

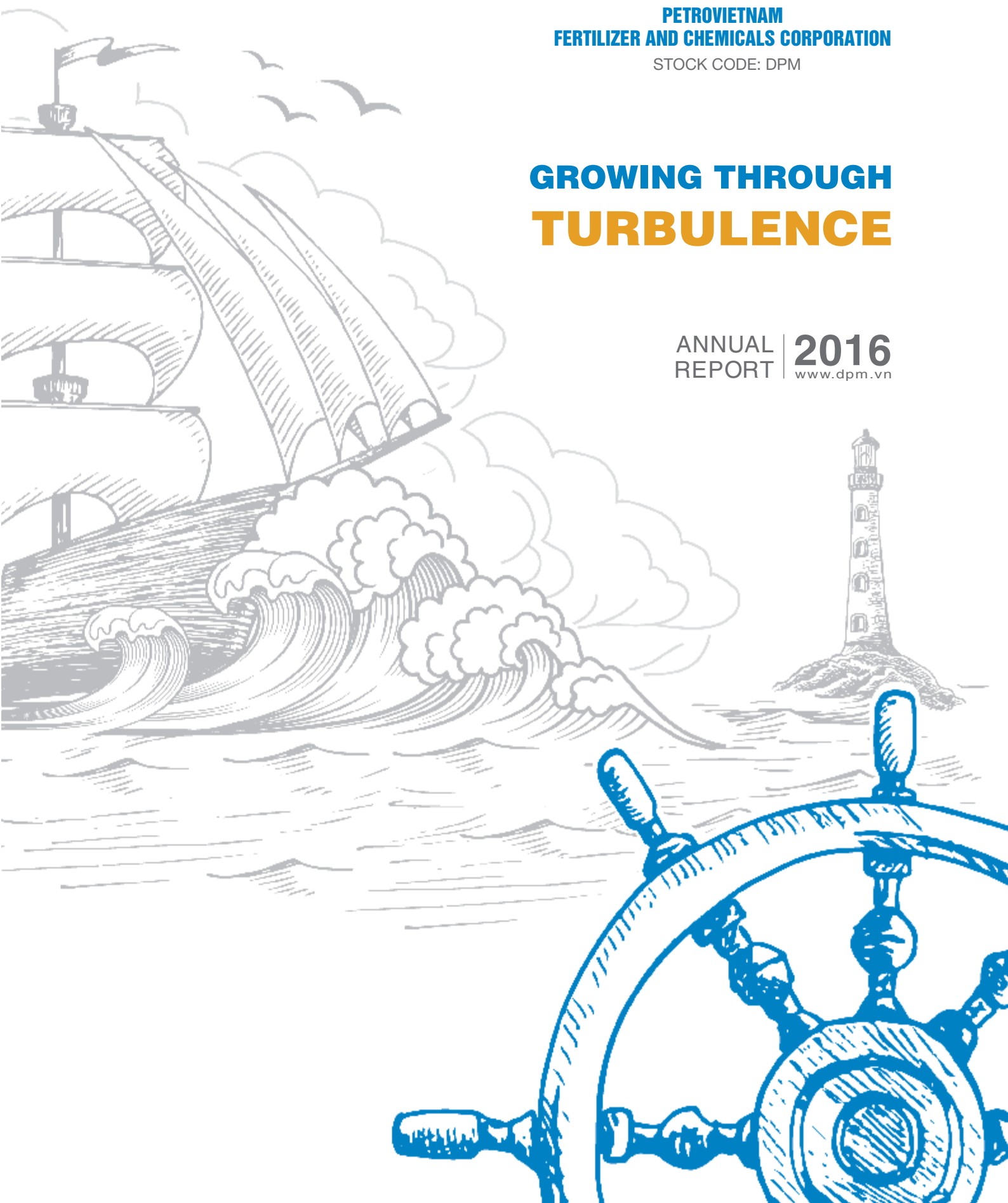


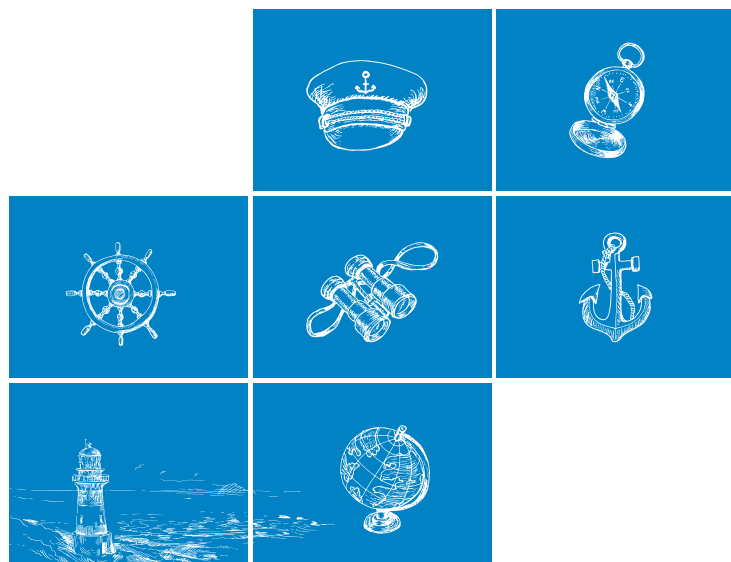
**PETROVIETNAM  
FERTILIZER AND CHEMICALS CORPORATION**

STOCK CODE: DPM

# **GROWING THROUGH TURBULENCE**

ANNUAL  
REPORT | **2016**  
[www.dpm.vn](http://www.dpm.vn)





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## VISION

Developing to become a leading producer and trader of fertilizers and chemicals for agriculture and oil and gas industry in Vietnam and Southeast Asia.

## MISSION

To provide customers with a sufficient and reliable source of high quality fertilizers and chemicals at competitive prices, thereby achieving good business performance, contributing to the long term development of the agriculture sector in Vietnam.



## CHAIRMAN'S MESSAGE



**It can be said that the 2016 highlight is the effort made to manage the turbulence while keeping focus on current investments to assure future growth.**



## FOCUS ON INVESTMENT & DEVELOPMENT DESPITE TURBULENCE



### Dear valued shareholders and investors,

2016 revealed the major changes made to production and operations of PVFCCo.

The input gas price vacillated in tandem with movements in the global oil market. Similarly, the price of nitrogenous fertilizer (urea) went south, although with a lag, in accordance with the oil price. There is no upward recovery in sight. These events have a double impact on profit margin on main products of PVFCCo.

The Corporation incurred higher expenses during 2016 due to: (i) Allocation of repair and maintenance costs because of an aging plant; (ii) Cost of input VAT is not deducted, which increases both product costs and total investment amount of some investment projects, (iii) Loss provision from under-performing joint venture projects. There were difficulties in restructuring and divesting of such projects.

Given the operational difficulties, the Corporation first lowered the revenue and profit targets.

However, 2016 is also a turning point for investment. PVFCCo invested resources in the implementation of the  $\text{NH}_3$ -NPK project. The progress of the project achieved 68.82% ( $\text{NH}_3$  revamp project) and 76.4% (NPK plant construction phase).

On corporate governance, besides having effective management, the Corporation deployed the corporate wide ERP phase 2 (applying the production management module and planning management module, and budgeting). It also continued the implementation of the KPI staff performance appraisal system and pay 3P... to ensure a streamlined, efficient and transparent system.

It can be said that the 2016 highlight is the effort made to manage the turbulence while keeping focus on current investments to assure future growth.

In 2017, the fertilizer market in general, and the nitrogenous fertilizer in particular have showed positive signs. Specifically, the supply stabilized with a new factory that opened in 2015. The favorable weather for agricultural production at start of year contributed to increased demand for fertilizer and fertilizer prices recovered after a sharp fall in oil prices. The current production and business capacity has enabled PVFCCo to maintain its market position as a capable and competitive player. However, besides the forecast that fertilizer price will increase in 2017, the domestic market and PVFCCo will also face strong competition from imported urea.

On the 2017 Plan, the Corporation has forecast reliable production and business targets given due consideration to objective and subjective factors. The PVFCCo Board of Directors is committed to fully implement the business plan as approved by shareholders. In 2017, the Corporation will continue operating stably and safely, performing periodic maintenance of Phu My Fertilizer Plant and ensuring a steady sale of Phu My fertilizers. It shall continue its efforts to accelerate the production and sales in the chemical segment. Furthermore, there is the still the implementation of approved projects that improve efficient use of resources.

We would like to express our sincere thanks for the concern, trust and partnerships of DPM shareholders and investors and the Board of Management.

Wishing you good health, great happiness and strong success.

**Chairman**

**LE CU TAN**



# OVERVIEW OF PVFCCo

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## OVERVIEW

Transaction Name: PetroVietnam Fertilizer and Chemicals Corporation

Business Registration Certificate No. 0303165480

Charter Capital:  
VND 3,914,000,000,000

Owner's Equity:  
VND 3,914,000,000,000


Address: 43 Mac Dinh Chi, Da Kao Ward, District 1, Ho Chi Minh City

Tel: (+84.8) 3825 6258

Fax: (+84.8) 3825 6269

Website: www.dpm.vn

Stock code: DPM

**CHARTER CAPITAL**   
**3,914**  
VND BILLION

## INTRODUCTION



## HISTORY AND GROWTH

### Date of establishment

PetroVietnam Fertilizer and Chemicals Company (PVFCCo), now called PetroVietnam Fertilizer and Chemicals Corporation JSC, is a member of PetroVietnam. PVFCCo was founded under Ministerial Decision No. 02/2003/QĐ - VPCP dated 28 March 2003 and officially inaugurated on 19 January 2004.

On 21 September 2004, PVFCCo acquired Phu My Fertilizer Plant from Technip Samsung Consortium and has since launched the Phu My Urea brand.

### Restructuring

#### • From a 100% State-Owned Enterprise to a Joint Stock Company

On 15 March 2007, the Ministry of Trade and Industry (MTI) issued Decision No. 793/QĐ-BCN to approve the change from a 100% State-Owned PetroVietnam Fertilizer and Chemicals Company to PetroVietnam Fertilizer and Chemicals Joint Stock Company.

On 21 April 2007, PVFCCo successfully issued 40% of its shares in an initial public offering on the Ho Chi Minh Stock Exchange (HOSE).

On 30 June 2007, PVFCCo held its inaugural Annual General Meeting (AGM) for Shareholders to approve the change to a joint stock company and the corporate charter. The AGM included the election of the Board of Directors and the Board of Supervisors and announced the business plans.

On 31 August 2007, the Ho Chi Minh City Department of Planning and Investment granted the Corporate Business Registration Certificate No. 4103007696, thus PetroVietnam Fertilizer and Chemicals Joint Stock Company was officially incorporated.

#### • Shares were listed on the Ho Chi Minh Stock Exchange (HOSE)

On 29 October 2007, the PVFCCo completed the documentation in preparation for the listing of shares on the Hochiminh City Stock Exchange (HOSE). On 5<sup>th</sup> November 2007, the PVFCCo listed 380 million shares on HOSE. It added 11.4 million shares under the Employee Stock

Ownership Plan (ESOP) dated 26 February 2016.

Type of share: Common Stock  
Stock code: DPM  
Par value: VND 10,000 per share  
Number of listed shares: 391,400,000 shares

#### • From Joint Stock Company to the Corporation

On 5 April 2008, the AGM passed a resolution to transform the Joint Stock Company into a Corporation (under a parent-subsidary model).

On 15 May 2008, the Ho Chi Minh City Department of Planning and Investment granted PetroVietnam Fertilizer and Chemicals Corporation the Amended Business Registration Certificate No. 4103007696.





## INTRODUCTION

### MILESTONES

**12 March 2001**

Groundbreaking ceremony for the construction of Phu My Fertilizer Plant was held.



**21 September 2004**

PVFCO took over full responsibilities of Phu My Fertilizer Plant, formally launched the Phu My Urea brand.

**15 December 2004**

Phu My Fertilizer Plant was inaugurated.



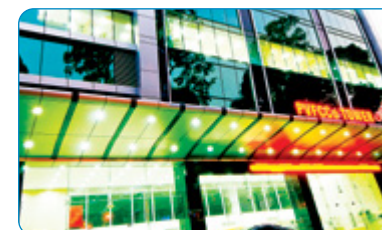
**15 May 2008**

PVFCO was turned into PetroVietnam Fertilizer and Chemicals Corporation.



**16 July 2011**

PVFCO Tower Headquarters was officially opened.



**23 December 2014**

Phu My Urea of PVFCO was recognized as the National Brand 2014 by the Government of Vietnam.



**06 May 2016**

Phu My Fertilizer Plant produced the 9-million tons of Urea.



2001

2004

2008

2011

2014

2016

2003

2007

2010

2013

2015

**28 March 2003**

PetroVietnam Fertilizer and Chemicals Company (PVFCO) was founded.



**31 August 2007**

PVFCO was transformed into a Joint Stock Company.

**5 November 2007**

DPM was listed and traded on HOSE.



**14 September 2010**

A Carbon Dioxide Recovery (CDR) System was inaugurated, increasing the capacity of Phu My Fertilizer Plant to 800,000 tons per year.



**28 March 2013**

PVFCO celebrated 10 years of its founding and received the First-Class Labor Order.



**Q3/2015**

Started the construction of NH<sub>3</sub> revamp project (thereby increasing production capacity) and Phu My NPK plant.





## BUSINESS LINES AND LOCATIONS

### BUSINESS LINES

PVFCCo's core business is the production and trading of fertilizer and chemicals. Currently, the key products are prilled Urea, NPK, MOP, SA, DAP fertilizers targeted at the agriculture sector, liquid Ammonia and UFC85/Formaldehyde,  $H_2O_2$ , chemicals used in oil and gas production.

### MAIN LOCATIONS

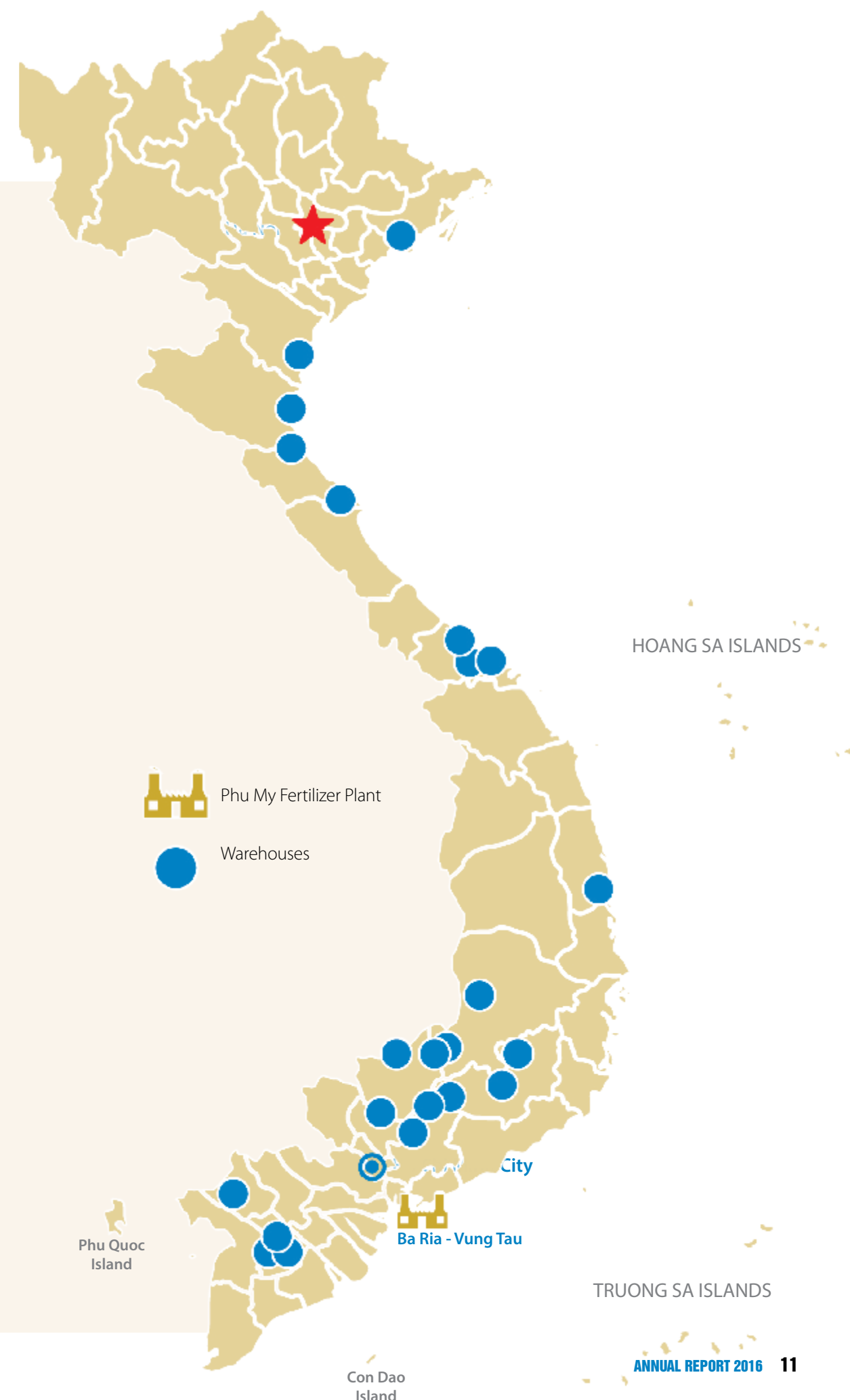
PVFCCo's main production is at Phu My Fertilizer Plant located in Phu My 1 Industrial Park, Tan Thanh District, Ba Ria - Vung Tau Province.

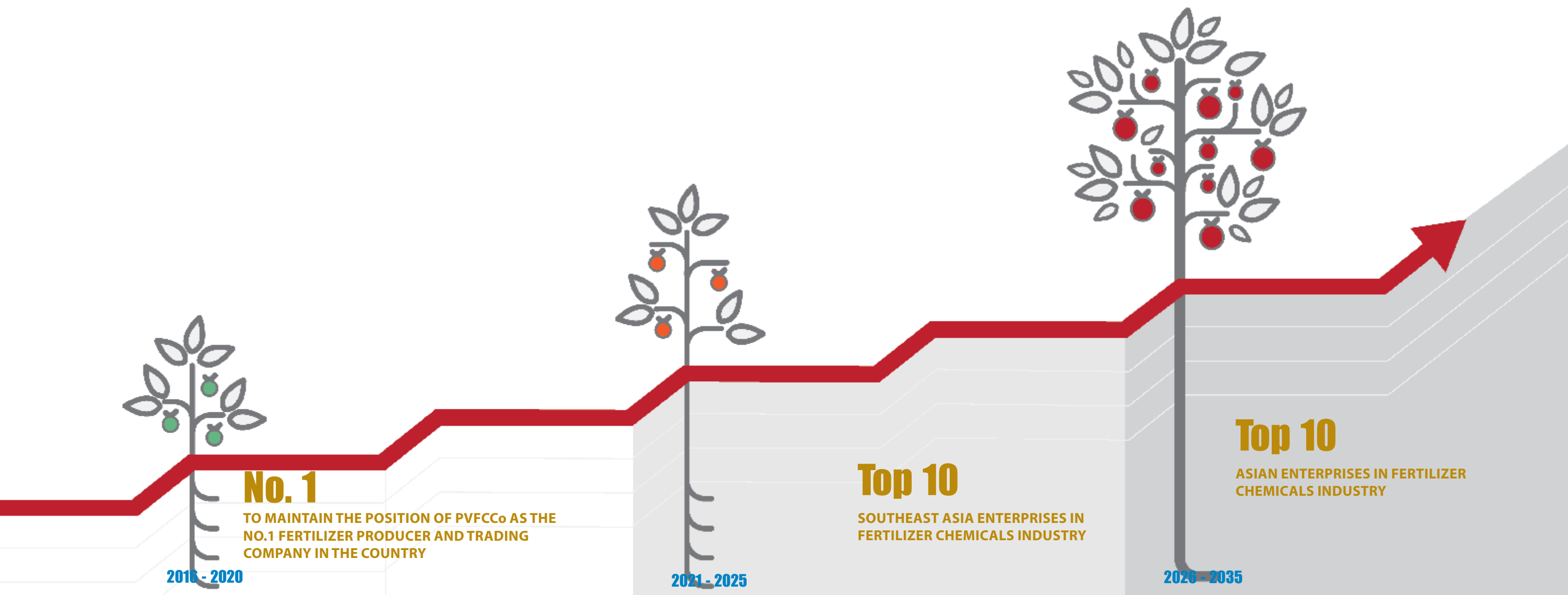
The distributors are situated in the agricultural heartland and industrial plants in Vietnam. They form a closely-knitted distribution network of subsidiaries and their regional headquarters are located in the North, Central and Highlands, Southeast and Southwest.

Since 2011, PVFCCo has expanded its business to ASEAN markets, set up trade relations with reputable partners in the region and the world. The aim is to promote fertilizer exports to the ASEAN and to build up the product brand.



**The distributors are situated in the agricultural heartland and industrial plants in Vietnam. They form a closely-knitted distribution network of subsidiaries and their regional headquarters are located in the North, Central and Highlands, Southeast and Southwest.**





**In the last 14 years, the Corporation has achieved impressive results in production and business.**

However, starting from 2012, the Corporation is finding difficulty to maintain its revenue and profit growth. To alleviate the growth issue, there is a continued effort to innovate. Over the recent past, the Board of Directors has focused on promoting research and development, and product diversification. It also invested in key projects that targets fertilizer, chemical and petrochemical production under the 2008-2015 development strategy. The development plan of 2025 to 2035, is aligned to the resolutions of the Shareholders Meeting.

The PVFCCo is planned with the following basic objectives:

### Overall objectives

#### 2016-2020:

To maintain the position of PVFCCo as the No.1 fertilizer producer and trading company in the country; develop chemical production, focusing on petrochemicals, so that by 2020, the revenue from the chemical sector accounts for 50% of total revenue.

#### The main targets for Plan 2016 – 2020 are:

- Fertilizer and chemical production capacity: 6,039,000 tons.
- Total revenue: VND 64,194 billion.
- Profit before tax: VND 6,271 billion.
- Profit after tax: VND 5,205 billion.
- Investment capital: VND 8,563 billion.

#### By 2025

To invest in the construction of fertilizer and chemical plants with modern technologies and advanced management skills to diversify products;

To improve the distribution of fertilizers and chemicals to countries in the region as well as in the world;

To develop PVFCCo into a top high-tech fertilizer and chemical enterprise in Southeast Asia and rank as Top 10 in terms of production output.

#### By 2035

Strive to become a company in the Top 10 in the Asia region in the fertilizer and chemical industry.

### Specific objectives for 2016-2020

#### Production

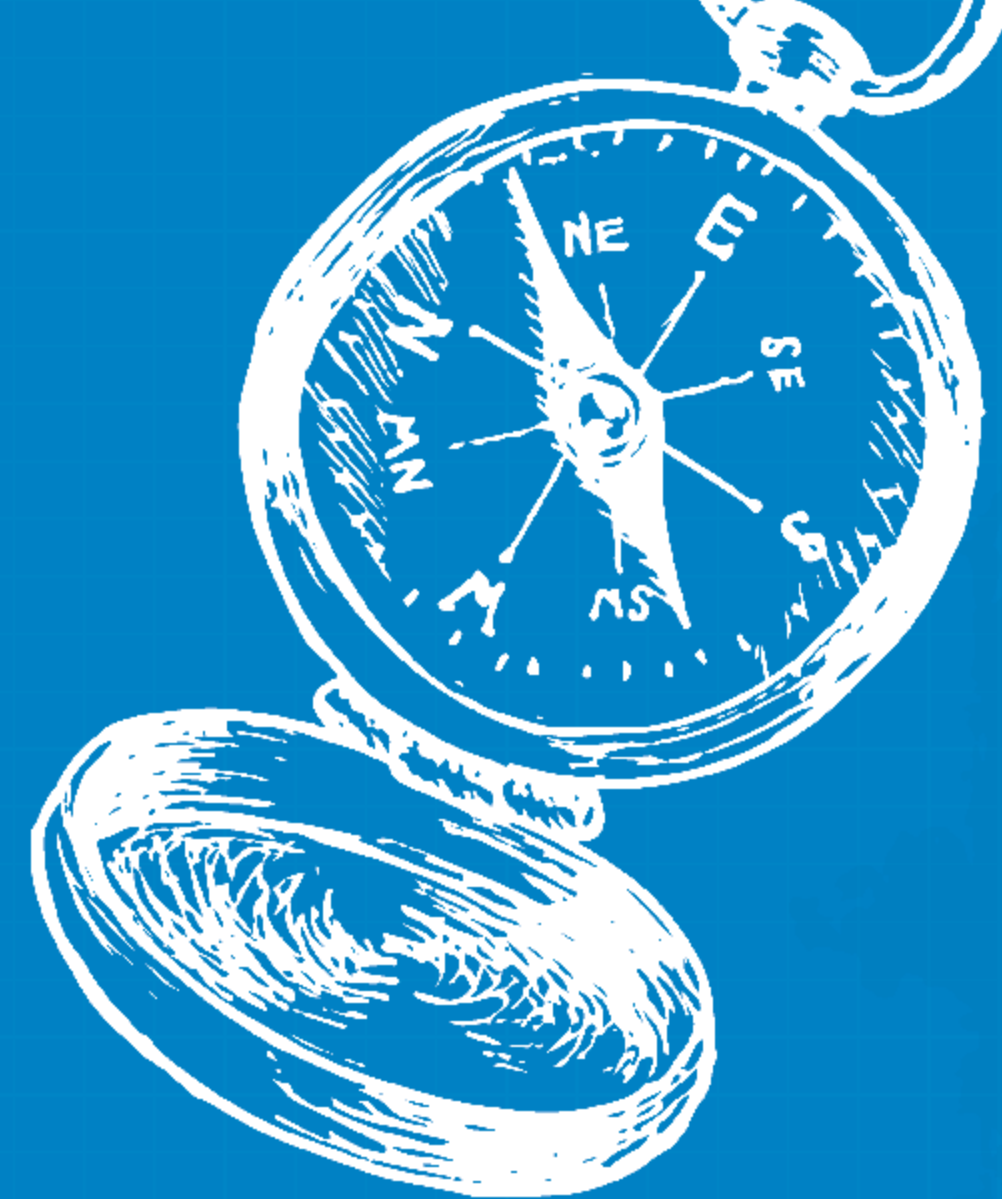
- Efficient operations in Phu My Fertilizer Plant, producing an average of 800,000 tons per year.
- Launch NPK Phu My plant in 2017, and to operate at 100% capacity from 2018 (that is producing 250,000 tons/year).

- Operate the expanded  $\text{NH}_3$  plant (increase capacity by 90,000 tons/year), the UFC/Formalin plant (15,000 tons/year), the  $\text{H}_2\text{O}_2$  plant (30,000 tons/year), the Polystyrene (300,000 tons/year).
- Upgrade production facilities; improve production on specialized fertilizer products based on the main products (Urea, NPK).

#### Operations

- Domestic urea market share remains at a minimum level of 35%.
- Sales capacity of Phu My NPK products of 250,000 tons/year.
- Business expansion with a focus on Southeast Asia.
- Sold 100% of the chemical products produced, revenue to equal and exceed that of the fertilizer business by 2020.
- Diversified fertilizer products on Urea and NPK.
- Distributed specialized fertilizer products from the newly invested facilities.





# CORPORATE STRUCTURE & HUMAN RESOURCES MANAGEMENT



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## CORPORATE STRUCTURE, BUSINESS OPERATIONS AND MANAGEMENT STRUCTURE

### Governance

PVFCCo is a subsidiary of PetroVietnam, a State-owned company. PetroVietnam holds over 60% stake in PVFCCo. The remaining shares are held by local and foreign shareholders and individual investors representing individual and institutional investors.

PVFCCo's parent company and subsidiaries are set up as public joint stock companies listed on stock exchange. The parent company and subsidiaries have complied with regulations and governance standards for listed enterprises.



### Corporate structure



#### General meeting of shareholders

At the parent company's headquarters, the Board of Management supervises functional divisions.

#### Board of Directors (BOD)

The current Board of Directors consists of the Chairman, Vice Chairwoman, a full-time member and two part-time members including the President & CEO.

#### Board of Supervisors (BOS)

The current Board of Supervisors consists of the Head of BOS, one full-time member and one part-time member.

#### Board of Management (BOM)

The Head of BOM is the President & CEO who is also a member of the BOD. The President & CEO is assisted by Vice Presidents. They are responsible for production, engineering technology, investment and construction, finance and accounting, sales and distribution network, research and development, international cooperation, legislation and internal affairs.

#### The branches, representative offices and operating units are located in other production and business locations.

Phu My Urea Plant: Located at Phu My 1 Industrial Zone, Tan Thanh District, Ba Ria - Vung Tau Province. It is the main production plant of PVFCCo and has the capacity of 800,000 tons of Urea per year.

Ho Chi Minh City Branch: This office deals with export-import fertilizers and chemicals.





Project Management Unit (Fertilizer and Chemicals): A subsidiary that manages key investments and development projects.



## RELATED COMPANIES

In 2016, the Corporation has four subsidiaries and five associates.

### Companies with over 50% shareholding

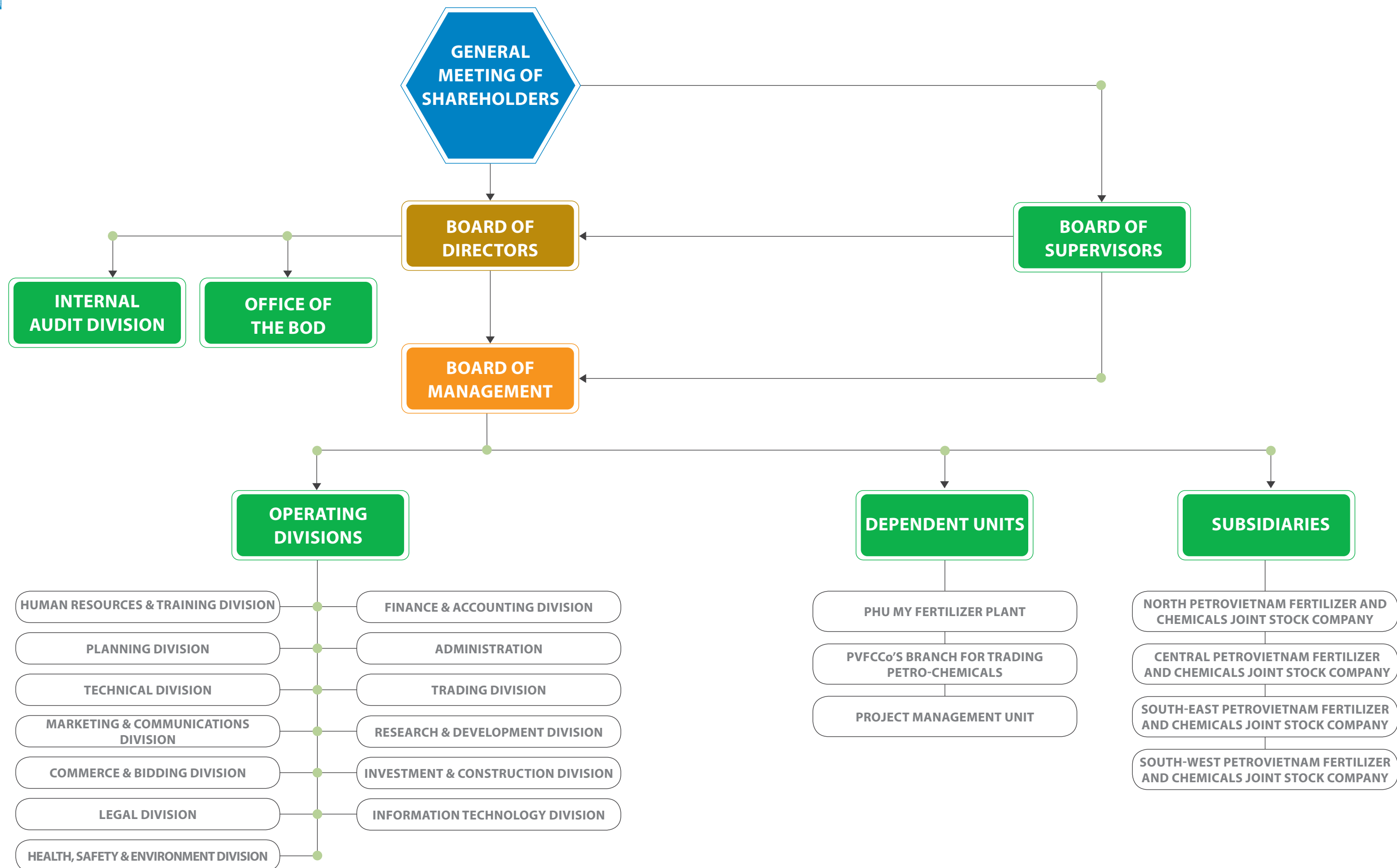
| NO. | COMPANY NAME  | BUSINESS SEGMENTS                               | CHARTER CAPITAL (VND MILLION) |   |
|-----|---|---|-------------------------------|---|
| 1   | North PetroVietnam Fertilizer and Chemicals Joint Stock Company (PVFCCo - North)<br>4 <sup>th</sup> Floor, 167 Trung Kinh Street, Cau Giay District, Hanoi      | Fertilizer and chemicals production and trading | 120,000                       |  Owned by PVFCCo <b>75%</b>   |
| 2   | Central PetroVietnam Fertilizer and Chemicals Joint Stock Company (PVFCCo - Central)<br>Lot A2, Nhon Binh Industrial Cluster, Quy Nhon City, Binh Dinh Province | Fertilizer and chemicals production and trading | 100,000                       |  Owned by PVFCCo <b>75%</b> |
| 3   | South-East PetroVietnam Fertilizer and Chemicals Joint Stock Company (PVFCCo - SE)<br>27 Dinh Bo Linh Street, Binh Thanh District, Ho Chi Minh City             | Fertilizer and chemicals production and trading | 125,000                       |  Owned by PVFCCo <b>75%</b> |
| 4   | South-West PetroVietnam Fertilizer and Chemicals Joint Stock Company (PVFCCo - SW)<br>151/18 Tran Hoang Na Street, Ninh Kieu District, Can Tho City             | Fertilizer and chemicals production and trading | 170,000                       |  Owned by PVFCCo <b>75%</b> |

### Companies with less than 50% shareholding

| NO. | COMPANY NAME  | BUSINESS SEGMENTS  | CHARTER CAPITAL (VND MILLION) |   |
|-----|---|--|-------------------------------|---|
| 1   | Dam Phu My Packaging Joint Stock Company (PVFCCo - Packaging)<br>Phu My 1 Industrial Zone, Tan Thanh District, Ba Ria - Vung Tau Province                         | Packaging manufacturing and trading  | 42,000                        |  Owned by PVFCCo <b>43.34%</b>   |
| 2   | PetroVietnam Petrochemical and Textile Fiber Joint Stock Company (PVTEX)<br>Lot CN5.5A, Dinh Vu Industrial Park, Dong Hai 2 Ward, Hai An District, Hai Phong City | Textile fiber production and trading   | 2,165,110                     |  Owned by PVFCCo <b>25.99%</b>  |
| 3   | PetroVietnam Information Technology, Telecom and Automation Joint Stock Company (PAIC)<br>10 <sup>th</sup> Floor, 167 Trung Kinh Street, Cau Giay District, Hanoi | Information technology, telecoms and automation, clean energy                    | 42,352                        |  Owned by PVFCCo <b>8.5%</b>   |
| 4   | PetroVietnam Urban Development Joint Stock Company (PVC Mekong)<br>No. 131, Tran Hung Dao Street, Ninh Kieu District, Can Tho City                                | Consulting, construction, construction materials production, real estate trading | 280,689                       |  Owned by PVFCCo <b>35.63%</b> |
| 5   | Ut Xi Seafood Processing Joint Stock Company<br>Provincial Road 8, Tai Van Commune, Tran De District, Soc Trang Province  | Aquaculture, seafood processing and trading                                      | 354,000                       |  Owned by PVFCCo <b>6.78%</b>  |



## ORGANIZATIONAL CHART







## BOARD OF DIRECTORS



Mr. **LE CU TAN**  
*Chairman of the BOD*

Year of Birth: 1967

Qualifications: Marine Engineer, Bachelor of Business Administration, Master of Automation Engineering

Mr. Le Cu Tan has been with Vietnam's oil and gas industry since 1992. He held various management positions in PetroVietnam Technical Services Corporation (PTSC) and assumed the position of Deputy General Director before serving as Chairman of the BOD of PVFCCo since December 2013.



Ms. **NGUYEN THI HIEN**  
*Vice Chairwoman of the BOD*

Year of Birth: 1974

Qualifications: Bachelor of Economics in International Trade, Master of Business Administration

Ms. Nguyen Thi Hien worked for Power Engineering Consulting Joint Stock Company 2; Ca Mau Gas, Power, Fertilizer Project Management Board; and PetroVietnam Fertilizer and Chemicals Corporation as economic analysis specialist and planning manager...

From July 2007 to March 2009, she served as Head of PVFCCo's Supervisory Board and subsequently as Vice Chairwoman of the BOD since March 2009.



Mr. **DOAN VAN NHUOM**  
*Member of the BOD, President and CEO*

Year of Birth: 1963

Qualifications: Geodetic Engineer

Mr. Doan Van Nhuom joined Vietnam's oil and gas industry and was with Geophysics Company, which belongs to Vietnam Oil and Gas Group since 1987. From 1992 to 2006, he assumed the positions of Factory Deputy Director of PetroVietnam Technical Services Corporation (PTSC), Deputy Director of PetroVietnam Oil Processing and Distribution Company (PDC), belonging to PetroVietnam Oil and Gas Group. From 2006 to 2015, he held the position Director of PetroVietnam Gas South, then President & CEO of PetroVietnam Oil Corporation (PV Oil).

On 30 December 2015, the Board of Directors of PVFCCo decided to appoint him as the member of BOD cum President.



Mr. **NGUYEN HONG VINH**  
*Member of the BOD*

Year of Birth: 1960

Qualifications: Agricultural Mechanical Engineer

Mr. Nguyen Hong Vinh has extensive experience in Vietnam's fertilizer and agricultural chemicals industry, particularly in foreign-invested joint ventures.

From December 2009 to July 2013, he was PVFCCo's Vice President. He was elected to be a full time Member of the BOD since April 2013.



Mr. **LOUIS T. NGUYEN**  
*Member of the BOD*

Year of Birth: 1963

Qualification: Bachelor of Accounting and Finance

Louis T. Nguyen has over 25 years of investment and operating experience in the United States and Vietnam.

He became President and CEO of Saigon Asset Management (SAM) since 2007. Before founding SAM, Louis was the CEO of VinaCapital, in charge of the VinaCapital DFJ Technology Fund and a founding member of IDG Ventures Vietnam. Prior to coming to Vietnam in 2003, he held many management and management positions at Intelligent Capital, Osprey Ventures, NEC, KPMG, ect. at Silicon Valley. He was elected by PVFCCo's AGM (Annual General Meeting) as BOD member on 28 April 2016.



## BOARD OF MANAGEMENT



Mr. **DOAN VAN NHUOM**  
President and CEO,  
Member of the BOD  
(See more detail on page 21)



Mr. **LE VAN QUOC VIET**  
Vice President of Internal Affairs



Mr. **TU CUONG**  
Vice President of the NH<sub>3</sub>  
Revamp - NPK Complex



Mr. **HOANG VIET DUNG**  
Vice President of Safety, Health,  
Environment, Product Quality and  
Information Technology



Mr. **NGUYEN VAN TONG**  
Vice President of Finance,  
Accounting, Auditing and  
Financial Investment



Mr. **DUONG TRI HOI**  
Vice President of Sales and  
Distribution

Year of Birth: 1962

Qualifications: Bachelor of Economics  
in Planning

After leaving the armed forces in 1984, Mr. Le Van Quoc Viet joined the Youth Union, Communist Party and worked in the Organization and Human Resources operations in Vung Tau-Con Dao Special Zone and the Vietnam-Russia Oil and Gas Joint Venture (Vietsovpetro).

Since May 2007, he had served as Head of Human Resources and has been appointed as PVFCCo's Vice President since February 2009.

Year of Birth: 1960

Qualifications: Organic Chemical  
Technology Engineer

Mr. Tu Cuong assumed various roles over the years, as Interpreter of Ministry of Labor, Invalids and Social Affairs' (MoLISA) and Czechoslovakia Labor Management Board. He was a Technical Specialist at Poison Control Centre (PCC) of Bach Mai Hospital Hanoi; Engineer of Technology Division, Head of Gas Distribution Division and Head of Trading Division, etc. of PetroVietnam Gas Corporation (PV Gas), Director of PetroVietnam Gas Processing Plant.

Since 2008, he served as PVFCCo's Vice President and Director of Phu My Fertilizer Plant. In October 2015, he terminated his position as Director of Phu My Fertilizer Plant

Year of Birth: 1972

Qualifications: Petrochemical  
Technology Engineer

Mr. Hoang Viet Dung was a Specialist in Vietnam National Oil and Gas Group (PetroVietnam) from January 1996 to October 2002.

He was appointed as a Specialist - Deputy Head of Dung Quat Oil Refinery Project Management Board before serving as PVFCCo's Vice President since March 2011.

Year of Birth: 1958

Qualifications: Bachelor of Finance  
and Accounting in investment  
banking

Mr. Nguyen Van Tong worked for the General Department of Taxation (Office No. 2 in Ho Chi Minh City) and was in charge of Finance and Accounting in the Vietnam Oil and Gas Company II, the PetroVietnam Exploration Production Company (PVEP) as well as the Research and Development Centre for Petroleum Safety and Environment (CPSE). He assumed the role of Head of Supervisory Board of PetroVietnam Drilling and Well Services Corporation (PVD). He was also Vice President and HCMC Branch Director of PetroVietnam Securities Joint Stock Company (PSI) before being appointed as PVFCCo's Vice President in April 2009.

Year of Birth: 1978

Qualifications: Industrial Electricity  
Engineer, Bachelor of Economics in  
Investment Planning

Mr. Duong Tri Hoi represents the pioneer generation of PVFCCo.

He joined PVFCCo in 2007 and served in several senior positions such as Assistant to CEO, Head of Marketing, Director of PVFCCo Central, Director of PVFCCo SE before serving as PVFCCo's Vice President from July 2013.





## BOARD OF MANAGEMENT



**Ms. LE THI THU HUONG**  
Vice President of Legislation,  
Research and Development (R&D)

Year of Birth: 1975

Qualifications: Master of Business Administration

Ms. Le Thi Thu Huong started in Hanoi Trade Department in 1996, followed by Trade and Services Department of the Ministry of Planning and Investment. In May 2008, she took on the position of Head of Legal Department and International Cooperation in PetroVietnam Power Corporation.

Prior to assuming her current role as PVFCCo Vice President, she was the Deputy Head of Investment and Development in Vietnam National Oil and Gas Group from 2009 - 2013. She has been PVFCCo Vice President since 1 March 2013.



**Ms. TRAN THI PHUONG THAO**  
Vice President of Planning,  
Business innovation and  
Investment & Construction

Year of Birth: 1970

Qualifications: Bachelor of Economics in International Trade

Ms. Tran Thi Phuong Thao worked at PETEC of the Ministry of Trade and was in charge of business, contract management, finance, accounting and auditing at PetroVietnam PSC Supervising Company.

In 2001, she was Deputy Head of Finance and Accounting of Phu My Fertilizer Project Management Board, followed by Deputy Head of PVFCCo's Commerce. She was elected to be Head of PVFCCo Board of Supervisors in March 2009. She has held the position of Deputy General Director of PVFCCo since May 2016.



**Mr. VO NGOC PHUONG**  
Chief Accountant

Year of Birth: 1978

Qualifications: Bachelor of Finance (Money and Credit)

Since 2007, he has held the position of Chief Accountant, Deputy Director of Southwest PetroVietnam Fertilizer and Chemicals Joint Stock Company; Chief Accountant of PetroVietnam Fertilizer and Chemicals Joint Stock Company. He was appointed as Chief Accountant of PVFCCo in May 2016.



**Mr. HUYNH KIM NHAN**  
Chief Supervisor

Year of Birth: 1976

Qualification: Bachelor of Finance and Accounting

From 1998 to 2015, he held the positions of Accounting Officer of PetroVietnam Construction Investment Consultant Company, Finance and Accounting Specialist Deputy Manager of Finance and Accounting Department, Chief Accountant and Head of Finance and Accounting Board of PVFCCo. He was appointed as the Chief Supervisor of PVFCCo since May 2015.



**Mr. NGUYEN VAN HOA**  
Member of the Board of  
Supervisors

Year of Birth: 1969

Qualifications: Bachelor of Economics in Banking

Mr. Nguyen Van Hoa worked as an Accountant in the Asia Commercial Bank (ACB) and held the positions of Chief Accountant in Da Nang Branch and Deputy Chief Accountant in the ACB Headquarters since 2002.

He was elected into PVFCCo Board of Supervisors in 2007.



**Mr. LE VINH VAN**  
Member of the Board of  
Supervisors

Year of Birth: 1969

Qualifications: Bachelor of Economics in Finance and Accounting

Mr. Le Vinh Van was the Accounting Specialist in International SOS - OSC Petroleum Services Joint Venture Company, Chief Accountant in Classic Services and Trading Company Limited and the Trading Specialist in PetroVietnam Fertilizer and Chemicals Corporation.

In November 2008, he was elected as Member of the Board of Supervisors.



## BOARD OF SUPERVISORS





## HUMAN RESOURCES MANAGEMENT

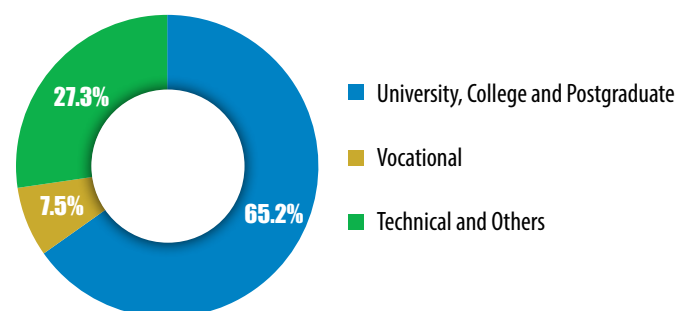
### Human resources

The total staff of the Corporation as at 31 December 2016  
(including parent company and subsidiaries): 1,604 employees



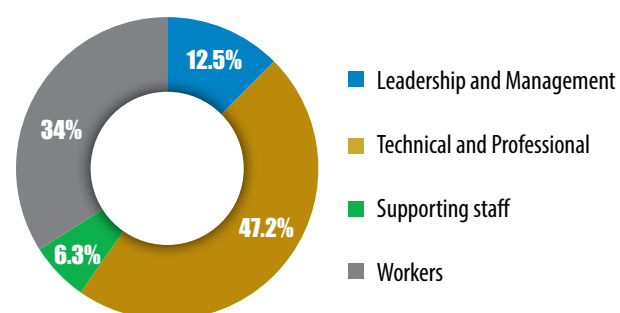
#### Staff level

| Classification by qualification      | Quantity<br>(employees) | Rate %      |
|--------------------------------------|-------------------------|-------------|
| University, College and Postgraduate | 1,045                   | 65.2%       |
| Vocational                           | 121                     | 7.5%        |
| Technical and Others                 | 438                     | 27.3%       |
| <b>Total</b>                         | <b>1,604</b>            | <b>100%</b> |



#### Division of Labor

| Classification by position | Quantity<br>(employees) | Rate %      |
|----------------------------|-------------------------|-------------|
| Leadership and Management  | 201                     | 12.5%       |
| Technical and Professional | 757                     | 47.2%       |
| Supporting staff           | 101                     | 6.3%        |
| Workers                    | 545                     | 34%         |
| <b>Total</b>               | <b>1,604</b>            | <b>100%</b> |







## HUMAN RESOURCES MANAGEMENT

### LABOR POLICY

**“The Corporation has completed and implemented the Key Performance Indicators (KPI) system and payroll based on the results of the assessment of performance and personal performance. Accordingly, the organization, management and staffing will ensure the rightness, science, the right people in the right job. As a result, it measures the capacity and performance of employees to make the salary and reward payment fairer and more accurate.”**

#### Human resources policy

In 2008, PVFCCo formulated, documented and implemented a new compensation and benefits package befitting a joint stock company in accordance with the Labor Code. This move was to encourage talent retention while attracting new talent. The payroll system has been reviewed and is in compliance with the law and aligned with the market realities. In 2015, the Corporation has completed and implemented the Key Performance Indicators (KPI) system and payroll based on the results of the assessment of performance and personal performance. Accordingly, the organization, management and staffing will ensure the rightness, science, the right people in the right job. As a result, it measures the capacity and performance of employees to make the salary and reward payment fairer and more accurate.

PVFCCo has Social Security, Health Insurance and Termination Benefits according to the Social Insurance Law and other government regulations.

Although the HR Policy took effect in 1 January 2009, it has been revised annually taking into consideration the current conditions. It consists of employee welfare, remuneration scales, training and development funds, leisure benefits, employment practices and placement and even welfare schemes for skilled and qualified professional employees.

PVFCCo has formulated reward policies in recognition of skills sets. A tiered remuneration scheme is applied to

specialists and several gradings for employees. These policies and schemes are directed at attracting and retaining talents who have professional knowledge and skills. Senior specialists have similar remuneration to senior management of PVFCCo and its subsidiaries. To date, PVFCCo has recognized 18 specialists in their fields of expertise.



#### Training and development policy

PVFCCo recognizes that the continuous professional development plays a vital role in its operations and business performance. The enterprise has placed special attention on learning and development and job performance. This is intended to motivate employees to improve their professionalism, competencies, skills, knowledge and expertise.

In 2016, the Corporation applied the ability dictionary, capability framework and results of capacity assessment to develop the training plan and curriculum. The quality of training has improved. The training focused and reflected the needs and capabilities for a specific job. The Corporation combines internal training, domestic training and overseas training. It also spearheaded the young manpower potential for professional development and management. It also regularly updates and adjusts policies to motivate and encourage employees to improve their professional skills, qualifications and foreign languages.

In recent years, in-house training has been the most effective and PVFCCo has emphasized this training modality. The staff have significantly improved their levels of expertise and knowledge. They are now able to safely and efficiently operate Phu My Fertilizer Plant, successfully mastering the operations and distribution systems.

The overseas training or international courses are reviewed for their relevance and impact (including language of instruction, content and objectives). This review is to

ensure training effectiveness. The management of PVFCCo has readily invested in human resources development. Technically skilled employees have participated in comprehensive overseas training to acquire the latest knowledge and technology updates in their field. The expected outcome is improvement in business performance through the launch of new projects for PVFCCo.

External lecturers have been invited to train in-house training programs with PVFCCo's designed curriculum. This is to ensure cost savings, efficiency and consistency with corporate values.

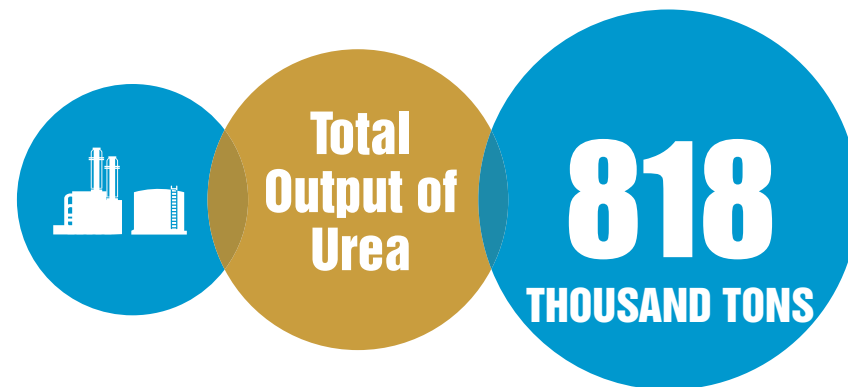
Implementing the learning and development plan with varied flexibly has helped achieve milestones in the knowledge and skill acquisition. This has led to PVFCCo's enhanced business performance.

The Human Resource Department is proud to support post-training for production and operations staff. In particular, PVFCCo's technical staffs have diligently applied their knowledge to operate and maintain Phu My Fertilizer Plant with safety and efficiency. They have consistently and successfully exceeded the planned targets.

In the year 2016, with the help of well-trained staff from the Head Office, the Corporation also took the initiative to organise themselves including the HR for the NPK factory project which is set to operate in 2017.



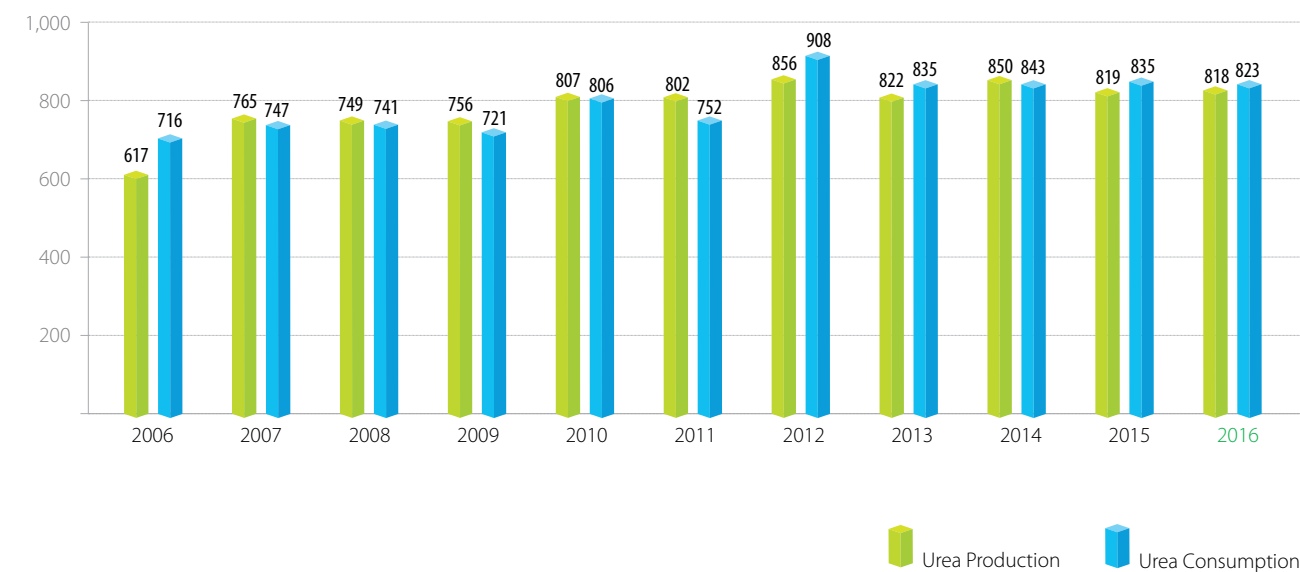
## PERFORMANCE HIGHLIGHTS



### Production and sales of Urea

|                                  | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------------------------------|------|------|------|------|------|------|------|------|------|------|------|
| Urea Production (Thousand Tons)  | 617  | 765  | 749  | 756  | 807  | 802  | 856  | 822  | 850  | 819  | 818  |
| Urea Consumption (Thousand Tons) | 716  | 747  | 741  | 721  | 806  | 752  | 908  | 835  | 843  | 835  | 823  |

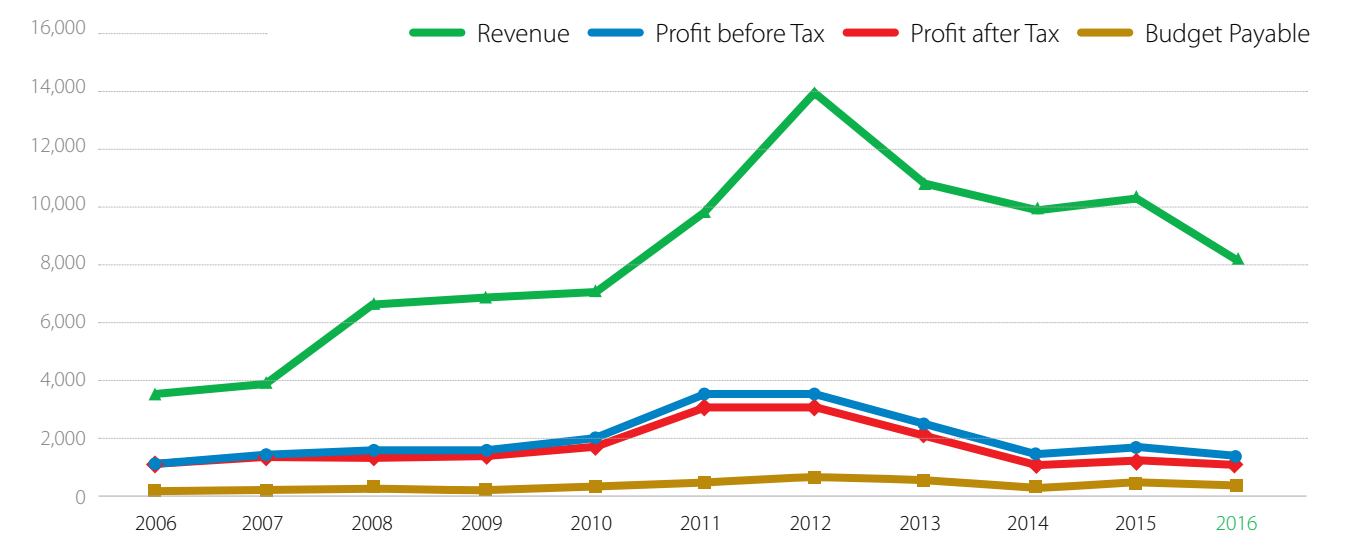
### PRODUCTION AND SALES OF UREA (UNIT: Thousand Tons)



### Consolidated financial indicators

| Year                            | 2006  | 2007  | 2008  | 2009  | 2010  | 2011  | 2012   | 2013   | 2014  | 2015   | 2016  |
|---------------------------------|-------|-------|-------|-------|-------|-------|--------|--------|-------|--------|-------|
| Revenue (VND Billion)           | 3,542 | 3,928 | 6,625 | 6,834 | 6,999 | 9,763 | 13,906 | 10,807 | 9,972 | 10,047 | 8,170 |
| Budget Payable (VND Billion)    | 107   | 151   | 283   | 253   | 405   | 537   | 694    | 602    | 308   | 420    | 474   |
| Profit before Tax (VND Billion) | 1,161 | 1,330 | 1,501 | 1,520 | 1,922 | 3,510 | 3,542  | 2,468  | 1,285 | 1,880  | 1,393 |
| Profit after Tax (VND Billion)  | 1,161 | 1,329 | 1,383 | 1,348 | 1,706 | 3,140 | 3,016  | 2,142  | 1,096 | 1,488  | 1,165 |

### CONSOLIDATED FINANCIAL INDICATORS (UNIT: VND Billion)

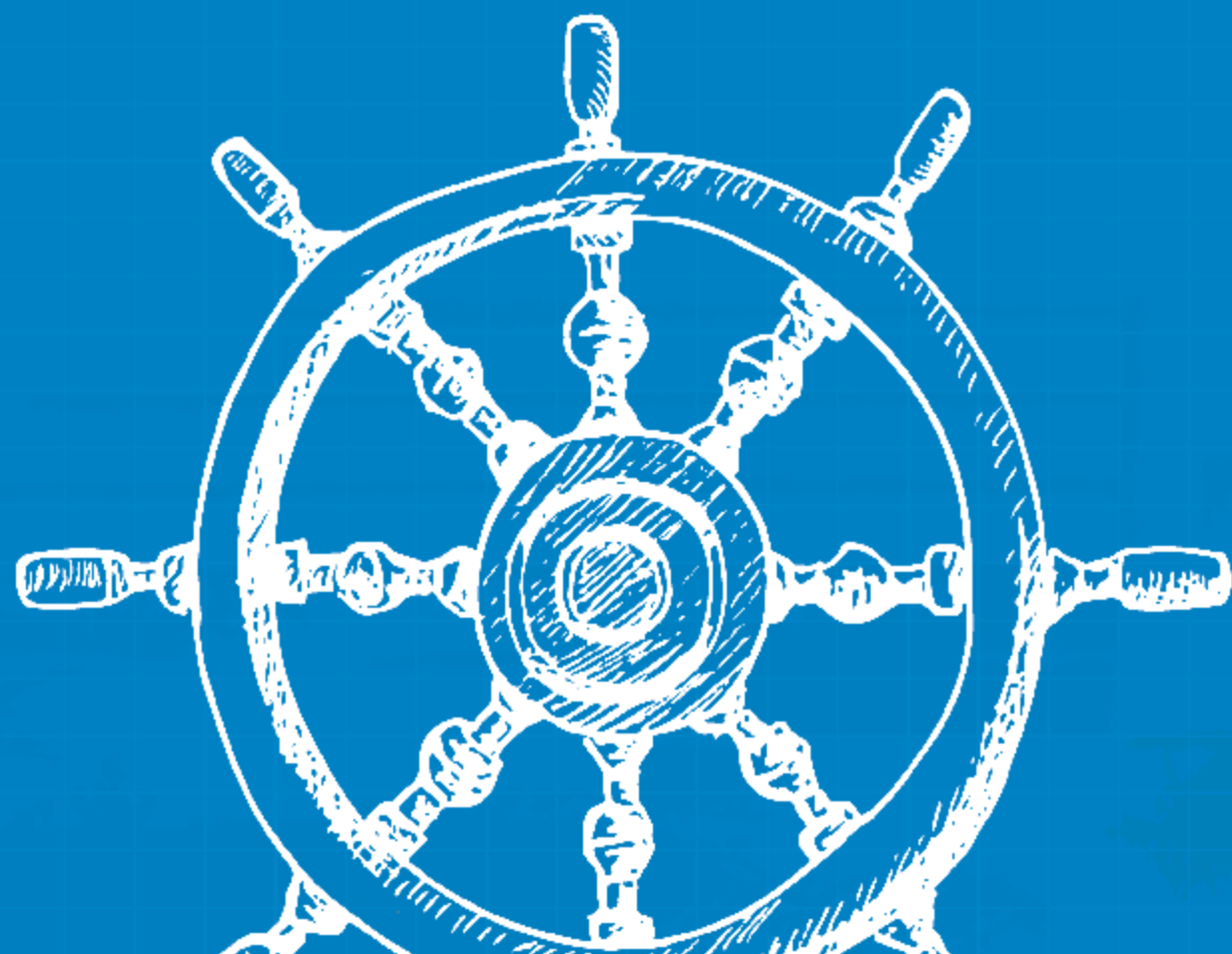




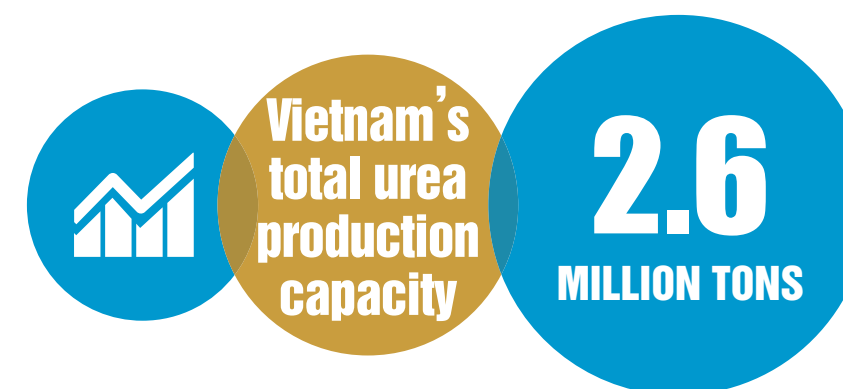


# BUSINESS PERFORMANCE REPORT IN 2016

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## BUSINESS PERFORMANCE REPORT IN 2016



## RISK ANALYSIS ON BUSINESS PERFORMANCE AND TARGET ACHIEVEMENT

### Operation risks

Phu My Fertilizer Plant, the main production plant of PVFCCo, has been operating for 14 years. Despite having regular and heavy maintenance, it has entered an age where mechanical wear and tear posed more risks. The potential operational problems may cause the production downtime. As a result, the downtime may significantly affect production efficiency, input costs and revenue and profit targets. In addition, the production waste and carbon emissions may pollute the environment. Employees are also impacted. Maintenance cost is increased. In addition, the problems at the factory may pollute the environment, impact the employees and increase the maintenance cost.

### Input price risks

Gas is the key production input for Urea and it takes a major portion of cost of goods sold. Although gas supply is assured by the Government of Vietnam, the price is aligned to the market. And the market price do fluctuate widely and affects input cost and in turn profitability. Besides, the natural gas is considered a national treasure. At times, the Government of Vietnam may revise gas exploration plans to meet total market demand. The revisions may adversely impact the production input of the Urea plant.

### Market risks

At present, the total domestic demand of Urea is about 2 million tons, while the total domestic production capacity exceeds 2.6 million tons. In recent years, despite strong competition from domestic producers, they have not reached full production capacity as yet. Admittedly, Phu My Urea is a strong brand and all its production has been sold at an optimal market price. However, there is always a possibility of losing its market share and having to conduct price cutting, especially after the production capacity and operational efficiency of other producers have improved. There is also the threat from Urea imports.

### Financial and restructuring risks

The Corporation has several term investments in non-core business. Some of these investments are under performing, such as, PVTEX and PVC Mekong. According to the restructuring plan, PVFCCo has set a target date to divest these investments, although with great difficulty. Although the corporation has provided for investment loss, it has plans to improve the performance of these companies so as to attract potential investors at a higher valuation. These supports may expose others costs for the Corporation.



## BUSINESS PERFORMANCE REPORT IN 2016

### BUSINESS PERFORMANCE

#### Summary on business performance 2016

| NO.       | ITEM   | UNIT               | ACTUAL<br>2015 | ANNUAL<br>PLAN<br>2016 | ACTUAL<br>2016 | GROWTH<br>COMPARED<br>TO 2015(%) | COMPLETION<br>RATIO TO<br>PLAN (%) |
|-----------|--|--------------------|----------------|------------------------|----------------|----------------------------------|------------------------------------|
| A         | B  | C                  | 1              | 2                      | 3              | 4=3/1                            | 5=3/2                              |
| <b>1</b>  | <b>Production</b>                                |                    |                |                        |                |                                  |                                    |
| -         | Phu My Urea                                      | Thousand tons      | 819            | 800                    | 818            | 100%                             | 102%                               |
| -         | UFC 85   | Thousand tons      | -              | 13.5                   | 10.4           | -                                | 76%                                |
| <b>2</b>  | <b>Sales volume</b>                              |                    |                |                        |                |                                  |                                    |
| -         | Phu My Urea                                      | Thousand tons      | 835            | 830                    | 823            | 99%                              | 99%                                |
| -         | Other fertilizers                                | Thousand tons      | 370            | 282                    | 354            | 96%                              | 125%                               |
| -         | Chemicals  | Thousand tons      | 4.6            | 11.9                   | 6.8            | 148%                             | 57%                                |
| <b>3</b>  | <b>Group financial indicators (consolidated)</b> |                    |                |                        |                |                                  |                                    |
|           | Total Revenue                                    | VND billion        | 10,047         | 7,890                  | 8,170          | 81%                              | 104%                               |
|           | Profit before Tax                                | VND billion        | 1,880          | 1,392                  | 1,393          | 74%                              | 100%                               |
|           | Profit after Tax                                 | VND billion        | 1,522          | 1,140                  | 1,165          | 77%                              | 102%                               |
|           | Budget Payable                                   | VND billion        | 436            | 347                    | 414            | 95%                              | 119%                               |
| <b>4</b>  | <b>Holding company's financial indicators</b>    |                    |                |                        |                |                                  |                                    |
|           | Owner's Equity                                   | VND billion        | 8,368          | 7,939                  | 8,049          | 96%                              | 101%                               |
|           | In which: Charter Capital                        | VND billion        | 3,800          | 3,914                  | 3,914          | 103%                             | 100%                               |
|           | Total Revenue                                    | VND billion        | 8,616          | 6,933                  | 7,069          | 82%                              | 102%                               |
|           | Profit before Tax                                | VND billion        | 1,738          | 1,307                  | 1,315          | 76%                              | 101%                               |
|           | Profit after Tax                                 | VND billion        | 1,468          | 1,080                  | 1,102          | 75%                              | 102%                               |
|           | Ratio of Profit after Tax/Charter Capital        | %                  | 38.63          | 27.59                  | 28.15          | 73%                              | 102%                               |
|           | Budget Payable                                   | VND billion        | 363            | 308                    | 366            | 101%                             | 119%                               |
| <b>5</b>  | <b>Investment</b>                                |                    |                |                        |                |                                  |                                    |
| <b>a.</b> | <b>Total investment</b>                          | <b>VND billion</b> | <b>979</b>     | <b>2,012</b>           | <b>876</b>     | <b>89%</b>                       | <b>44%</b>                         |
|           | Basic Construction Investment                    | VND billion        | 893            | 1,925                  | 827            | 93%                              | 43%                                |
|           | Equipment Procurement                            | VND billion        | 86             | 87                     | 49             | 56%                              | 56%                                |
|           | Capital Investment                               | VND billion        | -              | -                      | -              | -                                | -                                  |
| <b>b.</b> | <b>Capital investment source</b>                 | <b>VND billion</b> | <b>979</b>     | <b>2,012</b>           | <b>876</b>     | <b>89%</b>                       | <b>44%</b>                         |
|           | Owner's Equity                                   | VND billion        | 757            | 1,365                  | 876            | 116%                             | 64%                                |
|           | Loans and Others                                 | VND billion        | 222            | 647                    | -              | -                                | -                                  |

**Phu My Fertilizer Plant completed the production plan 8 days ahead of time. The production output reached 818,000 tons. This has exceeded the plan by 2%.**

#### Major changes in business strategy, revenue, profit, expenses, market, products and supplies - the reasons

The variations between the forecast and actual performance can be identified and highlighted:

- The global price of oil and gas in 2016 saw a mild recovery. This led to an increase in the cost of input materials. However, prices of urea in 2016 continued to decline and remain low. The average selling price of Phu My urea decreased by 20% compared to the previous year.
- A significant portion of long-term investment went into 2 subsidiaries which are PVC Mekong and PVTEX. There was a major loss provision of about VND 663 billion.

Given the increase in production cost, and the declined sales of, the actual profit in 2016 is only fulfilled in comparison with the set plan (adjustment plan).

PVFCCo achieved the planned targets on business productivity, sales, market share and production.

#### Production and business analysis

##### Production

Phu My Fertilizer Plant completed the production plan 8 days ahead of time. The production output reached 818,000 tons. This has exceeded the plan by 2%. The plant has also achieved its safety standards and operational stability and met its production plan ahead of schedule for the tenth consecutive year.

##### Business and products

Sales of 1.2 million tons of fertilizers (823 thousand tons of Phu My Urea and 353 thousand tons of other fertilizers), 33.3 thousand tons of NH<sub>3</sub> and about 6.8 thousand tons of chemicals (UFC85 and petroleum chemicals). Along with:

- Conduct continuous and periodic preventive maintenance of equipment in production, which is the important factor to minimize downtime, ensure stable, safe and effective production. From the progress in operation and maintenance, Phu My

Fertilizer Plant was honored to receive the "Excellent Operating Certificate" by Haldor Topsoe A/S (Denmark) - the copyright provider of Ammonia (NH<sub>3</sub>) awarded. This is the second time Phu My Fertilizer Plant received this Certificate;

- Phu My Urea remains the No1. Brand in fertilizer sector;
- Product quality of Phu My fertilizers continues to be affirmed: Phu My Urea Product was awarded the 13<sup>th</sup> consecutive title of Vietnamese High Quality Goods; Phu My Urea brand is among the Top 40 Most valuable brand names in Vietnam by Forbes Vietnam; Phu My fertilizer products are recognized as National Brand 2016.

##### Construction investment

To continue diversification of the production and trading of petrochemicals and chemicals: Following completion of the construction of the UFC 85/Formaldehyde 15,000 tons/year plant in December 2015, to 11/05/2016, the plant was commissioned, handed over and officially put into commercial operation.

The Corporation focuses on deploying 2 parts of the NH<sub>3</sub> - NPK project achieving 68.82% and 76.4% of the plan as planned.

##### Total revenue

Total revenue reached VND 8,170 billion – 104% of plan, down 19% from 2015. Total revenue exceeded the plan but decreased compared to 2015 mainly due to stiff competition and a sharp decrease of fertilizer and chemical prices.

##### Profit before tax

Profit before tax (PBT) reached 1,393 billion VND, fulfilling 100% of the plan. However it decreased 26% compared to 2015 due to cut throat competition. The lower profit than 2015 is mainly due to a significant decrease in selling price. The price of Phu My Urea and other fertilizers decreased 20% and 11%. The NH<sub>3</sub> price has dropped by more than 32% compared to 2015. The year 2016 is considered as the most difficult year ever for the Corporation as the domestic fertilizer market has to compete fiercely with imported fertilizers at low prices, that led to the sharp selling price decline.





## BUSINESS PERFORMANCE REPORT IN 2016

### RESEARCH AND DEVELOPMENT INVESTMENT IN OTHER PROJECTS

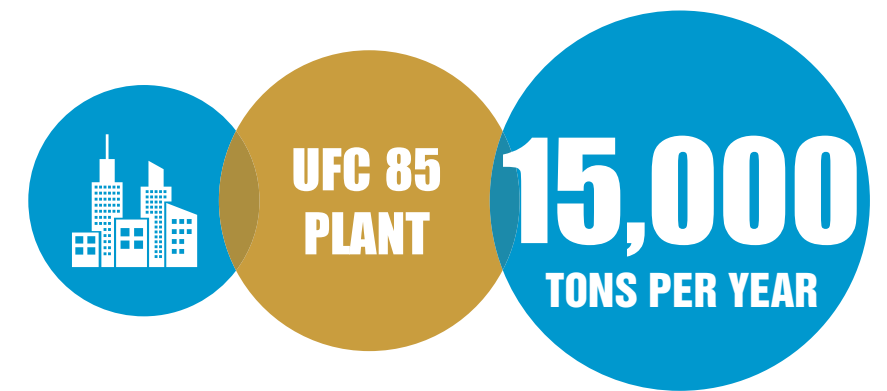
#### Results of research and development (R&D)

Knowing the importance of R&D in driving business growth, in 2016 PVFCCo has rigorously applied medium and long term technology solutions in management, resource allocation and planning. The R&D focused on application, market demand and secured existing strengths of the Corporation in the oil and gas sector.

The research content planned for 2014 - 2017, will focus on developing Urea fertilizer products (such as application of new technology and Urea with trace, organic and microbiological elements), the fertilizer and chemical

(organic minerals, optimal formula NPK fertilizer products with high mineral content, chemical and fertilizer products from agricultural waste or dissolve fertilizer combined with irrigation system).

In 2017, the Corporation will review to focus on highly usable research, study new management models or business solutions that complement the development plan. It also equips the R&D facilities with efforts to get at least one new product.



#### Investment

According to 2016 Plan, the Corporation has deployed PVFCCo 1 Group A project, 2 Group B projects and 2 Group C projects and some fixed asset procurement projects with total construction and procurement investment capital of VND 2,026 billion. With investment efforts, in 2016, the Corporation has disbursed VND 1,031 billion achieving 51% of the yearly plan. This is the highest amount disbursed for the implementation of construction investment plans. This marked PVFCCo's efforts in selecting investment projects in its strengths, trading in the key products, focusing on diversifying and improving the quality of products in order to differentiate themselves from others.



#### The typical projects that have been implemented in 2016 includes:

**The Complex of NH<sub>3</sub> Revamp and Phu My NPK Plant:** This project aims to increase the capacity of NH<sub>3</sub> Phu My Fertilizer Plant by 90,000 tons per year (representing a 20% increase to current capacity). The project also constructs a new NPK Plant to produce 250,000 tons per year from NH<sub>3</sub> and other chemicals by using chemical engineering. The total investment for the project is about VND 5,000 billion. The project is highly feasible given that the annual demand of NPK exceeds 4 million tons, but supply meets only about 5-10% of the high quality product. The project is being implemented according to schedule and is expected to be completed in 2017.

**UFC85/Formaldehyde plant** has the capacity of 15,000 tons/year. The project has been commissioned, handed over and officially put into operation since May 2016, and has contributed to increasing the brand value of PVFCCo.

**Complete commissioning and start commercial running:** The commercial CO<sub>2</sub> production plant owned by PVFCCo, SBD Petroleum Services Joint Stock Company and FA Corporation with a total investment capital of USD 8 million. The capital contribution ratio is 5%, 40 %, 55%. The plant has a design capacity of 47,500 tons per year, tested and officially operated commercially from November 2016.

**In addition to the above projects, PVFCCo is preparing for investment in the period 2015 - 2020. It is building both scale and variety of new products on the basis of utilizing the core strengths of PVFCCo in oil and gas industry. A number of investment projects in production and manufacturing are under ongoing research:**

- Peroxide Production Project (H<sub>2</sub>O<sub>2</sub>) with a capacity of 30,000 tons per year, with an investment of about USD 21 million. This chemical is used extensively in industrial production, especially in paper and dyed paper. The H<sub>2</sub>O<sub>2</sub> will use hydrogen-rich gas and additives from Phu My Fertilizer Plant.
- Polystyrene (PS) Production Plant project is designed with the capacity of 300,000 tons per year. The PS and PP petrochemical products, widely used in consumer industries and support industries. There is a supply shortage of this product.





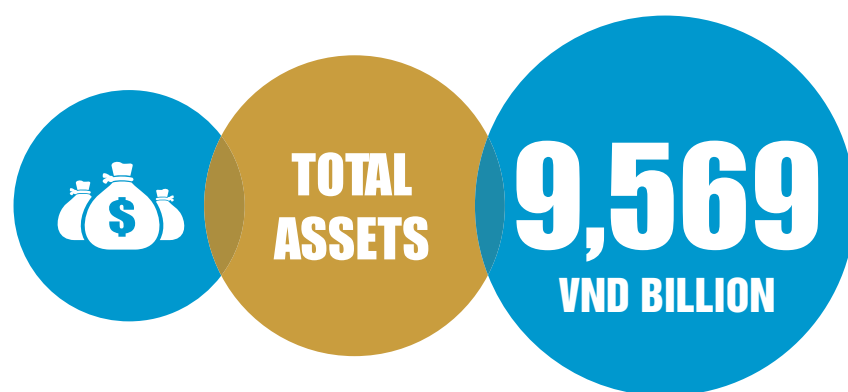
## BUSINESS PERFORMANCE REPORT IN 2016

### Return on capital

2016 Financial Summary

Unit: VND billion

| NO.          | ITEM  | EQUITY<br>TO TOTAL<br>CHARTER<br>CAPITAL<br>RATIO (%) | MARKET VALUE OF<br>TOTAL INVESTED<br>CAPITAL | CHARTER<br>CAPITAL | PROFIT<br>AFTER TAX<br>(PAT) | PAT TO<br>CHARTER<br>CAPITAL<br>RATIO | DIVIDEND 2016 |
|--------------|---|---|--|--------------------|------------------------------|---------------------------------------|---------------|
| <b>I</b>     | <b>Investments in Subsidiaries</b>                      |   | <b>386.25</b>                                | <b>545</b>         | <b>97.31</b>                 |                                       | <b>59.13</b>  |
| 1            | PVFCCo North  | 75.00%  | 90.00  | 120.00             | 20.67                        | 17%                                   | 13.50         |
| 2            | PVFCCo Central  | 75.00%  | 75.00  | 100.00             | 25.17                        | 25%                                   | 15.00         |
| 3            | PVFCCo SE   | 75.00%  | 93.75  | 125.00             | 23.35                        | 19%                                   | 14.06         |
| 4            | PVFCCo SW   | 75.00%  | 127.50                                       | 170.00             | 28.12                        | 17%                                   | 16.57         |
| <b>II</b>    | <b>Investments in Associates<br/>and Joint Ventures</b> |   | <b>680.90</b>                                | <b>2,487.80</b>    | <b>-683.87</b>               |                                       | <b>3.28</b>   |
| 1            | PVTEX   | 25.99%  | 562.70                                       | 2,165.11           | -676.70                      |                                       | -             |
| 2            | PVC Mekong  | 35.63%  | 100.00                                       | 280.69             | -17.52                       |                                       | -             |
| 3            | PVFCCo Packaging  | 43.34%  | 18.20  | 42.00              | 10.35                        | 25%                                   | 3.28          |
| <b>III</b>   | <b>Other Long-Term Investments</b>                      |   | <b>20.50</b>                                 | <b>396.35</b>      | <b>15.35</b>                 |                                       | <b>-</b>      |
| 1            | PAIC  | 8.50%   | 3.60   | 42.35              | 3.56                         | 8%                                    | -             |
| 2            | Ut Xi Seafood Processing JSC                            | 6.78%   | 16.90  | 354.00             | 11.79                        | 3%                                    |               |
| <b>Total</b> |   |   | <b>1,087.65</b>                              | <b>3,399.15</b>    | <b>-571.21</b>               |                                       | <b>62.41</b>  |



## CORPORATE FINANCIAL STATEMENTS

### Assets and capital

Unit: VND billion

| TARGET                                    | 31/12/2015    | 31/12/2016   | % INCREASE (DECREASE) |
|---|---------------|--------------|-----------------------|
| <b>TOTAL ASSETS</b>                       | <b>10,919</b> | <b>9,569</b> | <b>-12%</b>           |
| Current assets                            | 8,082         | 5,816        | -28%                  |
| Long-term asset                           | 2,837         | 3,753        | 32%                   |
| <b>Total capital</b>                      | <b>10,919</b> | <b>9,569</b> | <b>-12%</b>           |
| <b>Liabilities</b>                        | <b>2,372</b>  | <b>1,340</b> | <b>-44%</b>           |
| <b>Owner's equity</b>                     | <b>8,548</b>  | <b>8,229</b> | <b>-4%</b>            |
| Charter capital                           | 3,800         | 3,914        | 3%                    |
| <b>Total revenue</b>                      | <b>10,047</b> | <b>8,170</b> | <b>-19%</b>           |
| <b>Total cost</b>                         | <b>7,969</b>  | <b>6,781</b> | <b>-15%</b>           |
| <b>Interest</b>                           | <b>2.6</b>    | <b>4.5</b>   | <b>74%</b>            |
| <b>EBIT</b>                               | <b>2,081</b>  | <b>1,394</b> | <b>-33%</b>           |
| <b>Profit before tax</b>                  | <b>1,880</b>  | <b>1,393</b> | <b>-26%</b>           |
| <b>Profit after tax</b>                   | <b>1,522</b>  | <b>1,165</b> | <b>-23%</b>           |
| Profit after tax of minority shareholders | 34            | 24           | -29%                  |
| Profit after tax of parent company        | 1,488         | 1,141        | -23%                  |

### Financial indicators

| TARGET                             | 2015   | 2016   |
|------------------------------------|--------|--------|
| <b>Liquidity ratios</b>            |        |        |
| Current ratio                      | 4.40   | 5.02   |
| Quick ratio                        | 3.66   | 4.22   |
| <b>Solvency ratios</b>             |        |        |
| Total debt/Total assets            | 21.72% | 14.00% |
| Total debt/Total equity            | 27.75% | 16.28% |
| <b>Operational capacity ratios</b> |        |        |
| Inventory turnover                 | 4.63   | 4.83   |
| Net revenue/Total assets           | 89.43% | 82.82% |
| <b>Profitability ratios</b>        |        |        |
| Net profit after tax/Net revenue   | 15.59% | 14.70% |
| Profit before tax/Total revenue    | 18.71% | 17.05% |
| ROE                                | 17.35% | 13.89% |
| ROA                                | 14.48% | 11.37% |



## SHARES AND SHAREHOLDERS STRUCTURE

### Shares

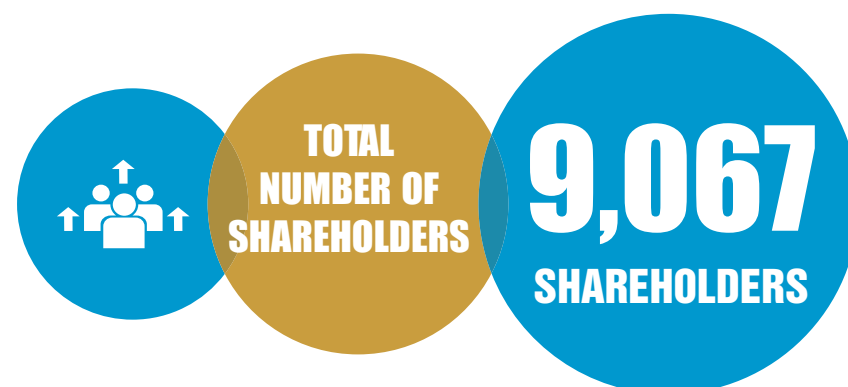
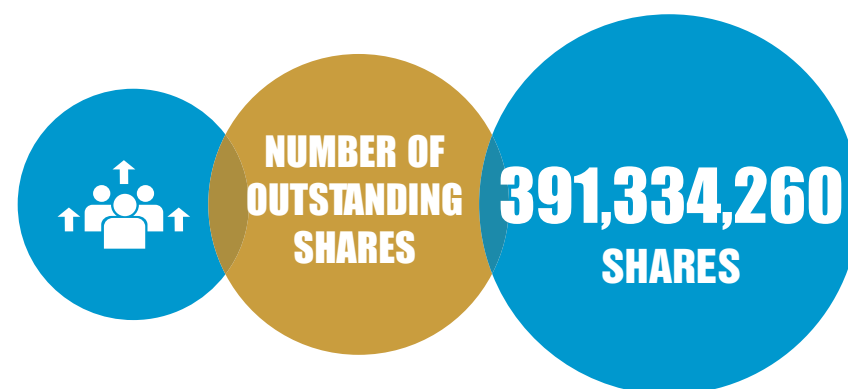
- Initial Public Offering (IPO): 380,000,000 common shares.
- As at 31 December 2016, there were 391,334,260 outstanding shares (excluding 65,740 treasury shares).
- Number of encumbered shares: 11,400,000 ESOP shares issued with restricted transfer until 26 February 2017.

### Changes in owner's equity

- In 2016, there were an additional 11,400,000 shares issued under the Employee Stock Option Plan (ESOP).

### Treasury shares

- As start of 2016, there were 65,740 treasury shares.
- There were no transaction during the year. As at 31 December 2016, it remained at 65,740 shares.



### Shareholders structure

Based on the shareholder listing in the Vietnam securities depository, as at 05 December 2016, there was a total of 391,334,260 shares owned by 9,067 shareholders.

#### Domestic shareholders

+ Detailed information on domestic shareholder structure:

| SHAREHOLDER    | QUANTITY     | NUMBER OF SHARES   | PROPORTION OF OUTSTANDING SHARES |
|----------------|--------------|--------------------|----------------------------------|
| Legal Entities | 99           | 254,309,288        | 64.97%                           |
| Individuals    | 8,404        | 49,949,892         | 12.76%                           |
| <b>Total</b>   | <b>8,503</b> | <b>304,259,180</b> | <b>77.73%</b>                    |

+ Detailed information on major domestic shareholders:

| NO. | SHAREHOLDERS' NAME AND ADDRESS  | MAIN BUSINESS LINES  | NUMBER OF SHARES HELD | PROPORTION OF OUTSTANDING SHARES |
|-----|---|--|-----------------------|----------------------------------|
| 1   | Vietnam National Oil and Gas Group (PetroVietnam)<br>Address: 18 Lang Ha Street, Ba Dinh District, Hanoi.<br>State-Owned Corporation<br>Website: www.pvn.vn | Discover, develop, process, store and transport oil, gas and other related services locally in Vietnam as well as internationally. Supply material and equipment for oil and gas industry. Distribute and trade oil, gas and petrochemical products;<br><br>Invest in production and trading of electricity, biofuel and renewable energy;<br><br>Ancillary businesses pertaining to oil, gas and energy industries. | 233,204,253           | 59.58%                           |

#### Foreign shareholders

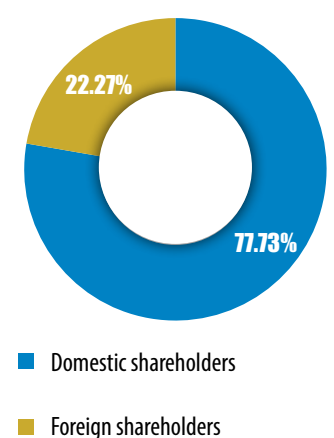
Detailed information on foreign shareholder structure:

| Shareholder    | Quantity   | Number of shares  | Proportion of outstanding shares |
|----------------|------------|-------------------|----------------------------------|
| Legal Entities | 114        | 86,029,022        | 21.98%                           |
| Individuals    | 450        | 1,111,798         | 0.29%                            |
| <b>Total</b>   | <b>564</b> | <b>87,140,820</b> | <b>22.27%</b>                    |

Detailed information on major foreign shareholders: None

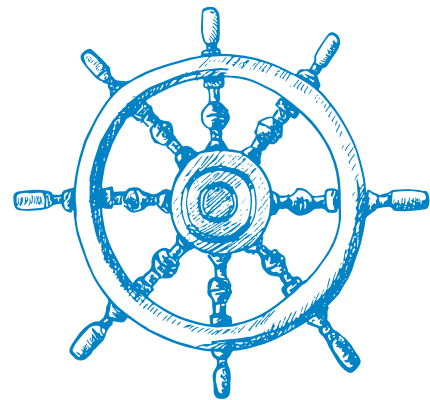
**State-Owned Shareholder:** Vietnam National Oil and Gas Group (as above)

Shareholders Structure





## BOARD OF MANAGEMENT REPORT



**PVFCCo has been operating for 14 years and celebrates its tenth year as a joint stock company. The Corporate continues to develop and improve its sustainable values.**

## PERFORMANCE

### In general

In 2016, the Corporation inspired by past experience to promote human resource development in line with dynamic changes in organization structure, management reporting, and business operations to achieve satisfactory financial results. Specifically, it improved PVFCCo's competitive position in the fertilizer and chemicals markets, both domestically and internationally. The Corporation reassured and demonstrated its long-term commitment to employees and affirmed the fit and relevance of its business strategy to lay foundations for continuous organisation development in the coming year.

PVFCCo achieved the 2016 annual targets through capitalizing on its core strengths while overcoming the challenges:

#### Core strengths

- Gas resources remained stable, with an average gas price that is below the budget.
- Phu My Urea has the trust of the farming community for product quality and brand value and an affirmed position in the fertilizer sector;
- An extensive distribution network;
- Adequate capital is ensured timely for production operation.

#### Challenges

- Competitive markets leading to price discount;
- Input cost escalated due to removal of Input VAT exemption;
- Climate change affected the need to use fertilizers for crops;
- The machinery and equipment is outdated now and the risk of sudden downtime may arise.
- Presence of fake Urea products in the market.

### Outstanding financial results of 2016:

**REVENUE**   
**8,170**  
VND BILLION  
EXCEEDED THE TARGET BY 4%

**PROFIT BEFORE TAX**   
**1,393**  
VND BILLION  
EXCEEDED THE TARGET BY 100%

**PRODUCTION VOLUME**  
**818**  
THOUSAND TONS OF PHU MY UREA  
8 DAYS AHEAD OF SCHEDULE

**TOTAL SALES VOLUME OF FERTILIZERS**  
EXCEEDED 2% OF ANNUAL PLAN  
**1,177**  
THOUSAND TONS OF FERTILIZER



### Performance highlights 2016

#### Production

Good progress has been achieved by resolving issues proactively and quickly. Actions taken for reviews, calibration and applications have raised efficiency and reduced production cost.

#### Business

Despite fierce competition faced by domestic fertilizers face against cheaper imported fertilizers, Phu My fertilizer managed to retain both its brand and market share in Viet Nam. It has established a niche with its quality products such as NPK Phu My, Phu My Potassium, DAP Phu My as it continue to develop new products in the chemicals processing and trading sector.

#### Laying the foundation

Project "Revamping Ammonia (NH<sub>3</sub>) Workshop and Building Chemical technology-based NPK Plant" aims to add the production capacity of the NH<sub>3</sub> Workshop at Phu My Fertilizer Plant by 90,000 tons per year. This is about 20% of current production. The project has a component to build a new NPK Plant to produce 250,000 tons per year from NH<sub>3</sub> by chemical technology. It is implemented according to plan and will be in operation by 2017. This is a necessary step because the current supply meets only 5-10% of the market demand. The unmet demand is equal to 4 million tons annually.

The UFC85/Formaldehyde Plant project with a production capacity of 15,000 tons/year has been designed, built, tested, handed over. The operations officially began in May 2016, thus increasing the brand value of PVFCCo.

#### Research and Development (R&D)

The focus is on applied research. In 2016, the R&D Team delivered a new product to market.

#### Human resources

The Project Remuneration and KPI aims to improve staff productivity and operating results. The enterprise is now able to retain talent.

In 2016, there were activities in production and business in-progress:

- Management and Personnel structure is being streamlined. Further restructuring is expected.
- Unproductive investments in subsidiaries and associates shall be reviewed.

These limitations are big challenges that need to be tackled promptly to cope with the increasingly fierce and highly competitive market.





## FINANCIAL ANALYSIS

### Assets and liabilities

Total assets as at 31/12/2016 was VND 9,569 billion, a 12% reduction from start of year (VND 9,569 billion/VND 10,919 billion). Cash and cash equivalents decreased by 28% from January 2016 (VND 4,098 billion/VND 5,690 billion).

Loss provisions amounted to VND 2.9 billion for Ut Xi Seafood Processing Joint Stock Company, as per the instructions from the Ministry of Finance.

2016 was a difficult year for domestic enterprises but PVFCCo met its annual targets. The production was efficient and the operation was effective. Such that the Profit after Tax only reduced by 23% compared to 2015, but reached 102% of 2016 annual plan. The subsidiaries achieved a pre-tax profit that exceeded their targets too.

### Liabilities

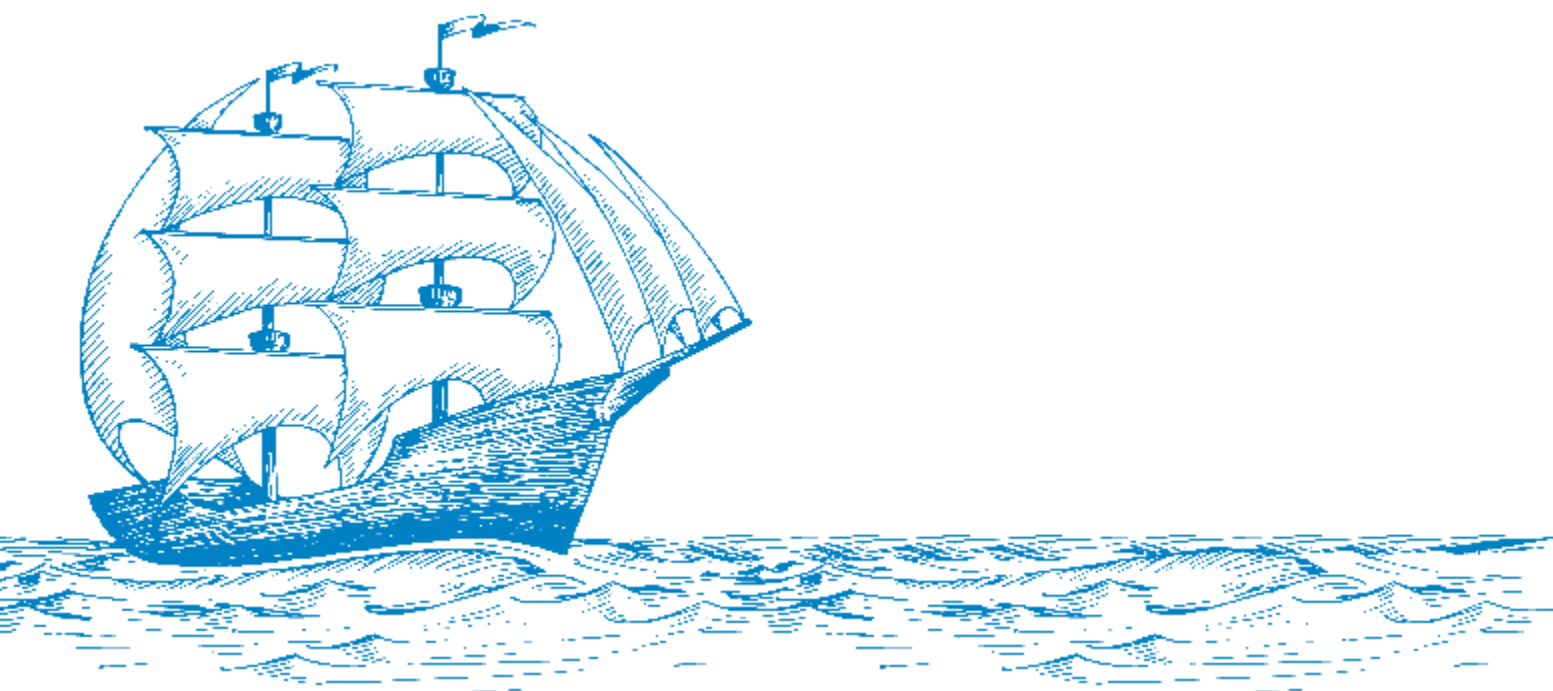
Liabilities for 2016 stood at VND 1,340 billion, down 44% from start of year (VND 1,340 billion/VND 2,372 billion).

Liability to Asset Ratio and Liabilities to Equity Ratio fell from 2015, whilst Current Ratio and Quick Ratio remained high and were greater than 1. This shows that the Corporation has sufficient liquidity to repay its short term debts.

Given the closing balance of Cash and Cash equivalents at VND 4,098 billion, there is sufficient funding for manufacturing, trading and investment projects as planned.

### Profitability

The ROE and ROA decreased in 2016 due to a 23% dip in profit as compared to 2015. The local economy, global political turbulence, and fluctuating global oil prices played a part in causing a sharp fall in fertilizer prices that affected PVFCCo's operations.



## RECOGNITION AND AWARDS IN 2016

### ENTERPRISE FOR WORKERS

PVFCCo received "Enterprise for Workers" Award and the "Prime Minister's Certificate of Excellence" for people-centred programs in staff welfare and benefits.

### CERTIFICATE OF OPERATIONAL EXCELLENCE

Phu My Fertilizer Plant received the "Certificate of Operational Excellence" from Haldor Topsoe of Denmark, the licensor of the  $\text{NH}_3$  production technology.

### Top 50 BEST VIETNAMESE PUBLIC LISTED COMPANIES

PVFCCo listed in "Top 50 Best Vietnamese Public Listed Companies" (by Forbes Vietnam).

### Top 5 BEST INVESTOR RELATIONS ENTERPRISES

PVFCCo awarded the "Top 5 Best Investor Relations Enterprises" for the 4<sup>th</sup> consecutive year.

### NATIONAL BRAND

Phu My Fertilizer of PVFCCo recognized as a National Brand 2016.

### Top 40 MOST VALUABLE BRANDS

Phu My Fertilizer ranked in the "Top 40 Most Valuable Brands" in Vietnam (by Forbes Vietnam).

### VIETNAMESE HIGH QUALITY PRODUCT

Phu My Urea awarded the "Vietnamese High Quality Product" for the 13<sup>th</sup> consecutive year.



### CORPORATE GOVERNANCE REVIEW BY BOARD OF DIRECTORS

**“It leveraged on the management experience of the BOD as well as the supervisory strength of the BOS. It applied support system and solutions to business operations and administration, such as ERP, ISO, KPI management and performance evaluation.”**

PVFCCo applied the corporate governance model that included instructions and guidelines issued at the Annual General Meeting of Shareholders, Board of Supervisors, and the Board of Management in compliance with the Law on Enterprises 2015. The standard of corporate governance has complied and met the requirements of Circular No. 121/2012/TT-BTC, dated 26 July 2012, issued by Ministry of Finance. The corporate governance practices covered all internal operations, supervision and audit. The financial reports were prepared in compliance with the laws on transparency and accountability and audited by leading external auditors approved by the Ministry of Finance. Members of the BOD, BOS and BOM are capable and qualified and served without conflict of interests. They have fulfilled their roles and duties effectively during the year. The Corporation improved the standard of corporate governance in several ways. It leveraged on the management experience of the BOD as well as the supervisory strength of the BOS. It applied support system and solutions to business operations and administration, such as ERP, ISO, KPI management and performance evaluation.



### Overview

PetroVietnam Fertilizer and Chemicals Corporation (PVFCCo) achieved the following milestones in 2016: There were bright spots in the Vietnamese economy, with GDP still growing and inflation kept low despite domestic challenges and global uncertainties. The global oil price rebounded, that led to higher gas prices after falling south earlier. Coupled with a downward spiral of the urea/nitro fertilizer price against the oil and gas prices, it generated cost pressures for PVFCCo. The market competition intensified, with the supply of domestic urea fertilizer in excess of demand, thus resulted in falling price. The cost of input VAT increased accordingly to the non-deductible VAT amount because of changes to the tax law. However, the policy and technical support from the Government of Vietnam, Vietnam Oil and Gas Group and PVFCCo shareholders and staff, all encouraged the Corporation to make the necessary adjustments to fulfill its production for 2016.

### Results

The discussions from the two Annual General Meetings of Shareholders are summarized as Advantages or Limitations. The Corporation successfully achieved its annual planned targets in production, and operations and financial performance.

In addition, PVFCCo ensured optimum production efficiency. Given that Phu My Urea is the main product earning the highest revenue, the Corporation actively promoted the sales of its specialty Phu My fertilizer products (NPK Phu My, MOP Phu My, SA Phu My, DAP Phu My, etc.) which contributed to the success results. The subsidiaries in the distribution sector took the initiative to gradually improve business competitiveness in fertilizers, oil and gas. The investment in 2015 showed encouraging results with the completion in construction of chemicals factory UFC85 Unit. Also, the approval of the bidding results and selection of contractors for NH<sub>3</sub> revamping project and construction of new NPK Fertilizer Production Plant showed good progress. Chemical technology development has achieved as planned.

The corporation has adopted the principle of honesty and transparency. As an award winning business, the management maintained the principle as its basis for and standard in, best practice. In 2015, besides having an effective integrated management systems ISO 9001:2008, OHSAS 18001: 2007 and ISO 14001: 2004; systems: ERP, STOP, 5S, Six Sigma, CBM, RCA, FMEA, RBI, RCM, etc. The Corporation set up a list of indicators to assess the effectiveness of the KPI and Innovation projects of wages (3P). This is to create a professional work environment that is fair and efficient. There was a new audit methodology and tools for enhancing risk management in business and production.





### Limitations and solutions

Besides the achievements and results attained in 2016, the Board of Directors reviewed the corporation and found that there were restrictions that need to be addressed:

#### Production

Phu My Fertilizer Plant: Despite regular maintenance, engineering and technical issues have surfaced in the fixed equipment and machinery installations after more than 13 years of continuous operations.

#### Operations and financial performance

The operational efficiency and sales of non-urea fertilizer and chemical products have improved in 2016 but profitability has not risen as expected. With the reduced

profitability of Phu My Fertilizer business, there is greater pressure to improve the sales and margins of other products. This requires more efforts, particularly the Trading Division, in the coming years. The distribution system should also be reviewed and evaluated to increase efficiency.

There is a need for stricter control and well-defined cost reductions.

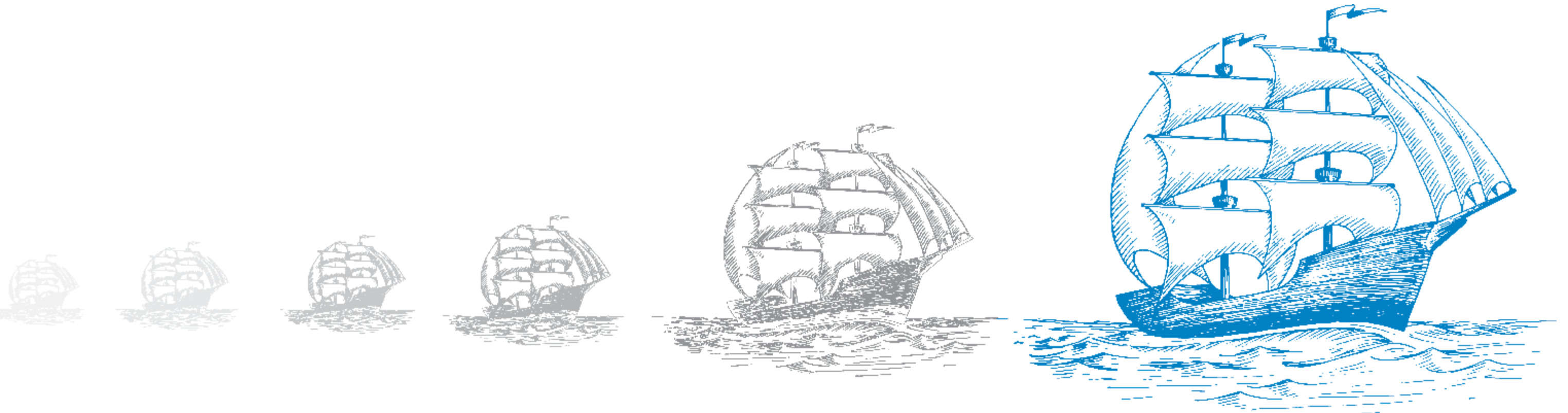
#### Capital contribution to associated companies

The planned divestments and withdrawal of capital from associated companies, such as PVTEX, PVC Mekong, PAIC and Ut Xi Aquatic Products Joint Stock Company were delayed. The operations of the companies, with the exception of PAIC, continued to deteriorate.

### Evaluation on the activities of the Board of Management

General assessment of the BOD on business operation management:

- The members of the Board of Management are qualified, competent, fully trained professionals knowledgeable in areas under their charge. They possess much years of experience in managing and operating projects and big business.
- The CEO has a clear assignment for the Deputy CEO. Weekly briefings are held to assess the results of the work weekly and to deliver the next work plan period.
- The Board of Management implemented business initiatives in line with resolutions passed at the General Meeting of Shareholders. Business operations followed advice from the Board of Directors, especially on the direction and in compliance with the business charter and the provisions of law.
- Integrated Management System ISO 9001: 2008, OHSAS 18001: 2007 and ISO 14001: 2004; management systems and enterprise resource planning ERP have been successfully implemented. Policy reform to review staff salaries and staff assessment for deployment contributes to ensuring the productivity and effective, safe operation of the Corporation.
- The Board of Management always allows flexibility in production and business operations. To effectively control the operations and production, BOM is given the jurisdiction to approve documents. The BOM also controls internal risk management from the Executive Board to middle management.
- The BOM has taken an initiative to set up and develop the supply chain and distribution channels. PVFCCo has been actively dealing with: NPK, MOP, DAP, SA and chemical items and these items showed initial positive changes.







## CORPORATE GOVERNANCE REPORT

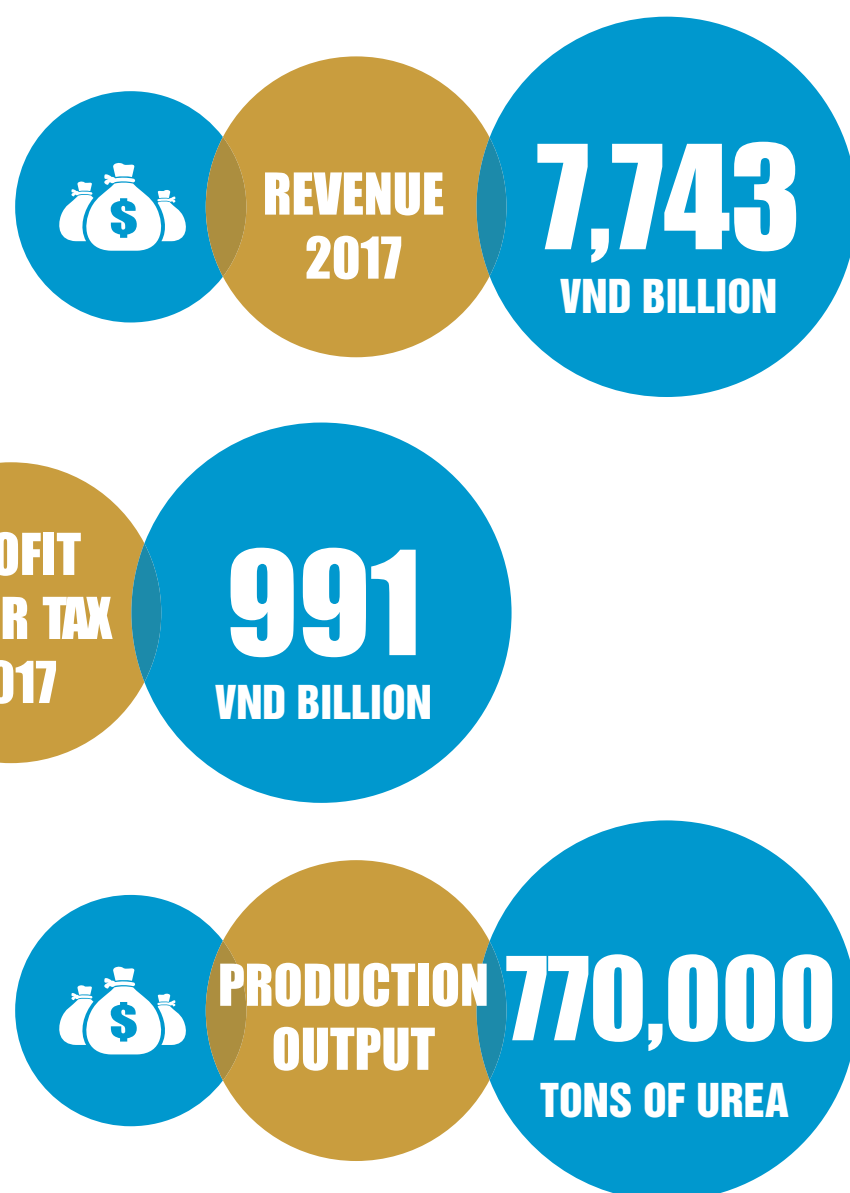
### BOD plans and directions for 2017

PVFCO assumes oil prices to remain at \$50 per barrel in 2017 as the basis for forward plans. Then the expected average gas price for 2017 will be \$4.47 per MMBTU, which is a 16% increase from 2016 average price of \$3.86 per MMBTU.

Urea price: After the continuous decline in 2016, the prices have stabilised at the bottom, and there are recent signs of recovery. However, the price increase of nitro fertilizers is not at the same pace as increases in gas price, which means there will be reduced profit margins in 2017. Also

the Corporation will deploy resources on key projects, such that the operating income is expected to reduce.

Given the expected challenges and uncertainties, the Board of Directors will collaborate closely with the Board of Management and Staff to collectively improve business operations while maintaining a high level corporate governance to achieve 2017 goals and targets as agreed at the Annual General Meeting of shareholders, as follows:



### Output targets

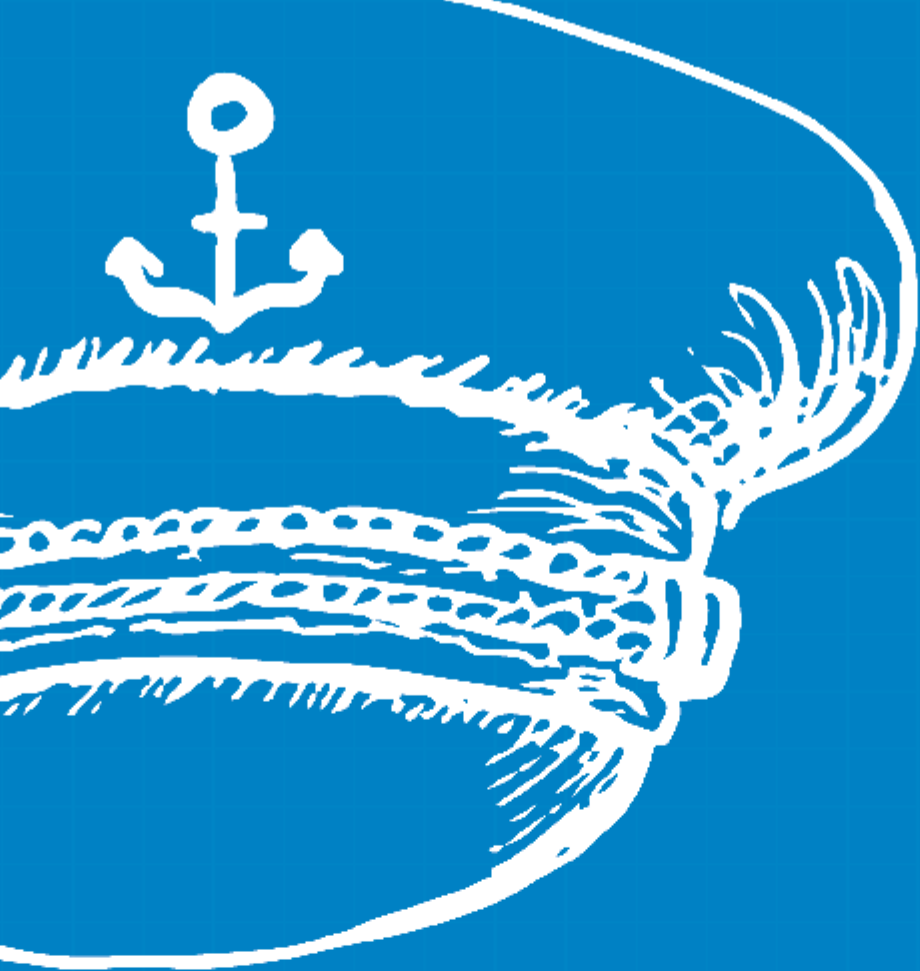
| NO.      | TARGET                | UNIT | PLAN 2017 |
|----------|-----------------------|------|-----------|
| <b>1</b> | <b>Production</b>     |      |           |
| 1.1      | Phu My Urea           | Tons | 770,000   |
| 1.2      | UFC 85/Formaldehyde   | Tons | 13,000    |
| <b>2</b> | <b>Sales volume</b>   |      |           |
| 2.1      | Phu My Urea           | Tons | 790,000   |
| 2.2      | The other fertilizers | Tons | 311,000   |
| 2.3      | UFC 85/Formaldehyde   | Tons | 9,000     |
| 2.4      | Chemicals             | Tons | 2,000     |

### Group financial forecast (consolidated)

| NO. | TARGET            | UNIT        | PLAN 2017 |
|-----|-------------------|-------------|-----------|
| 1   | Total revenue     | VND billion | 7,743     |
| 2   | Total expenses    | VND billion | 6,752     |
| 3   | Profit before Tax | VND billion | 991       |
| 4   | Profit after Tax  | VND billion | 823       |
| 5   | Budget payable    | VND billion | 308       |

### Holding company

| NO. | TARGET   | UNIT        | PLAN 2017 |
|-----|--|-------------|-----------|
| 1   | Owner's equity   | VND billion | 7,538     |
|     | In which: Charter capital/Average charter capital              | VND billion | 3,914     |
| 2   | Total revenue  | VND billion | 7,151     |
| 3   | Profit before tax  | VND billion | 953       |
| 4   | Profit after tax   | VND billion | 810       |
| 5   | Ratio of Profit after tax/Charter capital                      | %           | 21        |
| 6   | Ratio of Profit after tax/Owner's equity                       | %           | 11        |
| 7   | Ratio of Dividend payout/Charter capital                       | %           | 20        |
| 8   | Ratio of Debt/Charter capital                                  | Times       | 0.36      |
| 10  | Budget payable   | VND billion | 275       |
| 11  | <b>Financial Investment</b>                                    | VND billion | 2,790.9   |
|     | Invest in basic construction and purchase assets and equipment | VND billion | 2,790.9   |
|     | <b>Financial Investment</b>                                    | VND billion |           |
|     | Capital investment source                                      | VND billion | 2,790.9   |
|     | Owner's equity   | VND billion | 1,296.9   |
|     | Loans and others   | VND billion | 1,494.0   |



# CORPORATE GOVERNANCE

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## CORPORATE GOVERNANCE



### MEMBER LIST OF THE BOARD OF DIRECTORS, BOARD OF MANAGEMENT AND BOARD OF SUPERVISORS

| NO.                  | FULL NAME            | POSITION   | NUMBER OF DPM STOCKS |            |
|----------------------|----------------------|--|----------------------|------------|
|                      |                      |  | REPRESENTATIVE       | INDIVIDUAL |
| Board of Directors   |                      |  |                      |            |
| 1.                   | Le Cu Tan            | Chairman of the BOD, Full-Time, Non-Executive, not concurrently holding any position in other organizations  | 77,404,253           | 170,500    |
| 2.                   | Nguyen Thi Hien      | Vice Chairwoman of the BOD, Full- Time, Non-Executive, not concurrently holding any position in other organizations  | 55,100,000           | 97,300     |
| 3.                   | Doan Van Nhuom       | Member of the BOD cum President & CEO, not concurrently holding any position in other organizations  | 55,100,000           | 70,000     |
| 4.                   | Nguyen Hong Vinh     | Member of the BOD, Full-Time, Non-Executive, not concurrently holding any position in other organizations  | 45,600,000           | 75,000     |
| 5.                   | Louis T. Nguyen      | Independent, Non-Executive Board Members, are the CEO of SAM (Saigon Asset Management), Member of BOD of Nam Bay Bay Investment JSC and Century 21 Joint Stock Company | -                    | -          |
| Board of Management  |                      |  |                      |            |
| 1.                   | Doan Van Nhuom       | CEO  | 55,100,000           | 70,000     |
| 2.                   | Le Van Quoc Viet     | Vice President   | -                    | 65,100     |
| 3.                   | Tu Cuong             | Vice President   | -                    | 64,600     |
| 4.                   | Nguyen Van Tong      | Vice President   | -                    | 64,600     |
| 5.                   | Duong Tri Hoi        | Vice President   | -                    | 65,100     |
| 6.                   | Hoang Viet Dung      | Vice President   | -                    | 64,000     |
| 7.                   | Le Thi Thu Huong     | Vice President   | -                    | 63,500     |
| 8.                   | Tran Thi Phuong Thao | Vice President   | -                    | 65,700     |
| Board of Supervisors |                      |  |                      |            |
| 1.                   | Huynh Kim Nhan       | Head of the BOS (Full-Time)  | -                    | 52,800     |
| 2.                   | Nguyen Van Hoa       | Member of the BOS (Part-Time), Chief Accountant in the Asia Commercial Bank (ACB)  | -                    | -          |
| 3.                   | Le Vinh Van          | Member of the BOS (Full-Time), cum Member of Supervisors of PetroVietnam Petrochemical and Textile Fiber Joint Stock Company (PVTEX)                                   | -                    | 33,200     |
| Chief accountant     |                      |  |                      |            |
| 1.                   | Vo Ngoc Phuong       | Chief accountant   | -                    | 24,700     |

### CHANGES TO THE BOARD OF DIRECTORS, BOARD OF SUPERVISORS AND BOARD OF MANAGEMENT GENERAL MEETING OF SHAREHOLDERS

On April 28, 2016, the Annual General Meeting of Shareholders elected Mr. Louis T. Nguyen to join the Board of Directors, and Mr. Huynh Kim Nhan to serve in the Board of Supervisors. Ms Tran Thi Phuong Thao resigned from the Board of Supervisors, and replaced by Mr. Huynh Kim Nhan as the Chief Supervisor.

On 28 April 2016, the Board of Directors appointed Madam Tran Thi Phuong Thao as Deputy CEO of the Corporation and appointed Mr. Vo Ngoc Phuong as the Chief Accountant.



## BOARD OF DIRECTORS REPORT IN 2016

**At the Annual General Meeting (AGM) of Shareholders, the Board of Director (BOD) was re-elected for the term 2013 - 2018. The BOD consists of five members - Chair, Vice Chair, a BOD Member, a BOD Member cum General Director and an Independent Non-Executive Member.**

### Board of Directors (BOD)

At the Annual General Meeting (AGM) of Shareholders, the Board of Director (BOD) was re-elected for the term 2013 - 2018. The BOD consists of five members - Chair, Vice Chair, a BOD Member, a BOD Member cum General Director and an Independent Non-Executive Member. The BOD is not responsible for setting up sub-committees. The role of the BOD is to assign supervisors for functional committees to examine every activity under the authority of BOD. In addition, the BOD decides, directs, monitors and spurs business growth through the implementation of resolutions and decisions.

#### Activities of the bod in 2015

The BOD represents PVFCCo to the shareholders. The Board actively fulfills their role and responsibilities in compliance with good corporate governance standards. The Board conducts their duties, making corporate decisions that assure the financial viability. It also assigns duties to its members.

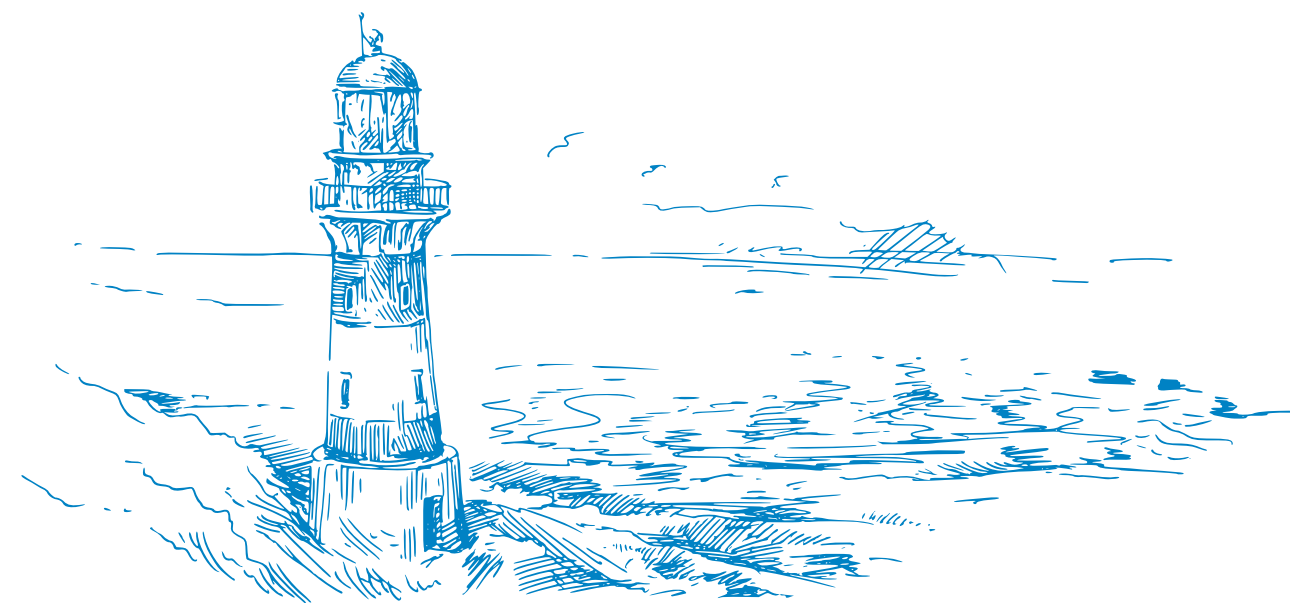
In 2016, the BOD held four meetings, both periodic, in which they took 56 times to collate and carefully analyze documented opinions from their members. As the result, 108 resolutions and decisions on critical matters were approved as follows:

#### Strategic plan

- The 2016 operating plan was approved, implemented and monitored. The 2017 rolling budget was appraised;
- The ESOP share issue was approved by a Resolution of the AGM of Shareholders on 28 February 2016, with 11.4 million shares issued to raise the charter capital to VND 3,914 billion.

#### Organization - Human resources

- The BOD continued to implement the growth strategy with the aim of achieving the objectives of the restructuring plan (2016 - 2020).
- Changed the name of the Corporation in Ho Chi Minh City to PVFCCo's Branch for trading Petro-fertilizer & Chemicals.
- Appointed, re-appointed and transferred representatives in four associated companies.
- Dissolution of representative office in Myanmar.
- Appointed a Deputy CEO.



#### Corporate governance, risk management and internal audit

The internal audit system was approved and implemented according to the final report of the project that established the internal audit processes. Phase 2 of the ERP system was directly implemented and applied successfully.

#### Investment and implementation of projects

PVFCCo triggered the EPC bid for upgrading the existing capacity for NH<sub>3</sub> of Phu My Plant and building the chemical-based NPK plant.

#### Policies and amendments

These are policies and regulations on training, recruitment and staff policies, deployment of Science and Technological Development Fund, business management of fertilizer products, fixed asset management, branding and trademark, cash management and business operations of the chemical product group.

#### Restructuring

The capital withdrawal was successfully implemented and completed at PetroVietnam Southern Housing Management and Development Joint Stock Company.

#### Shareholder relations and dividend payout

The 2016 AGM for Shareholders was held successfully. As required, 60 individual and group meetings with investors were organized. Three events and seminars to meet with key and potential investors and shareholders from Vietnam, USA and UK, were conducted. Upon request, there were two factory visits to Phu My Plants organized for groups of shareholders and investors. There was timely and transparent disclosure of information in accordance with regulations. Two investor bulletins were issued in Q3 and Q4 and the Annual Report was released in Q2. The first

dividend advance Phase 1 was paid out with a total payout ratio of 20% per par value.

#### Selection of independent auditor

BOD coordinated with the BOS to select an external audit firm for the financial statement audit as authorized by the General Meeting of Shareholders.

Apart from the periodic or extraordinary sessions, BOD often held weekly or monthly meetings to review and appraise BOD's performance and oversee BOM's compliance with BOD's resolutions and decisions.

The members of BOD performed their assigned duties of directing, monitoring and ensuring the performance of BOM, through the following activities:

- The BOD attended and chaired the Executive Meetings to implement the resolutions and decisions and to prepare project proposals for submission to the BOD.
- The BOD participated in periodic briefings and guided the BOM.
- The BOD conducted meetings and discussed matters relating to pricing, sales, human resources, labor, business plan, for subsidiaries and associate companies, in reporting and reviewing of key missions, etc.
- Through BOM's reports and documentations to BOD, the latter Board monitored and reviewed the business operations.
- The BOD provided guidelines and suggestions to the BOM on key issues arising from the management or operations.





## BOARD OF DIRECTORS REPORT IN 2016

### List of Resolutions and Decisions of the Board of Directors approved and promulgated in 2016:

| NO. | NUMBER OF<br>DECISIONS/<br>RESOLUTIONS | DATE       | CONTENT   |
|-----|--|------------|---|
| 1   | 08/QĐ - PBHC                           | 11/01/2016 | Executive Decision on Resignation of Mr. Nguyen Duc Hien as PVFCCo Group Representative and Cessation as BOD Member and as CEO of Southwest Petroleum Fertilizer and Chemicals Corporation.             |
| 2   | 09/QĐ - PBHC                           | 11/01/2016 | Executive Decision on Resignation of Mr. Trinh Van Khiem as PVFCCo Group Representative and Cessation as BOD Member and as CEO of South East PetroVietnam Fertilizer and Chemicals Joint Stock Company. |
| 3   | 10/QĐ - PBHC                           | 11/01/2016 | Executive Decision on Assignment and Appointment of Mr. Trinh Van Khiem as PVFCCo Group Representative at the South West PetroVietnam Fertilizer and Chemicals Joint Stock Company.                     |
| 4   | 11/QĐ - PBHC                           | 11/01/2016 | Executive Decision on Assignment and Appointment of Mr. Tran Tuan Nam as PVFCCo Group Representative at South East PetroVietnam Fertilizer and Chemicals Joint Stock Company.                           |
| 5   | 15/NQ - PBHC                           | 13/01/2016 | Resolution on Approval of Results of PVFCCo Share Offering at Southern Petroleum Development and Management Corporation (SBD).  |
| 6   | 16/NQ - PBHC                           | 13/01/2016 | Resolution on Approval of Draft Evaluation Report on Completion of 2015 Plan for PVFCCo Subsidiaries and Associate Companies.   |
| 7   | 17/QĐ - PBHC                           | 14/01/2016 | Executive Decision on Release of Stock Issuance Regulations on PVFCCo Employee Stock Option Plan (ESOP).  |
| 8   | 18/QĐ - PBHC                           | 14/01/2016 | Executive Decision on Approval of List and Shares Distribution under the PVFCCo Employee Stock Option Plan (ESOP).  |
| 9   | 19/QĐ - PBHC                           | 14/01/2016 | Guideline on Remuneration of Mr. Doan Van Nhuom, Group CEO.   |
| 10  | 20/QĐ - PBHC                           | 14/01/2016 | Executive Decision on Restructure of PVFCCo Science and Technology Council.   |
| 11  | 22/NQ - PBHC                           | 14/01/2016 | Resolution on Approval of Implementation of PVFCCo Employee Stock Option Plan (ESOP).   |
| 12  | 42/NQ - PBHC                           | 01/02/2016 | Resolution No. 1 (2016) for PVFCCo BOD.   |
| 13  | 50/QĐ - PBHC                           | 02/02/2016 | Executive Decision on Promulgation of Regulation on Brand Management of PVFCCo.   |
| 14  | 51/QĐ - PBHC                           | 02/02/2016 | Executive Decision on Release of PVFCCo Regulations on Management and Coordination of Chemical Business.  |
| 15  | 52/NQ - PBHC                           | 02/02/2016 | Resolution on Assignment of Responsibilities to PVFCCo BOD Members (based on their professional expertise and supervision of member unit activities).   |
| 16  | 60/QĐ - PBHC                           | 04/02/2016 | Executive Decision on Strengthening the Steering Committee (Phase 2 ERP Project Management Board).  |
| 17  | 68/QĐ - PBHC                           | 05/02/2016 | Executive Decision on Resignation of Mr. Pham Van Quy as PVFCCo Group Representative at Dam Phu My Packing Joint Stock Company.   |
| 18  | 69/QĐ - PBHC                           | 05/02/2016 | Executive Decision on Revision of Capital Contribution of PVFCCo Group Representatives at Dam Phu My Fertilizer Packing JSC.  |
| 19  | 70/NQ - PBHC                           | 05/02/2016 | Resolution on PVFCCo Resource Efficiency Initiative 2016.   |
| 20  | 71/NQ - PBHC                           | 05/02/2016 | Resolution on Approval of PVFCCo 2016 Business Plan.  |
| 21  | 72/NQ - PBHC                           | 05/02/2016 | Resolution on Approval of 2016 Business Plan for Northern PetroVietnam Fertilizer and Chemicals Corporation.  |
| 22  | 73/NQ - PBHC                           | 05/02/2016 | Resolution on Approval of 2016 Business Plan for Central PetroVietnam Fertilizer and Chemicals Joint Stock Company.   |
| 23  | 74/NQ - PBHC                           | 05/02/2016 | Resolution on Approval of 2016 Business Plan for South East PetroVietnam Fertilizer and Chemicals Joint Stock Company.  |
| 24  | 75/NQ - PBHC                           | 05/02/2016 | Resolution on Approval of 2016 Business Plan for Southwest Petroleum Fertilizer and Chemicals Corporation.  |
| 25  | 109/NQ - PBHC                          | 26/02/2016 | Resolution on Approval of Share Issuance under PVFCCo ESOP.   |
| 26  | 129/QĐ - PBHC                          | 10/03/2016 | Executive Decision on Promulgation of Construction Policy and Pricing of Ammonia Products.  |
| 27  | 130/QĐ - PBHC                          | 10/03/2016 | Executive Decision on Promulgation of Regulation on Capital Structure.  |

| NO. | NUMBER OF<br>DECISIONS/<br>RESOLUTIONS | DATE       | CONTENT  |
|-----|--|------------|--|
| 28  | 143/QĐ - PBHC                          | 17/03/2016 | Executive Decision on Resignation of Mr. Tran Manh Hung as PVFCCo Group Representative in Central PetroVietnam Fertilizer and Chemicals Joint Stock Company.   |
| 29  | 144/QĐ - PBHC                          | 17/03/2016 | Executive Decision on Resignation of Mr. Nguyen Duc Hoa as PVFCCo Group Representative in South East PetroVietnam Fertilizer and Chemicals Joint Stock Company.  |
| 30  | 145/QĐ - PBHC                          | 17/03/2016 | Executive Decision on Nomination and Acceptance of Mr. Nguyen Van Son as PVFCCo Group Representative in the South East PetroVietnam Fertilizer and Chemicals Joint Stock Company.  |
| 31  | 146/QĐ - PBHC                          | 17/03/2016 | Executive Decision on Nomination and Acceptance of Mr. Le Duc Thuan as PVFCCo Group Representative in PetroVietnam Fertilizer and Chemicals Joint Stock Company.   |
| 32  | 147/QĐ - PBHC                          | 17/03/2016 | Executive Decision on Transfer and Appointment of Mr. Tran Tuan Nam as PVFCCo Group Representative in Central PetroVietnam Fertilizer and Chemicals Joint Stock Company.   |
| 33  | 148/QĐ - PBHC                          | 18/03/2016 | Executive Decision on Announcement of Training Regulations.  |
| 34  | 165/NQ - PBHC                          | 28/03/2016 | Resolution on Approval of Appendix No. 06 of Gas Trading Contracts (2016-2019) signed between PVFCCo and Vietnam Gas Corporation.  |
| 35  | 268/NQ - PBHC                          | 04/04/2016 | Executive Decision on Decentralization of Authority for Approving Revision of EPC Bid Packages (for Construction of NH <sub>3</sub> factory at Phu My Fertilizer Plant and to using Chemical Technology for NPK Fertilizer Plant).                   |
| 36  | 269/NQ - PBHC                          | 04/04/2016 | Resolution on Approval of Policy and Plans to Procure Specialty Chemicals for Oil and Gas Industry.  |
| 37  | 270/NQ - PBHC                          | 04/04/2016 | Resolution on Approval of Salary Increase for PVFCCo Employees and Revision of Driver Salary.  |
| 38  | 271/NQ - PBHC                          | 04/04/2016 | Resolution on Approval of 2016 Work Plan for Internal Audit.   |
| 39  | 291/NQ - PBHC                          | 19/04/2016 | Resolution on Approval of Draft Contract on Transfer of Trademarks Rights from Parent Company to its members.  |
| 40  | 292/NQ - PBHC                          | 19/04/2016 | Resolution on Approval for Transfer of Khoi Son warehouse.   |
| 41  | 293/NQ - PBHC                          | 19/04/2016 | Resolution on Approval of Asset Transfer of Vung Ang Warehouse.  |
| 42  | 294/QĐ - PBHC                          | 19/04/2016 | Executive Decision on Approval of Salary of PVFCCo Group Representatives in joint stock companies.   |
| 43  | 295/NQ - PBHC                          | 19/04/2016 | Resolution on Approval of Evaluation Summary Report on 2015 PVFCCo Group Business Plan.  |
| 44  | 303/QĐ - PBHC                          | 26/04/2016 | Executive Decision on Establishment of 1 <sup>st</sup> Internal Audit Unit of PVFCCo in 2016.  |
| 45  | 304/NQ - PBHC                          | 26/04/2016 | Resolution on Approval of 2016 AGM Agenda and Documentation.   |
| 46  | 306/QĐ - PBHC                          | 28/04/2016 | Executive Decision on Resignation of Mr. Huynh Kim Nhan as PVFCCo Group Chief Accountant on 29 April 2016.   |
| 47  | 307/QĐ - PBHC                          | 28/04/2016 | Executive Decision on Appointment of Mr. Vo Ngoc Phuong as Group Chief Accountant.   |
| 48  | 308/QĐ - PBHC                          | 28/04/2016 | Executive Decision on Appointment of Ms. Tran Thi Phuong Thao as Deputy General Director of PVFCCo.  |
| 49  | 312/QĐ - PBHC                          | 29/4/2016  | Executive Decision on Dissolution of the Group Representative Office in Myanmar.   |
| 50  | 313/QĐ - PBHC                          | 29/04/2016 | Executive Decision on Announcement of Regulation on Group Asset Management.  |
| 51  | 314/QĐ - PBHC                          | 29/04/2016 | Executive Decision on Announcement of Regulation on Business Travel Allowance, Mode of Transport and Other Administrative Expenses.  |
| 52  | 331/QĐ - PBHC                          | 09/05/2016 | Executive Decision on Formation of Appraisal Teams to Revise Bid Packages under Investment on Construction (to increase NH <sub>3</sub> Plant Capacity of Phu My Fertilizer Plant and to Deployment of Chemical Technology in NPK Fertilizer Plant). |
| 53  | 341/NQ - PBHC                          | 12/05/2016 | Resolution on 2 <sup>nd</sup> PVFCCo BOD Meeting (2016).   |
| 54  | 342/NQ - PBHC                          | 12/05/2016 | Resolution on Duty Assignments to BOD based on Professional Expertise and Supervision.   |
| 55  | 343/NQ - PBHC                          | 12/05/2016 | Resolution on Approval of 2016 Group Operating Plan.   |



## BOARD OF DIRECTORS REPORT IN 2016

| NO. | NUMBER OF<br>DECISIONS/<br>RESOLUTIONS | DATE       | CONTENT   |
|-----|--|------------|---|
| 56  | 344/NQ - PBHC                          | 12/05/2016 | Resolution on Approval of Indirect Cost Allocation (Cost of Sales and Operating Expenses for Fertilizer Business External to Phu My Fertilizer).  |
| 57  | 345/NQ - PBHC                          | 12/05/2016 | Resolution on Approval of Inventory and Account Receivables for 2016.   |
| 58  | 346/QĐ - PBHC                          | 12/05/2016 | Executive Decision on Promulgation of Regulation for Sources of Funds for the Scientific and Technology Development) of the PVFCCo Group.   |
| 59  | 347/QĐ - PBHC                          | 12/05/2016 | Executive Decision on Regulation on Managing Scientific and Technological Inventions of the PVFCCo Group.   |
| 60  | 361/NQ - PBHC                          | 18/05/2016 | Resolution on Approval of Revision on Group Standard 1, 2, 6 and 7.   |
| 61  | 362/NQ - PBHC                          | 18/05/2016 | Resolution on Approval of Revisions on Group Standard 4 and 5.  |
| 62  | 366/QĐ - PBHC                          | 23/05/2016 | Executive Decision on Amendment of Regulation on Managing Fertilizer Business of the PVFCCo Group.  |
| 63  | 381/QĐ - PBHC                          | 31/05/2016 | Executive Decision on Update and Re-issuance of Employee Policy.  |
| 64  | 385/QĐ - PBHC                          | 01/06/2016 | Executive Decision on Strengthening Personnel and Task Assignment in the Science and Technology Development Fund of the PVFCCo Group.   |
| 65  | 389/QĐ - PBHC                          | 01/06/2016 | Executive Decision on the Role of Steering Committee for Emergency Response of PVFCCo Group.  |
| 66  | 399/QĐ - PBHC                          | 03/06/2016 | Executive Decision on Appointment of Mr. Doan Quoc Thinh as PVFCCo Group Representative in PVFCCo North.  |
| 67  | 400/QĐ - PBHC                          | 03/06/2016 | Executive Decision on Appointment of Mr. Nguyen Van Quyen as the PVFCCo Group Representative in PVFCCo Central.   |
| 68  | 401/QĐ - PBHC                          | 03/06/2016 | Executive Decision on Appointment of Mr. Tran Tuan Kiet as the PVFCCo Group Representative in PVTEX.  |
| 69  | 402/NQ - PBHC                          | 03/06/2016 | Resolution on Approval of Supplementary Guideline on Management and Cost of Sales for 2016.   |
| 70  | 403/QĐ - PBHC                          | 03/06/2016 | Executive Decision on Allocation of Capital Contribution of PVFCCo Group Representative in PVFCCo South East.   |
| 71  | 404/QĐ - PBHC                          | 03/06/2016 | Executive Decision on Capital Allocation of PVFCCo Group Representative in PVFCCo North.  |
| 72  | 405/QĐ - PBHC                          | 03/06/2016 | Executive Decision on Capital Allocation of PVFCCo Group Representative at PVFCCo Central.  |
| 73  | 406/QĐ - PBHC                          | 03/06/2016 | Executive Decision on Capital Allocation by PVFCCo Group Representative at PVFCCo South West  |
| 74  | 407/QĐ - PBHC                          | 03/06/2016 | Executive Decision on Consolidation of the PVFCCo Scientific and Technological Council.   |
| 75  | 409/QĐ - PBHC                          | 07/06/2016 | Executive Decision on Approval of Remuneration for PVFCCo Group Representative in the joint stock companies.  |
| 76  | 416/QĐ - PBHC                          | 10/06/2016 | Executive Decision on Staff Gradings in 2015 for Managers in Board of Directors Office, Internal Audit Committee.   |
| 77  | 417/QĐ - PBHC                          | 10/06/2016 | Executive Decision on Staff Gradings in 2015 of Group Representatives in Positions of Chairman, BOD Member, Directors, Chief Supervisor and BOS Members at member companies.  |
| 78  | 426/NQ - PBHC                          | 15/06/2016 | Resolution on Selection of External Auditing Firm for 2016.   |
| 79  | 443/NQ - PBHC                          | 23/06/2016 | Resolution on Approval of Early Loan Repayment Schedule and Duration of Depreciation for Cost of Building the UFC85/Formaldehyde Factory.   |
| 80  | 444/NQ - PBHC                          | 23/06/2016 | Resolution on Approval of Purchase Plan for Additional Group Life Insurance for Selected Managers.  |
| 81  | 468/NQ - PBHC                          | 04/07/2016 | Resolution on Approval of Cooperative Plan to Revise the Land Use and Transfer of Land Use Rights for 1.23 hectares in Cuu Long - Ca Mau Trade Center.  |
| 82  | 507/NQ - PBHC                          | 29/07/2016 | Resolution on Approval of Loan Contracts, Property Mortgage Contracts for Asset Utilisation (for investment on production capacity of NH <sub>3</sub> plant of Phu My Fertilizer Plant and to build NPK Fertilizer Production Plant). |
| 83  | 525/NQ - PBHC                          | 09/08/2016 | Resolution on Approval of PVFCCo Science and Technology Plan in 2016.   |
| 84  | 577/NQ - PBHC                          | 19/08/2016 | Resolution on Approval of Budget Increase for Renovation and Repair 2016.   |
| 85  | 581/NQ - PBHC                          | 23/08/2016 | Resolution on Organizational Model and Personnel Deployment for NPK Fertilizer Production Plant.  |

| NO. | NUMBER OF<br>DECISIONS/<br>RESOLUTIONS | DATE       | CONTENT  |
|-----|--|------------|--|
| 86  | 585/NQ - PBHC                          | 23/08/2016 | Resolution on Approval of Budget Increase for Marketing and Communications Plan 2016.  |
| 87  | 601/NQ - PBHC                          | 05/09/2016 | Resolution on Approval of Budget Increase in 2016 for Procurement of Spare Parts over two years (NH <sub>3</sub> Factory of Phu My Plant and Replacement of Secondary Reconditioned Equipment (R-2003)).   |
| 88  | 606/NQ - PBHC                          | 08/09/2016 | Resolution on 3 <sup>rd</sup> PVFCCo BOD Meeting in 2016.  |
| 89  | 639/NQ - PBHC                          | 26/09/2016 | Resolution on Revisions to Increase NH <sub>3</sub> Plant Capacity of Phu My Fertilizer Plant and Construction of NPK Fertilizer Production Plant (NH <sub>3</sub> - NPK Project).                         |
| 90  | 688/NQ - PBHC                          | 13/10/2016 | Resolution on Implementation of Social Security Program 2015-2016.   |
| 91  | 694/NQ - PBHC                          | 18/10/2016 | Resolution on Budget Increase for Operating Expenses for 2016 of the Project Management Unit of Petro Chemicals and Fertilizers.   |
| 92  | 693/NQ - PBHC                          | 18/10/2016 | Resolutions on Approval of Training Programs, Training Expenses, and Support for NPK participants.   |
| 93  | 1123/PBHC - HĐQT                       | 03/11/2016 | Guideline for Approval of Training Contract for NPK Phu My Plant.  |
| 94  | 751/NQ-PBHC                            | 14/11/2016 | Resolution on 1 <sup>st</sup> Dividend Payout in 2016.   |
| 95  | 781/QĐ - PBHC                          | 29/11/2016 | Executive Decision on Implementation of Capital Management in December 2016.   |
| 96  | 785/QĐ - PBHC                          | 01/12/2016 | Executive Decision on Renaming the PetroVietnam Fertilizer and Chemicals Corporation - Joint Stock Company to PetroVietnam Fertilizer and Chemicals Corporation Joint Stock Company (Petroleum Chemicals). |
| 97  | 784/NQ - PBHC                          | 01/12/2016 | Resolution on Approval of Merger of Chemicals Committee with the Research and Development Board.   |
| 98  | 828/QĐ - PBHC                          | 22/12/2016 | Executive Decision on Approval of Group Representative Position in PVFCCo South West.  |
| 99  | 827/NQ - PBHC                          | 22/12/2016 | Resolution on Approval of 2016 Business Plan of North PetroVietnam Fertilizer and Chemicals Corporation.   |
| 100 | 826/NQ - PBHC                          | 22/12/2016 | Resolution on Approval of Revision to 2016 Business Plan of South East PetroVietnam Fertilizer and Chemicals Joint Stock Company.  |
| 101 | 825/NQ - PBHC                          | 22/12/2016 | Resolution on Approval of Revision of 2016 Business Plan of South West Petroleum Fertilizer and Chemicals Corporation.   |
| 102 | 836/NQ - PBHC                          | 28/12/2016 | Resolution on 4 <sup>th</sup> PVFCCo BOD Meeting of 2016.  |
| 103 | 837/NQ - PBHC                          | 28/12/2016 | Resolution on Approval of Supplier Selection for Procurement and Replacement of R2003 Equipment for NH <sub>3</sub> Plant at Phu My Fertilizer Plant.  |
| 104 | 838/NQ - PBHC                          | 28/12/2016 | Resolution on Approval of Maintenance Plan of Phu My Fertilizer Plant in 2017.   |
| 105 | 835/NQ - PBHC                          | 28/12/2016 | Resolution on Approval of Legal Expenses for PVTEX (to participate in dispute resolution with contractor Hyundai Engineering Co. Ltd at International Arbitration ICC).                                    |
| 106 | 853/NQ - PBHC                          | 30/12/2016 | Resolution on Approval of Revised Business Plan 2016.  |

### Non-executive and independent members of the board's activities

Mr. Louis T Nguyen, was a member of the BOD. He participated actively in all the official duties and assignments. He also monitored and provided guidance to BOM in discharging the operations, since his participation on 28<sup>th</sup> April 2016.

### Board knowledge of corporate governance

All BOD members are trained and experienced in corporate governance at the time of election and appointment.

Members of BOD have taken ownership of their own learning and personal development to fulfill the responsibilities and requirements of their role.





## BOARD OF SUPERVISORS REPORT IN 2016

“ The BOS performs the task of inspecting and supervising production and business operations. It completed the annual production plan with three members including two full-time members and one part-time member. ”



### Board of Supervisors Report in 2016

On April 28, 2016, the AGM approved the resignation of Board of Supervisor (BOS) member Ms. Tran Thi Phuong Thao and elected Mr. Huynh Kim Nhan to join the BOS. The Board also appointed Mr. Huynh Kim Nhan to be the Chief Supervisor.

The BOS performs the task of inspecting and supervising production and business operations. It completed the annual production plan with three members including two full-time members and one part-time member.

Salaries and remunerations were set according to the national standard wage scale and bonuses determined by the company and approved by the AGM.

The operating cost of BOS in 2016 was VND 646 million.

BOS participated fully in the BOD and BOM meetings and briefings by Chief Accountants. The BOS held four quarterly meetings to collect views, opinions and suggestions, on corporate governance prior to official announcement to BOD, BOM and General Meeting of Shareholders.

### Operational and financial supervisory activities

The production cost of urea in 2016 was VND 3,411,579, a dip of 24% from the previous year. There was a decline of the average gas price to bottom out at USD 3.86/MMBTU in 2016 (this represented a reduction of 28% compared with

5.35 USD/MMBTU in 2015). Profits before tax reached VND 1,393 billion.

Approved by the AGM and State Securities Committee, the Corporation increased its chartered capital to VND 3,914 billion (equivalent to 3% of total shares) by issuing 11.4 million ESOP shares to employees at the price of VND 10,000 per share. This share issuance complies with the procedural and regulatory requirements to maintain a transparent, stable and capital-preserving financial position.

The Corporation paid dividends of VND 1,500 per share (equivalent 15% per par value) for the second period of 2016. This was in addition to the first advance dividend payment of 20%, valued VND 2,000 per share, made in 2016.

### Production and business activities

Import tax rate was 0% when Vietnam entered into trade agreements in 2016. As a result, imported fertilizer has been competing directly with domestically produced products. Distribution systems have been operating effectively. Brand and marketing activities were executed successfully. Savings on transportation costs helped improved logistics efficiency. Sales exceeded 1.17 million tons of all fertilizers.

### Implementation of basic construction investment projects

There are two large ongoing projects: EPC Contract for designing, supplying and executing construction works of:



(i) The  $\text{NH}_3$  revamp project with overall progress achieving 68.82% (ii) the Phu My NPK project with overall progress achieving 76.4%. Disbursement in 2016 reached VND 840/2,012 billion, which was 42% of the annual target.

### Research and development

Technical facilities have been established to actively research new product lines such as organic fertilizers and soluble fertilizers, with a number of products being actively prepared for production and trade in alignment with the growing trend for clean agricultural production.

Ongoing research is being conducted for petroleum chemical products, specialized chemicals based on the strength of available materials and renewable raw materials under the development direction of the Corporation. There are active exchanges with partners to evaluate opportunities for investment cooperation in promising chemical projects.

### Governance

The AGM approved the dismissal and appointment of a Board Member cum General Director and elected one Independent Member of the BOD. During the year, the Corporation continued to improve its institutions, mechanisms and policies as well as amend, supplement and improve the system of internal documents, regulations and work procedures for effective, transparent and rational management that conforms with real-time operations and complies with current law provisions.

### Restructuring

To focus resources on production and business operations, the Corporation reviewed and adjusted the functions and mandates of the boards and departments and subsidiaries, changed the name of its branch in the city, merged two functional departments, improved the efficiency of operating systems in accordance with actual production and business operations and to implement Phase 2 of the ERP system effectively.

### Financial investment:

As at 31 December 2016, the total capital contribution to subsidiaries and associates was VND 1,094.753 billion in par value (the actual capital contribution is VND 1,087.655 billion) of which, investment in subsidiaries was VND 386.250 billion, accounting for 35.3% of contribution; investments in associates, while the remaining 64.7% was invested in other long-term investments amounted to VND 708,503 billion.

### Finance and accounting

As the appointed company auditor, Deloitte Vietnam Auditing Company reviews and audits the financial statements of PVFCCo. The Board of Supervisors found that the financial statements accurately and reasonably reflected the financial situation of production, business and financial activities of the Corporation. The recording, classification and presentation of financial statements are in accordance with Vietnamese Accounting Standards (VAS) and prevailing regulations.

### Supervisory activities of BOD, BOM and managers

The Board of Directors (BOD) leads periodical meetings and reviews members in writing for decision. The BOD demonstrated the responsibility and transparency in its governance. The Board of Management (BOM) directs supervisors of functional committees to implement the resolutions and directions of the Board of Directors and the General Meeting of Shareholders so as to make timely management decisions to exceed production targets.

### Cooperation between BOS, BOD and BOM

At PVFCCo, BOD guides BOS to perform their supervisory duties regarding to people management and business operations. The Board maintains good working relationships with shareholders to ensure sustainable growth in compliance with legal regulations and internal policies of the Corporation.





## TRANSACTIONS, REMUNERATION AND OTHER BENEFITS OF THE BOD, BOM AND BOS

### SALARIES, BONUSES, REMUNERATION AND BENEFITS OF BOD, BOM AND BOS

PVFCCo implemented an executive remuneration scheme in accordance with the law and PVFCCo's Compensation and Benefits Policy. This is aligned with its annual salary review and budget and the provision of fair reward for competence and performance of each member.

Part-time members of BOD or BOS are entitled to remuneration according to job role and responsibility.

#### Details of salaries, remuneration and bonuses in 2016

| NO.  | FULL NAME            | POSITION                                 | SALARY -<br>COMPENSATION<br>(VND MILLION) | BONUS - WELFARE<br>(VND MILLION) | TOTAL INCOME<br>(VND MILLION) |
|--|----------------------|--|---|----------------------------------|-------------------------------|
| 1  | 2                    | 3  | 4   | 5                                | 6                             |
| <b>I. Board of Directors</b>                   |                      |  | <b>2,908</b>                              | <b>1,805</b>                     | <b>4,713</b>                  |
| 1  | Le Cu Tan            | Chairman of the BOD                      | 779                                       | 522                              | 1,301                         |
| 2  | Doan Van Nhuom       | Member of the BOD cum<br>President & CEO | 743                                       | 501                              | 1,244                         |
| 3  | Nguyen Thi Hien      | Vice Chairwoman of the BOD               | 660                                       | 415                              | 1,075                         |
| 4  | Nguyen Hong Vinh     | Member of the BOD                        | 636                                       | 367                              | 1,003                         |
| 5  | Louis T. Nguyen      | Member of the BOD,<br>Part-Time          | 90  | 0                                | 90                            |
| <b>II. Vice President and Chief Accountant</b> |                      |  | <b>4,913</b>                              | <b>2,781</b>                     | <b>7,694</b>                  |
| 1  | Le Van Quoc Viet     | Vice President                           | 636                                       | 367                              | 1,003                         |
| 2  | Nguyen Van Tong      | Vice President                           | 636                                       | 367                              | 1,003                         |
| 3  | Le Thi Thu Huong     | Vice President                           | 635                                       | 366                              | 1,001                         |
| 4  | Duong Tri Hoi        | Vice President                           | 632                                       | 365                              | 997                           |
| 5  | Hoang Viet Dung      | Vice President                           | 674                                       | 367                              | 1,041                         |
| 6  | Tu Cuong             | Vice President                           | 693                                       | 367                              | 1,060                         |
| 7  | Tran Thi Phuong Thao | Vice President                           | 633                                       | 365                              | 998                           |
| 8  | Vo Ngoc Phuong       | Chief Accountant                         | 374                                       | 217                              | 591                           |
| <b>III. Board of Supervisors</b>               |                      |  | <b>1,068</b>                              | <b>535</b>                       | <b>1,604</b>                  |
| 1  | Huynh Kim Nhan       | Head of the BOS                          | 616                                       | 326                              | 943                           |
| 2  | Le Vinh Van          | Member of the BOS                        | 416                                       | 209                              | 625                           |
| 3  | Nguyen Van Hoa       | Member of the BOS,<br>Part-Time          | 36  | 0                                | 36                            |
| <b>Total</b>                                   |                      |  | <b>8,889</b>                              | <b>5,121</b>                     | <b>14,011</b>                 |

#### Equity transactions of shareholders and stakeholders

- On 20 January 2016, the Deutschebank AG London shareholders and its related group of shareholders announced the sale of shares, reducing its stake from 5.02% to 4.98%.
- On 04 April 2016, the Norges Bank and related foreign shareholders announced they sold down their shareholdings from 5.01% to 4.98%.
- Other objects: No notification and stock trading report.

#### Contracts and transactions with internal shareholders

In 2016, there were no transactions between PVFCCo and the members of BOD, BOS, BOM and the managers.

#### Contracts and transactions with relevant individuals and organizations

- Transactions with Petroleum Vocational College, a member of the Vietnam Oil and Gas Group (PVN) which is a major shareholder of the Corporation, is a training contract with a value of VND 3,517,798,075 for to develop manpower to operate the NPK fertilizer plant.
- Transactions with Ca Mau Petroleum Fertilizer Joint Stock Company (PVCFC), a person of interest of major shareholder PVN. The contract value for the sale of UFC chemicals is VND 4,823,947,252.
- Transaction with Vietnam Oil Corporation (PVOil) in 2016, whose General Manager Mr. Cao Hoai Duong was the former CEO of PVFCCo during 2010-2015:
  - + Sales and service for PV Oil: VND 354,600,000.
  - + Purchase of goods and services from PV Oil: VND 3,302,940,188.

#### Implementation of corporate governance regulations

PVFCCo complied with all the legal governance regulations of a listed company:

- To assure the appropriate proportion of the non-executive members to independent members of the Board of Directors.
- To hold an Annual General Meeting of Shareholders in full compliance with provisions of laws on business and regulations of management for publicly-listed companies. To organize meetings and pass the resolutions of the BOD according to the provisions of the Charter of the Corporation and the law on enterprises.
- To discharge all periodic and extraordinary information disclosure obligations for publicly-listed companies in a timely and transparent manner.
- To prepare annual reports and reports for submission to the Annual General Meeting of Shareholders with full content and information on financial and production management, administration and supervision of the Corporation.

- The Board has formulated and promulgated the set of Regulations on internal management, the Regulation on coordination between the Board of Directors and the CEO, the Board of Supervisors, and the Regulation on evaluation of the level of accomplishment of tasks.

To raise the standards of good corporate governance towards regional and international standards, the Corporation conducted training courses for the Board of Management, Board of Supervisors, and Board of Directors. In 2016, Representatives of functional committees participated in training courses on information disclosure, investors relations, ASEAN Corporate Governance Scorecard and presenting financial statements in accordance with current standards.

In 2016, the Corporation developed and issued new and supplemented internal regulations to improve the efficiency of the inspection and supervision mechanism for transparent and efficient business operations.

#### An evaluation of the corporate governance practices was conducted based on the ASEAN Corporate Governance Scorecard.

In November 2015, the PVFCCo received the ASEAN Corporate Governance Award - for its top three listed companies in Vietnam under the ASEAN Corporate Governance Scorecard.

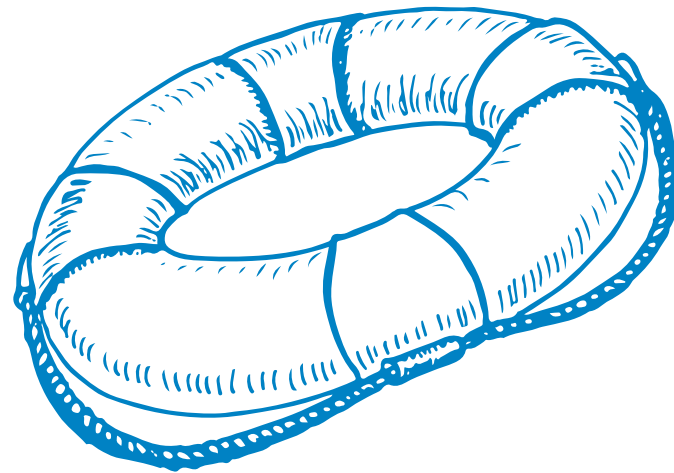
The Corporate Governance Scorecard for the ASEAN region is a set of questions based on corporate governance principles of Organization for Economic Co-operation and Development (OECD) and the best corporate governance practices. The Scorecard is used as a standard to evaluate the corporate governance practices of major listed companies in Malaysia, Indonesia, Singapore, Thailand, the Philippines and Vietnam.

The ASEAN Corporate Governance Scorecard is a set of questions developed in accordance with corporate governance principles of the Organization for Economic Co-operation and Development (OECD) as well as best corporate governance practices of major publicly-listed companies in the ASEAN. Jointly developed by the Asian Development Bank and the ASEAN Capital Markets Forum, the program seeks to enhance the image of ASEAN publicly-listed companies and their ability to attract investments as well as improve the image of capital markets towards integration into ASEAN. The evaluation criteria for corporate governance scores are based on publicly available corporate information sources such as the Annual Report, company website, shareholders notices, minutes and resolutions of the Annual General Meeting of Shareholders.

In 2016, the PVFCCo continued its efforts to improve corporate governance to attain the corporate governance standards of the region, and to maintain and improve the efficiency of corporate governance achieved thus far.



## RISK MANAGEMENT REPORT



Market risks

Production risks

Risks in the  
investment  
process of the  
project

Exchange  
rate risks

Financial risks

Environmental  
and legal risks

**PVFCCo must promote long-term success and sustainable development. At the same time it needs to protect shareholders' best interests and social responsibility beyond 2016. In doing so, the Corporation evaluates, updates and manages risks associated with strategic actions and develop a concerted plan that optimizes business value and stabilises future growth.**

The key objectives to be achieved are:

- Developing and maintaining the lead position in production and sales of fertilizers in the domestic market.
- To improve operations of Phu My Fertilizer Plant; To mitigate the risks of aging equipment, unstable raw material prices, uncertain demand, and fluctuations in the business environment.
- To implement and operate the fertilizer and chemical projects; To enter and capture the markets and thereby achieve the long-term goals.

Building on successes of previous years, the risk management system continued to ensure the safety, transparency and effectiveness of production, business and investment. The 2016 is significantly challenging year, thus PVFCCo focused on managing the key risks:

### Market risk

In order to sustain the top position in the domestic fertilizer sector, PVFCCo has overcome the following risks:

#### Oversupply risk

A yawning oversupply of Urea has put pressure on and raised competitiveness in the domestic Urea market. Prior to the challenges, PVFCCo had sought to develop the distribution network in depth for the sustainable connection between the Corporation and its member companies in the nationwide dealership. The Corporation maintained its competitive advantage in the industry and has expanded overseas through Phu My Urea export to Malaysia, Myanmar and Thailand. This was driven by a demand of high-quality Urea at a competitive price and diversified packaging. This strategic plan could develop its stable and long-term sales network.

#### Commodity price risk

Domestic fertilizer prices significantly correlated with the movements, and were affected by, global fertilizer prices. Changes in global fertilizer prices immediately impacted domestic prices as the local products are direct competitors against imported fertilizers and unregistered parallel imports from neighboring countries. During the year, the prices of fertilizer in Vietnam spiralled downward

and adversely affected the financial performance. Given the possibility of further price fluctuations, the Corporation has balanced the risks and opportunities as both manufacturer and trader of fertilizer products. It sold at competitive prices to maintain the market share and market advantage thereby protecting profitability.

#### Input material risk

In the past years, the oil price which is determined by supply and demand and market sentiment, has fluctuated widely. The volatility has affected the production cost of PVFCCo. The global oil price fluctuated unstably over past the two years, causing the Phu My fertilizers price to fall. Similarly, the unpredictable global oil price may negatively impact the corporation's financial plan. As the government determines and allocates resources towards general objectives of the economy, changes in oil supply and prices would impact the plans and activities.

PVFCCo's profit is subjected to input material cost. The Corporation managed the price risk of natural gas through short-term arbitrage and actions. Based on pricing scenarios, the Corporation proactively implemented flexible planning and budgeting. This provided the enterprise control over unforeseen changes as business conditions varied.







## RISK MANAGEMENT REPORT



### Liquidity risk

Liquidity risk is caused by the inability of buyers to pay for their purchases on due date. Bad debts significantly affected the planned use of capital as well as production and business results. Noting this, PVFCCo has developed a sales and credit guidelines that conformed to the needs of the local market. These guidelines are systematically implemented, controlled and administered top down from the Corporation to subsidiaries. Credit terms are specific to each customer for every product group. The terms of credit are given after a financial assessment of the buyer based on credit rating and customer repayment ability. At PVFCCo, the working capital plans and inventory control are approved, monitored and reported in a timely and adequate manner. With proper understanding and effective management, PVFCCo did not have any non-performing accounts.

### Products development risk

The market demand for high quality fertilizers and regulations for environmental protection have directed the manufacturers and traders to provide differentiated, high quality multi-component fertilizers that are environmentally-friendly at reasonable prices to meet the increasingly diverse and rigorous demand. To increase competitiveness, maintain existing market share. While developing new markets, the Corporation promoted ongoing innovation through its research and development (R&D) unit, the R&D Division serves to improve product quality, and to create differentiation product features that meet farm requirements. This has helped position the Corporation as the market leader in high quality fertilizers.

PVFCCo has applied an advanced chemical production technology for NPK fertilizer for the coming future. In recent years, there were plans for a large-scale market development of NPK that has met market acceptance.

In 2016, the following effective and timely measures were carried out to handle the influence:

- In order to support sales, PVFCCo focused on distribution management and developed communication and branding strategy. These efforts supported competitive advantage and maintained profitability and the positioning of Phu My fertilizer in the domestic market.
- PVFCCo developed communication channels to member companies capturing reliable just-in-time information for manage changing markets affecting the industry.
- Conference and seminars on the business, branding, market updates were held. These played a crucial role to the PVFCCo's public relations and partnership opportunities, in both domestic and global.
- PVFCCo completed its brand portfolio on its products for Phu My by importing high quality fertilizers to supply to the needs of market.
- The important policies were updated and revised in the light of new business developments: Regulation on fertilizer business management, Regulation on chemicals business and coordination management, Regulation on PVFCCo's branding and label management. The policy changes seek to enhance corporate governance in PVFCCo as it faces new market challenges.
- Effectively restructured capital and divested asset holdings. Improved competitiveness and adapted to changes in the business environment. In 2016, PVFCCo completed its first phase of organisation restructuring, and so far its subsidiaries included PVFCCo North, PVFCCo Central, PVFCCo SE, PVFCCo SW are officially traded on HNX. Along with listing shares of companies on the stock exchange, PVFCCo reduced its stake in Phu My Fertilizer Packaging Company to 43.34% and since February 2016, it has replaced the parent company-subsidiary model with having Investment in Associates. It also completed the capital divestment of PetroVietnam Southern Building and Development Joint Stock Company in January 2016.

- PVFCCo continued to re-evaluate and restructure its capital structure, human resources, products, target market, etc.

- Much importance has been placed on this restructuring. PVFCCo has capitalised on its strengths and utilized resources in the most efficient way, improving its competitive advantage for the days ahead.

In addition to market-based risk response solutions, PVFCCo has prepared a long-term market growth strategy:

- To retain its No.1 position in production, fertilizer trade and chemical production with a primary focus on petrochemicals.
- To retain the market share of Phu My Urea through: Leveraging the distribution network, best-in-class technical support, customer centric after-sales policy, increased distribution networks in some potential countries.
- PVFCCo is at the forefront of Research & Development (R&D) such as: Investment in fertilizer production, selected choice of Urea on the acceleration roller (pilot scale), diversification of product range of Phu My Urea, new NPK formula, new fertilizer products, enhanced application organisational model, improved agricultural business model, value chain alignment with the PVFCCo business standards. In addition, PVFCCo is continuing researching & diversifying chemical products of UFC85/Formaldehyde plant.
- Implementing policies to ensure and preserve the reputation and brand name of PVFCCo among investor community.
- Strengthening management approaches through integration of advanced IT systems to: Achieving strategic objectives, promoting automation monitoring than manual monitoring, optimizing technology to effectively manage risks.

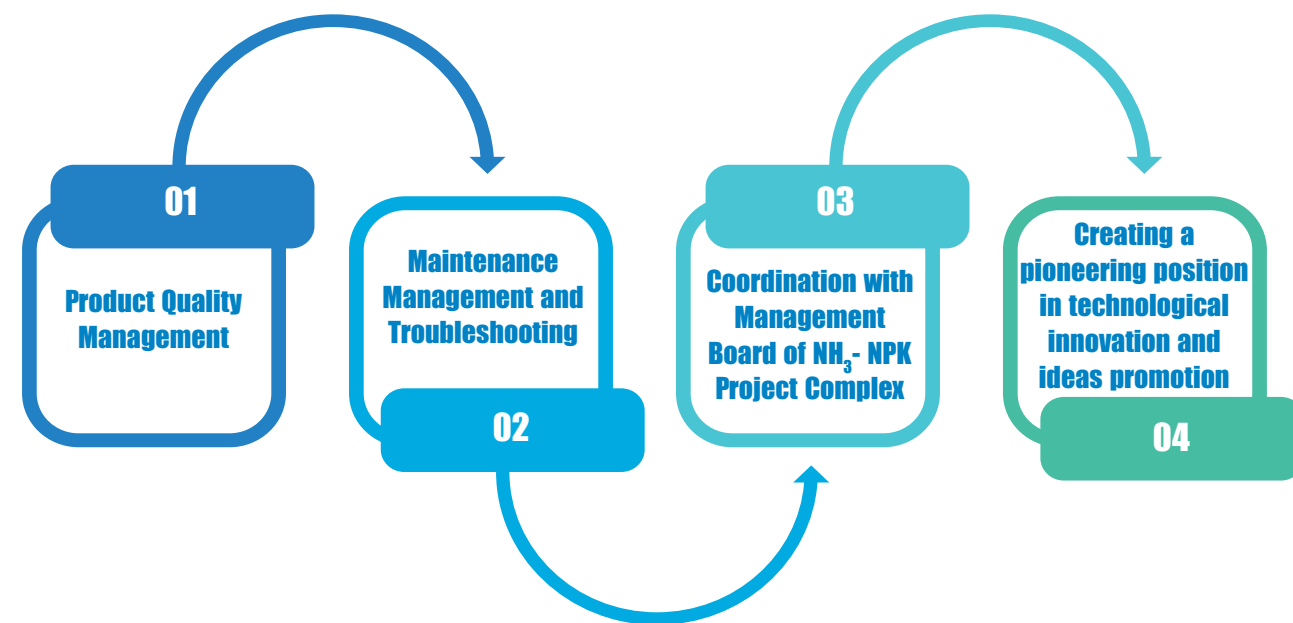




## RISK MANAGEMENT REPORT

### Production Risks

The excellent performance of Phu My Fertilizer Plant and its integration with the NH<sub>3</sub> plant extension project and NPK chemical plant (NH<sub>3</sub> – NPK Project) next year required risk management to focus on:



In 2016, PVFCCo overcame challenges and responded robustly by achieving production targets and streamlined existing and ongoing projects. To date, Phu My Fertilizer Plant has operated for 13 years with bi-ennial maintenance. There were technical problems that led to downtime. This has increased operating and maintenance costs and prevented the full achievement of the annual plan.

In addition to operating Phu My Fertilizer Plant safely and effectively, the corporation drafted a master plan for the successful connection to the NH<sub>3</sub> - NPK project in 2017.

During the year, there were business resolutions identified:

- Maintaining maximum urea production capacity of Phu My Fertilizer Plant. Ensuring stable and efficient operations of UFC85/Formaldehyde plant to improve the hardness of urea to enhance product quality thus benefitting buyers.
- Continuous monitoring and instill management changes to adjust and issue economic-technical standards including: Usage of chemicals, supplies and energy; Usage of gasoline and grease; Usage for minimum spare supplies; Spare parts and spare parts maintenance period to optimize production costs, reduce production costs.
- Developing and issuing technical solutions to deal with production abnormalities instantly. Inspecting and evaluating production operations monthly so prompt measures can be taken to reduce both production costs and selling prices as well as avoid incidents. Focus on gas detection measures to prevent risk of gas leakage from welds on high pressure pipes – which can cause fire and explosion - to ensure safety in production.
- Focusing on maintenance workshops for oil and gas processing plants of Vietnam Oil and Gas Group so as to learn, share experience and set the direction, formulating strategic plan and maintenance operations for the aging plant equipment.
- Software deployment and application such as: CMMS - Computerized Maintenance Management System: Plant maintenance and repair was implemented via the

CMMS which included task briefing, implementation plan, material release for maintenance, data saving and inventory control, namely:

- Managing the maintenance and repair of equipment; record keeping of all data and documents on equipment and machinery and its maintenance history.
- Inventory management, listing of materials to CMMS; Comparing the quantity of maintenance material as against the actual material.
- Automated export of the material list and spare parts required by maintenance.
- Listing inventory materials and equipment; Coding the inventory material using the Shell Mesc software; Sorted equipment by their importance.
- Setting up equipment parts list; supplying standardized system for the plant with standardized software code using Shell Mesc standards; classification of the equipment according to priority.
- Implementing the MTA (Maintenance Task Analysis) and using the MTA functions for PMO analysis on CMMS.
- ERP: Continuing standardization of the material information and dealing with consistent code on CMMS and ERP, putting into operation of Production Management Branch at Phu My Fertilizer Plant.
- Software deployment and application such as: AIMS - Asset Integrity Management System, SYSTEM 1 and RBI - Risk Base Inspection in machinery maintenance, evaluation of equipment and data collection for analysis. 100% CUI – Corrosion Under Insulation – is performed.
- Organising and controlling plant inspections and testing of plant machinery and equipment in compliance with safety requirements. Ensure all equipment is tested before use.
- PVFCCo signed a contract to supply Fire and Gas system for increased field probe points and PLC monitoring points. In addition, the plant has effectively handled

circumstances by mapping matrix to weld monitoring, followed by daily checking of the hand gas detectors.

- Continuing to implement and apply standardized material coding system according to the Shell Mesc standard.
- Evaluating and analyzing market demands and product pricing to determine the right operational activities for profit optimization at each stage.

Maintaining the success in production management over the past 13 years, PVFCCo has launched their investment strategy to leverage the optimal cost of production and operation:

- Effectively applied safety and environment standards such as ISO 14001:2004 and OHSAS 18001:2007. Identify and assesses risks, propose additional safety measures to minimize risks and clearly communicate said measures to employees and contractors.
- Developing the labor force to meet the production requirements; Assure the quality of internal training programs and implement training programs for projects that are implementing EPC contracts.
- Continuing to upgrade and streamline production. Performing backup maintenance of machines and plant to prevent sudden downtime.
- Implementing the Maintenance Strategy at Phu My Fertilizer Plant. Maintaining periodic maintenance (mid-term, short-term and long-term). Static equipment is extremely crucial in ensuring safe, stable and effective operations of Phu My Fertilizer Plant.
- Systemizing/updating and developing O & M manuals to improve the quality of internal training.
- Reviewing and updating the hazard identification and environmental aspects of the plant.
- Monitoring project progress on the upgrading of Phu My Fertilizer Plant operation, maintenance and efficiency as well as new production plant projects in the future.



## RISK MANAGEMENT REPORT

**“ In 2016, PVFCCo has directed its resources on the key project complex to increase NH<sub>3</sub> production capacity and build NPK Phu My chemical technology plant. ”**

### Risks in the investment process

Implementing the 2025 PVFCCo growth strategy with an eye towards 2035. It is noted that during 2015-2020, the key tasks is to implement investment projects for diversified development. In 2016, the Corporation deployed its resources on developing the EPC contract under project group named as “Raising NH<sub>3</sub> production capacity of Phu My Fertilizer Plant and building a chemical technology production capacity of Phu My NPK Plant”. At the “Special Topics for Investment and Development Studies in 2016”, the Corporation reviewed the successes, limitations and lessons learned during project development and implementation. It is now proposing effective measures to

For a project to meet its objectives fully, it is recognized that the monitoring and evaluation play very important roles. Given the limited resources and impact of numerous changes during project implementation. Consequently, PVFCCo has analyzed, identified, and presented the project risks for discussion best practices for project management. The most important is the EPC contract of two major projects:



- Any factor that prolongs the project incurred additional costs and leads to delays in project implementation, reducing market responsiveness and returns on investment. Recognizing this risk, the Corporation is focusing on the key preparations, such as, the establishment of a Project Management Unit (PMU) specialized in Petroleum Fertilizers and Chemicals. The PMU coordinates with the specialized departments to regularly manage and supervise implementation contractors. In addition, PetroVietnam - the state-owned shareholder and PVFCCo - the project investor have set up a joint team to conduct periodic monitoring activities with assigned tasks: To capture

address the potential risks. There was also situations that adversely affect project effectiveness. At the same time, it seized the opportunity to maximize factors that positively impact project success by inspiring the team to achieve the set goals such as:

- Ensuring project progress, quality of project works and investment costs;
- Optimizing operating capacity;
- Ensuring product quality and production cost norms after project is completed and put into commercial operations.

timely information which directs problem solving during the process of project management; To initiate decentralization between Board of Directors, Board of Management and PMU so as to facilitate project implementation by ensuring project progress and efficiency; To provide timely updates on regulations in project management as well as the coordination process between the Project Management Board and the Phu My Fertilizer Plant; To always investigate and assess risks from design to construction before construction/connection with existing works proceed and verify construction measures are taken to ensure safety on the construction site.



- PVFCCo focuses on accurate disbursement planning in addition to ensuring committed capital for timely disbursement to project contractors. It also regularly reviews and updates disbursement schedules for actual work done whilst evaluating and analyzing factors that affect project costs. In order to ensure that the project operates in its expected economic efficiency, PVFCCo calculates and updates project efficiency in terms of fluctuation parameters such as raw material prices, selling prices, variable costs, differences in exchange rates, tax policies... even the financial structure of the project is properly reviewed and finalized based on the overall financial resources of PVFCCo.
- The supervisory capacity of the Corporation, especially project management experience and the internal coordination mechanism of the project investor, will be crucial in managing and supervising contractors and supervisory consultants. Recognizing this, PVFCCo

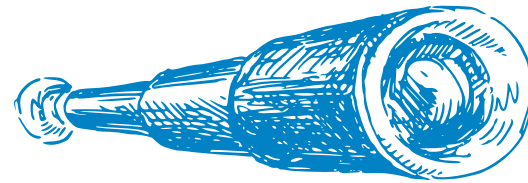
has internally recruited experienced personnel for key positions and hired qualified consultants for project management. In addition, by establishing Project Management Units (PMUs), the supervisory teams/units of developers regularly hold meetings at all levels to support and quickly address issues arising before and during the project implementation.

- The quality of works and products are two important factors that determine the investment efficiency of the project. Therefore, PVFCCo pays special attention to the proposed contractor, supervision and approval of compliance with domestic standards during the process of implementation, from survey design to construction. At the same time, strict controls are set in place to ensure the origin of machinery/equipment are in accordance with the contract before the installation and strict supervision of construction methods is required for specialized machinery.



### Exchange rate risk

In recent years, exchange rates have been volatile, so fluctuations in exchange rates can affect PVFCCo's business performance and investment projects in foreign currencies. Knowing the importance of managing exchange rate risk, PVFCCo regularly monitors both global and domestic financial situations from a macroeconomic point of view. The Corporation specifically monitors exchange rate fluctuations closely to develop and implement attractive business import options so as to maximize capital efficiency. The Corporation carefully considers the impacts of financial management, analysis and evaluation of exchange rate differences on the efficiency of on-going projects.



### Financial risk and objectives of restructuring investment in associates

Long-term investment in joint ventures of PVFCCo is considered ineffective, even having high financial risk, such as PVTEX and PVC Mekong. Accordingly, given the uncertain and ineffective business operation of PVTEX in 2016, PVFCCo will continue to carry out its financial responsibilities related to its investments in this company. In parallel, in this period PVFCCo has deployed several initiatives to support the units to gradually stabilize their production and business and to strengthen the monitoring of corporate governance by the strategic investors. The steps taken are to mitigate the long-term investment risks in associates and to boldly confront a difficult business environment and irregular production cycles. In addition, PVFCCo is committed to the goal of divestment despite difficulties from its current associates.

### Environmental and legal risks

Vietnam will open the fertilizer market and foreign companies will invest in producing and trading fertilizers. The experienced foreign companies have better corporate governance and will compete in Vietnam market.

Fake fertilizers are flooding into the market, hence destroying the market of reputable producers, such as PVFCCo.

Vietnam tax law for fertilizer industry is being supplemented and revised. Hence, the risks of applying tax policy and changes in tax rate for fertilizers have significantly impacted the operation of PVFCCo. Accordingly, the fertilizer initially was applied 5% tax, now this incentive has been withdrawn. This has increased the input cost for fertilizers. To minimize the influence from tax changes, PVFCCo holds monthly training sessions to update the changes in tax policy and other related law documents.

The risk of climate change, drought, salt marshes and changes in crop structure both currently and in near future will directly impact the agricultural sector, specifically the consumption of fertilizer products.

PVFCCo not only focuses on strategic risk management but also corporates governance as the two are intertwined. PVFCCo continually develops and implements systematic processes to promote the role and capacity of internal audit function which has high importance in risk management and corporate governance. It provides a strong foundation to better serve the BOD and Supervisory Board in operating, managing and supervising the business. In 2016, the Internal Audit Department was allowed to carry out auditing on the following areas:

- There were regular audits incorporating internal experts/specialists from different professional disciplines to examine overall business activities of branches and affiliates, with the audit based on key risk groups as identified by PVFCCo.
- In addition, the Internal Audit Department has coordinated with the training organization to develop and improve the management reporting system. The advanced practices of capacity building and technical auditing shall be included from 2017. The Internal Audit Department continued to implement

the annual plan that was formulated with the international consultancy organizations: to develop the scope of work to improve internal control systems and corporate governance. In the immediate future, it will review and update the risk portfolio, optimize operational procedures and improve the effectiveness of monitoring activities.

- During annual internal audit, the Internal Audit Board supplemented, reviewed and updated the supervision results to maintain the internal audit standard. In

addition, the internal audit results are put into the periodical meetings of the Board of Directors.

- Consulted and advised the BOD in risk limitation and prevention. The BOM shall provide risk reporting to the Board of Directors.

PVFCCo focuses on the corporate governance with clear objectives on continuous improvement:

Implementing the integrated risk management in the business operations, especially on forecast and business planning. The total resource optimization is improved using the ERP. In 2015, PVFCCo implemented the Phase 2. The system specifications included Hyperion Planning Management Software, Oracle Processing Manufacturing Software. Phase 3 is planned to include Business Intelligence. As a result, it can optimize resource mobilization with a strong planning and control feature.

Project Salary Structure was completed with success. This led to a breakthrough in salary structure to increase productivity and effectiveness. It changed the payroll system, built the capacity for management roles, supported the leaders in KPI evaluation.



**The organizational dimension of PVFCCo is “Sustainable, effective and human development.” There is an emphasis on corporate governance. The senior management of PVFCCo is determined to improve the operations by using Enterprise Risk Management. This serves to enhance corporate governance and maintain the position and reputation among the investor community.**







## INVESTOR RELATIONS

**“Investor Relations (IR) acts in the best interest of investors, shareholders and stakeholders. It reports financial news and non-financial information on the basis of “transparency, speed and effectiveness”.**”

In 2016, the Investor Relations Team (IR Team) of PVFCCo has achieved the key milestones:

### Investor forums and meetings

Apart from the Annual General Meeting of Shareholders in 2016, the Board of Directors and IR Team actively engaged both local, international investors and the media, to share information and to encourage two-way communication. During the year, the Board of Directors and IR Team organized a multitude of meetings with investors, individually and in groups. There were events to discuss DPM stocks as a strategic investment opportunity in Vietnam, USA and UK. In addition, two plant tours were conducted to Phu My Fertilizer Plant and the new investment projects were introduced.

### Tracking the trading of DPM stocks

To provide timely stock trading information and disseminating industry news on fertilizer and chemical, particularly those having implications for PVFCCo.

The IR Team updates the Board of Directors (BOD) on daily stock transactions and price movements and gathers market analysis reports for DPM shares. Timely information is provided to the BOD for policy making and corporate governance.

The IR Team regularly contacts and initiates exchanges with brokers and intermediaries to ensure company value is assessed fairly and objectively in the stock market.

### Publications for investors and shareholders in collaboration with financial media

To improve the quality of information disclosure to shareholders and investors, the IR Team coordinated jointly with other operating departments and support services units to produce the Investor Bulletin quarterly.

The Investors Bulletin is published quarterly with the top priority as the timely provision of objective and accurate information on current business affairs and latest industry developments in the chemical and fertilizer market.

Newsletters are emailed to shareholders and the online version is posted publicly on the corporate website under the Investor Relations link.

Working jointly with the operating departments, the IR Team communicated regularly with financial investment media to release timely, complete and accurate information of PVFCCo. At the same time, the corporation strictly adhered to state regulations governing the information disclosure to the stock market.

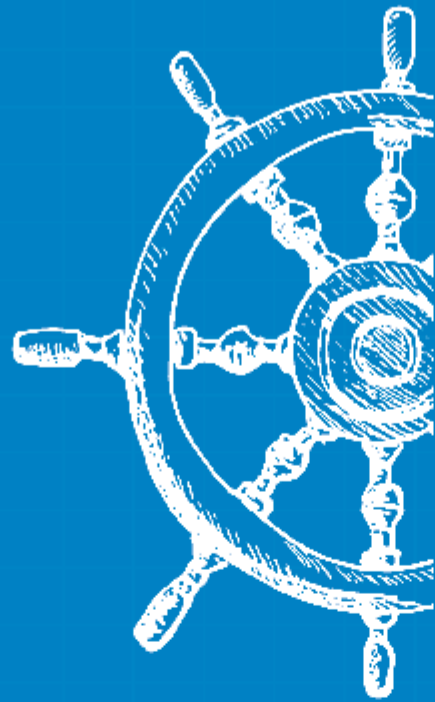
### Participation in local and international investor events

Both the Board of Management and the IR Team assigned staff to attend local and international events, for example, Vietnam Access Day 2016, Investment Forum for Emerging Markets (New York USA) and Investment Forum for Asian Markets (London, UK). During these events, the Board and the IR Team presented to potential investors on PVFCCo's corporate governance, future projects and investment opportunities.



The efforts of the IR Team resulted in building greater trust and confidence among investors in PVFCCo, and achieved high liquidity in the stock exchange in 2016. The Corporation continued to receive multiple awards such as:





# SUSTAINABLE DEVELOPMENT REPORT

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## OVERVIEW ON SUSTAINABLE DEVELOPMENT



**Sustainable development is described as meeting present needs without compromising the ability of future generations to meet their own needs**

(As defined by the Brundtland Commission of the United Nations on March 20, 1987)

### Sustainable development and objectives, principles of sustainable development of PVFCCo

Sustainable development is a combination of three aspects: Over the past two decades, there has been an increasing global interest in sustainable development, a requirement for globalization. Sustainable development is a humanity goal and it is in line with the guidelines of the Vietnam's Party and the Government as well as the people's interest to see it implemented.

PVFCCo's core business activities are fertilizer and chemicals production and distribution. It is linked to the Vietnamese agriculture, farmers and rural livelihoods and affects 70% of the population. Through its economic strategy, PVFCCo adopts the sustainable development principle and its core values. In 14 years of Sustainable development is a combination of three aspects: PVFCCo's growth, it has embraced "entrepreneur development to be accompanied by environmental protection and social responsibility". The corporation ensures that the balanced and optimal implementation of the following targets: (1)

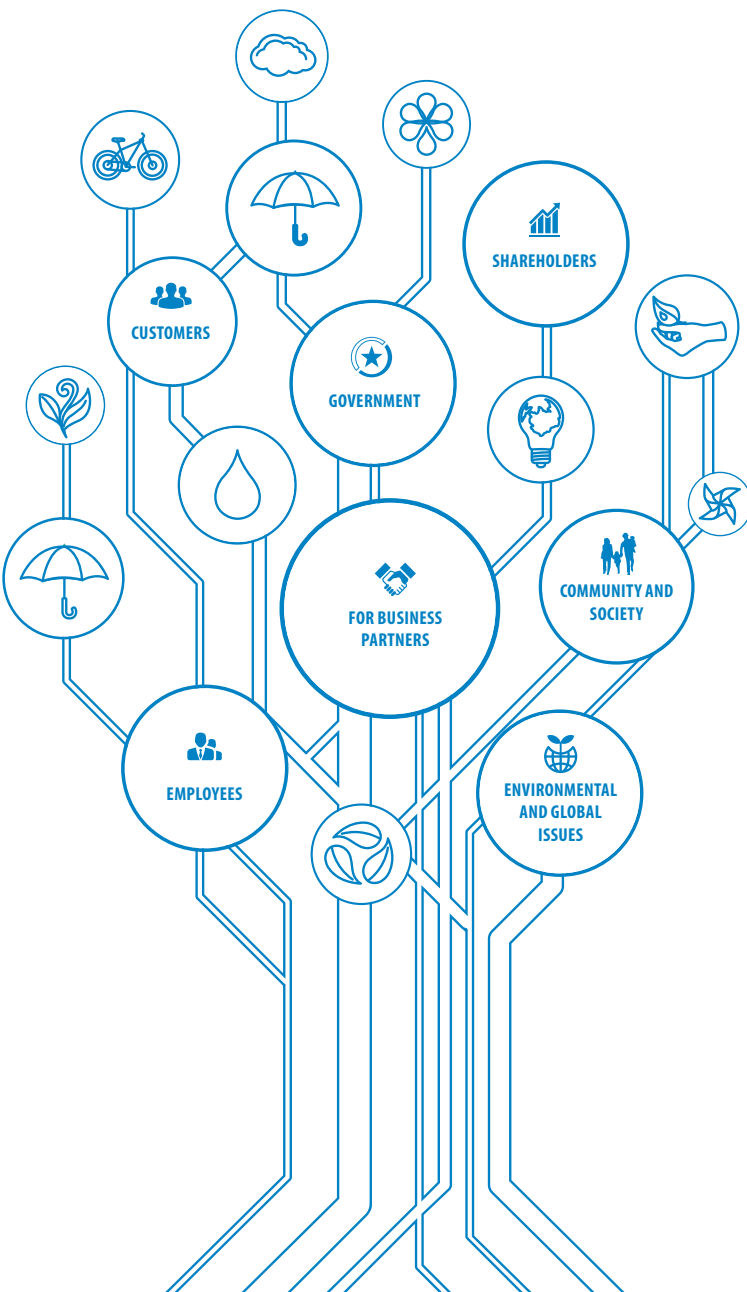
Effective economic development; (2) Promoting social harmony, raising living standards and residential strata's awareness, especially focusing on agriculture and farmers; (3) Improving the environment to guarantee long-term development for today's generation and generations to come.

With the above mentioned objectives, PVFCCo has taken steps to achieve its sustainable development targets, regulations and specific activities conducted by the corporation.





# SUSTAINABLE DEVELOPMENT REPORT



**THE SPECIFIC PRINCIPLES AND ACTIVITIES IMPLEMENTED BY PVFCCO**

## Employees

PVFCCo has built a culture of “Professionalism - Efficiency; Dynamics - Creativity; Aspiration - Outreach; and Responsibility - Sharing”, done through a positive and professional work environment, fair employee policy and a friendly workplace. In particular, the achievements of PVFCCo are as follows:

- PVFCCo has invested in a manufacturing plant system and an office building, which are well-designed, properly ventilated, well-lit and air-conditioned. The Corporation has achieved energy efficiency and provided good working conditions for its workers.
- PVFCCo introduced key performance indicators (KPI) and improved their reward system. The Corporation also set up a framework to ensure a fair and professional working environment. At the same time, PVFCCo improved its human resource policies to ensure its employees have the amicable working conditions and career advancement opportunities.
- Human Resource Development for Parent Company: 230 capacity building courses were conducted for 8,454 staff members with a budget of VND 13.26 billion. The development program in 2016 achieved its performance target, met the corporate goals, and succeeded in delivering human resource courses.
- Building Corporate Culture: The first PVFCCo Culture Handbook was published in 2011, with the values and standards of conduct applicable for all employees. The Handbook was disseminated to all employees and posted on the corporate website.

## Customers

The Corporation provided customers with high-quality products, effective solutions and services as mentioned below:

- Ensuring high quality products is a top priority. All Phu My fertilizer products, other fertilizers and chemicals are complied with registered standards.
- To help farmers optimize the ratio of fertilizer usage and crop yield, PVFCCo partners with local authorities and scientists to organize cultivation technique workshops at experimental gardens and sample fields to train farmers. Given the unfavorable weather conditions that affected agriculture in 2016, the corporation and its subsidiaries provided farmer support programs. In this program, local and international agriculture specialists identified climate change adaptation strategies, piloted models of rice cultivation under flood conditions, donated meters for measuring salinity in the Mekong Delta, and conducted forums on sustainable farming.
- PVFCCo maintains its warehouse and logistics management systems well nationwide, so that their products are delivered to farmers on time at reasonable prices.



## Shareholders

In order to create products and services to maximize shareholder value, PVFCCo has carried out the following activities in 2016:

- BOD and BOM of PVFCCo provided guidance to its employees to accomplish its goals. PVFCCo's profit for 2016 reached VND 1,393 billion, and 100% higher than forecasted.
- To ensure optimal use and control of its resources, PVFCCo has invested in IT such as business support software, document management software and other innovative approaches. The Corporation also invested and built its own resources planning application software such as ERP, STOP, 5S, APC, System 1, RBI, KPI, etc.
- The Board of Directors of PVFCCo provided guidance in streamlining the project initiatives. In 2016, 117 innovation initiatives benefited the corporation in value amounting to VND 28 billion plus other qualitative benefits.
- From the sci-tech initiatives, there were 12 R&D topics and 06 sci-tech project initiatives conducted in 2016 valued at VND 3.8 billion. The initiatives helped to optimize the business operations and improved product quality, hence laid the foundation for investment development and product diversification.
- PVFCCo's business practices included prudent spending and anti-corruption policies. In 2016, PVFCCo saved VND 73.14 billion, equivalent to 130% of forecasted figures.

The IR Team conducted multiple meetings with investors and shareholders. The IR assignments and projects were assessed and honored by Vietstock with an award for “Top 5 Best Investor Relations Enterprises” in 2016.



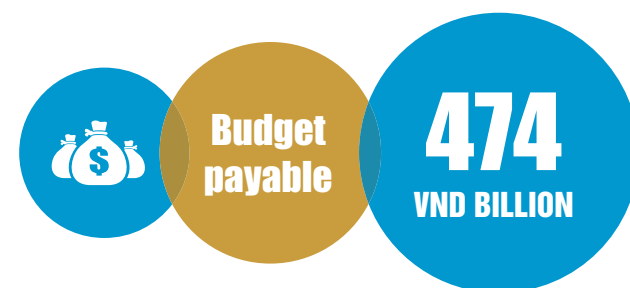


## SUSTAINABLE DEVELOPMENT REPORT

### Government

PVFCCo has ensured that its business activities complied with the laws. PVFCCo has achieved the following results:

Total payments to the State in 2016 was: VND 474 billion - achieved 136% of annual plan 2016.



### For business partners

In working with strategic business partners, the principles and values applied were - healthy competition, collaboration and advancing customer best interests.

Besides supporting Phu My Fertilizer Plant, PVFCCo also provided experts and skilled workers to support other national projects such as Ca Mau Fertilizer Plant, Ninh Binh Fertilizer Plant, Dung Quat Oil Refinery and Dinh Vu Polyester Manufacturing Plant, ensuring their operations run smoothly and efficiently.

### Community and society

Besides effective development and environmental protection, the Corporation was served both the employees and society. In 2016, the disbursement for social responsibility activities amounted to about VND 80 billion.



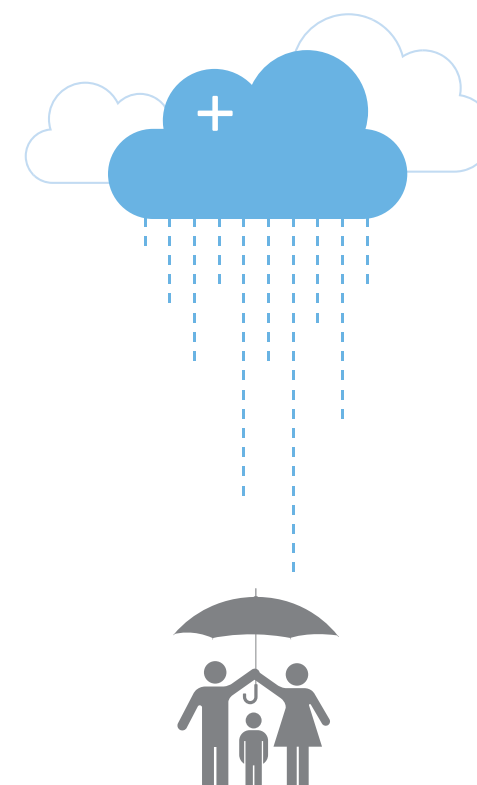
### Environmental and global issues

PVFCCo is committed to environmental protection and globalization, such as reduction in greenhouse gas emissions, climate change, sea level rise, etc.

PVFCCo is confident that sustainable development is most effective when embedded in the organizational policies and guidelines, corporate strategy and business decision making. The Corporation believes that it can overcome challenges to develop a sustainable and long-lasting enterprise, preserve the environment and carry out its corporate social responsibility.

In particular, PVFCCo has implemented and achieved the following results:

- In commissioning the Phu My Fertilizer Plant, PVFCCo has applied advance technologies in both safety management and equipment maintenance. This has stabilised the engineering operations and reduce energy consumption and carbon emissions.
- For new projects, the Corporation has deployed only the most advanced production technologies to optimize effective usage of input materials, especially natural gas, and minimize carbon emissions.
- PVFCCo complied with statutes, regulations and processes in production and business in accordance with the ISO 9001:2008, OHSAS 18001:2007, ISO 14001:2004 and ISO 50001:2011 standards.





## SAFETY, HEALTH AND ENVIRONMENTAL PROTECTION REPORT



**Since its establishment, PVFCCo has been the leading corporation in health, safety and environment (HSE). It takes pride in maintaining business and production, designing products in compliance with health, safety and environmental protection regulations.**



In order to meet the objectives of sustainable development, HSE is a priority for PVFCCo, especially for inflammable fertilizer and chemicals.

### Health, safety and environment management organization (HSE)

Realising the importance of HSE and its requirements, the management has strengthened its management system for the parent company, subsidiaries, senior leadership and staff.

#### Maintaining and upgrading quality - safety, health - environment and energy management system

In 2016, PVFCCo maintained an effective integrated system of Quality - Safety, Health - Environment in accordance with ISO 9001:2015, OHSAS 18001:2007 and ISO 14001:2015 standards for business and production process of the Corporation and Phu My Fertilizer Plant.

The evaluation reported on system maintenance of DNV had highly appreciated the BOM's strong commitments

in maintaining and improving the management system. This was also in line with setting up and the review of target accomplishment at all levels, especially the project implementation on product quality improvement and legal documents. This had also conveyed the message of continuous quality improvement on the products and services, care for the employee's safety, health, social responsibility for the environmental protection and energy efficiency.

In 2016, all subsidiaries of PVFCCo applied ISO 9001 to improve on its product and service quality.

#### Building Safety - Sanitation Network

In addition to setting up the Safety - Health - Environment system, the Corporation has established the Safety - Sanitation Network at the Head Office, Phu My Plant and other units. The Network assisted in assuring standards of Safety - Health - Environment in the production and support services units.

Operating regulations were written and promulgated to encourage, reward and facilitate maintenance of the Network.



### Ensuring safety, fire prevention and control and emergency rescue

PVFCCo is aware of the importance of safety. In the past 14 years, the Corporation has upgraded the work environment of its headquarters, subsidiaries, branches and factories. In 2016, PVFCCo has taken several measures in safety, fire prevention and control:

- Emergency Response Steering Committee and Committee Assistance Team.
- Phu My Fertilizer Plant's  $\text{NH}_3$  Factory was honored with the "Certificate of Operational Excellence" Award from Haldor Topsoe of Denmark. The award was given for safety, stability and continuous operation for 279 days from 21 September 2015 to 27 June 2016, breaking the previous 188-day record achieved on March 28, 2013.
- A seminar was organised for the effective coordination of the 2016 Fire-Electric-Disaster Firefighting Sport Assembly.
- The Fire Prevention and Rescue Team at the Head Office was strengthened through training at Emergency Readiness and Response Level 2 of Phu My Fertilizer Plant.
- Specialised safety checks and inspections were conducted at the  $\text{NH}_3$  - NPK project site.
- Fire safety regulations were launched for  $\text{NH}_3$  NPK projects such as approving the fire protection design and issuing safety procedures at the project site.
- Organized firefighting and rescue training courses for the Internal Firefighter Team. Organized periodic training for the Safety - Sanitation Network.
- Allocated personal protective equipment to all employees working at Phu My Fertilizer Plant, warehouses, ports and construction sites. Regularly inspected and evaluated the Rescue Process to ensure adequacy and serviceability for occupational safety.
- The STOP program is still well maintained at Phu My Fertilizer Plant with some storage facilities of member companies having early warning and detection system to prevent adverse accidents.
- To handle chemicals, the Corporation has developed chemical incident response plans and organized chemical incident response training to strengthen the capacity of employees on chemical safety. This is done to comply with strict regulations on employee workplace safety.
- Activities were organised in response to the National Week of Occupational Health and Safety - Fire Fighting for the 18<sup>th</sup> time and National Fire Fighting Day in October 2016.
- Fire risk insurance was purchased for all plants of the Corporation
- In 2016, there were no fatal accidents. The accident statistics, while the reporting and investigating, were fully carried out by law.





## SAFETY, HEALTH AND ENVIRONMENTAL PROTECTION REPORT

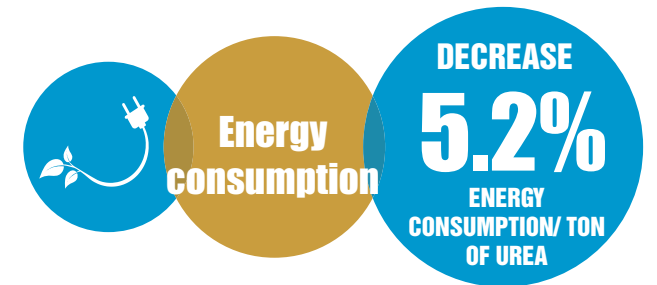
### Health care for employees and occupational diseases prevention

Health and staff well-being are embedded into the business operations to ensure long-term success. The Corporation has taken several steps to comply with health and safety standards, aligned to OHSAS 18001:2007:

- Equipped the medical rooms with first aid cabinets at every department.
- Organized periodic health check by PVI Care at hospitals for PVFCCo staff as regulated: once a year for male staff and twice a year for female staff.
- Organized health checks on occupational diseases and health checks for technical workers in high-risk environment. Conducted medical examination and provided social insurance for staff stricken with occupational diseases
- Expanded the vaccination program for Hepatitis B, Influenza, Chickenpox, Parotitis, Measles and Rubella to staff.

- Monitored the conditions and protection, to ensure laborers' health and prevent occupational diseases.
- Organized and provided staff meals that has nutritional value, food hygiene, and safety, by strictly controlling the origin of food that complied with mandatory provenances from reputable companies.
- Organized Month for Quality, Food Hygiene and Safety in 2016.

The company purchased PVI Care insurance for employees and relatives as a form of risk management so as to provide employees with financial support in case of hospitalization.



### Environmental Protection and Waste Control

PVFCCo attaches great importance to environment and sustainable development. The corporation ensures compliance with environmental protection laws. In 2016, the major sustainable development events conducted were:

- Environmental management measures were applied in accordance with ISO 14001: 2015.
- Compliance with environmental laws was evaluated and updated according to new decrees and circulars issued in 2016.
- Inspections were carried out on the affect of waste management on plant and vegetation, especially hazardous wastes.
- Prepared the mainstreaming of Green Growth Strategy by the Ministry of Industry and Trade (2015 – 2020).
- Implemented and declared environmental protection based on data from the Ministry of Industry & Trade.

- Environmental procedures for  $\text{NH}_3$  + NPK project were introduced: environmental impact assessment reports, reporting to local authorities on environmental management plans and monitoring environmental and waste management practices.
- Events were organised to support Earth Hour, World Environment Day, "Clean Up The World" campaign and PVFCCo Green Festival to raise employee awareness on the importance of environmental protection.
- Environmental reports were prepared for inspection teams from the Department of Industrial Environment and Safety - Ministry of Industry & Trade and the Department of Natural Resources and Environment of Ba Ria - Vung Tau Province.
- The environmental activities at Phu My Fertilizer Plant produced efficiency in materials usage, energy and water consumption:

#### Materials Management

Total natural gas consumption for production: 523,256.9 million  $\text{Nm}^3$ .

#### Energy Consumption

Total electricity consumption for production: 138,251,000 Kwh

Total oil consumption: 74,598.3 (L)

Total gasoline consumption: 2,924 (L)

Energy efficiency in (fuel) consumption/ton of urea improved by 5.24% compared to the average energy consumption (fuel) for Phu My Fertilizer Plant

#### Water Consumption

Water consumption, Phu My Fertilizer Plant: 19,901,665  $\text{m}^3$

Water for domestic use and production, and rivers are used to cool the equipment.







## SAFETY, HEALTH AND ENVIRONMENTAL PROTECTION REPORT

### Assessment statistics, waste management situation:

| NO. | TYPE OF WASTE          | UNIT                 | QUANTITY   | AMOUNT OF TREATMENT | LEVEL OF TREATMENT (GOOD/AVERAGE/NOT GOOD) |
|-----|------------------------|----------------------|------------|---------------------|--|
| 1   | Production wastewater  | m <sup>3</sup> /year | 145,182    | 145,182             | Good                                       |
| 2   | Domestic wastewater    | m <sup>3</sup> /year | 12,067     | 12,067              | Good                                       |
| 3   | Cooling water          | m <sup>3</sup> /year | 19,242,407 | 19,242,407          | Good                                       |
| 4   | Air emission           | Nm <sup>3</sup> /h   | 5,504,240  | 5,504,240           | Good                                       |
| 5   | Domestic solid waste   | Kg/year              | 117,000    | 117,000             | Good                                       |
| 6   | Industrial solid waste | Kg/year              | 257,230    | 257,230             | Good                                       |
| 7   | Hazardous waste        | Kg/year              | 110,307    | 110,307             | Good                                       |

### Cost savings in environmental protection:

| NO. | Thrift activities from managing emission   | Estimated cost savings |
|-----|--|------------------------|
| 1   | Streamlining environmental monitoring program at Phu My Fertilizer Plant and on-site inspections | VND 13.6 billion       |
| 2   | Completing the mud drying yard at Phu My Fertilizer Plant to reduce waste sludge treatment cost  | VND 200 million        |

### Compliance with the law on environmental protection:

- There were no legal violations during the year.
- Improved the legal process of environmental protection at warehouses, spots and other works in alignment with new law.
- Applied new cost saving approaches to environmental protection.



## Building a health, safety and environmental (HSE) culture

Advanced technology and production facilities with low emission were applied in line with ISO 14001:2004, STOP program and 5S program. In addition, the Corporation has communicated to raise awareness for the staff on environmental protection:

- Periodic communication on HSE issues, International Environment Day, Earth Hours, Fire Prevention and Protection Day. That enhances all employees' awareness in compliance with the law of safety-firefighting and environmental protection.

- The contest on HSE Employees was held. Similarly there was participation in the HSE Contest by the Oil & Gas Union, thereby contributed to raise awareness of HSE.

- Collaborated with the Youth Union to communicate energy saving, with a "Turn Off after Use" initiative in offices.

- Application of Quarterly HSE Reward to encourage employees' participation in HSE activities.

## Efficient use of water resources and energy saving

PVFCCo regularly checked the total usage of water by source (surface water, tap water, recycled water) to ensure the efficient water usage.

Application of advanced technologies and energy efficiency approaches as selection criteria in projects bids and tenders.

In 2016, PVFCCo continued to maintain the energy saving in production.

Improved employees' awareness of energy efficiency through communication.

Searching for energy saving opportunities in the existing production lines.

## Main tasks for Safety - Health - Environment system in 2017

- Production and business efficiency.
- Safe operations of Phu My Fertilizer Plant to achieve production and business targets for 2017.
- Successful overall maintenance of Phu My Fertilizer Plant and integrating NH<sub>3</sub> plant and NPK plant.
- Workplace safety achieved zero fatalities and occupational accidents, especially for the NH<sub>3</sub> + NPK project.
- Full compliance with environmental protection laws to prevent pollution.
- Fire and explosion prevention measures taken.
- Product quality control and handling product quality complaints by customers.
- Energy efficiency for cost savings.
- R&D develops at least one new product in 2017.

Achievements in 2016 and targets set for 2017 reflected the ongoing efforts of management and staff to ensure Safety – Health – Environment. This strengthens PVFCCo's branding for sustainable development towards a secured future.





## CORPORATE SOCIAL RESPONSIBILITY REPORT IN 2016



**PVFCO budgeted for over 80 billion VND to kick-start social security programs, living up to its motto of “Responsibility - Sharing” and strengthening its positive brand image amongst farmers.**



In 2016, domestic fertilizers faced intense competition from cheaper imported fertilizers and fake fertilizers, causing prices to fall sharply across the board. Business was further aggravated by severe natural disasters, which drastically affected agricultural production and fertilizer consumption. In response, PVFCO budgeted for over 80 billion VND to kick-start social security programs, living up to its motto of “Responsibility - Sharing” and strengthening its positive brand image amongst farmers.

These have been launched in conjunction with the Red Cross, Fatherland Front and local organizations, with the emphasis on remote areas with adverse conditions:

### Education - Culture

In 2016, PVFCO focused on several school projects from kindergarten to junior high school.

The program has been closely watched by PVFCO. It facilitated the building of infrastructure for rural development and to help students to have spacious classrooms and thus inspiring the students. Specifically, PVFCO has started the construction of 17 projects with a total amount of 54.9 billion for the schools of Lai Ha Commune High School, Luong Tai Bac Ninh (VND 5 billion), Ngo Gia Tu High School, Tam Thanh, Tam Ky (VND 5.5 billion), Nhan Tinh Nursery School, and Ly Nhan (VND 4.5 billion).

In addition to the school building, PVFCO regularly donates notebooks to disadvantaged children. So far, 30,000 notebooks have been delivered in 2016.

In addition, PVFCO provided nearly 100 academic scholarships for deserving students with a total value of nearly VND 500 million.

### Healthcare

PPVFCO continues to fund the construction of clinics, health care facilities - especially in remote areas where medical conditions are lacking - namely in two communes with the amount of VND 5.4 billion.

Besides, PVFCO cooperated with Can Tho Police Hospital to provide medical examination and treatment for farmers in Can Tho with a value of VND 1 billion.



### Building houses of gratitude - Solidarity house

To help poor households and their families to with accommodation, PVFCO sponsored 134 houses of gratitude and solidarity houses for poor families and households in the country with a total budget of VND 6.8 billion.

### Program of gratitude

Continuing the tradition of gratitude in honoring war veterans and fallen heroes, PVFCO donated VND 100 million worth of savings to war widows. The project for identification of war heroes was valued at VND 1 billion.

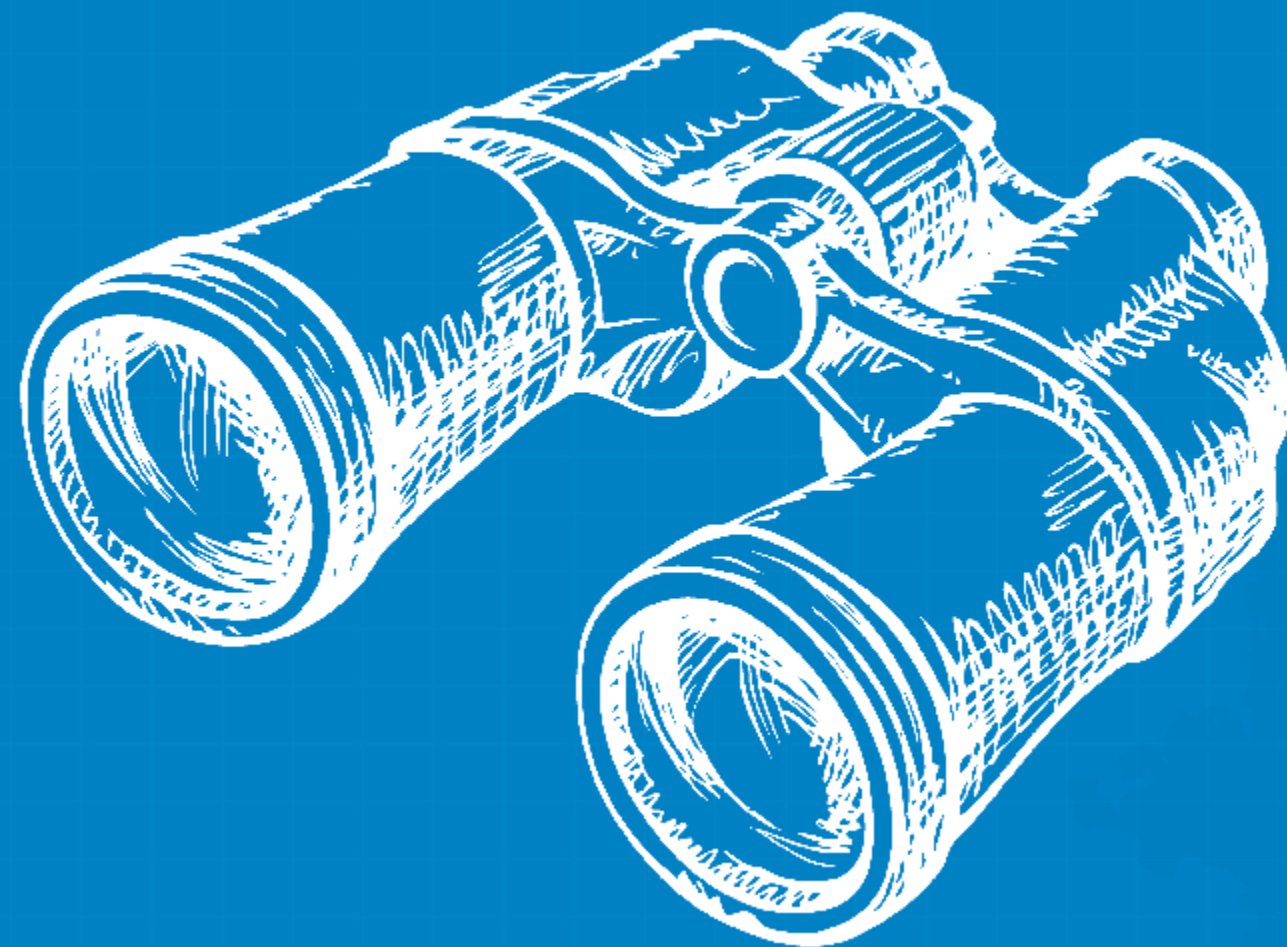


### Overcoming the Impact of natural disasters

In 2016, the country experienced several natural disasters caused by drought, salt marshes and floods. To support the farmers to stabilize their livelihood and return to production, PVFCO provided nearly VND 5 billion (equivalent to 10,000 gifts) to implement disaster recovery programs such as distributing fertilizers, petrol vouchers, and other necessities.

In expressing the spirit of mutual respect to farmers in the Central region, the PVFCO Trade Union mobilized the staff to support the disaster victims with a total value exceeding VND 1.2 billion. The Union cooperated with the Central Company to distribute 2,400 gifts to people in Central Vietnam during the storms of September and November 2016.





# CONSOLIDATED FINANCIAL STATEMENTS

**PETROVIETNAM FERTILIZER AND CHEMICALS CORPORATION – JSC**  
*(Incorporated in the Socialist Republic of Vietnam)*

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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## STATEMENT OF THE BOARD OF GENERAL DIRECTORS

The Board of General Directors of PetroVietnam Fertilizer and Chemicals Corporation - JSC (the "Corporation") presents this report together with the Corporation's consolidated financial statements for the year ended 31 December 2016.

### 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 to the date of this report are as follows:

#### Board of Management

|                             |                                     |
|-----------------------------|-------------------------------------|
| Mr. <b>Le Cu Tan</b>        | Chairperson                         |
| Ms. <b>Nguyen Thi Hien</b>  | Vice Chairperson                    |
| Mr. <b>Doan Van Nhuom</b>   | Member                              |
| Mr. <b>Nguyen Hong Vinh</b> | Member                              |
| Mr. <b>Louis T.Nguyen</b>   | Member (appointed on 29 April 2016) |

#### Board of General Directors

|                                 |  |
|---------------------------------|--|
| Mr. <b>Doan Van Nhuom</b>       | General Director                                     |
| Ms. <b>Tran Thi Phuong Thao</b> | Deputy General Director (appointed on 29 April 2016) |
| Mr. <b>Tu Cuong</b>             | Deputy General Director                              |
| Mr. <b>Hoang Viet Dung</b>      | Deputy General Director                              |
| Mr. <b>Le Van Quoc Viet</b>     | Deputy General Director                              |
| Mr. <b>Nguyen Van Tong</b>      | Deputy General Director                              |
| Mr. <b>Duong Tri Hoi</b>        | Deputy General Director                              |
| Ms. <b>Le Thi Thu Huong</b>     | Deputy General Director                              |
| Mr. <b>Vo Ngoc Phuong</b>       | Chief Accountant (appointed on 29 April 2016)        |
| Mr. <b>Huynh Kim Nhan</b>       | Chief Accountant (resigned on 29 April 2016)         |

### BOARD OF GENERAL DIRECTORS' STATEMENT OF RESPONSIBILITY

The Board of General Directors of the Corporation is responsible for preparing the consolidated financial statements, which give a true and fair view of the consolidated financial position of the Corporation as at 31 December 2016, and its consolidated financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to consolidated financial reporting. 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.



## STATEMENT OF THE BOARD OF GENERAL DIRECTORS (Continued)

The Board of General Directors of the Corporation 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 that the consolidated financial statements comply with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to consolidated financial reporting. 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 frauds 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,

**Nguyen Van Tong**  
Deputy General Director

20 March 2017  
Ho Chi Minh City, S. R. Vietnam



## INDEPENDENT AUDITORS' REPORT

No.: /VN1A-HN-BC

Deloitte.

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

We have audited the accompanying consolidated financial statements of PetroVietnam Fertilizer and Chemicals Corporation - JSC (the "Corporation") prepared on 20 March 2017 as set out from page 95 to page 131, which comprise the consolidated balance sheet as at 31 December 2016, the consolidated statement of income, the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to consolidated financial reporting and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Corporation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Auditors' Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to consolidated financial reporting.



**Dang Chi Dung**  
Deputy General Director  
Audit Practising Registration Certificate  
No. 0030-2013-001-1  
**For and on behalf of**  
**DELOITTE VIETNAM COMPANY LIMITED**

15 March 2017  
Hanoi, S.R. Vietnam

**Hoang Lan Huong**  
Auditor  
Audit Practising Registration Certificate  
No. 0898-2013-001-1

FORM B 01-DN/HN

## CONSOLIDATED BALANCE SHEET

As at 31 December 2016



Unit: VND

| ASSETS   | Codes      | Notes     | Closing balance          | Opening balance           |
|--|------------|-----------|--------------------------|---------------------------|
| <b>A. CURRENT ASSETS</b>                                       | <b>100</b> |           | <b>5,815,897,194,459</b> | <b>8,082,320,730,170</b>  |
| <b>I. Cash and cash equivalents</b>                            | <b>110</b> | <b>5</b>  | <b>4,098,557,036,080</b> | <b>5,690,048,266,789</b>  |
| 1. Cash  | 111        |           | 212,637,546,024          | 251,548,266,789           |
| 2. Cash equivalents  | 112        |           | 3,885,919,490,056        | 5,438,500,000,000         |
| <b>II. Short-term financial investments</b>                    | <b>120</b> | <b>6</b>  | <b>55,000,000,000</b>    | <b>80,950,000,000</b>     |
| 1. Held-to-maturity investments                                | 123        |           | 55,000,000,000           | 80,950,000,000            |
| <b>III. Short-term receivables</b>                             | <b>130</b> |           | <b>512,570,440,907</b>   | <b>821,016,395,013</b>    |
| 1. Short-term trade receivables                                | 131        | 7         | 113,770,688,184          | 110,593,516,567           |
| 2. Short-term advances to suppliers                            | 132        | 8         | 357,298,450,604          | 599,720,730,490           |
| 3. Other short-term receivables                                | 136        | 9         | 263,116,484,099          | 331,619,897,623           |
| 4. Provision for short-term doubtful debts                     | 137        | 10        | (221,663,412,363)        | (220,917,749,667)         |
| 5. Deficits in assets awaiting solution                        | 139        |           | 48,230,383               | -                         |
| <b>IV. Inventories</b>   | <b>140</b> | <b>11</b> | <b>923,155,439,979</b>   | <b>1,365,359,901,358</b>  |
| 1. Inventories   | 141        |           | 924,827,026,054          | 1,369,360,058,916         |
| 2. Provision for devaluation of inventories                    | 149        |           | (1,671,586,075)          | (4,000,157,558)           |
| <b>V. Other short-term assets</b>                              | <b>150</b> |           | <b>226,614,277,493</b>   | <b>124,946,167,010</b>    |
| 1. Short-term prepayments                                      | 151        | 12        | 42,509,732,890           | 16,806,463,175            |
| 2. Value added tax deductibles                                 | 152        |           | 176,620,686,597          | 104,007,880,744           |
| 3. Taxes and other receivables from the State budget           | 153        | 19        | 7,483,858,006            | 4,131,823,091             |
| <b>B. NON-CURRENT ASSETS</b>                                   | <b>200</b> |           | <b>3,752,732,326,026</b> | <b>2,836,858,993,077</b>  |
| <b>I. Long-term receivables</b>                                | <b>210</b> |           | <b>2,067,606,000</b>     | <b>22,282,745,091</b>     |
| 1. Other long-term receivables                                 | 216        | 9         | 2,067,606,000            | 22,282,745,091            |
| <b>II. Fixed assets</b>  | <b>220</b> |           | <b>1,910,477,137,280</b> | <b>1,853,675,922,763</b>  |
| 1. Tangible fixed assets                                       | 221        | 13        | 1,065,244,359,016        | 950,883,146,423           |
| - Cost   | 222        |           | 7,621,745,716,384        | 7,325,699,359,354         |
| - Accumulated depreciation                                     | 223        |           | (6,556,501,357,368)      | (6,374,816,212,931)       |
| 2. Intangible assets   | 227        | 14        | 845,232,778,264          | 902,792,776,340           |
| - Cost   | 228        |           | 1,102,728,784,250        | 1,151,101,721,979         |
| - Accumulated amortisation                                     | 229        |           | (257,496,005,986)        | (248,308,945,639)         |
| <b>III. Investment properties</b>                              | <b>230</b> | <b>15</b> | <b>281,624,932,537</b>   | <b>213,918,863,401</b>    |
| - Cost   | 231        |           | 346,037,256,544          | 257,503,814,400           |
| - Accumulated depreciation                                     | 232        |           | (64,412,324,007)         | (43,584,950,999)          |
| <b>IV. Long-term assets in progress</b>                        | <b>240</b> |           | <b>1,350,127,867,489</b> | <b>612,341,484,055</b>    |
| 1. Construction in progress                                    | 242        | 16        | 1,350,127,867,489        | 612,341,484,055           |
| <b>V. Long-term financial investments</b>                      | <b>250</b> | <b>6</b>  | <b>45,353,584,368</b>    | <b>47,372,063,536</b>     |
| 1. Investments in joint-ventures, associates                   | 252        |           | 27,825,815,933           | 27,205,933,822            |
| 2. Equity investments in other entities                        | 253        |           | 20,502,000,000           | 20,502,000,000            |
| 3. Provision for impairment of long-term financial investments | 254        |           | (2,974,231,565)          | (335,870,286)             |
| <b>VI. Other long-term assets</b>                              | <b>260</b> |           | <b>163,081,198,352</b>   | <b>87,267,914,231</b>     |
| 1. Long-term prepayments                                       | 261        | 12        | 29,294,044,224           | 23,061,447,048            |
| 2. Deferred tax assets   | 262        | 17        | 83,066,757,320           | 64,206,467,183            |
| 3. Long-term reserved spare parts                              | 263        | 11        | 50,720,396,808           | -                         |
| <b>TOTAL ASSET (270=100 + 200)</b>                             | <b>270</b> |           | <b>9,568,629,520,485</b> | <b>10,919,179,723,247</b> |

The accompanying notes are an integral part of these consolidated financial statements



## CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2016

FORM B 02-DN/HN

Unit: VND

| RESOURCES  | Codes      | Notes     | Closing balance          | Opening balance           |
|--|------------|-----------|--------------------------|---------------------------|
| <b>C. LIABILITIES</b>                                    | <b>300</b> |           | <b>1,339,645,449,703</b> | <b>2,371,674,452,992</b>  |
| <b>I. Current liabilities</b>                            | <b>310</b> |           | <b>1,159,284,251,429</b> | <b>1,835,490,030,431</b>  |
| 1. Short-term trade payables                             | 311        | 18        | 475,420,239,620          | 361,321,100,293           |
| 2. Short-term advances from customers                    | 312        |           | 42,391,537,087           | 63,651,015,476            |
| 3. Taxes and amounts payable to the State budget         | 313        | 19        | 22,663,336,608           | 83,091,150,528            |
| 4. Payables to employees                                 | 314        |           | 89,519,496,693           | 118,304,455,634           |
| 5. Short-term accrued expenses                           | 315        | 20        | 93,066,847,570           | 57,056,342,544            |
| 6. Short-term unearned revenue                           | 318        |           | -                        | 700,472,473               |
| 7. Other current payables                                | 319        | 21        | 77,540,129,961           | 1,009,921,782,301         |
| 8. Short-term loans and obligations under finance leases | 320        | 23        | -                        | 2,133,324,000             |
| 9. Short-term provisions                                 | 321        | 22        | 312,335,214,817          | 40,184,083,102            |
| 10. Bonus and welfare funds                              | 322        |           | 46,347,449,073           | 99,126,304,080            |
| <b>II. Long-term liabilities</b>                         | <b>330</b> |           | <b>180,361,198,274</b>   | <b>536,184,422,561</b>    |
| 1. Long-term unearned revenue                            | 336        |           | 1,510,922,362            | 2,182,443,406             |
| 2. Other long-term payables                              | 337        | 21        | 960,870,000              | 6,826,964,074             |
| 3. Long-term loans and obligations under finance leases  | 338        | 23        | -                        | 230,138,981,667           |
| 4. Deferred tax liabilities                              | 341        | 17        | 132,540,000,000          | 146,185,982,143           |
| 5. Long-term provisions                                  | 342        | 22        | -                        | 96,551,724,139            |
| 6. Scientific and technological development fund         | 343        |           | 45,349,405,912           | 54,298,327,132            |
| <b>D. EQUITY</b>   | <b>400</b> |           | <b>8,228,984,070,782</b> | <b>8,547,505,270,255</b>  |
| <b>I. Owner's equity</b>                                 | <b>410</b> | <b>24</b> | <b>8,228,984,070,782</b> | <b>8,547,505,270,255</b>  |
| 1. Owner's contributed capital                           | 411        |           | 3,914,000,000,000        | 3,800,000,000,000         |
| - Ordinary shares carrying voting rights                 | 411a       |           | 3,914,000,000,000        | 3,800,000,000,000         |
| 2. Share premium   | 412        |           | 21,179,913,858           | 21,179,913,858            |
| 3. Treasury shares                                       | 415        |           | (2,296,824,120)          | (2,296,824,120)           |
| 4. Investment and development fund                       | 418        |           | 3,497,039,984,857        | 3,498,666,363,829         |
| 5. Retained earnings                                     | 421        |           | 625,289,673,315          | 1,038,014,367,026         |
| - Retained earnings accumulated to the prior year end    | 421a       |           | 447,473,885,864          | 734,858,823,580           |
| - Retained earnings of the current period                | 421b       |           | 177,815,787,451          | 303,155,543,446           |
| 6. Non-controlling interests                             | 429        |           | 173,771,322,872          | 191,941,449,662           |
| <b>TOTAL RESOURCES (440=300+400)</b>                     | <b>440</b> |           | <b>9,568,629,520,485</b> | <b>10,919,179,723,247</b> |

Tran Xuan Thao  
Preparer

Vo Ngoc Phuong  
Chief Accountant



Nguyen Van Tong  
Deputy General Director

20 March 2017

The accompanying notes are an integral part of these consolidated financial statements

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

FORM B 02-DN/HN

Unit: VND

| ITEMS   | Codes     | Notes     | Current year             | Prior year               |
|---|-----------|-----------|--------------------------|--------------------------|
| <b>1. Gross revenue from goods sold and services rendered</b>           | <b>01</b> |           | <b>8,013,045,841,689</b> | <b>9,851,635,822,033</b> |
| 2. Deductions   | 02        |           | 88,258,717,964           | 86,688,977,560           |
| <b>3. Net revenue from goods sold and services rendered (10=01-02)</b>  | <b>10</b> | <b>27</b> | <b>7,924,787,123,725</b> | <b>9,764,946,844,473</b> |
| 4. Cost of sales  | 11        | 27        | 5,528,945,830,113        | 6,612,423,997,803        |
| <b>5. Gross profit from goods sold and services rendered (20=10-11)</b> | <b>20</b> |           | <b>2,395,841,293,612</b> | <b>3,152,522,846,670</b> |
| 6. Financial income   | 21        | 29        | 234,042,714,790          | 256,561,206,512          |
| 7. Financial expenses   | 22        | 30        | 13,686,412,637           | 7,070,545,699            |
| - In which: Interest expense  | 23        |           | 4,473,655,670            | 2,568,699,865            |
| 8. Share of profits/(losses) of associates                              | 24        | 6         | 3,849,188,452            | (198,273,817,160)        |
| 9. Selling expenses   | 25        | 31        | 735,465,012,634          | 750,985,639,837          |
| 10. General and administration expenses                                 | 26        | 31        | 499,365,924,703          | 597,075,933,211          |
| <b>11. Operating profit (30=20+(21-22)+24-(25+26))</b>                  | <b>30</b> |           | <b>1,385,215,846,880</b> | <b>1,855,678,117,275</b> |
| 12. Other income  | 31        |           | 11,186,505,268           | 25,682,368,809           |
| 13. Other expenses  | 32        |           | 3,327,436,657            | 1,087,635,279            |
| <b>14. Profit from other activities (40=31-32)</b>                      | <b>40</b> |           | <b>7,859,068,611</b>     | <b>24,594,733,530</b>    |
| <b>15. Accounting profit before tax (50=30+40)</b>                      | <b>50</b> |           | <b>1,393,074,915,491</b> | <b>1,880,272,850,805</b> |
| 16. Current corporate income tax expense                                | 51        | 32        | 260,806,442,949          | 309,160,303,969          |
| 17. Deferred corporate tax (income)/expense                             | 52        | 17        | (32,506,272,281)         | 48,651,197,780           |
| <b>18. Net profit after corporate income tax (60=50-51-52)</b>          | <b>60</b> |           | <b>1,164,774,744,823</b> | <b>1,522,461,349,056</b> |
| 18.1. Profit after tax attributable to the Holding Company              | 61        |           | 1,140,934,981,419        | 1,488,213,481,717        |
| 18.2. Profit after tax attributable to non-controlling interests        | 62        |           | 23,839,763,404           | 34,247,867,339           |
| <b>19. Basic earnings per share</b>                                     | <b>70</b> | <b>33</b> | <b>2,452</b>             | <b>3,295</b>             |

Tran Xuan Thao  
Preparer

Vo Ngoc Phuong  
Chief Accountant



Nguyen Van Tong  
Deputy General Director

20 March 2017

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## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2016

FORM B 03-DN/HN

Unit: VND

| ITEMS   | Codes     | Current year               | Prior year               |
|---|-----------|----------------------------|--------------------------|
| <b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>  |           |                            |                          |
| <b>1. Profit before tax</b>   | <b>01</b> | <b>1,393,074,915,491</b>   | <b>1,880,272,850,805</b> |
| <b>2. Adjustments for:</b>  |           |                            |                          |
| Depreciation and amortisation of fixed assets and investment properties                           | 02        | 242,263,838,182            | 264,527,522,125          |
| Provisions  | 03        | 216,838,943,170            | 304,765,981,944          |
| Foreign exchange loss arising from translating foreign currency items                             | 04        | (25,224,684)               | 33,095,831               |
| (Gain)/Loss from investing activities   | 05        | (228,142,043,039)          | (72,101,740,932)         |
| Interest expense  | 06        | 4,473,655,670              | 2,568,699,865            |
| <b>3. Operating profit before movements in working capital</b>                                    | <b>08</b> | <b>1,628,484,084,790</b>   | <b>2,380,066,409,638</b> |
| Increase, decrease in receivables   | 09        | 451,316,815,164            | (57,554,865,569)         |
| Increase, decrease in inventories   | 10        | 393,812,636,054            | 90,739,190,276           |
| Increase, decrease in payables (excluding accrued loan interest and corporate income tax payable) | 11        | (27,710,216,020)           | (232,982,368,141)        |
| Increase, decrease in prepaid expenses  | 12        | (32,767,930,905)           | 19,650,383,838           |
| Interest paid   | 14        | (4,473,655,670)            | (2,568,699,865)          |
| Corporate income tax paid   | 15        | (318,332,007,665)          | (279,826,182,950)        |
| Other cash inflows  | 16        | 17,851,484,482             | 106,450,370,984          |
| Other cash outflows   | 17        | (272,537,201,070)          | (384,390,450,891)        |
| <b>Net cash generated by operating activities</b>   | <b>20</b> | <b>1,835,644,009,160</b>   | <b>1,639,583,787,320</b> |
| <b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>   |           |                            |                          |
| 1. Acquisition and construction of fixed assets and other long-term assets                        | 21        | (1,288,584,447,183)        | (960,351,770,011)        |
| 2. Proceeds from sale, disposal of fixed assets and other long-term assets                        | 22        | -                          | 71,035,909,091           |
| 3. Cash outflow for lending, buying debt instruments of other entities                            | 23        | (150,000,000,000)          | (10,950,000,000)         |
| 4. Cash recovered from lending, selling debt instruments of other entities                        | 24        | 175,000,000,000            | 7,119,148,009            |
| 5. Cash recovered from investments in other entities  | 26        | 30,222,223,701             | 2,238,561,705            |
| 6. Interest earned, dividends and profits received  | 27        | 231,012,135,796            | 248,991,636,282          |
| <b>Net cash used in investing activities</b>  | <b>30</b> | <b>(1,002,350,087,686)</b> | <b>(641,916,514,924)</b> |

The accompanying notes are an integral part of these consolidated financial statements



## CONSOLIDATED CASH FLOW STATEMENT (Continued)

For the year ended 31 December 2016

FORM B 03-DN/HN

Unit: VND

| ITEMS   | Codes     | Current year               | Prior year               |
|---|-----------|----------------------------|--------------------------|
| <b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>                      |           |                            |                          |
| 1. Proceeds from share issue  | 31        | 114,000,000,000            | -                        |
| 2. Proceeds from borrowings   | 33        | 5,780,162,536              | 360,868,957,857          |
| 3. Repayment of borrowings  | 34        | (232,730,241,203)          | (176,850,686,644)        |
| 4. Dividends and profits paid   | 36        | (2,311,860,298,200)        | (569,893,611,925)        |
| <b>Net cash used in financing activities</b>                          | <b>40</b> | <b>(2,424,810,376,867)</b> | <b>(385,875,340,712)</b> |
| <b>Net (decrease)/increase in cash (50=20+30+40)</b>                  | <b>50</b> | <b>(1,591,516,455,393)</b> | <b>611,791,931,684</b>   |
| <b>Cash and cash equivalents at the beginning of the year</b>         | <b>60</b> | <b>5,690,048,266,789</b>   | <b>5,078,299,954,021</b> |
| Effects of changes in foreign exchange rates                          | 61        | 25,224,684                 | (43,618,916)             |
| <b>Cash and cash equivalents at the end of the year (70=50+60+61)</b> | <b>70</b> | <b>4,098,557,036,080</b>   | <b>5,690,048,266,789</b> |

Tran Xuan Thao  
Preparer

20 March 2017

Vo Ngoc Phuong  
Chief Accountant



Nguyen Van Tong  
Deputy General Director

The accompanying notes are an integral part of these consolidated financial statements



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

FORM B 09-DN/HN

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

### 1. GENERAL INFORMATION

#### Structure of ownership

PetroVietnam Fertilizer and Chemicals Corporation - JSC (hereinafter referred to as the "Corporation"), formerly known as PetroVietnam Fertilizer and Chemicals Joint Stock Company, was established under Business Registration Certificate No. 4103007696 dated 31 August 2007 and the 13<sup>th</sup> amendment on 10 March 2016, issued by the Department of Planning and Investment of Ho Chi Minh City. On 01 September 2008, the Corporation officially transformed its operation into parent-subsidary model in accordance with Resolution No. 01/ND-DHDCD passed at the Shareholders' General Meeting. Accordingly, the Holding Company - PetroVietnam Fertilizer and Chemicals Corporation - JSC was established from functional departments of PetroVietnam Fertilizer and Chemicals Joint Stock Company, project management units and Phu My Fertilizer Plant. The Corporation's shares are listed on Ho Chi Minh City Stock Exchange from 05 November 2007 with the stock symbol "DPM".

The parent company of the Corporation is Vietnam Oil and Gas Group which holds 59.58% of its charter capital as at 31 December 2016.

#### Operating industries and principal activities

The business activities of the Corporation include:

- Production and trading of fertilizer, liquid ammonia, industrial gas, other chemicals;
- Provision of technical services relating to production and trading of fertilizer and other related chemicals (excluding heavily toxic chemicals);
- Relevant technical consultancy and architecture activities;
- Production, transmission and distribution of electricity;
- Trading of real estates, land use rights in all kinds;
- Sales of agriculture and forestry products (excluding wood, bamboo) and living animals;
- Goods transport services by inbound waterway and trucks, processing of oil and gas-related products and minerals;
- Services of vocational training;
- Services directly supporting waterway transportation; loading and unloading goods; maritime and shipping agency and goods storage.

The principal activities of the Corporation are production and trade of fertilizer used in agriculture.

#### Normal production and business cycle

The Corporation's normal production and business cycle is carried out for a time period of 12 months or less.

#### The Corporation's structure

As at 31 December 2016, the Corporation had 04 subsidiaries, 03 associates, 01 branch, 01 plant and 01 Project Management Unit as follows:

- Phu My Fertilizer Plant
- Ho Chi Minh Branch
- Fertilizer and Chemicals Project Management Unit

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FORM B 09-DN/HN

For the year ended 31 December 2016

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

The general information about subsidiaries and associates of the Corporation are as follows:

|   | Place of incorporation and operation | Proportion of ownership interest (%) | Proportion of voting power held (%) | Principal activity   | Relationship |
|---|--------------------------------------|--------------------------------------|-------------------------------------|--|--------------|
| Central PetroVietnam Fertilizer and Chemicals JSC   | Binh Dinh Province                   | 75                                   | 75                                  | Trading of fertilizer and chemicals  | Subsidiary   |
| SouthWest PetroVietnam Fertilizer and Chemicals JSC | Can Tho City                         | 75                                   | 75                                  | Trading of fertilizer and chemicals  | Subsidiary   |
| SouthEast PetroVietnam Fertilizer and Chemicals JSC | Ho Chi Minh City                     | 75                                   | 75                                  | Trading of fertilizer and chemicals  | Subsidiary   |
| Northern PetroVietnam Fertilizer and Chemicals JSC  | Hanoi City                           | 75                                   | 75                                  | Trading of fertilizer and chemicals  | Subsidiary   |
| Phu My Fertilizer Packaging JSC                     | Ba Ria - Vung Tau Province           | 43.34                                | 43.34                               | Production of packages   | Associate    |
| PetroVietnam Urban Development JSC                  | Can Tho City                         | 35.63                                | 35.63                               | Construction and installation of civil and industrial works and services provision | Associate    |
| PetroVietnam Petrochemical and Textile Fiber JSC    | Hai Phong City                       | 25.99                                | 25.99                               | Production and sale of polyester fibers  | Associate    |

### 2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

#### Accounting convention

The accompanying consolidated financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to consolidated financial reporting.

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.

#### Financial year

The Corporation's financial year begins on 01 January and ends on 31 December.

### 3. ADOPTION OF NEW ACCOUNTING GUIDANCE

On 21 March 2016, the Ministry of Finance issued Circular No. 53/2016/TT-BTC ("Circular 53") amending and supplementing certain articles of Circular No. 200/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance guiding the accounting regime for enterprises. Circular 53 is effective for the financial years beginning on or after 01 January 2016. The Board of General Directors has adopted Circular 53 in the preparation and presentation of the Company's consolidated financial statements for the year ended 31 December 2016.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

FORM B 09-DN/HN

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted by the Corporation in the preparation of these consolidated financial statements, are as follows:

#### Accounting estimates

The preparation of the consolidated financial statements in conformity with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to consolidated financial reporting requires the Board of General Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the financial year. Although these accounting estimates are based on the Board of General Directors' best knowledge, actual results may differ from those estimates.

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and enterprises controlled by the Corporation (its subsidiaries) up to 31 December 2016. This control is achieved where the Corporation has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Corporation.

All significant inter-company transactions and balances between the Corporation and its subsidiaries and among subsidiaries are eliminated on consolidation.

Non-controlling interests consist of the amount of those non-controlling interests at the date of the original business combination (see below) and the non-controlling interests' share of changes in equity since the date of the combination. Losses in subsidiaries are respectively attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

#### Investments in associates

An associate is an entity over which the Corporation has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Interests in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Corporation's share of the net assets of the associate. Losses of an associate in excess of the Corporation's interest in that associate (which includes any long-term interests that, in substance, form part of the Corporation's net investment in the associate) are not recognised.

Where a group entity transacts with an associate of the Corporation, unrealised profits and losses are eliminated to the extent of the Corporation's interest in the relevant associate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FORM B 09-DN/HN

For the year ended 31 December 2016

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements



### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### Financial investments

#### Held-to-maturity investments

Held-to-maturity investments comprise investments that the Corporation has the positive intent or ability to hold to maturity, including term deposits in banks held to maturity to earn periodic interest.

Held-to-maturity investments are recognised on a trade date basis and are initially measured at acquisition price plus directly attributable transaction costs. Post-acquisition interest income from held-to-maturity investments is recognised in the consolidated income statement on accrual basis.

Held-to-maturity investments are measured at cost less provision for doubtful debts (if any). Provision for doubtful debts relating to held-to-maturity investments is made in accordance with prevailing accounting regulations.

#### Equity investments in other entities

Equity investments in other entities represent the Corporation's investments in ordinary shares of the entities over which the Corporation has no control, joint control or significant influence.

Equity investments in other entities are carried at cost less provision for impairment of such investments.

### Receivables

Receivables represent the amounts recoverable from customers or other debtors and are stated at book value less provision for doubtful debts.

Provision for doubtful debts is made for receivables that are overdue for six months or more, or when the debtor is in dissolution, in bankruptcy, or is experiencing similar difficulties and so may be unable to repay the debt.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Issue cost is calculated using the weighted average method, except for issue cost of materials that is calculated using the FIFO method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

The evaluation of necessary provision for inventory obsolescence follows current prevailing accounting regulations which allow provisions to be made for obsolete, damaged, or sub-standard inventories and for those which have costs higher than net realisable values as at the balance sheet date.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

FORM B 09-DN/HN

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

The costs of purchased tangible fixed assets comprise their purchase prices and any directly attributable costs of bringing the assets to their working conditions and location for their intended use. The costs of tangible fixed assets formed from construction investment by contractual mode or self-construction or self-generating process are the settled costs of the invested construction projects in accordance with the prevailing State's regulations on investment and construction management, directly-related expenses and registration fee (if any).

In the event the construction project has been completed and put into use but the settled costs thereof have not been approved, the cost of tangible fixed assets is recognized at the estimated cost based on the actual cost incurred. The estimated cost will be adjusted according to the settled costs approved by competent authorities.

Tangible fixed assets are depreciated using the straight-line method over their estimated useful lives, as follows:

|                       | <b>Current year</b> |
|-----------------------|---------------------|
|                       | <b>Years</b>        |
| Buildings, structures | 5 - 25              |
| Machinery, equipment  | 3 - 6               |
| Motor vehicles        | 6 - 10              |
| Office equipment      | 3 - 8               |
| Others                | 3                   |

Repair and maintenance expenses of fixed assets at Phu My Fertilizer Plant which are incurred on a cyclical basis are permitted to be charged to operating expenses based on the estimated amount stated in the annual budget. If the actual expenses of repair and maintenance are higher than estimated, the amount over budget shall be charged to operating expenses. If the actual expenses of repair and maintenance are lower than estimated, the amount under budget shall be accounted for as a reduction of operating expenses of the year. Accrued repair and maintenance expenses are reported as long-term and short-term payable provisions.

Loss or gain resulting from sales and disposals of tangible fixed assets is the difference between profit from sales or disposals of assets and their residual values and is recognised in the consolidated income statement.

#### Intangible assets and amortization

Intangible assets represent land use rights, patent rights, computer software and other intangible assets which are stated at cost less accumulated amortization. Land use rights having a finite useful life are amortized using the straight-line method over the duration of the right to use the land, Indefinite-term land use rights are not amortized. The patent rights and other intangible assets are amortized using the straight-line method over 6 years. The computer software is amortized using the straight-line method over 3 years.

#### Operating leases

Operating leases include office and land rentals. Payments under operating leases are charged to profit or loss on a straight-line basis over the lease term.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FORM B 09-DN/HN

For the year ended 31 December 2016

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements



#### Construction in progress

Properties in the course of construction for production, rental and administrative purposes or for other purposes are carried at cost. The cost includes any costs that are necessary to form the asset including construction cost, equipment cost, other costs and related borrowing costs in accordance with the Corporation's accounting policy. Such costs will be included in the estimated costs of the fixed assets (if settled costs have not been approved) when they are put into use.

According to the State's regulations on investment and construction management, the settled costs of completed construction projects are subject to approval by appropriate level of competent authorities. The final costs of these completed construction projects may vary depending on the final approval by competent authorities.

#### Investment properties

Investment properties are composed of land use rights, buildings and structures held by the Corporation to earn rentals or for capital appreciation. Investment properties held to earn rentals are stated at cost less accumulated depreciation while investment properties held for capital appreciation are stated at cost less impairment loss. The costs of purchased investment properties comprise their purchase prices and any directly attributable expenditures, such as professional fees for legal services, property transfer taxes and other related transaction costs.

Investment properties, which are composed of land use rights and buildings and structures of Dong Tay Building at 27 Dinh Bo Linh Street, Ho Chi Minh City; Cuu Long Supermarket-Office Building in Ca Mau Province, Office Building at 13A Phan Dinh Phung Street, Can Tho City and PVFCCo Building at 43 Mac Dinh Chi Street, Ho Chi Minh City held by the Corporation to earn rentals, are stated at cost less accumulated depreciation.

Investment properties held to earn rentals are depreciated using the straight-line method over their estimated useful lives as follows:

|                          | <b>Current year</b> |
|--------------------------|---------------------|
|                          | <b>Years</b>        |
| Land use rights          | 44 - 50             |
| Buildings and structures | 25                  |

The Corporation does not depreciate investment properties which are indefinite-term land use rights.

#### Prepayments

Prepayments are expenses which have already been paid but relate to results of operations of multiple accounting periods, including asset insurance premium, land rentals, office rentals and other types of long-term prepayments.

Prepaid land and office rentals are charged to the consolidated income statement on the straight-line basis over the rental term.

Other types of prepayments comprise of tools and supplies issued for consumption which are charged to the income statement on the straight-line basis in accordance with the current prevailing accounting regulations.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

FORM B 09-DN/HN

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Payable provisions

Payable provisions are recognized when the Corporation has a present obligation as a result of a past event, and it is probable that the Corporation will be required to settle that obligation. Provisions are measured at the Board of General Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.

#### Scientific and Technological Development Fund

Scientific and Technological Development Fund are made in order to finance science and technology activities of the Corporation. This Fund was formed on the basis of the Corporation's development demand for research and development and technology innovation and is recognized in the operation results of the year.

#### Revenue recognition

Revenue from the sale of goods is recognised when all five (5) following conditions are satisfied:

- the Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Corporation; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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Revenue of a transaction involving the rendering of services is recognised when the outcome of such transactions can be measured reliably. Where a transaction involving the rendering of services is attributable to several periods, revenue is recognised in each period by reference to the percentage of completion of the transaction at the balance sheet date of that period. The outcome of a transaction can be measured reliably when all four (4) following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Corporation;
- the percentage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue from leasing investment property is recognized in profit or loss on the straight-line basis over the lease term.

Financial income mainly comprises interest on demand and term deposits, and foreign exchange gains. Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable interest rate. Dividend income from investments is recognised when the Corporation's right to receive payment has been established.

#### Foreign currencies

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balances of monetary items denominated in foreign currencies as at the balance sheet date are retranslated at the exchange rates on the same date. Exchange differences arising from the translation of these accounts are recognised in the consolidated income statement.

Under the guidance of Official Letter No. 4360/DKVN-TCKT dated 31 December 2015 and Official Letter No. 3124/DKVN-TCKT dated 13 May 2015 issued by Vietnam Oil and Gas Group, the Corporation applied the buying rate announced by the Joint Stock Commercial Bank for Foreign Trade of Vietnam to translate monetary items denominated in foreign currencies as at 31 December 2016. The above mentioned rate differs from that stated in Circular No. 200/2014/TT-BTC issued on 22 December 2014 by the Ministry of Finance guiding the accounting regime for enterprises. However, such difference has no material influence on the Corporation's consolidated financial statements for the year ended 31 December 2016.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Borrowing costs

Borrowing costs are recognised in the consolidated income statement in the year when incurred unless they are capitalised in accordance with Vietnamese Accounting Standard No. 16 "Borrowing costs". Accordingly, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. For specific borrowings for the purpose of construction of fixed assets and investment properties, borrowing costs are capitalised even when the construction period is under 12 months.

##### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

Deferred tax is recognised on significant differences between carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Corporation intends to settle its current tax assets and liabilities on a net basis.

The determination of the tax currently payable is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and their ultimate determination depends on the results of the tax authorities' examinations.

Other taxes are paid in accordance with the prevailing tax laws in Vietnam.

#### 5. CASH AND CASH EQUIVALENTS

|                      | Closing balance<br>VND   | Opening balance<br>VND   |
|----------------------|--------------------------|--------------------------|
| Cash on hand         | 1,798,603,950            | 1,519,452,312            |
| Bank demand deposits | 210,838,942,074          | 250,028,814,477          |
| Cash equivalents (*) | 3,885,919,490,056        | 5,438,500,000,000        |
|                      | <b>4,098,557,036,080</b> | <b>5,690,048,266,789</b> |

(\*) Cash equivalents represent the time deposits with original terms from 1 to 3 months at commercial banks with the interest rates ranging from 4.3% to 5.5% per annum.

As at 31 December 2016, the Corporation's deposit with term under three months at Ocean Commercial One Member Limited Liability Bank (previously Ocean Commercial Joint Stock Bank) amounted to VND 284 billion. According to Official Letter No. 5351/2016/CV-OCEANBANK dated 04 October 2016, Ocean Commercial One Member Limited Liability Bank ensured the return of deposits held by its clients following the restructuring plan which has been submitted to the State Bank of Vietnam and the Government for approval. Interest earned on deposits at Ocean Commercial One Member Limited Liability Bank from 01 October 2015 to present have been received.

#### 6. FINANCIAL INVESTMENTS

|  | Closing balance<br>VND |                 | Opening balance<br>VND |                 |
|--|------------------------|-----------------|------------------------|-----------------|
|  | Cost                   | Carrying amount | Cost                   | Carrying amount |
| <b>Short-term held-to-maturity investments</b> |                        |                 |                        |                 |
| Term deposits                                  | 55,000,000,000         | 55,000,000,000  | 80,950,000,000         | 80,950,000,000  |

Short-term held-to-maturity investments as at 31 December 2016 represent time deposits with original terms of more than 3 months and remaining terms of less than 12 months from the reporting date at commercial banks with interest rates ranging from 5.2% to 6% per annum.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

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### 6. FINANCIAL INVESTMENTS (CONTINUED)

|   | Closing balance<br>VND |                          |                       | Opening balance<br>VND |                          |                       |
|---|------------------------|--------------------------|-----------------------|------------------------|--------------------------|-----------------------|
|   | Cost                   | Cost under equity method | Fair value            | Cost                   | Cost under equity method | Fair value            |
| <b>Investments in associates</b>                            | <b>680,903,000,000</b> | <b>27,825,815,933</b>    | <b>28,760,424,000</b> | <b>680,903,000,000</b> | <b>27,205,933,822</b>    | <b>25,483,920,000</b> |
| PetroVietnam Urban Development JSC                          | 100,000,000,000        | -                        | -                     | 100,000,000,000        | -                        | -                     |
| PetroVietnam Petrochemical and Textile Fiber JSC            | 562,700,000,000        | -                        | -                     | 562,700,000,000        | -                        | -                     |
| Phu My Fertilizer Packaging JSC                             | 18,203,000,000         | 27,825,815,933           | 28,760,424,000        | 18,203,000,000         | 27,205,933,822           | 25,483,920,000        |
|   | Cost                   | Provision                | Fair value            | Cost                   | Provision                | Fair value            |
| <b>Investments in other entities</b>                        | <b>20,502,000,000</b>  | <b>(2,974,231,565)</b>   | <b>-</b>              | <b>20,502,000,000</b>  | <b>(335,870,286)</b>     | <b>-</b>              |
| Petroleum Information Technology Telecom and Automation JSC | 3,600,000,000          | -                        | -                     | 3,600,000,000          | (335,870,286)            | -                     |
| Ut Xi Aquatic Products Processing JSC                       | 16,902,000,000         | (2,974,231,565)          | -                     | 16,902,000,000         | -                        | -                     |

As stipulated in Circular No. 200/2014/TT-BTC dated 22 December 2014, the fair value of the investments in associates and other entities as at 31 December 2016 should be presented. The Corporation has determined the fair value of investments in Phu My Fertilizer Packaging JSC based on listed price of shares on the stock exchange and the number of shares currently held by the Corporation (as at 31 December 2014, its shares were not listed on a stock exchange; therefore the Corporation was unable to collect reliable information in order to determine the fair value of these investments).

For the remaining investments, these companies have not had their shares listed on a stock exchange yet and the Corporation was unable to collect reliable information in order to determine their fair value. Accordingly, the fair value of such investments as at 31 December 2016 has not been determined and presented in the Notes to the consolidated financial statements as per Circular No. 200/2014/TT-BTC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 6. FINANCIAL INVESTMENTS (CONTINUED)

A summary of financial information of the Corporation's associates is as follows:

|  | Closing balance<br>VND |                   |  | Opening balance<br>VND |                     |  |
|--|------------------------|-------------------|--|------------------------|---------------------|--|
|  | Total assets           | Total liabilities | Net assets                                 | Total assets           | Total liabilities   | Net assets                                 |
|  | 6,546,531,716,838      | 7,677,836,436,763 | (1,131,304,719,925)                        | 6,923,094,964,214      | 7,378,785,674,715   | (455,690,710,501)                          |
| PetroVietnam Urban Development JSC               | 386,488,407,062        | 384,395,584,177   | 2,092,822,885                              | 330,360,207,714        | 330,105,596,040     | 254,611,674                                |
| PetroVietnam Petrochemical and Textile Fiber JSC | 6,017,150,685,165      | 7,214,718,824,369 | (1,197,568,139,204)                        | 6,468,231,735,297      | 6,987,058,617,336   | (518,826,882,039)                          |
| Phu My Fertilizer Packaging JSC                  | 142,892,624,611        | 78,722,028,217    | 64,170,596,394                             | 124,503,021,203        | 61,621,461,339      | 62,881,559,864                             |
|  |                        |                   |  |                        |                     |  |
|  | Current year<br>VND    |                   |  | Prior year<br>VND      |                     |  |
|  | Net revenue            | Net profit/(loss) | Share of Profits/ (losses) from associates | Net revenue            | Net profit/(loss)   | Share of Profits/ (losses) from associates |
|  | 764,910,812,575        | (664,549,694,807) | 3,849,188,452                              | 2,306,393,696,475      | (1,299,200,777,978) | (198,273,817,160)                          |
| PetroVietnam Urban Development JSC               | 252,917,005,060        | 1,838,291,211     | -  | 176,246,743,797        | (3,187,783,194)     | (1,217,034,592)                            |
| PetroVietnam Petrochemical and Textile Fiber JSC | 225,599,911,674        | (676,703,988,927) | -  | 1,835,314,470,723      | (1,307,136,589,258) | (198,073,176,098)                          |
| Phu My Fertilizer Packaging JSC                  | 286,393,895,841        | 10,316,002,909    | 3,849,188,452                              | 294,832,481,955        | 11,123,594,474      | 1,016,393,530                              |





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 7. SHORT-TERM TRADE RECEIVABLES

|   | Closing balance<br>VND | Opening balance<br>VND |
|---|------------------------|------------------------|
| F.A Joint Stock Company                   | 14,309,065,598         | 225,812,850            |
| Lam Son Overall Management Company        | 14,209,590,956         | 7,438,580,996          |
| Nam Du Gia Lai Limited Company            | 11,322,847,500         | 1,880,934,822          |
| Related parties (as presented in Note 37) | 3,886,961,512          | 14,856,636,589         |
| Others                                    | 70,042,222,618         | 86,191,551,310         |
|   | <b>113,770,688,184</b> | <b>110,593,516,567</b> |

### 8. SHORT-TERM ADVANCES TO SUPPLIERS

|  | Closing balance<br>VND | Opening balance<br>VND |
|--|------------------------|------------------------|
| Technip Italy S.p.A                                      | 101,560,245,434        | 180,551,547,337        |
| Thyssenkrupp Industrial Solution (India) Private Limited | 26,865,843,154         | 93,223,527,025         |
| Related parties (as presented in Note 37)                | 185,333,087,516        | 303,892,974,389        |
| Others   | 43,539,274,500         | 22,052,681,739         |
|  | <b>357,298,450,604</b> | <b>599,720,730,490</b> |

### 9. OTHER RECEIVABLES

|   | Closing balance<br>VND | Opening balance<br>VND |
|---|------------------------|------------------------|
| <b>Other short-term receivables</b>                     |                        |                        |
| PetroVietnam Trade Union Finance Investment Corporation | 110,143,267,289        | 110,143,267,289        |
| PetroVietnam Petrochemical and Textile Fiber JSC (i)    | 110,568,051,564        | 101,620,682,378        |
| Accrued interest income from term deposits              | 19,927,022,411         | 22,511,181,846         |
| PetroVietnam Northen Gas JSC (ii)                       | 12,792,091,037         | 12,792,091,037         |
| Advances to employees                                   | 901,200,000            | 3,307,722,538          |
| Short-term deposits                                     | 29,000,000             | 47,000,000             |
| VAT refund to Phu My Fertilizer Plant                   | -                      | 17,851,484,482         |
| Discounts receivable from suppliers                     | -                      | 51,589,780,848         |
| Others  | 8,755,851,798          | 11,756,687,205         |
|   | <b>263,116,484,099</b> | <b>331,619,897,623</b> |
| <b>Other long-term receivables</b>                      |                        |                        |
| Long-term deposits                                      | 2,067,606,000          | 1,167,836,000          |
| Capital contribution                                    | -                      | 21,114,909,091         |
|   | <b>2,067,606,000</b>   | <b>22,282,745,091</b>  |

- (i) The balance of the receivable from PetroVietnam Petrochemical and Textile Fiber Joint Stock Company ("PVTEX") as at 31 December 2016 represents a payment under the reciprocal guarantee commitment for short- and medium-term loans of PVTEX. Payment obligations arose from the fact that Corporation signed two reciprocal guarantee commitments with PVN relating to the guarantee obligations of PVN for short- and medium-term loans of PVTEX. In 2015, the Corporation paid PVN an amount of VND 101.62 billion relating to the afore mentioned commitments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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In 2016, the Corporation paid PVN an amount of VND 6.1 billion to PVN relating to the reciprocal guarantee obligation for the loan interest that PVN paid on behalf of PVTEX, the recognized interest receivable relating to the reciprocal guarantee commitment was VND 778 million. Besides, in the year the Corporation supported PVTEX in hiring lawyers in solving the dispute relating to the EPC Contract for Dinh Vu Textile Fiber Plant signed with Hyundai Engineering Co., at the International Court of Arbitration with the amount of VND 2 billion.

According to the Memorandum between PVN, PVTEX and the Corporation, PVN shall be responsible for collecting the principal of and interest on the guarantees having paid by parties on behalf of PVTEX. Within 7 days from the day PVN receives debt payments from PVTEX (including both the principal and interest), PVN will return an amount which is calculated based on the Corporation's capital proportion in PVTEX to the Corporation. The interest rate is determined at the rate equal to demand deposit interest rate announced by the Joint Stock Commercial Bank for Foreign Trade of Vietnam. The interest calculation period starts from the day the Corporation pays the reciprocal guarantee amount to PVN.

As at 31 December 2016, the Board of General Directors assessed the recoverability of this receivable at low level as the accumulated losses of PVTEX had exceeded its equity, and PVTEX might be unable to meet its financial obligations as and when they fall due. Therefore, the Board of General Directors decided to make a full provision for the receivable from PVTEX arising in 2015 and earlier with the amount of 101.62 billion. The receivables arising in 2016 (with the amount of 8.9 billion) have not come due yet; therefore, the Corporation has not made provision for these receivables.

- (ii) The balance receivable from PetroVietnam Northern Gas Joint Stock Company ("PVGN") as at 31 December 2016 represents a damage insurance amount with regard to Da Nang Warehouse construction. This amount was paid by the insurance, PVGN will pay the Corporation when the contract is disposed.

### 10. BAD DEBTS

|   | Closing balance        |                              | Opening balance        |
|---|------------------------|------------------------------|------------------------|
|   | Cost<br>VND            | Recoverable<br>amount<br>VND | Cost<br>VND            |
| <b>Doubtful debts</b>                                       | <b>221,663,412,363</b> | <b>-</b>                     | <b>220,917,749,667</b> |
| PetroVietnam Trade Union Finance Investment Corporation (i) | 110,143,267,289        | -                            | 110,143,267,289        |
| Ngoc Lan Private Enterprise (ii)                            | 9,153,800,000          | -                            | 9,153,800,000          |
| PetroVietnam Petrochemical and Textile Fiber JSC (iii)      | 101,620,682,378        | -                            | 101,620,682,378        |
| Others  | 745,662,696            | -                            | -                      |

- (i) The Corporation made a full provision for the receivables amount from PetroVietnam Trade Union Finance Investment Corporation in the financial statements for the year ended 31 December 2012.
- (ii) The Corporation made a full provision for the receivables amount from Ngoc Lan Private Enterprise in the financial statements for the year ended 31 December 2011.
- (iii) The Corporation made a full provision for the receivable from PetroVietnam Petrochemical and Textile Fiber Joint Stock Company ("PVTEX") arising in 2015 and earlier with regard to reciprocal guarantee commitments for medium-term and long-term loans of PVTEX as stated in Note 9.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

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### 11. INVENTORIES

|                                | Closing balance<br>VND |                        | Opening balance<br>VND   |                        |
|--------------------------------|------------------------|------------------------|--------------------------|------------------------|
|                                | Cost                   | Provision              | Cost                     | Provision              |
| Goods in transit               | 348,955,121,506        | -                      | 87,407,094,183           | -                      |
| Raw materials                  | 276,568,374,820        | -                      | 335,681,802,319          | -                      |
| Tools and supplies             | 2,298,199,305          | -                      | 9,633,946,053            | -                      |
| Long-term reserved spare parts | 50,720,396,808         | -                      | -                        | -                      |
| Work in progress               | 6,836,680,324          | -                      | 28,769,617,579           | -                      |
| Finished goods                 | 159,886,269,744        | -                      | 192,347,388,684          | -                      |
| Merchandise                    | 130,282,380,355        | (1,671,586,075)        | 715,520,210,098          | (4,000,157,558)        |
| <b>Total</b>                   | <b>975,547,422,862</b> | <b>(1,671,586,075)</b> | <b>1,369,360,058,916</b> | <b>(4,000,157,558)</b> |

As at 31 December 2016, the Corporation made provisions for devaluation of inventories which are merchandise having costs higher than net realisable values with an amount of VND 1,671,586,075 (as at 31 December 2015: VND 4,000,157,558).

### 12. PREPAYMENTS

|                                  | Closing balance<br>VND | Opening balance<br>VND |
|----------------------------------|------------------------|------------------------|
| <b>Short-term</b>                |                        |                        |
| Asset insurance premium cost     | 10,165,908,050         | 10,124,705,794         |
| Cost of Project Management Board | 15,549,281,691         | -                      |
| Others                           | 16,794,543,149         | 6,681,757,381          |
|                                  | <b>42,509,732,890</b>  | <b>16,806,463,175</b>  |
| <b>Long-term</b>                 |                        |                        |
| Land and office rentals          | 8,143,806,809          | 11,819,525,887         |
| Tools and supplies               | 9,517,339,780          | 4,248,106,956          |
| Others                           | 11,632,897,635         | 6,993,814,205          |
|                                  | <b>29,294,044,224</b>  | <b>23,061,447,048</b>  |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements



### 13. INCREASES, DECREASES IN TANGIBLE FIXED ASSETS

|  | Buildings,<br>structures<br>VND | Machinery,<br>equipment<br>VND | Motor vehicles<br>VND  | Office<br>equipment<br>VND | Others<br>VND        | Total<br>VND             |
|--|---------------------------------|--------------------------------|------------------------|----------------------------|----------------------|--------------------------|
| <b>COST</b>  |                                 |                                |                        |                            |                      |                          |
| <b>Opening balance</b>   | <b>1,609,275,595,636</b>        | <b>5,411,372,326,297</b>       | <b>138,483,520,995</b> | <b>157,747,720,721</b>     | <b>8,820,195,705</b> | <b>7,325,699,359,354</b> |
| New purchases  | 1,432,750,000                   | 3,621,791,434                  | 5,983,568,025          | 7,703,588,932              | -                    | 18,741,698,391           |
| Transfer from construction in progress   | 391,370,325,753                 | -                              | -                      | -                          | -                    | 391,370,325,753          |
| Reclassification to Investment Properties  | (39,640,650,000)                | (1,502,792,144)                | -                      | -                          | -                    | (41,143,442,144)         |
| Decrease due to capital divestment from PetroVietnam Southern Building and Development JSC | -                               | (9,429,904,799)                | (61,981,800,732)       | (1,510,519,439)            | -                    | (72,972,224,970)         |
| <b>Closing balance</b>   | <b>1,962,438,021,389</b>        | <b>5,404,061,420,788</b>       | <b>82,485,288,288</b>  | <b>163,940,790,214</b>     | <b>8,820,195,705</b> | <b>7,621,745,716,384</b> |
| <b>ACCUMULATED DEPRECIATION</b>  |                                 |                                |                        |                            |                      |                          |
| <b>Opening balance</b>   | <b>914,749,518,143</b>          | <b>5,269,670,792,705</b>       | <b>89,582,405,956</b>  | <b>95,387,978,283</b>      | <b>5,425,517,844</b> | <b>6,374,816,212,931</b> |
| Charge for the period  | 107,608,671,128                 | 84,051,760,964                 | 5,798,768,792          | 28,189,729,145             | 1,997,912,323        | 227,646,842,352          |
| Reclassification to Investment Properties  | (9,910,162,498)                 | (193,510,222)                  | -                      | -                          | -                    | (10,103,672,720)         |
| Decrease due to capital divestment from PetroVietnam Southern Building and Development JSC | -                               | (1,938,398,627)                | (33,018,893,755)       | (900,732,813)              | -                    | (35,858,025,195)         |
| <b>Closing balance</b>   | <b>1,012,448,026,773</b>        | <b>5,351,590,644,820</b>       | <b>62,362,280,993</b>  | <b>122,676,974,615</b>     | <b>7,423,430,167</b> | <b>6,556,501,357,368</b> |
| <b>NET BOOK VALUE</b>  |                                 |                                |                        |                            |                      |                          |
| <b>Opening balance</b>   | <b>694,526,077,493</b>          | <b>141,701,533,592</b>         | <b>48,901,115,039</b>  | <b>62,359,742,438</b>      | <b>3,394,677,861</b> | <b>950,883,146,423</b>   |
| <b>Closing balance</b>   | <b>949,989,994,616</b>          | <b>52,470,775,968</b>          | <b>20,123,007,295</b>  | <b>41,263,815,599</b>      | <b>1,396,765,538</b> | <b>1,065,244,359,016</b> |

The cost of the Corporation's tangible fixed assets as at 31 December 2016 includes VND 5,967,171,274,527 (31 December 2015: VND 5,379,131,033,588) of tangible assets which have been fully depreciated but are still in use.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 14. DECREASES, INCREASES IN INTANGIBLE ASSETS

|  | Land uses<br>rights<br>VND | Patent<br>copyright<br>VND | Computer<br>software<br>VND | Others<br>VND         | Total<br>VND             |
|--|----------------------------|----------------------------|-----------------------------|-----------------------|--------------------------|
| <b>COST</b>  |                            |                            |                             |                       |                          |
| <b>Opening balance</b>   | <b>913,888,881,862</b>     | <b>173,714,520,045</b>     | <b>53,560,002,040</b>       | <b>9,938,318,032</b>  | <b>1,151,101,721,979</b> |
| Addition in the year   | 80,750,000                 | 407,555,882                | 395,476,389                 | 68,280,000            | 952,062,271              |
| Reclassification to Investment Properties  | (49,215,000,000)           | -                          | -                           | -                     | (49,215,000,000)         |
| Decrease due to capital divestment from PetroVietnam Southern Building and Development JSC | -                          | -                          | (110,000,000)               | -                     | (110,000,000)            |
| <b>Closing balance</b>   | <b>864,754,631,862</b>     | <b>174,122,075,927</b>     | <b>53,845,478,429</b>       | <b>10,006,598,032</b> | <b>1,102,728,784,250</b> |
| <b>ACCUMULATED AMORTISATION</b>  |                            |                            |                             |                       |                          |
| <b>Opening balance</b>   | <b>21,384,978,904</b>      | <b>171,631,556,421</b>     | <b>45,354,092,282</b>       | <b>9,938,318,032</b>  | <b>248,308,945,639</b>   |
| Charge for the period  | 5,005,600,203              | 429,864,260                | 3,830,993,338               | 746,229               | 9,267,186,030            |
| Decrease due to capital divestment from PetroVietnam Southern Building and Development JSC | -                          | -                          | (80,125,683)                | -                     | (80,125,683)             |
| <b>Closing balance</b>   | <b>26,390,579,107</b>      | <b>172,061,402,681</b>     | <b>49,104,959,937</b>       | <b>9,939,064,261</b>  | <b>257,496,005,986</b>   |
| <b>NET BOOK VALUE</b>  |                            |                            |                             |                       |                          |
| <b>Opening balance</b>   | <b>892,503,902,958</b>     | <b>2,082,963,624</b>       | <b>8,205,909,758</b>        | <b>-</b>              | <b>902,792,776,340</b>   |
| <b>Closing balance</b>   | <b>838,364,052,755</b>     | <b>2,060,673,246</b>       | <b>4,740,518,492</b>        | <b>67,533,771</b>     | <b>845,232,778,264</b>   |

The cost of the Corporation's intangible assets as at 31 December 2016 includes VND 226,124,754,414 (31 December 2015: VND 178,416,446,555) of intangible assets which have been fully amortized but are still in use.

### 15. INCREASES, DECREASES IN INVESTMENT PROPERTIES

|  | Land use rights<br>VND | Buildings and<br>structures<br>VND | Total<br>VND           |
|--|------------------------|------------------------------------|------------------------|
| <b>COST</b>  |                        |                                    |                        |
| <b>Opening balance</b>   | <b>61,823,516,000</b>  | <b>195,680,298,400</b>             | <b>257,503,814,400</b> |
| Transfer from tangible fixed assets  | -                      | 41,143,442,144                     | 41,143,442,144         |
| Transfer from intangible assets  | 49,215,000,000         | -                                  | 49,215,000,000         |
| Decrease due to capital divestment from PetroVietnam Southern Building and Development JSC | (1,825,000,000)        | -                                  | (1,825,000,000)        |
| <b>Closing balance</b>   | <b>109,213,516,000</b> | <b>236,823,740,544</b>             | <b>346,037,256,544</b> |
| <b>ACCUMULATED DEPRECIATION</b>  |                        |                                    |                        |
| <b>Opening balance</b>   | <b>7,423,347,420</b>   | <b>36,161,603,579</b>              | <b>43,584,950,999</b>  |
| Charge for the year  | 1,005,683,040          | 9,718,017,248                      | 10,723,700,288         |
| Transfer from tangible fixed assets  | -                      | 10,103,672,720                     | 10,103,672,720         |
| <b>Closing balance</b>   | <b>8,429,030,460</b>   | <b>55,983,293,547</b>              | <b>64,412,324,007</b>  |
| <b>NET BOOK VALUE</b>  |                        |                                    |                        |
| <b>Opening balance</b>   | <b>54,400,168,580</b>  | <b>159,518,694,821</b>             | <b>213,918,863,401</b> |
| <b>Closing balance</b>   | <b>100,784,485,540</b> | <b>180,840,446,997</b>             | <b>281,624,932,537</b> |

Investment properties represent land use rights and buildings and structures of Dong Tay Building at 27 Dinh Bo Linh Street, Ho Chi Minh City; Cuu Long Supermarket-Office Building in Ca Mau Province, Office Building at 13A Phan Dinh Phung Street, Can Tho City and PVFCCo Building at 43 Mac Dinh Chi Street, Ho Chi Minh City held by the Corporation to earn rentals.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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According to VAS No. 05 - Investment Properties, fair value of investment properties at the balance sheet date is required to be disclosed. However, the Corporation has not determined the fair value as at 31 December 2016; therefore, no information about the fair value of investment properties as at 31 December 2016 is stated at the Notes to the consolidated financial statements.

### 16. CONSTRUCTION IN PROGRESS

|   | Closing balance<br>VND   | Opening balance<br>VND |
|---|--------------------------|------------------------|
| Construction in progress                | 1,350,127,867,489        | 612,341,484,055        |
| In which:                               |                          |                        |
| NH <sub>3</sub> and NPK project         | 1,213,037,935,077        | 108,329,487,319        |
| Apartment buildings for employees       | 36,342,070,618           | 36,342,070,618         |
| Tay Ninh warehouse                      | 24,001,000,364           | 24,001,000,364         |
| Ammonia project                         | 23,150,345,732           | 46,248,899,367         |
| UFC 85/Formaldehyde factory project (*) | 6,058,395,385            | 348,243,750,831        |
| Other projects                          | 47,538,120,313           | 49,176,275,556         |
|   | <b>1,350,127,867,489</b> | <b>612,341,484,055</b> |

(\*) The UFC 85/Formaldehyde project were officially completed and put into operation according to hand-over and completion minutes dated 11 May 2016. The Corporation has temporarily recorded the historical cost and the depreciation expense for the asset from 11 May 2016. Adjustments relating to the remaining project expenses will be made to the cost of assets upon the finalization of investment value (the finalization is expected to proceed in Quarter II of 2017).

### 17. DEFERRED TAX ASSETS AND LIABILITIES

#### Deferred tax assets

|                         | Provision for<br>short-term doubtful<br>debts<br>VND | Accrued<br>expenses<br>not yet billed<br>VND | Unearned<br>revenue<br>VND | Others<br>VND        | Total<br>VND          |
|-------------------------|--|--|----------------------------|----------------------|-----------------------|
| <b>As at 01/01/2015</b> | <b>7,269,455,641</b>                                 | <b>41,835,870,901</b>                        | <b>9,022,510,994</b>       | <b>7,151,801,283</b> | <b>65,279,638,819</b> |
| Charge for the year     | 15,087,094,482                                       | (12,688,721,196)                             | (4,140,575,309)            | 669,030,387          | (1,073,171,636)       |
| <b>As at 01/01/2016</b> | <b>22,356,550,123</b>                                | <b>29,147,149,705</b>                        | <b>4,881,935,685</b>       | <b>7,820,831,670</b> | <b>64,206,467,183</b> |
| Charge for the year     | (8,129,654,590)                                      | 30,851,891,543                               | (4,284,594,768)            | 422,647,952          | 18,860,290,137        |
| <b>As at 31/12/2016</b> | <b>14,226,895,533</b>                                | <b>59,999,041,248</b>                        | <b>597,340,917</b>         | <b>8,243,479,622</b> | <b>83,066,757,320</b> |

#### Deferred tax liabilities

|                        | Current year<br>VND    |
|------------------------|------------------------|
| <b>Opening balance</b> | <b>146,185,982,143</b> |
| Charge for the period  | (13,645,982,143)       |
| <b>Closing balance</b> | <b>132,540,000,000</b> |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

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### 18. SHORT-TERM TRADE PAYABLES

|                                  | Closing balance<br>VND |                            | Opening balance<br>VND |                            |
|----------------------------------|------------------------|----------------------------|------------------------|----------------------------|
|                                  | Amount                 | Amount able to be paid off | Amount                 | Amount able to be paid off |
| Related parties (see in Note 36) | 352,089,930,803        | 352,089,930,803            | 200,604,081,795        | 200,604,081,795            |
| Others                           | 123,330,308,817        | 123,330,308,817            | 160,717,018,498        | 160,717,018,498            |
|                                  | <b>475,420,239,620</b> | <b>475,420,239,620</b>     | <b>361,321,100,293</b> | <b>361,321,100,293</b>     |

### 19. SHORT-TERM ADVANCES FROM CUSTOMERS

|  | Closing balance<br>VND | Opening balance<br>VND |
|--|------------------------|------------------------|
| Tuan Vu Fertilizer Commercial and Services Company | 3,767,400,000          | -                      |
| Huynh Chau Private Company                         | 4,000,000,000          | -                      |
| Huu Thanh Limited Company                          | -                      | 7,859,050,000          |
| Related parties (as presented in Note 37)          | 350,196,715            | 6,212,372,132          |
| Others   | 34,273,940,372         | 49,579,593,344         |
|  | <b>42,391,537,087</b>  | <b>63,651,015,476</b>  |

### 20. TAX AND OTHER RECEIVABLES FROM/PAYABLES TO THE STATE BUDGET

| Items                  | Movement during the year |                      |                    | Decrease due to divesting capital VND | Closing balance VND  |
|------------------------|--------------------------|----------------------|--------------------|---------------------------------------|----------------------|
|                        | Opening balance VND      | Increase VND         | Decrease VND       |                                       |                      |
| <b>Tax receivables</b> |                          |                      |                    |                                       |                      |
| Corporate income tax   | 3,152,818,774            | -                    | -                  | -                                     | 3,152,818,774        |
| Personal income tax    | 979,004,317              | 4,331,039,232        | 979,004,317        | -                                     | 4,331,039,232        |
| <b>Total</b>           | <b>4,131,823,091</b>     | <b>4,331,039,232</b> | <b>979,004,317</b> | <b>-</b>                              | <b>7,483,858,006</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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| Items                              | Movement during the year |                        |                        | Decrease due to divesting capital VND | Closing balance VND   |
|------------------------------------|--------------------------|------------------------|------------------------|---------------------------------------|-----------------------|
|                                    | Opening balance VND      | Amount payable VND     | Amount paid VND        |                                       |                       |
| <b>Tax payables</b>                |                          |                        |                        |                                       |                       |
| VAT on domestic goods              | 1,621,177,611            | 22,060,219,237         | 21,514,910,836         | 104,223,073                           | 2,062,262,939         |
| VAT on imports                     | -                        | 23,651,410,376         | 23,651,410,376         | -                                     | -                     |
| Import-export duties               | -                        | 20,763,497,750         | 20,763,497,750         | -                                     | -                     |
| Corporate income tax               | 77,632,066,060           | 260,806,442,949        | 318,332,007,665        | 1,171,108,473                         | 18,935,392,871        |
| Personal income tax                | 3,801,529,577            | 65,716,937,125         | 67,764,815,423         | 118,419,121                           | 1,635,232,158         |
| Natural resource tax               | 29,441,280               | 371,098,880            | 371,011,520            | -                                     | 29,528,640            |
| Environmental protection tax       | 6,936,000                | 56,640,000             | 62,656,000             | -                                     | 920,000               |
| Business tax                       | -                        | 28,000,000             | 28,000,000             | -                                     | -                     |
| Foreign contractor withholding tax | -                        | 17,434,597,418         | 17,434,597,418         | -                                     | -                     |
| Other taxes                        | -                        | 3,628,312,167          | 3,628,312,167          | -                                     | -                     |
| <b>Total</b>                       | <b>83,091,150,528</b>    | <b>414,517,155,902</b> | <b>473,551,219,155</b> | <b>1,393,750,667</b>                  | <b>22,663,336,608</b> |

### 21. SHORT-TERM ACCRUED EXPENSES

|                                       | Closing balance VND   | Opening balance VND   |
|---------------------------------------|-----------------------|-----------------------|
| <b>Short-term accrued expenses</b>    |                       |                       |
| Social security expenses (i)          | 18,477,320,867        | 18,624,552,700        |
| Accruals for construction in progress | 29,030,879,273        | -                     |
| Others                                | 45,558,647,430        | 38,431,789,844        |
|                                       | <b>93,066,847,570</b> | <b>57,056,342,544</b> |

(\*) Social security expense for the year was accrued in accordance with Resolution No. 1798/NQ-DKVN dated 15 September 2016 approving the implementation principles, budget and planning for social security activities of Vietnam Oil and Gas Group and its investees in 2016. Accordingly, the fund for social security activities allocated to the Corporation for 2016 amounted to VND 85 billion. As at 31 December 2016, the balance of social security expenses payable to beneficiaries was VND 18,477,320,867.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

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### 22. OTHER PAYABLES

|                                 | Closing balance<br>VND | Opening balance<br>VND   |
|---------------------------------|------------------------|--------------------------|
| <b>Short-term payables</b>      |                        |                          |
| Dividends payables              | 32,841,508,589         | 975,031,896,789          |
| Discount payables               | 4,275,963,100          | 15,207,128,913           |
| Short-term deposits             | 11,713,640,865         | -                        |
| Other short-term payables       | 28,709,017,407         | 19,682,756,599           |
|                                 | <b>77,540,129,961</b>  | <b>1,009,921,782,301</b> |
| <b>Other long-term payables</b> |                        |                          |
| Long-term deposits              | 960,870,000            | 6,826,964,074            |
|                                 | <b>960,870,000</b>     | <b>6,826,964,074</b>     |

### 23. PROVISION PAYABLES

|  | Closing balance<br>VND | Opening balance<br>VND |
|--|------------------------|------------------------|
| <b>Short-term</b>  |                        |                        |
| Accrued repairing and maintenance costs                                  | 312,335,214,817        | 39,680,210,528         |
| Provision for warranty for construction works                            | -                      | 503,872,574            |
|  | <b>312,335,214,817</b> | <b>40,184,083,102</b>  |
| <b>Long-term</b>   |                        |                        |
| Accrued repair and maintenance costs for Phu My Fertilizer Plant in 2017 | -                      | 96,551,724,139         |
|  | <b>-</b>               | <b>96,551,724,139</b>  |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 24. LOANS AND OBLIGATIONS UNDER FINANCE LEASES

| Items  | Opening balance        |                                      | Movement in the period |   | Closing balance        |   |
|--|------------------------|--------------------------------------|------------------------|---|------------------------|---|
|  | Amount<br>VND          | Amount able<br>to be paid off<br>VND | Increase<br>VND        | Decrease<br>due to capital<br>divestment<br>VND | Amount<br>VND          | Amount<br>able to be<br>paid off<br>VND |
| Vietnam Public JSC Bank - Ho Chi Minh Branch (i)                                   | 226,950,078,667        | 226,950,078,667                      | 5,780,162,536          | 232,730,241,203                                 | -                      | -                                       |
| Nam A Commercial Joint Stock Bank - An Dong Branch                                 | 5,000,004,000          | 5,000,004,000                        | -                      | 5,000,004,000                                   | -                      | -                                       |
| Nam A Commercial Joint Stock Bank - Hoa Binh Transaction Office                    | 322,223,000            | 322,223,000                          | -                      | 322,223,000                                     | -                      | -                                       |
| <b>Total</b>   | <b>232,272,305,667</b> | <b>232,272,305,667</b>               | <b>5,780,162,536</b>   | <b>232,730,241,203</b>                          | <b>5,322,227,000</b>   | <b>-</b>                                |
| <b>In which:</b>   |                        |                                      |                        |   |                        |   |
| Amount due for settlement within 12 months   | 2,133,324,000          |                                      |                        |   |                        |   |
| Amount due for settlement after 12 months  | 230,138,981,667        |                                      |                        |   |                        |   |
| Long-term loans are repayable as follows:  |                        |                                      |                        |   |                        |   |
|  |                        |                                      |                        |   | Closing balance<br>VND | Opening balance<br>VND                  |
| Within one year  |                        |                                      |                        |   | -                      | 2,133,324,000                           |
| In the second year   |                        |                                      |                        |   | -                      | 2,133,324,000                           |
| In the third to fifth year inclusive   |                        |                                      |                        |   | -                      | 228,005,657,667                         |
| After five year  |                        |                                      |                        |   | -                      | -                                       |
|  |                        |                                      |                        |   | -                      | 232,272,305,667                         |
| Less: Amount due for settlement within 12 months (shown under current liabilities) |                        |                                      |                        |   | -                      | 2,133,324,000                           |
| <b>Amount due for settlement after 12 months</b>                                   |                        |                                      |                        |   | <b>-</b>               | <b>230,138,981,667</b>                  |





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

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### 25. OWNERS' EQUITY

Movement in owner's equity:

|   | Owner's contributed capital | Other owner's capital | Share premium         | Treasury shares        | Foreign exchange reserve | Investment and development fund | Other reserves       | Retained earnings        | Non-controlling interests |
|---|-----------------------------|-----------------------|-----------------------|------------------------|--------------------------|---------------------------------|----------------------|--------------------------|---------------------------|
|   | VND                         | VND                   | VND                   | VND                    | VND                      | VND                             | VND                  | VND                      | VND                       |
| <b>Prior year's opening balance as previously reported</b>  | <b>3,800,000,000,000</b>    | <b>2,397,482,187</b>  | <b>21,179,913,858</b> | <b>(2,296,824,120)</b> | <b>(719,794)</b>         | <b>3,495,964,052,370</b>        | <b>1,014,770,873</b> | <b>1,469,879,831,035</b> | <b>216,801,330,136</b>    |
| Profit for the period   | -                           | -                     | -                     | -                      | -                        | -                               | -                    | 1,488,213,481,717        | 34,247,867,339            |
| Profit distribution   | -                           | -                     | -                     | -                      | -                        | 4,386,836,518                   | -                    | (4,386,836,518)          | -                         |
| Distribution to bonus and welfare funds   | -                           | -                     | -                     | -                      | -                        | -                               | -                    | (291,337,417,673)        | (5,728,298,310)           |
| Dividends declared  | -                           | -                     | -                     | -                      | -                        | -                               | -                    | (1,519,737,040,000)      | (23,865,144,656)          |
| Increase/(decrease) due to capital divestment from Phu My Fertilizer Packaging JSC                    | -                           | (2,038,211,449)       | -                     | -                      | -                        | (2,294,797,393)                 | -                    | 4,333,008,842            | (34,237,899,815)          |
| (Decrease) due to changes in opening balances of associates   | -                           | -                     | -                     | -                      | -                        | -                               | -                    | (10,560,754,437)         | -                         |
| Adjustment under Circular 202   | -                           | -                     | -                     | -                      | -                        | -                               | -                    | (98,607,955,999)         | -                         |
| Fund transfers  | -                           | -                     | -                     | -                      | -                        | 1,014,770,873                   | (1,014,770,873)      | -                        | -                         |
| Other increases/(decreases)   | -                           | (359,270,738)         | -                     | -                      | 719,794                  | (404,498,539)                   | -                    | 218,050,059              | 4,723,594,968             |
| <b>Current year's opening balance</b>   | <b>3,800,000,000,000</b>    | <b>-</b>              | <b>21,179,913,858</b> | <b>(2,296,824,120)</b> | <b>-</b>                 | <b>3,498,666,363,829</b>        | <b>-</b>             | <b>1,038,014,367,026</b> | <b>191,941,449,662</b>    |
| Capital increase  | 114,000,000,000             | -                     | -                     | -                      | -                        | -                               | -                    | -                        | -                         |
| Profit for the period   | -                           | -                     | -                     | -                      | -                        | -                               | -                    | 1,140,934,981,419        | 23,839,763,404            |
| Profit distribution (1)   | -                           | -                     | -                     | -                      | -                        | 2,594,752,499                   | -                    | (2,594,752,499)          | -                         |
| Distribution to bonus and welfare funds (1)   | -                           | -                     | -                     | -                      | -                        | -                               | -                    | (185,663,585,544)        | (6,817,116,309)           |
| Dividends declared (2)  | -                           | -                     | -                     | -                      | -                        | -                               | -                    | (1,369,669,910,000)      | (19,712,500,000)          |
| Increase/(decrease) due to capital divestment from PetroVietnam Southern Building and Development JSC | -                           | -                     | -                     | -                      | -                        | (4,221,131,471)                 | -                    | 4,221,131,471            | (15,480,273,885)          |
| Increase due to changes in opening balances of associates   | -                           | -                     | -                     | -                      | -                        | -                               | -                    | 47,441,442               | -                         |
| <b>Current year's closing balance</b>   | <b>3,914,000,000,000</b>    | <b>-</b>              | <b>21,179,913,858</b> | <b>(2,296,824,120)</b> | <b>-</b>                 | <b>3,497,039,984,857</b>        | <b>-</b>             | <b>625,289,673,315</b>   | <b>173,771,322,872</b>    |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 25. OWNERS' EQUITY (CONTINUED)

- Profit distributions includes distributions to Bonus and welfare funds and Investment and Development fund of the Corporation and its subsidiaries under the Resolutions passed at the General Shareholders' Meeting of the Corporation and its subsidiaries.
- In 2016, the Corporation declared to pay the remaining dividends from the 2015 after-tax profit amounting to VND 587,001,390,000 (equivalent to VND 1,500 per share) under Resolution No. 28/NQ-ĐHĐCĐ dated 28 April 2016, and declared the first interim dividends of 2016 amounting to VND 782,668,520,000 (equivalent to VND 2,000 per share) in accordance with Resolution No. 751/NQ-PBHC dated 14 November 2016 of the Board of Management.

| Shares                                      | Closing balance | Opening balance |
|---|-----------------|-----------------|
| Number of shares issued to public           |                 |                 |
| + Common shares                             | 391,400,000     | 380,000,000     |
| + Preferred shares                          | -               | -               |
| Number of treasury shares                   |                 |                 |
| + Common shares                             | 65,740          | 65,740          |
| + Preferred shares                          | -               | -               |
| Number of outstanding shares in circulation |                 |                 |
| + Common shares                             | 391,334,260     | 379,934,260     |
| + Preferred shares                          | -               | -               |

A common share has par value of VND 10,000.

#### Charter capital

According to Business Registration Certificate No. 4103007696 dated 31 August 2007 and the latest amendment dated 10 March 2016 issued by the Department of Planning and Investment of Ho Chi Minh City, the Corporation's charter capital is VND 3,914,000,000,000. The charter capital was fully contributed by the shareholders as at 31 December 2016 as follows:

| Shareholders              | According to the latest Business Registration Certificate |             | Contributed capital Closing balance | Contributed capital Opening balance |
|---------------------------|---|-------------|-------------------------------------|-------------------------------------|
|                           | VND   | %           | VND                                 | VND                                 |
| Vietnam Oil and Gas Group | 2,332,042,530,000   | 59,58       | 2,332,042,530,000                   | 2,332,042,530,000                   |
| Others                    | 1,581,957,470,000   | 40,42       | 1,581,957,470,000                   | 1,467,957,470,000                   |
|                           | <b>3,914,000,000,000</b>                                  | <b>100%</b> | <b>3,914,000,000,000</b>            | <b>3,800,000,000,000</b>            |





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

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These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

### 25. OWNERS' EQUITY (CONTINUED)

Movements of non-controlling interests during the year are as follows:

|  | Owner's<br>contributed<br>capital<br>VND | Investment and<br>development<br>fund<br>VND | Retained<br>earnings<br>VND | Total<br>VND           |
|--|--|--|-----------------------------|------------------------|
| Opening balance  | 142,201,200,000                          | 17,509,266,332                               | 32,230,983,330              | 191,941,449,662        |
| Profit for the period  | -  | -  | 23,839,763,404              | 23,839,763,404         |
| Profit distribution  | -  | 864,917,500                                  | (864,917,500)               | -                      |
| Appropriation to bonus and welfare funds   | -  | -  | (6,817,116,309)             | (6,817,116,309)        |
| Dividends declared   | -  | -  | (19,712,500,000)            | (19,712,500,000)       |
| Funds transfer   | -  | -  | -                           | -                      |
| Decrease due to capital divestment from PetroVietnam Southern Building and Development JSC | (13,451,200,000)                         | (965,808,159)                                | (1,063,265,726)             | (15,480,273,885)       |
| Other increase/(decrease)  | -  | -  | -                           | -                      |
| <b>Closing balance</b>   | <b>128,750,000,000</b>                   | <b>17,408,375,673</b>                        | <b>27,612,947,199</b>       | <b>173,771,322,872</b> |

### 26. OFF-CONSOLIDATED-BALANCE-SHEET ITEMS

|                    | Unit | Closing balance | Opening balance |
|--------------------|------|-----------------|-----------------|
| Foreign currencies |      |                 |                 |
| - USD              | USD  | 95,019          | 2,141,450       |
| - EUR              | EUR  | 32,560          | 32,574          |

### 27. BUSINESS AND GEOGRAPHICAL SEGMENTS

#### Business segments:

The Corporation is organized into business segments which operate in relatively separate business industries and activities. The business segments of the Corporation and its subsidiaries include:

- Production and trade of fertilizer and chemicals: The Holding Company, Northern PetroVietnam Fertilizer and Chemicals JSC, Central PetroVietnam Fertilizer and Chemicals JSC, Southwest PetroVietnam Fertilizer and Chemicals JSC, and Southeast PetroVietnam Fertilizer and Chemicals JSC.

- Construction of civil works and rendering of other services: PetroVietnam Southern Building and Development JSC.

On 01 January 2016, the Corporation divested from PetroVietnam Southern Building and Development JSC. Accordingly, the information as presented in the consolidated balance sheet as at 31 December 2016 and the revenue, expenses as presented in the consolidated income statement for the year ended 31 December 2016 relates to the trade of fertilizers and chemicals only. Revenue and cost of goods sold for each type of goods are presented in Note 28.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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#### Geographical segments:

The Corporation distributes fertilizer, chemicals, packages, and services nationwide via its subsidiaries in each region, including the North, Central Region - Central Highlands, Southeast, Southwest and Ho Chi Minh City. During the year, the Corporation exported products with the revenue of approximately VND 30 billion, accounting for negligible proportion of gross revenue from goods sold and services rendered of the Corporation. Thus, almost the entire production and business activities of the Corporation during the year were carried out inside the territory of Vietnam.

### 28. NET REVENUE AND COST OF SALES

|                     | Locally-produced<br>products<br>VND | Imported goods<br>VND  | Total<br>VND             |
|---------------------|-------------------------------------|------------------------|--------------------------|
| <b>Current year</b> |                                     |                        |                          |
| Net revenue         | 5,456,717,943,708                   | 2,468,069,180,017      | 7,924,787,123,725        |
| Cost of sales       | (3,180,495,106,036)                 | (2,348,450,724,077)    | (5,528,945,830,113)      |
| <b>Gross profit</b> | <b>2,276,222,837,672</b>            | <b>119,618,455,940</b> | <b>2,395,841,293,612</b> |
| <b>Prior year</b>   |                                     |                        |                          |
| Net revenue         | 6,792,276,265,117                   | 2,972,670,579,356      | 9,764,946,844,473        |
| Cost of sales       | (3,764,056,533,500)                 | (2,848,367,464,303)    | (6,612,423,997,803)      |
| <b>Gross profit</b> | <b>3,028,219,731,617</b>            | <b>124,303,115,053</b> | <b>3,152,522,846,670</b> |

Details of revenue from trading locally-produced products are as follows:

|  | Current year<br>VND      | Prior year<br>VND        |
|--|--------------------------|--------------------------|
| Sales of Phu My Urea   | 5,039,139,796,250        | 6,170,852,658,627        |
| Sales of Ca Mau Urea   | 35,539,830,000           | 146,403,645,000          |
| Sales of Ammonia   | 236,756,051,893          | 271,418,980,873          |
| Sales of electricity   | 1,525,152,007            | 1,608,040,595            |
| Sales of UFC 85%   | 40,761,398,018           | -                        |
| Others   | 171,823,532,111          | 269,574,239,723          |
|  | <b>5,525,545,760,279</b> | <b>6,859,857,564,818</b> |
| Sales discounts  | 68,827,816,571           | 67,581,299,701           |
|  | <b>5,456,717,943,708</b> | <b>6,792,276,265,117</b> |
| Revenue generated during the period with related parties (as presented in Note 37) | <b>248,965,021,010</b>   | <b>324,142,902,346</b>   |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

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These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

### 28. NET REVENUE AND COST OF SALES (CONTINUED)

Details of cost of sales with regard to trade of locally-produced products are as follows:

|                          | Current year<br>VND      | Prior year<br>VND        |
|--------------------------|--------------------------|--------------------------|
| Cost of sold Phu My Urea | 2,834,297,622,370        | 3,278,948,003,205        |
| Cost of sold Ca Mau Urea | 34,959,831,220           | 143,568,669,246          |
| Cost of sold Ammonia     | 119,350,317,000          | 144,565,582,519          |
| Cost of sold electricity | 1,824,813,783            | 2,568,917,635            |
| Cost of sold UFC 85%     | 42,691,126,664           | -                        |
| Others                   | 147,371,394,999          | 194,405,360,895          |
|                          | <b>3,180,495,106,036</b> | <b>3,764,056,533,500</b> |

### 29. PRODUCTION COST BY NATURE

|                               | Current year<br>VND      | Prior year<br>VND        |
|-------------------------------|--------------------------|--------------------------|
| Raw materials and consumables | 1,989,631,282,972        | 2,464,741,340,488        |
| Labour cost                   | 559,911,165,447          | 503,297,670,246          |
| Depreciation and amortisation | 241,407,716,159          | 255,009,195,382          |
| Out-sourced services          | 1,112,640,002,491        | 854,032,124,616          |
| Other monetary expenses       | 440,993,118,407          | 579,379,555,970          |
|                               | <b>4,344,583,285,476</b> | <b>4,656,459,886,702</b> |

### 30. FINANCIAL INCOME

|   | Current year<br>VND    | Prior year<br>VND      |
|---|------------------------|------------------------|
| Interest income   | 228,427,976,361        | 251,325,096,804        |
| Foreign exchange gain   | 1,484,572,059          | 3,202,121,876          |
| Profit from capital divestment from Phu My Fertilizer Packaging JSC | -                      | 428,421,008            |
| Others  | 4,130,166,370          | 1,605,566,824          |
|   | <b>234,042,714,790</b> | <b>256,561,206,512</b> |

### 31. FINANCIAL EXPENSES

|  | Current year<br>VND   | Prior year<br>VND    |
|--|-----------------------|----------------------|
| Interest expenses  | 4,473,655,670         | 2,568,699,865        |
| Provision for impairment of long-term investments                              | 2,638,361,279         | -                    |
| Foreign exchange loss  | 2,050,259,940         | 4,456,247,668        |
| Loss due to divestment from PetroVietnam Southern Building and Development JSC | 4,135,121,774         | -                    |
| Others   | 389,013,974           | 45,598,166           |
|  | <b>13,686,412,637</b> | <b>7,070,545,699</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

FORM B 09-DN/HN

For the year ended 31 December 2016

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

### 32. SELLING EXPENSES AND GENERAL AND ADMINISTRATION EXPENSES

|   | Current year<br>VND    | Prior year<br>VND      |
|---|------------------------|------------------------|
| <b>Selling expenses for the year</b>                    |                        |                        |
| Transportation, loading/uploading and storages expenses | 266,393,814,700        | 321,192,309,897        |
| Saleperson costs  | 89,396,879,966         | 75,444,787,079         |
| Social security expenses                                | 58,858,341,500         | 84,566,175,997         |
| Advertising and media expenses                          | 195,907,211,776        | 121,833,095,089        |
| Others  | 124,908,764,692        | 147,949,271,775        |
|   | <b>735,465,012,634</b> | <b>750,985,639,837</b> |
| <b>General and administration expenses for the year</b> |                        |                        |
| Management personnel costs                              | 167,878,983,364        | 173,419,865,839        |
| Administration fee paid to the Group                    | 27,169,136,540         | 32,535,684,686         |
| Depreciation and amortisation                           | 88,091,155,391         | 91,890,326,106         |
| Others  | 216,226,649,408        | 299,230,056,580        |
|   | <b>499,365,924,703</b> | <b>597,075,933,211</b> |

### 33. CURRENT CORPORATE INCOME TAX EXPENSE

|   | Current year<br>VND    | Prior year<br>VND      |
|---|------------------------|------------------------|
| Corporate income tax based on taxable income in the current year                    | 260,806,442,949        | 308,326,549,478        |
| Adjustments for corporate income tax expenses in previous years to the current year | -                      | 833,754,491            |
| <b>Total current corporate income tax expenses</b>                                  | <b>260,806,442,949</b> | <b>309,160,303,969</b> |

### 34. BASIC EARNINGS PER SHARE

|   | Current year<br>VND      | Prior year<br>VND        |
|---|--------------------------|--------------------------|
| <b>Profit after corporate income tax</b>                                    | <b>1,140,934,981,419</b> | <b>1,488,213,481,717</b> |
| - Distribution to Bonus and Welfare funds                                   | (185,663,585,544)        | (236,206,155,225)        |
| <b>Earnings for the purpose of calculating basic earnings per share</b>     | <b>955,271,395,875</b>   | <b>1,252,007,326,492</b> |
| Weighted average number of ordinary shares in circulation during the period | 389,527,703              | 379,934,260              |
| <b>Basic earnings per share</b>   | <b>2,452</b>             | <b>3,295</b>             |







## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

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### 35. COMMITMENTS

#### Operating lease commitments

At the balance sheet date, the payment schedule of the Corporation's operating lease commitments was as follows:

|  | Closing balance<br>VND | Opening balance<br>VND |
|--|------------------------|------------------------|
| Within one year                        | 17,417,117,811         | 21,279,554,938         |
| In the second to fifth years inclusive | 60,754,451,245         | 63,604,701,454         |
| After five years                       | 405,027,041,450        | 416,839,441,591        |
|  | <b>483,198,610,506</b> | <b>501,723,697,983</b> |

Operating lease payments represent the total amounts that should be paid by the Corporation and its subsidiaries for land lease for construction of workshops and warehouses.

#### Capital commitment

Under Decision No. 115/QĐ-PHBC dated 08 April 2014, the Corporation's Board of Management approved the project on investment and construction to enhance productivity of NH<sub>3</sub> workshop of Phu My Fertilizer Plant and construction of NPK Fertilizer Production Plant by applying chemical technology, supplying and meeting domestic demand for NH<sub>3</sub> and NPK fertilizer consumption with total investment cost of VND 4,987,200,000,000. The project is expected to be completed in Quarter 2 of 2017. By 31 December 2016, the cost of the project was VND 1,213,037,935,077.

#### Other commitment

Under the Appendix No. 04 to Gas Sales and Purchase Agreement No. 82/2010/PVGas-KTTT/TM-PVFCCo/B1 dated 07 May 2010, from 01 January 2016 to 31 December 2016 gas purchasing price is calculated using the formula to calculate gas price traded at a gas delivery place as follows: VAT exclusive gas price USD/MMBTU = 46% \* average oil price MFOC + Cuu Long charges applied to Phu My Fertilizer Plant, charge fee applied for 2016 is 0.94 USD/MMBTU.

### 36. CONTINGENT LIABILITIES

As at 31 December 2016, the Corporate had reciprocal guarantee commitments with Vietnam Oil and Gas Group ("PVN") relating to the guarantee obligations of PVN for short and medium-term loans of PetroVietnam Petrochemical and Textile Fiber Joint Stock Company ("PVTEX") - the Corporation's associate. Accordingly, the Corporate was committed to return to PVN the principals, interest, other relating expenses and incurring financial losses which PVN had paid to the Banks corresponding to the Corporation's capital proportion in PVTEX. The repayment will be implemented within 45 days starting from the date when PVN sends the official letter requiring the Corporation to return the mentioned payment.

Up to 31 December 2016, the receivable from PVTEX relating to the reciprocal guarantee commitments is VND 108 billion, this amount was recorded as receivables from PVTEX as presented at Note 9.

As at 31 December 2016, the balance of loans and interest is secured by the total asset of project "Dinh Vu Textile Fiber Plant" and the guarantee obligations of PVN and the Corporation (as presented above) with the total amount of collaterals is about VND 5,400 billion.

According to Official Letter No. 9792/CV-KHDN dated 31 December 2014 issued by Joint Stock Commercial Bank for Investment and Development of Vietnam on restructuring the loans for the construction of Dinh Vu Textile Fiber Plant, the coming date for principal payment is 21 June 2017 and 21 December 2016 with the total amount of VND 302.8 billion. Therefore, as at 31 December 2016, the Corporation has the contingent liability of VND 78.7 billion relating to reciprocal guarantee commitments as mentioned above. The contingent liability in the upcoming years is not probable and depended on the solution of outstanding problems, restart of the plant and PVTEX's sources of funds to cover its debts as competent authority approved.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 37. RELATED PARTY TRANSACTIONS AND BALANCES

#### List of related parties:

Holding Company - Vietnam Oil and Gas Group (PetroVietnam)

Associates

Fellow subsidiaries

During the year, the Corporation entered into the following significant transactions with its related parties:

|  | Current year<br>VND      | Prior year<br>VND        |
|--|--------------------------|--------------------------|
| <b>Vietnam Oil and Gas Group (PetroVietnam)</b>                    |                          |                          |
| Dividends  | 1,399,125,518,000        | 932,655,634,657          |
| Management fee   | 27,169,136,540           | 30,727,444,023           |
| Fees of using PetroVietnam's brand-name                            |                          | 1,808,240,663            |
|  | <b>1,426,294,654,540</b> | <b>965,191,319,343</b>   |
| <b>Sales</b>   |                          |                          |
| Drilling Mud Joint Stock Corporation (DMC)                         | 47,615,550,363           | 51,062,967,200           |
| PetroVietnam Gas Joint Stock Corporation (PV Gas)                  | 2,415,000,000            | 34,989,851,105           |
| Binh Son Refining and Petrochemical Company Limited (BSR)          | 1,970,665,800            | 14,923,027,120           |
| PetroVietnam Oil Corporation (PV Oil)                              | 354,600,000              | 3,591,708,300            |
| Bien Dong Petroleum Operating Company (BIEN DONG POC)              | 648,318,000              | 18,125,201,663           |
| PetroVietnam Transportation Corporation (PVTrans)                  | 90,156,000               | 9,655,075,525            |
| PetroVietnam Northern Gas Joint Stock Company                      | 13,674,000,000           | -                        |
| PetroVietnam Petrochemical and Textile Fiber JSC (PVTEX)           | 176,428,324,745          | 191,586,820,000          |
| PetroVietnam Ca Mau Fertilizer Company Limited (PVCFC)             | 5,768,406,102            | 208,251,433              |
|  | <b>248,965,021,010</b>   | <b>324,142,902,346</b>   |
| <b>Purchases</b>   |                          |                          |
| PetroVietnam Gas Joint Stock Corporation (PV Gas)                  | 1,656,848,014,531        | 1,849,430,622,610        |
| PetroVietnam Security Service Joint Stock Company (PVSecurity)     | -                        | 5,971,976,988            |
| PetroVietnam Ca Mau Fertilizer Company Limited (PVCFC)             | 8,043,000,000            | 69,540,000,000           |
| PetroVietnam Maintenance and Repair Corporation (PVMR)             | 2,050,272,850            | 33,919,499,821           |
| Vietnam Petroleum Institute (VPI)                                  | 1,450,756,751            | 4,821,665,719            |
| PetroVietnam Oil Corporation (PV Oil)                              | 3,302,940,188            | 1,999,477,828            |
| PetroVietnam Construction Joint Stock Corporation (PVC)            | -                        | 8,030,369,090            |
| PVI Holdings   | 57,210,772,653           | 64,847,199,706           |
| PetroVietnam General Services Joint Stock Corporation (Petrosetco) | 4,415,971,627            | 10,689,507,965           |
| PetroVietnam Technical Services Corporation (PTSC)                 | 483,681,290,251          | 105,786,102,309          |
| PetroVietnam Transportation Corporation (PVTrans)                  | 16,854,371,455           | 16,126,908,437           |
| PetroVietnam Urban Development JSC                                 | 3,305,607,775            | -                        |
| Phu My Fertilizer Packaging JSC                                    | 133,312,122,790          | -                        |
|  | <b>2,370,475,120,871</b> | <b>2,171,163,330,473</b> |



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2016

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### 37. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Related party balances at the balance sheet date were as follows:

|  | Closing balance<br>VND | Opening balance<br>VND |
|--|------------------------|------------------------|
| <b>Trade receivables</b>   |                        |                        |
| Binh Son Refining and Petrochemical Company Limited (BSR)          | 33,000                 | 3,261,323,890          |
| Bien Dong Petroleum Operating Company (BIEN DONG POC)              | -                      | 5,744,374,020          |
| PetroVietnam Power Corporation (PVPower)                           | -                      | 4,885,205,312          |
| PetroVietnam Gas Joint Stock Corporation (PV Gas)                  | 2,415,000,000          | 590,785,644            |
| PetroVietnam Petrochemical and Textile Fiber JSC (PVTEX)           | 195,253,105            | 195,253,105            |
| PetroVietnam Transportation Corporation (PVTrans)                  | -                      | 88,216,138             |
| PetroVietnam Technical Services Corporation (PTSC)                 | 125,717,790            | 91,478,480             |
| PVI Insurance Joint Stock Corporation                              | 100,677,217            | -                      |
| Drilling Mud Joint Stock Corporation (DMC)                         | 1,050,280,400          | -                      |
|  | <b>3,886,961,512</b>   | <b>14,856,636,589</b>  |
| <b>Advances to suppliers</b>                                       |                        |                        |
| PetroVietnam Urban Development Joint Stock Company (PVC Mekong)    | 5,118,217,417          | 5,684,164,656          |
| PetroVietnam Ca Mau Fertilizer Company Limited (PVCFC)             | -                      | 3,045,961,760          |
| PetroVietnam Technical Services Corporation (PTSC)                 | 174,033,876,612        | 295,162,847,973        |
| Drilling Mud Joint Stock Corporation (DMC)                         | 199,859,262            | -                      |
| PetroVietnam Maintenance and Repair Corporation (PVMR)             | 4,142,670,713          | -                      |
| PetroVietnam Manpower Training College (PVMTC)                     | 1,046,625,214          | -                      |
| Phu My Fertilizer Packaging JSC                                    | 619,920,000            | -                      |
| PetroVietnam General Services Joint Stock Corporation (Petrosetco) | 171,918,298            | -                      |
|  | <b>185,333,087,516</b> | <b>303,892,974,389</b> |
| <b>Other short-term receivables</b>                                |                        |                        |
| PetroVietnam Trade Union Finance Investment Corporation (PVFI)     | 110,143,267,289        | 110,143,267,289        |
| PetroVietnam Petrochemical and Textile Fiber JSC (PVTEX)           | 110,568,051,564        | 101,620,682,378        |
| PetroVietnam Northern Gas Joint Stock Company                      | 12,792,091,037         | 12,792,091,037         |
| Vietnam Public Joint Stock Commercial Bank (PVCombank)             | 896,277,778            | 402,294,445            |
|  | <b>234,399,687,668</b> | <b>224,958,335,149</b> |
| <b>Trade payables</b>  |                        |                        |
| PetroVietnam Gas Joint Stock Corporation (PV Gas)                  | 212,364,198,249        | 132,617,055,994        |
| PetroVietnam Technical Services Corporation (PTSC)                 | 127,801,423,967        | 55,564,201,824         |
| PetroVietnam Construction Joint Stock Corporation (PVC)            | 3,980,477,953          | 8,394,696,761          |
| PetroVietnam Maintenance and Repair Corporation (PVMR)             | 3,491,424,829          | 1,796,605,459          |
| Vietnam Petroleum Institute (VPI)                                  | 641,322,046            | 1,760,649,790          |
| PVI Holdings   | 315,976,845            | 301,616,099            |
| PetroVietnam General Services Joint Stock Corporation (Petrosetco) | 1,721,740,089          | 8,575,868              |
| PetroVietnam Oil Corporation (PV Oil)                              | 34,694,650             | 160,680,000            |
| PetroVietnam Transportation Corporation (PVTrans)                  | 634,035,675            | -                      |
| Phu My Fertilizer Packaging JSC                                    | 1,104,636,500          | -                      |
|  | <b>352,089,930,803</b> | <b>200,604,081,795</b> |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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### 37. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

Related party balances at the balance sheet date were as follows (Continued):

|  | Closing balance<br>VND | Opening balance<br>VND |
|--|------------------------|------------------------|
| <b>Advances from customers</b>                                 |                        |                        |
| PetroVietnam Petrochemical and Textile Fiber JSC (PVTEX)       | -                      | 6,037,305,000          |
| PetroVietnam Gas Joint Stock Corporation (PV Gas)              | 146,106,250            | 54,602,532             |
| Drilling Mud Joint Stock Corporation (DMC)                     | 204,090,465            | 120,464,600            |
|  | <b>350,196,715</b>     | <b>6,212,372,132</b>   |
| <b>Loan</b>  |                        |                        |
| Vietnam Public Joint Stock Commercial Bank- Ho Chi Minh Branch | -                      | 226,950,078,667        |
|  | -                      | <b>226,950,078,667</b> |
| <b>Other short-term payables</b>                               |                        |                        |
| Vietnam Oil and Gas Group (PetroVietnam) - Dividend payables   | -                      | 582,914,138,405        |
|  | -                      | <b>582,914,138,405</b> |

Tran Xuan Thao  
Preparer

Vo Ngoc Phuong  
Chief Accountant



Nguyen Van Tong  
Deputy General Director

20 March 2017

FINANCIAL REPORT BY THE CORPORATION  
to be found at the website: [www.dpm.vn](http://www.dpm.vn)



## **PETROVIETNAM FERTILIZER AND CHEMICALS CORPORATION**

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