



EVNGENCO 3



2017
ANNUAL
REPORT

SOLID FOUNDATION
SUSTAINABLE FUTURE

www.genco3.com

CONTENTS

- 03 Report's highlights
- 04 Message from EVNGENCO 3
- 06 INTRODUCTION OF EVNGENCO 3**
- 07 General information
- 08 Vision – Mission – Core values
- 09 Corporate culture
- 10 Scopes of business
- 11 Shareholders' structure
- 11 Achievements and Awards
- 11 Key partners
- 12 History and development milestones
- 14 Power plants and member companies
- 16 Organizational structure
- 18 Introduction of the Management Board & Chief Accountant
- 20 REPORT ON 2017 BUSINESS AND CONSTRUCTION - INVESTMENT ACTIVITIES**
- 21 Evaluation of 2017 business and construction - investment activities
- 25 2017 financial performance analysis
- 36 2018 PLANS FOR BUSINESS AND CONSTRUCTION - INVESTMENT ACTIVITIES**
- 37 2018 Plans for business and construction - investment activities
- 39 Orientations for business solutions
- 42 DEVELOPMENT ORIENTATIONS AFTER 2018**
- 43 Vietnam electric power industry in 2017
- 48 2018 electric power industry outlook
- 56 EVNGENCO 3's competitive analysis
- 60 Development orientations after equitization
- 63 Power investment projects
- 64 Risk management
- 70 SUSTAINABLE DEVELOPMENT REPORT**
- 71 EVNGENCO 3's objectives for sustainable development
- 72 Safety in production – business activities and occupational health and safety
- 75 Environmental protection activities
- 78 Employment and employee's policies
- 81 Responsibilities for community, society
- 84 CONSOLIDATED FINANCIAL STATEMENTS (AUDITED)**
- 86 Statement of the Board of Directors
- 87 Independent auditor's report
- 90 Consolidated balance sheet
- 93 Consolidated statement of income
- 94 Consolidated statement of cash flows
- 96 Notes to consolidated financial statements

ABBREVIATIONS

BNE	: Best New Entrant
CAN	: Capacity Add-On
EPS	: EVNGENCO 3 Power Service Company
EVN	: Vietnam Electricity
EVNGENCO 3/ The Company	: Power Generation Corporation 3
FAC	: Final Acceptance Certificate
JSC	: Joint Stock Company
LNG	: Liquefied Natural Gas
MOIT	: Ministry of Industry and Trade
PAC	: Provisional Acceptance Certificate
PPA	: Power Purchase Agreement
SMHP	: Strategic Multi-Purpose Hydro Power Plants
SMP	: Spot Market Price
VCGM	: Vietnam Competitive Generation Market
Vinacomin	: Vietnam National Coal - Mineral Industries Group
VWEM	: Vietnam Wholesale Electricity Market

REPORT'S HIGHLIGHTS

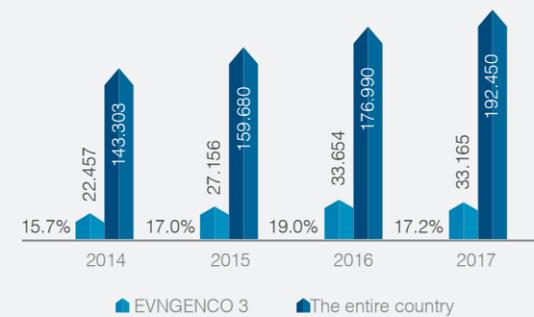
2,539 PEOPLE
TOTAL EMPLOYEES
AS AT THE END OF 2017

9 DEPENDENT
UNITS

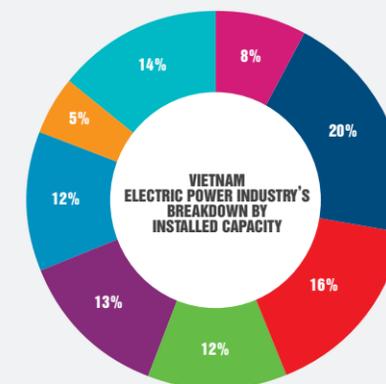
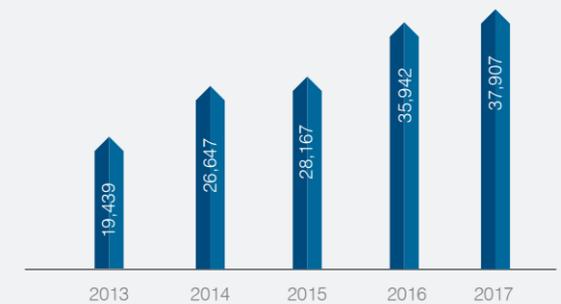
2 SUBSIDIARIES

6 JOINT VENTURES,
AFFILIATES

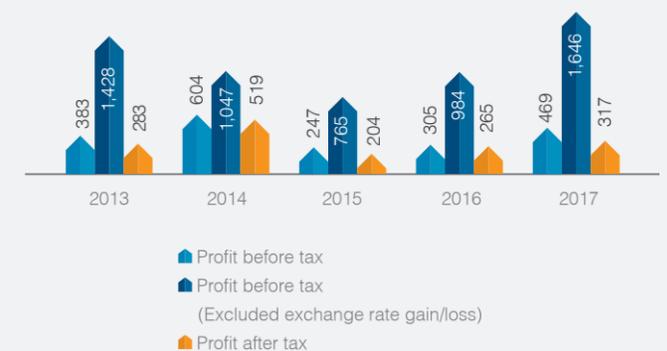
POWER GENERATION VOLUME (BILLION KWH)



REVENUE (BILLION VND)



PROFIT (BILLION VND)



- EVN
- EVNGENCO 3
- EVNGENCO 2
- EVNGENCO 1
- PVN
- Vinacomin
- JSC
- Foreign invested



Dear our Valued Shareholders, Partners and All Staffs,

Operating in such a volatile and unpredictable field like power production, but EVNGENCO 3 successfully accomplished all business objectives for the year 2017 thanks to endless efforts of the Management, all staffs and supports from Vietnam Electricity (EVN) and competent agencies. Specifically:

- ★ Power generation volume reached 33,165 million kWh, equivalent to 101.92% of the annual plan and accounted for 17.2% of the national power system's volume.
- ★ Total revenue was recorded at 38,377.17 billion VND, equivalent to 108% of the annual plan.
- ★ Profit before tax excluding exchange rate gain/loss exceeded 183% of the annual plan to reach 1,646.45 billion VND.

The year 2018 has witnessed many breakthroughs in EVNGENCO 3's development history, when the Company made an IPO, officially became a publicly traded company and registered share trading on UPCoM in early months of the year. In addition to the current gas-fired and coal-fired power plants as well as hydro power plants which are all operating effectively, the Company will drastically deploy a series of solar power projects, combined-cycle power plants using LNG to catch up with renewable and environmental friendly energy trend, and expand repair and maintenance service business for both EVN-invested power plants and external customers through EVNGENCO 3 Power Service Company (EPS).

Corporate governance continues to be emphasized by the Management. The Company also focuses on restructuring financial resources, minimizing negative impacts of debts, exchange rate fluctuations, and accelerating capital mobilization on the stock market to meet the capital demand for post 2018 business expansion strategy. As the leading power producer in the country, EVNGENCO 3 has a lot of opportunities for spectacular growth when the competitive wholesales electricity market officially comes into operation in the very near future.

With proper preparations from investment, modernization of equipment and technology, to human resources, technical skills improvement and corporate governance based on best practices in order to preserve and improve capital efficiency, EVNGENCO 3 will certainly win investors and shareholders' trust.

EVNGENCO 3 would like to express our sincere thanks to you for accompanying us in the past years, and the Company is always happy to welcome cooperation opportunities with all customers, partners and investors.

Thank you and Best regards,

EVNGENCO 3

AS THE LEADING POWER PRODUCER IN THE COUNTRY, EVNGENCO 3 HAS A LOT OF OPPORTUNITIES FOR SPECTACULAR GROWTH WHEN THE COMPETITIVE WHOLESALERS ELECTRICITY MARKET OFFICIALLY COMES INTO OPERATION IN THE VERY NEAR FUTURE.

In the past year, EVNGENCO 3 continued to enhance the Company as well as subsidiaries' organizational structure and personnel, constantly improved business efficiency, productivity, project management and research activities, ensuring the highest efficiency in all investments. The Company also paid a great deal of attention to sustainable development issues, ensured absolute safety in operation, compliance with legal regulations, and strictly implemented environmental protection measures.

These initial achievements enable EVNGENCO 3 to create a solid foundation and maintain its sustainable development momentum in the future, in line with this year Annual Report's theme:

"SOLID FOUNDATION – SUSTAINABLE FUTURE".

12,618 BILLION VND
CHARTER CAPITAL

GENERAL INFORMATION

Full name	: Tổng Công ty Phát điện 3
English name	: Power Generation Corporation 3
Abbreviated name	: EVNGENCO 3
Stock symbol	: PGV
First trading date on UPCoM	: 21/03/2018
Business registration certificate	: No. 3502208399, firstly registered on 26/11/2012; fourth time amended on 28/6/2018 at the Department of Planning and Investment of Ba Ria - Vung Tau Province
Charter capital	: 12,618 billion VND (In words: Twelve thousand, six hundred and eighteen billion dong)
Headquarters	: Phu My 1 Industrial Zone, Phu My Ward, Phu My Town, Ba Ria – Vung Tau Province
Telephone	: (84.254) 387.6927
Fax	: (84.254) 387.6930
Email	: genco3@genco3.evn.vn
Website	: http://www.genco3.com

01

INTRODUCTION OF EVNGENCO 3

General information	07
Vision – Mission – Core values	08
Corporate culture	09
Scopes of business	10
Shareholders' structure	11
Achievements and Awards	11
Key partners	11
History and development milestones	12
Power plants and member companies	14
Organizational structure	16
Introduction of the Management Board & Chief Accountant	18



VISION

Power Generation Corporation 3 (EVNGENCO 3) aims to become a company with state-of-the art technology, advanced and highly specialized governance, efficient and sustainable operation, playing a crucial role in the national economy and energy security; strives to become a leading company in Vietnam and ASEAN region in clean energy production, environmental friendly technology application for sustainable development.



MISSION

To ensure safe, continuous and efficient power production; To invest effectively in power generation, to contribute to ensure the national power security.



CORE VALUES

Quality – Trust, Dedication – Skillfulness, Collaboration – Sharing, Creativeness – Effectiveness

For the sustainable development goals, EVNGENCO 3 always takes the core values as guidelines and standards for the Company's activities

- ✦ **Quality - Trust:** As the foundation of EVNGENCO 3, we build up the trust in society by product and service's quality, integrity and responsibility in every activity.
- ✦ **Dedication – Skillfulness:** Is the value of serving, working style of EVNGENCO 3. Always strikes to present serious attitude, high responsibility at work, be fully dedicated to serving customers.
- ✦ **Collaboration - Sharing:** Is the spirit that EVNGENCO 3 wants to achieve for sustainable development and success of the Company, EVN and partners.
- ✦ **Creativeness - Effectiveness:** Professional work environment that facilitates creativeness and brings in high efficiency to help EVNGENCO 3 accomplish assigned missions and objectives.

CORPORATE CULTURE

01

WORK CULTURE

With the business philosophy of "Kindness, Decorum, Uprightness, Wisdom, Faithfulness", the Company always puts efforts into fulfilling all assigned responsibilities, collaborating and sharing knowledge and information to solve problems effectively for common benefits and the development of EVNGENCO 3 and EVN.

02

COMMUNICATION

Every EVNGENCO 3's member treats each other on the basis of equality, respect, friendship, solidarity, collaboration in all aspects. The Company's communication culture always puts human at the centre, treatment in a polite and proper manner.

03

BUSINESS PHILOSOPHY

With the objective to become one of leading companies in the field of energy generation, power sources development in Vietnam and the region, the Company always complies with the business philosophy of "Kindness – Decorum – Uprightness – Wisdom – Faithfulness", that brings in sustainable development values for EVNGENCO 3.

04

CUSTOMER RELATIONSHIP

Customer's trust and satisfaction are considered as EVNGENCO 3's success. The Company always responds to customer's queries promptly and accurately in accordance with the regulations of the State, EVN and EVNGENCO 3.

05

RELATIONSHIP WITH STATE AGENCIES, MEDIA

EVNGENCO 3 always respects the representatives of authorized agencies, media, communicates in a gentle and polite manner, provides timely and accurate information in line with responsibilities and duties.

06

PARTNER RELATIONSHIP

EVNGENCO 3 builds a friendly, sustainable relationship with partners on the basis of equality, mutual benefit and trust. Law compliance and healthy competition on the basis of advanced technology, high quality products and services are always respected.

07

COMMITMENT TO EMPLOYEES

EVNGENCO 3 always ensures stable employment and living conditions for employees in respect of both material and spiritual benefits in accordance with the regulations, and creates favorable conditions for employee's on-going learning and career development.

08

COMMITMENT TO SUPERIOR AGENCIES

"Safe, continuous and affordable" – EVNGENCO 3 commits to complete all tasks assigned by the superior agencies, ensures to provide electricity safely, continuously, affordably and contributes to national prosperity, commits to be dedicated and responsible, creative and effective in all tasks implementation.

09

COMMITMENT TO ENVIRONMENTAL PROTECTION

EVNGENCO 3 commits to always comply with environmental protection regulations for protecting the mankind's common home. To keep raising the awareness and actively participates in environmental protection activities at the Company as well as in the community.

SCOPES OF BUSINESS

MAIN BUSINESS LINES

- 
1 Electricity production and trading;
- 
2 Investment and capital management in power generation projects; solar energy, renewable energy projects;
- 
3 Management, operation, repair and maintenance, overhaul, experiment, modification, upgrading of electrical, mechanical, operational and automated equipment of power production lines, power construction works; electrical experiments; power mechanics;
- 
4 Project management consultancy, construction investment project consultancy, bidding and financial projection consultancy; consultancy on verifying and supervising power generation projects, and power grid synchronization companies and power grid synchronization construction works for power generation projects; consultancy on preparation for power plant's production;
- 
5 Human resources training and development for power plant's operation management, repair and maintenance.

RELEVANT BUSINESS ACTIVITIES DIRECTLY SERVING MAIN BUSINESS LINES

- 
 Electricity and construction work;
- 
 Import and export of fuels, raw materials and materials for electricity generation;
- 
 Production of building materials, insulating materials; labor protection equipment;
- 
 Project management consultancy, consultancy on construction investment, bidding, financial estimation and supervision for telecommunication and information technology works, industrial and civil works;
- 
 Water exploiting, processing and supply.

SHAREHOLDERS' STRUCTURE AS OF 21/3/2018

Shareholder's name	Number of shares (shares)	Par value (VND)	% Charter capital (%)
Vietnam Electricity (EVN)	1,061,355,233	10,613,552,330,000	99.19%
Employees	1,464,700	14,647,000,000	0.14%
External investors	7,149,644	71,496,440,000	0.67%
Total	1,069,969,577	10,699,695,770,000	100.00%

ACHIEVEMENTS AND AWARDS

EMULATION FLAG OF THE PRIME MINISTER
for excellent and comprehensive completion of all tasks, leading the patriotic emulation movement of Vietnam Electric power Industry in 2013 and 2014.

EMULATION FLAG OF THE MINISTRY OF INDUSTRY AND TRADE
for excellent and comprehensive completion of all tasks in 2016.

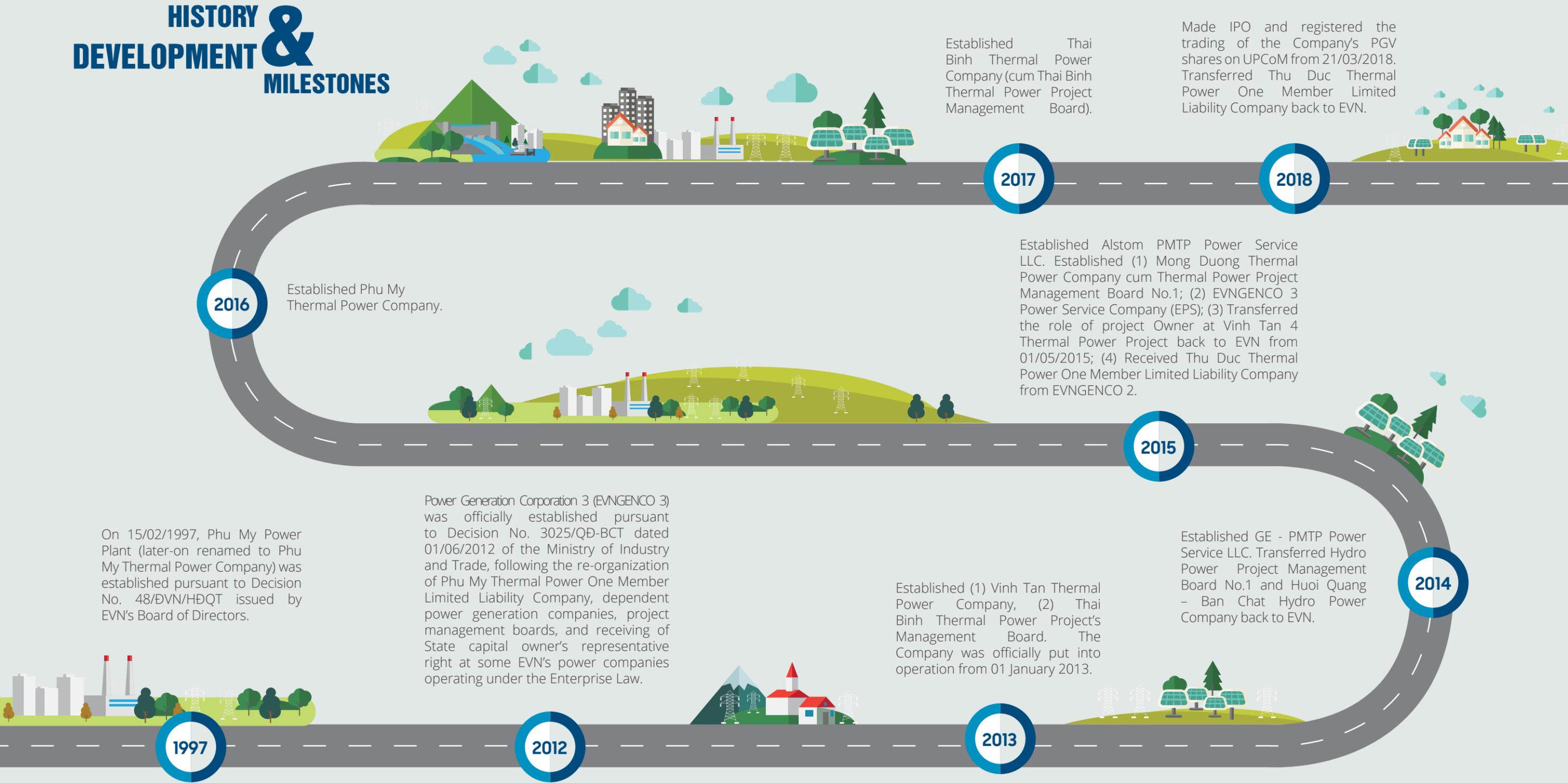
And many Certificates of Merit from the Ministry of Industry and Trade and Vietnam Electricity granted to outstanding individuals and teams for contribution to EVNGENCO 3's development.



KEY PARTNERS



HISTORY & DEVELOPMENT MILESTONES



2016

Established Phu My Thermal Power Company.

2017

Established Thai Binh Thermal Power Company (cum Thai Binh Thermal Power Project Management Board).

2018

Made IPO and registered the trading of the Company's PGV shares on UPCoM from 21/03/2018. Transferred Thu Duc Thermal Power One Member Limited Liability Company back to EVN.

2015

Established Alstom PMTP Power Service LLC. Established (1) Mong Duong Thermal Power Company cum Thermal Power Project Management Board No.1; (2) EVNGENCO 3 Power Service Company (EPS); (3) Transferred the role of project Owner at Vinh Tan 4 Thermal Power Project back to EVN from 01/05/2015; (4) Received Thu Duc Thermal Power One Member Limited Liability Company from EVNGENCO 2.

2014

Established GE - PMTP Power Service LLC. Transferred Hydro Power Project Management Board No.1 and Huoi Quang - Ban Chat Hydro Power Company back to EVN.

2013

Established (1) Vinh Tan Thermal Power Company, (2) Thai Binh Thermal Power Project's Management Board. The Company was officially put into operation from 01 January 2013.

2012

Power Generation Corporation 3 (EVNGENCO 3) was officially established pursuant to Decision No. 3025/QĐ-BCT dated 01/06/2012 of the Ministry of Industry and Trade, following the re-organization of Phu My Thermal Power One Member Limited Liability Company, dependent power generation companies, project management boards, and receiving of State capital owner's representative right at some EVN's power companies operating under the Enterprise Law.

1997

On 15/02/1997, Phu My Power Plant (later-on renamed to Phu My Thermal Power Company) was established pursuant to Decision No. 48/ĐVN/HĐQT issued by EVN's Board of Directors.

POWER PLANTS & MEMBER COMPANIES

01. DEPENDENT UNITS AS AT 31/12/2017

No.	Company/Plant	Capacity (MW)	Activities
1	Phu My Thermal Power Company	2,540	Operation management of 04 gas-fired power plants: Phu My 1, Phu My 4, Phu My 2.1 and Phu My 2.1 Extension
2	Buon Kuop Hydro Power Company	586	Operation management of 03 hydro power plants: Buon Kuop, Buon Tua Srah, Srepok 3
3	Vinh Tan Thermal Power Company	1,244	Operation management of Vinh Tan 2 Thermal Power Plant, Operation management contractor of Vinh Tan 4 Thermal Power Plant
4	Mong Duong Thermal Power Company	1,080	Operation management of Mong Duong 1 Thermal Power Plant
5	Thai Binh Thermal Power Company	-	Operation management contractor of Thai Binh 1 Thermal Power Plant
6	EVNGENCO 3 Power Service Company (EPS)	-	Provision of repair and maintenance services for power plants
7	Vinh Tan Thermal Power Project Management Board	-	Project management of Vinh Tan 2 Thermal Power Plant, Vinh Tan Power Complex infrastructure; being the representative of Project Management Consultant (EVNGENCO 3) to implement the management of Vinh Tan 4 Thermal Power Project and Vinh Tan 4 Extension Project for the Owner (EVN)
8	Thermal Power Project Management Board No. 1	-	Project management of Mong Duong 1 Thermal Power Plant
9	Thai Binh Thermal Power Project Management Board	-	Project management of Thai Binh 1 Thermal Power Plant
Total		5,450	

02. SUBSIDIARIES AS AT 31/12/2017

No.	Company/Plant	Capacity (MW)	Charter capital (Mil VND)	EVNGENCO 3's holding (Mil VND)	EVNGENCO 3's holding (%)	Main business activities
1	Thu Duc Thermal Power One Member Limited Liability Company	240	100,000	121,540	100.00	Power production
2	Ba Ria Thermal Power JSC (BTP)	390	604,856	481,236	79.56	Power production
3	Ninh Binh Thermal Power JSC (NBP)	100	128,655	70,454	54.76	Power production
Total		730		673,230		

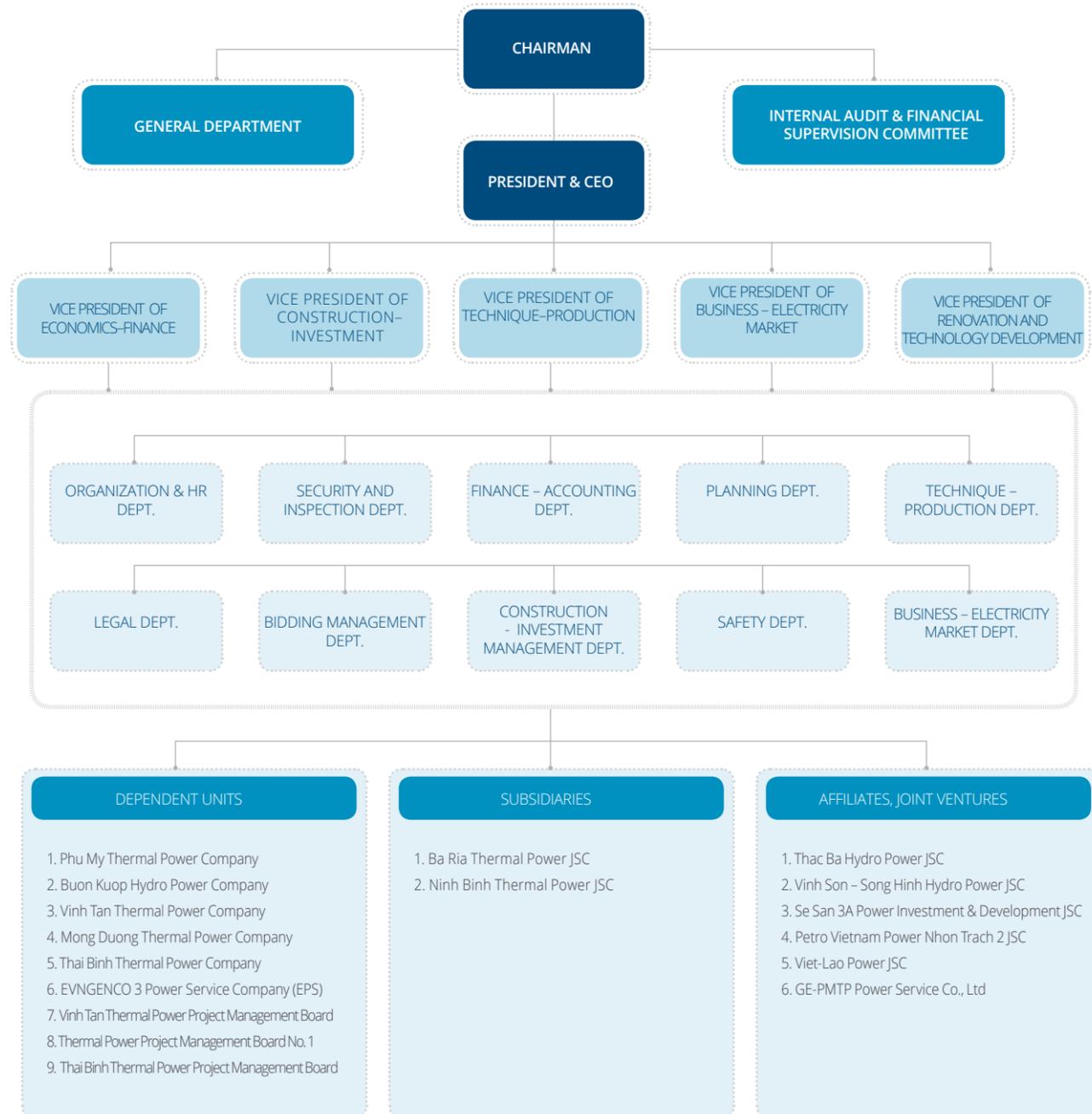
Note: Thu Duc Thermal Power One Member Limited Liability Company was transferred from EVNGENCO 3 to EVN from 01/01/2018.

03. AFFILIATES AND JOINT VENTURES AS AT 31/12/2017

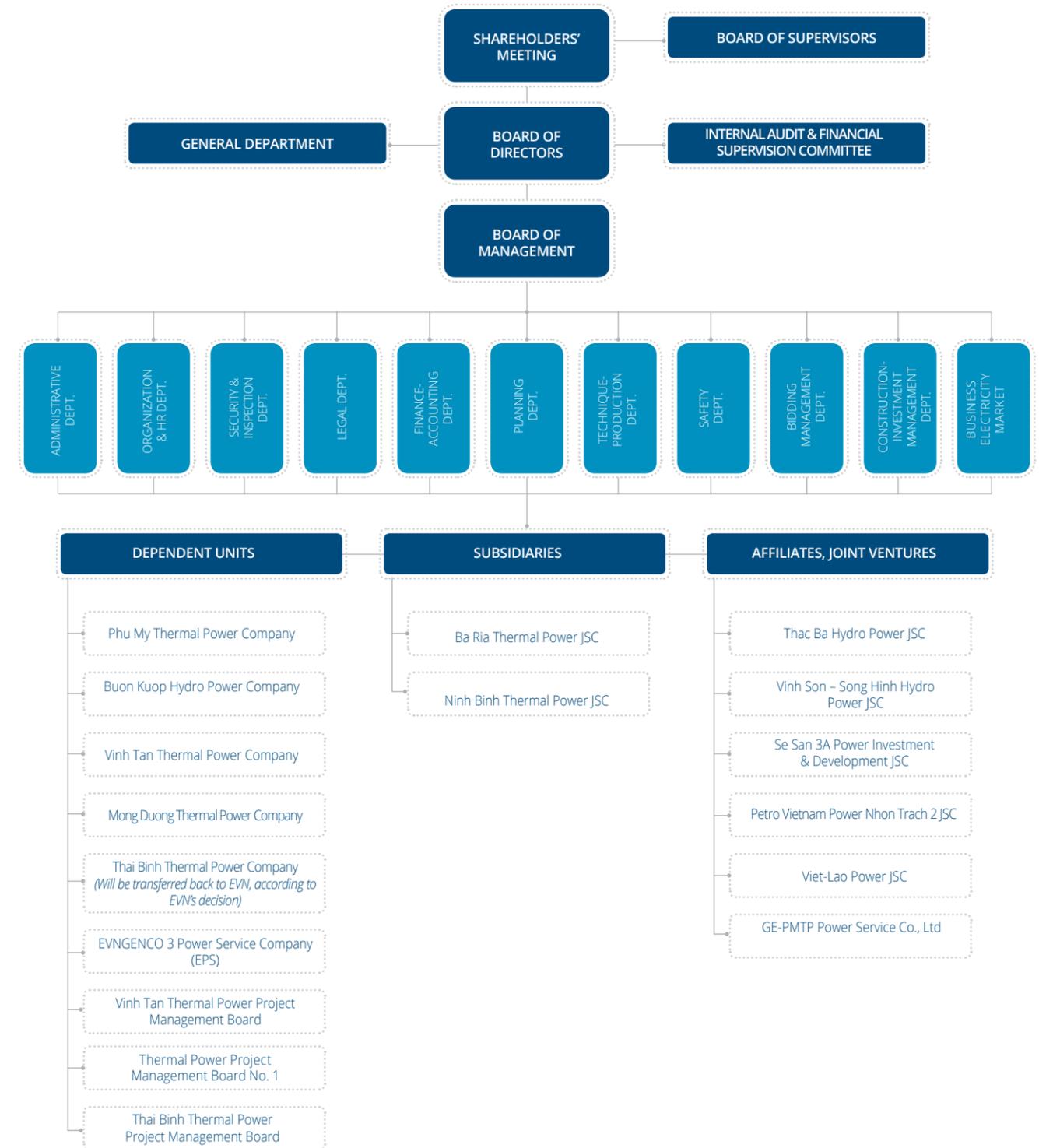
No.	Company/Plant	Capacity (MW)	Charter capital (Mil VND)	EVNGENCO 3's holding (Mil VND)	EVNGENCO 3's holding (%)	Main business activities
1	Thac Ba Hydro Power JSC (TBC)	120	635,000	190,500	30	Power production
2	Vinh Son - Song Hinh Hydro Power JSC (VSH)	136	2,062,412	517,058	30.55	Power production
3	Se San 3A Power Investment & Development JSC	108	280,000	84,000	30	Power production
4	Petro Vietnam Power Nhon Trach 2 JSC	750	2,878,760	64,000	2.5	Power production
5	Viet - Lao Power JSC	651	3,250,000	19,600	0.60	Power production
6	GE - PMTP Power Service Co., Ltd	-	496,424	74,464	15	Power services
Total		1,765		949,622		



ORGANIZATIONAL STRUCTURE PRESENT



ORGANIZATIONAL STRUCTURE POST EQUITIZATION



INTRODUCTION OF THE MANAGEMENT BOARD & CHIEF ACCOUNTANT



Mr. **NGUYEN VAN LE**

CHAIRMAN

- Year of birth: 1959
- Qualifications: Doctorate Degree in Electrical System Engineering, Master of Electrical Systems, Bachelor of Physics in Nuclear Electronics, Bachelor of Business Administration



Mr. **DINH QUOC LAM**

PRESIDENT & CEO

- Year of birth: 1973
- Qualifications: Master of Business Administration, Electrical System Engineer



Mr. **CAO MINH TRUNG**

VICE PRESIDENT OF

RENOVATION AND TECHNOLOGY DEVELOPMENT

- Year of birth: 1963
- Qualifications: Master of Business Administration, Mechanical Engineer



Mr. **LE VAN DANH**

VICE PRESIDENT OF

CONSTRUCTION - INVESTMENT

- Year of birth: 1974
- Qualifications: Master of Business Administration, Electrical - Electronics Engineer



Mr. **TRUONG QUOC PHUC**

VICE PRESIDENT OF ECONOMICS - FINANCE

- Year of birth: 1961
- Qualifications: Completed Master of Business Administration Program, Bachelor of Finance
- Accounting



Mr. **PHAN THANH XUAN**

VICE PRESIDENT OF TECHNIQUE - PRODUCTION

- Year of birth: 1961
- Qualifications: Master of Business Administration, Electrical Equipment Engineer



Mr. **NGUYEN THANH TRUNG DUONG**

VICE PRESIDENT OF

BUSINESS - ELECTRICITY MARKET

- Year of birth: 1970
- Qualifications: Master of Electrical System and Network, Electrical Engineer



Ms. **NGUYEN THI THANH HUONG**

CHIEF ACCOUNTANT

- Year of birth: 1977
- Qualifications: Master of Business Administration, Bachelor of Business Administration



02

REPORT ON 2017 BUSINESS AND CONSTRUCTION - INVESTMENT ACTIVITIES

Evaluation of 2017 business and construction - investment activities	21
2017 financial performance analysis	25

2017 PRODUCTION AND BUSINESS ACTIVITIES

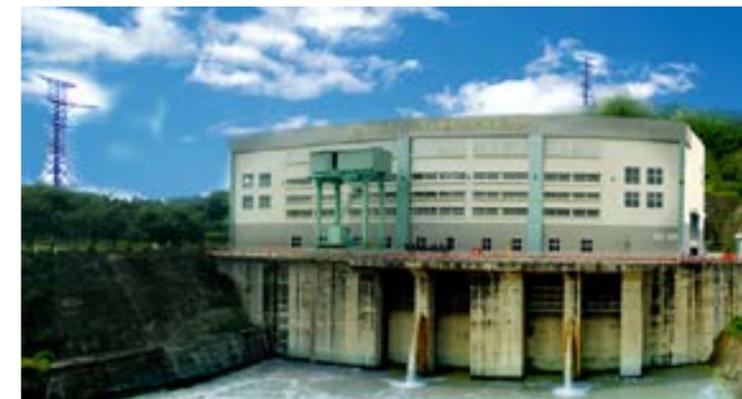
FUEL SUPPLY AND HYDROLOGICAL SITUATION

Gas supply: Gas is the main fuel and DO is the reserving fuel for Phu My gas-fired power plants. The gas-fired power plants use gas pipelined from Nam Con Son basin (long-term gas supply contracts till 2023) and Cuu Long gas field.

Lan Tay - Lan Do gas field's reserve is running low. This is the largest gas field in Nam Con Son basin and supplies most of input gas for gas-fired power plants. In order to stabilize gas supply, Nam Con Son 2 pipeline was put into operation in 2015 to meet the transportation demand for Dai Hung, Thien Ung fields, and new gas fields in the future such as Phong Lan Dai (2019), Su Tu Trang (2020) and many other potential gas fields (2020).

DO, HFO fuel: DO and HFO are used to start Mong Duong 1 and Vinh Tan 2 power plants, and ensure operation of Phu My plants in case of shortage in the main fuel (gas).

Gas-fired power plant	Source of gas supply
Phu My 1	Nam Con Son basin
Phu My 2.1	Nam Con Son basin Partially from Cuu Long basin
Phu My 2.1 Extension	Nam Con Son basin Partially from Cuu Long basin
Phu My 2.2	Nam Con Son basin
Phu My 3	Nam Con Son basin
Phu My 4	Nam Con Son basin Partially from Cuu Long basin
Ba Ria	Cuu Long basin
Coal-fired power plant	Source of coal supply
Mong Duong 1	Coal dust - Supplier:
Vinh Tan 2	Vietnam National Coal -
Vinh Tan 4	Mineral Industries Group
Thai Binh 1	(Vinacomin) and Dong Bac
Ninh Binh	Corporation.



Coal: Coal used by coal-fired power plants is 6a.1 coal dust produced domestically and supplied by Vietnam National Coal - Mineral Industries Group (Vinacomin) and Dong Bac Corporation. Currently, the Company is experimenting coal blending for Vinh Tan 2 Thermal Power Plant using imported coal. Imported coal is expected to come from Australia and Indonesia, imported through Vinh Tan ports.

HYDROLOGICAL SITUATION

In 2017, with the favorable hydrological situation, in which the water flow was higher than the frequency of 65%, hydropower plants were highly mobilized and all of them exceeded the planned output.

ELECTRICITY PRODUCTION

EVNGENCO 3's electricity production volume reached 33.165 billion kWh, equivalent to 101.92% of the annual plan.

- ✦ Dependent units' production volume was 29.816 billion kWh, reached 101.07% of the annual plan assigned by EVN (29.500 billion kWh).
- ✦ Other companies' (affiliated companies) production volume was 3.349 billion kWh, reached 110.14% of the annual plan.

OVERHAULS

The Company accomplished 18 machine overhauls effectively and ahead of the schedule with an estimated cost of 2,050 billion VND (declined by 8.24% compared to the approved plan, thanks to the effective utilization of materials and labor).

CONSTRUCTION INVESTMENT

1 INVESTMENT MANAGEMENT

EVNGENCO 3 submitted supplementary planning dossiers for solar power projects in Dak Lak, Binh Thuan and Ninh Thuan provinces. In addition, the Company implemented research to agree the location for preparing and supplementing Long Son Power Complex in Ba Ria - Vung Tau province.

To prepare for the above-mentioned projects, EVNGENCO 3 has been conducting research on combined-cycle gas turbine technology using LNG, solar power technology, small and medium-scale hydro power plants.

The Company's power generation projects being assessed for investment are as follows:

A. RENEWABLE ENERGY PROJECTS

✦ Solar power project in Binh Thuan province:

- * On 04/4/2018, the MOIT issued Decision No. 1114/QĐ-BCT approving the addition of Vinh Tan 2 solar power project (42.65 MWp) to Binh Thuan province's power development plan for the period of 2011-2015, with a view to 2020.
- * On 10/7/2018, the People's Committee of Binh Thuan Province approved the project in principle.
- * Currently, EVNGENCO 3 is selecting EPC contractor, implementing land compensation and clearance procedures, mine and explosive materials clearance.

✦ Solar power project in Dak Lak province:

On 02/10/2017, People's Committee of Dak Lak Province submitted the dossiers to the MOIT for approving addition of the solar power projects of Buon Kuop (50 MWp) and Srepok 3 (50 MWp) to the provincial power development plan.

The MOIT's Electricity and Renewable Energy Department is currently examining to submit to the MOIT for approval.

✦ **Ninh Phuoc 7 solar power project – 200 MWp in Ninh Thuan province:** On 17/6/2018, People's Committee of Ninh Thuan Province submitted the additional project planning dossier to the MOIT for appraisal.

B. COMBINED CYCLE POWER PLANTS USING LNG IN LONG SON

EVNGENCO 3 has carried out a research on Long Son Power Complex (3x1,200MW). The Company has completed several steps as follows:

- ✦ In September 2017, the Standing Board of Ba Ria - Vung Tau People's Committee agreed in principle for EVNGENCO3 to do research and prepare investment plan for Long Son Power Complex in Long Son Commune - Vung Tau City.
- ✦ On 23/02/2018, the EVNGENCO 3 signed a Memorandum of Understanding (MOU) with the People's Committee of Ba Ria - Vung Tau Province on investment promotion for Long Son Power Complex.
- ✦ On 07/6/2018, the People's Committee of Ba Ria - Vung Tau Province submitted to the Prime Minister and MOIT for consideration of project location.
- ✦ On 04/7/2018, the Government's Office issued Official Letter No. 6290/VPCP-CN requesting the MOIT in collaboration with other ministries and agencies to review and report to the Prime Minister.



2 CONSTRUCTION MANAGEMENT

A. VINH TAN 2 THERMAL POWER PROJECT

EVNGENCO 3 completed test operation for Unit S1 and S2 and put them into commercial operation on 30/01/2015 and 21/03/2015 respectively. The Company also granted Final Acceptance Certificate (FAC) for the constructor.

B. COAL PORT AT VINH TAN POWER COMPLEX

100,000 DWT carrier passage and turning basin dredging; Implementation under the schedule to ensure the coal supply for Vinh Tan 4 Thermal Power Plan.

C. MONG DUONG 1 THERMAL POWER PROJECT

EVNGENCO 3 completed test operation for Unit S1 and S2 and put them into commercial operation on 10/10/2015 and 03/12/2015 respectively.

EVNGENCO 3 issued FAC for the contractor.

3 PROJECT MANAGEMENT CONSULTANCY

A. VINH TAN 4 THERMAL POWER PROJECT

The project's progress at the end of 2017 reached 99.39% of total workload, exceeded the schedule as regulated in the EPC contract.

Unit S2: Completed test operation and handed over for commercial operation on 6/12/2017 (20 days ahead of the schedule). The State Authority for Construction Inspection checked and agreed to issue the Provisional Acceptance Certificate (PAC).

Unit S1: Handed over for commercial operation on 30/03/2018, almost 3 months ahead of the schedule. On 19/4/2018, The State Authority for Construction Inspection checked the final acceptance inspection carried out by the Investor's Inspection Board for completion of Unit S1 and the entire work of Vinh Tan 4 Thermal Power Plant. Accordingly, the State Authority for Construction Inspection approved the inspection results of the Investor's Inspection Board.

B. VINH TAN 4 EXTENSION THERMAL POWER PROJECT

✦ Completed the land compensation and clearance.



✦ The project's progress at the end of 2017 reached 52.92% of total workload, being in line with the schedule.

✦ Key milestones in 2018: (1) Test operation on 17/7/2018 (completed), (2) Complete pressure test for the boiler on 24/8/2018 (7 days ahead of EPC schedule).

C. THAI BINH THERMAL POWER PROJECT

Unit 1&2: Completed commissioning (including demonstration operation with blended coal for Unit 1, and 5a.2 coal for Unit 2), and handed over for commercial operation.



BUSINESS RESULTS

WITH THE ENDLESS EFFORTS OF THE MANAGEMENT, EMPLOYEES, AND EVN AND AGENCIES' SUPPORT, EVNGENCO 3 SUCCESSFULLY COMPLETED BUSINESS TARGETS ASSIGNED FOR THE YEAR 2017. SPECIFICALLY:

38,377.17

BILLION VND

TOTAL REVENUE WAS RECORDED EQUIVALENT TO 108% OF THE ANNUAL PLAN

1,646.45

BILLION VND

PROFIT BEFORE TAX EXCLUDED EXCHANGE RATE GAIN/LOSS, EQUIVALENT TO 183% OF THE ANNUAL PLAN

Item (*)	Unit	2017 Planned	2017 Actual	% compared to Plan
Total revenue	Billion VND	35,539.45	38,377.17	108%
Total profit after tax	Billion VND	202.10	316.70	157%
Profit before tax excluded exchange rate gain/loss	Billion VND	898.70	1,646.45	183%

(*) 2017 revenue and profit after tax figures are based on Consolidated Financial Statements

ANALYSIS OF BUSINESS RESULTS

Business results	2017	2016	Increase/Decrease 2017 - 2016	
	Billion VND	Billion VND	Billion VND	(%)
Net revenue	37,907	35,942	1,965	5.5%
Costs of goods sold	33,602	32,402	1,200	3.7%
Gross profit	4,305	3,541	765	21.6%
Financial income	207	217	(10)	-4.8%
Financial expense	3,834	3,283	551	16.8%
In which: Interest expense	2,640	2,527	113	4.5%
Share of profit in associates	176	134	42	31.1%
Selling expenses	0	0	0	0%
General and administrative expenses	437	391	46	11.8%
Operating profit	416	217	199	91.7%
Other income	88	117	(29)	-24.9%
Other expenses	35	29	6	21.0%
Profit (loss) from other activities	52	88	(35)	-40.1%
Total accounting profit before tax	469	305	164	53.8%
Profit after tax	317	265	51	19.3%

1. REVENUE ANALYSIS

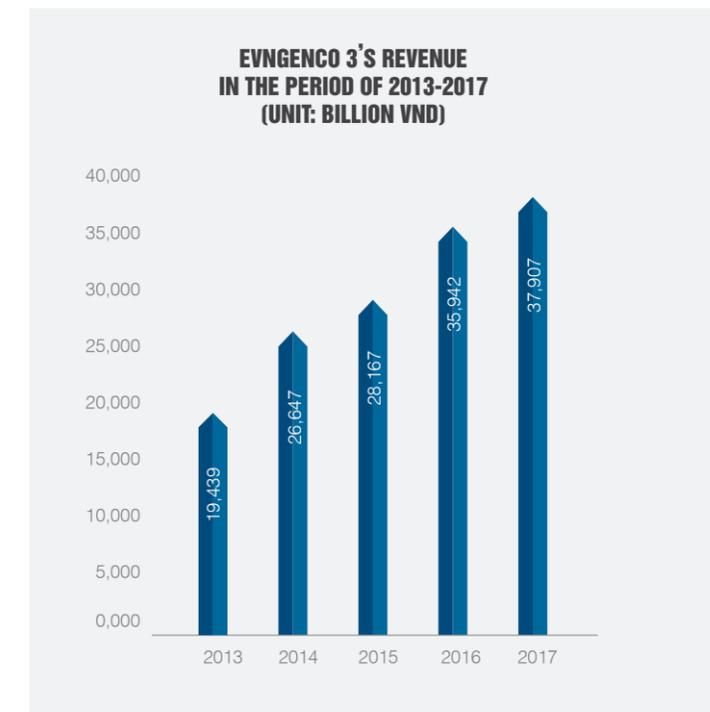
The Company's 2017 business results continued to see positive signals when the consolidated revenue recorded a growth of 5.5% to reach over 37,907 billion VND, the highest level over the past 05 years. In the period of 2013-2017, the Company's revenue had CAGR of 18.2%, reflected ability to grasp the opportunities to increase its market share in the South.

37,907

BILLION VND

CONSOLIDATED REVENUE IN 2017

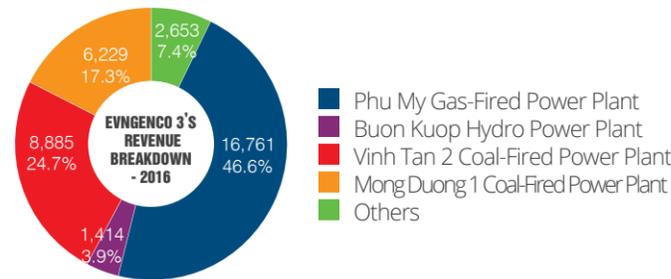
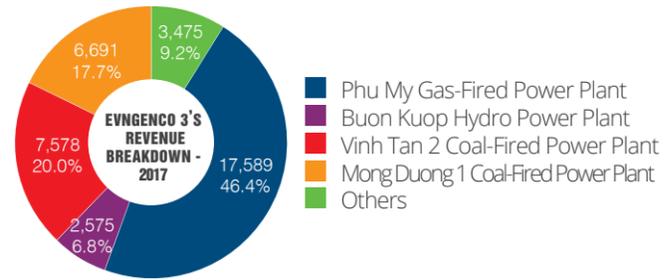
↗ 5.5% COMPARED TO 2016



ANALYSIS OF BUSINESS RESULTS

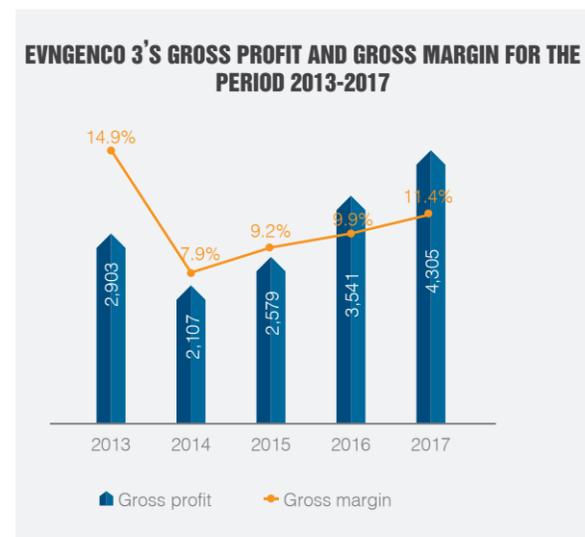
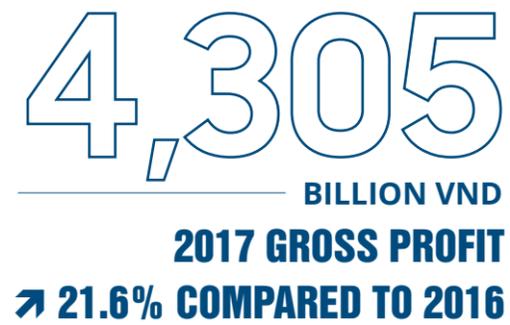
1. REVENUE ANALYSIS (continued)

In 2017, gas-fired power production continued to be the key revenue driver. In particular, Phu My Gas-Fired Power Plants was the main revenue generator with a contribution of more than 17,589 billion VND, accounted for 46.4%. Followed by Vinh Tan 2 Coal-Fired Power Plant with approximately 7,578 billion VND, made up 20% of the Company's total revenue in 2017. Mong Duong 1 Coal-Fired Power Plant achieved a revenue of 6,691 billion VND, contributed 17.7% of the total revenue. Thanks to favorable hydrological conditions, Buon Kuop Hydro Power Plant's revenue jumped by 82.1% over the previous year to 2,575 billion VND, accounted for 6.8% of the Company's total revenue.



2. GROSS PROFIT ANALYSIS

The Company's 2017 gross profit recorded impressive growth of 21.6% and reached 4,305 billion VND albeit 5.5% growth in revenue. The 2017 gross margin was 11.4%, increased sharply from 9.9% in 2016. Since 2014, EVNGENCO 3's gross margin has consecutively improved, reflecting the Company's effective cost management over the past years.



Buon Kuop Hydro Power Plant was the most prominent spot with 2017 gross profit growth of more than 2.5 times, reached approximately 1.750 billion VND. In 2017, longer rainy season due to La Nina helped power plants increase their utilization.

In 2017, Buon Kuop Hydro Power Plant's utilization rate hiked to 70% compared to only 42% in 2016. Accordingly, Buon Kuop's production volume was recognized at 3.6 billion kWh in 2017, growth of 63.6% compared to 2016. With the economies of scale, power production volume growth boosted revenue growth and led to a sharp improvement in gross margin for Buon Kuop Hydro Power Plant in 2017.

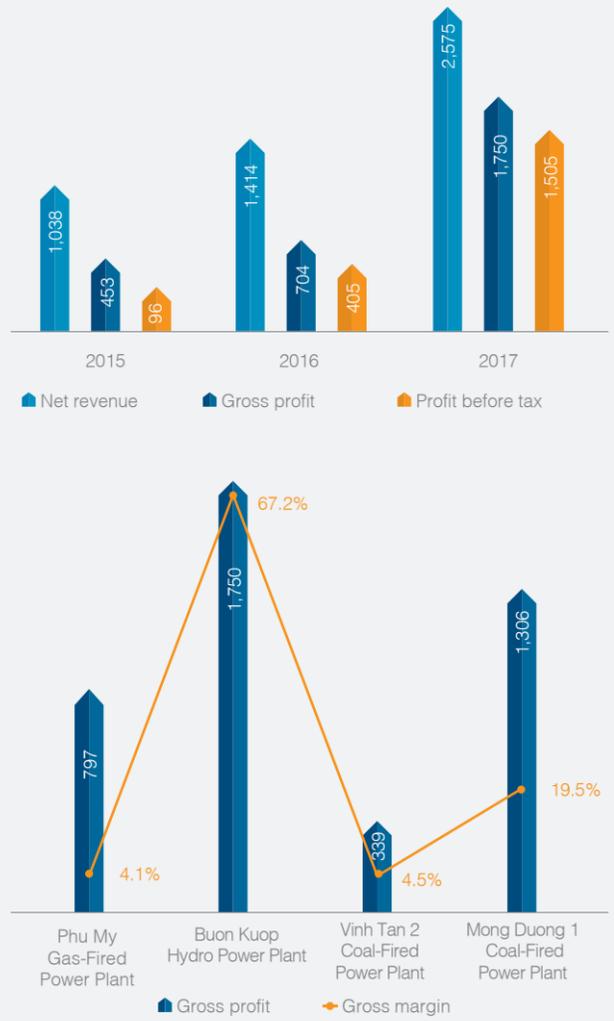
Phu My Gas-Fired Power Plants recorded a decrease in gross margin due to a climb in periodic repair and maintenance expenses as well as fuel expenses during the year. Specifically, 2017 repair and maintenance cost was 1,983 billion VND, soared by 25.5% over 2016 due to periodic overhauls as required by the generator's manufacturers. In terms of fuel costs, the suspension for repair and maintenance at Block 06.1 and Block 11.2 has led to a shortage in gas supply. In addition, the complex's production was also affected by the supply suspension due to incidents at Nam Con Son gas field on 31/8/2017, and typhoon No. 16 (Tempin) influences on Nam Con Son and Cuu Long gas fields from 24-27/12/2017. Due to these happenings, the gas supply in the past year was affected and some generating units were switching to use oil as alternative fuel.

Rise in operating expenses caused by periodic repair and maintenance expenses and fuel expenses led to a decline in Phu My plants' gross margin to 4.1%.

However, the decline in Phu My plants' gross margin is not so negative because these are all temporary factors. In addition, repair and maintenance activities will help maintain the plants' operating capacity and extend their useful lives.

In terms of coal-fired power plants, Vinh Tan 2 and Mong Duong 1, which came into commercial operation in 2015, saw a reduction in utilization ratio in the past year due to La Nina phenomenon. The 2017 utilization ratios were 53% and 50% respectively, both dropped as compared to 2016.

BUON KUOP HYDRO POWER PLANT'S BUSINESS RESULTS IN THE PERIOD 2015-2017



Nevertheless, Mong Duong 1 Coal-Fired Power Plant's revenue, being different from Vinh Tan 2, still grew by 7.4% thanks to 3% increase in Power Purchase Agreement (PPA) price and the proportion of 2017 EVN-contracted volume over total production volume jumped up to 117%. As a result, Mong Duong 1 maintained a high gross margin of 19.5%.



ANALYSIS OF BUSINESS RESULTS

3. COST ANALYSIS

The 2017 cost structure of EVNGENCO 3 is detailed as follows:

Cost structure (% Net revenue)	2016	2017
Depreciation cost ratio	16.22%	13.19%
Financial expense ratio	9.09%	10.11%
- Interest expense ratio	7.00%	6.96%
Selling expense ratio	0.00%	0.00%
General and administrative expense ratio	1.09%	1.15%
Other expenses ratio	0.08%	0.09%

5,002

BILLION VND

2017 DEPRECIATION COSTS

↘ **14% COMPARED TO 2016**

Depreciation cost: In 2017, the depreciation costs were accounted at 5,002 billion VND, dropped by 14% compared to 2016.

The reduction in depreciation costs was due to some assets of Phu My gas-fired power complex were fully depreciated. However, repair and maintenance have been well maintained over the past years, enabling them to operate stably, reliably and meet the technical requirements and ensure efficient production.

Financial expenses: Interest expense ratio made up 6.96% of revenue, slightly decreased in 2017. Nevertheless, financial expense ratio climbed to 10.11% compared to 9.09% in 2016. The reason



for the rise of financial expense ratio mainly came from exchange loss from loans dominated in foreign currencies in 2015, 2016. In 2017, the Company recorded an exchange loss of over 1,189 billion VND, soared by 64% compared to 2016. In 2017, the Company recorded an exchange loss of over 1,189 billion VND, soared by 64% compared to 2016.

Selling expenses/ General and administrative expenses: Selling and G&A expenses accounted for only small proportion of the Company's cost structure, equivalent to 1.15% in 2017. These expenses remained stable in the past year.

4. PROFIT AFTER TAX ANALYSIS

EVNGENCO 3's consolidated profit after tax reached 316.7 billion VND in the year 2017, a 19% growth over 2016. Revenue growth and improved profit margin were main drivers for positive profit growth. 2017 profit margin significantly climbed to 0.84%, compared to 0.74% in 2016.

EVNGENCO 3'S PROFIT AFTER TAX AND PROFIT MARGIN IN 2017



5. BUSINESS RESULTS EXCLUDING EXCHANGE RATE'S INFLUENCES

EVNGENCO 3's business performance is strongly influenced by exchange rates as the Company is heavily financed by foreign loans dominated in USD, JPY, CNY and KRW. If excluding FX gains / losses, EVNGENCO 3 recorded a strong growth in the past year.

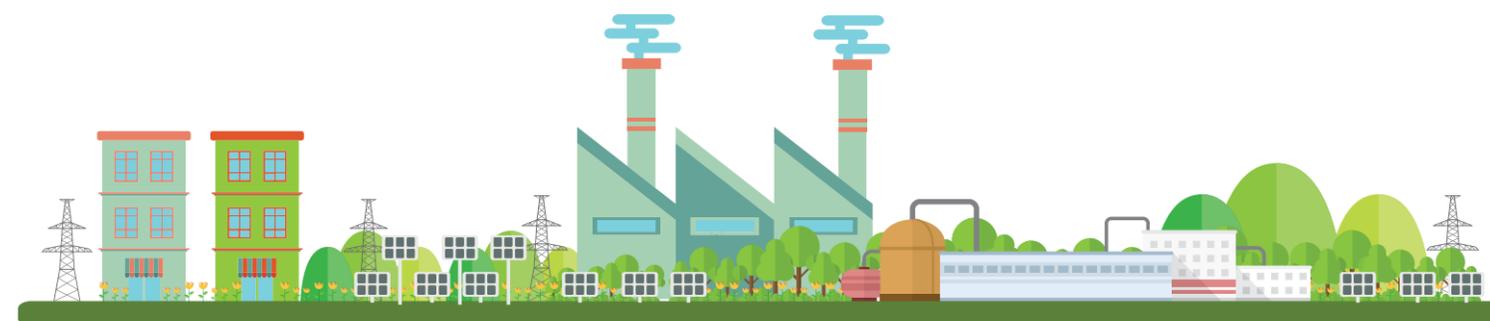
Specifically, excluding impact of exchange rates, the Company's net operating profit would reach over 1,594 billion VND in 2017, grew by 78% over 2016; and consolidated profit before tax would be 1,646 billion VND, 67.4% higher than previous year.



BUSINESS RESULTS EXCLUDING EXCHANGE RATE GAINS/LOSSES

Unit: Billion VND

Year	2013	2014	2015	2016	2017	2017 vs 2016
Gross profit	2,903	2,107	2,579	3,541	4,305	21.6%
Financial profit (excluding FX gains / losses)	(1,078)	(1,039)	(1,662)	(2,387)	(2,450)	2.6%
Net profit from operating activities	1,607	1,032	782	896	1,594	77.9%
Other profit	(179)	15	(17)	88	52	-40.1%
Total accounting profit before tax	1,428	1,047	765	984	1,646	67.4%



FINANCIAL POSITION ANALYSIS

Unit: Billion VND

Year	2013	2014	2015	2016	2017
Total assets	80,744	83,168	84,655	85,590	81,385
Short-term assets	11,158	11,097	13,913	18,786	18,797
Long-term assets	69,586	72,071	70,742	66,805	62,589
Liabilities	67,670	72,146	75,974	76,862	71,595
Short-term liabilities	18,927	16,954	10,577	10,611	12,903
Long-term liabilities	48,743	55,192	65,397	66,251	58,691
Owner's equity	12,778	11,022	8,680	8,729	9,790

ASSETS & RESOURCES

Reasonable allocation of assets and resources helped maintain the efficiency at EVNGENCO 3. The Company always abides by three principles in financial management:

- ✦ Focusing all resources on electricity production business.
- ✦ Not spreading investment capital.
- ✦ Prioritizing long-term sources to finance business activities.

Understanding the nature of electricity production with high CAPEX requirements and long payback period, EVNGENCO 3 always prioritizes using long-term sources to invest in business activities.

1. ASSETS

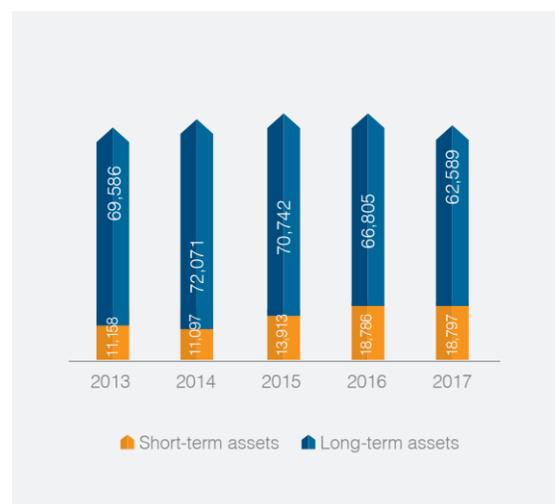
As at the end of 2017, EVNGENCO 3's total assets were recorded at 81,385 billion VND, a decrease of 5% compared to 2016 year-end. Long-term assets accounted for the highest proportion with nearly 77% of total assets. Meanwhile, short-term assets did not change much, accounting for over 23% of total assets with 18,797 billion VND.

4,890

BILLION VND

CASH AND CASH EQUIVALENTS

➔ 138% OVER THE END OF 2016



1.1 SHORT-TERM ASSETS

The short-term assets were accounted at 18,797 billion VND as at the end of 2017, almost flat (0.1% growth). Cash and cash equivalents grew by 138% year on year to 4,890 billion VND. The strong growth of cash and cash equivalents came from business efficiency, resulting in a large surplus of net cash flow from operating activities. This was a major contributor to cash and cash equivalents that recorded strong growth. In addition, term deposits at banks also soared by 68% over the past year.

Short-term receivables were 8,947 billion VND, down 28% over the end of 2016. The decrease in short-term receivables came from EVN's receivables. As at the end of 2017, receivables from EVN were just over 98 billion VND, slumped by 97.7% over the end of 2016.

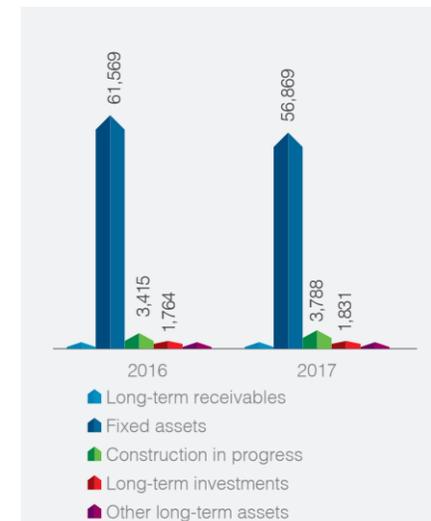
SHORT-TERM ASSETS' STRUCTURE IN 2017 (UNIT: BILLION VND)



1.2 LONG-TERM ASSETS

As at the end of 2017, the Company's long-term assets were 62,589 billion VND, down 6.3% compared to the end of 2016 and accounting for 77% of total assets. In which, long-term assets concentrated in fixed assets with a proportion of 70% of total assets.

Compared with 2016, the historical cost of tangible fixed assets increased slightly by 0.27% to 109,272 billion VND mainly due to the transfer of construction in progress into fixed assets account in 2017.



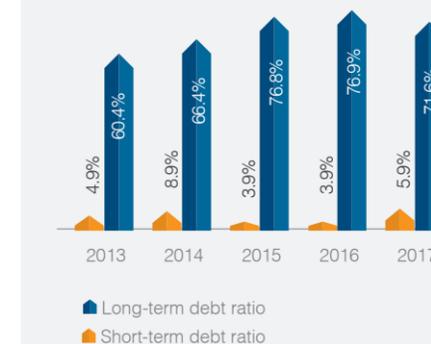
2. RESOURCES

Owner's equity accounted for 12% of total resources, equivalent to 9,790 billion VND. Liabilities accounted for nearly 88% with 71,595 billion VND.

2.1 LIABILITIES

EVNGENCO 3's liabilities were at 71,595 billion VND as at the year-end, sharply decreased by 7% compared to the end of 2016. Liabilities mainly came from long-term liabilities of 58,691 billion VND, accounting for 72.1% of total resources. Short-term liabilities were 12,903 billion VND, accounting for over 15.8% of total resources.

Short-term liabilities increased by 21.6% to 12,903 billion VND mainly due to the transfer of long-term loans on maturity. Short-term borrowings were all repaid in the last fiscal year. This presented that EVNGENCO 3 always prioritized to use long-term capital to finance business activities



FINANCIAL POSITION ANALYSIS

2.2 OWNER'S EQUITY

The Company's owner equity reached 9,790 billion VND as at the end of 2017, an increase of 12.2% over the previous year and accounted for 12% of total resources.

In respect of owner's equity structure, owner's contributed capital was 10,562 billion VND, accounting for 13% of resources. Net profit after tax was 881 billion VND, accounting for 1% of resources as at the end of 2017.

9,790

BILLION VND
OWNER'S EQUITY
↗ 12.2% COMPARED TO 2016

CASH FLOW ANALYSIS

EVNGENCO 3's net cash flow during the year was 2,831 billion VND, significantly risen by 1,930 billion VND compared to 2016. Key cash flow indicators are as follows:

Item (Billion VND)	2013	2014	2015	2016	2017
Cash flows from operating activities	7,190	9,831	(413)	4,019	6,720
Cash flows from investing activities	(21,989)	(27,893)	(3,580)	(3,087)	(1,927)
Cash flows from financing activities	16,514	17,689	2,889	(31)	(1,961)
Net cash flows during the year	1,716	(373)	(1,104)	901	2,831
Cash and cash equivalents at the beginning of the year	-	2,634	2,261	1,157	2,059
Cash and cash equivalents at the end of the year	2,634	2,261	1,157	2,059	4,890

Main business activity continued to be the cash flow driver for EVNGENCO 3 in 2017 when it brought in nearly 6,720 billion VND.

In the past year, the cash flow for purchasing fixed assets and other long-term assets was only 1,449 billion VND, down sharply compared to 2016, when the Company almost completed fixed asset investments. However, the Company increased short-term cash outflows for short-term deposit with around 1,651 billion VND to take advantage of the abundant cash.

Disbursements for financial activities increased sharply to 1,961 billion VND, of which mainly repayment of loans with 3,432 billion VND and paying dividend for shareholders with 21 billion VND.

With the increase in cash flow from business activities and the reduction of cash flow for investing activities, cash and cash equivalents at the end of year were 4,890 billion VND, soared by 138% over 2016.

FINANCIAL RATIO ANALYSIS

Ratios	Unit	2014	2015	2016	2017
1. Liquidity ratios					
Current ratio	times	0.65	1.32	1.77	1.46
Quick ratio	times	0.52	1.06	1.47	1.21
Cash ratio	times	0.13	0.11	0.19	0.38
2. Efficiency ratios					
Days of receivable	days	26.93	46.97	59.98	75.47
Days of inventory	days	27.22	30.39	31.41	33.24
Days of payment	days	111.09	95.83	63.33	63.57
Total assets turnover	times	0.33	0.34	0.42	0.45
Fixed assets turnover	times	0.66	0.71	0.56	0.64
3. Profitability ratio					
Gross margin	%	7.91%	9.16%	9.85%	11.36%
Operating profit margin	%	2.21%	0.94%	0.60%	1.10%
Operating profit margin (Excluded exchange rate gain/loss)	%	3.87%	2.78%	2.49%	4.20%
Net profit margin	%	1.95%	0.72%	0.74%	0.84%
Return on average owner's equity (ROEA)	%	4.02%	1.70%	2.76%	3.15%
Profit before tax over average owner's equity (Excluded exchange rate gain/loss)	%	8.80%	7.76%	11.30%	17.78%
Return on average total assets (ROAA)	%	0.63%	0.24%	0.31%	0.38%

FINANCIAL RATIO ANALYSIS



DAYS OF RECEIVABLE AND DAYS OF PAYMENT

The day of receivables of the Company was 75.4 days, up from the 60-day collection period in 2016. The increase in day of receivables came from the growth of receivables from power purchase companies, with over 8,462 billion VND at the end of 2017.

The day of payments was about 63 days. In managing payables, the Company always emphasizes the fulfillment of debt obligations for suppliers. This has helped improve the prestige of EVNGENCO 3 and contributed to facilitate the management of cash flow.

ASSET TURNOVER

Total asset turnover in 2017 was 0.45 times, improved positively compared to 2016 and reached the highest level in the last 04 years. The fixed asset turnover strongly grew compared to 2016 to reach 0.64 time. As a fixed asset-intensive business, EVNGENCO 3 always focused on managing for asset's operating efficiency. Maintenance and repair have been focused by EVNGENCO 3 over the last years. In addition, economies of scale was also a major factor helping improve the asset utilization, notably at hydro power plants in the past year.

LIQUIDITY RATIOS

EVNGENCO 3's liquidity ratios declined slightly in the past year. The increase in long-term debts due to maturity has led to a slight decline in liquidity ratios. However, the positive point was that liquidity ratios remained above 1, especially current ratio and quick ratio.

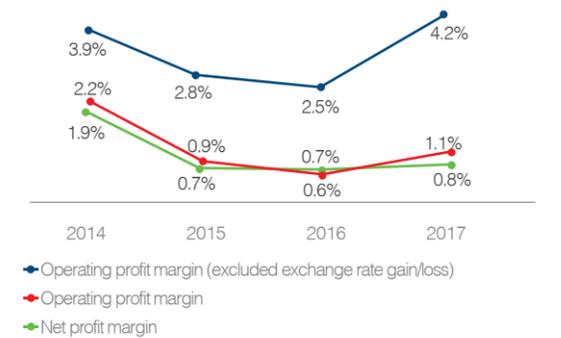
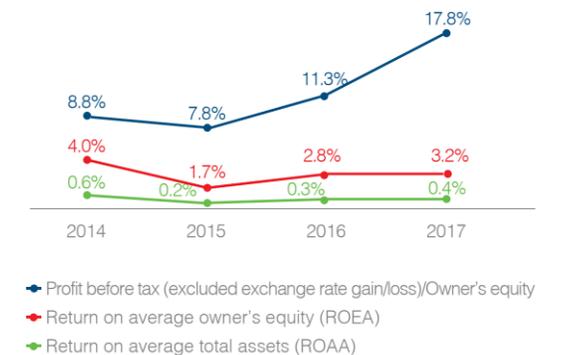


PROFITABILITY RATIOS - ROEA AND ROAA

EVNGENCO 3's revenue saw the positive growth rate of 5.5%, while the Company continued to effectively control depreciation and interest expenses, resulting in a gross margin of 11.4%, sharply improved over several years. Particularly, net profit margin improved 1.8 times compared to 2016. Generally, EVNGENCO 3's profit margins have gradually improved since 2015, when Vinh Tan 2 and Mong Duong 1 coal-fired power plants with advanced and effective technology put into operation.

With efficient asset utilization, efficient strategy of financing by debt leverage, ratios of return on average owner's equity (ROEA) and return on average total assets (ROAA) both recorded improvement in 2017.

This improvement was also seen in profitability ratios before taking into account the exchange rate loss. Excluding the impact of exchange rate differences, operating profit margin would be around 4.2% in 2017, significantly improved compared to 2.5% in 2016, well ahead of figures of 1.1 % and 0.6% (respectively) when taking into account impact of the exchange rates. Profit before tax (excluded exchange rate loss) on owner's equity also increased sharply from 11.3% in 2016 to 17.8% in 2017.



2018 PLANS FOR BUSINESS & CONSTRUCTION- INVESTMENT ACTIVITIES

ELECTRICITY PRODUCTION VOLUME

No.	Plant	Unit	Production volume	Commercial volume
I	Dependent units	Million kWh	32,390	30,115
1	Phu My Thermal Power Company	Million kWh	16,007	15,240
2	Buon Kuop Hydro Power Company	Million kWh	2,909	2,903
3	Vinh Tan Thermal Power Company	Million kWh	7,321	6,658
4	Mong Duong Thermal Power Company	Million kWh	6,153	5,314
II	Subsidiaries & Affiliates	Million kWh	3,452	3,350
1	Ba Ria Thermal Power JSC	Million kWh	1,523	1,480
2	Ninh Binh Thermal Power JSC	Million kWh	374	335
3	Vinh Son - Song Hinh Hydro Power JSC	Million kWh	750	741
4	Thac Ba Hydro Power JSC	Million kWh	395	390
5	Se San 3A Power Investment & Development JSC	Million kWh	410	405
Total		Million kWh	35,842	33,465

CONSOLIDATED REVENUE AND PROFIT PLAN

Item	Unit	2018 Plan
Total revenue	Million VND	40,663,094
Sale revenue	Million VND	40,397,461
Expenses	Million VND	39,086,516
Profit before tax (*)	Million VND	1,576,578
<i>In which:</i>		
Profit before tax from Electricity production (*)	Million VND	1,361,008

(*) Profit before tax excludes exchange rate gain/loss.



03

2018 PLANS FOR BUSINESS AND CONSTRUCTION-INVESTMENT ACTIVITIES

2018 Plans for business and construction - investment activities	37
Orientations for business solutions	39

2018 PLANS FOR BUSINESS & CONSTRUCTION- INVESTMENT ACTIVITIES

CONSTRUCTION - INVESTMENT

A. PROJECT INVESTMENT

- ✦ Deploy construction investment for: (1) Coal ash utilization project at Vinh Tan Power Complex; (2) Vinh Tan 2 solar power project (42.65 MWp) in Binh Thuan province; (3) Ninh Phuoc 7 solar power project (200 MWp) in Ninh Thuan province; (4) Floating solar power on reservoirs of Srepok 3 (61.6 MWp) and Buon Kuop (61.6 MWp) in Dak Lak province.
- ✦ Conduct research and promoting the addition of Long Son Power Complex (using LNG) in Ba Ria- Vung Tau to the national power development planning.
- ✦ Conduct research and invest in small and medium-scale hydro power projects.

B. CONSTRUCTION MANAGEMENT, PROJECT MANAGEMENT CONSULTANCY

Continue to implement the projects with a total capital requirement of 19,118 billion VND (of which, capital requirement for EVN-invested projects is 13,200 billion VND, EVNGENCO 3-invested projects is 1,111 billion VND, and loan principal and interest repayment is 4,807 billion VND).

Specifically, the targets for project implementation are as follows:

- ✦ **Vinh Tan Coal Port:** Continue to implement the passage dredging and turning basin works to enable 100,000 DWT carriers to coal for Vinh Tan 4 Thermal Power Plant.
- ✦ **Vinh Tan 4 Thermal Power Project:** Continue to urge the Contractor for settlement of existing issues to grant PAC for Unit S1.
- ✦ **Vinh Tan 4 Extension Thermal Power Project:** Continue construction and installation as planned:
 - » Test operation: 17/7/2018.
 - » Boiler pressure test: 24/8/2018.
- ✦ **Thai Binh Thermal Power Project:** Complete procedures for PAC issuance.
- ✦ **Thuong Kon Tum Hydro Power Project:** Urge the Contractor on construction of Pressure line, Energy pipeline according to the 2018 water storage plan.

ORIENTATIONS FOR BUSINESS SOLUTIONS

ELECTRICITY PRODUCTION AND SUPPLY

- ✦ One of the Company's key success factors is the absolute safety in production activities. Therefore, the Company always closely supervises the production process in order to ensure that machines and equipment are in the best operating condition, and plants' operation is safe and stable. In addition, safety measures are carried out effectively to reduce accidents and incidents.
- ✦ Maintenance and repair are carried out in accordance with supplier's design and technical requirements; power plants, power grid's overhauls are ensured as scheduled.
- ✦ Ensure the stable production of thermal power plants: Phu My, Mong Duong 1, Vinh Tan 2, Ba Ria, Ninh Binh, contributing to supply power for the South. Maximize the utilization rate at Buon Kuop Hydro Power Plant according to water flow and dispatch.
- ✦ Strengthen technical management, labour safety, reduce incidents, gradually improve, repair and replace equipment to improve the plant's machinery quality, to ensure reliable and stable operation.
- ✦ Conduct research on the world coal and liquefied natural gas market, seek and develop relationship with as many suppliers as possible to ensure fuel supply sources for existing and new projects as well as optimize raw material costs.
- ✦ Promote research on the electricity market's demand and supply. Work out bidding strategy in the competitive electricity market to achieve the highest sales.

CONSTRUCTION - INVESTMENT

- ✦ Continue to enhance capacity of project management boards; fully implement rights and responsibilities under current regulations; Strictly supervise contractors' performance, punctually propose to competent authorities to settle difficulties and problems to ensure project's quality and progress.
- ✦ Punctually resolve problems arising from construction sites to ensure work's progress and quality.
- ✦ Punctually disburse for the accepted works.
- ✦ Conduct research and development of renewable energy projects (solar, wind power, small and medium-scale hydro power plants).
- ✦ Seek opportunities, select locations to invest in new power projects when financial capacity is secured.



ORIENTATIONS FOR BUSINESS SOLUTIONS

SERVICE BUSINESS DEVELOPMENT

- ✦ Enhance training and development of high quality human resources in the field of inspection, assessment, operation – repair & maintenance, restoration;
- ✦ Collaborate, receive and apply advanced technology in: design, manufacturing, restoration, dynamic balancing, testing, modification and reliability centred maintenance (RCM).
- ✦ Invest in advanced infrastructure and equipment for repair services; Establish specialized centres such as: Training and applied research; Design, manufacturing, restoration; Dynamic balancing; Electrical experiment.
- ✦ Promote market development, aiming to provide long-term repair and maintenance, operation services for EVN-invested and other coal-fired, gas-fired power plants and hydro power plants.

FINANCE

- ✦ Take initiative in mobilizing capital to serve for investment projects and business activities.
- ✦ Accelerate the capital restructuring, deleverage by share offerings and subsidiaries restructuring, with the purpose of improving profitability by reducing interest expenses as well as impacts of exchange rate differences.
- ✦ With business strongly influenced by fuel market fluctuations, management to minimize such fluctuations will be implemented by the Company in the coming years.
- ✦ Continuously improve operating cash flow. Maintain cash flow growth and income distribution for shareholders.

ORGANIZATION AND HUMAN RESOURCES DEVELOPMENT

- ✦ Review the organizational structure, apparatus and production to fit the Company's new development period. Create a professional work environment in order to attract talented and experienced personnel for the Company.
- ✦ Apply performance appraisal system (KPIs); recruit high quality human resources, hire specialists; apply salary and bonus payment based on employee's performance and contribution, as appropriate for such the Company's role and position in the country's socio-economic development, especially for high calibers; resulting in motivation, profession, discipline, unity and democracy for the work environment.
- ✦ Collaborate with prestigious domestic and foreign partners in specialized technical fields. Train selected employees to become industry leading specialists to organize production and business activities to achieve high efficiency, master advanced technology, build the core team at EVNGENCO 3.
- ✦ Compile career development policy to create motives for all staffs.

INVESTOR RELATIONS

- ✦ Promote the information disclosure activities in accordance with regulations to enhance transparency, contributing to maintain the prestige and image of the Company in the investment community. Ensure the information to be disclosed promptly and accurately to enable shareholders and investors have adequate information for fair valuation.
- ✦ Improve the Company's website to help shareholders and investors have a precise and clear view on the Company.
- ✦ Implement investor relations activities such as roadshow, investor's day, analyst meeting to provide clearer information about the Company.

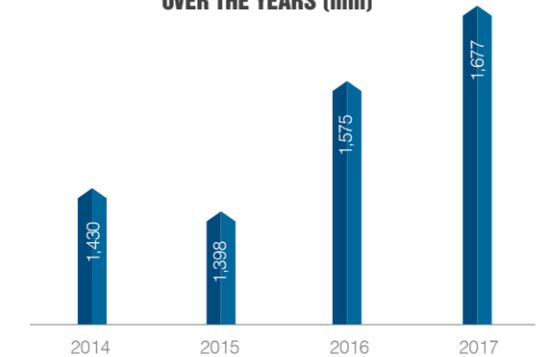


VIETNAM ELECTRIC POWER INDUSTRY IN 2017

2017 ELECTRICITY CONSUMPTION GREW BY 8.92% YEAR ON YEAR

According to EVN, the country's electricity consumption in 2017 was estimated at 174.05 billion kWh, grew by 8.92% compared to 2016. The electricity consumption slightly slowed down compared to previous years' average due to unstable demand. The year 2017 witnessed extended La Nina phenomenon on a large scale, making the weather more pleasant compared to the hot year of 2016. This was the main reason for a slowdown in 2017 electricity consumption.

AVERAGE RAINFALL VOLUME
OVER THE YEARS (mm)



Source: MOIT/National Load Dispatch Centre/General Statistics Office

VIETNAM'S TOTAL POWER PRODUCTION CAPACITY REACHED 45.41 GW, SOARED BY 7.8% OVER THE PREVIOUS YEAR

In 2017, Vietnam's total electricity production capacity reached 45.41 GW, soared by 7.8% over the previous year, which mainly came from newly-operated plants including 03 hydro power plants and 02 coal-fired power plants. In addition, hike in rainfall volume and addition of new hydro power plants contributed significantly to the country's electricity capacity in the past year.

Electricity supply was well distributed by geography. Among newly-operated plants in 2017, three were 03 plants located in the North and 02 in South. In particular, Vinh Tan 4 coal-fired power plant in Binh Thuan province with a capacity of 1,200 MW has partly improved the supply for South region - the country largest electricity consumption area.

45.41 GW

VIETNAM'S TOTAL POWER PRODUCTION CAPACITY
↗ 7,8% OVER THE PREVIOUS YEAR



04

DEVELOPMENT ORIENTATIONS AFTER 2018

Vietnam electric power industry in 2017	43
2018 electric power industry outlook	48
EVNGENCO 3's competitive analysis	56
Development orientations after equitization	60
Power investment projects	63
Risk management	64

VIETNAM ELECTRIC POWER INDUSTRY IN 2017

KEY NEWLY-OPERATED POWER PLANTS IN 2017

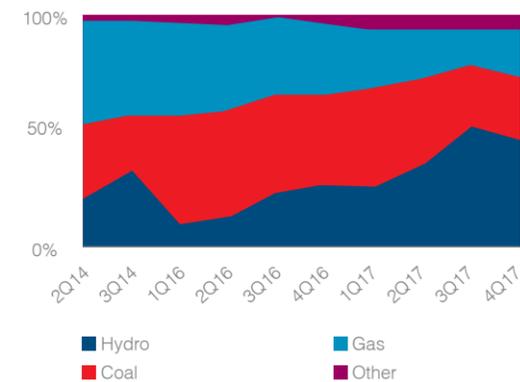
Power Plant	Type of plant	Location	Capacity (MW)	Commercial Operation	Investment capital (Bil VND)	Investor
Trung Son	Hydro power	Thanh Hoa	260	Q2/2017	7,775	Trung Son Hydro Power One Member Limited Liability Company
Ba Thuoc 1 & 2	Hydro power	Thanh Hoa	140	Q4/2017	2,400	Hoang Anh – Thanh Hoa Hydro Power JSC
Thac Mo (extension)	Hydro power	Binh Phuoc	75	Q3/2017	1,558	EVN
Thai Binh 1	Coal-fired power	Thai Binh	600	Q4/2017	26,500	EVN
Vinh Tan 4	Coal-fired power	Binh Thuan	1,200	Q4/2017	36,000	EVN

HYDRO POWER CONTRIBUTED ALMOST 40% OF THE COUNTRY'S TOTAL OUTPUT

According to the MOIT/National Load Dispatch Centre /General Statistics Office, the hydro power segment only contributed about 18-25% to the national power output, while the coal-fired power was the biggest contributor. But with a strong increase in 2017 rainfall volume when La Nina phenomenon lasted

longer than expected and hence water reserve in the reservoirs boosted the electricity supply output from hydro power plants. It led to a dramatic shift in electricity production towards hydro power segment, accounted for almost 40% of the 2017 total output.

ELECTRICITY OUTPUT BREAKDOWN BY QUARTERS IN THE PERIOD 2016-2017



Source: MOIT/ National Load Dispatch Centre/General Statistics Office



ELECTRICITY PRICE WAS ADJUSTED FOR THE FIRST TIME SINCE 2015

In gradual liberalization of the electricity industry, the retail electricity price was revised up by 6.08% to 1,721 VND/kWh on 01/12/2017. This was the first price increase since 2015.

of retail electricity price regulated in Decision No. 69/2013/QĐ-TTg. The major change was that EVN could shorten price adjustment frequency from yearly to quarterly basis.

In addition, regulations which aimed at increasing flexibility in electricity price formation were also attended to by the Government in the past year. Specifically, Decision No. 24/2017/QĐ-TTg effective from 15/08/2017 provided changes in adjustment

It could be seen that there were many changes in the formation mechanism of retail electricity prices in 2017. It is considered as basic premises for electricity industry's liberalization, with the goal to bring wholesale electricity market into effect from 2019.

CHANGES IN ELECTRICITY PRICING MECHANISM UNDER DECISION NO. 24/2017/QĐ-TTg

Decision No. 24/2017/QĐ-TTg

EVN can raise electricity price by 3-5% (but within the stipulated range), then reports to the MOIT.

EVN needs to be approved by the MOIT before raising retail electricity price by 5-10%.

If retail electricity prices rise by more than 10% or exceed the stipulated range, EVN should propose to the MOIT for approval. The MOIT and Ministry of Finance will evaluate and report to the Prime Minister for guidance.

If necessary, the MOIT and Ministry of Finance may adjust retail prices before reporting to the Prime Minister.

Decision No. 69/2013/QĐ-TTg

Not applicable.

EVN needs to be approved by the MOIT before raising retail electricity price by 7-10%.

If retail electricity prices rises by more than 10% or exceed the stipulated range, EVN should propose to the MOIT for approval. The MOIT and Ministry of Finance will evaluate and report to the Prime Minister for guidance.

Source: MOIT

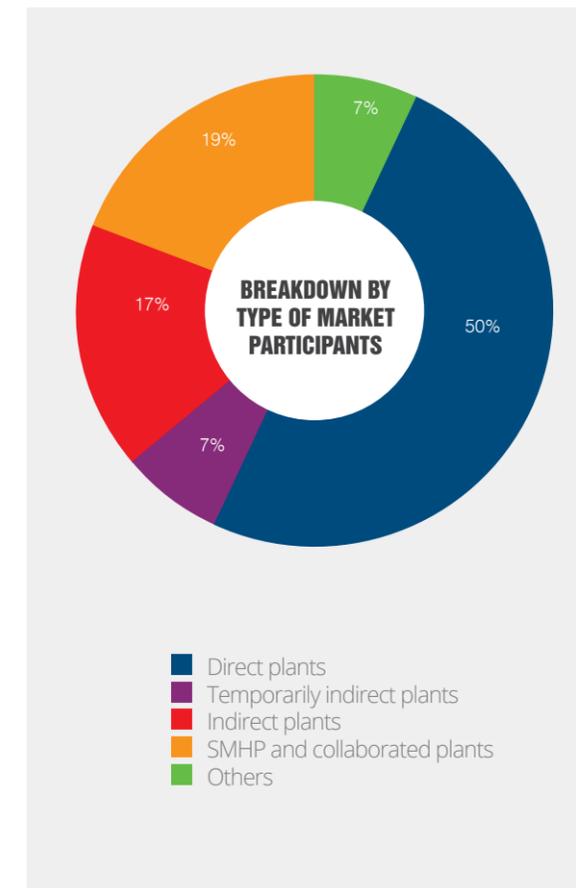
VIETNAM ELECTRIC POWER INDUSTRY IN 2017

COMPETITIVE GENERATION MARKET: 81 PLANTS DIRECTLY BID

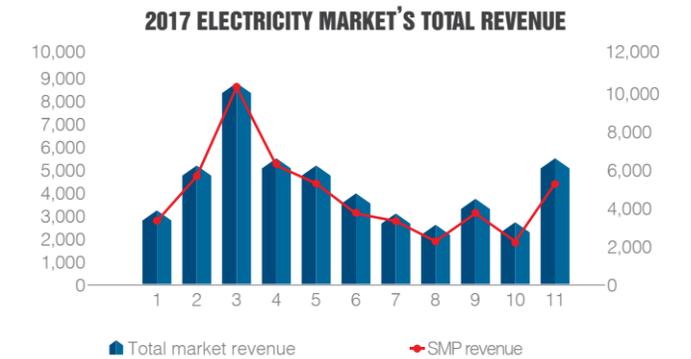
The full competitive generation market officially operated from 01/7/2012. A competitive generation market is expected to meet following objectives:

- ✦ Ensure stability in power supply, attract investments for the electric power industry to meet the increasing demand. In addition, the competitive generation market will minimize disturbances in industry structure and stabilize the electricity system's operation.
- ✦ Attract new sourced investment capital other than traditional investors. In particular, the target will be directed to private investors and foreign investors.
- ✦ Increase the competition to improve efficiency with the electricity price closer to reasonable market level.

At the end of 2017, there were 81 plants directly bid on the electricity market with total installed capacity of 22,671 MW, accounted for 50% of the whole system's capacity.

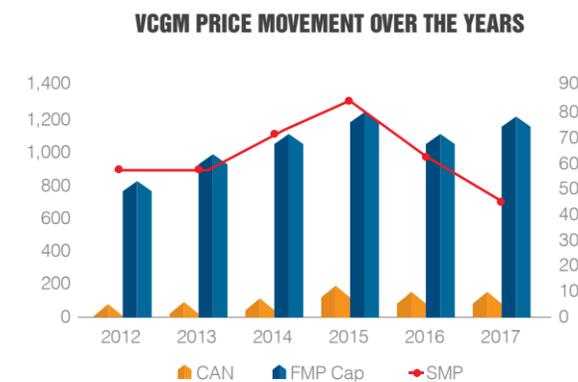


With many participants, the competitive generation market's scale of transactions also increased gradually. Total transactions on the spot market reached approximately 57.3 trillion VND in 2017, of which SMP revenue made up a majority.



Source: 1st Draft of Development Plan for Competitive Electricity Market to 2025, with a vision to 2030

In 2017, the electricity market's ceiling price was 1,266 VND/kWh. Due to the influence of weather and increased generation volume of hydro power plants, the electricity market price changed significantly compared to previous years. Spot Market Price (SMP) continued its downtrend in 3 consecutive years from the 2015 peak. To encourage the plants to operate at peak hours, CAN price was calculated based on BNE plants' payback costs within the year and corresponding period's system load.



Source: 1st Draft of Development Plan for Competitive Electricity Market to 2025, with a vision to 2030



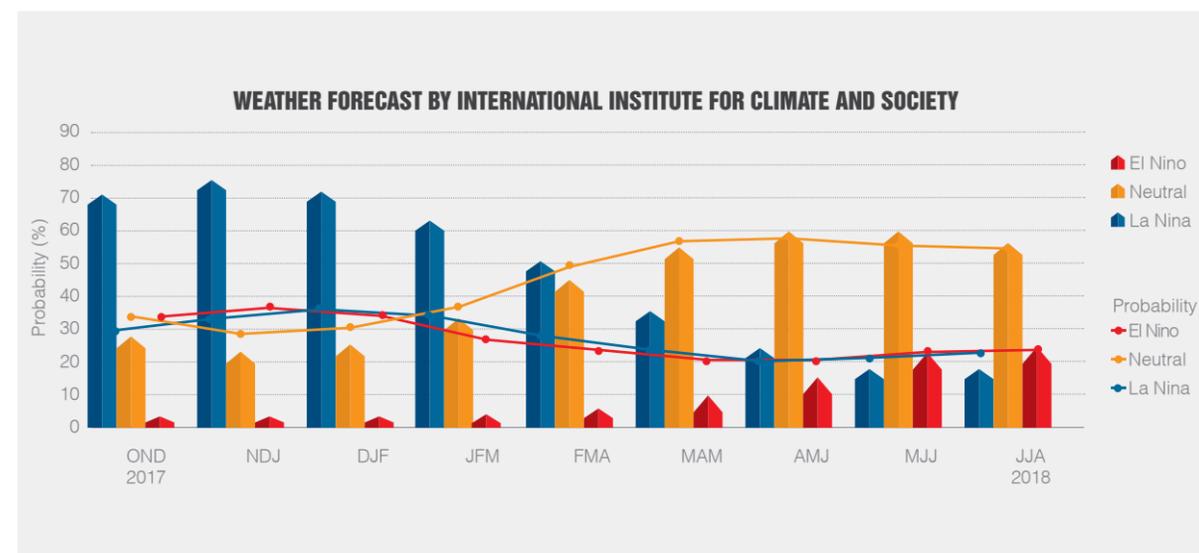
DEVELOPMENT ORIENTATIONS AFTER 2018



2018 ELECTRIC POWER INDUSTRY OUTLOOK

LA NINA IS EXPECTED TO WEAKEN IN 2018

According to International Institute for Climate and Society, La Nina phenomenon is expected to weaken in 2018, especially from Q2/2018. A weakened La Nina leads to increase in El Nino phenomenon. Therefore, thermal power plants, including EVNGENCO 3's plants, will have opportunities to increase the production volume in 2018.



SUPPLY AND DEMAND GAP CAN HARDLY BE BRIDGED IN COMING YEARS

In 2018, in order to meet the electricity demand, many new power plants will be put into operation with an estimated total capacity of 700 MW. Along with a number of plants already operated in the last 6 months of 2017, power generation capacity will significantly increase from 2018.

Power plants expected to put into operation in 2018 and 2019

Power plant	Type of plant	Location	Capacity (MW)	Operation time	Investment capital (Bil VND)	Investor
2018						
Song Bung 2 #1,2	Hydro power	Song Bung, Quang Nam	100	-	-	EVNGENCO 2
Vinh Tan 1 (BOT) #1	Coal-fired power	Vinh Tan, Binh Thuan	600	-	-	-
2019						
Vinh Tan 1 (BOT) #2	Coal-fired power	Vinh Tan, Binh Thuan	600	-	-	-
Duyen Hai 3 Extension	Coal-fired power	Tra Vinh	660	Q2/2018	22,774	EVNGENCO 1
Thuong Kon Tum #1,2	Hydro power	Dak Nghe River, Kon Tum	220	-	7,407,749	VSH(EVNGENCO 3)
Da Nhim Extension	Hydro power	Da Nhim River, Lam Dong - Ninh Thuan	80	-	1,952	DHD(EVNGENCO 1)
Vinh Tan 4 Extension	Coal-fired power	Vinh Tan, Binh Thuan	600	12/2019	Above 23,000	EVN

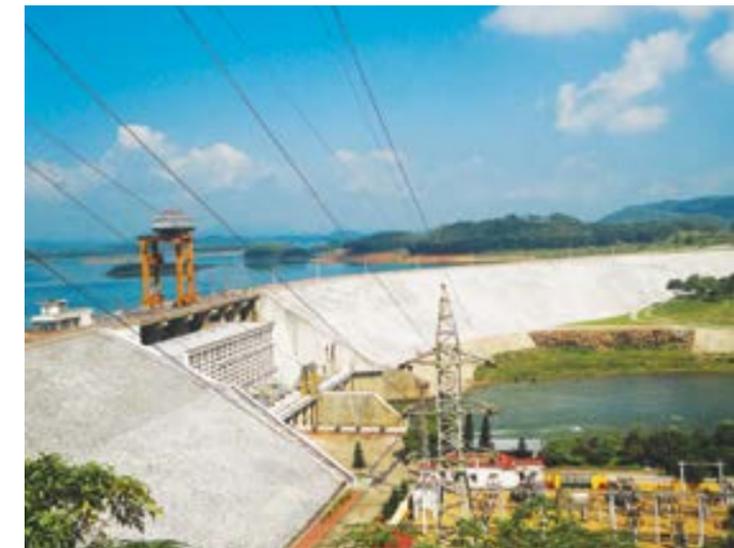
Source: Decision 219/QĐ-TTg dated 13/2/2018 approving EVN's Business and Investment Plan for 5 year period 2016 - 2020

However, it is anticipated that the output growth still can not bridge the demand gap, particularly in the South region and industrialized provinces in the North region. Main reasons come from:

Fast pace of industrialization and urbanization. FDI disbursement soared in 2017 and is forecasted to maintain positive momentum in the first half of 2018. Apartment consumption and urbanization are also being maintained at a high level and boost electricity consumption across the country.

Limitations in new hydro power plant investments. Hydro power plant construction depends a lot on geographic location. There are not many favorable geographic locations for developing high-capacity hydro power plants.

Environmental issues with a focus on sustainable development are also barriers to development of hydro and thermal power plants in the long term. In particular, COP21 approved the global climate agreement, whereby Vietnam pledges to reduce 8% greenhouse gas emissions compared to the usual 2030 development scenario. As the result, in the coming years, coal-fired power development will be very difficult in Vietnam.



In addition, the Government also decided to suspend the nuclear power project in Ninh Thuan province.

DEVELOPMENT ORIENTATIONS
AFTER 2018

2018
**ELECTRIC POWER INDUSTRY
OUTLOOK**

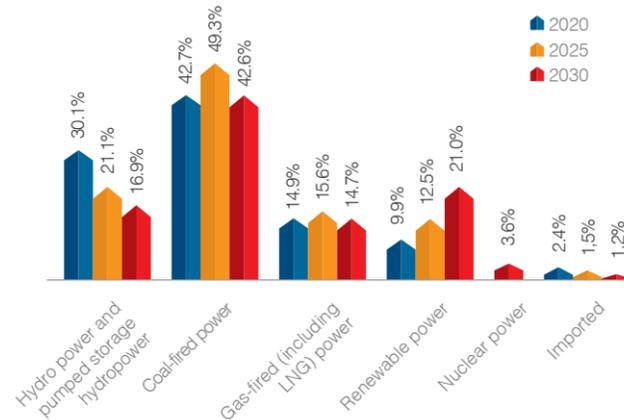
STATE'S REASONABLE DEVELOPMENT POLICIES

According to the Amended Power Development Plan VII for period 2011-2020 with orientation to 2030, setting out the long term vision for Vietnam's electric power industry and reasonable steps, orientations for entire value chain's development.

In particular, main factors expected to bring in the transformation for the country's electric power industry are as follows:

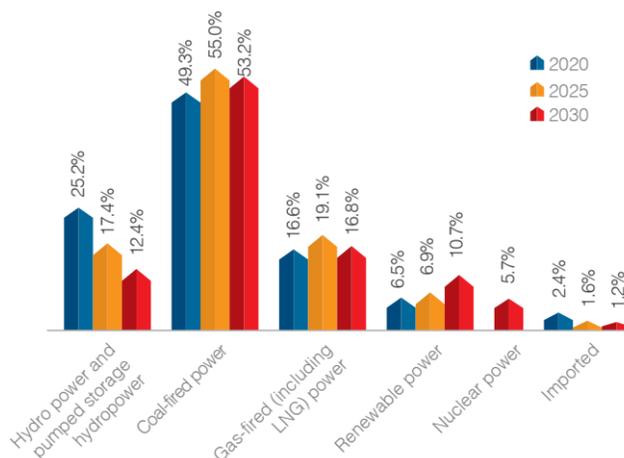
- ❶ **Diversify investment forms** to enhance competitiveness and improve efficiency in power system development.
- ❷ **Accelerate renewable energy development (hydro power, wind power, solar power, biomass electricity)**, gradually increase its contribution to the total power production. Particularly, for hydro power, priority will be given to development of integrated benefit projects (flood control, water supply and power generation) and pumped storage hydro power. Also accelerate investments in solar energy, including ground-based and roof-top panel installation.
- ❸ **Develop appropriate thermal power plants in accordance with fuel supply**, of which natural gas and liquefied natural gas (LNG) fired power plants will be located in the South East, South West regions and Central region (after 2020).

POWER GENERATION BREAKDOWN BY CAPACITY



Source: Amended Power Development Plan VII

POWER GENERATION BREAKDOWN BY VOLUME



Source: Amended Power Development Plan VII

VIETNAM'S ELECTRIC POWER INDUSTRY IS ABOUT TO OPERATE IN COMPETITIVE WHOLESALE MARKET MODEL

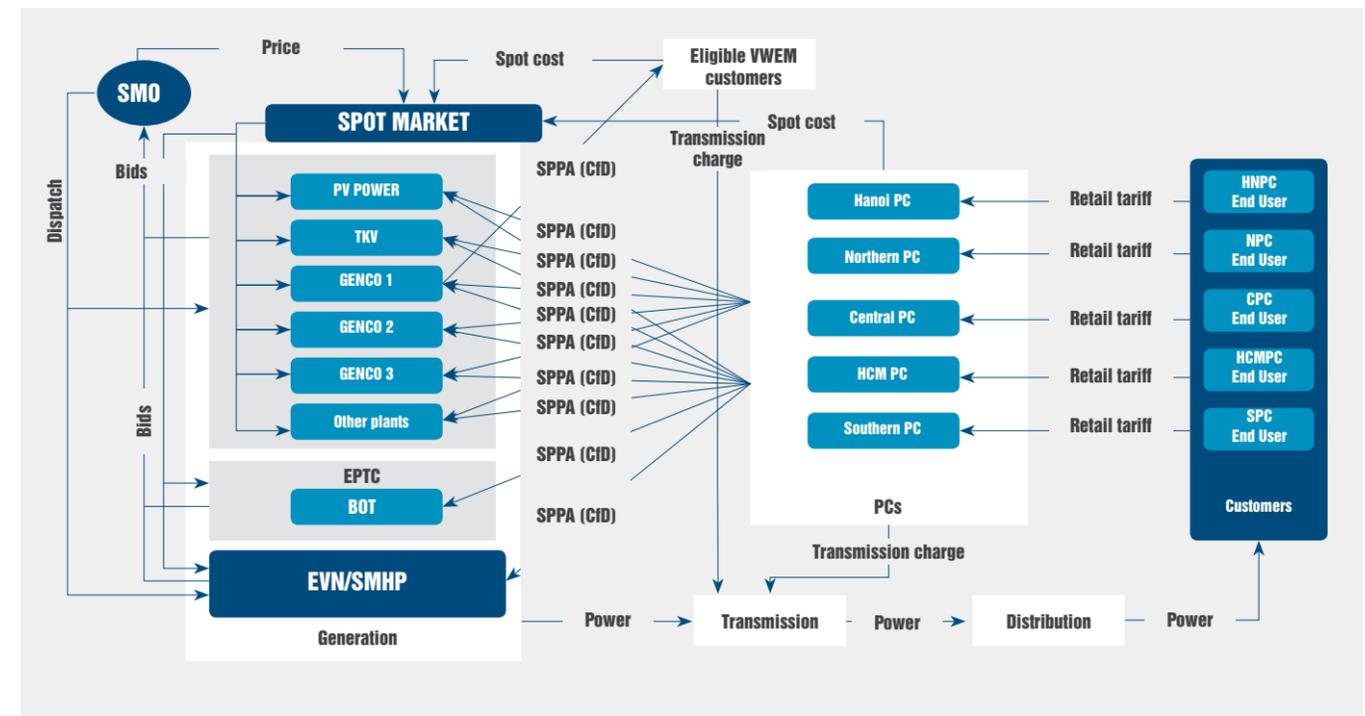
One of the catalysts for Vietnam's electricity market is the competitive wholesale model that the Government permitted to apply. This market is expected to bring in great advantages for power plants as they can sign PPAs with different power buyers instead of a single contract with EVN as the only buyer.

Being the biggest power producer in Vietnam, making up 16% of the country's total capacity, and the dominant electricity supplier in the South region,

EVNGENCO 3 will be taking advantages from this competitive market. However, the Company will only see apparent benefits from 2019 – when the wholesale electricity market officially operates.

Notably, Vietnam's retail electricity price is currently 50% lower than average price in the Asia-Pacific region. The competitive wholesale and retail electricity market will result in tremendous opportunities for power plants like EVNGENCO 3.

VIETNAM WHOLESALE ELECTRICITY MARKET MODEL



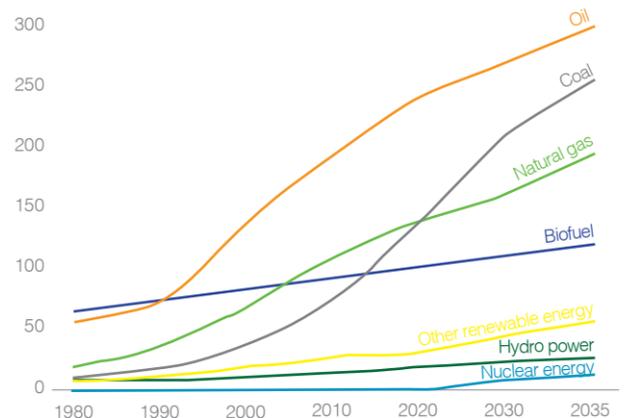
ENERGY TREND

According to the National Power Development Plan, total energy demand in Southeast Asia region will significantly increase by 83% from 549 MTOE in 2011 to 1,004 MTOE in 2035. Southeast Asia region continues to heavily depend on fossil fuels; particularly, fossil fuels composition in total primary energy demand will increase from 76% to 80% over the period of 2011 - 2035.

With the priority to minimize environmental pollution, energy sources will be shifted to more sustainable ones as apposed to traditional energy sources such as oil, coal... Specifically, gas-fired power, wind power, geothermal power and solar power... recorded strong growth in the past years. In Vietnam, the development room for these energy sources is still large, especially when the Government outlined the roadmap for replacement of traditional energy.

ENERGY TREND IN ASEAN REGION

Source: EIA





2018 ELECTRIC POWER INDUSTRY OUTLOOK

RENEWABLE ENERGY DEVELOPMENT POTENTIALS

Despite very high potentials in the renewable energy, this sector in Vietnam is still relatively under developed compared to existing potentials.

As of 2015, small-scale hydro power plants (with capacity of less than 30MW per plant) accounted for a significant portion in the system capacity (with a total capacity of approximately 2,300 MW by the end of 2015), but other energy sources are still minimal. According to a report by Danish Energy Agency, all wind energy projects currently deployed in Vietnam will reach a capacity of 159 MW only, less than 10% of the target in the wind energy development strategy by 2030.

In order to lift existing barriers for renewable energy development, the Government issued Decision No. 2068 QĐ-TTg dated 25/11/2015 set out the strategy for period to 2030 with a vision to 2050. In particular, the pricing mechanism for electricity from renewable energy sources is considered the most important factor.

Pricing mechanism for renewable energy sources

Energy source	Tariffs	Electricity selling price
Hydro power with small capacity	Avoided Cost Tariffs (AVCT) is declared annually	598-663 VND/kWh (different over time, geography and seasonality) 302-320 VND/kWh (volume in excess of contract) 2.158 VND/kWh (price by capacity)
Wind power	Feed-in Tariffs (FIT) for 20 years	7.8 USc/kWh (on land)
Biomass power	Feed-in Tariffs (FIT) for 20 years	7.551 USc/kWh (Northern region) 7.3458 USc/kWh (Central region) 7.4846 USc/kWh (Southern region)
Solar power	Feed-in Tariffs (FIT) for 20 years	9.35 USc/kWh

Source: Vietnam's 2017 Energy Industry Outlook - Development Strategy for Renewable Energy in Vietnam to 2030, vision to 2050 - Decision No. 2068 QĐ-TTg



This is considered as a strong support factor for attracting investors to invest in Vietnam's renewable energy sector, given the electricity selling prices (excepting for small capacity hydro power plants) are higher than EVN's average bidding prices. Renewable energy investment will target key Southern regions, where the electricity consumption is highest in the country and there is a continuing shortage of power supply due to increasing demand.

2018 ELECTRIC POWER INDUSTRY OUTLOOK

EVNGENCO 3 IS THE FIRST MOVER IN SOUTHERN REGION

At present, a number of small-scale renewable energy projects have been implemented in favorable locations in the Southern region, such as:

01

Solar power projects co-invested by Halla E&C and Hyosung (Korea) with a capacity of 100MW in Chau Duc Industrial Park. Projects cover an area of 60ha with total investment of over 1,858 billion VND for phase 1, and are expected to complete in December 2018.

02

Solar power plant at Da Bac (Chau Duc) Industrial Zone, with a capacity of 200MW, investment capital of 47 million USD, invested by Myeongwoo ES (Korea).

03

Shin Won Co., Ltd. (Korea) invests in a wind power project with new technology in An Ngai Commune (Long Dien) and Con Dao District, with a total capacity of approximately 60MW.

04

Solar Ventures Group (Italia) invests in a solar power plant in Tan Lam Commune (Xuyen Moc District), with a capacity of 30MW. Land area for the factory construction is approximately 40ha, located along Provincial Road 329.

05

Solar panel installation project with a total capacity of 3MW (Phase 1 capacity of 1.5MW) in Con Dao District. The investor is Ba Ria-Vung Tau Power Company, with total investment of around 180 billion VND.

Large-scale renewable energy projects:

Following an approval from the People's Committee of Ninh Thuan province, EVNGENCO 3 submitted the dossiers for inclusion of the solar power project in Phuoc Vinh Commune, Ninh Phuoc District into the national power development plan. The project covers an area of 298 ha with installed capacity of 200 MWp, total investment of around 4,287 billion VND. Project implementation period is from Q2/2018 to Q1/2021.

This represents that EVNGENCO 3 is

making efforts to catch up with renewable energy development trends as well as strictly implement the Government's strategies for Vietnam energy industry.

EVNGENCO 3's orientations together with other small and medium scale projects will obviously bring in new "energy" for Vietnam's renewable energy industry. The number of projects is very modest compared to high growth potentials, thus EVNGENCO 3 will have the first mover advantages. In addition, Vietnam's renewable energy industry still needs to take reasonable actions to attract big investors in the future.



EVNGENCO 3 SUBMITTED THE DOSSIERS FOR INCLUSION OF THE SOLAR POWER PROJECT IN PHUOC VINH COMMUNE, NINH PHUOC DISTRICT INTO THE NATIONAL POWER DEVELOPMENT PLAN. THE PROJECT COVERS AN AREA OF 298 HA WITH INSTALLED CAPACITY OF 200 MWP.



DEVELOPMENT ORIENTATIONS AFTER 2018

EVNGENCO 3'S COMPETITIVE ANALYSIS

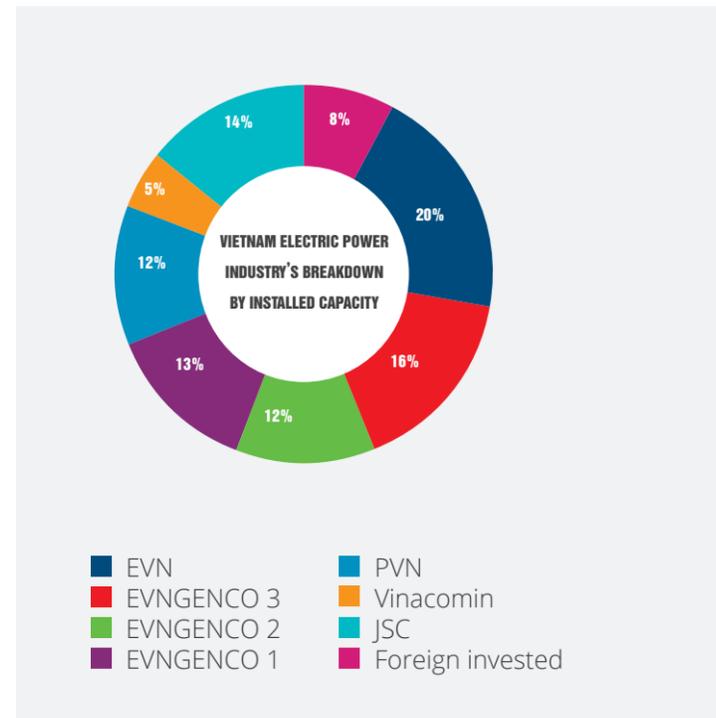
6,303 MW
EVNGENCO 3 POWER PLANTS' TOTAL INSTALLED CAPACITY,
ACCOUNTING FOR 16%
OF THE ENTIRE POWER SYSTEM'S ONE

INSTALLED CAPACITY

EVNGENCO 3 is currently amongst the major power producers in Vietnam. EVNGENCO 3 power plants' total installed capacity (not including Nhon Trach 2 power plant and Viet-Lao Power JSC) reached 6,303 MW, accounting for 16% of the entire power system's one.

Breaking down for more details, EVNGENCO 3's hydro power accounts for about 2.26% of the entire power system's capacity, followed by coal-fired power with 5.77% and gas-fired power with 6.97%.

EVNGENCO 3's plants possess advanced technology and equipment. Most of EVNGENCO 3's power output is supplied to the South, where the local market is still under supplied and the national 500kV transmission is still limited. Thus, EVNGENCO 3's power plants continue to play an important role in the coming years.



POWER GENERATION VOLUME

In terms of power generation volume, EVNGENCO 3 produced 33.654 billion kWh of electricity in 2016, accounted for 19.0% of the country's; in 2017, its generation volume was maintained at 33.165 billion kWh making up 17.2% of the national total volume.

EVNGENCO 3's generation volume as compared to the entire country

Unit: Million kWh

Producer	2014	2015	2016	2017
EVNGENCO 3	22,457	27,156	33,654	33,165
The entire country	143,303	159,680	176,990	192,450
% of EVNGENCO 3	15.7%	17.0%	19.0%	17.2%

COMPETITIVE ANALYSIS BY FIVE FORCES MODEL

Bargaining power of suppliers: High	Hydro power: Dependent on weather conditions	With a volume contribution of 30%, hydro power plays an important role in the development of Vietnam's electric power industry. For hydro power plants, electricity production is largely affected by the amount of water entering reservoirs, thus weather conditions will have a major impact on plants' power production well as hydro power in Vietnam. Climate changes have evolved more harshly and weather conditions become more unpredictable in the medium and long term.
	Thermal power and Gas-fired power: Increase in coal and gas prices	Domestic coal reserves are declining, and thermal power plants are heavily dependent on imported coals. Meanwhile, imported coal price is higher than domestic coal's. As a result, input coal cost will cause difficulties for thermal power plants to maintain profit margin. Similarly, preferential input gas reserves used for operation of gas-fired power plants are also running out, and gas prices will increase in the near future, especially when Vietnam begins to import gas.
Bargaining power of customers: High, but will slightly decrease in the long term		EVN is currently the exclusive customer for power plants. In fact, EVN works as investor, producer and distributor. With both production and distribution, EVN has bargaining power of both supplier and customer. However, output elements are going to change, especially when the wholesale electricity market officially comes into effect in 2019.
Industry rivalry: Low and minimally increase in the long term		Despite high number of hydro power plants and thermal power plants, the industry competition is very low: ✦ Electricity demand is often higher than supply. As a result, there is no risk of reducing production arising from competition pressures in the industry. ✦ The current mechanism has reduced competition risks within the industry. Competition may rise in the coming years when the competitive wholesale market comes into operation. However, with the current under-supply and increasing electricity demand, the competition will not be too fierce.
Threat of new entrants: High		Power investment requires a great deal of capital from the investor. In addition, geographic location, input materials as well as legal barriers will lead to a lot of difficulties for investors to enter the industry, especially for investors with low financial capability.
Threat of substitutes: Low in the short term - High in the long term		Electricity is a unique and essential energy source, hence there are no substitutes. As the result, the threats are other forms of electricity production. In the long term, under the Government's environmental protection and sustainable development policies, renewable energy sources will draw great deal of attention. In addition, the expansion of hydro power and thermal power plants will also be limited due to as limited favorable locations (hydro power plants) and cost pressures (thermal power plants).

SWOT ANALYSIS

Supplying main source of energy for the country with the largest market share, EVNGENCO 3 plays a strategic role in the economic development of the South region. Majority of EVNGENCO 3's production capacity (more than 66%) is generated by the plants in the South (Ba Ria-Vung Tau, Dak Lak and Binh Thuan provinces) where has high power demand and shortage in supply.

EVNGENCO 3's plants have already completed the construction and put into commercial operation, helping reduce operational risks compared to other companies.

With prestigious brandname in the electric power industry and a team of operation and technology expertise, EVNGENCO 3 has advantages in operation and business for current plants as well as other projects in the future.

As an EVN's subsidiary, EVNGENCO 3 continues to receive support in plant operation, management and financial resources from its parent company.

STRENGTHS

S

EVNGENCO 3's plants mainly use fossil fuels (coal, oil and gas accounting for 82% of input fuel).

Business activities are influenced by weather conditions - which are becoming more complicated due to the global climate change.

Financial position is not very attractive given high leverage ratio due to foreign currency loans. Currency exchange losses also reduce profitability to an average level. This needs to be improved in the future.

WEAKNESSES

W

Policy framework for electric power industry is undergoing significant changes, including setting up a competitive electricity market, which will bring in many opportunities for large companies.

The competitive wholesale market will come into operation in the coming years, moving towards a competitive retail market. EVNGENCO 3 will have opportunities to expand the current market share.

Energy demand in the South is still growing while new plants' generation capacity can not fully met. EVNGENCO 3 has tremendous advantages as the Company holds the largest market share in power supply and favourable location in the South.

The Government has developed roadmaps for clean energy. EVNGENCO 3 will have opportunities to participate in clean energy projects that are being encouraged by the Government. Currently, EVNGENCO 3 is researching to invest in 04 new projects (solar power, combined-cycle power plants using LNG). EVNGENCO 3's business performance will see positive growth when these projects come into operation.

Development room for the electric power industry up to 2030 under the Amended Power Development Plan VII is huge. Accordingly, the demand for maintenance and repair, operation services, especially coal-fired power plants with high capacity, will be very high. In addition, EVN's goal is to set up concentrated power repair and service, to overcome obstacles in technology, minimize repair costs, improve efficiency in labour use and training. EVNGENCO 3 established the service arm (EPS) to catch up this opportunity.

OPPORTUNITIES

O

Plants used fossil fuels are heavily impacted by input fuel prices. Although the input fuel price is basically reflected in electricity price, such dependence in context of a competitive electricity market can deteriorate EVNGENCO 3's business performance in the long term.

Competitive electricity market with the participation of large power producers such as EVNGENCO 1, EVNGENCO 2, PV Power... and concentrated demand in the South will force EVNGENCO 3 compete by prices.

EVNGENCO 3 must compete with domestic and foreign companies to retain high quality human resources.

Given strict regulations and complex procedures, new power projects can take a long time before being approved.

Capital requirements for fixed assets and technology, human resources to meet expansion strategy in the coming time.

Environmental and sustainability issues are being attended to by regulators and community, which require thermal power and hydro power plants' technology to be improved for minimizing negative effects.

THREATS

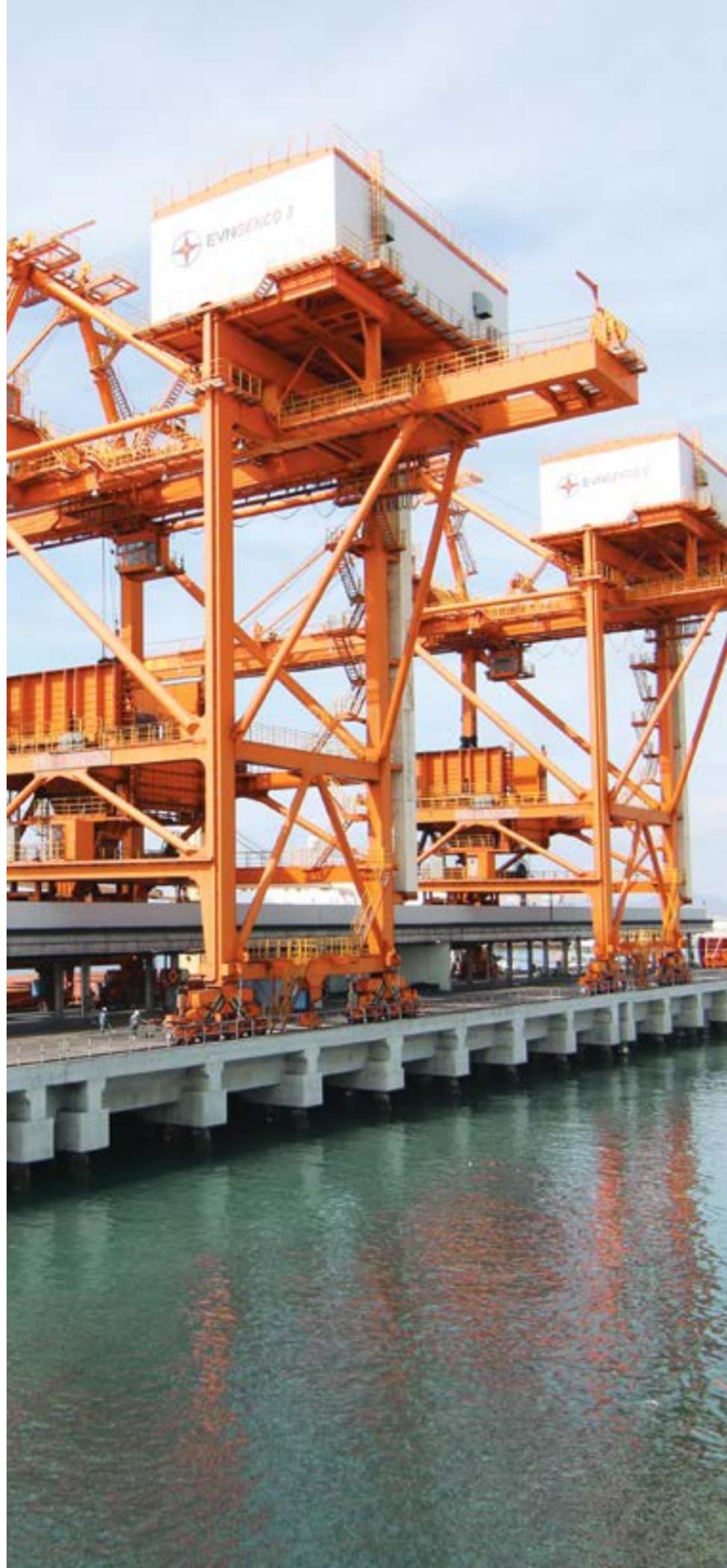
T

DEVELOPMENT ORIENTATIONS AFTER EQUITIZATION

Based on the analysis of competitive advantages, internal weaknesses, opportunities as well as challenges from the market, EVNGENCO 3 has been implementing significant changes in growth model, business and organizational structure, corporate governance, ensuring stability based on renovation and inheriting achievements to utilize entirely production capacity, take advantage of strengths, aiming to archive rapid growth and sustainable development, ensuring the national energy security.

EVNGENCO 3'S VISION IS TO BECOME A COMPANY WITH STATE-OF-THE ART TECHNOLOGY, ADVANCED CORPORATE GOVERNANCE AND HIGHLY SPECIALIZED, EFFICIENT AND SUSTAINABLE OPERATION, TO PLAY A KEY ROLE IN THE NATIONAL ECONOMY AND NATIONAL ENERGY SECURITY; STRIVES TO BECOME A LEADING COMPANY IN VIETNAM AND ASEAN REGION IN CLEAN ENERGY PRODUCTION, ENVIRONMENTAL FRIENDLY TECHNOLOGY APPLICATION FOR SUSTAINABLE DEVELOPMENT.

To realize this vision, EVNGENCO 3 mobilizes all resources, unites to capitalize internal strengths and catch up market opportunities, overcomes difficulties and challenges, strives to achieve assigned development objectives.



11 DEVELOPMENT PRIORITIES

01 Ensure that power production and business activities are profitable and meet society and investor's expectations, efficient and sustainable;

02 Ensure that the management and operation of power plants are conducted in a safe, constant and stable manner, in order to serve economic, political and social activities, contribute to the national energy security;

03 Participate effectively in the competitive electricity market according to the Government's roadmap;

04 Continue to deploy power projects with an assurance of quality and construction progress;

05 Invest in power projects using clean, environmental-friendly technology, taking sustainable development issue into account;

06 Positive financial position is maintained, to enable to mobilize capital for new project investments;

07 Accelerate the provision of professional operation and repair and maintenance services for power plants; provide design, fabrication, renovation, technical and advanced technology, environmental treatment services for power plants;

08 Become a centre for providing high-quality technical human resources, R&D and international cooperation centre for thermal power plants' repair and maintenance;

09 Stabilize EVNGENCO 3's operation and governance in accordance with new organization model, gradually improve business performance and productivity to approach the level of some advanced countries in the region and the world;

10 Maximize all resources utilization, in which human resource development as the centre. Build up the team with high qualifications and specialization to suit a professional and large-scale EVNGENCO 3;

11 Successfully build up a corporate image being responsible for community and society. Strive to become one of ASEAN's leading companies in the fields of power production and power plant services.

DEVELOPMENT ORIENTATIONS AFTER EQUITIZATION

SPECIFIC TASKS

01

Plants already in operation: Ensure stable, safe and economical operation.

02

Projects in progress: Continue to implement project management for Vinh Tan 4, Thai Binh, Vinh Tan 4 extension plants in accordance with the contract and plan assigned by EVN.

03

Operating costs: Implement solutions to save, optimize and reduce operating costs in order to improve business efficiency and productivity.

04

Electricity market: Make effective bids, ensure profitability.

05

Finance: Ensure financial security, positive financial indicators, business growth.

06

Corporate governance and HR training:

- ✦ Promote the application of technology and information technology in management; corporate governance for joint stock companies. Modernize by applying IT in management and administration, being ready for EVNGENCO 3's operation based on IT platforms, suitable for E-Government model.

- ✦ Organize staff training and development to meet requirements for EVNGENCO 3's development and modernization, particularly pay attention to the training of specialized technical staffs to become experts in each field.

07

Employees: Ensure the employment, spiritual and material life for employees on the basis of increased productivity and efficiency.

08

Power plant services: EVNGENCO 3 Power Service Company (EPS) is responsible for repair and maintenance for the Company's plants, with aims to optimize repair costs, enhance competitive capacity.

In addition, EPS is about to promote operation and repair and maintenance services for EVN's plants as well as external clients, taking advantages of more than 20 years experience and skilled staffs and advanced repair technology.



POWER INVESTMENT PROJECTS

Proceed investment procedures for solar power farm projects in Binh Thuan, Ninh Thuan and Dak Lak provinces.

Implement the construction of Long Son Power Complex (using LNG).

POWER INVESTMENT PROJECTS PRIORITIZED IN THE PERIOD 2018-2025

No.	Project	Capacity (MWp /MW)	Total investment (Billion VND)	Implementation plan
1	Vinh Tan - Binh Thuan Solar Power Project	42.6	986	2018 - 2020
2	Floating Solar Power Project on Srepok 3 reservoir	61.6	1,540	2020 - 2022
3	Ninh Phuoc 7 - Ninh Thuan Solar Power Project (Phase 1 and 2)	100	2,237	2019 - 2021
4	Long Son 1 LNG-fired Power Plant Project	1,200	24,293	2021 - 2025
Total		1,404.2	29,056	

Depending on specific conditions, EVNGENCO 3 may consider investing in other solar power projects such as solar power panel installation on the reservoirs of Buon Kuop, Buon Tua Srah and other projects in Ninh Thuan and Binh Thuan provinces.



DEVELOPMENT ORIENTATIONS AFTER 2018



RISK MANAGEMENT

FUEL PRICE RISK

For power producers, input fuels are mainly gas, coal and oil. ENGGENCO 3's biggest power contribution comes from coal-fired power and gas turbine power, thus gas and coal are the two main fuels, accounting from 65% to 71% of cost's structure over the years. As the result, any fluctuations in the coal and gas prices will affect EVNGENCO 3's business activities.

Coal supply

The main fuel used in coal-fired power generation is domestic coal dust, and FO/DO used for start-up and combustion at low loads.

According to the 2012 Coal Industry Planning (Planning 60), Vietnam has a total reserve of 48.7 billion tons of coal, in which the Northeast coal field's contribution is 8.8 billion tons, and the Hong River Delta with 39.4 billion tons. Together with other countries exploiting and exporting coal such as China, Russia, Korea..., Vietnam is always among the biggest coal producer and exporter in

the world. While coal reserve is limited, especially in levels easy to exploit, mining output as well as exports are declining over the years. Meanwhile, the demand for coal increased more than 3.5 times from 10 million tons in 2002 up to 35.5 million tons in 2014. In which, the electricity industry was the biggest consumer, accounted for more than 50% of coal consumption nationwide.

The imbalance in domestic coal supply and coal demand in the electric power industry has created pressure for coal import in the coming years. While coal demand for power generation is on the rise, Vietnam begins to face the risk of supply shortage. According to Vinacomin's forecast, local coal production can supply only about 50 million tons / year. By the year of 2025-2030, Vietnam must import about 70-100 million tons of coal to meet the country's demand in general and electric power industry in particular. Therefore, the import is forecasted to increase in the coming years and puts pressure on input fuel prices for power production. Input coal prices will affect EVNGENCO 3's business activities because coal-fired power plant is accounting for 37% of power generation's structure.

Besides coal supply, pricing mechanism will also change in the future according to the Government's roadmap to bring coal price closer to market price. This will boost coal prices in the future as currently the coal price for electricity production is generally lower than selling price for other sectors.

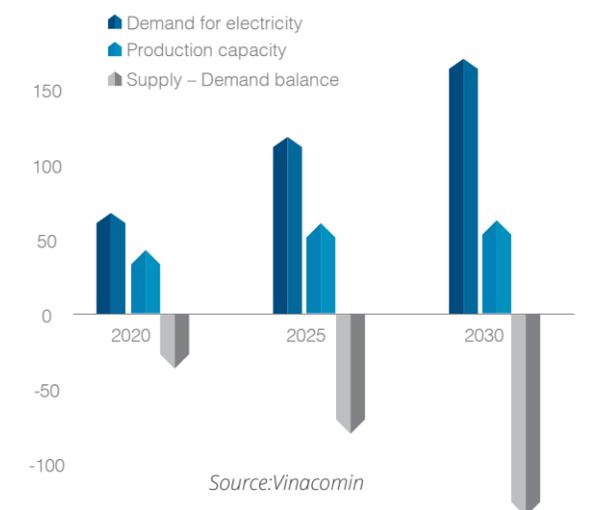
Solutions

Seek other domestic and foreign suppliers to diversify coal supply sources, ensuring the stability of coal supply.

Accelerate to use blended coal for coal-fired power plants (blending imported coal with domestic coal with the highest possible ratio without affecting equipment) to gradually reduce the domestic coal volume.

Closely manage inventories as well as monitor the world coal market to make reasonable storage. Optimize inventories at reasonable prices as well as meet the demand for electricity production.

COAL SUPPLY AND DEMAND FOR VIETNAM ELECTRIC POWER INDUSTRY 2020-2030 (MILLION TONS)



RISK MANAGEMENT

Gas supply risk

Besides the coal price, EVNGENCO 3's business activities are influenced by input gas prices. Gas-fired power plants currently account for 50% of EVNGENCO 3's power generation structure, typically, Phu My power complex use gas from two main sources: Nam Con Son basin with a long-term contract until 2023 and Cuu Long gas field. Phu My power plants have the advantage in utilizing PV GAS's current pipeline system.

According to PV GAS's plan, the target gas supply for 2016-2035 period will reach 297.6 billion m³ and increase by 0.2-1.5 billion m³/year from 2017. However, this increase can not compensate for gas demand in the South with an estimated shortage of 6 billion m³ by 2020 and 15 billion m³ by 2025. As the result, gas import to compensate the shortage is essential in the coming years.

Regarding the input gas pricing mechanism for electric power industry, under the Prime Minister's regulations, gas prices in Vietnam from April 2014 has been adjusted according to market price. Accordingly, a portion of gas in old fields sold to power plants has been attached to FO prices with 100% floating rate from 2015. Gas in newly exploited fields is also being sold at market prices. Thus, along with the coal price, gas price is also under pressure to rise mainly due to new pricing mechanism and gas consumption demand from the electric power industry.

Solutions

Consider to supply imported LNG for Phu My power complex and Ba Ria thermal power plant.

EXCHANGE RATE RISK

Exchange rate risk will arise for companies bearing foreign currency loans. Foreign exchange losses mainly come from differences of foreign currency principal, interest repayments in the year (realized exchange rate losses) and differences due to revaluation of outstanding loans (unrealized exchange rate losses). If the exchange rate fluctuates in an upward trend, it will simultaneously increase exchange rate risks for the company.

The proposal to transform exchange rate differences into electricity price is still considered by the MOIT.

Most of power producers still face the exchange rate risk.

EVNGENCO 3 has relatively high outstanding loans, which are disbursed and repaid in foreign currencies, from foreign and local banks.

Solutions

Implement capital restructuring through mobilization of equity capital from the stock market. Besides, the Company also equitizes and divests from subsidiaries, and strongly restructures the loans.

MACRO ECONOMIC RISKS

The world economy recorded positive growth in 2017. Given such a dynamic landscape, Vietnam economy also marked an impressive growth rate of 6.81%, far exceeded 6.7% of the plan. Basic economic indicators such as inflation, exchange rates, trade balance, and industrialization all achieved assigned targets. This greatly supported business activities of domestic enterprises in general and EVNGENCO 3 in particular.

GDP growth: Vietnam's economy is forecasted to maintain steady growth in 2018. This trend will continue to support EVNGENCO 3's business. However, unpredictable risks from commercial and political changes, generating from US trade protectionism as well as geopolitical conflicts in the world, still need to be closely monitored.

Inflation: The 2017 inflation rate was stable and below the target of 4%. In 2018, inflationary pressures from rising oil prices will be a factor to be considered carefully. With current room for macroeconomic policies, the average inflation target of 4% set for 2018 is fully under the Government's control. The stabilization of inflation will significantly support EVNGENCO 3's cost management.

Interest rate: With the large proportion of foreign currency debt outstanding, interest rates will directly affect EVNGENCO 3's financial performance. In 2018, interest rates of major currencies in the world such as USD, JPY, EUR,... are forecasted to increase sharply than 2017, stemming from Federal Reserve (FED) tightening monetary policy. Therefore, interest rate fluctuations may more frequently affect EVNGENCO 3's business activities in 2018.

Solutions

On a quarterly basis, EVNGENCO 3 collects and analyzes latest macro-economic data to capture as well as forecast the economy situation.

The Management regularly exchanges economic information to provide punctual business solutions.

Implement capital restructuring through mobilization of equity capital from the stock market. In addition, the Company also equitizes and divests subsidiaries to improve operating capital resources.

Consider different capital mobilization channels to support the Company's operations more effectively.

COMPETITIVE RISK

With an under-supplied market for many last years, competition between power plants is negligible. However, the operation of competitive wholesale electricity market will lead to more competition among power producers. EVNGENCO 3 may have to compete with other power producers in signing power purchase contracts directly with clients outside EVN.

However, as the biggest electricity supplier in Vietnam, holding 16% of the country's power market share and major electricity producer in the South, EVNGENCO 3 is confident to become destination for large customers, in a strong industrialization undertaking in the South of Vietnam. Therefore, competitive risk for EVNGENCO 3 is not a big concern in the coming years.



RISK MANAGEMENT

STOCK PRICE VOLATILITY RISK

PGV shares of EVNGENCO 3 have been traded on UPCoM from March 2018. The registration of stock trading helps enhance the image, increase share liquidity and attractiveness in the eyes of investors, and create conditions for shareholders to easily transfer shares.

However, share registration on the stock market also brings in risks of stock price fluctuations. This is an unavoidable risk for investors holding PGV shares as well as affecting the ability to mobilize capital for the Company. Besides factors such as business activities, domestic and world economic outlook, political and social situations as well as changes in the law, PGV share price also depends on investor sentiments.

Solutions

Although the operational model transformation has just been implemented, EVNGENCO 3 has established a shareholder management department, primarily being responsible for interacting with the investment community by:

- ✦ Enhancing the information disclosure to provide quickly, punctually, exactly information to investment community, increasing transparency, responding to information needs which help investors assess accurately and appropriately.
- ✦ Organizing other shareholder relations activities such as: roadshow, investor's day, analyst meeting...

LEGAL RISK

Theoretically, the legal influences are significant when power producers are under the MOIT and Government's strict management. Input fuel supply, business expansion as well as electricity price and volume are all subject to State policies. Nevertheless, legal risks in the past few years have not been high.

In the coming years, when the competitive wholesale market officially comes into effect, the electric power industry's legal framework will have appropriate changes in investment incentive policies, taxes, etc. This may affect EVNGENCO 3's business activities.



In addition, EVNGENCO 3 and subsidiaries are governed by other legal regulations, including Enterprise Law, Procurement Law, Electricity Law, tax policies... After the IPO in February 2018, EVNGENCO 3 became a joint stock company and operated under JSC model. Therefore, EVNGENCO 3 is subject to the Securities Law and related legal documents.

Solutions

- ✦ Leverage the legal department's roles to ensure EVNGENCO 3's investing and business activities in accordance with legal regulations.
- ✦ Regularly update and participate in training and guidance when new legal documents are issued. Assess implications from new legal documents, if any.
- ✦ Organize internal trainings for all relevant departments to update information and capture changes in legal regulations, in order to facilitate a more effective implementation.

OPERATIONAL RISKS

Power plant is an important construction for national security and supplying energy for the country. In the context of increasing energy demand, a plant breakdown will lead to instability and shortage in power supply, impacting directly business activities of enterprises in particular and the country's economy in general.

Risks associated with fire, explosion and other physical damages will result in substantial property damage. Exposure to electrical source also puts employees at risks for occupational safety. Therefore, employees at power plants must always have sufficient expertise, experience as well as occupational safety equipment to minimize human damages.

Solutions

Being clearly aware of losses caused when risks occur, EVNGENCO 3's Management always actively develops specific plans to mitigate risks in the production process from the beginning.

- ✦ EVNGENCO 3 has set up operation and repair and maintenance strategies with the objective of maintaining plants' operation in the safest manner. Risk management measures for EVNGENCO 3's plants are undertaken by world-class management and technical solutions.
- ✦ Power plant's technology all meets European standards. In addition, repair and maintenance are always carried out in time to optimize operational capacity and punctually detect potential risks which can increase impact level in plant's operation process.
- ✦ Regularly organize training courses for staffs to improve knowledge, skills and operation work to ensure that plant's operation is conducted in a consistent, constant, and safe manner.
- ✦ Power production is a capital intensive industry and operations face many risks. EVNGENCO 3 also focuses on buying insurance coverage for plants at large insurance companies to prevent risks and mitigate possible losses.

OTHER RISKS

In addition to above risks, some other risks have low probability of occurrence, but the Company's business activities are affected if they happen such as: flood, storm, fire or earthquake, which may cause damages to part or all of facilities (although power plants are designed to withstand earthquake). These risks are rarely encountered in reality, but they will cause serious damages for the Company if they occur.

Solutions

- ✦ EVNGENCO 3 regularly purchases insurance coverage for assets, goods, insurance for interruption of the Company's and customer's business to mitigate these risks.
- ✦ Organize annual training courses on safety, fire protection for all staffs.



EVNGENCO 3'S OBJECTIVES

FOR SUSTAINABLE DEVELOPMENT



Production – Business activities

Apply measures to save energy and water, and treat sewage properly. Improve production processes and install modern equipment to ensure safety in production, increase productivity, save raw materials and reduce environmental pollution. Adhere to code of ethics in business activities.

Environment

To maintain proper and adequate implementation of environmental requirements in accordance with the current legal regulations, environmental impact assessment reports approved by competent authorities and environmental permits; also continue to construct environmental protection items in the long term

Employees

Compile competitive salary, bonus, welfare and remuneration policies as these directly affect all the staffs. Build a good working environment with unique corporate culture.

Society - Community

Continue the community programmes to construct local welfare facilities. Increase budget allocation for the study encouragement movement to motivate and build a learning society, and contribute to the development of human resources throughout the country.

Based on above objectives, in addition to other issues discussed in previous sections, the Sustainable Development Report focuses on following material issues:



05

SUSTAINABLE DEVELOPMENT REPORT

EVNGENCO 3's objectives for sustainable development	71
Safety in production – business activities and occupational health and safety	72
Environmental protection activities	75
Employment and employee's policies	78
Responsibilities for community, society	81

SAFETY IN PRODUCTION - BUSINESS ACTIVITIES & OCCUPATIONAL HEALTH AND SAFETY

SAFETY IN PRODUCTION – BUSINESS ACTIVITIES IS ONE OF THE MOST IMPORTANT TASKS AT EVNGENCO 3.



The Company has continuously promoted investment, construction, process renovation, strengthened supervision and inspection at all subsidiaries, thus enabling to detect errors and work out correct measures punctually for each case. Specifically:

- ✦ Regularly monitor, supervise the production activities and direct punctually for incidents and equipment breakdowns; prepare spare parts, repair and maintenance plans in place to ensure stable production activities
- ✦ Promote the movement for innovation, improvement and rationalization in the production.
- ✦ Continue the programs to ensure and enhance the reliability and availability for plants.
- ✦ SCADAs for all EVNGENCO 3's power plants are fully and stably connected with Load Dispatch Centres in accordance with the State and EVN's regulations.
- ✦ Implement measures to ensure electricity supply during holidays, Tet and in the dry season such as: strengthen fire prevention, labor accident prevention, ensure safety in production, enhance management of equipment,...
- ✦ Direct, inspect the development of plans, backup scheme for floods and storms, mitigation of natural disasters close to reality, appropriate with the situation and characteristics of each subsidiaries; strictly comply with safety regulations dam and works, and spillway operation, diesel- fired power sources, ensure adequate hydrographical data to operate reservoirs; review, evaluate, update, modify and supplement flood control plans in downstream areas, coordination regulations with localities and relevant agencies.



IN 2017, EVNGENCO 3 CONTINUES TO PROMOTE AND MASTER THE REPAIR AND MAINTENANCE TECHNOLOGY, ESPECIALLY FOR LARGE-SCALE COAL-FIRED POWER PLANTS, ACTIVELY COOPERATE WITH DOMESTIC AND FOREIGN PARTNERS.

01 REPAIR AND MAINTENANCE, ASSURANCE IN OPERATION

The Company regularly reviews all its activities and re-evaluates to update the risk profiles. Also within the review task, equipment and technological lines are also carefully monitored, all materials and spare parts are supplemented to ensure the plant's operation without discontinuity.

In 2017, the Company continues to promote and master repair and maintenance technology, especially for large-scale coal-fired power plants. The Company actively cooperates with domestic and foreign partners such as DOOSAN, PECC4 - Smartforce, NHI, ITOCHU - MHPS, GE ... on repair services, training for hired operation, experts, repair and maintenance technology transfer and strategic spare parts at coal-fired power plants.

The Company also conducts the survey, evaluation and setting the pilot implementation plan of RCM maintenance program in Vinh Tan 2 Thermal Power Plant. Specifically, the Company has implemented a program to improve stability, reliability and efficiency for boiler operation of Vinh Tan 2 in November and December 2017, basically helping minimize equipment incidents in coming time. For boiler tube incident, the Company will implement solutions to monitor and manage boiler tube conditions in 2018.

02 FIRE PREVENTION AND FIGHTING

The Company and subsidiaries always care, monitor and deploy fire prevention and fighting measures in accordance with the regulations on fire safety. Specifically: Build up the organization of fire prevention and fighting apparatus, organize fire fighting forces; hold training on fire prevention and fighting; build and practice fire fighting schemes; conduct fire safety inspections; purchase fire protection equipment; manage equipment for fire prevention and fighting; improve fire prevention and fighting systems; purchase fire and explosion insurance; coordinate with fire fighting police and related agencies.

The Company and subsidiaries also regularly:

- ✦ Organize the training for use of fire extinguishers and appropriate location for laying fire extinguishers.
- ✦ Make signage for explosive areas.
- ✦ Make a diagram to guide escape plan, emergency exit.
- ✦ Fire alarm system is maintained periodically in accordance with regulations and carried out by specialized services provider.

There has been no fire or explosion in the Company and subsidiaries over the past years.



SAFETY IN PRODUCTION - BUSINESS ACTIVITIES & OCCUPATIONAL HEALTH AND SAFETY

03 DISASTER PREVENTION AND RESCUE

In recent years, the weather conditions have turned out abnormal, global climate change has led to many storms, tropical depressions directly affecting the country, and circulation causing heavy rain on a large scale, inundation, flood, landslides in some localities, affecting some power plants under EVNGENCO 3's management.

Being aware of these issues, the Company and subsidiaries have strictly implemented disaster prevention and rescue measures as regulated. Response plans for storm, rain and flood at power plants were prepared adequately, EVNGENCO 3's experts also came directly to the inspection site, guide plants to urgently prepare preventive

measures, prepare to respond to situations in which unusual weather conditions may occur, ensuring that plants and reservoirs operate safely in the rainy and flood season.



04 LABOR PROTECTION

Personal protective equipment is a necessary method to help minimize damages caused by the working conditions and environment such as heat, noise, dust, toxic gases, other toxic hazards...

EVNGENCO 3 always ensures the provision of adequate labor protection equipment for employees, keeps records of monitoring; and monthly review, inspect to implement measures to minimize possible damages caused by working conditions and environment, and fully implement personal protective equipment to ensure safety throughout the Company.

➤ Occupational health and safety

The Company always takes care to ensure the health and safety for employees, specifically through following activities:

- ✦ Organize annual health checks for staffs, health checks for female staffs and occupational health checks for employees working in the dangerous and toxic environment.
- ✦ Screen for detection, counseling and management of high-risk diseases such as

hepatitis B, cancer, tuberculosis, etc.; actively prevent epidemic diseases according to medical recommendations in the area such as dengue, HIV-AIDS, influenza.

- ✦ Purchase health insurance, social insurance according to regulations and professional liability insurance for employees.
- ✦ In-kind allowances by milk for staffs working in dangerous and toxic environment.

ENVIRONMENTAL PROTECTION ACTIVITIES



EVNGENCO 3 IS ALWAYS AWARE OF RESPONSIBILITIES AND COMPLIES WITH ALL REGULATIONS ON ENVIRONMENTAL PROTECTION TO PROTECT THE COMMON HOUSE OF MANKIND. THE COMPANY CONTINUOUSLY RAISES AWARENESS AND ACTIVELY PARTICIPATES IN ACTIVITIES AIMED AT IMPROVING AND PRESERVING CLEAN AND GOOD ENVIRONMENT AT THE WORKING PLACE AS WELL AS IN COMMUNITY.

Together with electricity production, environmental protection is always paid close attention by the Company. The Company strictly controls and regular directs, monitors and supervises the subsidiaries to comply with regulations on environmental protection, ensuring that wastes, emissions to the environment after treatment are always within the permitted limits according to current environmental standards; Organize periodical environmental monitoring and reporting in full according to regulations; Ensure that the online environment monitoring system operates stably, reliably and transmits data to the local natural resources and environment department continuously.

to meet standards, environmental standards as prescribed.

The Company regularly organizes training courses, disseminating and propagating to employees to raise awareness of environmental protection. Each employee is responsible for applying environmental protection measures to production activities such as restricting print, increased use of double-sided paper, workplace hygiene, tree care, drainage around the production area, save electricity, water, materials and equipment, minimizing industrial waste arising in the production process. In addition, the Company also develops solar power, contributing partly to clean energy for the country.

The environmental management system at EVNGENCO 3 focuses on following key elements:

- ✦ Compliance with the regulations on environmental protection.
- ✦ Ensure effective operation of the environmental management system in accordance with ISO 14001.
- ✦ Use energy efficiently and economically.
- ✦ Strictly control works, systems for environmental protection, actively prevent and respond punctually to environmental incidents.
- ✦ Towards cleaner production.

EVNGENCO3 has constantly sought to update and apply advanced sewage and emission treatment technologies to strictly control through analytical and monitoring equipment

With the motto "Giving quality, receiving trust", the Company has continuously improved the brand value by the effort of creation and labor of each employee. At the same time, the Company actively participates in community activities for a green - clean - beautiful environment, commits to not destroy the environment for economic benefits, towards the goal of sustainable development.



ENVIRONMENTAL PROTECTION ACTIVITIES

IMPLEMENTATION OF ENVIRONMENTAL PROTECTION PROJECTS

1 Vinh Tan 2 Thermal Power Plant

- ✦ Transportation and storage of ash are maintained in accordance with the process, meeting environmental requirements even in severe weather conditions; construction of the second dikes almost completed to ensure safe operation of ash expanse during heavy rains.
- ✦ Complete the supplementing installation of online environmental monitoring equipment for production and cooling water, additionally install the automatic sampling equipment for sewage and cooling water according to regulations and transmit data to Department of Natural Resources and Environment of Binh Thuan province.
- ✦ Install 19 cameras monitoring the whole transportation road and ash expanse, transmitting online data to the Department of Natural Resource and Environment of Binh Thuan province for monitoring.
- ✦ Continue construction of items for long-term environmental assurance such as surface

2 Mong Duong 1 Thermal Power Plant

- ✦ In June 2017, the installation of online environmental monitoring equipment for production and cooling water was completed and connected data transmission to the Department of Natural Resources and Environment of Quang Ninh Province. Supplementary installation of automatic sampling equipment for sewage and cooling water was completed and sealed by the local Department of Natural Resources and Environment.
- ✦ Make selection and sign contract with contractors for conversion of oil fuel in star-up phase and combustion from HFO to DO in October 2017. Currently under process of preparation for construction, expected to be completed in 2018.
- ✦ Contract with some companies to reuse bottom ash, the amount of generated ash is wholly consumed. Particularly, fly ash is still being transported, kept



water drainage tanks, walls surrounding the coal storehouse, and complete landscape of trees inside the plant.

- ✦ Deploy the project of converting oil fuel in the star-up phase and combustion from HFO to DO.
- ✦ Urge Mai Xanh Investment JSC to complete installation of three production lines at "Unbaked Building Materials Factory" and put into operation. Actively search for new customers.



in slag expanse. At the same time, the Company is urgently implementing related procedures for the construction of the second slag expanse and actively looking for ash customers for site leveling.



3 Ninh Binh Thermal Power Plant

- ✦ Installation of online monitoring equipment for emissions and completed in December 2017.
- ✦ Installation of FGD system for SOx treatment: Approved Feasibility report, total investment and bidding plan for the project "Upgrading and improving the boiler emission treatment system". In February 2018, the Company approved documents for inviting tender of package "Installing the SOx treatment system in gas emission of boiler", and the Company is waiting for official comments of the MOIT allowing to convert the project's costs into electricity price to issue bidding documents and carry out bidding according to regulations.

WATER CONSUMPTION AND SEWAGE MANAGEMENT

Adhering to principles of environmental protection and environmental impact mitigation, EVNGENCO 3 thermal power plants are equipped with monitoring and treatment system for domestic sewage, cooling water and industrial sewage. In addition to the online monitoring system, periodical environmental monitoring is carried out every 3 months, with locations and parameters complying with regulations and approved by competent authorities.

Some EVNGENCO 3 power plans use treated water for production and contribute to environmental protection.

INNOVATIONS FOR ENVIRONMENTAL PROTECTION IN 2017

Research and application of low-water turbine technology in EVNGENCO 3 plants:

- ✦ Development of small and medium-scale hydro power projects with turbine technology suitable for low-land topography, high, medium to small flows has been evaluated as a solution for efficient and sustainable exploitation of renewable energy resources from hydropower for socio-economic development, and contributes to raising capacity and output of the national power system. In addition, the application of low-water turbine technology has many advantages such as: natural flows maintained, and low level of flooded area, migration, land clearance, environmental impact.
- ✦ Subsequent to the research on various types of low-water turbine technology, EVNGENCO 3 is actively undertaking investment research, finding locations for small and medium hydro power projects, applying new turbine technology with little impact on environment such as low-water turbine (Kaplan, Bulb, SLH) in appropriate projects.

MATERIAL AND FUEL MANAGEMENT

➤ Fuel for gas-fired power plants:

Phu My power plants use gaseous fuel as the main fuel and DO as reserve fuel. Phu My power plants consume gas supplied from Nam Con Son basin with long-term contracts till 2023 as well as Cuu Long gas field.

According to Vietnam's gas industry planning for development period up to 2025 and orientations to 2035, some new gas fields and LNG sources will be exploited to maintain the supply for Phu My complex in particular and the South East power plants in general.

➤ Fuel for coal-fired power plants:

The main fuel used in coal-fired power generation is domestic coal dust and FO/DO used for start-up and combustion at low loads.

ELECTRICITY CONSUMPTION

As an electricity producer, in addition to electricity purchased from outside, EVNGENCO 3 utilizes the electricity produced by the power plants to operate a number of plant equipment and electricity for the Company's daily activities, helping save energy, protect the environment. LED devices are used to replace fluorescent ones to save electricity. Gas-fueled machine units are optimized for electricity consumption.

& EMPLOYMENT & EMPLOYEE'S POLICIES

EVNGENCO 3 ALWAYS ENSURES STABLE EMPLOYMENT AND EMPLOYEE'S LIFE FULLY CARED FOR MATERIAL AND SPIRITUAL BENEFITS IN ACCORDANCE WITH THE REGULATIONS, AS WELL AS ENCOURAGES AND FACILITATES EMPLOYEES TO IMPROVE KNOWLEDGE AND SKILLS FOR CAREER DEVELOPMENT.

2,539 PEOPLE
TOTAL NUMBER OF EMPLOYEES
AS OF 31 DECEMBER 2017

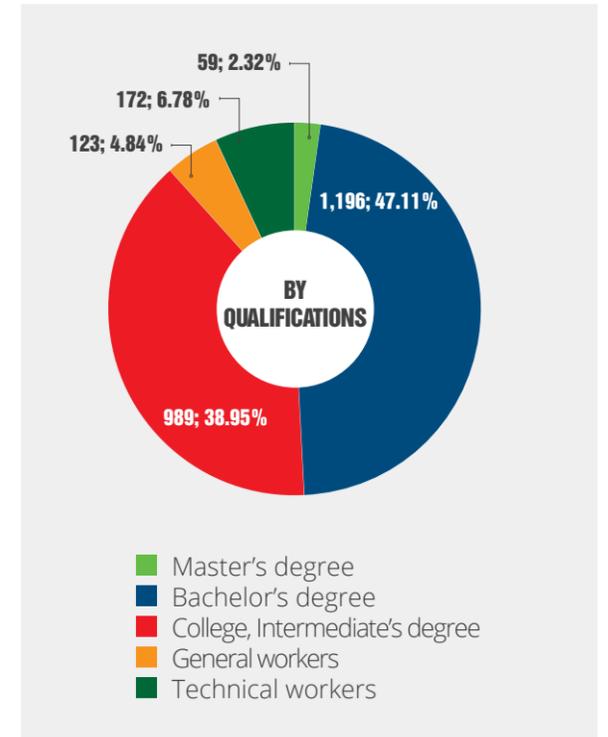


NUMBER OF EMPLOYEES AND LABOUR STRUCTURE

As of 31/12/2017, EVNGENCO 3's total number of permanent employees is 2,539 people with the following structure:

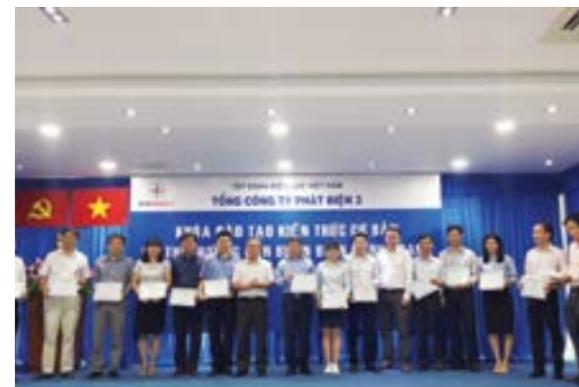
No.	Criteria	Quantity (people)	Proportion (%)
I	By qualifications	2,539	100
1	Master's degree	59	2.32
2	Bachelor's degree	1,196	47.11
3	College, Intermediate's degree	989	38.95
4	General workers	123	4.84
5	Technical workers	172	6.78
II	By gender	2,539	100
1	Male	2,151	84.72
2	Female	388	15.28

Notes: The above labour includes employees of EVNGENCO 3's subsidiaries: Thai Binh Thermal Power Company cum Thai Binh Thermal Power Project Management Board, production staffs of Vinh Tan 4 and Vinh Tan 4 Extension Thermal Power Plant managed by EVNGENCO 3 to implement the project management consultancy for Thai Binh and Vinh Tan 4 thermal power plants invested by EVN.



SALARY

Based on the 2017 results of electricity volume, revenue, expenses and profit, the actual average salary increased by 9.62% compared to 2017 planned figure and soared by 23.12% compared to 2016 actual figure.



TRAINING

EVNGENCO 3 always pays great attention to training to improve employee's management skills, technical skills, professionalism, work discipline and access to advanced technology. In 2017, EVNGENCO 3 held training courses for 9,355 turns of employees. Of which: Training in management and technical skills for 4,644 turns of employees; Internal training for 4,711 turns of employees. The Company concentrates on training production staffs for management of Vinh Tan 4 and Thai Binh thermal power plants.

& EMPLOYMENT EMPLOYEE'S POLICIES

HUMAN RESOURCES DEVELOPMENT

All employees continued to improve their capability; regularly trained and practiced in the direction of specialization. Build a team of industrial working attitude and discipline.

Improve labour productivity and quality of human resources, especially technical expertise in the field of operation and repair and maintenance, catching up with the development trend of modern industry, Industrial Revolution 4.0.

Develop and deploy effectively the Project on human resources re-arrangement in EVNGENCO 3 for the period 2016-2020.

ENHANCING EMPLOYEE'S SPIRIT

After intense working hours, EVNGENCO 3 organizes relax and recreation, teambuilding, sports activities, on the occasions of Tet holidays and the Company's anniversary, to enhance staff solidarity. Specifically:

To celebrate the 20th anniversary of Phu My Thermal Power Company, the Company's Trade Union in association with the Youth Union organized the sport festival in 2017, including 3 competitions: football (7 people), tennis and badminton. The sport festival took place from 10/3/17 to 23/3/2017, with enthusiastic participation of employees from 03 departments (02 Operating Workshops, Business Division) and 02 guest teams which were EVNGENCO 3 and EPS's Trade Unions.

For activities at subsidiaries, for the benefits of trade unionists, from 23 to 26 May 2017 in Buon Ma Thuot city, Dak Lak province, the Company organized 2017 sport festival - hosted by Buon Kuop Hydro Power Company.



AT EVNGENCO 3, THE COMPANY:

- ✦ Does not discriminate against employees.
- ✦ Respects employee's right to freedom of association and participation in collective agreement.
- ✦ Does not hire children employment.
- ✦ Does not allow forced employment.



RESPONSIBILITIES
FOR COMMUNITY, SOCIETY



RESPONSIBILITIES FOR COMMUNITY, SOCIETY

DURING EVNGENCO 3'S HISTORY, THE COMPANY HAS NOT ONLY FULFILLED THE ROLE OF POWER PRODUCER IN TERMS OF SCALE AND BRAND NAME, AND ACCOMPLISHED BUSINESS TASKS, BUT ALSO FOCUSED ON COMMUNITY ACTIVITIES.



EVNGENCO 3 reckons that community and gratitude activities are among the most important political tasks entrusted by the Party and State, and are always enthusiastically involved by all employees.

OBJECTIVES THAT EVNGENCO 3 COMMITS TO:

- ✦ Enhance the spirit of solidarity, sharing for the community.
- ✦ Support to build local infrastructure and facilities.
- ✦ Support people with basic living conditions.
- ✦ Invest in education, sponsor scholarship programmes.

In the past year, EVNGENCO 3 participated in many community activities for provinces where the Company operates, combining with propaganda activities including: building schools (Sao Mai Kindergarten, K'rong Ana Elementary School, building houses of gratitude; making bridges, making rural roads; granting scholarships for students in difficult circumstances; giving gifts to families under preferential treatment policy; organizing social activities, giving presents to children in provinces on New Year's Day, 01 June, Mid-Autumn Festival; actively participating in EVN's programmes (Month of gratitude to customers, giving gifts to soldiers on Truong Sa island, building gratitude houses in Quang Nam province, ...).



SPECIFICALLY:

Phu My Thermal Power Company implemented "Month of gratitude to customers" in December 2017, in order to support households in difficult circumstances, families under preferential treatment policy in Phu My ward, Phu My town, Ba Ria- Vung Tau province. In the programme "Giving trust, sending love", Mr. Nguyen Xuan Hiep, Chairman of the Trade Union, represented for the Company, presented 50 gifts worth 500,000 VND/gift to families in difficult circumstances, under preferential treatment policy and having merit for the revolution movement. In addition, the Trade Union and Youth Union also collaborated to hold the programme "Lighting the countryside, lighting the faith". Under the programme, the Company repaired the electricity system for 5 families of war invalids and martyrs, families under preferential treatment policy, and constructed a house worth 70 million VND for a household in difficult circumstances.

In the month "For the poor" from 17 October to 18 November 2017, and to celebrate the 87th anniversary of the National Unity Day, the month of "Gratitude to customers" and the traditional day of Vietnam electric power industry (21 December), Phu My Thermal Power Company's Trade Union gave 20 presents to households living in difficult and disadvantageous circumstances. On this occasion, the Trade Union also donated 10 million VND to the fund "For the poor" of Phu My Town's Committee of Viet Nam Fatherland Front, which was contributed by employees.

On 04/10/2017 (Mid-Autumn Festival), at the Operation Management - Repairing area, Trade Union Management Board, Women's Union and Management Board of the Company's Trade Union and other unions of Phu My Thermal Power Company and EPS jointly organized a fun



and meaningful "Full Moon Night" for more than 400 children of employees.

Promote the cultural tradition of the Company with the spirit of solidarity, the Trade Union of Ninh Binh Thermal Power JSC visited employee's children who are in serious illness and difficult conditions and presented gifts on the occasion of International Children's Day (01 June).

On the occasion of "Month of workers in 2017", a lot of activities for trade unionists "For the benefit of unionists" were organized. On 27/04/2017, Mr. Khuat Quang Mau- Chairman of EVN's Trade Union, Mr. Vu Quang Sang- Vice Chairman of EVNGENCO 3's Trade Union visited, presented gifts for Vinh Tan Thermal Power Company's Trade Union, worth 30 million VND/ gift.

It can be said that EVNGENCO 3's efforts during the past years for society and community is a cultural beauty of humanity and also tradition of leaders and all staffs. EVNGENCO 3's community activities have contributed to successful implementation of poverty reduction and gratitude, many local communes have changed positively and material, spiritual life has been improved significantly with EVNGENCO 3's support.

06

CONSOLIDATED FINANCIAL STATEMENTS (AUDITED)

Statement of the Board of Directors	86
Independent auditor's report	87
Consolidated balance sheet	90
Consolidated statement of income	93
Consolidated statement of cash flows	94
Notes to consolidated financial statements	96

Establishment Decision No.	3025/QD-BCT 1 June 2012 The establishment decision was issued by the Ministry of Industry and Trade.												
Business Registration Certificate No.	3502208399 26 November 2012 The business registration certificate was issued by the Department of Planning and Investment of Ba Ria – Vung Tau Province and the third amendment was on 27 February 2017.												
Chairman	Mr. Nguyen Van Le												
Board of Directors	<table> <tr> <td>Mr. Dinh Quoc Lam</td> <td>General Director</td> </tr> <tr> <td>Mr. Truong Quoc Phuc</td> <td>Deputy General Director</td> </tr> <tr> <td>Mr. Phan Thanh Xuan</td> <td>Deputy General Director</td> </tr> <tr> <td>Mr. Le Van Danh</td> <td>Deputy General Director</td> </tr> <tr> <td>Mr. Cao Minh Trung</td> <td>Deputy General Director</td> </tr> <tr> <td>Mr. Nguyen Thanh Trung Duong</td> <td>Deputy General Director</td> </tr> </table>	Mr. Dinh Quoc Lam	General Director	Mr. Truong Quoc Phuc	Deputy General Director	Mr. Phan Thanh Xuan	Deputy General Director	Mr. Le Van Danh	Deputy General Director	Mr. Cao Minh Trung	Deputy General Director	Mr. Nguyen Thanh Trung Duong	Deputy General Director
Mr. Dinh Quoc Lam	General Director												
Mr. Truong Quoc Phuc	Deputy General Director												
Mr. Phan Thanh Xuan	Deputy General Director												
Mr. Le Van Danh	Deputy General Director												
Mr. Cao Minh Trung	Deputy General Director												
Mr. Nguyen Thanh Trung Duong	Deputy General Director												
Registered Office	Phu My 1 Industrial Park, Phu My Ward, Tan Thanh District, Ba Ria – Vung Tau Province Vietnam												
Auditor	KPMG Limited Vietnam												

KPMG Limited Branch

10th Floor, Sun Wah Tower,
115 Nguyen Hue Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam
Phone: +84 28 3821 9266 | kpmg.com.vn

The Board of Directors of Power Generation Corporation 3 (“the Corporation”) presents this statement and the accompanying consolidated financial statements of the Corporation and its subsidiaries (collectively “the Group”) for the year ended 31 December 2017.

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to consolidated financial reporting. In the opinion of the Board of Directors:

- (a) the consolidated financial statements set out on pages 6 to 47 give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of the consolidated results of operations and the consolidated cash flows of the Group for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting; and
- (b) at the date of this statement, there are no reasons to believe that the Group will not be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorized the accompanying consolidated financial statements for issue.

On behalf of the Board of Directors,



Trương Quốc Phúc

Deputy General Director

Bà Rịa – Vũng Tàu, 28 March 2018

INDEPENDENT AUDITOR’S REPORT

To the Chairman and the Board of Directors Power Generation Corporation 3 and its subsidiaries

We have audited the accompanying consolidated financial statements of Power Generation Corporation 3 (“the Corporation”) and its subsidiaries (collectively “the Group”), which comprise the consolidated balance sheet as at 31 December 2017, the consolidated statements of income and cash flows for the year ended and the explanatory notes thereto which were authorised for issue by the Company’s Board of Directors on 28 March 2018, as set out on pages 6 to 47.

MANAGEMENT’S RESPONSIBILITY

The Company’s Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR’S 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the 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 Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company’s Board of Directors, as well as evaluating the overall presentation of the financial statements.

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

KPMG Limited Branch in Ho Chi Minh City a Branch of KPMG limited, a Vietnamese one member limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

**KPMG Limited Branch**

10th Floor, Sun Wah Tower,
115 Nguyen Hue Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam
Phone: +84 28 3821 9266 | kpmg.com.vn

AUDITOR'S OPINION

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Power Generation Corporation 3 and its subsidiaries as at 31 December 2017 and of their consolidated results of operations and their consolidated cash flows for the year ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting.

EMPHASIS OF MATTER

Note 3(b)(ii) and 3(b)(iii) to the consolidated financial statements which referred to the Corporation's treatment of foreign exchange differences incurred in the period of construction of power projects within the National Electricity Development Plan approved by the Prime Minister in the Decree No. 10/2017/ND-CP of the Government dated 9 February 2017 ("Decree 10") and foreign exchange differences from revaluation of monetary items denominated in foreign currencies in accordance with the guidance of Official Letter No. 5344/ BTC-TCDN of the Ministry of Finance dated 25 April 2017 on the treatment of foreign exchange differences from revaluation of monetary items denominated in foreign currencies in 2016 of Vietnam Electricity ("Official Letter 5344"), approved by the Prime Minister under Official Letter No. 122/TB-VPCP of the Government Office dated 6 March 2017 ("Official Letter 122").

Under the guidance of Decree 10, foreign exchange differences incurred in the period of construction are recorded in the "Foreign exchange differences" in "Equity" and will be amortised to the statement of income for the period not exceeding 5 years from the date the project starts its commercial operation. Under the guidance of Official Letter 5344 and Official Letter 122, foreign exchange losses due to revaluation of the closing balances of long-term liabilities denominated in foreign currencies as at 31 December 2016 are recorded in the "Foreign exchange differences" in "Equity", rather than as "Financial expenses", and will be allocated to expenses in 2016 at an amount that is at least equal to the exchange differences of liabilities due in 2017 so as to ensure that business result is not negative, the remaining differences will be monitored and allocated within 5 years. The guidance of these Official Letters are different from that of Circular No. 200/2014/TT-BTC providing guidance on Vietnamese Accounting System for enterprises issued by the Ministry of Finance on 22 December 2014. The impact of applying this accounting policy to the consolidated financial statements for the year ended 31 December 2017 was disclosed in Note 3(b)(ii) and 3(b)(iii) to the consolidated financial statements.

OTHER MATTER

We conducted our audit in order to express an opinion on the consolidated financial statements as set out on pages 6 to 47. Additional information on page 48 is not an integral part of the consolidated financial statements and not within the scope of the audit of the consolidated financial statements, therefore, we do not express our opinion on this information.

KPMG Limited/KPMG Limited's Branch in Ho Chi Minh City
Vietnam

Audit Report No.: 17-01-284

**Ha Vu Dinh**

Practicing Auditor Registration
Certificate No. 0414-2018-007-1
Deputy General Director

Ho Chi Minh City, 28 March 2018

Nguyen Thanh Nghi

Practicing Auditor Registration
Certificate No. 0304-2018-007-1

CONSOLIDATED BALANCE SHEET

as at 31 December 2017

Form B 01— DN/HN

(Issued under Circular No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

VND

ASSETS	Code	Note	31/12/2017	1/1/2017
CURRENT ASSETS (100 = 110 + 120 + 130 + 140 + 150)	100		18,796,560,872,860	18,785,582,668,582
Cash and cash equivalents	110	4	4,889,503,224,142	2,058,553,861,920
Cash	111		2,996,003,224,142	1,345,553,861,920
Cash equivalents	112		1,893,500,000,000	713,000,000,000
Short-term financial investments	120		1,771,000,000,000	1,050,500,000,000
Held-to-maturity investments	123	5(a)	1,771,000,000,000	1,050,500,000,000
Accounts receivable – short-term	130		8,947,167,559,377	12,462,718,469,153
Accounts receivable from customers	131	6	8,494,115,262,620	7,182,532,965,775
Prepayments to suppliers	132		171,652,902,312	301,221,287,797
Other receivables	136	7	282,627,553,598	4,979,701,732,180
Allowance for doubtful debts	137		(1,228,159,153)	(737,516,599)
Inventories	140	8	3,080,370,970,600	3,040,394,560,198
Inventories	141		3,081,307,660,656	3,040,800,862,431
Allowance for inventories	149		(936,690,056)	(406,302,233)
Other current assets	150		108,519,118,741	173,415,777,311
Short-term prepaid expenses	151		2,626,027,908	8,803,198,570
Deductible value added tax	152		92,345,538,765	39,746,883,281
Taxes and others receivable from State Treasury	153	13(b)	13,547,552,068	124,865,695,460

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

VND

ASSETS	Code	Note	31/12/2017	1/1/2017
LONG-TERM ASSETS (200 = 210 + 220 + 240 + 250 + 260)	200		62,588,641,268,619	66,804,780,077,695
Accounts receivable – long-term	210		769,382,459	22,000,000
Loans receivable – long-term	216		769,382,459	22,000,000
Fixed assets	220		56,869,179,072,117	61,569,028,164,052
Tangible fixed assets	221	9	56,804,027,238,108	61,501,566,138,204
- Cost	222		109,272,068,630,148	108,969,000,900,034
- Accumulated depreciation	223		(52,468,041,392,040)	(47,467,434,761,830)
Finance lease tangible fixed assets	227	10	65,151,834,009	67,462,025,848
- Cost	228		83,265,837,897	83,265,837,897
- Accumulated depreciation	229		(18,114,003,888)	(15,803,812,049)
Long-term work in progress	240		3,788,284,168,769	3,414,930,012,417
Construction in progress	242	11	3,788,284,168,769	3,414,930,012,417
Long-term financial investments	250	5(b)	1,830,593,857,582	1,763,692,020,793
Investments in associates	252		1,341,623,914,594	1,287,523,689,312
Equity investments in other entities	253		518,884,589,388	518,884,589,388
Allowance for diminution in the value of long-term financial investments	254		(29,914,646,400)	(42,716,257,907)
Other long-term assets	260		99,814,787,692	57,107,880,433
Long-term prepaid expenses	261		35,959,944,300	43,556,825,676
Deferred tax assets	262		13,879,964,174	12,722,874,757
Long-term tools, supplies and spare parts	263		49,974,879,218	828,180,000
TOTAL ASSETS (270 = 100 + 200)	270		81,385,202,141,479	85,590,362,746,277

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

Form B 01— DN/HN
(Issued under Circular No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

VND

RESOURCES	Code	Note	31/12/2017	1/1/2017
LIABILITIES (300 = 310 + 330)	300		71,594,803,624,885	76,861,833,300,304
Current liabilities	310		12,903,427,315,812	10,610,993,943,559
Accounts payable to suppliers	311	12	6,131,548,072,263	5,587,479,453,509
Advances from customers	312		34,400,000	-
Taxes and others payable to State Treasury	313	13(a)	221,091,187,157	144,692,033,324
Payables to employees	314		279,657,435,291	221,289,953,254
Accrued expenses	315		101,897,917,392	50,823,347,579
Unearned revenue – short-term	318		15,890,415,131	15,158,214,637
Other payables – short-term	319	14	988,305,741,258	940,978,254,673
Short-term borrowings	320	15(a)	4,804,801,993,294	3,337,579,626,421
Provisions – short-term	321		70,242,320,871	63,614,373,786
Bonus and welfare funds	322		289,957,833,155	249,378,686,376
Long-term liabilities	330		58,691,376,309,073	66,250,839,356,745
Long-term unearned revenue	336		394,113,580,552	409,271,795,189
Long-term borrowings	338	15(b)	58,297,262,728,521	65,841,567,561,556
EQUITY (400 = 410)	400		9,790,398,516,594	8,728,529,445,973
Owners' equity	410	16	9,790,398,516,594	8,728,529,445,973
Contributed capital	411	17	10,561,944,694,725	10,561,944,694,725
Capital surplus	412		6,014,917,945	6,014,917,945
Other capital	414		16,273,236,198	16,273,236,198
Foreign exchange differences	417	19	(2,449,196,948,778)	(3,374,214,327,146)
Investment and development fund	418		291,205,621,444	218,278,897,602
Other equity funds	420		15,939,926,044	15,939,926,044
Retained profits	421		881,358,003,376	825,628,673,005
- Retained profits brought forward	421a		787,301,620,548	718,432,626,000
- Profit for the current year	421b		94,056,382,828	107,196,047,005
Capital expenditure fund	422		114,101,515,647	114,101,515,647
Non-controlling interest	429		352,757,549,993	344,561,911,953
TOTAL RESOURCES (440 = 300 + 400)	440		81,385,202,141,479	85,590,362,746,277

Vu Phuong Thao
Preparer

28 March 2018

Nguyen Thi Thanh Huong
Chief Accountant



Truong Quoc Phuc
Deputy General Director

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

Form B 02 — DN/HN
(Issued under Circular No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

VND

	Code	Note	2017	2016
Revenue from sales of goods and provision of services	01	21	37,907,111,180,748	35,942,430,035,844
Cost of sales	11	22	33,601,837,052,658	32,401,926,808,804
Gross profit (20 = 10 - 11)	20		4,305,274,128,090	3,540,503,227,040
Financial income	21	23	206,588,923,828	216,940,564,718
Financial expenses	22	24	3,834,288,001,980	3,283,359,758,397
<i>In which: Interest expense</i>	23		2,639,770,574,279	2,526,916,084,835
Share of profit in associates	24	5(b)	175,913,775,282	134,210,055,520
Selling expenses	25		95,852,322	233,876,024
General and administration expenses	26	25	437,013,416,528	390,872,879,706
Net operating profit {30 = 20 + (21 - 22) + 24 - (25 + 26)}	30		416,379,556,370	217,187,333,151
Other income	31		87,553,020,039	116,601,237,443
Other expenses	32		35,061,985,866	28,981,123,866
Results of other activities (40 = 31 - 32)	40		52,491,034,173	87,620,113,577
Accounting profit before tax (50 = 30 + 40)	50		468,870,590,543	304,807,446,728
Income tax expense – current	51	27	153,329,336,737	42,069,052,111
Income tax expense deferred	52	27	(1,157,089,417)	(2,735,140,757)
Net profit after tax (60 = 50 - 51 - 52)	60		316,698,343,223	265,473,535,374
Attributable to:				
Equity holders of the Company	61		280,726,839,785	231,187,193,355
Non-controlling interest	62		35,971,503,438	34,286,342,019

Vu Phuong Thao
Preparer

28 March 2018

Nguyen Thi Thanh Huong
Chief Accountant



Truong Quoc Phuc
Deputy General Director

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

POWER GENERATION CORPORATION 3 AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2017 (Indirect method)

Form B 03 — DN/HN
(Issued under Circular No. 202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

VND

	Code	Note	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	01		468,870,590,543	304,807,446,728
Adjustments for				
Depreciation and amortisation	02		5,030,141,824,339	5,854,621,849,041
Allowances and provisions	03		(5,152,634,045)	(8,418,064,780)
Exchange losses arising from revaluation of monetary items denominated in foreign currencies	04		1,175,579,797,120	664,947,095,393
Profits from investing activities	05		(177,139,787,366)	(128,263,390,521)
Share of profit in associates	05		(175,913,775,282)	(134,210,055,520)
Interest expense	06		2,639,770,574,279	2,526,916,084,835
Operating profit before changes in working capital	08		8,956,156,589,588	9,080,400,965,176
Change in receivables	09		(35,664,843,404)	(3,255,697,104,384)
Change in inventories	10		(89,653,497,443)	(494,051,537,811)
Change in payables and other liabilities	11		549,465,516,145	1,092,164,210,774
Change in prepaid expenses	12		13,774,052,038	(11,441,690,711)
			9,394,077,816,924	6,411,374,843,044
Interest paid	14		(2,589,663,456,503)	(2,271,962,110,066)
Income tax paid	15		(32,191,653,983)	(64,648,298,828)
Other payments for operating activities	17		(52,440,798,852)	(55,939,050,251)
Net cash flows from operating activities	20		6,719,781,907,586	4,018,825,383,899
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for additions to fixed assets and other long-term assets	21		(1,448,562,313,542)	(3,115,785,661,299)
Proceeds from disposals of fixed assets and other long-term assets	22		229,694,400	231,546,000
Payments for granting loans, purchase of debt instruments of other entities	23		(1,651,000,000,000)	(500,500,000,000)
Receipts from collecting loans, sales of debt instruments of other entities	24		930,500,000,000	304,000,000,000
Receipts of interests and dividends	27		241,432,074,441	225,194,077,312
Net cash flows from investing activities	30		(1,927,400,544,701)	(3,086,860,037,987)

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

VND

	Code	Note	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	33		1,491,344,526,277	3,106,838,875,511
Payments to settle loan principals	34		(3,431,990,191,780)	(3,116,820,889,625)
Payments of dividends	36		(20,786,335,160)	(20,764,884,140)
Net cash flows from financing activities	40		(1,961,432,000,663)	(30,746,898,254)
Net cash flows during the year (50 = 20 + 30 + 40)	50		2,830,949,362,222	901,218,447,658
Cash and cash equivalents at the beginning of the years	60		2,058,553,861,920	1,157,335,414,262
Cash and cash equivalents at the end of the year (70 = 50 + 60)	70	4	4,889,503,224,142	2,058,553,861,920


Vu Phuong Thao
Preparer

28 March 2018


Nguyen Thi Thanh Huong
Chief Accountant



Truong Quoc Phuc
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 2017

Form B 09 - DN/H

(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

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

1. REPORTING ENTITY**(a) Ownership structure**

Power Generation Corporation 3 ("the Corporation") was incorporated under Decision No. 3025/QĐ-BCT dated 1 June 2012 issued by the Ministry of Industry and Trade, operated in form of Corporation - Subsidiary, owned by Vietnam Electricity ("EVN"), on the basis of re-organizing Phu My Thermal Power One Member Limited Company, certain power generation companies, certain power project management units ("PMU") and representative rights for the government's ownership in some power generation companies owned by Vietnam Electricity.

The Corporation operates under Business Registration Certificate No. 3502208399 dated 26 November 2012 issued by the Department of Planning and Investment of Ba Ria - Vung Tau Province.

The consolidated financial statements for the year ended 31 December 2017 comprise the Corporation and its subsidiaries (together referred to as the "Group").

(b) Principal activities

The principal activities of the Corporation are to produce and trade electricity; provide operation and maintenance management, overhaul, renovation, upgrading electrical equipment, electrical constructions. In addition, the Corporation also operates in science, technology, research and development, training to serve its principal activities.

(c) Normal operating cycle

The normal operating cycle of the Group is generally within 12 months.

(d) Group structure

As at 31 December 2017, the Corporation had 3 subsidiaries (1/1/2017: 3 subsidiaries).

The organizational structure of the Corporation includes:

- Dependent power generation companies: Buon Kuop Hydropower Company, Vinh Tan Thermal Power Company, Mong Duong Thermal Power Company, Phu My Thermal Power Company, EVNGENCO3 Power Service Company;
- Power project management units: Project Management Unit of Thermal Power 1, Project Management Unit of Vinh Tan Thermal Power; Project Management Unit of Thai Binh Thermal Power;
- The Corporation's office.

The Subsidiaries are as follows:

Subsidiaries	Principal activities	% of equity owned and voting rights	
		31/12/2017	1/1/2017
Ninh Binh Thermal Power Joint Stock Company	Produce electricity, produce chemical products, repair and install electrical equipment and other related services.	54.76%	54.76%
Ba Ria Thermal Power Joint Stock Company	Produce and trade electricity, provide operation and maintenance management, repair, experiment, adjustment, renovation of electrical equipment, electrical construction and related services and products.	79.56%	79.56%
Thu Duc Thermal Power One-member Limited Company	Produce electricity, produce, distribute steam, hot water, air-conditioner, repair and trade electrical equipment and other related services.	100.00%	100.00%

As at 31 December 2017, the Group had 3,491 employees (1/1/2017: 3,386 employees).

2. BASIS OF PREPARATION**(a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting.

(b) Basis of measurement

The consolidated financial statements, except for the consolidated statement of cash flows, are prepared on the accrual basis using the historical cost concept. The consolidated statement of cash flows is prepared using the indirect method.

(c) Annual accounting period

The annual accounting period of the Group is from 1 January to 31 December.

(d) Accounting and presentation currency

The Group's accounting currency is Vietnam Dong ("VND"), which is also the currency used for consolidated financial statement presentation purpose.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been adopted by the Group in the preparation of these consolidated financial statements.

(a) Basis of consolidation**(i) Subsidiaries**

Subsidiaries are entities controlled by the Corporation. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Non-controlling interests

Non-controlling interests ("NCI") are measured at their proportionate share of the acquiree's identifiable net assets at date of acquisition.

Changes in the Corporation's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners. Difference between the change in the Corporation's share of net assets of the subsidiary and any consideration paid or received is recorded directly in retained profits under equity.

(iii) Loss of control

When the Corporation loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in the consolidated income statement. Any interest retained in the former subsidiary when control is lost is stated at the carrying amount of the retained investment in the financial statements adjusted for appropriate shares of changes in equity of the investee since the acquisition date, if significant influence in the investee is maintained, or otherwise stated at cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2017

Form B 09 – DN/HN

(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(a) Basis of consolidation** (continued)**(iv) Associates**

Associates are those entities in which the Corporation has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the Corporation's share of the income and expenses of the associates, after adjustments to align the accounting policies with those of the Corporation, from the date that significant influence or joint control commences until the date that significant influence ceases. When the Corporation's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Corporation has an obligation or has made payments on behalf of the associate.

(v) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains and losses arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the associate.

(vi) Business combination

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Corporation. Control exists when the Corporation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

(b) Foreign currency**(i) Foreign currency transactions**

Transactions in currencies other than VND during the year have been translated into VND at rates approximating actual rates of exchange ruling at the transaction dates.

Monetary assets and liabilities denominated in currencies other than VND are translated into VND at the account transfer buying rate and account transfer selling rate, respectively, at the end of the annual accounting period quoted by the commercial bank where the Corporation or its subsidiaries most frequently conducts transactions.

Liabilities with Vietnam Electricity at the end of the annual accounting period are translated at the selling rate (by transfer) of Joint Stock Commercial Bank for Foreign Trade of Vietnam announced at the time of reporting under the guidance of Official Letter No. 1779/BTC-CDKT dated 1 February 2013 of the Ministry of Finance on the use of exchange rates to revalue monetary items denominated in foreign currencies at the end of the period ("Official Letter 1779") and Official Letter No. 4246/EVN-TCKT dated 19 September 2017 of Vietnam Electricity on guiding the preparation of financial statements in 2017 ("Official Letter 4246").

Except for the special accounting policies set out below, all foreign exchange differences are recorded in the consolidated statement of income.

(ii) Foreign exchange differences incurred during the period of capital construction of power projects included in the National Electricity Development Plan

Under the guidance of Decree No. 10/2017/ND-CP of the Government dated 9 February 2017 ("Decree 10"), for power projects within the National Electricity Development Plan approved by the Prime Minister, foreign exchange differences incurred in the period of construction are recorded in the "Foreign exchange differences" in "Equity" and will be amortised to the statement of income for the period not exceeding 5 years from the date the project starts its commercial operation. The guidance of Decree 10 is different from the guidance of Circular No. 200/2014/TT-BTC providing guidance on Vietnamese Accounting System for enterprises of the Ministry of Finance dated 22 December 2014 ("Circular 200") which requires the exchange differences to be recognised in the statement of income in the period which they are incurred.

If the Corporation recognised foreign exchange differences incurred during the period of construction consistently with Circular 200 over the years, the Corporation's financial expenses and profit before tax for the year ended 31 December 2017 would decrease and increase by VND410,339,937,447 respectively (for the year ended 31 December 2016: decrease and increase by VND428,777,794,857 respectively), "Foreign exchange differences" in "Equity" and "Retained profits" in the consolidated balance sheet as at 31 December 2017 (under the assumption that no taxation impact, if any), would increase and decrease by VND1,098,488,973,504 respectively (1/1/2017: increase and decrease by VND1,508,828,910,951 respectively).

(iii) Foreign exchange differences due to revaluation of the balances of monetary items denominated in foreign currencies

The Corporation applies Official Letter No. 5344/BTC-TCDN of the Ministry of Finance dated 25 April 2017 on the treatment of foreign exchange differences from revaluation of monetary items denominated in foreign currencies of Vietnam Electricity ("Official Letter 5344"), approved by the Prime Minister under Official Letter No. 122/TB-VPCP of the Government dated 6 March 2017 ("Official Letter 122") for foreign exchange differences from revaluation of monetary items denominated in foreign currencies. Under the guidance of Official Letter 5344 and Official Letter 122, foreign exchange losses due to revaluation of the closing balances of long-term liabilities denominated in foreign currencies as at 31 December 2016 are recorded in the "Foreign exchange differences" in "Equity", rather than in "Financial expenses", and will be allocated to expenses in 2016 at an amount that is at least equal to the exchange rate differences of liabilities due in 2017 so as to ensure that business result is not negative, the remaining differences will be monitored and allocated within 5 years.

If the Corporation recognised foreign exchange differences consistently with Circular 200 over the years, the Corporation's financial expenses and profit before tax for the year ended 31 December 2017 would decrease and increase by VND514,677,440,921 respectively (for the year ended 31 December 2016: increase and decrease by VND486,514,926,344 respectively), "Foreign exchange differences" in "Equity" and "Retained profits" in the consolidated balance sheet as at 31 December 2017 (under the assumption that no taxation impact is applicable, if any), would increase and decrease by VND1,350,707,975,274 respectively (1/1/2017: increase and decrease by VND1,865,385,416,195 respectively).

(c) Cash and cash equivalent

Cash comprises cash balances and call deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(d) Investments****(i) Held-to-maturity investments**

Held-to-maturity investments are those that the Group's management has the intention and ability to hold until maturity. Held-to-maturity investments include term deposits at banks. These investments are stated at costs less allowance for doubtful debts.

(ii) Investments in equity instruments of other entities

Investments in equity instruments of other entities are initially recognised at cost which include purchase price plus any directly attributable transaction costs. Subsequent to initial recognition, these investment are stated at cost less allowance for diminution in value. An allowance is made for diminution in investment values if the investee has suffered a loss, except where such a loss was anticipated by the Group's management before making the investment. The allowance is reversed if the investee subsequently made a profit that offsets the previous loss for which the allowance had been made. An allowance is reversed only to the extent that the investment's carrying amount does not exceed the carrying amount that would have been determined if no allowance had been recognised.

(e) Account receivable

Trade and other receivables are stated at cost less allowance for doubtful debts..

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price of inventory items, less the estimated costs of completion and direct selling expenses.

The Group applies the perpetual method of accounting for inventories.

(g) Tangible fixed assets**(i) Cost**

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition for its intended use. Tangible fixed assets formed through construction under contractual assignment or self-construction and manufacturing, cost is the finalisation price of construction works in accordance with the current Investment and Construction Management Regulation, other directly attributable costs and registration fee (if any). In case the construction has been completed and put into use but the finalisation is not approved, cost of items of tangible fixed assets is stated at estimated cost. The estimated cost is determined in the following methods: by investment cost if all construction costs are collected, by the approved budget or by value of the equivalent assets. Expenditure incurred after tangible fixed assets have been put into operation, such as repair, maintenance and overhaul cost, is charged to the statement of income in the year in which the cost is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of tangible fixed assets beyond their originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

(ii) Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of tangible fixed assets. The estimated useful lives are as follows:

▪ building and structures	10 – 40 years
▪ machinery and equipment	5 – 20 years
▪ motor vehicles	5 – 20 years
▪ office equipment	3 – 10 years
▪ others	5 – 10 years

(h) Intangible assets**(i) Land use rights**

Land use rights comprise:

- those granted by the State for which land use payments are collected;
- those acquired in a legitimate transfer; or
- rights to use leased land obtained before the effective date of Land Law (2003) for which payments have been made in advance for more than 5 years and supported by land use right certificate issued by competent authority.

Land use rights with definite term are stated at cost less accumulated amortisation. The initial cost of land use rights comprises purchase price and any directly attributable costs incurred in conjunction with securing the land use rights. Amortisation is computed on a straight-line basis over 50 years.

Land use rights with indefinite term are stated at cost and not amortised.

(ii) Software

Cost of acquiring new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software cost is amortised on a straight-line basis over 10 years.

(iii) Technology transfer rights

Technology transfer rights is stated at cost and amortised on a straight-line basis over 10 years.

(i) Construction in progress

Construction in progress represents the costs of construction and machinery which have not been fully completed or installed. No depreciation is provided for construction in progress during the period of construction and installation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(j) Long-term prepaid expenses****Tools and instruments**

Tools and instruments include assets held for use by the Group in the normal course of business whose costs of individual items are less than VND30 million and therefore not qualified for recognition as fixed assets under prevailing regulation. Cost of tools and instruments are amortised on a straight-line basis over 3 years.

(k) Trade and other payables

Trade and other payables are stated at their cost.

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(m) Contributed capital

Contributed capital is recognized on the contribution date at the actual amount contributed less any directly attributable transaction costs.

(n) Investment and development fund

The Corporation's investment and development fund is set up and used in accordance with Decree No. 91/2015/ND-CP dated 13 October 2015 issued by the Government on state capital investment in enterprises and capital management and use at enterprises .

(o) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the separate statement of income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the annual accounting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the end of the annual accounting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Revenue and other income**(i) Electricity sold**

Revenue from sales of electricity is recognised in the statement of income based on electricity output generated to the electricity grid and confirmed by customers. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

(ii) Service rendered

Revenue from services rendered is recognised in the statement of income in proportion to the percentage of completion of the transaction at the balance sheet date. The percentage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

(iii) Rental income

Rental income from leased property is recognised in the statement of income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(iv) Interest income

Interest income is recognized on a time proportion basis with reference to the principal outstanding and the applicable interest rate.

(v) Dividend income

Dividend income is recognized when the right to receive dividend is established. Dividends received which are attributable to the period before investment acquisition date are deducted from the carrying amount of the investment

(q) Operating lease payments

Payments made under operating leases are recognised in the statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the separate statement of income as an integral part of the total lease expense..

(r) Borrowing cost

Borrowing costs are recognised as an expense in the year in which they are incurred, except where the borrowing costs relate to borrowings in respect of the construction of qualifying assets, in that case the borrowing costs incurred during the period of construction are capitalised as part of the cost of the assets concerned.

(s) Related parties

Parties are considered to be related to the Group if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where the Group and the other party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2017

Form B 09 – DN/HN

(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

4. CASH AND CASH EQUIVALENTS

	VND	
	31/12/2017	1/1/2017
Cash on hand	2,142,279,718	2,795,273,955
Cash in banks	2,993,860,944,424	1,342,758,587,965
Cash equivalents	1,893,500,000,000	713,000,000,000
	4,889,503,224,142	2,058,553,861,920

Cash equivalents represented terms deposits with maturity ranging from one month to three months at banks and other credit institutions earning interest at rates ranging between 4.3% - 5.5% (2016: 4.3% - 4.8%).

5. INVESTMENTS**(a) Held-to-maturity investments**

	VND	
	31/12/2017	1/1/2017
EVN Finance Joint Stock Company, a related party	490,000,000,000	510,000,000,000
Third parties	1,281,000,000,000	540,500,000,000
	1,771,000,000,000	1,050,500,000,000

Held-to-maturity investments represented term deposits with maturity from more than three months to 12 months at rates ranging between 5.3% - 7.1% (2016: from 5.5% - 6.7%).

(b) Equity investments in other entities

	31/12/2017			1/1/2017				
	% of equity owned	Carrying amount VND	Fair value VND	Allowance VND	% of equity owned	Carrying amount VND	Fair value VND	Allowance VND
Investments in associates								
Thac Ba Hydropower JSC (i)	30.00%	271,553,053,099	457,200,000,000	-	30.00%	263,523,062,906	476,250,000,000	-
Vinh Son - Song Hinh Hydropower JSC (ii)	30.60%	898,907,128,098	1,083,891,505,600	-	30.60%	875,121,508,432	976,762,694,000	-
Se San 3A Power Investment and Development JSC (iii)	30.00%	171,163,733,397	(*)	-	30.00%	148,879,117,974	(*)	-
		1,341,623,914,594		-		1,287,523,689,312		-
Investments in other entities								
Petro Vietnam Power Nhon Trach 2 JSC	2.50%	64,000,000,000	238,584,320,000	-	2.50%	64,000,000,000	194,428,416,000	-
GE PMTP Power Service Limited Liability Company	15.00%	74,463,661,588	(*)	-	15.00%	74,463,661,588	(*)	-
Viet - Lao Power JSC	0.60%	19,600,000,000	(*)	-	0.60%	19,600,000,000	(*)	-
Quang Ninh Thermal Power JSC (iv)	1.80%	114,770,927,800	84,856,281,400	29,914,646,400	1.80%	114,770,927,800	72,054,669,893	42,716,257,907
Hai Phong Thermal Power JSC (iv)	1.60%	108,730,000,000	123,300,000,000	-	1.60%	108,730,000,000	108,730,000,000	-
Buon Don Hydro Power JSC	19.89%	83,750,000,000	(*)	-	19.89%	83,750,000,000	(*)	-
Phu Thanh My JSC	12.10%	50,000,000,000	(*)	-	12.10%	50,000,000,000	(*)	-
Northern Thermal Power Repairing Service JSC	2.70%	2,500,000,000	(*)	-	2.70%	2,500,000,000	(*)	-
Pha Lai Thermal Power JSC	0.03%	1,070,000,000	2,434,250,000	-	0.03%	1,070,000,000	1,786,900,000	-
		518,884,589,388	(*)	29,914,646,400		518,884,589,388	(*)	42,716,257,907

VND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2017

Form B 09 – DN/HN

(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

5. INVESTMENTS (continued)**(b) Equity investments in other entities** (continued)

- (*) The Corporation has not determined fair values of these financial instruments for disclosure in the consolidated financial statements because information about their market prices is not available.
- (i) Thac Ba Hydropower JSC was established under Business Registration Certificate No. 1603000069 dated 31 March 2006 issued by the Department of Planning and Investment of Yen Bai Province. The principal activities of Thac Ba Hydropower JSC are to produce and trade electricity.
- (ii) Vinh Son – Song Hinh Hydropower JSC was converted from a state-owned enterprise – Vinh Son – Song Hinh Hydropower Plant, a dependent accounting unit of Vietnam Electricity. On 4 May 2005, the Plant was officially converted to Vinh Son – Song Hinh Hydropower JSC under Business Registration Certificate No. 3503000058 dated 4 May 2005 issued by the Department of Planning and Investment of Binh Dinh Province. The principal activities of Vinh Son – Song Hinh Hydropower JSC are to produce and trade electricity.
- (iii) Se San 3A Power Investment and Development JSC officially went into operation on 1 November 2003 under Official Letter No. 1391/CP-CN dated 10 October 2003 of the Prime Minister. The principal activities of Se San 3A Power Investment and Development JSC are to construct civil works, invest and construct hydropower projects and industrial construction.
- (iv) Quang Ninh Thermal Power JSC and Hai Phong Thermal Power JSC are registered to trade in Unlisted Public Company Market (UPCoM) since 16 March 2017 and 5 October 2016 respectively. Therefore, provisions for long-term investment to them are based on listed prices. Before listing, their provisions are made when loss incur, except when such loss is in the Group Company's expectation.

Summarised financial information in respect of the Group's associates is set out below:

	VND	
	31/12/2017	1/1/2017
Total assets	8,678,953,518,987	8,110,772,610,598
Total liabilities	4,372,130,740,683	3,969,489,059,302
Net assets	4,306,822,778,304	4,141,283,551,296
Share of net assets in associates	1,341,623,914,594	1,287,523,689,312

	VND	
	2017	2016
Revenue	1,214,620,759,101	962,456,689,927
Net profit after tax	580,700,220,247	442,204,410,789
Share of profit in associates	175,913,775,282	134,210,055,520

Movements of investments in associates during the year were as follows:

	VND	
	2017	2016
Opening balance	1,287,523,689,312	1,267,507,183,792
Share of profit in associates	175,913,775,282	134,210,055,520
Dividends	(121,813,550,000)	(114,193,550,000)
Closing balance	1,341,623,914,594	1,287,523,689,312

Movements in allowance for diminution in the value of long-term financial investments during the year were as follows:

	VND	
	2017	2016
Opening balance	42,716,257,907	54,115,017,028
Allowance reversed during the year	(12,801,611,507)	(11,398,759,121)
Closing balance	29,914,646,400	42,716,257,907

6. ACCOUNTS RECEIVABLE FROM CUSTOMERS

	VND	
	31/12/2017	1/1/2017
Related parties		
Trading Electricity Company	8,462,852,528,470	7,156,802,587,993
Vinh Tan 4 Power Plant (an entity of Vietnam Electricity)	9,171,757,100	-
Power Engineering Consulting Joint Stock Company 2	-	11,542,250,000
Other related parties	2,746,860,739	-
Third parties		
Other customers	19,344,116,311	14,188,127,782
	8,494,115,262,620	7,182,532,965,775

7. OTHER SHORT-TERM RECEIVABLES

	VND	
	31/12/2017	1/1/2017
Vietnam Electricity	98,292,977,878	4,381,623,005,587
Huynhai Vietnam Company Limited	185,242,610	401,479,171,901
Interest receivables on deposits	24,943,348,477	19,161,500,581
Dividends receivable	14,258,437,500	19,050,000,000
Project Management Unit of Thermal Power 3	-	833,367,237
EVN Finance Joint Stock Company	2,722,222,222	6,483,000,000
Other receivables	142,225,324,911	151,071,686,874
	282,627,553,598	4,979,701,732,180

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2017

Form B 09 - DN/HN

(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

8. INVENTORIES

	VND			
	31/12/2017		1/1/2017	
	Cost	Allowance	Cost	Allowance
Goods in transit	163,688,001,391	-	102,911,681,740	-
Raw materials	2,839,114,070,812	(936,690,056)	2,902,753,702,883	(406,302,233)
Tools and supplies	53,101,657,256	-	20,951,485,799	-
Work in progress	25,153,916,771	-	13,661,450,706	-
Finish goods	250,014,426	-	505,198,091	-
Merchandise inventories	-	-	17,343,212	-
	3,081,307,660,656	(936,690,056)	3,040,800,862,431	(406,302,233)

Allowance for inventories represented the allowance for raw materials and had movements during the year as follows:

	VND	
	2017	2016
Opening balance	406,302,233	11,284,555,675
Addition	530,387,823	-
Allowance reversed during the year	-	(10,878,253,442)
Closing balance	936,690,056	406,302,233

9. TANGIBLE FIXED ASSETS

	VND					
	Buildings and structures	Machinery and equipment	Motor vehicles	Office equipment	Others	Total
Cost						
Opening balance	18,911,661,185,227	83,173,262,807,448	6,749,142,245,149	128,617,967,050	6,316,695,160	108,969,000,900,034
Additions	1,300,355,931	36,617,350,007	6,147,819,463	7,755,758,275	-	51,821,283,676
Transfer from construction in progress (note 11)	239,379,985,955	72,485,335,671	1,351,934,230	6,382,647,004	-	319,599,902,860
(Transfer to)/receive from other entities of EVN	-	(62,197,156,745)	2,439,135,716	-	-	(59,758,021,029)
Disposals	-	(398,594,840)	(1,752,051,800)	(434,267,468)	-	(2,584,914,108)
Reclassification	(154,618,178)	(33,281,721,033)	39,790,510,610	(266,054,160)	(6,088,117,239)	-
Other deduction	-	(6,010,521,285)	-	-	-	(6,010,521,285)
Closing balance	19,152,186,908,935	83,180,477,499,223	6,797,119,593,368	142,056,050,701	228,577,921	109,272,068,630,148
Accumulated depreciation						
Opening balance	5,342,286,484,842	39,754,133,401,849	2,289,291,267,469	79,940,230,769	1,783,376,901	47,467,434,761,830
Charge for the year	736,718,190,155	3,926,371,042,745	344,430,207,025	20,298,575,590	13,616,985	5,027,831,632,500
(Transfer to)/receive from other entities of EVN	-	(25,384,139,859)	743,045,690	-	-	(24,641,094,169)
Disposals	-	(398,594,840)	(1,750,431,857)	(434,267,468)	-	(2,583,294,165)
Reclassification	(457,834,294,365)	452,693,096,220	4,478,242,683	2,270,903,759	(1,607,948,297)	-
Other deduction	-	(613,956)	-	-	-	(613,956)
Closing balance	5,621,170,380,632	44,107,414,192,159	2,637,192,331,010	102,075,442,650	189,045,589	52,468,041,392,040
Net book value						
Opening balance	13,569,374,700,385	43,419,129,405,599	4,459,850,977,680	48,677,736,281	4,533,318,259	61,501,566,138,204
Closing balance	13,531,016,528,303	39,073,063,307,064	4,159,927,262,358	39,980,608,051	39,532,332	56,804,027,238,108

Included in tangible fixed assets were assets costing VND26,135,642,244,347 which were fully depreciated as of 31 December 2017 (1/1/2017: VND9,540,548,196,787), but which are still in active use.

As at 31 December 2017, tangible fixed assets with carrying amount of VND1,963 billion (1/1/2017: VND2,134 billion) were pledged with banks as security for loans presented in Note 15(b)(*).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2017

Form B 09 - DN/HN

(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

10. INTANGIBLE FIXED ASSETS

				VND
	Land use rights	Software	Technology transfer rights	Total
Cost				
Opening balance and Closing balance	67,463,477,322	12,031,469,427	3,770,891,148	83,265,837,897
Accumulated amortisation				
Opening balance	9,110,439,504	3,192,437,940	3,500,934,605	15,803,812,049
Charge for the year	976,159,776	1,064,075,520	269,956,543	2,310,191,839
Closing balance	10,086,599,280	4,256,513,460	3,770,891,148	18,114,003,888
Net book value				
Opening balance	58,353,037,818	8,839,031,487	269,956,543	67,462,025,848
Closing balance	57,376,878,042	7,774,955,967	-	65,151,834,009

Included in land use rights were land use rights with indefinite term costing VND8,015,608,652 were not amortised as of 31 December 2017 (1/1/2017: VND8,015,608,652).

Included in intangible fixed assets were assets costing VND8,266,854,853 which were fully amortised as of 31 December 2017 (1/1/2017: VND4,495,693,705), but which are still in use.

11. CONSTRUCTION IN PROGRESS

			VND
	2017		2016
Opening balance	3,414,930,012,417		2,633,932,162,096
Additions	1,299,858,698,895		1,846,912,357,764
Interest expenses capitalised	12,197,470,951		4,658,591,687
Transfer to inventory	(564,959,929,281)		-
Transfer to tangible fixed assets (note 9)	(319,599,902,860)		(1,034,276,023,390)
Other changes	(54,142,181,353)		(36,297,075,740)
Closing balance	3,788,284,168,769		3,414,930,012,417

Constructions in progress included the following construction projects:

			VND
	31/12/2017		1/1/2017
Mong Duong Thermal Power Plant	1,546,836,406,303		1,124,652,173,310
Vinh Tan 2 Thermal Power Plant	711,263,163,190		1,367,507,249,414
Vinh Tan Power Center Infrastructure	897,011,032,903		494,162,589,458
Vinh Tan Coal Terminal	483,510,872,821		338,960,447,028
Other constructions	149,662,693,552		89,647,553,207
	3,788,284,168,769		3,414,930,012,417

12. ACCOUNTS PAYABLE TO SUPPLIERS

			VND
	31/12/2017		1/1/2017
Related party			
Vietnam Electricity	362,080,222		1,761,518,280
Other related parties	8,488,557,510		11,573,895,245
Third party			
Petrovietnam Gas South East Transmission Company	3,190,542,474,065		2,488,734,916,271
Shanghai Electric Group Company	1,525,447,889,495		1,846,413,913,829
Other suppliers	1,406,707,070,971		1,238,995,209,884
	6,131,548,072,263		5,587,479,453,509
Amount within payment capacity	6,131,548,072,263		5,587,479,453,509

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2017

Form B 09 - DN/HN

(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

13. TAXES AND OTHER PAYABLES TO AND RECEIVABLES FROM STATE TREASURY**(a) Taxes and other payables to State Treasury**

	1/1/2017	Incurred VND	Paid VND	Reclassified VND	31/12/2017
Value added tax	59,987,914,761	1,196,456,179,388	(1,137,564,319,791)	(71,367,397,074)	47,512,377,284
Corporate income tax	21,940,769,184	153,329,336,737	(32,191,653,983)	(40,979,463,014)	102,098,988,924
Withholding tax	3,078,328,836	14,457,194,561	(17,535,523,397)	-	-
Import-export tax	-	27,200,606,722	(27,200,606,722)	-	-
Personal income tax	3,280,779,859	23,874,279,411	(24,715,904,563)	1,238,343,021	3,677,497,728
Natural resource taxes	33,632,455,784	358,971,218,404	(355,271,990,361)	-	37,331,683,827
Land and housing taxes, land rental	551,920,000	18,431,062,130	(18,773,404,805)	(209,577,325)	-
Duty and fees - fees for forest environmental services	22,018,264,900	80,024,490,260	(71,572,115,766)	-	30,470,639,394
Other taxes	201,600,000	108,461,377	(310,012,377)	(49,000)	-
	144,692,033,324	1,872,852,828,990	(1,685,135,531,765)	(111,318,143,392)	221,091,187,157

(b) Taxes and other receivables from State Treasury

	1/1/2017	Incurred VND	Received VND	Reclassified VND	31/12/2017
Value added tax	81,995,358,552	-	-	(71,367,397,074)	10,627,961,478
Corporate income tax	41,119,913,014	-	-	(40,979,463,014)	140,450,000
Personal income tax	1,540,747,944	-	-	1,238,343,021	2,779,090,965
Land and housing taxes, land rental	209,626,950	-	-	(209,577,325)	49,625
Other taxes	49,000	-	-	(49,000)	-
	124,865,695,460	-	-	(111,318,143,392)	13,547,552,068

14. Other payables

	31/12/2017	1/1/2017
Related party		
Vietnam Electricity	692,641,114,110	641,272,298,291
Other related parties	-	27,000,000
Third party		
Estimated value added tax	180,234,266,182	188,152,714,542
Other payables	115,430,360,966	111,526,241,840
	988,305,741,258	940,978,254,673

(*) Detail of other payable to Vietnam Electricity

	31/12/2017	1/1/2017
Interest expense, re-loan fees	672,519,931,249	621,272,298,291
Others	20,121,182,861	20,000,000,000
	692,641,114,110	641,272,298,291

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2017

Form B 09 – DN/HN

(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

Terms and conditions of outstanding long-term borrowings were as follows:

			VND	
	Currency	Year of Maturity	31/12/2017	1/1/2017
Loans from Vietnam Electricity				
<i>Mong Duong Thermal Power Project</i>				
Asian Development Bank	USD	2032	449,463,107,334	463,999,704,804
Asian Development Bank	USD	2034	19,249,288,966,287	19,035,820,381,561
Export-Import Bank of Korea	USD	2028	9,728,811,701,938	10,681,142,416,666
<i>Vinh Tan 2 Thermal Power Project</i>				
Export-Import Bank of China	USD	2027	6,820,268,027,292	6,254,621,639,385
Export-Import Bank of China	CNY	2027	1,948,880,435,441	1,911,218,327,802
Export-Import Bank of China	USD	2028	12,888,251,462,258	9,925,971,370,883
<i>Buon Kuop Hydropower Project</i>				
Japan Bank for International Cooperation	JPY	2026	96,072,108,793	103,400,575,863
Japan Bank for International Cooperation	JPY	2028	71,059,575,068	75,387,491,087
<i>Buon Tua Srah Hydropower Project</i>				
Export-Import Bank of China	USD	2020	107,768,022,992	144,038,310,850
Asia Commercial Joint Stock Bank	VND	2019	83,590,802,249	139,191,924,107
Asia Commercial Joint Stock Bank	VND	2017	-	39,132,649,648
<i>Srepok 3 Hydropower Project</i>				
Credit Agricole Corporate and Investment Bank	USD	2020	229,041,639,962	306,127,643,119
Joint Stock Commercial Bank for Foreign Trade of Vietnam	VND	2019	332,053,575,761	553,422,601,761
<i>Phu My Thermal Power Project</i>				
Japan Bank for International Cooperation	JPY	2028	4,781,161,023,365	5,072,359,835,098
<i>Vinh Tan Power Center Coal Terminal Project</i>				
Export-Import Bank of China	USD	2027	-	582,145,826,724
Export-Import Bank of China	USD	2028	-	2,499,490,611,601
<i>Steam tail 306-2 Ba Ria Power Plant</i>				
Vietnam Development Bank - Ba Ria – Vung Tau	KRW	2028	548,760,747,119	536,566,063,868
			57,334,471,195,859	58,324,037,374,827
			63,102,064,721,815	69,179,147,187,977

Interest rate of borrowings dominated in USD is ranging from 1.65% to 5.15 % (2016: from 1.65% to 5.15%).

Interest rate of borrowings dominated in VND is ranging from 8.80% to 9.80% (2016: from 8.80% to 9.80%).

Interest rate of borrowings dominated in JPY is ranging from 1.15% to 2.75% (2016: from 1.15% to 2.75%).

Interest rate of borrowings dominated in CNY is 3.60% (2016: 3.60%).

Interest rate of borrowings dominated in KRW is fixed at 2.40% per annum over the period of 13 years.

(*) Borrowing from Vietnam Bank for Agriculture and Rural Development was secured by Buon Kuop Hydropower Plant with carrying amount of VND1,963 billion as at 31 December 2017 (1/1/2017: VND2,134 billion).

Other borrowing from domestic commercial banks were guaranteed by its parent company, Vietnam Electricity, without any pledged asset.

16. CHANGES IN OWNERS' EQUITY

	Contributed capital	Capital surplus	Other capital	Foreign exchange differences	Investment and development fund	Other equity fund	Retained profits	Capital expenditure fund	Non - controlling interest	Total
Balance at 1 January 2016	10,561,460,840,439	6,014,917,945	14,151,282,502	(3,316,477,195,659)	152,791,883,743	15,926,238,964	793,111,874,096	114,585,369,933	338,780,676,469	8,680,345,888,432
Increase/(decrease) in capital during the year	483,854,286	-	2,121,953,696	-	(2,121,953,696)	-	-	(483,854,286)	-	-
Reclassified	-	-	-	-	-	-	-	-	-	-
Appropriation to equity fund	-	-	-	-	67,608,967,555	257,095,157	(67,866,062,712)	-	-	-
Appropriation to bonus and welfare funds	-	-	-	-	-	-	(130,774,478,773)	-	(7,324,123,852)	(138,098,602,625)
Profit for the year	-	-	-	-	-	-	231,187,193,355	-	34,286,342,019	265,473,535,374
Exchange differences during the year	-	-	-	(57,737,131,487)	-	-	-	-	-	(57,737,131,487)
Dividends	-	-	-	-	-	-	-	-	(21,093,784,940)	(21,093,784,940)
Other changes	-	-	-	-	-	(243,408,077)	(29,852,961)	-	(87,197,743)	(360,458,781)
Balance at 31 December 2017	10,561,944,694,725	6,014,917,945	16,273,236,198	(3,374,214,327,146)	218,278,897,602	15,939,926,044	825,628,673,005	114,101,515,647	344,561,911,953	8,728,529,445,973
Balance at 1 January 2017	10,561,944,694,725	6,014,917,945	16,273,236,198	(3,374,214,327,146)	218,278,897,602	15,939,926,044	825,628,673,005	114,101,515,647	344,561,911,953	8,728,529,445,973
Appropriation to investment and development fund	-	-	-	-	73,425,935,578	-	(73,425,935,578)	-	-	-
Appropriation to bonus and welfare funds	-	-	-	-	-	-	(151,571,573,836)	-	(6,683,732,398)	(158,255,306,234)
Profit for the year	-	-	-	-	-	-	280,726,839,785	-	35,971,503,438	316,698,343,223
Exchange difference during the year	-	-	-	925,017,378,368	-	-	-	-	-	925,017,378,368
Dividends	-	-	-	-	-	-	-	-	(21,092,133,000)	(21,092,133,000)
Other changes	-	-	-	-	(499,211,736)	-	-	-	-	(499,211,736)
Balance at 31 December 2017	10,561,944,694,725	6,014,917,945	16,273,236,198	(2,449,196,948,778)	291,205,621,444	15,939,926,044	881,358,003,376	114,101,515,647	352,757,549,933	9,790,398,516,594

VND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2017

Form B 09 – DN/HN

(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

17. CONTRIBUTED CAPITAL

Movements in contributed capital during the year were as follows:

	VND	
	2017	2016
Balance at beginning of the year	10,561,944,694,725	10,561,460,840,439
Addition of capital during the year	-	483,854,286
Balance at end of the year	10,561,944,694,725	10,561,944,694,725

The immediate and ultimate parent company, Vietnam Electricity, is incorporated in Vietnam.

18. PROFIT DISTRIBUTION

Under the provisions of Article 31 Decree No. 91/2015/ND-CP dated 13 October 2015 of the Government and Financial Management Standards for corporation enterprise.

19. FOREIGN EXCHANGE DIFFERENCES

	VND			
	1/1/2017	Incurred	Allocated to expenses VND	31/12/2017
Foreign exchange differences incurred in the period of capital construction (i)	1,508,828,910,951	6,869,803,197	(417,209,740,644)	1,098,488,973,504
Foreign exchange differences due to revaluation of long-term payables balance in foreign currencies (ii)	1,865,385,416,195	-	(514,677,440,921)	1,350,707,975,274
	3,374,214,327,146	6,869,803,197	(931,887,181,565)	2,449,196,948,778

	VND			
	1/1/2016	Incurred VND	Allocated to expenses VND	31/12/2016
Foreign exchange differences incurred in the period of capital construction (i)	1,937,606,705,808	(11,568,054,212)	(417,209,740,645)	1,508,828,910,951
Foreign exchange differences due to revaluation of long-term payables balance in foreign currencies (ii)	1,378,870,489,851	729,364,236,401	(242,849,310,057)	1,865,385,416,195
	3,316,477,195,659	717,796,182,189	(660,059,050,702)	3,374,214,327,146

(i) Foreign exchange differences incurred in the period of construction of power projects included in the National Electricity Development Plan (Note 3(b)(ii)).

(ii) Foreign exchange differences due to revaluation long-term payables balance in foreign currencies (Note 3(b)(iii)).

20. OFF BALANCE SHEET ITEMS**(a) Lease**

At the reporting dates, the future minimum lease payments under operating leases were:

	VND	
	31/12/2017	1/1/2017
Within one year	10,597,532,991	7,207,089,774
Within two to five years	45,465,429,463	28,828,359,095
More than five years	292,575,977,240	223,976,216,378
	348,638,939,694	260,011,665,247

(b) Foreign currency

	31/12/2017		1/1/2017	
	Original currency	VND equivalent	Original currency	VND equivalent
United States Dollars	66,049,67	1,496,632,698	61,707,00	1,401,238,094

(c) Investment commitments

As at 31 December 2017, in accordance with the approved construction plan, the Group will invest VND1,251,447 million to build power plants and other works (1/1/2017: VND3,716,126 million).

21. REVENUE FROM SALES OF GOODS AND PROVISION OF SERVICES

	VND	
	2017	2016
Sales of electricity	37,646,560,437,982	35,774,143,725,908
Sales of other goods and services	260,550,742,766	168,286,309,936
	37,907,111,180,748	35,942,430,035,844

22. COST OF SALES

	VND	
	2017	2016
Cost of electricity	33,350,453,433,632	32,284,620,765,547
Cost of other goods and services	251,383,619,026	117,306,043,257
	33,601,837,052,658	32,401,926,808,804

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2017

Form B 09 - DN/HN

(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

23. FINANCIAL INCOME

	VND	
	2017	2016
Interest income from deposits	125,180,262,748	89,208,084,915
Dividends and shared profits	51,671,954,000	38,831,381,940
Foreign exchange gains due to payments	16,092,655,718	28,827,289,297
Foreign exchange gains due to revaluation	13,644,051,362	60,073,808,566
	206,588,923,828	216,940,564,718

24. FINANCIAL EXPENSES

	VND	
	2017	2016
Interest expense	2,639,770,574,279	2,526,916,084,835
Foreign exchange losses due to payments	18,088,860,426	42,820,593,709
Foreign exchange losses due to revaluation	1,189,223,848,482	725,020,903,959
Reversal allowance for long-term investment	(12,801,611,507)	(11,398,759,121)
Others	6,330,300	935,015
	3,834,288,001,980	3,283,359,758,397

25. GENERAL AND ADMINISTRATION EXPENSES

	VND	
	2017	2016
Labour costs and staff costs	213,582,496,637	192,018,383,887
Outside services	57,212,444,227	56,415,425,487
Other expenses	166,218,475,664	142,439,070,332
	437,013,416,528	390,872,879,706

26. PRODUCTION AND BUSINESS COSTS BY ELEMENT

	VND	
	2017	2016
Raw material costs	24,850,756,002,905	23,521,399,338,752
Labour costs and staff costs	783,444,408,257	717,419,419,677
Depreciation and amortisation	5,001,950,528,314	5,854,591,849,041
Outside services	527,634,417,356	350,668,025,872
Overhaul expenses	2,140,133,276,979	1,711,289,859,005
Other expenses	735,027,687,697	637,665,072,187

27. INCOME TAX**(a) Recognised in the statement of income**

	VND	
	2017	2016
Current tax expense		
Current year	153,108,628,178	40,365,438,584
Previous year	220,708,559	1,703,613,527
	153,329,336,737	42,069,052,111
Deferred tax benefit		
Origination of temporary differences	(1,157,089,417)	(2,735,140,757)
Income tax expense	152,172,247,320	39,333,911,354

(b) Reconciliation of effective tax rate

	VND	
	2017	2016
Accounting profit before tax	468,870,590,543	304,807,446,728
Tax at the Corporation's tax rate	93,774,118,109	60,961,489,345
Non-taxable income	(46,435,531,300)	(34,608,287,492)
Non-deductible expenses	212,447,022,387	1,795,166,693
Income tax expense in previous year	220,708,559	1,703,613,527
Deferred tax assets not recognised	-	9,481,929,281
Tax incentives	(107,834,070,435)	-
	152,172,247,320	39,333,911,354

(c) Applicable tax rates

Under the current Law on Corporate Income Tax, the Group has an obligation to pay the government income tax at the rate of 20% on taxable profits.

Vinh Tan 2 Thermal Project and Mong Duong 1 Thermal Project are exempt from corporate income tax for 4 years since the year that taxable income were generated (i.e. from 2015 to 2018), and eligible for 50% reduction on tax rate for the next 9 year.

28. NON-CASH INVESTING AND FINANCING ACTIVITIES

	VND	
	2017	2016
Fixed assets and construction in progress acquired but not yet paid	1,791,659,620,757	1,888,541,951,728
Transfer borrowings to parent company	3,506,018,228,841	-
Off set borrowings against trade receivables	875,604,776,746	-
Interest capitalised in constructions in progress	12,197,470,951	4,658,591,687
Interest capitalised into loan principals	-	151,764,775,065
Dividends declared but not yet paid	3,734,935,870	3,429,138,030

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

for the year ended 31 December 2017

Form B 09 – DN/HN

(Issued under Circular No. 202/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

29. SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

In addition to related party balances disclosed in other notes to the consolidated financial statements, the Group had the following significant transactions with related parties during the year:

	Transaction value	
	2017	2016
		VND
Vietnam Electricity		
Purchases of electricity	128,443,231,126	118,906,287,343
Borrowings during the year	1,156,114,385,224	2,861,111,745,005
Repayments of borrowings during the year	2,396,678,847,034	2,244,198,842,459
Interest on loans	2,135,322,136,357	2,298,663,450,651
Electricity Power Trading Company		
Sales of electricity	37,646,534,251,297	35,773,658,090,813
Duyen Hai Thermal Power Company		
Sales of services	2,913,513,946	1,102,697,640
Northern Power Corporation (Quang Ninh Power Company)		
Purchases of electricity	8,074,281,106	5,711,774,770
Power Engineering Consulting Joint Stock Company 1		
Purchases of services	3,079,872,790	5,374,769,868
Power Engineering Consulting Joint Stock Company 2		
Purchases of services	7,818,244,357	5,567,887,306
Sales of services	2,527,500,000	14,322,500,000
Power Engineering Consulting Joint Stock Company 3		
Purchases of services	2,326,989,530	2,907,172,899
Power Engineering Consulting Joint Stock Company 4		
Purchases of services	12,644,774,648	9,724,635,250
EVN Finance Joint Stock Company		
Interest on deposits	25,618,437,500	23,002,944,447
Electrical Power Testing Center – Southern Power Corporation		
Purchases of services	1,861,737,114	2,103,227,235
Telecommunication and Information Technology Center		
Purchases of services	4,104,691,761	2,424,470,842
National Power Transmission Corporation		
Interest on loans	-	1,475,000,000
Petro Vietnam Power Nhon Trach 2 JSC		
Dividend received	22,077,952,000	25,748,480,000
Northern Thermal Power Repairing Service Joint Stock Company		
Dividend received	300,000,000	375,000,000
Management Officer		
Salary and bonus	12,858,429,110	11,907,191,000

30. CORRESPONDING FIGURES

Unless otherwise stated, corresponding figures as at 1 January 2017 were derived from the balances and amounts reported in the Group's financial statements as at and for the year ended 31 December 2016.



Vu Phuong Thao
Preparer

28 March 2018



Nguyen Thi Thanh Huong
Chief Accountant



Trương Quốc Phúc
Deputy General Director



EVN GENCO 3

POWER GENERATION CORPORATION 3

[🏠] : Phu My 1 Industrial Zone, Phu My Ward, Phu My Town, Ba Ria - Vung Tau Province

[☎] : (84.254) 387.6927

[☎] : (84.254) 387.6930

[✉] : genco3@genco3.evn.vn

[🌐] : www.genco3.com