

DRAFT

PROPOSAL

FOR APPROVAL OF THE CONTRACT BETWEEN PVOIL AND BINH SON REFINING AND PETROCHEMICAL JSC (BSR) AND NGHI SON REFINERY PRODUCT DISTRIBUTION BRANCH - PVOIL (PVNDB)

To: Annual General Meeting of Shareholders of PVOIL (AGM)

Pursuant to the Enterprise Law No. 59/2020/QH14 approved by the 14th National Assembly of the Socialist Republic of Vietnam on June 17, 2020 (Enterprise Law 59/2020/QH14) and guiding documents;

Pursuant to Decree No. 155/2020/ND-CP issued by the Government on December 31, 2020, detailing the implementation of a number of articles of the Law on Securities (Decree 155/2020/ND-CP);

Pursuant to the Charter on organization and operation of PVOIL: approved by AGM of the Corporation in Resolution No. 21/NQ-ĐHĐCD dated April 27, 2021.

Currently, the supply of petroleum from Dung Quat Oil Refinery belongs to Binh Son Refinery and Petrochemical JSC - BSR (Company of which Vietnam Oil and Gas Group (PVN) is a shareholder, accounting for 92.1% of charter capital) and Nghi Son Refinery and Petrochemical Plant belongs to Nghi Son Refining and Petrochemical Co., Ltd (NSRP) to which holding company PVN contributes 25.1% of the capital, distributes products through Nghi Son Refinery Distribution Branch - PVN (PVNDB) which is meeting more than 70% of the total domestic demand.

In fact, buying gasoline from domestic refineries has more advantages/advantages than importing from abroad to Vietnam such as: (i) The purchase surcharge (premium) from the domestic refinery is built to ensure competition with imported goods; (ii) The volume of shipments received from the domestic refinery is quite small, so they can be sent directly to the consumption warehouses and the time of receiving/delivering goods to PVOIL's warehouses is much shorter than that of imported goods. Meanwhile, the volume of an imported shipment is often large and not all warehouses can receive it. It also incurs additional costs for moving to warehouses for consumption. Therefore, the purchase of goods from the domestic refinery helps to reduce costs and minimize the risk of price fluctuations when the Government increasingly shortens the operating cycle of retail gasoline prices in the country; (iii) Reducing costs related to import implementation such as: L/C opening cost, financial cost, cost of

transporting goods to the warehouse for consumption, no need to arrange foreign currency because payment in cash VND...

For the above reasons and following the direction of the Government and the Ministry of Industry and Trade on prioritizing the use of petroleum sources from domestic refineries, PVOIL as well as many other major petroleum traders have always given priority to buying goods from domestic refineries, only importing when the domestic supply is not enough or the products cannot be produced for many years.

Currently, PVN is a major shareholder of PVOIL, owning 80.52% of PVOIL's charter capital. Therefore, according to current regulations, contracts and transactions between PVOIL and PVN and contracts and transactions between PVOIL and related persons of PVN, namely BSR, must be approved by AGM or Board of Management (BOM), in which AGM approves contracts and transactions with a total value of 35% or more of total assets during the year.

With the current oil price forecast in 2022, the value of petroleum contracts and transactions with BSR and PVNDB is likely to exceed 35% of the total asset value of PVOIL and need to be submitted to AGM for approval.

To be proactive in ensuring the source of goods and optimizing business efficiency, helping PVOIL fulfill its 2022 target and comply with the provisions of Article 167 of the Enterprise Law 59/2020/QH14 and Article 293 of Decree No. 155/2020/ND-CP, BOM of PVOIL would like to submit to AGM of PVOIL for **consideration and approval of the policy and authorizing BOM to approve PVOIL to sign petroleum purchase transactions with BSR, PVNDB** with the main contents of the transaction as follows:

1. Transactions with Nghi Son Refinery Product Distribution Branch - PVN (PVNDB):

- Production name: gasoline 95 RON; gasoline 92 RON and DO oil
- Selling price under FOB, FCA/ Nghi Son Pipeline is determined according to the following formula:

$$P = (MOPS + Pre) \times (1 + \%TTT\delta B) \times (1 + \%GTGT) \times \text{Exchange Rate.}$$

In which:

- *P: is the unit price of gasoline/oil products for 1 barrel in Vietnam Dong, including taxes as prescribed at the port of loading.*
- **MOPS:**
 - + *For sea freight forwarding: The average price of petrol/oil for 11 days (5-1-5/ 5-0-5) around the delivery date published by Platt's magazine for the Singapore market for each commodity (for RON 95 Gasoline according to MOPS Gasoline 95 unl, for RON 92 Gasoline according to MOPS Gasoline 92 unl, for DO oil 0.05S according to MOPS Gasoil 500 ppm).*
 - + *For delivery by road/pipeline: The average price of petrol/oil of the delivery month published by Platt's magazine for the Singapore market for each type of goods.*

- **Pre:** is the rate of Surcharge agreed upon for a term of 6 months/time and signed in accordance with the Appendix attached to the Contract
 - **%TTTDB:** is the special consumption tax rate for gasoline calculated according to current regulations of the Government (if any).
 - **%GTGT:** is the value-added tax rate for gasoline according to current regulations of the Government.
 - **Exchange rate:** the conversion rate is applied the selling rate of USD/VND (the exchange rate at the end of the day) announced by Joint Stock Commercial Bank for Foreign Trade of Vietnam on the date of full Platts price calculated for the shipment.
- Estimated volume (as of December 31, 2022): **1,476,000 m3 +/-10%**
 - Quality: According to Vietnam Standard
 - Total expected transaction value (as of December 31, 2022): **~26,600 billion VND**
 - Payment: 30 days after receipt of each shipment from the Refinery
 - Contract term: Until December 31, 2022.

2. Transactions with Binh Son Refining and Petrochemical JSC (BSR):

- Production name: gasoline 95 RON; gasoline 92 RON and DO oil
- Selling price under FOB/FCA/Dung Quat Pipeline conditions is determined by the following formula:

$$P = (MOPS + Pre) \times (1 + \%TTTDB) \times (1 + \%GTGT) \times \text{Exchange Rate.}$$

In which:

- **P:** is the unit price of gasoline/oil products for 1 barrel in Vietnam Dong, including taxes as prescribed at the port of loading.
- **MOPS:**
 - + For sea/pipeline forwarding: The average price of petrol/oil for 11 days (5-1-5/5-0-5) around the delivery date published by Platt's magazine for the Singapore market for each commodity (for RON95 gasoline according to MOPS Mogas 95 unl; for RON92 gasoline according to MOPS Mogas 92 unl; for DO 0.05S according to MOPS Gasoil 0.05%S).
 - + For delivery by road/pipeline: The average price of petrol/oil of the delivery month published by Platt's magazine for the Singapore market for each type of goods.
- **Pre:** is the rate of Surcharge agreed upon for a term of 6 months/time and signed in accordance with the Appendix attached to the Contract
- **%TTTDB:** is the special consumption tax rate for gasoline calculated according to current regulations of the Government (if any).
- **%GTGT:** is the value-added tax rate for gasoline according to current regulations of the Government.
- **Exchange rate:** the conversion rate is applied the selling rate of USD/VND (the exchange rate at the end of the day) announced by Joint Stock Commercial Bank

for Foreign Trade of Vietnam on the date of full Platts price calculated for the shipment.

- Estimated volume (as of December 31, 2022): **1,200,000 – 1,320,000 m3 +/-10%**
- Quality: According to Vietnam Standard
- Total expected transaction value (as of December 31, 2022): **22,290 billion - 24,400 billion VND**
- Payment: 30 days after receipt of each shipment from the Refinery
- Contract term: Until December 31, 2022.

PetroVietnam Oil Corporation-JSC respectfully presents to the AGM for consideration and approval.

Sincerely Yours,

Recipients:

- As above;
- Board of Supervisors;
- For archive, BOM.

**ON BEHALF OF THE BOM
CHAIRMAN**

Cao Hoai Duong