

FPT CORP – Y2017 PERFORMANCE

AN IMPRESSIVE PBT GROWTH OF 41% YOY

In 2017, FPT recorded **consolidated revenue** (*) of VND 43,845 billion, up 8% YoY, equal to 94% of the YTD target. Profit before tax (PBT) was VND 4,249 billion, equal to 125% of the YTD target, up 41% YoY.

Profit after tax (PAT) was VND 3,522 billion in 2017, equal to 121% of the YTD target, up 37% YoY. **PAT attributed to parent company's shareholders** was VND 2,927 billion in 2017, equal to 128% of the YTD target, up 47% YoY. **EPS** was VND 5,122 equal to 132% of the YTD target, up 50% YoY.

FPT's profit has increased sharply thanks to good performance of business lines and gain on the divestment of two companies: FPT Digital Retail Joint Stock Company (FPT Retail) and FPT Trading Company Limited (FPT Trading).

Overseas markets continued to perform well. In 2017, revenue from overseas markets was VND 7,199 billion, up 18% YoY. Profit before tax from overseas markets was VND 1,207 billion in the same period, up 29% YoY, accounting for 28% of consolidated PBT in 2017.

On 18 December 2017, FPT completed reducing the ownership in FPT Retail and FPT Trading to under 50%. Specifically, FPT's proportions of ownership in FPT Retail and FPT Trading has been reduced to 47% and 48%, respectively and these companies are no longer subsidiaries of FPT, becoming associates instead. FPT's businesses are now grouped under three main segments: Technology, Telecom, Education and Others.

Summary of YTD consolidated financial performance

Unit: VND in billions

Indicator	FY2016	FY2017	YoY change	vs. YTD guidance
Net revenue	40,545	43,845	8%	94%
Profit before tax (PBT)	3,014	4,249	41%	125%
Profit after tax (PAT)	2,576	3,522	37%	121%
PAT attributed to parent company's shareholders	1,991	2,927	47%	128%
Basic EPS (VND)	3,410	5,122	50%	132%

Table 1 - Summary of financial performance in FY2017

(*) Note: Business revenue consolidated financial performance of the distribution and retail sector for the period from 01 January 2017 to 17 December 2017

YTD segment reporting

Unit: VND in billions

Segments	REVENUE				PROFIT BEFORE TAX			
	FY2016	FY2017	YoY change	% YTD guidance	FY2016	FY2017	YoY change	% YTD guidance
Software outsourcing	5,181	6,242	20%	97%	855	1,068	25%	100%
System integration, software solutions and IT services	4,770	4,841	1%	90%	247	63	-74%	22%
Subtotal Technology	9,952	11,083	11%	94%	1,102	1,131	3%	83%
Telecom services	6,176	7,132	15%	99%	944	909	-4%	95%
Online advertising	490	520	6%	90%	254	314	23%	122%
Subtotal Telecom	6,666	7,651	15%	99%	1,198	1,222	2%	101%
Education & investments	890	1,044	17%	N/A	170	1,193	604%	N/A
Total business sector	17,508	19,778	13%	96%	2,470	3,547	44%	133%
Subtotal Distribution & Retail	23,037	24,067	4%	92%	544	702	29%	95%
Total	40,545	43,845	8%	94%	3,014	4,249	41%	125%

Table 2 - Financial performance by segments in FY2017

Note: Subtotals may not add up due to rounding

TECHNOLOGY SECTOR

The Technology sector's revenue increased by 11% YoY in 2017 on the back of a strong growth of the outsourcing segment (20% growth YoY). However, the financial performance of *software solutions, IT services* and *system integration* was not as expected at the beginning of the year.

Software outsourcing

The *software outsourcing* segment, which serves customers in *developed markets* including Japan, US, Europe and Asia Pacific (APAC), recorded revenue of VND 6,242 billion, up 20% YoY in 2017. Profit before tax for the reported period was VND 1,068 billion, up 25% YoY, boasting a margin improvement to 17.1% from 16.5% in the prior year period.

In 2017, FPT made a strong impression in Japanese market with the signing a software contract worth USD 36.5 million - the largest contract in its nearly 20-years history of globalization.

In addition, FPT continued to be successful in the strategy of focusing on the top 500 largest companies in the world. The number of customers who are among these companies (referring to the Fortune 500) is 75 so far, an increase of 51 customers compared to 2016. Concurrently, the number of clients in the software outsourcing segment from whom revenues surpassed USD 1 million milestone is over 60, about two times YoY.

System integration, software solutions and IT services

In 2017, the information system business recorded revenue of VND 4,841 billion, increased 1% YoY, equal to 90% of the YTD targets, and PBT of VND 63 billion, down 74% YoY. The main reason was unfulfilling contract implementation of system integration and software solutions in the domestic market.

Total contract value signed in 2017 was VND 5,549 billion, up 20% YoY. Backlog balance for these three segments ended up being VND 3,143 billion by the end of December. FPT expects it will be a premise for the segment's growth in 2018.

TELECOM SECTOR

Telecom services – revenue increased by 15% year-on-year

Being the key growth driver of the Telecom sector's revenue and profits, the Telecom services segment recorded VND 7,132 billion in revenue in 2017, equal to 99% of the YTD target. However, PBT was VND 909 billion, equal to 95% of the YTD target due to the provision of Vietnam public-utility telecommunication service fund and franchise fee.

In more details, revenue from providing *broadband services* to individuals and households recorded 11% YoY growth and reached VND 4,709 billion in 2017. Other *non-broadband telecom services*, including leased line, voice, data center and IPTV services, have also performed well and recorded 26% top-line growth on a year-over-year basis, reaching VND 2,423 billion in the reported period, which was mostly driven by pay-TV revenue growth.

Online advertising

Online advertising posted revenue of VND 520 billion in 2017, up 6% YoY, and PBT of VND 314 billion in 2017, increasing by 23% YoY which exhibit a margin improvement continuousness thanks to operational cost optimization.

EDUCATION SEGMENT

In 2017, the education segment recorded revenue exceeding the YTD target by 6%. An enrollment recorded a strong growth rate of 53%, completed 100% of the YTD target, equivalent to 12,500 new students.

TOP 10 NOTABLE EVENTS IN 2017

The year of 2017 ended with stunning events and activities such as winning the giant software project (M35) or the commencement of the largest and most modern office complex of FPT - FPT Tower, creating a strong belief in the aspirations of innovation and big dreams of FPT towards the 30th anniversary.

1. FPT won the “Dinosaur” software project

The USD 36.5 million project was signed by FPT with Japanese customers and is being implemented by FPT Software Company. First time in its history, FPT Japan (a unit of FPT Software) will take the role of a Systems Integrator (SI), providing consultation and problem solving of technology to end users.

The project has a significant impact on the future of both FPT Software and its partners. Japanese customers set product goals to improve the IT system’s ability to better manage internal processes and improve the performance of small and medium enterprise systems during the rapid change of technology. In the meantime, this is an opportunity for FPT to prove its capability in high-demand processes in software projects as well as to apply advanced technologies in building the system architecture.

The customer of FPT in this project is a supplier of ERP packages for SMEs in Japan. Participating in this project, FPT Japan will build the perfect ERP system to implement for a series the customer’s partners.

2. FPT has made great strides in deploying intelligent transportation systems

In 2017, FPT marked a new development in the field of intelligent transportation by being assigned to deploy the intelligent traffic system of Hanoi. The total estimated investment of the project was 1.7 trillion VND with 9 important components such as the operating/controlling system, the monitoring and collecting traffic information system, digital map, etc.

In Ho Chi Minh city, FPT has developed and implemented intelligent transportation solutions including the Bus information management system; Electronic traffic information board; Measurement of vehicle traffic by camera with more than 90% of accuracy; Traffic Information Service Portal, etc.

For many years, FPT IS has proactively proposed and implemented technology solutions to gradually develop intelligent traffic in Vietnam.

3. FPT released the first Vietnamese AI platform (FPT.AI)

As the pioneer in the digital transformation during the Industrial Revolution 4.0 in Vietnam, FPT has invested in research and development of many top technology trends such as Artificial Intelligence (AI), Deep Learning, Internet of Things (IoT), Big Data, etc. In 2017, FPT has achieved initial positive results.

On June 6th 2017, FPT officially released the artificial intelligence platform named FPT.AI which enables the technology community to use FPT’s research results to bring AI to life. FPT.AI applies the latest machine learning techniques for natural language processing, supporting those applications that use interactive user interfaces with voice or text. FPT.AI has been used by domestic and foreign enterprises to develop business solutions.

Also in this year, the first self-driving test car of FPT rolled out, receiving a lot of attention from the technology community as well as the domestic and international media.

4. FPT divested from Distribution and Retail Sectors, focusing on Technology

On December 19th 2017, FPT announced the divestment to less than 50% at FPT Retail and FPT Trading. Accordingly, FPT’s shareholding in FPT Retail and FPT Trading is 47% and 48%, respectively. These units become affiliated companies instead of FPT subsidiaries.

This decision is a part of FPT’s core strategy that focusing on information and communications technology.

Previously, on September 12th, FPT and Synnex - the world's third-largest electronics, telecommunication and electronic component distributor - signed an investment cooperation agreement, allowing Synnex to buy 47% of FPT's stake in FPT Trading.

In early August, FPT sold 30% of its ownership in FPT Retail to two investment funds – Dragon Capital and VinaCapital. Expectedly, FPT Retail will list its shares on HoSE before April 30th 2018.

5. FPT Education launched a series of new products

It can be said that 2017 has been the memorable year of FPT Education with many outstanding events such as the commencement of the campus of FPT University in Can Tho; welcoming a series of national as well as international politicians and important figures.

Especially, with the first year enrollment of FPT High School in Da Nang and the establishment of FPT Primary School and FPT Secondary School, FPT Education has made an important milestone when it successfully expanded the locations and helped the organization to improve its “multi-level” target from elementary to postgraduate.

In 2017, FPT Education also launched three new other products, including FPT- UBD Global Center; BTEC FPT International College and Fast track. In addition to helping FPT expand its reach, the new products also help to direct learners to a modernly, "practically and experimentally" educational thinking in order to help them quickly adapting for the industrial environment after graduation.

6. FPT Telecom celebrated 20 years of establishment

FPT Telecom has accompanied and put its own imprints in the 20 year history of Internet Vietnam, in which FPT is the first joint stock company in Vietnam to be licensed to deploy telecommunication services, eliminating the monopoly position of state enterprises.

At the 20th anniversary of Internet Vietnam, FPT Telecom was honored in the top 5 most influential internet service providers in Vietnam. Over the past two decades, FPT Telecom has contributed to changing the face and promoting the development of the Internet in particular and Vietnam's economy in general, creating more wealth for the society and improving the life quality.

FPT Telecom has also continuously created remarks, enhancing the Internet experience for customers. In 2017, FPT Telecom launched SOC - the 1 Gbps Internet service package for individuals and households, which is the fastest one in Vietnam currently. Using the fiber optic infrastructure along with advanced technology devices, this service allows users to experience the speed of 100 times faster than the average Internet access speed in Vietnam.

7. iKhen and Post & Tag awards honored innovative work practices

In 2017, FPT organized iKhen award which honors the innovative work practices of FPT employees, encouraging the formation and implementation of new ideas; enhancing work efficiency, promoting the owner mindset in each staff and building a creative and transparent work environment. This is the largest scale innovation award of the Corporation up until now. 155 applications were submitted and competed within nine months, finalizing with 9 Gold, 18 Silver, 10 Bronze, and 7 Consolation prizes awarded to the outstanding individuals and units in FPT's member companies.

The contest will be held annually for 3 consecutive years (2017-2019), continuously searching for initiatives of FPT employees.

8. Commencement of construction projects owned by FPT

On December 12th 2017, the Corporation commenced FPT Tower complex on an area of 1.6 ha in Cau Giay District, Hanoi. With gross floor area of over 100,000 m², FPT Tower will provide workplace for approximately 9,000 people in IT industry. Currently, this is the largest construction site of the Corporation.

Previously, on December 6th 2017, the FPT University and Software Park complex in Can Tho were built on an area of over 17 ha, with a total estimated investment of VND 1,400 billion. When the complex comes into operation, it will provide high-quality human resources to the Mekong Delta River region.

By now, FPT has owned 17 office and training complexes throughout the country. It is expected that in early 2018, FPT will start building 3 more office and training complexes including F-Ville 3 Software Village in Hoa Lac High-Tech Park, Hanoi; F-Town 3 Building at the High-Tech Park in District 9, HCMC; and FPT University in Da Nang.

In the past 10 years, the scale of FPT's human resources has grown up at nearly 16% per year. For 2018-2020 period, FPT is expected to maintain its growth rate of 18% and reach the scale of more than 50,000 by 2020. Thus, FPT has always pioneered to invest in the construction of university and software park complexes in Vietnam, which is similar to campus model of big corporations in the world.

9. Many senior leaders visited and worked at FPT

In 2017, FPT was honored to receive many delegations from the government, ministries of Vietnam and other countries.

On February 16th, Prime Minister Nguyen Xuan Phuc visited F-Ville 2 Software Village at Hoa Lac High-Tech Park. Previously, on February 13th, Deputy Prime Minister Vu Duc Dam participated the opening ceremony of F-Ville 2 and awarded Certificate of merit to FPT University for innovations in the program and methods of training high-quality human resources.

In November, FPT honorably welcomed King of Brunei, Haji Hassanal Bolkiah Mu'izzaddin Waddaulah, to visit an English Centre - FPT UBD Global Centre in Da Nang. Deputy Prime Minister who is in charge of investment and IT of Slovakia, Mr. Peter Pellegrini and the delegation visited and worked at FPT Cau Giay in the same month.

In addition, many senior leaders of the world's biggest corporations of digital transformation have visited and signed many important cooperation agreements. Chairman and CEO of Siemens, Mr. Joe Kaeser, visited Vietnam and FPT in May. Airbus's Chief Technology Officer, Marc Fontaine, signed a cooperation agreement with FPT Software in Hoa Lac campus in last December.

The sequence of events shows that Vietnam is an important destination for IT development and FPT is a key technology partner in 4.0 revolution.

10. Establishment of relationships with many companies in the Fortune 500

Since 2016, with strategic goal of accompanying with corporations that own the world's leading technology platform and the initiative of digital transformation, FPT has approached and cooperated with many global corporations whose turnover is up to tens of billion USD. FPT calls this a "whale hunting strategy."

In 2017, in addition to the dramatic changes in the number of contracts signed with foreign partners, FPT has established new relationships with 40 major corporations, including 20 famous corporations in the Fortune 500 such as Airbus, SiemensCurrently, FPT is the only technology company in the world selected by Airbus to jointly develop the Skywise technology platform – an open IoT platform that provides free data for the whole Airbus industry.

By the end of 2017, FPT has been providing services and solutions for 75 customers and partners in the Fortune 500.



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