

**ELECTRICITY OF VIETNAM
POWER GENERATION CORPORATION 2**

**EQUITIZATION PLAN
HOLDING COMPANY –
POWER GENERATION CORPORATION 2**



EVNGENCO 2





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LIST OF ABBREVIATIONS

LSH	Labor safety and hygiene
MOIT	Ministry of Industry and Trade
MOF	The Ministry of finance
MONRE	Ministry of Natural Resources and Environment
MOLISA	Ministry of Labor, Invalids and Social Affairs
IT	Information Technology
JSC.	Joint stock company
DO	Diesel oil
	Contract for design, supply of technology equipment
EPC	and construction
ERP	Enterprise resource planning
EVN	Vietnam Electricity Corporation
Corporation/EVNGENCO 2	Parent company - Power Generation Corporation 2
FO	Mazut oil
GDP	gross domestic product
BoD	Board of Directors
IMO	International Maritime Organization
IPO	Initial Public Offering
KPI	Key performance indicator
SAV	State Audit Office of Vietnam
	National Center for Socio-Economic Information &
NCIF	Forecasting
PVN	Vietnam Oil and Gas Group
PM	Prime Minister
VINACOMIN	Vietnam National Coal-Mineral Industry Group
	Commission for the Management of State Capital at
CMSC	Enterprises



I. BUSINESS PERFORMANCE PRIOR TO EQUITIZATION

1. Information about equitized enterprise

1.1. Name and address

Name in Vietnamese: TÔNG CÔNG TY PHÁT ĐIỆN 2
Name in English: POWER GENERATION CORPORATION 2
Abbreviated name: EVNGENCO 2
Address: 01 Le Hong Phong, Tra Noc Ward, Binh Thuy District, Can Tho City, Vietnam.
Phone: (84) - 292 - 2461507
Fax: (84) - 292 - 2227447
E-mail: evngenco2@gmail.com
Website: www.evngenco2.com

1.2. Legal documents on business establishment and operations

- Decision No.3024/QĐ-BCT dated June 01, 2012 of the Ministry of Industry and Trade on the establishment of Holding Company - Power Generation Corporation 2;
- Decision No.318/QĐ-EVN dated December 5, 2018 of Vietnam Electricity on approving organization and operation of Power Generation Corporation 2.
- Certificate of business registration No. 1800590430, registered for the first time on 13/04/2005; Registration for the ninth revision dated October 9, 2018; at Can Tho City Planning and Consulting.

1.3. Business lines

According to the Regulation on organization and operation of Power Generation Corporation 2 approved by Vietnam Electricity in Decision No. 318/QĐ-EVN dated December 5, 2018, EVNGENCO 2's business lines include:

- a) Major business lines:
- Power generating and trading;
 - Investing and managing investment of power generation projects, new and renewable energy projects;
 - Management, operation, repair, maintenance, overhaul, experiment, adjustment, renovation, upgrading electrical and mechanic, equipment, control, automation of power generation lines, electrical testing; chemical experiment; comprehensive technical inspection of electrical equipment and tools; electrical engineering;
 - Consulting on project management, consulting on project construction, consulting on tender documents and bid valuation; on total cost estimation; appraisal of design and total costs, providing service on construction supervision and project management of power generation and



transmission lines; synchronizing power generation projects; consulting on operation settlements for power plants;

- Training and developing human resources for management, operation, maintenance and repair of power plant equipment;

- b) Other businesses directly relating to major business lines:

- Construction and installation of power plant and transmission lines as well as construction works;

- Exporting and importing fuels, materials, and electrical equipment;

- Manufacturing construction materials, insulation materials, labor protection, labor safety equipment;

- Exploiting, processing and trading fuel, materials for power generation;

- Consulting project management, project design and feasibility study, consulting on tender documents and bid valuation; consulting on total cost estimation; appraisal of design and total costs, providing service on construction supervision and project management of communication – information technology projects, industrial and civil works;

- Lease of property, machinery and equipment;

1.4. Core Business

Power generation and trading.

1.5. Organization structure of EVNGENCO 2

Holding Company - Power Generation Corporation 2 is one member limited liability company, operating in the form of a Holding Company - subsidiary company, 100% chartered capital owned by Vietnam Electricity. EVNGENCO 2 was established on the basis of organizing Can Tho Thermal Power One Member Limited Company, dependent accounting power generation companies, Project Management Boards and taking over the ownership of State Capital at some power generation companies from the EVN.

EVNGENCO 2 operates under the Law on Enterprise, has its own legal status, registered unique seal, logo, charter, branches as well as representative offices in accordance with laws. EVNGENCO 2 can open account at State Treasury of Vietnam and bank accounts. EVNGENCO 2 runs business activities directly as well as invests in subsidiaries and affiliates.

The organizational and management structure of EVNGENCO 2 is shown in Figure 1, including: Board of Directors, President and Chief Executive Officer, Vice Presidents, Supervisor, Chief Accountant and Advisory Unit, as follows:

- Leaders of EVNGENCO 2 include of: Chairman and Members of the Board of Directors, one member of the Board of Directors concurrently acts as President and CEO; 03 Vice

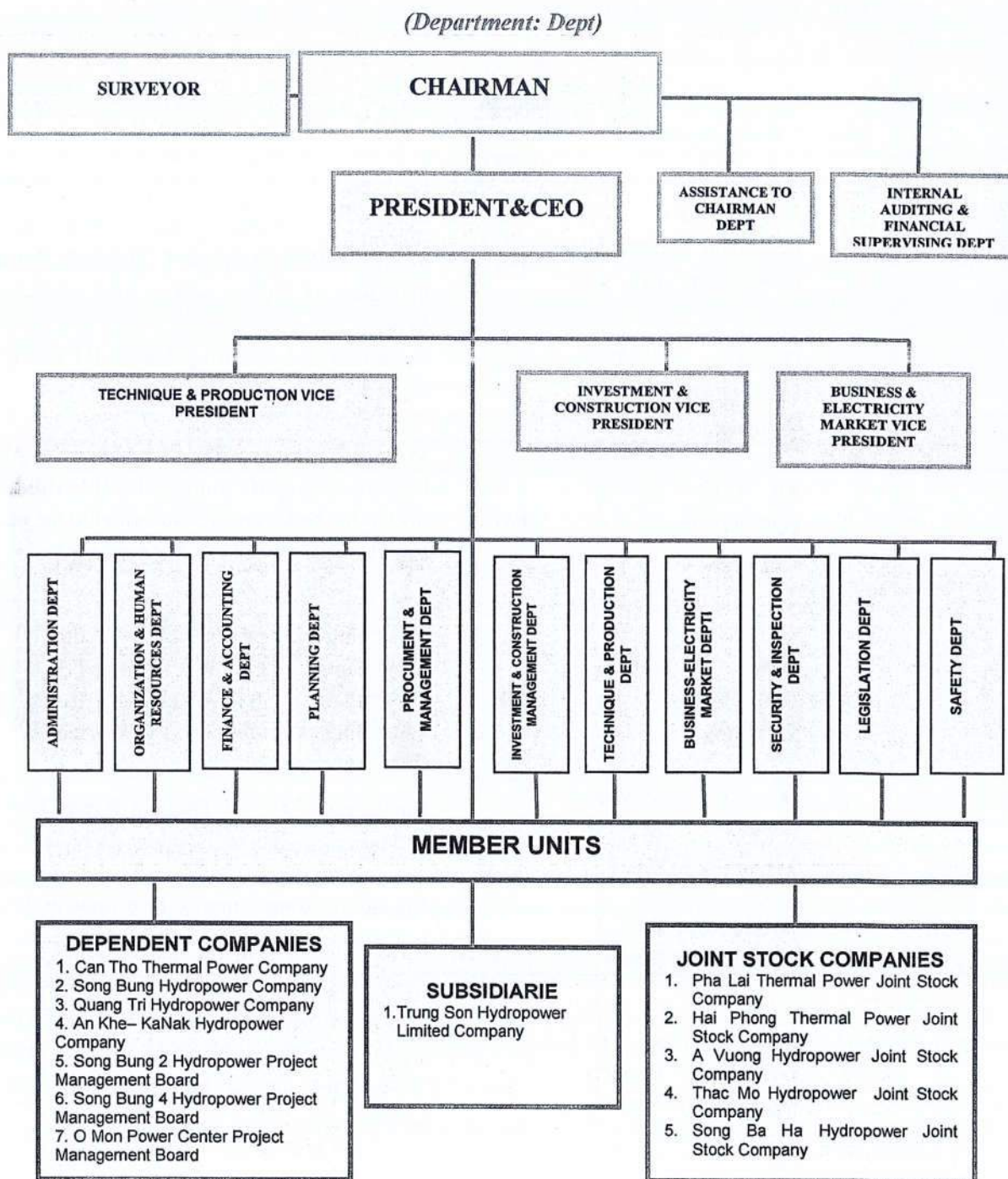


Presidents are respectively in charge of : Engineering - Production, Investment - Construction, Sales - Electricity Market; Supervisor; Chief accountant.

- Thirteenth functional departments, including: General Affairs Department; Internal Auditing and Financial Supervision Department; Office; Organization & Human Resource Department; Inspection & Security Department; Legal Department; Finance and Accounting Department; Planning Department; Technical and Production Department; Procurement & Management Department; Investment & Construction Management Department, Business Electricity Market Department; Safety Department.

On December 31st, 2019, EVNGENCO 2 is controlling:

- 07 dependent accounting subsidiaries, including of:
 - . 04 power generation units
 - . 03 project management boards
- 06 member companies:
 - . 01 member company with 100% chartered capital by EVNGENCO 2
 - . 05 member companies with over 50% chartered capital by EVNGENCO 2

Figure 1. Organization Chart of EVNGENCO 2 on December 31st, 2019

(Source: EVNGENCO2)





1.6.Subsidiaries of EVNGENCO 2

Table 1.List of subsidiaries of EVNGENCO 2 on December 31st, 2019

(Source:EVNGENCO2)

No.	Company Name	Install. Capacity (MW)	Remark
1	Can Tho Thermal Power Company	848	Managing and operating two plants: Can Tho Thermal Power having 5 units with total capacity of 188 MW; O Mon I Thermal Power Plant including of 2 units with a total capacity of 660 MW.
2	Quang Tri Hydropower Company	64	Managing and operating 2 units H1 and H2 with a capacity of 2 x 32 MW
3	An Khe- KaNak Hydropower Company	173	Managing and operating 2 hydropower plants: An Khe (including of 2 units H1, H2 with a capacity of 2 x 80 MW) and KaNak (including of 02 units H1, H2 with capacity of 2 x 6.5 MW)
4	Song Bung Hydropower Company	256	Managing and operating of two hydropower plants: Song Bung 2 (including of 2 units H1, H2 with a capacity of 2 x 50 MW) and Song Bung 4 (including of 2 units H1, H2 with capacity 2 x 78MW)
5	O Mon Power Center Project Management Board	-	Managing O Mon I Thermal Power Plant Project and other projects assigned by EVNGENCO 2
6	Song Bung 2 Hydropower Project Management Board	-	Managing Song Bung 2 Hydropower Project and other projects assigned by EVNGENCO 2.
7	Song Bung 4 Hydropower Project Management Board	-	Managing Song Bung 4 Hydropower Project and will be dissolved after completing the procedure of transferring the subject of loan contracts.All of staffs have moved to Song Bung Hydropower Company.
Total		1,341	



Table 2. List of Subsidiaries of EVNGENCO 2 on December 31st, 2019

No.	Company Name	Install. Capacity (MW)	Chartered capital (VND Bil.)	Capital by EVNGENCO 2 (VND Bil.)	Portion of EVNGENCO 2 (%)	Business
1	Trung Son Hydropower Limited Co.	260	902.814	925,257	100	Power generation
2	Pha Lai Thermal Power JSC.	1040	3,262.35	1.663.92	51	Power generation
3	Hai Phong Thermal Power JSC.	1200	5,000.0	2,550.00	51	Power generation
4	A Vuong Hydropower JSC.	210	750,52	634.65	87.45	Power generation
5	Thac Mo Hydropower JSC.	150	700.0	363.42	51.92	Power generation
6	Song Ba Ha Hydropower JSC.	220	1,242.25	767.41	61.78	Power generation
Total		3,080		6,882.214		

(Source: EVNGENCO 2)





2. Business performance 5 years prior to equitization

2.1 Fuel and materials

2.1.1. Hydropower:

Hydropower accounts for 30.1% of EVNGENCO 2's total capacity. Out of the advantage of exploiting and taking advantage of clean and environmentally friendly energy sources, hydropower plants heavily depends on climate factors and hydrological situation.

Due to climate change, El Nino phenomenon, prolonged drought, typically in 2019, the water level of hydropower reservoirs nationwide decreased, the output of hydropower plants felt down. Particularly, EVN's large scaled hydropower plants experienced output of 2019 decline of 16.3 billion kWh, most of the hydropower reservoirs were operating at low rate of water level, especially in the dry season. This severely affected power generation, revenue, profits of hydropower plants and companies.

Particularly, the water flow to hydropower reservoirs were less than the average value for many years, especially the KaNak, Song Bung 2, Song Bung 4, A Vuong hydropower reservoirs have the inflow frequency of 80% ~ 99%. Therefore, hydropower plants could run at very limited capacity, water was balanced for both power generation and irrigation for downstream.

2.1.2. Coal-fired power:

Fuel for coal-fired power plants: The major fuel used in coal-fired power plants is domestically exploited and imported, FO oil used for starting, burning with low load. In recent years, the national power system has faced many difficulties in enhancing power supply as well as stability and reliability of power system. The system of hydropower plants had experienced the output decline due to climate change, El Nino, the lowest inflow in the hydrological cycle ever. In addition, the decline in the capacity of natural gas from the South Con Son gas field also made the gas thermal power output fall down. To compensate for the shortage of electricity output of 2.9 billion kWh, EVN had to mobilize existing coal fired power plants to ensure the sufficiency of electricity supply. Due to such high demand for mobilizing coal-fired thermal power, in recent years, the amount of coal supplied to thermal power plants has not been sufficient enough for operation. Currently, coal-fired power accounts for 50.7%, the largest proportion of EVNGENCO 2's total installed capacity.

Having faced many difficulties in domestic coal production, at the request of Vinacomin and North Eastern Corporation, together with the direction by the Ministry of Industry and Trade, EVN, EVNGENCO 2's thermal power plants have completed signing annexes to the contracts with suppliers to change (swap) the ratio between domestic coal with blended/imported coal. Following instructions by EVN, EVNGENCO 2 has conducted the test on imported coal as well as the assessment on the risk of directly importing coal for thermal power plants in long term. The directly imported coal is continuously used at Hai Phong and Pha Lai Thermal Power





Plant; operation of boilers is usually monitored and verified; consultant companies and experts have been invited to evaluate economic-technical efficiency and compare with that one of using domestic, blended coal as well as to strictly assess slagging capacity of boilers.

In addition, in 2019, EVNGENCO 2 had considered and approved the rate/plan of fuel storage at coal and oil thermal power plants in order to relieve the current difficulty in fuel supply.

2.1.3. Oil thermal power:

Fuel for oil thermal power plants: The major fuel used in oil thermal power generation is FO/DO oil and DO oil is used for starting.

2.2 Technologies

2.2.1. Thermal Power Plants

Can Tho Thermal Power Company is managing, operating and repairing 02 plants with a total capacity of 848 MW including:

- Can Tho Thermal Power Plant includes of 5 units with a total capacity of 188.16MW:

- ✓ Date of commissioning:
 - Unit S4: 1974;
 - Units GT1, GT2: 1999;
 - Units GT3, GT4: 1996.
- ✓ Installed capacity:
 - Unit S4: 33 MW
 - Units GT1, GT2: 2 x 38,48 MW
 - Units GT3, GT4: 2 x 39,1 MW
- ✓ EPC contractor:
 - Unit S4: Hitachi
 - Units GT1, GT2: Alstom
 - Units GT3, GT4: Gec Alstom
- ✓ Latest Overhaul :
 - Unit S4: 20/08/2000
 - Unit GT1: 24/06/2004
 - Unit GT2: 25/09/2005
 - Unit GT3: 18/03/2004
 - Unit GT4: 12/11/2004

- O Mon I Thermal Power Plant includes of 02 units with total capacity of 660MW:

- ✓ Date of commissioning:
 - Unit S1: 2009
 - Unit S2: 2015





- ✓ Installed capacity: - Unit S1 and S2 2 x 330 MW
- ✓ EPC contractor: - Unit S1: Mitsubishi
- Unit S2: Daelim Sojizt Consortium
- ✓ Latest overhaul: - Not conducted yet

2.2.2. Coal Fired Thermal Power Plants

- Pha Lai Thermal Power JSC. Has 02 power plants with 06 units
 - ✓ Date of commissioning: - S1: 1983; S2: 1984; S3: 1985; S4: 1986.
- S5: 2002; S6: 2003.
 - ✓ Capacity: - Designed: 110 MW x 04 and 300 MW x 02
 - ✓ EPC contractor: - Pha Lai 1: Former Soviet Union
- Pha Lai 2: SUMITOMO CONSORTIUM
 - ✓ Latest overhaul: - Unit S1: 13/08/2016
- Unit S2: 20/06/2017
- Unit S3: 19/07/2018
- Unit S4: 01/09/2018
- Unit S5: 01/09/2016
- Unit S6: 15/08/2017
- Hai Phong Thermal Power JSC. operates 04 units
 - ✓ Date of commissioning: - S1, S2: 2011
- S3, S4: 2014
 - ✓ Capacity: - Designed: 300 MW x 04
- Available: 1.200 MW
 - ✓ EPC contractor: - DONGFANG/MARUBENI
 - ✓ Latest overhaul: - Unit S1: 01/08/2019.
- Unit S2: 01/08/2016.
- Unit S3: 01/08/2017.
- Unit S4: 01/09/2018.

2.2.3. Hydropower Plants:

- Quang Tri Hydropower Company operates 02 units.
 - ✓ Date of commissioning: 2007
 - ✓ Capacity: - Designed: 32 MW x 2
- Available: 64 MW
 - ✓ EPC contractor: East China Investigation and Design Institute





(ECIDI).

- ✓ Latest overhaul :
 - Unit H1: 01/08/2018
 - Unit H2: 18/11/2017

- An Khe – KaNak Hydropower Company operates 02 hydropower plants:

- ✓ Total capacity:
 - Designed: 173 MW
 - Available: 173 MW

Of which:

- (i) An Khe Hydropower Plant includes of 02 units H1, H2

- ✓ Installed capacity: 2 x 80 MW
- ✓ Date of commissioning: 2011
- ✓ EPC contractor: Dongfang Electric Corporation (DEC)

- (ii) KaNak Hydropower Plant includes of 02 units H1, H2

- ✓ Installed capacity: 2 x 6,5 MW
- ✓ Date of commissioning: 2012
- ✓ EPC contractor: Vietnam Electronics and Informatics Joint Stock Corporation (VEC)

- ✓ Latest overhaul :
 - Unit H1– An Khe: 19/07/2019
 - Unit H2 – An Khe: 16/07/2020
 - Unit H1 – Ka Nak: 09/05/2018
 - Unit H2 – Ka Nak: 28/06/2019

- Song Bung Hydropower Company operates 02 plants

- ✓ Capacity:
 - Designed: 256 MW
 - Available: 256 MW

Of which:

- (i) Song Bung 2 Hydropower Plant operates 02 Unit H1,H2

- ✓ Date of commissioning: 2018
- ✓ Installed capacity: 50 MW X 02
- ✓ EPC contractor: Dongfang Electric Corporation (DEC)
- ✓ Latest overhaul: Not conducted, yet

- (ii) Song Bung 4 Hydropower Plant operates 02 units H1,H2

- ✓ Date of commissioning: 2014
- ✓ Installed capacity: 78 MW x 02
- ✓ EPC contractor: Consortium of Hydrochina Huadong –



- Alstom Tianjin.
- ✓ Latest overhaul:
 - Unit H1: 01/07/2019 (first time)
 - Unit H2: 05/07/2020 (first time)
 - A Vuong Hydropower JSC. operates 02 units.
 - ✓ Date of commissioning: 2008
 - ✓ Capacity:
 - Designed: 105 MW x 2
 - Available: 210 MW
 - ✓ EPC contractor: - Sumitomo – Japan
 - ✓ Latest overhaul:
 - Unit H1: 01/04/2019
 - Unit H2: 01/04/2014
 - Song Ba Ha Hydropower JSC. operates 02 units
 - ✓ Date of commissioning: 2009
 - ✓ Capacity:
 - Designed: 110 MW x 02
 - Available: 220 MW
 - ✓ EPC contractor: - Dongfang Electric Corporation (DEC)
 - ✓ Latest overhaul:
 - Unit H1: 08/05/2014
 - Unit H2: 20/07/2019
 - Thac Mo Hydropower JSC. operates 02 units
 - ✓ Date of commissioning: - 1995
 - ✓ Installed capacity:
 - Designed: 75 MW x 02
 - Available: 150 MW
 - ✓ EPC contractor: - Ukrainian Institute of Design and Architecture Survey
 - ✓ Latest overhaul:
 - Unit H1: 13/02/2019
 - Unit H2: 07/01/2018
 - Trung Son Hydropower One member limited liability company operates 04 units
 - ✓ Date of commissioning: - 2017
 - ✓ Capacity:
 - Designed: 65MW x 04
 - Available: 260 MW
 - ✓ EPC contractor: - Consortium of Hydrochina Corporation (Hydrochina) - Toshiba Hydropower (Hangzhou) Co.Ltd.
 - ✓ Latest overhaul: - Not conducted, yet

2.3 Quality control

Holding company-EVNGENCO 2 is currently applying the quality control system ISO 9001: 2015.





Quality Management Departments at the holding company and subsidiaries have established a Steering Committee for quality management system in accordance to standards ISO 9001: 2015.

2.4 Market development and marketing:

2.4.1. Competitive electricity market:

Bidding and participating in the electricity market: EVNGENCO 2's subsidiaries always comply with the regulations of the electricity market, take advantage of technical specification of each power plant in balancing among hydrological situation, downstream water supply requirement, the need of load increasing, marginal tariff of the market, the contracted electricity output Q_c , the P_c tariff to offer the power tariff for maximizing generation output, over the contracted Q_c (when the market price is higher than variable cost of coal-fired thermal power) and optimizing water resource utilization efficiency and overall incomes of Corporation.

EVN and its subsidiaries are holding the largest proportion of power source accounting for nearly 55% of the total national installed capacity, Vietnam Oil and Gas Group (PVN) and Vietnam National Coal – Mineral Industries Holding Corporation Limited (TKV) are the two largest independent power generation producers in Vietnam. EVN and PVN and TKV are together the 3 pillars of the power sector, accounting for 66% of total national installed capacity. In addition, an indispensable part is domestic and foreign investors, accounting for more than 34% of the power source structure, thereby a competition in power generation between EVN's power generation corporations (EVNGENCO 1, EVNGENCO 2, EVNGENCO 3) and power corporations of PVN, TKV and other plants has taken place. EVNGENCO 2 accounts for 8% of the total national installed capacity.

2.4.2. Electricity market operations:

Except for Can Tho - O Mon Thermal Power Plant which provides ancillary services, all power plants under EVNGENCO 2 participate in directly bidding in the electricity market, comply with the operation regulations of the electricity market and are very actively in operation, as follows:

- Comply with the regulations of the electricity market, take advantage of technical specification of each power plant in balancing among hydrological situation, downstream water supply requirement, the need of load increasing, marginal tariff of the market, the contracted electricity output Q_c , the P_c tariff to offer the power tariff for maximizing generation output, exceeding the contracted Q_c (when the market price is higher than variable cost of coal-fired thermal power) and optimizing water resource utilization efficiency and overall incomes of Corporation
- Research and develop an effective bidding strategy to actively mobilize and effectively utilize the power plants.
- Actively arrange repairment methods, improve the reliability of equipment and systems, enhance stable production.





- Invest in equipment and training, developing human resources to be ready to participate in the wholesale electricity market in accordance with roadmap approved by Government.

2.5 Trade marks, registered patent and copyright

EVNGENCO 2's trademark is registered and managed uniformly in line with commercial trademark system of Vietnam Electricity in accordance with EVN's corporate governance regulations.

Full name in Vietnamese:	TỔNG CÔNG TY PHÁT ĐIỆN 2 - CÔNG TY CỔ PHẦN
Name in Vietnamese:	TỔNG CÔNG TY PHÁT ĐIỆN 2
Name in English:	POWER GENERATION JOINT STOCK CORPORATION 2
Abbreviation name:	EVNGENCO 2
Website:	www.evngenco2.vn
Email:	evngenco2@gmail.com

Logo :



EVNGENCO 2

TỔNG CÔNG TY PHÁT ĐIỆN 2



EVNGENCO 2





2.6 Major contracts being in valid

Table 3. List of major contracts being in valid

No.	Contract	Contractor	Valid term	Remark
I-Contracts of goods and service procurement				
1	Package No. 17 (XL-05): "Technical design and construction and engineering works of dams and spillways"	Consortium of Irrigation Construction Joint Stock Company I and Irrigation Construction Consultancy Joint Stock Company II	- 22 months of construction (From June 21, 2019 to April 20, 2021) -2 months for settlement A-B	Fixed unit price contract
2	Package No. 18 (XL-06): "Designing construction drawings and construction and installation of water intakes, canals, water tunnels and outlets"	Consortium of Lung Lo Construction Corporation - Hydropower Consulting and Construction Investment JSC.- Construction and Consulting Co. Ltd. 23	- 22 months of construction (From April 22, 2019 to February 21, 2021) - 2 months for settlement A-B	Fixed unit price contract
3	Supplying ancillary mechanical – thermal materials phase 1- for power production of Can Tho - O Mon Thermal Power Plant	Phuc Khang Materials Trading Co., Ltd.	for 6 months (From March 23, 2020 to September 23, 2020)	Package Contract
II-Power Purchase Agreement (long term)				
1	PPA No. 01/2013/HD-NMĐAK	An Khe-Ka Nak Hydropower	signed on June 27,	Power purchase





		company	2013	agreement
2	PPA No. 05/2018/HD-NMĐ-SB2	Song Bung 2 Hydropower company	signed on May 15, 2018	Power purchase agreement
3	PPA No. 01/2015/HD-NMĐ-TĐ Song Bung 4	Song Bung 4 Hydropower company	signed on May 05, 2015	Power purchase agreement
4	PPA No. 01/2013/HD-NMĐ-TĐ QUANG TRI	Quang Tri Hydropower company	signed on June 27, 2013	Power purchase agreement
5	Can Tho Power Plant Development Service Contract No. 01/2020/DVPT/NMNĐCANT HO-EVN	Can Tho Thermal Power Company	signed on June 22, 2020	Ancillary service contract
6	O Mon I Power Plant Development Service Contract No. 01/2020/DEP'T/NMNĐOMI-EVN	Can Tho Thermal Power Company	signed on June 22, 2020	Ancillary service contract

2.7 Human resource classification and current status

The list of employees, the full-time representative of EVNGENCO 2 in another enterprises at the time of valuation of equitized enterprise are 855 persons, the staff structure is classified in the following table:



Table 4. Classification of employees at the time of valuation of equitized enterprise

ID.	Criteria	Number (person)	Portion
I	Classified by labor skills	855	100%
1	Postgraduate and university degrees	551	64.5%
1.1	<i>Postgraduate degrees</i>	53	6.2%
1.2	<i>University degrees</i>	498	58.3%
2	College and intermediate degrees	126	14.7%
3	Other qualifications	178	20.8%
3.1	<i>Employees who have been trained through technical schools, vocational training, title training, and on-site jobs.</i>	178	20.8%
3.2	<i>Number of untrained employees</i>	-	
II	Classified by labor contract	855	100%
1	Indefinite term labor contract	819	95.8%
2	Labor contract with term from 12 to 36 months	35	4.1%
3	Labor contract with term of less than 12 months or seasonal	1	0.1%
III	Classified by gender	855	100%
1	Male	722	84.4%
2	Female	133	15.6%

Every year EVNGENCO 2 organize training programs focused improving business management capability, technical management, professional qualifications, as well as enhancing economic management, corporate governance, corporate culture ... Employees are facilitated to participate in short-term professional skill training courses, after fulfilment such courses they are arranged to work with their professional expertise and hence optimize their knowledge for achieving higher performance.

The employees are trained on political theory and many of them have been attended the senior, intermediate political theory class in order to build up a team of leaders with strong political point of view, comprehensive knowledge of Communist Party's policies as well as of laws, thereby fulfill qualification standards as prescribed.

The positions of plant operation are periodically trained, tested in theory and practice of operation procedures, electrical safety management procedures, work safety and health



protection-fire prevention, other professional procedures, etc...; The technical workers who are in charge of operation and repairment are trained and tested for upgrading skills to meet regulations of EVNGENCO 2/subsidiaries. From that, quality of training programs have been reviewed and improved and planned, the workers are arranged and employed in suitable positions in operation procedures and enhance their high performance.

2.8 Land use situation before equitization

Currently, EVNGENCO 2 is managing and using land areas with a total area of 6,956,853.2 m², most of these areas belong to hydropower projects. Details are in **Appendix 1 attached**.

Table 5. Land use situation before equitization

Form of use	Company	Location	Current situation	Area (m ²)	Term of valid
Annual lease payment	Power Generation Corporation 2 and Can Tho Thermal Power Company	Thoi Loi, Phuoc Thoi, O Mon district, Can Tho	O Mon I Thermal Power Plant	477,488	50 years
		Area 1, Tra Noc ward, Binh Thuy district, Can Tho	O Mon I Thermal Power Plant Management and Repairment Area	75,419.9	50 years
		01 Le Hong Phong Street - Tra Noc Ward, Binh Thuy District - Can Tho City	Headquarters of Power Generation Corporation 2 and Can Tho Thermal Power Company	74,921	13 years
	Trung Son Hydropower Limited Company	Trung Son Commune, Quan Hoa District, Thanh Hoa Province	Plant, dam, shift rest house, PMU's and operation office, internal roads	1,066,068.07	34 years
	An Khe - KaNak Hydropow	Tay Son district, Binh Dinh province	Land for construction of An Khe - KaNak hydropower plant	517,587.5	50 years





	er company	An Khe town, Gia Lai province	- An Khe hydropower plant; + An Khe water intake cluster: office; living houses; operation station; + An Khe cluster: office; living house; guard station; operation station	609.270	50 years
		Kbang district, Gia Lai province -	- KaNak hydropower plant: office; living house; guard station; operation station; water intake; spillway dam operator; hydroelectric plant	435,035	50 years
	Song Bung 2 Hydropower Company	Nam Giang district, Quang Nam province	Construction land and roads	608,527.1	50 years
		Nam Giang district, Quang Nam province,	Land for building pressure regulator tower, valve house, pressure pipe, plant, power distribution station; PMU's office combined management and operation; pillar foundation of 35 kV main line for construction power supply - Song Bung 2 hydropower plant project	184,880.2	50 years





		Nam Giang district, Quang Nam province	Land used for spillway, surge dam, diversion tunnel, and water intake gate; foundations for turning 35 kV lines and transformer stations	322,515.4	50 years
	Song Bung 4	Nam Giang district, Quang Nam province	Main dam area and Song Bung 4 hydropower plant	1,068,987	50 years
	Hydropower Company	Nam Giang district, Quang Nam province	Song Bung 4 Hydropower Plant Management and Operation Area	36,551.9	50 years
	Quang Tri Hydropower Company	Street 8, Ward 5, Dong Ha City, Quang Tri Province	Head office of Quang Tri Hydropower company	4,844	50 years
		Khe Sanh town, Huong Hoa district, Quang Tri province,	Operation house of Quang Tri Hydropower Company	21,181	37 years
		Tan Hop commune, Huong Hoa district, Quang Tri province,	Energy channel and Quang Tri Hydropower Plant	218,890.8	50 years
		Huong Hoa district, Quang Tri province	The cluster area of Quang Tri irrigation and hydropower project	876,975	40 years





	O Mon Power Center Project Management Board	Cong Hai Commune, Thuan Bac District, Ninh Thuan Province	Land for operation house and 03 turbine pillars foundations; Pillar foundations, power poles of medium voltage transmission lines of Cong Hai 1 - Phase 1 wind power project	2,824.9	30 years
Allotted land with collection of land use fees	An Khe - KaNak Hydropower Company	No. 125, Tay Son, Quang Trung, Quy Nhon City, Binh Dinh Province	Head office of An Khe-KaNak Hydropower Company	1,905.8	50 years
	Song Bung Hydropower Company	No. 143, Xo Viet Nghe Tinh Street, Ward Khue Trung, Cam Le District, Da Nang	The headquarters of Song Bung Hydropower Company; Song Bung 2 Hydropower Project Management Board; A Vuong Hydropower Joint Stock Company	2,594.6	Long term
Allotted land without land use fee	Quang Tri Hydropower Company	Huong Hoa District, Quang Tri Province	Area of rivers, canals and streams (the cluster area of Quang Tri irrigation and hydropower)	24,106	To Dec. 08, 2056
	Song Bung 4 Hydropower Company	Nam Giang District, Quang Nam Province	Road to the Plant and the road to the resettlement site	326,280	to Jul. 09, 2058

Note:

(*) For hydropower reservoir area:

- An Khe reservoir with an area of 5,331,440 m² and KaNak reservoir with an area of 16,782,000 m² were assigned by Gia Lai Provincial People's Committee to An Khe -KaNak Hydropower Company according to Decision No. 103/QD-UBND dated August 9, 2013 and





Decision No. 102/QĐ-UBND dated July 30, 2013 in the form of land allocation (not issuing Certificate of land use right).

- Song Bung 4 hydropower reservoir area with an area of 15,006,655,3 m² and river-bed land of Song Bung 2 hydropower reservoir with an area of 2,457,410.3 m² (including area in Nam Giang district is 1,259,062.3 m² and Tay Giang district is 1,198,348 m²), Song Bung Hydropower Company and Song Bung 2 Hydropower Project Management Board, a branch of EVNGENCO 2 have signed land lease contracts with Quang Nam province for a term of 50 years. Quang Nam Provincial Department of Taxation issued Decision 907/QĐ-CT and 908/QĐ-CT dated February 27, 2015, exempting the land and water surface fee for Song Bung 2 Hydropower Project Management Board for 18 years, and Decision 6969/QĐ-CT dated 22/10/2015 exempted the water surface fee for the PMU of Song Bung 4 Hydropower Project with a period of 15 years.

Currently, following the direction of the Ministry of Natural Resources and Environment in Document 4712/BTNMT-TCQLĐĐ dated September 18, 2019 and the Vietnam Electricity in Document No. 5081/EVN-KH dated September 24 2019 on guidelines for implementing the management of hydropower reservoirs, EVNGENCO 2 has issued Document 3844/EVNGENCO 2-KH dated December 27, 2019 requiring hydropower plants to coordinate with local authorities for agreement on not assigning/leasing of reservoir area and completing necessary legal procedures related to the management and use of hydropower reservoir area.

3. Business performance prior to equitization, 2015-2019

3.1 Power generation output and revenue, 2015-2019

Table 6. Power generation output and service revenue in 5 years prior to equitization

Criteria	Unit	2015	2016	2017	2018	2019	Proportion on revenue				
							2015	2016	2017	2018	2019
Power generation	mil. kWh	1,114	2,100	1,831	1,540	1,857					
Hydropower	mil. kWh	992	1,195	1,806	1,411	838					
Oil thermal power	mil. kWh	122	904	25	129	1,019					
Revenue	VND Bil.	3,082	5,222	4,179	4,424	6,778					
- Power generation revenue		2,540	4,242	3,161	3,423	5,389	82%	81%	76%	77%	80%
- Financial revenue		499	960	999	982	1,368	16%	18%	24%	22%	20%





- Other revenue		43	20	19	19	21	1%	0%	0%	0%	0%
Expenses	VND Bil.	3,017	5,111	3,061	3,553	5,467					
- Power generation expenses		2,426	4,111	2,706	2,941	5,827					
- Financial expenses		549	980	337	594	(375)					
- Other expenses		42	20	18	18	15					
Income	VND Bil.	65	111	1,118	871	1,311	2%	2%	27%	20%	19%
- Power generation income		114	132	455	482	(438)	4%	3%	11%	11%	-6%
- Financial income		(50)	(20)	663	387	1,743	-2%	0%	16%	9%	26%
- Other income		1	(0)	1	1	6	0%	0%	0%	0%	0%

3.2 Financial and business performance prior to equitization

According to the characteristics of the electricity industry, especially the hydroelectric companies, business results largely depend on weather factors and the hydrological situation. Therefore, to reflect and fully evaluate the business performance of power generation companies, it is necessary to monitor for a long enough cycle, usually 5 years.



Table 7. Financial and business performance, 2015-2019

ID.	Criteria	Unit	2015	2016	2017	2018	2019
1	The total of assets	VND Bil.	34.481	33.622	32.972	31.003	30.129
2	State owned capital in the accounting books	VND Bil.	11.476	11.507	11.842	12.133	12.003
3	Short-term debt	VND Bil.	2.845	2.066	1.951	1.779	1.803
4	Long-term debt	VND Bil.	19.095	19.009	17.671	16.178	14.748
6	Total Employees	người	895	1.019	928	865	871
6	Total payroll	VND Bil.	207,646	229,531	279,071	262,747	110,978
7	Average income per person/month	1,000 VND	19,333	18,770	25,060	25,312	10,617
8	Major products						
	Power output	Mil. kWh	1,114	2,100	1,831	1,540	1,857
	Commercial power output	Mil. kWh	1,098	2,039	1,816	1,515	1,797
9	Revenue	VND Bil.	3,082	5,222	4,179	4,424	6,778
10	Expenses	VND Bil.	3,024	5,111	3,061	3,553	5,467
11	Income	VND Bil.	65	111	1,118	871	1,311





ID.	Criteria	Unit	2015	2016	2017	2018	2019
12	Income after tax	VND Bil.	65	111	1,118	871	1,311
13	Income after tax/ State owned capital	%	0.6	1.0	9.4	7.2	10.9
14	Current solvency rate		0.77	1.09	0.93	1.32	1.13
15	Liabilities/Equity Ratio		2.03	1.91	1.78	1.57	1.65

Source: EVNGENCO 2

Note:

- According to the data after the financial settlement of the State Audit Office of Vietnam (SAV) in Document 21/KTNN-TH, the total actual value of the State owned capital in the enterprise after excluding the exchange rate differences in 2019 is: 11,866,443,676,275 VND
- Total Employees are average employees of each year.

3.2.1. Equity:

At Decision No. 3024/QĐ-BCT dated June 1, 2012 of the Ministry of Industry and Trade on the establishment of the Holding company - Power Generation Corporation 2, it is decided to assign Chartered capital to the Holding company in accordance with relevant laws and regulations, after getting agreement between of Ministry of Industry and Trade and Ministry of Finance. Chartered capital on the Business Registration Certificate of EVNGENCO 2, first issued on April 13, 2005, and registered for the 6th change on November 11, 2013, is: VND 10,952 billions.

- Up to December 31, 2014, State owned capital (invested capital of EVN) at EVNGENCO 2 was VND 11,047 billions, equity was VND 11,461 billions;
- In 2015, at Decision No. 195/QĐ-EVN dated November 2, 2015, EVN decided to allow the Corporation to increase its chartered capital from VND 10,952 billions to VND 11,702 billions, in which it was allowed to use VND 524 billions retaining profit of 2014 of the Holding company which would be remitted to EVN and investment and development funds of VND 226 billions to increase capital and enhance financial situation of EVNGENCO 2.



- As of December 31, 2016, the State owned capital (investment capital of EVN) at EVNGENCO 2 was VND 11,507 billions, the equity was VND 11,562 billions.
- At Decision No. 318/QĐ-EVN dated December 5, 2018 of Vietnam Electricity on approving the Charter on organization and operation of Power Generation Corporation 2, replacing Decision No. 258/QĐ -EVN dated September 25, 2018 of the Board of Directors of Vietnam Electricity, accordingly Chartered capital of EVNGENCO 2 as of December 31, 2017 was VND 11,844 billions.
- As of December 31, 2018, the State owned capital (investment capital of EVN) at EVNGENCO 2 was VND 12,133 billions, the equity was VND 12,071 billions.

3.2.2. Debt/equity ratio:

When Vietnam Electricity handed over capital and assets to EVNGENCO 2 (January 1, 2013), the ratio of liabilities to equity was 2.76 times. Liabilities/Equity ratio of the Parent Company were enhanced less than 3 times, EVN's investment capital at EVNGENCO 2 had been fully preserved.

3.2.3. Profitability:

In Decision No. 153/QĐ-EVN dated May 23, 2018 of EVN on approving the business and development plan for the period 2016-2020, the rate of return on equity (ROE) $\geq 5\%$ (excluding the exchange rate difference). The ROE ratios of EVNGENCO 2 in 2016, 2017, 2018, 2019 were 1.0%, 9.4%, 7.2%, 10.9%, respectively. In recent years, there has been a increase in profit which resulted from the factors mentioned in the listed in section IV below.

4. Factors affecting production and performance of EVNGENCO 2:

The business performance of hydropower plants totally depends on hydrological factors.

In the years 2015 - 2019, the business results of EVNGENCO 2 were profitable.

Particularly in 2015, the increased exchange rate difference and the long-lasting effects of the El Nino phenomenon made output and performance of the hydropower plants lower than the targeted plan.

On November 6, 2015, the Corporation sent Document No. 3589/GENCO2-TCKT to EVN and Document No. 4340/GENCO2-TCKT dated December 30, 2015 to the Department of Enterprise Finance, Ministry of Finance on settling exchange rate differences in 2015 to allocate reassessed exchange rate differences of 2015 within 5 years due to the sudden increase in exchange rate in 2015 causing reassessed exchange rate difference loss up to VND 588 billions at the Holding company and VND 911 billions at joint stock companies. According to Official Letter No. 2239/VPCP-KTTH of the Head of the Government Office on agreeing to the proposal for settling exchange rate differences for re-assessment of foreign currency items at the end of 2015 of Vietnam Electricity at the Official Letter No. 3003/BTC/TCĐN of the Ministry of Finance dated March 8, 2016, exchange rate difference losses due to reassessment of balance at the end of accounting/fiscal year of original long-term foreign currency debts as of December 31,



2015 was recorded in the item “exchange rate difference”, instead of financial expenses. At the same time, Official Letter No. 2239 also agreed with the request of Official Letter 3003 to allow the Corporation to continue to allocate the accumulated exchange rate difference loss of foreign currency items until December 31, 2014 within 5 years (2015 to 2019). The Board of Management of the Corporation decided to apply the recognition of exchange rate differences as guided in Circular 179/2012/TT-BTC dated 24/12/2012, Official Letter 3003/BTC/TCND of the Ministry of Finance dated 08/3/2016 and Official Letter 2239/VPCP-KTTH of the Head of the Office of the Government.

Profit of 2017, 2018, 2019 was fluctuated due to the following factors:

- In 2017: According to EVNGENCO 2's 2017 Performance Report, in 2017, the water inflows to hydropower reservoirs were higher in compared to the average level of many years, therefore hydropower plants of EVNGENCO 2 were mobilized at maximum. Total power generation of hydropower plants reached 146.25% of the targeted plan, increased by 64.05% in compared to that one of 2016. Thanks to the sudden increase in hydropower revenue, while expenses were not increased proportionally, profit of power generation of EVNGENCO 2 in 2017 reached VND 350,791 billions, equivalent to 252% of the targeted plan

- In 2018: The adjustment of original cost of assets according to investment costs resulted in changes of accumulated depreciation, and reduced expenses of VND 309,842 billions. According to the opinion of the SAV on determining value of equitized enterprise in 2017 according to Decree 59/2011/ND-CP, EVNGENCO2 booked the adjustment of depreciation expenses reduction and hence profit of power generation had been increased in 2018.

- In 2019: Unrealized foreign exchange difference losses (reassessed exchange rate difference) were retrospectively accounted into business outcomes according to the provisions of Clause 3, Article 17 of Decree No. 126/2017/ND-CP, and according to opinions of the SAV on determining value of equitized enterprise in 2018, hence profit of power generation had been increased to VND 613,290 billions in 2019.

Currently, EVNGENCO 2 is running a large foreign currency debt balance. Given such large amount, risk of exchange rate would strongly affects financial expenses. However, the biggest pressure in 2015 with the loss from exchange rate difference of VND 1,499 billions (of which VND 588 billions belonged to the holding company and VND 911 billions belonged to the joint stock companies) has been allocated within 5 years as proposed by EVNGENCO 2 and approved by the Ministry of Finance.





Table 8. List of foreign currency loans of EVNGENCO 2

Unit: VND

Project	Nominated Currency	Balance on December 31st, 2019	Interest Rate
An Khe - Kanak Hydropower Plant	USD	662,988,786,067	Floating
Quang Tri Hydropower Plant	JPY	40,203,503,206	Fixed
Quang Tri Hydropower Plant	JPY	157,629,419,139	Fixed
Song Bung Hydropower Plant 4	USD	3,984,360,063,651	Floating
Ankhe-Kanak Hydropower Company	USD	50,646,061,332	Floating
	SDR	191,420,486,160	Floating
Song Bung 2 Hydropower Project Management Board	USD	929,188,385,000	Floating
	JPY	950,925,838,800	Floating
Can Tho Thermal Power Company			
O Mon 1 Thermal Power Plant - Unit 1	JPY	11,225,383,452	Fixed
O Mon 1 Thermal Power Plant - Unit 1	JPY	95,525,668,416	Fixed
O Mon 1 Thermal Power Plant - Unit 1	JPY	234,364,129,986	Fixed
O Mon 1 Thermal Power Plant - Unit 1	JPY	1,404,239,699,988	Fixed
O Mon 1 Thermal Power Plant - Unit 1	JPY	1,982,048,088,485	Fixed
O Mon 1 Thermal Power Plant - Unit 1	JPY	575,314,307,369	Fixed
O Mon 1 Thermal Power Plant - Unit 2	JPY	3,812,124,362,528	Fixed





O Mon 1 Thermal Power Plant - Unit 2	JPY	1,717,224,684	Fixed
O Mon 1 Thermal Power Plant - Unit 2	JPY	1,177,077,290,653	Fixed

With foreign currency loan balance at December 31, 2019 was about VND 16,261 billions, the risk of exchange rate faced by EVNGENCO 2 in the first years after equitization would be still high, equivalent to VND 100 billions to VND 200 billions, corresponding to the annual VND/USD exchange rate increase by 1%/year and VND/JPY exchange rate increase by 2%/year.



**III. ENTERPRISE VALUATION AND ISSUES TO BE DEALT WITH****1. The actual value of equitized enterprise and State owned capital (investment capital of EVN)**

Pursuant to Decision No. 282/QD-UBQLV dated on December 28th, 2018 of Commission for the Management of State capital at Enterprises on equitization of the Holding Company - Power Generation Corporation 2. The date of enterprise valuation is at 0:00 on January 1st, 2019.

Pursuant to Decision No. 150/QD-UBQLV dated on March 30th, 2020 of Commission for the Management of State capital at Enterprises on approving the results of enterprise valuation for equitization of Holding company - Power Generation Corporation 2 under Vietnam Electricity. The value of enterprise is determined as follows:

Table 9. The actual value of enterprise and of the State owned capital (investment capital of EVN)

<i>Unit: VND</i>		
No.	Items	Value
1	The actual value of enterprise	46,102,241,909,599
2	The actual value of State owned capital (investment capital of EVN) at enterprise	26,605,439,524,772
3	Assets were not included in the enterprise value	5,694,156,764

- **Remarkable issues:** Regarding enterprise value, some notable issues are as follows:
 - Assets excluded from enterprise value were: fixed assets which were invested by the welfare fund with the value: VND 5,694,156,764.

Table 10. Result of determining the enterprise's asset value at 0:00 on January 1, 2019

<i>Unit: VND</i>		
ID.	Items	The actual value
A.	Property in use	46,102,241,909,599
I.	Long-term assets	41,861,889,316,894
1.	Fixed assets	28,816,609,013,507
1.1	- Tangible fixed assets	28,816,409,952,006
1.1.1	House, architect objects	14,849,217,271,551
1.1.2	Equipment, devices	13,431,464,929,632



1.1.3	Transportation vehicles	196,896,791,971
1.1.4	Management equipment	338,814,232,352
1.1.5	Other fixed assets	16,726,500
1.2	- Intangible fixed assets (not including the value of land use rights)	199,061,501
2.	Unfinished long-term assets	142,230,061,668
3.	Long-term financial investments	12,442,631,428,261
4.	Long-term receivables	135,303,216,953
5.	Other long-term assets	325,115,596,504
II.	Short-term assets	3,971,835,573,787
1.	Cash and cash equivalents	1,467,895,136,865
2.	Receivables	1,799,018,461,556
3.	Inventory	660,385,346,983
4.	Other current assets	44,536,628,383
III.	Goodwill	141,956,835,226
1.	Brand name value	24,702,094,375
2.	Value of potential development	117,254,740,851
IV.	Land use rights	126,560,183,693
B.	Property not in use	-
C.	Assets awaiting for liquidation	-
D.	Assets formed from the welfare fund	5,694,156,764
	TOTAL ACTUAL VALUE OF ASSETS (A + B + C + D)	46,107,936,066,363
	In which:	
	ACTUAL VALUE OF ENTERPRISE (Section A)	46,102,241,909,599
E.	LIABILITIES	20,177,783,385,215
E1	Actual Liabilities	20,172,089,228,451
E2	Undistributed profits using to offset the rejected assets	-



E2	Welfare fund invested in fixed assets	5,694,156,764
F	TOTAL ACTUAL VALUE OF STATE CAPITAL IN THE ENTERPRISE {A-E1}	<u>25,930,152,681,148</u>
G	Exchange rate differences (*)	(675,286,843,624)
H	TOTAL ACTUAL VALUE OF STATE CAPITAL IN THE ENTERPRISE EXCLUDED EXCHANGE RATE DIFFERENCE {F- G} (**)	26,605,439,524,772

2. Issues to be dealt with

According to Article 4 of Decision 150/QĐ-UBQLV dated March 30, 2019, the issues that need to be solved before officially transforming into joint stock company are as follows:

2.1. The Holding company - Power Generation Corporation 2 is responsible for continuing to fulfill the procedures commented by the State Audit Office of Vietnam before officially transforming into joint stock company:

- Instructing the subsidiaries to adjust the accounting books and financial statements according to the conclusion of the State Audit Office of Vietnam; Completing settlement at Trung Son Hydropower Project and Song Bung 2 Hydropower Project before officially transforming into joint stock company.
- Pushing Song Bung Hydropower Company and Song Bung 2 Hydropower Project Management Board to continue working with tax authorities to settle tax at the time of enterprise valuation, as the basis for equitization settlement.
- Being in charge of the results of the review and additional valuation of assets that have not been inventory (Meteorological and hydrological monitoring station at Quang Tri Hydropower Company, water supply system for RCC Concrete Batching Station) according to recommendations of the State Audit Office of Vietnam.
- Concerning to receivable revenue of Vietnam Electricity corresponding to the exchange rate differences arisen in 2015, 2017 and 2018 of the power plants under the Holding Company - Power Generation Corporation 2 has temporarily accounted and taken into account of enterprise valuation: Holding company - Power Generation Corporation 2 proposed Vietnam Electricity Group to submit to the Ministry of Industry and Trade for consideration and approval of payment before officially transforming into joint stock company, as a basis for equitization settlement.
- Reporting the Electricity of Vietnam for continuously working with competent units and agencies to complete the documents on land use and management, land use plans according to the recommendations of the State Audit Office of Vietnam, as well as in compliance with legal regulations on land and other relevant legal regulations.



- Continuing to collate and assert receivables and payables which were not confirmed, collated at the time of enterprise valuation, fulfilling all of these works before officially transforming into joint stock company.
- 2.2. *Vietnam Electricity is responsible for* instructing Holding Company - Power Generation Corporation 2 and related subsidiaries to review and complete the dossier in accordance with Official Letter No. 21/KTNN-TH dated January 21, 2020, reporting to the Equitization Steering Committee and Commission for the Management of State Capital at Enterprises the results of equitization implementation prior to officially transforming into joint stock company.
- 2.3. *Vietnam Electricity, Holding Company - Power Generation Corporation 2 and Valuation Advisory Organization are responsible for* the accuracy, truthfulness and reasonableness of the data of the financial statements, assets and liabilities inventory report; Report on land use and land documents; The contents of the financial settlement; Results of review and additional valuation of assets that had not been inventoried according to the recommendations of the State Audit Office of Vietnam and the results of enterprise valuation of the Holding Company - Power Generation Corporation 2 at 0:00 on January 01, 2019.

Power Generation Corporation 2 implemented and reported the State Audit Office of Vietnam in official letter No. 2180/EVNGENCO2-TCKT dated June 26, 2020 on the implementation results of the recommendations of the State Audit Office of Vietnam in official letter No. 21/KTNN-TH. Details are in **Appendix 9.2**.

3. Plan for using the Bonus and Welfare Fund

3.1 Bonus and Welfare Fund

At the time of enterprise valuation on January 1, 2019, the balance of bonus and welfare fund determined according to the accounting records is VND 144,183,643,245, of which:

- Bonus fund: VND 78,509,595,640
- Welfare fund: VND 59,518,115,091
- Bonus fund for managers and controllers of the company: VND 461,775,750
- Fixed assets: VND 5,694,156,764 VND (assets invested by Bonus and Welfare Fund and not included in the enterprise value for equitization)

3.2 Plan for using the Bonus and Welfare Fund

Pursuant to Article 14 of Decree 126/2017/ND-CP dated November 16, 2017 of the Government on the transformation of 100% State owned enterprises into joint stock companies and the Regulations of the Company, bonus fund and welfare fund and assets invested by these funds at the time of enterprise valuation on January 1st, 2019 are used as follows:

- For welfare works and objects like kindergartens, clinics and other welfare assets invested by bonus fund, welfare fund will be transferred to the trade union at the joint stock company for management, utilization to serve the employees of the joint stock company.





The total value of these assets VND 4,846,575,013, will be handed over to the trade union unit to manage and operate for the benefit of employees.

- Net spending on bonus and welfare activities from January 1, 2019 to December 31, 2019 according to the Corporation's regulations is VND 41,590,135,715, in which:
- Net spending of Bonus fund: VND 19,389,492,476; The remaining balance as of December 31, 2019 is VND 59,120,103,164
- Net expenditure for welfare fund: VND 21,033,061,488; The remaining balance as of December 31, 2019 is VND 38,485,053,603
- Net spending of bonus fund for managers and controllers: VND320,000,000 VND; The balance as of December 31, 2019 is VND 141,775,750

Power Generation Corporation 2 shall comply with the instructions in Article 4, TT07/2018/TT-BLDTBXH dated August 1, 2018 of the Ministry of Labor - Invalids and Social Affairs as follows:

Plan on using bonus fund: The remaining cash balance of the bonus fund will be distributed to the employees named in the List of employees of equitized enterprise at the time of enterprise valuation. The payment of the cash balance of bonus fund to employees is based on the number of months working in the equitized enterprise. The payment of the cash balance of the bonus fund to the employees will be fulfilled before the equitized enterprise is transformed into joint stock companies..

Plan for using the welfare fund: The remaining cash balance of the welfare fund will be distributed to employees, enterprise managers, controllers currently working at the enterprise and named in the List of employees of equitized enterprise at the time of enterprise valuation. Payment of the balance in cash of the welfare fund to employees, enterprise managers, and controller is based on the number of months working in the equitized enterprise. The payment of the cash balance of the welfare fund to employees, enterprise managers and controllers shall be done before the equitized enterprise is transformed into joint stock company.

Plan to use the bonus fund for enterprise managers and controllers: will be used in accordance with the regulations applicable to State enterprises.

List and estimated payment of the bonus and welfare funds are detailed in **Appendix 2** attached of the Equitization Plan.





IV. PLAN ON LABOR ARRANGEMENT

1. Employee re-arrangement and employment plans

After equitization, EVNGENCO 2 will still focus on the main business lines of power generation and trading, investing and managing investment in power projects, new energy projects, and renewable energy projects, managing and operating, providing repair, maintenance, operation service for thermal power plants, hydropower plants and power plants utilizing renewable energy technologies, etc... and other business lines approved by general meeting of shareholders in accordance with laws of Vietnam. EVNGENCO 2 always utilizes and optimize the labor staff. Given high employment demand in coming time, EVNGENCO 2 will arrange and mobilize all existing employees; there is no redundant labor. Particularly, at the time of valuation of the equitized enterprise (January 1st, 2019), the labor staff is as follows:

- Total employees at the time of enterprise valuation: 855 persons (not including 07 enterprise manager who are: Chairman of the Council Members, General Director and 03 Deputy General Directors, Chief Accountant, 01 EVN's Surveyor work at EVNGENCO 2)
- Employees will terminate job at the time of enterprise valuation: 0 person
- Employees continuously work in joint stock company: 827 persons (not including 08 enterprise manager who are: Chairman of the Council Members Members, Member of the Council Members cum General Director, Member of the Council Members, 03 Deputy General Directors, Chief Accountant and 01 EVN's Surveyor work at EVNGENCO 2)

Detailed list is in **Appendix 3.1** attached. As follows:

Table 11. Labor structure at the time of enterprise valuation

ID.	Content	Number
	Total Employees at the time of enterprise valuation	855
A	Employment status	
+	Employees are working under the labor contract:	851
+	Employees are ceasing work without fault of the employee or is suspended from work or being sent to school, training, improvement of vocational skills, or retraining:	0
+	Employees are taking leave as benefits of social insurance, occupational accidents and occupational diseases in accordance with the law on social insurance and occupational safety and health:	1
+	Employees are on unpaid leave with the consent of the head of the unit:	1
+	Employees are performing the labor contract postponement:	1



+	Full-time representatives of equitized capital in other enterprises:	1
B	Classified by graduation skills:	
+	Postgraduate degrees	53
+	University degrees	498
+	College and intermediate degrees	126
+	Other qualifications	178
C	Classified by labor contract	
+	Indefinite term labor contract	819
+	Labor contract with term from 12 to 36 months	35
+	Labor contract with term of less than 12 months or seasonal	1
D	Classified by gender	
+	Male	722
+	Female	133

Table 12. Labor proportion

Criteria	Number	%
* Classified by graduation skills:	855	100%
Postgraduate degrees	53	6,2%
University degrees	498	58,3%
College and intermediate degrees	126	14,7%
Other qualifications	178	20,8%
* Classified by labor contract	855	100%
Indefinite term labor contract	819	95,8%
Labor contract with term from 12 to 36 months	35	4,1%
Labor contract with term of less than 12 months or seasonal	1	0,11%
* By gender	855	100%
Male	722	84,4%
Female	133	15,6%



**Note:**

+ The above employees include of the number of employees of the affiliates and subsidiaries of EVNGENCO 2 and 100% of the employees and the representative of the employees' collective according agreed on the labor use plan that EVNGENCO 2 proposed (attached to the Agreement No. 547/TĐQT-HCLĐ dated November 1, 2019 of Quang Tri Hydropower Company; Document No. 717/TTĐLOM-TCHC dated 14/11/2019 of O Mon Power Center Project Management Board.; Document No. 1568/TĐAK-HCLĐ dated 14/11/2019 of An Khe Hydropower Company - KaNak; Document No. 1444-NDCT-HCLĐ dated 14/11/2019 of Can Tho Thermal Power Company; Document No. 1097/ASB2-P1 dated 15/11/2019 of Song Bung 2 Hydropower Project Management Board; Document No. 990/TĐSB-HCLĐ dated November 15, 2019 of Song Bung Hydropower Company; Document No. 62/CĐCQ dated 15/11/2019 of Trade Union Agencies of the Corporation)

+ Song Bung 4 Hydropower Management Board is undertaking preparation procedures for dissolution, all of the staff have moved to Song Bung Hydropower Company.

2. Approved plan on employee arrangement:

EVNGENCO 2 has developed a plan to arrange and mobilize employees when equitizing the Holding Company - Power Generation Corporation 2, approved by the competent authority in Decision No. 358/QĐ-UBQLV of the Commission for the Management of State Capital at Enterprises dated August 3, 2020. The plan is built according to the following orientations:

- Fostering those qualified and professional managers/leaders to meet the requirements of joint stock company;
- Improving the personnel policy to create a driving force to increase employee performance and enhance working efficiency.

Particularly, the plan of labor use is presented in Appendix 3.1 and Appendix 3.2 The plan of labor use when equitizing the Holding company - Power Generation Corporation 2 attached with this equitization plan, summarized as follows:

Table 13. Plan of employee arrangement after equitization

ID.	Content	Number	Unit
A	Total number of employees at the time of valuation of the equitized enterprise (January 1, 2019): (List is specified in Appendix 3.1 attached to the Plan)	855	Persons
B	Total number of employees continuing to be employed after transformation into joint stock company: (List is detailed in Appendix 3.2 attached to the Plan)	827	Persons
+	Number of employees continuously employed:	827	Persons
+	Number of employees who have to be re-trained:	0	Persons



+	Number of employees who change to part-time jobs after transformation into joint-stock company:	0	Persons
C	Total number of employees who will retire as prescribed in the period from the time of enterprise valuation to the expected time of equitization plan approval, provided in approved equitization plan: <i>(Detailed List is in Appendix 3.2 attached to this equitization plan)</i>	15	Persons
D	Total number of employees, the full-time representatives of EVNGENCO 2's capital in another enterprises who will terminate labor contract or whose term of EVNGENCO 2's capital representative had been expired and labor contract will be terminated hence they will temporarily not be assigned a duty as EVNGENCO 2's capital representative in other enterprises (in the period from the time of enterprise valuation to the expected time of approval of the equitization plan) <i>(Detailed list in Appendix 3.2 attached to this equitization plan)</i>	13	Persons
E	The total number of employees, the full-time EVNGENCO 2's capital representative in other enterprises cannot arrange jobs and must terminate the labor contract or have to quit their jobs:	0	Persons

Measures and financial sources to ensure the implementation of the employment plan:

Pursuant to provisions of Circular No. 07/2018/TT-BLDTBXH dated August 1, 2018 of the Ministry of Labor, Invalids and Social Affairs on instructing planning employment and implementation of policies for employees when equitizing and based on the expected labor arrangement plan, the Holding company has no redundant labor and no employees who need to be retrained for continuously employment, so no expenses are required for compensating for such kind of labors.



V. PLAN ON LAND USE

The plans of land use for equitization (realignment plan, house and land settlement plan, and land use plans) have been agreed/approved by the competent authorities, particularly:

- The plan for reorganizing and settling housing and land facilities: The EVNGENCO 2's plan to rearrange and settle housing and land facilities in the provinces and cities has been agreed by the Ministry of Finance in documents numbered from 5308 to 5315/BTCQLCS dated May 9, 2018 and by the Ministry of Industry and Trade in decisions numbered from 1910 to 1914, 1917, 1920, 1921/QD-BCT dated June 5, 2018 and 3277/QD-BCT September 11, 2018 on the retention of housing and land facilities for continuous use by EVNGENCO 2. The plans for rearranging and settling housing and land facilities were approved by the Ministry of Industry and Trade based on consensus by the Ministry of Finance in accordance with the provisions of Decree 167/2017/ND-CP and current legal regulations. From the time of approval up to date, all land areas have been out of dispute.

- Plans on using land: along with the approved plan on rearranging and settling housing and land facilities, the land areas used by EVNGENCO 2's affiliates/subsidiaries have all approved by relevant provincial/city people's committees on land use plans upon equitization, this land use plans are in line with the approved plan of rearranging and settling housing and land facilities.
- The land area is agreed and approved by the Ministry of Finance, the Ministry of Industry and Trade and the People's Committee of Can Tho city in the plan of rearranging, settling housing and land facilities and in the plan of land use upon equitization. In the process of undertaking recommendations by processing the request of the State Audit Office of Vietnam, EVNGENCO 2 proposed the People's Committee of Can Tho city to consider and give out opinion on the land area of 477,488 m². On March 16, 2020, the People's Committee of Can Tho city issued Document 757/UBND-KT, accordingly, EVNGENCO 2 continues to manage and use land pursuant to the approved plan on land use in Official Letter 4004/UBND- KT dated October 17, 2017. In case there is a change in land use demand according to the approved plan, based on written approval by management agency and competent state agencies, EVNGENCO 2 and its subsidiaries assigned to manage projects have to follow legal procedures on land in accordance with laws.

In line with the approved plan on O Mon Power Center at recommendations by the State Audit Office of Vietnam and in line with the actual land use demand of the O Mon III Project when implementing the project, EVN has issued an instruction document. No. 3738/EVN-KH dated June 2, 2020 on the land area of O Mon III, IV Thermal Power Plant Project. Accordingly, EVNGENCO 2 has coordinated with relevant entities to locate and meter the area of O Mon III Thermal Power Plant Project in the area of 477,488 m². Based on results of reviewing the land area of O Mon I, III, IV thermal power plants and updating the EVNGENCO2's plan on housing and land settling in Can Tho city, EVN had issued Document 5090/EVN-KH to the Commission for the Management of State capital at Enterprises for approval and send it to the Ministry of Finance. This land area after updating is 312.000 m² (decreased by 104.140 m² of area of O





Mon III thermal power plant project and 61.348m² of 220kV Omon Substation which had been transferred to Power Transmission Company No. 4). On November 26th, 2020, the Ministry of Finance issued a document No. 14486 / BTC-QLCS, accordingly, the Ministry of Finance agreed to adjust the land area of O Mon I Thermal Power Plant of Power Generation Corporation 2 from 477,488 m² to 312,000 m² and has been approved by the State Capital Management Committee at enterprises to keep and continue to use it according to Decision No. 553 / QD-UBQLV dated on December 8th, 2020. Based on the approval documents of the Ministry of Finance and the approval decision of the State Capital Management Committee, EVNGENCO 2 is now urgently coordinating with the People's Committee and departments in Can Tho city to approve the update of the using land plan.

Approved plan on land use upon equitization of EVNGENCO 2 is detailed in **Appendix 4**, enclosed approval documents by the local authorities.





VI. BUSINESS PLAN FOR 5 YEARS AFTER EQUITIZATION

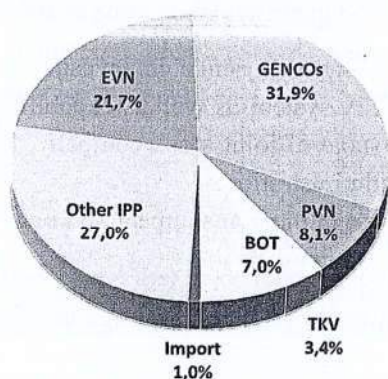
1. Position of the EVNGENCO 2

1.1 Position of the EVNGENCO 2 in the power sector

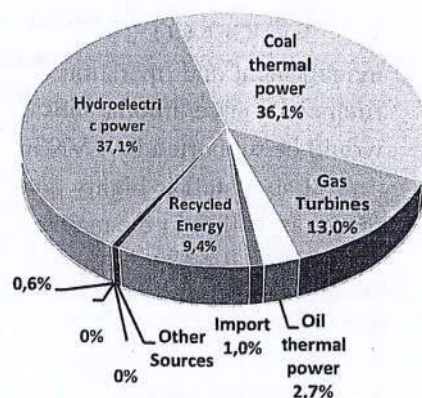
The scale of Vietnam's electricity system ranks second in the ASEAN region (below Indonesia) and 23rd in the world. By the end of 2019, the total installed capacity of power system reached 54,880 MW, increased by 6,320 MW in compared with that one of 2018

Figure 2. The Structure of power capacity of the whole national system by the end of 2019

According to the Owner



According to the type of power source



(Source: EVN's Summary Report in 2019)

Table 14. EVNGENCO 2's installed capacity proportion in the national power system by source of energy

(Total installed capacity of Vietnam power system is 54,880MW)

Energy	EVNGENCO 2's Installed capacity of (MW)	Proportion (%)
Hydro	1,333	2.4%
Coal fired	2,240	4.1%
Oil thermal	848	1.5%
Others	0	0%
Total	4,421	8%



Source: EVN's 2019 Performance Report

EVNGENCO 2 currently is one of the largest power producers in Vietnam. EVNGENCO 2's plants had all completed construction and come into commercial operation. Holding bundle of completed and commercial operation power plants is an advantage for EVNGENCO 2 doing business as well as in investing in new projects. This means that, given other factors are met, by investing in EVNGENCO 2 and controlling its power plants investor would avoid all risks of construction and test/pilot operations.

Through many years of undertaking management of large thermal power projects, hydropower projects like O Mon I, Hai Phong 2, Song Bung 4, Song Bung 2, Trung Son, etc ... now, these projects had been completed and put into safe and stable operation. Therefore, EVNGENCO 2 had gained a lot of experience in management and operation of power plant projects, and currently owns a strong, experienced and qualified labor force in field.

EVNGENCO 2's owner is EVN. Given strong experience in investment management, management and operation of the national electricity system as well as capability to harmonize financial source among subsidiaries, in the early stage of joint stock company, EVNGENCO 2 would be supported by EVN in management and administration.

Labor staff is highly qualified and experienced in the management and operation of power plants as well as in the maintenance, repairment of equipment.

EVNGENCO 2 has a healthy financial performance. Debt-equity ratio is always maintained stably within healthy level, hence, additional financial leverage can be used flexibly and effectively.

1.2 Industry outlook

On average, the growth rate of electricity demand of Vietnam in the period 2011-2020 is expected over 10%/year. It is forecasted that the power load demand will continue to grow at high rate in the period 2021-2030 with an average of about 8% per year and about 4% per year in the period 2030-2045.^[1]

Power Development Master Plan VII has been adjusted quite a few times; in which, nuclear power project, some delayed coal fired power centers in South West area and many lagged BOT power projects had been suspended. The incompleteness of these power generation projects as well as some transmission line projects under Power Development Master Plan VII and revised Power Development Master Plan VII would negatively affect to capacity of power supply in coming time. Specially, it would face severely shortage of power in the period up to 2025.

Prime Minister has commanded that whatever the circumstances, including difficulty in the period up to 2025, Vietnam cannot let power shortage negatively affect to socio-economic development. This steering point of view needs to be transmitted into power development master

^[1] <https://www.moit.gov.vn/web/guest/tin-chi-tiet/-/chi-tiet/trong-moi-tinh-huong-quy-hoach-%C4%91lien-viii-phai-%C4%91am-bao-%C4%91u-%C4%91lien-19891-16.html>





plan for a strategic and long term plan from now to 2030, with a vision up to 2045, the power sector will always be developed in advance, secure for socio-economic development.^[2]

The Prime Minister also issued Decision 1264/QĐ-TTg dated October 1, 2019 approving the task of preparing national power development master plan for the period 2021 - 2030, with a vision up to 2045. One of those principles of preparing this master plan is giving priority to renewable energy power generation; developing competitive power market and encouraging the participation of all economic sectors into investing in power development; developing power system in adaptation to climate change, ensuring sustainable development and in compliance with national strategy on green growth,

1.3 Computability of the EVNGENCO 2's development strategy with national power development master plan, State policies and overall trends of the world.

As a large power generation corporation with financial potentials and highly skilled and competent human resources in project development, investment management and operation of power plants, EVNGENCO 2's investment plans and strategic vision up to 2030 also focus on renewable energy projects, clean energy as a part of national power generation development and in line with the plan and principles of national power development master plan.

2. Investment plan and development strategy of the enterprise after equitization

2.1 Overall orientation

Equitization and innovation EVNGENCO 2 in terms of growth model, business structure, organizational structure and management mechanism, ensuring stable development on the basis of innovation with the inheritance of achievements is aimed at increasing all competitiveness of EVNGENCO 2, enhancing the exploitation of the potentials and strengths of EVNGENCO 2 for rapid growth and substantial contribution national energy security.

The investment plan and development orientation of EVNGENCO 2 after equitization are detailed in Appendix 5 attached: Business plan for the period of 2021-2030.

2.2 Objectives:

- Ensuring safe, continuous and stable management and operation of power plants in according with mobilization requirements of the national power system, national energy security.
- Continuing to arrange, innovate and improve corporate governance capability and improve the operational mechanism to increase operational efficiency and develop EVNGENCO 2 into a thriving business efficiency corporation where equity is preserved and developed. Strengthening the application of corporate governance according to modern governance standards in the world.

^[2] <http://tapchitaichinh.vn/nghien-cuu-trao-doi/quy-hoach-dien-viii-co-giai-quyet-noi-lo-thieu-dien-325287.html>





- Actively and effectively participating in the competitive power market according to the Government's roadmap to maximize revenue.
- Ensuring the construction progress and quality of investment of power projects; Ensuring adequate fund arrangements for projects; Investing in the development of new power generation projects using clean technology, ensuring sustainable environment development; diversifying power sources to minimize risks arising from the external environment.
- Maintaining healthy financial indicators to ensure capability to mobilize capital for new project investment.
- Optimizing all resources, including human resource development as the core. Developing management team as the elite and highly skilled force to meet the development requirements of EVNGENCO 2 in the new context.
- Building EVNGENCO 2 as a socio-public responsible enterprise, playing a an important part in power supply for economic development demand and living.
- Striving to become one of the leading enterprises in Southeast Asia in the field of power generation and providing power plant repairment services.

2.3 Development Plan for the period 2021 - 2025 with a vision to 2030

2.3.1. Generation of existing power sources

- Ensuring completion of annual plan and 5-year plan on power generation;
- Focusing on optimizing electricity production costs; Improving business efficiency and increasing labor productivity;

2.3.2. Investment in new power source

- Continuing to implement power generation investment projects to ensure quality and construction progress according to power development master plan and approval of the Government.
- Developing renewable energy projects in line with the goals and development orientation of the electricity industry in Vietnam in general, and the advantages of EVNGENCO 2 in particular to increase production capacity and competitiveness for the Corporation.
- Searching and investing in the development of new power generation projects using clean technology, ensuring the environment associated with sustainable development.
- Preparing forces and conditions to arrange and establish a specialized project management unit on the basis of rearranging the project management boards under EVNGENCO 2 to manage projects invested by EVNGENCO 2 and to provide service of project management for other investors.



*2.3.3. Financial operations*

- Ensuring profitable business and dividends for shareholders; Committing and implementing the goal of maximizing the value of the business and ensuring the highest benefits to the owner.
- Ensuring good financial indicators, maintaining a healthy financial situation; improving financial management ability; managing asset and capital resources scientifically, regulating cash flow balance to ensure the highest efficiency.
- Encouraging thrift practice, strictly managing costs and expenses, especially indirect costs, striving to reduce production costs and ensuring transparency of input expenses.
- Actively seeking optimal and effective capital sources for investment in new projects.

2.3.4. Human resource development solutions

- Building a professional and dynamic workforce who possess industrial style, discipline, ethical qualities, strong political ideology to meet development requirement of EVNGENCO 2, specially highly skilled labor and experts in operation-maintenance-repairment, to catch up with the development trend of the modern industry and the industrial revolution 4.0.
- Striving to become a business possessing high quality human resources with labor productivity equivalent to that of the leading country in the region, promoting access to advanced and modern management keeping pace with international trends.
- Promoting training to improve the quality of human resources to meet the requirements of EVNGENCO 2 development and modernization.

2.3.5. Power market participation

- Actively participating in the electricity market to achieve the highest revenue; Strengthening pricing strategy for optimizing and utilizing efficiency of the power market.
- Continuing to participate in the competitive wholesale electricity market according to the Government's roadmap; Contributing positively to the successful construction of the electricity market according to the levels approved by the Prime Minister.

3. Some key information on investment plans and business development strategies after equitization*3.1 Investment plan***Table 15. Approved projects in the investment plan**

No.	Project	Installed capacity (MW)	Total investment (VND bil.)	Implement
1	Basin expansion for water supplement for Quang Tri Irrigation - Hydropower project	-	268	Operate 2021





2	Huong Phung 1 Wind Power Project	30	1,256	Operate 2022
3	Cong Hai 1-Phase 2 Wind Power Project	25	1,079	Operate 2022
4	Investment project of fuel conversion from HFO to natural gas of Block B's for Thermal Power Plant O Mon I in sync with Block B-O Mon gas exploitation progress	-	533.28	Operate 2022
Total		55	3,136.28	

(Source: EVNGENCO 2)

Note: The equitization plan is built on the basis of written approval from competent authorities, specifically, pursuant to Decision No. 46 / QĐ-TTg dated July 19, 2018 of the Prime Minister on approval. The plan to develop gas fields of Block B & 48/95 and Lot 52/97, EVNGENCO2 builds production and business plan of O Mon I factory to switch to gas operation with the expected progress from 2022.

Information technology projects:

- Project ensuring information security for automation systems in EVNGENCO 2 offices and dependent accounting subsidiaries (OT project);
- Project ensuring information security for information technology systems in EVNGENCO 2 offices and dependent accounting subsidiaries (IT project);

In addition to the above projects, in order to expand the development of production and business activities, to meet the increasing demand of electricity, and to promote the efficiency of human resources with expertise and high capacity in the field of management, exploitation and operation of power plants, EVNGENCO 2 will consider the conditions to expand investment:

- Researching and evaluating investment potential of solar power projects on the ground/lake surface in subsidiaries like Song Ba Ha, Thac Mo, An Khe, Ka Nak, Quang Tri to propose to competent authorities for review and approval on investment policy.
- Deploying investment projects: like O Mon V after being assigned to EVNGENCO 2 as an investor by the competent authorities; and approved projects in the national power development master plan.
- Implementing a research project on the implementation of biomass fuel as replacement solution for oil HFO for Unit S4 of Thermal Power Plant Can Tho to propose for investment policy (under the direction of EVN)
- Undertaking procedures for Quang Tri Solar Power project for adding into master plan.
- Implementing investment and construction project of conversion of SCADA connection protocol from standard IEC 60870-5-101 to IEC 60870-5-104.





- Implementing the project of establishing hydrological monitoring system and dam safety connecting to headquarters of the Corporation and offices of subsidiaries.

Table 16. Planned investment in new power source projects after equitization

No.	Project	Installed capacity (MW)	Total investment (VND bil.)
1	O Mon V Thermal Power Plant project	1,050	30,314.796
2	Floating solar power projects on hydropower reservoir beds of EVNGENCO 2	220 (MWp)	5,455.861
2.1	An Khe reservoir	20	490.483
2.2	Ka Nak reservoir	80	1,983.534
2.3	Quang Tri reservoir	120	2,981.844
3	Quang Tri Solar Power Project	30 (MWp)	566.806
Total		1,300	36,337.46

(Source: EVNGENCO 2)

Note: Total investment included of VAT.



3.2 Power generation plan

Table 17. Power generation plan 2021-2025

Unit: Million kWh

Year	Power output			Power commercial output		
	Total power generation	Power generation of existing power plants (excl. Trung Son HPP)	Expected power generation of new projects	Total power commercial generation	Power commercial generation of existing power plants (excl. Trung Son HPP)	Expected power generation of new projects
2021	2,998.49	2,825.05	173.44	2,954.11	2,784.10	170.01
2022	5,431.80	5,250.70	181.10	5,327.20	5,149.52	177.68
2023	6,297.39	5,745.70	551.69	6,180.56	5,632.30	548.27
2024	6,295.74	5,745.70	550.04	6,178.91	5,632.30	546.61
2025	6,294.09	5,745.70	548.39	6,177.26	5,632.30	544.97

(Source: EVNGENCO 2)

Note:

- Excluding electricity output of Trung Son Hydropower Company.
- Because from 2022, according to the assigned schedule, the O Mon 1 power plant will converse to gas in sync with the Block B gas, so the power output in 2022 onwards will dramatically increase due to completely gas operation.

In order to ensure the above power output, in addition to improving the quality of operation and repairment under EVNGENCO 2's responsibility, it is necessary to ensure the following inputs:

- Actively working with fuel suppliers to ensure enough fuel for electricity production.





- Preparing adequate infrastructure for coal importing (ports, dredging channels, loading and unloading vehicles, and warehouses) to meet coal demand for electricity production and backup in unusual weather conditions.
- Hydropower plants depend entirely on hydrological conditions and face increasingly difficulties due to the effects of climate change, so to achieve the above electricity production hydropower companies must work in details with the local governments in the downstream areas for effective and efficient using of water resources from hydropower reservoirs for both power generation and agricultural irrigation, saline intrusion prevention in the dry season, for operating properly in line with approved reservoir and inter-lake procedures,
- Operating properly approved reservoir and inter-lake procedures. Well coordinating with localities in regulating water and flood discharge according to regulations
- in the dry season and supply water for domestic needs, agricultural production, salinity promotion in localities, operate properly approved reservoir and inter-lake procedures, for well coordinating with localities in regulating water and flood discharge in compliance with regulations.

3.3 Power tariff and revenue plan

Power revenue and power tariff are taken into account based on long-term power purchase agreements signed between EVN/EPTC and EVNGENCO 2, particularly as follows:

- Power tariff of Quang Tri Hydropower Plant as agreed at Contract is 760.39 VND/kWh (Contract No. 01/2013/HD-NMĐ QUANG TRI dated June 27, 2013). The estimation of power tariff in this plan equals to the average power tariff after tax and fees (2018 + 2019), 1050.5 VND/kWh. The power tariff calculated in the equitization plan is higher than the contracted power tariff after deducting taxes and fees of 21%.
- Power tariff of hydropower plant An Khe - KaNak in 2020: power tariff of An Khe - KaNak decreases to 980.74 VND/kWh (Contract No. 01/2013/HD-NM-AK dated June 27, 2013). Since the company will adjust power tariff from 2020 and according to its implementation capacity, the company does not calculate the average electricity price. Estimation of power tariff = $P_c + P_c \times (\text{ratio of System Marginal Price - SMP- cap 2019 compared to 2018})$. Therefore, the power tariff in 2020 in the equitization plan is 1,010.62 VND/kWh, 3% higher than that one of contract. In 2021 onwards, the power tariff is estimated to equal to the contract price due to the long-term calculation.
- Power tariff of Song Bung 4 Hydropower Plant is calculated according to the price of Contract No. 01/2015/HD-NM-TĐ-SONG BUNG 4 dated May 15, 2015.





- The power tariff of Can Tho Thermal Power is prepared according to the capacity price method, including: Can Tho Thermal Company + EVNGENCO2 units
 - The power tariff in 2020 and 2021 is calculated according to ancillary services, and negotiated capacity price for each year.
- The power tariff of Song Bung 2 Hydropower Plant is calculated on contractual price and electricity price inflation rate provided at contract (Contract No. 05/2018/HD-NMD-SB2 dated May 15, 2018):
 - *The overhaul expenses*: the inflation rate is about 2.5% per year as provided in contract
 - *Labor cost*: power tariff does not include of the inflation rate of labor cost because labor is calculated according to the annual regional minimum wage, so this rate cannot be determined in advance
 - From 2026 onwards, power tariff of Song Bung 2 will be adjusted downward in accordance with the contract.

The base power tariff of the operation and business plan is as follows:

Table 18. Base power tariff of the operation and business plan

Unit: VND/kWh

Power plant	Base year	Fixed base tariff	Variable base tariff	Full base tariff
Trung Son	2019	582.16	73.35	655.51
Quang Tri	2019	760.39	-	760.39
Song Bung 2	2019	1,057.82	134.47	1,192.29
Song Bung 4	2019	782.61	-	782.61
An Khe- KaNak	2019	1,069.94	-	1,069.94

(Source: EVNGENCO 2)

3.4 Costs and expenses plan

- *Fuel cost*: Norm/rate of fuel consumption is as prescribed.
- *Labor cost*: In 2020, the average salary taken on the basis of the average salary realized in 2019 is VND18 million, increased by 7%. From 2020 to 2030, it is expected that average salary will increase by 7%/year.



- *Depreciation cost of fixed assets:* Depreciation cost of fixed assets (fixed assets) is calculated according to current regulations.
- *The overhaul expenses*
 - The overhaul plan: The power plants make the overhaul plan each year according to the overhaul regulation on fixed assets of Power Generation Corporation 2 issued under Decision No. 253/QĐ-EVNGENCO 2 dated July 1/2019;
 - The overhaul expenses: The power plant is making cost estimation on the basis of similar cost has implemented and added additional costs for speed controller test, induction excitation in overhaul periods according to Circular 25/2016/TT-BCT November 30, 2016 by the Ministry of Industry and Trade.
- *The costs of materials, outsource services and other expenses in cash:* the inflation rate is by 2.5%/year compared to the 2019 financial plan in Decision No. 41/QĐ-EVN dated January 9, 2019 of the Group Vietnam Electricity delegation on the assignment of production, business - finance - construction investment plans in 2019.
- *Interest expenses:* Calculated according to the payment schedule and the prescribed interest rate of the existing loan contracts.

3.5 Business performance

The expected business results are calculated on the basis of the existing power plants and projects that are initially deployed (including Cong Hai 1- phase 2 wind power with installed capacity of 25MW, total investment VND 1,079,9 billions; Huong Phung 1 wind power with installed capacity of 30MW, total investment of VND 1,256.8 billions) and expected operating results of O Mon I Power Plant taking into account the fuel conversion from oil FO to natural gas as determined in the original design of the plant, converting from oil to gas burning. According to the plan assigned by EVN, O Mon 1 Power Plant will convert to running gas synchronously with Block B gas supply chain. The total installed capacity of 2 units of O Mon I is 660MW and the total investment for converting fuel is VND 533.28 billions.

Based on the above input factors, estimated business performance is as follows:



Table 19. Expected operation and business performance of EVNGENCO 2, 2021-2025

Unit: VND Bil.

Year	2021	2022	2023	2024	2025
Commercial power output (mil. kWh)	2,954	5,327	5,810	5,810	5,810
Power revenue	7,576.201	12,430.916	13,951.248	14,116.866	14,088.708
Power generation expenses	7,361.404	12,113.744	13,564.129	13,658.761	13,516.244
- Power generation income	214,797	317,172	387,119	458,105	572,464
Financial income	988.4	988.4	988.4	981.7	981.7
Exchange rate different	(258.018)	(233.560)	(199.864)	(167.022)	(142.523)
Total income before tax	945.176	1,072.010	1,175.653	1,272.784	1,411.642
Income after tax	945.176	1,055.287	1,138.202	1,214.568	1,325.654

(Source: EVNGENCO 2)

Table 20. Expected financial performance and profit distribution of EVNGENCO 2, 2021-2025

Year	Unit	2021	2022	2023	2024	2025
Income after tax	VND Bil.	945	1,055	1,138	1,215	1,326
Dividend distribution	VND Bil.	600	673	726	775	1,092
Dividend distribution in cash	VND Bil.	600	673	370	775	481
Dividend distribution in stocks	VND Bil.	-	-	356	-	611
Bonus and welfare funds	VND Bil.	60.99	65.26	69.83	74.71	79.94
Bonus fund of Management Board	VND Bil.	0.57	0.57	0.57	0.57	0.57
Allocation to Investment & development funds	VND Bil.	284	317	341	364	153
Investment & development	VND Bil.	284	600	942	1,306	1,215





funds Balance						
Share capital	VND Bil.	11,866	11,866	12,222	12,222	12,834
Owner's equity	VND Bil.	12,150	12,467	13,164	13,528	14,048
Income after tax/Chartered capital ratio	%	7.97%	8.89%	9.31%	9.94%	10.33%
Rate of dividend payment	%	5.06%	5.67%	6.12%	6.34%	8.93%
Rate of dividend payment in cash	%	5.06%	5.67%	3.12%	6.34%	3.93%
Rate of dividend payment in stock	%	0.00%	0.00%	3.00%	0.00%	5.00%

(Source: EVNGENCO 2)

Note:

- Distribution to Bonus and welfare funds (about 3 month salary budget of staff)
- Distribution to Bonus fund of Management Board (about 1.5 month salary budget of management officers)

Table 21. Cash flow balance, 2021-2025

Unit: VND Bil.

No.	Items	2021	2022	2023	2024	2025
1	Depreciation and amortization	2,023	2,008	1,941	1,859	1,527
2	Undistributed incomes	284	317	341	364	153
3	Chartered capital increase	-	-	356	-	611
4	New loans	360	-	-	-	-
5	Debt payment	1,845	1,840	1,890	1,720	1,551
6	Investment	711	49	-	-	-
7	Net cash balance	111	435	748	504	741
8	Accumulated Net cash balance	111	546	1,294	1,798	2,539

(Source: EVNGENCO 2)



3.6 Expected investment in new projects that will be approached

Table 22. New investment power projects that is expected to approach implementation

Items	Unit	O Mon V Thermal Power	An Khe Floating Solar Power	Quang Tri Floating Solar Power	KaNak Floating Solar Power
Installed capacity (MW)	MW	1,050	20	120	80
Total investment	VND Million	30,314.796	490.483	2,981.844	1,983.534
Investment capital structure					
Owner's equity	%	25%	20%	20%	20%
Loans	%	75%	80%	80%	80%
Project life time (year)		25	20	20	20
Year of construction		2025	2021	2021	2021
Year of commission		2027	2022	2022	2022

(Source: EVNGENCO 2)

4. Major indicators of the 5 year business plan after equitization

Table 23. Major indicators of the 5 year business plan after equitization

Items	Unit	2021	2022	2023	2024	2025
1 Construction investment plan:	VND Bil.	711	49	0	0	0
- Cong Hai 1 wind power project		112				
- The project expanding the catchment area for water supplementation for the Quang Tri Irrigation - Hydropower plant and the downstream area		92				
- Huong Phung 1 wind power project		115				
- O Mon I gas burning system additional investment project		391	49			
- Other projects for EVNGENCO 2 production development		1				





2 Chartered capital	VND Bil.	11,866	11,866	12,222	12,222	12,834
3 Total number of employees	Person	866	866	866	866	866
4 Total payroll	VND Bil.	248.55 0	265.62 7	283.89 9	303.451	324.37 1
5 Average income per person/month	VND mil./person/month	23,917	25,561	27,319	29,200	31,214
6 Total revenue	VND Bil.	8,565	13,419	14,940	15,099	15,070
7 Total expenses	VND Bil.	7,619	12,347	13,764	13,826	13,659
8 Income	VND Bil.	945	1,072	1,176	1,273	1,412
9 Rate of dividend paid	%	5.06%	5.67%	6.12%	6.34%	8.93%

(Source: EVNGENCO 2)

(Average dividend rate from 2021 to 2025: 6.42%)

5. Prerequisite for implementing the business plan after equitization

Prerequisite for ensuring the continuous and stable operation of the Corporation, as well as ensuring the necessary mechanisms to implement the plans, business development strategies after equitization included of followings:

- EVNGENCO 2 is continuously guaranteed by the Government (represented by the Ministry of Finance) for loans after EVNGENCO 2 is equitized and transformed into joint stock company.
- Thermal Power Plant Can Tho - O Mon I is allowed by competent authorities to be included in the List to provide long-term ancillary services and sign a long-term contract until it is switched to running Block B gas according to Circular No. 46/2018/TT-BCT amending and supplementing Circular 21/2015/TT-BCT which stipulates the contract term as follows: "2. Contract term: Unless contract early extension or termination as specified in Article 9 of this Contract, term contract agreed by the two parties in accordance with the term in the List of power plants providing ancillary services issued by a competent state agency", along with the appropriate electricity price to ensure operational efficiency and ensure financial ability for the fulfillment of debt repayment obligations to ODA loan of the Japanese government. Debt balance of this loan on December 31st, 2019 was: 43,002,203,199.91 JPY (equivalent to 9,293,636,155,561 VND), the last repayment period is on February 20th, 2038.





6. Other conditions for implementing the business plan after equitization

In addition to the prerequisites mentioned above, EVNGENCO 2 would like to propose other supports for business development and expansion after equitization, including:

- EVNGENCO 2 is allowed to approach and implement procedures for adding projects into the National Power Development Master Plan and assigned as investor of following projects:
 - O Mon V Thermal Power Plant Project.
 - Floating solar power projects in reservoirs of hydropower plants of EVNGENCO 2's subsidiaries.
 - Projects investing in infrastructure, storage, gas pipeline for power plants under Tan Phuoc Power Center, O Mon Power Center.
- EVNGENCO 2 is allowed to apply specific mechanisms to invest in floating solar power projects on the reservoirs of the hydropower plants of EVNGENCO 2's subsidiaries.



VII. EQUITIZATION FORM, CHARTERED CAPITAL, STARTING PRICE AND ISSUANCE METHOD

1 Chartered capital and equitization form

1.1 Objectives of the equitization plan

Implementing the goal of equitization of State-owned enterprises under the Government's Decree No. 126/2017/ND-CP dated November 16, 2017 on the transformation of 100% State owned enterprises into joint stock companies, along with the increased demand of electricity, the equitization of EVNGENCO 2 will include of the following goals:

- Transforming 100% State owned capital form into a form of multi-ownership. Creating a fundamental change in management methods, step by step investing in technology innovation, developing in scale, improving financial , production and business capability; reforming management methods to improve the current operational efficiency and competitiveness of enterprise as well as in the future.
- Ensuring conditions for the formation and development of Vietnam electricity market at different levels in accordance with the direction of competent authorities.
- Enhancing the role and responsibilities of EVNGENCO 2, closely aligning the responsibilities, duties with interests of shareholders, creating a driving force for effective production and business management, increasing incomes of the employees, shareholders and contributing to national economic growth.

1.2 Size of Chartered capital

According to Clause 1, Article 33, Decree 126/2017/ND-CP, the scale of chartered capital is determined based on the value of State owned capital in the accounting books of the equitized enterprise and the production, business plan for the years after transformation into joint stock company.

Based on the value of State owned capital in the accounting books of Power Generation Corporation 2 at the time of enterprise valuation, production and business plan, investment plan in coming time of EVNGENCO 2, the size of chartered capital is determined equal to the value of State owned capital in the accounting books at the time of enterprise valuation to meet investment demand, the ability to balance capital and cash flows for a stable and efficient business operation.

Therefore, the proposed chartered capital is proposed as:

Chartered capital: VND 11,866,443,670,000

(in words: Eleven thousands eight hundreds sixty six billions four hundreds fourty three millions six hundreds seventy thousands Vietnamese Dong), equivalent to 1,186,644,367 shares.

1.3 Form of equitization

According to Article 5, Decree 126/2017/ND-CP dated on November 16th, 2017, when equitizing, state-owned enterprises can choose one of three forms, as followings:



- Keeping existing State owned capital in the enterprise, issue more shares to increase chartered capital.
- Selling a portion of the existing State owned capital in the enterprise or combine both selling a portion of the State owned capital and issuing more shares to increase the Chartered capital.
- Selling all existing State owned capitals in the enterprise or combine both selling all State owned capital and issuing additional shares to increase chartered capital.

Based on the demand and scale of Chartered capital as mentioned above, based on the value of State owned capital in the accounting books of EVNGenco 2 at the time of enterprise valuation, the form of equitization is proposed:

Selling a portion of the State owned capital (capital of EVN) in the enterprise.

2 Chartered capital

2.1 Stake held by EVN: 51%

Pursuant to the Prime Minister's Decision No. 852/QĐ-TTg dated on June 14th, 2017 on approving the Plan on arranging and restructuring Vietnam Electricity for the period of 2017 – 2020, objectives of the plan is to build Vietnam Electricity into a strong business group with modern technology, management and highly specialization with improved labor productivity, efficient and sustainable operation; playing a key role in enhancing power supply for socio-economic development, ensuring national energy security and national defense, as one of major power producer contributing into rapid and sustainable development of Vietnam power industry; becoming competitively and effectively international integration, successfully building image of public and social responsible enterprise; serving clients at better and improved quality.

In the plan of arranging and restructuring subsidiaries of EVN, Power Generation Corporations 1, 2, 3 will be equitized and EVN will hold at least 51% of Chartered capital of Power Generation Corporations til the end of 2019, in 2020 the State owned capital will be reviewed and considered to reduce below the majority level.

The time of approval of this plan is in June, 2017, with the expected progress, the Power Generation Corporations will complete the equitization during 2017-2018. Particularly, Official Letter No. 991/TTg-ĐMDN dated on July 10th, 2017 of the Prime Minister approving the list of SOEs to complete the equitization for each year in the period 2017-2020 requires Power Generation Corporation 3 completing initial public offering in 2017 and Power Generation Corporation 1 and 2 must complete initial public offering in 2018. Accordingly, the Ministry of Industry and Trade has issued Decision No. 1125/QĐ-BCT on March 24th, 2016 on the equitization of the Parent Company - Power Generation Corporation 2 with the time of enterprise valuation at 0:00 on January 1st, 2017.

On the basis of Decision 1125/QĐ-BCT, dated on September 20th, 2016, the Board of Directors of Vietnam Electricity issued Decision No. 174/QĐ-EVN on approving the timelines of equitization of Parent company - Power Generation Corporation 2, in which, the time of





announcement of enterprise valuation decision is in December 2017. EVNGENCO2 had followed and implemented the equitization in accordance with Decision 1125/QD-BCT and Decision No. 174/QD-EVN.

However, during the implementation process, there was a change in the law on equitization, Decree 59/2011/ND-CP was replaced by Decree 126/2017/ND-CP. With the new provisions of Decree 126/2017/ND-CP, the equitization procedures are reviewed and adjusted to ensure compliance, along with the change of the owner's representative agency, equitization of EVNGENCO 2 had not been completed as provided in the plan on arranging and restructuring subsidiaries of Vietnam Electricity, issued together with Decision 852/QD-TTg dated on June 14th, 2017 of the Prime Minister.

With the influences from the change of legal regulations, on December 28th, 2018, Commission for the Management of State Capital at Enterprises issued Decision No. 282/QD-UBQLV on the equitization of the Holding company- Power Generation Corporation 2.

In implementing this Decision, the Equitization Steering Committee is cooperating with Vietnam Electricity to instruct EVNGENCO 2 to urgently carry out equitization according to the approved plan, it is expected to complete initial public offering in 2020.

On February 11th, 2020, the Politburo issued Resolution No. 55-NQ/TW on the orientation of Vietnam's National Energy Development Strategy to 2030, with a vision to 2045. According to Resolution 55-NQ/TW, our country's energy sector is still having many limitations and weaknesses. The goal of ensuring national energy security is faced to many challenges; The domestic supply is not enough to meet the demand, it has to import more and more energy; Many power projects are behind schedule and plans; Some energy security indicators are fluctuating in an adverse direction.

According to the Ministry of Industry and Trade, in the years 2021 - 2025, despite of maximum mobilization of oil-fired power sources, the power system still cannot meet the load demand and it is likely that there will be a power shortage in the South. Particularly, the shortage in the South will increase from 3.7 billion kWh in 2021 to nearly 10 billion kWh in 2022. The highest level in 2023 will be about 12 billion kWh, then gradually decrease to 7 billion kWh in 2024. and 3.5 billion kWh by 2025 [1].

The guiding points of view of Resolution 55-NQ/TW: Ensuring national energy security is the fundamental issue and premise for socio-economic development. Giving priority to the development of energy at quick and sustainable pace one step ahead, in association with protecting the ecological environment, ensuring national defense and security, implementing social progress and equity is particularly important, a major task throughout the process of national industrialization and modernization. Specific objectives: supplying adequately for domestic energy demand and meeting the goals of the 10-year Socio-Economic Development Strategy 2021 - 2030.

[1] Source: <https://www.evn.com.vn/d6/news/Nang-nong-tieu-thu-dien-tang-Bo-Cong-Thuong-lai-can-hao-nguy-co-thieu-dien-0-0-23879.aspx>





Power Generation Corporation 2 includes 4 dependent accounting subsidiaries, 6 independent accounting subsidiaries including 01 company where EVNGENCO 2 holds 100% of stake and 5 joint stock companies where EVNGENCO 2 holds 51% to more than 80% of the stake, these subsidiaries are currently running and operating total installed capacity of 4,421 MW. In the overall national power source, EVNGENCO 2 currently manages and operates 8% of the whole national installed capacity, and 15% of the total generation capacity of EVN and GENCOs. In which, Can Tho Thermal Power Plant is running oil fired with total installed capacity of 848MW, this is ancillary to the system, ensuring energy balance and security, especially for the South region.

The current power supply status and the fluctuation trend of energy security indicators as stated in Resolution 55-NQ/TW, as well as the portion held by EVNGENCO 2 in total installed capacity of national power system have showned the necessity to maintain the leading role of the State (EVN) at EVNGENCO 2 in the early years after equitization, these years are also forecasted as the years of most shortages of power supply, specifically the period of 2021-2025.

Pursuant to point c, clause 1, article 3 of the Prime Minister's Decision No. 26/2019 / QĐ-TTg dated August 15, 2019, **the Equitization Steering Committee agreed that the shares held by the State (EVN) at joint stock company after equitization is 51% of chartered capital.** After officially transforming into joint stock company, based on the actual business performance and development investment activities, joint stock company will decide to increase the chartered capital, simultaneously, the owner's representative agency will consider proposing a plan to reduce the stake held by State (EVN) to below the majority level.

2.2 Shares offered to employees

Shares offering to employees	Maximum limit	Selling Price	Volume	Reference
Shares offered to employees at preferential prices based on actual time working in the State sector	100 shares/year	VND 6,000 /share	1,348,900	Decree 126, clause 1, article 42;
Additional shares offered to employees who commit to work for joint stock company in long-term	200 shares/year, not more than 2,000 shares		919,400	Decree 126, clause 2, article 42
Additional shares offered to experts and highly skilled employees who commit to work for joint stock company in long-term	500 shares/year, not more than 5,000 shares		0	Decree 126, clause 2, article 42
Total			2,268,300	

Details in Appendix 6.1



2.3 *Shares offered to Trade Unions at enterprise*

The Trade Union organization of Power Generation Corporation 2 had issued Document No. 167 / CĐGENCO2-VPCĐ dated August 10, 2020 on waiving purchase of shares offered to trade union organization upon equitization at preferential price.

Details are in Appendix 9.2

2.4 *Shares offered to strategic investors*

Criteria for selecting strategic investors in equitization are those investors who have strong financial capability, especially management capability and highly developed technology to support transferring new technology, training human resources, improving financial capability of equitized enterprise. The majority of investors who can meet these requirements usually come from the Organization for Economic Co-operation and Development (OECD) and Group of Seven (G7) countries. However, for these countries, businesses must always comply with environmental protection standards, especially to comply with greenhouse gas emission control, so for the case of EVNGENCO 2 with portion of coal-fired power accounted for 50.7% of total installed capacity would not be their favor option. In addition, strictly environmental protection conditions of international financial and credit institutions make it more difficult for investors to arrange financial resources to invest in EVNGENCO 2 where coal fired thermal power accounts for more than 50% of the total installed capacity.

Highly requirements and conditions applied to strategic investors, short appraisal period, and many binding conditions also make it difficult for investors to make investment decisions. Particularly, as prescribed in Clause 3, Article 6 and Appendix 1 of Decree 126/2017/ND-CP, strategic investors have to:

- Be eligible to binding conditions on business capability and performance;
- Commit to maintain the core business lines and brand of the equitized enterprise for at least 03 years from the time of becoming strategic investor (for enterprises already in the List of national brands, the owner representative agency has to report to the Prime Minister for determining the specific time that strategic investors must commit to continue maintaining the core business lines and trademarks of the equitized enterprises), to undertake not to transfer the purchased shares within 3 years from the date of the first business registration of joint stock company under the Law on Enterprise, to undertake supporting equitized enterprise in transferring new technology; training human resource; improving financial capacity; improving corporate governance; supplying of raw materials; and developing the product consumption market;
- Perform compensation obligations when violating signed commitments in accordance with the actual damages and losses, and in accordance with the State's right to solve with the whole shares purchased by strategic investors when violating commitments.
- The time for selling shares to strategic investors is as specified in Appendix 1 of Decree 126/2017/ND-CP (shorter than the time for selling shares to strategic investors as





prescribed in the Decree 59/2011 / ND-CP when implementing the equitization of Power Generation Corporation 3) is not enough for investors to do due diligence, appraisal, decision and registration becoming strategic investors with commitments and obligations mentioned above.

- The offering portion is below 30% (is not enough for ensure the ability to participate in corporate governance and management as expected by investors).

All of these binding provisions, an investor participating in the initial public offering is not subject to.

In addition, the experiences in equitization of Power Generation Corporation 3, PetroVietnam Power Corporation showed that no investors had registered to buy shares as strategic investors.

After considering the advantages, limitations of provisions on equitization, in general, specific business performance of Power Generation Corporation 2 prior equitization, as well as considering the experience in offering shares to strategic investors of two power generation corporations of the same scale, Power Generation Corporation 3 and PetroVietnam Power Corporation, EVNGENCO 2 recognizes the potential for success of selling shares to strategic investors is not high.

EVNGENCO 2 proposes that the portion of shares offered to strategic shareholders is 0%.

2.5 Shares for initial public offering

Based on the chartered capital level and equitization form as proposed above.

The number of shares for initial public offering is determined on the basis of the total number of shares which is equivalent to the value of capital divested by EVN after subtracting the number of shares offered to employees, trade unions. strategic investor.

Number of shares for initial public offering is: 579,187,440 shares





2.6 Chartered capital structure

Table 24. Chartered capital structure of the Holding Company – Power Generation Corporation 2 after equitization

ID.	Items	Number of shares (Share)	Total par value (VND)	Portion of chartered capital (%)
	CHARTERED CAPITAL OF JOINT STOCK COMPANY	1,186,644,367	11,866,443,670,000	100.0000%
1	Shares held by State (EVN)	605,188,627	6,051,886,270,000	51.0000%
2	(*) Shares offered to employees	2,268,300	22,683,000,000	0.1912%
2.1	<i>Shares offered to employees at preferential prices based on actual time working in the State sector</i>	1,348,900	13,489,000,000	0.1137%
2.2	<i>Additional shares offered to employees who commit to work for joint stock company in long-term</i>	919,400	9,194,000,000	0.0775%
2.3	<i>Additional shares offered to experts and highly skilled employees who commit to work for joint stock company in long-term</i>	0	-	-
3	Shares offered to trade unions at enterprise	0	-	-
4	Shares offered to strategic investors	0	-	-
5	Shares for initial public offering	579,187,440	5,791,874,400,000	48.8088%

Note: (*) The EVN's Board of Director approved in Resolution No. 483/NQ-HDTV dated August 26, 2020 on the number of shares offered to employees of the parent company - EVNGENCO2 at preferential price.



3 Plan to increase Chartered capital after transforming into joint stock company

Table 25. Plan to increase Chartered capital after transforming into joint stock company

Item	Unit	2021	2022	2023	2024	2025
Chartered capital	VND Bil.	11,866	11,866	12,222	12,222	12,834

4 Starting price

Table 26. Starting price valuation

Method	Starting price (VND/share)	Proposed starting price
Asset method	24,520	24,520
Dividend discounted method	19,076	

Details in Starting Price Valuation Report (Appendix 6.2)

Based on the results of enterprise valuation announced under Decision No. 150/QĐ-UBQLV dated on March 30th, 2020 of the Commission for the Management of State Capital at Enterprises and the result of starting price valuation undertaken by starting price valuation consultant in line with principles of fully determination of the actual value of the State owned capital which had been re-valuated and announced by the competent authority, and the potential of the enterprise in the future, EVNGENCO 2 proposes the starting price for the initial public offering is 24,520 VND/share.

On the basis of the approved starting price, the Equitization Steering Committee will coordinate with the auctioneer organization to determine the starting price, price step, number of steps, number of price levels ... Article 11 on basic information about equitization plan, in the Template Regulations on initial public offering of shares issued together with Decision 58/QĐ-UBCK dated on July 6th, 2018.

5 Method of selling and payment for shares

5.1. Shares selling to employees

- *Method of selling:* Negotiation
- *Selling price:*



Shares offered to employees at preferential prices based on actual time working in the State sector: 6,000 VND/share

Additional shares offered to employees who commit to work for joint stock company in long-term: Starting price

Additional shares offered to experts and highly skilled employees who commit to work for joint stock company in long-term: Starting price

- *Time of selling:* The Steering Committee sells shares to employees and the trade union in the enterprise before Initial Public Offering. The number of shares that employees and trade unions refuse to buy under the equitization plan, the Steering Committee reports the owner's representative agency to add to the number of shares auctioned to the public. According to point b, Clause 19, article 1, Decree No. 140/2020 / ND-CP.

5.2. Initial public offering:

- *Method of selling: public offering*

Pursuant to point b, clause 1, article 6, Circular 40/2018/TT-BTC

- *Time of selling:* within 9 months from the date of announcement of the Decision on approving the enterprise valuation (March 30th, 2020) in accordance with the provisions of clause 3, article 25, Decree 126/2017/ND-CP and or within 4 months from the date of approval on the equitization plan, according to clause 2, article 6, Circular 40/2018/TT-BTC.
- *Time of payment:* as provided in Auction Regulation

The intended schedule of undertaking initial public offering is as follows:

No.	Work	Time (Month)
1	Time of approval on the equitization plan	T
2	Preparing share auction dossiers	T+1
3	Signing the auction contract with the auctioneer organization	T+1
4	Inviting registration as auctioneer's agent	T+1
5	Publishing information about the IPO & publishing the Prospectus	T+1
6	Presenting and introducing about the IPO (if necessary)	T+1÷T+2
7	Undertaking IPO	T+2
8	Receiving proceeds from auctioneer organization	T+2
9	Directly negotiating for selling undistributed shares (and / or adjusting the Chartered capital structure)	T+2
10	Closing list of investors bought shares in IPO	T+3





6 Auctioneer organization

EVNGENCO 2 proposes IPO at Ho Chi Minh City Stock Exchange.

7 Settling undistributed shares

In case shares are offered for initial public offering and to employees are not sold out, settlement measures will be implemented in accordance with article 37, Decree 126/2017 / ND-CP.

8 Risks

8.1. Economic risk

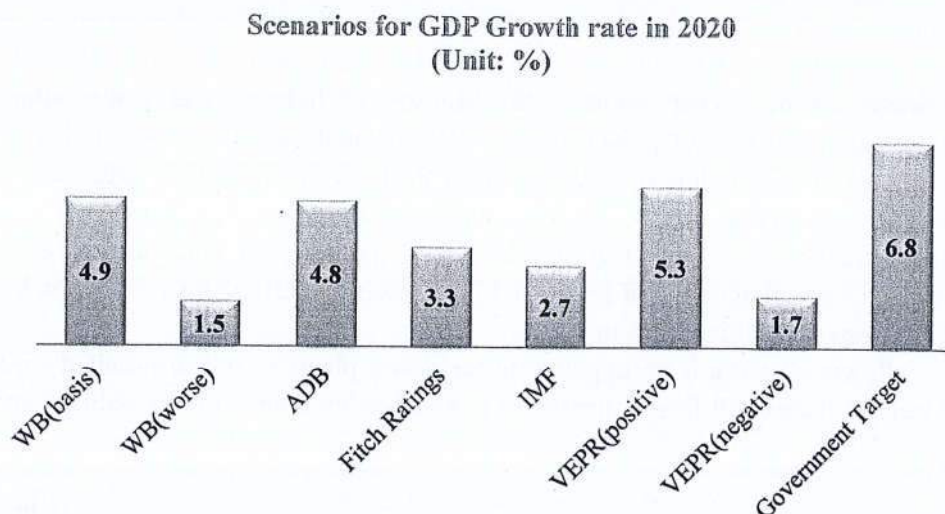
According to the National Center for Socio-Economic Information and Forecasting (NCIF), the Ministry of Planning and Investment, in the period 2021 - 2025, Vietnam's GDP growth rate would be around 7%/year, macroeconomy is basically stable, inflation rate would be at 3.5 - 4.5%/year. To ensure 1% growth of GDP, it is necessary to increase nearly 2% of power consumption, corresponding to 12% -14% of electricity demand in the period 2021-2025.

However, due to the impact of the Covid -19 epidemic in early 2020, the global economy and the Vietnamese economy were severely affected.

The country's GDP grew by 1.81% in the first 6 months of 2020. Economic experts say that the economy in the third and fourth quarters would be more difficult, if Covid came back. In fact, in the second quarter, production activities of businesses were still running moderately thanks to orders signed from the end of last year and the first 2 months of the year. According to forecasts of the World Bank, the International Monetary Fund and the Institute for Economic and Policy Research, if Covid returns, GDP growth in the last 6 months of the year will fall to very low rate, even negative.



Figure 3. Scenarios for GDP growth rate in 2020



(Source: <https://vnexpress.net/kinh-te-co-the-chua-cham-day-4123803.html>)

On the other hand, some experts say that many governments are considering of withdrawing, relocating production in the supply chain back to their nation or region, this will be a huge barrier for developing countries, including Vietnam, in accessing to new technologies, receiving capital sources for economic development in the coming time.

The challenges mentioned above can slow down the economic growth rate compared to the forecasts, however, according to EVNGENCO 2's current status of power sources, investment for expanding new power sources, meeting electricity demand, operating the power system safely and ensuring energy security is still extremely important to the stable socio-economic development of Vietnam.

8.2. Legal risk

After transformation to joint stock company, in addition to the current legal regulations, EVNGENCO 2 will be subject to the regulations on securities and stock market.

Legal risk is the most important issue for businesses, especially in the context of the transition economy and the legal system in the process of completion. Changes in policies and laws may facilitate or adversely affect business operations of EVNGENCO 2.

To control legal risks, EVNGENCO 2 focuses on reviewing legal regulations to avoid doing things that the law does not allow and prohibit, or fulfilling the necessary conditions for conditional business required and allowed by laws. These procedures are undertaken by EVNGENCO 2's internal Legal department or by hiring a legal consultant.





8.3. *Specific risk*

According to the target of the Revised National Power Development Master Plan 7 approved by the Prime Minister, the installed capacity of the system will increase by 21,651 MW, 38,010MW, 36,192MW in the period 2016-2020, 2021-2025 and 2026-2030 respectively. However, as per recent report of the Ministry of Industry and Trade, after reviewing the construction progress of power plants, it is indicated that the total installed capacity of new power plants coming into operation is lower than one of 17,000MW targeted in National Power Development Master Plan 7, of which, many coal-fired power projects in the South are delayed. The mentioned above report of the Ministry of Industry and Trade also revealed that Vietnam will face a power shortage of about 6.6 billion kWh in 2021, about 11.8 billion kWh in 2022 and at peaking of 15 billion kWh in 2023.

Power shortage is an opportunity for power plants to utilize installed capacity, however, power producers still face a number of risks affecting their business stability and performance. Particularly.

8.3.1 *Material supplies for coal fired thermal power plants*

For thermal power plants, sufficient input materials are very important because they greatly affect to the safety operation, operation plan of power plants as well as mobilization plan by National Load Dispatch Centre (A0).

The coal supply for coal fired power plants in Vietnam is mainly come from Vietnam Coal and Mineral Group (Vinacomin) and the Northeastern Corporation. However, Vietnam's coal reserves are decreasing, the mining conditions are more difficult due to deeper digging and mining under the ground. Mining coal output decreased from 46.6 million tons in 2011 to 38.4 million tons in 2017 and increased to 42 million tons in 2018. In the end of 2018 and early 2019, the El Nino phenomenon is strongly active, together with more coal-fired power plants coming into commission, demand for coal continues to increase rapidly, and domestic mining coal is not enough to meet. This caused many coal fired power plants operating at low level of capacity, some had to stop. Currently, the shortage of coal continues, but less serverly in compared to the end of 2018 - early 2019 period.

According to Revised National Power Development Master Plan 7, the increase in installed capacity of the system in the period 2020-2030 still critically depends on coal-fired thermal power, so the domestic demand for coal is still growing rapidly. To cover the shortage of mining coal output, the Ministry of Industry and Trade assigned Vinacomin to import and supply coal for thermal power plants. Recently, many power plants have applied for coal importing by themselves, but this proposal has not been approved because Ministry of Industry and Trade concerns that high price coal imported directly by power plants would result in increase of electricity production costs.

Gas fuel supply:



According to the plan, after completing the investment to convert fuel from FO oil to gas fuel, of O Mon I Thermal Power Plant and O Mon V Thermal Power Plant will use the natural gas source from Block B.

However, the update to beginning of second quarter of 2020 by National Steering Committee for electricity development, the implementing progress of gas-power project chain in block B (upstream, middle and downstream) is behind the targeted schedule.

In the coming time, the delay of this project chain may affect the gas supply to O Mon I Thermal Power Plant after completing the conversion.

Price of input materials for thermal power plants:

In addition to the problem of insufficient input materials, the price of input materials is also considered as major risk which affects to the competitiveness of power plants. In the event of prices of coal or gas increase, power generation costs of these power plants will increase subsequently and directly weaken the competitiveness of power plants in both competitive power generation markets and indirectly in generation in accordance with contract.

Due to the provisions of the International Maritime Association (IMO) that all ships must use marine natural fuel with a maximum sulfur content of 0.5% from the current limit of 3.5%, effective from January 01, 2020. With the consumption of 80% - 90% of the FO oil for shipping, the price of high sulfur content oil FO of 3.5% is forecast to decrease significantly, this would positively impact on the FO oil-fired thermal power plants and gas fired thermal power plant.

Currently, the gas price sold to power plants is partly determined by the marine fuel oil (MFO) price (the average monthly FO oil price in Singapore market according to Platt's magazine), so the gas price will fluctuate in proportion to the oil price. As for the coal source, due to the shortage of domestic mining coal, Vinacomin and the Northeastern Corporation had to import coal to cover the shortage. Therefore, the volatile price of coal in the international market will also partly affect to the price of coal input of power plants.

8.3.2 Hydropower energy

In Vietnam, the rainy season usually starts from June and ends at the end of October, so this time will be the period that hydropower plants run at maximum loading. As the peak of the rainy season in August 2018, the power output of hydropower plants accounted for more than 50% of the electricity output of the whole system, that one of coal fired thermal power was about 30%, and output of gas and oil fired power plants was only about 15%. Whereas in the dry season from December of previous year to May, output of hydropower was only 30% of the electricity output of the whole system, while that one of coal fired thermal power was 50% and oil and gas fired thermal power was nearly 20%.





In recent years, due climate changes, the El Nino phenomenon had been prolonged. The water level of hydropower reservoir in rainy season drops to a record low and affected to the production of power plants.

According to EVN, potential installed capacity of hydropower of the whole country is about 25,000-26,000 MW, equivalent to about 90-100 billion kWh of electricity output. As of June 30, 2019, the total installed capacity of all Vietnam hydropower plants was 20,000 MW, equivalent 38% of the total installed capacity of the whole system, of which 80 large and medium scale hydropower projects were taking for total installed capacity of 16,000 MW. Up to date, most of hydropower projects with installed capacity above 100 MW has been put into commercial operation. Projects with convenient location and low investment had also been implemented.

8.3.3 Power generation of EVNGENCO 2

Firstly, given the power installed capacity structure in which 50.7% is coal fired thermal power, efficiently mobilizing installed capacity and ensuring operation of these coal fired power plants depend heavily on the coal supply situation and coal fuel prices in the coming time.

The second largest power source is hydropower with 30.1%. Hydropower plants depend heavily on weather conditions and hydrological status in the coming time.

Oil-fired thermal power accounts for 19.2% of the total installed capacity of EVNGENCO 2. Oil-fired power plants are under the management of Can Tho Thermal Power Company. Currently, the power generation is implemented in pursuance to Decision 2364/QĐ-BCT dated on May 8th, 2012 of the Ministry of Industry and Trade approving revised investment project of O Mon I thermal power plant, accordingly annual commercial generation is 1,014 millions kWh.

Recently, EVNGENCO 2 has submitted written report 247/EVNGENCO 2-QLĐTXĐ for investment policy in upgrading O Mon I Thermal Power Plant to convert fuel from oil FO to gas fuel.

At present, O Mon I is carrying an ODA loan from the Japanese Government with payback period until 2038. If it is not applied a specific treatment mechanism in which a long-term ancillary service contract is signed allowing mobilization of generation capacity of the power plant as at present, there will be a high risk of being unable to ensure the financial balance and debt repayment obligations to Vietnamese government, and then to Japanese government.

8.4. IPO risk

For a successful initial public offering, it depends on many factors at the time of offering. The initial public offering of EVNGENCO 2 will not use underwriting service, so it is possible that the shares offered are not fully registered and bought by investors. After negotiating with and selling under negotiation to investors in accordance with Decree 126/2017/ND-CP, there is still a risk that a number of shares will not be fully issued.

**8.5. Other risks**

Other risks include of force majeure events such as natural disasters, epidemics, wars ... which can happen to any business including EVNGENCO 2.





VIII. THE PLAN OF USING PROCEED FROM EQUITIZATION

EVNGENCO 2 is equitized enterprise which is invested by a state-owned enterprise (EVN) with 100% chartered capital, so proceeds from equitization will be used as follows:

Point a Clause 20, Article 1, Decree No. 140/2020/ND-CP, amending Point a, Point b Clause 1 Article 39, Decree No. 126/2020/ND-CP as follows:

“a) Within a period of 05 working days from the date of deadline for payment of the investors participating in the public auction, the auction organization is responsible for transferring proceeds from the initial sale of shares. equitized enterprises to support the handling of redundant labor, pay the cost of equitization according to the cost estimate determined in the equitization plan approved by the competent authority, and leave to the enterprise. equitization of value of additional shares at par value and cost of shares (book value of sold shares corresponding to investment capital of a tier-I enterprise in a tier-II enterprise upon equitization of an enterprise level II); the rest is paid to the Enterprise Arrangement and Development Fund. ”

According to Circular 40/2018/TT-BTC, it is provided that:

Article 13. Settling proceeds from equitization at the time of officially transformation into joint stock company

Point 5.1, Clause 5, Article 13:

“5.1. In case of selling investment capital of tier-I enterprise:

The proceeds from equitization are used to repay the tier-I enterprise for the book value of the shares sold and the tax payable as prescribed (if any). The remaining balance after deducting equitization expenses, payment relating to compensating redundant labor settlement, the preferential value of selling shares to employees, equitized enterprise shall transfer to the Enterprise Arrangement and Development Fund. ”

Clause 6 and Clause 7 Article 13:

“6. Within 90 days from the date of the first business registration certificate, the equitized enterprise is responsible for determining and paying proceeds from equitization to Enterprise Arrangement and Development Fund as provided in this Circular ”

7. Within 5 working days from the date of decision by the owner representative agency on approving the value of the State owned capital at the time of officially transformation into joint stock company, equitized enterprise shall continue to pay the positive difference in comparison with the paid amount specified in Clause 6 of this Article (if any) to the Enterprise Arrangement and Development Fund. ”



Table 27. Plan using proceeds from equitization

Unit: VND

ID.	Items	Number of shares	Portion	Value	Remark
I	Value of State owned capital (capital of EVN) at the time of enterprise valuation			11,866,443,676,275	As result of enterprise valuation
II	Chartered capital of joint stock company	1,186,644,367	100.0000 %	11,866,443,670,000	
III	Stake held by the State at joint stock company(51% of chartered capital)	605,188,627	51.0000%	6.051.886.270.000	
IV	Price of share				
4.1	- Starting price			24,520	
V	Proceeds from equitization	581,455,740	49.0000%	14,232,313,116,800	(V)=(5.1)+(5.2)
5.1	Selling a part of State owned capital (capital of EVN) at enterprise	581,455,740	49.0000%	14,232,313,116,800	
5.1.1	- Shares offered to employees	2,268,300	0.1912%	30,637,088,000	(5.1.1)= (i) + (ii)
i	- Shares offered to employees at preferential prices based on actual time working in the State sector	1,348,900	0.1137%	8,093,400,000	Preferential price is 6,000 VND
ii	Additional shares offered to	919,400	0.0775%	22,543,688,000	Starting price





	<i>employees who commit to work for joint stock company in long-term</i>				
5.1.2	- Initial public offering	579,187,440	48.8088%	14,201,676,028,800	Average of price of IPO
VI	Use of proceeds from equitization	581,455,740		14,232,313,116,800	(VI)=(V)
6.1	Covering equitization expenses and paying for carrying policy on redundant labors			10,696,000,000	
6.1.1	Equitization expenses			10,696,000,000	Estimated
6.1.2	Payment for carrying policy on redundant labors			0	
6.2	Retained proceeds at equitized enterprise			0	(6.2)=(6.2.1)+(6.2.2)
6.3	Proceed transferred to Enterprise Arrangement and Development Fund			14,221,617,123,075	
6.3.1	<i>Proceeds paid back to EVN</i>			5.814.557.400.000	<i>The value of EVN's divested capital at EVNGENCO 2 in accordance with book value</i>



**Assumptions:**

- All of offered shares will be acquired.
- Average price of IPO is equal to the starting price
- The final number will be identified on the actual IPO result

Note:

- Proceeds paid back to EVN is in compliance with provisions in Article 13 Circular No. 40/2018/TT-BTC.

Detailed plan is calculated and attached at Appendix 7 of equitization plan.





IX. DRAFT ORGANIZATION AND OPERATION CHARTER OF JOINT STOCK COMPANY

Draft charter of organization and operation of the joint stock company is prepared in accordance with the Template charter with Law on Enterprise 2014. During the operation, the General Meeting of Shareholders, of the joint stock company will update Charter according to the new Law on Enterprise.

Details of the Draft Charter are in Appendix 8.

**X. PLAN ON STOCK DEPOSITORY AND TRADING OF EVNGENCO2**

Following Clause 2 and Clause 3 of Article 11, Decree 126/2017/ND-CP, when preparing dossier for the initial public offering, EVNGENCO 2 concurrently prepares a dossier for stock depository and trading registration. The duration for completing procedures for stock depository registration at the Vietnam Securities Depository and for trading registration on Upcom's trading system is due within 90 days from the due date of the initial public offering.





XI. SUMMARY

To implement approved equitization plan as well as facilitate enterprises after transforming into joint stock company, to ensure stable and continuous operations and to carry out plans and strategies on developing production and business activities after equitization of EVN/EVNGENCO 2 respectfully requests the Commission for the Management of State capital at Enterprises to approve the above contents and submit to the Prime Minister for approval of equitization plan of Holding company - Power Generation Corporation 2 with the following main contents:

1. Name of joint stock company: TỔNG CÔNG TY PHÁT ĐIỆN 2 - CÔNG TY CỔ PHẦN
 - Name in English: POWER GENERATION JOINT STOCK CORPORATION 2
 - Abbreviated name: EVNGENCO 2
2. Address of head quarter: 01 Le Hong Phong, Tra Noc Ward, Binh Thuy District, Can Tho City, Vietnam.
3. Joint stock company:
 - Has legal entity status from the date of issuance of enterprise registration certificate.
 - Applies business independent accounting policy and mechanism.
 - Has unique seal, and can open bank accounts as prescribed by laws.
 - Is organized and operated in accordance with its own charter and Law on Enterprise; do business registration in accordance with laws.
4. Form of equitization:
 - Selling a portion of State owned capital (capital of EVN) currently at enterprise.
5. Chartered capital and structure of shares issued:
 - 5.1. Chartered capital: VND 11,866,443,670,000;
(in words: Eleven thousands eight hundreds sixty six billions four hundreds fourty three millions six hundreds seventy thousands Vietnamese Dong), equivalent to 1,186,644,367 shares.
Par value of share: VND 10,000.
 - 5.2. Shares initially issued: 1,186,644,367 shares, of which:
 - Shares held by the State/ EVN: 605,188,627 shares, accounted for 51% of chartered capital.
 - Shares issued to employees at preferential prices: 2,268,300 shares, accounted for 0.1912% of chartered capital.





- Shares issued to trade union organization at enterprise: 0 shares, accounted for 0% of chartered capital.
 - Shares issued to strategic investors: 0 shares, accounted for 0% of chartered capital.
 - Shares issued at initial public offering: 579,187,440 shares, accounted for 48.8088% of chartered capital.
 - Auctioneer organization of IPO is Ho Chi Minh Stock Exchange.
6. Plan of labor re-arrangement:
- Total employees at the time of enterprise valuation: 855 persons
 - Employees continuously work in joint stock company: 827 persons.
 - Redundant labor: 0 person.
7. Expenses for compensating for redundant labor: will be settled in pursuance of effective regulations.

Regards./.



