

PetroVietnam Engineering Joint Stock Corporation.

(HNX: PVE)



Sector: Industrial | Supporting, Designing and Consulting Services

Update Report

OVERVIEW

- **PVE has a long operation history of over 10 years, specializing in consulting, designing and constructing petroleum projects.** The company has participated in many major projects of the Vietnam Oil and Gas Group (PVN) such as: Binh Thuan industrial gas development planning project, Nam Bo gas provision pipeline system project, Phu My pipeline project - Ho Chi Minh city, PM3- Ca Mau gas pipeline project, Ca Mau Gas-Electricity- Fertilizer complex, Rang Dong - Bach Ho offshore gas pipeline ect.
- **PVE is the only firm in PVN operating in the design consulting services business** after acquiring all other firms in the business from PetroVietnam (PVN) and PetroVietnam Power Corporation (PV Power). As consequences, PVE has the advantage of being able to access many projects in the petroleum industry as well as being the nominated contractor for the designing projects in the petroleum industry, especially specialized petroleum projects and petroleum services projects.
- **Revenue has been growing significantly in the last few years,** despite the difficulties resulting from the financial crisis and economic recession. Average revenue growth rate in this period come at above 30% and profit after tax also grows strongly year by year. In 2011, PVE's revenue and profit increase dramatically due to implementing huge projects of Designing and Consultant services as well as merging the operation of members which PVE has acquired. After-tax profit is estimated to increase at 193% in comparison with 2010.
- **Valuation:** PVE's share is priced based on 3 methods: FCFE, P/E and P/B. We value the share at about VND **18,000**/share, corresponding to the P/E of 6.23x in 2010 and forward P/S of 5.14x in 2011. This price level is reasonable given PVE's current outlook and growth potential. This valuation is higher than industry average because of PVE's unique advantages.

RECOMMENDATION

Price target:	18,000
Market price	10,400
52-week high:	18,130
52-week low:	6,500

STOCK DATA

Stock exchange:	HNX
Par value:	10,000
Number of shares:	18,000,000
Market Cap. (billion VND):	187
EPS 2009 (VND)	2,887

OWNERSHIP INFORMATION

PVN	29.00%
Staff	2.21%
Others	68.79%

KEY FINANCIAL RATIOS

	2008	2009	2010F	2011F	2012F	2013F	2014F	2015F
Total Assets (VND bn)	180.7946	238.7952	376.12	581.43	670.82	777.86	905.84	1,058.46
Owners' equity (VND bn)	50.95467	102.655	100.93	215.09	232.50	253.06	276.85	304.82
Net revenue (VND bn)	196.9274	301.7417	405.05	546.82	656.18	787.42	944.90	1,133.88
After tax profit (VND bn)	9.644031	14.71495	21.27	31.47	37.04	43.75	50.62	59.51
EPS (VND/share)	2794.077	2581.027	2,667	2,421	2,058	2,431	2,812	3,306
ROA	5.6%	7.0%	6.9%	6.6%	5.9%	6.0%	6.0%	6.1%
ROE	19.8%	19.2%	20.9%	19.9%	16.6%	18.0%	19.1%	20.5%

INVESTMENT POSITIVES

Strong growth of business outcome. In the first six months of 2011, PVE's business outcome grows significantly with revenue of VND303.56 billion which increase 72.8% compared to 2010. After-tax profit hits VND 23.2 billion equivalent to growth rate of 123.4% compared to 2010.

PVE has the advantage of being the only company operating in the petroleum designing service industry. The petroleum industry is one of the national prioritized industries with high growth potential. With Vietnam Oil and Gas Group (PVN)'s plan of expanding to the international market, PVE has the opportunity to penetrate other overseas markets through PVN's projects. In Dec 2010, PVE has been restructured into a petroleum consulting and designing company, focusing on designing industrial constructions and civil constructions in the petroleum industry. The company completed this by establishing member companies and acquiring designing companies from PVX and PVPower.

With a long history in the business and having participated in many major projects of PVN, PVE has established its name and gained supports from foreign partners. The corporation is currently planning to find foreign partners who can help it improve its technologies and increase its capital, improving its market competitiveness. PVE is in the process of discussing and negotiating with Technip (who is the EPC contractor of the Dung Quat Oil refinery plant) to become its strategic partner.

PVE's revenue grew decently even admits global economic downturn. Even though the petroleum industry has suffered tremendously from economic depression since the later half of 2008, PVE still managed to meet its planned profits during the last two years, with the growth rate averaging 50% per year, indicating that the company's management led by the board of directors has been very effective. This is one of the key factors that will boost the company's growth once economic recovery is on the way.

Strong financial position. Different from companies using leverage to boost growth, PVE is quite conservative when it comes to borrowing. Hence, the company has minimal risk in relation with the volatility of market interest rate and incurs only small amount of principal and interest expenses.

INVESTMENT RISKS

Macro-economic risks for the petroleum industry. Operating in the petroleum industry, PVE is both directly and indirectly affected by the general macro-economic changes and by changes occurred for the industry in particular. The changes in economic variables such as GDP growth, inflation, interest rate, world's oil price, development plans and policies, regulations related to the operation activities of the petroleum industry, will certainly affect PVE's activities.

Competitive risks. Although at present, PVE is still receiving supports from PVN,

given that Vietnam is on its path to fulfilling its WTO commitments and that PVE has the intentions to expand into non-petroleum sectors, the company is going to face some fierce competition in terms of capability and price from domestic and foreign companies, especially from big consulting and designing firms or general contractors from countries such as Japan, Korea, China, The United Kingdom, France, The United State ect.

COMPANY BACKGROUND

Establishment history

PetroVietnam Investment Consultancy and Engineering Corporation were formed from equitizing PetroVietnam Investment Consultancy Construction Company (PVICCC). On 10/04/1998, PVICCC was a member of Vietnam Oil and Gas Group (PVN). On 26/03/2004, PVICCC was changed into PetroVietnam Investment Consultancy and Engineering JSC. With total chartered capital of VND 25 billion according to Decision no. 531/QD-TCCB of the Ministry of Trade. On 14/9/2005, the company received business registration certificate no. 4103003829 from Ho Chi Minh city, Department of Planning and Investment and officially came into operation under a joint stock company structure from 01/10/2005. On 02/01/2008, the company's shares started to be listed on the Hanoi Stock Exchange under sticker "PVE". On 11/08/2009, the company completed raising its capital to VND 80 billion. On 19/10/2010, the general shareholders meeting issued a resolution to restructure PVE into PetroVietnam Investment Consultancy and Engineering Corporation operating under the parents-member company model. The general shareholder meeting also approved the plan to raise capital to VND 180 billion through additional share issuance (which is currently implementing).

Business field

After 10 years from starting up to development and having participated in many major projects of PVN, the company has grown significantly and step by step established its name in the industry while contributing to the success of PVN.

At present, the company is operating in three major areas: investigation and construction services, petroleum investment and design consulting, and petroleum constructions execution.

According to PVN's decision and the resolutions of the general shareholders' meeting on 19/10/2010, PVE will become PetroVietnam Investment Consultancy and Engineering Corporation, a member of PVN. The corporation's operating activities after the restructure will focus on the two following areas:

- Investment project consulting, petroleum projects (from up-stream to down-stream) designing and management, civil and industrial construction projects designing and management (both in and outside the petroleum industry).
- Investigation consulting of petroleum specialized constructions, civil and industrial construction in and outside the petroleum industry.

In the approved plan, PVE is going to creating two member companies by restructuring its own branches and divisions and transferring capital from 5 other

business units (see table).

Table 1: Member companies that PVE intends to establish and acquire

Tentative member companies	Form	Main responsibilities	Capital (VND)	Capital contributed by the parent company
PetroVietnam Project management JSC.	Newly founded (by restructuring petroleum constructions branches and factories and project management division-economic technology department)	Manage investment constructions projects of PVN, including specialized petroleum projects, bio-ethanol and other projects (except power projects)	30 bn	VND 18 bn (60%)
PetroVietnam Construction Investigation Consulting JSC.	Newly founded (by restructuring investigation, testing and construction services branches and factories)	Investigate sites, geology, project situations of PVN on- and off-shore, aim to step by step expand to deep-water projects, civil and industrial projects	20 bn	VND 12 bn (60%)
PetroVietnam Construction Investment Consulting JSC. (PCIC)	Capital transferred from PVN	Consult on doing investment projects, investment project investigation, design costs estimation, consult on construction management, consult on design of civil and industrial constructions	30 bn	VND 10.8 bn (36%)
PetroVietnam Power Engineering JSC. (PVPE)	Capital transferred from PVN	Consult, investigate, design and supervise energy constructions projects	20 bn	VND 10.2 bn (21%)
PetroVietnam Power Project Consulting JSC. (PVPower PCC)	Capital transferred from PVN	Consult on doing investment reports, create investment projects, economic-technological reports; consult on investment investigation and project feasibility; on construction and installation of equipments etc.	40 bn	VND 19.6bn (49%)
				<i>Source: PVE</i>

Ownership structure

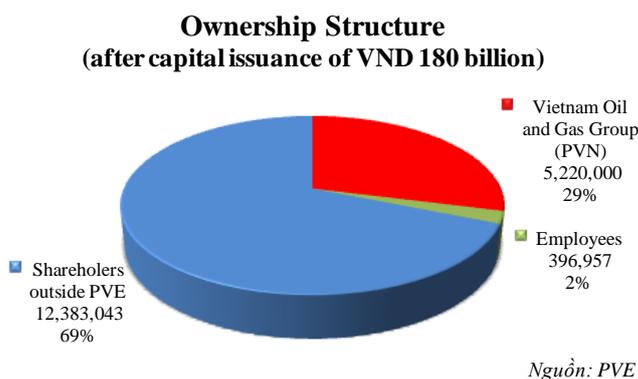
Being partly owned by PetroVietnam Construction JSC. (PVC)- one of the leading construction and installation corporation in Vietnam, PVE benefits from its brand name and from being able to participate in PVC's projects.

PVC intends to transfer all the PVE shares it is holding, which account for 29% of

PVE’s total equity, to PVN. PVE is currently in the process of searching for and negotiating with strategic partners with Technip Group being one of the corporations that have shown intentions to invest in PVE.

PVE’s relationships with other companies of PVN and other foreign partners offer the corporation considerable competitive advantage i.e. being able to participate in many projects, and get access to needed capital and technologies.

Chart 2: Ownership Structure after additional share issuance



Capable management with much relevant experience

Table 2: Board of directors

Name	Position
Lê Chung	Chairman of the Board
Dinh Van Dinh	Deputy Chairman
Do Van Thanh	Board Members/ Director
Bui Tuan Anh	Board Members/ Deputy Director
Phạm Thanh Minh	Deputy Director
Le Huu Bon	Deputy Director
Ho Kha Thinh	Board Members/ Chef Accountant
Nguyen Ngoc Hai	Head of Controlling Committee
Le Thi Thuy Hang	Controlling Committee Member
Lê Quang Thắng	Controlling Committee Member

Source: PVE

We highly appreciate PVE’s management. Most of the managers are engineers and bachelors who have much experience in field directly related to the company’s business activities. We would like to note that 3 of the 5 people in the board of director are also managers, holding the positions such as CEO, deputy CEO and chief accountant. Although this overlapping supports the directors’ decision making process, it also hampers PVE management’s efficiency.

PVE’S OPERATING ACTIVITIES

Revenue and profit grow remarkably despite financial crisis

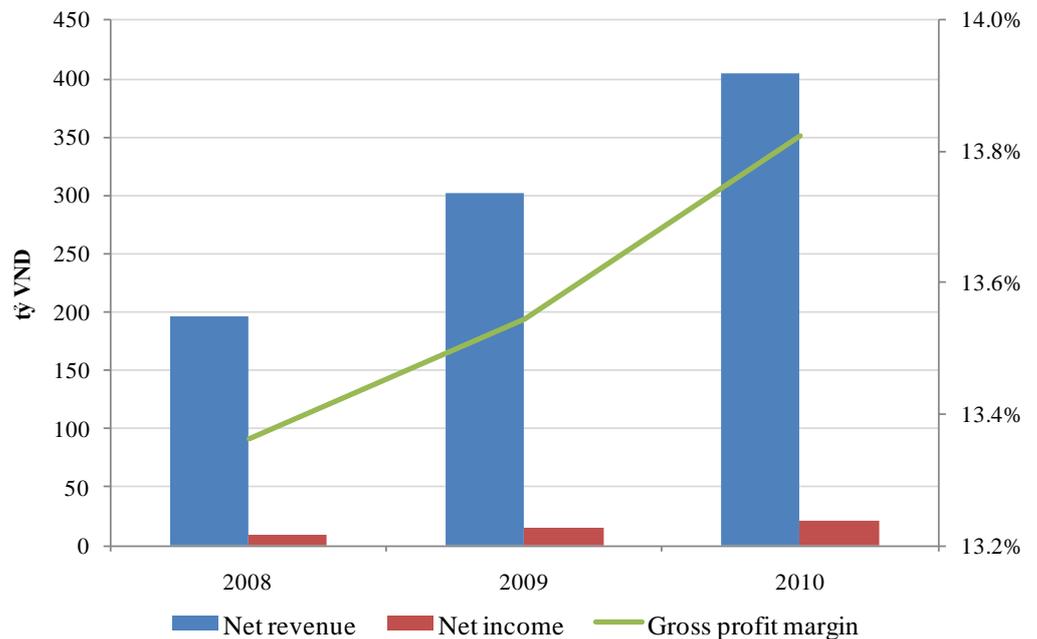
The financial crisis at the end of 2008 caused world’s crude oil price to plummet, falling from the peak of USD 160/barrel to the trough of USD 46/barrel. This significantly affected the international oil industry and PVN in particular. Despite going through a

and economic recession

difficult time in the middle of recession, PVE still achieved impressive operating results with its revenue increasing by 53,2%, profit after tax increasing by 52,6% - the results that very few companies could be able to achieve during the same period. In 2010, the recession continued to severely affect the domestic economy and PVE’s business activities. However, PVE still reported a revenue of VND 405 billion, increasing by 34,2% from the prior year, and a net income of VND 21.2 billion, increasing by 44.6%.

In the first half of 2011, the business results of PVE have outstanding growth with revenue of 303.56 billion VND, increasing 72.8% over the same period in 2010. Profit after tax reached 23.2 billion, increasing 123.4% over the same period in 2010.

Chart 3: Revenue, profit, and profit margin of PVE



Source: PVE, PSI

Design consulting is the company’s strength, construction and installation is the major source of revenue

Being the only company operating in the petroleum designing field, PVE has been entrusted with many sizable projects in the petroleum industry. Especially, after the converting to the parents-members company model and acquiring new divisions, PVE has greatly improved its position and expanded to other business areas outside the petroleum industry. We expect that the consulting and designing activities will continue to be PVE’s strength in the near future.

Operating in the consulting and designing business, PVE has lots of room to develop its construction and installation activities, lengthening its value chain. Recently, PVE has participated in many constructions projects of PVN, confirming its capability in the petroleum construction and installation business. Some of the projects PVE has participated include: Dung Quat no. 1 oil refinery plant; Polypropylene - Dung Quat production plant; PM3-Ca Mau stations and gas pipeline; Nam Con Son Condensate Project; Phu My Fertilizer Plant; Nam Con Son 2 gas pipeline project; Thai Binh 2 power Plant ...

In the past few years, construction and installation business is the area bringing about the majority of PVE's revenue. We believe that this trend will continue in the next few years.

Design consulting activities

Recently, PVE has obtained many valuable consulting, investigating contracts, and construction and installation contracts, guaranteeing a stable revenue stream for the company in the coming years. Some of the big designing projects PVE has done include: Binh Thuan industrial gas development planning project, Nam Bo gas provision system planning and development project, Phu My pipeline project- Ho Chi Minh city, PM3-Ca Mau gas pipeline project, Ca Mau Gas- Electricity- Fertilizer complex, Rang Dong- Bach Ho off-shore gas pipeline ect.

PVE is also currently conducting a series of major projects such as LPG Dung Quat project, Phu My condensate plant expansion project, Su Tu Den / Su Tu Vang- Rang Dong gas pipeline project, development plan of Vietnam's petroleum sector for 2006 -2015 period and vision to 2025 ...

In the future, PVE will continue to further develop its petroleum design consulting business, for example: designing underground petroleum warehouses, LPG warehouses, electricity-control system, gas distribution, gas processing plant etc. PVE will also expand into other specialized areas such as offshore projects, oil refining and petrochemical projects, power plant, bio-fuel plant, industrial and civil constructions, buildings, and metropolitan areas.

Construction, installation and EPC activities

PVE has participated in many big projects such as: ME8# package, EL-3 package, and B-2 package of the Dung Quat oil refinery plant project, Dung Quat Propylene, PM3- Ca Mau stations and gas pipeline project, CNG Phu My project, Dong Nai liquefied gas plant, Dinh Co GPP gas processing plant, Hai Phong LPG warehouse, Ha Noi LPG filling station, Nam Con Son Condensate project, Phu My fertilizer plant etc.

In addition, PVE also participated in repair and maintenance of offshore petroleum constructions of Vietsovetro, corrosion control repair of compressed air, fuel warehouse, pressure-producing equipments, etc.

Currently, PVE is the EPC general contractor of some construction and installation projects with capital under USD 150 million such as Binh Phuoc bio-ethanol plant. In the near future, PVE will continue to develop its EPC activities for projects in the petroleum industry, preparing to expand into other EPC projects outside the industry later.

Investigation activities

PVE activities also include construction investigation services, nondestructive check, project quality test: belt road 2 project- southern Ho Chi Minh city, B52 gas pipeline- O Mon, Long Son no. 2 refinery plant etc.

Table 3: Projects PVE is implementing

Contracts	Implement Year	Value (VND 1000)	Jobs	Partners
Provision of FEED for Nam Con Son 2 Gas Pipeline Project	2011		* Engineering for pipeline and GPP	
			* Geotechnical Survey (supplement)	
Provision of Detailed Engineering for Quang Trach 1 Coal-Fired Thermal Power Plant Project	2011		* Detailed Engineering	
EPC Binh Phuoc Bio Ethanol plant	2010-2012		EPC	
Polypropylene plant	2008-2010		* Electricity design * Electricity and electricity control * Installation of pipeline system * Heat insulation cover for the whole plant	
Consult on designing investment constructions for Nam Con Son II gas pipeline	2010		Project forming consulting	
Design construction drawing for modified starch production plant	2010		Construction drawing design	
Dung Quat oil refinery plant	2005-present		* Electricity and electricity control, construction package 2 * Construction and installation of electricity package EL3 * Surrounded pipeline	
Consult on project formation for the pipeline project connecting East-West southern region	2009		Project forming consulting	
Perform sites, geology, meteoric and hydrographic investigation for pipeline project connecting East-West southern region	2009		Sites, geology, meteoric and hydrographic investigation	
Form projects constructing Black lion/yellow lion-Rang Dong gas pipeline, supplemented for Bach Ho gas project	2009		Forming construction project Writing report assessing environmental effects of the project	
Perform shore investigation for overall technical design (FEED) – DA. Gas pipeline Lorong B-Omon	2009		Sites, geology investigation	
Design construction drawing for Go Dau LPG warehouse	2009		Perform construction investigation for construction drawing	

Design construction drawing and capital budgeting for the Dung Quat LPG filling station	2009		Investigation of the electricity supply line, LPG supply line, water supply line. Design construction drawings.	
EPC - CNG filling station	2009		EPC	
Provide design for GASLIFT System project	2009		Provide construction drawing designing services for off-shore installation equipments and connect repair scaffold no. 1 and satellite scaffold no. 7 internally in Back Ho oilfield, MSP-1 and BK-7	
Design construction drawing no. 2 for the 1000 ton LPG tank of the Dung Quat LPG project	2009		Construction drawing design	
Expand Nha Be lubricated gasoline plant	2008-2009		<ul style="list-style-type: none"> * Purchase, supply equipments and materials * Construct and install machines * Test running * Constructing foundation for tanks and pipelines * Electricity and electricity control * Construct and install pipeline * Part of the engineering work 	
Creating plan to provide quick gas for Nhon Trach 1 power plant	2008		<ul style="list-style-type: none"> * Construction investigation * Technical design, construction drawing design * Equipments purchase * Construction building * HAZOP assessment * Test running * EPC 	
Forming Go Dau LPG warehouse project	2008		Construction investigation Economic-technical report Construction building	
Perform non-destructive check for the ME-1, 4, 5 package–Dung Quat oil refinery plant	2007 - 2008	2.530.551	Check NDT (RT, MT, PT, UT)	Siam Cement Group, Thai Lan
Design and install information controlling equipments package IN-1, Dung Quat oil refinery plant	2007-2008	13.600.000	Installation design	Dung Quat oil refinery plant

Construct learning units- intern factories for the DK human resource training school	2007-2008	7.780.498	Lighting electricity construction	DK human resource training school
Dormitory no. 2 -Ba Ria Vung Tau - DK human resource training school	2007-2008	8.219.404	Electricity, construction	DK human resource training school
B2 package - Dung Quat oil refinery plant	2006-2008	25.076.146	Chemicals warehouse construction - Construction	Technip
ME-8 package - Dung Quat oil refinery plant	2006-2008	48.777.600	Construct and install pipeline and machines on-shore	Technip
EL3 - Dung Quat oil refinery plant	2006-2008	18.272.000	Construct electricity system (lighting, lightning-resistant etc.)	Technip
Form the Black lion/yellow lion-Rang Dong gas pipeline investment and construction project	2007	5.047.000	Construction project formation	PV Gas
Perform geology investigation- Long Son no. 3 refinery plant	2007	1.163.379	Geology investigation	Ban DLDA NMLD 3 Long son
Construct, install, and test the fuel provision system for the Tan Son Nhat airport	2007	6.518.556	Construction, installation, test running	WEC
Handle other work generated from designing, installing information system, control and SCADA for contractor Yokogawa of the PM3- Ca Mau gas pipeline	2007	1.077.388	Design, install information system, control and SCADA	Yokogawa
Design Phu My project (basic design)	2007	2.168.100	Basic design	Project management department- Phu My pipeline- HCM city
Development planning for the Vietnam petroleum industry in 2006-2015, outlook until 2025	2006 - 2007	2.513.000	Development planning for the Vietnam petroleum industry in 2006-2015, outlook until 2025	Ministry of industry
Design, install information system, control and SCADA for PM2- Ca Mau project	2006-2007	4.223.343	Design, install information system, control and SCADA	Yokogawa
Construct and install the PM3- Ca Mau gas pipeline	2006-2007	97.521.494	Construction, engineering, electricity	Vietsopetro
Expand 200MT tub warehouse- LPG Dong Nai		8.135.561	Expand 200MT tub warehouse- LPG Dong Nai	VTGas DN
Design "shut down works" package (construction design)	2007	8.500.000	Installation of gas pipeline for Dinh Co gas pipeline plant	The UK Oil and Gas Group

Level and cut shear zone package CV6 contract	2006-2007	30.670.720	Level and cut shear zone	Technip
<i>Source: PVE; PSI</i>				

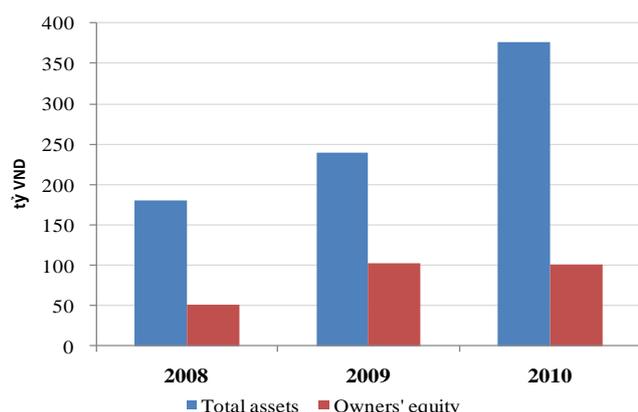
Suitable cost structure compared to other companies in the sector

Like most of the companies in the construction and installation sector, cost of goods sold accounts for the largest part in total expenses of PVE. The ratio COGS/total expense of PVE is 89-90%, around the industry average.

PVE did not incur selling expense in the last two years as the company received many projects from companies under PVN without the need to spend money on expensive advertising. However, in the near future when the company expands its activities to other countries, advertising will be necessary and selling expense will definitely be higher.

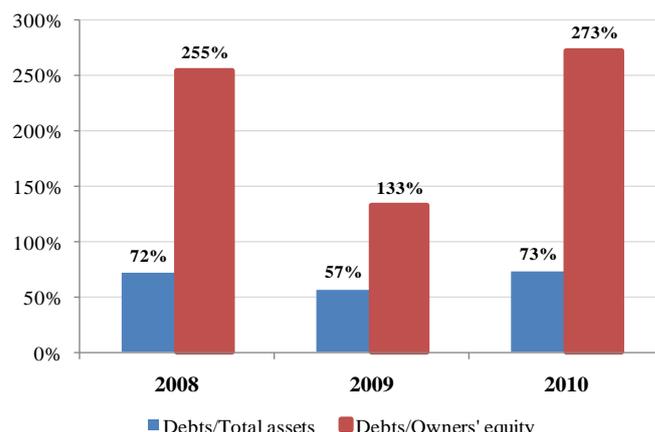
PVE’s financial expense is insignificant. However, the administration expense ratio of 10% can be reduced once the company’s operation has been stabilized.

Chart 4: Total assets, owner’s equity



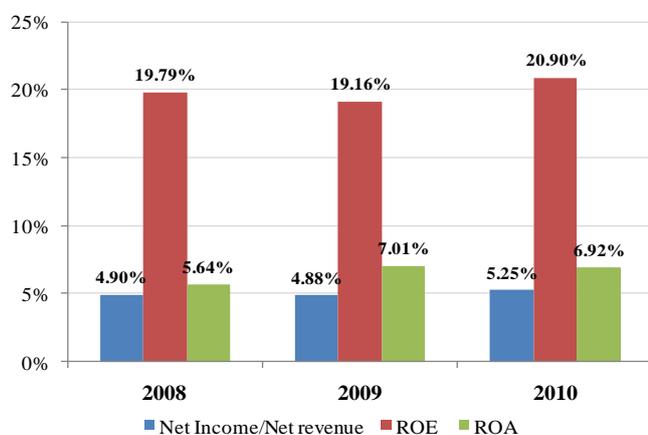
Source: PVE, PSI

Chart 5: Liabilities



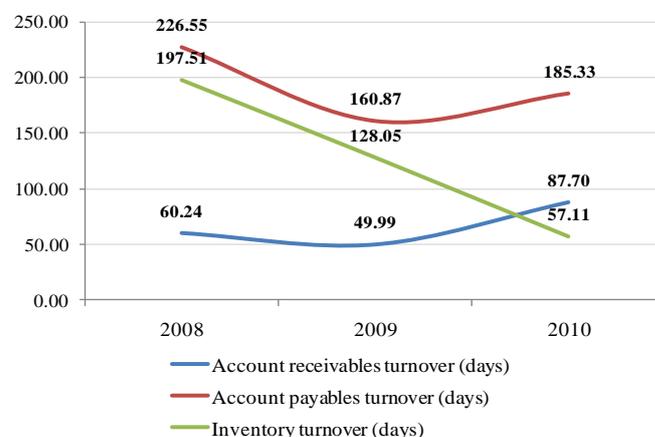
Source: PVE, PSI

Chart 6: Profitability ratios



Source: PVE, PSI

Chart 7: Operating efficiency ratios



Source: PVE, PSI

Overall, PVE's financial ratios show that the company has a relatively strong financial position, which has been improved in the recent years.

Although PVE's solvency ratios are not high, we do not foresee considerable liquidity risk in the short-term since the company is using very little leverage, and specially does not have short-term debts in the last 3 years. Short-term liabilities of PVE are mostly in the forms of account payables and advance from customers; hence it has very low risk level.

PVE has low liabilities in its capital structure and its leverage tends to decline as the company raises additional capital. The only debt of the company in the last three years has been the debt financed by PVN to support the company's operating activities and to purchase software and PVE does not have to pay interest for loan.

The company's profitability ratios are on average and being improved. These ratios indicate that PVE's profitability has been improved significantly, but is only average compared to other companies in the industry. One of the reasons is that the company does not use leverage. ROE tends to reduce in this year due to the intended large capital increase (from 80 billion to 180 billion) which falls around year end. The ratio, hence, does not correctly reflect the company's improvement in profitability during the year. We believe that these ratios will improve further in the coming years.

Table 4: PVE's key financial ratios

FINANCIAL RATIOS	2007	2008	2009	2010	2011F
Solvency ratios					
Current ratio	1.31	1.37	1.50	1.04	1.31
Quick ratio	0.61	0.53	0.90	0.93	1.19
Debt ratios					
Debts/Total assets	71%	72%	57%	73%	63%
Debts/Owners' equity	246%	255%	133%	273%	170%
Operating efficiency ratios					
Total assets turnover	-	1.15	1.44	1.32	1.14
Account receivables turnover (days)	-	60.24	49.99	87.70	140.01
Account payables turnover (days)	-	226.55	160.87	185.33	214.11
Inventory turnover (days)	-	197.51	128.05	57.11	27.60
Profitability ratios					
Net Income/Net revenue	6.12%	4.90%	4.88%	5.25%	5.75%
Net income/Shareholders' equity	17.22%	19.79%	19.16%	20.90%	19.92%
Net income/Total assets	4.97%	5.64%	7.01%	6.92%	6.57%
Operating profit/Net revenue	5.59%	5.15%	5.49%	4.82%	6.50%
Equity related ratios					
Earnings per share	2,319	2,794	2,581	2,667	2,421
Book value per share	13,127	14,037	12,805	12,616	11,862

Source: PVE, PSI forecasts

Development potentials of the petroleum industry is opportunities for PVE

PVN's policy to turn PVE into holding company under PVN indicates PVN's intention to develop PVE into the leading corporation in the designing, consulting field, utilizing its experience in the petroleum industry to expand into civil construction designing and penetrate other overseas markets. The basis of this

strategy provides very promising growth potential for companies under PVN.

The petroleum industry is one of the major/prioritized industries of Vietnam, contributing 20% of the national exports, 16% of GDP and 24% of national budget annually.

Recently, PVN's strategy has been shifted from exploiting crude oil to producing refined oil. PVN has broadened its exploiting areas into many countries such as Russia, Venezuela, Cuba ect... to secure a stable source of crude oil provided for domestic demand. PVN has planned to invest USD 19 billion in the period from 2009-2015 in down-stream exploitation activities. At present, PVN is also investing in new source of energy and materials. This will become strategy of PVN going forward when oil and gas deposits deplete.

Throughout this development, PVE will always play an important role. PVN's growth potential will bring about many opportunities for PVE to grow in the long-term.

Comparison with some companies in the field

PVE's operating performance is average compared with other design consulting companies listed in the stock exchanges and average compared to the industry standards.

Table 5: Comparison among some companies in the industry

Ticker	Total assets 1H/2011 (bil VND)	Owner's equity 1H/2011 (bil VND)	Share outstanding (share)	Price (VND'000)	Market cap (bil VND)	Net income 2010 (bil VND)	EPS 4Q	BV 6T/2011	PE	PB
TV1	719.1	228.9	17,400,000	8.0	139.2	34.8	1,913	13,154	4.18	0.61
TV2	202.8	64.3	4,439,000	8.6	38.2	16.0	3,302	14,494	2.60	0.59
TV3	150.2	50.0	3,381,000	11.3	38.2	16.9	5,503	14,782	2.05	0.76
TV4	212.0	71.6	4,258,000	8.1	34.5	18.1	4,439	16,810	1.82	0.48
SDC	178.4	49.8	2,175,000	14.1	30.7	5.3	3,100	22,888	4.55	0.62
PVE	536.4	216.1	18,000,000	10.4	187.2	23.0	1,868	12,006	5.57	0.87
Average									3.46	0.63

Source: PSI

SOME PROJECTS OF PVN IN THE NEAR FUTURE

Table 6: some major projects are implemented or will be implemented by PVN

No.	Project	Value (million USD)	Progress
Oil and gas exploitation & expansion projects			
1	Chim Sao oilfield, Lan do, Diamond, Hai Su Den /Hai Su Tang, Te Giac Trang	2011	
2	Hoa Mai oilfield, White Lion, Hai Thach – Moc Tinh,	2012	
3	Brown lion oilfield, Thang Long, Kim Long, Ca Voi, Ac Quy,	2013	
4	Dong Do, Thien Ung	2014	
5	Lo B – O Mon gas pipeline	1000	Implement in 2009-2011
6	Nam Con Son 2 gas pipeline		Operate in 2014
7	Pipeline connecting East-West southern region		
Petrochemical, bio-ethanol processing projects		25,008,2	
1	Dung Quat oil refinery plant	3,053	Finished phase 1, implementing the rest supplement constructions
2	Dung Quat oil refinery extended plant	1,159	Implement in 2011-2016
3	Long Son oil refinery plant (No. 3)	7,000 - 8,000	Completed in 2016 - 2020
4	Nghi Son oil refinery plant (No. 2)	6000	Implement in 2008-2014
5	Ca Mau fertilizer plant	900,2	Completed 50% of total constructions, intended to operate from 2012
6	Dung Quat underground oil warehouse	340	Finished Pre-FS. Impletment from 2010-2016
7	Long Son underground oil warehouse	310	Submitted 1/500 design, implemented from 2009-2015
8	Nghi Son underground oil warehouse	300	Finished Pre-FS. Implement from 2010-2016
9	Vung Do underground oil warehouse	400	Finished Pre-FS. Implement from 2010-2016
10	Phu Tho bio-ethanol plant	60	Implement in 2009-2012
11	Dinh Vu Polyeste fiber plant - Hai Phong	325	Implement in 2009-2012
12	Quang Ngai bio-ethanol plant	80	Implement in 2009-2012
13	Binh Phuoc bio-ethanol plant	81	Implement in 2010-2012
14	Mien Nam petrochemical complex	4000	Implement in 2009-2014, at Long Son industrial park- Vung Tau
15	Floating FSO warehouse for East seac POC	350	Implement in 2010-2012
Power projects		10,808	
1	Nhon Trach 2 thermoelectricity power plant	700	Implement in 2009-2011
2	Vung Ang 1 thermoelectricity power plant	1,588	Started implementing from 6/2009
3	Quang Trach 1- Quang Binh thermoelectricity power plant	1500	Start implementing in 2011
4	Luang Prabang hydroelectricity power plant	1800	Start implementing in 2011
5	Thai Binh 2 thermoelectricity power plant	1,669	Start implementing in 2010
6	Long Phu 1 thermoelectricity power plant- Soc Trang	1,463	Start implementing in 2010
7	Song Hau 1 thermoelectricity power plant	1708	Start implementing in 2011
8	Hua Na hydroelectricity power plant	230	Start implementing in 3/2008
9	Dakdring hydroelectricity power plant	150	Start implementing in 2010
10	Phu Quy wind power plant		Start implementing in 2010
Sea port projects		933,2	
1	Phuoc An port	846,6	Implement in 2010-2012
2	International PVTRANS port	37,3	Implement in 2011-2015
3	Hon La port- Quang Binh	21,2	In phase 2, port & bridges expansion, will finish in 2011
4	Nghi Son port- Thanh Hoa	28,1	Operating with 150% capacity and is about to expand

Source: PVN; PSI

VALUATION

We use methods: discounted cash flow, P/E, P/B to value PVE's share. Based on our prudent assumptions, we price PVE's share at VND **18,000/share**.

Table 8: Valuation combination

Model	Price	Weight	Weighted average
DCF	24,932	40%	9,973
P/B	9,882	30%	2,965
P/E	17,032	30%	5,110
Weighted average			18,047

Source: PSI forecast

APPENDIX: FINANCIAL STATEMENTS

Unit: VND

BALANCE SHEET	2007	2008	2009	2010	2011F
CURRENT ASSETS	150,284,282,814	169,960,878,218	196,550,555,167	114,072,271,440	226,296,083,520
Cash and cash equivalents	18,799,111,786	32,660,629,386	42,270,291,351	44,383,805,919	46,602,996,214
Short-term financial investments	-	-	6,033,742,209	6,033,742,209	6,637,116,430
Short-term receivables	41,571,841,104	23,429,945,733	59,215,408,045	(34,959,745,493)	66,167,743,742
Inventory	80,388,461,356	104,256,147,813	78,787,606,953	87,449,331,520	94,685,890,915
Other short-term assets	8,868,604,174	8,621,613,247	10,243,506,609	11,165,137,285	12,202,336,219
LONG-TERM ASSETS	10,832,436,498	10,833,681,412	42,244,618,117	139,470,851,434	156,166,526,580
Long-term receivables	-	-	-	-	-
Fixed assets	7,724,825,435	7,279,157,181	10,009,737,200	11,898,938,923	14,867,549,329
1. Tangible fixed assets	7,633,935,259	6,998,302,781	7,444,736,087	8,606,995,027	10,758,743,783
2. Leased assets	-	-	-	-	-
3. Intangible fixed assets	90,890,176	280,854,400	2,511,746,113	3,230,700,647	4,038,375,808
4. Projects in progress	-	-	53,255,000	61,243,250	70,429,738
Real-estate investments	-	-	-	-	-
Long-term financial investments	10,000,000	216,470,000	27,611,394,000	121,800,694,174	133,980,763,592
TOTAL ASSETS	161,116,719,312	180,794,559,630	238,795,173,284	253,543,122,874	382,462,610,100
LIABILITIES	114,616,668,857	129,839,891,438	136,140,145,368	145,267,768,485	157,834,569,333
Short-term liabilities	114,443,175,196	124,493,794,989	130,880,360,297	139,960,914,639	150,101,263,220
1. Short-term debts	5,000,000,000	-	-	-	-
2. Account payables	14,993,508,471	22,575,338,153	22,088,541,894	23,192,968,989	24,352,617,438
4. Unearned revenue	2,461,193,891	64,385,566,707	42,240,999,370	44,353,049,339	46,570,701,805
Long-term liabilities	173,493,661	5,346,096,449	5,259,785,071	5,306,853,846	7,733,306,113
1. Long-term debts	-	5,000,000,000	5,000,000,000	5,000,000,000	7,364,225,101
2. Long-term payables	10,000,000	137,050,000	-	-	-
SHAREHOLDERS' EQUITY	46,500,050,455	50,954,668,192	102,655,027,916	108,275,354,389	224,628,040,767
Owners' equity	45,315,383,548	47,412,405,157	100,871,955,091	104,756,726,651	218,673,906,548
1. Paid-in capital	34,519,960,000	35,000,000,000	80,000,000,000	80,000,000,000	180,000,000,000
9. Retained earnings	8,006,838,450	9,647,060,389	15,041,704,859	15,193,641,609	25,631,526,532
Other reserves and funds	1,184,666,907	3,542,263,035	1,783,072,825	3,518,627,738	5,954,134,220
Minority interests	-	-	-	-	-
TOTAL LIABILITIES&EQUITY	161,116,719,312	180,794,559,630	238,795,173,284	253,543,122,874	382,462,610,100

Source: PVE; PSI forecasts

INCOME STATEMENT	2007	2008	2009	2010	2011F
1. Sales revenue	130,795,931,253	196,931,860,676	301,747,782,574	407,351,266,250	549,924,209,438
2. Sales discounts	-	4,443,766	6,103,870	-	-
3. Net sales revenue	130,795,931,253	196,927,416,910	301,741,678,704	407,351,266,250	549,924,209,438
4. Costs of Good sold	111,905,202,868	170,611,226,344	260,869,021,518	351,202,134,620	475,330,777,684
5. Gross revenue	18,890,728,385	26,316,190,566	40,872,657,186	56,149,131,631	74,593,431,754
6. Financial income	1,496,704,780	3,077,756,385	5,649,498,413	20,574,184,666	22,631,603,132
Interest income	-	-	-	-	-
7. Financial expenses	152,890,021	1,080,931,706	1,398,741,459	4,807,128,181	6,279,840,375
In which: Currency translation differe:	-	-	-	-	-
In which: Interest expenses	-	-	-	-	-
8. Selling expenses	-	-	-	-	-
9. Administrative expenses	12,917,137,613	18,169,496,955	28,549,355,207	40,023,761,651	45,944,279,247
10. Net profit (loss) from operating ac	7,317,405,531	10,143,518,290	16,574,058,933	31,892,426,464	45,000,915,264
11. Other income	1,254,717,592	1,015,680,298	1,444,361,999	1,588,798,199	1,747,678,019
12. Other expenses	565,284,673	19,392,788	475,431,682	423,035,850	357,993,627
13. Other profit (loss)	689,432,919	996,287,510	968,930,317	1,165,762,348	1,389,684,391
14. Total profit (loss) before tax	8,006,838,450	11,139,805,800	17,542,989,250	33,058,188,812	46,390,599,655
15. Tax expense	-	1,495,774,443	2,828,040,059	8,264,547,203	11,597,649,914
16. Deffered tax expense	-	-	-	-	-
17. Profit (loss) from associates/joint	-	-	-	-	-
18. Net income	8,006,838,450	9,644,031,357	14,714,949,191	24,793,641,609	34,792,949,742
Minority interest	-	-	-	-	-
Profit after tax of the parent company	8,006,838,450	9,644,031,357	14,714,949,191	24,793,641,609	34,792,949,742
EPS (VND)	2,319	2,794	2,581	3,109	2,676

Source: PVE; PSI forecasts

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