



01/07/2015



IN THIS ISSUE

BUSINESS PERFORMANCE

1H2015 Update - p.1

PV DRILLING'S ACTIVITIES

Risk management - p.2

Cost optimization - tr.2

OIL & GAS NEWS

Petrovietnam acquired all Chevron's assets in Block B O Mon project - p.3

Forecast oil price in 2016 - p.3

DRILLING MARKET

Monthly drilling report - p.4

PV Drilling IR team

PVD'S 1H2015 NET PROFIT ACHIEVES VND 1,100 BILLION

PV Drilling estimated to achieve revenue VND 8,000 billion and net profit after tax for shareholders of about VND 1,100 billion, reducing by 19% and 17% compared to the same period last year.

In 1H2015, the owned rigs' average day rate decreased about 7% compared to the same period last year and the operation of PV DRILLING I and PV DRILLING III was affected by the UWILD of these rigs (periodic maintenance) in March and May 2015. As a consequence, the revenue and net profit for the first 6 months had dropped slightly. However, the key highlights were that owned rigs' contracts continued to maintain stable and the average operating efficiency reached above 99%. In addition, PV DRILLING VI rig, which has been put into operation since early March, compensated a portion in the drop of revenue and net profit.

To deal with the decrease in service price, PV Drilling has implemented the cost optimization program, which is expected to contribute to the saving 5-10 percent of operating expenses. In addition, the Risk Management project has continued to be conducted as schedule to enhance the efficiency.

Investment

PV Drilling has been studying the investment project of PV DRILLING VII (Supper B Class Jack-up) and PV DRILLING VIII (Tender Barge).

For the Supper B Class Jack-up project, PV Drilling continues to study carefully and look for co-operation opportunities to ensure long-term job before making a decision to officially invest. This investment project is planned to begin in 2016.

Regarding the Tender Barge, PV Drilling continues to study the project implementation to serve the client's long-term campaign at Block B O Mon. This drilling campaign requires one tender barge and one jack-up (in phase 2) to drill 500-1000 wells in 15-20 years and this long term project is estimated to

drill first gas well of early 2017. This project is planned to bring a sustainable and long-term profit for PV Drilling. In June 17, Petrovietnam officially received the ownership and benefits from Chevron for Block B O Mon project. This is a beneficial step for oilfield suppliers to promote the project implementation.



PV DRILLING VI rig

PV DRILLING'S ACTIVITIES

RISK MANAGEMENT UPDATE

The Enterprise Risk Management (ERM) project is conducted under the supervision of the Internal Audit Division and Project Management Team together with the assistance of consultants on ERM and Ernst & Young's experts on oil and gas drilling. The ultimate objective of the project is to construct a comprehensive ERM system abiding by the international-standard regulations such as ISO 31000:2009, COSO, etc. This ERM system must also be suitable with PV Drilling's major operations to prevent and forecast risks related to business development strategy, main business and financial activities; as well as disseminate widely a clear conception of risks.

In the first 6 months of 2015, PV Drilling successfully conducted major activities in RM project as follow:

Enhancing the conception of ERM

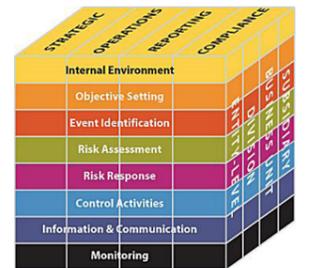
Ernst & Young has co-operated with the Internal Audit Division to organize three conferences with the purpose of upholding risk conception for leaders at the parents company, divisions, and subsidiary Deep Water; especially foreign experts working in rigs.

Recognizing and assessing strategic risks

The BOM has recognized and evaluated strategic risks that can emerge and have a negative impact on performance. Specifically, some strategic risks that receive lots of attention include: oil price change, competition in the oil and gas drilling industry, succession plan, and geography-politics circumstances.

Perfecting the RM framework to be appropriate with the reality at PV Drilling

The project management team together with EY have studied and perfected the RM framework according to the international standard and in reality PV Drilling operation. The ERM framework will be first implemented at the parents company, 2 related divisions, and PVD Deep Water, including ERM procedure, risk measures, as well as structure and content of the ERM system



COST OPTIMIZATION PROJECT



PV Drilling has formed the project team "Cost Optimization". The content of the project focuses on issues such as:

- Reviewing all operation expenses to optimize the usage of expenses and figuring out the suitable expense norms
- Boosting inventory management for rigs' operations.
- Reviewing the structure and

rearranging the current human resources

- Studying to reduce the overall production costs
- Preventing wastes; encouraging savings; reinforcing the efficiency of using financial resources, assets, time, and manpower in operations and capital deployment

Operating rigs in June 2015

Owned-rigs	Type of rig	Client	Hired-rigs	Type of rig	Owner	Client
1 PV DRILLING I	Jackup	Cuu Long JOC	1 Naga 6	Jackup	UMW	Petronas VN
2 PV DRILLING II	Jackup	Lam Son JOC	2 Naga 5	Jackup	UMW	KNOC
3 PV DRILLING III	Jackup	Vietsovetro	3 West Leda	Jackup	Seadrill	JVPC
4 PV DRILLING V	TAD	Bien Dong POC				
5 PV DRILLING VI	Jackup	PVEP POC				

Petrovietnam acquired Chevron's assets in Block B O Mon project

On June 17th 2015, PVN marked a remarkably important milestone by purchasing entire possession of Chevron's gas field in Vietnam, specifically including 42.38% operating-interest in production sharing contract for Block B & 48/95, 43.4% operating-interest for block 52/97 at South West Vietnam, and 28.7% working-interest for South West gas pipeline project.

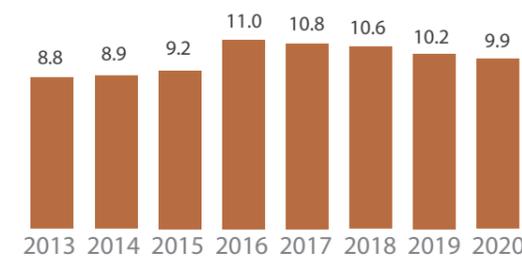
After the deal, PVN's ownership increased by 65.9% at Block B & 48/95, 73.4% at block 52/97 and 79.7% in South West gas pipeline project. The remaining ownership belongs to foreign partners such as Mitsui (Japan) and PTT (Thailand).

With current simple ownership structure, all parties are able to easily speed field development, build up gas pipeline system and negotiate the service price more conveniently in the upcoming time.

Block B-O Mon project has been invested to deliver gas from Block B & 48/95 and Block 52/97 to O Mon gas power plant hub in Kien Giang province and to supplement gas supply to gas fertilizer hub in Ca Mau province. Total capital expenditure costs approximately 10 billion USD to fulfill a demand of capacity of over 4,000 MW.



Mr Nguyen Xuan Son - Chairman of PVN - and project team at the fieldwork visit of Block B O Mon.



Gas proven reserves forecast in Vietnam
Sources: EIA/BMI

Brent oil price forecast: at 75\$/bbl in 2016

by Bloomberg

On June 5th, OPEC kept combined-daily-production target at 30 million barrels. This decision indicates fierce competition for market share among other oil operators, especially shale oil operators in US, who have already idled a significant rig count due to oil price drop.

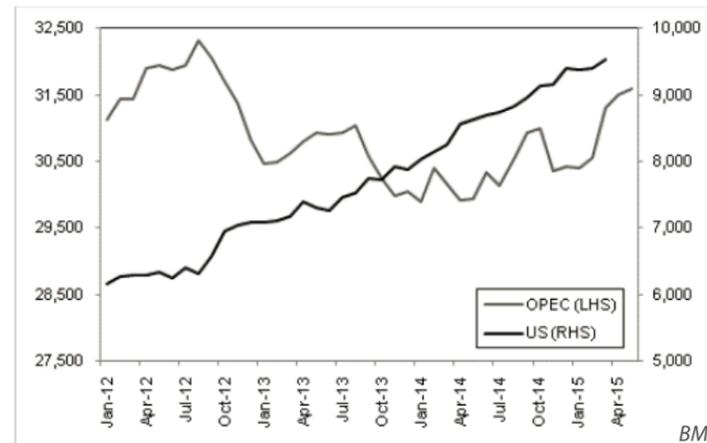
"The more important part is how high the production will be over the next months and not the quota," Giovanni Staunovo, commodity analyst at UBS Group AG, said to Bloomberg by phone before the decision was announced. "If they keep producing above the quota as they did over the past 12 months, this quota is irrelevant."

Currently, Brent oil price stays at 63\$ per barrel, reducing more than 40% comparing to last year. Oil price is expected to increase by 75\$ per barrel at the end of this year. According to OPEC's members, this price is fair value.

Despite positive opinions from OPEC members, actual outcome is still unpredictable. The reason comes from reverse trends of unchanged energy demand and increasing oil production supply. In May, OPEC production averaged 31.6 million barrels per day, which is considered as the highest volume since October 2012. Meanwhile, shale oil operators in US also announce their production level around 9.5 million barrel per day in average, increasing 15% compare to Q12015.

US & OPEC: Ramping Up For The Rest Of 2015

OPEC (LHS) & US (RHS) Crude Oil Production (000b/d)



Brent oil price as of Jul 1, 2015.

Monthly drilling report - June 2015

Over 20 available jack up rigs in Asia Pacific

According to IHS report in June, six more jack up rigs finished their contracts in the region including C.E Thornton, F.G. McClintock, Trident II, EnSCO 67, UMW Naga 3, UMW Naga 2 to join the existing 15 units already available. It increases the total available jack up rigs up to 21 in the region. These figures exclude cold stacked units and available newly-built units which are mostly located in China. A significant number of newly-built units is obligated to postpone delivery progress due to the downturn of drilling market.

For Southeast Asia market, average demand is forecasted approximately 51 rigs in 2015 and 47.2 rigs in 2016. In addition, the contract renegotiation

and price deduction between operators and contractor continues as current popular trend. For example, UMW received reassessment for the service price of signed and current contracts. UMW revealed that its profits fell dropped for the quarter due to this reason. Meanwhile, Petronas Carigali is currently awaiting the outcome of an economic review on the projects undertaken by COBBoss and Tasha in offshore Malaysia.

Operators plan for work in late 2015 and 2016

Looking on the optimistic side, the jack up market in the region remains relatively active. Many drilling campaigns are scheduled for 2016 and later. Twelve drilling contractors have participated the ONGC's pre-bid meeting for demand of 5 jack-up

rigs in three years. In Indonesia, more than 10 participants have responded Pertamina Hulu West Madura Offshore's demand of one year plus one year option charter. Additionally, oil operator BP Bereau also sent an invitation to EOIs to request for the provision of provide 1 jack up rig for Tangguh project under two years contract.

In Malaysia, Sarawak shell /Sabah shell petroleum issued a request for a jack up rig to undertake the North Sabah low cost drilling Campaign. This low cost project will be under two years commencing in early 2017.

In Vietnam, there are a few jack up rigs requirements for later this year or 2016 coming from operators including PVEP POC, JVPC and Idemitsu. With various advantages in term of experience and technology, PV Drilling has many opportunities to provide drilling services and drilling related services for these coming drilling campaigns.

infographics

Fundamental pressure on oil price 2015 - 2016

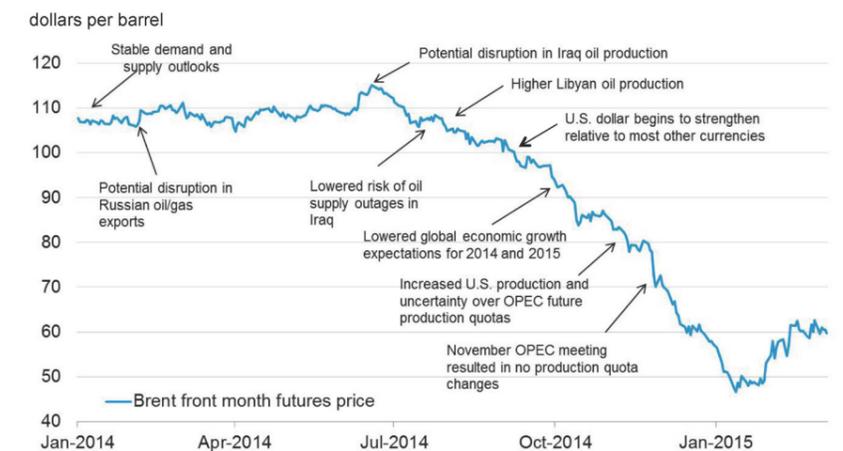
Upside

- Dollar rally moderating
- US Oil production slow-down intensifying (H22015)
- Chinese Strategic Oil Stock-piling

Downside

- US Oil production only gradual slowdown (not collapse)
- OPEC production target status quo
- Iranian sanctions breakthrough
- Bullish extreme in net speculative long positions

Brent crude oil prices were relatively stable through the first half of 2014; increased oil supply and lower global economic growth expectations lowered prices from July 2014 to January 2015



Source: EIA, Bloomberg

source: BMIResearch, June 2015