Marine-Transportation Ind. – 2770
Date of Issue 06/11/2009

CORPORATE ANALYSIS REPORT

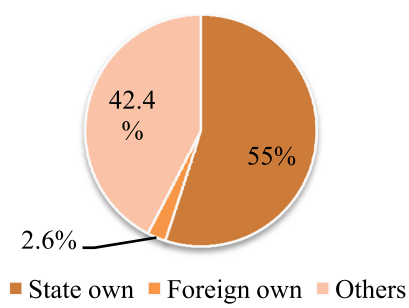
VIPCO Petroleum transportation Join-stock Corporation

EXCHANGE PRICE WATCHING

SHARE INFORMATION

Ticker	VIP
Exchange counter	HOSE
Lowest price in 52 weeks	7,360
Highest price in 52 weeks	34,400
Market value (**bil** VND)	1,537
Shares outstanding	59,807,785
10 day average exchange	1,366,649
Dividend in 2008	1,200(12%)

POSSESSION STRUCTURE



HIGHLIGHTS

- **In the first 9 months of 2009,** total revenue reached 892.292 billion VND, equaling to 86.6% of 2009 year plan. Total earning before tax expectedly performed at 91 billion VND, equaling to 102.8% of its year plan and 120.4% of its 2008 performance.
- **Increased the total loading capacity of VIPCO's fleet from 111,418 DWT to 176,111 DWT.** In Apr.2009, VIPCO additionally invested some oil-tankers named Petrolimex 15 (17.961 DWT) and Petrolimex 16 (46.732 DWT) and has made deals of baltime charter party to Vietnam National Petroleum Corporation (Petrolimex) and SK Shipping Co., Ltd, respectively. A drop in the selling price of oil-tankers from 2008 to the early 2009 provided VIPCO a favor in its purchasing plan. We estimate that, VIPCO has saved 20 million USD by making deal at suitable point of time.
- **A twin-office tower has been being under construction**. Currently, a 17-floor office tower at 43 Quang Trung St., (inaugurated at the end of 2009) and a 25 floor VIPCO tower at 37 Phan Boi Chau Str, (inaugurated by 2011). In coming time, with managerial advisory services provided by Jones Lang LaSalle Group, VIPCO would acquire an annually stable income (**5-10 billion VND by 2010 and more than 20 billion VND by 2012**).
- **Anhdung VII Urban Area – 171,980 m^2 – "profit reservation"**. Because of no pressure in implementing 2009 profit plan, VIPCO has its strong determination to finish the infrastructure of the urban area instead of selling its land-using rights. Market price of the rights reached 6 million VND/m^2 whereas its cost of good sale was just only 1.5 million VND/m^2. Provided that VIPCO transfers the land-using rights, 2009 profit could reach no less than 200 billion VND.
- **The completation of Dinh Vu VIPCO Container – Petrochemical port project** likely becomes one of the largest scale port in the North, which occupied an area of 380,000 m^2. Currently, two foreign partners have offered a co-operation at VIPCO's port operation. Given re-evaluation of Dinh Vu port prior to establishing join-venture, VIPCO is regarded as the case of GMD with Cai Mep port.

FUNDALMENTAL FINANCIAL INDICATORS

	2005	2006	2007	2008	2009F	2010F
Total assets	723	690	1,554	1,447	2,257	2,300
Equity	230	351	454	778	802	902
Revenue	6,704	8,426	10,508	12,502	10,601	11,719
Earning After Tax	25.9	72.4	149.7	74.9	130.1	134.6
ROA	3.58%	10.49%	9.63%	5.18%	5.76%	5.85%
ROE	7.21%	15.90%	19.20%	9.49%	16.22%	14.93%
P/E (price on 04/11/2009)	38.42	13.72	11.31	22.59	11.23	10.85
P/B (price on 04/11/2009)	4.31	2.83	3.73	2.18	1.83	1.62

Source: Vipco financial reports and BSC's forecast

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I. GENERAL INFORMATION:

Name	- Name: Petroleum transportation Join-stock Corporation - Name of exchange: Petroleum transportation Join-stock Corporation - Abbreviation: VIPCO
Basic information	- Venue: 3rd floor - SHOLEGA Trade Centre No 275 Lach Tray, Hai An District, Hai Phong City, Vietnam - Tel: 84-(31) 383 86 80 - Fax: 84-(31) 383 80 83 - Website: http://www.vipco.com.vn

Major business fields:

- Coastal and ocean transport;
- - Import and export of cargoes, materials, equipment and spare parts.
- - Import/ Export cargo delivery service.
- - Customs declaration/ clearance service.
- - Office rent.
- - Trading: petroleum, liquefied gas, petrochemical products and liquefied gas used equipment;
- - Water-born transport, marine agency, shipping agency and marine broker;
- - Import and export of cargoes, materials, equipment and spare parts;
- - Marine supply, cargo tallying, customs declaration/ clearance;
- - Tourism services including domestic tours.
- - Construction of civil, industrial, traffic items, technical bases for industrial zone, processing zone and hi-tech zone.
- - Real states (buildings, warehouse etc.,) and construction materials.

History of Development

- 1980 – 1987 period: Initial phase of developing marine and river fleets to meet the demand for petroleum transportation of the economy.
- 1988 – 1994 period: A phase of re-arranging personnel and organizing production under the scheme of industrialization and modernization; liquidating over-aging vehicles, extending onshore and off-shore petroleum business operation.
- 1995 – 2000 period: A phase of recovery and development, extending additional business lines, marine vessel
- 2001 – 2005 period: Integration and development.
- Investment in modern vessels with double covers in accordant with international practices, high efficiency, enhancing total capacity to 80,000 DWT; expanding in real estate business, constructing gas and oil storage at Dinh Vu port… preparing for the process of international integration.
- On 09/10/2006, Petrolimex and VIPCO officially transferred assets. Source of capital, personnel, human resources from State-owned Petroleum transportation I will be merged to VIPCO.

List of subsidiaries and Joint venture

Name of companies	Chartered capital (billion VND)	Rate of holding
Vipco Real State company Ltd	30	100%
Vipco Ha Long company Ltd	25	100%
Vipco Hai Phong company Ltd	20	100%
Vipco Crewing company Ltd	5	100%
Vipco Trading company Ltd	100	100%
Joint venture		
Vipco petroleum transportation company	50	35%

Initial share holders

STT	Name of initial share holder	Number of share	Rate of holding
01	Vietnam National Petroleum Company	30,503,304	51%

Big shareholders

TT	Name of shareholders	Number of shares	Rate of holding
01	Vietnam National Petroleum Company	30,503,304	51%
02	Petrolimex Insurance joint-stock company	3,461,319	6%
03	KITMC Worldwide Vietnam RSP	2,941,090	5%

Shareholder structure

Content	Number of shares	Rate of holding (%)
State	30,503,304	51%
Institution	12,842,376	21%
+ Domestic	7,419,493	12%
+ Overseas	5,422,883	9%
Individual	16,462,105	28%
+ Domestic	16,252,890	27%
+ Overseas	209,215	0.3%

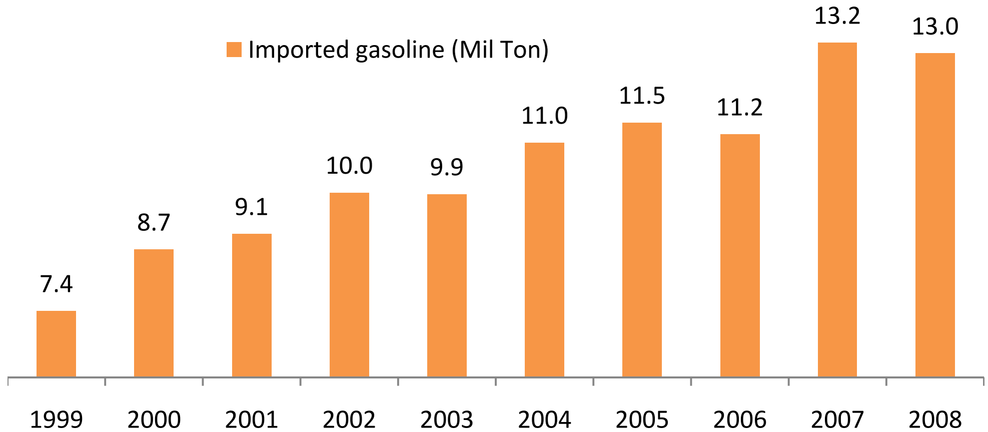
Major indicators

Indicators	Vipco	Vitaco	PVT
Total asset	2,257,296,098,000	3,287,275,337,000	5,731,777,924,000
Equity	802,655,020,000	764,350,669,000	1,473,096,119,000
Revenue	1,250,153,113,000	70,648,634,000	1,206,055,489,000
Earning after tax	74,926,792,000	35,992,648,000	69,122,675,000
EPS	1,277	604	468
Rate of dividend	12%	14%	2%
Book value	13,681	12,825	9,980

II. PETROLEUM TRANSPORTATION INDUSTRY

As to 2008, Vietnam has not refined crude-oil for commercial petroleum products so the country dominantly depended on 100% petroleum products imported for domestic consumption. The growth rate of imported petroleum products in terms of quantity in a 10 year period (from 1998 to 2008) was 6.58%, slightly lower than economic growth of 7.19% in the same period.

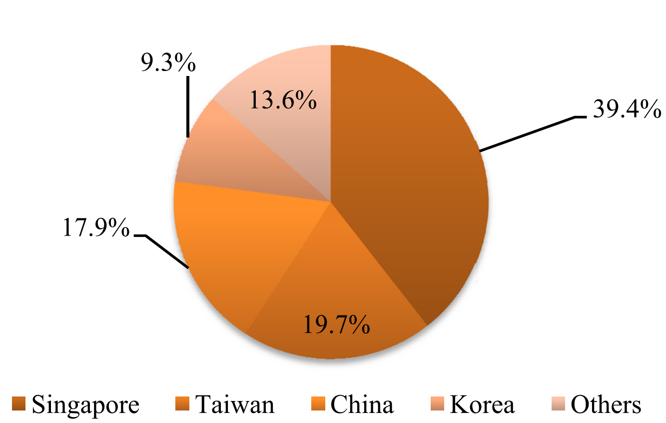
Graph 1: Vietnam petroleum import in 1998-2008 period



Source: General Statistics Office of Vietnam

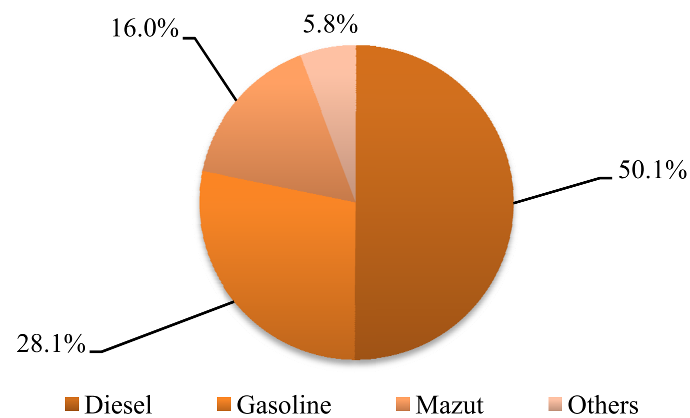
Vietnam had to import 100% petroleum products for domestic consumption (including diesel oil, gasoline, mazut, kerosene, aircraft fuel). Vietnam mainly imports petroleum products from Asian nations such as Singapore, Taiwan, China, Korea, Thailand, and Russia.

Graph 2: Import structure by nation as of July. 2009



Source: General Custom Office of Vietnam

Graph 3: Import structure by petroleum product in 2008



Source: General Custom Office of Vietnam

Vietnam has 10 hub-importing petroleum companies that have legal rights to import petroleum products including Vietnam National Petroleum Coporation (accounting for 60% of total domestic consumption), Petec Trading and Investment Corporation, Petechim, Aviation Petroleum Company, Military Petroleum Company,. Dong Thap Oil&Gas Trading Company, Mekong Oil&Gas join-venture Company...

Currently, upto 75% of the imported petroleum volume is carried by international firms and the remains is of market share of VIPCO and VITACO.

Industrial Prospects

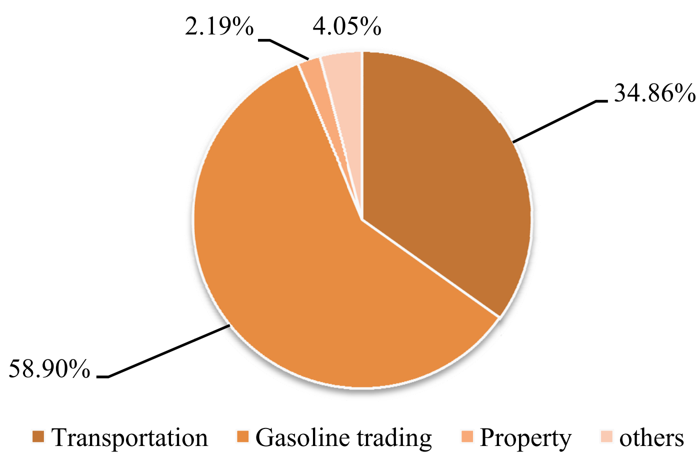
In coming years, the import demand will decrease by 33% because Dung Quat Oil refinery went into operation in 2009. By 2013, Nghi Son Oil refinery will be also inaugurated with the capacity of 10 million tons/year and the total outputs will serve about 60-70% domestic consumption.

Given annual petroleum products consumption growth rate of 5-7%, by 2013, a half number of Vietnam's overseas oil tankers will be transformed into domestic operation. Nevetheless, VIPCO and VITACO, two subsidiaries of Petrolimex, will have priority in domestic transportation of petroleum products from Dung Quat Oil refinery.

III. VIPCO'S CORE BUSINESS ACTIVITIES

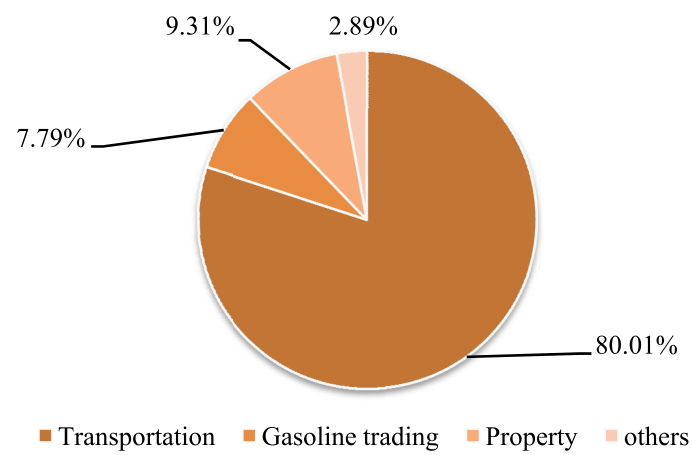
Currently, VIPCO's core business activities consist of Petroleum transportation, off-shore trading oil & gas, real estate investment and other activities such as logistics business, training captains and sailors.

Graph 4: Revenue Structure of VIPCO 2008



Source: Vipco

Graph 5: Earning structure of VIPCO 2008



Source: Vipco

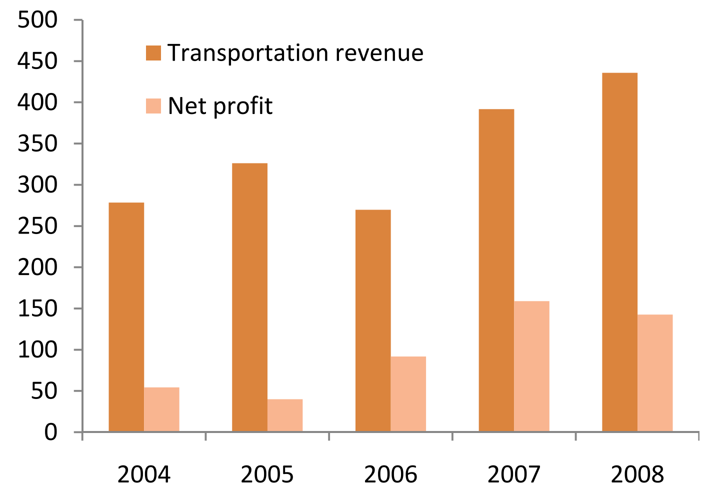
In the future, Vipco has a strategy on three core-business fields including Petroleum transportation, real estates and office for lease and exploring container and petrochemical port. The ratio of revenue and earning from petroleum transportation will gradually be narrowed

Overseas petroleum transportation – the core business of VIPCO.

The activity currently only accounts for over 1/3 revenue but contributes nearly 80% of 2008 earning after tax. Different from other Vietnam overseas transporation companies, VIPCO's fleet only specializes in petroleum transportation. Therefore, VIPCO has acquired stable orders from clients. Currently, 70% of capacity of the fleet has been resevered to Baltime charter party with reasonable frieghts, approximately 2008' (in which, 50% of its capacity is currently used by Petrolimex).

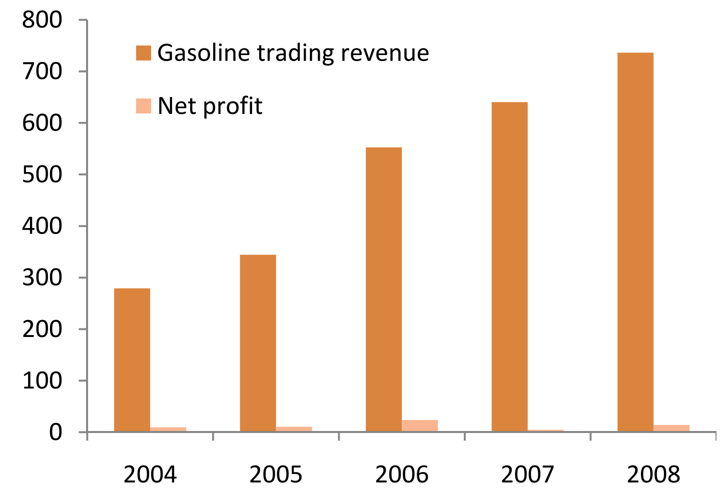
Prospect of VIPCO Petroleum transportation. Despite a sharp drop in world transportation freight, given the characteristics of the industry, the frieght under Baltime Charter Party agreeded with Petrolimex in 2009 was still kept the same level of 2008. Meanwhile, the capacity of the fleet increases owing to launching other two oil-tankers. According to anticipation of VIPCO, revenue from marine transportaion will continuously increase about 10.6% in 2009 when two oil-tankers (Petrolimex 15 and Petrolimex 16) have been officially launched.

Graph 6: Transportation activity 2008



Sourse: Vipco

Graph 7: Gasoline trading activity 2008



Sourse: Vipco

The in-time purchasing oil-tankers during low price period did help VIPCO save a sum of 20 million USD in comparison with its investment plan at the time of early 2008.

Petroleum fleet – young age – right time investment

At present, Vipco posseses a fleet of 8 oil-tankers with total capacity of 176,111 DWT and most of them are in young average ages. Of which, two small oil-tankers are used for domestic demand (Ha Long 03 and Ha Long 04), the remains are used for international transportation orders. VIPCO has plan to launch other two oil-tankers (Petrolimex 02 and Petrolimex 03) in domestic transportation. The salvage values of 3 out of 8 vessels has been out of depreciation, including Ha Long 02, Ha Long 03 and Petrolimex 02. Petrolimex 03 will be out of depreciation by 2010.

In Apr.2009, VIPCO has received Petrolimex 15 oil-tanker that was served for Petrolimex's orders; and Petrolimex 16 has been served for baltime charter party in a deal with SK Shipping Co. Ltd,. – Korea by the end of 2009. VIPCO also has plan to purchase another oil tanker with capacity of 18,000 DWT in an effort to increase total loading capacity to 200,000 DWT.

Table 1: List of VIPCO Oil tankers

Name	Origin	DWT	Age (years)
Petrolimex 02	Japan	7,088	25
Petrolimex 03	Japan	27,402	24
Petrolimex 06	UK	35,758	13
Petrolimex 10	Korea	37,256	6
Petrolimex 15	Korea	17,961	10
Petrolimex 16	Korea	46,732	5
Hạ Long 03	UK	1,405	35
Hạ Long 04	Japan	2,509	33
Total		**176,111**	**18.9**

Source: Vipco, BSC's synthesis

Table 2: List of VITACO oil tankers

Name	Origin	DWT	Age (years)
Petrolimex 04	Japan	29,998	21
Petrolimex 08	Korea	37,453	6
Petrolimex 09	Korea	40,019	2
Petrolimex 11	Korea	40,000	2
Petrolimex 12	Korea	13,000	2
Petrolimex 14	Korea	13,000	2
Nhabe01	Japan	3,580	33
Nhabe02	Japan	2,364	32
Nhabe03	Japan	4,793	31
Apbac02	Vietnam	1,200	24

Apbac03	France	1,200	67
Total		**186,607**	**20.2**

Source: Vitaco, BSC's synthesis

Off-shore oil&gas bussiness activities – no efficiency

Vipco is mainly off-shore trading Diesel and Mazut oil for its oil-tankers in HaiPhong, Quang Ninh areas... Eventhough the activity has brought a big source of revenue, gross profit margin is very low (only 2% of reveunue), which unremarkably contributes to VIPCO gross profit. Because of a very slim margin of gross profit, VIPCO hardly develop the business activity in coming years.

Real-eastate Investment – "Profit reservation"

At present, Vipco has three real-estate projects, in which, a twin trading office tower and a urban area in Hai Phong city. These projects have been being under construction. Therefore, we do not see a significant contribution to company profit in this year. According to VIPCO expectation, from 2011, real-estate business field will strongly develop and become one of three core-business activities of VIPCO.

A twin trading office tower in Hai Phong – a stable source of revenue

Hai Phong City is the second largest one in the North of Vietnam with a huge advantage of sea ports and tourist activities. The market of offices for lease has been still underdeveloped but very high potential in coming years.

Vipco has been constructing a twin trading office tower at the heart of Hai Phong city at 43 Quang Trung and 37 Phan Boi Chau. The two office towers will be connected from 1st floor to 3rd floor and will be constructed for renting offices. 43 Quang Trung tower will be inaugurated by next month and operated since Quarter I. 2010. 37 Phan Boi Chau VIPCO Tower has been under construction and will be expectedly inaugurated by 2011.

Table 3: Projects of a twin trading office tower in Hai Phong city

Summary of projects	Unit	43 Quang Trung	37 Phan Boi Chau
Total capital investment	Bil VND	117	201.8
Floors	Levels	17	25
Constructing area	m2	8,156	16,844
Office for lease	m2	5,700	12,500
Hiring price(e)	USD/m2	16	16
Annual revenue	USD	1,094,400	2,400,000
Expected inauguration		T12/2009	2011

Soure: Vipco

The two real-eastate projects have not been operated for generating revenue and profit in 2009. With the advisory from Jones Lang LaSalle group, a well-known advisor in real-estate administration, VIPCO expected to offer successfully a leasing price of 20 USD/m^2/month. However, given the downtrend of macro-economy, office hiring price should be 16 USD/m2/month according to our evaluation.

When 43 Quang Trung office trading tower goes into operation, revenue from offices for lease will increase from 12 to 20 billion VND, slightly increae the total earning. Since 2012, after both office trading towers go into operation, annual revenue from office for lease will reach over 40 billion VND, contributing to total earning befor tax over 18.8 – 20 billion VND.

Re-for lease the current Head office on the third floor of Sholega trading centre

When moving the current head office to 43 Quang Trung, the vacant area of 1000 m^2 will be used for re-for lease. The company only hires a reasonable price of 6 USD/m^2/month with a contract time of 9 years since 2008.

Anhdung VII urban area – Earning is no less than 220 billion VND

Venue: Pham Van Dong – Anhdung precinct – Duong Kinh Dist. – Hai Phong city. As of current date, VIPCO has sold about 40-50% area of the urban and the revenue was counted in business performance in previous years. With the current market price of 6 million VND/m^2 and the cost of good sale of 1.5 million VND/m^2, VIPCO will receive a big margin from the business.

With no pressure from fulfilling 2009 profit plan, VIPCO has its strong determination to fulfill the project instead of selling its land using rights as it did. **Earning from sales of 200 villas at Anhdung VII urban area is no less than 200 billion VND (approximately 3 times of 2008 earnings)**

Table 4: The summary of Anhdung VII Urban area project

	Area (m^2)	Proportion (%)	Note
Accommodation area	**82,346**	**48%**	
- Isolating villa	22,800	13%	76 villas 300m2
- Doublet villa	59,546	35%	330 villas 180 m2
Public area	**89,634**	**52%**	
- Kindergarten	4,586	3%	
- School	7,414	4%	
- Service- Sport	2,115	1%	
- Road, car- park	72,184	42%	
- Public garden	3,335	2%	
Total area	**171,980**	**100%**	

Source: Vipco

Seaports – promising business

Hai Phong city is now a principal seaport area in the North which has considerable commodities on circulation. Meanwhile, Haiphong port area is not in the favorable place for business. Dinh Vu port area connected to center of Haiphong by highway is highly appreciated than other ports in Hai Phong City.

VIPCO has deployed Dinh Vu project (380,000 m^2) with the total invesment capital of 3,000 billion VND in the period from 2008 to 2015. At the present, VIPCO has finished a phase of design and continued to build infarstructure. Therefore, the project will not raise any turnover and profit in the year of 2009. Vipco has expected to co-opeate with some partners to exploit Dinh Vu port project more effectively. If we re-evaluate the value of Dinh Vu port project before join-venture, VIPCO can take advantage like the case of GMD with Cai Mep port.

Container Vipco Đình Vũ Port

At the moment, Vietnam Northern-seaport system can not meet an increasing demand. 72% of containers transported through HCM ports. Meanwhile, there are only 25% of containers go through Hai Phong and Cai Lan port. Thus, in the time to come, Viet Nam should hasten the progress of seaport projects in the North.

Vipco Container port has an area of 13 ha in Dinh Vu, Hai Phong City. After finishing by 2015, Vipco Container port will reach the size of Dinh Vu port, and bigger than other listed companies such as Doan Xa port, Vinconship…

Table 5: Comparison some Container ports in Vietnam

	Doan Xa port	Dinh Vu port	Vipco port first phase	Vipco port second phase
Tide	Daily Tide	Daily Tide	Daily Tide	Daily Tide
Draught (m)	8,4	9	-	-
Maximum ship size (DWT)	10,000	40,000	20,000	30,000
Wharf Quantity	1	2	1	2
Length of Wharf (m)	220	185 - 240	240	455
Area (m^2)	80,000	240,000	127,780	127,780
Container area (m^2)	65,000	105,000	36,000	36,000
Depot area (m^2)	1,200	3,600	1,000	1,000
Number of ships 2008	245	318		
Number of containers 2008	172,000	232,982		
Revenue 2008	102,768,742,000	152,706,000,000		
Profit 2008	30,233,414,000	40.590,970,000		

Source: Vietnam Seaport Association

Vipco Dinhvu Oil-Reserve Port

Vietnamese Government plans to expand the reserve capacity of national crude oil and petroleum products up to the IEA's standard of minimum 90 net import days by 2015. The largest current reserve in the north, B12, has been requested to relocate, which also boosts the demand for a new reserve construction in the area.

VIPCO oil reserve port will be constructed on the same site with the container port, making the VIPCO port complex in Dinh Vu. According to the government's plan, VIPCO port complex is one of the 49 commercial oil reserve prioritized for construction in the period of 2010-2015. VIPCO port complex will be the 3rd largest reserve in the North, succeeding to K130- Petrolimex and Lach Huyen (Quang Ninh).

Table 6: Comparison in some petrochemical ports in Vietnam

	B12 port	Cat Lai Port	Nha Be Port	VIPCO port

Tide	Daily Tide	Semi Daily Tide	Semi Daily Tide	Daily Tide
Draught (m)	13	10.5	11	-
Maximum ship size (DWT)	40,000	25,000	36,000	40,000
Wharf Quantity	3	2	9	3
Length of Wharf (m)	86 – 280	60 -230	16 - 102	379
Area (m^2)	74,629	126,000	1,300,000	165,700
Tanker (m^3)	90,000	95,000	400,000	185,000
Gasoline reserve 2008 (m^3)	6,753,509	1,100,000	4,500,000	
Number of ships 2008	325	90	214	

Source: Vietnam Seaport Association

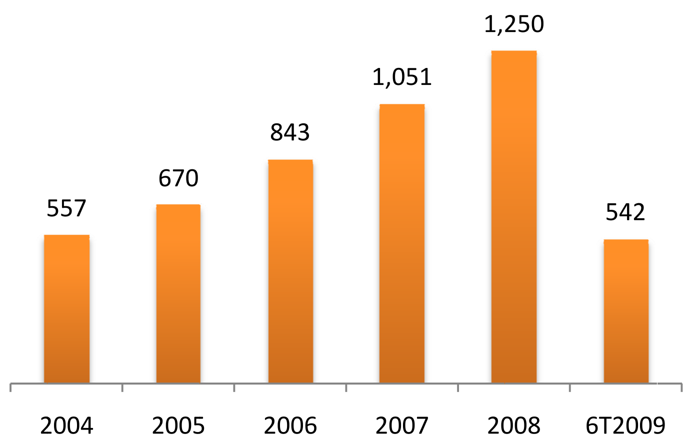
IV. CORPORATE FINANCE REVIEW

- Vipco had efficient quick ratio, declining debt/equity ratio.
- Long term asset/total asset ratio rose rapidly due to heavy investment in fixed assets.
- Gross margin highly fluctuated due to unstable petroleum trading.
- ROE and ROA of 2008 dramatically declined from those of 2007 due to financial provision.

Table 7: Major financial indicators

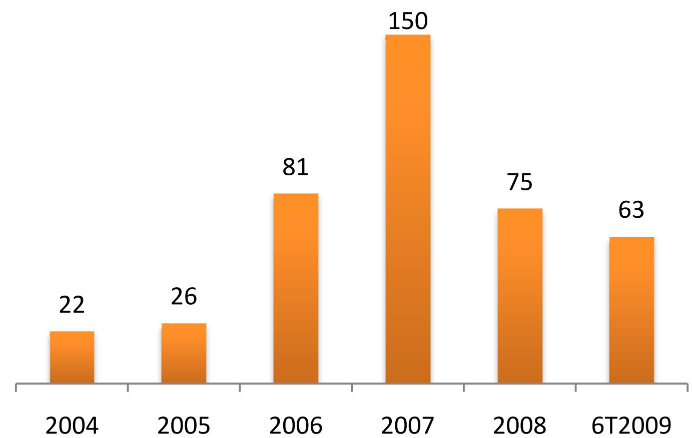
	2005	2006	2007	2008
Capital				
Debt/Equity (%)	101.40	51.60	98.16	83.40
Debt/Total Asset (%)	50.35	34.04	49.25	45.47
Asset structure indicators				
Short-term asset/Total Asset (%)	51.36	56.25	33.47	27.32
Long-term asset/Total Asset (%)	48.64	43.75	66.53	72.68
Profitability				
COGS/Revenue (%)	89.79	86.14	83.83	85.73
Net Profit Margin (%)	10.21	13.86	16.17	14.27
Sale Expense/Revenue (%)	3.06	1.14	1.13	0.90
Administrative expense/Revenue (%)	0.00	1.66	1.98	2.07
Gross Profit Margin (%)	4.68	11.67	13.21	6.03
Earning After Tax/Revenue (%)	3.86	8.59	14.25	5.99
Earning After Tax/Equity (%)	7.21	15.90	19.20	9.49
Earning After Tax/Total Assets (%)	3.58	10.49	9.63	5.18
Operation				
Inventories turnover	8.2	10.1	12.6	12.5
Payables turnover	2372.8	302.5	28.7	25.2
Receivables turnover	53.0	26.6	17.7	18.1
Settlement				
Quick ratio	3.0	13.0	4.5	5.6
Current ratio	2.3	10.9	3.9	4.2

Graph8: Revenue growth of Vipco



Source: Vipco

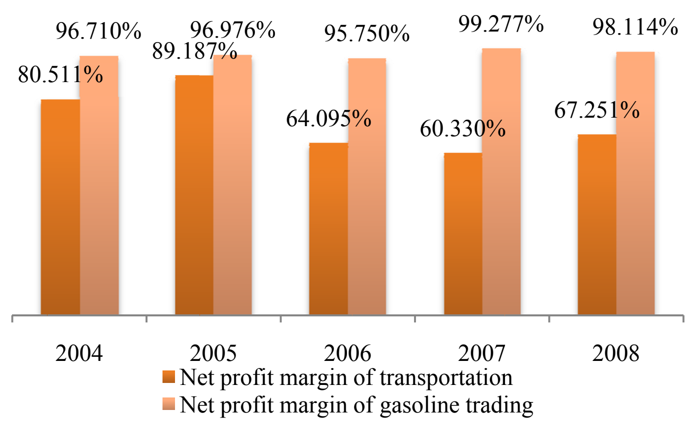
Graph9: Profit growth of Vipco



Source: Vipco

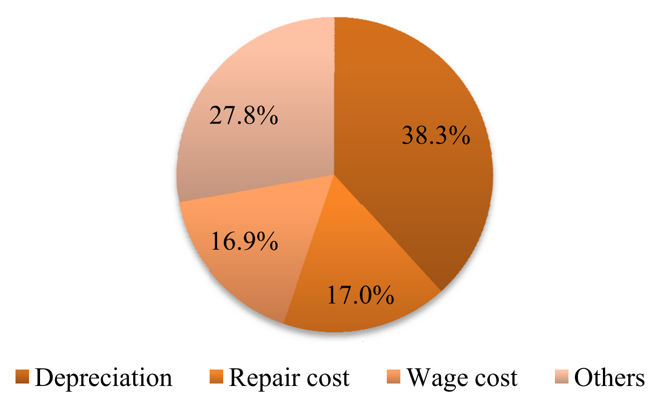
- Earning of 2008 was lower than that of 2007 due to the fall in financial profit
- The performance in the first half 2009 was quite positive than that of other peer companies
- Revenue in 2009 is expected to decrease due to a lower price of petroleum.

Graph10: Net profit margin of Vipco



Source: Vipco

Graph11: Cost structure of Vipco's transportation 2008



Source: Vipco

- Net profit margin of Vipco's petroleum trading was quite low, which insignificantly contributes to VIPCO's total profit.
- Depreciation and repair cost were the main cost of transportation activities.

V. BUSINESS PLAN

Vipco core businesses consist of:

- Transportation,
- Real Estate investment and
- Sea ports

Vipco's Board of Manager determined to strengthen the real estate and seaports sectors.

Business plan of 2009:

- Total revenue: 1.030.427.013.000 VND;

- Earning Before Tax: 88.495.485.000 VND;
- Earning After Tax: 75.211.444.000 VND;
- Dividend rate : 10%.

Long-term projects:

- Dinh Vu Container –Petrochemical port project
- 37 Phan Boi Chau trading office tower - Hải Phòng;
- 43 Quang Trung trading office tower - Hải Phòng;
- Anhdung VII Urban area - Hải Phòng;
- Build 02 new 650 DWT oil tankers.
- Total investment: 540 billion VND (in 2009) and 460 Billion VND (after 2009)
- Investment capital include: Vipco's capital, borrowing and partner's capital

VI. RISK

Financial Risk of Vipco in 2009 is insignificant. Up to Q2/2009, Vipco had a short term financial provision of 23.1 billion VND (has not been restored) while the short term investment has not been changed since 2008 (105 billion VND). **VIPCO is expected to restore about 13-15 billion VND of investment provision in 2009.**

Foreign exchange risk. The total debt from bank was about 68 million USD on 30/06/2009. Therefore, foreign exchange risk of VIPCO is significant. The exchange rate applied for 2009 borrowing was 17,785 VND/USD, which is higher than the interbank rate of 17,003. Provide that, the interbank rate at the end of 2009 is lower than 17,785 VND/USD, VIPCO will recognize profit by obtaining the foreign exchange premium.

Output risk. The imported petroleum demand will decrease by 33% of total domestic consumption when Dung Quat oil refinery fully operated in 2009-2010. In 2013, when Nghi Son oil refinery will reach its full capacity, the imported petroleum demand will fall to 60-70%. VIPCO will have to change its major markets to domestic petroleum transportation or international petroleum transportation. VIPCO has an advantages of Petrolimex 10 oil-tankers that can access Dung Quat port easily (a non-depth water Port).

VII. VALUATION MODELS

Reasons to applied valuation models:

The applied valuation models are Discount Cash Flow (**FCFE-FCFF and DDM) .**
These models are chosen due to reasons as follow:

- Marine transportation industry is falling, then the industry's P/E, P/B do not well reflect the fair value of the company.
- VIPCO is in the transformation of doing business from one field to three fields. In order to evaluate Vipco, each main field needs to be carefully forecasted.
- VIPCO's cashflows move quite close to the revenue. VIPCO has also set a clear business plan.

We make our forecast on the business result of VIPCO based on three mayor fields: marine transportation, petroleum trading and property for lease.

The valuation result is based on the following assumption:

- Transportation activities forecasted are based on the feasible business plan of Vipco in investing new fleet in the coming years.
- Petroleum trading forecasted is based on current price and demand.
- Revenue from property business calculated is based on 43 Quang Trung trading office tower (expectedly inaugurated by early 2010) and 37 Phan Bo Chau trading office tower (inaugurated by 2011).
- Revenue from Anhdung VII Urban area is the one expected in 2009.

The valuation result does not consist of the following activities:

- Financial investment
- Dinh Vu Container – Petrochemical port project

Valuation results

Valuation models	*Price*	*Weight*	*Weight average*
FCFE	34,746	30%	10,424
FCFF	41,461	30%	12,438
DDM	20,495	40%	8,198
Weight average price			31,060.30

VIII. SWOT ANALYST

STRONG

- 50% of VIPCO's fleet is served for Petrolimex, a big client of VIPCO, by Baltime Charter Pary.
- 20% of Vipco's fleet is served for other loyalty partners.
- VIPCO has good personnel team and its own school for crew training.
- Vipco's Board of managers has strong leadership skills and broad views.

WEAK

-Vipco has 5 subsidiaries and join-venture, which can lead to difficulty in administration.
- Property trading, building and sea ports are promising but risky business for Vipco

OPPORTUNITIES

- In 2009 tanker price is much lower than that of 2008.
- Vipco have good relationship with Petrolimex – A parent company (import 60% of Vietnam's petroleum)
- Increasing in imported container of Vietnam (demand for new seaports)
- Property market is warming up in Vietnam
- Building leasing is expected to be warmed up in Hai Phong city.

THREATS

- After 2013, both Dungquat and Nghison oil refinery fully operate, Vietnam's imported petroleum demand will drop significantly.
- 30% of Vipco's fleet is currently leasing for non-fixed prices.
- Vipco has a loan of 67 million USD, which causes VIPCEO subject to foreign exchange risk.

IX. INVESTMENT POINTS

- 2009 will be the best year of Vipco compare to peers. As of 30/09/2009, Vipco has total revenue of 892 billion VND and earning after tax of 91 billion VND (120% of 2008). Vipco profit can reach the number of 143 billion VND (EPS 2,400 VND).
- **In long run:** VIPCO has great major business and new ones (property and sea port). The Vipco's board of Manager determined to strengthen Vipco by the real estate and seaport fields.
- Vipco's share price is acceptable for long term investment.
- **Recommendation: Strong BUY**
- **Buying share price range: 20,500-25,000 VND/share**
- **Fair value per share: 31,000 VND**

APPENDIX

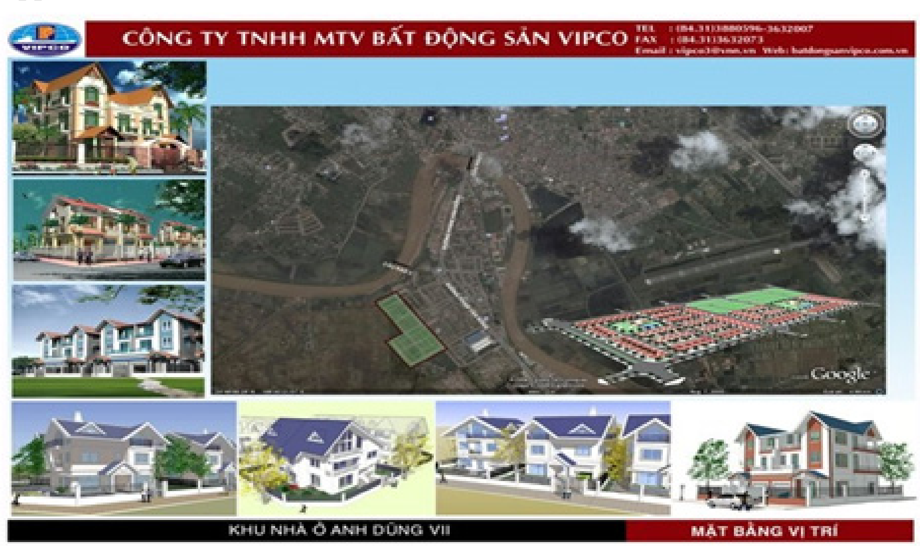
Appendix 1: Investment Projects

No	Investment Projects	Total Investment	Investment 2009	Capital Source
I	**2008 projects**	**1,588,562,116,000**	**1,128,850,000,000**	
1	01 oil tanker 46.000 DWT	630,000,000,000	630,000,000,000	- Vipco's capital - Borrowing
2	01 oil tanker 18.000 DWT	288,750,000,000	288,750,000,000	- Vipco's capital - Borrowing
3	Dinh Vu Container – Petrochemical port project	240,000,000,000	74,600,000,000	-Joint Venture capital - Borrowing
4	Building 25 Phan Boi Chau	201,812,116,000	62,500,000,000	- Vipco's capital - Joint Venture capital - Borrowing
5	Building 43 Quang Trung	117,000,000,000	50,000,000,000	- Vipco's capital - Borrowing
6	02 other ships	11,000,000,000	11,000,000,000	- Vipco's capital
7	Urban area Anhdung VII	100,000,000,000	12,000,000,000	- Vipco's capital - Borrowing
II	**New projects**	**330,000,000,000**	**330,000,000,000**	
1	01 oil tanker 18.000 DWT	280,000,000,000	280,000,000,000	-Joint Venture capital
2	Other investment	50,000,000,000	50,000,000,000	-Joint Venture capital
	Total	**1,918,562,116,000**	**1,458,850,000,000**	

Appendix 2: Vipco port, Urban Area Anhdung VII and VIPCO Tower

Appendix 3: Vipco Twin Towers – 43 Quang Trung and 37 Phan Boi Chau

Appendix 4: Urban Area Anhdung VII



Appendix 5: Valuation result FCFF

	g	WACC				
		7.50%	8.00%	8.50%	9.00%	9.50%
	0.5%	3,686,867,794,938	3,441,204,330,977	3,226,233,839,838	3,036,542,398,148	2,867,918,655,593
	1.0%	3,990,055,730,091	3,705,210,420,783	3,458,324,750,534	3,242,284,754,464	3,051,649,574,258
	1.5%	4,343,742,169,558	4,009,808,481,230	3,723,553,046,628	3,475,445,170,091	3,258,335,669,090
	2.0%	4,761,689,675,518	4,365,139,914,236	4,029,561,232,369	3,741,895,672,474	3,492,565,589,648
	2.5%	5,263,161,545,209	4,785,031,291,575	4,386,537,658,914	4,049,313,983,509	3,760,238,298,319
Terminal value	3.0%	5,875,975,129,108	5,288,835,503,966	4,808,372,907,631	4,407,935,403,591	4,069,066,734,648
	3.5%	6,641,842,907,581	5,904,499,280,220	5,314,509,462,723	4,831,714,523,688	4,429,333,148,269
	4.0%	7,626,286,538,533	6,673,929,105,202	5,933,023,431,332	5,340,183,421,480	4,855,056,139,744
	4.5%	8,938,452,083,463	7,662,951,377,661	6,706,015,302,823	5,961,547,582,444	5,365,857,380,237
	5.0%	10,774,666,475,004	8,981,219,796,781	7,699,616,216,788	6,738,101,500,444	5,990,071,733,557
	5.5%	13,527,201,553,550	10,825,974,410,600	9,023,987,510,099	7,736,281,055,916	6,770,187,698,066

	g	WACC				
		10.82%	11.32%	11.82%	12.32%	12.82%
	0.5%	38,784	36,084	33,722	31,640	29,790
	1.0%	40,421	37,440	34,857	32,598	30,605
	1.5%	42,331	39,006	36,155	33,684	31,522
	2.0%	44,588	40,832	37,652	34,925	32,561
	2.5%	47,296	42,989	39,398	36,357	33,748
Share price	3.0%	50,605	45,578	41,461	38,027	35,118
	3.5%	54,740	48,742	43,937	40,001	36,716
	4.0%	60,056	52,696	46,963	42,369	38,604
	4.5%	67,141	57,779	50,744	45,263	40,869
	5.0%	77,056	64,553	55,604	48,879	43,638
	5.5%	91,919	74,033	62,083	53,528	47,098

Appendix 6: Valuation result FCFE

	g	Long term COE				
		7.00%	7.50%	8.00%	8.50%	9.00%
	0.5%	2,287,368,529,908	2,123,985,063,486	1,982,386,059,254	1,858,486,930,551	1,749,164,169,930
	1.0%	2,490,310,845,580	2,298,748,472,843	2,134,552,153,354	1,992,248,676,464	1,867,733,134,185
	1.5%	2,730,151,764,101	2,502,639,117,093	2,310,128,415,778	2,145,119,243,223	2,002,111,293,674
	2.0%	3,017,960,866,327	2,743,600,787,570	2,514,967,388,606	2,321,508,358,713	2,155,686,333,091
	2.5%	3,369,727,546,825	3,032,754,792,142	2,757,049,811,038	2,527,295,660,119	2,332,888,301,648
Terminal value	3.0%	3,809,435,897,447	3,386,165,242,175	3,047,548,717,958	2,770,498,834,507	2,539,623,931,631
	3.5%	4,374,775,205,390	3,827,928,304,716	3,402,602,937,525	3,062,342,643,773	2,783,947,857,975
	4.0%	5,128,560,949,314	4,395,909,385,126	3,846,420,711,985	3,419,040,632,876	3,077,136,569,588
	4.5%	6,183,860,990,807	5,153,217,492,339	4,417,043,564,862	3,864,913,119,254	3,435,478,328,226
	5.0%	7,766,811,053,047	6,213,448,842,438	5,177,874,035,365	4,438,177,744,598	3,883,405,526,524
	5.5%	10,405,061,156,781	7,803,795,867,585	6,243,036,694,068	5,202,530,578,390	4,459,311,924,335

	g	first 10 years COE 8.17%	8.67%	9.17%	9.67%	10.17%
	0.5%	31,940	29,802	27,962	26,363	24,964
	1.0%	33,371	30,973	28,931	27,174	25,647
	1.5%	35,061	32,338	30,049	28,100	26,421
	2.0%	37,089	33,953	31,354	29,168	27,306
	2.5%	39,568	35,889	32,896	30,414	28,327
Share price	3.0%	42,667	38,257	34,746	31,887	29,518
	3.5%	46,651	41,216	37,007	33,655	30,925
	4.0%	51,963	45,021	39,834	35,815	32,614
	4.5%	59,400	50,094	43,468	38,516	34,679
	5.0%	70,556	57,196	48,314	41,988	37,259
	5.5%	89,149	67,850	55,098	46,617	40,577

Appendix 7: Valuation result DDM

	g	Ks 9.37%	9.87%	10.37%	10.87%	11.37%
	0.5%	2,236,217,801,043	2,116,889,209,739	2,009,650,647,948	1,912,753,316,803	1,824,770,183,556
	1.0%	2,381,593,158,961	2,247,343,262,740	2,127,420,996,852	2,019,648,909,878	1,922,269,502,459
	1.5%	2,545,440,608,100	2,393,383,224,104	2,258,468,724,436	2,137,952,783,965	2,029,647,171,809
	2.0%	2,731,519,732,836	2,557,979,724,396	2,405,173,289,247	2,269,594,186,133	2,148,484,571,078
	2.5%	2,944,684,610,808	2,744,909,535,448	2,570,518,840,693	2,416,963,354,391	2,280,719,647,830
Terminal value	3.0%	3,191,313,362,873	2,959,048,925,983	2,758,299,338,060	2,583,057,956,989	2,428,753,419,534
	3.5%	3,479,957,234,540	3,206,805,175,314	2,973,413,241,157	2,771,689,140,672	2,595,597,073,285
	4.0%	3,822,352,292,737	3,496,768,622,147	3,222,296,987,755	2,987,777,556,332	2,785,078,943,284
	4.5%	4,235,054,344,405	3,840,728,986,453	3,513,580,009,753	3,237,788,800,196	3,002,141,871,507
	5.0%	4,742,196,224,828	4,255,317,762,320	3,859,105,680,168	3,530,391,397,359	3,253,280,612,637
	5.5%	5,380,382,518,798	4,764,778,111,613	4,275,581,180,236	3,877,482,373,883	3,547,202,784,966

	g	Ks 12.74%	13.24%	13.74%	14.24%	14.74%
	0.5%	19,781	18,554	17,458	16,473	15,584
	1.0%	20,431	19,110	17,936	16,886	15,943
	1.5%	21,163	19,732	18,468	17,344	16,338
	2.0%	21,995	20,433	19,063	17,853	16,776
	2.5%	22,948	21,229	19,734	18,422	17,263
Share price	3.0%	24,051	22,141	20,495	19,064	17,809
	3.5%	25,341	23,196	21,368	19,794	18,424
	4.0%	26,872	24,430	22,378	20,629	19,122
	4.5%	28,717	25,895	23,559	21,595	19,922
	5.0%	30,985	27,661	24,961	22,727	20,847
	5.5%	33,838	29,830	26,651	24,068	21,930

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