanpage, over 3 million views on Youtube, and hundreds of thousands of followers follow Instagram channel. In 2018, PNJ upgraded its viewing and purchasing experience online to step by step implement the strategy of online selling.

#### 5. Number of Loyal Customer (register for a new membership card):



Sources: PNJ's report 2018

- The growth rate of new loyal customers increased by 48%, of which Gold increased by 50% and Silver increased by 45%.
- With the investment and innovation of Customer services, the number of existing customers returning to purchase are higher and higher, shown by a proportion of revenue contribution increased by 5% compared with that of 2017.



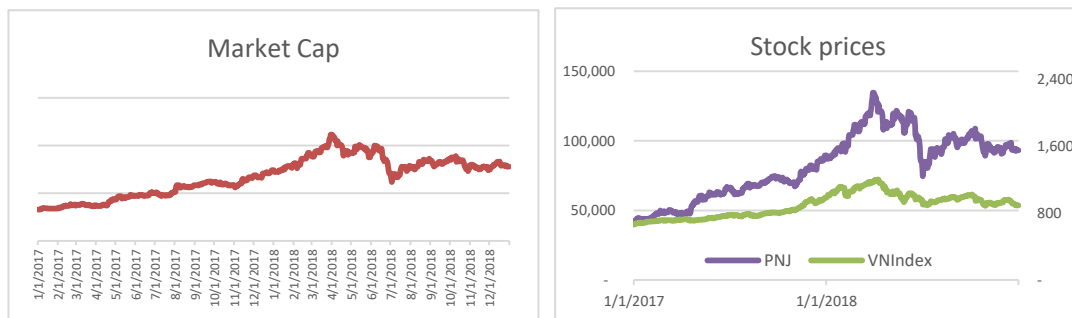
## 6. Awards:

By earning many international and domestic prestigious awards in many fields, PNJ showed the significant growth in 2018:

- PNJ has been honored for the 4th time by Asian Jewelry magazine – Jewelry News Asia (JNA), with the participation in 2 categories: Top 3 Retailer of the year Award (Retailer of the year) and Top 6 Brand of the Year Award.
- Honored to win the Best Companies to Work for in HR Asia Awards.
- Honored at the awarding ceremony "Vietnamese goods – high quality" in 22 consecutive years.
- Top 10 of 100 sustainable development enterprises and one of the rare enterprises awarded by the Government in 3 consecutive years among Top 10.



## 7. Market capitalization:



Sources: Cafef.vn

- PNJ has entered the list of Constituent Stocks VN30 in the review of July 2018. This is a list of large and leading stocks in Vietnam's stock market.
- 2018: Market Cap remained around VND 15.000 billion – VND 16.000 billion; At times when Vietnam's stock market grew positively, PNJ achieved a market capitalization around VND 22,500 billion, equivalent to nearly USD 1 billion (April 2018).
- Earnings per Share (EPS) in 2018 is recorded at VND 6,573 equivalent to 2017 (if the split and bonus shares are not included in 2018, EPS 2018 increased by 20% compared to that of 2017).
- In the last months of 2018, the leading securities companies in Vietnam such as: ACBS, VDSC, KIS, MBS, BVSC, BSC... continuously recommended buying PNJ stocks with market capitalization value estimation around VND 18,000 billion to VND 20,000 billion.

## C. SUSTAINABLE DEVELOPMENT:

### C1. CAPABILITY DEVELOPMENT:



#### 1. Production Capability:

Recording results from the reform of the production system in 2018, thereby, PNJP got significant achievements:

- Improving key production technologies: Casting - Dispensing, Plating... and improving the efficiency of producing Mold and Engraving technology. This helps reducing the average production time by 10%.
- Reducing material loss in production combined with reusing raw materials helped saving around VND 5.3 billion.
- Re-arrange machinery and equipment to optimize the production process, shorten production time and improve on-time delivery capacity by 5% compared to that of 2017.
- Building the set of skills for jewelers handbook; strengthen training, retention and development of artisans.

#### 2. Supply Chain Management Capability:



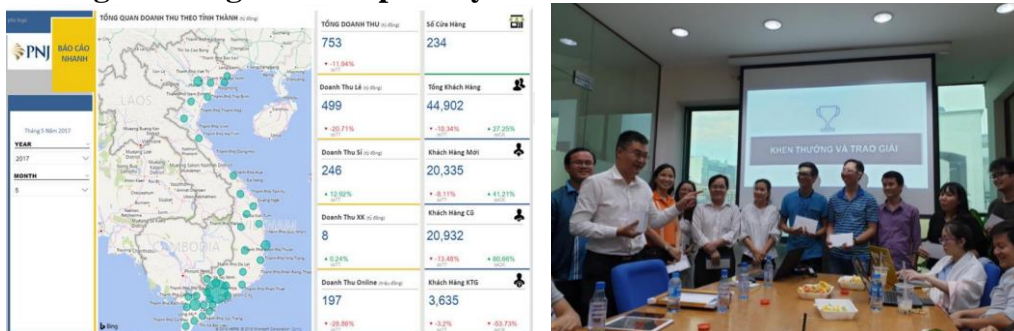
In order to ensure adequate response and timely supply of goods in the condition of continuous store expansion and development, PNJ's supply chain is continuously upgraded and improved. Include:

- Merchandising strategy is seen as the main nucleus in the process of restructuring supply activities. The management of retail goods in the two groups "topsell – non

topsell" has resulted in impressive revenue growth (+33%) as well as improving inventory turnover ratio from 2.04 rounds/year up to 2.25 rounds/year.

- Forecasting activities: expanding measurement of forecasting accuracy (FA) and forecasting bias (FB) to each region, code and product line. This increased the accuracy of the forecasted results by 7% compared to that of 2017.
- Planning activities: measure the supply of goods correct and on time to the store according to each code or group of goods.
- Logistic activities: Improving anti-open label and packaging to ensure products safety during transport.
- Besides, the distribution center model (DC) was initially restructured; this is the foundation for PNJ to ensure the supply capability for the wider retail system in the future.

### 3. Strategic Management Capability:



- In 2018, PNJ has been developing a corporate strategy, strategies for subsidiaries, finance and investment strategy...
- Deploying the centralized knowledge management: first for retail and PNJP systems, and posting documents on E-learning platform to facilitate the sharing and using of knowledge sources.
- Initially shaping the activities of risk management according to international rules through building department structure, process and risk appetite.

### 4. Marketing Capacity:

- Marketing capacity is the key investment capacity in 2018 and has brought encouraging achievements. The marketing programs of PNJ in 2018 are highly creative, create many emotions, strong engage with customers and create big impressions in the marketing community.
- 210 programs have been implemented with high efficiency when contributing 35% to total revenue, growing by 14% compared with 2017. Cost effectiveness is significantly increased compared with 2017.
- Design capacity highly improved than 2017 and exceeded the plan, in which: the number of 2D sample designs exceeded 50% of the plan; 3D model exceeded 1.4% of the plan compared with the required units.
- Analyzing customer portraits is deployed regularly, making important contributions to the planning, management and development of customers, contributing to the growth of loyal customers by 48%. Return rate of customers increased by 27% compared with 2017.



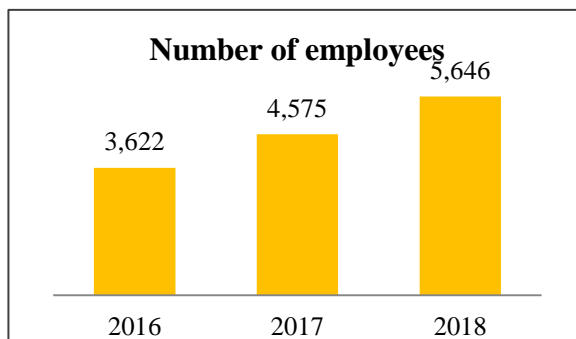
Some images in marketing programs:



Source: <http://www.pnj.com.vn>

## C2. ENRICHING RESOURCES:

### 1. Human resources:



Source: PNJ's Performance report – 2018

- PNJ's personnel scale has continuously grown at an average rate of 24% in the last 3 years.
- After years of intensive training for the group of sales personnel, in 2018 the training courses were more focused on the participants, back-office and management personnel. Besides, the quality of the training courses has been more advanced and the cost of training has been capitalized which significantly contributed to the success of the company.
- Besides, PNJ understands that human resources are the most valuable asset of a company, so PNJ focused on investing in key projects to improve the quality of human resources in 2018. Such as:

#### Leadership Framework:

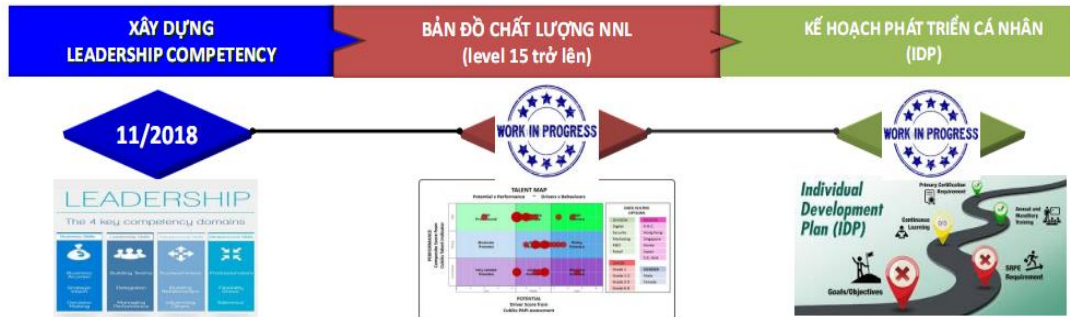
- In November 2018, PNJ completed the construction of the Leadership Framework. This is an important project to build the standard leadership framework of PNJ to help PNJ's managers catch up with the development trend of modern administration and practical according to values and culture of PNJ. This is the foundation for the training and development of PNJ's administrators in the long term.

### Quality map of human resources:

- Expected to be completed in March 2019. This is the most completed map of PNJ's human resources evaluated in two aspects: development potential and efficiency – helping the company identify talents and have long-term development plan.

### Individual development plan (IDP):

- Provide training and development plans for each individual of the company, thereby building an efficient, professional, continuous learning and long-term inherited staffs.



### PNJ culture:

- In 2018, PNJ also created many memories engaging PNJ's corporate culture in the spirit of "New Mind, New Challenge, New Achievement" through the series of corporate culture events.



## **2. Partnership assets:**

PNJ's success in the past years has contributed greatly from partnerships. Partnership assets are invested and accumulated through continued development and tightening relations with strategic partners.

- Increase brand cohesion with society by continuing to implement PNJ's own business philosophy "business associated with social responsibility". Partnerships with local authorities, associations / charitable funds, schools, press agencies continue to develop in brand promotion activities and building a trusted charity house. Some programs may include:
  - 85 trusted charity houses completed in 2018 (increased by 28 houses compared to 2017).
  - PNJ cohesion program with university students was organized in all areas which have PNJ's branches, attracting thousands of students to participate.
  - PNJ continues to participate in sponsoring raising autism awareness project of Vietnamese children...
- Maintain and develop relationships with partners such as financial institutions, investment funds, individual investors... to help PNJ get valuable support for business and financial activities.

### 3. Brand assets:

- PNJ is currently a leading brand in jewelry industry in Vietnam and in Southeast Asia. In 2018, PNJ has continuously implemented brand enrichment activities in accordance with the planned strategies.
- PNJ was in the Top 40 Most Valuable Brands in Vietnam is honored by Forbes Vietnam for the third consecutive times.
- The series of important activities in the year 2018 are well organized and effectively in communication and tighten the emotional cohesion of brand with customers.



Some outstanding events:

- A chain of internal activities to celebrate the 30-years-old PNJ creates a great success and approaches more potential customers. The A MAGICAL JOURNEY show is a big mark in the fashion and jewelry community.
- VIP Gathering customer appreciation parties have taken care of more than 2,000 nationwide VIP customers with the content and form being renewed in accordance with customers' wishes and corporate goals, creating exciting atmosphere for customers to connect more with PNJ.



- The brand's coverage is expanded based on the development of the company's network and participation in fairs and activities of jewelry industry in Vietnam in around the world.
- More than 30 display – demonstration and tour programs were implemented in 2018 to reach and introduce PNJ to the targeted customers.

### C3. PREPARATION FOR THE FUTURE:

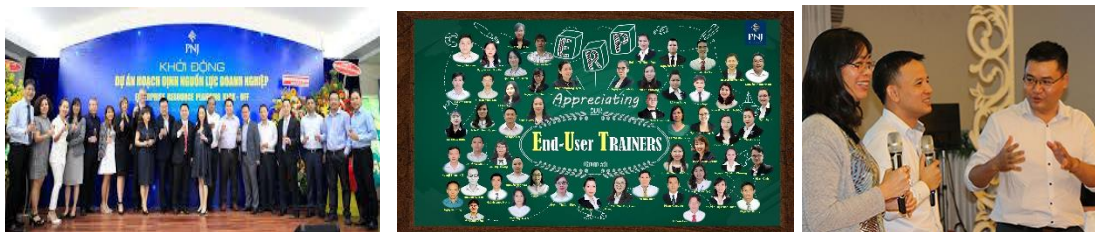
PNJ always understands that the future's success is coming from the strategic vision and careful planning preparation since then. Therefore, with the strategic orientation of digital transformation and focusing on improving the customer experiences, PNJ has been implementing:

#### 1. Enterprise Resource Planning Project – ERP:

The ERP project has been started since April 2018. The company has been mobilized a lot of resources with the highest priority for this project. Many of the important



works of this project has been carried out. The project is now entering the final step of preparing to go-live with the training of end users (End User Training - EUT), Parallel Test and expected to Go-live in the first half of 2019. This project ensures a solid foundation for Digital Transformation strategy in the period of 2018-2022 and vision 2030.



## 2. Data Warehouse Project:

The company has initially built the data platform data framework, Dashboard and models associated with groups on sales management, customer management, supply - production. In 2019, the company continues to develop financial models along with the Go-live process of ERP project.

## 3. Data Analytics projects:

In order to prepare qualified human resources in the 4.0 Industrialization era, the company's management team has established Data Team to ready of human resources with enough knowledge, experience and cultural transmission to analyze and use data in business operations and corporate governance. The research results of Data Team have initially contributed to the operational efficiency and business of PNJ in 2018.

## 4. New business development activities

In order to find and prepare for new growing engines in the long term, the company is steadily investing in research and cooperation for pilot projects and business initiatives to seek new business opportunities.

## D. CONCLUSION:

In 2018, PNJ has overcome great challenges from the market and fluctuations of the business environment to continually innovate ourselves and create new records in business results - continuously conquering awards and recognitions of the market and community. That is the result of commitment of all PNJ members. Those are tireless efforts, strong determination and the constant creative spirit of PNJ family.

We celebrate together for a very successful 2018 year. However, we have to remind ourselves not to be complacent but need to be constantly strict with ourselves in order to continue to build INTERNAL STRONG POWER – make THE BREAKTHROUGH – and conquer GREAT ACHIVEMENTS in 2019.

### Recipients:

- BOD, SB
- GD
- PNJ's shareholders
- Archived: Secretary
- Archived: Record Section

P

**GENERAL DIRECTOR**

*(Signed and sealed)*

**LE TRI THONG**