

No :...815.../CV-IFS

Bien Hoa, 24<sup>th</sup> October 2011

**To :** Ho Chi Minh Stock Exchange  
**CC:** State Securities Commission

**Re:** explanatory for business results of third quarter 2011

First we would like to thank for your support recently.

We would like to provide the result of income statement for the Quarter 3 in 2011 as following:

Items	Q3-2011		Q3-2010		Variance	%
	USD		USD			
Gross sales	9,425,892		12,631,521		(3,205,629)	-25%
Less deductions:	(247,409)		(315,717)		68,308	-22%
Net sales	9,178,483	100%	12,315,804	100%	(3,137,321)	-25%
Cost of sales	(7,548,514)	-82%	(9,558,130)	-78%	2,009,616	-21%
Gross profit	1,629,969	18%	2,757,674	22%	(1,127,705)	-41%
Financial income	21,800	0%	545,077	4%	(523,277)	-96%
Financial expenses	(451,177)	-5%	(695,075)	-6%	243,898	-35%
<i>Including: interest expense</i>	(387,702)	-4%	(491,872)	-4%	104,170	-21%
Selling expenses	(1,588,069)	-17%	(1,939,163)	-16%	351,094	-18%
G&A expenses	(298,768)	-3%	(496,831)	-4%	198,063	-40%
Operating loss	(686,245)	-7%	171,682	1%	(857,927)	500%
Other income	18,353	0%	76,693	1%	(58,340)	-76%
Other expenses	(111,244)	-1%	(155,858)	-1%	44,614	-29%
Profit (loss) before tax	(779,136)	-8%	92,516	1%	(871,652)	942%

We would like to explain several factors related to the results of consolidated operations as of the reporting period as follows:

**Sales revenue:** Sales revenue of Quarter 3 in 2011 reached US\$ 9.4 million only, approximately 75% comparing with the same period in 2010; due for high inflation of the first 9 months in 2011, the psychology of consumers on tightening spending also significantly reduced the sales of the company.

**Cost of goods sold** achieved 82% of sales, while this rate at the same period in 2010 was 78% (up 4%), due for the effects of inflation, high borrowing costs, the suppliers increased price in bulk key raw materials such as aluminum cans, sugar, packaging materials, etc. ... On the other hand, selling prices did not increase and revenue of quarter 3 in 2011 decreased over the same period in 2011 also directly affected the ratio of cost of goods sold and revenue generated by the fixed costs did not change corresponding, although the company also worked hard to control input costs of products and reduce inventory

In the Quarter 3 - 2011, interest expense of IFS group achieved US Dollars 387 thousand (down 21% compared to Quarter 3 - 2010). Reasons: The company received a off-shore loan worth U.S. Dollars 10 million with interest rates around 1.7% / year, the company has restructured loans by repaying whole loans of the subsidiary - Avafood Shareholding Company for



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Vietcombank - Dong Nai branch, and repayment in full for its loans owed to Viet A bank, lead to reduce borrowing costs. However, in Quarter 3-2011 the Banking loan interest rates were very high (up to 19% per annual) have affected the ratio between interest expenses and total revenue of the company (about 4%).

In addition, the company was subjected to selling expenses increased in the quarter 3-2011, accounting for 17% of revenue compared to 16% over same period in 2010. Reason: transport costs increased by the impact of fuel prices, inflation. The company has also increased salaries for sale staffs.

Above is the major causes leading to business results for Q3-2011, the Company suffered losses. Board of Directors and all employees of the company are trying to gradually adjust their production and business plans in consistent with the actual situation how to have a positive business result at the end of 2011.

Thanks and best regards!

For Interfood Shareholding Company  
General Director



Michio Nagabayashi

