STRONG 1Q RESULTS WITH 14% YOY GROWTH OF BOTH REVENUE AND PROFIT

In 1Q2017, FPT has delivered the YTD plan with 14% growth achieved in both revenue and profits. Consolidated revenue was VND 9,768 billion, equal to 106% of the YTD target, up 14% YoY. Profit before tax (PBT) came at VND 643 billion, equal to 107% of the YTD target, up 14% YoY. Profit after tax (PAT) was VND 540 billion in 1Q2017, equal to 104% of the YTD target, up 21% YoY. PAT attributed to parent company’s shareholders was VND 413 billion in 1Q2017, achieving 110% of the YTD target, up 19% YoY. EPS was VND 899, achieving 111% of the YTD target, up 19% YoY. Technology, Telecom sectors were the key drivers of profit growth of the group in 1Q, topped by healthy growth of retail and education segments.

Overseas markets continued to grow healthily. In 1Q2017, revenue from overseas markets was VND 1,420 billion, up 14% YoY. Profit before tax from overseas markets was VND 200 billion in the same period, up 14% YoY, accounting for 31% of consolidated PBT in 1Q2017.

Summary of YTD consolidated financial performance

<table>
<thead>
<tr>
<th>Indicator</th>
<th>1Q2016</th>
<th>1Q2017</th>
<th>YoY change</th>
<th>YoY guidance</th>
<th>vs. YTD guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net revenue</td>
<td>8,567</td>
<td>9,768</td>
<td>14%</td>
<td>106%</td>
<td></td>
</tr>
<tr>
<td>Profit before tax (PBT)</td>
<td>563</td>
<td>643</td>
<td>14%</td>
<td>107%</td>
<td></td>
</tr>
<tr>
<td>Profit after tax (PAT)</td>
<td>447</td>
<td>540</td>
<td>21%</td>
<td>104%</td>
<td></td>
</tr>
<tr>
<td>PAT attributed to parent company’s shareholders</td>
<td>346</td>
<td>413</td>
<td>19%</td>
<td>110%</td>
<td></td>
</tr>
<tr>
<td>Basic EPS (VND)</td>
<td>756</td>
<td>899</td>
<td>19%</td>
<td>111%</td>
<td></td>
</tr>
</tbody>
</table>

Table 1 - Summary of financial performance in 1Q2017

YTD segment reporting

<table>
<thead>
<tr>
<th>Segments</th>
<th>REVENUE</th>
<th>PROFIT BEFORE TAX</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1Q2016</td>
<td>1Q2017</td>
</tr>
<tr>
<td>Software development</td>
<td>1,188</td>
<td>1,399</td>
</tr>
<tr>
<td>Software outsourcing</td>
<td>1,104</td>
<td>1,310</td>
</tr>
<tr>
<td>Software solutions</td>
<td>84</td>
<td>90</td>
</tr>
<tr>
<td>System integration</td>
<td>259</td>
<td>353</td>
</tr>
<tr>
<td>IT services</td>
<td>178</td>
<td>177</td>
</tr>
<tr>
<td>Subtotal Technology</td>
<td>1,625</td>
<td>1,929</td>
</tr>
<tr>
<td>Telecom services</td>
<td>1,449</td>
<td>1,643</td>
</tr>
<tr>
<td>Online advertising</td>
<td>94</td>
<td>107</td>
</tr>
<tr>
<td>Subtotal Telecom</td>
<td>1,543</td>
<td>1,749</td>
</tr>
<tr>
<td>Distribution and manufacturing of IT products and mobile handsets</td>
<td>2,779</td>
<td>2,611</td>
</tr>
<tr>
<td>Retail</td>
<td>2,448</td>
<td>3,253</td>
</tr>
<tr>
<td>Subtotal Distribution &amp; Retail</td>
<td>5,227</td>
<td>5,864</td>
</tr>
<tr>
<td>Education &amp; investments</td>
<td>172</td>
<td>225</td>
</tr>
<tr>
<td>Total</td>
<td>8,567</td>
<td>9,768</td>
</tr>
</tbody>
</table>

Table 2 - Financial performance by segments in 1Q2017
RECORDING IMPRESSIVE PROFIT GROWTH OF 38% YOY THANKS TO IMPROVED DOMESTIC MARKET CONDITIONS ON TOP OF HEALTHY OUTSOURCING GROWTH

Software development
Software development comprises of software outsourcing sub-segment, which mostly serves customers in developed markets including Japan, the US, Europe and Asia Pacific (APAC), and software solutions sub-segment, of which most of the revenue is derived from the domestic market with increasing contribution from developing markets such as Laos, Cambodia, Myanmar, and especially South Asian countries including Bangladesh.

Overseas markets continued to play the key role in delivering growth for the software development in the first quarter. In 1Q2017, software development’s revenue was VND 1,399 billion, up 18% YoY in which software outsourcing’s revenue was VND 1,310 billion, up 19% YoY. On top of that, software solution revenue was VND 90 billion, down 6% YoY and equal to 100% of the YTD target.

In terms of earnings, the Software development segment recorded growth of 20% versus prior year period. Software outsourcing business has its PBT up 23% YoY, to VND 190 billion. Software solutions segment has booked VND 46 billion of loss in the first quarter, as revenue has not been able to cover overhead costs in early months of a year as usual.

In the first quarter, FPT’s outsourcing segment has achieved the CMMi Level 5 version 1.3 – the highest possible level of the Capability Maturity Model Integration process that has been developed by Carnegie Mellon University and administered by the CMMI Institute, which was required by many large US organizations in software development. It was also an honor to be ranked among Top 100 Best places to work in Vietnam with ranking improved from 12th to 9th position in 2017, as per the latest listing compiled by Anphabe social network of professionals and market researcher Nielsen.

Also in 1Q2017, FPT’s outsourcing business was also accepted as one out of 21 development partners of Autosar – a worldwide development partnership of automotive interested parties. FPT has established the “Automotive” domain since the early of 2016. After just one year, this unit has expanded to have more than 1,000 employees working with clients in the automotive industry. As predicted, 80% of future innovation in cars will be related to software, which brings huge opportunities for software companies to help to enhance the competitiveness or even transform the automobile industry.

In the software solutions segment, FPT has also launched “go-live” ceremony of the IVAS system in Bangladesh. This is the largest project of FPT outside of Vietnam, which was funded by World Bank. Total contract value of which was USD 33.6 million which was mostly recorded in 2016, with service revenue to be recorded in later years. Completion of such a large-scale project will add to FPT’s track record in such a new market, paving the way for winning more contracts in the country’s digitalization strategy.

System integration and IT services
The (hardware) system integration segment has recorded revenue of VND 353 billion, up 36% YoY, and PBT of VND 26 billion for the year-to-date, mostly thanks to the completion of contracts in the public sector with electricity companies, the tax authority, post office, and the private sector clients such as Novaland, Binh Son refinery, Number One, among others.

The IT services segment recorded YTD revenue of VND 177 billion, and PBT of VND 13 billion in the first three months mostly thanks to the booking of maintenance contracts with top banks (ATM maintenance), and ERP system maintenance with Petrolimex, among others.
Total value of contract signed in 1Q2017 was VND 1,236 billion, up 72% against the prior year period, mostly thanks to contracts signed with the biggest banks to provide software and maintenance services.

Backlog balance for the three segments including system integration, software solutions and IT services ended up being VND 3,050 billion by the end of March, slightly increased by 3% versus prior year period.

**TELECOM SECTOR**

**PROFIT UP 18% YOY THANKS TO IMPROVING MARGINS OF TELECOM SERVICES**

Telecom services – PBT increased strongly by 21% year-on-year

Being the key growth driver of the Telecom sector’s revenue and profits, the Telecom services segment recorded VND 1,643 billion in revenue in 1Q2017, growing by 13% YoY, equal to 99% of the YTD target.

In more details, revenue from providing broadband services to individuals and households recorded 10% YoY growth to VND 1,122 billion in 1Q2017.

Other non-broadband telecom services, including leased line, voice, data center and IPTV services have also performed well and recorded 22% top-line growth on a year-over-year basis, to VND 520 billion in the same period, which was mostly driven by pay-TV revenue growth.

In terms of earnings, the YTD PBT started to show a turn-around with PBT of VND 242 billion in the first quarter, up 21% YoY, as 1H2016 recorded negative profit growth due to continued costs allocation of materials (last mile and modem) that were related to the fiber optic swap project in Hanoi and HCMC.

**Online advertising**

Continuing the trend in 2016, online advertising revenue of VND 107 billion in 1Q2017, up 13% YoY, and PBT of VND 53 billion in 1Q2017, increasing by 7% YoY, boasting PBT margin of 49.5% for the year to date. It is useful to be reminded that there was a financial gain amounted to VND 10 billion in 1Q2016 thanks to a divestiture from an investment of FPT Online. Profit growth should have been 34% in 1Q2017 excluding the gain from 2016 figures.

**DISTRIBUTION AND RETAIL SECTOR**

**PROFIT OF THE SECTOR CONTINUED TO IMPROVE THANKS TO THE RETAIL SEGMENT**

Distribution of IT products and mobile handsets

The distribution business recorded revenue of VND 2,611 billion, and PBT of VND 56 billion in 1Q2017, decreasing by 6% and 40% YoY, and completing 109% and 103% of the YTD plan, respectively.

**Retail business**

On the contrary, Technology product retail business has maintained impressive growth. In the first quarter, retail revenue was VND 3,253 billion, up 33% YoY, and profit before tax was VND 61 billion, up 45% YoY, continued to show margin expansion. FPT Retail was operating 411 stores by the end of March. Online sales, another important growth driver, also saw an impressive growth of 133% YoY after three months, accounting for 16.6% of the YTD retail revenue. This was partially due to the sales reason during the Tet holiday. Percentage of revenue from online sales may lower in later months.
SUMMARY OF NOTABLE EVENTS

GLOBALIZATION

- **Official launching of FPT’s biggest IT project overseas:** The Integrated VAT Administration System (IVAS) implemented by FPT Information System (FPT IS) for the National Board of Revenue, Bangladesh (NBR) was officially put into operation on schedule after 12 months of deployment. This was the largest overseas IT project of FPT (USD 33.6 million, World Bank-funded project). [Read more]

- **FPT won biggest IT contract for Public sector in Myanmar:** FPT was officially selected by Myanmar’s Ministry of Planning and Finance for a contract worth USD 11.3 million. This has been the biggest IT project of Myanmar government so far and also the biggest World Bank funded IT project in this country. [Read more]

- **FPT Software becomes AUTOSAR development partner:** FPT Software was the first Vietnamese enterprise and one of 21 development partners of Autosar (Automotive Open System Architecture). [Read more]

- **FPT opens Vietnam’s largest software outsourcing center:** FPT Software officially launched 2nd phase of software village, F-Ville 2. Together with F-Ville 1, opened in 2013, FPT Software’s office in Hoa Lac is the largest software outsourcing center in Vietnam with 5,000 employees and was targeted to become a global center to provide digital transformation. [Read more]

- **FPT Singapore target 45% increase in revenue 2017:** FPT aims to achieve 45% increase in revenue in Singapore in 2017 and manage to maintain a growth rate of more than 30% here over the next three years. [Read more]

AWARDS

- **FPT Software steps up in Top 100 Viet Nam Best Places to Work:** The Anphabe Career Network and Nielsen Market Research Company just unveiled the list of Top 100 Best Workplaces in Vietnam 2016. FPT Software ranks 12th on the list, 9-step compared to the 2013 list. [Read more]

- **FPT Software named Fujitsu’s Distinguished Partner:** Fujitsu Group recognized FPT Software as Fujitsu Distinguished Partner on January 18. [Read more]

- **FPT Telecom Chairwoman among Vietnam’s 20 Most Influential businesswomen:** Forbes Vietnam has announced the list of the 50 most influential Vietnamese women in 2017, 20 of whom are businesswomen. FPT Telecom Chairwoman Chu Thanh Ha is the only representative of the telecommunication industry in business area. [Read more]

TECHNOLOGY

- **FPT Software re-appraised at CMMI Level 5:** FPT Software has been re-appraised at level 5 v1.3 of the CMMI, the highest level based on the CMMI standards. This certificate is very important to FPT Software as it not only increases big customers’ trust to the company but also creates many outputs for departments to innovate in project training, administration and operation. [Read more]
FPT appointed new CIO: Chairman Truong Gia Binh has appointed the Head of FPT Information Management Department to undertake the Chief Technology Officer (CIO) position from February 15. Read more

EDUCATION

FPT University honored with PM’s Certificate of Merit: Deputy Prime Minister Vu Duc Dam made his visit to the campus of FPT University located at Hoa Lac Hi-tech Park, on February 13. On the occasion, FPT University was honored with a Certificate of Merit from the PM for its achievements in innovating training for high-quality human resources, contributing to build socialist and national defense. Read more

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