



**STAND STEADY  
AGAINST  
CHALLENGES**

**PV Drilling**  
ANNUAL REPORT  
**2017**

PV Drilling ANNUAL REPORT 2017



**PV Drilling**

PETROVIETNAM DRILLING AND WELL SERVICES CORPORATION - ANNUAL REPORT 2017

STOCK CODE: PVD



# STAND STEADY AGAINST CHALLENGES

**PV Drilling**  
ANNUAL REPORT



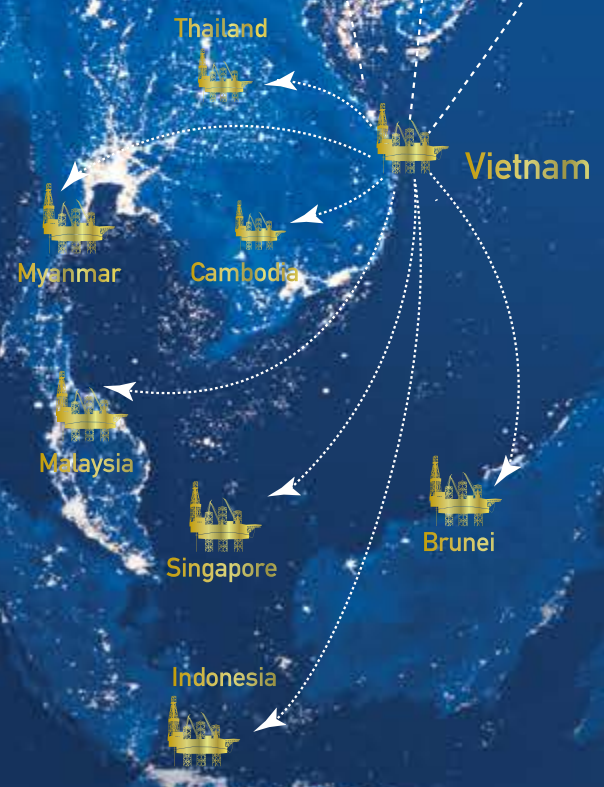
## **PV Drilling**

PETROVIETNAM DRILLING AND WELL SERVICES CORPORATION

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## VISION

To be an internationally reputable and reliable drilling contractor and drilling-related services provider in the oil and gas industry.

## MISSION

Becoming a leading regional drilling services provider and drilling contractor, creating great value added for clients by delivering premium services at competitive prices.



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# PV DRILLING'S ESTABLISHMENT & DEVELOPMENT



Over the past 16 years, PV Drilling has successfully been developing a domestic competent drilling workforce, realizing the dream of Vietnamese people to master modern drilling technology and confident to compete with other reputable, long-term drilling contractors all over the world.



PV Drilling's management and staff are always proud of all outstanding achievements over the past 16 years. We commit to be more united, decisive to overcome all the challenges ahead, aiming to a better and sustainable future.

[CEO's letter to Shareholders](#)

[Company Profile](#)

[Organizational Structure](#)

[Introduction of the Board of Directors](#)

[Introduction of the Supervisory Board](#)

[Introduction of the Board of Management](#)

[Introduction of Chief Accountant and Finance Manager](#)

[Corporate Governance Model](#)

[History and Milestones \(2001 - 2017\)](#)



## CEO'S LETTER TO SHAREHOLDERS

### Dear esteemed Shareholders, Investors, Partners and Clients,

Since end of 2015, the drilling industry sank into a severe recession. The oil price crisis rapidly spreaded on global scale and instantly froze a majority of exploration and production activities, thus posing extreme pressure on rig demand and day rate. Statistics showed that only 172 jack-up rigs (→ 300ft) had contracts over the total 484 existing rigs of this kind (equivalent to a utilization rate of 36%) around the world in 2017. Particularly in Feb 2017, rig utilization fell to the lowest record number of 43.69% within the past 30 years. A massive number of global drilling contractors including Vantage, Seadrill, UMW, Shelf Drilling, Transocean, Perisai, Aban Offshore, Maersk Drilling, Noble Drilling, Rowan, etc. declared heavy losses and had to restructure for survival while others including Hercules Offshore, Paragon Offshore, Atwood Oceanics, Frigstad Offshore bitterly filed for bankruptcy (*Source: Offshore energytoday, Bloomberg*).

According to IEA's forecast, there are very slim chances that oil price might see its past glory of over \$100/bbl within the near future. Therefore, oil operators and drilling contractors should be prepared for all possible contingent scenarios and establish flexible action plans in order to cope with market fluctuations.

Amidst such a challenging context, we are proud to inform that the whole fleet of PV Drilling has successfully maintained an outstanding operation. We have 5/6 rigs working by the end of 2017. A prominent highlight of our business performance this year is the remarkable success in international markets. The overseas operation has considerably contributed to a major proportion of revenue and eased the cost burden for other struggling service segments. On August 19th 2016, PV Drilling signed the contract in Yangon, Myanmar for the provision of PV DRILLING I rig to Total E&P Myanmar. This event marked a turning point of paramount meaning in which PV Drilling, for the first time ever, operated a jack-up rig outside the territory of Vietnam. The door to international markets has finally wide opened

to PV Drilling. Thank to the capability and expertise of the crew, the drilling campaign in Myanmar was successfully completed with a record of high safety and efficiency performance, earning PV Drilling the plaque of appreciation from the top management of Total E&P Myanmar. The achievement in Myanmar has further reinforced the capacity of PV Drilling in the competition, paving the way for continuous successes in other international tenders in Malaysia (PV DRILLING III with Petronas Carigali and Repsol, PV DRILLING VI with Lundin Malaysia) and in Thailand (PV DRILLING I with Kris Energy) in 2017.

Such remarkable achievements are the result of our constant effort to maintain the credit and service quality, particularly a perfect record of Zero Lost Time Incident (Zero LTI) over the years. In 2017, PV DRILLING I has achieved 10-year Zero LTI (March 10th 2007 - March 10th 2017). PV DRILLING II and III reached the milestone of 8-year Zero LTI in October and November 2017 respectively. The latest jack-up PV DRILLING VI also marked its amazing performance with 3-year Zero LTI since its first day sailing out of construction yard. Despite budget shortfalls, the average operational efficiency of the whole rig fleet was still maintained at extremely high level (over 98%) without any compromise of Health, Safety and Environment (HSE) and other operational indicators. Though suffering low day rates, even below break-even point, we have successfully managed to preserve our competitive edges.

While striving to find contracts for the rig fleet, we also focused to promote other technical services in 2017, which brought back a significant amount of profit for our business performance aside the struggling drilling service. Major revenues were generated through the provision of services including Tubular Running, Well Testing, Slickline, Mud Logging, Tool Rental, Mechanical Workshop and Fabrication, Manpower Supply with a growth of 10% over year 2016. PV Drilling also succeeded in providing rig manpower, repair and maintenance services for clients in Japan and Myanmar. Particularly, we performed the Bundled Services for Premier Oil Vietnam in Quarter 4 of 2017 and turned the drilling campaign into a huge success. Two wells at Chim Sao location were completely built with a positive time-saving record and lower budget than client's prediction.

The remarkable achievement of PV Drilling in 2017 is the very success of maintaining an outstanding average efficiency over 98%, an impeccable safety record (Zero LTI), and delivering premium service quality for our clients despite the enduring impacts of low rig day rates and cost-cutting measures. We could not be more proud of the devoted efforts of the whole staff and management to stand strong in such difficult days of the industry.

Mr. PHAM TIEN DUNG  
PV Drilling's President & CEO



## CEO'S LETTER TO SHAREHOLDERS (cont.)

Within 2017, a comprehensive range of measures has been implemented in a timely and effective manner. All staff and management of PV Drilling have demonstrated a unanimous spirit to surmount all the obstacles and move the Corporation forward, fulfilling the business targets assigned by the Shareholders' Annual General Meeting. Specifically, we have achieved a revenue of VND 3,891 billion (69% higher than initial plan), profit after tax of VND 45 billion, successfully exceeding the "no-loss" plan. We have executed significant cost-saving solutions, reinforced the management and utilization of inventory, mobilized the internal resources and strengths for the repair and maintenance activities, promoted research and deployment of technical initiatives, utilized the existing Fund of Science and Technology, strengthened the competence of our local crew, and regularly performed risk audit and management. Besides, our staff has courageously shared the burden via an agreement of salary adjustment and suspension of labor contracts.

For the year 2018, it would be too soon to expect the pressure tapering off for the oil and gas industry. We are seeing oil price crawled over \$60/bbl at the start of the year, but extra caution is needed considering the volatile nature of crude oil. In the domestic market, we are witnessing a significant decline in production at major offshore reservoirs while other marginal wells are not economically significant, some even have extreme geological conditions and bear too much risk to switch to development phase. The target of domestic oil production in 2018, therefore, would likely to be compromised. Meanwhile, it is a real challenge to accelerate new projects at deepwater areas in the East Sea due to the existence of unfavorable conditions.

While the domestic market is struggling, PV Drilling has managed to penetrate the regional markets. The role of overseas expansion is truly critical at this moment and even in long term time as such strategy shall help PV Drilling stand strong against the current

crisis and form a firm base for development upon the resurgence of the market. The primary hinderance is that most of the countries have set up their own major barriers to protect the local business from foreign contractors. Besides, various red-tape procedures, the requirement of local content, unpopular local languages, severe climate conditions, and fierce competitions are also among the challenges that we have to confront. However, with the experience accumulated over recent years, we are confident to conquer them all and shall continue to approach new potential markets, especially those offering promising potentials for rig contracts e.g Cambodia, Brunei, Middle East, etc. In parallel, we shall also accelerate the development of Bundled Services in foreign markets, shifting the focus from exploration to production fields, expanding our scope of services to mid-stream and down-stream areas as well as other sectors outside the oil and gas industry if possible.

PV Drilling will exert its effort to the fullest extent in restructuring the whole Corporation. Such mission will be a complicated assignment ever implemented, but we are ready to move forward at all cost. We aim to fine-tune PV Drilling into a leaner and more effective organisation in order to concentrate our resources to tackle the current downturn. Moreover, PV Drilling also continues to reinforce the financial management, ensure strict compliance with cost-saving policy in all operational aspects, optimize the allocation of manpower, control the cash flow to meet the practical demand of daily business activities, monitor the risks those having direct impacts on PV Drilling's business operation, enhance the competence of the drilling

While the domestic market is struggling, PV Drilling has managed to penetrate the regional markets. The role of overseas expansion is truly critical at this moment and even in long term time as such strategy shall help PV Drilling stand strong against the current crisis and form a firm base for development upon the resurgence of the market.

crew to master the application of latest drilling technology. Particularly, PV Drilling shall always keep a close watch on market trend to seek positive signals for long-term investment opportunities such as investment of a Tender Barge for Block B O Mon Project, a land rig for the market in Africa, a Drilling Equipment System (DES) for the rig PV DRILLING V to fit the requirement of upcoming tenders.

To stay in the competition, we reinforced our competitive edges via safety and service quality in operation. In fact, to maintain an incident-free operation and efficiency over 98% over many years, just like what our rigs have achieved, is almost an unrealistic mission to any drilling contractors, even during the time oil price was at its peak over \$100/bbl. Therefore, it is truly remarkable when PV Drilling has consistently made it in such a long period of time. That is the sweet fruit of the combination between an effective corporate management system and a crew with real expertise and professionalism. Such achievement has affirmed the ability of PV Drilling to provide the best quality services and meet clients' demands without any compromises. In return, we have been awarded with the trust and appreciation from our clients, the element that we always treasure as the most important factor that helps sustain our business against all challenges in the long run.

We have gone a really long way since the establishment of PV Drilling with a strong and reliable team who survived through numerous ups and downs. Therefore, the temporary challenges we are facing today shall soon be behind our back on the way to a sustainable future. Over the past 16 years, PV Drilling has gradually built up its brandname by stacking each solid block of growth and earned its place in the international arena of the drilling industry. In 2018, we shall further dedicate our concentration to maintain a solid business performance. Despite the lingering difficulties, the prospect of the oil and gas market in the upcoming years has eventually showed some positive signs.

We shall accelerate in full speed to catch up with the market trend via applying flexible approaches, integrating bold initiatives into its strategy, taking advantages of the technological accomplishments in the industry revolution 4.0. We believe our relentless efforts shall pay off in solidifying our market position and sustaining our development toward the Mission and Vision of the Corporation.

Taking this occasion, may we representing all the staff and management of PV Drilling, express our most sincere gratitude to all shareholders, to Petrovietnam, investors and clients for your invaluable support and companionship throughout these years. Your unwavering trust in PV Drilling shall always be the strongest base to keep us stand steady against all challenges ahead and steadily move forward to a new period of sustainability.

Sincerely yours,



**PHAM TIEN DUNG**  
President & CEO



# COMPANY PROFILE

## Scope of Business

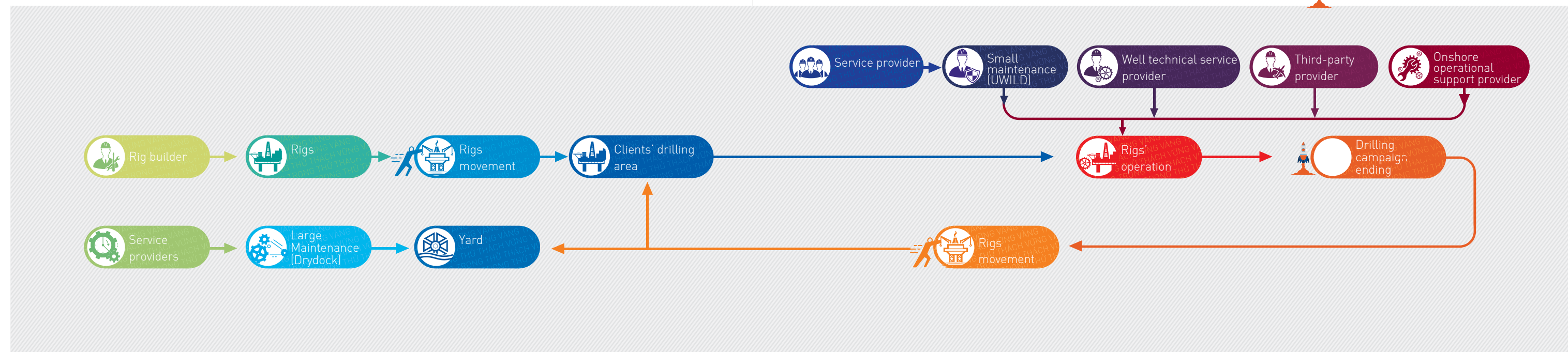
PV Drilling is specialized in providing drilling rigs and drilling technical services for the exploration and exploitation of oil and gas industry locally and internationally:

- Owns and operates onshore and offshore drilling rigs;
- Drilling tools rental services;
- Mud logging & Geologist Consultants services;
- Tubular running services;
- Wellhead services;
- Oil spill response services;
- Inspection, maintenance, refurbishment of drilling tools material and equipment services;
- Manpower training and supply; Safety and technical training and certification for oil and gas industry and other industries;
- Material, equipment, spare parts supply for oil & gas industry and other industries;
- Maintenance of industrial equipment: assembling, inspection, repairing and maintenance of clustered equipment & production line;
- Casing services as well as design and manufacture equipment and metal works;

- Other technical services in collaboration with foreign partners: Cementing and well service stimulation; Full package of services for OCTG, Repair and maintenance for OCTG; Well testing and early exploitation; Directional drilling and survey; Measurement while drilling; Core logging; Borehole geophysical survey (excluding mining mud logging services); Liner hanger; Deep drilling well rescue service; Sales agent for chemical and drilling mud; Drilling bits; Pressed artificial reservoirs; Intelligent well completion and reservoir engineering services;
- Investment Consulting - Project Management and Management Consulting; Oil & gas technology consulting; applied natural science and technical Research & Development;
- Supporting services for crude oil and natural gas exploitation: deep water drilling rig supply for exploration and exploitation activities in oil & gas industry

In 2017, PV Drilling marked its milestone of expanding services to overseas markets by establishing new branches in Thailand, Malaysia with the aim of approaching and supply services here.

## Supply chain



## Business Areas

- With the ownership of 5 offshore rigs, 1 semi-submersible tender assist drilling (TAD) rig and 1 land rig, PV Drilling currently holds about 50% of domestic drilling market.
- Other technical services: PV Drilling currently dominates about 80% - 100% of the market share of manpower, threading and oil spill response services.

## International Market:

### In Algeria:

- In 2017, the land rig PV DRILLING 11 intermittently carried out several workover jobs for clients in Algeria and started resuming its operation in December also in this country.

### In Malaysia

- On November 21st 2017, PV Drilling succeeded in having the Certificate of Branch Establishment in Malaysia, on the foundation of its previous representative office.



### In Myanmar

- The Myanmar subsidiary has been established according to the Decision 01/03/2015/QĐ-HĐQT dated March 04 2015 of PV Drilling's Board of Directors and Certificate of Incorporation No. 594/CNDK-SCT dated 18 June 2015 issued by Ho Chi Minh City Department of Industry and Trade. Its registered office is located at No. 33/36, Garden Street (U Yin Lane), Bahan Township, Yangon, Myanmar.

### In Singapore

- In 2013, PV Drilling established the joint venture PV Drilling Overseas to invest and operate drilling rigs. Hence, the PV DRILLING VI rig, invested by PV Drilling Overseas, was pulled back to Vietnam to serve for drilling campaigns from early March, 2015.

### In Thailand

- On 22 September 2017, PV Drilling officially received the License No. 756002194 of the Office of Foreign Enterprise Departure in Thailand on the establishment of PV Drilling's branch in Thailand with the aim of looking for more opportunities to develop services there.



# ORGANIZATIONAL STRUCTURE

# 1,840

EMPLOYEES

As of 31/12/2017, PV Drilling and all its subsidiaries have a total number of 1,840 employees. The organizational structure of PV Drilling including the Corporate Head Office and its units is as follows:

SHAREHOLDERS'  
ANNUAL  
GENERAL  
MEETING

SUPERVISORY  
BOARD

BOARD OF  
DIRECTORS

BOARD OF  
MANAGEMENT

FINANCE  
DIVISION

ACCOUNTING  
DIVISION

INTERNAL  
AUDIT DIVISION

BUSINESS  
DEVELOPMENT &  
OPERATIONS  
SUPPORT DIVISION

COMMERCIAL &  
INVESTMENT  
DIVISION

LEGAL  
DIVISION

MIS  
DIVISION

PROJECT  
MANAGEMENT  
DIVISION

HSEQ  
DIVISION

ADMIN  
DIVISION

HR  
DIVISION

SOCIALIST PARTY  
REPRESENTATIVE  
OFFICE

PVD  
DRILLING  
DIVISION

PVD  
OFFSHORE

PVD  
LOGGING

PVD  
WELL SERVICES

PVD TECH

PVD  
DEEPWATER

PVD  
INVEST

BRANCH IN  
MALAYSIA

BRANCH IN  
MYANMAR

BRANCH IN  
THAILAND

PROJECT  
ADMIN OFFICE  
IN ALGERIA

PVD  
TRAINING

PV DRILLING  
BAKER HUGHES

BJ - PV  
DRILLING

PV DRILLING  
OVERSEAS

PVD - EXPRO

PVD  
TUBULARS  
MANAGEMENT

VIETUBES

PVD - OSI



## INTRODUCTION OF THE BOARD OF DIRECTORS



PV Drilling's Board of Directors is a united assembly with valuable knowledge, expertise and management experience, who are equal, integrity, and passionate for the growth of PV Drilling. The Board of Directors consists of 07 members including the Chairman, the Vice-chairman, 02 full time concurrent members, 01 non-executive member and 02 independent members.



1. Dr. **DO VAN KHANH**  
Chairman of PV Drilling

2. Mr. **DO DUC CHIEN**  
Vice Chairman of PV Drilling

3. Mr. **PHAM TIEN DUNG**  
BOD Member, President & CEO  
of PV Drilling

4. Ms. **HO NGOC YEN PHUONG**  
BOD Member of PV Drilling

5. Mr. **LE VAN BE**  
BOD Member of PV Drilling

6. Ms. **PHAM THI AN BINH**  
BOD Member of PV Drilling

7. Ms. **NGUYEN THI THUY**  
BOD Member of PV Drilling



## INTRODUCTION OF THE BOARD OF DIRECTORS (cont.)

### Dr. DO VAN KHANH

**Title:** Chairman, PV Drilling's Board of Directors

**Date of birth:** 1961

**Date of appointment:** 1/12/2015

**Education:**

- Bachelor of Science, Drilling Engineering
- PhD of Petroleum Geology

**Experience:** 34 years of experience in petroleum drilling industry

**Field of charge:** Responsible for General Direction, Strategy and Business Innovation of the Corporation

#### EMPLOYMENT HISTORY:

12/ 2015 - Present:	Chairman of Board of Directors, PV Drilling;
2/ 2012 - 11/ 2015:	Member of Board of Directors, President & CEO of Petrovietnam Exploration Production Corporation (PVEP);
8/2010 - 2/ 2012:	Chairman of Board of Directors, PVEP;
2001 - 8/2010:	President & CEO of PV Drilling;
1994 - 2001:	Director of PTSC Offshore - a division of Petrovietnam Technical Services Company (the former formation of PV Drilling) a subsidiary of Petrovietnam;
1992 - 1994:	Deputy Director of Odfjell Vietnam Company - a joint-venture company between Petrovietnam and Odfjell Norway;
1984 - 1992:	Drilling engineer in Thai Binh Oil & Gas Company, Drilling engineer in Petrovietnam II, and Chief Representative of Petrovietnam in Danang.

### Mr. DO DUC CHIEN

**Title:** Vice Chairman, PV Drilling's Board of Directors

**Date of birth:** 1963

**Date of appointment:** 1/12/2015

**Education:**

- Bachelor of Law
- Bachelor of Politics

**Experience:** 19 years of experience in the oil and gas industry

**Field of charge:** Responsible for commerce, planning - investment supervision and regulations, policies for employees.

#### EMPLOYMENT HISTORY:

12/2015 - present:	Vice Chairman of PV Drilling;
4/2010 - 12/2015:	Chairman of PV Drilling;
2009 - 4/2010:	Chairman of Petrosetco;
2007 - 2009:	Chairman of Petroland;
2007	Deputy Director, Southern Construction Projects Management Committee, Petrovietnam;
1999 - 2006:	Corporate Office Manager, Standing Deputy Secretary, Party Committee Secretary of Petroleum Sector in Ho Chi Minh City;
1988 - 1999:	Administration Manager, Material Procurement Manager, Transportation Investment and Development Company;
1983 - 1987:	Worked at Guard Division, Ministry of Police.

### Mr. PHAM TIEN DUNG

**Title:** Member of the Board of Directors, President & CEO of PV Drilling

**Date of birth:** 1967

**Date of appointment:** 5/8/2010

**Education:**

- Bachelor of Science (Mechanical Engineering)
- Bachelor of Art (English)

**Experience:** 27 years of experience in the oil and gas industry

**Field of charge:** Generally direct and manage the sustainable business growth, policies and business operation

#### EMPLOYMENT HISTORY:

8/2010 - Present:	President & CEO, PV Drilling;
2009 - 8/2010	Vice President & COO, PV Drilling;
2005 - 2009:	Vice President of PV Drilling, Director of PVD Drilling Division;
2001 - 2005:	Director of Drilling Services Enterprise, PV Drilling;
1997 - 2001:	Manager of PTSC Offshore Services Center;
1992 - 1997	Worked in different multinational corporations in Singapore, Australia, Thailand...

**Concurrent positions:** Chairman of PVD Baker Hughes, Chairman of PVD Overseas



## INTRODUCTION OF THE BOARD OF DIRECTORS (cont.)

### Ms. HO NGOC YEN PHUONG

**Title:** Member, PV Drilling's Board of Directors  
**Date of birth:** 1967  
**Date of appointment:** 27/7/2016  
**Education:**  
 • Master of International Finance and Accounting, Swinburne University, Australia  
**Experience:** 23 years of experience in the field of finance, accounting and audit  
**Field of charge:** Responsible for financing, accounting, auditing and the ERP system

#### EMPLOYMENT HISTORY

7/2016 - present Member of PV Drilling's Board of Directors  
 6/2016 - present Director of Finance Division, Petrovietnam  
 7/2008 - 6/2016 Vice President and CFO, PV Drilling  
 2007 - 6/2008 CFO and Finance Manager, PV Drilling  
 2003 - 2007 Chief Finance Officer, S-Fone  
 2000 - 2003 Finance Controller, Holcim Joint Venture Vietnam  
 1998 - 2000 Chief Accountant, FDI VMEP (now SYM)  
 1995 - 1998 Accounting Officer, General accountant, Chief Accountant, FDI VMEP (now SYM)

**Concurrent position:** BOD member of PVD Baker Hughes

### Mr. LE VAN BE

**Title:** Independent Member, PV Drilling's Board of Directors  
**Date of birth:** 1947  
**Date of appointment:** 7/4/2010  
**Education:**  
 • Bachelor of Economics (University of Finance and Accounting)  
**Experience:** 48 years of experience in the field of finance and accounting  
**Field of charge:** Responsible for financial and accounting supervision

#### EMPLOYMENT HISTORY

2010 - Present Independent member, PV Drilling's Board of Directors  
 1/2010 - 4/2014 First Vice Chairman, Military Bank  
 1995 - 2009 General Director, Military Bank  
 3/1993 - 1995 Directly in charge of the Military Bank establishment project, Chief of Advisory Committee of Military Bank's Board of Management  
 1990 - 1995 Deputy General Manager of Finance General Division, in charge of bank accounting  
 1975 - 1989 Assistant at Financial Department, Technology General Division  
 1970 - 1974 Assistant at Financial Department, Logistics General Division

### Ms. PHAM THI AN BINH

**Title:** Independent Member, PV Drilling's Board of Directors  
**Date of birth:** 1978  
**Date of appointment:** 23/7/2014  
**Education:**  
 • Bachelor of Banking and Finance  
 • Master of International Economics and Development Economics  
**Experience:** 17 years of experience in the field of finance  
**Field of charge:** Provides independent assessment of financial and investment efficiency

#### EMPLOYMENT HISTORY

7/2014 - Present Independent member, PV Drilling's Board of Directors  
 5/2014 - Present Deputy Manager, Corporate Banking Department, Vietcombank  
 8/2009 - 5/2014 Deputy Manager, Project Funding Department, Vietcombank  
 3/2001 - 8/2009 Executive Officer, Project Investment Department, Vietcombank

### Ms. NGUYEN THI THUY

**Title:** Non-executive member, PV Drilling's Board of Directors  
**Date of birth:** 1968  
**Date of appointment:** 24/8/2017  
**Education:**  
 • Bachelor of Economics (Finance and Accounting)  
 • Master of International Business Administration  
**Experience:** 29 years of experience in the field of finance and accounting  
**Field of charge:** Provides independent assessment of capital management efficiency

#### EMPLOYMENT HISTORY

8/2017 - Present Non - executive Member, PV Drilling's Board of Directors  
 Chief Accountant, NASOS  
 2008 - 8/2017 Chief of Supervisory Board, PV Drilling  
 Chief Accountant, NASOS  
 2007 - 2008 Chief Accountant, NASOS  
 Member of Supervisory Board, PVD Invest  
 2003 - 2007 Chief Accountant of Drilling Division, PV Drilling  
 2002 - 2003 Accountant in Drilling Division, PV Drilling  
 1989 - 2001 Accountant at Trading, Construction & Investment Co., Ba Ria-Vung Tau



## INTRODUCTION OF THE SUPERVISORY BOARD



The Supervisory Board always complied strictly with PV Drilling's Supervisory Board Activities Regulation. The Board has performed their supervision and control in accordance with the Supervisory Board's Plan for the year 2017 as approved by the Shareholders' Annual General Meeting.

1  
2 3

1. Mr. **VU THUY TUONG**  
Chief of PV Drilling's Supervisory Board

2. Mr. **NGUYEN VAN TU**  
Member of PV Drilling's Supervisory Board

3. Ms. **PHAM BAO NGOC**  
Member of PV Drilling's Supervisory Board



## INTRODUCTION OF THE SUPERVISORY BOARD (cont.)

### Mr. VU THUY TUONG

**Title:** Chief of PV Drilling's Supervisory Board

**Date of birth:** 1977

**Date of appointment:** 24/8/2017

**Education:**

- Bachelor of Economics (Corporate Finance)

**Experience:** 16 years of experience in the field of finance and accounting

#### EMPLOYMENT HISTORY

Oct 2017 - Present:	Chief of Supervisory Board, PV Drilling.
Jan 2017 - Aug 2017:	Deputy Manager of Finance Department at PetroVietnam.
Feb 2016 - Dec 2016:	Deputy Manager, Finance Accounting and Auditing Department at PetroVietnam.
June 2015 - Jan 2016:	Chief Accountant E Manager of Finance Accounting and Auditing Department at PetroVietnam CaMau Fertilizer Joint Stock Company.
Sep 2013 - May 2015:	Deputy Manager of Floating Vehicles Construction Department at PetroVietnam Transportation Corporation.
June 2009 - Sep 2013:	Chief Accountant E Manager of Finance Accounting and Auditing Department at PetroVietnam EIC Corporation.
Nov 2007 - June 2009:	Deputy Manager of General Accounting Division at PetroVietnam Oil Corporation.
April 2007 - Nov 2007:	General Accountant at PetroVietnam Fertilizer and Chemicals Corporation.
June 2004 - April 2007:	General Accountant at Petroleum Trading Joint Stock Company.
2004 - June 2004:	General Accountant at Binh Tan Consumer Goods Production Company.
2002 - 2003:	Accountant at Thai Hoa Limited Company

### Mr. NGUYEN VAN TU

**Title:** Member of PV Drilling's Supervisory Board

**Date of birth:** 1975

**Date of appointment:** 17/4/2010

**Education:**

- Bachelor of Corporate Finance;
- CPA, ACCA;
- Master of Business Administration (South Colombia University).

**Experience:** 21 years of experience in the field of finance, 11 years of experience in the field of auditing.

#### EMPLOYMENT HISTORY

2010 - Present	Member of Supervisory Board, PV Drilling
2008 - Present	Manager, Internal Auditing Division, PV Drilling
2007 - 2008	Senior Officer, Internal Auditing Department, PV Drilling
2004 - 2007	Officer at Theodore Alexander Ltd.
2000 - 2004	Officer at Deloitte Vietnam Auditing Co.
1997 - 2000	Officer at PETEC Trading and Investment Company.

### Ms. PHAM BAO NGOC

**Title:** Member of PV Drilling's Supervisory Board

**Date of birth:** 1981

**Date of appointment:** 12/5/2012

**Education:**

- Bachelor of International Business, Finance
- Academy under the Government of Russian Federatio

**Experience:** 15 years of experience in the field of finance.

#### EMPLOYMENT HISTORY

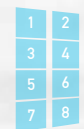
5/2012 - Present	Member of Supervisory Board, PV Drilling
2005 - Present	Executive, Investment Department, Headquarter, Vietcombank
2003 - 2005	Executive, Interbank Payment Department, Vietcombank



## INTRODUCTION OF THE BOARD OF MANAGEMENT



PV Drilling's Board of Management for 2018 has 8 members with valuable knowledge and high expertise in the oil and gas industry, especially including the 4 leaders who have joined PV Drilling's management team from the early days of establishment. With their professional knowledge, invaluable experience and great enthusiasm, the Board of Management has always striven, determined and ambitious for the main goal of PV Drilling's sustainable development.



1. Mr. **PHAM TIEN DUNG**  
President & CEO of  
PV Drilling

2. Mr. **TRAN VAN HOAT**  
Vice President of  
PV Drilling

3. Mr. **NGUYEN XUAN CUONG**  
Vice President of  
PV Drilling

4. Mr. **DAO NGOC ANH**  
Vice President of  
PV Drilling

5. Mr. **TRINH VAN VINH**  
Vice President of  
PV Drilling

6. Mr. **VU VAN MINH**  
Vice President of  
PV Drilling

7. Mr. **HO VU HAI**  
Vice President of  
PV Drilling

8. Mr. **DO DANH RANG**  
Vice President of  
PV Drilling



## INTRODUCTION OF THE BOARD OF MANAGEMENT (cont.)

### Mr. PHAM TIEN DUNG

**Title:** President & CEO of PV Drilling  
Member of PV Drilling's Board of Directors  
**Date of birth:** 1967  
**Date of appointment:** 5/8/2010  
**Education:**  

- Bachelor of Science (Mechanical Engineering)
- Bachelor of Art (English)

**Experience:** 26 years of experience in the oil and gas industry  
**Field of charge:** Generally direct and manage the business operation of PV Drilling Corporation

#### EMPLOYMENT HISTORY

8/2010 - Present President & CEO, PV Drilling;  
2009 - 8/2010: Vice President & COO, PV Drilling;  
2005 - 2009: Vice President of PV Drilling, Director of PVD Drilling Division;  
2001 - 2005: Director of Drilling Services Enterprise, PV Drilling;  
1997 - 2001 Manager of PTSC Offshore Services Center;  
1992 - 1997: Worked in different multinational corporations in Singapore, Australia, Thailand...

**Concurrent positions:** Chairman of PVD Baker Hughes, Chairman of PVD Overseas

### Mr. TRAN VAN HOAT

**Title:** Vice President, PV Drilling  
**Date of birth:** 1960  
**Date of appointment:** 26/11/2001  
**Education:**  

- Bachelor of Petroleum Engineering
- Advanced Petroleum Engineering Certificate from Soviet Union

**Experience:** 35 years of experience in the oil and gas field  
**Field of charge:** Responsible for internal affairs, Emulation and Awards, planning and Emergency Response team

#### EMPLOYMENT HISTORY

2001 - Present Vice President of PV Drilling  
2006 - Present Director of Oil Spill Response Services Enterprise (NASOS)  
1987 - 2001 Chief Engineer and Rig Manager of Cuu Long Jack-up rig, Vietsovpetro  
1983 - 1987 Drilling engineer, Thai Binh Petroleum I company

**Concurrent positions:** Chairman of the Appraisal Committee for PV Drilling's Investment projects, Director of NASOS

### Mr. NGUYEN XUAN CUONG

**Title:** President, PV Drilling  
**Date of birth:** 1968  
**Date of appointment:** 1/9/2010  
**Education:**  

- Bachelor of Science (Drilling Engineering)
- Master of Business Administration

**Experience:** 26 years of experience in the oil and gas field  
**Field of charge:** Directly managing the operation of PV Drilling's rig fleet, implementing the training programs for technical staff, assisting for business development - trade negotiations, and in charge of the HSEQ Division of PV Drilling.

#### EMPLOYMENT HISTORY

9/2010 - Present Vice President, PV Drilling and Director of PVD Drilling Division;  
6/2008 - 9/2010 Vice President, PVEP  
2005 - 2008 Director/Deputy Director of Operation Division, PVEP - Algeria  
2003 - 2005 Deputy Manager/Manager of Drilling Operation Department, PIDC  
2001 - 2003 Manager of Hanoi Basin Project/ Amara Project, PIDC  
1999 - 2001 Drilling Engineer, Unocal  
1996 - 1999 Drilling Engineer, PVSC  
1992 - 1996 Working at PTSC

**Concurrent positions:** Chairman of PVD Training, BOD member of PVD Overseas, Chairman of PV Drilling's HSEQ Committee.

### Mr. DAO NGOC ANH

**Title:** Vice President, PV Drilling  
**Date of birth:** 1962  
**Date of appointment:** 8/12/2009  
**Education:**  

- Bachelor of Marine Engineering, Shipbuilding University, Leningrad, Russia.

**Experience:** 31 years of experience in the oil and gas industry  
**Field of charge:** Responsible for Investment - Commercial activities and manage PV Drilling's investment projects.

#### EMPLOYMENT HISTORY

12/2009 - Present Vice President, PV Drilling  
2008 - 2009 Manager of Project Management Department, PV Drilling  
2003 - 2008 Manager of Import Division, Petechim  
2001 - 2003 Deputy Manager of Oil Transportation Division, Petechim  
1994 - 2001 Deputy Manager of Import Division, Petechim  
1987 - 1994 Senior officer in Floating Facilities Department, Petechim

**Concurrent positions:** BOD Member of PVD - Expro



## INTRODUCTION OF THE BOARD OF MANAGEMENT (cont.)

### Mr. TRINH VAN VINH

**Title:** Vice President of PV Drilling

**Date of birth:** 1963

**Date of appointment:** 20/6/2011

**Education**

- Bachelor of Mechanical Engineering

**Experience:** 31 years of experience in the oil and gas field

**Field of charge:** Responsible for business development activities, supporting for Operations of PV Drilling

#### EMPLOYMENT HISTORY

8/2011 - Present	Vice President of PV Drilling
6/2011 - 8/2011	Vice President of PV Drilling and Director of PVD Tech
2006 - 6/2011	Director of PVD Tech
2002 - 2006	Deputy Manager/Manager of Technical Department, PV Drilling
1987 - 2002	Mechanical Engineer, Deputy Chief of Electrical and Mechanical Department, Assistant to CEO, Vietsovetro

**Concurrent positions:** Chairman of BJ-PV Drilling, Chairman of PVD-OSI, BOD Member of PVD Tech, BOD Member of PVD Overseas, BOD Member of Vietubes.

### Mr. VU VAN MINH

**Title:** Vice President, PV Drilling

**Date of birth:** 1971

**Date of appointment:** 25/11/2014

**Education**

- Master of Petroleum Technology, Exploration and Drilling

**Experience:** 25 years of experience in the oil and gas field

**Field of charge:** Responsible for developing well technical services at PV Drilling's subsidiaries

#### EMPLOYMENT HISTORY

11/2014 - Present	Vice President, PV Drilling
4/2011 - Present	Director, PVD E Baker Hughes
7/2010 - 3/2011	Director, PVD E Baker Hughes Establishment Project
6/2008 - 6/2010	Chief Drilling Engineer and Drilling Supervisor, Hoang Long - Hoan Vu JOC
9/2006 - 5/2008	Deputy Manager of Operation Supports and Technology, Deputy Manager, Contract Management Division, Petrovietnam
2/1996 - 8/2006	Drilling Engineer, Exploration & Production Department, Petroleum Exploration Division, Petrovietnam
10/1993 - 1/1996	Drilling Engineer, PVSC

**Concurrent positions:** Chairman of PVD Deepwater, BOD member of PVD Baker Hughes

### Mr. HO VU HAI

**Title:** Vice President, PV Drilling

**Date of birth:** 1971

**Date of appointment:** 9/3/2015

**Education**

- Bachelor in Maritime Engineering.

**Experience:** 24 years of experience in the oil and gas industry

**Field of charge:** In charge of PV Drilling's business activities in Vung Tau and generally direct the business growth of PVD Offshore

#### EMPLOYMENT HISTORY

3/2015 - Present	Vice President of PV Drilling;
2011 - 2015	Vice President, PVEP;
2009 - 2011	Vice President of PV Drilling and Director of Drilling Division;
2008 - 2009	Vice President of PV Drilling and Director of PVD Offshore;
2007 - 2008	Director of PVD Offshore;
2006 - 2007	Director of Drilling Services Enterprise, a subsidiary of PV Drilling;
2001 - 2006	Director of Oil Spill Response Services Enterprise, a subsidiary of PV Drilling;
1994 - 2001	Leader of Oil Spill Response Team of PTSC Offshore

**Concurrent positions:** Chairman of PVD Offshore, BOD member of PVD Tech

### Mr. DO DANH RANG

**Title:** Vice President, PV Drilling

**Date of birth:** 1972

**Date of appointment:** 13/4/2017

**Education**

- Master of International Finance and Accounting, Swinburne University, Australia

**Field of charge:** 10 years of experience in the oil and gas field

**Field of charge:** Responsible for finance, accounting, internal audit, tax, corporate governance policy/system, information disclosure, investor/shareholder relation of the Corporation.

#### EMPLOYMENT HISTORY

4/2017 - present	Vice President, PV Drilling
1/2009 - 4/2017	Manager, Finance Division, PV Drilling
1/2008 - 12/2008	Deputy Manager, Finance Division, PV Drilling
6/2006 - 12/2007	Manager, Accounting - Finance Dept., Kimberly Clark Vietnam Ltd
7/2003 - 6/2006	Manager, Finance Dept., S-Telecom E CDMA Mobile phone Center
6/2001 - 7/2003	Team Leader, Accounting - Finance Group, American Standard Vietnam Company
7/1998 - 6/2001	Team Leader, Accounting Cost Group, American Standard Vietnam Company
10/1995 - 6/1998	General Accountant, Grand Imperial Saigon Hotel Ltd (Park Hyatt Hotel).



## INTRODUCTION OF CHIEF ACCOUNTANT & FINANCE MANAGER



### Mr. DOAN DAC TUNG

**Title:** Chief Accountant, PV Drilling

**Date of birth:** 1972

**Date of appointment:** 31/12/2011 (re-appointed)

**Education:**

- Bachelor of Economics, University of Finance and Consultancy
- Master of Business Administration

#### EMPLOYMENT HISTORY:

2006 - present	Chief Accountant, PV Drilling
2002 - 2006	Deputy Manager, Accounting - Finance Department, PV Drilling
1998 - 2001	Accountant Executive, PTSC Offshore, a subsidiary of PTSC

### Mr. NGUYEN NGOC TRUONG

**Title:** Finance Manager

**Date of birth:** 1976

**Date of appointment:** 17/5/2017

**Education:**

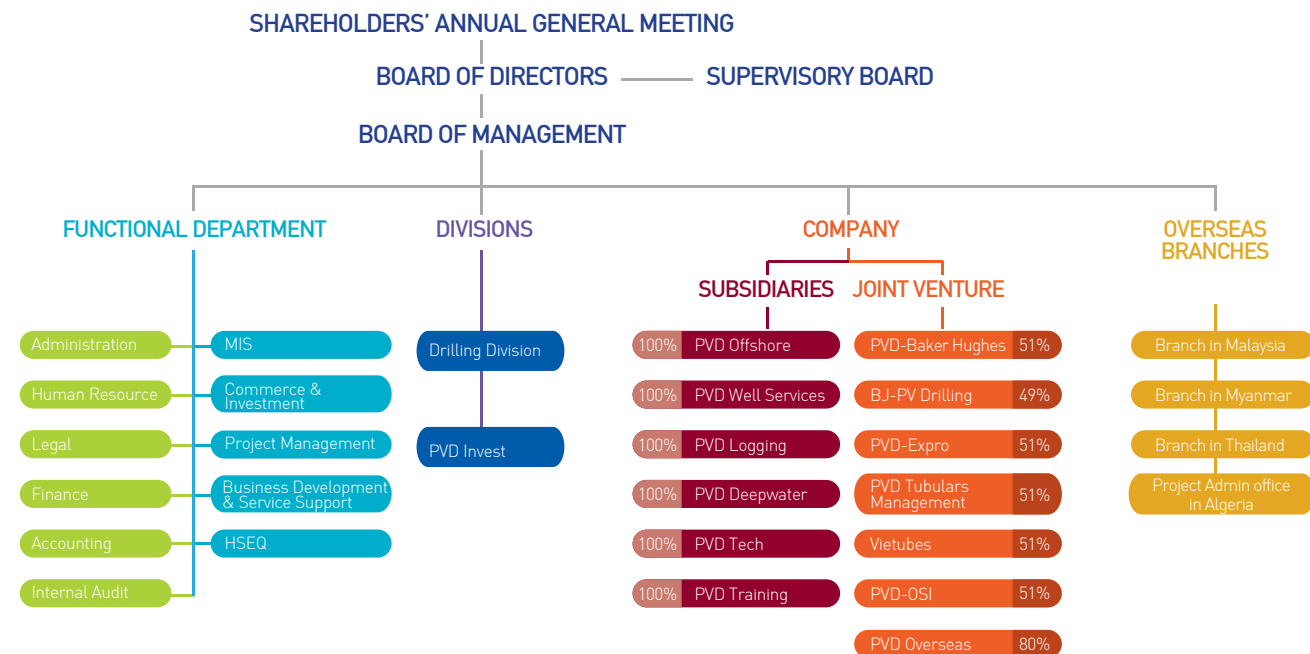
- Master of International Finance and Accounting, Swinburne University, Australia

#### EMPLOYMENT HISTORY:

5/2017 - present	Finance Manager, PV Drilling
7/2011 - 4/2017	Deputy Finance Manager, PV Drilling
1/2011 - 6/2011	Team Leader of Financial Analysis, PV Drilling
1/2001 - 12/2010	Report Team Leader, Holcim Cement Group (Swiss)
7/1999 - 12/2000	Chief Accountant, Son Ha Export Embroidery Company
8/1998 - 6/1999	General Accountant, Son Ha Export Embroidery Company



# ESTABLISHMENT AND DEVELOPMENT



During the last 16 years of establishment and development, the Corporation has continuously improved and enhanced the corporate governance model to ensure the management mechanism throughout the Corporation in order to improve efficiency of the production and business activities and ensure the sustainability.

## The relationship between the Corporation and its subsidiaries, joint ventures

The establishment of subsidiaries, joint ventures on the basis of the division and specialization of specific services related to petroleum drilling services in order to have the best support in the business activities of the Corporation. Therefore, the relationship between the Corporation and its subsidiaries, joint ventures must be tight and intensive, it requires throughout and transparent management.

## The subsidiaries that the Corporation owns 100% of the charter capital

The relationship between the Corporation and its subsidiaries whose 100% of the charter capital is owned by the Corporation is regulated and implemented based on:

- The Charter of the Corporation
- Financial management regulations of the Corporation
- Charter of subsidiaries, financial management regulations of subsidiaries, representative

Regulation and other regulations of the Corporation and the current laws. Additionally, the decentralization policies and reporting is strictly and clearly regulated by the Corporation, so that the subsidiaries can actively make decisions in their production and operation activities as well as the implementation of a complete, accurate and timely reporting system.

## The other subsidiaries, joint ventures partners and affiliates

Depending on the number of shares, the Corporation has separate governance mechanisms based on the regulations for the shares representative of the capital, Charter of the Corporation, Regulations on financial management, Regulations on internal management and the provisions of current laws.

The Corporate governance functions, especially the governance of subsidiaries of management at all levels in the Corporation are specified in the Management Regulations, the Charter and the Regulations, as well as other provisions of the Corporation. The subsidiaries governance function of the management at all levels within the Corporations is specified specifically in terms of authority and responsibilities, in the following order:

- The authority and responsibilities of the Board of Directors
- The powers and responsibilities of the CEO
- The rights and responsibilities of the shares representative of the Corporation at other companies.

In addition to the rights and duties of the management at all levels and the representatives as mentioned above, in order to strengthen the governance towards subsidiaries, the Corporation has developed a budgeting and management reporting system to allocate and manage objectives, financial planning and KPIs thoroughly from the Corporation to the subsidiaries.

Besides, the act of building a vertical governance model from the Corporation to the subsidiaries based on core activities and support functions such as: Drilling activity; Finance - Accounting; Safety and Quality; Trade and Investment; HR and Training, etc. is a governance model that the management has successfully applied throughout the development of the Corporation.

## Operational coordination mechanisms between the Corporation and its subsidiaries

Each subsidiary in the Corporation provides a special service in a range of main activities including the supply of drilling rigs and oil and gas drilling services, so the coordination between the Corporation and its subsidiaries is extremely tight in providing services to customers to ensure performance at the highest level, bringing a competitive advantage for Corporation comparing to other contractors. Furthermore, the Corporation already had the orientation and policies to coordinate activities on the principles of equality agreed by the subsidiaries and special preference to take advantage of internal resources to optimize the resources of the Corporation and the subsidiaries.





**HISTORY AND MILESTONES (2001 - 2017)**

Petrovietnam Drilling and Well Services Company (PV Drilling) was established on the foundation of PTSC Offshore. PV Drilling completed the set-up of its first 3 direct subsidiaries: Drilling Division, Well Services Division, and NASOS.

PV Drilling kick-started the strategic planning for developing "a Drilling Contractor of Vietnam" with the consultation of PricewaterhouseCoopers (PwC).

PV Drilling completed the set-up and implementation of the quality management system (QMS) ISO 9001:2000 on 21/01/2003 with the certification by DNV. The integration of such QMS ensured the quality commitment as well as the compliance of PV Drilling with the international standards and procedures.

PVD Logging was established to diversify PV Drilling's scope of services, particularly those with high content of advanced technology.

PV Drilling signed the contract of building its very jack-up drilling rig, simultaneously transferred to a joint-stock company and started to approach available investment channels on the financial market in order to gather resources for its business development.

PV Drilling's stock symbol "PVD" was officially listed on Vietnam Stock Market. PV Drilling established PVD Trading And Technical Services Company (PVD Tech) and BJ-PV Drilling Joint- Venture.

PV Drilling proudly inaugurated the first offshore Jack-up Rig PV DRILLING I with 100% ownership and the land rig PV DRILLING 11. Other subsidiaries were established including PVD Drilling Division, PVD Well Services, PVD Offshore and PVD Training.

PV Drilling completed an important M&A project to merge with Petrovietnam Drilling and Investment Joint Stock Company (PVD Invest), increasing the whole corporate asset value above VND 12,000 billion and the charter capital of VND 2,105 billion. PV Drilling established the joint ventures PVD Expro and PVD Tubulars Management, reinforcing the strategy of cooperation with foreign partners to strengthen its competitiveness and develop its scope of services.

PV Drilling received and launched two (2) other offshore Jack-up rigs PV DRILLING II and PV DRILLING III.

PV Drilling reinforced its leading position as a drilling contractor via successfully operating two jack-up rigs and one land rig. PVD Baker Hughes, PVD Invest and PVD Deepwater were established.

PV Drilling completed the procedures to purchase 51% shares at Vietubes Joint-Venture - the sole high-tech tubular threading factory in Vietnam.

PV Drilling proudly received simultaneously the title of "The Most Admired ASEAN Enterprise" in GROWTH - LARGE COMPANY Category awarded by ASEAN Business Award Committee in Brunei, and the "The Best Oil & Gas Drilling Contractor in Asia 2013" by World Finance in London.

PV Drilling completed the construction project of PV DRILLING VI - a modern jack-up rig of the latest generation with multiple prominent and advanced features.

2001

2002

2003

2004

2005

2006

2007

2008

2009

2010

2011

2012

2013

2014

2015

2016

2017

PV Drilling completed the construction project of the Semisubmersible Tender Assist Drilling (TAD) Rig - PV DRILLING V and mobilized to Vietnam for the drilling campaign of at Hai Thach - Moc Tinh Oilfield.

This year marked PV Drilling's best business performance in the last 5 years with the total asset value exceeding 1 billion USD, remarkable revenue of 20,884 billion VND (equivalent to 1 billion USD) and a profit after tax of 2,419 billion VND - respectively increasing 40% and 28% over year 2013.

PV Drilling started off the operation of its Myanmar Branch Office E PVD Myanmar. In the same year, PV Drilling also achieved a major success in its overseas expansion strategy via winning the contract for a drilling campaign of Total Myanmar.

Converted its representative office in Malaysia to branch; establish a new branch in Thailand, all of which help PV Drilling get more opportunities to approach and supply drilling and drilling-related services at these regional potential markets.





# PERSIST THROUGH ALL HARDSHIP



2017 witnessed a sharp fall in crude oil price to the bottom of 13 past years. Early of 2018, the oil price seemed to be on the increase; however, extra caution is needed as many unfavorable factors may threaten it.

PV Drilling will strive their best to find out effective, innovative and speedy solutions in order to take initiatives and reduce cost in both drilling programs and drilling-related services as well. All is to stand steady against challenges.

Challenges in the current drilling market	Report of the Board of Management
Difficulties of Cash Flow and Debt Collection	Financial Highlight 2017
Report of the Board of Directors	Chartered Capital/ Shareholders' Structure
Report of the Supervisory Board	Subsidiaries



## CHALLENGES IN THE CURRENT DRILLING MARKET

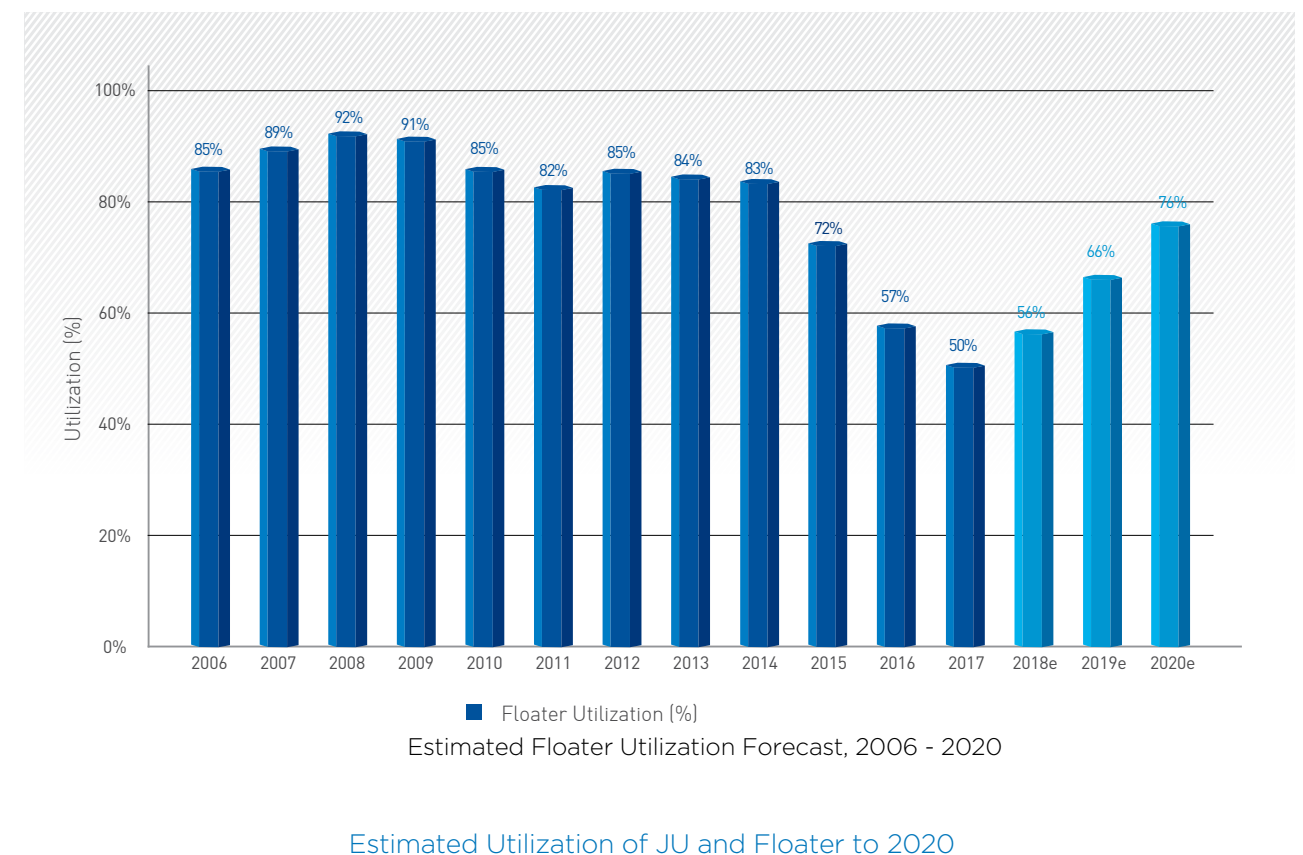
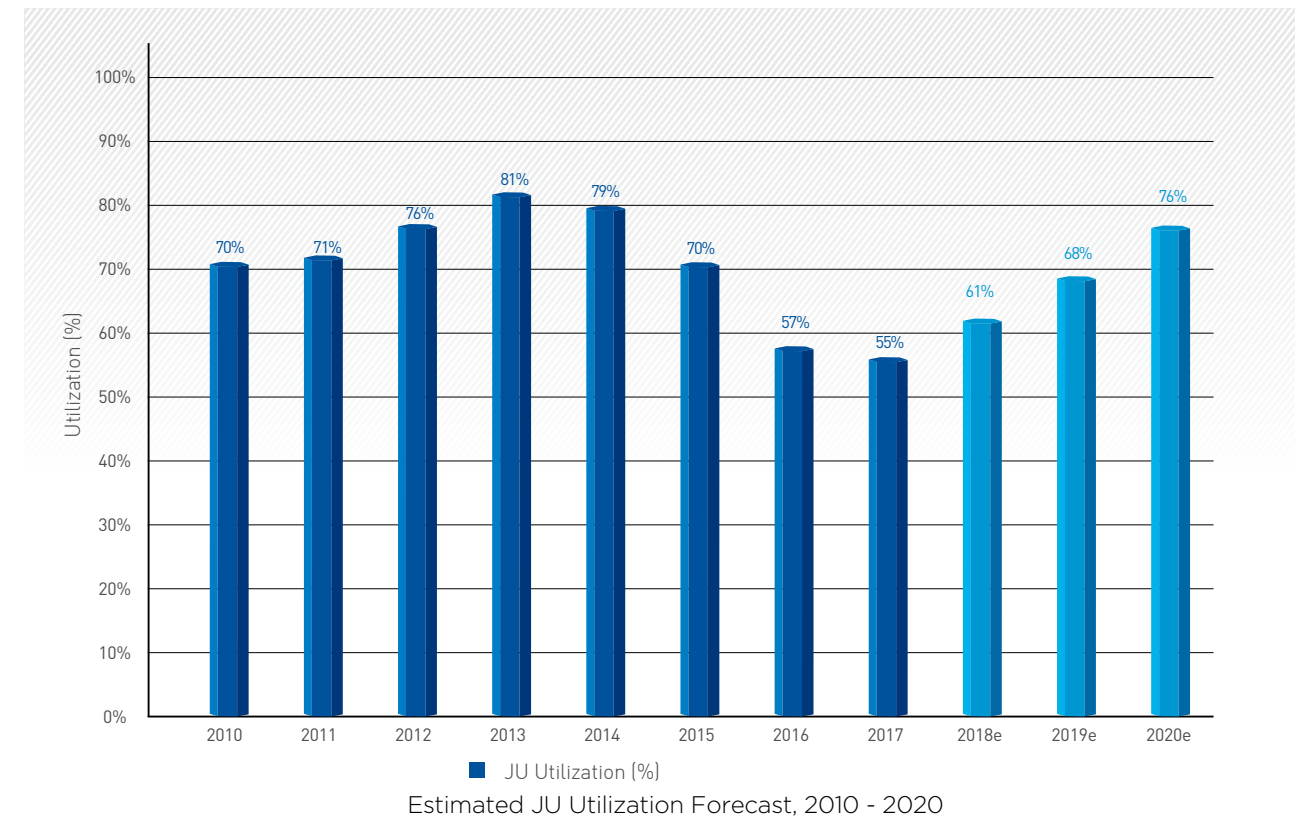
Triggered by the contention for the oil market share among oil countries in 2014, crude oil supply continuously increased, leading to the excess of this commodity on global scale. Brent's crude oil price plunged significantly from the peak of \$113/bbl (Jun 2014) to \$45/bbl within the next 6 months before hitting the bottom price of \$27/bbl in Jan 2016. Within only 18 months, crude oil lost 76% of its value. In such situation, drilling activities also suffered as oil and gas companies had to restructure its production strategies, adjust its budget for exploration and production. They had to refrain from business ventures in order to save the resources and sustain their survival until the oil price bounces back to a threshold that would allow the exploration activities to make profit. Up until recently, although the crude oil price has shown good signs of recovery, the consequential impacts of low oil prices over the previous three years will be tough challenges for the growth of the drilling market within the next few years.

The primary obstacle at the moment is the excess of drilling rigs in the market, which is provoking the intense competition among drilling contractors and hinders the recovery of rig day rates. The excessive

rig supply is supposed to persist in medium term until equilibrium might be re-established. By the end of 2017, the utilization efficiency of jack-up rig only reached approximately 60% and that of floater was 55%. *(Source: Arctic Securities).*

Over the long term, the increase of oil price might gradually ease the current tension in the drilling market. However, even the most positive sources only forecast an approx. 70% of the drilling rigs contracted in 2020. Such number is definitely not sufficient to quench the thirst for job of drilling contractors, not to mention the recovery of the rig day rates. In early 2018, respectively to jack-ups and floaters (including drill ships and semi-submersible rigs), statistics shows that only around 340 rigs are under contracts over a total number of 681 (Source: Riglogix). Towards 2020, the market is expected to hire about 355 jack-up rigs and 163 floaters. Such total demand, however, is still lower than the number of existing drilling rigs at the end of 2017, not including the rigs that are under construction and not yet introduced to the market. For that reason, we will continue to witness the heat of competition until the number of old rigs sent to scrap yard reaches a certain level, helping the market regain the balance.

The service rates and rig day rates even dropped lower than break-even points at certain times while workload for rigs decreased significantly due to oil operators postponing their drilling plans. In 2017, PV Drilling engaged in fierce competition in both domestic and foreign markets in order to find clients for the rig fleet and other well technical services.



Estimated Utilization of JU and Floater to 2020



## CHALLENGES IN THE CURRENT DRILLING MARKET (cont.)

It is obvious that drilling contractors will have to struggle with low day rate, even under the breakeven point. For the modern jack-up rigs recently built during the dynamic period from 2011 E 2015, due to high investment cost, the depreciation will account for a major proportion in the cost structure. In addition, in order to maintain rig efficiency, control operational risks, and fulfill particular requirements of clients, drilling contractors is required to spend considerable amount in preventive maintenance, procurement of equipment, the management system and personnel training. Therefore, with benchmark of day rate around \$50,000 - \$60,000/day for jack-up rig, to maintain a healthy financial balance poses a huge challenge, requiring drilling contractors to implement rigid cost-saving policies and operate their rigs effectively at the same time without any non-productive time (NPT).

Such depressed day rate benchmark does not mean an easy chance for drilling contractors to get job for their fleet. In fact, there was a very limited number of drilling programs available in the market. Besides, drilling contractors had to confront tough local barriers to approach clients in many territories. For instances, in South East Asia and Australia, the governments set up layers of barriers to protect the local oil & gas service companies, such as a local content up to 35-50% for the services performed in Indonesia. In Malaysia, oil operators are strictly requested to refrain from outsourcing rig services from other countries unless the local drilling rigs could not meet the demand or technical requirements. In Thailand or Australia, these markets always set priority for local drilling rigs or foreign rigs with existing operational experience in their territory. In fact, the door for PV Drilling to enter the regional playground is rarely wide opened, but the relentless efforts of PV Drilling have finally paid off with one drilling contract in Myanmar in 2016 and three others in Malaysia and Thailand in 2017.

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Beside the difficulties of the current market, the emergence of several law suits involving the former management of Petrovietnam and subsidiaries also aggravated the situation and inflicted impacts on the business activities of PV Drilling.

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Among the adversities, the technology of shale oil will continue to pose a real threat to aggravate the imbalance of crude oil supply E demand in the coming time. The traditional oil exporting countries still have to stay extra prudent with every move of shale oil companies in America. According to many experts and institutions, the crude oil price from over \$60/bbl will be leverage for the bounce back of shale oil production. Until early 2018, the volume of shale oil reached 6.4 million bbl/day, an increase of 21% (1.1 million bbl/d) compared to Jan 2017. The estimated volume of shale oil extraction in 2018 is expected to increase, helping the U.S to boost the crude oil production of year 2018 to 10.3 million bbl/day, challenging the patience of OPEC, Russia and other oil exporting countries (Source: EIA).

In long term time, the drilling industry will also be influenced by the environmental treaties, agreements to reduce greenhouse gas emissions and the use of fossil fuels. Additionally, the technology of renewable energy is developing rapidly. The alternative sources of energy to replace fossil fuels such as bio-diesel, wind power, hydro fuel, solar and geothermal energy are becoming a common trend in the energy policies of many countries. Meanwhile, a number of large financial institutions such as World Bank also announced that they will not invest in fossil fuels exploitation from year 2019 onwards.

The oversupply of rigs, the intense competition among contractors, the development of alternative sources of energy such as wind power, hydro fuel, solar and geothermal energy also posed considerable pressure on the drilling industry.





## DIFFICULTIES OF CASH FLOW AND DEBT COLLECTION

From the middle of 2014 till now, the oil and gas market has been on the significant decline and is projected to continue to face a lot of difficulties due to the complicated fluctuations although the oil prices slightly recovered during the last few months at the end of 2017. The unstability of the oil prices continues to cause the oil and gas exploration activities to be stagnant. The operations of a number of oil and gas companies are still in moderation and not much money has been spent on investments and new projects. Projects related to exploration, production and oil refinery has been suspended or extended, so there is still a relatively high excess of drilling rig supply regardless of that having already reduced a little in 2017.

With unstable situation of the oil and gas market and current challenges, PV Drilling's business operation continues coping a lot of difficulties. The drilling rigs are providing services at a very low rate, the work volume and rig-related technical services offered prices still remain low; therefore, the cash inflow from PV Drilling's business operations is insufficient to meet the payment demands, especially for payment of loans investment for the two rigs PV DRILLING V and PV DRILLING VI. For that reason, PV Drilling has utilized a portion of the remainder of the previous cash flow to compensate the loss and is implementing necessary solutions to balance the cash flow.

To partly relieve the cash flow pressure, PV Drilling has always followed up closely with the receivables/payables in order to have an effective cash flow plan. Besides the optimization solutions and reduction of business operation cost such as reducing rig operation cost, repairing and restoring the functions of machines/equipment instead of outsourcing or new purchases, inventories optimization (Min-Max level), cutting off on salary cost, replacing expats with Vietnamese labors that are equivalent qualifications and competence but lower salary cost, negotiation with goods and services suppliers to reduce the purchase prices or increasing the discount rate, minimizing the administration cost etc. PV Drilling has also been actively proposing

loan restructuring measures to the Banks such as downward adjustment of loan principal amount, extension of repayment schedule during downturn period of the oil and gas industry and cash flow difficulties to ensure the balance of the cash flow for business operation demands. Specifically as follows:

- For the loan of PV DRILLING II: The loan outstanding balance as of 31/12/2017 is 24.8 million USD. Based on the committed loan repayment plan, the latest repayment period is Jan 2019. However, in order to be in line with the cash flow, PV Drilling has completed the prepayment and loan repayment duties on 07/02/2018 to reduce the loan interests during this difficult time.
- For the loan of PV DRILLING V: The loan outstanding balance as of 31/12/2017 is 28.0 million USD. PV Deepwater is proposing the solution to extend the loan principal repayment schedule to 2025 and no repayment within 3 years from 2018 to 2020 to be in line with the cash flow plan as this drilling rig has not been engaged in any job since Nov 2016 after completing the 5-year drilling program for Bien Dong POC.
- For the loan of PV DRILLING VI: The loan outstanding balance as of 31/12/2017 is 153 million USD. PVD Overseas is negotiating with the sponsoring banks to reduce the principal amount and payable interests during 2018-2020 and extend the loan repayment schedule to 15 years compared to 8 years in the initial credit contract. Accordingly, the last repayment period will be extended to 2030 instead of 2023 and the principal amount payable to the bank will be respectively adjusted downward to be in line with the cash flow plan as the current rig rental price remains very low.

Besides the pressure of loan repayment and expenditures for business operation resulting from the impacts of the reduction of work volume and service prices, PV Drilling is also facing with the difficulties in late debt payments of PVEP and PVEP's subsidiaries. The late payment of PVEP has seriously affected the business performance of PV Drilling; specifically, as of 2017 PV Drilling had to record the provisions for the bad receivables as the overdue debts of PVEP and PVEP's subsidiaries of up to 324 billion VND, whereas PV Drilling had



to book an additional amount of 144 billion VND for these overdue debts as 100% of these debts are long overdue and most of them have been overdue for 1-2 years. The fact that PVEP is late in payment of the overdue debts not only affects the business performance but also causes strain on PV Drilling's cash flow. As the debt to be collected from PVEP is over 800 billion VND and it has been long overdue, PV Drilling is actively working with PVEP and seeking support from PetroVietnam and other industry authorities to accelerate the overdue debt collection to reduce the cash flow pressure as well as improve business results during this difficult time.

Besides the pressure of loan repayment and expenditures for business operation resulting from the impacts of the reduction of work volume and service prices, PV Drilling is also facing with the difficulties in late debt payments of PVEP and PVEP's subsidiaries.





Dr. DO VAN KHANH  
Chairman of PV Drilling

In the year 2017, PV Drilling's BOD and BOM with relentless efforts and high determination have come up with strategic solutions and directed the crucial tasks in order for PV Drilling to overcome this challenging period.

## I. ASSESSMENT OF PV Drilling BUSINESS PERFORMANCE OF THE YEAR 2017

### Market overview of the year 2017:

In 2017, the WTI crude oil price increased approximately 25% compared to the prior year but still remained in the low price range of under 55 USD per barrel. Consequently, this made the E&P activities over the world have a brighter outlook. Oil and gas companies have started deploying its exploration and production projects and tended to increase its drilling campaigns to maintain the production. However, the oil and gas exploration and development projects still

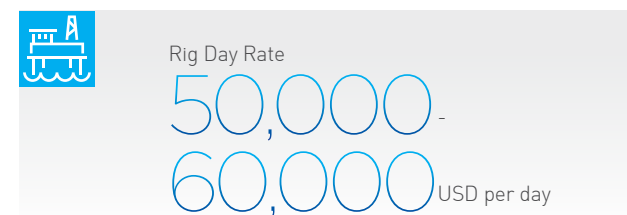
remained in a low volume; most of them were to at least fulfill their commitment agreements or long term projects. This also did not make rigs redundancy fiercer, thereby, maintaining the rig day rate in range of 50,000 to 60,000 USD per day.

In Vietnam, most of the large scale projects such as Block B, Red Emperor, and Blue Whale were delayed. All exploration projects were most likely terminated. Most of 2017's drilling campaigns came from Vietsovetro and joint operating companies (JOC) with high proportion capitals owned by foreign companies such as Premier Oil, JVPC, Hoang Long JOC ... or PSC operated by foreign companies such as Repsol. The oil companies wholly owned or dominated by PVN had no drilling campaigns in 2017. Beside that, the recent lawsuit cases related to PVN such as Oceanbank, PVC, Ethanol and Thermal power plant projects ... have created negative impacts in term of mentality on most of PVN workforces as well as the business activities of PVN in general and PV Drilling in particular.

## 2. Assessment of Corporate activities in 2017

Encountering the above challenges, in the year 2017, BOD and BOM with relentless efforts and high determination have come up with strategic solutions and directed the crucial tasks as follows:

### 2.1. Responding activities to the impacts of the oil



### slump

The Steering Committee responding to the situation of oil price decreases formed in 2016 consists of all members of BOD, BOM, managers of Corporate Divisions' and directors of PVD's subsidiaries, has worked effectively in 2017 to accomplish the following tasks:

- Identifying, evaluating, forecasting, and synthesizing the difficulties and issues of PV Drilling and its subsidiaries in dealing with the chaos of current oil and gas drilling market.
- Proposing the practical solutions for PV Drilling and subsidiaries to overcome the recent difficulties and challenges.
- Directing the implementation of solutions to ensure the safe and effective operations of drilling rigs in the circumstance of substituting the foreign expats by Vietnamese staff in addition to reducing the incomes of all workforces.
- Approving rig day rate for each specific contract; cost cutting alignment with service rate aiming to maintain corporate business activities.

### 2.2. Corporate operation and governance

BOM has performed their enthusiasm and effectiveness by having a certain advance in expanding services to overseas, implementing responding solutions timely to the difficulties of oil drilling market.

- The subsidiaries's top managements have performed proactively and actively in dealing with the market uncertainty; however, some still have reacted passively, leading to not only decrease of company workload but also losing its market share to the rivals (such as logging, oil spill service ...); especially, risk fearing ideology and slowly adaption to market volatility were also recorded at those subsidiaries.
- At some corporate divisions and subsidiaries having low workload, the quantity of employees has not been adjusted accordingly (such as PVD Deepwater).
- Market situation adding income reduction has impacted seriously to all of the employees in term of mentality, work concentration that led to the decline of work efficiency.

### 2.3. Restructuring and key personal management

#### a. The necessary of corporate restructuring and key personal management

- In order to respond to the market volatility and ensure the appropriation in operating the Corporation, restructuring was a need in some departments and

subsidiaries for the purpose of cost reduction as well as creating the positive inner changes.

- Over the past years, due to the distinction of business natures, the rotation of key personnels was not strongly carried out in the corporation, which led to the result of the leaders of some units to be lack of creation, innovation, and even competition spirit in business development.

#### b. Restructuring performance at the Corporation:

- Merging and transforming some specific departments at the Head Office of the Corporation;
- Proceeding to restructuring some business units which do not have work, generate no revenues, and have consecutive losses without potential development in the up-coming years (PVD-OSI, BJ-PV Drilling);
- Making proper arrangements with PVD Deepwater for the purpose of minimizing operation costs;
- Negotiating with the partner in PVD Tubulars for the appropriate support policies to help PVD Tubulars overcome the current difficulties and get no loss in 2018.

#### c. Key Personnel Rotation:

- Considering the rotation of the key persons who have been holding the same positions for more than 10 years (> 10 years) for the purpose of increasing the "creative and competitive spirit" at those units;
- Strongly promote the young and talent personnels for the leading positions at Corporate units in order to leverage the innovation and energy for those units;
- Improve the working and learning awareness of all employees in order to adapt the market requirement and the development of science and technology.

### 2.4. Business development to the foreign markets:

In 2017, despite the current difficult situation, PV Drilling has expanded its services to the foreign market and affirmed company's reputation there. By the end of 2017, there were 4/6 PV Drilling's rigs being put in services in the region.

In addition, some of PV Drilling's subsidiaries have successfully supplied its services such as manpower supply services (PVD Offshore); engineering and manufacturing services (PVD Tech); and training services (PVD Training) to the major markets as Japan, Myanmar, Australia, and others.

### 2.5. Investment



## REPORT OF THE BOARD OF DIRECTORS (cont.)

In 2017, the Board of Directors has issued a policy; thereby, investments are only approved and implemented if necessary and urgent to business activities; otherwise, they will be extended and deferred to an appropriate time.

### 2.6. Investors Relation

The Corporation always maintains a good relationship with its shareholders and investors; especially, it receives enthusiastic supports from the Vietnam Oil and Gas Group (PVN), PV Drilling's holding company and major shareholders.

In 2017, PV Drilling successfully held the annual general meeting of the shareholders (AGM) and implemented the consultation of shareholders in written document about the resignation and appointment members of the Board of Directors and Supervisory Board.

### 3. Disadvantages

#### 3.1. The rig fleet:

- PV Drilling's rig fleet had more jobs; the rigs' utilization rate increased 16% compared to the previous year, especially surging at the end of year 2017.
- All rigs were operated safely with high efficiency;
- Rig operations were efficient and effective although most of expats working on rigs were substituted by local staff; income of the workforce reduced significantly compared to the previous years.
- Successfully expanding services to overseas markets and affirming PV Drilling's brand, prestige in the regional markets.

#### 3.2. Drilling related services:

- The traditional services such as technical services, tubular running, drilling equipment rental, mud logging ... have been dominating in domestic markets, which ensured fully works for the employees and generated high profits contributing significantly to the total profit of the Corporation.
- Joint venture companies: PVD Baker Hughes continuously had an effective business performance. Other joint venture company such as Vietubes fulfilled its revenue plan but with low profit.
- The commercial, training and manpower services ... had low profit due to the dramatic decrease of workload and profit margin.

### 4. Difficulties and Issues:

#### 4.1. The rig fleet:

### 3.3. Business Performance of the year 2017:

No.	Items	Unit	Budget 2017	Actual 2017	Actual 2017/ Budget 2017
1	Total Revenue	VND billion	2.300	3.891	169%
2	Profit before tax	VND billion	-	151	
3	Profit after tax	VND billion	-	45	
4	Amount payables to State Budget	VND billion	355	530	149%

- Due to the market declined, drilling contracts were signed with low rig rental day rate, mostly below break-event point;
- The operating costs have been reduced but still not aligned with the current market demand;
- The operation cost outside Vietnam was higher than inside Vietnam due to the protection policies of local countries, accommodation fees, management fees and support services.

#### 4.2. Drilling related services:

- The expansion of drilling related services into foreign markets has not been well implemented, in which many core services of PV Drilling such as tubular running, drilling rental equipment, mud logging etc. have not been developed to overseas;
- Some joint venture companies had less work and inefficiency (loss-making business) such as PVD Tubulars, PVD-OSI, PVD-Expro;
- Business development of new services has not made a progress.



## II. REMARKS ON THE ACTIVITIES, REMUNERATIONS, AND THE EXPENDITURE OF THE BOARD OF DIRECTORS IN 2017

### 1. Remarks on the Board of Directors' activities in 2017:

- PV Drilling's Board of Directors is a united assembly with valuable knowledge, expertise and management experience, who work fairly, objectively, and enthusiastically toward PV Drilling's growth. The Board of Directors consists of 7 members including 01 Chairman, 01 Vice-chairman, 02 full time/ concurrent and, 01 Non-executive, and 02 independent members.
- The Board of Directors always works in compliance with all legal policies, regulations of the Board of Directors, the Charter of PV Drilling, and the Enterprises Law to ensure the fairness, transparency and legality.
- Each members of the Board of Directors is responsible for the specific areas to examine within their authorities from which he/she proposes the appropriate resolutions, decisions, simultaneously, monitor and direct the BOM implementing those resolutions and decisions.
- The BOD has actively performed their roles and

responsibilities, defined the leading orientation to set out the appropriate solutions for corporate developing strategy, especially in the context of oil slump extended.

- In 2017, base on the recommendation of Vietnam Oil and Gas Group, PV Drilling's major shareholder, the Board of Directors and Supervisory Board have some official personnel changes which were approved by Annual General Meeting of Shareholders, thereof, Mrs. Nguyen Thi Thuy was elected as a member of the BOD, substituting for Mr. Duong Xuan Quang; and Mr. Vu Thuy Tuong was elected as Chief of the Supervisory Board, substituting for Mrs. Nguyen Thi Thuy, effective from 24th August 2017.

### 2. Remarks on the Board of Directors' meetings in 2017:

In 2017, the Board of Directors maintained regular meetings once every quarter to discuss, exchange and unify members' ideas, simultaneously, give out timely the direction and orientation for Corporation's business activities. All of the meetings were organized in accordance with the Charter of PV Drilling as well as Enterprise Law. Members of the Board of Directors have attended in persons these meetings as follows:

No.	Member of BOD	Title	Attn times	Rate	Remark
1	Dr. Do Van Khanh	Chairman	4/4	100%	
2	Mr. Do Duc Chien	Vice-chairman	4/4	100%	
3	Mr. Pham Tien Dung	Member cum the President & CEO	4/4	100%	
4	Mrs. Ho Ngoc Yen Phuong	Concurrent member	4/4	100%	
5	Ms. Nguyen Thi Thuy	Non-executive Member	2/2	100%	Appointed from 24th August 2017
6	Mr. Duong Xuan Quang	Independent Member	2/2	100%	Resigned from 24th August 2017
7	Mr. Le Van Be	Independent member	4/4	100%	
8	Mrs. Pham Thi An Binh	Independent member	4/4	100%	

Beside the above mentioned meetings, the Board of Directors also collected opinions from all members in written documents to direct and orientate the important and prior matters related to investment orientation, human resources development, organizational structures, key position appointments, modification and issuance of corporate regulations and policies....



In 2017, PV Drilling's BOD has actively directed the implementation of effective solutions to timely respond to the negative changes of the drilling market. Among which corporate restructuring is the key factor of 2017. This activity will be fully implemented in 2018.



## REPORT OF THE BOARD OF DIRECTORS (cont.)

### 3. Results from operating of each member of the Board of Directors in 2017

No.	Member of BOD	Title	Responsible field
1	Dr. Do Van Khanh	Chairman	Responsible for the general direction, in charge of strategy, business renovation of the Corporation
2	Mr. Do Duc Chien	Vice Chairman	Responsible for commercial, planning and investment; and the policy regime for employees of the Corporation
3	Mr. Pham Tien Dung	Member of BOD, President & CEO	Directly operates all corporate business activities; incharge of sustainable development and legislation
4	Mrs. Ho Ngoc Yen Phuong	Concurrent member	Responsible for financial, accounting auditing, MIS and ERP system supervision
5	Mr. Le Van Be	Independent member	Responsible for financial and capital efficiency supervision
6	Mrs. Nguyen Thi Thuy	Non-executive member	Provides independent assessment of capital management efficiency
7	Mrs. Pham Thi An Binh	Independent member	Provides independent assessment of financial and investment efficiency

Based on the above assigned works, each BOD member actively planned their working schedule, periodically monitoring the implementation of BOD's resolutions and decisions. In addition, the members always actively discussed and exchanged ideas to timely provide the orientations and guidances for corporate operation.

In 2017, the BOD has also approved and issued 12 resolutions and decisions to direct the operations of the Corporation. All resolutions and decisions of the BOD were made based on the high consensus and concurrence of all members toward shareholders'

Salaries / Remuneration and Stocks owned by members of BOD in 2017

No.	Name	Title	Number of shares owned Unit: share	Salary & Remuneration Unit: VND 1,000	Description
1	Dr. Do Van Khanh	Chairman	9,192	432,000	
2	Mr. Do Duc Chien	Vice Chairman	15,414	432,000	
3	Mr. Pham Tien Dung	Member of BOD, President & CEO	153,868	432,000	
4	Mrs. Ho Ngoc Yen Phuong	Member	58,164		PVN paid
5	Mrs. Nguyen Thi Thuy	Member	46,344	28,000	From Sep 2017 to Dec 2017
6	Mr. Duong Xuan Quang	Member	8,508	74,610	From Jan 2017 to Aug 2017
7	Mr. Le Van Be	Member	7,652	95,610	
8	Mrs. Pham Thi An Binh	Member	0	95,610	
<b>TOTAL</b>			<b>252,771</b>	<b>1,589,830</b>	

interest and the sustainable development of the Corporation.

#### 4. The Remuneration and operation expenses of the Board of Directors in 2017

##### a) Remuneration of the Board of Directors in 2017:

- For non-specialized members, the remuneration exclusive personal income tax was VND 7 million / person/month.
- For full-time members and concurrents at the holding company/or subsidiaries: the remuneration was paid based on salary policy of PVN/or PV Drilling.



##### b) The operation expenses of the Board of Directors in 2017:

Compliance with the Regulations of the Board of Directors and the internal expenses Regulations of Petrovietnam and/or PV Drilling.

##### 5. The stock transactions of PV Drilling's related parties in 2017:

In 2017, there were no transactions between PV Drilling and related parties.

##### 6. Contract or Transaction with internal shareholders:

In 2017, there were no transactions between PV Drilling with members of BOD, BOS, BOM and management team.

##### 7. The execution of the policies of corporate governance:

PV Drilling has been abiding by all legal policies related to the management of listed companies.

### III.RESULT OF THE SUPERVISION ON PRESIDENT & CEO AND MEMBERS OF THE BOARD OF MANAGEMENT

General assessment of the Board of Management's activities in 2017 as follows:

- All members of the Board of Management are professional with deep knowledge in their job assignments; moreover, most of them have intensive experience in managing large scale projects and enterprises;
- The President & CEO had a good performance on all assigned duties of the Corporation operation and always completely fulfilled all assignments of the Board of Directors;
- The Board of Management operated Corporation's business activities in accordance with the Resolutions of the Annual General Meeting of Shareholders, the Board of Directors, and current law as well;
- The Board of Management has adopted the advanced corporate governance system to ensure the safe and effective business operation;
- The Board of Management has defined the advantages and disadvantages of PV Drilling in 2017 and the coming years; hence, they have operated flexibly and actively the Corporation. Meanwhile, the BOM has issued internal regulations related to cost reduction, utilization and sharing available internal resources in order to deliver highest possible efficiency for business activities of the Corporation;



- In 2017, the Board of Management promoted business development to overseas and gained potential achievements; in addition, the executive and middle-management have performed successfully their roles and responsibility in risk management.

**IV. THE ORIENTATION AND PLAN OF BOD IN 2018**

The year 2018 is forecasted as another difficult year for the oil and gas industry in general and oil and gas services companies in particular due to the key issues related the oil slump which has still not been fixed. The WTI crude oil price is forecasted to be in an upward trend compared to the year 2017 (at an average around USD 50 to USD 55 per barrel) but still in a low price range. Although, the exploration and production activities have a certain recovery, the quantities of redundant rigs having no services over the world and in the region are still in a large amount. PV Drilling's rigs will continuously encounter with difficulties in seeking new contracts; especially, PV DRILLING V rig will be continuously cold-stacked due to no job available. Consequently, the pressure of reducing rig rental rate and services prices still exists. The competitions between rivals become more acute in all services provided of PV Drilling and its subsidiaries.

**1. Orientation of the year 2018**

With the positive results gained from implementing BOD's orientations and solutions in 2017, based on market forecast of 2018, BOD and BOM will modify and continuously proceed those orientations and solutions aiming to maintain business activities in this difficult period, and head toward the sustainable development of the Corporation. The orientations are as follows:

- Actively seeking new jobs; promoting expanding services to overseas market, specifically for traditional services of the Corporation;

- Strongly deploying the Corporate restructuring as planned to ensure the stable operations at the Corporate and its subsidiaries;
- Organizing business activities in effective and streamline manners; cutting costs at the maximum to survive and enhance competitiveness in the context of low price services but remaining service quality.
- Promoting job-seeking outside of oil and gas industry; especially, conducting researches to produce mechanical products based on utilizing available resources such as plants, factories, workforces ... of PVD Tech, PVD Offshore, and Vietubes...;
- Continuously focusing on development of local staffs to substitute expats for the purpose of cost reduction;
- Promoting risks management to ensuring all rigs and equipments are in safe and effective status;
- Speeding up overdue debt collecting from clients; restructuring the existent loans to ensuring the effectiness of cash flow;

**2. 2018 Business Plan :**

Despite the issues of workload decline and low service rates which are still not fixed, PV Drilling's top management will continuously make their best efforts in managing and operating business activities; seeking new jobs; focusing on collecting overdue debts; and strongly implementing the solutions related to cutting cost, budget control toward fulfilling PV Drilling's 2018 business plan with revenue of VND 3,000 billion and no loss.



PVN's Chairman Tran Sy Thanh, accompanied by his colleagues has paid a visit and worked with PV Drilling.



# REPORT OF THE SUPERVISORY BOARD

## 1. The performance of PV Drilling Supervisory Board in 2017

### 1. Activities of the Supervisory Board

Pursuant to Resolution No. 02 / NQ-ĐHĐCĐ dated 24/8/2017 passed the resignation of Ms. Nguyen Thi Thuy and elected Mr. Vu Thuy Tuong as a member of PV Drilling's Supervisory Board (BOS); Pursuant to the Minutes of the BOS meeting on the election of Mr. Vu Thuy Tuong as the Chief of Supervisory Board replacing Ms. Nguyen Thi Thuy.

In 2017, the Supervisory Board operated with 3 members and there was a change of the Chief of Supervisory Board as follows:

**Ms. Nguyen Thi Thuy**

Chief of Supervisory Board, resigned on 24/08/2017

**Mr. Vu Thuy Tuong**

Chief of Supervisory Board replaced Ms Nguyen Thi Thuy from 24/8/2018

**Mr. Nguyen Van Tu**

Member

**Ms. Pham Bao Ngoc**

Member

The BOS activity was in compliance with the PV Drilling's Supervisory Board Activity Regulation. The Board has acted in accordance with the Supervisory Board's Plan for year 2017 as approved by the Annual General Meeting of the shareholders (AGM). Periodically, the Board conducts meetings and votes for the approval on matters of PV Drilling such as Report for the AGM, Supervisory Board's Assessment - Supervision plan, financial statements (Quarterly/Annually), the execution of resolutions, regulations, decisions, procedures... and also contributes advices to PV Drilling's management activities.

Major meetings of the Supervisory Board during the year 2017 are as below:

Date	Content	Result
03/04/2017	- Evaluated the performance of Supervisory Board in 2016 and the performance of each member on the Supervisory Board; - Approved the Supervisory Board report on activities in 2016; Approved 2017 Action Plan of Supervisory Board and submitted to the AGM; Approved the Report of Supervisory Board for Q1/ 2017.	100% approved by all members of the Supervisory Board.
09/10/2017	- Elected the new Chief of Supervisory Board replacing Ms. Nguyen Thi Thuy - Former Chief of Supervisory of PV Drilling who has resigned and has been approved by the AGM.	100% approved by all members of the Supervisory Board.
30/3/2018	- Evaluated the performance of Supervisory Board in 2017; - Evaluated the audited Financial Statements for the year 2017; - Approved the 2018 Plan of Supervisory Board activities and submitted to the AGM.	100% approved by all members of the Supervisory Board.

### 2. Self- assessment on the performance of each Supervisory Board's member:

According to the plan and assigned duty in the Supervisory Board, each member has completed their duties. Detailed as below:

No.	Name	Title	Activities in 2017
1	Ms. <b>Nguyen Thi Thuy</b> (Resignation in pursuant to the Resolution 02/ NQ - ĐHĐCĐ dated 24/8/2017)	Chief of Supervisory Board	<ul style="list-style-type: none"> <li>- Conducted the role as Chief of the Supervisory Board as stated in the Supervisory Board Activity Regulation.</li> <li>- Supervised management activities of the Board of Directors and the Board of Management.</li> <li>- Supervised and monitored the compliance with PV Drilling's Charter, Laws and the implementation of Resolutions, Decisions, Directions and Regulations of PVN Group and PV Drilling.</li> <li>- Evaluated the Semi-Annual/Annual Financial Statements;</li> <li>- Supervised investment activities, capital usage and management;</li> <li>- Supervised business operation, performance progress of the approved plan, identifying and warning of potential risks (if any);</li> <li>- Supervised the progress of the Corporation restructuring;</li> <li>- Ensured the progress and quality of the report of the Supervisory Board.</li> </ul>
2	Mr. <b>Vu Thuy Tuong</b> (Replaced Ms. Nguyen Thi Thuy in pursuant to the Resolution 02/ NQ - ĐHĐCĐ dated 24/8/2017)	Chief of Supervisory Board	<ul style="list-style-type: none"> <li>- Conducted the role as Chief of the Supervisory Board as stated in the Supervisory Board Activity Regulation.</li> <li>- Supervised management activities of the Board of Directors and the Board of Management.</li> <li>- Supervised and monitored the compliance with PV Drilling's Charter, Laws and the implementation of Resolutions, Decisions, Directions and Regulations of PVN Group and PV Drilling.</li> <li>- Supervised investment activities, capital usage and management;</li> <li>- Supervised business operation, performance progress of the approved plan, identifying and warning of potential risks (if any);</li> <li>- Supervised the progress of the Corporation restructuring;</li> <li>- Ensured the progress and quality of the report of the Supervisory Board.</li> </ul>
3	Mr. <b>Nguyen Van Tu</b>	Member	<ul style="list-style-type: none"> <li>- Conducted the evaluation of the Semi-Annual/Annual Financial Statements;</li> <li>- Supervised the business and operation management of the Board of Directors and the Board of Management;</li> <li>- Supervised and monitored the compliance with PV Drilling's Charter, Laws and the implementation of Resolutions, Decisions, Directions and Regulations of PVN Group and PV Drilling;</li> <li>- Supervised business operation, performance progress of the approved plan, identifying and warning of potential risks (if any);</li> <li>- Supervised investment activities, capital usage and management;</li> <li>- Coordinate with others in supervision of business operations, investment and procurement activities;</li> <li>- Supervised the distribution of profit, salary fund finalization, inventory counting and cost optimization;</li> <li>- Supervised progress of the Corporation restructuring.</li> </ul>
4	Ms. <b>Pham Bao Ngoc</b>	Member	<ul style="list-style-type: none"> <li>- Coordinate to evaluate the Semi-Annual/Annual Financial Statements</li> <li>- Supervised the business and operation management of the Board of Directors and Board of Management.</li> <li>- Supervised and monitored the compliance with PV Drilling's Charter, Laws and the implementation of Resolutions, Decisions, Directions and Regulations of PVN Group and PV Drilling.</li> <li>- Supervised business operation, performance progress of the approved plan, identifying and warning of potential risks (if any).</li> </ul>



### 3. Salary, remuneration of the Supervisory Board

Salary, remuneration in 2017 of members of the Supervisory Board are paid in compliance with the regulations of Petrovietnam Group, PV Drilling and the Resolution approved by the AGM.

Remuneration/ Salary and Number of stocks owned by members of the BOS in 2017:

Member	Number of shares Unit: share	Salary/Remuneration (Unit: VND mil.)
Ms. Nguyen Thi Thuy Chief of Supervisory Board	46,344	354,475
Mr. Vu Thuy Tuong Chief of Supervisory Board	0	177,238
Mr. Nguyen Van Tu Member	20,985	308,829
Ms. Pham Bao Ngoc Member	4,591	51,870
<b>Total</b>	<b>71,920</b>	<b>892,412</b>

## II. Results from monitoring operational and financial activities of PV Drilling

### Compliance with law and regulations of Petrovietnam and PV Drilling

PV Drilling operates under Enterprise Law, Charter, Financial regulation, Investment and Purchasing regulation, ...and also focuses on implementing the cost optimization during the current challenging period.

### Consideration of solutions for cost optimization and reduction in operation

PV Drilling continues to implement solutions to optimize production and operation cost, and encourage initiatives in business operation to reduce costs and prevent losses so that the Corporation will stay strong against all challenges.

Specifically: strictly control operation costs; reduce cost of procurement investment by planning reasonably; cost reduction on seminar and conference by integrating meeting types, shortening programs, enhancing working through the Corporation's online meeting system. Besides, all subsidiaries strictly complied with the above-mentioned cost optimization and cost reduction policy; thereof, they optimized their production line, improved equipment efficiency, self-implemented repair and maintenance; enhanced debt collection, reduced payroll, replaced high-salary expatriates with high qualified local staff.

### Investment and project management

In this current challenging context, PV Drilling continues to enhance its responsibility, increase market researches, prepare, evaluate and approve Report on Feasibility, temporary stop/ delay investment projects except the very necessary, effective and highly feasible ones;

PV Drilling continues to monitor the implementation and settlement of transitional investment projects: ERP project - phase III; Enterprise Risk Management system; in addition, PV Drilling fully implemented the investment procedures and supervision in accordance with laws and Directives, Resolutions of Petrovietnam Group.

### Trade, providing services and business development strategies

In the context of low oil price, PV Drilling has actively approached the regional markets to increase services to foreign markets. By end of 2017, 4 out of 6 rigs operated in foreign markets. In 2017, the Subsidiaries successfully provided several services to overseas markets such as manpower (PVD Offshore), manufacture and repair (PVD Tech) and training (PVD Training) in Japan, Myanmar, and Australia.

Well services, drilling manpower, mechanical services and other services provided by wholly-owned Subsidiaries experienced difficulties because both workload and day rate are reduced due to cutback/ delaying drilling plans from oil and gas contractors, which led to a sharp decline in revenue and profit. Despite those challenges, PV Drilling still ensured the quality of its provided services, the safety of production and achieved objectives as planned. Offshore rigs and onshore facilities of PV Drilling in Vietnam still maintained safe production and achieved Zero LTI in 2017.

### Human resources, training and employee income

- Number of employees as of 31/12/2017 is 1,840 people, including 406 ones from the Holding Company. This number has reached 98% of the approved plan;
- Employee average income in 2017 is 11.77 mil/employee/month, reaching 95% of the approved plan.

### Remuneration fund in 2017

- Total amount of PV Drilling's Compensation and benefit (C&B) fund approved by PVN according to the Decision 149/DKVN-TCNS dated 31/01/2017 was VND 132.16 billion, which was already paid off. Overtime, special work allowances and offshore allowances are paid according to law provisions and PV Drilling's salary regulation.

#### Human Resources Data

The total number of PV Drilling's employees

**1,840**  
employees

Total number of employees at the Holding Company

**406**

Average income

**11.77**  
mil/person/month



#### Compensation & Benefit Fund

Total C&B Fund of Vietnamese workforce at PV Drilling

**132.16**  
billion VND

Remuneration Fund for PVN's representatives at PV Drilling

**6.52**



- The Remuneration Fund for PVN's representatives at PV Drilling is VND 6.52 billion, of which VND 5.94 billion was paid off as at 31/3/2018.
- The Remuneration Fund for expatriates was settled down in accordance with specific contract, PV Drilling's remuneration regulation and actual use.

### Implementation of the internal regulations and policies

PV Drilling has revised and supplemented internal regulations and policies in accordance with changes of State regulations and Petrovietnam's guidance policy as well, including Cash Flow management process; Regulations in Risk management in signing and performing contract of providing goods and services.

### Financial accounting and supervisory

Evaluate the financial statements: The Supervisory Board evaluated the semi-annual Financial Statements and the 2017 Financial Statements as scheduled. Deloitte Vietnam Company Limited was selected to conduct the auditing of PV Drilling's 2017 financial statements pursuant to the Resolutions of the Shareholders' Annual General Meeting dated 27 Apr 2017. Through evaluation, the Supervisory Board agreed that the 2017 financial statements gave a true and fair view of the financial position of PV Drilling and in consistent with current laws.

PV Drilling continued to implement and promote financial management towards centralization, supervise financial activities under budget and long-term financial plan.

Risk Management Activities: the project "Developing

the Enterprise Risk Management (ERM) at PV Drilling" has reached a significant milestone when the risk management process was officially implemented throughout the Corporation. Accordingly, the Risk Management Report system has provided the Board with sufficient information to identify, assess and have timely and effective risk response guidance from the Corporation Level to Business units. Beside that, the Corporation has also issued the Regulations in Risk management in signing and performing contract of providing goods and services in order to stipulate the conditions for transparency in contract signing, and providing of goods and services.

### Restructuring:

PV Drilling issued Resolution No. 01/12/2016 / QD-HDQT dated 19/12/2016 on the establishment of the Steering Committee for the Corporation restructuring and is evaluating and agreeing on the restructuring plans for the Subsidiaries in order to bring efficiency and suitability to the needs in the coming time to ensure the Corporation's sustainability and development such as: labour rearrangement, functions, tasks, organizational and personnel structuring in accordance with the characteristics of each Subsidiaries, with each type of service and current market situation; merging and converting some organizations to expand the operation to ensure that the Corporation operates effectively under the new situation; prioritizing resources for core business and research and development field.

PV Drilling is also considering the type of cooperation related to the conversion of its two subsidiaries, PVD Tech - Oil States Industries Joint Venture Co.,Ltd. and



## REPORT OF THE SUPERVISORY BOARD (cont.)

PVD Drilling Expro International Co., Ltd..  
The restructuring roadmap of PVD Tech continues to be implemented in compliance with the Official Letter

082/DVK-TC sent to PVN on 02 Feb 2016 regarding the proposal of PVN in approving the postponement of restructuring of PVD Tech until the recovery of oil and gas market.

### Business performance in 2017:

(Unit: VND billion)

Items	Actual 2016	Budget 2017	Actual 2017	Variance (%)	
				Actual 2017/ Budget 2017	Actual 2017/ Actual 2016
Total Revenue	5,360	2,300	3,891	169%	73%
Profit before tax	268	-	151		56%
Profit after tax	129	-	45		35%
Amount payables to State Budget	903	355	530	149%	59%

In 2017, although the oil and gas industry received more positive signals from the market when the crisis of crude oil supply has tended to cool down but the number of redundant drilling rigs is still very large, rig day rate is assumed to be hard to recover in the short term. The competition of rig provision contracts as well as drilling-related services has become fiercer. Overseas Services Provision activities got more difficulties because of the increasingly competitive level among multi-international and domestic counterparts. Other barriers including trade protection, commercial, tariffs and different cultures are those which make it worse.

PV Drilling has actively enhanced budget management, implemented cost reduction measures, closely monitored signed contracts of drilling and well services, try to find more contracts for the rig fleet in the condition of ensuring rig operation, services quality so as to achieve objectives as approved at the AGM on 27 April, 2017.

### III. Remarks on the observation of the Board of Directors, President & CEO and other members of the Board of Management of PV Drilling

#### 1. Activities of the Board of Directors:

The Board of Directors (BOD) of PV Drilling has strictly implemented the resolutions of PV Drilling's AGM, Resolutions/Decisions, Directives of PVN Members'

Council. In 2017, BOD has also directed, monitored and supported the Board of Management in business management.

#### 2. Activities of the Board of Management of the Corporation

In business operation, the Board of Management (BOM) has proactively proposed solutions and recommendations to the Board of Directors for matters to their approval.

#### IV. Remarks on the coordination between the Supervisory Board and the Board of Directors, President & CEO

Activities of the Board of Directors, the Board of Management and the Supervisory Board are abided by Enterprise Law, the Charter of PV Drilling and under the direction of PVN through the representatives of PVN based on Resolutions, Decisions, Directives, Official Letters... The relationship between the BOD, BOM and the Supervisory Board is coordinated with their roles and responsibilities.

The BOD and the BOM have supported the Supervisory Board to fully perform its responsibilities.

#### V. Comments and suggestions

##### 1. Advantages:

PV Drilling always receives timely directions and supports from PVN in supporting service provision in line for research operations, exploration and exploitation of oil and gas industry.

PV Drilling has a modern drilling rig fleet, advanced equipment and machinery to meet expectation of drilling contractors.

Experienced management team, technical staff, employees of PV Drilling are mostly young, highly qualified and enthusiastic with their jobs.

#### 2. Difficulties:

Although the oil and gas industry received more positive signals from the market when the crisis of crude oil supply has tended to cool down but the number of redundant drilling rigs is still very large, rig day rate is assumed to be hard to recover in the short term.

The competition between the contractors in drilling and drilling-related services has become fiercer.

Service expansion to foreign markets met difficulties due to the high competition of multinational and domestic counterparts. Other barriers including trade protection, commercial, tariffs and different cultures are those which make it worse.

Most of the drilling programs in 2017 are short-term and concentrated in the same period, making it difficult for PV Drilling to arrange the rig fleet. The drilling programs in 2018 are still very limited.

High receivables from customers, especially from PVEP and PVEP Joint Operating companies (JOC) caused more difficulties for PV Drilling.

#### 3. Recommendations to shareholders:

PV Drilling needs to find solutions to optimize utilization efficiency of the rig fleet in the current difficult situation, solutions to increase revenue as well as manage capital effectively to optimize the cost of capital, and most importantly, the collection of bad debts.

PV Drilling's management team needs the support and trust from shareholders so that PV Drilling can overcome difficulties due to the impact of declined oil price and continue to sustain its business growth.

### VI. The Supervisory Board's 2018 plan

In order to carry out the observation according to the Enterprise Law and the Charter of the Corporation, PV Drilling's Supervisory Board plan for 2018 is as follows:

1. To supervise the implementation of the Resolutions approved by the AGM;
2. To supervise the compliance of the Charter, Resolutions, Regulations of the Corporation in daily business operation;
3. To supervise the compliance of resolutions, decisions, regulations and directions of the Petrovietnam Group at PV Drilling;
4. To supervise the implementation of the business plan which has been approved by the Petrovietnam Group and the AGM;
5. To supervise the implementation of Corporate restructuring approved by the PVN;
6. To supervise the investment, capital using and management;
7. To inspect and supervise the compliance with laws, regulations and internal regulations, dependent subsidiaries through direct inspections and internal reporting system;
8. To inspect and supervise Subsidiaries' business activities in 2018 through Reporting system and Report from the Corporation representatives at Subsidiaries and Affiliated companies;
9. To conduct other tasks of the Supervisory Board in accordance with current regulations;
10. To update new policies/regulations and participate in training workshops to improve professional skills.



## REPORT OF BOARD OF MANAGEMENT



### a. Overview of business activities in 2017

#### PV Drilling does not step aside the fluctuations of the Vietnamese and world economy in 2017

"In a totally different scenario from the predictions in 2016, the world economy in 2017 is full of fluctuations" is the most common perception of the financial analysis experts of the world economy in 2017. The shifts in the financial market, technology or politics have surprised a lot of people. The outstanding events that affect the world economy in 2017 involving the U.S labor protection policy of the U.S President Donald Trump, the overruling of the protectionism in many countries, the 4.0 technology revolution with the most mentioned keyword being "artificial intelligence" have really had a strong influence on a number of industries, e-commerce and the sharing economy; the changing technology in the environmental protection sector and finance - digital currency have caused lots of debates,...The global GDP growth rate increased by 3.6% according to the estimated figures of IMF, whereas the leading economies are the U.S, China, Japan, Germany and France. For Vietnam, World Bank projects an economic growth rate of 6.8% this year.

The crude oil price has witnessed some positive shifts during the second half of the year 2017. With the average price of 55 USD/barrel in Jan 2017 and reducing drastically to an average of 45 USD/

barrel in Jun 2017, in Dec 2017 the Brent oil price reached over 63.7 USD/barrel and this level of increase is expected to continue in the first couple of months in 2018. The main reason is due to the mutual agreement on volume reduction of the members inside and outside OPEC; the economy shifting positively has boosted the demand for energy consumption from gas, the political events in Iraq and the nuclear program of North Korea also affected the world crude oil price.

However, in contrast with the crude oil price fluctuation, the drilling market in the world in 2017 has not shown more positive signs than its condition in 2016. The rig rental price in Vietnam and the world is still remaining low and the rig utilization efficiency continues to drop in 2017. In South East Asia, the rig rental price fluctuates around 55,000 USD/day. However, the rig utilization efficiency is on an increasing trend, from below 40% at the end of 2016 to 70% at the end of 2017.

PV Drilling is the pioneering corporation in the oil and gas drilling industry in Vietnam, so it does not step aside such fluctuations. While the strategic orientation in 2016 is "Together we strive - Redefine our future", focusing on expanding the services to foreign markets, reducing the dependence on the local market, in 2017, on such basis PV Drilling truly has to "Stand steady against challenges" as the difficulties and challenges in the year are still ahead and they are even bigger and tougher; it is specifically shown by the

following typical financial figures: The average rental price of jack-ups in 2017 reached 55,000 USD/day which was a 22% decrease compared to that in 2016; the average number of engaged drilling rigs was 2.9 rigs, increasing by 14% compared to that in 2016. The revenue from other business operations in 2017 was also achieved at 80% of that in 2016. In 2017, the total revenue of PV Drilling was 3,891 billion VND and the profit before tax was 151 billion VND, decreasing 27% and 44% respectively compared to the results in 2016.

However, the results above have really shown the huge endeavor of PV Drilling to go through the difficult year of 2017 with the service price continuously dropping and the workload remaining low. Continuing to maintain the rig operations with the high efficiency and absolute safety in such difficult context along with the control and optimization of costs, restructure of personnel, expansion of rig service to overseas markets and optimization of the effectiveness of cash flow utilization are decent and effective solutions that help PV Drilling achieve the business results above.

### b. PV Drilling's financial situation in 2017

FINANCIAL INDICATORS	Unit	2015	2016	2017	% variance
Total assets	VND Bil.	24,915	23,143	21,817	-6%
Revenue	VND Bil.	14,444	5,360	3,891	-27%
Operating profit	VND Bil.	2,093	182	(472)	-360%
Other profit	VND Bil.	21	87	623	618%
Taxes payable	VND Bil.	(366)	(83)	(115)	40%
Profit before tax	VND Bil.	2,114	268	151	-44%
Profit after tax	VND Bil.	1,664	129	45	-65%
Dividend payout (in form of stock)	%	10%			

Low drilling day rate and declined drilling related service's price besides TAD rig has no job were main facts leading to PV Drilling's operating profit is a negative number of 472 billion VND in 2017. Although the workload and jack up rig utilization were improved versus to same period last year, jack up rigs had operated below break-even point due to low drilling day rate and a burden of depreciation expense. The business

performance was strong negative impact within two recent years when 2017's revenue decreased 73% versus to 2015 in which drilling day rate dropped around 60%.

In 2017, PV Drilling reversed unused Science and Technology development fund accrued from previous years. Therefore, profit before tax of PV Drilling achieved 151 billion VND, decreased 44% in compared to 2016.

#### Financial ratios

FINANCIAL INDICATORS	Unit	2015	2016	2017	% variance
Profitability ratios					
Profit after tax/Revenue	%	12%	2%	1%	-1%
Profit after tax/Equity (ROE)	%	14%	1%	0%	-1%
Profit after tax/Assets (ROA)	%	7%	1%	0%	-1%
Operating profit/Revenue	%	14%	3%	-12%	-16%

Low profit after tax in 2017 (45 billion VND) resulted to PV Drilling's profitability ratios are modest numbers. However, there were the efforts and striving of PV Drilling's Board of Management and entire employees to get positive profit in 2017. Although low service price of drilling and drilling related services, PV Drilling tried to maintain the market share in Vietnam, took part in biddings and

performed services for clients with highest commitment of quality and timing issues besides kept high efficient ratio. To survive, PV Drilling had to find all ways to get contracts enough for rigs as well as other services. The statistic stated that there were 41 jack up rigs in South East Asia be stacked and no job in 2017. All drilling rig contractors were ready to bid at lowest price to get job for their own rigs.



## REPORT OF BOARD OF MANAGEMENT (cont.)

The strategic success of PV Drilling was achieved in 2017, that was an overseas reached campaign for PV Drilling rigs. At the moment in fourth quarter of 2017, there were 4/6 PV Drilling' rigs operated outside Vietnam.

The plan of no loss in 2017, as committed by PV Drilling with shareholders, was achieved from applying the synchronized solutions such as maintaining rational business strategy, following saving and cut cost strategy - which PV Drilling was issued in end of 2014 E at the time of oil price dropped rapidly, and controlling cash flow effectively as well as utilizing the internal resources.

FINANCIAL INDICATORS	Unit	2015	2016	2017	% variance
<b>Liquidity ratio</b>					
Current ratio	time	1.82	2.10	1.61	-65%
Quick ratio	time	1.60	1.86	1.42	-58%
Current asset - Inventory	VND Bil.	7,207	6,022	5,530	-8%
Current liabilities	VND Bil.	4,511	3,245	3,905	20%



In spite of business performance was declined strongly, PV Drilling's liquidity ratios secured at standard level and above 1 time for 2017. PV Drilling enhances to manage cash flow, uses effectively intra-transferred inventory among rigs, among subsidiaries to minimize inventory expense and operation expense.

In spite of business performance was declined strongly, PV Drilling's liquidity ratios secured at standard level and above 1 time. For the receivable accounts on PV Drilling's consolidated report as of 31 Dec 2017, there was more than VND 635 billion of overdue debts from PVEP client (excluded Joint ventures). Affected by this overdue debt, PV Drilling had to record additional a bad debt provision of VND 144 billion in 2017 and resulted to balance of bad debt provision was VND 324 billion as of end 2017.

In order to reduce the impact of bad debt, PV Drilling enhances the cash flow management by forecasting and updating cash flow regularly, controlling tightly unused cash flow. PV Drilling will consider whether placing short-term deposits or using derivative tools such as SWAP, CCS to maximize financial income. PV Drilling will negotiate to clients and work with PVN to get support and actively find the approach to collect overdue debt at the soonest time.

For inventory, PV Drilling enhanced the management and maintained the effectively usage of equipment and spare-parts. The repair and maintenance of rig and well technical service's equipment and machinery was maximized through inventory purchasing

process, prioritizing to use intra-transferred inventory among rigs, among subsidiaries to minimize inventory expense and operation expense. Consequently, the balance of inventory account was tightly controlled and reduced year-by-year, quick ratio was 1.42 times in 2017 as a result.

FINANCIAL INDICATORS	Unit	2015	2016	2017	% variance
<b>Financial leverage</b>					
Total liabilities/Total assets	time	0.47	0.42	0.38	-4%
Total liabilities/Equity	time	0.89	0.73	0.63	-10%
<b>Operational efficiency</b>					
Inventory turnover	time	10.09	5.03	4.78	-26%
Inventory (average)	VND Bil.	1,115	899	775	-14%
Revenue/Total assets	time	0.59	0.23	0.18	-5%

With significant impacts of oil price to business performance in 2017, revenue and profit decreased versus to previous years, however PV Drilling tried to maintain financial ratios of capital structure, operational efficiency at good and safe level. Total liabilities/total assets ratio was 0.38 time and Total liabilities/equity ratio was 0.63 time, decreased 0.03 and 0.10 time in comparison to 2016. Dropped loan balance and reversed Science & Technology development Fund are two key facts resulted to financial leverage ratio dropping. PV Drilling always ensured loan repayment obligation of rig investment on time. Currently, there are only last two payments in 2018 for debt settlement of PV DRILLING II rig. In order to minimize financial burden, to reduce interest expense and control risk of cash flow, PV Drilling negotiated with bank and fully repaid PV DRILLING II's debt in 1st quarter of 2018. For long-term loans of PV DRILLING V and VI, PV Drilling is negotiating the facility agreements to ensure sufficient cash flow for business activities in the coming years as PV DRILLING V still had stopped operation and drilling day rate of PV DRILLING VI is too low.

Workload of drilling related services in 2017 was still narrow when number of job and contract value for trading & procurement of pipe and conductor decreased strongly in compared to previous years. Together with drilling revenue declining, this is one of main reasons affecting to the inventory turnover and revenue/total assets ratio dropped versus to same period last year.

### c. Business performance report in 2017

Total consolidated revenue in 2017 achieved 3,891 billion VND, equivalent to 73% in

Salaries / Remuneration and Stocks owned by members of BOM in 2017:

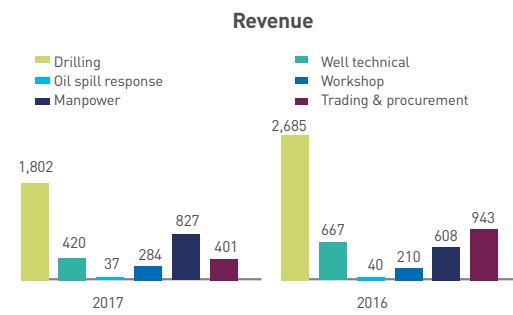
Member	Number of shares (Unit share)	Salary + Remuneration (Unit: 1,000 VND)
Mr. Pham Tien Dung Member of BOD cum President & CEO	153,868	Salary received in BOD
Mr. Tran Van Hoat Vice President	3	648,000
Mr. Dao Ngoc Anh Vice President	17,798	648,000
Mr. Trinh Van Vinh Vice President	8	648,000
Mr. Nguyen Xuen Cuong Vice President	3,164	648,000
Mr. Vu Van Minh Vice President	22,269	Salary received in Joint Venture PVD Baker Hughes
Mr. Ho Vu Hai Vice President	0	648,000
Mr. Do Danh Rang Vice President	75,462	648,000
<b>Total</b>	<b>272,572</b>	<b>3,888,000</b>

comparison to 2016. The net profit before tax has been 151 billion VND, equaled 56% of one in 2016. PV Drilling's core businesses are still: Drilling service and Drilling-related services

The construction of contribution of services to 2017 performance has been slightly different to one in 2016. While the contribution of drilling service to 2017 total revenue and profit decreased, that was caused by many factors: competition in rig's day rate, the market demand, the rigs' operating efficiency..., the contribution of workshop and manpower services to PVD performance had an impressive growth.



# REPORT OF BOARD OF MANAGEMENT (cont.)



## Drilling service

As being identified at the end of 2016, the drilling service continued to face many obstacles in 2017. In South East Asian market as well as in global market, the rig's day rate has kept falling, but this trend was not deeply and strongly like year 2016 when compared to year 2015. The average of jack-up rig's day rate was about 55,000 usd/day, a reduction of 22% compared to 2016. The level of supply of rigs has been still high, the number of unemployed rig is 24 rigs in the total of 54 current rigs. The only bright point in this year is that the jack up rigs' operating efficiency has tended to rise in the end months of year 2017. In Vietnam, the number of rig in operation were 8 (5 rigs from Vietsovpetro, 1 rig from KS Drilling, 1rigs from Arktikmor, and 1 rigs from PV Drilling).

Foreseeing the trend of drilling market in year 2017, PV Drilling has step slowly, steady, sustainably in difficult stage with highlights:

- Adopting the low rig's day rate to get the positive operating cash flow, and be enough to bear the operation costs. With this rate, PV Drilling can keep our market share, brand name, and stuff in the drilling field.
- Being keen on strategy of developing and expanding our market share in overseas: PV Drilling identifies that this strategy is fully hard and challenge step in many aspects: geography, competition, protection policies.

Average day rate for Jack up rig

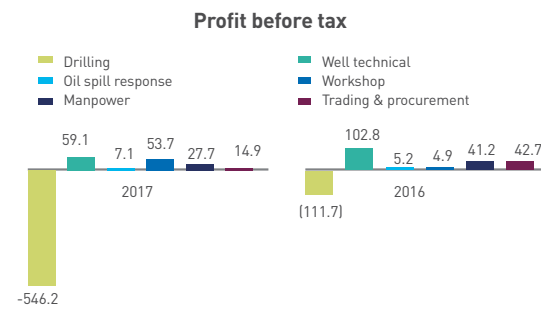
# 55,000

USD/day

Day rate for Land rig

# 29,000

USD/day



However, in 2017, this step has significant success: signing drilling contracts with clients in Myanmar, Thailand, Malaysia, Algeria. In which: PV DRILLING I operated to Kris Eney (Thailand); PV DRILLING III - Petronas (Malaysia); PV DRILLING VI - Lundin (Malaysia) and PV DRILLING 11 - OC BMS (Algeria);

- Reducing considerable number of expat by increasing the number of Vietnamese engineers working on rigs, optimizing the rig operation, cutting costs in reasonable level. PV Drilling focuses on training young drilling engineers to step-by-step replace key expat positions. All of these actions are supporting for reducing the operation cost of rigs, having higher return for drilling service.

The performance of drilling service was shown by following figures:

- The number of jack-up rigs in operation in year 2017 reached 2.9 rigs (in comparison to 1.7 rigs in year 2016). Both 4 Jack-up rigs (PV DRILLING I, PV DRILLING II, PV DRILLING III, PV DRILLING VI) and land rig PV DRILLING 11 have the rigs' operating efficiency around 99%;
- The jack-up rig's day rate has been at level of 55,000 USD/day, and the land rig' day rate reached 29,000 USD/day. These rates are similar with the average rate of South East Asia.
- The revenue from drilling service in year 2017 is more than 79 million USD (equivalent to 1,802 billion VND), the profit (before tax, interest and depreciation cost) gets 13 million USD (equivalent to 298 billion VND), respectively equivalent to 67% and 43% of year 2016. The performance of drilling service has still get a major portion (equivalent to 46%) in total performance of PV Drilling.

PV Drilling always knows that: passing the hard stage in past and future is certain, but our prestige and the service quality must be hold. PV Drilling operated our rigs safely

and high operating efficiency. All of the rigs achieved zero LTI (no accidents causing lost time incidence) in 2017. The International Association of Drilling Contractors (IADC) certified PV DRILLING I of 10 consecutive years of zero LTI, PV DRILLING II and III of 8 consecutive years of zero LTI, PV DRILLING VI rig of 3 year of zero LTI, and PV DRILLING V (TAD) of 5 consecutive years of zero LTI. This is a remarkable pride for PV Drilling and the entire employee, especially those who have been working effortfully on offshore rigs.

## Drilling-related services

Besides the core business E drilling service that contributes nearly 46% of total revenue for PV Drilling in year 2017, the drilling-related services, including: Well Technical, Manpower, Trading & procurement and Workshop, have recorded more than 50% of total revenue and earned the major of net profit for PV Drilling. In this rough period of the drilling market, the drilling-related services are the profitable activities and bring PV Drilling the major profit that born a part of loss from drilling service. In 2017, the total revenue of these services has been more than 1,969 billion VND, and total profit before tax has been more than 162 billion VND.

However, the drilling-related services are not out of the bad impact from the fluctuation of market. When the drilling service market is down, the demand from the clients for the drilling-related services is not able to better. Price competition in bidding for supplying services on rigs is happening harshly. Besides, the competition in quality of services and market share are also the main factors that strongly impact on the performance of these services. From which, compared to 2016, the total revenue and profit before tax of drilling-

Total revenue of drilling related services

# 1,969

VND Billion

Total net profit before tax of drilling related services

# 162

VND Billion

related services in 2017 are down respectively 20% and 17.4%.

About the market share, more than 95% of client comes from the domestic market. We know that: bringing and developing services abroad is one of essential steps to reduce the dependence on the domestic demand, and rising opportunities to get more jobs, but that is fully hard and challenge.

## Well technical service

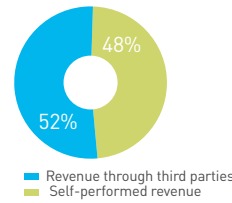
The performance of well technical service is shown by more than 420 billion VND of revenue and 59 billion VND of net profit before tax. These are down respectively 37% and 43% compared to 2016.

The well technical service maintains its core activities, such as: Tubular Running, Well Testing, Slickline, Mud Logging, Tool Rental. The main clients of this service in 2017 are Bien Dong, Vietsovpetro, Murphy, Premier Oil, Talisman, Hoang Long-Hoan Vu. The revenue connected tightly to the number of operating wells, and has been impacted deeply by price competition.

- The number of operating wells from Drilling companies has decreased. The total operating wells in year 2017 was 15 wells (not including wells from VSP, GALOC), compared to 14 wells in 2016, 48 wells in 2015 and 58 wells in 2014.
- On the other hand, competition with foreign rivals in service prices is so violently. Some bidders dare to reduce 15-30% of service price to win the tender.

To face the hard year, PV Drilling has tried to maintain our all kinds of service in the market. Pushing bidding in foreign market, such as: Philipines, Japan, Myanmar; diversifying types of service; flexibly satisfying the clients' diversified and complicated demand; raising the self-performance services are our measures to stable the revenue, and profitability of the well technical service.





Type of revenue	Y2017	Y2016
Self-performed revenue	202	221
Revenue through third parties	218	446
<b>Total</b>	<b>420</b>	<b>667</b>

The self-performance services have rather high profitability. However, the fixed costs of this kind of services occupy the large portion of total cost of services. So, when the service price or the number of contracts are is down, the fixed costs will become the burden of this service. In 2017, besides the attempt on increasing revenue with the reasonable price, PV Drilling has controlled the fixed costs tightly, get the best out of our own resources, thoroughly review new investment plans and just processed the necessary investment plans.

**Manpower service**

The total revenue of this service has been more than 827 billion VND, and the net profit before tax has been 28 billion VND, respectively increased 36% and decreased 33% when compared to 2016.

In year 2017, PV Drilling has continued to perform the contracts signed in previous years. Besides, PV Drilling signed new manpower service contracts with Thang Long JOC, Talisman, and Petronas in year 2017. Manpower contracts in overseas have well performed, especially manpower contracts from drilling market of Japan. That make the prestige and quality of PV Drilling in this service be hold firm.

The revenue from supplying manpower to rigs is deeply affected by the pressure from decrease of price and demand from Oil companies. In the hard stage, the cutting cost from oil companies is essential, and outside labor cost is the one. From that, we had to reduce our service price, and our volume of work has been down. Seeking more service contracts, giving the reasonable prices but still keeping our prestige and share market are the actions had to be taken by PV Drilling.

**Trading and procurement**

Total revenue has been more than 401 billion VND, total net profit before tax has been 15 billion VND, respectively decreased 57% and 65% when compared to 2016.

The revenue of this service has fallen the most sharply in comparison to other services. The ending of 5 year contract with Bien Dong POC in year 2016 caused the strongly decrease in revenue of this service in year 2017. The bright point of this service in this period was the performing the contract of providing equipment for Rosneft's drilling campaign. The revenue has been recorded from this contract was more than 8 million

USD, equivalent to 180 billion VND. Not only Rosneft, Vietsovpetro, PTSC, JVPC, Thang Long are the main clients of this service through the years.

The trading and procurement service is competed severely. However, this service has its bright sides: the service has major market share of providing conductor and casing, equipment for drilling jobs (mudline, wellhead, subsea equipment,...) in Vietnam. Cutting operating costs, controlling financial costs, and exchange rate from importing are key actions to save the profit of this service.

**Workshop**

Total revenue has been more than 284 billion VND, total net profit before tax has been 54 billion VND, respectively decreased 35% and 998% when compared to 2016.

In 2017, the workshop has had a best performance. The growth of revenue and profit is impressive. The main reasons causing this great result are:

- Inspection, threading, hardbanding activities really had an eventful year by performing the big contracts with Japan Drilling, OJSC. The number of rigs ready to work overseas has increased, and some of TAD rigs have been back to work, so the demand of inspection, threading casing service is raising impressively.
- There are more outward processing jobs from foreign clients, such as: Baltec, TAPC (Australia), those contributed the value of more than 55 billion VND (equivalent to 14%) to the total revenue of this service.
- The profitability of workshop service is rather high. By having advantages, prestige, valuable experiences, PV Drilling has had contracts with good profit margin and competitive price in bidding. Strictly controlling cost of contracts is also an effective actions to increase the return of work.
- The other strength making the strong growth of the service is the deeply decrease of depreciation cost. The decrease value was more than 20.6 billion VND (In 2017: this cost was about 13 billion VND, in year 2016: that was about 33.6 billion VND). Accelerating

depreciation in previous years, having no more new investment, taking full of our equipment made the depreciation cost decrease strongly.

The workshop service in 2017 has had an impressive growth in comparison with 2016. That result was caused by strongly increase of revenue, high profitability, significantly decrease of depreciation cost.

We confidently say that: 2017 was really a hard year and PV Drilling has been "Stand steady against challenges". The above business performance was a result of good preparation to face the anticipated difficulties. Promoting PV Drilling's services into foreign market, stabilizing drilling-related services, cutting cost and streamlining organization were specific and effective actions of PV Drilling in 2017. In 2018, according to experts, the price of crude oil and rig's day rate will be more optimistic than 2017, PV Drilling hopes to have a better performance.

**d. Investment in 2017**

The business performance decreased as facing to difficulties in the oil and gas market, investment activity was carefully considered by Board of Management for the purpose of optimizing the effectiveness of project. Currently, PV Drilling always controls investment plans; makes market research, prepares and approves appraisal reports for new investments; delays/halts the unnecessary demand of investments from PV Drilling and its subsidiaries. Especially, PV Drilling encouraged and promote the projects such as scientific and technological research; investing modern machinery and equipment funded from Science and Technology Development Fund to reduce investment costs, enhance business performance and help company to be ready for the rehabilitation of drilling and oil market. Ending 2017, total investment capital that PV Drilling invested in machine and equipment reached 36 billion VND. In which, investments funded from the Scientific and Technological Development Fund were 27 billion VND as follows: CNC automatic lathes, E-line units, ...



<p><b>Well technical service</b> Revenue <b>420</b> VND Billion</p> <p>Profit before tax <b>59</b> VND Billion</p>
<p><b>Manpower</b> Revenue <b>827</b> VND Billion</p> <p>Profit before tax <b>28</b> VND Billion</p>
<p><b>Trading and procurement</b> Revenue <b>401</b> VND Billion</p> <p>Profit before tax <b>15</b> VND Billion</p>
<p><b>Workshop</b> Revenue <b>284</b> VND Billion</p> <p>Profit before tax <b>54</b> VND Billion</p>



**e. Innovation in Management & Accountability for Environmental Protection in 2017**

At PV Drilling, environmental protection is one of the most important objectives, being the first priority on its path to sustainable development.

Since its foundation, PV Drilling has focused on establishing and implementing the Environmental Management System (EMS) in accordance with ISO 14001. In 2017, the Corporation's EMS was successfully converted to be complied with the new version of ISO 14001: 2015 and certified by DNV GL. The focus of the EMS, i.e. the environmental protection policy was integrated in the PV Drilling's HSEQ Policy and approved by the President & CEO. This is the basis to establish the strategies and targets for the sustainable development of the Corporation. The policy has been communicated to all employees through various media, for example, posting on PV Drilling's website, framing and hanging in the meeting rooms on the drilling rigs, at the workshops or offices, or being introduced at weekly safety meetings as well as at the events for environmental protection. In addition, whenever the EMS was audited, whether it was internal or external, executed by the Clients or the certification body, the employees were interviewed to show their understanding and their contribution to the implementation of the Corporation's environmental protection policy. As a result, there was no finding found on this subject. By the implementation of the EMS, complied with ISO 14001: 2015 and the legal requirements, the accountability for the Environmental Protection is clearly defined amongst the PV Drilling's Board of Management at the Corporate's and Subsidiary's levels. As such, one of the Corporation's Vice Presidents is assigned as being in charge of the Environmental Protection, in particular, and HSEQ management, in general.

In 2017, the Environmental Aspect Identification and Impact Assessment Procedure in compliance with the requirements of ISO 14001: 2015 was released by the Corporation. Following this release,

the process of identification of the environmental aspects and assessment of its impact was reviewed and implemented for all the production and service provision activities, on the offshore drilling rigs as well as at onshore facilities. Based on the assessment results, the control measures to mitigate the impacts were also reviewed and newly set up, if needed. This assessment results would be reviewed at least once a year or at the time of any change in the system. Thanks to the EMS's compliance with the ISO 14001:2015, the identification of environmental aspects and assessment of its impacts as well as the measures to prevent, eliminate or minimize such impacts on the environment have been proven to be more thorough and effective.

In order to ensure the effectiveness of the EMS, at all the Subsidiaries, site inspections and internal audit of the EMS are periodically implemented by the Corporation. The results show that, the environmental protection activities are well performed at all the subsidiaries, meeting the requirements by the standard ISO 14001 as well as the Law on Environmental Protection. The Corporation also encourages and facilitates Programs for Environmental Protection, namely Clean Beach Campaign, Go Green Program, World Environment Day Program, the Green Office or Green Workshop Campaigns etc., or the Saving Cost Programs focusing on Reuse (2-side paper); Utilize broken equipment to fabricate the utility equipment (make a rack out of testingTong tubes, make flower pots out of failed protectors); and Minimize the consumption of the electricity, water and materials. These programs not only contribute to raising awareness of employees on environmental protection but also to creating a more professional working environment at PV Drilling Corporation.

The Corporation and its member subsidiaries all have well-trained and experienced professionals in charge of environmental management. In 2017, the PV Drilling's HSEQ Reporting Portal was implemented, so that the performances of the EMS are better monitored and reported. The data are

collected monthly and analyzed to ensure that all legal requirements are met as well as the proposed measures on environmental protection are effective. The application of the online reporting system also helps to save papers and ink, a contribution to the environmental protection.

Thanks to the successful implementation of the Corporation's environmental protection policy as

well as other programs for saving raw materials and fuels, the environmental management performance has been significantly improved. Although total man-hour in 2017 increases by 55% compared with 2016, the consumptions of the raw materials and waste generations decrease in general, except the industrial wastewater slightly increases by 13% (much lower than growth rate of the man-hour); details as follows:

Resources	2016	2017	% increase/decrease
Gasoline (l)	108,212	70,959	-34
DO (ton)	2,475	1,179	-52
Water (m3)	24,397	15,299	-37
Electricity (kWh)	2,407,140	2,160,461	-10

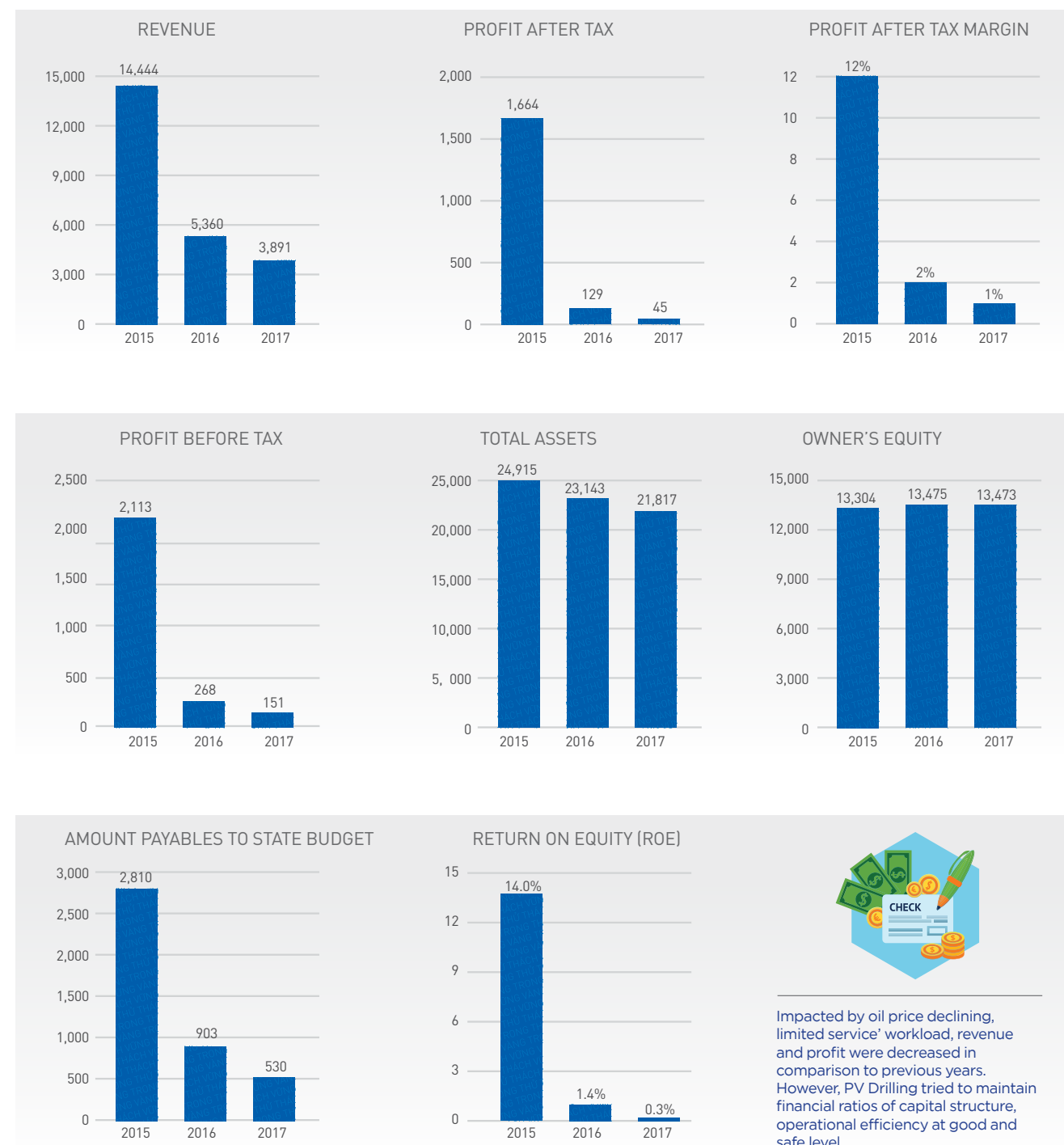
Types of Waste	2016	2017	% increase/decrease
Solid Waste (ton)	183	124	-32
Hazardous Waste (ton)	219	150	-31
Waste Water (m3)	8,493	7,274	-14
Industrial Waste Water (m3)	3,897	4,409	+13

At PV Drilling Corporation, waste classification, collection and treatment are done in accordance with the legal requirements. Wastewater is collected and treated to meet the legal standards. In addition, in order to communicate and raise the awareness on environmental protection amongst the employees, new legal requirements, as well as any solution, initiative or program related to environmental protection are regularly posted on the Corporation's website and quarterly HSEQ Newsletter.

In 2017, the Environmental Aspect Identification and Impact Assessment Procedure in compliance with the requirements of ISO 14001: 2015 was released by the Corporation. Besides, an Online Reporting system on Health, Safety, Environment and Quality has been successfully implemented, allowing better report procedure, particularly on environmental protection results..



## FINANCIAL HIGHLIGHTS 2017



Impacted by oil price declining, limited service workload, revenue and profit were decreased in comparison to previous years. However, PV Drilling tried to maintain financial ratios of capital structure, operational efficiency at good and safe level.

## CHARTER CAPITAL/ SHAREHOLDERS'

### STRUCTURE

	Shares
Number of common shares issued to public	383,266,160
Number of restricted common shares (*)	54,835,107
Number of common shares in circulation	382,850,160
Number of transferable common shares	328,015,053
Par value (VND/share)	10,000 dong

(\*): including 54,832,000 shares owned by PetroVietnam, which has been restricted (that have not been adjusted) as well as 3,050 shares of employees that have not been adjusted due to updated ID.

### SHAREHOLDERS' STRUCTURE

(Updated list of shareholders as of 28March 2018)

	Number of shares	Ratio
<b>DOMESTIC</b>	<b>289,935,391</b>	
Petrovietnam (State shareholder)	193,179,459	50.40%
Other organizations	6,099,742	1.59%
Individuals	90,656,190	23.65%
<b>FOREIGN</b>	<b>92,914,769</b>	
Organizations	88,412,781	23.07%
Individuals	4,501,988	1.17%
<b>TOTAL</b>	<b>382,850,160</b>	

### LIST OF MAJOR SHAREHOLDERS

	Number of shares	Ratio
Petrovietnam (State shareholder)	193,179,459	50.40%

### CHANGE IN SHARE CAPITAL

Description	Date of issue	Number of shares	
Initial	Initial Public Offering	28/11/2006	68,000,000
1	Dividend by stock and new common share issuance	11/7/2007	9,519,730
2	New common share issuance	7/8/2007	1,340,000
3	New common share issuance	22/08/2007	31,280,000
4	Dividend by stock with ratio 20% / par value	26/06/2008	22,027,774
5	Merge PVD Invest into PV Drilling	14/10/2009	25,716,285
6	Dividend by stock with ratio 10:3	8/1/2010	52,624,426
7	Private placement	13/08/2013	38,000,000
8	Issuance of shares by ESOP	15/11/2013	2,000,000
9	Dividend by stock with ratio 10% / par value	23/12/2013	25,020,480
10	Dividend by stock with ratio 10% / par value	18/09/2014	27,544,655
11	Dividend by stock with ratio 10% / par value	25/08/2015	45,392,909
12	Dividend by stock with ratio 10% / par value	09/11/2016	34,799,901
<b>Total</b>		<b>383,266,160</b>	

Please refer to charter Audited financial statements, section Equity for more details of Shareholders' structure, change in share capital

### TREASURY SHARES

	Unit
Number of treasury shares as of 01/01/2017	416,000
Number of treasury shares in period:	-
Number of treasury shares as of December 31 2017	416,000

### DIVIDEND PAID

To retain cash flow for business operation activities and ensure liquidity for borrowing repayment, PV Drilling proposes not to pay dividends in 2017



**SUBSIDIARIES**

	PVD DRILLING DIVISION	PVD INVEST	PVD OFFSHORE	PVD LOGGING	PVD WELL SERVICES	PVD DEEPWATER	PVD TECH	PVD TRAINING	PVD BAKER HUGHES	PVD TUBULARS	EJ - PVD	PVD OVERSEAS	PVD EXPRO	VIETUBES	PVD OSI
<b>HEADQUARTER</b>	3 <sup>rd</sup> Floor, 111A Pasteur, District 1, Ho Chi Minh City	22 <sup>nd</sup> Floor, Green Power, 35 Ton Duc Thang Street, District 1, Ho Chi Minh City	43A Street 30/4, Ward 9, Vung Tau City, Ba Ria Vung Tau Province	10 <sup>th</sup> Floor, 111A Pasteur, District 1, Ho Chi Minh City	12A Floor, Vincom Center, 47 Ly Tu Trong Street, District 1, Ho Chi Minh City	5 <sup>th</sup> Floor, 111A Pasteur, District 1, Ho Chi Minh City	8 <sup>th</sup> Floor, Green Power, 35 Ton Duc Thang Street, District 1, Ho Chi Minh City	Road No.1, Dong Xuyen Industrial Zone, Rach Dua Ward, Vung Tau.	10 <sup>th</sup> Floor, 111A Pasteur, District 1, Ho Chi Minh City	Phu My 1 Industrial Zone, Tan Thanh Ward, Ba Ria - Vung Tau Province	65A, Street 30/4, Thang Nhat Ward, Vung Tau City, Ba Ria Vung Tau Province	9 Temasek Boulevard # 31-00 Suntec Tower 2, Singapore	65A, Street 30/4, Thang Nhat Ward, Vung Tau City, Ba Ria Vung Tau Province	Street 11, Dong Xuyen Industrial Zone, Rach Dua Ward, Ba Ria Vung Tau Province	Street 11, Dong Xuyen Industrial Zone, Rach Dua Ward, Ba Ria Vung Tau Province
<b>CORE BUSINESS</b>	Manage and operate the rig fleet of PV Drilling Corporation (PV DRILLING I, II, III & 11) and the leased rigs.	Supply manpower and qualified technical services for exploration...	Drilling Manpower Supply Service, Inspection, Maintenance and Workshop Service and Oil Spill Response Service...	Provide advanced technology services in Drilling Operations for the Oil and Gas Industry including Mud	Provide well technical services, tool rental, tubular running, manage pressure drilling, solids control...	Manage and operate the advanced technology Semi-Submersible Tender Assist Drilling Rig (TAD).	Engineering and manufacturing equipment skid; providing Surface/Subsea wellhead and mudline rental services, providing full range of Conductor services and trading services for oil and gas industry.	Training, certification for petroleum, manpower supply and technology and marine safety equipment...	Supplying a wide range of services such as directional drilling and logging while drilling, drill bits, electric logging, liner hanger...	Provision of oil country tubular goods (OCTG) and total tubular management (TTM) services for Oil and Gas Companies.	Provision of coiled tubing service, cementing service, stimulation service, hydraulic fracturing service and fluid filtration services...	Investing, operating the modern offshore rig PV DRILLING VI, aiming for potential markets in the region and beyond.	Provision of exploration well testing, production well clean-up, subsea test tree & subsea lubricator, surface PVT sampling and bottom hole sampling, sand control at surface for exploration and production and early production services.	Threading, processing, repairing, restoring (including: threading, thread inspection, tubular unclogging, magnetic particle test, pressure test, tubular cleaning and coating) casting tubes, drilling collars, drilling pipes, conducting pipes and accessories for oil and gas industry.	Manufacturing, supplying and threading of API and proprietary connectors.
<b>CHARTERED CAPITAL</b>	- billion VND	- billion VND	130 billion VND	80 billion VND	80 billion VND	764 billion VND	200 billion VND	28.9 billion VND	20 million US dollars	3.5 million US dollars	5 million US dollars	66.7 million US dollars	6.4 million US dollars	3.7 million US dollars	5 million US dollars
<b>OWNERSHIP</b>	100%	100%	100%	100%	100%	100%	97%	51,8%	51%	51%	49%	80%	51%	51%	51%



PV DRILLING DIVISION (PVD DD)



Revenue  
**1,760** Billion VND

Ownership  
**100%**



Vietnamese's name: **Xí nghiệp Điều hành khoan**  
English's name: **PVD Drilling Division (PVD-DD)**

PVD DRILLING DIVISION (DD) WAS ESTABLISHED IN 2007. UNTIL PRESENT, THE DIVISION POSSESSED A DYNAMIC AND COMPETENT RIG CREW WITH PROVEN-TRACK FIELD EXPERIENCE AND HIGH SPIRIT OF INNOVATION, WHICH ENABLES IT TO CONFIDENTLY OPERATE ONE OF THE MOST ADVANCED RIG FLEET IN THE WORLD. PVD DRILLING DIVISION ALWAYS STAYS COMMITTED TO PROVIDING OUR CLIENTS WITH THE BEST QUALITY SERVICES IN TERM OF EFFICIENCY, SAFETY AND COST OPTIMIZATION.

In 2017, the oil and gas market showed positive signs after oil price recession; however, its uncertainty still existed. This year was also recorded as a starting point of PV Drilling in implementing globalization strategy.

By the end of 2017, the average rates of PV Drilling's rigs which were put in services were 2.9 jack up rigs and 0.6 land rig. Over the last two months of the year, 4 among 6 PV Drilling's rigs were being operated overseas, in which PV DRILLING I worked for Thailand Kris Energy, PV DRILLING III worked for Petronas and Repsol in turn, PV DRILLING VI worked for IPC, PV DRILLING worked for BMS in Algeria.

In the context of market volatility, PV Drilling has continuously implemented cutting operation cost solution which was deployed since 2016. Thanks to the effective rig operations as well as strictly optimizing operation cost, the efficiency of rigs were still maintained over 98%. Total revenue of 2017 was VND 1,760 billion, EBITDA was VND 45 billion that included VND 127 billion of Provision for bad debt. However, after deducting

depreciation and interest, PVD-DD lost VND 431 billion. It can be clearly seen that bad debt provision and depreciation are among the main reasons that make the profit drop dramatically.

In 2018, the crude oil price is forecast in uptrend, however, the circumspection on the positive changes of E&P activities are also given out due to the concern on political and economic factors. With the scenario of the oil price in uptrend, the drilling rigs will increase respectively, PV Drilling will face fierce competitions from the rivals at the countries or territories where PV Drilling is providing drilling rig service. To overcome this challenge, PVD-DD will continue to implement cost reduction, particularly for offshore drilling rigs. PVD-DD has also researched and proposed solutions to reduce operating, repair and maintenance costs by increasing operational efficiency as well as financial efficiency in order to help the Board of Directors make the appropriate decisions that are in line with long-term development strategy.





PVD INVEST



Revenue  
**771** Billion VND

Ownership  
**100%**



Vietnamese's name: Xí nghiệp Dịch vụ Đầu tư Khoan dầu khí  
English's name: PVD Invest

OVER 7 YEARS OF ESTABLISHMENT, PVD INVEST HAS GRADUALLY AFFIRMED ITS REPUTATION IN PROVIDING OFFSHORE TECHNICAL SERVICES FOR OIL & GAS INDUSTRY MAJORING ON EXPLORATION, DRILLING, DEVELOPMENT AND PRODUCTION.

Facing all the difficulties of oil and gas market, in term of workload decline and fierce competitions, PVD Invest strived to maintain its market share and workload for its workforce. In 2017, PVD Invest not only focused on maintaining its core services such as Professional Manpower, Side Scan Sonar, Drilling mud HTHP control, GTS..., but also developed and performed successfully Solid Control services for clients such as Vietsovetro, Hoanglong Hoanvu JOC, Rosneft, Thang Long JOC, Repsol..., which helps PVD Invest to reach the revenue of VND 771 billion.

In alignment with PV Drilling's goal of "Stand steady against all challenges", PVD Invest has oriented its business strategy to steadily control technical services and set the role of human factor as a top priority, in which every

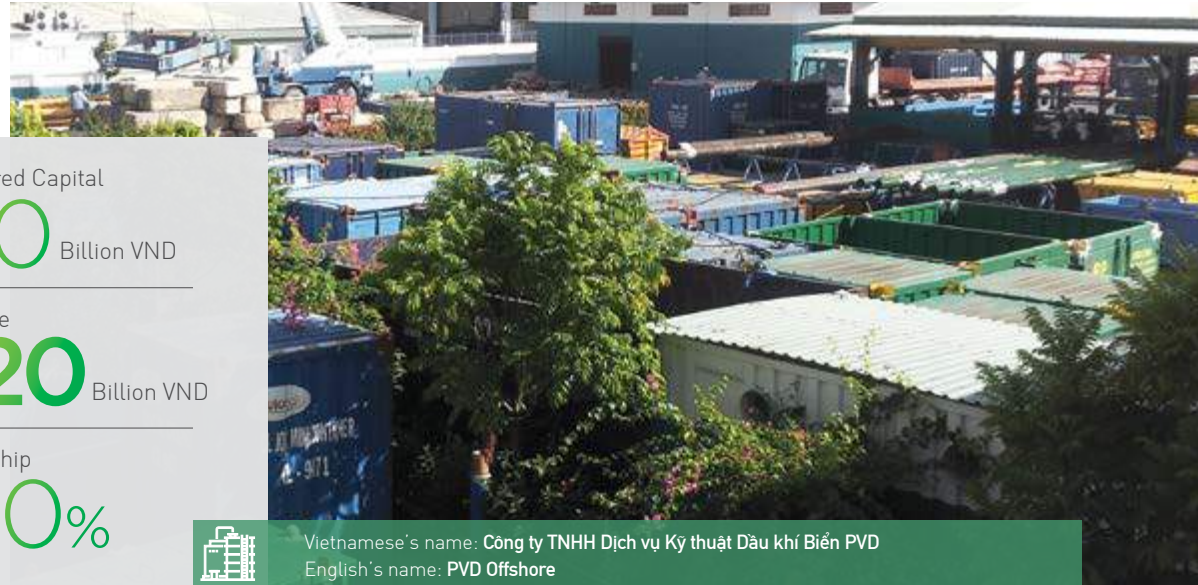
single individual in the Company try their best to approach customers, partners and explore the market based on the core value "Reliable Services" that PVD Invest has built for over years. PVD Invest always keeps in touch with clients during operations, proposing effective solutions; timely meeting all the requirements including the emergency situations at reasonable cost to share the difficulties with the clients. The Company has also focused on ensuring HSEQ activities and enhancing human resource training. With all of its efforts in 2017, PVD Invest has received many awards and recognitions from important customers for its services quality.

PVD Invest as a reliable partner in the implementation of drilling campaigns, oil field development and production. This success is really a motivation for to PVD Invest to overcome ongoing difficult time.





PVD OFFSHORE



Chartered Capital  
**130** Billion VND

Revenue  
**420** Billion VND

Ownership  
**100%**



Vietnamese's name: Công ty TNHH Dịch vụ Kỹ thuật Dầu khí Biển PVD  
English's name: PVD Offshore

FOUNDED IN 2007, PVD OFFSHORE IS SPECIALIZED IN DRILLING MANPOWER SUPPLY, INSPECTION, MAINTENANCE AND DRILLING TOOL FABRICATION AND OIL SPILL RESPONSE SERVICES. OVER THE YEARS, THE COMPANY HAS MAINTAINED ITS HIGH GROWTH RATE, OCCUPIED AND EXPANDED ITS BUSINESS MARKET TO PROVIDE SERVICES FOR DOMESTIC AND FOREIGN CUSTOMERS OPERATING IN VIETNAM.

**MOVING ON IN DIFFICULTIES**

In 2017, PVD Offshore has been facing many difficulties as a result of long-lasting oil and gas crisis, drilling campaigns in Vietnam got postponed, those overseas worked perfunctorily with high competition in service prices. However, this is also the time for the Company to evaluate its capacity to develop sustainability through challenges.

200 offshore workers in the manpower supply service crew have become redundant due to the lack of workload at the beginning of the year 2017. To maintain highly skilled human resources, the Management team has decided to keep a substantial cost to assist workers during this crisis period. Besides, Company also put all efforts to seek new projects and discover market opportunities. Thanks to that, almost all job-awaiting employees have been transferred to short-term drilling campaigns both inside and outside the country. 40 employees have mobilized to work on Hakuryu V rig (JDC) to Sakhalin (Russia), 3 crew teams are working on geothermal drilling campaign in Japan and stable supply of manpower for PV Drilling's rig fleet rigs has been well maintained. Manpower supply service by PVD Offshore has been highly

evaluated in term of both competency and productivity. Especially, the crews participating in geothermal drilling projects in Japan have acquired great reputation and high evaluation for their constant effort and well-done performance from customers. Japanese partners have shown their priority to choose our Vietnamese crew to work on their rigs when having manpower demand and it's predicted this demand will continue rising in 2018.

Regarding the Inspection, Repairs, Maintenance and drilling equipment fabrication, workload has significantly decreased compared to previous years. Machines only reach 30% of its capacity, workers are arranged to work 1 shift per day instead of 3 shifts apart from cutting off working day policy. However, the successful negotiation in convincing JDC (Japan) and Odfjell (Norway) to use PVD Offshore's NDT and Tubular Repair services before starting their drilling campaigns, which has contributed to effectively resolving our job shortage for the workers during our extremely difficult time. In 2018, besides ensuring services for clients in Vietnam, we are promoting and introducing services to Japanese clients aiming to create a market for Inspection, Maintenance and Workshop Service for geothermal rigs at this country.



Facing the most intense competition compared to other main services we provide, however, Oil Spill Response Service has put all efforts to overcome current difficulties and get more and more improved to meet clients' high requirements. Besides, we also expand some supporting services such as: tank cleaning service, oil spill professional training services to provide an all-in-one solution for clients.

Overcoming the challenges of 2017, the Company has reached some encouraging achievements compared with previous plans, specifically revenue of VND 419.67 billion, profit before tax of VND 83.21 billion. Although there are many serious difficulties and challenges, PVD Offshore shall put all efforts to achieve more and more success in 2018.



PVD LOGGING

Chartered Capital  
**80** Billion VND

Revenue  
**216** Billion VND

Ownership  
**100%**



Vietnamese's name: Công ty TNHH MTV Địa vật lý Giếng khoan Dầu khí PVD  
English's name: PVD Logging

PVD LOGGING, FOUND IN OCTOBER OF 2004, SPECIALIZES IN PROVIDING HIGH TECH SERVICES IN EXPLORATION AND PRODUCTION OF OIL & GAS INDUSTRY. HISTORICALLY, WITHOUT SUB-CONTRACTORS, PVD LOGGING HAS SUCCESSFULLY PROVIDED ITS CORE SERVICES OF GEOLOGIST CONSULTANTS SINCE 2005, MUD LOGGING SINCE 2007, WELL TESTING AND SLICKLINE SINCE 2008.

As a wholly-owned Subsidiary of PV Drilling, PVD Logging is an expert in cutting-edge services in drilling operations of exploration and production wells. Company expertise includes Mud Logging, Slick-line, Cased-hole Logging, Production Logging, Well Testing, and Geologist Consultants.

The low price of crude oil over years has continued to place a bear of burden on the oil and gas industry generally and negatively impact to all companies in field particularly, including PVD Logging. The oil contractors are unwilling to drill new wells for exploration while services companies, particularly the international companies are trying to lower service price as a main tool for competitive advantage, even below the break-even point.

A highlight in company business operation during these difficult years is the achievements of Slick-line Services and Cased-hole Logging Services. Continuing from 2016, these services have exceeded 12% as compared to plan, contributing to the Company's total revenue of VND 216 billion. Profit after tax gained VND 25.6 billion, increased 59% as compared to 2017 business plan.

With the forecast of low oil price recovery over the next few years, PVD Logging determines to run business with tight budget in 2018, focusing on internal strength development, business restructure to minimize operation cost and maximize profit margin. In addition, the Company shall continue to invest on R&D, Quality Management and Market Monitor, especially regional markets in order to over all the challenges ahead.





## PVD WELL SERVICES

Chartered Capital  
**80** Billion VND

Revenue  
**189** Billion VND

Ownership  
**100%**



Vietnamese's name: Công ty TNHH MTV Dịch vụ Giếng khoan Dầu khí PVD  
English's name: PVD Well Services

FOUNDED IN 2007, PVD WELL SERVICES IS NOW HIGHLY RATED AS ONE OF THE LEADING SERVICE COMPANY IN THE OIL & GAS INDUSTRY IN VIETNAM, SPECIALIZING IN PROVIDING WELL TECHNICAL SERVICES SUCH AS DRILLING TOOLS RENTAL, CASING AND TUBING RUNNING, MANAGED PRESSURE DRILLING AND FILTRATION SERVICES.

The year 2017 was considered the most difficult year of PVD Well Services when crude oil price has not shown any sign of recovery. Consequently, oil operators have continuously deferred or terminated most of their drilling campaigns, except the short-time campaigns, which led to sharply decrease of the company's workload. In addition, service rates have been deeply reduced as a result of fierce competition, which has impacted dramatically to PVD Well Services' business performance.

In such a context, the Company has encountered fierce competitions in all core services such as Casing and Tubing Running Service, Drilling Tools Rental, Managed Pressure Drilling with international rivals whose services rates were very low, even below break-even point for the purpose of penetrating Vietnam market. In the year 2017, PVD Well Services was successful in bidding and was awarded some important contracts by the major customers such as Repsol, Thang Long JOC, Rosneft and Idemitsu. Through executing those service contracts, The Company has affirmed its capacity and service quality and received a lot of positive feedbacks and recognition from customers. In addition, the Company has successfully adopted special technical solutions to extremely difficult wells of customers as well as seeking new jobs for high technology services such as MPD, CRTi,

CwD, AST, ... for ENI, Rosneft, Idemitsu, Murphy, Thang Long JOC. Besides that, company has continuously researched to invest the high-tech drilling equipment such as CRTi, Extendable Bail Arms for services development. Especially, PVD Well Services has signed the contract to take over all CTRS equipment from Baker Hughes Vietnam to reinforce its service capacity and competitiveness in bidding for large scale contracts as well as approaching opportunities in providing services abroad.

Additionally, the year 2017 significantly marked PVD Well Services first step in developing its services to overseas market through the association with partners such as Baker Hughes, Odfjell Well Services in providing CTRS services to Philippines, Thailand, Japan and Middle East markets; actively took part in bidding for provision of CTRS service for Shell Brunei, Twinza Oil PNG, and Dragon Oil Algeria. With the determination and efforts of management board as well as all employees, PVD Well Services has maintained 100% market shares at domestic for its core services and gradually expanded to international market. Together with focusing on maintaining and improving the services quality provided to customers, the Company always pay attention on safety as the first priority. By the end of 2017, PVD Well Services has excellently reached the milestone of 2.5 million hours of



Zero LTI and speeded up completion of the HSEQ system as per API-Q2 standard in April 2018. Moreover, to improve business efficiency, the Company has also focused on controlling and minimizing operating costs, speeding up debt collection, reviewing all purchase contracts for price reductions from suppliers, considering in reducing working hours of employees at reasonable level when the workload decrease as well as postponing most investment projects in 2017. As the result, the Company achieved positive business results with revenue of VND 189 billion and profit after tax of over VND 23 billion which exceeded 2017 business plan. This was an excellent performance of the company in the context of oil slump.

In 2018, the outlook of oil and gas market is predicted still not in a bright stage although crude oil price is optimistically forecasted in range of USD 60- 70 per barrel. At domestic market, around 15 -17 firmed wells will be deployed, in addition, the oil operators will tender internationally for those projects; which will make service prices decrease deeper, even below the break-even point; moreover, the mentioned projects are usually interrupted

objectively that will create unexpected troubles for the company in term of bidding and obtaining long-term contracts .

Facing this situation, PVD Well Services will make efforts in maintaining and developing its core services; ensuring safe and quality services; keeping Zero LTI achievement; and accomplishing API Q2 project in 2018. In addition, the Company will focus on training and nurturing the workforce toward mastering high technology of CRTi, CWD, Hammer; as well as promoting marketing activities for specific high-tech of CRTi service to customers for using and developing this services; encouraging researches and innovations in service provided; actively taking part in overseas bidding, specifically in Myanmar, Brunei, Cambodia, Indonesia, Malaysia... aiming to expand its services to those countries; investing on required equipment to adapt business activities; controlling the budget, maximizing operating cost reduction, and managing effectively cash flow in order to overcome the obstacles of the year 2018.



## PVD DEEPWATER



Chartered Capital  
**764** Billion VND

Ownership  
**100%**



Vietnamese's name: Công ty TNHH Một thành viên Khoan Dầu khí nước sâu PVD  
English's name: PVD Deepwater

PVD DEEPWATER WAS ESTABLISHED IN JULY, 2010 WITH THE MISSION TO PROVIDE DEEPWATER DRILLING SERVICES IN VIETNAM WATER TERRITORY AND THE REGION BY PROVIDING AND OPERATING THE SEMI-SUBMERSIBLE TENDER ASSIST DRILLING RIG - PV DRILLING V (TAD), REALISING THE STRATEGY "DRILLING DEEPER -REACHING FURTHER".

The PV DRILLING V (TAD) first came into operation for Bien Dong POC in Feb, 2012. During the period of 5 years of operating (2012 to 2016), the PV DRILLING V always operated safely and efficiently with high efficiency, over 96% in average. The Company also fulfilled all its obligations to the State, its employees, suppliers and repayment loan on schedule for all banks which was financed for building of PV DRILLING V.

According to previous plan, PV DRILLING V will be used for drilling campaign of Bien Dong POC until Apr. 2017 and right after that would be used for the project to develop Ca Rong Do oil field previously owned by Talisman (Repsol currently). However Bien Dong POC shortened the drilling campaign so the drilling contract finished on Sep 3<sup>rd</sup>, 2016 and due to some reasons, the drilling plan using the rig PV DRILLING V of Repsol was delayed. Therefore, after terminating with Bien Dong POC in Sep 2016, the rig was towed to PV Shipyard quay side in Vung Tau for anchorage and maintenance to ensure the rig in the best condition and ready to operate again when having contracts in the future.

Right after finishing drilling contract with Bien Dong POC, PVD Deepwater terminated labor contracts with expat employees to minimize cost and cut down Vietnamese employees from 50 to 38 personnel, streamlining labor force and optimizing human resource by assigning employees to work for other PV Drilling's rigs in order to uphold the high quality work force. In 2017, the Board of Management has been active in working with potential customers in order to provide the rig PV DRILLING V in deep and far waters offshore Viet Nam, including international waters. The company has also researched in other options for rig drilling to take full advantage of resources and worked with foreign partners on opportunities of business cooperation and operation of the rig PV DRILLING V. At the same time, the company has kept close control of expenses and minimized cost in order to reduce losses in the year of 2017 and 2018.





PVD TECH

Chartered Capital  
**200** Billion VND

Revenue  
**637** Billion VND

Ownership  
**97%**



Vietnamese's name: Công ty Cổ phần Thương mại và Dịch vụ Kỹ thuật Khoan dầu Khí PVD  
English's name: PVD Tech

PVD TRADING AND TECHNICAL SERVICES JOINT STOCK COMPANY (PVD TECH) IS A PV DRILLING'S SUBSIDIARY, WHICH WAS ESTABLISHED IN 2006. ITS PAID-UP CHARTER CAPITAL IS CURRENTLY VND 200 BILLION. PVD TECH'S CORE BUSINESS INCLUDES: ENGINEERING - PROCUREMENT - CONSTRUCTION AND INSTALLATION (EPCI) OF SKIDS; OILFIELD SERVICES; TRADING AND AFTER SALES SERVICE.

**BUSINESS OPERATIONS AND FINANCE ACTIVITIES IN 2017**

Still facing a slumped market due to the oil crisis since 2014, PVD Tech's overall business activities in recent years have been in the downturn accordingly. In 2017, the world oil price has shown some positive figures, however all related oil and gas service companies are still in the situation to compete each other by reducing service price. To deal with this challenge, PVD Tech has applied the strategy to cut cost sharply, balance the production cost in order to reduce the expenses and maximize our profits. Thus, even though being surrounded by difficulties, we manage to achieve our planned targets with the revenue of VND 637 billion and profit-before-tax of VND 19.5 billion.

Furthermore, to quickly adapt to the continuous difficult business environment, PVD Tech has shifted our business scales basing on our utmost strength to reach to the sustainable development with the below main points:

- Re-position the customer segment from Exploration to Production part;
- Focus on developing the service of well repair, well plugging and abandonment;
- Reach to overseas markets like Australia, America and North of Europe;
- Expand the markets from upstream to mid-stream and other markets beyond oil and gas industry if possible.

In addition to that, we focus in training the current technical teams in high level with a mission to replace the expatriates. We also seek for the cooperation with experienced and capable partners around the world in our service investment and development process.

With the young, enthusiastic and knowledgeable workforce, we strongly believe in our continuous sustainable development, gaining more success and building up credit for PVD Tech in particular and PV Drilling in general in the coming years.





PVD TRAINING

Chartered Capital  
**28.9** Billion VND

Revenue  
**194** Billion VND

Ownership  
**51.8%**



Vietnamese's name: Công ty Cổ Phần Đào Tạo Kỹ Thuật PVD  
English's name: PVD Training

FOUNDED IN 2007, PVD TECHNICAL TRAINING & CERTIFICATION J.S.C IS A SUBSIDIARY OF PV DRILLING CORPORATION. PVD TRAINING IS NOW THE LEADER IN ASIA OF PROVIDING THREE CORE SERVICES: TRAINING AND CERTIFICATION; SKILLED MANPOWER SUPPLY AND MARINE TECHNICAL SERVICES.

PVD Training has been proud to be the only training provider in Vietnam to have accreditations of OPITO (Offshore Petroleum International Training Organization) and IWCF (International Well Control Forum) for providing safety, well control and well intervention training programs.

PVD Training has gradually affirmed its prestige, position and capacity through supplying the skilled, well trained manpower resources. In particular, PVD Training has been very successful in providing outsourcing manpower services. This is a new service model, providing flexible human resources solutions that help customers save a lot of money on management, training, welfare, risk reduction, flexibility and saving a lot of time for human resource management activities.

PVD Training is also a pioneer in the oil and gas industry providing marine safety technical solutions such as: supplying safety equipment, firefighting services, inspection services in accordance with Vietnamese and national standards like VR, BV, DNV-GL, ABS, LR, etc.

- In recent years, PVD Training has continued to promote its core services to overseas. There were many customers in Myanmar, Brunei, Cambodia, Singapore, Qatar, U.A.E,

etc. highly appreciated the cost & quality of provided services.

PVD Training has received many awards in consecutive years, from reputable organizations in Viet Nam and overseas, such as: International Magazine AI in UK voted as "Best Training Provider in Southeast Asia"; Business Worldwide Magazine in UK selected as "Best Well Control Training Facility"; The Independent International Assessment Certification "High Quality Services QSI: 2017 and "Prestige Brand Certification" awarded by Global GTA and Vietnam Economic Research Institute. Especially, in 2017 PVD Training is one of three companies of Petrovietnam Oil and Gas Group (PVN) was honored at the ceremony and awarded "Innovation Index QII - 2017".

The instability of crude oil prices in recent years has caused a lot of difficulties and challenges for all of Oil & Gas companies, especially for particular services company like PVD Training. However, by drawing up right strategic vision, scheduling effective plan, and determination of the Board of Directors combined with the unity spirit and efforts of all staff, PVD Training has completed and exceeded the target of revenue and profit of business plan in 2017, creating more jobs for employees.





## PVD BAKER HUGHES



Chartered Capital  
**20** million USD

Revenue  
**677** billion VND

Ownership  
**51%**

Vietnamese's name: Công ty TNHH Liên doanh dịch vụ kỹ thuật giếng khoan PV Drilling và Baker Hughes  
English's name: PVD Baker Hughes

FOUNDED IN 2011 AS A JOINT VENTURE COMPANY BETWEEN PETROVIETNAM DRILLING & WELL SERVICES CORPORATION ("PV DRILLING") AND BAKER HUGHES NEDERLAND HOLDINGS B.V. IN WHICH PV DRILLING HOLDS 51% OF TOTAL CAPITAL CONTRIBUTION, PVD BAKER HUGHES CO., LTD. (PVD BAKER HUGHES) HAS CONTINUOUSLY EVOLVED TO PROVIDE A FULL SPECTRUM OF OILFIELD SERVICES FROM EXPLORATION TO PRODUCTION SUCH AS: DIRECTIONAL DRILLING, MEASUREMENT WHILE DRILLING & LOGGING WHILE DRILLING (DD/MWD/LWD); CORING SERVICES; WIRELINE SERVICES; COMPLETION & WELL INTERVENTION SERVICES; FISHING AND PNA SERVICES, DRILL BITS; GEOSCIENCES & DATA PROCESSING SERVICES ...

2017 marked yet another year with many challenges for PVD Baker Hughes as the oil and gas exploration and production activities continued to remain at a very low level. As a result, competitiveness in the oilfield services stayed very fierce amid constant pricing reduction pressure from customers. Under those conditions, the 2017 financial results (VND 677 billion for revenue & VND 74.7 billion for profit after tax) showed great efforts from PVD Baker Hughes' Management and Staff.

Below are some of the milestone achievements in 2017 for PVD Baker Hughes:

- 6 years in a row with excellent safety record and Zero LTI (Lost Time Incident).
- Remains the first choice and highly regarded vendor of Oil and Gas Operators when it comes to hi-tech drilling services with consistently high service quality (98.38% operating efficiency - OE in Directional Drilling Services, 100% OE in Fishing and Liner Hanger Services).
- Together with PV Drilling Corporation, the Company played an important role in successfully providing integrated services,

lump sum contract to Premier Oil Vietnam for the 2-infill well drilling campaign in 2017, opened up a new approach to risk-sharing cooperation with Oil and Gas Operators.

- Successfully secured important works for the early part of 2018.

Above achievements could not have been done without:

- Quality local workforce with international experience fully capable of performing all tasks; successfully replacing expatriates at all levels/positions; highly recognized by not only customers but also Baker Hughes, a GE Company (BHGE);
- Continuous improvement/ upgrade of the workplace, especially in Vung Tau base, to meet customers' increasing demands for quality;
- Efficient cost control system in place.

Although the oil and gas services market is expected to remain challenging in the years to come, PVD Baker Hughes will continue to stay focused and thrive for success and sustainability.



The Board of Management of PVD Baker Hughes believes that innovation, technological and technical breakthrough as well as good cooperation with oil and gas companies will help the Company overcome current market conditions.



PVD TUBULARS MANAGEMENT

Chartered Capital  
**3.5** Million USD

Revenue  
**208** Billion VND

Ownership  
**51%**



Tên Tiếng Việt: Công ty TNHH Cần ống khoan Dầu khí Việt Nam  
English's name: PVD Tubulars Management

PVD TUBULARS MANAGEMENT LTD., CO. (PVD TUBULARS) IS A JOINT VENTURE BETWEEN PV DRILLING (51%) AND MARUBENI-TOCHU TUBULARS ASIA PTE., LTD. (49%), SPECIALIZING IN SUPPLY OF DRILL-PIPE, CASING, TUBING, COUPLING (OCTG) WITH WIDE RANGE OF DIFFERENT CONNECTIONS (FROM API TO PREMIUM CONNECTION) AND PROVIDING PROCUREMENT AGENT SERVICE AND TOTAL TUBULAR MANAGEMENT SERVICES (TTM SERVICES) FOR ALL OIL & GAS COMPANIES OPERATING ONSHORE, OFFSHORE AND DEEP-WATER AREAS IN VIETNAM AND SOUTH EAST ASIA.

Since establishment in 2008 to present, with continuous endeavors and great development in its business scale, capital and manpower, PVD Tubulars has risen up to be a well-known, capable and reliable Contractor for provision of Oil & Gas equipment for many big Oil & Gas projects in Vietnam. Up to year 2017, PVD Tubulars, with footprints spreading around Vietnam, has been accounted for approximately 80% OCTG market share in Vietnam. So far, PVD Tubulars has signed and executed successfully many high-valued commercial contracts to supply OCTG to all Oil & Gas Companies (Operators) operating in Vietnam. We are rated as the most reliable and high quality OCTG supplier and service provider in Vietnam.

Currently, our modern workshop and storage yard invested by PVD Tubulars with 30,000 square meters in Phu My I Industrial Zone, Tan Thanh District, Ba Ria Vung Tau province have met most of needs and demands of Operators in term of storage yard, maintenance, fabrication and refurbishment of OCTG products. In addition, we have proudly initiated and developed successfully Procurement Agent Service that we are on behalf of our esteemed customers to arrange full of the necessary procedures required by law to purchase the requested OCTG. The procedures shall consist of invitation Bidders to Tender, evaluation

and selection of the best Bidder as per strictly required criteria approved by the customers and Contracting with the successful Bidder. Followed by the Procurement Agent Service, we shall provide our exclusively effective Total Tubular Management Service (TTM service) that all activities relates to OCTG including storage yard, manpower, inventory management, maintenance, transportation, etc. will be provided in one package only. This service will help the Operators save plenty of time and costs. As a result, 100% customers used our TTM services satisfied and gave us a high rating feedback. Especially, in 2017, PVD Tubulars promoted successfully Casing Accessories and signed some Contracts to supply this new product to Operators in Vietnam.

In 2017, there are a lot of difficulties for our business due to the bad economic conditions in Vietnam and in the world. Especially, the PVD Tubulars' business has been affected very badly because of the significant dropping and low scale of crude oil price in Vietnam particular and the world in general since year 2014. Moreover, the competition in OCTG market in Vietnam is increasing dramatically with many Vietnam and foreign companies participating in this market. This has caused much more competitive and difficult for us to obtain every single Contract to



supply the OCTG. On the other hand, due to our narrow scope of services provision, PVD Tubulars has also faced a limitation in expanding to other services in Oil & Gas market.

Although there have been so many mentioned difficulties, PVD Tubulars has constantly endeavored and maintained successfully our OCTG tendering activities to supply casing, tubing and all related products & services to all the Operators in Vietnam. Our sale revenue in year

2017 is VND 208 billion (48% lower than sale revenue in 2016) with VND 0.6 billion after tax profit regardless of general provisions.

PVD Tubulars is putting the best efforts to execute the current Contracts as well as to participate more tenders, keep good relationship with customers, collect the debt from customers in due time and cut costs properly in order to reach the revenue target and profit target in 2018.



## BJ - PV DRILLING

Chartered Capital

**5** Million USD

Revenue

**203** Billion VND

Ownership

**49%**



Vietnamese's name: Công ty TNHH Liên doanh Dịch vụ BJ - PV Drilling  
English's name: PV BJ - PV Drilling

ESTABLISHED IN 2006, BJ - PV DRILLING JOINT SPECIALIZES IN PROVIDING COILED TUBING SERVICE, CEMENTING SERVICE, STIMULATION SERVICE, HYDRAULIC FRACTURING SERVICE AND FLUID FILTRATION SERVICE. IN VIETNAM, BJ-PV DRILLING DOMINATING THE MAIN MARKET SHARE OF STIMULATION, HYDRAULIC FRACTURING AND CEMENTING SERVICES.

2017 is the year of difficulty for drilling services because many explorations and production activities in Vietnam have been delayed or cancelled. In addition, the price of services has dropped dramatically due to very low workload and fierce competition. As a result, the Company's business activities were negatively affected. Its revenue in 2017 reached VND 203 billion, an increase of 46% compared to the previous year but it had no profit.

However, BJ - PV Drilling Joint Venture has made continuous efforts in rationalizing the operation, reducing and optimizing equipment and personnel for lease and rent, continuously improving the quality of services, ensuring safety in operation, reducing the time of inefficient operation of the equipment (NPT) less than 1% per year, actively applying innovative

criteria in providing service, innovation and technology ownership... Besides, BJ - PV Drilling also received highly recognition from many customers for contributing to high efficient and renowned drilling campaigns including but not limited to Vietsovpetro, Hoàng Long, Murphy, JVPC ...

Therefore, despite no profit, the company still maintained its position as a lead provider of cementing services and stimulation services in Vietnam.

In 2018, BJ - PV Drilling shall continuously endeavor to archive its goal of maintaining market share and stabilizing its business, contributing to the Corporation's efforts to overcome the difficulty year, leading to achieve sustainable development.





PVD OVERSEAS



Chartered Capital  
**66.7** Million USD

Revenue  
**395** Billion VND



Vietnamese's name: Công ty TNHH PV Drilling Overseas  
English's name: PV Drilling Overseas

ESTABLISHED IN SINGAPORE ON APRIL 4<sup>TH</sup> 2013 VIA THE COOPERATION WITH RELIABLE PARTNERS IN SINGAPORE, PVD OVERSEAS JOINT VENTURE IS THE STRATEGIC SUBSIDIARY OF THE CORPORATION WITH THE MISSION TO BRING PV DRILLING'S OFFSHORE RIGS AND PREMIUM SERVICES TO PARTICIPATE IN THE INTERNATIONAL ARENA.

PVD Overseas currently owns and operates the jack-up PV DRILLING VI - the latest modern rig in PV Drilling's rig fleet. PV DRILLING VI has been built in Singapore and completed on schedule in March 2015. The rig commenced its first operation in 4th of March 2015. After 3 years of operation, PV DRILLING VI has maintained an outstanding performance with an average efficiency of 98% and a perfect record of lost-time incident (LTI). At present, the Rig has been certified 3-year LTI-free operation by the International Association of Drilling Contractors (IADC) and is currently the favorite rig of our clients.

In 2017, with the persistence of the whole staff and management to confront the challenging market, PVD Overseas successfully completed many drilling campaigns for clients including Hoang Long JOC, JVPC, Premier Oil in Vietnam and IPC (Lundin) in Malaysia. Throughout the year, our Rig PV DRILLING VI has achieved the average operational efficiency over 98% thus, enhancing the credit and earning the trust from clients. One of the prominent highlight is the provision of Bundled Services for Premier Oil Vietnam. Participating in this important project, PV DRILLING VI has delivered an excellent

service by completing two wells at Chim Sao location on timely schedule and lower than the approved budget. The result of well test and early production has also given a very positive sign for later phase of development. After that, PV DRILLING VI continued to excel further, surpassing many other rigs in an international tender of IPC Malaysia in quarter IV of 2017. This success shall bring along favorable conditions to facilitate our approach to many other clients in Southeast Asia and further regions in the upcoming years.

PV DRILLING VI also had significant improvements by increasing the utilization rate from 48% in 2016 to 87% in 2017. However, rig day rate still remained at low level and rendered drilling contractors like PVD Overseas unable to ameliorate other business indices. Accordingly, the total revenue of PVD Overseas in 2017 only reached VND 395 billion.

For the upcoming year 2018, we have seen positive signals when crude oil price climbed over \$70/bbl in January 2018. The market is expected to be stable as OPEC and Russia have agreed oil cut extension to the end of this year. Together with the thriving global economy,



we shall have the reason to look forward to a more positive prospect of the oil and gas industry after 3 years of the downturn. With such expectation, the management and staff of PVD Overseas shall continue to stay committed to operating the Rig safely and efficiently, strictly complying with cost-control measures and

saving policies. Simultaneously, PVD Overseas shall promote marketing the Rig, seeking new opportunities in international markets as well as reliable partnerships to develop a stronger rig fleet in line with the market trend and clients' requirement in the future.



PVD EXPRO

Chartered Capital  
**6.3** Million USD

Revenue  
**19** Billion VND

Ownership  
**51%**



Vietnamese's name: Công ty TNHH PV Drilling Expro International  
English's name: PVD - Expro



ESTABLISHED IN MAY 2008 AND OFFICIALLY RUN IN AUGUST 2008, PVD-EXPRO IS THE JOINT VENTURE BETWEEN PVD LOGGING (A MEMBER OF PV DRILLING CORPORATION) AND EXPRO INTERNATIONAL BV, IN WHICH PV DRILLING CONTRIBUTES 51% OF CHARTER CAPITAL. WITH THE MOTTO OF "QUALITY FIRST", PVD-EXPRO HAS SUPPLIED WELL TESTING SERVICE TO MOST OF "BIG" OIL & GAS COMPANIES IN VIETNAM SUCH AS PV EP, POC, JVPC, HOANG LONG - HOAN VU, CUU LONG JOC ... AND THE TEAM HAS BEEN HIGHLY APPRECIATED AND TRUSTED BY THE CLIENTS.

The company was successful in training local personnel who are fully qualified to replace foreign specialists to perform high-skilled jobs such as surface well testing, digital equipment operation, inspection, adjustment, follow-up and record of pressure multi-parameter, temperature, surface oil and gas flowrate measurement and analysis.

Year 2017 recorded the continuous low price of crude oil that led to delay or cancellation of exploration programs of almost clients. The expense cut-off policy of production oil fields

has dramatically impacted on the company's operation. Some of PVD-Expro's about-to-carry projects were cancelled at the last minute, which deeply affected the company's business result.

Due to clients' decrease on service demand along with low price of crude oil, the exploration activities were delayed, which also greatly influenced on the company's revenue in 2017. Although PVD-Expro has made all its efforts on approaching more clients and minimized its expense, the 2017 business result was still not as expected.





## SUBSIDIARIES (cont.)

### VIETUBES

Chartered Capital

3.7 Million USD

Revenue

53 Billion VND

Ownership

51%



Vietnamese's name: Công ty TNHH Vietubes  
English's name: VIETUBES

VIETUBES WAS ESTABLISHED IN 1995. MAIN LINES OF BUSINESS ARE THREADING, PROCESSING, REPAIRING, RESTORING CASING TUBES, DRILLING COLLARS, DRILLING PIPES, CONDUCTING PIPES AND ACCESSORIES FOR OIL AND GAS INDUSTRY; METAL PROCESSING, INCLUDING CUTTING, SHAPING AND METAL STRUCTURE HARDENING; PROCESSING OF ACCESSORIES FOR OIL AND GAS EXPLOITATION, EXPLORATION DRILLING INDUSTRY AND MARINE ENGINEERING, ETC. PV DRILLING HAS INVESTED INTO VIETUBES SINCE 2012 WITH TOTAL OF INVESTMENT CAPITAL UP TO USD 4.1 MILLION, ACCOUNTING FOR 51% (FIFTY-ONE PERCENT) OF INVESTMENT CAPITAL OF VIETUBES.

Except for the difficulties of oil and gas industry, Vietubes' production and business activities was also facing many difficulties in 2017 due to difficulty of oil and gas contractors in reducing large quantity of threading orders as well as the demand for repairing casings, tubing and manufacturing of spare parts. As a result, Vietubes' revenue of the year 2017 was low at VND 53 billion, decreasing 8% as compared to the previous year.

However, with the increase in control and cost reduction, the Company's revenue has compensated the costs incurred in 2017. During implementation of service for rigs, Vietubes often solves problem within 24 hours. It has brought more efficiency to drilling contractors in saving time and money instead of sending goods abroad to repair or making the rig stop for a while.

In the current difficult period, the most oil service companies are in business situation of failure or bankruptcy, highly skilled workforce is able to leave the company for higher income. It is a great effort of Vietubes' Board of Management and staff to maintain operation and achieve the target of profits in order to overcome all the challenges of market fluctuation.

The year 2018 is expected to remain challenging. However, with high determination in management and continued implementation of measures to cut costs, optimize resources, Vietubes' targets of revenue and profit in 2018 will be better than 2017.





## SUBSIDIARIES (cont.)

### PVD - OSI



Chartered Capital

**5** Million USD

Revenue

**15** Billion VND

Ownership

**51%**



Vietnamese's name: Công ty TNHH Liên Doanh PVD Tech – Oil States Industries  
English's name: PVD - OSI

ESTABLISHED IN 2011, PVD-OSI IS A JOINT VENTURE BETWEEN PVD TECH (51%), A SUBSIDIARY OF PV DRILLING AND OIL STATES INDUSTRY (ASIA) PTE, LTD. (49%).

2017 is a very difficult year for oil and gas industry all over the world in general and Vietnam in particular. The drilling campaign in Vietnam almost has suspended or early terminated. It has had strong impacts on PVD-OSI's production, specializing in producing threading, machining various Connectors for exploration & exploitation petroleum.

In the common difficult situation, PVD-OSI has made the maximum cost reduction such as: cutting down 30% of the workforce, up to 50% of wage reduction of current employees as compared to fiscal year 2015 and setting out the maximum working days for most employees (18 days/ month) in 2017, cutting down unnecessary expense, increasing the depreciation time of the fixed assets. Besides that, the company still committed to maintain the quality product through the extension of API Q1 and ISO 9001:2008 certification. It is a huge opportunity for PVD-OSI

to uphold its competitive ability for the partners, contractors inland and outland, not only in machining connectors but also in other products in oil and gas & other industries.

Under efforts of all employees, PVD-OSI's business result has been positive, the gross revenue for the year ended 2017 is only VND 15 billion, achieving 103% comparing with the year of 2016 and 44% comparing with 2015.

Year 2018 is still forecasted a challenging year for the oil and gas industry, PVD-OSI will continue to improve the management and effective operation, concurrently, reducing production cost to minimum. At the same time, PVD-OSI has worked with customers to receive more contracts. The target of PVD-OSI is profitable in 2018 to contribute to the overall success of PV Drilling Corporation.



The business performance of PVD-OSI in 2017 has been quite positive with revenue

**15** billion VND  
as compared to 2016 achieving

**103%**





# STAND STEADY AGAINST CHALLENGES



Overcoming all the challenges resulting from market turbulence, PV Drilling has managed to expand our drilling service overseas. Up to end of 2017, 4 out of 6 PV Drilling's wholly -owned drilling rigs have been operating overseas, all of which have been kept LTI free with operational efficiency rate over 98%.

Steady against challenges, willing to confront all hardships - This is the spirit of PV Drilling's management team and staff during such a touch period.

[Stand Steady against Challenges](#)  
[Fleet Operations Expand Further to Overseas Markets](#)  
[Cost Reduction](#)

[Restructuring](#)  
[Enterprise Risk Management](#)  
[The Phase III - ERP Project](#)

[Award and Accolades 2017](#)  
[Safety - Health - Environment - Quality \(HSEQ\) Activities](#)  
[Talent Retention in the Context of Oil Slump](#)

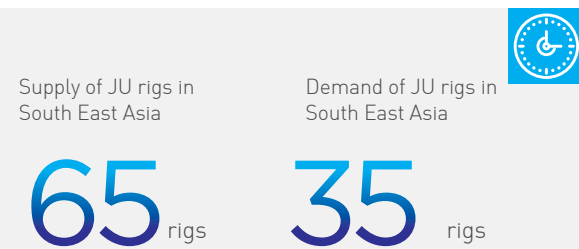


## STAND STEADY AGAINST CHALLENGES



Within the last three years, the drilling industry has been going through ups and downs. While the year 2014 was deemed to be the golden age of the drilling industry when oil contractors actively expanded their drilling campaigns with the rig rental price always remaining high; however, the business has lagged behind in the following years due to the drastic drop of oil price which resulted from the suspension or delay their drilling programs leading to the significant decrease of rig demand. Especially in 2016, the jackup utilization efficiency in South East Asia dropped to 49% from 74% in 2015; the average number of rigs under operation in Vietnam decreased from 12 rigs to 7 rigs; the rig rental price, work volume and drilling related service price reduced from 50% to 70%. In addition, the excess supply of drilling rigs in South East Asia at the end of 2016 reached up to 40 rigs, has caused a very harsh competition for the job within region.

Stepping into 2017 and especially the second half of the year, the picture of the drilling service market has shown some positive signs. According to the latest report of ODS Petrodata, the supply of jackups in South East Asia in 2017 reached approximately 65 jackups while the demand for jackups was around 35 ones, contributing to reduce the excess supply of the jackups in the region to 30 jackups, which was a significant improvement compared to 40 jackups at the end of 2016. In addition, the utilization efficiency of the jackups in 2017 reached 61.7%, increasing by 12.7% compared to the average efficiency of 2016 (49%). Some countries in the region that have a large number



of standby jackups before are now gradually improving the rig operations; for example, Malaysia has 11 rigs under operation, Indonesia has 5 rigs; meanwhile, the number of newly built rigs in Singapore has reduced from 17 rigs at the end of 2016 to 15 rigs at the end of 2017. In the Vietnamese market, the average number of rigs engaged in operation in 2017 is 9.6 rigs compared to 7 rigs in 2016; the rig rental price, work volume and service price are gradually recovering.

Not stepping out of the difficulties of the entire industry, PV Drilling's business operation also faced great difficulties and challenges due to the severe drop of the work volume as well as rig rental and rig-related service prices. The rig rental price dropped 22%, the workload and service price of drilling related service decreased 20% and 10% respectively. The intense competition takes place right in the local market. The depreciation cost for new and modern rigs and the loan interests are high. In addition, the cash flow pressure caused by the difficulties in debt collection and loan repayment burden remains high in such a challenging situation where the drilling rigs are standby and the rig rental price is low. However, in the situation where world class drilling companies such as Vantage, Seadrill, UMW, Shelf Drilling, Transocean, Perisai, Aban Offshore etc. have been suffering long-term losses and even have to narrow down their operations, it is still positive sign for PV Drilling when it could maintain stable rig utilization efficiency with 5 out of 6 rigs are currently under operation. In August 2017, PV Drilling successfully signed contracts for the provision of jack up rigs PV DRILLING I and PV DRILLING III to perform services for drilling campaigns of KrisEnergy (Gulf of Thailand) and Murphy Phuong Nam Oil. The two rigs PV DRILLING III and PV DRILLING VI were also awarded contracts to perform the work in Malaysia. The fact that PV Drilling continues to win tenders to provide the services in overseas market, after the successful operation of PV DRILLING I for Total Myanmar, has once more proved the correct strategies of PV Drilling's

BOM in accelerating to reduce the dependence on the local market by putting tremendous efforts in participating the tenders for provision of drilling rig and well technical services in overseas markets such as Malaysia, Indonesia, Myanmar, Thailand; as well as affirming the high prestige and competence of PV Drilling in providing services in both local and international markets. In addition to maintaining the stable utilization efficiency of the drilling rigs. PV Drilling continues to focus on the assurance of the safe and effective operations of drilling rigs with utilization efficiency above 98%, machines and equipment and maintain the service quality, enhance the competitiveness and guarantee zero LTI in rig operations. These are the remarkable and proud achievements that PV Drilling has managed to attain during such difficult and challenging time.

Another aspect that PV Drilling puts more priority in 2017 during this difficult time to "Stand steady against challenges" is to concentrate on restructuring of the organization in order to optimize the organizational structure including drilling and drilling-related services; strong cutting on rig operational cost; completing and implementing the Risk Management system for the whole corporation to strictly control risks related to PV Drilling's business operation towards the sustainable development. In addition, PV Drilling has always updated the market situation in order to come up with suitable investment or cooperation decisions such as the investment plan of the rig Tender Barge for Block B Ô Môn project, the land rig to provide the services for African market or the DES system to provide technical support service for deepwater drilling rig PV DRILLING V in the coming projects.

Although having to face a lot of difficulties and challenges in the coming time, with the optimistic belief in oil and gas as a fundamental and irreplaceable energy source in the near future and the oil and gas industry will soon to be recovered, PV Drilling believes to gradually overcome the current difficulties and continue to develop even with the stronger pace in the future.



## FLEET OPERATIONS EXPAND FURTHER TO OVERSEA MARKET

As the oil and gas industry continued to experience the consequences of its downturn in recent years, PV Drilling had to survive an especially tough year in a plagued market with weak demand and low price. While most of the domestic drilling campaigns in 2017 were signed short term to offer operations in the same period, it created more challenges for PV Drilling to organize the works. When NE Monsoon season came, the domestic market became more and more sluggish; PV Drilling first made a strategic move to target the oversea market and successfully acquired the contract with Myanmar E&P. PV Drilling continued to expand the service provisions to other countries in Asia such as Thailand (Kris Energy), Malaysia (Petronas, Lundin IPC, Repsol) and Algeria as a part of the long-term strategy. At the end of the year 2017, PV Drilling had four out of six drilling rigs operating in oversea markets.

Entering oversea markets brings opportunities but threats also come along. Risks arose from moving the rigs in NE Monsoon with short notice over which PV Drilling had little control. Another issue from oversea activities was human resource management barriers such as hard-to-obtain work permit and cost pressure on sending employees abroad. Many adaptations were applied to meet the requirement on logistics and other conditions of the host country. Most of the drilling campaigns were short term, thus there were not many options regarding human resource while the local labor crew are lack of experience. On the other hand, language, culture and religion differences form a barrier to build the relationship and team work spirit between the employees onboard. Meanwhile the lack of information from clients as well as the wells and drilling sites data also became a concern when clients require more on training certificates and HSEQ standards.

In addition, most countries implement some forms of control over entry and limit access to their market. In the effort of approaching Malaysia market, PV Drilling was required to cooperate with a local agent who has PETRONAS license issued by the host country for a qualified operation. Meanwhile the increasing protectionist tendencies of regional drilling contractors is another challenge; low demand in the industry is a restraining force for PV Drilling

to become a tender for projects in Malaysia; there are local drilling contractors and giant global drilling companies seeking for works, they are willing to offer a bidding price which is even lower than their operating cost to win the contract.

Whereas PV Drilling has successfully entered Malaysia, Myanmar and Thailand; still there are markets that hard to approach such as Indonesia. Pressure to indigenize operations come from government regulations when Indonesia implements Cabotage policy that requires a local content at least 35%, ranges by different means such as rig mutual ownership; all drilling rigs operating in Indonesia must be Indonesian flagged.

Although there were many challenges in the past year, PV Drilling always follows the strategy to focus on optimizing human resources and reducing operating cost to deliver company's mission of providing premium services to clients. All drilling rigs operations efficiency has achieved 98% and Zero LTI, all drilling campaigns are completed ahead of schedule, bringing added values to the clients. PV Drilling is now recognized and highly rated by those clients who require a high level of service standards such as Petronas, Repsol & Cepsa, etc. compared to other competitors. This is a driving force for PV Drilling to continue building the reputation and maintain the award **"The best drilling contractor in Asia"** in oversea markets.

Contributing to every success of PV Drilling is strong management team with a proper preparations as well as professional practices; along with proficient and dedicated employees working offshore enhanced by support from the safety management system.

For the year 2018 as well as the next years, while maintaining domestic market leader position, PV Drilling with all the valued experienced and successes will continue to expand its operations further to oversea markets not only in Asia but also in greater areas to comply with the vision to become an internationally reputable and reliable drilling contractor.



Up to end of 2017, 4 out of 6 PV Drilling's wholly-owned drilling rigs operated overseas.

PV Drilling's drilling rig fleet has been operated with operational efficiency over

**4/6**

**98%**



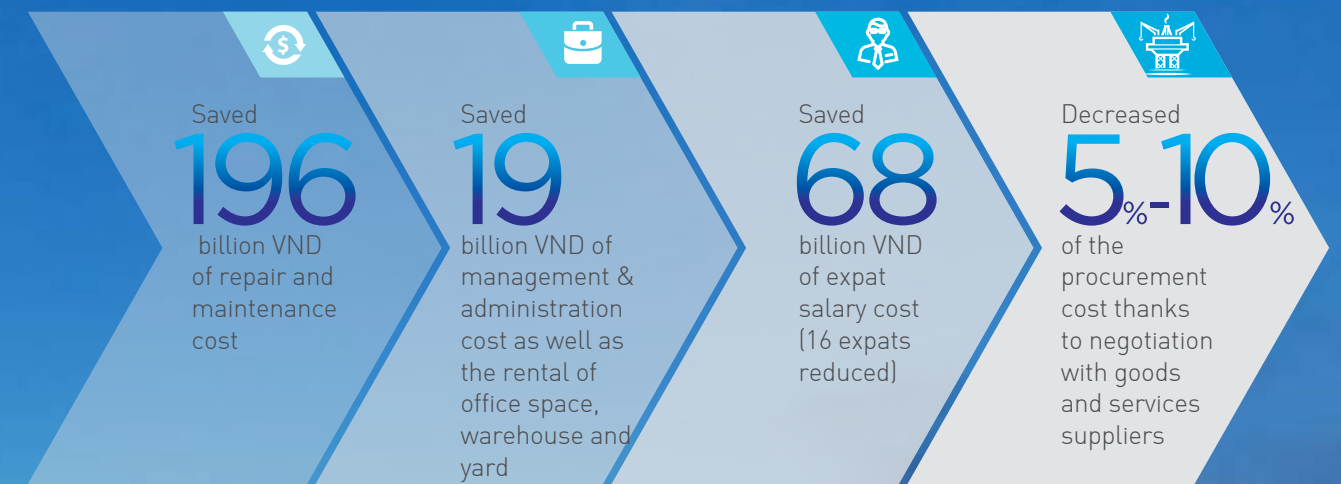
## COST REDUCTION

In order to stand steady against challenges context of the oil and gas industry, PV Drilling has promptly implemented the Project "Optimizing and cutting operational costs" from the previous years to stabilize and overcome the challenging period without any degrading the quality of its services offered to clients and continue to develop sustainably. The Management has defined this as one of the most important tasks and requests all the management and staff within the Corporation and subsidiaries to coordinate and execute with the highest determination.

The year 2017 was another difficult year for PV Drilling in maintaining the safe operations of the drilling rigs, ensuring the service quality and maintaining the business operation in a situation where the work volume and service price drop significantly. Therefore, PV Drilling is implementing a strong cost cutting program to tackle the difficulties of decreased rig rental and well service prices and reduced work volume. Main focus is put on the following solutions:

- Safely operating drilling rigs, machines and technical equipment. Optimizing operation, repair and maintenance to improve the operational efficiency of drilling rigs and machines; closely monitoring inventories by completing and cross-checking the minimum/maximum inventory of materials and consumables in the most effective manner; strictly controlling the purchase of spare materials and equipment to service drilling rigs with the total cost of repair and maintenance saved against 2016 was 196 billion VND.
- Continuing to check and cut cost, effectively utilizing the available internal resources such as holding teleconference meetings or via phone calls, saving traveling cost, prioritizing the low-cost airline bookings, not using business class tickets. Refraining from costly entertaining parties, not combining conferences with outing trips. The organization of conference, preliminary ceremony and closing ceremony, traditional days, guest entertaining parties etc. is carefully examined in terms of the necessity, the form of organization, the number of participants and the location...with the total cost savings for management and administration against 2016 was 16 billion VND.
- Reducing the rental cost of office space, warehouse and yard to be suitable for the business conditions during the difficult time with the total rental cost of office space, warehouse and yard saved against 2016 was 3 billion VND.
- Having a proper downward adjustment of the number of expats and standby Vietnamese staff as well as cutting such related costs as: overtime pay, safety bonus, no application of subsidy policy on Floater...Accelerating the rotation of internal staff to restrict the new recruitment. In 2017, the number of expats reduced by 16 people and the salary cost of expats dropped by 68 billion VND compared to 2016.
- Continuing to negotiate with the suppliers of materials and services to discount the purchase price with an average decrease of 5%-10% compared to 2016

### COST CUTTING 2017 vs. 2016



The optimization and cost cutting implemented by the Corporation is not just simply the kind of "tightening the budget" and a measure to resolve the situation at any cost, but it also helps to connect with the activities for the cost effective management and business strategies, creating the foundation for the stability and sustainable development of the Corporation for the time being and in the future.





## RESTRUCTURING

Petrovietnam Drilling & Well Services Corporation (PV Drilling) was established in 2001 on the foundation of PTSC Offshore (established in 1994) E a division of PTSC (Petrovietnam Technical Services Corporation) for implementation of Petrovietnam's strategy on developing drilling and drilling-related services for the domestic oil and gas industry.

Over sixteen years of development, initially starting from a mechanical workshop specializing in drilling equipment repair and oil spill response service, PV Drilling has become a professional drilling contractor owning a modern rig fleet consisting of 04 B-Class Jack-up Rigs,

01 Semi-submersible Tender Assist Drilling (TAD) Rig and 01 Land Rig. All the rigs are equipped with the latest generation of equipment and operated by a skilful, active and professional crew with international standards. On that basis, PV Drilling has been recognized as a pioneer of Vietnam's drillers, holding about 50% market share of drilling service and about 70% market share of drilling-related services in Vietnam. However, the sharp fall in oil price since Mid. 2014 has caused many difficulties to PV Drilling's business operation, day rate and workloads have been sharply declined, not to mention the fact that PV Drilling is forecasted to face more difficulties, challenges because oil price doesn't

show any positive signs in the near future and the over-supply of offshore drilling rigs remains unchanged.

In order to overcome all difficulties and challenges caused by the oil slump, on December 19, 2016 PV Drilling established a Restructuring Steering Committee (Steering Committee) consisting of the Chairman of the Board of Directors as the Leader, the President and CEO as a Deputy Leader, and other members including Vice Presidents, Managers of Divisions. The main duties of Steering Committee are: (i) to consider, evaluate and forecast the difficulties of the subsidiaries and the corporation; (ii) evaluate

the appropriate form of the Subsidiaries and Divisions of the Corporate Head Office at present, especially those which are in numerous ups and downs, and (iii) to propose re-structuring solutions to meet all requirements and business operation in the coming period for cost reduction, maintenance of sustainable business operation so that PV Drilling can overcome the challenging period.

In 2017, the Steering Committee has held several meetings to discuss comprehensive re-structuring solutions for PV Drilling; thereby, the Corporation has established the Task Force Teams to evaluate the business operations as well as appropriate forms for each subsidiary as well as for the Divisions of Corporate Head Office, especially those which have been encountering tremendous obstacles for a long time; on that basis, they will evaluate the right re-structuring solutions for future business operations with the aim of cost reduction and PV Drilling's stable business operation.

### Several solutions have been considered by Steering Committee, including:

**Organisational Form:** Merging/converting several Divisions of the Corporate Head Office and Subsidiaries for a more streamlined organization with less operation cost so that negative impacts to the business operation can be prevented and minimized to the lowest level; besides, the competition competence and business performance can be enhanced, which also helps to implement the Prime Minister's Direction in Letter Ref. No. 1182/TTg-DMDN dated August 11, 2017 approving the list of PVN Group's subsidiaries to be re-structured, equitized, divested during the period 2017-2020 regarding the two 4th-level subsidiaries of PV Drilling.

**Investment:** Evaluate the liquidation of redundant assets, materials, equipment to improve the efficiency of asset usage; Postpone/suspend/terminate the investment for new assets which are not urgently needed or of low efficiency for capital and cash flow optimisation, ensuring PV Drilling's current business operation stable.

**Finance:** Arrange the repayment plan for the 02 rigs PV DRILLING V and PV DRILLING VI by extending the repayment period and reducing interest rates to ensure the fiscal solvency in compliance with the forecasted cash flow and stable subsidiaries' business operation to go through these ups and downs.

PV Drilling currently holds

**50%**  
market share of drilling service

**70%**  
market share of other technical services.





# ENTERPRISE RISK MANAGEMENT

In 2017, PV Drilling has reached an important milestone when the Enterprise Risk Management System (ERMS) was officially launched for the entire Corporation. The ERMS was established and launched by the Internal Audit Division cooperated with Ernst & Young Vietnam, a top world level advisory company on ERM. Currently, PV Drilling ERMS has achieved the target set by the Management team and has become a very effective managing tool which adapted international standards and best practices in the Oil and Gas drilling industry in Vietnam.

The ERMS has taken in place and given specific results in the following aspects:

### Establishing a culture of risk management in the whole Corporation

The culture of risk management is considered one of the basic factors of risk management system in any enterprise. At PV Drilling, this culture has been formed from the management team to staff level from early days so that now all our employees master and strictly follow the regulations of the Risk Management Process, complying with current controls to prevent and mitigate the risks, proactively identify potential risks from daily business activities to strategic planning and budgeting. PV Drilling also raises awareness through communication activities such as issuance of the quarterly ERM Newsletter, discussion of risk management issues at Board meetings, short video clips played at the Company receptionist front-desk and seminars on risk management.

### Corporation risk profile

Divisions of the Corporate Head Office and Subsidiaries effectively followed the ERM Process to identify risks and develop completely risk profiles including top risks associated with business objectives, strategic risks related to the long-term goals and sustainable development of the Corporation. Based on the Risk Profiles from Subsidiaries, the ERM Function has consolidated and completed the Risk Profile at corporate level, enabling the Management team to focus on the development of controls and plans, propose very specific action plans to prevent and minimize the impact and possibilities of risks.

### Key risk indicators (KRIs)

One of the important steps for successfully implementing the ERMS is the designing a series of Key Risk Indicators. These indicators provided early warning signs of possible risks; and thus supported the Management team to consider the possibility of risks which could affect the Corporation's strategies and business objectives. From there, the Management team could provide timely solutions to prevent or manage risks with optimized resources.

### ERM Executives trained with intensive skills

To conduct the system efficiently and comply with international standards, the ERM System at PV Drilling requires its staff not only to understand the Corporation's business, but also master the knowledge of ERM. Therefore, all members of Risk Management Committee, Risk Management Division, Risk Coordinators at Subsidiaries, Technical Support Team were trained in technical skills and process of the ERM system in order to facilitate, evaluate and implement appropriate risk management measures effectively. In addition, the Corporation also paid attention to update and disseminate updated knowledge and techniques for professional staff.

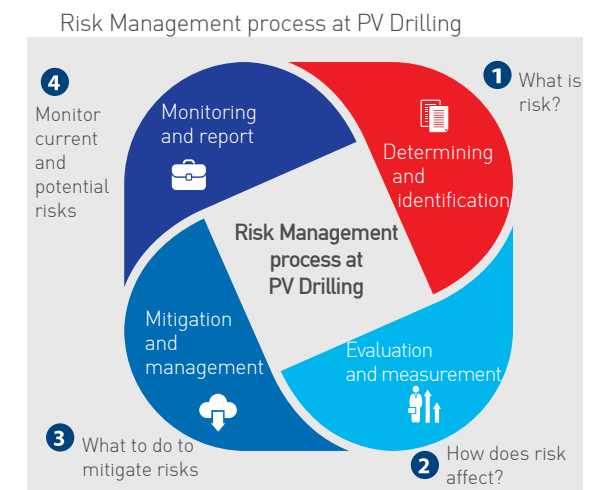
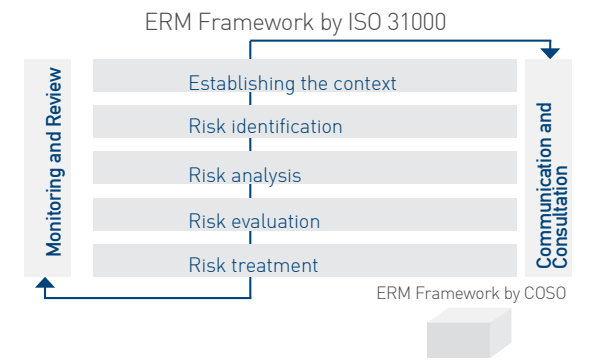
### Effective tools for Enterprise Risk Management

In order to conduct the ERM System effectively, PV Drilling has developed and applied several tools in risk management including: the organizational charter that regulates specific functions, roles and responsibilities for each member to supervise the operation of the ERM system; Key Risk Indicators, Risk Parameters, Reporting Forms for the whole Corporation and Handbook of Risk Management (guidelines for operation of identifying, analyzing, assessing and treating risks). With the goal of continuously improving and professionalizing the ERM System, PV Drilling has developed a road map for the application of information technology for centralized and uniform management, which would help the Management team in monitoring, detecting, examining and responding to risks in a timely and consistently manner throughout the Corporation.

### Integrating the ERM with Corporate Governance

The ERM System would be more effective when it could be a tool to support the Management team in daily business operation. Therefore, the ERM system is integrated with Corporate Governance through risk reporting line that utilized the information available in management reports. This has helped the Management team to have information on risk management to make appropriate and timely decisions in dealing with daily business matters.

PV Drilling is the pioneer in developing and applying the ERM System in Vietnam and in the oil and gas industry as well. With achievements in ERM, PV Drilling showed that it has a suitable direction with the right strategy for sustainable development, contributing to raising the value of enterprises, enhancing competitive advantages, increasing the prestige and belief of shareholders and partners to develop business activities in the region and over the world.

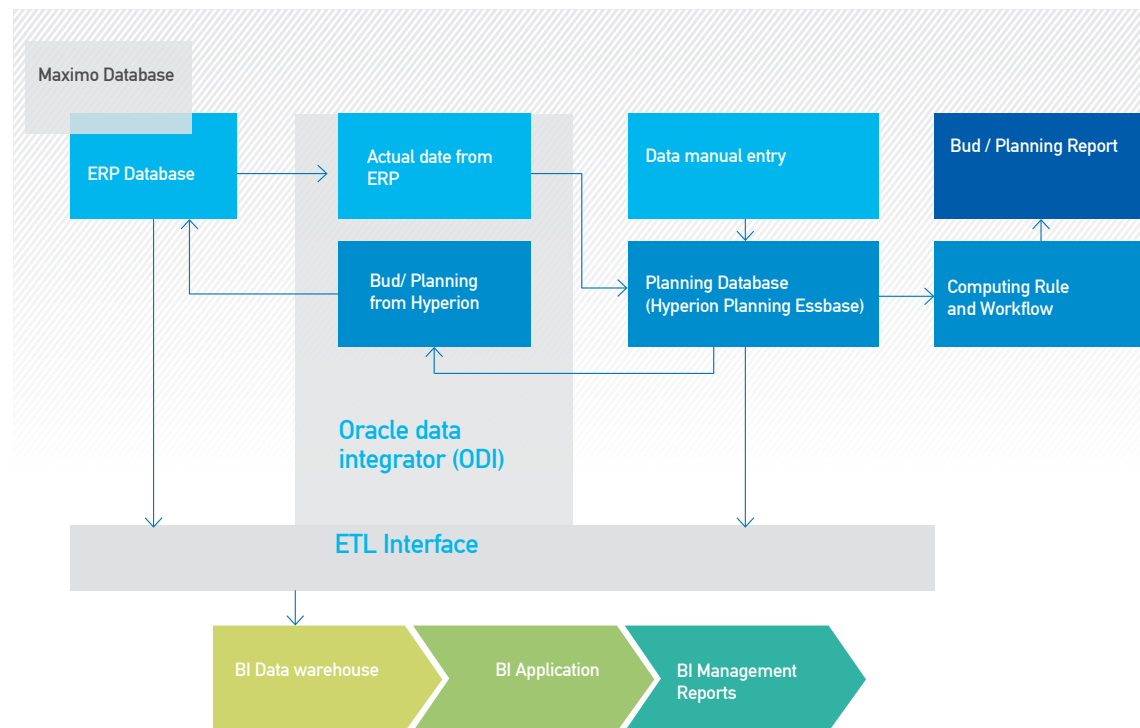




## THE PHASE III - ERP PROJECT

Using modern management information system always comes high on the list of PV Drilling's priorities in the corporate governance. The company has been used the Oracle ERP application to manage accounting and financial management and Maximo application to manage inventory from 2007. Especially the Oracle ERP application, PV Drilling has been built and applied step by step phases to match with business activities at PV Drilling.

According to PV Drilling's management, Phase I & II Oracle ERP System (FAMS, ERP) has been successfully applied in all divisions and subsidiaries with full modules of ERP (Finance E Accounting Management, Inventory Management, Purchase Management, Project Contract Management and Human Resource Management). Currently, PV Drilling is continuing to develop the Phase III ERP project (ERP III) to develop and operate the Hyperion Planning (HP) system.



Data Flow Diagram (DFD)

ERP III is a system to support the setting up and carrying out the PV Drilling business strategies at all organization's levels, towards targets:

- All planning and budgeting reports will be done online to ensure accurate, consistent, and confidential data to supply information accurately.
- Other modules of ERP Oracle are connected to focus on true data, which helps to analyze the comparison between plan and actual, support leaders to adjust and orient the organization's business activities in time.
- Reducing time spent on manual working of

staffs, increasing the efficiency of financial planning and analysis information.

- Assisting the leaders in the budget approval processing, and adjusting the planning by referencing multidirectional analysis reports.
- Transparency, accuracy, clarity data that helps to make decisions on plan, strategy in line.

The Phase III ERP project has completed the trial stage, began to put data into system. Currently, Server establishing stage and User training stage are carrying out to apply reality. When finishing, there will have the advantages of project, as follow:



- Automating the planning and budgeting process to ensure compliance with the PV Drilling's budgeting regulations.
- The budget data will make shorter time to complete.
- After being approved by leaders, data will be centralized, consistent and secured throughout the organization.
- Multi-dimensional analysis reports will help leaders understand the situation of business plan, and better control actual costs compared with planned costs.
- Integrated multiple data source (such as Oracle ERP, MAXIMO, and excel spreadsheets) helps to analyze all information to evaluate financial health of Holding company and subsidiaries.
- Business intelligent (BI) and HP reports will be update rapidly if there are changes in business assumptions.

- The ERP III system may be applied on new subsidiaries with the same holding company's process without much change.
- New analysis reports can be developed by using the powerful reporting tools of the system.
- Conflicts and errors are detected to strengthen management system.

The implementation of ERP III will help to manage planning from detail to summary through approval processing, process management, and versions of planning, as well as enhance data security and data synchronization in PV Drilling. Besides, BI reports, with a variety of reports from summary to detail in month, quarter and year, also help leaders manage and run company day-to-day to follow business activities smoothly.

Apply Oracle ERP in financial and accounting management helps Leaders manage and run Corporation day-to-day to follow business activities smoothly.



# AWARDS AND ACCOLADES

## 2017

THE JACK UP RIG PV DRILLING I ACHIEVED 10-YEAR ZERO LTI



THE JACK UP RIG PV DRILLING II AND III ACHIEVED 8-YEAR ZERO LTI



THE JACK UP RIG PV DRILLING VI ACHIEVED 3-YEAR ZERO LTI



THE TAD - PV DRILLING V ACHIEVED 5-YEAR ZERO LTI



THE LAND RIG RIG PV DRILLING II ACHIEVED 1 - YEAR ZERO LTI



TOP 20 BEST ANNUAL REPORTS



## 2016

COMPANY WITH BEST LABOR INCENTIVES



TOP 23 COMPANIES WITH LARGEST TAX SUBMISSION IN VIETNAM



TOP BRANDS



TOP 100 SUSTAINABLE GROWING ENTERPRISES IN VIETNAM



TOP 10 BEST ANNUAL REPORTS



TOP 10 ENTERPRISES WITH MOST CONTRIBUTIONS TO HOSE DEVELOPMENT



AWARD FROM STATE SECURITIES COMMITTEE



## 2015

TOP 500 LARGEST COMPANIES IN VIETNAM



GOLDEN PRIZE IN THE NATIONAL QUALITY RANKING IN THE CATEGORY OF LARGE SERVICE COMPANY



TOP 49 COMPANIES WITH BEST LABOR INCENTIVES



TOP 10 BEST ANNUAL REPORTS (2010 - 2015)



1<sup>st</sup> PRIZE IN SUSTAINABILITY REPORT



THE BEST OIL & GAS DRILLING CONTRACTOR IN ASIA



TOP 50 COMPANIES WITH LARGEST TAX SUBMISSION IN VIETNAM



TOP 50 BEST LISTED COMPANIES IN VIETNAM



## 2014

TOP 500 LARGEST COMPANIES IN VIETNAM



TOP 10 PROMINENT EQUITIZED STATE COMPANIES



TOP 50 COMPANIES WITH LARGEST TAX SUBMISSION IN VIETNAM



TOP 50 BEST LISTED COMPANIES IN VIETNAM



## 2013

THE MOST ADMIRABLE ASEAN ENTERPRISE IN GROWTH - LARGE COMPANY CATEGORY AWARDED BY ASEAN BUSINESS AWARD COMMITTEE



THE BEST OIL & GAS DRILLING CONTRACTOR IN ASIA



THE CERTIFICATE OF ZERO LTI (NO LOST TIME INCIDENTS)



TOP 50 BEST LISTED COMPANIES IN VIETNAM



## 2012

THE BEST OIL & GAS DRILLING CONTRACTOR IN ASIA



## 2011

THE LABOR MEDAL OF FIRST CLASS HONOR





## HEALTH-SAFETY-ENVIRONMENT-QUALITY ACTIVITIES



In 2017, the HSEQ Action Plan was fully and effectively implemented in the entire PV Drilling Corporation, as follows:

### 1. Achievement of Safe Operation without any Lost-Time Incident (Zero LTI)

Though facing many difficulties, the operation safety of PV Drilling Corporation was ensured, free of Lost-Time Incident (in accordance with the IADC's guidance for the Incident Statistic Program,) on both the fleet and all production facilities onshore. Since the first day of operation, all four jack-up drilling rigs owned and operated by PV Drilling have been kept free of LTI. Particularly, on 28th February 2018, the jack-up rig PV DRILLING VI achieved 3 consecutive years of safe operation. On 10th March 2017, the PV DRILLING I achieved 10 years of safe operation. The PV DRILLING II and PV DRILLING III achieved 8 consecutive years of safe operation, respectively, on 15th September 2017 and 12th November 2017. These are very proud achievements in safety performance, especially those accomplished by PV DRILLING I, PV DRILLING II and PV DRILLING III. These are international records of the industry, which are significantly contributing to the enhancement of the reputation and image of the Corporation in the international market.

In 2017, the land rig PV DRILLING 11 intermittently carried out several workover jobs for clients in Algeria and started resuming its operation in December. The TAD - PV DRILLING V was cold stacked at PV Shipyard Port in Vung Tau. Though the rigs haven't operated for full year, in accordance with the IADC regulations, PV DRILLING 11 was recognized for 1 year of safe operation (LTI free) on 1st July 2017 and PV DRILLING V was recognized for 5 years of safe operation (LTI-free) on 3rd December 2017.

Besides, all PV Drilling's onshore facilities also achieved safe operation without any Recordable Incident (RI-free), any Lost Time Incident (LTI-free) as well as any Environmental Incident (EI-free).

### 2. Safe Operation on drilling rig fleet

Safety on rig operation is strictly controlled

in compliance with the safety regulations and requirements established by both PV Drilling and the clients. To ensure the safe operation, multiple control tiers are applied, focusing on risk assessment and the control measures:

- The integrated HSEQ-MS is established with a system of manuals and procedures to implement the PV Drilling's HSEQ Policy, in compliance with general requirements, legal requirements and the requirements of the clients and related parties, as well as to identify, assess and control the risks related to occupational health, safety, environment and quality in the operation of the rigs;
- Safety Case is specifically built for each rig, in accordance with the structure and the operational characteristics of the rig;
- Job Safety Analysis (JSA) system applies to all operations performed on the rig;
- The 24/7 Safety Supervising Program and Weekly Site Inspection Program are conducted by the Safety Training Coordinator (STC).

Other HSE programs are also implemented weekly, monthly and quarterly to raise the awareness of working safely, help the workers on the rig to be more and more proactive, vigilant and dedicated in doing their work, such as:

- Weekly and monthly Emergency Drill Program;
- The PVD Observation Card Program in conjunction with the weekly and monthly safety awards program;
- On-job training program, focusing on operational safety;
- Quarterly Safety Campaign: during the quarter, a safety topic is promoted and discussed thoroughly. In 2017, the topics are: Hand and Finger Injury, Line of Fire, Working at Height and Drop Objects.

In addition, in order to ensure the effectiveness of the controlling measures being applied, other supervising and inspection programs are also implemented by the Corporation, the clients and other related parties, for instance, the Firefighting Police, Governmental Environment Protection Agency...

### 3. HSE Activity at Onshore Facilities

At onshore production facilities, the HSEQ activities are strictly controlled in compliance with the safety regulations and requirements established by both PV Drilling and the clients. To ensure the safe operation, multiple control tiers are applied, focusing on risk assessment and the control measures:



## HEALTH-SAFETY-ENVIRONMENT-QUALITY ACTIVITIES

(cont.)

the control measures determined by the HSEQ management system, the monitoring /inspection of the compliance with HSE & Industrial Hygiene regulations is implemented at the subsidiary's level as well as the Corporation's level. Based on the operations and the requirements of the HSEQ-MS, the subsidiaries implement their HSEQ Action Plan, including Safety Inspection program, PVD Card Program, HSE Training and safety meeting...

At the Corporate's level, in 2017, the HSE Inspection Program included two HSE Walkabouts and one un-announced HSE Visit, organized by the HSEQ Division. After years of experience, the HSE Walkabout program is now well-developed. Two or three inspection teams would be joined by both HSEQ Division and the unit's HSEQ departments in order to be able to crosscheck between the units. Besides recording all the observations to share at the meeting held shortly afterward, the teams also use an approved checklist to score the compliance rate with the general HSE and Industrial Hygiene requirements. The HSEQ Division is then responsible for analyzing the inspection results and proposing the issues that need to be improved at each member company.

#### 4. The maintenance and continual improvement of the HSEQ-MS

In 2017, PV Drilling's HSEQ management system was successfully transitioned to comply with the requirements of ISO 9001: 2015, ISO 14001: 2015 and OHSAS 18001: 2007. The transition process was implemented throughout the Corporation, including documentation updates, training internal auditors as well as raising awareness of the new requirements to HSEQ staff, organizing workshops focusing on the new implementations and conducting an internal audit according to the requirements of the 2015 version of ISO 9001 and ISO 14001 standards.

From September 28th to October 13th,

2017, DNV GL conducted an audit of the HSEQ management system at the Corporation's Head Office and the subsidiaries, such as PVD Drilling Division, PVD Well Services, PVD Offshore, PVD Logging, PVD Deep Water, PVD Invest, PVD Expro, PVD Tech, and PVD Tubulars. Thereafter, the Management System Certificates were granted to PV Drilling and its member units by DNV GL, to conform to the standard ISO 9001: 2015 on January 8th, 2018 and the standards ISO 14001: 2015, OHSAS 18001: 2007 on March 9th, 2018.

#### 5. Training and Workshop Activities

In PV Drilling Corporation, the HSE training activities have always been implemented according to the approved annual plan, focusing on safety training for staff working on drilling fleet and onshore production facilities. In 2017, excluding the joint venture units, a total of 7,652 HSE training courses was conducted. Training content included but not limited to: operational safety, fire-fighting, first aid, incident analysis, awareness of the management system standards and updates on new legal requirements related to HSE... Notable is the training courses on Occupational health and safety (OSH), as required by the Decree No. 44/2016/ND-CP of the Government, organized by the HSEQ Division. The courses took place in 6 days, from November 10th -17th, 2017 in Ho Chi Minh City and Vung Tau City. The training was provided by the Center for Technical Safety Inspection - Region II. This is a prestigious training service provider and one of the heading centers, licensed by the Department of Work Safety of the Ministry of Labor, War Invalids and Social Affairs to provide training on OSH in accordance with the Decree No. 44/2016/ND-CP. As a result, total 595 employees of the Corporation's Head Office as well as 15 member units, including all joint-venture companies, classified as labor group 1, 2, 3, 4 and 6 received training as required.

The HSEQ seminar program focusing on HSEQ-related issues was successfully



PV Drilling always sets HSEQ as a top priority for the sake of its significant contribution to PV Drilling's image; moreover, owning good HSEQ indicators will enhance PV Drilling's competitive advantages during this challenging period.

In 2017, the total number of HSEQ training at PV Drilling (excluding joint ventures) was

**7,652**  
times

implemented, creating a discussion forum amongst the operational and HSEQ staff as well as the Corporation and the member units. In 2017, besides the annual HSEQ Conference, PV Drilling organized three internal HSEQ workshops, one of which focused on the implementation of the new requirements of ISO 9001:2015 and ISO 14001:2015.

#### 6. Emergency Response and Natural Disaster Response Activities

In 2017, at PV Drilling, the emergency response system was fully established: the ECCs was set up; emergency response procedure and plans were published and exercised at both Corporation's and subsidiary's levels. The emergency situations are specified for each facility, including details for communication, response, reporting as well as the assignment and responsibility for the on-duty personnel, first responder and steering committee.

Fire or explosion incident is always considered as high risk; therefore, the compliance with fire and explosion prevention requirements is a must at every PV Drilling's facility. While ensuring the readiness of the fire-fighting equipment and forces at grassroots level, each facility of PV Drilling regularly organizes annual fire drills

in conjunction with search and rescue or first aid assignments.

At the end of 2017, some of the onshore facilities and offshore rigs in Vung Tau were constantly being affected by strong typhoons. Case by case, HSEQ Division actively kept updating the information on the typhoon and sending out the early warning to the member units taking initiative in responding. Once the emergency response system is activated, the first responders at each facility would be on duty 24/24 hours. The watch-duty has been taken seriously at all levels: on-site, the Commanders and the Steering Committee, especially on offshore drilling rigs.

Precautionary measures were implemented in the high risk areas, for example, temporary stop of the operation, keeping the minimal number of personnel working in the areas, carrying out the inspections on fire safety, electricity safety as well as keeping the machinery safe. As such, PV Drilling has responded well in these situations, ensuring the safety at all locations.



## TALENT RETENTION IN THE CONTEXT OF OIL SLUMP



In 2017, to continuously implement the solutions related to in human resources management as well as services quality management, which were adopted in 2016, PV Drilling has encountered a lot of difficulties, in which pressure of talent retention in downturn market was one of them. In the circumstance of optimizing budget; reducing cost, PV Drilling has deployed a lot of talent retention solutions, however, most of them were not related to finance as follows:

### 1. Flexibility in appropriate income adjustment

In 2017, besides the persons who were deferred temporarily their labor contracts due to having no jobs, most of PV Drilling's staffs consents to take in turn some monthly days off without salary. This was to contribute in cost cutting and sharing difficulties with the Corporation. However, for the key talents who played the very important roles in corporate business activities and production, PV Drilling have applied flexible methods to ensuring their adequate incomes in reflex to their contribution and productivity.

### 2. Ensuring adequate allowances and benefits

Despite having reduction on human resources expenses, PV Drilling has still maintained the quality benefits for staffs in order to create the assurance for themselves and their families, such as annual physical examination, 24/24 insurance program, health insurance, life insurance, diseased death insurance... provided by prestige partners. On the special occasions such as national holidays, Tet holidays, the Corporation's anniversary, PV Drilling always paid allowances to all of staffs. Moreover, PV Drilling always rewarded timely for those who contributed significantly in successful contracts execution or specific achievements.

### 3. Caring and motivations from the management

In difficult context, prompt encouragements and motivations from the management are really necessities in retaining talents. PV Drilling management has timely motivated and cared about their subordinates, from which found out appropriate solutions to untie knots which are related to personal aspiration, cohort's demand, and works; thereby, created belief and motivations for remained talents.

PV Drilling's top management has promptly delivered messages to boost and preserve PV Drilling's spirit to all of staffs. Meanwhile, they have rapidly directed and supported the subsidiaries in implementing proper human resources solutions to maintain and retain talents.

### 4. Corporation culture and Code of Conduct

At PV Drilling, people are always the most important resource contributing to the development and sustainability of the Corporation. Moreover, in company culture, people play the central role, which are documented officially by following principles:

- Maintaining positive relationships inner-company;
- Nurturing enthusiasm by sharing knowledge, experience, ideas and information with each other;
- Creating a workplace in which people can learn, dedicate, and become more excellent along with PV Drilling's development;
- Ensuring the safety for people and environment in business execution

These principles have contributed to forming PV Drilling traditional culture; then, made the talented people whom considered PV Drilling as their second house engage, share, and dedicate for PV Drilling overcoming challenges.



# STRENGTHEN THE POSITION



Over the past 16 years, PV Drilling has gradually built up its brand name by stacking each solid block of growth and earned its place in the international arena of the drilling industry. In 2018, we shall further dedicate our concentration to maintain a solid business performance.

With a long-lasting tradition and great spirit inside every heart of the oil and gas workforce, PV Drilling believes that the Corporation will stand steady against all challenges, heading for a brighter future and continuous sustainable growth.

[Overview of the Sustainable Development Report](#)

[Strategy for the Sustainable Development](#)

[PV Drilling: The Spirit to Overcome Challenges](#)

[Management Structure of Sustainable Development](#)

[Stakeholders Engagement](#)

[Assessment of Key Business Sectors](#)

[Risk Management Activities The Risk, Difficulties and Advantages](#)

[Sustainable Business Model](#)

[Sustainable Business Strategy](#)

[Policies Related to Clients](#)

[Policies of Human Resources Development](#)

[Commitments in Safety - Health - Environment](#)

- Quality



## OVERVIEW OF THE SUSTAINABLE DEVELOPMENT REPORT

The integrated annual report of the year 2018 is prepared by PV Drilling to summarize the declarations and assess PV Drilling's activities in accordance with the approved strategic orientation towards sustainable development and the orientation of the State Security Commission of Vietnam toward the route for reports and public announcement of sustainable development information for listed firms on Stock Exchange. The report is also prepared in compliance with the standard guideline of the Global Reporting Initiative (GRI) in the G4 version.

The incorporated annual report of the year 2018 will help the Investors and related parties access the information of strategy development, PV Drilling's business operation in terms of sustainable development in economics, society, environment, whereby Investors and related parties can grasp the information of PV Drilling in a complete and comprehensive manner.

### General information on the report

Report Period	Report Domain	Contact information
<p>The content of sustainable development is integrated into the Annual Report 2017 with the fiscal year ending 31 December 2017.</p> <p><b>Applicable standard</b> According to the need to satisfy the information requirement of related parties, PV Drilling decides to choose the criteria as "In Accordance" - Core option".</p>	<p>The report domain is as followings:</p> <ul style="list-style-type: none"> <li>- The Corporation, including the Holding Company and other subsidiaries.</li> <li>- The presentation limit is inside Vietnam domain.</li> </ul>	<p>Petrovietnam Drilling and Well Services Corporation</p> <ul style="list-style-type: none"> <li>- Location: 4th floor, Sailing Tower, 111A Pasteur, District 1, Ho Chi Minh City.</li> <li>- Telephone number: (+84) 2839142012</li> <li>- Fax: (+84) 2839142021</li> </ul> <p>Any contributing ideas for the report or related questions, stakeholders please send email directly to the email address: <a href="mailto:ir@pvdrilling.com.vn">ir@pvdrilling.com.vn</a></p> <p>The curator of report construction: Mr Pham Tien Dung PV Drilling's President &amp; CEO</p>

### STAKEHOLDERS AT PV DRILLING

- Clients
- PetroVietnam
- Shareholders
- Employees
- Government agencies
- Banks and business partners
- Suppliers
- Competitors
- Industry Association
- Local community

### THE TOPICS ON SUSTAINABLE DEVELOPMENT STRATEGY



VISION-MISSION

## STRATEGY FOR SUSTAINABLE DEVELOPMENT

### Corporate Governance Model

With the right development orientation to become a reputable and reliable drilling contractor which is not only in Vietnam but also in the international market, PV Drilling is now a reputable drilling contractor, PV Drilling currently possesses 4 premium Jack-ups, 1 Semi-Submersible Tender Assist (TAD), 1 Land rig, as well as the sophisticated system of machine and equipment to support the diverse well technical services, from traditional to high technical services. Although PV Drilling's production and business activities were affected by the downturn of the oil and gas market, PV Drilling is continuing to "strengthen in the challenge" by maintaining the quality and highly efficient (→ 98%) service and absolute safety (zero LTI) in the situation of optimizing business expenses, man power, financial constraint and fierce competition. PV Drilling has succeeded in developing overseas drilling services in the context of over-supply of drilling rigs, maintaining strong reputation of PV Drilling among drilling contractors in the industry. The corporate governance model was being established by the Corporation from the very beginning and that was very important part which contributed in such succeed and connected the orientation of the Boards with the core factors such as man power, Safety - Health - Environment - Quality and corporate culture. Particularly, in the situation of the oil and gas market is facing many difficulties and challenge, the integrated management model is promoting the core value to

help the Corporation to face and overcome those obstacles in the near future.

### Corporate Governance System

In conjunction with investing and possessing modern technology equipment and drilling rigs, PV Drilling also focuses on establishing a corporate governance system based on the concrete avant-garde IT foundation which has helped PV Drilling to quickly adapt to and participate in the competitive environment with foreign drilling contractors. Systems and standards that PV Drilling are effectively applied, such as Enterprise Resource Planning (ERP) Oracle, Maximo (inventory control for rigs), equipment maintenance and management system (RCM - Reliable Maintenance Control). Those systems play an essential role in supporting the corporate governance process, boosting the service quality, and earning customers' trust. Especially in 2017, PV Drilling has completed the establishment and applied the professional risk management system (abiding by ISO 31000 and COSO). The application of the risk management system in the difficult period of the oil and gas industry will assist PV Drilling in managing and controlling risks and ensure the sustainable development. In addition, the ERP Oracle system - phase III (Intelligent Management Reporting System and online budgeting) is in the process of completion, contributing to the enhancement of PV Drilling's corporate governance in difficult period and looking forward to a bright future.





## STRATEGY FOR SUSTAINABLE DEVELOPMENT (cont.)

### Human Resource Development

There are nearly 2,000 staffs and management staffs with high professional qualifications are working for PV Drilling and that is one of the most significant factors contributing to the success of PV Drilling during its establishment and development as well as the stable maintenance of business activities. Facing with difficulties, PV Drilling has implemented personnel reduction as well as adjustment of salary, bonus and allowance policies to support the Corporation to overcome difficulties. By the end of 2017, the number of employees of PV Drilling has decreased by 7%, the average income of employees decreased by 18%. However, many necessary human resources development programs will be still continued such as the succession team development and the management team training program to continuously improve and develop the quality of human resources, optimize the current human resources and replace foreign personnel in order to reduce foreign costs. Besides, the compensation and

benefit policies are regularly reviewed and evaluated to ensure the retention of talents. Currently, PV Drilling is considering the most appropriate training and compensation policies to optimize human resources in such difficult period.

### Safety - Health - Environment - Quality - (HSEQ)

In addition to modern corporate governance system with highly qualified human resources, PV Drilling also specially concentrates on maintaining, developing and enhancing the Health- Environment - Quality (HSEQ), with the special attention to ISO 9001 quality management system, ISO 14001 environmental management system and OHSAS 18001 health and safety management system into HSEQ system, Certified by Det Norske Veritas (DNV). HSEQ is really the heart in PV Drilling's business model because almost drilling activities primarily operate in the environmental hazards such as offshore, harsh climate, so the safety and quality play

a very important role in ensuring that the rig is safe and effective as well as the safety and health of staffs who are working on our drilling rigs. Moreover, At PV Drilling, the culture of Safety - Quality has come into existence and become accessible in order to avoid all accidents and risks that are able to cause damages to people, asset, and environment. The safety-quality culture comprises of the laws and regulations abiding as well as the application of preventing solutions in order to meet customers' requirements with high service quality and continuous evaluation, improvement, and development. Thus, in the year 2017, the quality of PV Drilling services always satisfied customers' requirements in difficulties context with lower service prices and fierce competition. All business activities are safe, high efficiency in drilling operations and other equipment.

### Building the sustainable cultural environment

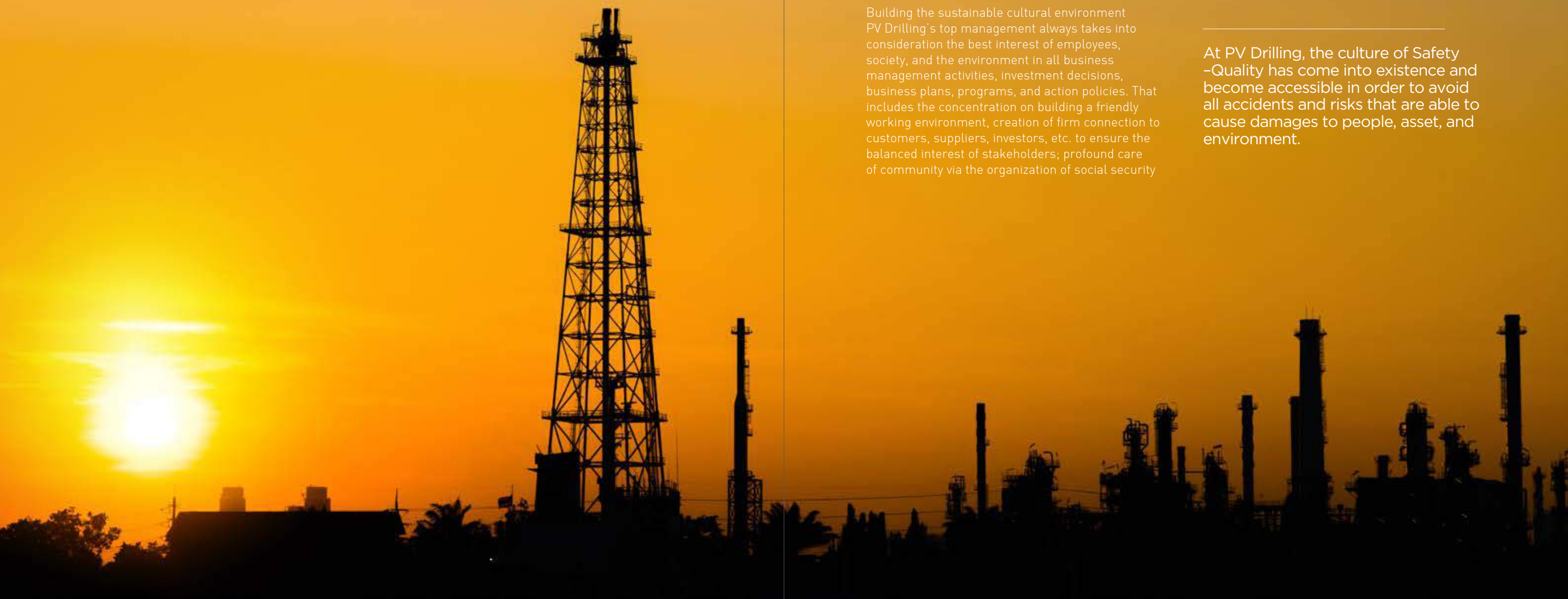
Building the sustainable cultural environment PV Drilling's top management always takes into consideration the best interest of employees, society, and the environment in all business management activities, investment decisions, business plans, programs, and action policies. That includes the concentration on building a friendly working environment, creation of firm connection to customers, suppliers, investors, etc. to ensure the balanced interest of stakeholders; profound care of community via the organization of social security

programs as well as relationship development with local communities and governmental authorities that PV Drilling has been pursuing for many years. In addition, PV Drilling also perfects the development of the Code of Conduct applied to the whole corporation. The Code of Conduct aims to ensure that employee' actions and decisions must be consistent with the values and foundation of PV Drilling. This is the basis to affirm the culture and business conduct in the corporation.

All of the above issues are major contents in the strategy of sustainable development that PV Drilling has been building. The sustainable development strategy has been creating added value for the corporation thanks to the contribution and support of shareholders, Petro Vietnam, customers, partners, government organizations, and other stakeholders. PV Drilling's top management highly appreciates the support and contribution of stakeholders that together with PV Drilling construct a future of sustainable development.

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At PV Drilling, the culture of Safety -Quality has come into existence and become accessible in order to avoid all accidents and risks that are able to cause damages to people, asset, and environment.





## STRATEGY FOR SUSTAINABLE DEVELOPMENT (cont.)

### Sustainable Development Strategy

The oil price crisis from the end of 2014 has just shown little signs of improvement that strongly affected the operation of oil drilling companies. Most of oil companies have cut their exploration and production budgets, stopped drilling campaigns and cut costs. This caused many drilling companies in the world to face many difficulties and have to operate the drilling platform under the cost of sales. Drilling companies such as Hercules Offshore, Atwood Oceanics, Paragon Offshore, Frigstad Offshore, etc. have gone bankrupt or merged with other companies.

It can be said that PV Drilling is withstanding in this difficult period that has being proved the power of PV Drilling has being "strengthened in the challenge". PV Drilling has gradually adjusted and applied skillfully depending on fluctuations of oil and gas in local and international market. Specifically, when we realized the domestic drilling market is narrow, PV Drilling has the orientation "across the sea". Typically, PV DRILLING I the rig has conducted drilling campaign for Total in Myanmar since November 2016. With such successfulness, PV Drilling confidently continues to bring 3 jack-up rigs to overseas in 2017, there were times when 4/6 rigs were working in overseas: PV rig DRILLING I was drilling for Kris Energy in Thailand, PV DRILLING III was drilling for Petronas & PV Drilling VI was drilling for Lundin (IPC) in Malaysia and PV DRILLING 11 - the land rig was drilling for Sonatract AMT in Algeria. In 2018, PV Drilling determines that there will be many obstacles due to unsteady domestic market, drilling and related drilling services prices and are still low, fierce competition and protectionist policy in foreign markets. Therefore, the biggest challenge of PV Drilling in this period is the maintenance of stable business activities and the consolidation of resources to overcome difficulties. The integrated management model was built by PV Drilling in the past years is the foundation that helps the corporation to withstand and overcome the current challenges.

### Continuing to build and maintain the core foundations for sustainable development

PV Drilling concentrates on building and developing human resources as well as high technical drilling teams to increase the competitive value and meet the requirements of the Corporation and its customers. On the other hand, the Corporation maintains and

develops HSEQ in accordance with international standards to continue the high efficiency, ensure the environmental requirements and enhance the brand name value of the Corporation. In addition, the priority development of corporate culture environment towards humanism, professionalism together with the social security values will be a core foundation for the sustainable development.

### Assurance of service quality, withstand PV Drilling's prestige and position in the market

For PV Drilling, the brand name and prestige of a corporate always includes quality, safety and high efficiency of services. At any time, PV Drilling always ensure the professionalism and competitiveness of rival companies.

### Ensuring the minimum work to maintain the operation and employment

In the maximum efforts to overcome the most difficult period of the oil and gas industry, PV Drilling are trying to ensure the minimum work by the maximum efforts to search for domestic jobs that the primary target is to secure jobs for all workers. In addition to search for domestic jobs, PV Drilling will further promote its offshore services, continue to develop and bring drilling services of the Corporation gradually occupy the drilling market share in the East South Asia and beyond Asia and the Pacific.

### Strengthening and Utilizing Available Resources, Increasing Competitiveness

In order to face with the difficulties situation of oil and gas market, reducing workload and fierce competition, PV Drilling will continue to cut significantly costs, optimize the cost to the lowest but still ensure the quality of services to withstand the position and prestige of PV Drilling. In 2018, PV Drilling will continue to review the restructuring of some Subsidiaries which have disappointed business results, consider minimizing the apparatus to cut costs which incurred while looking for jobs. Besides, PV Drilling will strengthen human resources, train and self-train to improve the skills of Vietnamese workers for the purpose of gradually transferring technology and replacing foreign manpower according to the right course.



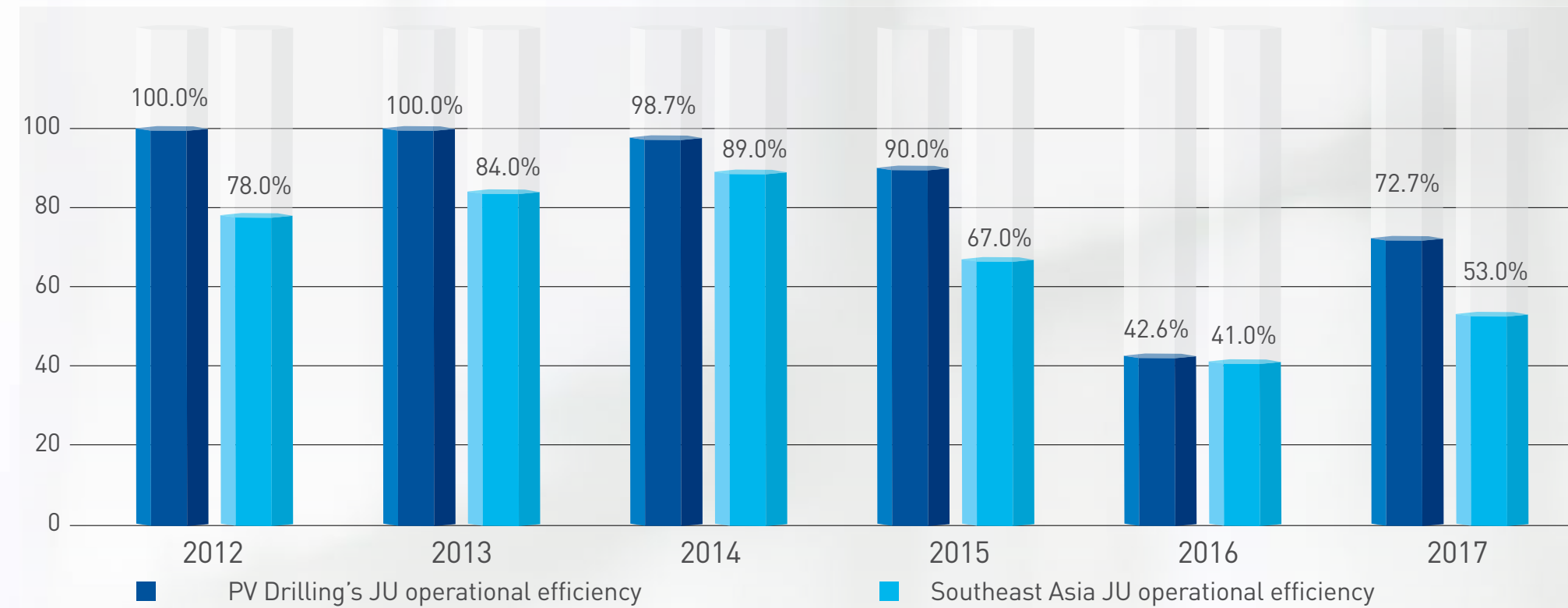


## PV DRILLING: THE SPIRIT TO OVERCOME CHALLENGES

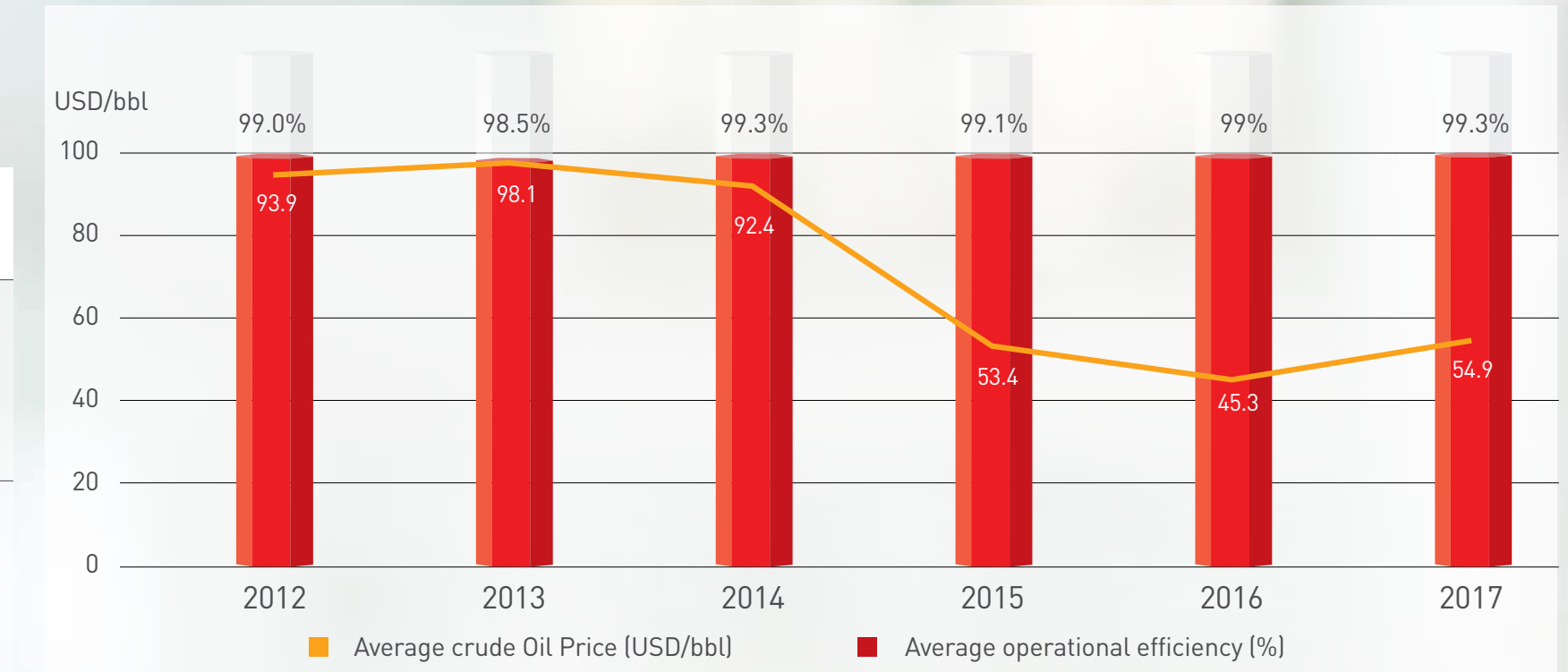
PV Drilling is considered a young drilling contractor with only 16 years of experience as compared to international reputable competitors in the industry. However, it can't be denied that the competitive advantage PV Drilling can extremely be proud is its state-of-art drilling rig fleet, with operational efficiency always over 98% over the years and safety achievements "Zero LTI" recorded and certified by the Association of International Drilling Contractors (IADC). More particularly, in 2017, PV DRILLING I has achieved 10-year Zero LTI (March 10th 2007 - March 10th 2017). PV DRILLING II and III reached the milestone of 8-year Zero LTI in October and November 2017 respectively. The latest jack-up PV DRILLING VI also marked its amazing performance with 3-year Zero LTI, The TAD -PV DRILLING V with 5 year Zero LTI also since its first day sailing out of construction yard. Or the land rig PV DRILLING 11 also marked 1-year Zero LTI after starting its new drilling programs for our customer in Algeria.

No matter how disturbed the market is, PV Drilling has always been trying its best in seeking contracts both domestically and regionally. Over the years of service provision, an operational efficiency rate of PV Drilling's drilling rig fleet is higher than that of the region. Whether during the time oil price being at its peak over \$100/bbl or at the bottom of USD 28/bbl, the average utilization rate of PV Drilling's jack-up rigs is always over 98%. And more importantly, its rig fleet has still been kept LTI free (No Lost time Incident).

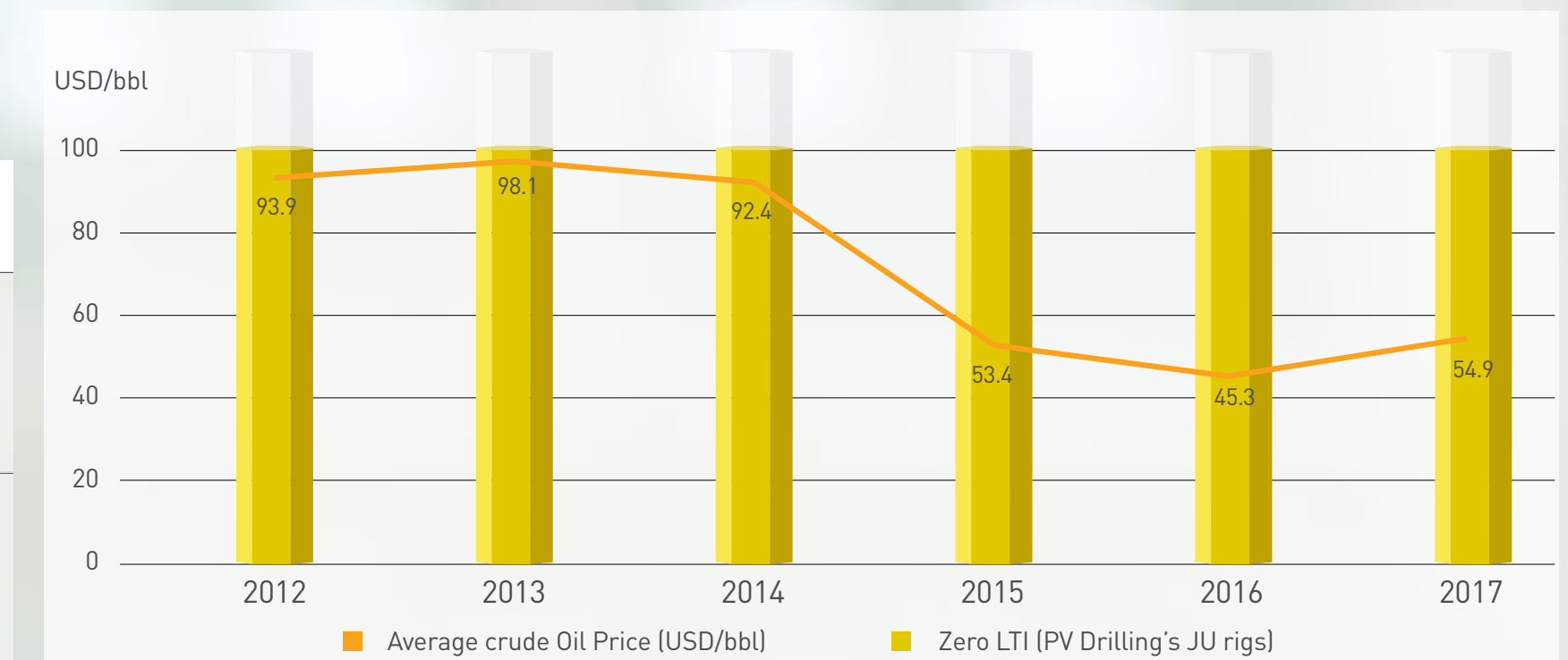
JU's utilization	2012	2013	2014	2015	2016	2017
PV Drilling	100.0%	100.0%	98.7%	90.0%	42.6%	72.7%
Southeast Asia	78.0%	84.0%	89.0%	67.0%	41.0%	53.0%



Data	2012	2013	2014	2015	2016	2017
Average crude Oil Price (USD/bbl)	93.9	98.1	92.4	53.4	45.3	54.9
Average operational efficiency rate (%)	99.0%	98.5%	99.3%	99.1%	99.0%	99.3%

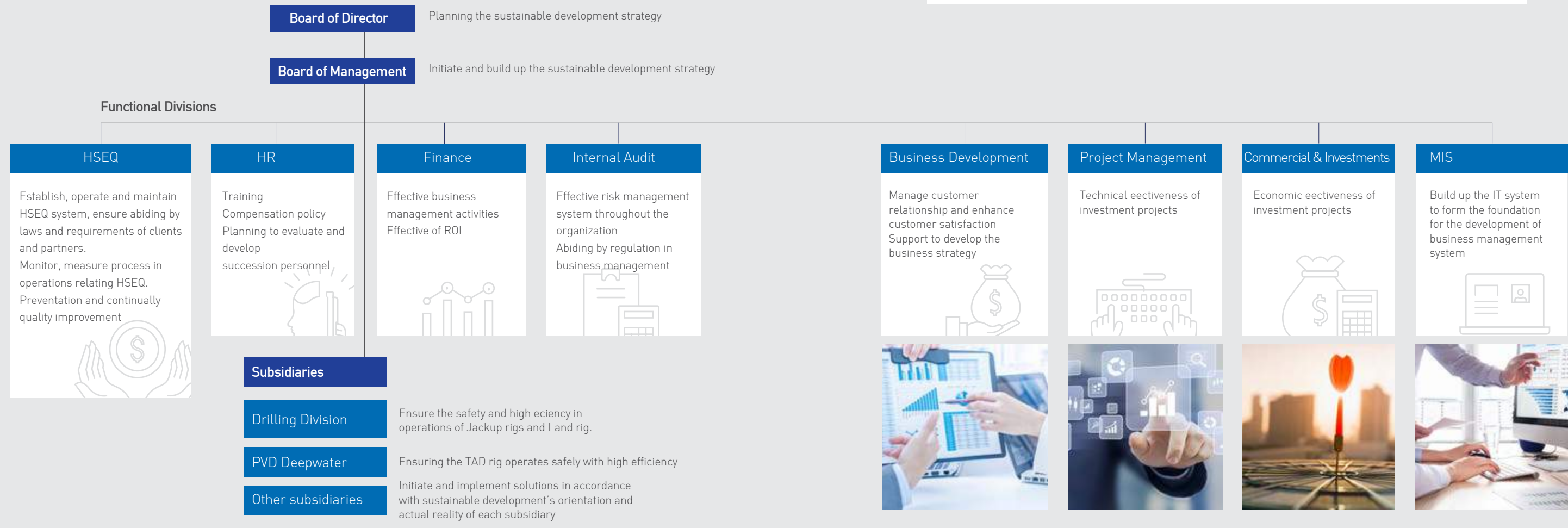
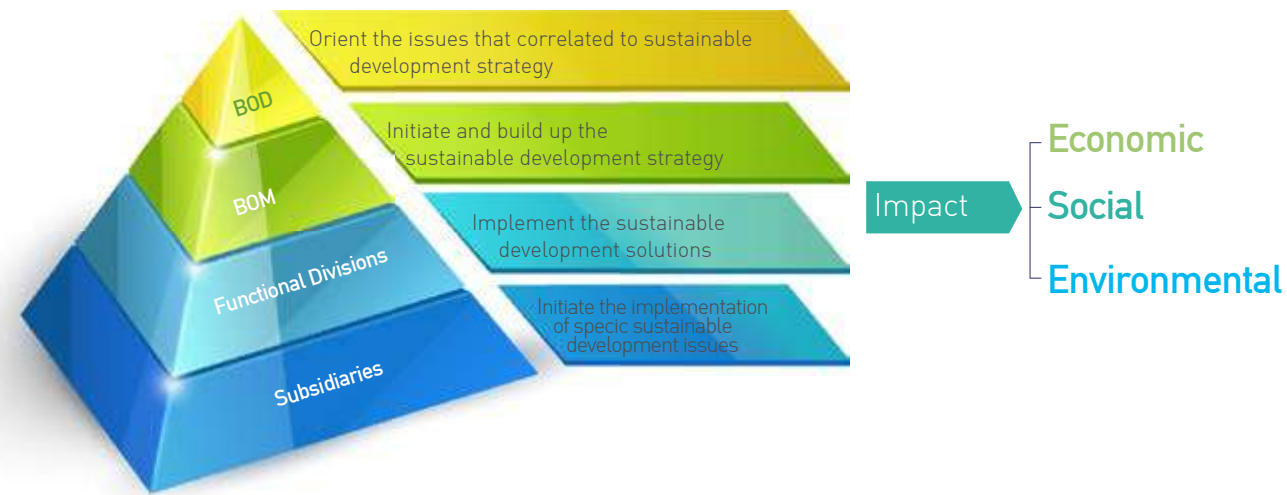


Data	2012	2013	2014	2015	2016	2017
Average crude Oil Price (USD/bbl)	93.9	98.1	92.4	53.4	45.3	54.9
Zero LTI (PV Drilling's JU rigs)	100.0% Zero LTI	100.0% Zero LTI	100.0% Zero LTI	100.0% Zero LTI	100.0% Zero LTI	100.0% Zero LTI





# MANAGEMENT STRUCTURE OF SUSTAINABLE DEVELOPMENT





# STAKEHOLDERS ENGAGEMENT

Our stakeholder can be classified as three main groups below:

- **Direct stakeholders:** they are directly affected by the outcomes, environment and social, which related to PV Drilling's business activities E including major shareholder (Petrovietnam), oil and gas operators and other related O&G sector, employees.

Stakeholders



**Customer**

Oil operators  
Other drilling contractors: providing manpower services



**Industry**

Association IADC  
Vietnam Oil & Gas



**Suppliers**

**Builder of offshore rigs**

Keppel Fels  
Other suppliers for equipment, spare parts



**Banks**

Vietcombank, PVCombank, BIDV, MBBank, Vietinbank, Seabank, CitiBank, HSBC, ANZ, DBS, Shinhan Bank, Standard Chartered Bank, BNP Baripap, JP Morgan, Deutsche Bank,...



**Petrovietnam Shareholders Investors**



**Employees**



**Government**





agencies related to finance, stock, tax, environment, labor, science and technology



**Competitors**



- **Connected stakeholders:** They influenced indirectly on our business activities, environment and social through their role of impacts on transparent information, corporate management, industry regulations, but also have interests E including shareholders, banks, suppliers, competitors and industry associations.

Stakeholder's Engagement 	Content of engagement and expectations from stakeholders 	Response to expectation 	The important matters of PV Drilling in 2018 
Customer monthly/quarterly meeting Customer's workshop/conference programs Customer satisfaction survey Reporting documents for clients	Safety and environment activities Operating efficiency Service quality; Price; Terms of contract; Reliability; Technology; Capabilities Profession of drilling crew	Invest in HSEQ system by applying international standards Reinforcing manpower training activities Focus on repair maintenance Together with clients in difficult period of collapse oil price (price decreases)	Ensure the quality of services Implement the cut cost programs in order to reduce price and share cost with clients.
Quarterly, Annual report LTI report O&G conferences	Safety Operations Ensure the environment Quality of services	Improve the HSEQ system R&D new services Improve quality of services Transparency information	Ensure safety and high-efficiency in business operations
Bid invitation Service contract	Transparent information for evaluating bidding Timer required to provide service Input prices Operation efficiency and profession	Transparent information Fairness for suppliers Payment assurance Building relationship with suppliers.	Decrease cost of inputs and closely co-operate with clients.
Opening account and using banking products and services: web-based banking platform, local and international payment, term deposit (VND & USD), foreign exchanges services and derivative transactions (SWAP/CCS USD) Arranging capital for rigs	Transparency of the corporate management system. Profession of financial management system	Updated Financial Management Policy in 2014 Applied advanced standards of corporate management Establish risk management system Establish the corporate auditor process policy to prevent, inhibit all damages which may occur.	Improve the corporate management system.
Annual general meeting of Shareholders Investor's meeting/conferences Periodic reports Information release.	Transparent information system Effective corporate management system Efficiency of business operation and finance Solutions to support oil operators and supplies	Effective communication channels Dividend policy to maximize the values of shareholders Solutions to reduce cost inputs	Maximize the shareholder values
Management team meeting Employee's conferences Employee's awards Programs attract employees to participate in cultural activities (like Green Bike, Green Day, HSE Day...) Feedback employee survey, interview...	Work environment Compensation and benefit Training Leadership and succession planning Profession; Learning; Creativeness; Teamwork; Integrity	The annual health checkup program Fairness of salary base on position and contribution Talents development and retaining program Succession planning Build up KPI to evaluate employees.	Maintain and develop the professional and high-skilled workforces.
Reports to government agencies Government meetings Government's inspection Achieve necessary certifications to ensure effective business operation.	Legal regulatory compliance Certifications, licenses in law Support for community development	Study legal issues Environment issues; complying and achieving certifications... Conduct HSEQ activities Social activities	Study, implement internal communication for legal regulations, new policies, especially Law Enterprise and other circulars related stock, exchange, tax...
Participate in bidding Join to O&G associations Market research of consulting's agencies O&G industry reports	Fairness and transparency	Transparent disclosures boost the brand name and position on the market.	Study and find the opportunities for co-operation and development in foreign drilling market



## ASSESSMENT OF KEY BUSINESS SECTORS

Signs of recovery in oil price have positively impact business activities of drilling contractors as well as PV Drilling. Thus, PV Drilling Management team has focused on determining key business sectors in order to ensure the efficiency of drilling performance and related services and maintain its reputation.

The Management team has based on the core values and the needs of related parties to assess key business sectors as follows:

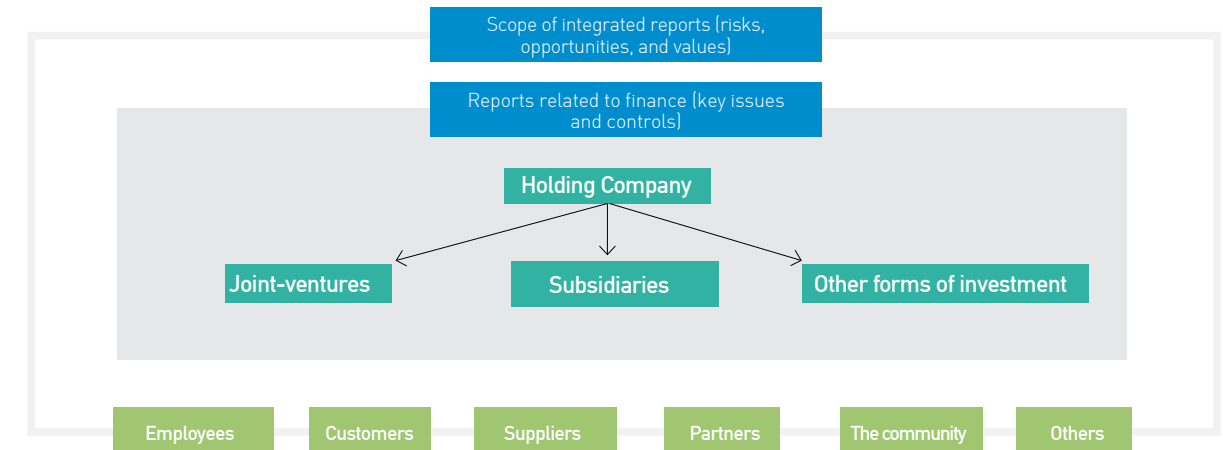
### Step 1: Determine scope of assessment

The Management team determines the scope of the assessment in the integrated report including all related parties who influenced PV Drilling and are influenced by PV Drilling both positively or negatively. This means the related parties are capable of impacting PV Drilling's values. On the other hand, PV Drilling's activities are also capable of impacting these related parties as well.

PV Drilling periodically updates changes of internal and external environment to ensure accurate assessment and classification of related parties are conducted properly. In 2017, PV Drilling assessed and classified its related parties into 3 groups as follows



Related parties classification	Related parties	Classification description
1 Primary	Customer Employee Shareholders (including Petrovietnam) and investors	Have impacts on PV Drilling business activities and vice versa.
2 Secondary	Suppliers Competitors Partners Government Associations	Capable of affecting PV Drilling success while PV Drilling has less impact on these related parties than those in Group 1
3 Tertiary	Community The press Other non-profit organizations	PV Drilling has the least direct impact on these related parties, although PV Drilling's reputation and position may be affected indirectly by these related parties



### Step 2: Collection information from related parties

After identifying the scope of assessment in the report, PV Drilling collected information from related parties through the following channels:

- Review suppliers' feedback on PV Drilling's service quality during the campaign, vendor outsourcing, and exchange of work with related parties;
- Review periodic feedbacks on suppliers who provided products and services for PV Drilling and its subsidiaries;
- Internal reports of subsidiaries, departments/ functions, Management team through meetings, reports, annual budgeting, etc;
- Refer and assess monitoring reports of state agencies through inspections and audit;
- Review reports of customers and consultants when working with PV Drilling;
- Review reports of forecasting macroeconomic and oil and gas markets from banking institutions, IHS, BMI, IADC and from other independent analysis organizations.

### Step 3: Determine key business sectors

Through assessment and information obtained in Step 2, PV Drilling evaluates key business sectors by ranking of each importance level, including the following 3 levels:

1. Most important area: these are extremely important issues that will have direct and immediate impacts on PV Drilling's operations;
2. Sectors of improvement: potential or current issues that may directly affect PV Drilling's operation and its position;
3. The sectors which are under control: Matters which are still under close control of PV Drilling.

### Step 4: Classification and connection of key business sectors with PV Drilling's core values

Classification of key business sectors is determined based on the PV Drilling's sustainable development strategy which is linked to the PV Drilling core values (value drivers) to ensure the comprehensiveness and completeness including:

1. The position of a reputable and reliable drilling contractor;
2. Financial capability;
3. High quality of human resources;
4. Strong relationships with partners and the community.

PV Drilling identifies and classifies key business sectors to ensure a linkage with PV Drilling's sustainable development strategy, taking into account the assessment of the organization's impact on economic, environmental and social aspects.

### Step 5: Finishing and improvement

In management, the Management team has reviewed reports to ensure the report quality is performed in a reliable, clear and accurate manner; and showing the balance, timely to ensure the maintenance of data forwarding for subsequent reports. PV Drilling continues to develop and improve the methodology of monitoring reports and data collected from PV Drilling's internal operating procedures. PV Drilling also has plans to develop different monitoring indicators to prepare for future reports.

In 2017, PV Drilling's Management team identified and assessed key opportunities and business sectors, thus developing plans in line with current market positive movements.



## ASSESSMENT OF KEY BUSINESS SECTORS (cont.)

### Core values



Reputable and Reliable drilling contractor



Financial Capability



Human resources



Sustainable relationships with partners and the community



### Goal



### Key business sectors



### Rating



### Cycle



Goal	Key business sectors	Rating	Cycle
Improve business performance, expand markets, develop high-tech services and ensure service quality.	Maintain rigs' efficiency performance	2	Long term
	HSEQ	2	Long term
	Complete IT system (ERP phase III)	2	Short term
	Develop the Science and Technology fund	2	Mid term
Ensure business performance	Optimization and cost reduction: - Management of operating rigs; - Administration, commercial and human resources	1	Short term
	Collection of overdue debts	1	Short term
	Develop and operate Risk Management system successfully	1	Long term
	Develop human resources into one of the leading competitive advantages, raising Corporation prestige	2	Long term
Remuneration policy, talent retention and development	Training and improving quality of local workforce	2	Long term
	Developing successor resources	1	Mid term
	Build a professional culture and working environment	3	Mid term
Pay attention to social community development	Develop strong relationship with the Government	3	Mid term

### Summary of PV Drilling sustainable development strategies

1. Maintain the position of a reputable and reliable drilling contractor by enhancing its operational performance and ensuring service quality.
2. Ensure financial capability, enhance the application of science and technology, focus on measures to optimize cost and maintain the business performance.
3. Develop professional human resources with high qualifications. This is considered one of the competitive advantages and most valuable assets of PV Drilling. Currently, PV Drilling has implemented a solution to share difficulties but still ensure a reasonable income level while aiming to improve the quality of life, morale, attitudes and working environment for employees
4. Maintain sustainable relationships with partners and the community, creating a sustainable human culture, improving living standards of the community and protecting the environment.

In 2017, PV Drilling's Management team has focused on identifying and assessing key risks and business sectors; from which they have found effective solutions to deal with negative changes of the current oil and gas market.





## RISK MANAGEMENT ACTIVITIES – THE RISKS, DIFFICULTIES AND ADVANTAGES

Year 2017 is still a difficult year for the Corporation due to unpredictable fluctuations in crude oil price resulting in a significant reduction of demand for drilling and drilling-related services. Therefore, risk management activities have become the top priority of PV Drilling's business objectives. The Management team has identified The Top Risk Portfolio at PV Drilling and given the response measures as follows:

### 1. Strategic risk

At PV Drilling, the business development strategy has always focused on core services, which are clearly defined throughout the Corporation. In the course of implementation, PV Drilling's Management team has identified potential risks that may badly affect the strategic objectives and provided solutions to mitigate the risks. These solutions are important for the Corporation in the turbulent context of the global economy and politics together with the fierce competition among international oil and gas companies. The solutions for mitigating the strategic risks are as follows:

- Planning the core activities of the Corporation and focus all resources in providing drilling rigs and related drilling services;
- Restructuring the Corporation, developing plans to respond to market changes;
- Establishing value chain to gain competitive advantages and add value for clients;
- Enhancing corporate governance, applying international standards and practices in management in order to optimize internal resources in current difficult period;
- Promoting the Corporate's image and brand in the Oil and Gas Drilling industry both locally and regionally. Maintain professional working attitude of all employees which contributing to creating a professional environment and culture at PV Drilling.

### 2. Risk of loss of market share and competitive advantages

In the context of low oil prices, the Corporation is having a challenge in accomplishing its target revenue and market share. There are a large number of redundant jack up rigs, which are willing to offer at very competitive rate, even below the break-even point. This situation impacts the Corporation's

business objectives. To overcome this challenge, PV Drilling's BOD has come up with a number of vital solutions to meet those challenges:

- Proactively monitoring the market's fluctuation and looking for new drilling contracts in the region to maintain the rig's operation, create initiatives for PV Drilling to expand the market;
- Optimizing and cutting administrative and operating expenses, negotiating with suppliers to reduce costs, and improve price competitiveness;
- Review the operational procedures to optimize and use effectively the internal resources of the Corporation while still ensure the quality of production;
- Continuously strengthening Science and Technology development activities by applying the new technology and invention/new solutions to improve service quality and improve productivity and safety work

The decline of oil price has led to numerous business risks; however, the BOD also sees this as an opportunity for PV Drilling to re-assess and optimize resources in operation. Beside optimizing and cutting cost, the BOD also decided to apply new technology in management (ERP Oracle Phase III), Enterprise Risk Management, Anti-bribery and Corruption policy ... to enhance the value and image, helping PV Drilling deal with the challenges while waiting for the recovery of the market.

### 3. Rig Operating Safety risk

For Oil and Gas as PV Drilling, quality and environmental issues are always at the top because of the inherent risks. The drilling operations are faced with unpredicted weather and geographic conditions in offshore oilfields or arid deserts, the changes in the geological wells as well as technological factors in the industry always create operational risks. Any of these risks could lead to the suspension of drilling activities, damaged or destroyed drilling equipment and machinery; injuries even fatal to human life and consequently oil spills, catastrophic explosion that damages the environment and reputation of the Corporation. So far, PV Drilling has always been highly appreciated in the management of safety, quality and environment by domestic and international organizations. To achieve that, PV Drilling has implemented and maintained the following solutions:

- Applying and constantly improving the HSEQ Management System in accordance with international standard certified by numerous prestigious organizations such as the American Petroleum Institute (API); other quality management standards such as ISO 9001:2009, ISO 14000:2004, Health and Safety OHSAS 18001:2007. Participating and complying with the regulations of the International Association of Drilling Contractors (IADC);
- Strictly managing and synchronizing service quality in all stages of the service supply chain such as: drilling manpower service, testing and maintenance drilling equipment service, oil spill response service...
- Applying advanced management software such as MAXIMO for asset management, procurement and inventory management, and creating periodic maintenance programs to manage thousands of items used for daily drilling and other services, ensure the stability of the supply chain to respond quickly to material requests for operational activities;
- Using the Asset management system and Reliability-centered Maintenance to optimize operation and safety of equipment and assets;
- Maintaining insurance policy and purchasing insurance for PV Drilling's rig and human resources.

For many years, PV Drilling has always maintained the achievements of Zero LTI of rigs, "Best Drilling Contractor in Asia" by World Finance as well as certification of partners and customers. This is considered as one of the strengths of PV Drilling in competition and development of the market in the region and the world, which is a solid foundation for PV Drilling to overcome the current difficult period.

### 4. Cash flow planning risk

In the process of formation and development, PV Drilling operates under the Holding company model with various subsidiaries and joint venture companies which need capital to meet large investments and normal business expenses, especially in the period of workload and price are still low as the result of the impact of the decline of the oil and gas

*At PV Drilling, risk management is always taken into consideration as it is considered the key factor for sustainable development. Manage to take this task under good control will help PV Drilling's management team to have full deep knowledge and enhance the business performance.*





## RISK MANAGEMENT ACTIVITIES - THE RISKS, DIFFICULTIES AND ADVANTAGES (cont.)

market. Therefore, the risks associated with cash flow planning in the context of declining business activity, interest rates and exchange rate fluctuations are constantly monitored and evaluated. It is a challenge for the BOD to forecast market economy and use financial instruments effectively to mitigate the financial risks. The solutions to manage financial risks which have been implemented and will continue to be carried out including:

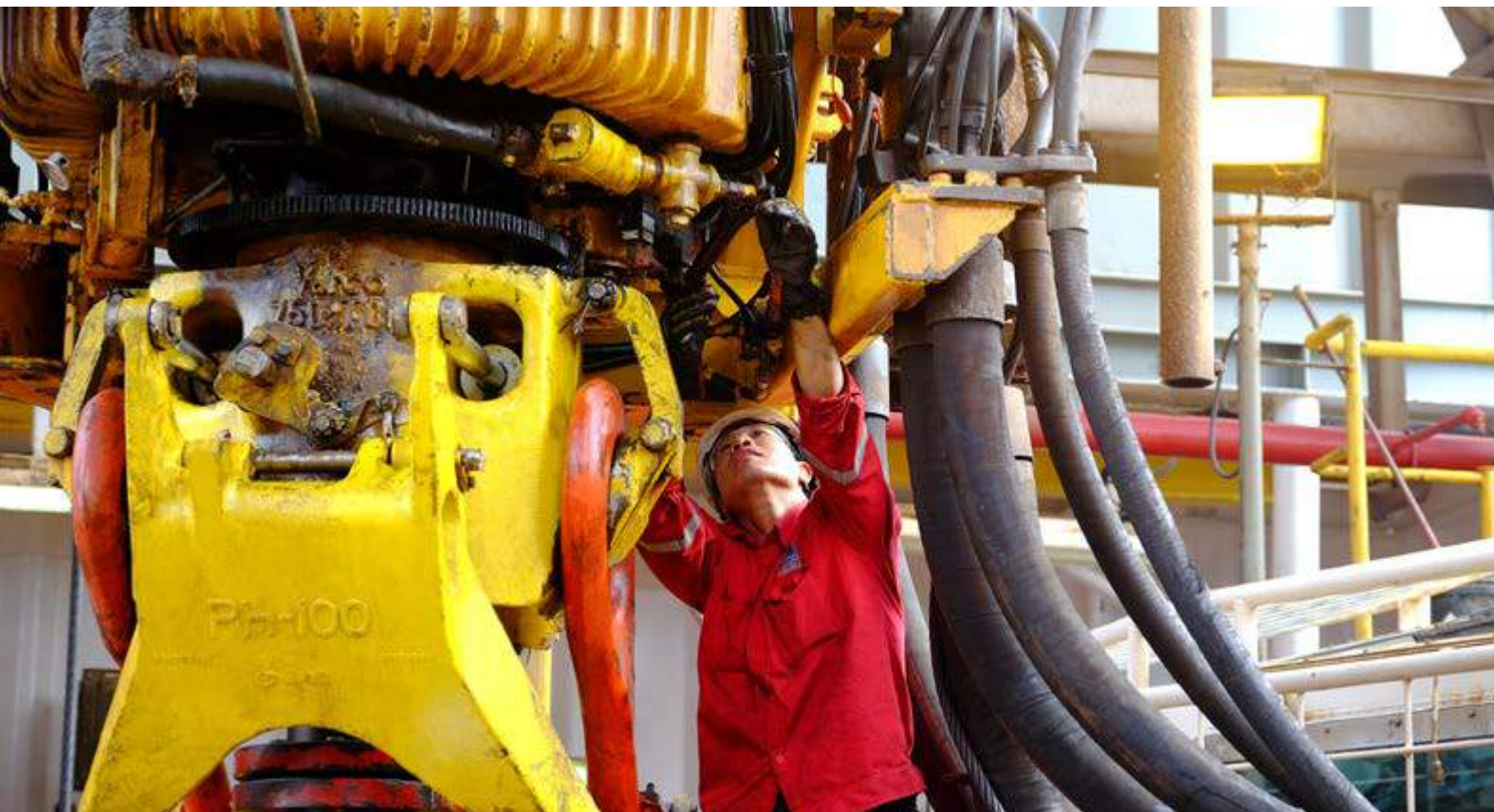
- Establishing and developing procedures and budget planning system through structured and constantly completed management accounting reporting system from BUs level to Corporate level, using IT system ERP Oracle EBMS;
- Apply strictly the Financial Management Policy compatible with current business activities of the Corporation; developing standards and norms for centralized financial management and determining key financial indicators;
- Coordinate cash flow, develop weekly/monthly cash flow plans and regularly update changes to ensure timely planning to meet capital needs for investment and business activities to the units through centralized cash management, optimize cash flow, minimize

opportunity costs and improve profit from financial activities

- Using USD as the principle currency at the Corporation to avoid foreign exchange losses in business transactions; negotiating with customers to sign contracts and make payment for service rendered in USD to preserve USD in business activities;
- Effectively using derivative instruments such as Interest Swap, Option ... to ensure the source of USD when necessary and to respond fluctuations in exchange rates and interest rates.

### 5. Risk of human resources management

Staff at PV Drilling with high capacity, technical skills and experienced in the industry are considered the key to the success of PV Drilling today. In the context of a difficult oil and gas industry, workers are also heavily affected by declining workload, unstableness of salary and allowance. Therefore, the management of human resources at PV Drilling has become ever more difficult while maintaining the highest quality of service, professionalism and enthusiasm in the workplace. Recognizing this problem, PV Drilling's BOD has been maintaining the following solutions:



- Reviewing and improving the capacity framework for all levels from workers, engineers, specialists to manager levels;
- Applying talent retention policy and develop successor resources;
- Reviewing and reallocating workload reasonably, creating opportunities for staffs to continue working;
- Strengthening of internal training courses to improve skills and experiences;
- The Managements and trade union regularly contact with employees to find out their aspirations, thus providing necessary support.

### 6. Risk of contract negotiation

In the difficult context of the Oil and Gas industry, investors are very cautious and require more stringent terms in the contract, these may cause disadvantages to PV Drilling during the negotiation process and the implementation of service. Identified those risks, the BOM has specific solutions to mitigate the impact and likelihood of risk as follows:

- Setting up a Board of Evaluation that evaluate the contractual terms before finalizing the drilling contract;
- Referencing to the terms of the agreement under the framework contracts applying international standards and practices in the Oil and Gas;
- Reviewing the bidding process, process of drafting the contract;
- Coordinating consultants and lawyers to assist in reviewing contract terms before signing.

### 7. Risk of Taxation

The Oil and Gas industry is a key industry of the Vietnamese economy, thus the sector's activities are governed by a variety of policies and laws, particularly in respect to taxation. In order to catch up with global integration and growth, tax policies in Vietnam are always updated and changed to fit the trend. Having identified this as a direct impact on the PV Drilling business, the BOD has directed several actions to mitigate such risks:

- Proactively researching, monitoring and updating the tax policy changes to the Divisions/Subsidiaries according to each tax item, each type of services, minimizing the tax risks that can be emitted;
- Actively proposing changes in tax policy that is not suitable with the characteristic of the Oil drilling business in order to create a fair environment among local and foreign corporations;

- Working with tax consultancy team to determine the specific roadmap for changing business activities in line with changes in Tax policy and ensuring the contribution to the State budget.

### 8. Compliance risks

The Corporation is governed and regulated by various Government laws, policies, regulations of the Vietnam Oil and Gas Group and the Department of Securities ... In addition, the Corporation also applies international standards and practices in corporate management, drilling and drilling services certified by international associations. Therefore, compliance risks of Government laws as well as internal regulations are always an issue that PV Drilling's BOD is deeply concerned about. In order to ensure the compliance at PV Drilling, some effective measures taken by the functional departments such as Internal Audit, Risk Management, Legal, HSEQ,... could be mentioned as follows:

- Regularly carrying out the assessment, inspection and supervision of PV Drilling's compliance with laws, procedures, internal regulations, tax policies and other prevailing regulations ... as well as assess management activities across the BUs to ensure effective operation;
- Evaluating the risks of business, financial, accounting and tax, reviewing governmental policies to ensure legal compliance and recommends corrective or preventive actions in line with the target of effective use of PV Drilling' internal resources;
- Reviewing the terms of drilling contracts, domestic and foreign trade contracts to ensure compliance with Vietnamese laws and foreign regulations;
- Assessing and ensuring the compliance with safety policy in operation, regulations, standard in accordance with PV Drilling, applicable Vietnamese law and international standards;

In addition, the Corporation has developed a Code of Conduct to apply throughout the Corporation in order to improve the awareness and behavior of employees, to create professional culture and environment, and to prepare for expansion into the regional and global market.



# SUSTAINABLE BUSINESS MODEL

## SUSTAINABLE INPUTS

### NAME

- NOV
- KEPPEL FELS
- ARNO
- ...



### RELIABLE PARTNERS

- BAKER HUGHES
- BJ
- EXPRO
- MARUBENI ITOCHU
- CITRA SUMIT
- OIL STATES
- FALCON ENERGY



### RISK FACTORS

- THE IMPACT OF OIL PRICE
- SAFETY IN OPERATIONS
- LIMITED RESOURCES
- FINANCE
- COMPLIANCE
- ...



**1,840** EMPLOYEES

- PROFESSIONS AND INTERNATIONAL CERTIFICATIONS:
- BOSIET
  - IWCF LEVEL 3, 4
  - IADC
  - H2S...



### FINANCE

- LEVERAGE (30% EQUITY : 70% BORROWING)
- SHARE ISSUANCE



### ERM SYSTEM

Provides comprehensive information to identify, assess and have risk response guidance in a timely, effective and consistent manner; Continue to conduct at BUs



### NATURAL RESOURCES

- POWER: 3.5 MILLION KWH/YEAR
- WATER: USING THE WATER RECYCLING TREATMENT AND USES ONSITE SYSTEM



## VALUE DRIVERS



### THE REPUTABLE AND RELIABLE DRILLING CONTRACTOR AND DRILLING-RELATED SERVICES PROVIDER



### BUSINESS OPERATIONAL EFFICIENCY

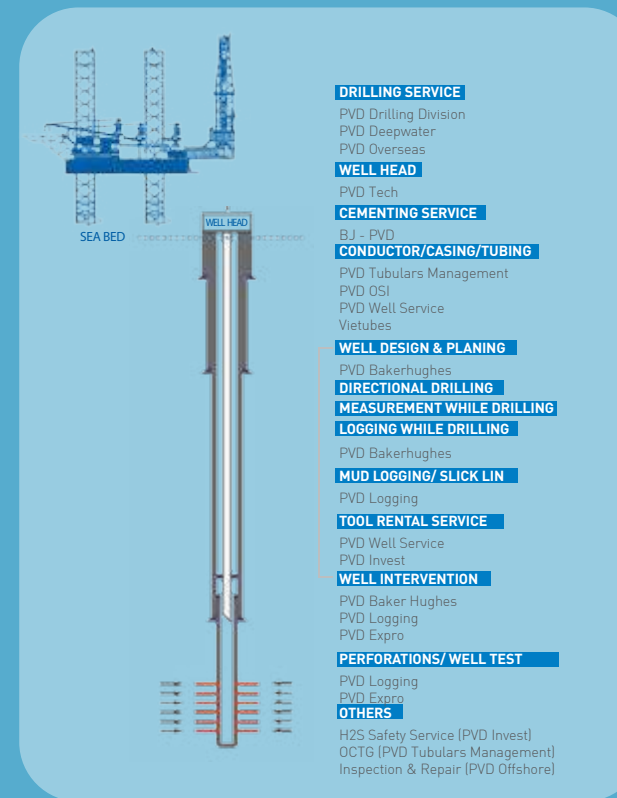


### HUMAN CAPITAL



### SUSTAINABLE RELATIONSHIP WITH PARTNERS AND COMMUNITIES

## BUSINESS OPERATIONS



### DRILLING MANAGEMENT SYSTEM

- HSEQ
- MAXIMO  
MAXIMO MIN-MAX MODULE
- IDENTIFYING RISKS & HAZARDS (IADC HSE CASES)
- RCM (RELIABILITY CENTERED MAINTENANCE)
- SUPPLY CHAIN MANAGEMENT

### APPLYING ERP ORACLE

- ORACLE APPLICATIONS  
FINANCIAL  
INVENTORY  
PROJECT  
PURCHASING  
HUMAN RESOURCE
- BUSINESS INTELLIGENCE  
ENTERPRISE PLANING & BUDGETING  
ĐANG TRIỂN KHAI
- ORACLE APPLICATIONS  
ORACLE APPLICATIONS SERVER  
ORACLE DATABASE

## SUSTAINABLE OUTCOMES

### VALUE TO CUSTOMERS

Providing bundled services through integrated services from beginning drilling to completion drilling the well, ensuring the accomplishment of the drilling campaign

### REPUTATION

- The Best Oil and Gas Drilling Contractor in ASIA for 2012, 2013, 2015
- Operation efficiency: → 98%
- The certifications of IADC:
- + PV DRILLING I: 10 years Zero LTI
- + PV DRILLING II: 8 years Zero LTI
- + PV DRILLING III: 8 years Zero LTI
- + PV DRILLING V: 5 years Zero LTI
- + PV DRILLING VI: 3 years Zero LTI
- + PV DRILLING 11: 1 year Zero LTI
- TOP 10 ENTERPRISES WITH MOST CONTRIBUTIONS TO HOSE DEVELOPMENT
- AWARD FROM STATE SECURITIES COMMITTEE
- Ranked 23rd The Largest Business Income Tax

### SAFETY & ENVIRONMENT

- Satisfy environment regulations in O&G industry
- Apply ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 to enterprises

**6 MILLION** WORK HOURS WITHOUT A LOST-TIME INCIDENT

**ZERO** ENVIRONMENTAL VIOLATIONS

### SOCIAL & COMMUNITIES

Becoming the culture of enthusiasm, PV Drilling has focused on development of health, education & training and has integrated in sustainable strategy of PV Drilling development

OVER **300** BILLION VND for social welfare up to now



## SUSTAINABLE BUSINESS STRATEGY

### Prestigious and Reliable Drilling Contractor

Crude oil is an important commodity which imposes significant influences on the economic and political sites of many countries in the world. Even so, this industry still had to confront numerous ups and downs during the course of its development. All of the crisis might be different in nature but converges at one critical point: they required oil and gas operators, contractors and service providers to spend maximum efforts on risk control, formulate a flexible development strategy and grasp the right opportunities for growth. Respectively to the recent downturn, the contention to gain the upperhand in oil supply market has indirectly rendered the number of drilling rigs exceeding the practical demand, thus, dragging rig day rate down considerably. The good news is that crude oil also possessed an amazing vitality and always bounced back vigorously after each severe recession. Such fact could help reinforce the belief of the drilling contractors toward a sustainable future for the industry. In Vietnam, Petrovietnam is currently executing comprehensive remedies to improve the situation. The oil and gas industry, despite the temporary halts in exploration during recent years, still plays a significant role to contribute to the economic-social progress and to ensure the energy security of the whole country. With such vision, PV Drilling set out the business strategy and targets for mid-term and long-term time as follows:

1/Operating the wholly-owned rig fleet with the highest level of safety and efficiency; and in parallel, pro-actively cooperating with globally reputable drilling contractors to provide suitable rigs for clients should demand emerges

2/Strengthening and developing PV Drilling's scope of well technical services; promoting new advanced technical services via investment into technology improvement and infrastructure modernization.

3/Conducting feasible study and market research to find investment opportunities and expand the scale of the rig fleet in both onshore and offshore segments.  
4/Promoting the value of internal strength via intensive focus on developing a highly-skilled workforce; reinforcing in-depth training activities and preparing the successive generation at all corporate managerial levels.

5/Completing the deployment of risk management system; preparing remedial action plans to deal with different scenarios of market fluctuation, consolidate activities involving financial management, cost-saving and procurement control.

In pursuing a sustainable development, we always emphasize to improve the operational competency, developing human resources, maintaining talents, staying committed to safety in all business activities, reinforcing the corporate culture and environment. Those are the major columns that make up the solid framework for PV Drilling to keep perfecting its strategy of sustainability.





## POLICIES RELATED TO CLIENTS

### A solid affirmation of service quality

Since 2014, crude oil price has witnessed one of the most dramatic downturns in decades due to the battle of oil market share among the largest players in field. The event indirectly turned exploration activities into frozen state, causing severe impacts on the drilling market and inducing an intense competitions among drilling contractors. In such context, rig demand and day rate dropped considerably. Facing such threat, drilling contractors had to maintain and improve their service quality, and ensure to meet the satisfaction of clients in order to remain in the intense playground of the industry. Therefore, during the recent years, PV Drilling has spent maximum effort on implementing comprehensive measures to further affirm the quality of the drilling services via investing in operational competency and management as well as taking the first move to thoroughly understand clients' needs, actively seeks for clients' comments and feedback to identify any inadequacy, timely mitigate potential loss, and thereby, offering clients with the best value of our services.

In every campaign, PV Drilling has come forth with the firm commitment to provide the highest service quality, which, in return, earned the support and trust from clients. In 2017, PV Drilling completed many drilling projects for clients including Cuu Long JOC, Vietsovpetro, JVPC, Hoang Long JOC, Kris Energy, Petronas Carigali, IPC Malaysia, GBRS, OC BMS (Algeria); successfully deployed the Bundled Services for Premier Oil; and all PV Drilling's wholly-

owned rigs have been highly regarded by clients in all aspects of operation, management and HSE. Thanks to such credit, the whole fleet has continued to win new contracts despite the market downturn. Remarkably, our offshore performance in 2017 was certified by IADC for the excellent operation with Zero Lost-time Incident (Zero LTI). This indicator is among one of the most crucial factors that clients always take interested in and highlight its importance while using the service of PV Drilling.

### Maintain And Improve Clients' Satisfaction

To maintain and improve clients' satisfaction and reinforce the long-term relationship with clients, PV Drilling shall focus to promote the following seven (7) core values in its business performance:

- confidence
- commitment
- communication
- attention
- honesty
- community
- integration with the diversified cultures of clients.

Besides, PV Drilling shall conduct regular in-depth surveys to measure clients' level of satisfaction, timely rectify any shortcomings and consolidate PV Drilling's position in the market. Specifically, PV Drilling shall strive to improve its performance in "Job Quality" by meeting the assigned due dates and fulfilling the requirements of clients, provide timely report and assessment at completion stage of every job. In order to enhance the performance and reliability index (PR),



PV Drilling also concentrates on staff training activities as well as equipment maintenance activities.

Additionally, intensive attention was also stressed on the performance of other indexes including HSE (Health, Safety and Environment), PRICE (Pricing and Contract Term), and CC (Corporate Capacity). Particularly in HSE, PV Drilling considers this element the fundamental foundation for measuring clients' satisfaction and supporting the evaluation of other indicators. Therefore, PV Drilling shall exert its effort

to ensure the HSE policy to be strictly executed and continue to build a high safety-awareness business culture, which, in turn, would help to maintain clients' satisfaction, improve the reputation of PV Drilling as the leading drilling contractor and drilling-related service provider in Vietnam. In overall, the clients' assessment toward the service of PV Drilling can be put in a concise way as "Professionalism and Quality". These two criteria shall also be the focal points in PV Drilling's action plan to maintain and improve its service quality.

“PV Drilling has demonstrated great discipline and dedication in performing its services, particularly in the aspects of operational efficiency and safety. Such efforts have considerably contributed to the success of Hoang Long – Hoang Vu JOC's drilling campaigns during the past 10 years.

Mr. Peter Prince - Drilling Manager - Hoang Long & Hoan Vu JOC

“PV Drilling has complied strictly with its commitment made at the commencement of the campaign and it is a really well-done job that PV Drilling has fulfilled for ENI Vietnam”.

Mr. Luigi Meinero - Well Operation Manager - ENI Vietnam

“We are truly amazed by the performance PV Drilling's rig and the competence of the crew on board. PV Drilling has delivered a very successful drilling campaign to Kris Energy via their relentless effort and solid commitment in all aspects of operation efficiency, safety and environment.

Mr. Kelvin Tang - Managing Director - Kris Energy

### The Sustainable Relation With Clients

At PV Drilling, the organic relationship with clients is the most crucial element that shapes the sustainable development of the whole Corporation. Specifically, such relationship has been built on the solid foundation made up by the following seven (7) key ingredients:

#### 1. Confidence

PV Drilling has a solid confidence in its competence and service quality, and always stays close to this value in every business decision, in daily operation and in setting out its development plans.

#### 2. Commitment

PV Drilling always exerts its best effort to thoroughly understand the clients' needs and commits itself to continuous improvement in order to enhance its operational capacity and bring back to clients the best service values.

#### 3. Communication

PV Drilling always strives to maintain the consistency in all messages conveyed to clients. In the event it is expected to have any delays in planning, breakdown or repair, equipment maintenance, etc., PV Drilling always finds the fastest ways possible to inform

clients, thereby, facilitating timely discussion to figure out the best solution and mitigate the incurring loss

#### 4. Attention

PV Drilling establishes firm relationships with clients via expressing its attention to accompany the clients right at the embryonic stage of each projects, as well as offering clients with service quality that goes beyond their expectation.

#### 5. Honesty

PV Drilling always demonstrates its reliability, honesty and transparency through its clear business policy, service commitment and assurance from renowned auditing organizations.

#### 6. Community

PV Drilling fulfils its responsibility toward community by actively participating in social-welfare activities. PV Drilling is always ready to share its know-hows and experiences for the enterprise community, and thereby, gaining the trust of clients.

#### 7. Integration with diversified cultures of clients.

Awareness toward clients' culture is an essential matter to PV Drilling. A thorough understanding of clients' culture has facilitated PV Drilling to come up with proper approach methods, gain favourable supports from clients and create sustainable relationships.




## POLICIES RELATED TO CLIENTS (cont.)

### THE POLICIES CONCERNS THE HEALTH OF OUR CLIENTS

The policies and regulations concerning the health of the Clients are integrated into PV Drilling's policies and procedures on Health ESafety - Environment. Every time the Client's staff comes to PV Drilling to work, whether at Ho Chi Minh City Offices, onshore facilities in Vung Tau or offshore drilling rigs, the Safety Instruction would be presented by PV Drilling's staff first in order to provide basic information on the HSE regulations applied at PV Drilling. Therefore, PV Drilling's HSE regulations irements for arriving and leaving the platform, the food safety regulations, the safety partner, etc.

Severity	Consequences - PEAR (People, Environment, Assets, Reputation)			A = Very Low	B = Low	C = Moderate	D = High	E = Very high	
	People (Injury/Disease)	Damage to environment	Asset/ Business Loss	Damage to Reputation	Exposures are negligible	Exposures are currently controlled and likely to remain so	Exposures are currently controlled but cannot be assured.	Exposures are not adequately controlled and continuously or regularly fail to meet criteria, such that an event almost inevitably results	Exposures are excessive such that more than one event almost inevitably results
<b>0 = None</b> 	No injury or disease	No damage	No damage	No damage	A0	B0	C0	D0	E0
<b>1 = Very Low</b> 	Minor injury or disease, medical treatment, no lost time	Slight effect, local clean up, no regulatory report required	Slight damage, no report, repair locally	Slight effect, no media coverage, no fines	A1	B1	C1	D1	E1
<b>2 = Low</b> 	Slight injury or disease, no work interruption, first aid only	Slight effect; clean-up cost <\$ 10,000	Minor damage, loss <\$ 10,000	Slight effect, minor local media impact, loss max. \$10,000	A2	B2	C2	D2	E2
<b>3 = Moderate</b> 	Serious injury or disease, lost time, no permanent disability	Serious loss; clean-up cost from \$ 10,000 to <\$ 100,000	Serious loss; clean-up cost from \$ 10,000 to <\$ 100,000	Serious, adverse regional media cover, large fines.	A3	B3	C3	D3	E3
<b>4 = High</b> 	Major injury or disease, permanent disability	Major loss, Clean-up cost from \$100,000 to \$500,000, business loss	Major loss, Clean-up cost from \$100,000 to \$500,000, business loss	Major, adverse national media cover, large fines.	A4	B4	C4	D4	E4
<b>5 = Very High</b> 	One more fatalities	Loss >\$500k	Loss >\$500k	International adverse media cover and global reputation damage	A5	B5	C5	D5	E5

The severity rating is the highest rating selected for any PEAR category. For example, if People is rated 5 and Environment is rate 2 then the overall severity rating is 5.

 Low Risk  
 Moderate Risk  
 High Risk

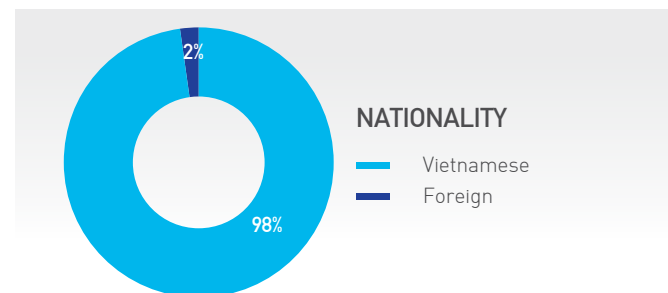
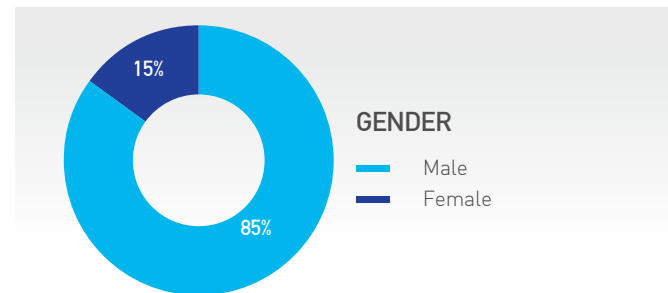
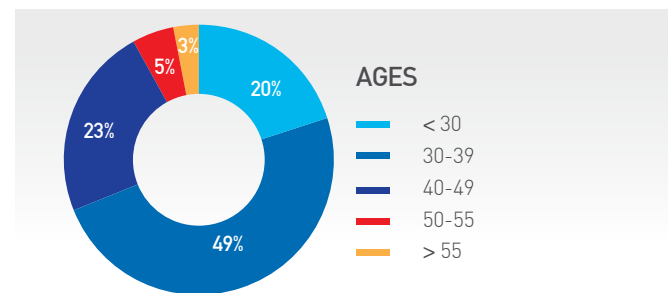
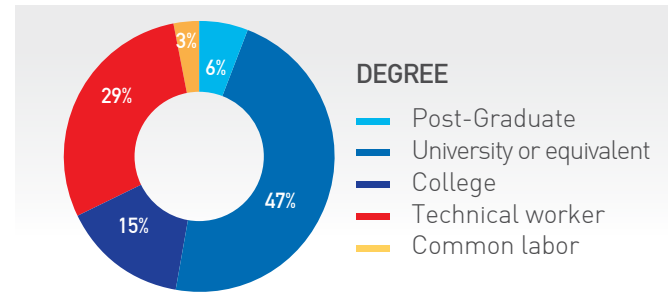


# POLICIES OF HUMAN RESOURCE DEVELOPMENT

## 1. PV Drilling's human resource overview

After more than 2 years of facing market downturns, it is the opportunity for PV Drilling to redefine the rightness of its concepts which were formed since establishment; thereof, manpower is always the most valuable asset, the most important resource to make PV Drilling a reliable and reputed drilling contractor in South East Asia. Recently, PV Drilling has been in the restructuring progress in order to be compatible with market uncertainties while preserving the quality of human resources. The current total employees of PV Drilling are 1,840 persons decreasing approximately of 15% as compared to the end of year 2014, the starting point of oil and gas recession. This decrease is to reduce cost in alignment with decline in workload and reinforce the competitiveness in the context of low service prices. At the end of 2017, the total number of expatriate employees was reduced to 37 from 47 or approximately 56% compared to the end of 2014. Those laid-off expatriates were substituted by local staff with high competence in performing complicated and high-tech services. This is the result of inherited human resource development plan and workforce localization which PV Drilling has made efforts to carry out over the past few years.

	31/12/2017
Total employees	1,840
<b>1 Degree:</b>	
Post-Graduate	104
University or equivalent	861
College	287
Technical worker	539
Common labor	49
<b>2 Ages:</b>	
<30	371
30-39	908
40-49	422
50-55	94
> 55	45
<b>3 Gender</b>	
Male	1,564
Female	276
<b>4 Nationality</b>	
Vietnamese	1,803
Foreign	37



In 2017, the total employees whose their contracts were terminated were 212, accounting for 12% of the total manpower in the Corporation. To compensate for 212 terminations, PV Drilling recruited 86 employees to supplement for the manpower shortages in 2017.

Twenty-four female employees took maternity leaves; of which 20 employees returned to work, accounting for 83% of the total maternity leaves.

The rate of annual health check up in 2017 is 99%.

There was no violation of labor safety Regulations/ Laws in the whole Corporation.

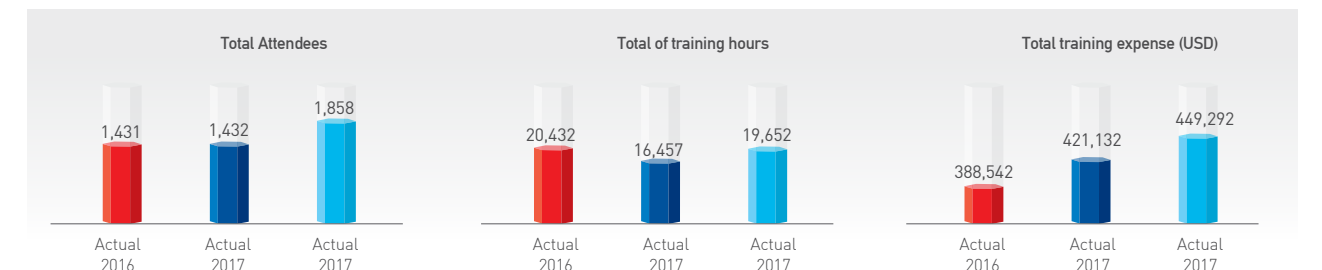
Being a high-tech services provider, most PV Drilling's workforces have either university and/or post-graduate degrees; whereas, technical workers hold college degrees. The common labors account a very small proportion of the total employees, who are occupied for indirect jobs. On the other side, due to the distinction of heavy industry, the female employees make up a low rate of the total employees, who have managing positions or indirect jobs.

## 2. Training and HR development policies

In 2017, despite the pressure of limited human resources and budgets, PV Drilling still focused on training and developing the required human resources. First, this is to ensure the service qualities provided in both domestic and international and then, preserve PV Drilling as a "learning organization" to create motivations and retain talents. Besides, training programs such as on-job training and internal training which have been continuously executed in the whole Corporation. PV Drilling has organized more training courses for the required staffs compared to the previous year. Details are summarized in the below table.

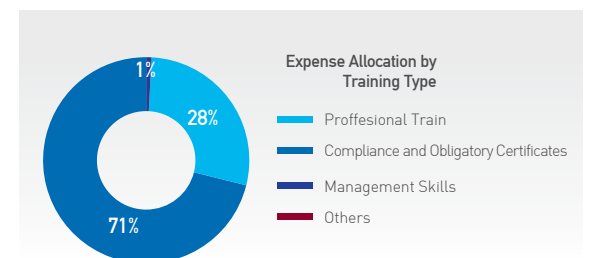
### Training Performance of the year 2017:

	Total of Attendees	Total of training courses	Total of training hours	Total expense (USD)
Actual 2016	1,431	116	20,432	388,542
Plan 2017	1,432	103	16,457	421,132
Actual 2017	1,858	123	19,652	449,292
% Act vs Plan 2017	129.75%	119.42%	119.42%	106.69%
% Plan 2017 vs Act 2016	129.84%	106.03%	96.18%	115.64%



### Training type:

Training Type	Total of attendees	Total of courses	Total expenses (USD)
Professional Train	283	38	123,900
Compliance and Obligatory Certificates	1,307	72	319,863
Management Skills	27	2	5,216
Others	241	11	313
Grand Total	1,858	123	449,292





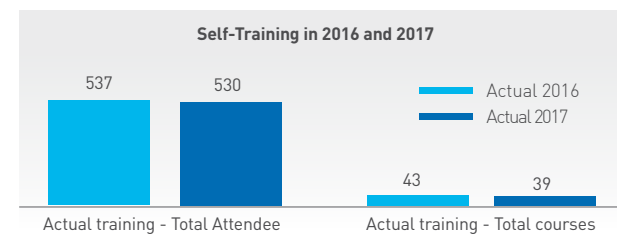
## POLICIES OF HUMAN RESOURCE DEVELOPMENT (cont.)

### Modes of Training:

- Public Training: provided by professional training centers
- Internal Training: outsourced instructors; course materials customized and organized by PV Drilling
- Self-Training: traditional training given by internal trainers; on job training;

### Self-Training:

	Total attendees	Total courses	Total expenses (USD)
Act 2016	537	43	0
Act 2017	530	39	0
% Act 2017 vs 2016	99%	91%	



### Training Criteria: Avg Total of Employees =1,913

#### a. Learning Hours Used per Employee

2016	2017	% 2017/ 2016
19.02	22.86	120.20%

#### b. Cost per Learning Hours Used

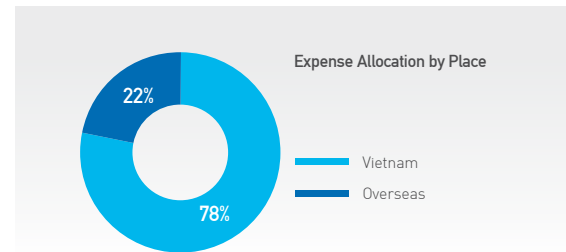
2016	2017	% 2017/ 2016
19.02	22.86	120.20%

#### c. Direct Learning Expenditure per Employee

2016	2017	% 2017/ 2016
190.09	234.86	123.55%

### Expenses allocation in Vietnam and overseas:

Place	Total of attendees	Total of courses	Total expenses (USD)
Training in Vietnam	1,594	90	348,868
Training overseas	264	33	100,424



### 3. Equal Treatment Policy

In addition to complying with the Vietnamese Laws as well as the International Commitment Agreements, PV Drilling, being a drilling contractor, always complies with the Laws, local regulations, and culture of the countries where PV Drilling provides its services in term of equal treatment, anti-discrimination in workplaces. The Article 7 of Item B in PV Drilling's BCOC can be reiterated as below.

At PV Drilling, the discrimination against part time and full time employees does not exist; all employees work for PV Drilling under the signed labour contracts; the signing of labor contracts are abided by the current Labor Regulations and Laws.

All of PV Drilling's regulations and policies do not concern to the discriminations against gender, nationalities. All employees have the right of equal treatment; signing labor contracts as per agreed scope of works; having adequate salaries; gender equality.

The Union of PV Drilling was formed and has been operating with full support from the executives since its establishment. All employees are always consulted and encouraged to join the Union. "Women Union" is a division of Union representing female employees. Its functions are to care and protect female employees' rights in the Coporation. Annually, PV Drilling organizes ceberations on female special days such as Women's day (8/3), Vietnamesse Women's Day (20/10) with attendance of all female employees, representatives of top management, and Union. At those events, the female employees' rights and benefits in accordance with the current Regulations and Laws are always widespread and committed by the top management.

All PV Drilling employees have opportunities to promote their competencies contributing to PV Drilling's successes. To do so, the discrimination or inequality against recruitment, training, promotion or any treatments are not allowed in our workplace.

In our workplace, the treatments or decisions related to human resources are made based on labor's competencies and performances, not based on the followings:

- Nationalities; races; skin colors
- Religions
- Disabilities
- Favourites
- Gender
- Or any kinds of status protected under Laws

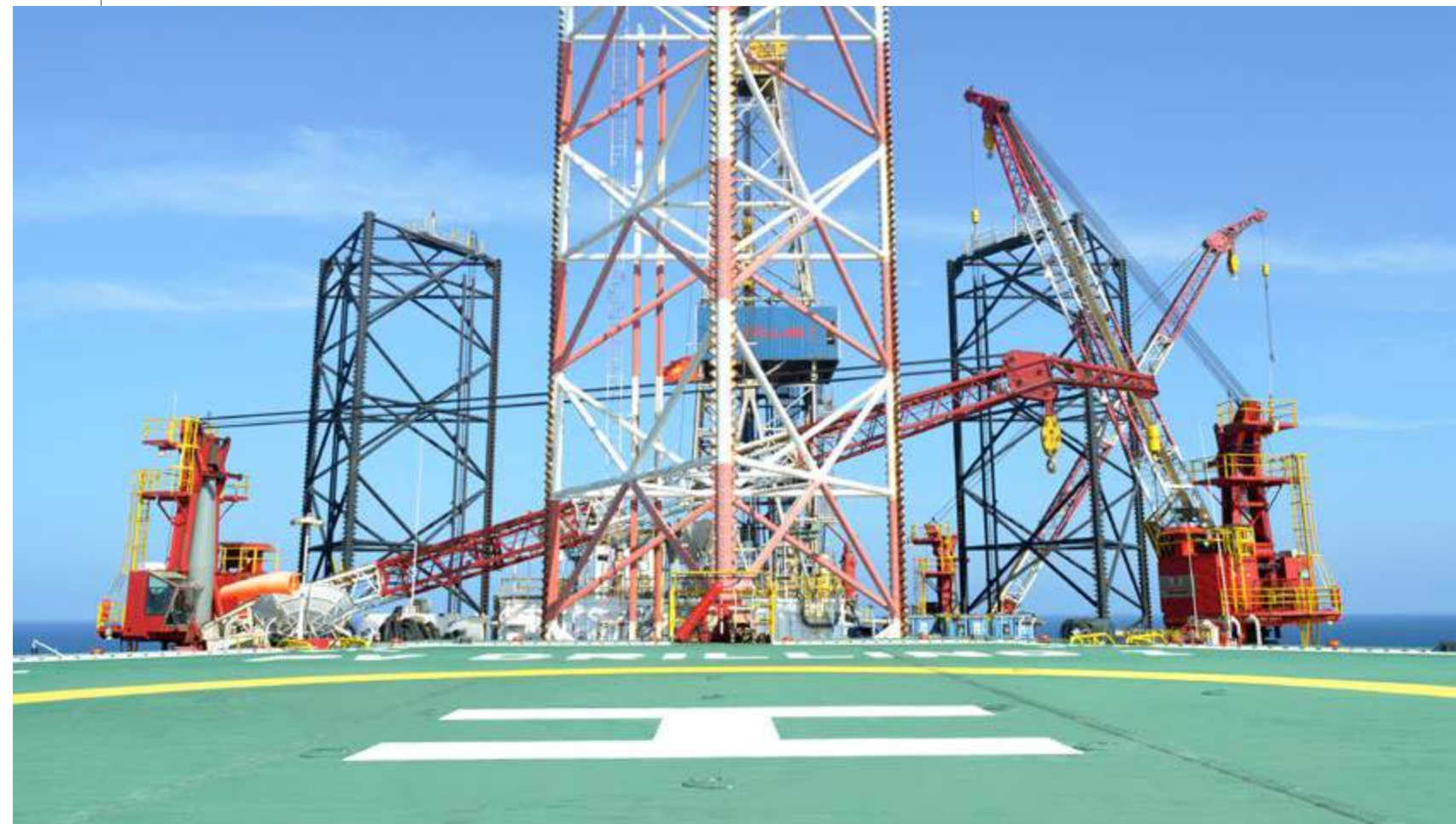
### 4. Commitment on unemployment of child labour

Based on PV Drilling's sustainable development policy, the Corporation committes not to employ child labor under any circumstances, both directly and indirect through subcontractors. In Article 13, of PV Drilling's recruitment policy, thereof, PV Drilling only accepts the applicants of 18 years old and above. Moreover, the Corporation has also delivered this regulation to its suppliers and contractors for their collaborated execution.

### 5. Employees Relationship Policy

At PV Drilling, human factor is considered one of the core values; the Corporation always builds and applies the best possible policies for its workforce with the following details:

- As per Collective Labor Agreement, whereby, all the employees' benefits are committed and fully implemented in accordance with agreement between the employer (PV Drilling) and the representative of employees; and under Labor Laws;
- As per Salaries Policy and Appraisal Performance Process, whereby, the equality, competition, and adequation in alignment with performances are ensured; in addition, talent retention and attraction are also included.
- As per Training Policy, whereby, the employees are trained with proper knowledge and suitable skills; have opprotunities to learn, promote, and develop along with PV Drilling's growth.
- As per HSE policy, whereby, PV Drilling always applies HSE procedures in operation to assure the safety for its employees, subcontractors, partners, and clients.





## POLICIES OF HUMAN RESOURCE DEVELOPMENT (cont.)

- As per Article 6. Part B of Codes of Conducts, whereby, "building positive relationships in the workplace" stated specifically responsibilities of the managers are as follows:
  - Always performing all job duties; having responsibilities for the results of the work they manage.
  - Sharing and providing necessary information with other employees to accomplish all work assigned by PV Drilling; PV Drilling's benefits are always priorities.
  - Promoting interactions in the workplace to generate the most collaboration to achieve the best results from each employee in particular and for PV Drilling in general.
  - Conducting the working relationship positively by demonstrating the equality and respectfulness in daily behaviours.

### Some contains of Compensation and Bonuses Policy:

- Base salary
- Performing salary
- Allowances
- Salary increase based on performances and productivities.
- Annual bonuses and rewards on results achieved.
- Allowances on special occasions.
- Rewards on researchs and technical innovation

### Some contains of Benefits Policy

#### Insurances:

- Social, Medical, and Unemployment Insurances under Vietnames Laws
- High qualities heath insurance which accepts for treatments in VN and ASEAN
- 24/24 accident insurance
- Volunraty retirement insurance
- Talents insurance

#### Others

- Allowance on personal occasions
- Seniority allowance
- Mid-shift meal allowance
- Costumes allowance
- Other allowances under the regulation of Oil and Gas Support Fund
- Heath exmanination provided by prestige partners
- Organizing culture exchange activites for the employees
- Other programs for the labors' children: gifts for the International Children Day - 1 June, Full Moon Party, Family Day and rewards for those with high performance in study.

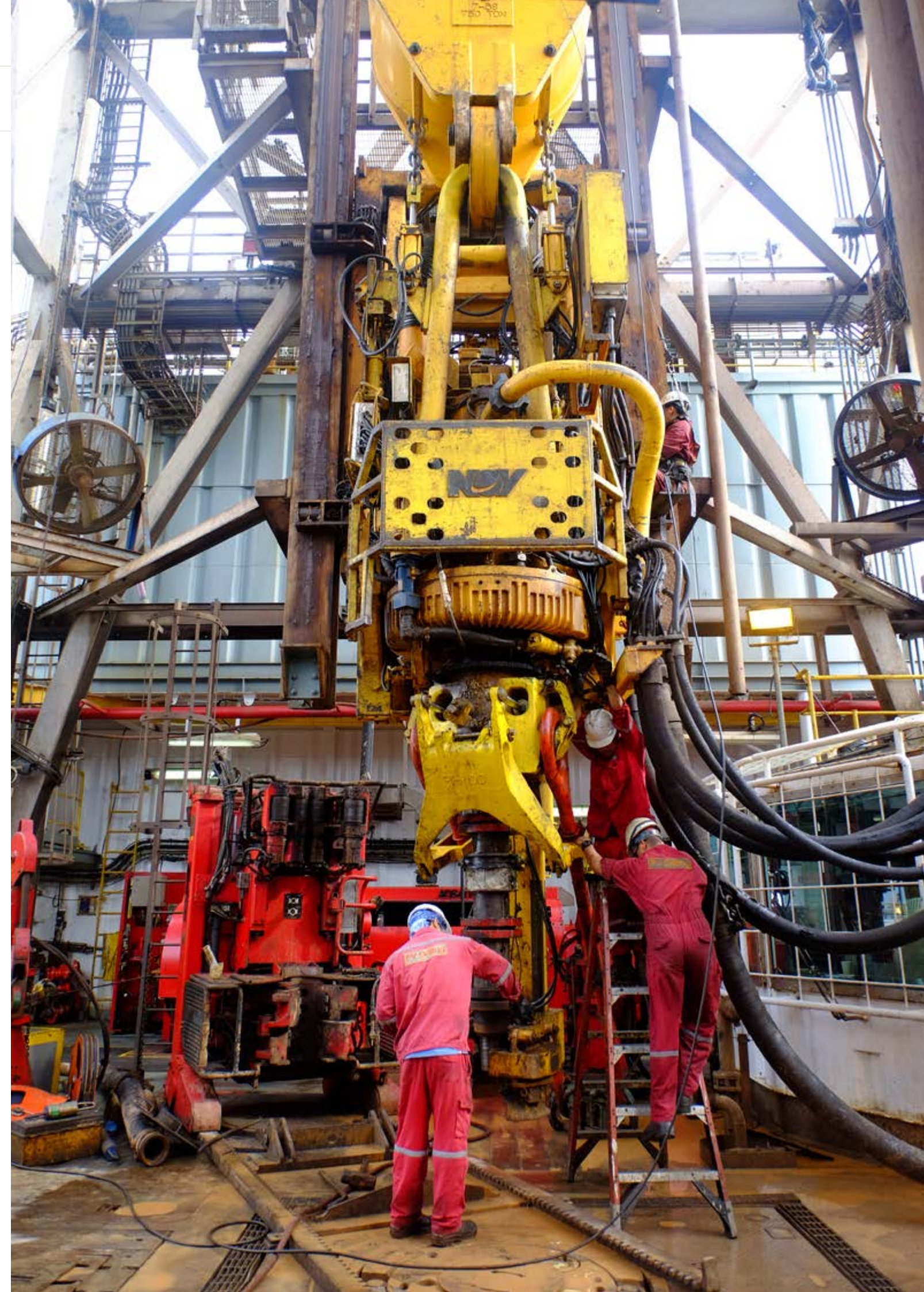
### 6. Commitment on Human Rights

Developing toward sustainability is Corporation's goal, hence, the human rights are always committed by PV Drilling; the violation against human rights is not permitted for any purposes:

- PV Drilling always respect and commit to protect human rights during its business operation.
- Prompt adjustments will be taken if any activites, policies, or shortcomings of PV Drilling incidentally creating negative impacts on human rights;
- Always updating the requirements on human rights under Laws of Vietnam and the countries or territoriess where PV Drilling operates; cooperating with partners, clients for analyzing and evaluating to prevent negative impacts when executing human rights policy of PV Drilling;

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PV Drilling always respect and commit to implement full obligations of labor relationships, human rights during its business operation as it is a CSR enterprise with sustainable development.





# COMMITMENTS IN HEALTH - SAFETY - ENVIRONMENT - QUALITY (HSEQ)

## 1. Overview

In the context of the oil price slump in recent years, PV Drilling faces many difficulties in providing specific services. Demand in the drilling market is on the decrease with tough requirements from customers, especially for HSEQ activities. As a result, HSEQ activities at PV Drilling have been paid more attention and implemented in production areas such as onshore bases, offshore rigs and land rig; as well as in offices. In addition, the monitoring has been carried out regularly to improve the competitiveness while ensuring the implementation of PV Drilling's commitment in its Safety, Health, Environment and Quality Policy: "At anytime and anywhere, the first responsibility of all staff is to ensure the sustainable development of PV Drilling by fully complying with the requirements of Health, Safety, Environment and Quality Management System". Services provided by PV Drilling, such as drilling services (leasing and operation of rigs), drilling technical services and well services, have high potential risks in terms of Safety - Health - Environment - Quality. Over the past years, in order to well-manage these risks, as well as to achieve customer satisfaction through the provision of high quality services, PV Drilling has gradually built up a strong HSEQ management system, applying advanced international standards. So far, over 16 years of operation, PV Drilling is confident with its HSEQ management system and proud

of its own brandname that PV Drilling has established in the drilling market nationally and regionally.

In PV Drilling, the HSEQ policy is always adhered, and the most important criterion is preventing, mitigating the incidents and the risk of harm to people and property, causing bad impacts on the environment. In 2017, thanks to the serious and thorough implementation of this principle, all PV Drilling's domestic and foreign production facilities achieved safe operation, free of Lost Time Incident (Zero LTI). The operating efficiency of all PV Drilling's rigs is over 98%, though many rigs were drilling abroad for demanding customers.

In 2017, DNV GL certified the conformity of PV Drilling's HSEQ management system with the requirements of the latest two ISO standards: ISO 9001:2015 - Quality management and ISO 14001:2015 - Environmental management. The application of the requirements of these two ISO standards helped PV Drilling focusing on the internal and external context of the organization, while fully identifying the potential risks associated with Health E Safety E Environment, especially those related to Quality. In order to ensure the consistency in the HSEQ policy, which has been widely communicated to every employee of the Corporation, in the transition process of standard versions, PV Drilling maintained an integrated

management system, including ISO 9001:2015, ISO 14001:2015 standards and OHSAS 18001: 2007 standard - Occupational Health and Safety Management.

## 2. Difficulties & Advantages

In 2017, due to numerous reasons, most of the drilling contracts were short-term and the transition between contracts was not continuous, therefore the operation of PV Drilling rigs was unstable, regularly being changed from hot-stacked to short-run operation status and vice versa, particularly the TAD - PV DRILLING V was cold-stacked at the PV Shipyard Port for the whole year. On the other hand, because of the fall in drilling demand in Vietnam and the plummet in service rate in line with oil prices, HSEQ's activities also encountered the general difficulties of the Corporation such as cutting training costs, shifting of personnel ... The greatest advantage, however, came from the Management Board's commitment to HSEQ management activity, through appropriate development orientation in this difficult period. In 2017, together with the Corporation's strategy of penetrating into regional drilling market, the optimization of internal resources in combination with learning from the strong domestic and foreign companies, both efficiency and effectiveness of HSEQ management system in PV Drilling were always maintained, with the continual improvement and the application of new management knowledge and tools. Intensive training was focused on key people while extending the internal training to take advantage of internal qualified trainers. For those projects of application of API Specification Q1 & Q2 in quality management system in several subsidiaries, the selection and hire of consultants were carefully considered, with emphasis on the training of key persons to ensure correct and deep understanding of standard requirements applied in the context of PV Drilling and its subsidiaries. Document preparation and application of the requirements at the subsidiaries will be conducted by the above-mentioned key persons.

In 2017, beside the land rig PV DRILLING 11 operating in Sahara desert, PV Drilling successfully brought its jack-up rigs to operate in South East Asia, namely Myanmar, Malaysia and Thailand. The HSEQ activities on the offshore rigs encountered many difficulties due to differences in culture, beliefs and languages. Additionally, the quality of local human resources was limited in terms of experience, skills and the Corporation had limited supply source options. Identifying foreign market as a strategic orientation, from the first day of providing services abroad, HSE activities have been paid special attention, especially, the on-site safety training, safety inspection and supervision, and the application of stricter reporting requirements to better control potential hazards, ensuring the goal of safety operation (Zero LTI).

## 3. The Board of Management's orientation and commitment in HSEQ

Annually, the Corporation's Board of Management conducts a management review in accordance with the requirements of the management system, determines the HSEQ objectives of the coming year as well as long-term development orientation of HSEQ management system.

In 2017, despite many difficulties, PV Drilling Corporation achieved its annual HSEQ objectives. The effectiveness of HSEQ management system in all subsidiaries and the Corporation was maintained and the system was certified by certification body in accordance with ISO 9001: 2015, ISO 14001: 2015 and OHSAS 18001: 2007 standards. All PV Drilling rigs achieved the goal of safety operation without Lost Time Incident - Zero LTI. This is a top priority criterion in confirming the prestige and image of an international drilling contractor. Typically, in 2017, the PV DRILLING I achieved 10 years of Zero LTI; PV DRILLING II and PV DRILLING III achieved 8 years of Zero LTI; PV DRILLING VI achieved 3 years of Zero LTI and PV DRILLING 11 in Algeria achieved 1 year of Zero LTI. Besides, all PV Drilling's drilling-related technical and well services and production activities at onshore facilities maintained this achievement.





## COMMITMENTS IN HEALTH - SAFETY - ENVIRONMENT - QUALITY (HSEQ) (cont.)



In 2018, PV Drilling will officially apply

**ISO 9001:2015**  
**ISO 14001:2015**

In 2018, PV Drilling's primary goal is to maintain a successful safety operation without Lost Time Incident on all drilling rigs, well technical services as well as onshore production facilities. To achieve this goal, the Corporation and all subsidiaries have to commit to comply with the HSEQ management system's requirements, and at the same time strengthening the supervision of the implementation of these requirements. According to the expected drilling plan 2018, except PV DRILLING V continues to anchor in Vung Tau, all other PV Drilling's jack-up rigs will operate continuously in domestic and overseas market. Rig operation involves many risks related to safety, health and environment. Therefore, implementing effectively HSE activities on the rigs and ensuring the goal of safety operation without Lost Time Incident (LTI-free), Recordable Incident (RI-free) and Environment Incident (EI-free) is top priority. In 2018, PV Drilling officially applies HSEQ management system in accordance with ISO

9001: 2015 and ISO 14001: 2015 standards. In order to optimize the application of these standards' requirements in production and service provision, PV Drilling will review and revise the document system, and integrate relevant requirements in accordance with API Q1, API Q2 standards to improve the efficiency of HSEQ management throughout the Corporation. The adoption of innovations and solutions to continuously improve the HSEQ management system will be maintained and promoted in 2018. These improvements include the introduction of specific initiatives to enhance the efficiency and effectiveness of HSEQ management, from the investment in human resources training to the application of information technology in management

activities. After successful application of medical data management software in 2017, HSEQ Reporting Portal software is expected to be accomplished and deployed in all PV Drilling's subsidiaries in 2018. Together with currently applied "HSEQ Document Control" software, HSEQ Reporting Portal will contribute to improving management efficiency while ensuring the integrity and availability of data related to HSEQ activities in PV Drilling.

### 4. Resources

In 2017, HSEQ staffs in the whole Corporation gradually improved their professional skills and replaced the foreign personnel working on the rig, particularly for the position of Safety Training Coordinator (STC). More than 50 HSEQ employees in PV Drilling fulfilled their duties to achieve the yearly objectives of Safety - Health - Environment and Quality. In addition, many professional issues and related lessons were shared through professional seminars and internal communication channels, thus contributing to the establishment and fortification of the cooperative relationship among team members. Moreover, through activities organized by the HSEQ Division such as HSE Walkabout, subsidiaries had the opportunity to learn as well as receive support from sister companies on the HSEQ management system.

At the HSEQ seminar held in late 2017, the PV Drilling's HSEQ staffs committed to implementing HSEQ targets in 2018, working together to improve the reputation and image of PV Drilling in providing the best quality service in the safest condition.

*The HSEQ staff in the whole Corporation commit to complete all HSEQ targets in 2018, which will contribute to upgrade PV Drilling's services quality, ensuring safety in operation and more importantly, maintaining the position of "The Pioneer of Vietnam Drillers."*

### 5. HSEQ Management

Through the years of development, PV Drilling has continuously made new progress toward the goals: to ensure the operational safety and security, sustainable development and protect the environment. Thanks to the integrated management system, the activities on the management of the occupational health, safety, environment protection as well as production & service quality are actively implemented according to the Corporation's Action Plan, and complied with all regulations and procedures.

PV Drilling's HSEQ-MS is well-maintained, by means of three annual internal audits at least, which are carried out by HSEQ Division, by the subsidiaries and the Certification Body, not to mention the audits carried out by the Clients and other interested parties including the governmental agencies. In 2017, more than 108 audits were executed at the entire PV Drilling Corporation. Therefore, PV Drilling has the opportunity to further enhance the effectiveness of its HSEQ management system, to ensure the occupational health, safety and environment protection as well as high quality of product/service provision.

#### 5.1 Enhance the quality of services and products

PV Drilling has always aimed to build a comprehensive quality management system to ensure the provision of service quality in accordance with customer's requirements and customer's satisfaction. As being converted to the compliance with ISO 9001: 2015 requirements, the risk assessment related to the quality of product creation and service processes has been seriously implemented at PV Drilling. Besides, the Maximo Inventory/Spare Part Management software was reviewed to ensure that all the requirements of the applied standards and the Clients had been met. In addition, as required by the QMS, the Customer Satisfaction Survey was carried out by the Subsidiaries for every product or service provided. Then the survey results were collected and analyzed. Any dissatisfaction



## COMMITMENTS IN HEALTH - SAFETY - ENVIRONMENT - QUALITY (HSEQ) (cont.)

found would be analyzed to find the causes and determine the appropriate corrective actions, not only to solve the specific problem but also to avoid the repeat of such familiar situation. In 2017, there was no written complaint by the Clients reported.

### 5.2 Occupational Health and Safety (OH&S) Management

**+ Risk Assessment:** In 2017, in order to assess in-depth the hazards with different nature, the HSE Risk Assessment Procedure was recompiled into two procedures, applied for the OH&S risks and environment aspects respectively. This would help the assessment team better identify the hazards as well as evaluate the risks. For the drilling operation, OH&S risk assessment is always the customer's top concern, to ensure the compliance with the requirements of the job defined in the Tender. The OH&S risks assessment and management at PV Drilling have been accepted by our Clients, even the toughest one.

**+ Safety Supervision:** The on-site safety supervision, whether at onshore facilities or drilling rigs, is carried out as required, depending on the nature of the job, at planned interval as daily or weekly. In 2017, at onshore facilities, HSEQ Division conducted three HSE Walkabout (safety inspection). As a result, all the subsidiaries were evaluated as compliance with the HSE requirements (more than 90% compliance rate.) Through the inspection program, the subsidiaries would have the opportunity to share, not just the good-points, but also the findings and its correction solutions, in other words, the opportunity for improvements, to ensure their safe operations.

**+ PVD Observation Card Program):** For a long time, this program is considered as a trademark identification of PV Drilling, helps to recognize potential HSE risks in operations as well as the opportunities for improvement to further enhance the safety culture in the

Corporation. The program is implemented so that the workers would be well aware of the safety for themselves, the safety of their co-workers, and the action to protect the environment. Therefore, the employees would participate in the HSEQ management activities at anytime, anywhere and in all PV Drilling's services. In 2017, the total of 40,708 of PVD Cards were recorded, in which 87% from offshore drilling fleet, where the working environment is associated with high risks.

**+ Safety campaign:** Quarterly safety campaign is organized to raise the safety awareness at the drilling fleet and onshore facilities. The content of the campaign focuses on a key safety topic in drilling operation. Communication forms include video, poster, presentation and discussion at the weekly safety meeting. In 2017, the campaign topics were: Hand and Finger Injury, Line of Fire, Working at Height and Drop Objects.

**+ Annual Health Checkup Program for employees is effectively organized every year:** Employees working in the heavy, hazardous and dangerous environment are clinically examined every 6 months in accordance with the legal requirements of Vietnam. In 2017, over 99% of the employees participated in the annual health examination program and be qualified to work in accordance with the standards set by the Ministry of Health of Vietnam.

**+ The working environment monitoring program** was taken seriously by PV Drilling. In 2017, total 2,029 samples were monitored, of which 1,878 met the 2016 new standards set by the Ministry of Health of Vietnam, making the compliance rate of 92,6%.

### 5.3 Environmental Management

**+ All the environmental** aspects of PV Drilling's operations are regularly updated and assessed for its impacts as per the requirements of the Environmental Aspect Identification and Impact Assessment



# 99%

The rate of annual health checkup in 2017

Procedure. The assessment result is used as the basis to identify the measures to eliminate, prevent or minimize any possible negative impacts on people and the environment.

**+ At PV Drilling, the waste management is strictly implemented,** fully complied with the legal requirements, from the process of waste collection, classification to the process of waste treatment. Proper waste classification procedures are applied at each subsidiary, depending on their onshore or offshore activities. Then the waste would be collected by an approved contractor, who should be licensed to operate in waste transportation and treatment as per legal requirements. Every year, PV Drilling joined the related oil & gas companies to conduct a compliant audit at the waste management contractor, according to legal requirements as well as environmental management. In 2017, PV Drilling faced no case of administrative fine due to violations of the regulations on environmental protection.

On the offshore rigs, modern wastewater treatment system has been installed to ensure that the wastewater from the rigs meets with the international standards before being discharged to the ocean, in accordance with the IMO's Conventions participated by the Vietnam Government. Though all PV Drilling's onshore facilities are located in the industrial parks equipped with a central wastewater treatment system, some subsidiaries have invested their own system, to ensure the wastewater meets the Class B standard before being discharged to the joint collection system.

**+ The Consumption Energy and Fuel** Mostly providing drilling services, the resources used in PV Drilling's operations cannot be counted by product as in other industries. However, data on the resources used are still collected for statistical purpose. Specific guidelines on how to minimize the use of resources are provided. The fresh



## COMMITMENTS IN HEALTH - SAFETY - ENVIRONMENT - QUALITY (HSEQ) (cont.)



The total Man-hour of 2017

5,288,138  
hours



water supply for onshore facilities as well as on offshore drilling fleet is the surface water. Onshore facilities take water from water supply plants.

In 2017, PV Drilling initiated *"The Savings Program to Help the Corporation Overcome the Difficult Time"*, proposing the specific actions to protect the environment, such as the economical use of raw materials and reducing emissions:

- In office areas: economically use of printing paper, electricity and water; replace fluorescent lamps with LED; turn off electrical appliances when not in use or unplug the electrical equipments before leaving the office.
- At the production facilities: replace regular light bulbs with compact lamps, reuse of the gloves, mops, lumbers and wooden crates, regularly maintain the equipments, optimize the use of machinery power, etc.

- Optimize the operations of the company's vehicles, monitor the consumptions of gasoline, electricity and water.
- Raise the awareness amongst the employees on economical consumptions of gasoline, electricity and water via posters, clips and PV Drilling's HSEQ Newsletter.

As a result, these programs have significantly contributed to the reduction of the fuel consumption:

Since its foundation, PV Drilling has focused on establishing a professional HSEQ management system, complied with the applied international standards, synchronized from the Head Office to the subsidiaries and its joint venture companies. PV Drilling is now absolutely confident of its HSEQ management system.

Resources	2016	2017	% increase/decrease
Gasoline (l)	108,212	70,959	-34%
DO (ton)	2,475	1,179	-52%
Water (m3)	24,397	15,299	-37%
Electricity (kWh)	2,407,140	2,160,461	-10%

The implementation of the Fuel Saving Policy also contributed to the significant reduction of Waste generation:

Types of Waste	2016	2017	% increase/decrease
Solid Waste (ton)	183	124	-32%
Hazardous Waste (ton)	219	150	-31%
Waste Water (m3)	8,493	7,274	-14%
Industrial Waste Water (m3)	3,897	4,409	+13%

(\*) In 2017, at PV Drilling, the total Man-hour is 5,288,138 hours, increasing by 55% compared to 3,401,284 hours of 2016; the Fuel Consumption and Material Consumption were significantly reduced, while the Industrial Wastewater increased by 13%, which was much lower than the increasing rate of Man-hour indicator.



# SOLUTIONS TO OVERCOME ALL CHALLENGES



The prospect of the oil and gas market in the upcoming years has eventually showed some positive signs. We shall accelerate in full speed to catch up with the market trend via applying flexible approaches, integrating bold initiatives into its strategy, taking advantages of the technological accomplishments in the industry revolution 4.0. We believe our relentless efforts shall pay off in solidifying our market position and sustaining our sustainable development.

PV Drilling's Management team shall commit to gather the synergy of every member and resources within our Corporation to overcome all challenges and elevate the true value of the Pioneer of Vietnam Drillers.

Oil and Gas Market Forecast for 2018  
Strategies and Business Plans for 2018  
Cost Reduction for 2018

The Implementation of Restructuring Activities for 2018  
Corporate Social Responsibilities (CSR)  
In Relations with the Governmental Authorities



## OIL AND GAS MARKET FORECAST FOR 2018

In 2018, the global crude oil demand is forecast to reach 98.52 million bbl/day, increasing by around 1.53 million bbl/day compared to the average of 2017 (Source: OPEC). Almost all major financial institutions and banks such as Goldman Sach, JP Morgan Chase, and Credit Suisse have raised the prospective oil price in 2018 to over \$60/bbl (Brent oil) in comparison with their judgment in the mid of 2017. In fact, right in the first month of 2018, the Brent crude oil price climbed over \$70/bbl for some time. Therefore, the market has put more belief on the fact that exploration projects will soon be resumed to catch up with the recovery trend of the crude oil price.

In 2017, the budget invested in exploration activities of oil and gas companies was estimated at around USD 40 billion. Although the number has been improved compared to that of 2016, it was still 60% lower than the peak of 2014 (Source: Wood McKenzie). The reduction of budget on the exploration over the past time started to reveal its negative impacts, especially on the number of new oil discoveries and the oil reserve increase index. In order to avoid the crude oil shortage and ensure the energy security, it is obvious that oil countries shall have to accelerate their exploration, production and reservation activities right in this year of 2018.

This is also the good news for the drilling industry in 2018. According to Clarkson Platou, the demand for floaters will continue to remain low but the jack-up market will become more active, particularly in the Middle East, India and South East Asia. The market will no longer tolerate any old rigs that were built before the year 2000 or the cold-stacked ones. The number of built-before-2000 jack-ups that were contracted has significantly dropped from 226 rigs in 2014 to only 25 rigs in 2017. It is projected that there will be 48 rigs scrapped in 2018 and from now to 2020, the total number of old rigs to be permanently decommissioned will be around 150 rigs. Meanwhile, the number of new build rigs expected to be delivered til 2020 is approximately 96 rigs all over the world. This will be the basis to improve the situation of the excessive rig supply in the market and the recovery of the rig day rates in the coming time. It is expected that in 2018 the day rate of new generation jack-up rigs will range from \$55,000 - \$65,000/day. (Source: Arctic Securities).

In 2018, global crude oil demand is forecast to reach

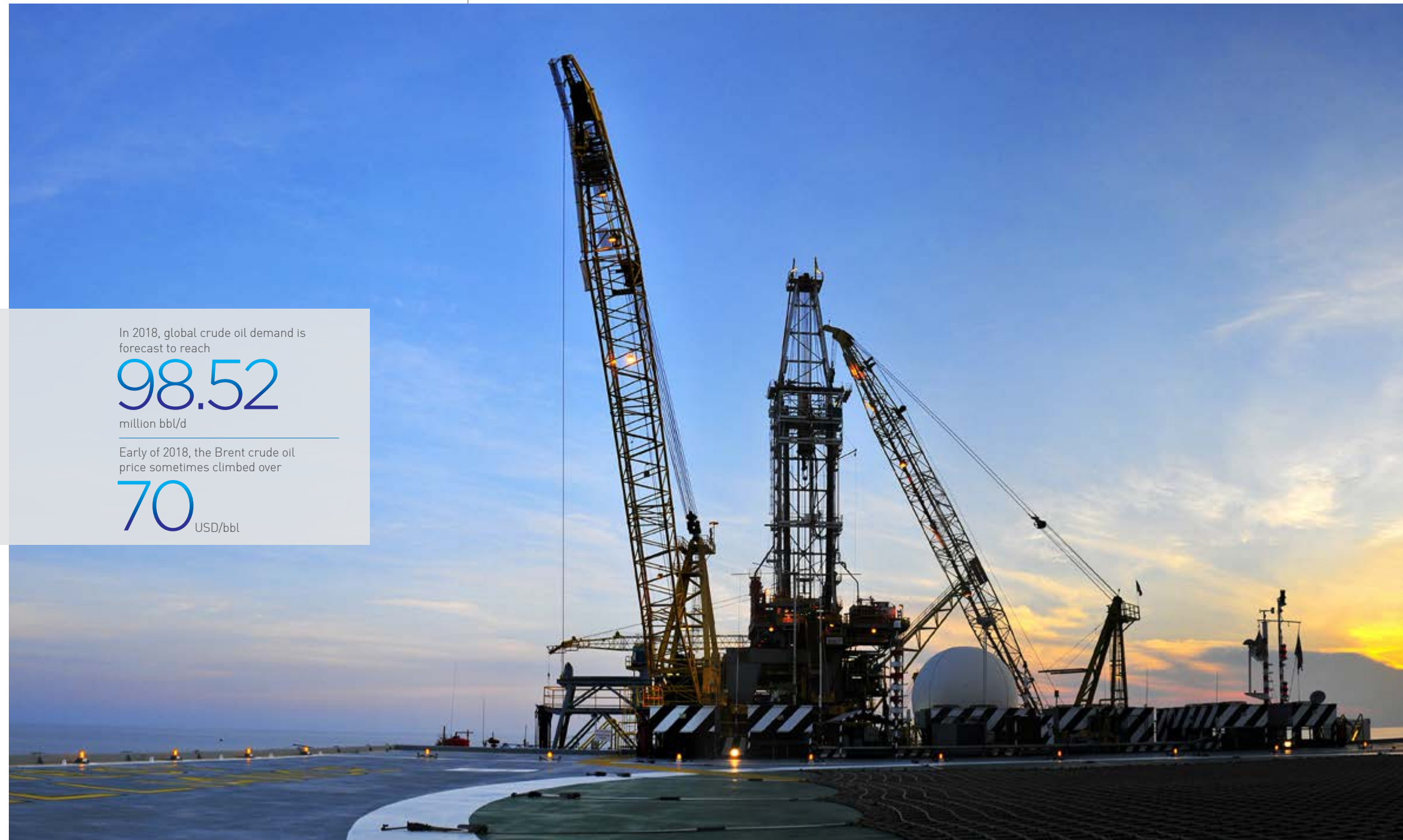
98.52

million bbl/d

Early of 2018, the Brent crude oil price sometimes climbed over

70

USD/bbl





## STRATEGIES AND BUSINESS PLANS FOR 2018

In the South East Asia, the production volume of crude oil has reached the saturation point. Along with the impacts of the reduced exploration activities, the market is currently importing around 1.3 million bbl/d (Source: IEA). The top oil countries such as Indonesia, Malaysia, Vietnam and Thailand are struggling with the shrinking volume and limited increase of oil reserve within recent years. Particularly in Vietnam, the crude oil production volume in 2017 only reached 13.5 million bbl of oil equivalent, which is 22% lower than that in 2014. With a huge energy demand for economic development in the region, the market for drilling activities will definitely become more dynamic in the upcoming time.

In 2017, PV Drilling's fleet continued to operate effectively with more busy work schedule than that in 2016. Especially, the year 2017 also witnessed the outstanding success of PV Drilling in expanding the drilling services to foreign markets in Southeast Asia. However, challenges are still lingering ahead in 2018 as competitive pressure just keeps piling up. Not only in the regional market, but right in Vietnam, the competition is getting more intense due to the unavailability of any means of protections or barriers set up for local business. Despite a slight recovery of

rig day rates, it is still insufficient to make up for the operational expenses and sustain the efficiency of the modern rig fleet.

In order to tackle the market difficulties in the upcoming years, PV Drilling has been actively implementing the business strategies that focus on reinforcing its local market share and accelerating the expansion of drilling services into foreign markets, in which South East Asia shall be our priority. Specifically, PV Drilling will mobilize all the resources for fulfilling the revenue target of 3,000 billion VND and executing the following important missions in 2018:

- Increasing the utilization efficiency of the jack-up fleet; maintaining the frequent operation of at least one rig in the regional market while still satisfying the local demand of drilling rigs in Vietnam; optimizing the maintenance activities and the utilization of inventories, encouraging employment of resources and consumables in a sharable manner among the rigs.
- Safely and effectively operating the rig fleet; continuing to maintain and enhance the awareness of labor safety issues and ensuring no incident or non-productive time on drilling rigs and at the supply base in Vung Tau.
- Proactively negotiating with clients in a supportive

and cooperative manner; incorporating the short term drilling campaigns of different clients into one long term and consistent campaign for the highest cost effectiveness.

- Accelerating marketing activities, looking for opportunities to provide drilling rigs in regional markets, especially for potential drilling campaigns in Malaysia, Thailand, Myanmar and with a further prospect toward African and Middle East markets in the future.
- Enhancing and developing technical drilling services which are the competitive edges of PV Drilling; improving the service quality; promoting the Bundled Services to clients inside and outside Vietnam by highlighting the superior features of such concept in terms of time and cost saving.
- Improving the management of cash flow, budget control, compliance with the cost saving solutions; strictly monitoring the investments on procurement activities; promoting the anti-squandering measures and optimizing the operational expenses.
- Fine-tuning the workforce into a more compact and professional structure; developing specialized personnel from internal sources and strengthening in-depth training activities to ensure the capability of local staff in employing any up-to-date service

technology.

- Deploying the application of the risk management system, introducing the proactive measures to tackle the unstable market conditions and promulgating such measures in comprehensive manner to all employees.

Standing strong over three years of the oil and gas crisis, PV Drilling has captured so many valuable lessons in coping with industrial downturn and utilized its existing resources to bolster the management and operation system in a lean and effective manner. All the staff and management team of PV Drilling have also proved the steadiness and highlighted the solidarity to overcome the challenges in the most difficult times. Therefore, with the prospect of the recovery as above-mentioned, PV Drilling is totally confident in implementing its strategic plans and shall continue accelerating further forward to achieve the ultimate targets of sustainable development in the future.

In order to tackle the market difficulties in the upcoming years, PV Drilling has been actively implementing the business strategies that focus on reinforcing its local market share and accelerating the expansion of drilling services into foreign markets, in which South East Asia shall be our priority.

The domestic crude oil production volume in 2017 only reached

13.5

million bbl of oil equivalent



PV Drilling's revenue plan in 2018

3,000

Billion VND





## COST REDUCTION FOR 2018

The International Association and Experts forecasted that the oil and gas industry has continuously faced many difficulties and challenges in 2018 when the oil market has shown no signs of stable recovery in the short term. Against these circumstances, PV Drilling's Management team has been straight forward to enhance financial management, implement comprehensive reduction of all cost centers, and restructure cost elements. These solutions have been aimed to strengthen the business activities and complete the targets assigned in 2018. In specific, these solutions included:

### Maintaining and enhancing solutions to minimize production cost and business activities in 2018, especially focusing on the following major cost centers:

**The rig operating cost:** accounted 53% of the total cost of the Corporation. The reduction of rig operating cost would be an effective method to help PV Drilling stand strong in the period when the oil price was deeply low and PV Drilling's rigs have extended waiting periods. In 2018, the Corporation continued to set the target of an average reduction of about 10% of rig operating cost by performing the following methods as below:

- Strictly controlling and reducing procurement cost of materials and spare parts for rig operation;
- Conducting self-repair, maintenance of machinery and equipment; repair and rehabilitation services for damaged equipment / systems instead of outsourcing or purchasing new ones;
- Powering inventory management by consolidating and reviewing minimum/ maximum level of inventory items;
- Centralizing and performing internal transfer of inventories between subsidiaries within the Corporation to use effective internal resources.

Rig operation cost  
**53%**  
of PV Drilling's total cost

HR cost  
**39%**  
of PV Drilling's total cost



**HR cost:** This kind of expense also takes a major proportion, about 39% in the cost structure of the Corporation. Solutions implemented by the Corporation present the consensus, unity of all staff that is willing to share the difficulties with the Corporation. Implemented solutions are included:

- Minimize labor cost: Reviewing each position and job title and rearranging the specific workload of each employee to make it more appropriate and effective in the current situation;
- Expatriate replacement: On-going providing necessary training courses and internal seminars to enhance technical expertise for key Vietnamese workers;
- Delaying recruitment and postponing labor contracts for positions without any assignment;
- Assignment of tasks and internal rotation within the Corporation to optimize human resources.

### Commercial Cost

- Continuously negotiating with suppliers of goods and services to reduce purchasing prices. The target is reducing price from 5% to 10% or increasing the discount rate for payment in the context of falling oil price that affecting the whole oil and gas industry;
- Searching for supplies to buy raw materials, taking advantage of internal resources to make products instead of buying new products;
- Encouraging the using of the Science and Technology Development Fund to invest in or purchase necessary assets, and concentrate on research new projects to improve science and technology in order to prepare the potential for development when the market recovers.

**Administrative costs:** Monitoring and maintaining solutions that have applied to reduce maximum management costs such as: expenses for gifts, conference expenses, expenses for entertainment, telephone expenses, cost of transportation, cost of fresh flowers, ornamental plants... In addition, the Corporation also promotes program and dissemination of thrift against waste to all staffs in order to improve culture and saving action in the tough period.

**Through the restructuring project of the Corporation, the Management has continuously modify the business model to suit current market conditions, reducing operating expenses to help PV Drilling overcome difficulties and challenges and to improve sustainability in the future. The restructuring is concentrated on the following aspects:**

### Identifying and focusing on core services

In the restructuring roadmap, the Corporation will identify core activities and focus resources and strengthens to develop further. In addition, each service of each subsidiary will also be re-evaluated in term of its efficiency in the current context so that appropriate solutions have been selected such as replacement, transferring to other specialized subsidiary or developing new services that meet the market's conditions and needs

### Restructuring

PV Drilling evaluates the effectiveness of each management model, the role of each function, and each process of the enterprise value chain from the subsidiaries to the Corporation. As the result, the models, functions and processes that are no longer suitable to the current conditions will be adjusted, removed or restructured accordingly. This solution will minimize management and business operation costs in the condition that the business targets are still achieved.

The restructuring of the organization has been carried out through a unified and controlled roadmap to ensure the relevance and no impact on the production and business activities of the Corporation as well as PV Drilling's prestige.

### Restructuring human resources

As one of the key tasks of the Restructuring Project, restructuring human resources is carried out for each department, each subsidiaries as well as whole Corporation in order to reviews all personnel performance to make applicable adjustments that are suitable with the situation of production and business. In addition, the Management team pays special attention to training for Vietnamese high-tech personnel who will replace expatriates and the ability to combine internal resources among subsidiaries also is examined and focused.

### Optimizing the infrastructure

The Subsidiaries have offices in Ho Chi Minh City and warehouses in Vung Tau Province. Therefore, Board of Directors will review the efficiency of using these infrastructures to plan for better internal usage, cutting rental costs and optimizing performance during the current difficult period.

In such a turbulent context, the solutions for optimization, cost reduction and core services development are among the top priority that PV Drilling will implement in 2018. We believe that all effective above-mentioned measures will assist us in overcoming all obstacles ahead, maintaining our business performance and enhancing our internal strength in order to affirm the position of "The Pioneer of Vietnam Drillers".



## THE IMPLEMENTATION OF RESTRUCTURING ACTIVITIES IN 2018



The planning and implementation of PV Drilling's re-structuring activities is extremely necessary to survive through numerous ups and downs and to ensure sustainable development. Based on the evaluations of business operation of the Subsidiaries and Divisions of Corporate Head Office; regarding the consideration, selection of the most effective solutions, the Restructuring Steering Committee will submit the restructuring road map for the period 2018-2020 to competent authorities for approval. Afterwards, the Committee will focus on implementation of restructuring according to the approved plan for the purpose of a stream lined, effective organisation to minimise operation cost in line with low service price, to improve the business performance and enhance our competition competence when oil price remains at low level.

When the oil price is recovered, PV Drilling will further consider the re-restructuring, re-arrangement of organisational forms, and strengthening the management activities for PV Drilling and its units to have intensive competition advantages, effective business operation, meeting demands of new market, compatible with the actual operation of PV Drilling.



Restructuring will be set as the top priority on PV Drilling's action plan in 2018. It will be implemented in parallel with other key factors such as maximum revenue and profit, optimal operational activities and minimum cost.



## CORPORATE SOCIAL RESPONSIBILITY (CSR)

Not only fulfilling its responsibilities to the State such as always contributing to the National budget on time, but PV Drilling Corporation also paid much attention to create jobs for the labor force. At PV Drilling, human factor is always the top priority and the mainstay in the strategy of sustainable development.

Besides, PV Drilling always focus on building a friendly and ideal working environment together with policies to encourage employees to improve their knowledge, giving promotion opportunities, increasing their prestige, taking care of healthcare or team building. The regulation, policies for the workforce are fully implemented and strictly complied with current law, which helps to narrow the gap between the labors and leaders, in parallel with avoiding gender inequality or forced labor, which contributes to improve the lives of the labors, thereby promotes the development of society.

In addition, the trade unions at all levels often organize many movements such as sports games, music contests, women activities, taking care of the workers with serious diseases, handing Lunar Tet gifts over the drilling crew who worked on board or production bases through the Tet holiday, rewarding excellent students. All aimed to improve the spiritual value of workers and make the cohesion between the labors and Corporation more united.

Together with business development objectives, PV Drilling always recognizes and understands the importance of corporate social responsibility for the society and community. Since the first day of establishment, the Corporation has always devoted a portion of its profits for social activities, sharing and contributing to the community. Many charities programs are done by Trade Union, Youth Union

and all employees of the PV Drilling such as poverty alleviation, improvement of health quality, cultural and social education.... with the enthusiasm and commitment inherent in each individual. Over the past years, many social projects have been completed and handed over to localities for effective use on time, with a total amount of over VND 260 billion.

Over the past two years, the sharp fall of crude oil price negatively affected the Corporation's business performance, but PV Drilling still maintained to implement CSR activities such as giving insurance cards, school equipment for flooded children at Quang Binh, Ha Tinh, Binh Dinh and Khanh Hoa with the total of VND 241 million, completed transaction of previous CSR activities up to VND 12.5 billion. In addition, the Corporation also helps its employees with total amount of VND 248 million.

Beside the CSR programs are approved by Petrovietnam, PV Drilling actively builds our own CSR activities and sponsorship programs such as 6-year monopoly sponsor (2012 - 2017) for Thai Binh women's volleyball team, 5-year sponsor for SOS National football children, "Vietnam Youth Dreams" program, scholarships for excellent students of Petrovietnam University, cooperated with Communist Magazine to donate houses of gratitude, savings for wounded soldiers and martyrs families on the martyrs day, 27 July; PV Drilling's all staff worked extra day to contribute nearly VND 8 billion to support the fund for team spirit, Truong Sa, for young generation, people with floods and other charitable activities. Trade unions also visited and donated gifts to social charity funds in the localities where the headquarters were located and the disadvantaged areas, total amount nearly VND 1 billion.

Participation in so many CSR activities is a nice cultural and traditional of the Corporation, which helps to contribute to its sustainable development.





## IN RELATIONS WITH THE GOVERNMENTAL AUTHORITIES



With the objective of associating the development of Corporation with the Society - Environment, PV Drilling not only focuses on its business operation objectives but also always emphasizes on fulfilling all duties in a timely manner to contribute to the State budget.

### Fulfilling the duties to contribute to the State budget:

The impact of drastic fall of the oil and gas industry in 2017 has dramatically affected on PV Drilling's business performance compared to that of previous years. However, with the great efforts in search of client in abroad market, PV Drilling has actively participated in tenders in other countries regionally and has been awarded the contracts for provision of drilling services in Malaysia and Thailand. This

partially helped to reduce the difficulties that PV Drilling was facing last year when the local domestic oil and gas market had not shown any positive sign.

Particularly, the consolidated revenue of PV Drilling in 2017 was VND 3,891 billion (a decrease of 27%), consolidated profit after tax reached VND 45 billion (an approximate decrease of 65%) as compared to 2016. As a consequence, there was a reduce of PV Drilling's contribution to the government budget in 2017 compared to those in previous years; however, provided in the very harsh current context, it is not a small figure which proves an endless endeavor of the whole Corporation to maintain its business operation and continue to perform its responsibility to contribute to the national budget in such a difficult situation of the entire market.

### Tax and amounts payable to State Budget in 2017, as details:

VND	Paid in 2017	Paid in 2016	+/- %
Value added tax	186,924,228,120	312,140,663,548	-40%
Imported duties	11,720,071,440	25,253,100,674	-54%
Corporate income tax	84,177,908,640	93,013,237,517	-9%
Personal income tax	159,270,231,960	245,893,429,624	-35%
Others	87,881,439,240	227,288,736,601	-61%
<b>Total</b>	<b>529,973,879,400</b>	<b>903,589,167,964</b>	<b>-41%</b>

### Developing the sustainable relationship with the Government

Besides concentrating on seeking solutions to overcome the difficult period and develop sustainably, during the past years, PV Drilling has been studying to apply the policies, making contributions and escalating the petitions and proposals to the governmental authorities to complete the policies as well as to support the business operation of PV Drilling. The petitions and proposals of PV Drilling that have been resolved and amended by the governmental authorities, including:

- Petitions for a reasonable tax policy, encouraging local enterprises to invest and develop: tax policy for the thread lathing services to protect the local services;
- Adjusting the tax policy for internal and external drilling contractors in Vietnam, aiming for a fair competition;
- Petitions to the Finance Ministry of France for changing the depreciation method of drilling rigs;

- Enforcing a preferential policy to support the investment in development of hightech applications.

In 2018, the domestic oil and gas market is still in difficult stage with less jobs and harsh competition, while in the overseas markets, PV Drilling is dealing with strict protectionist policies that used to prioritize local enterprises' competitiveness. PV Drilling shall continue to study international practices, recommend and contribute preferential policies, increase the localization rates as other nearby countries are doing in order to support domestic oil and gas companies to improve the competitive capacity in Vietnam during this difficult and challenging period.

Over 16 years of establishment and development, PV Drilling always fulfills completely all duties to the State and contributes significantly to State budget.





# FINANCIAL STATEMENT

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Statement of The Board of Directors

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Independent Auditors' Report

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Consolidated Balance Sheet

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Consolidated Income Statement

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Consolidated Cash Flow Statement

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Notes to The Translated Consolidated Financial Statements

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## STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of Petrovietnam Drilling and Well Services Corporation (the "Company") presents this report together with the translated consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017.

### THE BOARDS OF MANAGEMENT AND DIRECTORS

The members of the Boards of Management and Directors of the Group who held office during the year and to the date of this report are as follows:

#### Board of Management

Mr. Do Van Khanh	Chairman
Mr. Do Duc Chien	Vice Chairman
Mr. Pham Tien Dung	Member
Mr. Le Van Be	Member
Ms. Pham Thi An Binh	Member
Ms. Ho Ngoc Yen Phuong	Member
Ms. Nguyen Thi Thuy	Member (appointed on 24 August 2017)
Mr. Duong Xuan Quang	Member (resigned on 24 August 2017)

#### Board of Directors

Mr. Pham Tien Dung	President
Mr. Tran Van Hoat	Vice President
Mr. Dao Ngoc Anh	Vice President
Mr. Nguyen Xuan Cuong	Vice President
Mr. Trinh Van Vinh	Vice President
Mr. Vu Van Minh	Vice President
Mr. Ho Vu Hai	Vice President
Mr. Do Danh Rang	Vice President (appointed on 13 April 2017)

### THE BOARD OF DIRECTORS' STATEMENT OF RESPONSIBILITY

The Board of Directors of the Group is responsible for preparing the consolidated financial statements in United States Dollar ("USD") for the year ended 31 December 2017, which give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese accounting standards, accounting regime for enterprises and legal regulations relating to financial reporting. Also, the Board of Directors is responsible for preparing the translated consolidated financial statements from the above-mentioned USD consolidated financial statements in accordance with requirements of Circular No. 200/2014/TT-BTC ("Circular 200") dated 22 December 2014 for translation of financial statements prepared in a foreign currency into Vietnam Dong as disclosed in Note 2 of the Notes to the translated consolidated financial statements. In preparing these translated consolidated financial statements, the Board of Directors is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the translated consolidated financial statements;

- Prepare the translated consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business; and
- Design and implement an effective internal control system for the purpose of properly preparing and presenting the translated consolidated financial statements so as to minimise errors and frauds.

The Board of Directors is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the consolidated financial position of the Group and that the translated consolidated financial statements comply with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. The Board of Directors is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

The Board of Directors confirms that the Group has complied with the above requirements in preparing these translated consolidated financial statements.

For and on behalf of the Board of Directors,



Pham Tien Dung  
President  
28 March 2018



# INDEPENDENT AUDITORS' REPORT

No.: /VN1A-HC-BC

To: **The Shareholders, the Boards of Management and Directors of Petrovietnam Drilling and Well Services Corporation**

We have audited the accompanying translated consolidated financial statements of Petrovietnam Drilling and Well Services Corporation ("the Company") and its subsidiaries (collectively referred to as the "Group"), prepared on 28 March 2018 as set out from page 4 to page 41, which comprise the consolidated balance sheet as at 31 December 2017, the consolidated statement of income and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. These translated consolidated financial statements have been prepared by the Board of Directors under Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting and requirements of Circular No. 200/2014/TT-BTC ("Circular 200") dated 22 December 2014 for translation of financial statements prepared in a foreign currency into Vietnam Dong as disclosed in Note 2 of the Notes to the translated consolidated financial statements.

## Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of these translated consolidated financial statements in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting and requirements of Circular 200 for translation of financial statements prepared in a foreign currency into Vietnam Dong and for such internal control as the Board of Directors determines is necessary to enable the preparation of translated consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

Trách nhiệm của chúng tôi là đưa ra ý kiến về báo cáo tài chính hợp nhất chuyển đổi dựa trên kết quả của cuộc kiểm toán. Our responsibility is to express an opinion on these translated consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the translated consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the translated consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the translated consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Group's preparation and fair presentation of the translated consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the translated consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Auditors' Opinion

In our opinion, the translated consolidated financial statements for the year ended 31 December 2017 are prepared, in all material respects, in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting and requirements of Circular 200 for translation of financial statements prepared in a foreign currency into Vietnam Dong.

## Basis of Accounting and Restriction on Distribution and Use

We draw readers' attention to Note 2 of the Notes to the translated consolidated financial statements, which describes the basis of accounting for the translation of the consolidated financial statements. These translated consolidated financial statements are prepared to assist the Group to meet the requirements of Circular 200 in disclosure and submission of consolidated financial statements to State bodies.

## Other matter

The Company has prepared a set of consolidated financial statements for the year ended 31 December 2017 in United States Dollar which is its functional currency, in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting, on which we issued an independent auditors' report dated 28 March 2018 expressing an unqualified opinion.



**Bui Van Trinh**  
**Audit Partner**  
Audit Practising Registration Certificate  
No. 1808-2018-001-1  
**BRANCH OF DELOITTE VIETNAM COMPANY LIMITED**  
28 March 2018  
Ho Chi Minh City, S.R. Vietnam

**Tran Hong Quan**  
**Auditor**  
Audit Practising Registration Certificate  
No. 2758-2014-001-1



# CONSOLIDATED BALANCE SHEET

As at 31 December 2017

FORM B 01-DN/HN  
Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
<b>A. CURRENT ASSETS</b>	<b>100</b>		<b>6,284,083,983,690</b>	<b>6,817,358,817,900</b>
<b>I. Cash and cash equivalents</b>	<b>110</b>	<b>4</b>	<b>1,803,323,952,900</b>	<b>2,782,568,383,500</b>
1. Cash	111		1,462,350,990,285	2,508,797,235,400
2. Cash equivalents	112		340,972,962,615	273,771,148,100
<b>II. Short-term financial investments</b>	<b>120</b>		<b>2,148,216,872,595</b>	<b>1,678,127,373,200</b>
1. Held-to-maturity investments	123	5	2,148,216,872,595	1,678,127,373,200
<b>III. Short-term receivables</b>	<b>130</b>		<b>1,552,065,474,480</b>	<b>1,527,115,872,900</b>
1. Short-term trade receivables	131	6	1,605,937,006,380	1,627,239,852,500
2. Short-term advances to suppliers	132	7	150,386,037,390	9,683,978,900
3. Other short-term receivables	136	8	120,001,678,365	70,009,932,600
4. Provision for short-term doubtful debts	137	6	(324,259,247,655)	(179,924,399,500)
5. Deficits in assets awaiting solution	139		-	106,508,400
<b>IV. Inventories</b>	<b>140</b>	<b>9</b>	<b>754,160,264,295</b>	<b>794,986,983,100</b>
1. Inventories	141		891,803,200,080	944,490,454,300
2. Provision for devaluation of inventories	149		(137,642,935,785)	(149,503,471,200)
<b>V. Other short-term assets</b>	<b>150</b>		<b>26,317,419,420</b>	<b>34,560,205,200</b>
1. Short-term prepayments	151		13,648,976,325	15,773,480,900
2. Value added tax deductibles	152		9,173,364,105	14,881,053,100
3. Taxes and other receivables from State budget	153	17	3,495,078,990	3,905,671,200
<b>B. NON-CURRENT ASSETS</b>	<b>200</b>		<b>15,533,376,631,965</b>	<b>16,325,348,249,900</b>
<b>I. Long-term receivables</b>	<b>210</b>		<b>19,009,928,775</b>	<b>16,688,132,000</b>
1. Other long-term receivables	216		19,009,928,775	16,688,132,000
<b>II. Fixed assets</b>	<b>220</b>		<b>14,821,259,262,720</b>	<b>15,575,544,141,300</b>
1. Tangible fixed assets	221	10	14,647,800,028,680	15,390,932,963,600
- Cost	222		22,940,128,055,175	22,928,748,694,500
- Accumulated depreciation	223		(8,292,328,026,495)	(7,537,815,730,900)
2. Intangible assets	227	11	173,459,234,040	184,611,177,700
- Cost	228		271,395,786,960	271,095,521,800
- Accumulated amortisation	229		(97,936,552,920)	(86,484,344,100)
<b>III. Long-term assets in progress</b>	<b>240</b>		<b>37,455,317,730</b>	<b>57,965,289,900</b>
1. Long-term construction in progress	242	12	37,455,317,730	57,965,289,900
<b>IV. Long-term financial investments</b>	<b>250</b>		<b>558,638,669,940</b>	<b>623,095,024,000</b>
1. Investments in joint ventures	252	13	558,638,669,940	623,095,024,000
<b>V. Other long-term assets</b>	<b>260</b>		<b>97,013,452,800</b>	<b>52,055,662,700</b>
1. Long-term prepayments	261		10,318,694,550	26,461,980,200
2. Deferred tax assets	262	14	86,694,758,250	25,593,682,500
<b>TOTAL ASSETS (270=100+200)</b>	<b>270</b>		<b>21,817,460,615,655</b>	<b>23,142,707,067,800</b>

RESOURCES	Codes	Notes	Closing balance	Opening balance
<b>C. LIABILITIES</b>	<b>300</b>		<b>8,344,527,108,045</b>	<b>9,667,305,863,500</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>3,905,419,749,000</b>	<b>3,245,912,248,300</b>
1. Short-term trade payables	311	15	676,756,184,190	736,697,537,200
2. Short-term advances from customers	312	16	218,988,527,385	1,759,931,000
3. Taxes and amounts payable to State Budget	313	17	155,735,090,715	50,753,341,000
4. Payables to employees	314		153,416,075,910	153,834,676,600
5. Short-term accrued expenses	315	18	333,278,716,410	373,518,988,700
6. Other current payables	319	19	361,697,271,990	367,871,932,400
7. Short-term loans	320	20	1,342,640,443,845	761,883,005,600
8. Short-term provisions	321	21	542,692,799,850	641,118,256,500
9. Bonus and welfare funds	322		120,214,638,705	158,474,579,300
<b>II. Long-term liabilities</b>	<b>330</b>		<b>4,439,107,359,045</b>	<b>6,421,393,615,200</b>
1. Other long-term payables	337		478,681,513,575	478,263,712,200
2. Long-term loans	338	22	3,329,574,672,330	4,679,425,170,600
3. Long-term provisions	342	23	172,010,985,870	166,826,703,800
4. Scientific and technological development fund	343	24	458,840,187,270	1,096,878,028,600
<b>D. OWNERS' EQUITY</b>	<b>400</b>		<b>13,472,933,507,610</b>	<b>13,475,401,204,300</b>
<b>I. Owners' equity</b>	<b>410</b>	<b>25</b>	<b>13,472,933,507,610</b>	<b>13,475,401,204,300</b>
1. Owners' contributed capital	411		3,832,661,600,000	3,832,661,600,000
- Ordinary shares carrying voting rights	411a		3,832,661,600,000	3,832,661,600,000
2. Share premium	412		2,434,086,374,663	2,434,086,374,663
3. Treasury shares	415		(20,948,559,850)	(20,948,559,850)
4. Foreign exchange reserve	417		1,448,859,224,120	1,475,035,203,020
5. Investment and development fund	418		1,568,769,410,726	1,555,178,332,202
6. Retained earnings	421		3,944,910,084,813	3,930,049,160,031
- Retained earnings accumulated to the prior year end	421a		3,930,049,160,031	3,878,354,321,722
- Retained earnings of the current year	421b		14,860,924,782	51,694,838,309
7. Non-controlling interests	429	26	264,595,373,138	269,339,094,234
<b>TOTAL RESOURCES (440=300+400)</b>	<b>440</b>		<b>21,817,460,615,655</b>	<b>23,142,707,067,800</b>



Pham Tien Dung  
President  
28 March 2018

Doan Duc Tung  
Chief Accountant

Tran Kim Hoang  
Preparer



## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

FORM B 02-DN/HN  
Unit: VND

ITEMS	Codes	Notes	Current year	Prior year
1. Gross revenue from goods sold and services rendered	01		3,890,709,275,040	5,360,001,691,643
2. Net revenue from goods sold and services rendered (10=01)	10	29	3,890,709,275,040	5,360,001,691,643
3. Cost of goods sold and services rendered	11	30	3,698,833,730,760	4,527,530,729,309
4. Gross profit from goods sold and services rendered (20=10-11)	20		191,875,544,280	832,470,962,334
5. Financial income	21	32	198,270,873,360	193,623,235,593
6. Financial expenses	22	33	279,225,727,200	287,486,837,590
- In which: Interest expense	23		193,142,993,400	189,907,066,890
7. Income from investments in joint ventures	24	13	4,905,343,800	114,335,032,634
8. Selling expenses	25		18,563,171,760	28,237,259,197
9. General and administration expenses	26	34	569,024,258,040	643,113,796,319
10. Operating profit (30=20+(21-22)+24-(25+26))	30		(471,761,395,560)	181,591,337,455
11. Other income	31	35	634,584,993,840	93,618,586,265
12. Other expenses	32		11,855,221,560	6,920,912,844
13. Profit from other activities (40=31-32)	40		622,729,772,280	86,697,673,421
14. Accounting profit before tax (50=30+40)	50		150,968,376,720	268,289,010,876
15. Current corporate income tax expense	51	36	176,579,199,720	75,862,136,277
16. Deferred corporate income tax expense/(income)	52	14	(61,172,541,360)	6,785,274,350
<b>17. Net profit after corporate income tax (60=50-51-52)</b>	<b>60</b>		<b>35,561,718,360</b>	<b>185,641,600,249</b>
Attributable to:				
- The Company's shareholders	61		45,280,185,902	129,402,520,081
- Non-controlling interests and Interests of partners in Business Cooperation Contract	62	26	(9,718,467,542)	56,239,080,168
<b>18. Basic earnings per share</b>	<b>70</b>	<b>37</b>	<b>74</b>	<b>224</b>



Pham Tien Dung  
President  
28 March 2018

Doan Dac Tung  
Chief Accountant

Tran Kim Hoang  
Preparer

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2017

FORM B 02-DN/HN  
Unit: VND

ITEMS	Codes	Current year	Prior year
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>1. Profit before tax</b>	<b>01</b>	<b>150,968,376,720</b>	<b>268,289,010,876</b>
<b>2. Adjustments for:</b>			
Depreciation and amortisation	02	788,288,147,640	727,530,894,034
Các khoản dự phòng	03	41,013,922,320	259,241,427,578
Provisions			
Foreign exchange loss/(gain) arising from translating foreign currency items	04	13,467,043,800	(13,818,914,082)
Gain from investing activities	05	(143,405,866,800)	(231,491,542,456)
Interest expense	06	193,142,993,400	189,907,066,890
Other adjustments	07	(625,745,781,360)	(24,979,555,287)
<b>3. Operating profit before movements in working capital</b>	<b>08</b>	<b>417,728,835,720</b>	<b>1,174,678,387,553</b>
Changes in receivables	09	(180,949,304,646)	1,169,625,449,891
Changes in inventories	10	51,264,896,760	200,651,359,568
Changes in payables	11	146,022,263,591	(1,127,763,892,394)
Changes in prepaid expenses	12	18,214,716,240	34,927,336,494
Interest paid	14	(196,898,688,000)	(194,587,041,553)
Corporate income tax paid	15	(84,177,908,640)	(93,013,237,517)
Other cash outflows	17	(56,591,553,984)	(110,538,650,979)
<b>Net cash generated by operating activities</b>	<b>20</b>	<b>114,613,257,041</b>	<b>1,053,979,711,063</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1. Acquisition and construction of fixed assets	21	(44,320,689,000)	(235,289,798,798)
2. Proceeds from sale, disposal of fixed assets	22	300,986,280	6,730,072,118
3. Cash outflow for buying debt instruments	23	(2,204,579,441,933)	(1,711,394,324,616)
4. Cash recovered from lending, selling debt instruments of other entities	24	1,734,489,942,538	945,693,387,247
5. Interest income, dividends and profits received	27	158,430,006,000	207,274,488,527
<b>Net cash used in investing activities</b>	<b>30</b>	<b>(355,679,196,115)</b>	<b>(786,986,175,522)</b>



## CONSOLIDATED INCOME STATEMENT (cont.)

For the year ended 31 December 2017

FORM B 02-DN/HN  
Unit: VND

ITEMS	Codes	Current year	Prior year
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
1. Proceeds from borrowings	33	69,695,458,560	35,338,450,204
2. Repayment of borrowings	34	(821,732,098,320)	(1,035,139,637,449)
3. Dividends and profits paid	36	(1,396,171,000)	-
<b>Net cash used in by financing activities</b>	<b>40</b>	<b>(753,432,810,760)</b>	<b>(999,801,187,245)</b>
<b>Net decrease in cash during the year (50=20+30+40)</b>	<b>50</b>	<b>(994,498,749,834)</b>	<b>(732,807,651,704)</b>
Cash and cash equivalents at the beginning of the year	60	2,782,568,383,500	3,496,469,368,100
Effects of changes in foreign exchange rates	61	1,166,659,200	(7,791,754,851)
Foreign exchange differences from translation	62	14,087,660,034	26,698,421,955
<b>Cash and cash equivalents at the end of the year (70=50+60+61+62)</b>	<b>70</b>	<b>1,803,323,952,900</b>	<b>2,782,568,383,500</b>



Pham Tien Dung  
President  
28 March 2018

Doan Duc Tung  
Chief Accountant

Tran Kim Hoang  
Preparer

## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS

These notes are an integral part of and should be read in conjunction with the accompanying translated consolidated financial statements

FORM B 09-DN/HN

### 1. GENERAL INFORMATION

#### Structure of ownership

The Group consists of Petrovietnam Drilling and Well Services Corporation (the "Company") and its 7 subsidiaries and 6 joint ventures as follows:

#### The Company

The Company is a joint stock company established in S.R. Vietnam in accordance with the Business Registration Certificate No. 4103004335 dated 15 February 2006 and the 12th amendment dated 20 December 2016 issued by the Department of Planning and Investment ("DPI") of Ho Chi Minh City, Enterprise code No. 0302495126. The Company was established from the equitization of Petrovietnam Drilling and Well Services Company, a member of Petrovietnam - S.R.Vietnam Oil and Gas Group (hereinafter referred to as "Petrovietnam").

The Company consists of 2 divisions and 4 overseas branches as follows:

- The Drilling Division was established in accordance with the Resolution of the Company's Board of Management dated 9 April 2007 and the Decision No. 1249/QĐ-PVD issued by the President dated 24 May 2007 changing the Drilling Management Committee into the Drilling Division and in accordance with the Business Registration Certificate No. 0302495126-007 dated 16 March 2010 replacing the Business Registration Certificate No. 4113028028 issued by the DPI of Ho Chi Minh City. The Drilling Division's registered office is located at 3rd Floor, Sailing Tower Building, 111A Pasteur Street, District 1, Ho Chi Minh City, S.R.Vietnam. The Division manages and operates 03 offshore drilling rigs: PV Drilling I, PVD Drilling II and PV Drilling III.
- PVD Drilling Investment Division ("PVD Invest") was established in accordance with the Decision No. 06/12/QĐ-HĐQT dated 30 December 2009 issued by the Board of Management and the Business Registration Certificate No. 0302495126 dated 18 January 2010, and its amendment dated 19 May 2010 issued by the DPI of Ho Chi Minh City. PVD Invest's registered office is located at 3rd Floor, Sailing Tower Building, 111A Pasteur Street, District 1, Ho Chi Minh City, S.R.Vietnam.
- Algeria Branch was established in accordance with the Decision No. 13/QĐ-HĐQT dated 2 March 2006 issued by the Board of Management and Establishment Certificate No. 04/STM-TT.TNNN dated 23 March 2006 issued by the Industry and Trade Department of Ho Chi Minh City. The Algeria Branch's registered office is located at Cité Si El, Houas, No. 02, Villa No. 101, Hassi Messaoud, Ouargla, Algeria. The Branch manages and operates 01 land drilling rig: PV Drilling 11.
- Myanmar Branch was established in accordance with the Decision No. 01/03/2015/QĐ-HĐQT dated 04 March 2015 issued by the Board of Management and Establishment Certificate No. 594/CNĐK-SCT dated 18 Jun 2015 issued by the Trade Department of Ho Chi Minh City. The Myanmar Branch's registered office is located at No. 33/36, Garden Street (U Yin Lane), Bahan Township, Yangon, Myanmar.
- Thailand Branch was established in accordance with Decision No. 03/03/2017/QĐ-HĐQT dated 27 March 2017 issued by the Board of Management and Establishment Certificate No. 678/CNĐK-SCT dated 13 April 2017 issued by the Industry and Trade Department of Ho Chi Minh City. The Thailand Branch's registered office is located at 7th Floor, Shinawatra Tower III Building, 1010 Vibhavadi Rangsit Rd., Chatuchak, Bangkok, Thailand.
- Malaysia Branch was established in accordance with Decision No. 01/8/2017/NQ-HĐQT dated 17 October 2017 issued by the Board of Management and Establishment Certificate No. 1461/CNĐK-SCT dated 25 September 2017 issued by the Industry and Trade Department of Ho Chi Minh City. The Thailand Branch's registered office is located at 35J-2-9, KLSC Jalan Wangsa Delima 5, Wangsa Maju, 53300 Kuala Lumpur, Malaysia.

The number of employees of the Company and its subsidiaries as at 31 December 2017 was 406 and 2,282 respectively (as at 31 December 2016 was: 412 and 2,390).



## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

FORM B 09-DN/HN

### The subsidiaries

PVD Offshore Services Company Limited ("PVD Offshore") was established as a limited liability company under the Business Registration Certificate No. 3500803145 dated 1 September 2009 issued by DPI of Ba Ria - Vung Tau Province and its amendments. PVD Offshore's registered office is located at 43A, 30/4 Street, Ward 9, Vung Tau City, Ba Ria - Vung Tau Province, S.R.Vietnam. PVD Offshore is principally engaged in providing repair, inspection and maintenance of equipment and facilities of oil and gas industry; drilling manpower supply service, oil and gas exploitation for domestic and foreign contractor operations; consultant of environmental impact assessment, the rescue plan for oil spills and facilities and activities that have a risk of oil spills.

PVD Well Services Company Limited ("PVD Well") was established as a limited liability company under the Business Registration Certificate No. 4104001468 dated 1 August 2007 issued by DPI of Ho Chi Minh City and its amendments. PVD Well's registered office is located at Room 13, 12Ath Floor, Vincom Center Building, 47 Ly Tu Trong Street, Ben Nghe Ward, District 1, Ho Chi Minh City, S.R.Vietnam. PVD Well is principally engaged in providing tubular services, drilling equipment rental services, well drilling technical services, supplying specialized tool and equipment to serve the well drilling services.

Petroleum Well Logging Company Limited ("PVD Logging") was established as a limited liability company under the Business Registration Certificate No. 4104001513 dated 7 August 2007 issued by DPI of Ho Chi Minh City and its amendments. PVD Logging's registered office is located at 10th Floor, Sailing Tower, 111A Pasteur Street, District 1, Ho Chi Minh City, S.R.Vietnam. PVD Logging is principally engaged in providing oil and gas wells geophysical survey service, oil and gas wells testing, reservoir testing, cementing pumps and supply of manpower, tool and equipment for the other related services.

PVD Trading and Technical Services Joint Stock Company (formerly known as Petroleum Trading and Technical Services Company Limited, "PVD Tech") has changed legal form from a limited liability company to a joint stock company and commenced its operation as a joint stock company under the Amended Business Registration Certificate No. 0305124602 dated 12 July 2012 issued by DPI of Ho Chi Minh City. PVD Tech's registered office is located at 8th Floor, Green Power Building, 35 Ton Duc Thang Street, Ben Nghe Ward, District 1, Ho Chi Minh City, S.R.Vietnam. PVD Tech is principally engaged in providing materials and equipment for the oil and gas industry and other industries, implementation installation services, inspection, repair, maintenance of drilling rig, mending rig, exploiting rig.

PVD Technical Training and Certification Joint Stock Company ("PVD Training"), formerly known as Cuu Long Company Limited, is a joint stock company that was established in accordance with Business Registration Certificate No. 3500677518 dated 12 August 2011 issued by DPI of Ba Ria - Vung Tau Province, and its amendments. PVD Training's registered office is located at Dong Xuyen Industrial Zone, 30/4 Street, Rach Dua Ward, Vung Tau City, Ba Ria - Vung Tau Province, S.R.Vietnam. PVD Training is principally engaged in providing training, introduction and supply of manpower in the oil and gas industry in domestic and overseas markets; house, office and warehouse leasing.

PVD Deepwater Drilling Company Limited ("PVD Deepwater") was established as a limited liability company under the Business Registration Certificate No. 0310139354 dated 14 July 2010 issued by DPI of Ho Chi Minh City and its amendments. PVD Deepwater's registered office is located at 5th Floor, Sailing Tower, 111A Pasteur Street, District 1, Ho Chi Minh City, S.R.Vietnam. PVD Deepwater is principally engaged in providing supporting services in crude oil and natural gas exploitation; supply of deepwater rigs in service search, exploration and exploitation of oil and gas; supply of materials and equipment, machinery for supporting of oil and gas researching, exploring and exploiting; industry and other related industries; research and natural and technical sciences experimental development of natural and technical sciences; technological consultancy in the field of oil and gas. PVD Deepwater manages and operates 01 semi-submersible drilling rig: PV Drilling V.

PV Drilling Overseas Company Private Limited ("PVD Overseas") was established in Singapore under joint venture contract with Falcon Energy Group Limited and Business Registration No. 201308977C dated 04 April 2013. PVD Overseas's registered office is located at No. 9 Temasek Boulevard, #31\_00 Suntec Tower 2, Singapore. PVD

## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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Overseas is principally engaged in providing investment, drilling rental, supplying drilling service and the services related to exploration and exploitation of oil and gas. PVD Overseas manages and operates 01 offshore drilling rig: PV Drilling VI.

Detailed information about capital contribution status and investment value in subsidiaries of the Company as at 31 December 2017 and 31 December 2016 are as follows:

Name of subsidiaries	Closing balance				Opening balance			
	Proportion of ownership interest/voting power held	Registered charter capital	Contributed charter capital	Investment value	Proportion of ownership interest/voting power held	Registered charter capital	Contributed charter capital	Investment value
	%	(original currency)	(original currency)	USD	%	(original currency)	(original currency)	USD
PVD Offshore	100	130,000,000,000 VND	130,000,000,000 VND	6,748,980	100	130,000,000,000 VND	130,000,000,000 VND	6,748,980
PVD Well	100	80,000,000,000 VND	80,000,000,000 VND	4,081,469	100	80,000,000,000 VND	80,000,000,000 VND	4,081,469
PVD Logging	100	80,000,000,000 VND	80,000,000,000 VND	4,236,959	100	80,000,000,000 VND	80,000,000,000 VND	4,236,959
PVD Tech	100	200,000,000,000 VND	200,000,000,000 VND	10,324,805	100	200,000,000,000 VND	200,000,000,000 VND	10,324,805
PVD Training	51.8	28,958,670,000 VND	28,958,670,000 VND	1,096,066	51.8	28,958,670,000 VND	28,958,670,000 VND	1,096,066
PVD Deepwater	100	764,000,000,000 VND	764,000,000,000 VND	39,692,090	100	764,000,000,000 VND	764,000,000,000 VND	39,692,090
PVD Overseas	81.6	41,961,000 USD	66,698,050 USD	54,400,000	81.6	41,961,000 USD	66,698,050 USD	54,400,000
				<b>120,580,369</b>				<b>120,580,369</b>

### The Joint Ventures

Details of the Group's joint ventures with proportion of voting rights held 50% are as follows:

BJ Services-PV Drilling Joint Venture Company Limited ("BJ-PVD") was established in S.R.Vietnam as a joint venture company under the Investment Certificate No. 492021000003 dated 28 September 2006 issued by the People's Committee of Ba Ria - Vung Tau Province and its amendments. BJ - PVD's registered office is located at 65A, 30/4 Street, Thang Nhat Ward, Vung Tau City, Ba Ria - Vung Tau Province, S.R.Vietnam. BJ-PVD is principally engaged in providing the entire package of services such as cementing pump, reservoir stimulation, dragging tubular and pumping nitrogen, etc., as well as technical solutions, laboratory services and chemicals supply. The total charter capital of BJ-PVD is amount of USD 5 million, in which the Group holds 49% of its ownership.

PV Drilling-Baker Hughes Well Technical Services Joint Venture Company Limited ("PVD-Baker Hughes") was established in S.R.Vietnam under the Investment Certificate No. 411022000556 dated 26 January 2011 issued by the People's Committee of Ho Chi Minh City and its amendments. PVD-Baker Hughes's registered office is located at 10th Floor, Sailing Tower, 111A Pasteur Street, District 1, Ho Chi Minh City, S.R.Vietnam. PVD-Baker Hughes is principally engaged in providing directional surveying drilling services, measurement while drilling services, coring sample services, well geophysical survey services, casehead hanging over services, sticking rescue services, artificial reservoir pressure, intelligent well completion services and other mine exploitation technology services. The total charter capital of PVD-Baker Hughes is USD 20 million, equivalent to VND 370,880,000,000, in which the Group holds 51% of its ownership.



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PVD Tubulars Management ("PVD Tubulars") was established in S.R.Vietnam under the Investment Certificate No. 492022000134 dated 7 October 2008 issued by the Board of Management of Ba Ria - Vung Tau Industrial Zone and its amendments. PVD Tubulars's registered office is located at Phu My 1 Industrial Zone, Tan Thanh District, Ba Ria E Vung Tau Province, S.R. Viet Nam. PVD Tubulars is principally engaged in providing products of drilling tube, casing, tubing operators and management service for casing package for all oil and gas companies which operating in exploration and exploitation on shore, offshore and deep water regions in S.R.Vietnam. The total charter capital of PVD Tubulars is VND 57,995,000,000, equivalent to USD 3.5 million. The Group holds 51% of its ownership.

Vietubes Company Limited ("Vietubes") was established under the Investment Certificate No. 492022000111 dated 15 February 1995 issued by the Board of Management of Industrial Zone of Ba Ria - Vung Tau Province and its amendment. Vietubes registered office is located at Street 11, Dong Xuyen Industrial Zone, Rach Dua Ward, Ba Ria - Vung Tau Province, S.R.Vietnam. Vietubes is principally engaged in providing forging, processing, repair, recovery inspection, verification of drilling tube, fabricated connectors, couplings and by-product supporting for drilling operations, oil and gas exploitation; metal processing, including cutting, formatting and stabilizing metal structure; precision mechanical processing for large details on automatic machines. The total charter capital of Vietubes is VND 77,297,205,000, equivalent to USD 3,707,300. The Group holds 51% of its ownership.

PV Drilling Expo International Company Limited (formerly known as PV Drilling Production Testers International Company Limited, "PVD-Expro") was established as a joint venture company under the Investment Certificate No. 491022000098 dated 25 April 2008 issued by the People's Committee of Ba Ria - Vung Tau Province and its amendments. PVD-Expro registered office is located at 65A 30/4 Street, Thang Nhat Ward, Vung Tau City, Ba Ria - Vung Tau Province, S.R.Vietnam. The principal activities of PVD - Expro include providing drilling well reservoir testing service, mining equipment leasing, manpower supplying in operation field of itself with skilled engineers, workers experienced in working for foreign contractors. The total charter capital of PVD-Expro is USD 6,371,352. The Group holds 51% of its ownership.

PVD Tech-Oil State Industries Joint Venture Company Limited ("PVD-OSI") was established in S.R.Vietnam as a joint venture company under the Investment Certificate No. 492022000217 dated 24 November 2011 issued by the Board of Management of Industrial Zone of Ba Ria - Vung Tau Province. PVD-OSI registered office is located at Street 11, Phu My Industrial Zone, Tan Thanh District, Ba Ria - Vung Tau Province, S.R.Vietnam. The principal activities of PVD - OSI include producing, manufacturing, forging, lathing tube connectors and components, spare parts in exploratory drilling sector and oil and gas industry; and providing repair, maintenance tube connectors services in exploratory drilling and oil and gas exploitation. The total charter capital of PVD - OSI is VND 105,000,000,000, equivalent to USD 5 million. The Group holds 51% of its ownership.

### Principal activities

The Group is principally engaged in providing drilling services, well services, wire line logging, oil spill control service, drilling rig, materials, equipment, drilling manpower, investment and project management consulting service, management consulting service, and other related services in the oil and gas industry.

### Normal production and business cycle

The Group's normal production and business cycle is carried out for a time period of 12 months.

### Important events that occurred in the year

For the year ended 31 December 2017, activities of the Group are affected when Oil and Gas contractors adjusted drilling and exploitation schedule due to crude oil prices dropped sharply since the end of 2014.

### Disclosure of information comparability in the translated consolidated financial statements

The comparative figures of the consolidated balance sheet are the figures of the Group's audited translated consolidated financial statements for the year ended 31 December 2016 (the "Opening balance"). The comparative

## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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figures of the consolidated income statement and consolidated cash flow statement are the figures of the Group's audited translated consolidated financial statements for the year ended 31 December 2016 (the "Prior year").

## 2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

### Accounting convention

The Group uses United States Dollar (USD) as currency unit. The Board of Directors believes that the use of USD as currency unit is necessary in order to reflect the economic substance of the underlying events and circumstances relevant to the Group's business operations. For statutory reporting purposes as required by Circular No. 200/2014/TT-BTC the Group translated its audited consolidated financial statements for the year ended 31 December 2016 prepared in United States Dollar (USD) into Vietnam Dong (VND) based on the following principles:

- Assets and liabilities are translated into Vietnam Dong at the actual closing rate (i.e. the transfer rate of the commercial bank where the Group regularly has transactions at the reporting date);
- Equity items (including owners' contributed capital, share premium and treasury shares) are translated into Vietnam Dong at the actual transaction rates at the capital contribution or buy-back of treasury shares dates;
- Exchange differences are translated into Vietnam Dong at the actual transaction rates at the revaluation date;
- Retained earnings, reserves appropriated from retained earnings arising after the investment date are translated into Vietnam Dong based on the consolidated income statement items;
- Items of the consolidated income statement and the consolidated cash flow statement are translated into Vietnam Dong at the average exchange rate of the accounting period because this rate is approximately equal to the actual exchange rate at the dates of the transactions (with the difference of no more than 3%).

Exchange differences arising on the translation of the consolidated financial statements prepared in foreign currency into Vietnam Dong are presented in the "Foreign exchange reserve" item with the code 417 under the "Owners' Equity" section on the consolidated balance sheet.

The accompanying translated consolidated financial statements are not intended to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

### Financial year

The Group's financial year begins on 1 January and ends on 31 December.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted by the Group in the preparation of these translated consolidated financial statements, are as follows:

### Accounting estimates

The preparation of translated consolidated financial statements in conformity with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting requires the Board of Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the translated consolidated financial statements and the reported amounts of revenues and expenses during the financial year. Although these accounting estimates are based on the Board of Directors' best knowledge, actual results may differ from those estimates.



## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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### Basis of consolidation

The translated consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) up to the translated consolidated balance sheet date of each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Company.

Intragroup transactions and balances are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the parent's ownership interests in them. Non-controlling interests consist of the amount of those non-controlling interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses in subsidiaries are respectively attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

### Business combination

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to profit and loss in the year of acquisition.

The non-controlling interests are initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

### Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary or jointly controlled entity at the date of acquisition. Goodwill is recognised as an intangible asset and is amortised on the straight-line basis over its estimated period of benefit of 10 years. Goodwill arising on the acquisition of subsidiaries is presented separately as an intangible asset in the consolidated balance sheet.

Goodwill arising on the acquisition of jointly controlled entities is included in the carrying amount of the jointly controlled entities. From 1 January 2015, this goodwill is not amortised according to Circular 202.

On disposal of a subsidiary or jointly controlled entity, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

### Financial instruments

#### Initial recognition

**Financial assets:** At the date of initial recognition, financial assets are recognised at cost plus transaction costs that are directly attributable to the acquisition of the financial assets. Financial assets of the Group comprise cash and cash equivalents, held-to-maturity investments, trade and other receivables.

**Financial liabilities:** At the date of initial recognition, financial liabilities are recognised at cost plus transaction costs that are directly attributable to the issue of the financial liabilities. Financial liabilities of the Group comprise borrowings, trade and other payables and accrued expenses.

## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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### Subsequent measurement

Currently, there are no requirements for the subsequent measurement of the financial instruments after initial recognition.

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### Held-to-maturity investments

Held-to-maturity investments comprise investments that the Group has the positive intent or ability to hold to maturity, including term deposits to earn periodic interest.

Held-to-maturity investments are recognised on a trade date basis and are initially measured at acquisition price plus directly attributable transaction costs. Post-acquisition interest income from held-to-maturity investments is recognised in the consolidated income statement on accrual basis.

Held-to-maturity investments are measured at cost less provision for doubtful debts. Provision for doubtful debts relating to held-to-maturity investments is made in accordance with prevailing accounting regulations.

### Receivables

Receivables represent the amounts recoverable from customers or other debtors and are stated at book value less provision for doubtful debts.

Provision for doubtful debts is made for receivables that are overdue for six months or more or when the debtor is unable to make settlement due to dissolution, in bankruptcy, or is experiencing similar difficulties and so may be unable to repay the debt.

### Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of externally purchased inventories comprise buying price of inventory and where applicable, purchasing costs that have been incurred in bringing the inventories to their present location and condition. Costs of manufactured inventories comprise direct materials and where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

The evaluation of necessary provision for inventory obsolescence follows current prevailing accounting regulations which allow provisions to be made for obsolete, damaged, or sub-standard inventories and for those which have costs higher than net realizable values as at the balance sheet date.

### Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of purchased tangible fixed assets comprises its purchase price and any directly attributable costs of bringing the assets to its working condition and location for its intended use. The costs of self-constructed or manufactured assets are the actual construction or manufacturing cost plus installation and trial run costs.



## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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Drilling rigs (machinery and equipment) are depreciated over drilling rigs' operating hours.

Other tangible fixed assets are depreciated using the straight-line method over their estimated useful lives as follows:

	Current year	Prior year
	(Year)	(Year)
Buildings and structures	6 - 50	6 - 50
Machinery and equipment (excluding Drilling Rigs)	5 - 10	5 - 10
Office equipments	3 - 5	3 - 4
Motor vehicles	7 - 12	7
Other assets	3 - 7	3 - 7

Loss or gain resulting from sales and disposals of tangible fixed assets is the difference between profit from sales or disposals of assets and their residual values and is recognised in the translated consolidated income statement.

### Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases.

**The Group as lessor:** Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**The Group as lessee:** Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

### Intangible assets and amortization

Intangible assets represent land use rights, the copyright of computer software and others. The total amount is stated at cost less accumulated amortization. Land use rights with indefinite time are not amortised. Land use rights with definite time are amortised on a straight-line basis over term of land use rights. Computer software and other intangible assets are amortised using the straight-line method over their estimated useful lives as five years.

### Construction in progress

Properties in the course of construction for production, rental and administrative purposes or for other purposes are carried at cost. The cost includes any costs that are necessary to form the asset including construction cost, equipment cost, and other costs and related borrowing costs in accordance with the Group's accounting policy. Such costs will be included in the estimated costs of the fixed assets (if settled costs have not been approved) when they are put into use. Depreciation of these assets is calculated from the date of ready-to-use as other non-current assets.

## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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### Long-term financial investments

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each party has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using the equity method of accounting.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy as noted for "Goodwill".

### Prepayments

Prepayments comprise actual costs incurred yet attributable to operating activities of more than one accounting periods.

Prepayments comprise tools and spare parts incurred during the year which are expected to provide future economic benefits to the Group for more than one year. These expenditures have been capitalized as long-term prepayments and allocated to the consolidated income statement using the straight-line method over three years.

### Accrued expenses

Accrued expenses include accruals for operation of rigs and other expenses. Accrued expenses reflect the value of the amounts accrued as production and operating costs but not yet actually paid at the balance sheet date.

### Payable provisions

Payable provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Board of Directors' best estimate of the expenditure required to settle the obligation as at the balance sheet date.

### Revenue recognitions

Revenue from the sale of goods is recognised when all five (5) following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.



## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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Revenue of a transaction involving the rendering of services is recognised when the outcome of such transactions can be measured reliably. Where a transaction involving the rendering of services is attributable to several years, revenue is recognised in each year by reference to the percentage of completion of the transaction at the balance sheet date of that year. The outcome of a transaction can be measured reliably when all four (4) following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the percentage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest income is recorded on accrual basis, by reference to the principal outstanding and at the applicable interest rate.

Dividend income is recognised when the Group's right to receive payment has been established.

### Severance allowance payable

The severance allowance for employees is accrued at the end of each reporting period for all employees having worked at the Group for full 12 months and above. Working time serving as the basis for calculating severance allowance shall be the total actual working time subtracting the time when the employees have made unemployment insurance contributions as prescribed by law, and the working time when severance allowance has been paid to the employees. The allowance made for each year of service equals to a half of an average monthly salary under the Vietnamese Labour Code, Social Insurance Code and relevant guiding documents. The average monthly salary used for calculation of severance allowance shall be adjusted to be the average of the six consecutive months nearest to the date of the translated consolidated financial statements at the end of each reporting period. The increase or decrease in the accrued amount shall be recorded in the translated consolidated income statement.

### Foreign currencies

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balances of monetary items denominated in foreign currencies as at the balance sheet date are retranslated at the exchange rates on the same date. Exchange differences arising from the translation of these accounts are recognised in the consolidated income statement.

For the purpose of presenting translated consolidated financial statements, the assets and liabilities of subsidiaries and overseas branches are translated to reporting currency using exchange rates prevailing as at the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising when translating the financial statements of subsidiaries and foreign branches are accumulatedly recognised into the equity on the consolidated balance sheet based on the following principles:

- Exchange differences allocated for the Group are presented in the "Foreign exchange reserve" under the "Owners' Equity" section on the consolidated balance sheet;
- Exchange differences allocated for the non-controlling shareholders are presented in the "Non-controlling interest".

Exchange differences arising from translating the goodwill at the balance sheet date which is not allocated is totally charged to the Group and presented in the "Foreign exchange reserve" under the "Owners' Equity" section on the consolidated balance sheet.

Exchange differences will be charged to the consolidated income statements once the subsidiaries and overseas branches are disposed.

## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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### Borrowing costs

Borrowing costs are recognised in the income statement in the year when incurred unless they are capitalised in accordance with Vietnamese Accounting Standard No. 16 "Borrowing costs". Accordingly, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. For specific borrowings for the purpose of construction of fixed assets and investment properties, borrowing costs are capitalised even when the construction period is under 12 months.

### Taxation

Income tax expense represents the sum of the current tax payable and deferred tax.

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are non-taxable or non-deductible.

Deferred tax is recognised on significant differences between carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes governed by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The determination of the current tax payable is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and their ultimate determination depends on the results of the tax authorities' examinations.

Other taxes are paid in accordance with the prevailing tax laws in Vietnam.

## 4. CASH AND CASH EQUIVALENTS

	Closing balance	Opening balance
	VND	VND
Cash on hand	4,665,023,625	5,733,475,200
Deman deposit	1,457,685,966,660	2,503,063,760,200
Cash equivalents	340,972,962,615	273,771,148,100
	<b>1,803,323,952,900</b>	<b>2,782,568,383,500</b>

Cash equivalents represent time deposits with the term of three months or less.



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### 5. HELD-TO MATURITY INVESTMENTS

	Closing balance		Opening balance	
	VND	VND	VND	VND
	Cost	Carrying amount	Cost	Carrying amount
Time deposits	2,148,216,872,595	2,148,216,872,595	1,678,127,373,200	1,678,127,373,200

Held-to-maturity investments as at 31 December 2017 represent time deposits at commercial banks which expire in more than 3 months and bear changeable interest rates noticed by the banks at regular intervals.

### 6. SHORT-TERM TRADE RECEIVABLES

	Closing balance	Opening balance
	VND	VND
PetroVietnam Domestic Exploration Production Operating Company Limited	460,670,821,868	465,534,628,180
Vietsoyepetro Joint Venture	154,514,775,157	32,771,182,030
PetroVietnam Exploration Production Corporation	185,194,982,921	186,374,979,731
Premier Oil Vietnam Offshore B.V.	158,977,941,119	1,109,570,779
Receivables from other customers	646,578,485,315	941,449,491,780
	<b>1,605,937,006,380</b>	<b>1,627,239,852,500</b>

Short-term trade receivables from related parties: see Note 41.

	Closing balance		Opening balance	
	VND	VND	VND	VND
	Overdue debt over 6 months (Cost)	Provision	Overdue debt over 6 months (Cost)	Provision
PetroVietnam Domestic Exploration Production Operating Company Limited	450,616,527,915	(220,582,461,189)	330,450,135,690	(102,167,004,343)
PetroVietnam Exploration Production Corporation	183,927,204,360	(93,977,838,690)	181,049,674,820	(57,573,310,159)
Other customers	14,459,242,596	(9,698,947,776)	53,643,139,984	(20,184,084,998)
	<b>649,002,974,871</b>	<b>(324,259,247,655)</b>	<b>565,142,950,494</b>	<b>(179,924,399,500)</b>

## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

These notes are an integral part of and should be read in conjunction with the accompanying translated consolidated financial statements

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### 7. SHORT-TERM ADVANCES TO SUPPLIERS

	Closing balance	Opening balance
	VND	VND
Vetco Gray Pte Ltd	66,116,352,665	-
FMC Technologies Singapore Pte.Ltd	54,836,959,629	-
Others suppliers	29,432,725,096	9,683,978,900
	<b>150,386,037,390</b>	<b>9,683,978,900</b>

### 8. OTHER SHORT-TERM RECEIVABLES

	Closing balance	Opening balance
	VND	VND
Interest income receivables	84,031,144,785	35,660,769,300
Receivables from employees	2,870,431,590	1,367,516,100
Deposits	10,200,927,210	9,844,536,000
Other receivables	22,899,174,780	23,137,111,200
	<b>120,001,678,365</b>	<b>70,009,932,600</b>

### 9. INVENTORIES

	Closing balance		Opening balance	
	VND	VND	VND	VND
	Cost	Provision	Cost	Provision
Goods in transit	5,612,488,620	-	3,318,944,300	-
Raw materials	735,593,640,255	(137,642,935,785)	796,560,365,500	(149,503,471,200)
Tools and supplies	16,292,667,255	-	22,338,230,100	-
Work in progress	43,678,356,120	-	20,346,327,800	-
Merchandise	72,052,420,305	-	81,174,882,200	-
Goods on consignment	18,573,627,525	-	20,751,704,400	-
	<b>891,803,200,080</b>	<b>(137,642,935,785)</b>	<b>944,490,454,300</b>	<b>(149,503,471,200)</b>

TDuring the year ended 31 December 2017, the Group reverted provision for devaluation of inventories of VND 11,860,535,415 (2016: the Group provided additional provision of VND 17,597,126,750).



# NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

These notes are an integral part of and should be read in conjunction with the accompanying translated consolidated financial statements

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## 10. INCREASES/DECREASES IN TANGIBLE FIXED ASSETS

	Buildings, structures	Machinery, equipment	Office equipment	Motor vehicles	Other assets	Total
	VND	VND	VND	VND	VND	VND
<b>COST</b>						
Opening balance	373,241,549,300	22,410,125,540,000	66,916,036,100	77,192,416,900	1,273,152,200	22,928,748,694,500
Additions	166,335,120	21,608,007,120	3,083,346,000	-	-	24,857,688,240
Transfer from construction in progress	-	40,036,550,400	-	-	-	40,036,550,400
Disposals	(268,100,280)	(13,454,138,880)	(1,601,049,240)	-	-	(15,323,288,400)
Foreign exchange differences	(971,690,120)	(37,131,137,735)	(7,352,645)	(79,786,030)	(1,623,035)	(38,191,589,565)
Closing balance	372,168,094,020	22,421,184,820,905	68,390,980,215	77,112,630,870	1,271,529,165	22,940,128,055,175
<b>ACCUMULATED DEPRECIATION</b>						
Opening balance	141,134,911,900	7,271,890,293,000	57,702,310,400	65,929,766,500	1,158,449,100	7,537,815,730,900
Charge for the year	14,467,866,840	764,281,957,320	4,161,031,560	4,681,356,120	32,704,560	787,624,916,400
Disposals	(267,624,000)	(13,386,552,480)	(1,601,049,240)	-	-	(15,255,225,720)
Foreign exchange differences	(652,898,605)	(17,053,060,605)	(75,453,215)	(74,288,200)	(1,694,460)	(17,857,395,085)
Closing balance	154,682,256,135	8,005,732,637,235	60,186,839,505	70,536,834,420	1,189,459,200	8,292,328,026,495
<b>NET BOOK VALUE</b>						
Closing balance	217,485,837,885	14,415,452,183,670	8,204,140,710	6,575,796,450	82,069,965	14,647,800,028,680
Opening balance	232,106,637,400	15,138,235,247,000	9,213,725,700	11,262,650,400	114,703,100	15,390,932,963,600

## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

These notes are an integral part of and should be read in conjunction with the accompanying translated consolidated financial statements

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As stated in Note 22, the Group has pledged some tangible fixed assets which are rig PV Drilling II, PV Drilling V and PV Drilling VI, some machineries and other equipments with the carrying amount of VND 9,956,065,655,850 as at 31 December 2017 (as at 31 December 2016: VND 10,363,155,590,600) as collaterals for the Group's loans.

From the early of November 2016 to 31 December 2017, the Rig PV Drilling V has been ceased operation to wait for new contract. The Rig PV Drilling V's net book value as at 31 December 2017 was VND 2,813,090,939,700 (as at 31 December 2016: VND 2,813,090,939,700).

As at 31 December 2017, the cost of the Group's tangible fixed assets which have been fully depreciated but are still in use VND is 684,460,515,244 (as at 31 December 2016: VND 546,765,888,100).

Depreciation charged for the year included VND 11,021,560,868 of depreciation of fixed assets constructed and purchased by Scientific and Technological Development Fund for the purpose of scientific and technological developmental researches (2016: VND 3,560,211,753).

Foreign exchange differences resulted from the translation of the subsidiaries and Algeria Branch's financial statements from historical cost of assets expressed in Vietnam Dong ("VND") and Algerian Dinar ("DZD") into United States Dollar ("USD") and translation of the Group's consolidated financial statements from USD to VND.

## 11. INCREASES/DECREASES IN INTANGIBLE ASSETS

	Land use rights	Computer software	Total
	VND	VND	VND
<b>COST</b>			
Opening balance	194,195,549,000	76,899,972,800	271,095,521,800
Additions	-	635,584,320	635,584,320
Foreign exchange differences	(214,268,045)	(121,051,115)	(335,319,160)
Closing balance	193,981,280,955	77,414,506,005	271,395,786,960
<b>ACCUMULATED AMORTISATION</b>			
Opening balance	24,195,748,400	62,288,595,700	86,484,344,100
Charge for the year	3,672,005,400	8,018,241,840	11,690,247,240
Foreign exchange differences	(33,343,265)	(204,695,155)	(238,038,420)
Closing balance	27,834,410,535	70,102,142,385	97,936,552,920
<b>NET BOOK VALUE</b>			
Closing balance	166,146,870,420	7,312,363,620	173,459,234,040
Opening balance	169,999,800,600	14,611,377,100	184,611,177,700

Foreign exchange differences resulted from the translation of the subsidiaries and Algeria Branch's financial statements from historical cost of assets expressed in Vietnam Dong ("VND") and Algerian Dinar ("DZD") into United States Dollar ("USD") and translation of the Group's consolidated financial statements from USD to VND.

As at 31 December 2017, the cost of the Group's intangible fixed assets which have been fully amortized but are still in use is VND 47,561,159,241 (as at 31 December 2016: VND 26,714,767,400).



## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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### 12. CONSTRUCTION IN PROGRESS

	Closing balance	Opening balance
	VND	VND
Construction of drilling devices	-	267,315,200
ERP Project - Phase 3	9,110,990,025	9,125,059,500
Other construction works	28,344,327,705	48,572,915,200
	<b>37,455,317,730</b>	<b>57,965,289,900</b>

### 13. INVESTMENTS IN JOINT VENTURES

Summarised financial information of the Group's joint ventures is as follows:

Name of joint ventures	Registered charter capital	Ownership proportion	Contributed charter capital	Cost of investments	
				Closing balance	Opening balance
	USD	%	USD	VND	VND
BJ-PVD	5,000,000	49	2,450,000	48,039,113,955	48,039,113,955
PVD-Expro	6,371,352	51	3,249,390	59,528,570,997	59,528,570,997
PVD Tubulars	3,500,000	51	1,785,000	30,515,952,000	30,515,952,000
PVD-Baker Hughes	20,000,000	51	10,200,000	211,753,000,000	211,753,000,000
Vietubes	3,707,300	51	1,890,723	86,637,631,068	86,637,631,068
PVD-OSI	5,000,000	51	2,550,000	53,111,400,000	53,111,400,000

The value of the investment in joint ventures using the equity method of accounting as at balance sheet date was as follows:

	Closing balance	Opening balance
	VND	VND
BJ-PVD	55,037,600,820	55,784,954,900
PVD-Expro	56,521,999,665	64,273,551,800
PVD Tubulars	39,804,363,660	64,852,878,500
PVD-Baker Hughes	270,728,869,335	301,717,458,600
Vietubes	88,362,154,305	88,390,622,000
PVD-OSI	48,183,682,155	48,075,558,200
	<b>558,638,669,940</b>	<b>623,095,024,000</b>

The movement of Group's share in joint ventures' profit and investment value during the year was as follows:

	Opening balance	Shared profit/(loss)	Declared profit	Foreign exchange differences from translation	Closing balance
	VND	VND	VND	VND	VND
BJ-PVD	55,784,954,900	(661,779,720)	-	(85,574,360)	55,037,600,820
PVD-Expro	64,273,551,800	(7,751,502,360)	-	(49,775)	56,521,999,665
PVD Tubulars	64,852,878,500	(24,965,032,680)	-	(83,482,160)	39,804,363,660
PVD-Baker Hughes	301,717,458,600	38,076,680,880	(68,620,267,800)	(445,002,345)	270,728,869,335
Vietubes	88,390,622,000	98,771,400	-	(127,239,095)	88,362,154,305
PVD-OSI	48,075,558,200	108,206,280	-	(82,325)	48,183,682,155
	<b>623,095,024,000</b>	<b>4,905,343,800</b>	<b>(68,620,267,800)</b>	<b>(741,430,060)</b>	<b>558,638,669,940</b>

## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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The Group has not assessed fair value of the investments in joint ventures as at the balance sheet date due to no specific guidance on determination of fair value.

For the year ended 31 December 2017, the business of the joint ventures was affected when oil and gas contractors changed their exploration and exploitation plan due to the significant drop in crude oil price since the end of 2014.

BJ-PVD Investment Certificate and the joint venture contract between the Company and BJ Services company will expire on September 2018. The Group and BJ Services company are negotiating and considering either to restructure or to continue the operation of BJ-PVD. Therefore, financial statements of BJ-PVD were prepared on a going concern basis.

The significant transactions between the Group and its joint ventures: see Note 41.

### 14. DEFERRED TAX ASSETS

Deferred tax assets as at 31 December 2017 were derived from the temporary differences which were depreciation, accrued expenses, other provisions and unrealized foreign exchange differences from revaluation of cash and receivables.

	Depreciation, accrued expenses and other provisions	Unrealized foreign exchange differences	Total
	VND	VND	VND
Prior year's opening balance	27,870,036,150	4,397,281,500	32,267,317,650
Credit to income statement for the year	(2,857,988,373)	(3,927,285,977)	(6,785,274,350)
Foreign exchange differences from translation	269,509,723	(157,870,523)	111,639,200
<b>Prior year's closing balance</b>	<b>25,281,557,500</b>	<b>312,125,000</b>	<b>25,593,682,500</b>
Credit/(Charge) to income statement for the year	62,034,857,640	(862,316,280)	61,172,541,360
Foreign exchange differences from translation	(68,697,222)	(2,768,388)	(71,465,610)
<b>Current year's closing balance</b>	<b>87,247,717,918</b>	<b>(552,959,668)</b>	<b>86,694,758,250</b>

### 15. SHORT-TERM TRADE PAYABLES

	Closing balance		Opening balance	
	Amount	Amount able to be paid off	Amount	Amount able to be paid off
Oil States Industries (Asia) Pte.	71,598,621,675	71,598,621,675	82,946,667,460	82,946,667,460
Trainer Asia Vietnam Limited	66,341,605,249	66,341,605,249	4,164,587,400	4,164,587,400
Other suppliers	538,815,957,266	538,815,957,266	649,586,282,340	649,586,282,340
	<b>676,756,184,190</b>	<b>676,756,184,190</b>	<b>736,697,537,200</b>	<b>736,697,537,200</b>

Short-term trade payables to related parties: see Note 41.



## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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### 16. SHORT-TERM ADVANCE TO CUSTOMERS

	Closing balance	Opening balance
	VND	VND
Rosneft Vietnam B.V	201,275,942,585	-
Others	17,712,584,800	1,759,931,000
	<b>218,988,527,385</b>	<b>1,759,931,000</b>

### 17. TAXES AND AMOUNTS PAYABLE TO STATE BUDGET

Obligations to the State budget during the year of the Group are as follows:

	Opening balance	Additions	Paid	Foreign exchange differences	Closing balance
	VND	VND	VND	VND	VND
Value added tax	15,473,001,000	187,271,458,920	186,924,228,120	1,071,450	15,821,303,250
Import duties	-	11,723,995,080	11,720,071,440	201,390	4,125,030
Corporate income tax	16,124,854,200	176,636,829,600	84,177,908,640	(33,769,365)	108,550,005,795
Personal income tax	12,605,968,300	156,473,239,990	159,270,231,960	26,228,440	9,835,204,770
Others	2,643,846,300	103,280,955,120	87,881,439,240	(13,989,300)	18,029,372,880
	<b>46,847,669,800</b>	<b>635,386,478,710</b>	<b>529,973,879,400</b>	<b>(20,257,385)</b>	<b>152,240,011,725</b>
<i>In which:</i>					
<i>Tax receivables from the State budget</i>	<i>(3,905,671,200)</i>				<i>(3,495,078,990)</i>
<i>Tax payables to the State budget</i>	<i>50,753,341,000</i>				<i>155,735,090,715</i>

### 18. SHORT-TERM ACCRUED EXPENSES

	Closing balance	Opening balance
	VND	VND
Accrued expenses for operation of drilling rigs	96,039,832,395	143,736,627,000
Accrued expenses related to supply of goods and services	145,768,564,935	154,290,061,300
Accrued interest expenses	21,994,048,005	25,787,018,400
Other expenses	69,476,271,075	49,705,282,000
	<b>333,278,716,410</b>	<b>373,518,988,700</b>

### 19. OTHER CURRENT PAYABLES

	Closing balance	Opening balance
	VND	VND
Profit shared to partners in Business Cooperation Contract (BCC)	314,027,677,365	321,825,831,817
Other payables	47,669,594,625	46,046,100,583
	<b>361,697,271,990</b>	<b>367,871,932,400</b>

## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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### 20. SHORT-TERM LOANS

	Opening balance		In the year			Closing balance	
	VND	VND	VND	VND	VND	VND	VND
	Giá trị	Số có khả năng trả nợ	Tăng	Giảm	Chênh lệch tỷ giá	Giá trị	Số có khả năng trả nợ
Short-term loan	-	-	69,695,458,560	(69,695,458,560)	-	-	-
Current portion of long-term loans (Note 22)	761,883,005,600	761,883,005,600	1,334,431,869,120	(752,036,639,760)	(1,637,791,115)	1,342,640,443,845	1,342,640,443,845
	<b>761,883,005,600</b>	<b>761,883,005,600</b>	<b>1,404,127,327,680</b>	<b>(821,732,098,320)</b>	<b>(1,637,791,115)</b>	<b>1,342,640,443,845</b>	<b>1,342,640,443,845</b>

### 21. SHORT-TERM PROVISIONS

	Provision for salary fund	Provision for overhaul cost of fixes assets	Provision for product warranty	Provision for severance allowance	Total
	VND	VND	VND	VND	VND
Opening balance	15,484,441,800	589,584,943,500	11,833,192,200	24,215,679,000	641,118,256,500
Utilize during the year	-	(104,090,841,541)	-	-	(104,090,841,541)
Reclassification from long-term provision	-	33,636,010,985	-	1,415,544,000	35,051,554,985
Reversal/(Addition) of provisions	(15,545,837,467)	157,478,355	(11,880,092,476)	(901,413,316)	(28,169,864,904)
Foreign exchange differences	61,395,667	(1,481,256,093)	46,900,276	156,654,961	(1,216,305,189)
<b>Closing balance</b>	<b>-</b>	<b>517,806,335,205</b>	<b>-</b>	<b>24,886,464,645</b>	<b>542,692,799,850</b>

The provision for salary fund was provided at rate of 17% of approved salary fund to maintain the continuous operation of drilling rigs according to the Group's decision.

The provision for overhaul costs of fixed assets represents the overhaul costs accrued at each financial year based on the reliable estimated costs to be incurred within next one year in accordance with technical requirements of the Group's drilling rigs.

For the year ended 31 December 2017, the Group reviewed and updated short-term plan for overhaul costs of fixed assets in order to be aligned with the Group's business. The amount of short-term provision for overhaul cost of fixed assets under the new plan was VND 517,806,335,205 as at 31 December 2017.

The provision for product warranty was provided for products and services have been transferred to buyers but the Group still obligates to repair in accordance with the terms of contracts or commitments.

The provision for severance allowance was provided following the principle of the Labour Law, Social Insurance Law and related guidelines and approved by decision of the Group.



## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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### 22. LONG-TERM LOANS

	Closing balance	Opening balance
	VND	VND
Long-term loans	4,672,215,116,175	5,441,308,176,200
Current portion of long-term loans (Note 20)	(1,342,640,443,845)	(761,883,005,600)
	<b>3,329,574,672,330</b>	<b>4,679,425,170,600</b>

	Opening balance		During the year			Closing balance	
	VND	VND	VND	VND	VND	VND	VND
	Amount	Amount able to be paid off	Increases	Decreases	Foreign exchange differences	Amount	Amount able to be paid off
Long-term loans	4,679,425,170,600	4,679,425,170,600	-	(1,334,431,869,120)	(15,418,629,150)	3,329,574,672,330	3,329,574,672,330

Details of the long-term loans are as follows:

	Closing balance	Opening balance
	VND	VND
Joint Stock Commercial Bank for Foreign Trade of Vietnam ("Vietcombank")	90,060,669,405	156,110,397,000
Joint Stock Commercial Bank for Investment and Development of Vietnam ("BIDV"), PetroVietnam Finance Corporation "PVFC", Vietnam Export Import Commercial Joint Stock Bank ("Eximbank")	561,826,298,205	953,133,887,900
Military Joint Stock Commercial Bank ("MBBank") and Vietnam Joint Stock Commercial Bank For Industry and Trade ("Vietinbank")	552,989,600,010	775,380,970,400
Southeast Asia Commercial Joint Stock Bank ("Seabank") Vietcombank	3,467,338,548,555	3,556,682,920,900
	<b>4,672,215,116,175</b>	<b>5,441,308,176,200</b>

Supplemental information for the Group's long-term loans are as follows:

Name of Bank	Purpose of financing	Interest rate%	Form of collaterals	Ending Balance	Currency
BIDV, PVFC and Eximbank	PV Drilling II	12 months saving deposit + margin	PV Drilling II	24,788,277	USD
Vietcombank	PV Drilling V	LIBOR 6 months + margin	Guaranteed by value of PV Drilling V and revenue from capital contribution in BCC	3,656,476	USD
MBBank and Vietinbank	PV Drilling V	LIBOR 6 months + margin	Guaranteed by value of PV Drilling V and revenue from capital contribution in BCC	24,398,394	USD
Vietcombank	Purchasing machinery and equipment at PVD Tech	12 months saving deposit + margin	Formed assets from project	1,765,210,149	VND
Vietcombank	Purchasing machinery and equipment at PVD Tech	12 months saving deposit + margin	Formed assets from project	239,438	USD
SeaBank and Vietcombank	PV Drilling VI	LIBOR 3 months + margin	Guaranteed by value of PV Drilling VI with corresponding loan proportion	152,982,067	USD

## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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Long-term loans are repayable as follows:

	Closing balance	Opening balance
	VND	VND
Within one year	1,342,640,443,845	761,883,005,600
In the second year	1,089,979,432,560	1,344,708,842,500
In the third to fifth year inclusive	2,095,206,180,060	2,542,839,245,000
After five years	144,389,059,710	791,877,083,100
	<b>4,672,215,116,175</b>	<b>5,441,308,176,200</b>
Less: Amount due for settlement within 12 months (shown under short-term loans)	(1,342,640,443,845)	(761,883,005,600)
<b>Amount due for settlement after 12 months</b>	<b>3,329,574,672,330</b>	<b>4,679,425,170,600</b>

As at 31 December 2017, the Group is in the process of negotiating with MBBank and Vietinbank (construction of PV Drilling V), Seabank and Vietcombank (construction of PV Drilling VI) to extend loans.

### 23. LONG-TERM PROVISIONS

	Provision for overhaul cost of fixes assets	Provision for product warranty	Total
	VND	VND	VND
Opening balance	160,023,445,700	6,803,258,100	166,826,703,800
Additional/(Reversal) provision for the year	44,786,677,891	(4,320,364,636)	40,466,313,255
Reclassification to short-term provision	(33,636,010,985)	(1,415,544,000)	(35,051,554,985)
Foreign exchange differences	(254,106,511)	23,630,311	(230,476,200)
<b>Closing balance</b>	<b>170,920,006,095</b>	<b>1,090,979,775</b>	<b>172,010,985,870</b>

The provision for overhaul costs of fixed assets represents the overhaul costs accrued at each financial year based on the reliable estimated costs to be incurred in the future in accordance with technical requirements of the Group's drilling rigs.

For the year ended 31 December 2017, the Group reviewed and updated long-term plan for overhaul costs of fixed assets in order to be aligned with the Group's business. The amount of long-term provision for overhaul cost of fixed assets under the new plan was VND 170,920,006,095 as at 31 December 2017.

The provision for product warranty was provided for products and services have been transferred to buyers but the Group still obligates to repair in accordance with the terms of contracts or commitments.



## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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### 24. SCIENTIFIC AND TECHNOLOGICAL DEVELOPMENT FUND

According to the Group's Charter, the Group is permitted to appropriate profit to the Scientific and Technological Development Fund with the amount appropriated does not exceed 10% of taxable profit.

Movement of fund providing and using during the year is as follows:

	Sciences and technology development fund		
	Available	The carrying value of assets formed from the fund	Total
			VND
<b>Prior year's opening balance</b>	<b>1,069,924,561,449</b>	<b>51,720,385,401</b>	<b>1,121,644,946,850</b>
Increase in the year	56,127,588,675	34,104,864,708	90,232,453,383
- Provision for the year	56,127,588,675	-	56,127,588,675
- Forming fixed assets	-	34,104,864,708	34,104,864,708
Decrease in the year	(116,704,609,684)	(3,560,211,753)	(120,264,821,437)
- Fund usage	(35,597,465,722)	-	(35,597,465,722)
- Reversal of unused fund	(81,107,143,962)	-	(81,107,143,962)
- Depreciation of Fixed assets	-	(3,560,211,753)	(3,560,211,753)
Foreign exchange differences on conversion	8,598,729,160	(3,333,279,356)	5,265,449,804
<b>Current year's opening balance</b>	<b>1,017,946,269,600</b>	<b>78,931,759,000</b>	<b>1,096,878,028,600</b>
Increase in the year	-	11,946,018,237	11,946,018,237
- Forming fixed assets	-	11,946,018,237	11,946,018,237
Decrease in the year (*)	(640,471,249,176)	(11,021,560,868)	(651,492,810,044)
- Fund usage	(13,128,409,252)	-	(13,128,409,252)
+ The Company	(1,080,241,015)	-	(1,080,241,015)
+ Subsidiaries	(12,048,168,237)	-	(12,048,168,237)
- Reversal of unused fund	(627,342,839,924)	-	(627,342,839,924)
- Depreciation of Fixed assets	-	(11,021,560,868)	(11,021,560,868)
Foreign exchange differences on conversion	1,472,175,096	36,775,381	1,508,950,477
<b>Current year's closing balance</b>	<b>378,947,195,520</b>	<b>79,892,991,750</b>	<b>458,840,187,270</b>

For the year ended 31 December 2017, the Company has reverted the unused Science and Technology Development Fund accrued for 2012, 2013, 2014 and 2015 with the amount of VND 627,342,839,924 (2016: VND 81,107,143,962) based on the actual fund demand and usage plan of Science and Development Technology in the year of 2018 and 2019.

As at 31 December 2017, the accumulated usage amount of the Scientific and Technological Development Fund of the Group was VND 109,346,094,814.

## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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### 25. OWNERS' EQUITY

#### Charter Capital

According to the 12th amendment of the Business Registration Certificate, the Group's charter capital as at 31 December 2017 is VND 3,832,661,600,000, equivalent to USD 196,947,181. The number of shares which has been approved and issued by the Group was as below:

	Closing balance		Opening balance	
	Number of shares	VND	Number of shares	VND
<b>Authorized share capital</b>	<b>383,266,160</b>	<b>3,832,661,600,000</b>	<b>383,266,160</b>	<b>3,832,661,600,000</b>
<b>Issued share capital</b>				
Ordinary shares	383,266,160	3,832,661,600,000	383,266,160	3,832,661,600,000
	<b>383,266,160</b>	<b>3,832,661,600,000</b>	<b>383,266,160</b>	<b>3,832,661,600,000</b>
<b>Treasury shares</b>				
Ordinary shares	(416,000)	(4,160,000,000)	(416,000)	(4,160,000,000)
	<b>(416,000)</b>	<b>(4,160,000,000)</b>	<b>(416,000)</b>	<b>(4,160,000,000)</b>
<b>Shares currently in circulation</b>				
Ordinary shares	382,850,160	3,828,501,600,000	382,850,160	3,828,501,600,000
	<b>382,850,160</b>	<b>3,828,501,600,000</b>	<b>382,850,160</b>	<b>3,828,501,600,000</b>

Ordinary shares have a par value of VND 10,000. The Group has only one class of ordinary shares which carry no right to fixed dividend. Ordinary shareholders will receive dividends at the time of declaration and be entitled to a voting right for each owned share at the shareholders' meeting. All shares rank equally with regard to the Group's residual assets.

Petrovietnam, which is both the founding shareholder and the main shareholder of the Group, currently hold 193,179,459 shares, equivalent to 50.4% as at 31 December 2017 and as at 31 December 2016 of total shares in circulation of the Group.



# NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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Movement in owners' equity during the year were as follows:

	Owners' contributed capital	Share premium	Treasury shares	Foreign exchange reserve	Investment and development fund	Retained earnings	Non-controlling interests	Total
	VND	VND	VND	VND	VND	VND	VND	VND
<b>Prior year's opening balance as previously reported</b>	<b>3,484,662,590,000</b>	<b>2,434,086,374,663</b>	<b>(20,948,559,850)</b>	<b>1,351,918,036,546</b>	<b>1,523,859,997,942</b>	<b>4,226,353,331,722</b>	<b>303,762,333,227</b>	<b>13,303,694,104,250</b>
Declared dividends	347,999,010,000	-	-	-	-	(347,999,010,000)	-	-
Foreign exchange differences	-	-	-	123,117,166,474	-	(3,233,461,807)	(422,703,499)	119,461,001,168
Profit for the year	-	-	-	-	-	185,641,600,249	-	185,641,600,249
Funds distribution	-	-	-	-	31,318,334,260	(74,474,219,965)	(466,963,541)	(43,622,849,246)
Distributions to NCI	-	-	-	-	-	33,533,571,953	(33,533,571,953)	-
Distribution to BCC (Note 26)	-	-	-	-	-	(89,772,652,121)	-	(89,772,652,121)
<b>Current year's opening balance</b>	<b>3,832,661,600,000</b>	<b>2,434,086,374,663</b>	<b>(20,948,559,850)</b>	<b>1,475,035,203,020</b>	<b>1,555,178,332,202</b>	<b>3,930,049,160,031</b>	<b>269,339,094,234</b>	<b>13,475,401,204,300</b>
Declared dividends	-	-	-	-	-	-	(1,396,171,000)	(1,396,171,000)
Foreign exchange differences	-	-	-	(26,175,978,900)	-	540,351,000	61,644,240	(25,573,983,660)
Profit for the year	-	-	-	-	-	35,561,718,360	-	35,561,718,360
Funds distribution	-	-	-	-	13,591,078,524	(30,959,612,120)	(519,009,120)	(17,887,542,716)
Distributions to NCI	-	-	-	-	-	2,890,185,216	(2,890,185,216)	-
Distributions to BCC (Note 26)	-	-	-	-	-	6,828,282,326	-	6,828,282,326
<b>Current year's closing balance</b>	<b>3,832,661,600,000</b>	<b>2,434,086,374,663</b>	<b>(20,948,559,850)</b>	<b>1,448,859,224,120</b>	<b>1,568,769,410,726</b>	<b>3,944,910,084,813</b>	<b>264,595,373,138</b>	<b>13,472,933,507,610</b>

## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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Foreign exchange reserve represents the differences from the translation of the subsidiaries and Algeria Branch's financial statements from VND and DZD into USD and translation of the consolidated financial statements from USD into VND.

In 2017, the Group temporarily appropriated for Investment and Development Fund, Bonus and Welfare Fund out of the Group's profit after tax during the year in accordance with the Subsidiaries's Charter. The final amounts of such appropriations will be determined and approved by Group at the Annual Meeting.

According to Decree No. 01/2017/NQ-DHDCD dated 28 June 2017, PVD Training declared dividend paid to non-controlling interest with amount of VND 1,396,171,000.

Detailed movement in foreign exchange differences as follows:

	Foreign exchange rate difference from translation of foreign operation (Algeria Branch)	Foreign exchange rate difference from translation of subsidiaries' financial statements	Total
	VND	VND	VND
Prior year's opening balance	(42,908,719,256)	1,394,826,755,802	1,351,918,036,546
Additions in the year	(4,042,201,303)	127,159,367,777	123,117,166,474
Current year's opening balance	(46,950,920,559)	1,521,986,123,579	1,475,035,203,020
Additions in the year	(2,746,865,520)	(23,429,113,380)	(26,175,978,900)
<b>Current year's closing balance</b>	<b>(49,697,786,079)</b>	<b>1,498,557,010,199</b>	<b>1,448,859,224,120</b>

### 26. NON-CONTROLLING INTERESTS AND INTERESTS OF PARTNERS IN BUSINESS COOPERATION CONTRACT

Non-controlling interests ("NCI") and interests of partners in business cooperation contract ("BCC") represent the other shareholders' portion in the operating result of PVD Training and PVD Overseas and interest of partners in the business cooperation contract with the following details:

	Current year	Prior year
	VND	VND
NCI in PVD Training and PVD Overseas (*)	(2,890,185,216)	(33,533,571,953)
BCC interests (**)	(6,828,282,326)	89,772,652,121
	<b>(9,718,467,542)</b>	<b>56,239,080,168</b>

#### (\*) Detail of NCI in PVD Training and PVD Overseas

The rate of the NCI in PVD Training and PVD Overseas as at 31 December 2017 and 31 December 2016 were calculated as follows:

	PVD Training	PVD Overseas
	VND	USD
Charter capital of subsidiaries	28,958,670,000	66,698,050
Including:		
Distributed capital to the Company	14,996,960,000	54,400,000
Distributed capital to the non-controlling interests	13,961,710,000	12,298,050
<b>Share of the non-controlling interests</b>	<b>48,21%</b>	<b>18,44%</b>



## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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NCI in net asset as at 31 December 2017 and 31 December 2016 were as follows:

	Closing balance	Opening balance
	VND	VND
<b>Non-controlling interests</b>	<b>264,595,373,138</b>	<b>269,339,094,234</b>
Details as follows:		
PVD Training		
Charter capital	13,961,710,000	13,961,710,000
Share premium	150,655,698	150,655,698
Other funds	6,901,896,572	6,382,884,767
Retained earnings	20,269,153,651	19,243,269,558
PVD Overseas		
Contributed capital	263,191,917,150	263,191,917,150
Foreign exchange differences from conversion	(2,464,567,985)	(2,526,214,911)
(Accumulated losses)/Retained earnings	(37,415,391,948)	(31,065,128,028)

NCI in operating result:

	Current year	Prior year
	VND	VND
(Loss)/Profit for the year	(27,263,673,360)	(192,295,151,325)
Non-controlling (loss)/interests in operating result	(2,890,185,216)	(33,533,571,953)

(\*\*) Details of interests of partners in BCC

The Group and its partners in BCC including Petrovietnam, Military Joint-Stock Commercial Bank ("MBBank") and Ocean Joint-Stock Commercial Bank ("OceanBank") have cooperated in financing and operating the Tender Assist Drilling Rig project ("TAD" or "PV Drilling V") for the period of 17 years since 10 September 2009. According to BCC, the Group has been authorised to manage and operate the project as well as accounted for its result as a base for profit/(loss) shared to all partners corresponding to capital contribution percentage in BCC.

Percentage of capital contribution of all partners in BCC as follows:

	Percentage
	%
Capital contribution of Petrovietnam	23,00
Capital contribution of the Group	62,43
Capital contribution of MBBank	9,71
Capital contribution of OceanBank	4,86

The financial portion of BCC was presented in the translated consolidated financial statements of the Group as follows:

	Closing balance	Opening balance
	VND	VND
Total Assets	3,298,257,683,559	3,892,125,111,377
<i>In which: Net book value of PV Drilling V rig</i>	<i>2,813,090,939,700</i>	<i>2,813,090,939,700</i>

## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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The actual contributed capital of other partners (Petrovietnam, MBBank và OceanBank) in BCC in order to finance and operate "TAD" project was recognized as other long-term payables. The other long-term payables as at 31 December 2017 and 31 December 2016 were as follows:

	Closing balance	Opening balance
	VND	VND
Petrovietnam	278,173,894,859	278,173,894,859
MBBank	133,229,238,748	133,229,238,748
OceanBank	68,756,768,760	68,756,768,760
"Foreign exchange difference from translation"	(1,478,388,792)	(1,896,190,167)
	<b>478,681,513,575</b>	<b>478,263,712,200</b>

The business performance and the (loss)/profit distribution based on the proportions of their capital contribution as at 31 December 2017 and 31 December 2016 as follows:

	Current year	Prior year
	VND	VND
Net revenue	46,326,354,325	1,319,399,176,588
Cost of sales	46,821,491,906	875,369,818,229
General and administration expenses	12,857,608,328	108,078,266,061
Financial expenses	54,152,547,443	97,737,606,208
Financial income	24,012,184,904	12,772,751,394
Other profit	32,967,869,937	-
Current corporate income tax expense	-	17,410,998,685
Deferred corporate income tax expense/(income)	7,246,217,788	(7,246,217,788)
Net (loss)/income	(17,771,456,299)	240,821,456,587
Adjustment for expenses not subject to BCC	(403,370,227)	(1,873,749,548)
Net (loss)/income distributed to BCC parties	(18,174,826,526)	238,947,707,039
Shared (loss)/profit as the percentage of capital contribution		
The Group	(10,943,173,973)	149,175,054,918
Other BCC parties:	(6,828,282,326)	89,772,652,121
Petrovietnam	(4,180,210,101)	54,957,975,522
MBBank	(1,764,775,656)	23,201,819,676
OceanBank	(883,296,569)	11,612,856,923

Until the date of the translated consolidated financial statements, the report of business activities of BCC for the year end 31 December 2017 has not yet been verified and settled between partners in BCC. Therefore, the Company just temporarily recorded the business performance and the profit distributions to partners in BCC based on the proportions of their capital contributions.

### 27. OFF BALANCE SHEET ITEMS

#### Operating lease assets

Minimum lease payment in the future under non-cancellable operating leases under the terms described in Note 39.



## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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	Closing balance	Opening balance
Vienam Dong ("VND")	2,628,858,516,869	2,206,055,185,259
Euro ("EUR")	345,822	9,718
British Pound ("GBP")	5,782	5,782
Myanmar Kyat ("MKM")	1,342,675	1,342,675
Singapore Dollar ("SGD")	36,411	36,411
Algerian Dinar ("DZD")	5,315,352	41,546,994

### 28. BUSINESS AND GEOGRAPHICAL SEGMENTS

#### Business segments

For management purposes, the Group is currently organized into three operating divisions - drilling services, trading and other services. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- Drilling services: providing drilling rigs and drilling services.
- Trading: provide material and equipment for drilling activities.
- Other services: provide well services, wire line logging, oil spill control service, drilling manpower supply service, investment-management project consulting service, management consulting service and other related services in the oil and gas industry.

Segment information about the Group's business is presented below:

#### Balance sheet

As at 31 December 2017

	Drilling services	Trading	Others services	Total
	VND	VND	VND	VND
Assets				
Segment assets	19,670,227,273,865	721,850,041,915	1,425,383,299,875	21,817,460,615,655
Unallocated assets	-	-	-	-
<b>Consolidated assets</b>				<b>21,817,460,615,655</b>
Liabilities				
Segment liabilities	7,048,124,282,296	455,051,892,600	841,350,933,149	8,344,527,108,045
Unallocated liabilities	-	-	-	-
<b>Consolidated liabilities</b>				<b>8,344,527,108,045</b>

## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

FORM B 09-DN/HN

### Income statement

For the year ended 31 December 2017

	Drilling services	Trading	Others services	Total
	VND	VND	VND	VND
Gross revenue	1,743,528,311,280	408,472,197,840	1,738,708,765,920	3,890,709,275,040
Net revenue	1,743,528,311,280	408,472,197,840	1,738,708,765,920	3,890,709,275,040
Cost of sales	1,910,038,974,480	381,009,053,880	1,407,785,702,400	3,698,833,730,760
(Loss)/gross profit	(166,510,663,200)	27,463,143,960	330,923,063,520	191,875,544,280
Financial income				198,270,873,360
Financial expenses				279,225,727,200
Selling expenses				18,563,171,760
General and administration expenses				569,024,258,040
Operating loss				(476,666,739,360)
Other income				634,584,993,840
Other expenses				11,855,221,560
Profit from other activities				622,729,772,280
Accounting (loss)/profit before tax				146,063,032,920
Loss from investments in joint ventures				4,905,343,800
Current corporate income tax expense				176,579,199,720
Deferred corporate tax expense				(61,172,541,360)
<b>Net profit after tax</b>				<b>35,561,718,360</b>

#### Balance sheet

As at 31 December 2016

	Drilling services	Trading	Others services	Total
	VND	VND	VND	VND
Assets				
Segment assets	20,907,027,084,300	683,358,234,900	1,552,321,748,600	23,142,707,067,800
Unallocated assets	-	-	-	-
<b>Consolidated assets</b>				<b>23,142,707,067,800</b>
Liabilities				
Segment liabilities	8,277,125,402,500	428,004,073,500	962,176,387,500	9,667,305,863,500
Unallocated liabilities	-	-	-	-
<b>Consolidated liabilities</b>				<b>9,667,305,863,500</b>



## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

FORM B 09-DN/HN

### Income statement

For the year ended 31 December 2016

	Drilling services	Trading	Others services	Total
	VND	VND	VND	VND
Gross revenue	2,683,690,139,166	956,149,776,650	1,720,161,775,827	5,360,001,691,643
Net revenue	2,683,690,139,166	956,149,776,650	1,720,161,775,827	5,360,001,691,643
Cost of sales	2,277,697,530,403	891,354,057,726	1,358,479,141,180	4,527,530,729,309
Gross profit	405,992,608,763	64,795,718,924	361,682,634,647	832,470,962,334
Financial income				193,623,235,593
Financial expenses	-	-	-	287,486,837,590
Selling expenses	-	-	-	28,237,259,197
General and administration expenses				643,113,796,319
Operating profit				67,256,304,821
Other income	-	-	-	93,618,586,265
Other expenses	-	-	-	6,920,912,844
Profit from other activities	-	-	-	86,697,673,421
Accounting profit before tax	-	-	-	153,953,978,242
Income from investments in joint ventures				114,335,032,634
Current corporate income tax expense				75,862,136,277
Deferred corporate tax income				6,785,274,350
<b>Deferred corporate tax income</b>				<b>185,641,600,249</b>

### Geographical segments

For the year ended 31 December 2017, the Group is operating in geographical areas Vietnam, Algeria, Myanmar, Thailand and Malaysia. Segment information about the Group's geographical operation is presented below:

### Balance sheet

As at 31 December 2017

	Vietnam	Thailand	Malaysia	Myanmar	Algeria	Total
	VND	VND	VND	VND	VND	VND
<b>Assets</b>						
Segment assets	13,979,064,989,209	89,465,395,845	7,643,211,649,931	2,311,897,995	103,406,682,675	21,817,460,615,655
Unallocated assets	-	-	-	-	-	-
<b>Consolidated assets</b>						<b>21,817,460,615,655</b>
<b>Liabilities</b>						
Segment liabilities	8,267,897,481,018	15,907,649,194	30,613,736,984	2,311,902,981	27,796,337,868	8,344,527,108,045
Unallocated liabilities	-	-	-	-	-	-
<b>Consolidated liabilities</b>						<b>8,344,527,108,045</b>

## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

FORM B 09-DN/HN

### Income statement

For the year ended 31 December 2017

	Vietnam	Thailand	Malaysia	Myanmar	Algeria	Total
	VND	VND	VND	VND	VND	VND
Gross revenue	3,439,886,202,219	89,198,513,561	129,924,218,441	109,293,315,617	122,407,025,202	3,890,709,275,040
Net revenue	3,439,886,202,220	89,198,513,561	129,924,218,441	109,293,315,617	122,407,025,202	3,890,709,275,040
Cost of sales	3,256,747,071,953	98,995,054,079	172,462,088,887	96,684,596,855	73,944,918,986	3,698,833,730,760
(Loss)/gross profit	183,139,130,267	(9,796,540,518)	(42,537,870,446)	12,608,718,762	48,462,106,216	191,875,544,280
Financial income						198,270,873,360
Financial expenses						279,225,727,200
Selling expenses						18,563,171,760
General and administration expenses						569,024,258,040
Operating loss						(476,666,739,360)
Other income						634,584,993,840
Other expenses						11,855,221,560
Profit from other activities						622,729,772,280
Accounting profit before tax						146,063,032,920
Income from investments in joint ventures						4,905,343,800
Current corporate income tax expense						176,579,199,720
Deferred corporate tax income						(61,172,541,360)
<b>Net profit after corporate income tax</b>						<b>35,561,718,360</b>

### Balance sheet

As at 31 December 2016

	Vietnam	Thailand	Malaysia	Myanmar	Algeria	Total
	VND	VND	VND	VND	VND	VND
<b>Assets</b>						
Segment assets	22,023,021,463,900	-	-	893,451,865,100	226,233,738,800	23,142,707,067,800
Unallocated assets	-	-	-	-	-	-
<b>Consolidated assets</b>						<b>23,142,707,067,800</b>
<b>Liabilities</b>						
Segment liabilities	9,501,155,824,000	-	-	102,221,595,800	63,928,443,700	9,667,305,863,500
Unallocated liabilities	-	-	-	-	-	-
<b>Consolidated liabilities</b>						<b>9,667,305,863,500</b>



## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

FORM B 09-DN/HN

### Income statement

For the year ended 31 December 2016

	Vietnam	Thailand	Malaysia	Myanmar	Algeria	Total
	VND	VND	VND	VND	VND	VND
Gross revenue	5,154,577,209,898	-	-	64,572,939,732	140,851,542,013	5,360,001,691,643
Net revenue	5,154,577,209,898	-	-	64,572,939,732	140,851,542,013	5,360,001,691,643
Cost of sales	4,345,189,086,630	-	-	96,695,951,405	85,645,691,274	4,527,530,729,309
Gross profit	809,388,123,268	-	-	(32,123,011,673)	55,205,850,739	832,470,962,334
Financial income						193,623,235,593
Financial expenses						287,486,837,590
Selling expenses						28,237,259,197
General and administration expenses						643,113,796,319
Operating profit						67,256,304,821
Other income						93,618,586,265
Other expenses						6,920,912,844
Profit from other activities						86,697,673,421
Accounting profit before tax						153,953,978,242
Income from investments in joint-ventures						114,335,032,634
Current corporate income tax expense						75,862,136,277
Deferred corporate tax income						6,785,274,350
<b>Net profit after corporate income tax</b>						<b>185,641,600,249</b>

### 29. NET REVENUE FROM GOODS SOLD AND SERVICES RENDERED

	Current year	Prior year
	VND	VND
Sales of trading	408,472,197,840	956,149,776,650
Sales of drilling services	1,743,528,311,280	2,683,690,139,166
Sales of well technical and other services	1,738,708,765,920	1,720,161,775,827
	<b>3,890,709,275,040</b>	<b>5,360,001,691,643</b>

Sales transactions with related parties: see Note 41.

### 30. COST OF GOODS SOLD AND SERVICES RENDERED

	Current year	Prior year
	VND	VND
Cost of trading	381,009,053,880	891,354,057,726
Cost of drilling services	1,910,038,974,480	2,277,697,530,403
Cost of well technical and other services	1,407,785,702,400	1,358,479,141,180
	<b>3,698,833,730,760</b>	<b>4,527,530,729,309</b>

## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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### 31. COSTS BY NATURE

	Current year	Prior year
	VND	VND
Raw materials and consumables	704,823,638,400	1,191,241,210,292
Labour	1,755,372,011,400	1,572,909,888,960
Depreciation and amortisation	788,288,151,193	727,530,894,034
Out-sourced services	758,425,164,840	1,064,318,304,613
Other expenses	122,600,002,367	309,428,139,309
Provision	156,912,192,360	333,453,347,617
	<b>4,286,421,160,560</b>	<b>5,198,881,784,825</b>

### 32. FINANCIAL INCOME

	Current year	Prior year
	VND	VND
Interest income	138,267,145,800	117,126,452,296
Foreign exchange gain	60,003,727,560	76,496,783,297
	<b>198,270,873,360</b>	<b>193,623,235,593</b>

### 33. FINANCIAL EXPENSES

	Current year	Prior year
	VND	VND
Interest expense	193,142,993,400	189,907,066,890
Foreign exchange loss	63,373,181,760	96,167,714,577
Other financial expenses	22,709,552,040	1,412,056,123
	<b>279,225,727,200</b>	<b>287,486,837,590</b>

### 34. GENERAL AND ADMINISTRATION EXPENSES

	Current year	Prior year
	VND	VND
Labour	252,839,588,400	216,055,417,354
Depreciation and amortisation	21,935,370,240	30,551,175,086
Out-sourced services	95,875,209,360	75,567,769,035
Provision	144,615,754,080	166,464,161,738
Other expenses	53,758,335,960	154,475,273,106
	<b>569,024,258,040</b>	<b>643,113,796,319</b>



## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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### 35. OTHER INCOME

	Current year	Prior year
	VND	VND
Disposal of fixed assets	233,377,200	-
Reversal of Scientific and technological development fund	627,342,839,924	81,107,143,962
Others	7,008,776,716	12,511,442,303
	<b>634,584,993,840</b>	<b>93,618,586,265</b>

### 36. CURRENT CORPORATE INCOME TAX EXPENSE

	Current year	Prior year
	VND	VND
<b>Profit before tax</b>	<b>150,968,376,720</b>	<b>268,289,010,876</b>
Adjustment for assessable income		
Less: non-assessable income	836,155,994,471	328,633,737,211
Add: non-deductible expenses	11,216,114,026	118,900,851,225
<b>Taxable income</b>	<b>(673,971,503,725)</b>	<b>58,556,124,890</b>
Current corporate income tax	36,486,245,880	53,101,688,816
Additional corporate income tax expense of prior years	140,092,953,840	23,017,430,231
Foreign exchange differences	-	(256,982,770)
<b>Current corporate income tax expense</b>	<b>176,579,199,720</b>	<b>75,862,136,277</b>

For the year ended 31 December 2017, in accordance with Law on Corporate Income Tax ("CIT"), applicable CIT rate is 20% of taxable income of the Group (2016: 20%), except for the incentives as follows:

- PVD Training is obliged to pay CIT at the rate of 10% of its assessable income from training over its operating period and 20% of its assessable income from other activities.
- PVD Deepwater is obliged to pay CIT at the rate 10% for 15 years from assessable income generated by PV Drilling V (2011). PVD Deepwater is entitled to CIT exemption for 4 years from the first profit-making year (from 2012 to 2015) and a reduction of 50% for the following 9 years (from 2016 to 2024).

In 2017, the Group recorded additional CIT expense with the amount of VND 140,006,304,840 (2016: VND 13,814,145,489) for income arising from reversal of unused Science and Technology Development Fund in 2012, 2013, 2014 and 2015.

The Group's tax reports are subject to examination by the tax authorities. As the application of tax laws and regulations for many types of transactions is susceptible to varying interpretations, the amounts reported in the translated consolidated financial statements could be changed at a later date upon final determination by the tax authorities.

At the balance sheet date, the Company has unused tax losses of VND 957,761,326,334 (2016: VND 372,757,103,174) available for offset against future profits. No deferred tax asset has been recognized due to the uncertainty of future profits. These losses can be carried forward for a maximum period of five years from the year it was incurred.

The benefits from the Company's tax losses carried forward expire according to the following schedule:

## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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	The Company	PVD Deepwater	Total Tổng
	VND	VND	VND
2021	372,757,103,174	-	372,757,103,174
2022	472,935,743,280	112,068,479,880	585,004,223,160
	<b>845,692,846,454</b>	<b>112,068,479,880</b>	<b>957,761,326,334</b>

### 37. BASIC EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to ordinary shareholders of the Group is based on the following data:

	Current year	Prior year
	VND	VND
Profits attributable to the Company's shareholders	45,280,185,902	129,402,520,081
Appropriation to Bonus and Welfare fund	(16,849,524,476)	(43,622,849,246)
Earnings for the purpose of calculating basic earnings per share	28,430,661,426	85,779,670,835
Weighted average number of ordinary shares	382,850,160	382,850,160
<b>Basic earnings per share</b>	<b>74</b>	<b>224</b>

### 38. CONTINGENT LIABILITIES

As at the date of these translated consolidated financial statements, the Group has not completed the tax finalization for its branch operation in Algeria and Thailand in accordance with the local tax finalization procedures. The tax finalization will be done by the Authorities of Algeria and Thailand upon the completion of Algeria and Thailand projects and the tax liabilities will be determined at that time. However, the Group's Board of Directors believe that no significant tax liabilities will incur upon the tax finalization of these branches and therefore no additional provision has been made.

### 39. OPERATING LEASE COMMITMENTS

	Current year	Prior year
	VND	VND
Minimum lease payments under operating leases recognised in income statement for the year	55,777,930,455	60,681,949,444

As at the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Closing balance	Opening balance
	VND	VND
Within one year	36,393,299,150	48,708,122,226
In the second to fifth year inclusive	61,344,061,563	82,785,035,957
After five years	53,272,308,959	90,746,206,318
	<b>151,009,669,672</b>	<b>222,239,364,501</b>

Operating lease commitments represent rental payable by the Group which related to the lease contracts of office, warehouse and land with the duration over one year.



## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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### 40. FINANCIAL INSTRUMENTS

#### Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The capital structure of the Group consists of net debt (borrowings disclosed in Note 20 and Note 22, offset by cash and cash equivalents) and equity attributable to shareholders of the Group (comprising owners' contributed capital, share premium, treasury shares, foreign exchange difference, reserves and retained earnings) and non-controlling interests.

#### Gearing ratio

The gearing ratio of the Group as at the balance sheet date was as follows:

	Closing balance	Opening balance
	VND	VND
Borrowings	4,672,215,116,175	5,441,308,176,200
Less: Cash and cash equivalents	1,803,323,952,900	2,782,568,383,500
Net debt	2,868,891,163,275	2,658,739,792,700
Owners' equity	13,472,933,507,610	13,475,401,204,300
<b>Net debt to equity ratio</b>	<b>0.21</b>	<b>0.20</b>

#### Significant accounting policies

Details of the significant accounting policies and methods adopted by the Group (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in Note 3.

#### Categories of financial instruments

	Carrying amounts	
	Closing balance	Opening balance
	VND	VND
<b>Financial assets</b>		
Cash and cash equivalents	1,803,323,952,900	2,782,568,383,500
Trade and other receivables	1,420,689,365,865	1,713,937,917,100
Held-to-maturity investments	2,148,216,872,595	1,678,127,373,200
	<b>5,372,230,191,360</b>	<b>6,174,633,673,800</b>
<b>Financial liabilities</b>		
Loans and borrowings	4,672,215,116,175	5,441,308,176,200
Trade and other payables	720,412,305,945	781,870,741,500
Accrued expenses	333,278,716,410	373,518,988,700
	<b>5,725,906,138,530</b>	<b>6,596,697,906,400</b>

## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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The Group has not yet assessed fair value of its financial assets and liabilities as at the balance sheet date since there are no comprehensive guidance under Circular No. 210/2009/TT-BTC dated 06 November 2009 ("Circular 210") and other relevant prevailing regulations to determine fair value of these financial assets and liabilities. While Circular 210 refers to the application of International Financial Reporting Standards ("IFRS") on presentation and disclosures of financial instruments, it did not adopt the equivalent guidance for the recognition and measurement of financial instruments, including application of fair value, in accordance with IFRS.

#### Financial risk management objectives

Financial risks include market risk (consisting of foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group has hedged these risks exposures by controlling and managing the cash flows (including foreign currencies cash flows) and closely tracking with market information to have proper hedging instruments.

#### Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

#### Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. However, the Group manages to balance the cash inflow and outflow of foreign currencies by negotiating business contracts based on the demand foreign currencies payables to its receivables sources in order to minimize the foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at 31 December 2017 and 31 December 2016 are as follows:

	Assets		Liabilities	
	Closing balance	Opening balance	Closing balance	Opening balance
	VND	VND	VND	VND
United States Dollar ("USD") (Subsidiaries)	1,028,395,191,477	1,268,053,953,424	4,555,525,978,274	1,779,926,507,556
Vietnam Dong ("VND") (The Company)	3,364,170,790,940	2,050,857,636,144	501,859,663,152	225,347,507,419
Algerian Dinar ("DZD")	25,714,516,141	31,390,386,961	4,201,241,516	4,207,729,204
Singapore Dollar ("SGD")	614,618,138	568,232,075	2,795,513,901	2,301,597,484
Euro ("EUR")	9,346,355,251	231,336,855	206,449,656	4,242,759,629
Thai Baht ("THB")	74,724,215,835	-	20,582,993	20,614,778
British Pound ("GBP")	175,980,738	160,093,924	421,974,879	900,486,762
Myanmar Kyat ("MKM")	22,343,384	-	-	-
Australian Dollar ("AUD")	22,294,201	22,328,628	48,036,428	48,110,607

#### Foreign currency sensitivity analysis

The Group is mainly exposed to Vietnam Dong and subsidiaries exposed to United States Dollar.

The rate of 2% (2016: 2%) is the sensitivity rate used when reporting foreign currency risk internally to the Board of Directors and represents the Board of Directors' assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 2% change in foreign currency rates. For a 2% increase/decrease in Vietnam Dong against United States Dollar, the Group's profit before tax in the year would change as follows:



## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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	Current year	Prior year
	VND	VND
Decrease/increase in the Company's profit	57,284,100,720	35,916,711,449
Decrease/increase in Subsidiaries's profit	70,589,300,040	10,071,035,359
<b>Decrease/increase in consolidated profit</b>	<b>127,873,400,760</b>	<b>45,987,746,808</b>

Base on the similar analysis to other foreign currencies, there was no significant effect to business result of the Group.

### Interest rate risk management

The Group is exposed to interest rate risks arising mainly from interest bearing loans. The Group is exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate ratio between fixed and floating rate borrowings.

### Interest rate sensitivity

The loan's sensitivity to interest rate changes was assessed by the Group that may arise at an appropriate level is fluctuation in floating interest bearing loan of higher/lower 30 basis points. Assuming all other variables were held constant and the loan balance at the balance sheet date were the outstanding amount for the next year, if interest rates applicable to floating interest bearing loans had been 30 basis points higher/lower, the Group's profit before tax would have decreased/increased by VND 14,025,924,360 (2016: VND 16,058,579,396).

### Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial losses to the Group. In the year ended 31 December 2017, business of the Group's clients was affected by the significant drop in oil price since the end of 2014. Therefore, the Group has devised an appropriate credit policy in place and the exposure to credit risk is monitored on an on-going basis. As at 31 December 2017, the Group made provision for doubtful debts which was overdue for more than six months in accordance with regulations of Circular No. 228/2009/TT-BTC issued by the Ministry of Finance on 7 December 2009.

### Liquidity risk management

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations. Liquidity is also managed by ensuring that the excess of maturing liabilities over maturing assets in any year is kept to manageable levels relative to the amount of funds that the Group believes can generate within that year. The Group policy is to regularly monitor current and expected liquidity requirements to ensure that the Group maintains sufficient reserves of cash, borrowings and adequate committed funding from its owners to meet its liquidity requirements in the short and longer term.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial assets and financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial assets including interest that will be earned on those assets, and undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay, if any. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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Closing balance	Less than 1 year	From 1-5 years	Over 5 years	Total
	VND	VND	VND	VND
<b>Financial assets</b>				
Cash and cash equivalents	1,803,323,952,900	-	-	1,803,323,952,900
Trade and other receivables	1,401,679,437,090	19,009,928,775	-	1,420,689,365,865
Held-to-maturity investments	2,148,216,872,595	-	-	2,148,216,872,595
	<b>5,353,220,262,585</b>	<b>19,009,928,775</b>	<b>-</b>	<b>5,372,230,191,360</b>
<b>Financial liabilities</b>				
Loans and borrowings	1,342,640,443,845	3,185,185,612,620	144,389,059,710	4,672,215,116,175
Trade and other payables	720,412,305,945	-	-	720,412,305,945
Accrued expenses	333,278,716,410	-	-	333,278,716,410
	<b>2,396,331,466,200</b>	<b>3,185,185,612,620</b>	<b>144,389,059,710</b>	<b>5,725,906,138,530</b>
<b>Net liquidity gap</b>	<b>2,956,888,796,385</b>	<b>(3,166,175,683,845)</b>	<b>(144,389,059,710)</b>	<b>(353,675,947,170)</b>
<b>Opening</b>	VND	VND	VND	VND
<b>Financial assets</b>				
Cash and cash equivalents	2,782,568,383,500	-	-	2,782,568,383,500
Trade and other receivables	1,697,249,785,100	16,688,132,000	-	1,713,937,917,100
Held-to-maturity investments	1,678,127,373,200	-	-	1,678,127,373,200
	<b>6,157,945,541,800</b>	<b>16,688,132,000</b>	<b>-</b>	<b>6,174,633,673,800</b>
<b>Financial liabilities</b>				
Loans and borrowings	761,883,005,600	3,887,548,087,500	791,877,083,100	5,441,308,176,200
Trade and other payables	781,870,741,500	-	-	781,870,741,500
Accrued expenses	373,518,988,700	-	-	373,518,988,700
	<b>1,917,272,735,800</b>	<b>3,887,548,087,500</b>	<b>791,877,083,100</b>	<b>6,596,697,906,400</b>
<b>Net liquidity gap</b>	<b>4,240,672,806,000</b>	<b>(3,870,859,955,500)</b>	<b>(791,877,083,100)</b>	<b>(422,064,232,600)</b>



## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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### 41. RELATED PARTY TRANSACTIONS AND BALANCES

List of related parties:

Related party	Relationship
• Petrovietnam Company's subsidiaries	• Company has investment from Petrovietnam
• The Group's joint ventures	• Joint Venture
• Petrovietnam's Joint Ventures/Joint Operating Companies/Petroleum Sharing Contracts	• Company has investment from Petrovietnam

During the year, the Group entered into the following significant transactions with its related parties:

	Current year	Prior year
	VND	VND
<b>Sales</b>		
Petrovietnam's subsidiaries	180,140,660,577	347,953,092,432
Petrovietnam's joint ventures/joint operating companies/petroleum sharing contracts	2,089,302,321,744	3,849,893,717,153
<i>In which: details account for 10% or more of total value of transactions:</i>		
<i>Vietsopetro Joint Venture</i>	457,480,543,902	369,647,999,401
<i>Cuu Long Joint Operating Company</i>	239,862,623,651	975,683,751,907
<i>Hoang Long Joint Operating Company</i>	527,849,637,802	88,853,430,003
<i>Thang Long Long Joint Operating Company</i>	285,251,097,589	11,318,836,258
The Company's joint ventures	81,380,123,116	41,081,665,363
<b>Purchases</b>		
Petrovietnam's subsidiaries	128,007,567,584	164,327,339,286
<i>In which: details account for 10% or more of total value of transactions:</i>		
<i>PetroVietnam Insurance</i>	32,975,707,792	893,063,808
<i>Petrovietnam's joint ventures/joint operating companies/petroleum sharing contracts</i>	44,266,624,584	22,132,342,307
Petrovietnam's joint ventures/joint operating companies/petroleum sharing contracts	5,372,088,233	28,114,773,817
The Company's joint ventures	144,610,724,772	35,958,848,307
<i>In which: details account for 10% or more of total value of transactions:</i>		
<i>BJ-PVD</i>	27,507,580,430	283,827,010
<i>PVD-Baker Hughes</i>	96,683,530,438	13,264,413,021

Related party balances at the balance sheet date were as follows:

## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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	Closing balance	Opening balance
	VND	VND
<b>Receivables</b>		
Petrovietnam's subsidiaries	52,804,461,103	74,271,844,362
Petrovietnam's Joint Ventures/Joint Operating Companies/Petroleum Sharing Contracts	978,782,927,935	1,395,718,979,131
<i>In which: details account for 10% or more of total value of balance:</i>		
<i>PetroVietnam Domestic Exploration Production Operating Company Limited</i>	460,670,821,868	465,534,628,180
<i>Vietsopetro Joint Venture</i>	154,514,775,157	32,771,182,030
<i>PetroVietnam Exploration Production Corporation</i>	185,194,982,921	186,374,979,731
The Company's joint ventures	62,921,176,109	43,335,117,942

	Closing balance	Opening balance
	VND	VND
<b>Payables</b>		
Petrovietnam's subsidiaries	33,611,402,757	239,431,571,346
<i>In which: details account for 10% or more of total value of balance:</i>		
<i>PetroVietnam Technical Services Corporation Branch - PTSC Marine</i>	16,082,949,872	16,624,116,411
Petrovietnam's joint ventures/joint operating companies/petroleum sharing contracts	39,559,457,776	39,255,580,007
<i>In which: details account for 10% or more of total value of balance:</i>		
<i>Bien Dong Joint Operating Company</i>	14,579,578,560	12,856,548,807
<i>PetroVietnam Domestic Exploration Production Operating Company Limited</i>	24,345,292,667	24,565,018,834
The Company's joint ventures	49,048,706,604	53,953,235,065
<i>In which: details account for 10% or more of total value of balance:</i>		
<i>PVD-Baker Hughes</i>	34,642,482,333	2,085,539,800

Remuneration paid to the Group's Boards of Management and Directors during the year was as follows:

	Current year	Prior year
	VND	VND
Salaries	4,195,009,476	4,593,024,000
Bonuses	913,415,634	813,549,500
Other benefits	361,700,000	420,000,000
	<b>5,470,125,110</b>	<b>5,826,573,500</b>



## NOTES TO THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS (cont.)

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### 42. SUPPLEMENTAL DISCLOSURES OF CONSOLIDATED CASH FLOW INFORMATION

#### Supplemental non-cash disclosures

Interest expense during the year excluded an amount of VND 21,994,048,005 (2016: VND 25,787,018,400), representing interest expense during the year that have yet not been paid. Consequently, changes in accounts payables have been adjusted by the same amount.

Cash outflows for acquisition and construction of fixed assets during the year excluded an amount of VND 12,161,381,715 (2016: VND 11,404,457,300), representing additions of fixed assets during the year that have not yet been paid. Consequently, changes in accounts payables have been adjusted by the same amount.

Interest income, dividends and profits received during the year excluded an amount of VND 84,031,144,785 (2016: VND 35,660,769,300), representing interest income, dividends and profits declared during the year to be received. Consequently, changes in accounts receivables have been adjusted by the same amount.

### 43. APPROVAL FOR ISSUANCE OF THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS

The translated consolidated financial statements for the year ended 31 December 2017 were approved by the Group's Board of Management for issuance on 28 March 2018.



Pham Tien Dung  
President  
28 March 2018



Doan Duc Tung  
Chief Accountant



Tran Kim Hoang  
Preparer