

FPT CORPORATION


Ticker	FPT
Exchange	HOSE
Industry	Information Technology

FINANCIAL HIGHLIGHTS

Items	2007	2008	2009F
Gross revenue (VND bil.)	13,499	16,382	17,000
Gross profit margin (%)	14.5%	18.2%	17.6%
Net profit (VND bil.)	737	836	832
EPS (VND)	7,987	5,932	5,906
BVPS (VND)	21,437	17,260	18,450
ROE (%)	37.26%	34.37%	32.01%
P/E	25.2	10.9	13.5
P/B	9.4	3.8	4.3

Source: HBBS

(*) Share price as of 10/8/2009

MARKET STATISTICS

Items	2007	2008	2009(*)
52 week range (VND)		88,667-37,700	
1-month average change (%)	-2.83%	-9.78%	10.64%
3-month average change (%)	-8.48%	-29.35%	31.91%
Outstanding shares (million)	92.3	141	141
Market Capitalization (VND bil.)	18,608	9,135	11,210
Aver. daily trading volume (thousand)	371.7	409.1	574.7

Source : Reuter, HBBS

(*):02/01/2009-10/08/2009

In the first half of 2009, FPT made 48.2% of 2009 total revenue plan. We suppose that FPT will probably meet its target because distribution activity (which contributes over 63% to total revenue) will grow in the shopping season in the latter half of the year and other activities are likely to make the projections. On the contrary, the corporation may be unable to attain the profit guideline as the profitability of the distribution activity (i.e the usual largest contributor to total profit) may slump against that of the previous years.

The issuance of VND 1.8 trillion bonds with detachable warrants will be successful if the majority of investors expect strong gains on the stock market during the 3 coming years.

The bond issuance can benefit FPT as proceeds are invested in high profitable businesses, such as telecom, IT and Training.

The equitization of FTC and FIS through selling 5% of companies' chartered capital will dilute EPS attributable to FPT's existing shareholders as part of its profit after tax will go to the 5% minority interest.

BASIS INFORMATION

- ✓ **2009 plan:**
 - + Revenue: VND 17,078 bil.
 - + Profit before tax: VND 1,451 bil.
- ✓ **Products and Services:**
 - + Mobile phones and IT products distribution
 - + System integration, software solution, IT services
 - + Software export
 - + Telecom services
 - + Training
- ✓ **Ownership:**
 - + Domestic investors : 71.55%
 - + Foreign investors: 28.45%
- ✓ **Revenue segmentation:**
 - + Domestic: 95.9%
 - + Export: 4.1% (i.e software export)
- ✓ **Main competitors:**
 - + Mobile phone distribution: Viettel, Petrosetco, Mobile World, Phu Thai group.
 - + IT product distribution: Thong Minh, The Gioi So, CMS, Tran Anh..
 - + System integration: HPT; EL; CMC; HipT; Tecapro..
 - + Software Export: Harvey Nash VN; TMA solution.
 - + Telecom: VNPT, Viettel.

Date of issue 10/8/2009

FPT's 1H09 performance
Table 1: Revenue

	Revenue (VND mil.)				
	1H08	1Q08	1Q09	1H09	2009 plan
Distribution	6,328,936	2,699,200	2,686,900	5,386,100	10,791,490
System Integration	1,190,143	503,000	760,000	1,263,000	3,311,000
Software Export	301,411	168,700	168,300	337,000	837,000
Telecommunication	599,415	410,200	469,900	880,100	1,700,000
Training	54,907	41,300	39,900	81,200	196,000
Total Revenue	8,474,812	3,822,400	4,410,700	8,233,100	17,078,000

Table 2: Profit before tax

	Profit before tax (VND mil.)				
	1H08	Q1'09	Q2'09	1H09	KH 2009
Distribution	273,540	104,800	33,700	138,500	762,950
System Integration	101,550	50,900	108,300	159,200	383,000
Software Export	106,770	46,400	50,900	97,300	239,000
Telecommunication	245,260	180,000	135,200	315,200	465,000
Training	24,040	17,000	14,100	31,100	60,000
Total Revenue	630,924	399,100	387,800	786,900	1,451,000

Source: www.fpt.com.vn

Table 3- Revenue and profit before tax growth

	1H09 Revenue (VND mil.)			1H09 Profit before Tax (VND mil.)		
	% 2009 plan	% 1H08	2Q09/1Q09	% 2009 plan	% 1H08	2Q09/1Q09
Distribution	49.9%	-14.9%	-0.5%	18.2%	-49.4%	-67.8%
System Integration	38.1%	6.1%	51.1%	41.6%	56.8%	112.8%
Software Export	40.3%	11.8%	-0.2%	40.7%	-8.9%	9.7%
Telecommunication	51.8%	46.8%	14.6%	67.8%	28.5%	-24.9%
Training	41.4%	47.9%	-3.4%	51.8%	29.4%	-17.1%
Total Revenue	48.2%	-2.9%	15.4%	54.2%	24.7%	-2.8%

Table 4: Revenue and Profit before tax breakdown

	Revenue			Profit before tax			Profit before tax margin	
	1H08	1H09	2009 plan	1H08	1H09	2009 plan	1H08	1H09
Distribution	74.7%	65.4%	63.2%	43.4%	17.6%	52.6%	4.3%	2.6%
System Integration	14.0%	15.3%	19.4%	16.1%	20.2%	26.4%	8.5%	12.6%
Software Export	3.6%	4.1%	4.9%	16.9%	12.4%	16.5%	35.4%	28.9%
Telecommunication	7.1%	10.7%	10.0%	38.9%	40.1%	32.0%	40.9%	35.8%
Training	0.6%	1.0%	1.1%	3.8%	4.0%	4.1%	43.8%	38.3%
Total Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	7.4%	9.6%

Business performance per activity in 2Q09 and 1H09

	Revenue performance	Profitability
Distribution	2Q09 revenue slightly fell. 1H09 revenue made nearly half of 2009 projection. However, there is still high pressure due to tough competition and waning demand in the economic recession.	Jumping operating cost of the distribution activity pulled 2Q09 profit down by nearly 68% over 1Q09, and nearly 50% over one year. The surge in COGS was the main reason (in 2Q09, COGS soared 198% quarter-on-quarter) as financial expense rose only 3%.
System Integration	2Q09 revenue rapidly increased thanks to signed contract progress. Nevertheless, 6-month revenue failed to fulfill half of the year plan. This activity is highly dependent on the economy recovery possibility.	2Q09 profit rose significantly, leading to a 57% increase in 1H09 revenue over one year. In which, cost savings and advantage from low cost inventories from previous quarters were the main factors.
Software export	In 2Q09, revenue inched down. 1H09 revenue thus fails to meet the target as the global recession is yet over.	The business conditions became more difficult, hence FSoft has to cut cost. 2Q09 profit increased just slightly over 1Q09 and thus, 1H09 profit failed make 50% of the year plan.
Telecommunication	This is the most impressive performer as 1H09 results exceed 6-month targets for revenue and profit. 1H09 revenue surged 47% over one year, fulfilling 51.8% of the year plan. In/out traffic soared in May and June 2009. FPT Telecom's market share in June 2009 was 8.7%, but it still ranked the third after VNPT and Viettel.	Although 1H09 profit of FPT Telecom rose 28.5% over one year and making 68% of 2009 plan, 2Q09 profit reduced 25% against 1Q09. This was probably because of increasing depreciation as FPT invested further in its broadband.
Training	Jan-Jun period is not the time for revenue to rise as the academic year has not started.	In 2Q09, profit dropped 17.1% over 1Q09, but increased 29.4% over 2Q08.
Overall performance	For the first 6 months, FPT's total revenue accounted for 48.2% of the year plan. However, we expect that FPT will probably fulfill its target for the year as distribution activity (contributes 63% to total revenue) will grow in the latter half of the year (i.e the shopping period) and other activities are likely to make their guidelines.	The growth in profits of telecommunication and system integration helped 1H09 profit before tax fulfill over 54% of the year plan. However, as distribution's profitability may continue to reduce, total profit for the year might fail to reach its target.

The issuance of VND 1.8 trillion bond with detachable warrant in 2009

The investments in telecom, Training and IT are necessary. Further consideration should be given to additional investment in bank and M&A

General assessment of the allocation of the VND 1.8 trillion proceeds from the bond with detachable warrant issuance

	Capital demand	Targeted capital raised from the bond issuance	% FPT's ownership of chartered capital
Telecommunication	2,500	500	41.62%
Training	110	110	100%
IT (FTC, FIS, FSoft)	800	500	<100%
Bank	250	250	15%
M&A	500	300	
Finance provision	100	50	
Total	4,260	1,710	

Source: FPT

- FPT Telecom currently provides over 40% to FPT's total profit. Thus it is understandable that FPT accelerated investing into IT sector. However, FPT's stake in FPT Telecom is declining from 43.5% (in 2008 – with chartered capital of VND 424.4 billion) to 41.62% (in 2Q09). FPT's investment plan won't be valuable if the VND 500 billion investment (and VND 2 trillion later) does not significantly raise FPT's stake in FPT Telecom (to at least over 51%).
- FPT's Training becomes more potential so the VND 110 billion investment is necessary. The BOM of FPT has recently approved to provide FPT University VND 100 billion to build the university at Hoa Lac High-tech Industrial Park, which is expected to start in 3Q09.
- FPT contributed VND 150 billion to Tienphong bank (15% of chartered capital). Currently, Tienphong Commercial Joint Stock Bank has established its name on the market. However, the VND 250 billion investment in bank may lead to worries that FPT over-diversifies its investment. Going back to 2008, FPT incurred problem when investing widely in non-core businesses.
- The amount of VND 500 billion in M&A activity may be too large as FPT's IT traditional business has only VND 800 billion. M&A is a financial service operated by finance or securities companies (FPT invests VND 36.3 billion – equivalent to 33% into FPT Management Fund and VND 110 billion – equivalent to 25% into FPTS). The company has no prior experience in M&A. Hence, this raises the question of whether the initial VND 300 billion investment means capital contribution in FPTS or FPT Management Fund? Especially, FPTS and FPT Management faced many difficulties when the stock market slumped and the M&A market is too small and alien to domestic companies.
- Distribution and system integration highly involve with import activity, which are vulnerable to forex volatility. In 2008 and 1H09, FPT respectively incurred VND 283 billion and VND 63.5 billion of net forex difference expenditure. The VND 100 billion financial provision is merely an income to partly offset the expense, but it cannot prevent risks. It should be more appropriate if FPT finds income sources in foreign currencies or use forex risk hedges.

The issuance highly benefits FPT

FPT's benefits from the issuance of bonds with detachable warrants

- Low funding cost (at rates of around 5% - 7%) while commercial lending rate is around 10.5%, negotiation lending rate is around 15% - 16%.
- For existing shareholders, the issuance of bonds with warrants, dilution will not appear right away as in a share issuance, thus, they do not feel at disadvantage when warrants' strike price is higher than market price.

Investors' opinion upon the terms of this bond issuance

The issuance of bond with detachable warrant will be successful if most investors (i.e institutions as this is a private placement) is optimistic of strong gains on the stock market in 3 years

- The interest rate of this issuance of 5% - 7% is not as attractive as deposit rates, especially when the latter tends to rise in the deficit fund and SBV tightens the monetary policy to prevent inflation.
- The warrant's strike price, which is equivalent to 105% of the average trading price of 7 consecutive sessions before the issue date may be quite high (especially when the market strongly gains). This price may not benefit bond investors if FPT share's price is lower than the strike price at the execution time. Only investors who forecast the stock market to rise above VN-Index level (at issue date) from "issue month"/2010 to "issue month"/2012 will agree to buy bonds with detachable warrants.
- The lesson from VCB's convertible bond issuance may shy many investors away from a 3-year investment without knowing the outcomes, except for investors assuming the market will gain significantly in 3 years time from now.

- EPS will be diluted if profitability will not increase in line the investment and consequently, share price will fall.

Effects of FTC and FIS equitization through the 5%-issuance

- The previous chartered capitals of FIS, and FTC were VND 250 and 230 billion, which will be raised to VND 350 and 300 billion after the equitization.
- The sales of 5% chartered capitals of FIS (VND 350 billion) and FTC (VND 300 billion) will not dilute FPT's current shares. However, it may reduce FPT's net profit in the future as FPT's stake in the two companies will reduce to 95%.

New events

- The Board of Management of FPT has approved to establish FPT Da Nang urban development Co. Ltd (with chartered capital of VND 56 billion). FPT's projects in Da Nang since 2008 are as following:

No.	Project	Area	Total investment and contribution	Purpose	Progress in '08
1	Da Nang FPT technology urban area (Hoa hai, Ngu hanh son District, Da nang)	180ha	USD 952 million. FPT: USD 50 million	Villas, up-market houses, university, software park	Contract signed in January 2008. Site clearance in progress
2	FPT Da Nang- Da Nang IP	56,000 m2	USD18 million, FPT: USD 18 million	Office	Contract signed in January 2008.

- FPT Da Nang urban development Co. Ltd will mainly exploit 12ha in the North of the 35ha FPT assigned to in the 1st phase (2009-2010). We currently haven't been able to confirm whether the 35ha area belongs to the 180-ha land lot in Hoa hai, Ngu hanh son District or not. However, the focus on real estate development in Da nang can benefit FPT as FPT has disbursed on site clearance in 2008.

Appendix: Details of FPT's issuance plan of bonds with warrants

Issuer	FPT Corporation
Adviser and issuance manager	ANZ bank
Instrument type	Numbered bonds with detachable warrants
Issue method	Private placement
Total value at par	No more than VND 1,800 billion
Currency	VND
Par value	VND 100,000 of multiples of VND 100,000
Price	100% of par value
Maturity	3 years (2009-2012)
Expected issue date	In 2009
Expected maturity date	3 years from issue date
Coupon	[5%-7%] p.a
Settlement method	+ Accrued interest: Payable annually in arrears.
	+ Redemption: payable at par value at maturity.
	If the settlement day falls on a holiday, the settlement shall be effected on the next working day
Warrant	For every VND 1 billion bonds at par is attached with no more than 1,500 warrants, subject to the detailed issue plan (number of warrants is rounded down to the last unit figure). During the maturity of warrants, each warrant has the right to buy 10 FPT shares at the warrant's strike price.
Expected number of warrants	2,700,000
Number of shares to buy	10 shares at specified price
2.7 million of warrants	27 million of shares
Maturity of warrants	From the 2nd anniversary of the Issue Date to the 4 th anniversary of the Issue Date.
Warrant's strike price	At least 105% of the average of the closing prices of 7 consecutive trading days before the issue date. The warrant' strike price and/or the number of shares a warrant can buy will be adjusted according to relevant changes in the company's equity.
Dilution limit	No more than 15% of FPT's charter capital as of the issue date
If use FPT's chartered capital in 2Q09	211,743,111,000
Transferability of Bond and/or Warrant	Bond and warrant are detachable and transferable separately from the issue date
Other conditions	As in the detailed issue plan

FINANCIAL INFORMATION

INCOME STATEMENT	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09
Net revenue	4,010	4,547	3,691	4,756	3,509	8,799
Growth (%)	112.1%	13.4%	-18.8%	28.8%	-26.2%	151%
COGS	3,321	3,585	2,970	3,740	2,633	7,864
COGS/net revenue (%)	82.8%	78.9%	80.5%	78.6%	75.0%	89%
SG & A	396	466	432	589	450	525
SG &A/net revenue (%)	9.9%	10.2%	11.7%	12.4%	12.8%	6%
Operating profit	293	496	289	427	426	410
EBITDA	375	409	246	482	440	450
EBITDA/Net revenue (%)	9.3%	9.0%	6.7%	10.1%	12.5%	5%
EBIT	310	356	216	427	394	394
EBIT/net revenue(%)	7.7%	7.8%	5.9%	9.0%	11.2%	4%
Financial income	42	44	41	70	26	42
Financial expenses	47	213	133	82	72	74
Net financial income	-5	-168	-92	-12	-45	(32)
Net financial income/net revenue (%)	-0.1%	-3.7%	-2.5%	-0.3%	-1.3%	0%
Other incomes	15	0	15	19	4	3
Profit before tax	303	328	212	406	392	395
Profit before tax/net revenue (%)	7.6%	7.2%	5.8%	8.5%	11.2%	4%
Corporate income tax	57	55	37	45	75	81
Profit after tax	246	273	176	361	317	315
Minority interest	60	71	55	30	98	83
Net profit	186	202	120	330	220	232
Net profit/net revenue (%)	4.6%	4.4%	3.3%	6.9%	6.3%	3%
EPS	2,016	2,142	1,281	2,344	1,558	1,645

BALANCE SHEET	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09
Current assets	5,221	5,108	4,812	4,743	4,531	4,906
Cash and cash equivalent	1,455	1,075	1,157	1,246	906	939
Short-term financial investment	0	0	0	3	6	0
Account receivables	2,166	2,039	1,663	2,015	1,922	2,000
Inventories	1,392	1,748	1,800	1,278	1,429	1,637
Other current assets	208	246	193	202	267	330
Non current assets	1,231	1,373	1,388	1,402	1,436	1,502
Long term receivables	6	6	6	6	5	0
Fixed assets	643	749	720	732	936	965
Investment property	0	0	0		0	0
Long term financial investments	341	332	339	309	294	331
Other non-current assets	240	287	324	355	200	206
TOTAL ASSETS	6,451	6,481	6,200	6,146	5,966	6,408
Total liabilities	3,888	3,759	3,396	3,178	2,751	3,110
Current liabilities	3,813	3,682	3,321	3,169	2,741	3,099
Long-term liabilities	76	78	75	9	9	11
Total Owner's equity	2,145	2,236	2,267	2,442	2,600	2,653
Owner's equity	2,057	2,164	2,201	2,303	2,483	2,577
Chartered capital	924	942	942	1,412	1,412	1,412
Share premium	525	525	525	55	55	55
Treasury stocks	0	0	-1	(2)	-2	-2
Other equity funds	89	72	66	138	118	80
Undistributed earnings	608	697	736	839	1,018	1,109
Minority interest	418	486	537	526	615	646
TOTAL EQUITY AND LIABILITIES	6,451	6,481	6,200	6,146	5,966	6,408

RESEARCH DEPARTMENT**Habubank Securities Limited Company****Floor 4B - 2C Van Phuc – Kim Ma Str.– Ba Dinh Dist. – Hanoi****Tel: (+84) 04.3.726.2275 - Fax: (+84) 04.3.726.2305****Do Hong Diep**

Ext.: 132

Email: diepdh@hbbs.com.vn**Nguyen Thi Hoang Mai**

Ext.: 131

Email: mainth@hbbs.com.vn**Pham Tung Lam**

Ext.: 164

Email: lampt@hbbs.com.vn**Dao Thi Thu Hang**

Ext.: 146

Email: hangdtt@hbbs.com.vn**Vu Thi Quynh Trang**

Ext: 140

Email: trangvtq@hbbs.com.vn**Dang Thi My Phuong**

Ext.: 132

Email: phuongdtm@hbbs.com.vn**Nguyen Thi Ngoc Lan**

Ext.: 130

Email: lanntn@hbbs.com.vn**Tran Do Quyen**

Ext.: 146

Email: quyentd@hbbs.com.vn**Nguyen Thi Ngoc Huyen**

Ext.: 131

Email: huyenntn@hbbs.com.vn

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