

## Refrigeration Electrical Engineering Corporation



Ticker	REE
Exchange	HOSE
Industry	Real estate

### FINANCIAL HIGHLIGHTS

Item	2007	2008	2009F
Net revenue (VND bil)	977	1,154	1,230
Net profit (VND bil)	291	-154	345 (*)
EPS (VND)	5,059	-1,898	4,250
BVPS (VND)	39,031	25,770	29,000
ROE (%)	12.96	-7.36	14.64%
P/E	19.34	N/A	10.73
P/B	2.51	0.81	1.57
Dividend (year)	40%	0%	10%

(\*) Net profit of 2009F excludes H2'09 reversal of provision on financial investments

### MARKET STATISTICS

Items	
52-week range (VND)	52,000-16,600
30-day average volume (shares)	1,425,325
90-day average volume (shares)	999,978
Outstanding shares (mil shares)	81
Market cap (VND bil)	3,694

Source : Reuter, HBBS as of 31/7/2009

*In 2Q09, net revenue and profit before tax from core operating activities of REE grew quite well over 1Q09 mainly due to the progress of contract implementation and settlement for M&E and Reetech. Meanwhile, revenue of office leasing was stable but profitability fell in a shrinking market.*

*To the end of 1H09, REE met 40% of the year revenue target but exceeded the profit before tax target by 18% with a big contribution from securities investing activity. In the first half of the year, REE has reversed over VND 283 billion of financial investment provision, though it also incurred net loss from portfolio restructure of around VND 164 billion.*

*With the contracts that REE has received, the implementation progress and improving macro-economic conditions, we think REE will be able to exceed the year revenue target and may be eligible to make further provision reversal in 2H09.*

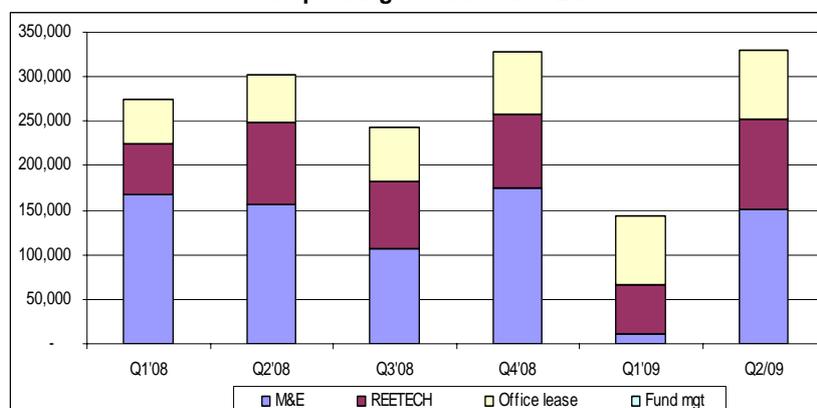
### BACKGROUND INFORMATION

- ✓ Products and services:
  - + Mechanical and electrical engineering (M&E)
  - + Production and trade in household electrical and refrigeration productions
  - + Office lease
- ✓ Ownership:
  - + State: 4.85 %
  - + Local investors: 49.8%
  - + Foreign investors: 45.35 %
- ✓ 2Q09 revenue breakdown:
  - + Ree M&E: 45.64%
  - + Reetech: 31.01 %
  - + Office lease: 23.31%
  - + Fund management: 0.04%
- ✓ Main competitors:
  - + M&E: Searefico, Kurihara, SGE, THE...
  - + Reetech: Carrier, Sanyo, Toshiba, Hitachi, LG, Daewoo, Samsung.
- ✓ 2009 targets:
  - + Revenue: VND 1,200 billion
  - + Profit before tax: VND 250 billion

(As of 31/07/2009)

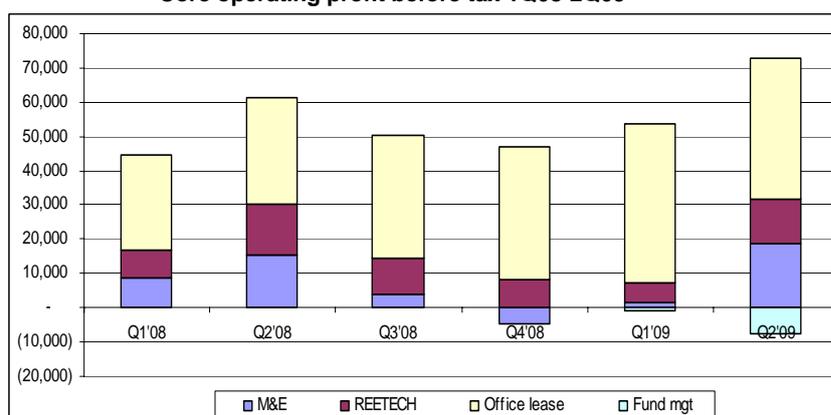
**Core operation is improving**

After the plunge in 1Q9, 2Q09 REE's net revenue boosted up and increased by 129.43% over 1Q09. While revenues of 3Q08, 4Q08 and 1Q09 were in a falling streak over the same period of the previous year, 2Q09 net revenue growth returned to the positive territory at 8.94%, a quite good pace compared to the data of 2Q08/2Q07 (7.44%) and 2Q07/2Q06 (6.27%).

**Core operating revenue 1Q08-2Q09**


Source: REE, HBBS

Core operating profit before tax in 2Q09 increased by 23.84% over 1Q09 and by 6.12% over 2Q08.

**Core operating profit before tax 1Q08-2Q09**


Source: REE, HBBS

**The traditional activity M&E returned to be the key contributor**

In 2Q09, along with the implementation and approval progress of REE's large contracts (e.g. M&C tower of nearly VND 600 billion, Hanoi Museum of VND 400 billion), M&E revenue and profit before tax surged by 12-13 times of those in 1Q09 and are expected to have significant rises in 3Q09 and 4Q09. M&E was back as the largest contributor in REE's net revenue with the proportion of 45.64%.

Compared to 2Q08, despite a small reduction in net revenue (-3.63%), M&E profit before tax increased by over 20% to reflect a more favorable environment with lower lending interest rate and input costs than one year ago.

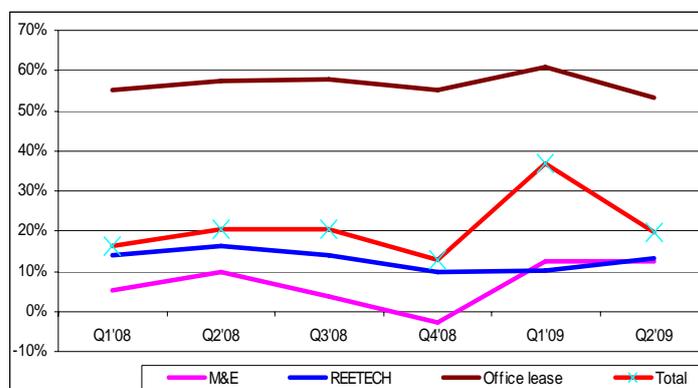
**Reetech was quite adaptive to rising competitiveness**

Despite Reetech has to face fiercer rivalry from foreign brands such as Carrier, Toshiba, and Sanyo, etc, especially after 1/4/2009 when Special Consumption tax rate on under-90,000 BTU air conditioners reduced from 15% to 10% under the Law on Special consumption tax (revised). 2Q09 Reetech revenue enjoyed quite good growth over 1Q09 (+81.58%) and 2Q08 (11.04%). Reetech profitability, which is reflected in the ratio of profit before tax/revenue, increased gradually over the quarters to 13% in 2Q09 since 4Q08, equivalent to the average of 2005-2008.

**Office lease is being affected by the economic downturn**

2Q09 revenue from office leasing was around the figure of 1Q09, while profit before tax of the activity fell by nearly 12%, which revealed the impact of falling demand and reducing leasing rates on HCM office lease market. However, office lease remains as the largest contributor to total core operating profit before tax (nearly 63%) for its high profitability (profit before tax/net revenue of 53.42% in 2Q09 and of 60.73% in 1Q09).

**Profit before tax/net revenue of core operating activities 1Q08-2Q09**



Source: REE, HBBS

**REE benefited from corporate income tax reduction from loss transfer from 2008**

REE has used up the amount of taxable loss transferred from 2008 (of VND 194 billion from REE Corp and VND 0.89 billion from R.E.E Real Estate JSC) to calculate payable corporate income tax in the period. The loss transfer reduces payable CIT by around VND 29 billion (est. and at CIT rate of 25%). The loss amounts incurred by RNG Fund Management JSC (of VND 10.24 billion in 2008 and VND 4.32 billion in 2009) will be transferred for CIT calculation in the coming periods, eligibly through 2013 and 2014.

**Financial investment had significant effect on overall result**

2Q09 core operating profit before tax amounted to VND 65.23 billion, accounting for just around 30% of total profit before tax of nearly VND 216 billion. In the quarter, REE has recorded a reversal of provision on securities investment write-down of VND 177.26 billion and incurred net loss from securities sales of VND 67.45 billion. Thus, securities investment contributes nearly 51% of total profit before tax recorded in 2Q09.

In 2008, REE has restructured its investment portfolio by cutting VND 268.7 billion worth of short-term securities investment and raising VND 299 billion worth of long-term securities investment. From 1Q09 to 2Q09, historical cost of short-term securities investment reduced nearly VND 70 billion while the corresponding figure for long-term securities investment increased by nearly VND 261 billion. REE has handed the securities portfolio for RNG Fund Management JSc, which REE holds 63.7% of stake since 11/5/2009, to have more professional management.

**Large provision and positive movements on Vietnam stock market present good signals for REE's financial investment**

With the huge provision amount made at the end of 2008 and the forecast of better Vietnam economic conditions towards the end of 2009, REE may be eligible for further reversal of provision on financial investment. However, as details of REE's securities portfolio are unavailable, we do not have solid basis to provide any specific figure of the reversal amount.

**FINANCIAL INFORMATION**
*Unit: VND mil*

<b>INCOME STATEMENT</b>	<b>1Q08</b>	<b>2Q08</b>	<b>3Q08</b>	<b>4Q08</b>	<b>1Q09</b>	<b>2Q09</b>
Net revenue	275,262	302,084	243,900	327,856	143,435	329,076
Cost of goods sold	201,767	210,402	161,493	240,879	55,071	213,617
Gross profit	73,494	91,682	82,406	86,978	88,364	115,459
Financial income	13,239	19,638	98,979	51,252	29,498	45,217
Financial expenses	165,347	141,263	136,476	82,770	5,584	-102,985
<i>Interest expenses</i>	3,289	4,822	5,087	4,842	2,942	1,556
Net financial income	- 152,108	- 121,625	- 37,498	-31,518	23,913	148,202
Selling expenses	6,816	7,921	7,916	13,533	6,669	11,628
Administrative expenses	21,897	22,293	24,261	34,187	29,012	38,598
Net operating profit	- 107,327	- 60,157	12,732	7,740	76,596	213,435
Other incomes	1,193	3,524	1,112	2,154	2,499	2,342
Other expenses	18	124	-	170		
Net other income	1,174	3,400	1,112	1,983	2,499	2,342
Total profit before tax	- 106,152	- 56,757	13,844	9,723	79,095	215,777
Corporate income tax	4,559	7,327	4,016	-2,782	1,639	24,981
Current CIT	4,559	7,327	4,016	406	1,639	24,981
Deferred CIT				3,188		
Profit after tax	- 110,711	- 64,084	9,829	12,505	77,456	190,796
Minority interest	4	- 333	201	54	1,237	95
<b>Net profit</b>	<b>- 110,715</b>	<b>- 63,751</b>	<b>9,628</b>	<b>12,451,68</b>	<b>76,219</b>	<b>190,890</b>

<b>BALANCE SHEET</b>	<b>1Q08</b>	<b>2Q08</b>	<b>3Q08</b>	<b>4Q08</b>	<b>1Q09</b>	<b>2Q09</b>
Short-term assets	1,353,839	1,221,232	1,218,382	1,255,888	1,283,251	1,260,117
Cash and equivalents	150,845	195,053	260,118	352,443	387,913	306,501
Short-term financial investments	518,535	384,782	345,917	328,128	313,531	295,599
Short-term receivables	437,189	385,025	382,018	451,356	442,881	490,266
Inventory	233,716	244,804	216,789	112,054	124,401	154,730
Other short-term assets	13,555	11,567	13,539	11,908	14,524	13,021
Long-term assets						
Long-term receivables	1,366,916	1,444,907	1,405,243	1,351,507	1,451,405	1,827,050
Fixed assets	88,124	118,679	180,896	45,352	56,631	73,559
Investment property	399,054	392,119	384,206	531,764	522,489	514,569
Long-term financial investments	876,564	930,672	836,706	770,067	868,751	1,235,445
Other long-term investments	3,173	3,436	3,436	4,324	3,534	3,477
<b>TOTAL ASSETS</b>	<b>2,720,755</b>	<b>2,666,138</b>	<b>2,623,625</b>	<b>2,607,395</b>	<b>2,734,656</b>	<b>3,087,168</b>
Liabilities	807,415	819,344	767,345	506,801	542,655	705,557
Short-term liabilities	693,514	702,167	652,342	401,326	439,740	603,533
Long-term liabilities	113,901	117,177	115,003	105,474	102,916	102,024
Liabilities	1,785,227	1,724,918	1,734,546	1,971,954	2,049,348	2,239,724
Short-term liabilities	575,150	578,902	578,902	810,431	810,431	810,431
Long-term liabilities	1,315,440	1,315,440	1,315,440	1,315,440	1,315,440	1,315,440
Treasury stock	-29	-29	-29	-29	-29	-29
Retained earnings	-105,334	-169,395	-159,767	-153,889	-76,495	113,882
Funds and reserves	117,205	111,303	110,960	117,812	117,803	117,893
Minority interest	10,907	10,574	10,774	10,828	24,850	23,994
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,720,755</b>	<b>2,666,138</b>	<b>2,623,625</b>	<b>2,607,395</b>	<b>2,734,656</b>	<b>3,087,168</b>

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