

# PetroVietnam Drilling & Well Services

Oil & Gas/Oil Equipment, Services & Distribution

Ticker PVD

VND69,500

Upgrade to **Outperform**

January 6<sup>th</sup>, 2010

## Cost control offsets declines in day-rates

We are upgrading our recommendation and forecasts for PVD based on better cost control than initially expected. Based on audited 9M09A financial statements, we estimate that cash opex for PVD jack-up I was only USD40,250 per day, 9% below our previous FY09E assumption of USD44,250. A lean cost structure, should allow PVD exceed our FY09E estimates, and enhance profitability on a forward basis. This is despite of a decline in contracted day-rates on PVD I-III from USD150,000 to USD140,000 for FY10&11E, a drop of 6.7%. We now estimate FY09E earnings of VND936.7bn rising to VND1,245.4bn in FY10E, a 35.9% increase YoY.

Our revised target price for PVD is VND82,170, derived from the average of our explicit DCF estimate and target P/E and (P/B) multiples of 14.0x FY10E EPS and 3.25x BVPS. This gives an upside potential of 18.2% for the company's shares. Our new price target also represents a 5.3% increase over our old (bonus issue adjusted) target of VND78,000 per share. **Outperform**

### FY09A profits expected to exceed management guidance

Early in 2009, PVD's management set reported profit targets of VND700bn and VND800bn under two different scenarios; 1) oil prices at USD50/bbl and 2) oil at USD70/bbl, respectively. We now forecast PVD's net profit will exceed estimates and reach VND936.7bn, an increase of 6.7% against our previous estimate and surpassing the Company's year targets range by between 17.5% and 34.2%. EPS growth for FY09E, is expected to be slightly negative YoY at (5.4%) given dilution from 25.7mn new share issued associated with the expensive acquisition of PVD Invest in Aug-09.

### Cash Opex of USD40,250 per day will keep PVD very profitable with two new rigs in place

A 9% reduction in cash opex will keep PVD profitable even though the day-rate outlook has fallen by USD10,000 (6.7%) against our previous estimates. We expect PVD to obtain a net profit of VND1.2tn in FY10, up 35.9% yoy basis. Even though PVD has a huge interest expense resulting from USD340mn in debt and significant exposure to USD/VND exchange rate, revenues from the company's two new rigs will be able to cover the rising interest expense while USD revenues and receivables will relieve any forex effects.

### Day-rate of USD140,000 should be the floor price for PVD's jack-up rigs

PVD's Jack-ups currently earn day-rates of USD150,000 which is 42.8% higher than the average day-rate globally. The premium is due to PVD's newer rigs, different rig specifications, specific operator requirements and contract duration, etc. For FY10E, the day rate for PVD Jack-ups will decline by USD10,000 to USD140,000. We don't expect this day-rate to fall any further as there have been signs of stability in the global and Southeast Asian jack-up markets and the current oil price of USD80.00/Bbl bodes well for the demand of jack-ups in 2010E.

### Market Capitalisation

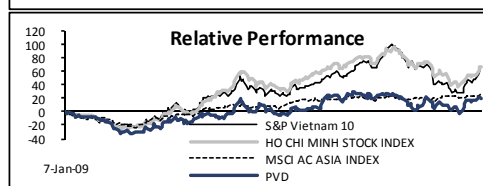
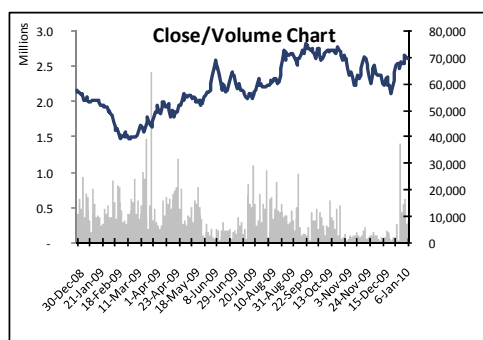
VND14,525bn/USD786.3mn

### Target Price

VND 82,170

### Upside to Target (%)

18.2%



Year End	Dec-07A	Dec-08A	Dec-09E	Dec-10E	Dec-11E	Dec-12E	Dec-12E
Revenues	2,738.6	3,728.7	4,045.0	5,736.7	5,751.0	6,199.5	6,387.6
EBITDA	742.4	1,154.6	1,309.9	2,268.5	2,243.7	2,518.2	2,570.9
Op Profit	595.7	972.2	1,089.8	1,731.4	1,696.7	1,961.3	2,003.9
Pre-Tax Profit	579.9	928.7	1,070.5	1,457.6	1,586.7	2,004.1	2,226.6
Reported Profit	571.8	922.3	936.7	1,275.4	1,388.4	1,753.6	1,948.3
Adj. Net Profit	509.5	821.6	843.0	1,147.9	1,249.5	1,578.3	1,753.5

Year End	Dec-07A	Dec-08A	Dec-09E	Dec-10E	Dec-11E	Dec-12E	Dec-12E
EPS	3,305	5,247	4,961	6,059	6,595	8,330	9,255
EPS Growth	344.0%	58.8%	-5.4%	22.1%	8.9%	26.3%	11.1%
Book Value/ Share	10,413	11,783	19,566	25,019	28,455	33,452	39,281
CFPS	3,043	7,162	5,866	8,167	8,786	9,904	10,746
DPS	1,160	3,039	1,000	0	2,500	2,500	2,500

PER	21.0	13.2	14.0	11.5	10.5	8.3	7.5
P/ABV	6.9	6.2	3.6	2.8	2.5	2.1	1.8
Dividend Yield (%)	1.7%	4.4%	1.4%	0.0%	3.6%	3.6%	3.6%
Free Cash Flow Yield (%)	-7.4%	-16.9%	-15.6%	12.1%	12.7%	13.8%	14.5%
Return on Average Equity	43.7%	47.3%	30.3%	27.2%	24.7%	26.9%	25.4%
Return on Average Equity	43.7%	47.3%	30.3%	27.2%	24.7%	26.9%	25.4%
Net Debt to Equity	48.1%	147.5%	134.9%	80.0%	53.0%	26.5%	4.0%

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# Jack-up market update

The utilization rate for jack-ups in 2009 decreased to 75%.

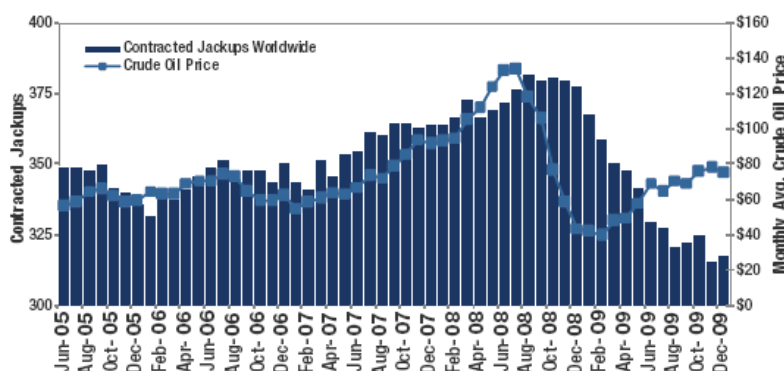
Utilization rates and day-rates have shown signs of stability towards the end of 2009.

## Jack-up market review and outlook

Following an uptrend from 2004 to 2008, last year served as an adjustment/transition period for the rig market, characterised by a decreasing number of contracted jack-ups and plummeting day-rates. Economic downturn, low crude oil prices and budget cuts for E&P led to an extremely low jack-up utilization rate of 75% in 2009 compared to a rate of 90%-95% over the past few years. As of the end of 2009, there are a total of 61 cold-stacked jack-ups (so called because they have remained idle for a long period), accounting for 13% of the global rig fleet.

From the beginning of 2009, the number of contracted rigs fell continuously but there have been signs of a turnaround since August, as the price of oil has doubled since its bottom early this year. The current number of contracted jack-ups ranges from 315 to 325 rigs worldwide.

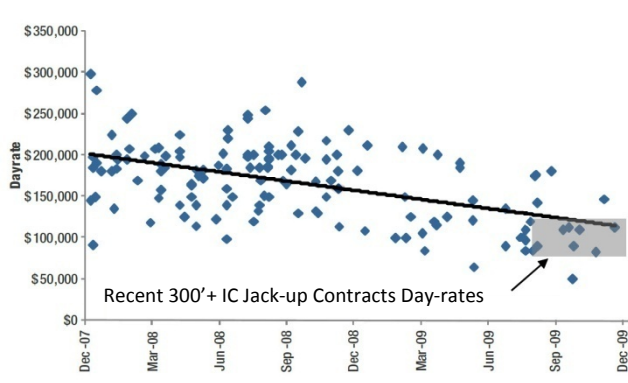
Global Jackup Rig Count vs. Crude Oil Price



Source: RigLogix, EIA

Lower utilization rates have created significant pressure on day-rates. Observing day-rates of premium international jack-up contracts (300'+ ICs jack-up), we see that since mid-2008, day-rates have declined sharply, a trend that continued through 2009. To date, day-rates have declined by 40%-50% from its peak but have stabilized to around USD90,000-120,000 range.

International Premium 300'+ IC Jack-UP Day-Rate Contracts



Source: RigLogix, EIA

Current day-rates are from USD90,000 to USD120,000

Worldwide jack-up demand is expected to bottom slightly below current levels in Q1 FY10

Although the jack-up market will face many challenges in 2010E, Industry consultant, RigLogix expects the utilization rate to increase if crude oil reach forecasted figures of USD100/Bbl. According to RigLogix, utilization rate could reach 88% next year with the average number of contracted jack-ups set to reach 375 while the jack-up global supply will be 462 by end of 2010.

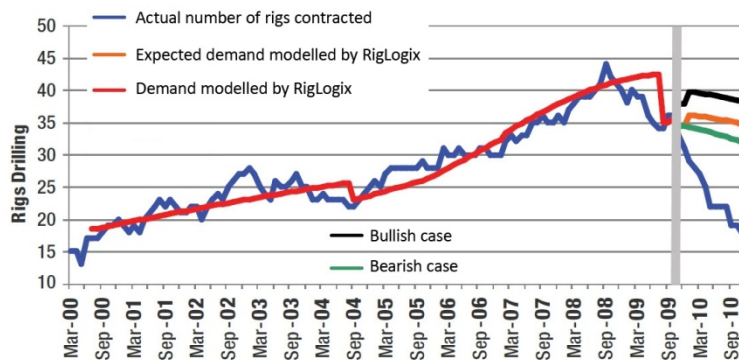
Global Jackup Market Quick Facts	2009	2010
Average Crude Oil Price	\$61	\$100
Average Jack-ups Deployed Under Contract	335	375
Average Jack-up Day-rate Earned	Mid-USD140K	High-USD130Ks
Average Global Jack-up Utilization	75%	88%
New Build Jack-up Deliveries	24	28
Jack-ups Removed From Service	5	4
Jack-up Supply At Year End	438	462

Source: RigLogix, EIA

### Southeast Asia jack-up market

In line with the global jack-up market, the current demand for jack-ups in Southeast Asia has picked up in the end of 2009 following more than nine consecutive months in decline. Based on the number of existing contracts though, there are very few jack-ups secured for 2010 (Blue line). However, RigLogix forecasts that demand will stabilize (orange line) and the number of new contracts for jack-ups in 2010 will meet this demand.

SE Asia Jack-up demand is expected to stabilise



Source: RigLogix, Rig Outlook

### Vietnam upstream sector update

Given the dramatic dip in oil prices, 2009 proved to be a down year for oil & gas sectors worldwide. However, Vietnam’s oil & gas sector has been quite resilient as the industry’s production is nearly certain to achieve its full year targets. In particular, proven reserves are expected to increase by 133% against 2008, thus reaching 187% the year’s target. There have been 16 new contracts signed and six new discoveries offshore Vietnam.

Vietnamese upstream activity remained resilient in the last two years

There is concern though, according to Petrovietnam, only three of the six new fields planned for production come on stream in 2009. However, operators have resumed their field development plan for 2010 as oil prices have recovered from earlier lows. For example, Vietsovetro plans to start commercial oil production at Nam Rong-Doi Moi in early- 2010. Hoang Long Joint Operating Co. has also contracted Bumi Armada Berhad and Vietsovetro for an FPSO destined for the Te Giac Trang field development.

Vietnam 2009 E&P Summary		Item	2008	2009E	09/08	% Target	2009 Target
Oil Production	Mn TOE		15	16	7%	100%	16
Gas Production	Mn TOE		7.5	8	7%	100%	8
Increase In Proven Reserves	Mn TOE		30.0	70.0	133%	187%	37.5
New Contracts (Domestic & Overseas)			15.0	16	7%		
New Discoveries (Domestic)			4.0	6	50%		
New Fields Come Onstream			5 (1)	3			6 (2)
2D Seismic	km		45,290				
3D Seismic	km <sup>2</sup>		11,390				
No of Exploratory Wells Drilled	unit		19				
No of Appraisal Wells Drilled	unit		16				
Capex	billion VND		56,000				71,340

Source: PetroVietnam

(1) Ca Ngu Vang, Phuong Dong, Gold Lion, Song Doc, Rang Dong phase 2

(2) Bunga Orkid, Chim Sao, Topaz, Su Tu Trang, Dai Hung, Nam Rong Doi Moi

### PVD’s Cash opex costs for the drilling division fell again

In our PVD Initiation report dated 21 September 2008, we estimated a cash opex cost of USD44,256 per day for the drilling division. Based on the audited financial statement for 9M09 which has just been released, cash opex per day for PVD’s drilling division came in at only USD40,250. This is 9% lower than our previous assumption and 19.3% and down on a YoY basis.

PVD-I Opex Costs (USD/day)	Dec-07A	Dec-08A	Dec-09P <sub>1</sub>	Dec-09R <sub>2</sub>	Change (R/P)	Change (YoY)
<b>Total Costs</b>	<b>61,773</b>	<b>49,862</b>	<b>44,256</b>	<b>40,257</b>	<b>-9.0%</b>	<b>-19.3%</b>
Rental (equip, tools)	15,443	15,443	13,899	13,899	0.0%	-10.0%
Personnel	21,620	18,377	16,540	15,621	-5.6%	-15.0%
Repairs & Maintenance	12,355	11,119	8,895	7,783	-12.5%	-30.0%
Others	12,355	4,923	4,923	2,954	-40.0%	-40.0%

Note: VinaSecurities: <sub>1</sub> Previous Opex Assumption, <sub>2</sub> Revised Opex Assumptions

Source: VinaSecurities Research, PVD

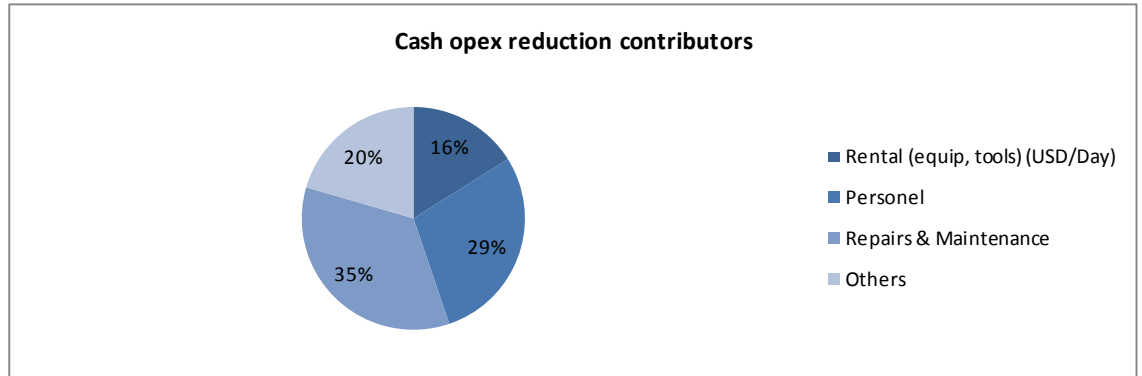
Cash opex was reduced to USD40,250/day

Savings from repairs & maintenance, which account for 36% of costs, is the driver behind PVD's expense reduction.

Cash opex is assumed to be USD40,250 in following years.

The primary reasons for this expense reduction are: savings on repairs & maintenance, a reduction on personnel costs, and a further reduction in rentals and other expenses.

Repairs & maintenance savings can be attributed to the switch to Maximo System, an industry leader in materials and equipment management, combined with cutbacks on unnecessary maintenance. Lower personnel costs result from more cost-effective staff training methods.



Source: VinaSecurities Research, PVD

For FY10E, we assumed equivalent cash opex costs for newly delivered PVD-II and PVD-III will be USD40,257 per day. This projection does not take into account any cost savings that may result from economies of scale of operating three nearly identical rigs. Nor does the projection include expectations from PVD's management board for a 10% reduction in expenses for the new jack-ups resulting from a decrease in spare parts expenses and savings in direct labour overheads for key direct supervisors.

Operating cash cost	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13
PVD I operating Costs (USD/day)	61,773	49,862	40,257	40,257	40,257	40,257	40,257
PVD II operating Costs (USD/day)	-	-	40,257	40,257	40,257	40,257	40,257
PVD III operating Costs (USD/day)	-	-	-	40,257	40,257	40,257	40,257

Source: VinaSecurities Research, PVD

**Lower Day rates realised but high utilization will rates remain**

Following its current contract with Phu Qui JOC, PVD-I will enter a contract with Japan-Vietnam Petroleum Company (JVPC) as of Mar-10 at a day-rate of USD140,000. PVD-II has also secured the same day-rate under its second contract with Korea National Offshore Oil Corp (KNOC) as of Apr-10.

These day-rates are a bit disappointing, as we previously forecasted that PVD could achieve day-rates of USD150,000 over the next two years. Accordingly, we have decreased our day-rate assumption by USD10,000 across our forecast period through FY11E. Beyond FY11E, we have only assumed a recovery in day-rates back to USD150,000 in FY12E and beyond.

Day-rate	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13
PVD I Day Rate (USD)	213,638	214,292	182,667	140,000	140,000	150,000	150,000
PVD II Day Rate (USD)	-	-	150,000	140,000	140,000	150,000	150,000
PVD III Day Rate (USD)	-	-	150,000	140,000	140,000	150,000	150,000

Source: VinaSecurities Research, PVD

Still, we are optimistic that the utilization rate for PVD jack-ups will remain high due to the fleet's capacity in seeking contracts with external clients such as JVPC and KNOC. We also believe that E&P activities will stabilize in Vietnam next year and expect additional long-term contracts with Thang Long JOC and VietSovPetro. Efficiency rates for the rigs are also expected to be high due PVD's young fleet and the proven track record of PVD's drilling team

Utilization rate	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13
PVD I utilization rate	100%	100%	95%	100%	100%	100%	100%
PVD II utilization rate	0%	0%	100%	100%	100%	100%	100%
PVD III utilization rate	0%	0%	0%	90%	90%	90%	90%

Efficiency rate	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13
PVD I efficiency rate	86%	99%	99%	95%	95%	95%	95%
PVD II efficiency rate	0%	0%	95%	99%	99%	99%	99%
PVD III efficiency rate	0%	0%	0%	99%	99%	99%	99%

## Valuation

*We derived a target price of VND83,250 for PVD*

Our valuation of PVD’s equity was derived by taking the average of our FY10E DCF forecasts and a target PE multiple against FY10E EPS, Adjusted EPS and BVPS. Accordingly, we derived a share price of VND82,170 giving upside of 18.2%, rolling the estimates forward to FY11E, we see upside of 30.3% to VND97,540 from the current share price, equivalent to a 2-yr CAGR of 14.1% annually.

Item	Target Multiple (x)	Dec-10E	Dec-11E
Reported EPS	P/E @ 14.0x	84,821	92,332
Adjusted EPS	P/E @ 14.0x	76,339	83,099
Book Value/Share	P/B @3.25x	79,342	90,334
DCF Fair Value	WACC @ 12.0%	<b>88,154</b>	<b>96,390</b>
<b>Average</b>		<b>82,164</b>	<b>90,539</b>

Source: VinaSecurities Research

*We used WACC of 12%, supported by PVD’s low cost USD funding.*

WACC Components		%	WACC Derivation		FY10E
Risk Free Rate		9.5%	Mkt Val. of Equity (VND bn)		14,209.6
Assumed Beta		1.01	Book Value of Debt (VND bn)		6,189.9
Equity Risk Premium		4.0%	Cost of Equity		15.0%
Country Risk Premium		1.5%	Cost of Debt		3.9%
Long-Run Nominal Growth		5.0%	Equity & Debt Weight (%)		72.7%/27.3%
Tax Rate		12.5%-25.0%	<b>Weighted Avg. Cost of Capital</b>		<b>12.0%</b>

Source: VinaSecurities Research

Free Cash Flow	Dec-10E	Dec-11E	Dec-12E	Dec-13E	Terminal*
FCFF	1,767.4	1,851.4	2,024.1	2,118.5	1,752.4

\* Terminal Cash Flow Capex = Depreciation

*DCF upsides are robust*

DCF Valuation As At	Dec-10E	Dec-11E
Sum of PV Of Future FCFF	11,395.0	10,701.5
PV of Terminal Cash Flow	<b>11,020.5</b>	<b>12,357.6</b>
YE Net Debt	(4,211.3)	(3,175.4)
Net Investments	353.4	407.5
<b>Equity Value</b>	<b>18,557.4</b>	<b>20,291.2</b>
No. of Shares	210.5	210.5
<b>Dcf Value/Share</b>	<b>88,154</b>	<b>96,390</b>

Source: VinaSecurities Research

# Financial Forecasts & Highlights

## Income Statement Forecasts

Income Statement	Dec-07A	Dec-08A	Dec-09E	Dec-10E	Dec-11E	Dec-12E	Dec-13E
<b>Net Revenue</b>	2,738.6	3,728.7	4,045.0	5,736.7	5,751.0	6,199.5	6,387.6
Cost of Goods Sold	(2,031.9)	(2,520.4)	(2,728.9)	(3,768.5)	(3,816.9)	(3,982.3)	(4,120.0)
<b>Gross Profit</b>	<b>706.7</b>	<b>1,208.4</b>	<b>1,316.1</b>	<b>1,968.2</b>	<b>1,934.1</b>	<b>2,217.2</b>	<b>2,267.6</b>
Gen & Admin Expenses	(111.0)	(233.6)	(223.4)	(232.9)	(233.5)	(251.7)	(259.3)
Selling Expenses	0.0	(2.6)	(2.8)	(4.0)	(4.0)	(4.3)	(4.4)
<b>Operating Profit</b>	<b>595.7</b>	<b>972.2</b>	<b>1,089.8</b>	<b>1,731.4</b>	<b>1,696.7</b>	<b>1,961.3</b>	<b>2,003.9</b>
Depreciation & Amortization	146.8	182.4	220.0	537.1	547.0	556.9	567.0
<b>Operating EBITDA</b>	<b>742.4</b>	<b>1,154.6</b>	<b>1,309.9</b>	<b>2,268.5</b>	<b>2,243.7</b>	<b>2,518.2</b>	<b>2,570.9</b>
Income From Associates	32.5	54.1	54.1	54.1	54.1	54.1	54.1
Investment Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Forex And Related Gains	(0.5)	(86.7)	(84.3)	(179.0)	(97.3)	(57.4)	0.0
Interest Income	24.0	73.5	64.4	129.0	272.7	369.8	458.3
Interest Expense	(76.9)	(78.7)	(77.0)	(277.8)	(339.5)	(323.6)	(289.7)
Non-Core Gain/(Loss)	0.0	(2.4)	0.0	0.0	0.0	0.0	0.0
Net Exceptional Income	5.1	(3.2)	23.5	0.0	0.0	0.0	0.0
<b>Pre-Tax Profit</b>	<b>579.9</b>	<b>928.7</b>	<b>1,070.5</b>	<b>1,457.6</b>	<b>1,586.7</b>	<b>2,004.1</b>	<b>2,226.6</b>
Taxation	(3.5)	4.3	(133.8)	(182.2)	(198.3)	(250.5)	(278.3)
Minorities	(4.6)	(10.8)	0.0	0.0	0.0	0.0	0.0
<b>Reported Profits</b>	<b>571.8</b>	<b>922.3</b>	<b>936.7</b>	<b>1,275.4</b>	<b>1,388.4</b>	<b>1,753.6</b>	<b>1,948.3</b>
Bonus & Welfare Fund Charges	(62.3)	(100.7)	(93.7)	(127.5)	(138.8)	(175.4)	(194.8)
<b>Net Income To Common</b>	<b>509.5</b>	<b>821.6</b>	<b>843.0</b>	<b>1,147.9</b>	<b>1,249.5</b>	<b>1,578.3</b>	<b>1,753.5</b>

Distributions	Dec-07A	Dec-08A	Dec-09E	Dec-10E	Dec-11E	Dec-12E	Dec-13E
<b>Reported Profits</b>	<b>571.8</b>	<b>922.3</b>	<b>936.7</b>	<b>1,275.4</b>	<b>1,388.4</b>	<b>1,753.6</b>	<b>1,948.3</b>
Dividends	(203.9)	(534.3)	(210.5)	0.0	(526.3)	(526.3)	(526.3)
<b>Retained Earnings</b>	<b>367.9</b>	<b>388.0</b>	<b>726.2</b>	<b>1,275.4</b>	<b>862.1</b>	<b>1,227.3</b>	<b>1,422.0</b>

Growth Rates	Dec-07A	Dec-08A	Dec-09E	Dec-10E	Dec-11E	Dec-12E	Dec-13E
Net Revenue Growth	103.0%	36.2%	8.5%	41.8%	0.2%	7.8%	3.0%
Operating Ebitda Growth	376.5%	55.5%	13.4%	73.2%	-1.1%	12.2%	2.1%
Operating Profit Growth	282.3%	63.2%	12.1%	58.9%	-2.0%	15.6%	2.2%
Net Profit Growth	236.4%	60.2%	15.3%	36.2%	8.9%	26.3%	11.1%
Total Asset Growth	349.7%	61.3%	1.6%	36.2%	8.9%	26.3%	11.1%

Margins & Spreads	Dec-07A	Dec-08A	Dec-09E	Dec-10E	Dec-11E	Dec-12E	Dec-13E
Gross Profit Margin	25.8%	32.4%	32.5%	34.3%	33.6%	35.8%	35.5%
EBITDA Margin	27.1%	31.0%	32.4%	39.5%	39.0%	40.6%	40.2%
Operating Margin	21.8%	26.1%	26.9%	30.2%	29.5%	31.6%	31.4%
Net Profit Margin	21.2%	24.9%	26.5%	25.4%	27.6%	32.3%	34.9%

## Balance Sheet Forecasts

Balance Sheet: Assets	Dec-07A	Dec-08A	Dec-09E	Dec-10E	Dec-11E	Dec-12E	Dec-13E
Total Cash and Equivalents	521.9	807.8	600.5	1,978.5	2,979.3	3,744.5	4,588.2
Accounts Receivable	711.6	1,043.3	905.4	1,284.1	1,287.3	1,387.7	1,429.8
Prepayments	8.9	10.6	11.5	16.3	16.3	17.6	18.1
Due from Affiliates	24.9	10.0	10.0	10.0	10.0	10.0	10.0
Inventories	45.7	174.5	187.2	259.2	262.5	274.0	283.5
Other Current Assets	312.7	4.4	4.4	4.4	4.4	4.4	4.4
<b>Total Current Assets</b>	<b>1,670.5</b>	<b>2,065.3</b>	<b>1,733.8</b>	<b>3,567.3</b>	<b>4,574.6</b>	<b>5,452.9</b>	<b>6,348.8</b>
Associates	7.9	75.0	129.1	183.2	237.3	291.4	345.6
Non-Core Investments	58.5	170.1	170.1	170.1	170.1	170.1	170.1
<b>Fixed Assets (At Cost)</b>	<b>2,339.8</b>	<b>2,564.1</b>	<b>10,143.9</b>	<b>10,337.9</b>	<b>10,528.0</b>	<b>10,723.3</b>	<b>10,921.0</b>
Accumulated Depreciation	(222.1)	(404.6)	(624.6)	(1,161.7)	(1,708.8)	(2,265.7)	(2,832.7)
Construction in Progress	420.9	4,113.2	16.6	16.6	16.6	16.6	16.6
<b>Total Net Fixed Assets</b>	<b>2,538.6</b>	<b>6,272.7</b>	<b>9,535.9</b>	<b>9,192.7</b>	<b>8,835.8</b>	<b>8,474.2</b>	<b>8,104.9</b>
Other Assets	54.4	49.7	49.7	49.7	49.7	49.7	49.7
<b>Total Assets</b>	<b>4,329.9</b>	<b>8,632.9</b>	<b>11,618.6</b>	<b>13,163.0</b>	<b>13,867.5</b>	<b>14,438.4</b>	<b>15,019.1</b>

Balance Sheet: Liabilities	Dec-07A	Dec-08A	Dec-09E	Dec-10E	Dec-11E	Dec-12E	Dec-13E
Total Short Term Debt	109.2	1,983.8	206.2	214.4	677.5	694.5	694.5
Accounts Payable	298.6	807.7	852.7	1,077.1	1,087.6	1,123.3	1,153.0
Due To Affiliates	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax Payable	28.5	95.4	95.4	95.4	95.4	95.4	95.4
Accrued Expenses	175.4	262.2	283.9	393.3	397.9	416.7	430.9
Other Current Liabilities	60.5	785.6	81.2	112.1	113.6	118.5	122.6
<b>Total Current Liabilities</b>	<b>672.1</b>	<b>3,934.7</b>	<b>1,519.5</b>	<b>1,892.4</b>	<b>2,371.9</b>	<b>2,448.3</b>	<b>2,496.4</b>
Total Long-Term Debt	1,294.0	1,878.9	5,951.8	5,975.4	5,477.2	4,919.6	4,225.1
Convertible Bonds	0.0	228.7	0.0	0.0	0.0	0.0	0.0
Long Term Payables	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Long-Term Liabilities	2.5	8.8	8.8	8.8	8.8	8.8	8.8
<b>Total Liabilities</b>	<b>1,968.6</b>	<b>6,051.1</b>	<b>7,480.1</b>	<b>7,876.6</b>	<b>7,857.9</b>	<b>7,376.8</b>	<b>6,730.3</b>
<b>Balance Sheet: Equity</b>							
Paid-Up Share Capital	1,101.4	1,321.7	2,105.1	2,105.1	2,105.1	2,105.1	2,105.1
Retained Earnings Reserve	424.7	312.9	278.6	1,235.2	1,750.2	2,539.1	3,474.1
Share Premium Reserve	201.2	201.2	1,359.2	1,359.2	1,359.2	1,359.2	1,359.2
Other Reserves	103.2	235.5	376.0	567.3	775.5	1,038.6	1,330.8
<b>Shareholders' Funds</b>	<b>1,830.4</b>	<b>2,071.2</b>	<b>4,118.9</b>	<b>5,266.8</b>	<b>5,990.0</b>	<b>7,042.0</b>	<b>8,269.2</b>
Minority Interests	497.1	491.0	0.0	0.0	0.0	0.0	0.0
Other Equity	33.8	19.6	19.6	19.6	19.6	19.6	19.6
<b>Total Equity</b>	<b>2,361.3</b>	<b>2,581.8</b>	<b>4,138.5</b>	<b>5,286.4</b>	<b>6,009.6</b>	<b>7,061.6</b>	<b>8,288.8</b>
<b>Total Liab. &amp; Equity</b>	<b>4,329.9</b>	<b>8,632.9</b>	<b>11,618.6</b>	<b>13,163.0</b>	<b>13,867.5</b>	<b>14,438.4</b>	<b>15,019.1</b>

Dupont Analysis	Dec-07A	Dec-08A	Dec-09E	Dec-10E	Dec-11E	Dec-12E	Dec-13E
EBIT / Sales	23.1%	25.0%	26.8%	28.0%	28.8%	31.6%	32.2%
Sales / Avg. Assets	84.2%	57.5%	39.9%	46.3%	42.6%	43.8%	43.4%
less Net Interest / Avg Assets	-1.6%	-0.1%	-0.1%	-1.2%	-0.5%	0.3%	1.1%
<b>Pre Tax Return on Avg. Assets</b>	<b>17.8%</b>	<b>14.3%</b>	<b>10.6%</b>	<b>11.8%</b>	<b>11.7%</b>	<b>14.2%</b>	<b>15.1%</b>
Avg. assets/Avg. Equity	2.5	3.3	3.3	2.6	2.4	2.2	1.9
1 - Tax rate	98.6%	99.3%	87.5%	87.5%	87.5%	87.5%	87.5%
<b>Return on Average Equity</b>	<b>43.7%</b>	<b>47.3%</b>	<b>30.3%</b>	<b>27.2%</b>	<b>24.7%</b>	<b>26.9%</b>	<b>25.4%</b>

Solvency & Leverage	Dec-07A	Dec-08A	Dec-09E	Dec-10E	Dec-11E	Dec-12E	Dec-13E
Quick Ratio	2.4	0.5	1.0	1.7	1.8	2.1	2.4
Current Ratio	2.5	0.5	1.1	1.9	1.9	2.2	2.5
Cash Ratio	0.8	0.2	0.4	1.0	1.3	1.5	1.8
Net Debt to Equity	48.1%	147.5%	134.9%	80.0%	53.0%	26.5%	4.0%
Net Debt to Assets	20.4%	35.4%	47.8%	32.0%	22.9%	12.9%	2.2%
Total Liabilities to Assets	45.5%	70.1%	64.4%	59.8%	56.7%	51.1%	44.8%

## Cash Flow Forecasts

Cash Flow Statement	Dec-07A	Dec-08A	Dec-09E	Dec-10E	Dec-11E	Dec-12E	Dec-13E
Operating Profit	595.7	972.2	1,089.8	1,731.4	1,696.7	1,961.3	2,003.9
Depreciation & Amortization	145.3	184.8	220.0	537.1	547.0	556.9	567.0
Decrease In Inventory	18.9	(130.4)	(12.8)	(72.0)	(3.3)	(11.4)	(9.5)
Decrease In Receivables	7.2	(19.2)	137.9	(378.7)	(3.2)	(100.4)	(42.1)
Decrease In Prepayments	(56.9)	53.6	(0.9)	(4.8)	(0.0)	(1.3)	(0.5)
Increase In Payables	(110.5)	300.6	45.0	224.4	10.4	35.7	29.7
Increase In Accrued Expenses	0.0	0.0	21.8	109.4	4.6	18.8	14.2
Increase In Advances & Others	0.0	0.0	(53.3)	30.9	1.4	4.9	4.1
<b>Change In Working Capital</b>	<b>(141.2)</b>	<b>204.5</b>	<b>137.7</b>	<b>(90.8)</b>	<b>9.9</b>	<b>(53.7)</b>	<b>(4.1)</b>
Provisions & Capitalised Exp's	(33.8)	(11.2)	(70.2)	(127.5)	(138.8)	(175.4)	(194.8)
<b>Operating Cash Flow</b>	<b>565.9</b>	<b>1,350.3</b>	<b>1,377.3</b>	<b>2,050.2</b>	<b>2,114.7</b>	<b>2,289.2</b>	<b>2,371.9</b>
Net Interest Received (Paid)	(23.5)	(83.5)	(136.0)	(148.9)	(66.8)	46.2	168.6
Net Investment Income (Exp)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Taxes Paid	(16.0)	(7.8)	(133.8)	(182.2)	(198.3)	(250.5)	(278.3)
<b>Cash Flow From Operations</b>	<b>526.5</b>	<b>1,258.9</b>	<b>1,107.5</b>	<b>1,719.2</b>	<b>1,849.6</b>	<b>2,084.8</b>	<b>2,262.2</b>
Capital Expenditure	(1,567.7)	(3,424.3)	(3,359.8)	(194.0)	(190.1)	(195.3)	(197.7)
Invest. In Associates	0.0	(288.3)	120.0	0.0	0.0	0.0	0.0
Non-Core Investments (Net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	(309.0)	484.0	0.0	0.0	0.0	0.0	0.0
<b>Cash Flow From Investing</b>	<b>(1,876.7)</b>	<b>(3,228.7)</b>	<b>(3,239.8)</b>	<b>(194.0)</b>	<b>(190.1)</b>	<b>(195.3)</b>	<b>(197.7)</b>
Pref. & Reg. Dividends Paid	0.0	(367.5)	(861.6)	0.0	(526.3)	(526.3)	(526.3)
Equity Issuance	1,017.4	7.8	783.4	0.0	0.0	0.0	0.0
Increase In Minorities	5.3	167.0	(87.8)	0.0	0.0	0.0	0.0
Increase In ST Debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase In LT Debt	697.0	2,328.6	2,295.3	31.9	(35.2)	(540.6)	(694.5)
Forex Effects	(0.2)	0.0	(84.3)	(179.0)	(97.3)	(57.4)	0.0
<b>Cash Flow From Financing</b>	<b>1,719.5</b>	<b>2,135.6</b>	<b>2,045.0</b>	<b>(147.1)</b>	<b>(658.8)</b>	<b>(1,124.3)</b>	<b>(1,220.8)</b>
Cash at Beginning of Year	152.6	521.9	687.8	600.5	1,978.5	2,979.3	3,744.5
Cash Generated In Year	369.3	165.9	(87.3)	1,378.0	1,000.8	765.2	843.7
<b>Cash At End Of Year</b>	<b>521.9</b>	<b>687.8</b>	<b>600.5</b>	<b>1,978.5</b>	<b>2,979.3</b>	<b>3,744.5</b>	<b>4,588.2</b>

# Appendix

## Disclaimers and Disclosures

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## Recommendation History

Analyst	Company	Recommendation	Date
Dinh Thi Thuy Duong	PetroVietnam Drilling and Well Services JSC	Market Perform	09/21/09