

Ref: 01/2023/TTr-DHDCĐ
21st April 2023

SUBMISSION

Re: Report of the Board of Management on business performance in 2022
and business plan in 2023

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

Pursuant to the Charter of Petrovietnam Drilling & Well Service Corporation (PV Drilling);

Pursuant to the Operating Regulations of PV Drilling's Board of Directors,

The PV Drilling's Board of Directors submits to the Annual General Meeting of Shareholders the Report of the Board of Management on business performance in 2022 and business plan in 2023 as Appendix attached herewith.

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

Yours sincerely,

Recipients:

- As above;
- File: BOD Secretary.

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

(signed and sealed)

Mai The Toan

APPENDIX
BUSINESS PERFORMANCE REPORT IN 2022
& AND BUSINESS PLAN IN 2023

(Attached with the Submission Ref. 01 /2023/TTr-DHD CD day 21st April 2023)

I. BUSINESS PERFORMANCE REPORT IN 2022

1. Overview of Business Performance in 2022

The world economy in 2022 faced great challenges, rapid and unpredictable fluctuations. The conflict between Russia and Ukraine changed the global geopolitical landscape, the US and EU imposed sanctions on Russia, creating an unprecedented energy crisis in history. Besides, the US Federal Reserve continuously raised interest rates to curb rising inflation, forcing countries to tighten monetary policy.

Despite the uncertainties of the world economy, Vietnam's economy recorded a strong recovery, GDP had an impressive increase of 8.02%, the highest growth in the past 12 years, thanks to bright factors such as domestic consumption, exports, and disbursement of FDI; inflation is under control at 3.15%.

The year 2022 has also seen sharp fluctuations in oil prices. The price of Brent oil reached a 14-year peak and at one point touched nearly \$140 per barrel, leading to the 2022 average oil price reaching over \$100 per barrel. The Russian-Ukrainian conflict basically had a strong impact on oil and gas activities around the world. Besides, according to the December 2022 S&P report, the demand for jack-up rigs in the Middle East is forecasted to increase by 44 rigs from 125 rigs to 169 rigs in 2023 and continue to increase by 14 rigs in 2024. The shift of jack-up rigs to the Middle East is expected to cause a shortage of rigs in other parts of the world, especially in Southeast Asia.

At PV Drilling, despite operating in difficult and competitive conditions due to limited workload, competitive prices and minimized costs, the company still had contracts for all owned rigs. In the meantime, the company also hired a jack-up rig to provide for a domestic drilling program. All of PV Drilling's rigs operate safely, achieving zero LTI and high operating efficiency, averaging over 98%. In 2022, PV Drilling successfully penetrated the Indonesian market after many years of persistently pursuit in the context of a limited drilling program in Viet Nam. The year 2022 also marks a milestone for PV Drilling to develop new services and initially achieve positive results, such as wind power testing services in Ninh Thuan and providing training services to 30 customers in the wind power industry and over 1,000 participants, especially in the Dubai market.

Making efforts in all activities, PV Drilling continues to cut costs, promote strict control and management of cash flow, restructure loans, and reduce interest rates. In the meantime, the company maintains operating activities effectively and enhances the quality of drilling related services. As a result, PV Drilling reached billion VND 5,599 in

total revenue, an increase of 19% compared to the plan 2022 and 30% compared to the previous year. However, due to the negative impact of financial market fluctuations such as exchange rate and interest rate hikes, PV Drilling's 2022 profit result did not meet expectations and was the first year in which the Corporation suffered losses in its 21-year history of establishment and development. Excluding the impact of exchange rate and interest rate fluctuations, PV Drilling would not suffer a loss in 2022.

Consolidated Business Performance in 2022

Items	Unit	Actual	Plan
Total revenue (*)	Bil VND	5,599	4,700
Profit before tax	Bil VND	(139)	-
Profit after tax	Bil VND	(155)	-
Profit after tax (of the Company's shareholders)	Bil VND	(103)	-
Amounts payable to State Budget	Bil VND	531	400
Charter capital (year-end figure)	Bil VND	5,563	5,611
Owner's equity	Bil VND	14,079	14,054
Total assets	Bil VND	20,704	20,566

Holding Company's Business Performance in 2022:

Items	Unit	Actual	Plan
Total Revenue (*)	Bil VND	4,334	3,400
Profit before tax	Bil VND	(159)	45
Profit after tax	Bil VND	(157)	45
Amount payable to State Budget	Bil VND	319	215
Charter capital (year-end figure)	Bil VND	5,563	5,611
Owner's equity	Bil VND	13,169	13,119
Total assets	Bil VND	14,413	14,347

(*) Total revenue includes: revenue from selling goods and providing services, financial revenue, profit from joint ventures and other income.

2. The performance of services in 2022

2.1 Drilling service

The drilling service in 2022 achieved revenue of 3,535 billion VND, accounting for 65% of the total consolidated revenue structure and increased by 92% compared to 2021. With many efforts into seeking any possible contracts, the average utilization efficiency of the owned jack-up rigs in 2022 is 3.4 rigs with average day rates around 61 thousand USD/day, an increase compared to 2021 (3.2 rigs and day rates of 52 thousand USD/day). Especially in 2022, PV Drilling has put PV DRILLING V rig into operation in Brunei after waiting for jobs in 5 years. In addition, PV Drilling, which has successfully entered the Indonesian drilling market after persistent pursuit over many

years, continues to affirm its position as a pioneer of Vietnam drilling in the context of a limited workload in domestic the drilling market. A summary of rig operations in 2022 is as follows:

- Jack-up PV DRILLING I: drilling for Vietsovpetro.
- Jack-up PV DRILLING II: After completing the domestic drilling programs for VietsovPetro. PV DRILLING II move to Indonesia to carry out Premier Oil and Pertamina's drilling programs, starting from late July.
- Jack-up PV DRILLING III: continuously working for Hibiscus (the contract was transferred from Repsol) in Malaysia.
- Jack-up PVD DRILLING VI: After completing the domestic drilling programs for ENI in March 2022, the rig has been working for Vietsovpetro for more than 4 months before entering POVO's drilling campaign with the duration of 2 firm wells and 1 option well contract from October 2022.
- PV DRILLING V (TAD): was officially worked for BSP since 28th January 2022 with a contract of six years' duration, with two extensions of 2 years each, and has received high appreciation for its service quality from Shell Brunei Company.
- Land rig PV DRILLING 11: fully worked at BRS Phase II drilling program for GBRS, the contract will end in May 2023.
- Hired rigs: PV Drilling's revenue and profit have been contributed by Hakyryu 11 from late September 2021 to August 2022.

PV Drilling always maintains its reputation by providing safe and quality services. The average operating efficiency of jack-up rigs in 2022 reached over 98%, ensuring absolute safety (zero LTI) in the context of difficulties and minimizing operating costs. At the end of 2022, the drilling service is expected to generate better results when the company has signed contracts for all owned rigs.

Besides, saving operating costs through optimizing the cost of crew changes, human resource development policies, flexibility in maintenance and cutting management costs are important factors to increase efficiency and reduce difficulty for drilling services.

2.2 Drilling-related services

In 2022, drilling related services continued to face many difficulties due to the low number of well drilling, limited workload and strong competition for service prices from both domestic and international competitors. In 2022, the total revenue of these services reached 1,896 billion VND, equivalent to 35% of the total consolidated revenue structure, and decreased by 12% compared to 2021. However, regarding all drilling-related services provided by wholly owned subsidiaries, PV Drilling still maintains its market share in the domestic market.

PV Drilling identifies drilling related services as the most important business core in the strategy development in coming years. Therefore, PV Drilling shall focus on

service quality, market expansion and new service development.

In 2022, PV Drilling has continued to develop core services, expand the portfolio of equipment and services to increase job opportunities and introduce new services such as: Testing the Noise Logging Method for VSP and Milling service for Premier Oil, performing contracts for customers in the Gas - Electricity - Fertilizer - Wind Power segments. Besides, in order to improve and ensure service quality, PV Drilling also strengthens cooperation with foreign partners to provide services in domestic market. The partners that PV Drilling chooses are reputable and experienced contractors in the world market such as: SNUBCO (Canada), Schlumberger, Varel and TDI (Singapore). In 2022, PV Drilling still maintains manpower for geothermal drilling services in Japan.

2.3 Business performance of Joint ventures

In 2022, Joint ventures continued to contribute to the supply chain of drilling related services and generate profit for PV Drilling. Despite many difficulties in production and business activities in terms of price competition and limited workload, Joint venture companies continue to make efforts to maintain operations and strengthen internal resources with the expectation for market recovery in the coming years.

II. INVESTMENT PLAN 2022

During the difficult period, the investment was always managed and strictly controlled by PV Drilling to ensure the effectiveness of the implemented projects. In addition, PV Drilling proactively suspended and extended some projects that have not yet been implemented. PV Drilling only focuses on investing in projects that are really necessary for production and business activities.

In 2022, the holding company disbursed an amount of 38.37 billion VND (achieved by 24% of the plan). Actual disbursement of investment was lower than the plan due to postponing the implementation of the Offline Activities Project for jack-up PV DRILLING II which was the largest investment project in 2022 with the amount of 114.24 billion VND, equivalent to 71% total investment amount. More specifically, the PV Drilling drilling program had been altered in comparison to the initial investment timeline.

Regarding subsidiaries' investment, total amount of disbursement by subsidiaries in 2022 was 70.6 billion VND, equivalent to 45.8% of the plan, mainly paid for Casing Running Tool Internal (CRTi) and "E-line Unit # 2" projects. Details of project disbursement for the holding company and subsidiaries are as follows:

No	Investment items in 2022	Plan (VND billion)	Actual (VND billion)	Actual vs. Plan
A	Carry forward investment	72.77	80.20	110%
I	The Holding company's Investment	7.96	26.87	338%
1	Equipment investment	7.96	26.87	338%

No	Investment items in 2022	Plan (VND billion)	Actual (VND billion)	Actual vs. Plan
1.1	ERP – phase III	2.53	-	0%
1.2	Server system upgrade	4.50	4.36	97%
1.3	Science & Technology fund - Floor for maintenance of jack-up rig legs	0.93	8.16	879%
1.4	Expand and repair crew platform on the rig PV DRILLING III	-	13.11	
1.5	Copy right and license of firewall software	-	1.24	
2	<i>Investment / Capital contribution in Subsidiaries</i>			
II	Subsidiaries' Investment	64.82	53.33	82%
1	PV Drilling's Office (Vung Tau)	28.85	1.26	4%
2	Fence Boom	2.68	-	0%
3	Casing Running Tool Internal (CRTi)	11.69	33.08	283%
4	E-line Unit # 2	21.60	18.99	88%
B	Investment items in 2022	242.24	28.78	12%
I	The Holding company's Investment	152.82	11.50	8%
1	Offline Activities for PV DRILLING II	114.24	-	0%
2	Drilling Pipe, Heavy weight drilling pipe and Drilling collars	23.80	-	0%
3	Other investment	14.78	11.50	78%
II	Subsidiaries' Investment	89.42	17.28	0.19%
1	Barstock Boring Machines	17.35	-	0%
2	Repairing warehouses and offices	2.50	-	0%
3	Hydraulic Extendable Bail Arm (HEBA) version 2	8.45	-	0%
4	Other drilling equipment and machinery	27.06	6.66	25%
5	Flow tube	17.14	-	0%
6	Roller bogies	7.62	-	0%
7	Training equipment	4.50	4.37	97%
8	Purchase of other equipment and machinery	4.80	6.25	130%
	Total	315.02	108.98	35%

III. OTHER MANAGEMENT ACTIVITIES

1. Development of services into international markets

In 2022, PV Drilling put efforts into seeking jobs in the domestic market in order to maintain its workload. Moreover, PV Drilling achieved certain successes in developing overseas services. As a result, PV Drilling's owned rigs won many contracts in the regional countries. In 2022, besides the domestic drilling campaigns, the PV DRILLING II rig started providing services in Indonesia from July 2022 to implement Premier Oil's drilling program and was completed at the end of October 2022. After that, the rig continues to operate in Indonesia for Pertamina's drilling program from the beginning of December 2022 under the 2-year contract. Working in Indonesia - a fiercely competitive market, is the most important point in PV Drilling's strategy development in Southeast Asia. Jack-up PV DRILLING III continuously worked for Hibiscus (the contract was transferred from Repsol) in Malaysia with a contract of 2 years, starting from December 2021.

The PV DRILLING V rig has started implementing a long-term drilling program for Brunei Shell Petroleum (BSP) from 28th January, 2022. In 2022, the PV DRILLING V rig has operated stably, safely and effectively, highly appreciated by BSP, exceeding the speed of 2 wells and breaking BSP's record on some technical items and was rewarded by BSP for this achievement.

In addition, the PV DRILLING 11 rig had a full year contract in Algeria with the BRS Phase II drilling program for GBRS in 2022.

However, drilling related services attached to the rigs in the overseas market still faces many difficulties due to some factors, such as the local content policies of some countries in the region, limited market research and fierce competition in the context of the oil and gas market downturn. Despite difficulties and challenges, PV Drilling still strives to closely cooperate with foreign partners to deliver its services to overseas markets. 2022 is the 7th year that PV Drilling maintains the supply of geothermal drilling personnel in Japan, successfully provides safety training services in the Dubai market and begins deploying safety training services in the Nigeria market.

With the development of services in both the foreign and domestic markets, PV Drilling strengthens the belief and expectation of achieving more positive results on the path of sustainable development.

2. Human resource management

As of 2022, the total number of employees at holding company and its subsidiaries was 440 and 1,531 respectively.

Regarding training activities, PV Drilling continued to focus on training staffs, including safety training and mandatory training. In 2022, PV Drilling trained 2,692 people, equivalent to 123% of the 2022 plan with 21.72 billion VND, an achievement of 109% compared to the plan. Training activities mainly focus on training programs to

develop Vietnamese people to gradually replace foreign personnel, thereby optimizing production and business costs. Along with training and human development activities, PV Drilling also focuses on implementing strategic goals such as implementing Learning Management System, Digital Transform Projects in order to promote cultural self-study, self-training and management efficiency in line with the requirements of the new era.

3. Other management activities

- *Financial management:* In 2022, interest rates and USD/VND exchange rate significantly fluctuated when the US Federal Reserve (FED) raised interest rates to combat inflation. Specifically, PV Drilling suffered from high interest expenses due to the sharp increase in interest rates from the FED. Besides, the USD appreciated at a 20-year high, causing many currencies in the world, including the VND to depreciate against the USD. Therefore, PV Drilling has worked with banks to reduce loan interest rates; closely monitor exchange rate and interest rate fluctuations to ensure flexibility and efficiency in cash flow management. Besides, the Corporation continued to cut costs, control the budget, manage cash flow and restructure loans for PV DRILLING V and VI rigs, while strengthening the collection of overdue debts.

- *Risk management:* effectively operate the risk management system, strengthen the implementation of many solutions, reduce risks and negative impacts on production and business activities of the corporation.

- *Safety, health and environment:* PV Drilling has organized, managed and operated production and business activities to ensure stability, safety, continuity and maximum efficiency of drilling rig operations and well-technical services. Accordingly, in 2022, PV Drilling's drilling rigs and machinery were operated safely without any accidents (Zero Lost Time incident). Health care for employees, especially the workforce directly on the rig and production workshop is always guaranteed. In addition, the Corporation always professionally implements waste treatment to comply with regulations on environmental protection in accordance with the laws of Vietnam and the local country.

- *Other management activities:* Continued to review and evaluate the activities of departments and subsidiaries to find solutions to ensure efficiency that is suitable for the current situation; updated and adjusted internal regulations, processes and regulations to support the management in terms of making decisions on operation activities. In addition, PV Drilling continues to implement digital transformation and the application of digital technology in operation and management from the Corporation to its subsidiaries.

IV. BUSINESS PLAN 2023

1. Business Plan 2023

In order to maintain the achievements in the past years and anticipate opportunities to expand market share, PV Drilling has focused on some activities in 2023, including: ensuring safe, quality and efficient drilling service; seeking new contracts to maintain stable workload for drilling services and drilling related services; investing in specialized

equipment to increase resources for PV Drilling and meet market demands and customer requirements; strengthen financial management, control the budget, manage cash flow and recover outstanding debts; promote research and application of new science and technology, enhance the ability to receive technology transfer from foreign partners to improve service quality.

In January 2023 report, the EIAs forecast Brent crude oil prices to average \$83 per barrel in 2023, a decrease of 18% compared to 2022 due to increased global oil inventories. The EIA forecasts that global petroleum inventories will increase by an average of more than 0.6 million bpd in 2023–2024.

With the above-mentioned forecasted oil price, the global oil and gas drilling market is expected to maintain stable operations, which is a solid foundation for oil contractors to implement new drilling plans. Therefore, 2023 promises to be a busier and brighter year for PV Drilling's production and business activities, that the production and business plan set out as follows:

Consolidated Business Plan 2023:

Indicators	Unit	Plan 2023	Actual 2022
Total revenue	Bil VND	5,400	5,599
Profit before tax	Bil VND	140	(139)
Profit after tax	Bil VND	100	(155)
Amount payable to State Budget	Bil VND	340	531
Charter capital (year-end figure)	Bil VND	5,563	5,563
Owner's equity	Bil VND	14,343	14,079
Total assets	Bil VND	20,534	20,704

Holding Company's Business Plan 2023:

Indicators	Unit	Plan 2023	Actual 2022
Total revenue	Bil VND	4,050	4,334
Profit before tax	Bil VND	120	(159)
Profit after tax	Bil VND	120	(157)
Amount payable to State Budget	Bil VND	200	319
Charter capital (year-end figure)	Bil VND	5,563	5,563
Owner's equity	Bil VND	13,423	13,169
Total assets	Bil VND	14,896	14,413

In 2023, it is forecasted that the world economic situation will be difficult with many unpredictable fluctuations that will continue to affect the Vietnamese economy in general and the oil and gas industry in particular. In that context, PV Drilling has already signed full-time contracts for its owned rigs in 2023 with higher day rates compared to 2022. This is a foundation for PV Drilling to be confident, optimistic and strive to achieve the highest results in 2023 as follows:

- PV Drilling has continued to sign drilling contracts in Thailand and Malaysia for the rigs PV DRILLING I, PV DRILLING VI after the end of domestic drilling programs.

- PV DRILLING II continues to drill for Pertamina drilling program with a 2-year contract from December 2022.

- PV Drilling is negotiating with Hibiscus to expand PV DRILLING III's contract through 2024 in Malaysia with a higher day rate.

2. Investment plan 2023

Total investment budget in 2023 is estimated to be 297 billion VND mainly including investments related to the repair and procurement of equipment on the rigs, machines and equipment that are necessary for the daily business operations of the Corporation and its subsidiaries. During the implementation process, PV Drilling will continue to review and evaluate to ensure the effectiveness of investment activities.

3. Solutions and implementations in 2023

In order to accomplish the 2023 plan, PV Drilling's management will focus on some solutions. The details are described as follows:

- Maintaining operating efficiency and service quality by operating the rig fleet with the highest level of safety and operating efficiency, focusing on IT applications in rig management and operation and providing a timely response to all production requirements.

- Actively joining the bids provided by domestic and foreign customers, closely follow potential drilling programs in 2023.

- Actively participate in building a supply chain with other companies in PVN to cooperate in maximizing the value of equipment and infrastructure in the fields of exploration and production, well destruction and the installation of oil and gas projects.

- Continue to implement cost-cutting solutions, strengthen financial management, cash flow, budget control, and debt recovery in order to increase the efficiency of PV Drilling while continuing to negotiate with banks to restructure loans based on actual cash flow.

- Improve the corporate governance of the Corporation in the direction of professionalism, modernity; effectively apply advanced management of the enterprise management system (ERP); strengthen risk management in production and business activities; accomplish business operation management processes in order to increase competitiveness with other international oil and gas companies.

- Continue to focus on core services which are PV Drilling's strengths and are self-implemented and promote research into new services in order to secure workload in the context of the oil and gas market downturn. In addition, PV Drilling tries to improve service quality based on investment in R&D and high technology transferred from abroad.

- Strengthen internal training, focus on training leadership skills for key personnel, especially deploy practical training courses for young drilling engineers, such as rig operator training, and especially focus on developing Vietnamese personnel holding key positions on the rig.

- Follow up on the plan targets approved by PVN, periodically evaluating the implementation of the planned targets and delivering solutions to achieve the goals.

- Strengthening leadership and promoting the role of Communist party of Vietnam throughout the Corporation, upholding the spirit of solidarity, democratic centralism, working collaboratively in Board of Directors and employees of the Corporation.

V. PETITION

With the results of business performance in 2022 and business plan in 2023 as above, PV Drilling respectfully reports to Shareholders' General Meeting voting for approval on:

- Report on business performance in 2022.

- Business plan in 2023.