



PETROVIETNAM DRILLING & WELL SERVICES CORPORATION

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Ref: 04/2020/TTr-DHĐCĐ

Ho Chi Minh City, 18th June, 2020

SUBMISSION

Re: Profit Distribution of 2019 and Plan in 2020

Addressed to: The Annual General Meeting of Shareholders
PetroVietnam Drilling & Well Services Corporation

Pursuant to Point b, Item No.2, Article 14 of Charter of PetroVietnam Drilling and Well Services Corporation (PV Drilling) assigning rights and duties of the Annual General Meeting of Shareholders on determining annual dividend payment for each type of share in conformity with Enterprise Law and rights attached to each type.

The PV Drilling's Board of Directors submits to the Annual General Meeting of Shareholders the Profit Distribution of 2019 and Plan in 2020 as Appendix attached herewith.

We submit to the Annual General Meeting of Shareholders for consideration and approval.

Yours sincerely,

Recipients:

- As above;
- File: Secretary Team.

**ON BEHALF OF PV DRILLING'S
BOARD OF DIRECTORS
Chairman**

(signed and sealed)

Pham Tien Dung

APPENDIX

PROFIT DISTRIBUTION OF 2019 AND PLAN IN 2020

(Attached to The Submission No. 04/2020/TTr-DHĐCĐ dated 18th June 2020)

I. Report on transferring a part of retained earnings to investment & development fund.

Pursuant to Resolution of the Board of Directors No. 01/2019/NQ-DHĐCĐ dated 26/4/2019, Annual General Meeting approved a plan related to transferring a part of retained earnings to investment & development fund in accordance with the law and the charter. Based on the resolution, PV Drilling has been implementing procedures in accordance with the regulations before adjusting some contexts as follows:

- Total net profit after tax of the Holding company for the period 2006 - 2017: 10,475 billion VND.
- Actual investment & development fund was extracted from 2006 to 2017: 1,078 billion VND.
- The investment & development fund could be extracted accordance with the charter (maximum rate 30% of annual net profit after tax): 3,046 billion VND.
⇒ Outstanding investment & development fund needs to be extracted from retained earnings: 1,968 billion VND.

PV Drilling respectfully reports to Annual General Meeting voting for authorizing the Board of Directors to continue this plan in 2020 and notify the results in Annual General Meeting in accordance with the law.

II. Business performance and profit distribution plan of 2019.

1. Business performance of 2019.

Oil prices have been highly volatile in 2019. The oil price reached a peak of USD75 per barrel in April before dropping at USD56 per barrel in early August, and maintained at an average level of USD 60 per barrel in the rest of the year. In the unstable oil price scenario, oil operators have been hesitating to expand their exploration and production campaigns which directly impacting to drilling rig demands of drilling market and the day rate.

As a company providing drilling services and drilling related services, the company's business activities are significantly impacted by the development of oil and gas industry in general and drilling market in specific. In the downturn, PV Drilling has been confronting many difficulties by boosting business development activities in many potential markets, especially in international regions. As a result, all four owned jack-up rigs have contracts in Malaysia while its land rig continues to operate in Algeria. The company jack-up rig utilization achieved at 90% on average, which was higher than the figure of 85% in 2018, however, day rate still remained at the low level of USD57,000 per day, which heavily impacted by some low price contracts previously signed. One of

the key points in 2019 was entering into a contract for PV DRILLING V Brunei Shell Petroleum Company Sendirian Berhad (BSP) with the duration of 6 years firm and 2 times of 2 year extension. Accordingly, PV DRILLING V will be reactivated in early 2020 to be ready for BSP campaign from Q2.2021. The contract with BSP is expected to improve cash flow statement for PV Drilling in the long term. Regarding drilling technical services and trading, there was a slight drop compared to the same period last year due to the stoppage of drilling campaigns of Rosneft (TNK) and Repsol (Talisman) in late 2018.

In addition to many efforts in improving business activities, PV Drilling strategically focused on corporate management solutions such as optimizing rig maintenance procedures, cost-cutting plans, enhancing debt collection activities, which help the company meet the performance target registered to the shareholders. Specifically, the consolidated revenue and profit after tax reached 4,368 billion VND and 184 billion VND respectively. In addition, the Holding company also achieved revenue of 2,742 billion VND and profit after tax of 84 billion VND.

Items on Holding company's financial statement	Unit	Actual 2019	Plan 2019	Var vs. Plan	Actual 2018	Var vs. 2018
Revenue	Bil. VND	2,742	2,370	16%	2,906	- 6%
Profit before tax	Bil. VND	90	-		69	30%
Profit after tax	Bil. VND	84	-		47	80%
Funds distribution	Bil. VND	23	-		11	103%
Retained earnings	Bil. VND	61	-		35	70%

2. Profit distribution plan of 2019

The retained earnings as of 31st December 2019 was 3,339 billion VND, to balance the shareholder benefits and ensure cash flow demand for maintaining business operational activities as well as the company's investment plan, **PV Drilling proposes to pay 2019 dividends in the form of stock with the rate of 10%** as followings:

- a. Payment ratio: 10:1, indicating that each shareholder owning ten (10) shares on the record date will be eligible to receive one (1) additional share. The number of additional shares will be rounded to the nearest unit; the number of decimal odd shares will be eliminated.
- b. Outstanding shares: 421,129,789 shares
- c. Treasury shares: 416,000 shares
- d. Maximum number of shares being issued: 42,112,978 shares

- e. Total par value of issuance (estimated): 421,129,780,000 VND (Four hundred twenty one billion one hundred twenty nine million seven hundred eighty thousand Vietnam Dong)
- f. Charter Capital after paying dividends (estimated): 4,636,587,670,000 VND
- g. Stock dividend issued from retained earnings as of 31st December, 2019.
- h. Transfer restriction: Not applied

III. Profit distribution plan in 2020

According to registered plan in Annual General Meeting, the Consolidated net profit and Holding company's net profit are forecasted to be 68 billion VND and 66 billion VND in 2020 respectively. Due to the unpredictable and volatile oil and gas market, PV Drilling proposes to pay 2020 dividends in the form of stock with the rate of 10% from retained earnings with the purpose of maintaining the sufficient cash flow for sustainable operation.

IV. Petition

The Board of Directors proposes to the Annual General Meeting as follows:

1. Approval on the additional transfer of VND 1,968 billion from undistributed after-tax profit to the Development Investment Fund and assigning PV Drilling's Board of Directors to implement in accordance with the provisions of law, the Charter of PV Drilling.
2. Voting for approval on a stock dividend payment plan of 2019 with a rate of 10% and authorizing The Board of Directors to implement in accordance with the law and PV Drilling's Charter as follows:
 - a. Determining an appropriate time to execute the stock dividend payment on quarter III or quarter IV of year 2020.
 - b. Updating PV Drilling's Charter Capital with additional value equivalent to the total par value of issuance according to the company Stock Dividend Issuance Report submitted to the State Securities Commission of Vietnam after completion of the share issue;
 - c. Increasing the Charter Capital on the Business Registration Certificate at Department of Planning and Investment of Ho Chi Minh City after completing stock dividend payment. The date of adjustment is no later than 31st December, 2020;
 - d. Amending and adding to PV Drilling's Charter Capital according to new shares issuance for stock dividend payment;
 - e. Depositing all new shares issued at Vietnam Securities Depository and registering to list them on Ho Chi Minh Stock Exchange.

3. Voting for approval on a stock dividend payment plan of 2020 with a rate of 10% and authorizing The Board of Directors to implement specific procedures.

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