

**PETROVIETNAM FERTILIZER AND CHEMICALS CORPORATION**  
**DOCUMENTS**  
**OF THE ANNUAL GENERAL SHAREHOLDERS MEETING SESSION, 2012**

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## **Part 1 – RULES OF THE MEETING AND REGULATIONS ON VOTING, VOTE COUNTING**

Rules of the Meeting and Regulations on Voting are applied at the Annual Session of General Meeting of Shareholders of PetroVietnam Fertilizer and Chemicals Corporation with targets:

- Ensuring principles of openness, fairness and democracy;
- Creating favorable conditions for organization and implementation of the meeting.

### **I. ORDER OF THE MEETING**

1. All shareholders participating in the Annual Session of General Meeting of Shareholders have to dress formally, present their identity papers, invitation cards, and other papers relating to verification of the personality of shareholders participating the Meeting at the reception table.
2. The Organizing Committee gives priorities in arranging seats, distributing materials and printing Voting Forms for shareholders being verified to participate in the Meeting and coming on time.
3. Shareholders entering the meeting room have to sit in right positions or areas regulated by the Organizing Committee. Absolutely observe the arrangement of seats from the Organizing Committee.
4. No smoking in the Meeting-hall.
5. No private talks, no telephone during the Meeting. All hand phones have to be turned off or kept silence.

### **II. SEQUENCE OF THE MEETING**

- Right after the Shareholder Examination Committee informs the examination results and identifies the number of present qualified shareholders representing for above 65% of the total shares of the Corporation, opening procedures of the Annual Session will be immediately carried out.

**1. Introduction of Rules and Regulations of Voting, Vote Counting at the Meeting, the Presidium and Secretary of the meeting.**

**2. The Chairman of the BOD - Chairman of the General Meeting of Shareholders takes the floor to greet shareholders participating in the Meeting.**

**3. Approval of the Agenda and appointment of Vote Counting Committee**

The General Meeting of Shareholders vote for approval through raising hands.

**4. Reports at the Meeting in accordance with the Agenda**

As the approved Agenda.

**5. Discussion on the contents of the meeting session and answers to questions**

After the leaders of the Corporation present all reports at the meeting session, the Presidium continues to preside over the discussion, listens to opinions of the General Meeting of Shareholders and answers questions according to the following principles and methods:

- The discussion will be carried out after reports on contents of Meeting are presented.
- Shareholders that have opinions to express at the Meeting need to fill their questions in the Opinion Form (provided by the Organizing Committee of the Annual General Meeting of Shareholders), send to the Secretariat for consolidation and submit to the Presidium. Additionally, the materials of the Meeting are posted on the website by the Corporation,

shareholders are requested to study in advance and prepare their questions, send them to the Organizing Committee in advance.

- Shareholders request and the Presidium answer directly main questions concerning the contents in the agenda and representing shareholders. Details of the contents have been announced, the contents of specialized explanation shall be consolidated and generally answered.
- Questions on individual information or not directly related to the contents of the Annual General Meeting of Shareholders, will be gathered by the Secretariat and answered in writing or posted on the website of the Corporation.

### **III. VOTING FOR APPROVAL ON ISSUES AT THE MEETING**

#### **1. Principles:**

All issues in the agenda of the Annual General Meeting of Shareholders have to be approved by taking public voting opinions of all shareholders through voting forms based in shares owned and/or represented. Each shareholder participating in the Meeting, is granted a voting form that contains information as prescribed, the contents to be voted, (bar-coded printed in the form for the purpose of vote counting).

#### **2. Methods of voting:**

Shareholders vote item by item (*Yes, No, Blank*) by marking in correlative boxes in the voting form, then sending it back to the Organizing Committee.

#### **3. Time of voting:**

Right after the discussion ends, shareholders send voting forms to the Organizing Committee. During the meeting, shareholders can vote the contents in advance and send voting forms to the Organizing Committee.

#### **4. Vote counting:**

The Vote Counting Committee consists of 3 members proposed by the Presidium and proved by the General Meeting of Shareholders. The Vote Counting Committee carries out the work of vote collection, vote counting with the help of the assisting group.

In case of necessity, the Presidium will invite representatives from present shareholders to participate in supervising the process of vote collection and counting.

### **IV. RESPONSIBILITIES OF THE PRESIDIUM**

1. Controlling the Meeting in accordance with the contents of the agenda, rules and regulations approved by the General Meeting of Shareholders. The Presidium works in compliance with principles of democracy concentration and majority decisions.
2. Giving guidelines to shareholders for discussion, taking vote counting opinions on issues within the contents of the agenda of the Meeting and other relevant issues during the Meeting.
3. Addressing issues arising during the Meeting.

### **V. RESPONSIBILITIES OF THE SECRETARIAT**

1. Writing adequately, honestly the whole sequence of Meeting and issues approved by the General Meeting of Shareholders or issues taken note at the Meeting.
2. Gathering opinion documents of shareholders to submit to the Presidium.
3. Compiling the Minutes of the Annual General Meeting of Shareholders and Resolutions on issues approved at the Meeting.

### **VI. RESPONSIBILITIES OF THE VOTE COUNTING COMMITTEE**

1. Promulgating voting regulations and principles.
2. Distributing and collecting voting forms, carrying out vote counting, drawing up the Minutes of vote counting and promulgating voting results on issues approved at the Meeting.
3. Informing voting results quickly to the Secretariat.
4. Making review and reports to the General Meeting of Shareholders to decide on cases of breach of regulations or claims on voting.

Hereinabove is Rules of the Meeting and Regulations of voting, vote counting of the Annual Session of PVFCCo's General Meeting of Shareholders.

**FOR AND ON BEHALF OF THE BOD  
CHAIRMAN**

**Bui Minh Tien**

## **Part 2 - REPORTS OF THE GENERAL DIRECTOR ON THE CORPORATION'S OPERATION OF 2011 AND PLANNED TARGETS OF 2012**

### **A. REPORT OF PRODUCTION - TRADING ACTIVITIES OF 2011**

#### **I. OVERVIEW OF 2011 ACTIVITIES**

At the 2011 Annual General Shareholders Meeting, the Board of Directors and Board of Executives analyzed and reported to the shareholders the difficulties foreseen in executing the 2012 business and production plans. Indeed in the past year the Board of Executives has evaluated the execution of business and production tasks conducted in the face of the difficulties anticipated, in parallel with advantageous factors for the Corporation to completely exceed planned targets.

Regarding the production difficulties, the Phu My fertilizer plant has been operating for seven years and has reached a stage where machinery and equipment failures may appear. In fact the Corporation is focused on enhancing maintenance and the good news is that in 2012 we have passed this test, aside from a one month period of major repair and maintenance, the plant is running smoothly and without breakdowns. Regarding raw material costs, gas prices increased from USD 3.62/million BTU to USD 4.59/million BTU. On the other hand, gas prices are calculated in USD and the exchange rate increased from VND 19,500/USD to over VND 21,000/USD. Therefore the gas expense increased by approximately 34.7% compared to the plan. This is the primary reason for the significant increase in production costs. Plant maintenance and servicing costs increased by approximately 12% compared to the plan as parts are primarily imported from overseas in foreign currency. Petroleum prices have increased transportation costs, an additional 20% to 25% loading, and other distribution costs have increased from 10% to 15%. Complex weather conditions are also affecting crops and consumption of fertilizer products.

Besides the challenges, the Corporation has the advantage of some favorable factors in overcoming difficulties. The advantages are gained from the development process like quality and product brand name, experience and skills of the employees, unified will and unity within the Management, accumulated financial capabilities, and the timely support from state agencies, especially the PetroVietnam Group. In addition, the 2012 fertilizer market will be favorable for sales revenues courtesy of increased production.

The Board of Executives has strengthened improvements, updated procedures, work instructions and implementation modes, enhanced responsibilities and effectiveness in coordinating and handling production and business between management levels.

The Board of Executives evaluated the exceptional business and productions results for the year as follows:

**Production:** Safe plant operations maintained very good urea production performance and achieved 104% of planned output (802,000/800,000 tone). Packaging production grew significantly, increasing 19% compared to 2010 and with diverse products for external customers.

**Consumption:** With the unfavorable weather in quarter 4 2011, fertilizer consumption did not reach the plan (753,000/800,000 tones). However, consumption was sent to market at the right time for the Corporation to optimize revenue.

**Revenues and Profit:** Total revenues: VND 9,763 billion an increase of 39% compared to 2010 and profit before tax: VND 3,510 billion an increase of 82.6% compared to 2010. Sound cost management has assisted the strong profit growth compared to the level of increased revenue.

## II. TABLE OF GENERAL FIGURES

No	Item	Unit	Plan 2011	Result 2011	Result/Plan
<b>1</b>	<b>Production volume</b>				
-	Phú Mỹ Urea	Thousand tons	770	802	104%
-	Packaging	Million bags	28,3	32,5	116%
<b>2</b>	<b>Import fertilizer volume</b>	Thousand tons	250	135	54%
<b>3</b>	<b>Trading volume</b>			-	-
-	Phú Mỹ Urea	Thousand tons	800	753	94%
-	Packaging	Million bags	28,3	34	120%
-	Import-Export fertilizer, chemicals and others product	Thousand tons	320	310	97%
<b>4</b>	<b>Financial figures (consolidated)</b>				
	Revenues	Bil. VND	7,000	9,763	139%
	Profit before tax	Bil. VND	1,570	3,510	223%
	Profit after tax	Bil. VND	1,430	3,104	217%
	Tax payment	Bil. VND	304	537	177%
<b>5</b>	<b>Financial figures</b>	Bil. VND			
	Equity	Bil. VND	6,467	8,238	127%
	In which: Charter capital	Bil. VND	3,800	3,800	100%
	Revenues	Bil. VND	4,637	8,224	177%
	Profit before tax	Bil. VND	1,515	3,441	227%
	Profit after tax	Bil. VND	1,407	3,120	222%
	PAT/charter capital	%	37%	82%	
	Tax payment	Bil. VND	184	422	229%
<b>6.</b>	<b>Investment</b>				
	<b>Total Investment</b>	Bil. VND	<b>1,584</b>	<b>1,086</b>	<b>69%</b>
	Construction Investment	Bil. VND	942	780	82%
	Equipments Purchases	Bil. VND	134	77	57%
	Capital Investment	Bil. VND	507	229	45%
	<b>Source of invesment capital</b>	Bil. VND	<b>1,584</b>	<b>1,086</b>	<b>69%</b>
	Owner's capital	Bil. VND	1,219	1,086	89%
	Loan	Bil. VND	0	0	0

## III. OPERATION ACHIEVEMENTS

- **Production operations:** The engineers and staff operating the plant have matured significantly and are now able to completely replace the foreign experts. Plant routine maintenance and overhaul and repair, have been planned with carefully detailed and real-time maintenance plans which exceed scheduled maintenance and have contributed to the plant continuing to exceed design output.
- **Trading operations:** The Phu My Fertilizer brand name maintained its position in the market, and market share gradually expanded with steps to develop international markets; Completion of the Corporation's nationwide trading and product distribution system is founded on subsidiary companies in each region. The Corporation has instituted a network

of 11 Chemical and Fertilizer outlets, 77 agents, 32 level 1 outlets and 2,850 level 2 outlets. In addition, the Corporation imported 133,000 tons of fertilizer to ensure supply of more than 50% of domestic urea demand. The Corporation also launched the Phu My NPK product on the market in June 2011, and actively implemented market preparations for the Phu My NPK and Ca Mau Fertilizer products.

- **Chemicals:** Completed the Corporation's chemicals development strategy to 2015 and vision to 2025, with the goal of chemical production being on par with fertilizer production, of which potential chemicals projects are clearly defined together with a suitable investment roadmap. Currently, the Corporation is accelerating chemicals project implementation such as the Ammonia production plant and the hydrogen peroxide plant integrated into the Phu My fertilizer plant. These are the projects specified in the Corporation's Chemicals Strategy. Besides that, the Corporation is also gradually building databases on the chemicals market segment to learn and grasp the investment opportunities, at the same time expanding cooperation with units in the chemicals sector both domestically and overseas.
- **Finance and capital management:** Implemented an effective cash management plan, improved the efficiency of investment operations and capital management, and enhanced the effectiveness of financial risk management.
- **Human resources organization:** We have established a management regime to delegate responsibilities, improve regulations and corporate governance standards in compliance with the parent and subsidiary model. Training has been conducted well with each expert working to help the education levels and experience of the Corporation's human resources team being improved.
- **Fundamental investment and construction:** Asset purchasing investment projects, basic materials, equipment, machinery for production operations, expansion of the production and distribution system were implemented with increased rates of progress. In particular, the Corporation completed and opened the office building at 43 Mac Dinh Chi in August 2011.

## B. TARGETS OF PLANNING 2012

### I. Main targets:

The 2012 production and trading plan is built on the basis of fertilizer market forecast and premises on raw materials prices at the beginning of 2012, of which gas prices for the period 2011-2015 passed by the Prime Minister in Document no 2732/VPCP-KTN dated April 29, 2011 applied to the production of nitrogen fertilizer.

#### 1/ Output indicators

No	Item	Unit	2012 Planned
<b>1</b>	<b>Production output</b>		
1.1	Phú Mỹ urea	Thousand tons	800
1.2	Packaging	Million bags	38
<b>2</b>	<b>Import Fertilizers</b>	Thousand tons	<b>100</b>
<b>3</b>	<b>Trading output</b>	Thousand tons	
3.1	Phú Mỹ urea	Thousand tons	850
3.2	Cà Mau urea	Thousand tons	560
3.3	Phú Mỹ NPK	Thousand tons	35
3.4	Packaging	Million bags	38
3.5	Fertilizer and Chemicals Import/Export and	Thousand tons	165

No	Item	Unit	2012 Planned
	other products		

## 2/ Financial Targets (consolidated)

No	Item	Unit	2012 Planned
1	Total revenues	VND Billion	13,921
2	Profit before tax	VND Billion	2,000
3	Profit after tax	VND Billion	1,787
4	Tax payment	VND Billion	235

## 3/ Parent Company Targets

### a/ Financial Plan

No	Item	Unit	2012 Planned
1	Charter capital	VND Billion	3,800
2	Total revenues	VND Billion	13,304
3	Profit before tax	VND Billion	1,945
4	Profit after tax	VND Billion	1,764
5	PAT/Charter Capital Ratio	%	46
6	Dividend/Charter Capital Ratio	%	25
7	Tax payment	VND Billion	181

### b/ Investment plan

No	Item	Unit	2012 Planned
<b>1</b>	<b>Total investment</b>	VND Billion	<b>3,636</b>
a	Construction Investment	VND Billion	706
b	Equipment purchases	VND Billion	262
c	Capital Investment	VND Billion	2,668
<b>2</b>	<b>Capital Investment Sources</b>	VND Billion	<b>3,636</b>
a	Shareholders Equity	VND Billion	3,340
	<i>Of which – Charter capital increasing</i>	VND Billion	<i>0</i>
	<i>- Other funds</i>	VND Billion	<i>3,340</i>
b	Loans	VND Billion	296

## II. Solutions to Implementation

### 1. Production, engineering and technology

-Full compliance with statutes, regulations and procedures to ensure stable and safe operations at the Phu My Fertilizer plant to produce the highest quality product

-Apply and closely monitor the consumption of raw materials and chemicals; practice maximum thrift in production.

-Research product diversification. Encourage improvements in production technology and innovation.



-Apply information technology: Complete the production and management software systems: Enterprise Resource Planning software; licensed software, payment technology, construction of an electronic library, safety knowledge, etc,...

## **2. Trading**

-Develop the warehouse system, improve the distribution network and means of transport to proactively ensure trading autonomy and flexibility.

-Actively participate in the fertilizer import-export market, create close relationships with experienced importers to grow market share, contribute to stabilizing and regulating the domestic fertilizer market.

## **3. Investment development**

-Prioritize important projects to improve the efficient use of capital. Select high-level and experienced investment project consultants to negotiate with contractors.

## **4. Finance**

-Tightly manage finances and cash-flow controls and increase capital turnover capacity to deliver optimal economic efficiency.

## **5. Organization and employees**

-Stable organizational mechanisms on the parent-subsidiary model.

-Continually improve the material and spiritual lives of employees aimed at encouraging them to be fully engaged in their work.

-Build and institutionalize a distinctive culture for the Corporation consistent with the Petroleum culture.

-Enhance training aimed at comprehensive improvements in human resources quality to meet the work requirements.

## **6. Health, safety and environment**

-Strive for safety and health for employees, the community and society.

-Absolute compliance with legal regulations governing the environment.

-Regularly inspect and monitor production operations, ensuring waste disposal according to regulations and registration criteria.

-Construct employee protection plans and programs for occupational safety, working conditions, prevention of industrial accidents and diseases for all the Corporation's employees.

-Institute, monitor and oversee periodical internal audits to maintain management quality, health, safety and the environment.

## **7. Media marketing and community relations**

-Actively participate in community and social welfare activities to build and promote a positive Corporate image and enhance communication;

-Strengthen the construction of the distribution network and consumer sales, combined with reinforcing the customer care system, effectively guide the use of fertilizers to increase crop productivity and protect the environment.

## **8. Practice thrift and combat waste**

-Draw up concrete action plans and regularly inspect efforts to practice thrift and combat waste across the Corporation according to the outlined program.

**PRESIDENT & CEO**

**Cao Hoai Duong**

## **Part 3 – REPORTS OF THE BOARD OF DIRECTORS**

### **I. 2011 Overview:**

Performance in 2011 fluctuated along with the domestic and global economies. This presented both opportunities and challenges for PVFCCo's business and production operations. Alongside favorable food and fertilizer prices, compared to previous years, stood increased prices across a range of production inputs: Electricity, fuel, interest, the USD exchange rate and in particular the cost of raw materials for the Phu My fertilizer plant increased 34%. Transportation costs rose 25%, directly impacting production and product distribution. In that context, the Corporation exceeded all planned targets with the direct attention of the PetroVietnam Group, together with the outstanding collective efforts of the Management and employees, sharing and companionship of Shareholders. This outperformance is detailed in the above consolidated table. Analysis of this performance is set out in the 2011 business and production income statements below.

### **II. 2011 BOARD OF DIRECTORS (BOD) ACTIVITIES:**

As the supreme management agency, representing the rights of the shareholders, in 2011, the five incumbent members of the BOD actively carried out their roles and duties of guiding the Corporation's standards of governance. The BOD organized its responsibilities, issued collective decisions, and assigned tasks to the members of the Board according to their expertise.

In 2011, the BOD held 16 monthly and extraordinary meetings, deciding on the specific important agenda items as follows:

- Strategy: Submitted the updated Corporate development strategy to 2015 and the vision to 2025 to the Annual General Shareholders Meeting (AGSM ) for approval and promulgation; approved development strategies of subsidiaries.
- Planning: Approved and supervised execution of the 2011 production plan; Appraised and passed the 2012 plan for submission to the AGSM for approval at the 2012 meeting.
- Restructuring: Directed the successful Stage 1 Corporate restructuring with the transformation of four subsidiaries from Single-member Limited Liability companies into Joint Stock Companies; Dissolved the Petroleum Chemicals and Fertilizer Services and Trading Single-member Co Ltd; Established a Corporate branch in HCMC; Upgraded the Cambodian Representative Office to Branch status; Established a BOD Internal Auditing Committee.
- Governance, risk management and internal control systems: Approved guidelines and plans to select a consultancy firm to assist with the establishment of internal auditing mechanisms; Directed implementation of the Stage 1 ERP application; Continued directing the application, monitoring and adjustment of the Corporation's specific economic, technical, production and trading targets to realize savings through effective management of expenses and production costs.
- Project investment and execution: Decided to pause the DAP production project in Morocco; Adjusted the NPK procurement project plan; Resolution on researching the Nam Dinh NPK project; Approved guidelines on researching investment into the forecast 30,000 tones/year Hydrogen Peroxide production project; Approved the work items required to complete the CO<sub>2</sub> recovery project and adjusted Stage 2 of the project; Approved adjustments to total investment in the 43 Mac Dinh Chi office building project; Approved consultancy selection bid results for the FS Glyphosate project; Approved the PVFCCo warehousing system plan.

- Promulgated or amended 11 regulations: Regulation on managing fertilizer production operations (amendment); Regulation on the Corporation's representatives (amendment); Regulation on salary increases (amendment); Regulation on management of cash and bank deposits; Regulation on management of salaries and bonuses, and policy for parent company representatives at subsidiary companies; Regulation on the Corporation's Awards Council; Regulation on payments, compensation and welfare fund disbursement; Regulation on management and use of science and technology development funds; Regulation on Governance; Regulation on management of construction investment and procurement; Regulation on the use and provision of services;
- Shareholders and Dividends: Successfully organized the 2011 AGM; Bolstered the BOD investor relations organization; Paid an interim dividend 1 for 2011 at 10% of share par value.
- Appointments and dismissals: Appointed the BOD Deputy Chair, one BOD Member, and one Deputy CEO; Dismissed one BOD Member, one Deputy CEO; Appointed capital representatives to subsidiaries.
- Other matters: Relocated the Head Office to PVFCCo Tower; Resolution on conducting research with PVI into a number of agricultural insurance projects; Established the Corporation Science and Technology Council; Approved the Corporation's payroll system; Decided to increase the stake in PV TEX Co (buying back the capital from PVFC), raising the capital contribution to 25%, or VND 499 billion; Guided implementation of the PVFCCo Corporate Culture;

Aside from the regular and extraordinary meetings, the BOD also held regular weekly and monthly work briefings to check and review the Board of Executive's work, and supervise implementation of resolutions and decisions on the Corporation's production and trading activities.

The BOD Members executed their direction and supervision responsibilities and urged timeliness from the Board of Executives through:

- Attending important Board of Executives meetings on implementing the BOD's resolutions and decisions, or on the preparation of projects to be presented to the BOD.
- Attending and providing guidance to regular Board of Executives working meetings.
- Attending and providing guidance to meetings of the Councils for product pricing, sales and personnel policy, workforce organization, and meetings on construction and production planning for subsidiaries, reporting and reviewing important tasks, etc.
- Monitoring and capturing of production management processes through reports and papers sent to the BOD by the Board of Executives.
- Directly guiding and contributing to the Executive Committee on a number of key issues arising from the production management process.

### **III. 2011 Review of Operations:**

#### **Results from executing the 2011 plans:**

2011 was an outstandingly successful year with all production and trading criteria achieving record highs, particularly the impressive production output, revenues and profits. Besides that, the efforts and initiative in preparing for a completely new period in which many difficulties and challenges stood out at the same time there were major changes during the year. Specifically:

- Completing Stage 1 of the business restructuring in parallel with perfecting the development strategy for 2011-2015 and vision to 2025 for the Corporation and

subsidiaries. Subsidiaries had very encouraging initial production and trading results courtesy of operating as joint stock companies.

- Investments in base materials and infrastructure, especially regional warehouse depots, was accelerated. 6 warehouses were completed and opened in 2011. These raised the Corporation's warehousing system capacity to 215 thousand tones, creating a competitive advantage for us.
- Preparing the market for new products and opening new markets in a positive way aimed at taking advantage of opportunities and accelerating exports and international market development. The Cambodia branch was officially opened in July 2011. The branch will sell fertilizer directly in Cambodia. Aside from the Cambodian market, fertilizer exports to other regional countries saw outstanding progress, bringing regional exports of Phu My fertilizer to 25,000 tones.

### **Results contributing to the 2011-2015 five-year plan, the development strategy to 2015 and the vision to 2025:**

With these pleasing results, we can say we have basically completed our historic 2011 mission. It was an especially important and meaningful year, being the final year for the Corporation to prepare for the changes to the fertilizer market and also the first year, the linchpin year, for the plan to accelerate development over 2011-2015, and execute the Corporation's strategic development vision to 2025. Specifically:

- Fertilizer Production: Successfully completed a major repair and maintenance phase, contributing to ensuring safe and stable production is maintained at the plant until the next overall maintenance period scheduled for 2013.
- Project investment and implementation: Completion of the headquarters building on time, promoting completion of construction preparations for coming years to begin construction on projects aimed at improving fertilizer and chemical production capacity for the NPK, NH<sub>3</sub>, Hydrogen Peroxide, etc. projects.
- Warehousing System: Completed the planned warehouses and increased development of the regional warehouse system, achieving a total capacity of 215,000 tones (on target to reach 350,000 tons by 2015).
- Sales, Distribution Network Development, Market Share: Continued implementing business efficiencies; prepared the market for new products; consolidated and developed the domestic and overseas distribution network; and increased domestic and international market share.

Completely exceeding the plans and almost all important tasks in 2011 has given impetus to the 5 year plan and fits with the Corporation's Vision and Mission.

### **Weaknesses to be addressed:**

Despite achieving more than satisfactory results in 2011, there remain some shortcomings and weaknesses to be overcome. Most notable of these is the relatively slow implementation of construction projects which have fallen behind their planned schedules; production efficiency at a number of associated companies remains low; and planned divestments have proven difficult to execute.

## **IV. 2012 Business Plans and Objectives:**

### **2012 Objectives**

The period from 2012 onwards will be a time full of changes and challenges when the Ca Mau and Ninh Binh fertilizer plants are officially inaugurated and transform the domestic fertilizer market from production deficit to surplus. In particular, the cost of raw input materials continues to rise,

gas prices rose over 40%, global and domestic fertilizer prices continued to fluctuate unpredictably. Therefore, every effort and determination should be made to introduce effective measures to overcome the difficulties and challenges to succeed and achieve the important objectives for the 2012 plan and the 2011-2015 period, specifically:

- Governance: Execute phase 2 of the corporate restructure, to concentrate on core business areas; improve investment efficiency; rigorously execute the savings plan to combat waste and reduce costs; increase training and bolster human resource development; grow the PVFCCo Corporate Culture; and improve the governance skills and professionalism.
- Production: Continue safe and stable operations at the Phu My fertilizer plant; innovatively improve managerial practices; enhance operating efficiency and capacity, and maintain the plant; implement the product quality improvement project targeted at attaining the highest capacity and quality at the lowest cost.
- Fertilizer Trading: Bolster domestic fertilizer trading methods through flexible policies which reflect the market to efficiently and judiciously consume Phu My and Ca Mau Fertilizer while continuing to promote development of regional markets (Cambodia, the Philippines, Myanmar, etc.)
- Investment and Development: This continues to be a priority task aimed at creating a new and powerful Corporation into the future. Therefore preparatory investment work to transition to an investment execution stage and break ground on new plant projects aimed at product diversification, especially chemical production, needs to be completed. Of particular attention are the NPK, H<sub>2</sub>O<sub>2</sub> and Ammonia plant construction projects with the determination to have these plants operating from the 2013-2015 period with NPK production starting in 2013.

#### **BOD 2012 Plans:**

To accomplish the objectives set out above, the Board of Directors have determined the important management and executive tasks to enhance governance efficiency with the following specific programs:

- Direct completion of business and production plans approved by the 2012 AGSM;
- Continue to direct completion of the established plans and restructuring direction;
- Enhance governance, constructing and applying a production management model, repair and maintenance, world-best governance (ISO, OSHAS, ERP, etc.) aiming to minimize risks, and exploit and efficiently use the Corporation's resources;
- Enhance supervision, inspection, internal controls and risk management. Continue improving the internal auditing apparatus, strengthening professionalism on the basis of recommendations from the consultancy firm and actual requirements at the unit;
- Direct completion of work plans, strategic constructions for important functions such as: the distribution network, new products, marketing and branding, etc.;
- Direct organization of fertilizer trading to ensure efficiency; closely co-ordinate with PVCFC/PVTeX to organize consumption of Ca Mau/Fiber fertilizer; marketing and market preparations for the new NPK fertilizer product; reinforce and improve the domestic fertilizer distribution network, and construct an overseas distribution network, beginning with Cambodia;
- Guide implementation of investment projects, ensure purchasing quality and efficiency, comply with schedules and conform to Group/Corporation regulations and current Legal provisions;

- Promote research and development, improve innovation and rationalization of production aimed at product diversification, improving product and service quality;
- Promote development investment, focused on important projects in the fields of fertilizer and chemical production or projects along the value chain and support the large production business areas of PVFCCo development;
- Enhance building and training human resources to achieve high quality in the field of enterprise management and human resources with high professionalism to ensure the Corporation's development requirements and demands from partners and customers are met;
- Continue to promote and maximize internal resources capabilities in the Corporation's units, while enlisting maximum support from the PetroVietnam Group and other sector units;
- Continue to strictly implement Government Resolution 11/NQ-CP dated 24 February 2011, and action programs at all levels to curb inflation, stabilize the macro-economy and ensure social security; Construct, disseminate, supervise implementation and review program outcomes to practice thrift and combat waste in 2012;

Aimed at enhancing efficiency through corporate governance activities, the Board of Directors determined to continue efforts to improve the management and executive regulatory processes, regulations and systems; Promulgate and apply advanced corporate governance standards and norms, monitoring, and internal control regulations, health, safety and environmental quality management systems, apply effective and continuous improvements to enterprise resource planning (ERP) systems; Improve working style and increase awareness of responsibilities among employees; Actively build a PVFCCo culture coupled with constant care to improve the material and spiritual lives of employees. Implement measures to encourage employees to be dedicated, promote intellect and wholeheartedness for the development of the Corporation; Ensure professional, responsible and effective management, administration and supervision to deliver on our commitments to investors, shareholders and the community.

**CHAIRMAN OF THE BOARD OF  
DIRECTORS**

**Bui Minh Tien**

## **Part 4 - 2011 FINANCIAL STATEMENT AND PROFIT APPROPRIATION METHOD**

### **AUDITED CONSOLIDATED FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011**

#### **STATEMENT OF THE BOARD OF GENERAL DIRECTORS**

The Board of General Directors of PetroVietnam Fertilizer and Chemicals Corporation - JSC and its subsidiaries (“the Corporation”) presents this report together with the Corporation’s consolidated financial statements for the year ended 31 December 2011.

#### **THE BOARDS OF MANAGEMENT AND GENERAL DIRECTORS**

The members of the Boards of Management and General Directors of the Corporation who held office during the year and at the date of this report are as follows:

##### **Board of Management**

Mr. Bui Minh Tien	Chairman (appointed on 5 January 2011)
Mr. Nguyen Xuan Thang	Chairman (resigned on 5 January 2011)
Ms. Nguyen Thi Hien	Vice Chairwoman (appointed on 8 February 2011)
Mr. Cao Hoai Duong	Member (appointed on 8 February 2011)
Mr. Pham Dang Nam	Member (resigned on 8 February 2011)
Mr. Bui Quang Hung	Member
Mr. Nguyen Duc Hoa	Member

##### **Board of General Directors**

Mr. Cao Hoai Duong	General Director
Mr. Tu Cuong	Deputy General Director
Mr. Hoang Viet Dung	Deputy General Director (appointed on 15 March 2011)
Mr. Nguyen Duc Thanh	Deputy General Director (resigned on 15 March 2011)
Mr. Le Van Quoc Viet	Deputy General Director
Mr. Nguyen Van Tong	Deputy General Director
Ms. Chu Thi Hien	Deputy General Director
Mr. Nguyen Hong Vinh	Deputy General Director

#### **BOARD OF GENERAL DIRECTORS’ STATEMENT OF RESPONSIBILITY**

The Board of General Directors of the Corporation is responsible for preparing the consolidated financial statements of the year, which give a true and fair view of the financial position of the Corporation and of its results and cash flows for the year. In preparing these consolidated financial statements, the Board of General 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 consolidated financial statements;
- Prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Corporation will continue in business; and

- Design and implement an effective internal control system for the purpose of properly preparing the consolidated financial statements so as to minimize errors and frauds.

The Board of General Directors is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Corporation and to ensure that the consolidated financial statements comply with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations in Vietnam. The Board of General Directors is also responsible for safeguarding the assets of the Corporation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of General Directors confirms that the Corporation has complied with the above requirements in preparing these consolidated financial statements.

For and on behalf of the Board of General Directors,

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**Nguyen Van Tong**  
**Deputy General Director**  
5 March 2012  
Hochiminh City, S. R. Vietnam



## AUDITORS' REPORT

**To: The Shareholders  
The Boards of Management and General Directors  
PetroVietnam Fertilizer and Chemicals Corporation - JSC**

We have audited the accompanying consolidated balance sheet of PetroVietnam Fertilizer and Chemicals Corporation – JSC and its subsidiaries (“the Corporation”) as at 31 December 2011, the related consolidated statements of income and cash flows for the year then ended, and the notes thereto (collectively referred to as "the consolidated financial statements"), as set out from page 3 to page 32. The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

### **Respective Responsibilities of the Board of General Directors and Auditors**

As stated in the Statement of the Board of General Directors on page 1, these consolidated financial statements are the responsibility of the Corporation's Board of General Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

### **Basis of Opinion**

We have conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the financial position of the Corporation as at 31 December 2011 and the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations in Vietnam.

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**Tran Dinh Nghi Ha**  
**Partner**  
CPA Certificate No. 0288/KTV  
For and on behalf of  
**DELOITTE VIETNAM COMPANY LIMITED**  
5 March 2012  
Ho Chi Minh City, S. R. Vietnam

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**Pham Van Tan**  
**Auditor**  
CPA Certificate No. 0401/KTV

# CONSOLIDATED BALANCE SHEET

As at 31 December 2011

**FORM B 01- DN/HN**

Unit: VND

ASSETS	Codes	Notes	31/12/2011	31/12/2010
<b>A. CURRENT ASSETS</b>	<b>100</b>		<b>6,041,065,689,804</b>	<b>4,825,585,314,646</b>
<b>I. Cash and cash equivalents</b>	<b>110</b>	<b>5</b>	<b>4,070,456,552,343</b>	<b>3,748,457,003,885</b>
1. Cash	111		295,456,552,343	241,082,663,003
2. Cash equivalents	112		3,775,000,000,000	3,507,374,340,882
<b>II. Short-term financial investments</b>	<b>120</b>		<b>202,000,000,000</b>	<b>58,500,000,000</b>
1. Short-term investments	121	6	202,000,000,000	58,500,000,000
<b>III. Short-term receivables</b>	<b>130</b>		<b>464,355,369,431</b>	<b>249,941,896,115</b>
1. Trade accounts receivable	131		155,810,424,409	81,200,353,415
2. Advances to suppliers	132		151,559,520,332	105,082,543,350
3. Receivables from construction contracts under percentage of completion method	134		-	1,097,519,533
4. Other receivables	135	7	166,322,266,639	71,898,321,766
5. Provision of doubtful receivables	139		(9,336,841,949)	(9,336,841,949)
<b>IV. Inventories</b>	<b>140</b>	<b>8</b>	<b>1,160,376,913,208</b>	<b>671,348,990,597</b>
1. Inventories	141		1,170,599,773,156	674,774,862,030
2. Provision for devaluation in inventories	149		(10,222,859,948)	(3,425,871,433)
<b>V. Other short-term assets</b>	<b>150</b>		<b>143,876,854,822</b>	<b>97,337,424,049</b>
1. Short-term prepayments	151		13,029,055,831	11,434,197,470
2. Value added tax deductibles	152		119,527,971,996	69,575,598,716
3. Taxes and other receivables from State budget	154		304,805,911	-
4. Other short-term assets	158		11,015,021,084	16,327,627,863
<b>B. NON-CURRENT ASSETS</b>	<b>200</b>		<b>3,254,096,938,186</b>	<b>2,592,991,072,194</b>
<b>I. Fixed assets</b>	<b>220</b>		<b>2,236,412,726,375</b>	<b>1,719,011,531,824</b>
1. Tangible fixed assets	221	9	1,217,649,752,564	899,119,226,532
- Cost	222		6,791,323,544,439	6,304,085,138,466
- Accumulated depreciation	223		(5,573,673,791,875)	(5,404,965,911,934)
2. Intangible assets	227	10	714,774,274,574	96,067,612,181
- Cost	228		896,988,754,023	267,944,208,238
- Accumulated amortization	229		(182,214,479,449)	(171,876,596,057)
3. Construction in progress	230	11	303,988,699,237	723,824,693,111
<b>II. Investment properties</b>	<b>240</b>	<b>12</b>	<b>221,618,684,934</b>	<b>174,124,237,914</b>
- Cost	241		233,281,835,168	174,808,376,037
- Accumulated depreciation	242		(11,663,150,234)	(684,138,123)
<b>III. Long-term financial investments</b>	<b>250</b>		<b>502,220,263,326</b>	<b>370,702,872,939</b>
1. Investments in associates	252	14	458,628,905,405	27,111,515,018
2. Other long-term investments	258	15	43,591,357,921	343,591,357,921
<b>IV. Other long-term assets</b>	<b>260</b>		<b>293,845,263,551</b>	<b>329,152,429,517</b>
1. Long-term prepayments	261	16	279,019,910,904	312,947,856,747
2. Deferred tax assets	262		14,662,058,447	15,310,889,844
3. Other long-term assets	268		163,294,200	893,682,926
<b>TOTAL ASSETS</b>	<b>270</b>		<b>9,295,162,627,990</b>	<b>7,418,576,386,840</b>

**CONSOLIDATED BALANCE SHEET (Continued)**

As at 31 December 2011

**FORM B 01-DN/HN**

Unit: VND

RESOURCES	Code	Notes	31/12/2011	31/12/2010
<b>A. LIABILITIES</b>	<b>300</b>		<b>883,206,119,407</b>	<b>1,188,354,989,107</b>
<b>I Current liabilities</b>	<b>310</b>		<b>864,476,078,937</b>	<b>924,057,613,623</b>
1. Short-term loans and liabilities	311	17	9,205,641,372	85,620,583,998
2. Trade accounts payable	312		323,540,578,949	416,918,064,870
3. Advances from customers	313		12,012,772,578	50,107,014,681
4. Taxes and amounts payable to State budget	314	18	106,975,226,211	82,058,550,255
5. Payables to employees	315		89,278,373,094	52,998,893,642
6. Accrued expenses	316	19	199,235,356,613	187,269,781,984
7. Short-term inter-company payables	317		-	6,897,966,116
8. Other current payables	319		33,865,995,534	15,465,930,518
9. Short-term provisions	320		56,022,000	-
10. Bonus and welfare funds	323		90,306,112,586	26,720,827,559
<b>II Long-term liabilities</b>	<b>330</b>		<b>18,730,040,470</b>	<b>264,297,375,484</b>
1. Other long-term payables	333		4,653,070,992	1,754,838,195
2. Long-term loans and liabilities	334	20	-	246,087,577,105
3. Provision for severance allowance	336		9,123,440,123	10,289,578,433
4. Unearned revenue	338		4,868,527,582	6,045,381,751
5. Scientific and technological development fund	339		85,001,773	120,000,000
<b>B. EQUITY</b>	<b>400</b>		<b>8,227,079,406,507</b>	<b>6,193,758,946,548</b>
<b>I Shareholders' equity</b>	<b>410</b>	<b>21</b>	<b>8,227,079,406,507</b>	<b>6,193,758,946,548</b>
1. Charter capital	411		3,800,000,000,000	3,800,000,000,000
2. Other owner's capital	413		977,787,044	257,121,998
3. Treasury shares	414		(83,961,341,647)	(83,277,130,627)
4. Foreign exchange reserve	416		(74,411,767,146)	(3,530,148,052)
5. Investment and development fund	417		1,420,380,501,371	849,893,623,484
6. Financial reserve fund	418		494,715,910,705	341,712,214,445
7. Other owner's funds	419		554,153,469	342,595,703
8. Retained earnings	420		2,668,824,162,711	1,288,360,669,597
<b>C. MINORITY INTERESTS</b>	<b>439</b>	<b>22</b>	<b>184,877,102,076</b>	<b>36,462,451,185</b>
<b>TOTAL RESOURCES</b>	<b>440</b>		<b>9,295,162,627,990</b>	<b>7,418,576,386,840</b>

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**Nguyen Van Tong**

**Deputy General Director**

5 March 2012

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**Huynh Kim Nhan**

**Chief Accountant**

**CONSOLIDATED INCOME STATEMENT**

For the year ended 31 December 2011

**FORM B 02- DN/HN**

Unit VND

ITEMS	Codes	Notes	2011	2010
1. Gross sales	01		9,278,861,379,142	6,648,640,613,834
2. Less deductions	02		52,327,770,303	29,856,615,416
3. Net sales	10	24	9,226,533,608,839	6,618,783,998,418
4. Cost of goods sold	11	24	5,191,254,632,483	4,236,094,827,903
5. Gross profit from sales	20		4,035,278,976,356	2,382,689,170,515
6. Financial income	21	26	526,679,442,074	343,091,652,535
7. Financial expenses	22	27	74,038,067,805	81,034,462,821
<i>In which: Interest expense</i>	23		27,900,441,399	8,349,710,449
8. Selling expenses	24		492,836,265,735	331,845,387,469
9. General and administration expenses	25		502,603,306,568	409,858,160,584
10. Operating profit	30		3,492,480,778,322	1,903,042,812,176
11. Other income	31		9,447,874,142	36,976,544,576
12. Other expenses	32		2,192,187,845	23,189,419,751
13. Profit from other activities	40		7,255,686,297	13,787,124,825
14. Profit from associates	45		10,503,381,175	4,811,771,816
15. Accounting profit before tax	50		3,510,239,845,794	1,921,641,708,817
16. Current corporate income tax expense	51	28	369,042,805,384	227,514,762,210
17. Deferred tax income/ (expense)	52		584,880,162	(12,742,158,051)
18. Net profit after corporate income tax	60		3,140,612,160,248	1,706,869,104,658
19. Attributable to minority interests	61		36,318,726,268	3,693,114,240
20. Attributable to owners of the parent company	62		3,104,293,433,980	1,703,175,990,418
21. Basic earnings per share	70	29	8,288	4,499

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**Nguyen Van Tong****Deputy General Director**

5 March 2012

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**Huynh Kim Nhan****Chief Accountant**

## CONSOLIDATED CASHFLOW STATEMENT

For the year ended 31 December 2011

**FORM B 03-DN/HN**

Unit: VND

ITEMS	Codes	2011	2010
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>1. Profit before tax</b>	01	<b>3,510,239,845,794</b>	<b>1,921,641,708,817</b>
<b>2. Adjustments for:</b>			
Depreciation and amortisation	02	190,196,427,163	687,289,914,263
Provisions	03	6,796,988,515	12,640,667,018
Foreign exchange loss	04	-	10,065,177,076
Gain from investing activities	05	(529,728,699,362)	(336,133,158,164)
Interest expense	06	27,900,441,399	8,349,710,449
<b>3. Operating profit before movements in working capital</b>	<b>08</b>	<b>3,205,405,003,509</b>	<b>2,303,854,019,459</b>
(Increase)/ decrease in receivables	09	(134,819,285,194)	682,311,075,305
Increase in inventories	10	(495,824,911,126)	(103,524,001,292)
(Decrease)/ increase in accounts payable	11	(27,994,337,978)	422,034,550,219
Decrease/ (increase) in prepaid expenses	12	32,333,087,482	(11,134,545,308)
Interest paid	13	(27,900,441,399)	(741,113,951)
Corporate income tax paid	14	(359,489,042,056)	(263,335,917,897)
Other cash inflows	15	128,451,200,000	-
Other cash outflows	16	(195,495,058,471)	(88,261,697,835)
<b>Net cash from operating activities</b>	<b>20</b>	<b>2,124,666,214,767</b>	<b>2,941,202,368,700</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1. Acquisition and construction of fixed assets and other long-term assets	21	(781,684,768,892)	(992,475,769,486)
2. Proceeds from sale, disposal of fixed assets and other long-term assets	22	205,570,669	12,295,946,922
3. Cash outflow for lending, buying debt instruments of other entities	23	(143,500,000,000)	-
4. Cash recovered from lending, selling debt instruments of other entities	24	30,000,000,000	-
5. Investments in other entities	25	(309,000,000,000)	(616,059,797,280)
6. Interest earned, dividends and profits received	27	492,205,217,530	330,800,873,221
<b>Net cash used in investing activities</b>	<b>30</b>	<b>(711,773,980,693)</b>	<b>(1,265,438,746,623)</b>
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
1. Capital withdrawals, buying treasury shares	32	(14,180,236,055)	(39,981,041,328)
2. Proceeds from borrowings	33	166,650,500,511	126,129,516,996
3. Repayment of borrowings	34	(489,153,020,242)	(49,507,553,519)
4. Dividends and profits paid	36	(753,064,360,000)	(870,072,707,300)
<b>Net cash used in financing activities</b>	<b>40</b>	<b>(1,089,747,115,786)</b>	<b>(833,431,785,151)</b>
<b>Net increase in cash</b>	<b>50</b>	<b>323,145,118,288</b>	<b>842,331,836,926</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>60</b>	<b>3,748,457,003,885</b>	<b>2,906,125,166,959</b>
Effect of changes in foreign exchange rates	61	(1,145,569,830)	-
<b>Cash and cash equivalents at the end of the year</b>	<b>70</b>	<b>4,070,456,552,343</b>	<b>3,748,457,003,885</b>

### Supplemental non-cash disclosures:

Cash outflows for purchases of fixed assets during the year exclude an amount of VND 72,927,159,793, representing an addition in fixed assets during the year that has not yet been paid, and include an amount of VND 44,141,948,337, representing fixed assets purchased in last period but settled in this period, and an amount of VND 63,156,046,391, representing an advance to suppliers in this period for purchase of fixed assets in the next year. Consequently, changes in account payables and account receivables have been adjusted by the same amount.

## **CONSOLIDATED CASHFLOW STATEMENT (Continued)**

For the year ended 31 December 2011

Cash outflows for investments in other entities include an amount of VND 80,000,000,000, representing charter capital advance to PetroVietnam Urban Development Joint Stock Company (PVC-Mekong) in order to construct the Bac Lieu Tower in accordance with the Announcement No. 8606/TB-DKVN dated 22 September 2011 of Vietnam Oil & Gas Group. This capital advance is presented in “Other receivable” item in the consolidated balance sheet. Accordingly, changes in account receivables have been adjusted by the same amount.

Cash outflows for buying issued shares include an amount of VND 13,496,025,035, representing the advance to Petrovietnam Securities Incorporated – Ho Chi Minh City Branch for buying the Corporation’s treasury shares. This advance is presented in “Advance to suppliers” item in the consolidated balance sheet. Accordingly, changes in account receivables have been adjusted by the same amount

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**Nguyen Van Tong**

**Deputy General Director**

5 March 2012

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*Huynh Kim Nhan*

**Chief Accountant**

## **AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011**

### **STATEMENT OF THE BOARD OF GENERAL DIRECTORS**

The Board of General Directors of PetroVietnam Fertilizer and Chemicals Corporation – JSC (“the Company”) presents this report together with the Company’s financial statements for the year ended 31 December 2011.

### **THE BOARDS OF MANAGEMENT AND GENERAL DIRECTORS**

The members of the Boards of Management and General Directors of the Company who held office during the year and at the date of this report are as follows:

#### **Board of Management**

Mr. Bui Minh Tien	Chairman (appointed on 05 January 2011)
Ms. Nguyen Thi Hien	Vice Chairwoman (appointed on 08 February 2011)
Mr. Cao Hoai Duong	Member (appointed on 08 February 2011)
Mr. Pham Dang Nam	Member (resigned on 08 February 2011)
Mr. Bui Quang Hung	Member
Mr. Nguyen Duc Hoa	Member

#### **Board of General**

Mr. Cao Hoai Duong	General Director
Mr. Tu Cuong	Deputy General Director
Mr. Hoang Viet Dung	Deputy General Director (appointed on 15 March 2011)
Mr. Nguyen Duc Thanh	Deputy General Director (resigned on 15 March 2011)
Mr. Le Van Ouoc Viet	Deputy General Director
Mr. Nguyen Van Tong	Deputy General Director
Ms. Chu Thi Hien	Deputy General Director
Mr. Nguyen Hong Vinh	Deputy General Director

### **BOARD OF GENERAL DIRECTORS’ STATEMENT OF RESPONSIBILITY**

The Board of General Directors of the Company is responsible for preparing the financial statements which give a true and fair view of the financial position of the Company and of its results and cash flows for the year. In preparing these financial statements, the Board of General 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 financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- design and implement an effective internal control system for the purpose of properly preparing and presenting the financial statements so as to minimize errors and frauds.

The Board of General Directors is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Company and that the financial statements comply with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations in Vietnam. The Board of General Directors is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

The Board of General Directors confirms that the Company has complied with the above requirements in preparing these financial statements.

For and on behalf of the Board of General Directors,

---

Nguyen Van Tong

**Deputy General Director**

5 March 2012

Ho Chi Minh City, S. R.

Vietnam



## AUDITORS' REPORT

**To: The Shareholders  
The Boards of Management and General Directors  
PetroVietnam Fertilizer and Chemicals Corporation – JSC**

We have audited the accompanying balance sheet of PetroVietnam Fertilizer and Chemicals Corporation - JSC ("the Company") as at 31 December 2011, the related statements of income and cash flows for the year then ended, and the notes thereto (collectively referred to as "the financial statements"), as set out from page 3 to page 26. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

### **Respective Responsibilities of the Board of General Directors and Auditors**

As stated in the Statement of the Board of General Directors on page 1, these financial statements are the responsibility of the Company's Board of General Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

### **Basis of Opinion**

We have conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion, the accompanying financial statements give a true and fair view of, in all material respects, the financial position of the Company as at 31 December 2011 and the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing relevant regulations in Vietnam.

As discussed further in Note 2 and 4 to the financial statements, the accompanying financial statements are prepared as solely to present separate financial position of the Company as at 31 December 2011, and the separate results of its operations and its separate cash flows for the year then ended as a single entity. This is the separate financial statements, therefore, the Company has accounted for its investment in subsidiaries and associates using cost method.

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**Tran Dinh Nghi Ha**

**Partner**

CPA Certificate No. 0288/KTV

For and on behalf of

**DELOITTE VIETNAM COMPANY  
LIMITED**

5 March 2012

Ho Chi Minh City, S. R. Vietnam

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**Pham Van Tan**

**Auditor**

CPA Certificate No. 0401/KTV

**BALANCE SHEET**  
As at 31 December 2011

**FORM B 01-DN**  
Unit: VND

ASSETS	Codes	Notes	31/12/2011	31/12/2010
<b>A. CURRENT ASSETS</b>	<b>100</b>		<b>5,464,356,634,668</b>	<b>3,844,444,364,716</b>
<b>I. Cash and cash equivalents</b>	<b>110</b>	<b>5</b>	<b>3,633,780,353,239</b>	<b>2,876,483,097,099</b>
1. Cash	111		258,780,353,239	88,483,097,099
2. Cash equivalents	112		3,375,000,000,000	2,788,000,000,000
<b>II. Short-term financial investments</b>	<b>120</b>		<b>202,000,000,000</b>	<b>25,000,000,000</b>
1. Short-term investments	121	6	202,000,000,000	25,000,000,000
<b>III. Short-term receivables</b>	<b>130</b>		<b>478,597,862,736</b>	<b>291,992,118,625</b>
1. Trade accounts receivable	131		209,522,866,280	14,684,146,491
2. Advances to suppliers	132		119,856,679,429	105,466,633,264
3. Short-term inter-company receivables	133		-	105,647,033,838
4. Other receivables	135	7	158,555,158,976	66,377,346,981
5. Provision of doubtful receivables	139		(9,336,841,949)	(183,041,949)
<b>IV. Inventories</b>	<b>140</b>	<b>8</b>	<b>1,021,525,646,645</b>	<b>568,339,288,553</b>
1. Inventories	141		1,028,619,849,295	568,339,288,553
2. Provision for devaluation in inventories	149		(7,094,202,650)	-
<b>V. Other short-term assets</b>	<b>150</b>		<b>128,452,772,048</b>	<b>82,629,860,439</b>
1. Short-term prepayments	151		11,838,427,664	10,351,032,143
2. Value added tax deductibles	152		113,211,738,860	61,542,163,173
3. Other short-term assets	158		3,402,605,524	10,736,665,123
<b>B. NON-CURRENT ASSETS</b>	<b>200</b>		<b>3,590,872,373,635</b>	<b>3,297,663,668,488</b>
<b>I. Fixed assets</b>	<b>220</b>		<b>1,981,355,639,587</b>	<b>1,498,868,700,324</b>
1. Tangible fixed assets	221	9	1,059,679,571,214	761,321,147,926
- Cost	222		6,566,922,568,601	6,134,127,922,277
- Accumulated depreciation	223		(5,507,242,997,387)	(5,372,806,774,351)
2. Intangible assets	227	10	627,804,437,666	27,555,900,904
- Cost	228		809,684,068,355	199,325,526,875
- Accumulated amortization	229		(181,879,630,689)	(171,769,625,971)
3. Construction in progress	230	11	293,871,630,707	709,991,651,494
<b>II. Investment properties</b>	<b>240</b>	<b>12</b>	<b>308,492,302,434</b>	<b>260,997,855,414</b>
- Cost	241		322,137,485,168	263,664,026,037
- Accumulated depreciation	242		(13,645,182,734)	(2,666,170,623)
<b>III. Long-term financial investments</b>	<b>250</b>		<b>1,029,048,157,921</b>	<b>1,226,251,357,921</b>
1. Investment in subsidiaries	251	13	466,456,800,000	892,660,000,000
2. Investments in associates	252	14	519,000,000,000	20,000,000,000
3. Other long-term investments	258	15	43,591,357,921	313,591,357,921
<b>IV. Other long-term assets</b>	<b>260</b>		<b>271,976,273,693</b>	<b>311,545,754,829</b>
1. Long-term prepayments	261	16	260,021,060,620	296,600,179,592
2. Deferred tax assets	262	17	11,823,362,873	14,813,075,437
3. Other long-term assets	268		131,850,200	132,499,800
<b>TOTAL ASSETS</b>	<b>270</b>		<b>9,055,229,008,303</b>	<b>7,142,108,033,204</b>

**BALANCE SHEET (Continued)**

As at 31 December 2011

**FORM B 01-DN**

Unit: VND

RESOURCES	Codes	Notes	31/12/2011	31/12/2010
<b>A. LIABILITIES</b>	<b>300</b>		<b>817,255,753,520</b>	<b>1,039,824,634,016</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>803,920,238,961</b>	<b>778,752,651,382</b>
1. Short-term loans and liabilities	311		-	82,029,192,368
2. Trade accounts payable	312		335,512,607,275	347,493,535,145
3. Advances from customers	313		14,581,571,175	19,639,300,000
4. Taxes and amounts payable to State budget	314	18	88,609,868,041	47,852,850,247
5. Payables to employees	315		80,014,768,234	43,123,221,554
6. Accrued expenses	316	19	157,644,838,303	182,976,389,083
7. Short-term inter-company payables	317		-	20,719,981,292
8. Other current payables	319		50,859,750,751	12,460,169,186
9. Bonus and welfare funds	323		76,696,835,182	22,458,012,507
<b>II. Long-term liabilities</b>	<b>330</b>		<b>13,335,514,559</b>	<b>261,071,982,634</b>
1. Long-term loans and liabilities	334	20	-	246,087,577,105
2. Provision for severance allowance	336		8,466,986,977	9,444,356,903
3. Unearned revenue	338		4,868,527,582	5,540,048,626
<b>B. EQUITY</b>	<b>400</b>		<b>8,237,973,254,783</b>	<b>6,102,283,399,188</b>
<b>I. Shareholders' equity</b>	<b>410</b>	<b>21</b>	<b>8,237,973,254,783</b>	<b>6,102,283,399,188</b>
1. Charter capital	411		3,800,000,000,000	3,800,000,000,000
2. Treasury shares	414		(83,961,341,647)	(83,277,130,627)
3. Foreign exchange reserve	416		(835,361,854)	310,231,342
4. Investment and development fund	417		1,407,397,263,345	835,237,972,349
5. Financial reserve fund	418		488,321,761,273	333,085,317,442
6. Retained earnings	420		2,627,050,933,666	1,216,927,008,682
<b>TOTAL RESOURCES</b>	<b>440</b>		<b>9,055,229,008,303</b>	<b>7,142,108,033,204</b>

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**Nguyen Van Tong**
**Deputy General Director**

5 March 2012

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**Huynh Kim Nhan**
**Chief Accountant**

**INCOME STATEMENT**  
For the year ended 31 December 2011

**FORM B 02-DN**  
Unit: VND

ITEMS	Codes	Notes	2011	2010
1. Gross sales	01		7,655,679,058,679	4,776,554,836,067
2. Less deductions	02		53,659,186,136	40,946,100,937
3. Net sales (10=01-02)	10	22	7,602,019,872,543	4,735,608,735,130
4. Cost of goods sold	11	22	3,798,294,922,197	2,596,760,833,227
5. Gross profit from sales (20=10-11)	20		3,803,724,950,346	2,138,847,901,903
6. Financial income	21	24	598,035,818,598	356,304,242,378
7. Financial expenses	22	25	68,794,763,342	79,986,692,661
<i>In which: Interest expense</i>	23		25,377,064,463	7,633,940,298
8. Selling expenses	24		461,540,749,528	298,770,119,631
9. General and administration expenses	25		441,512,649,319	329,949,510,920
10. Operating profit (30=(20+21)-22-24-25)	30		3,429,912,606,755	1,786,445,821,069
11. Other income	31		24,678,833,123	13,232,506,903
12. Other expenses	32		13,714,591,305	2,698,533,388
13. Profit from other activities (40=31-32)	40		10,964,241,818	10,533,973,515
14. Accounting profit before tax (50=30+40)	50		3,440,876,848,573	1,796,979,794,584
15. Current corporate income tax expense	51	26	317,708,671,428	176,936,737,983
16. Deferred tax expense/(income)	52		2,989,712,564	(12,779,656,650)
16. Net profit after corporate income tax (60=50-51-52)	60		3,120,178,464,581	1,632,822,713,251

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**Nguyen Van Tong**

**Deputy General Director**

5 March 2012

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**Huynh Kim Nhan**

**Chief Accountant**

**CASH FLOW STATEMENT**  
For the year ended 31 December 2011

**FORM B 03-DN**  
Unit: VND

ITEMS	Codes	2011	2010
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>1. Profit before tax</b>	<b>01</b>	<b>3,440,876,848,573</b>	<b>1,796,979,794,584</b>
<b>2. Adjustments for:</b>			
Depreciation and amortisation	02	172,114,953,111	673,180,983,042
Provisions	03	7,094,202,650	60,995,585
Unrealized foreign exchange loss	04	-	10,065,177,076
Gain from investing activities	05	(594,859,433,769)	(262,610,144,144)
Interest expense	06	25,377,064,463	7,633,940,298
<b>3. Operating profit before movements in working capital</b>	<b>08</b>	<b>3,050,603,635,028</b>	<b>2,225,310,746,441</b>
Increase in receivables	09	(57,354,403,986)	(144,041,136,225)
Increase in inventories	10	(460,280,560,742)	(21,556,902,730)
(Decrease)/ increase in accounts payable	11	(27,974,286,308)	349,694,799,167
Decrease/(increase) in prepaid expenses	12	35,091,723,451	(5,185,542,375)
Interest paid	13	(25,377,064,463)	-
Corporate income tax paid	14	(280,618,701,902)	(236,371,210,251)
Other cash inflows	15	6,687,287,644	-
Other cash outflows	16	(173,128,042,095)	(101,020,146,709)
<b>Net cash from operating activities</b>	<b>20</b>	<b>2,067,649,586,627</b>	<b>2,066,830,607,318</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1. Acquisition and construction of fixed assets and longterm assets	21	(730,632,653,197)	(757,597,161,880)
2. Proceeds from sale, disposal of fixed assets and other longterm assets	22	-	165,000,000
3. Cash outflow for buying debt instruments of other entities	23	(177,000,000,000)	-
4. Investments in other entities	25	(361,798,800,000)	(106,539,115,000)
5. Cash recovered from investments in other entities	26	502,908,424,557	-
6. Interest earned, dividends and profits received	27	552,677,656,877	286,313,394,634
<b>Net cash used in investing activities</b>	<b>30</b>	<b>(213,845,371,763)</b>	<b>(577,657,882,246)</b>
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
1. Buying treasury shares	32	(14,180,236,055)	(39,981,041,328)
2. Proceeds from borrowings	33	-	101,077,418,222
3. Repayment of borrowings	34	(328,116,769,473)	-
4. Dividends paid	36	(753,064,360,000)	(870,072,707,300)
<b>Net cash used in financing activities</b>	<b>40</b>	<b>(1,095,361,365,528)</b>	<b>(808,976,330,406)</b>
<b>Net increase in cash</b>	<b>50</b>	<b>758,442,849,336</b>	<b>680,196,394,666</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>60</b>	<b>2,876,483,097,099</b>	<b>2,196,286,702,433</b>
Effect of changes in foreign exchange rates	61	(1,145,593,196)	-
<b>Cash and cash equivalents at the end of the year</b>	<b>70</b>	<b>3,633,780,353,239</b>	<b>2,876,483,097,099</b>

## **CASH FLOW STATEMENT (Continued)**

For the year ended 31 December 2011

### **Supplemental non-cash disclosures**

Cash outflows for purchases of fixed assets during the year exclude an amount of VND 85,257,649,151, representing an addition in fixed assets during the year that has not yet been paid, and include an amount of VND 44,141,948,337, representing fixed assets purchased in last period but settled in this period, and an amount of VND 57,795,494,652, representing an advance to suppliers in this period for purchase of fixed assets in the next year. Consequently, changes in account payables and account receivables have been adjusted by the same amount.

### **Other information**

Cash outflows for investments in other entities include an amount of VND 80,000,000,000, representing charter capital advance to PetroVietnam Urban Development Joint Stock Company (PVC-Mekong) in order to construct the Bac Lieu Tower in accordance with the Announcement No. 8606/TB-DKVN dated 22 September 2011 of Vietnam Oil & Gas Group. This capital advance is presented in “Other receivable” item in the balance sheet. Accordingly, changes in account receivables have been adjusted by the same amount.

Cash outflows for buying issued shares include an amount of VND 13,496,025,035, representing the advance to Petrovietnam Securities Incorporated – Ho Chi Minh City Branch for buying the Company’s treasury shares. This advance is presented in “Advance to suppliers” item in the balance sheet. Accordingly, changes in account receivables have been adjusted by the same amount.

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**Nguyen Van Tong**

**Deputy General Director**

5 March 2012

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***Huynh Kim Nhan***

**Chief Accountant**

## **NOTES TO FINANCIAL STATEMENT**

**Dear shareholders please see notes to financial statement 2009 printed entirely in Annual Statement 2009.**

## Part 5 – PROFIT ALLOCATION

### STATEMENT About: Profit allocation

Basing on regulation in Article 13 of the Corporation Charter about rights and obligations of General Assembly of shareholders, Board of Management of PetroVietnam Fertilizer and Chemical Corporation - the Corporation submit to General Meeting of Shareholders for approving the profit allocation with contents as following:

#### 1. Profit allocation method of 2011 :

As the operation result of 2011 has the high increase in comparison with the previous year and much exceeds the plan, the Corporation suggests the profit allocation method as follows:

- Dividend: 35% of share par value (i.o 15% planned)
- Investment Development Fund: 35% PAT (as planned)
- Financial reserve funds: 10% PAT (as planned)
- Bonus and Welfare fund: 8% PAT (as planned)
- Bonus fund of over plan profit: 5% of the exceeding PAT of 2011 against PAT of 2010.

No	Item	Formula	Appropriation (VND)
<b>1</b>	<b>Undistributed earnings from 2010</b>		<b>31,073,168,389</b>
<b>2</b>	<b>2011 Profit after taxes</b>		<b>3,120,178,464,581</b>
<b>3</b>	<b>Funding from profit after taxes 2011</b>	<b>(3=3.1+3.2+3.3+3.4)</b>	<b>1,728,062,373,794</b>
3.1	Financial reserve funds (10%)	(3.1=2*10%)	312,017,846,458
3.2	Investment & development funds (35%)	(3.2=2*35%)	1,092,062,462,603
3.3	Bonus and Welfare fund and Bonus fund for management and controlling board of the Corporation (8%)	(3.3=2*8%)	249,614,277,166
3.4	Bonus fund of additional 5% of over 2010 profit	(3.4=(3.120 bil. - 1.632 bil.)*5%)	74,367,787,567
<b>4</b>	<b>Remained profit of 2011 after funding</b>	<b>(4=2-3)</b>	<b>1,392,116,090,787</b>
<b>5</b>	<b>Total sum of passed profit from 2009, 2010 and rest profit of 2011 after funding.</b>	<b>(5=1+4)</b>	<b>1,423,189,259,176</b>
<b>6</b>	<b>Dividend for shareholders</b>	<b>(6=(380mil-2.3mil)*10000*35%)</b>	<b>1,321,667,200,000</b>
	<i>Dividend per share (VND)</i>		<b>3,500</b>
<b>7</b>	<b>Profit passed to 2012</b>	<b>(7=5-6)</b>	<b>101,522,059,176</b>

The Corporation has made the first time advance payment of dividend 10% of par value. If the method is approved, The Corporation will continue to pay dividend in money equal to 25% of par value as soon as Annual General Meeting of Shareholders meeting.

## **2. Plan of profit allocation 2012:**

Basing on the Plan of profit 2012, Board of Management suggests Plan for profit appropriation 2012 as following:

- Dividend level expected to be paid: 25%/par value.
- The rest profit after taxes for funding: 5% for Financial reserve funds, 40% for Investment & development funds and 8% for Bonus and Welfare fund and Bonus fund for management and controlling board of the Corporation.

In the case that fact profit of 2012 exceeds the year plan, the Corporation is allowed to make additional funding for Bonus fund as follows: 10% of exceeding PAT.

Regard submit to General Meeting of Shareholders for consideration, voting and approval.

**ON BEHALF OF BOARD OF  
MANAGEMENT  
CHAIRMAN**

**Bui Minh Tien**



**Part 6- REPORT OF WAGE, FEE AND OTHER INTERESTS OF BOARD OF MANAGEMENT AND SUPERVISORY BOARD**

**I. REPORT OF IMPLEMENTATION IN 2011**

**Actual expense: 8,322,705,979 VND, in which:**

**- Board of Management: 6,730,823,835 VND, in which:**

+Wages: 4,138,697,607 VND

+Bonus and other benefits: 2,592,126,228 VND

**- Supervisory Board: 1,591,882,143 VND, in which:**

+Wages: 1,063,117,794 VND

+Bonus and other benefits: 528,764,349 VND

**II. ESTIMATES FOR 2012**

**- Board of Management:**

+Wages: 3,100,358,000 VND

+Bonus and other benefits: 1,631,600,000 VND

+Spare 10%: 473,196,000 VND

**Sum: 5,205,154,000 VND**

**- Supervisory Board:**

+Wages: 870,632,000 VND

+Bonus and other benefits: 375,200,000 VND

+Spare 10%: 124,583,000 VND

**Sum: 1,370,415,000 VND**

**Total: 6,575,569,000 VND**

This report is to submit to General Meeting of Shareholders for consideration and approval.

**ON BEHALF OF BOARD OF MANAGEMENT  
CHAIRMAN**

**Bui Minh Tien**

## **Part 7 - REPORT OF SUPERVISORY BOARD**

### **I. SUPERVISORY BOARD ACTIVITIES**

During 2011, the Supervisory Board monitored and reviewed the execution of the resolutions of Annual General Shareholders Meeting and ensured compliance with corporate rules and regulations on a regular and periodic basis. It also provided oversight on the governance activities of the Board of Directors and Board of Executives. At the same time, the Supervisory Board reviewed the suitability and integrity of the finance and accounting activities, and provided oversight on the discipline and effectiveness in capital protection and capital expansion in the interest of shareholders.

#### **• Review on 2011 Operations**

In 2011, the Corporation successfully converted four limited liability companies to joint stock companies as part of its organizational restructuring. With that, we instituted an organizational architecture in the form of parent company and subsidiaries.

The Corporation has basically implemented stage I of the ERP project and decided to progress to stage II of the project. We strengthened our focus on risk management and expanded the scope and scale of risk control activities. With the support of KPMG, we identified the key strategic risks and rolled out risk management initiatives in line with international best practice.

The Corporation launched a program to strengthen Investor Relations (IR). At the same time, we established a dedicated IR Unit to provide IR services professionally, and ensure accurate, timely and transparent information to investors.

The Phu My plant operations ended the year meeting safety and productivity objectives, free from accidents or major loss time. Phu My urea production output in 2011 came in at 801,852 tons, which was 104% of Plan.

The Corporation promulgated a program to encourage saving and reduce waste. This program was implemented across the entire organization. We also reviewed the salary policy and salary distribution, and implemented performance-driven incentives.

In 2011, the Corporation revised our sales policy and adjusted the pricing structure to allow us to respond quickly to market factors. We strengthened our domestic distribution system, and gained market share through business development and expanding distribution footprint to regional markets such as Cambodia, Laos, Myanmar and Thailand.

The Corporation executed the purchase of 28,540 shares at a cost of VND 684,365,010 funded from 2010 retained earnings by the order matching method on the stock exchange.

The Corporation paid out the second partial dividend for 2010 at VND 1,000/share following the profit distribution plan approved by the 2011 Annual General Shareholders Meeting. At the same time, the Corporation also made an Interim 2011 dividend of VND 1,000/share.

The Corporation ended 2011 with a strong performance by exceeding the planned targets, with key indicators as follows:

Total revenue:	VND 9,763 billion	139.5% of the annual plan
Pre-tax profit:	VND 3,510 billion	223.5% of the annual plan
Profit after tax:	VND 3,104 billion	219.5% of the annual plan

#### **• Review on 2011 Financial Statements**

The Corporation's Financial statements reflect a full, clear and fair view of the business and financial activities of the Corporation as at 31/12/2011, and conform to the accounting standards issued by the Ministry of Finance.

Deloitte VN Co. Ltd. was appointed to audit the Corporation's 2011 Financial Statements and the Supervisory Board concurs with the opinions of the auditor.

The 2011 production and business results have exceeded the targets passed by the Annual General Shareholders Meeting.

• **Comment on the Governance of the Board of Directors and Board of Executives:**

The Corporation's Board of Directors comprises four full-time members and one part-time member who have executed their duties responsibly, discussed and judiciously provided direction for the key issues of the Corporation.

The Board of Executives has led and managed the business and production activities of the Corporation in compliance with the Company charter and legal regulations, and in accordance with the Resolutions of the Annual General Shareholders Meeting, and per the direction of the Board of Directors, in the interest of shareholders. In the Corporation's business activities, the Board of Executives has maintained an integrated management system consisting of ISO 9001:2008, OHSAS 18001:2007 and ISO 14001:2004.

• **Coordination between the Supervisory Board, Board of Directors, the Board of Executives and Management team:**

In the process of supervising and overseeing the Corporation, the Supervisory Board received full support from the Board of Management, the Board of Executives and the functional teams in accordance with the Corporation's charter, including regular, full and timely provision of documents, data and other evidence of economic activities.

• **2012 Plan of the Supervisory Board:**

- Ensure discipline in the implementation of the Resolutions of the Annual General Shareholders Meeting; compliance with the Law, the Corporation's Charter and internal Rules/Regulations.
- Oversee the governance activities of the Board of Directors and Board of Executives.
- Oversee the protection and expansion of capital.
- Evaluate the financial statements and management reports, and make assessment reports on management.
- Monitor and supervise implementation of cost-saving measures.
- Conduct investigations (when necessary).
- Participate in training courses to enhance capabilities.

## **II. CHOOSING AUDITOR FOR THE YEAR 2012**

Basing on audit performance and the assurance of time for issuing 2012 Financial Statement, Supervisory Board suggests General Shareholders Meeting to choose **Deloitte Vietnam Co. Ltd.** to implement audit for 2012 Financial Statement (according to regulation in Circular 09/2010/TT-BTC) with the audit fee not more than 65.000 USD.

Regards,

**FOR SUPERVISORY BOARD  
CHIEF SUPERVISOR**

**Trần Thị Phương Thảo**

## Part 8 – STATEMENT ON THE INVESTMENT TO THE CAMAU FERTILIZER PROJECT

- Based on the Development Strategy of the Corporation to 2015 and vision to 2025 approved by the General Meeting of Shareholders;
- Based on the authorization of the General Meeting of Shareholders;

The Board of Directors proposes the investment plan to the Ca Mau Fertilizer Project with the key issues as follows:

- PVN will transfer 51% project ownership to PVFCCo. PVN will authorize PVFCCo to manage and operate the project. Ca Mau Fertilizer Plant will be managed and booked with separate accounting record system just like in a BCC contract.
- The investment of the project: As agreement between PVN & PVFCCo based on the independent valuation which does not exceed USD 779 million.
- In the case the investment value of the project is lower than USD 779 million, the General Meeting of Shareholders authorizes the Board of Director to decide the investment. On the other hand, the Board will submit to General Meeting of Shareholders for approval.
- Payment: PVFCCo negotiates with PVN to prepay 75% of transfer costs in 2012. The remaining 25% is deferred until 2013.

### I. General information

Information	Camau Fertilizer Project
Owner	Petro Vietnam (PVN)
Location	62 hectare area in Khanh An, U Minh - Ca Mau province
Project Management	Ca Mau Gas-Power Fertilizer Complex management team of PVN
EPC Contractor	WEC - CMC Consortium (China)
Project Management Consultant:)	SNC Lavalin Corporation ( <i>Belgium</i> )
International Certification Provider	Bureau Veritas Group ( <i>France</i> )
Investment Capital	<ul style="list-style-type: none"> <li>▪ As F/S approved by the Prime Minister: 900.2 Million USD.</li> <li>▪ As approved forecast: 779.25 million USD (2008 - 2012).</li> </ul>
Capital structure:	Owner's capital/ debt – approximately 30% to 70%
Technology	Ammonia synthesis technology of Haldor Topsoe SA – Denmark. Urea synthesis technology of SAIPEM – Italy. Spout Fluid Bed Granulation of Toyo Engineering Corp. – Japan.

<b>Information</b>	<b>Camau Fertilizer Project</b>
Equipment	From EU/G7 countries
Natural Gas Supply	Cai Nuoc and PM3 – CAA Block
Product	Granular urea
Design capacity	800,000 tones/year ~ 2,350 tons/day
Vietnam government incentives for the Project	<ul style="list-style-type: none"> <li>▪ Tax exemptions are applied for imported equipment, devices, machinery, transportation means, construction materials, raw materials, and goods used in the Project.</li> <li>▪ Tax exemptions are applied for imported input materials and chemicals for the first five years of operation.</li> <li>▪ Equipment, devices, and machinery that are not yet produced domestically and used as fixed assets for the Project are exempt from Valued Added Tax.</li> <li>▪ Exempt from corporate income tax for the first four years the company has taxable income. Will increase to 5% of taxable income for the next nine years. After which the tax will be 10% of taxable income for the next two years. Finally settling at normal levels after that.</li> <li>▪ Land lease payment is excluded throughout the entire life of the Project.</li> </ul>
<b>Project progress</b>	<ul style="list-style-type: none"> <li>▪ EPC contract signed: 06 May 2008</li> <li>▪ Construction started: 26 July 2008</li> <li>▪ Ball form facility tested: 18 November 2011</li> <li>▪ Ammonia facility tested: 29 December 2011</li> <li>▪ Testing and commissioning for first product: 29 January 2012</li> <li>▪ The project is essentially complete and is now going through the final testing stage before the whole plant becomes commercially operational.</li> <li>▪ The plant is expected to finish testing and commissioning and handed over to the project's owner officially by the 2nd quarter, 2012.</li> </ul>

## II. Financial Figures

### 1. Data

#### **Total Investment**

Total investment approved: USD 779.25 million

### Operation capacity

- 2012: 80% of design capacity
- 2013: 95% of design capacity
- 2014: 100% of design capacity

### Gas price

- Gas price in 2012 is USD 6.43 per MMBTU, with an inflation rate of 2% per annum for the period of 2012-2015 according to *Letter 2732/VPCP-KTN* dated 29 April 2011 of the Center Government Office announcing the decision of the Prime Minister for gas pricing supplied to fertilizer manufacturers.
- Gas Price will increase at 2% per annum from 2016-2032.

### Depreciation

The depreciation horizon for the entire Ca Mau Fertilizer Plant should be 20 years. Details are as follows:

- The first 10 years: 2.5% per annum
- The final 10 years: 7.5% per annum

### Product Pricing

Based on Urea pricing projected for Q4 2011 and the actual selling price of Urea products manufactured by the Phu My Fertilizer Plant, product pricing in 2012 will be based on a simple average from the Phu My Fertilizer Plant for 2010-2011, which was USD 366 per ton. It will be increased 2% per annum until the end of project's life.

### Other parameters

- Other production expenses will increase 2% per annum until 2032
- Exchange rate: USD 1 = VND 21,000

## 2. Calculation

Items	Investment cost USD 780 millions
IRR (project)	13.32%
NPV (project) [USD million]	252
IRR (investor)	18.0%
NPV (investor) [USD million]	58
Payback period (year)	6.1
Discounted payback period (year)	10.5
Average annual revenue	356
Average annual profit	65.97
ROE	14.3%

### III. Synergies

#### Economies of scale

- The top Urea supplier in the Mekong Delta, Vietnam, and ASEAN with a capacity of 1.6 million tons per annum (approximately 71% market share in Vietnam)
- Ability to utilize and expand the existing distribution network
- Increase competitive capacity to rival imported fertilizer.

#### Products and market

- Producing and consuming granular Urea is the current world trend for Urea fertilizer.
- The plant is situated along the Mekong Delta – the largest farming area in the country and main gateway to export products to countries in Southeast Asia.
- By acquiring the plant, PVFCCo will be able to optimize the production output for different kinds of gas and Urea products.
- The Company will also enjoy increased bargaining power with Urea sources to stabilize pricing and optimize profit.

#### Finance

- Ca Mau Fertilizer Plant is reaching completion and the beginning of testing and commissioning with investment capital aligning with the proposed value.
- PVFCCo will be able to cut costs remarkably if the company no longer has to compete directly with the Ca Mau Fertilizer Plant in terms of production outputs, pricing, selling expenses, inventory, and equipment replacement.
- The Company can fully capitalize on tax preferences to maximize profits.
- This acquisition will enhance the financial capacity and capital mobility for PVFCCo.

### IV. Financing for the investment plan

#### - *Capital requirement*

Payment to PVN for 51% equity of the project financing:

$$(USD 779mn * 30% * 51%) = USD 119.20 billion$$

- **Capital:** Current owner's capital, no issuing shares or bonds.

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## Part 9 - STATEMENT ON THE GAS CONTRACT TRANSACTION

Based on the Corporation Charter, the Board of Directors submits the main contents of the transaction between the Corporation and the Petrovietnam Gas Corporation as follows:

1. Transaction: Gas Purchasing Contract
2. Seller: Petrovietnam Gas Corporation (PV Gas), a subsidiary of Petrovietnam, big shareholders of PVFCCo
3. Buyer: PVFCCo.
4. Main contents of the contract:
  - 4.1. Volume, unit price and total value (excluding VAT):

No	Year	Estimated Volume (MMBTU)	Unit price (USD/MM BTU)	Amount (USD)	Amount (VNĐ Bil.)
1	2012	21,502,485.36	6.43	138,260,980.86	2,906.38
2	2013	21,502,485.36	6.56	141,056,303.96	2,965.14
3	2014	21,502,485.36	6.69	143,851,627.06	3,023.91
4	2015	21,502,485.36	6.83	146,861,975.01	3,087.19
5	<b>Total</b>			<b>570,030,886.89</b>	<b>11,982.62</b>

- Gas price basis: According to *Letter 2732/VPCP-KTN* dated 29 April 2011 of the Government Office announcing the decision of the Prime Minister for gas pricing supplied to fertilizer manufacturers.

#### 4.2. Price adjustment:

The gas price will be adjusted by the agreement of the parties in case of new gas resources exploited or imported and/or the decision of the authorization agency.

#### 4.3. Contract period: 4 years from 01/01/2012-31/12/2015.

### Proposal:

Natural gas is the main material of the Phu My Fertilizer Plant and PV Gas is the only supplier. On the other hand, the gas price depends on the Prime Minister. The long term contract brings more benefits to the Corporation. According to the main conditions as above, the Board request the GMS approve the transaction.

**ON BEHALF OF BOARD OF DIRECTORS  
CHAIRMAN**

**Bui Minh Tien**

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