

VINASHIN PETROLEUM INVESTMENT AND TRANSPORT JSC



Ticker	VSP
Exchange	HASTC
Industry	Marine Transportation

FINANCIAL HIGHLIGHTS

Items	2007	2008	1H09	2009 plan
Net revenue (VND mil)	789,683	1,622,890	197,787	1,500,000
Gross profit margin (%)	24.11	32.75	-83.92	
Net profit (VND mil)	72,352	297,496	-205,454	150,000
EPS (VND)	18,088	18,746	-3,065 (*)	
BVPS (VND)	30,473	97,180	35,844	
ROE (%)	77.99	35.75	-8.55 (*)	
P/E	9.11	2.77		
P/B	5.40	0.53	0.79	
EV/EBITDA	9.28	3.24	-87.72	

*: 3Q08 – 2Q09

MARKET STATISTICS

Items	2007	2008	2009(*)
52 week range (VND)			14,043 – 87,956
30-day fluctuation (%)	12.10%	-6.59%	5.66%
90-day fluctuation (%)	36.31%	-19.78%	16.98%
Outstanding shares	4,000,000	15,870,000	37,294,489
Market capitalization (VND bil)	665.6	831.59	1,066.6
Average daily trading volume (thousand shares)	55.89	172.46	550.01

Source: Reuters; (*): 02/01/2009- 04/08/2009

BACKGROUND INFORMATION

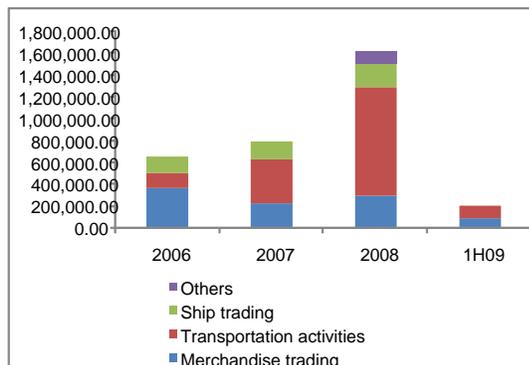
- ✓ **Product and service:**
 - + Marine transportation
 - + Gas trading
 - + Ship trading
- ✓ **Ownership:**
 - + The State: 40.4%
 - + Other investors: 58.64%
 - + Foreign investors: 0.96%
- ✓ **Main market (by revenue):**
 - + Dry bulk shipping on America – Middle West route
 - + Major transportation products: rice, coal, grains
- ✓ **Main competitors:**
 - + Vosco
 - + Vinaship
 - + Vitranschart
 - + v.v.

(As of 04/08/2009)

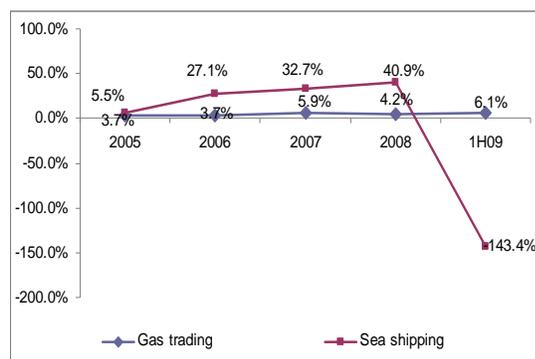
Marine transportation contributes over 60% to total VSP's revenue. This activity has been the cause of the company's loss as freight rates have not reached the break-even point. Buying new ship in the previous peak period of the industry generated a remarkable profit for the company. However, it is causing long-term difficulties, and this business line is not likely to pick up soon even when the economy has showed signs of recovery. In 1H09, VSP had to raise capital through the VND 700 billion loan and sales of some assets to offset the negative operating cash flow of VND 995 billion.

Gas trading has not shown significant growth as Dinh Vu gas warehouse failed its completion timelines.

We still maintain our opinion of VSP as in our VSP 1Q09 update report because the company's 2009 business results are forecasted to be very bad. However, under the well-experienced and dynamic Board of management (BOM), we believe VSP will overcome this difficult time, though it may take a long time. VPS will return to be an attractive stock only when freight rates reach its break-even point, the company is able to sell its ship at an appropriate price, and revenue from other activities (rice, sand transportation and export) jump.

Revenue breakdown 2006 – 1H09


Source: yearly and quarterly financial reports, Unit: VND mil.

Gross profit margin 2005 – 1H09


Source: HBBS

Operating activities – Marine transportation becomes the profit barrier

2Q09 was an unprofitable quarter though transportation charges rose over 1Q09. The company recorded gross loss of VND 62.5 billion. Currently, the depreciation rate over fixed asset was low at 7% - 8% was unable to decrease cost of goods sold because of the high capex for the old fleet of vessels (of over 19 years old). During 2Q09, periodic maintenance were carried out on some ships, such as VSP Ruby, VSP Diamond and Vinashin Moonstone. We saw the capex doubling in 2Q09, from VND 118.33 billion to VND 207.85 billion.

Gas trading does not grow strongly. Gross profit margin of this activity is not stable through quarters, indicating a lack of activeness to increase revenue and control cost.

Investment activities

It is difficult for VSP to buy new ships in the current business conditions. As per 2Q09's figure for construction in progress, there was little disbursement for the 3-dry-bulk ship building project, at only VND 103 billion over total projected investment of VND 629 billion into the 54,000 DWT ship and VND 850 billion into two 22,500 DWT ships. In the common condition of marine transportation industry, cost of building new ships will decrease when transportation charges fall (price of traded ships is follow the trend of freight rates). We acknowledged that VSP had negotiated with Vinashin for a discount of USD 5 million on each ship building.

At the end of 2Q09, there was only VND 74.7 billion disbursement over VND 207 billion capital investment for Dinh Vu warehouse (In 1Q09, the disbursement was VND 72 billion)., The company expects that in the middle of 2010, Dinh Vu warehouse is to be completed and put into operation, mainly for Phuong Bac petroleum trading one member limited company. Only when the project operates does VSP's gas trading activity can improve.

At the end of this quarter, the company signed the contract to transfer the capital contribution in Nam Viet Oil Finery JSC (of which VSP owns 51% of the VND 200 billion chartered capital). VSP has received the deposit from this contract and thus, did not consolidate Nam Viet JSC's financial statements into its 2Q09 financial report. Because VPS has not received the full payment, the VND 102 capital contribution was recorded under Other financial investment item. As planned, the full receivables will supplement for working capital, to fund rice and sand export activities.

Shinpetrol is considering transferring part of its capital contribution in Me Linh urban area with golf course (Hanoi), Long An Ship Industrial Park, Cai Lan – Ha Khau – Quang Ninh port tourism zone (per Resolution to Shareholders' Meeting). In which, Me Linh urban area is the company's key real estate project, with land area of 217.6 ha and total investment of USD 1.2 billion. However, the company has disbursed very little capital on this project.

<i>Unit: VND million</i>	31/12/2007	31/12/2008	30/06/2009
Construction in progress	113.811	293.946	318.265
Melinh urban zone with golf course	67.553	90.365	90.457
Dinh Vu warehouse	36.414	60.350	74.233
54,000 DWT dry bulk ship building	2.775	71.923	74.690
Two 22,500 DWT dry bulk ship building	3.849	21.112	28.145
Nha Be – Military Area No.7 warehouse	726	16.019	16.019
LPG cylinder	-	8.910	8.930
Long An Ship Industrial Park	-	7.501	7.504
Entertainment centre serving Cai Lan Port Industrial Park	6	15.034	15.052
Others	2.488	2.733	3.237

Source: Audited 2008 and quarterly financial reports

Financial activities

2Q09 debt/equity ratio of 63.5% gently increased against previous quarter (the average ratio for 1Q08 – 1Q09 period is 57%). The ratio of liabilities/equity (short and long term) also rose, currently at 56.07% over the average level of 37.70% in the year 2008, and 53.57% in 1Q09.

In 2Q09, VSP officially recorded new chartered capital. The company used its undistributed profit to pay dividend in shares at the ratio of 135%. Thus, last year's profit was wholly paid to shareholders. VSP kept its commitment; however, it means the company is in lack of fund.

Trailing EPS sharply decreased against previous years, standing at VND -3,065. Two other dry bulk shipping companies, VST and VNA, also had very low trailing EPS, at respectively VND 603 and VND 495.

BVPS also slumped from over VND 90,000/share to VND 35,844/share, mostly because VSP raised its chartered capital from VND 158.7 billion to VND 373 billion.

2009 forecasts

The year 2009 is a very tough year for Shinpetrol when the investment which created huge profit last year became the main factor pushing cost of goods sold up as expenses surpass revenues

The dry bulk shipping in 2H09 will face many difficulties. Some of the reasons are:
 1) China, the biggest iron ore consumer has increased ore imports in the 1H09. Meanwhile, China increased importing raw materials (coal), grain; 2) New operating building ships are much lower than expectation (due to credit limit), which balances supply – demand. On the contrary, some factors reduce transportation charges: 1) Chinese iron ore reserves is about to reach 67 million tons (nearly equivalent to the peak in the last half of 2008), the country's import demand will shrink; 2) As Deutsche Bank's estimation, the world fleet's growth will reach 18.8% in 2009 and 32.9% in and 2010 while transportation demand will be still weak.

Consequently, the dry bulk freight rate will fluctuate in both directions, rather than merely one direction. We expect the fluctuation in the latter half will not be strong because international trade is not likely to grow under the currently global economy condition.

In Vietnam, rice and coal export performance has greatly improved in 1H09. However, Vietnamese import companies often sell products in FOB price so international importers have the right to rent ships and they tend to select foreign ones. Domestic ship owners hence become weaker and may lose their market shares, leading to fiercer competition.

FINANCIAL INFORMATION
Profit and Loss

	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09
Gross revenue	262,291	428,859	447,398	371,150	80,626	117,161
Cost of goods sold	178,040	233,988	218,805	368,768	184,090	179,684
Gross profit	84,251	194,870	228,593	2,382	-103,464	-62,523
Selling expense and administration expense (SG&A)	1,432	2,548	2,455	3,576	2,808	1,751
SG&A / net sales (%)	5,691	5,643	5,289	6,146	6,641	6,427
Operating profit	77,127	186,679	220,849	-7,340	-112,913	-70,701
EBITDA	81,721	238,297	300,027	79,007	(70,318)	(42,074)
EBITDA/net revenue (%)	31.2%	55.6%	67.1%	21.3%	-87.2%	-35.9%
EBIT	76,395	190,450	222,472	3,115	-87,301	-66,897
EBIT/net sales (%)	29%	44%	50%	1%	-108%	-57%
Financial income	3,283	2,303	2,839	19,392	24,130	1,774
Financial expense	14,318	26,603	52,691	66,199	25,184	26,245
Interest expense	13,900	26,517	52,691	56,217	23,366	26,053
Net financial income	-11,035	-24,300	-49,852	-46,807	-1,054	-24,471
Other income	-3,597	1,555	-1,215	1,045	3,300	2,221
Profit before tax	62,495	163,933	169,781	-53,102	-110,667	-92,951
Corporate income tax	6,062	16,607	20,536	5,002	1,014	580
Profit after tax	56,433	147,327	149,245	-58,104	-111,682	-93,530
Minority interest	0	0	0	0	242	0
Net profit after tax (NPAT)	56,433	147,327	149,245	-58,104	-111,924	-93,530
Net profit margin (%)	22%	34%	33%	-16%	-139%	-80%

Source: Shinpetrol's financial reports, Unit: VND million

Balance sheet

	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09
CURRENT ASSETS						
Cash and cash equivalent	280,260	426,331	205,967	195,021	9,460	13,034
Short-term financial investment	-	165,000	165,000	47,500	-	-
Short-term receivables	1,010,468	1,004,287	795,389	701,189	709,618	698,292
Inventories	18,569	54,186	57,577	52,833	94,408	59,018
Other current assets	13,312	35,189	37,104	41,237	49,979	43,448
NON CURRENT ASSETS						
Long term receivables	12	12	6	6	6	12
Fixed assets	842,822	2,073,510	2,679,081	2,600,495	2,755,861	2,679,221
Investment property	-	-	-	-	-	-
Long term financial investments	217,858	3,202	1,643	95,523	1,643	103,643
Other non current assets	43,745	59,048	57,732	54,374	70,042	67,949
TOTAL ASSETS	2,427,047	3,820,764	3,999,499	3,788,178	3,691,018	3,664,616
Short-term liabilities	244,155	1,037,094	948,394	874,849	330,229	504,964
Long term liabilities	860,967	1,314,458	1,432,649	1,373,676	1,846,738	1,822,859
Owner's equity						
Chartered capital	138,000	138,000	138,000	158,700	158,700	372,945
Share premium	1,045,600	1,045,600	1,045,600	1,045,600	1,045,600	1,045,600
Undistributed profit after tax	109,097	256,424	405,669	227,362	118,033	(189,742)
Other reserves	29,228	29,188	29,188	107,991	107,991	107,991
OWNER'S EQUITY	1,321,925	1,469,212	1,618,457	1,539,653	1,430,324	1,336,794
Minorities interest	-	-	-	-	83,727	-
TOTAL LIABILITIES AND OWNERS' EQUITY	2,427,047	3,820,764	3,999,499	3,788,178	3,691,018	3,664,616

Source: Shinpetrol's financial reports, Unit: VND million

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