

# 2018 ANNUAL REPORT

Accelerating improvements,  
Quicker - Higher



 Vietnam Airlines   
REACH FURTHER





Vietnam Airlines

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# List of Abbreviations

<b>AFTK</b>	Available Freight Tonne Kilometers	<b>JSC</b>	Joint Stock Company
<b>AGM</b>	Annual General Meeting	<b>K6</b>	Cambodia Angkor Air
<b>ASK</b>	Available Seat Kilometers	<b>LCC</b>	Low Cost Carrier
<b>AT</b>	Air transportation	<b>Ltd</b>	Limited Liability Company
<b>BH</b>	Block Hour	<b>MC</b>	Members' Council
<b>BOD</b>	Board of Directors	<b>OTP</b>	On Time Performance
<b>BOS</b>	Board of Supervisors	<b>PAT</b>	Profit after tax
<b>CARG</b>	Compound Annual Growth Rate	<b>PBT</b>	Profit before tax
<b>FS</b>	Financial Statements	<b>RFTK</b>	Revenue Freight Tonne Kilometers
<b>FSC</b>	Full Service Carrier	<b>RPK</b>	Revenue Passenger Kilometers
<b>GSM</b>	General Shareholders' Meeting	<b>SLB</b>	Sale and Lease Back
<b>HCMC</b>	Ho Chi Minh City	<b>Vietnam Airlines/VNA</b>	Parent company (including Vasco)
<b>IT</b>	Information Technology	<b>VNA Group</b>	Vietnam Airlines, JPA, OV and K6
<b>JPA</b>	Jetstar Pacific Airlines Joint Stock Aviation Company		

# MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS & CHIEF EXECUTIVE OFFICER



## Dear valued Shareholders,

On behalf of the Board of Directors and the Board of Management of Vietnam Airlines, we would like to extend our warmest greetings and express our sincerest gratitude to the shareholders for your trust and support of Vietnam Airlines, the flag carrier of Vietnam.

In 2018, Vietnam Airlines continues to affirm our leading position as the flag carrier with remarkable achievements. Revenues and profits reached record levels, marking the best results for Vietnam Airlines in nearly 25 years of operation.

Last year, despite several challenges in the business environment, such as rising fuel costs, overloaded domestic airports and uncertainties in some regions of the world, Vietnam Airlines worked to ensure safety and aviation security while maintaining operational efficiency with a high On-Time Performance (OTP) that exceeded the targeted departure and arrival ratios of 89% and 82%, respectively.

In 2018, Vietnam Airlines successfully delivered more than 141,000 flights and carried 22 million passengers. The consolidated revenue of the Group reached a record high of VND98,950 billion, exceeding our target by 1.9%. Through operational strategy adjustment and efficient balancing of resources, Vietnam Airlines achieved a record high consolidated pre-tax profit of VND3,312 billion, exceeding the target by 36.8%. The parent company contributed VND73,227

billion in revenue and VND2,418 billion in pre-tax profit, exceeding the target set by the Annual General Meeting of Shareholders by 23.4%.

The robust business performance has resulted in a positive and sound financial position. The return on equity (ROE) ratio was 12%, the debt to equity (D/E) ratio and liquidity continued to rapidly improve.

Vietnam Airlines shares have maintained a stable momentum on the stock market. Our HVN stock is one of the stocks with the highest liquidity, at a market capitalization of nearly USD2.6 billion.

In 2018, we continued to expand our fleet with the addition of two wide-body Airbus A350-900 and three narrow-body Airbus A321neo aircraft - the new generation of aircrafts featuring fuel-efficient engines which help reduce emission and increase operational efficiency.

We also focus on raising the quality of services associated with cultural promotion through cooperative programs with Global Cuisine Ambassador Luke Nguyen. The "Four seasons of fruit - Four seasons of love" program served distinctive seasonal fruits, which helps to enrich customer experience and promote Vietnam's renowned agricultural products to the world.

We have earned a great number of accolades from both inside and outside the country with numerous prestigious

**In 2018, Vietnam Airlines continues to affirm our leading position as the flag carrier with remarkable achievements. Revenues and profits reached record levels, marking the best results for Vietnam Airlines in nearly 25 years of operation.**

prizes, thanks to our effort in self-improvement and enhancing Vietnam Airlines brand. Skytrax – the prestigious international air transport rating organization –certified Vietnam Airlines as a 4-star international airline for the third consecutive year. Vietnam Airlines also moved up one place in the Brand Finance’s ranking of the Top 10 most valuable brands in Vietnam, at a value of USD416 million.

Along with the trust and support from our shareholders and customers, these achievements and awards are a testament to the corporate values and development potential of Vietnam Airlines.

**Dear valued shareholders,**

2019 will be a year full of opportunities and growth but also challenges, with the motto **"Responsibility - Proactiveness - Creativity"**. By thoroughly assessing the business environment and balancing resources efficiently, Vietnam Airlines has developed an action plan containing various changes to bolster the quality of 4-star service and move towards 5-star status of the world aviation industry, while meeting the expectations of shareholders.

To reach our development goals, in 2019 the Board of Management of Vietnam Airlines will implement a restructuring scheme to improve the efficiency of the Company’s operations on the model of a modern, top-tier airline in the region. The plan includes restructuring financial ownership; reviewing and reorganizing the organizational structure; and deploying our fleet development plan for the

2021 – 2025 period. We also outline our vision to 2030 with an orientation towards investing in new-generation narrow-body aircraft to serve domestic and Asian routes. Along with that, Vietnam Airlines will continue perfecting our products and implement the “Dual Brand” with JPA to be responsive to market demands and affirming service quality and Vietnam Airlines brand.



Pham Ngoc Minh  
Chairman of the Board of Directors

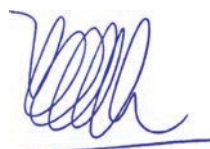
In 2019, Vietnam Airlines will receive our 14th Airbus A350-900 aircraft, marking the completion of the Company’s wide-body fleet. This confirms our leading position as the only domestic airline to own an entire “super fleet” of the most modern aircraft in the world, an advantage that delivers tremendous operational efficiency.

Information technology 4.0 will also be promoted and applied to our operations, commercial and service activities to embark on the global trend of Digital Airlines.

In addition to extensive investments in technology, Vietnam Airlines attaches great importance to human resources in the comprehensive development of the whole Company, promoting supervision for enhancing professional skills and improving productivity. The Board of Directors also actively monitors the quality of capital management in subsidiaries to ensure the development objectives and profit plan of Vietnam Airlines.

Vietnam Airlines has completed the legal procedures for listing on the Ho Chi Minh Stock Exchange (HoSE) - Vietnam’s largest stock exchange. The listing transfer to HoSE will open new opportunities for Vietnam Airlines to improve our reputation, information transparency, stock liquidity and access to new sources of investment capital.

With unwavering effort to maintain and improve operational efficiency towards our goals of Safety - Quality - Efficiency, together with the support of shareholders and the solidarity, dedication and professionalism of our employees, the Board of Directors and the Board of Management of Vietnam Airlines believe that we will fulfil the 2019 objectives with great success. The achievements of 2019 will be an important prerequisite for Vietnam Airlines to step firmly into the new development stage of 2020 – 2025. Vietnam Airlines will continue to “Reach Further” as we strive to become the favourite airline for the region and the world.



Duong Tri Thanh  
Chief Executive Officer

# Vision - Mission

- Become a leading Asian airline, trusted and selected by customers.
- Be the flag carrier and the key force of Vietnam's aviation.
- Provide diverse and high-quality air transport and synchronous services.
- Create a civilized and professional working environment with various opportunities for career development for employees.
- Run effective business operation, ensure sustainable benefits for shareholders.

# Core values

- Safety is the top priority and the basis of every activity.
- Customer-centric approach. Vietnam Airlines' development tightly links to customers' trust.
- Employees are the most valuable asset. All remuneration policies are built on the basis of being fair and providing worthy benefits to maintain the cohesion and solidarity of the organization.
- Constant creativity. With creativity as the principal of reform, Vietnam Airlines maintains constant innovation in all fields with breakthrough thinking to achieve great success.







# Targets



## Top 10

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Favorite airlines in Asia



## Top 3

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Airlines in Southeast Asia  
in terms of scale



## 5 STAR

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Advance 4-star airline services and progressively achieve 5-star international airline standards after 2020



## Digital Airline

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Become a Digital Airline



## Favourite Workplaces

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Become one of the most favourite workplaces in Vietnam

# 2018 KEY HIGHLIGHTS

**55.3%**



**MARKET SHARE** | (VNA Group)  
Leading Vietnam aviation industry

**28** MILLION



**TRANSPORTED PASSENGERS**  
(VNA Group)

**89.2%**



**ON TIME PERFORMANCE** | (OTP)  
Highest ranking in Vietnam and ranked  
6th in Asia - Pacific region

**336** THOUSAND TONS



**CARGO** (VNA Group)

**110**



**AIRCRAFT** | (VNA Group)  
Vietnam's largest  
airline fleet

**7/7**



**SAFETY LEVEL**  
(VNA, JPA)  
Aviation safety standards under  
AirlineRatings

**4-star international  
airline** standards  
certificated by Skytrax for  
3 consecutive years



**TRIP ADVISOR RATED**  
Asia's most favorite airline  
in 2018



**98,950** VND BILLION

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Record consolidated revenue  
in 25 years of operations

**3,312** VND BILLION

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Record consolidated pre-tax  
profit in 25 years of operation

**73,227** VND BILLION

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Revenue of the parent company

**2,418** VND BILLION

---

Profit before tax of the parent company

**416** USD MILLION


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Vietnam Airlines' brand value  
according to **Brand Finance**



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FIRST HOTEL  
SERVED  
BY ROBOTS  
IS IN JAPAN?

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Vietnam Airlines' direct flights to Japan.

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# DEVELOPMENT STRATEGY

## Development orientation

### ROUTE NETWORK

**Domestic network:** This is VNA's strategic network. Vietnam Airlines will continue to develop its route network departing from Ha Noi - Da Nang - Ho Chi Minh City; and promote new hubs such as Hai Phong and Can Tho; continuing to jointly coordinate with JPA and VASCO in product offerings.

**International network in Southeast Asia, Northeast Asia, South Pacific:** This is the most critical network in terms of operational efficiency. Vietnam Airlines continues to increase flight frequency to improve the products of 2 flights/day/route, using wide-body aircrafts.

The Company also conducts research to open new routes from Central Asia to the Northeast Asia region, new routes to the Philippines and other destinations in ASEAN, considers opening the Ha Noi - Melbourne route, and looks for opportunities to explore new destinations in Brisbane or Perth.

**Sub-regional network of Cambodia - Laos - Myanmar - Vietnam (CLMV):** This is a network with major political significance. Vietnam Airlines needs to maintain an effective competitiveness at Bangkok gateway; develops more products connecting tourist destinations in Central Vietnam and Indochina... and coordinates with K6 to support Vietnam Airlines products.



**Inter-continental long-haul flight network:** This is a long-term strategic network which is carefully analysed and developed. Vietnam Airlines is selecting a few more destinations in Europe as well as considering new routes to America's Los Angeles or San Francisco on the basis of ensuring the overall operational efficiency of the entire network.



## FLEET STRATEGY

Vietnam Airlines' fleet development plan emphasizes on state-of-the-art aircraft models that are simple in terms of structure and type, that suit market demand, aviation infrastructure and achieve operational efficiency.



### **Wide-body aircraft (280-300 Seats)**

Continue to operate the current fleet for Europe, Australia, Northeast Asia routes

### **Narrow-body aircraft (150-180 Seats)**

Additional investment to serve domestic market and international routes with low capacity/short-haul (less than 5 hours of flight).

### **Regional jet aircraft**

Replace ATR72 aircraft in the current operating routes to operate in niche markets (short routes, small capacity, airports with limited infrastructure ...).

## CAPITAL

Using a combination of various capital sources to ensure the mobilization of sufficient financial resources for investment needs; on the principle of maintaining all financial ratios at a safe level and reasonable funding costs. To execute this strategy, Vietnam Airlines uses a combination of solutions, including increasing owner's equity, mobilizing capital from capital markets, and utilizing the Sale and Leaseback (SLB) structure. In addition, Vietnam Airlines also restructures its financial investment portfolio to focus capital on its core business.



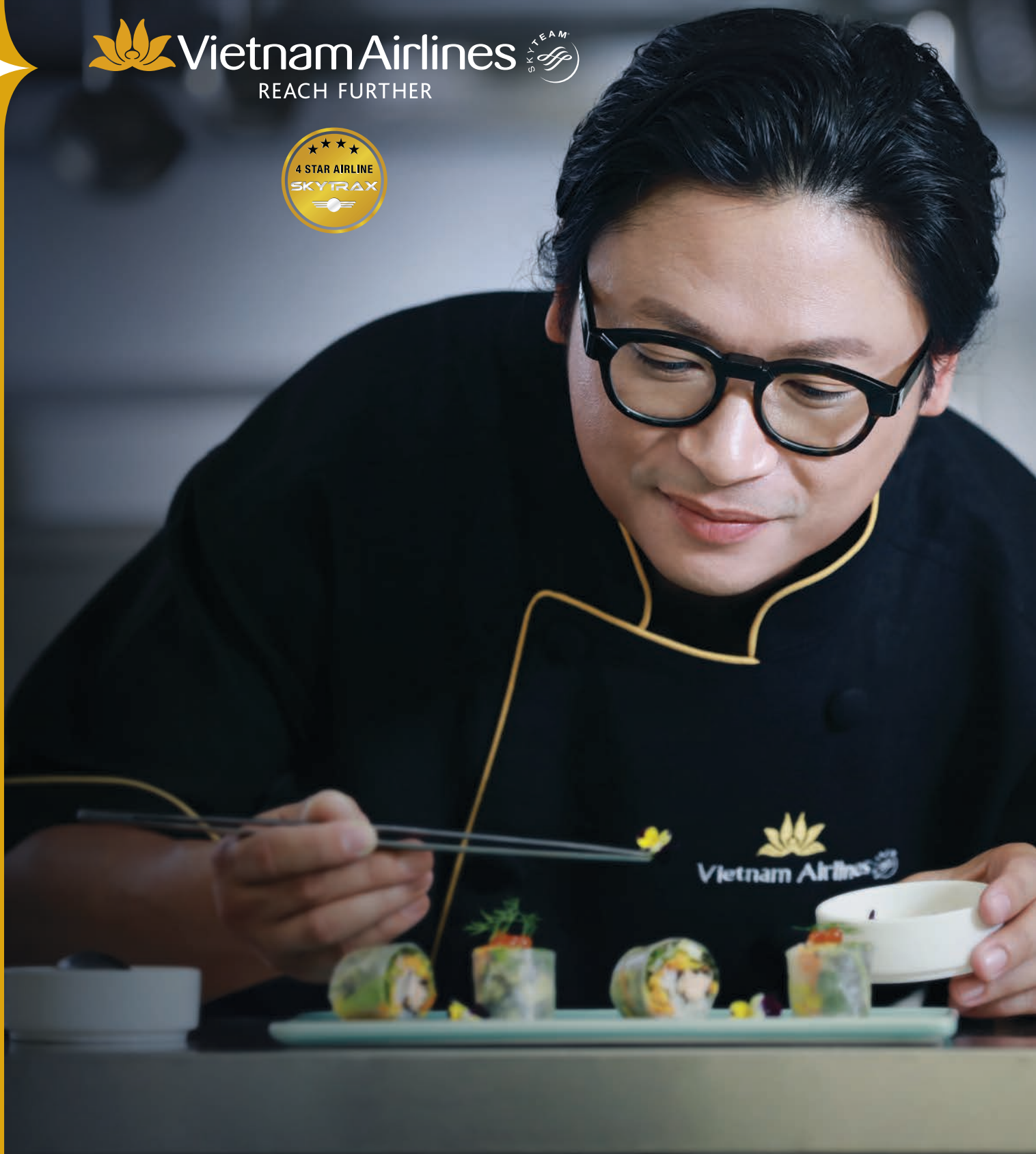


## INVESTMENT STRATEGY

Along with investment in fleet development, Vietnam Airlines continues to improve the capacity of aircraft operation and maintenance, as well as IT infrastructure. The general direction is to spend 50% of the investment capital on the fleet and 50% on other aspects.



 **Vietnam Airlines**   
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# **DID YOU KNOW** **CELEBRITY CHEF LUKE NGUYEN HAS BEEN ELEVATING VIETNAM'S CULINARY ARTS ON VIETNAM AIRLINES FLIGHTS?**

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**THE WORLD IS CHANGING.  
ARE YOU?**

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Let's enjoy the authentic Vietnamese cuisine to the fullest while being up to 35.000 feet above the ground, served by the heart of Luke Nguyen - the Global Cuisine Ambassador of Vietnam Airlines.

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# COMPANY OVERVIEW

## GENERAL INFORMATION

**Name in Vietnamese:** Tổng Công ty Hàng không Việt Nam - CTCP

**Name in English:** Vietnam Airlines JSC

**Address:** 200 Nguyen Son,  
Bo De Ward, Long Bien District, Ha Noi

**Telephone number:** (+84.24) 3827 2289

**Fax:** (+84.24) 3872 2375

Business registration certificate for Joint Stock Company number 0100107518, issued by Department of Planning and Investment of Ha Noi City, and registered for the 6th change on 26 February 2019.

**Charter capital:** 14,182,908,470,000 VND

**Website:** [www.vietnamairlines.com](http://www.vietnamairlines.com)

**Email:** [nhadautu@vietnamairlines.com](mailto:nhadautu@vietnamairlines.com)





# Business lines



Air passenger transportation (air transport services for passengers), air cargo transportation (transportation of luggage, cargo, parcels, postal items, mails).



Direct support services for air transportation:

- General aviation operations (flights for terrain photography, geological surveys, flights for calibration of air traffic control towers, repair and maintenance of high-voltage transmission lines, oil and gas services, afforestation, environmental inspection, search and rescue activities, medical first aid, flights for political, economic, social, national security and defence tasks).
- Other specialized aviation services.
- Provision of commercial, tourism and hospitality services, sales of duty-free goods in waiting areas at international border gates, at airports, onboard, and in Vietnam's provinces and cities;
- Provision of technical services for ground control; engineering; services at passenger terminals, cargo terminals and parking lots at airports.



Repair and maintenance of transportation vehicles (maintenance of aircrafts, engines, spare parts and aviation supplies, equipment, equipment for groundwork and other technical equipment).



Manufacturing of measuring, testing, navigating and controlling equipment, such as spare parts, supplies, technical equipment and other aviation industry components, provision of technical services and spare parts to domestic and international airlines.

# Business network

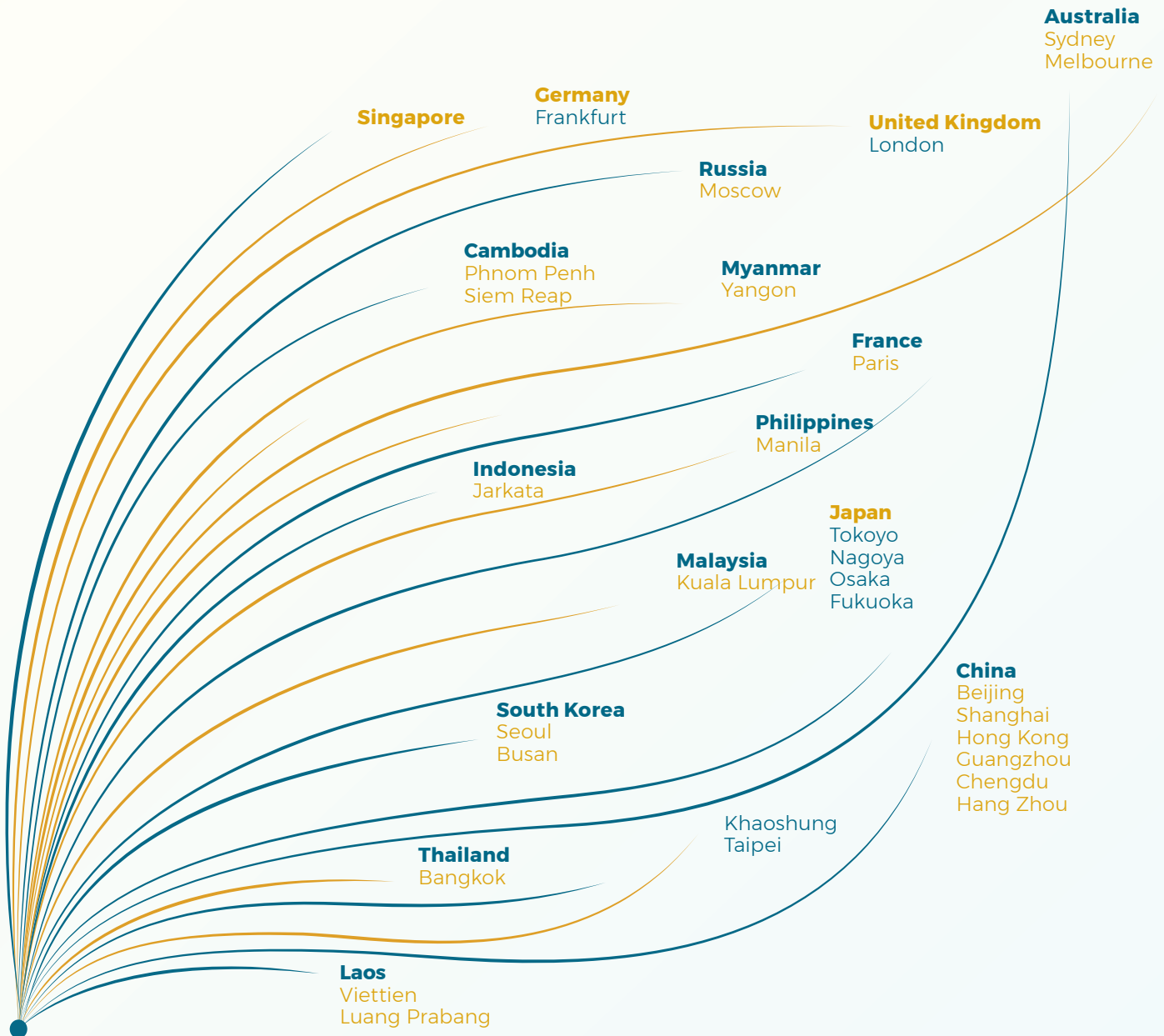
as of 31 December 2018

VIETNAM AIRLINES OWNS THE LARGEST AIR ROUTE NETWORK IN VIETNAM

<b>Vietnam Airlines</b> <b>05</b> Affiliate Units	<b>Branches</b> <b>25</b>	<b>Operating at</b> <b>21</b> Provinces and cities in Vietnam
--	---------------------------	--







**Viet Nam**

- |               |               |                  |
|---------------|---------------|------------------|
| Buon Ma Thuot | Dien Bien Phu | Rach Gia         |
| Ca Mau        | Dong Hoi      | Thanh Hoa        |
| Can Tho       | Ha Noi        | Tuy Hoa          |
| Cam Ranh      | Hai Phong     | Ho Chi Minh City |
| Con Dao       | Hue           | Van Don          |
| Chu Lai       | Pleiku        | Vinh             |
| Da Lat        | Quy Nhon      | Phu Quoc         |
| Da Nang       |               |                  |

**Vietnam Airlines has a geographically wide network in Europe, Asia, Australia, and North America with 31 branches and representative offices in 19 countries and territories, in order to meet customers' demands all over the world.**

# Establishment and Development history



## Established

Vietnam National Airlines

**1993**



Introduced new logo - **The Golden Lotus**, which associated with outstanding improvements in service quality, network expansion and fleet development.

**2002**



Became an official member of **IATA**

**2006**

**1995**

Established Vietnam Airlines Corporation, including Vietnam National Airlines and 20 enterprises in the aviation industry

**2003**

Restructured the Corporation's operation under a holding model of parent - subsidiaries, following Decision No. 372/QD-TTG on **4 April** 2003 issued by the Prime Minister.

Received and put the first modern Boeing 777 aircraft into operation, launched a fleet modernization project



**September 2014:**

The Prime Minister approved the equitization plan for Vietnam Airlines

**November 2014:**

Successfully implemented the initial public offering at Ho Chi Minh Stock Exchange

**2014**



**July 2016:** Officially certificated as a 4-star international airline according to Skytrax standards

Completed the strategic investor selection process with **ANA Holdings Inc.**

**2016**

**July 2018:** Received Skytrax's certificate for the 3rd time in a row as a 4-star standard international airline (2016, 2017, 2018)



**November 2018:** Officially received the first Airbus A321NEO aircraft; transferred the State representative rights from the Ministry of Transport to the State Capital Management Committee.

**2018**

**2010**

Became a State-owned One-Member Limited Liability company

Officially became the 10th member of **Skyteam Airline Alliance**



**2015**

**April 2015:** Officially operated as a Joint Stock Company since 1 April 2015

**July 2015:** The first airline in South East Asia and the second in the world to receive the new generation Airbus A350-900 aircraft, also launched the new brand identity system



**August 2015:** The first airline in Asia Pacific to concurrently receive modern world-class new generation Boeing 787-9 aircraft and Airbus A350-900 aircraft

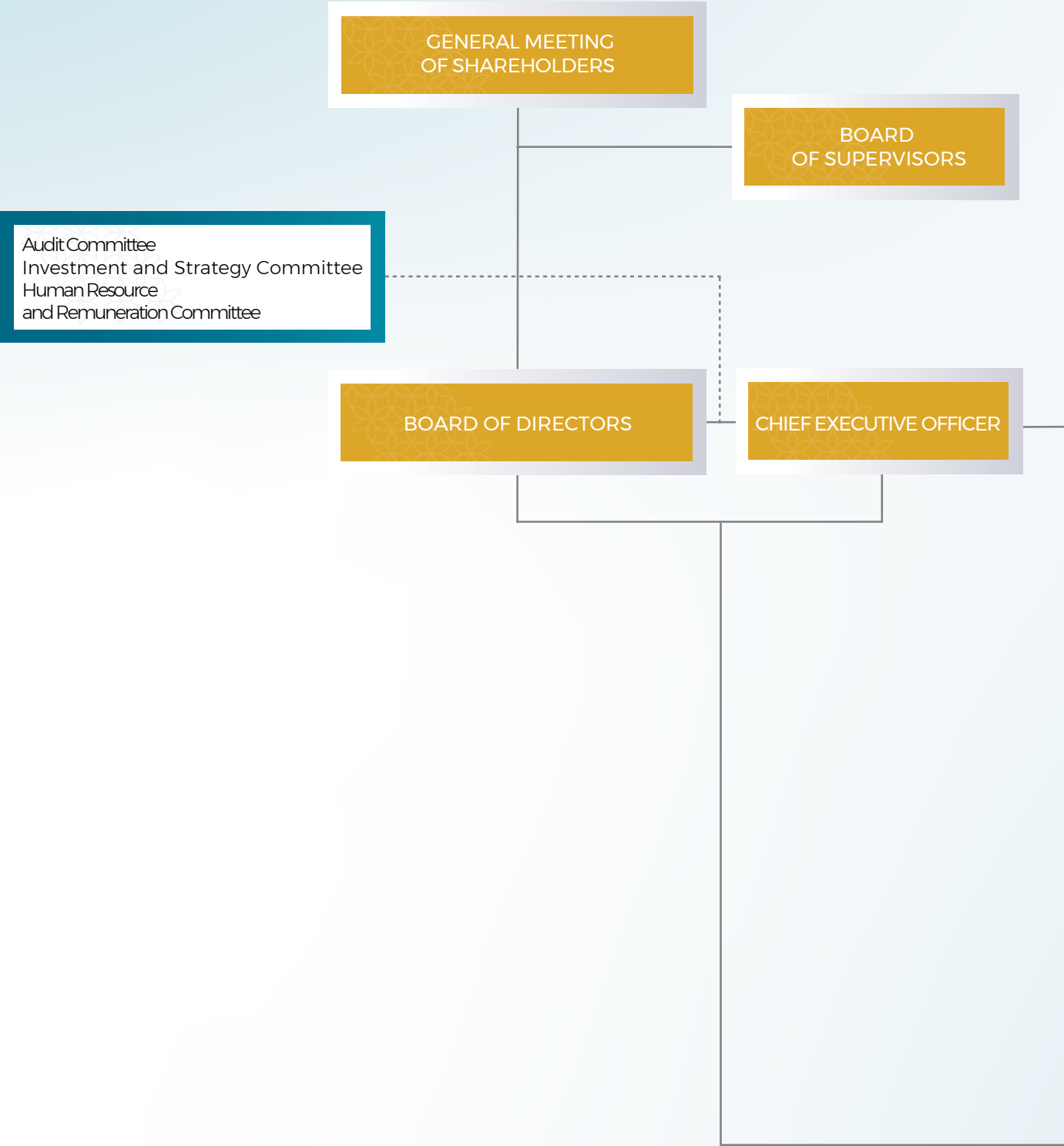
**2017**

**January 2017:** Vietnam Airlines shares officially listed on UPCoM stock exchange with the ticker HVN, recognized in the list of top market capitalization on the market.

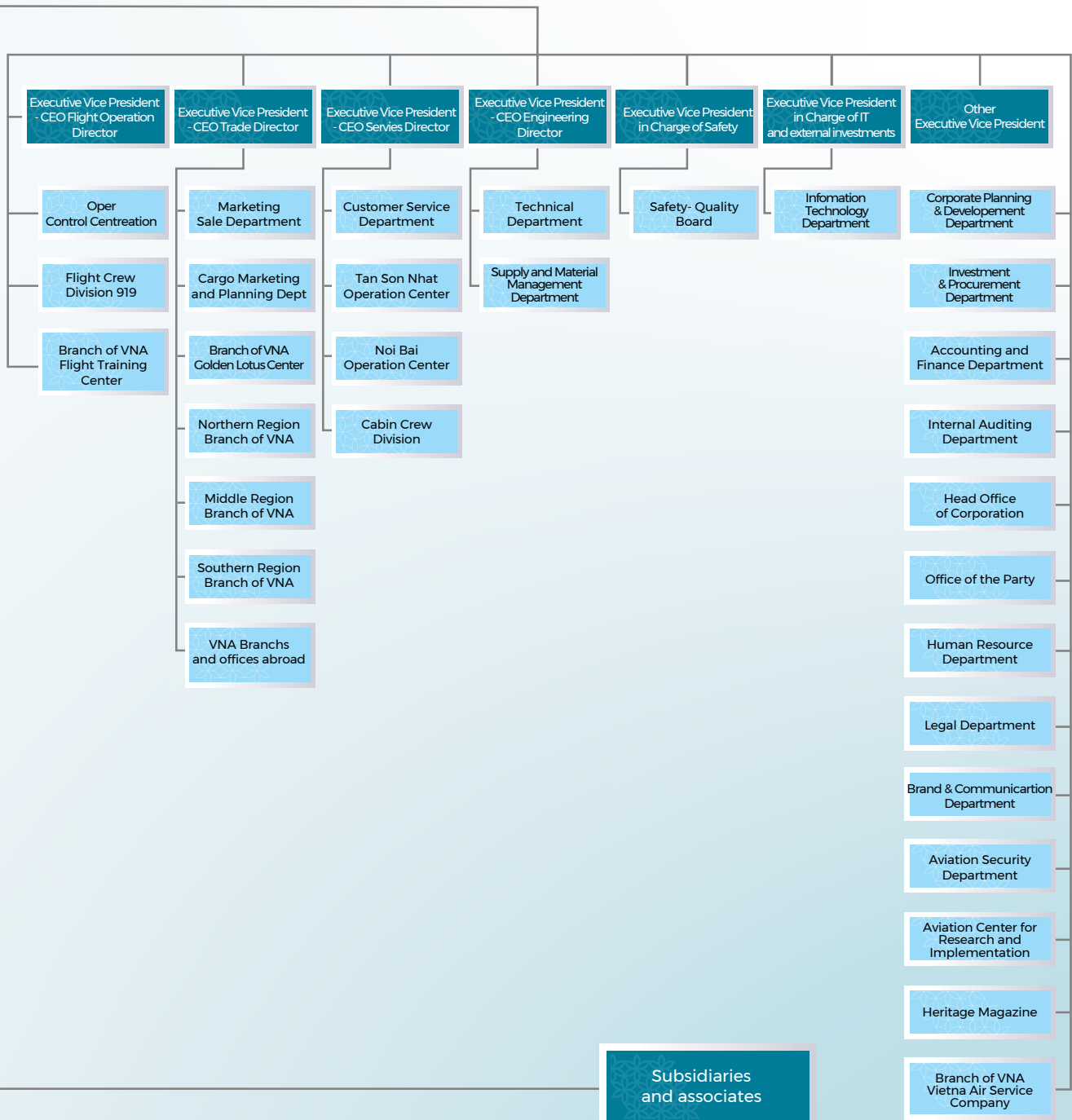
**December 2017:** Welcomed the 200 millionth passenger after 20 years of operation and reached 1.5 million **Golden Lotus** members.

**LOTUSMILES**

# Organization structure



**Organization structure (as of December 31, 2018)**



# BOARD OF DIRECTORS

**"RESPONSIBILITY - PROACTIVENESS - CREATIVITY"**



# BOARD OF DIRECTORS



**Mr. PHAM NGOC MINH**

Chairman of the Board of Directors

Year of birth: 1960

Qualifications: PhD in Economics

Position held in other organizations:

- Vice Chairman of Board of Directors of Cambodia Angkor Air



**Mr. DUONG TRI THANH**

Member of the Board of Directors & Chief Executive Officer

Year of birth: 1961

Qualification: Master of Science in Aviation Transportation



**Mr. TA MANH HUNG**

Member of the Board of Directors

Year of birth: 1972

Qualification: Master of Economic Management



**Mr. NGUYEN XUAN MINH**

Member of the Board of Directors

Year of birth: 1971

Qualifications: Master of Applied Finance and Investment

Positions held in other organizations:

- Vice Chairman of the Board of Directors of VAM Vietnam Fund Management JSC
- Chairman of the Board of Directors of Techcom Securities JSC
- Member of the Board of Directors of Vinafco JSC



**Mr. KOJI SHIBATA**

Member of the Board of Directors

Year of birth: 1957

Qualifications: Bachelor of International Studies, University of Tokyo

Position held in other organizations:

- Senior Deputy Chief Executive Officer
- Strategic Planning Director of ANA Holdings Inc

## BOARD OF MANAGEMENT



**Mr. DUONG TRI THANH**

Member of the Board of Directors &  
Chief Executive Officer

Year of birth: 1961

Qualification: Master of Science in Aviation  
Transportation



**Mr. NGUYEN THAI TRUNG**

Deputy Chief Executive Officer

Year of birth: 1960

Qualification: Pilot



**Mr. NGUYEN HONG LINH**

Deputy Chief Executive Officer

Year of birth: 1962

Qualification: Pilot

Position held in other  
organizations: Chairman of  
Board of Directors of Viet  
Flight Training JSC (VFT)



**Mr. TRINH HONG QUANG**

Deputy Chief Executive Officer

Year of birth: 1963

Qualifications: Master of  
Business Administration  
Positions held in other  
organizations:  
Chairman of Board of  
Directors of Jetstar Pacific  
Airlines (JPA)



**Mr. TRINH NGOC THANH**

Deputy Chief Executive Officer

Year of birth: 1964

Qualifications: Master of  
Business Administration  
Position held in other  
organizations:  
Chairman of Board of Directors  
of Aviation Information and  
Telecommunications JSC (AITS)



**Mr. LE HONG HA**

Deputy Chief Executive Officer

Year of birth: 1972

Qualifications: Master of  
Business Administration

Positions held in other  
organizations:  
Chairman of Member's  
Council of Vietnam Air  
Petrol One Member Co. Ltd.  
(SKYPEC)



**Mr. DANG NGOC HOA**

Deputy Chief Executive Officer

Year of birth: 1972

Qualification: Master of  
Aviation Engineering

Position held in other  
organizations:  
Chairman of Members'  
Council of Vietnam Airport  
Ground Services Co. Ltd.  
(VIAGS)



**Mr. TRAN THANH HIEN**

Chief Accountant & Head of  
Finance and Accounting Board

Year of birth: 1963

Qualification: Master of  
Business Administration

Position held in other  
organizations:  
Chairman of Board of  
Directors of Vietnam Aircraft  
Leasing Company (VALC)



## BOARD OF SUPERVISORS



**Mr. LAI HUU PHUOC**

Head of Board of Supervisors

Year of birth: 1967

Qualification: Master of  
Business Administration



**Mr. MAI HUU THO**

Member of Board of Supervisors

Year of birth: 1962

Qualification: Master of  
Business Administration

*\* Mr. Hoang Thanh Quy, resigned in 2018*

## HEAD OF ADMINISTRATOR & SECRETARY OF THE COMPANY



**Mr. NGUYEN XUAN THUY**

Secretary of the Corporation

Year of birth: 1962

Qualification: Master of Business  
Administration

Positions held in other organizations:

- Member of the Board of Directors of Jetstar Pacific Airlines
- Member of Members' Council of Aircraft Engineering One Member Co. Ltd.

# List of subsidiaries and associates

(as of December 31, 2018)

## LIST OF SUBSIDIARIES

No	Subsidiaries	Short Name	Address	Business lines	Actual charter capital (VND million)	Ownership of VNA (%)
1.	Vietnam Airlines Engineering Limited	<b>VAECO</b>	Noi Bai International Airport - Phu Minh Commune - Soc Son District - Ha Noi	Maintenance, repair of aircrafts, engines and spare parts	1,060,071	100.00
2.	Vietnam Air Petrol Limited	<b>SKYPEC</b>	202 Nguyen Son - Bo De District- Ha Noi	Airline fuel supply	550,000	100.00
3.	Vietnam Airlines Caterers Limited	<b>VACS</b>	Tan Son Nhat International Airport - HCMC	Airline catering services	85,448	100.00
4.	Vietnam Airport Ground Services Limited	<b>VIAGS</b>	49 Truong Son - Ward 2. Tan Binh District - HCMC	Ground, technical and commercial services	250,000	100.00
5.	Jetstar Pacific Airlines JSC (JPA)	<b>JPA</b>	112 Hong Ha - Ward 2 - Tan Binh District - HCMC	Aviation transportation	3,522,081	68.85
6.	Noi Bai Cargo Terminal Services JSC	<b>NCTS</b>	Noi Bai International Airport - Phu Minh Commune - Soc Son District - Ha Noi	Air cargo services	261,669	55.13
7.	Tan Son Nhat Cargo Services Limited	<b>TCS</b>	46-48 Hau Giang - Tan Binh District- HCMC	Air cargo services	93,726	55.00
8.	Tan Son Nhat Cargo Services and Forwarding Limited	<b>TECS</b>	6 Thang Long -Ward 4 - Tan Binh District - HCMC	Air cargo services	51,430	51.00
9.	Vinako Forwarding Company Limited	<b>VINAKO</b>	49 Truong Son - Ward 2 - Tan Binh District - HCMC	Forwarding, logistics, warehousing services...	8,578	65.05
10.	Noi Bai Catering Services JSC	<b>NCS</b>	Noi Bai International Airport - Phu Minh Commune - Soc Son District - Ha Noi	Airline catering services and related services	179,491	60.17
11.	Noi Bai Airport Services JSC	<b>NASCO</b>	Noi Bai International Airport - Phu Minh Commune - Soc Son District - Ha Noi	Support services in aviation and related services	83,158	51.00
12.	Viet Flight Training JSC	<b>VFT</b>	117 Hong Ha - Ward 2 - Tan Binh District - HCMC	Pilot training	66,000	51.52
13.	Aviation Information and Telecommunications JSC	<b>AITS</b>	414 Nguyen Van Cu - District - Ha Noi	IT and telecommunications services	58,032	52.73
14.	General Aviation Import-Export JSC	<b>ALSIM-EXCO</b>	1, Alley 200/10 Nguyen Son - Bo De Ward - Long Bien District - Ha Noi	Labor export and import	10,000	51.00
15.	Sabre Vietnam JSC	<b>SABRE VN</b>	5th Floor, De Nhat Building, 53 Quang Trung, Nguyen Du Ward, Hai Ba Trung District, Ha Noi	Booking system and related services through Sabre global distribution system...	5,200	51.69

## LIST OF ASSOCIATES

No	Subsidiaries	Short Name	Address	Business lines	Actual charter capital (VND million)	Ownership of VNA (%)
1.	Vietnam Aircraft Leasing JSC	<b>VALC</b>	6th Floor, 18 Ly Thuong Kiet, Phan Chu Trinh Ward, Hoan Kiem Ward, Ha Noi	Purchase, sale, rental and sublease of aircrafts	63,315,837 (USD)	32.48
2.	Cambodia Angkor Air	<b>K6</b>	206A, Preah Norodom Blvd, Sangkat Tonle Basac, Khan Chamkarmon, Phnom Penh, Cambodia	Air passenger and cargo transportation services	100,000,000 (USD)	49.00
3.	Da Nang Airport Service JSC	<b>MASCO</b>	Da Nang International Airport - Hai Chau District - Da Nang City	Air catering services, direct support services for air transportation	42,677	36.11
4.	General Aviation Import-Export JSC	<b>AIRIMEX</b>	414 Nguyen Van Cu - Bo De Ward - Long Bien District - Ha Noi	Export/import and distribution of aircraft spare parts and airport ground equipment	25,927	41.31
5.	Aviation High Grade Plastic JSC	<b>APLACO</b>	Alley 200 Nguyen Son - Bo De Ward - Long Bien District - Ha Noi	High-grade industry plastic	17,280	30.41



## 2018 Highlights



**Vietnam Airlines received 4-star international airline certificate for the third year in a row**

Vietnam Airlines once again received the 4-star international airline rating granted by Skytrax. This is the third consecutive year Vietnam Airlines has been honoured for its efforts to bring satisfying and quality experience to passengers.



**Vietnam Airlines announced the Global Cuisine Ambassador - Luke Nguyen**

On March 14, in Canberra, Australia, Vietnam Airlines announced Vietnamese-born Australian chef Luke Nguyen as the Global Cuisine Ambassador to influence in-flight offerings and promote Vietnamese cuisine throughout the world. In a three-year period from 2018-2020, Luke Nguyen will reimagine the in-flight menu with inspiration from the rich culture of Vietnamese cuisine.



**Vietnam Airlines launched a modern flight simulator complex in Vietnam**

In August 2018, Vietnam Airlines opened the first flight simulator (SIM) complex in Vietnam that includes two training devices for Airbus A321 pilots, one Airbus A350 cockpit simulator and one Boeing 787 cockpit simulator. These simulators signify a major milestone in Vietnam Airlines' investment strategy for pilot training.



**Vietnam Airlines sponsored the 2018 Asian Games' (ASIAD's) broadcast rights and supported Vietnamese sports in 2018**

Vietnam Airlines proudly co-sponsored live broadcast of the 2018 Asian Games with VOV. Along with this sponsorship, Vietnam Airlines also arranged direct flights from Hanoi to Jakarta (one of the Games' host cities) and increased the flight frequency of its Ho Chi Minh City - Jakarta route during the games, allowing fans to make the trip and support Vietnamese athletes, especially Vietnam's U-23 football team.



**Vietnam Airlines successfully organized Dragon Boat Racing Festival with the Hanoi People's Committee**

Vietnam Airlines co-hosted the 2018 Hanoi Dragon Boat Racing Festival at the Capital's West Lake in early 2018. This festival is a large-scale event that effectively promotes the cooperative agreement on cultural and tourism development, signed by the Hanoi People's Committee and Vietnam Airlines in 2017.



**Vietnam Airlines Classic - Ha Noi Concert 2018**

On the evening of October 5, 2018, thousands of spectators congregated on the walking street by Hanoi's Hoan Kiem Lake to enjoy a symphonic concert performed by nearly 100 artists from the United Kingdom. This unique concert was the highlight in a series of events celebrating the 45th anniversary of the establishment of diplomatic relations between Vietnam and the United Kingdom.

## 2018 Awards and Accolades

### Certificate

"4-star international airline" for three consecutive years 2016, 2017, 2018.



### APEX Global

The "Global 4-star Airline" Award by APEX



### AirlineRatings

Vietnam Airlines and Jetstar Pacific received the highest ranking of seven out of seven stars from AirlineRatings.



### The Best Tourism Marketing Award 2018

at the Busan International Tourism Fair in South Korea.



### World Travel Award

"World's Leading Airline - Premium Economy Class" and "World's Leading Cultural Airline" at the World Travel Awards.



### Travellers' choice Major Airlines - Asia 2018

from Trip Advisor.



## Top 10 most valuable brands in Vietnam

according to a report from Brand Finance – a top brand valuation company. In 2018, Vietnam Airlines was ranked as the eighth most valuable Vietnamese brand at USD 416 million, an increase in value of 34%, and an upgrade of one position compared to 2017.

## Top 10 “Most Famous Brands in Vietnam”

in 2018 by the Institute of Intellectual Property and Vietnam Intellectual Association.

## Top 500 largest enterprises in Vietnam in 2017

Honoured as one of the Top 500 best enterprises in Vietnam at the VNR500 ceremony, which recognizes the Top 500 largest enterprises in Vietnam.

## Top 10 UPCoM companies

Named as one of the Top 10 UPCoM companies for transparency and public information disclosure on Vietnam's stock market in 2017 - 2018.

## 2018 ITE Strategic Partner

by the ITE International Tourism Fair.

## “Vietnam Value”

award by the Ministry of Industry and Trade of Vietnam.

Brand Finance®





Vietnam Airlines



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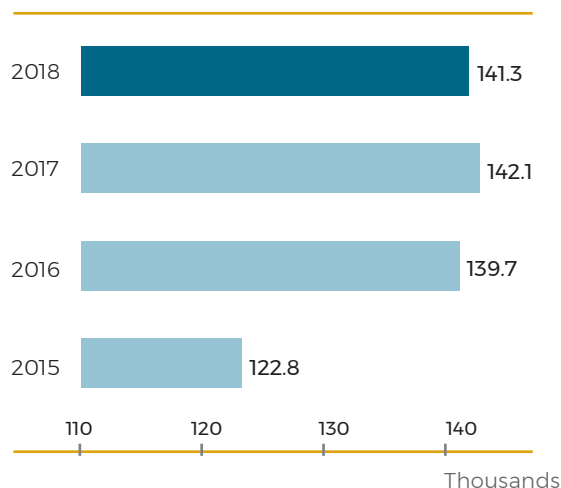
# OVERVIEW OF BUSINESS PERFORMANCE

## Key operational performance

### VIETNAM AIRLINES

Metric	Unit	2015	2016	2017	2018
Total number of flights	Thousand	122.8	139.7	142.1	<b>141.3</b>
Passengers carried	Million	17.4	20.63	21.91	<b>21.90</b>
Cargo and mail carried	Thousand tons	208.4	272.1	322.3	<b>341.5</b>
Revenue passenger-kilometers (RPK)	Billion passengers.km	28.7	32.8	34.7	<b>36.3</b>
Available seat-kilometers (ASK)	Billion seats.km	35.8	40.6	42.6	<b>44.7</b>
Load Factor	%	80.7%	80.8%	81.5%	<b>81.4%</b>

#### TOTAL NUMBER OF FLIGHTS



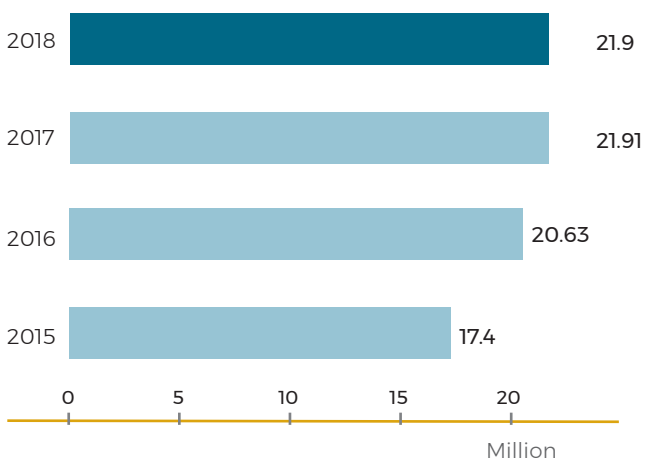
#### TOTAL NUMBER OF FLIGHTS

**141.3**  
THOUSANDS

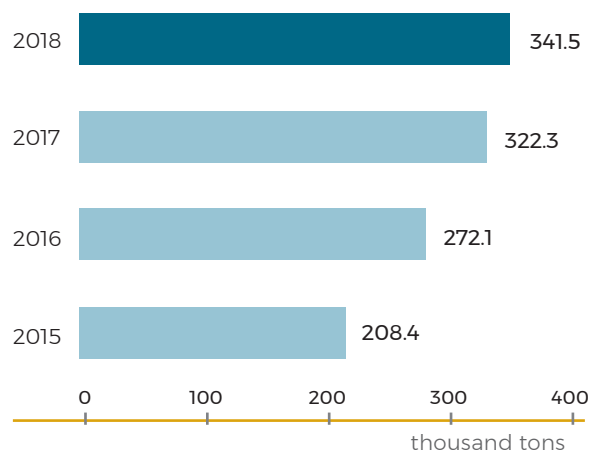
#### PASSENGERS CARRIED

**21.9**  
MILLIONS

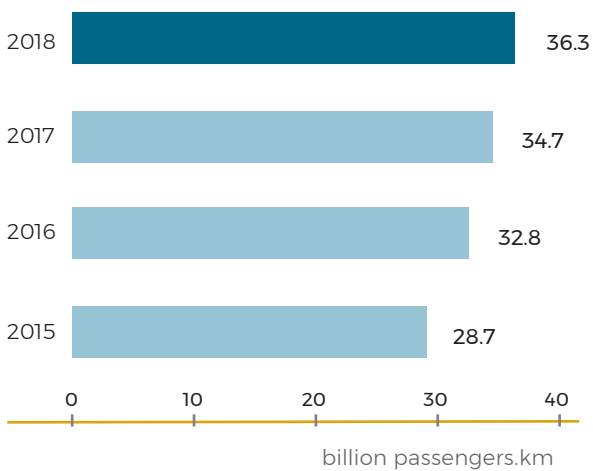
### PASSENGERS CARRIED



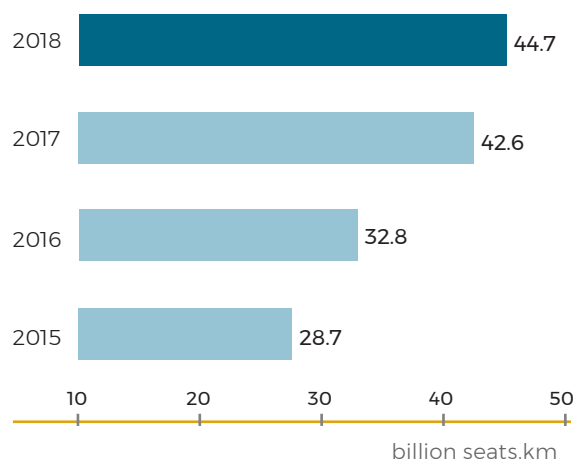
### CARGO AND MAIL CARRIED



### REVENUE PASSENGER-KILOMETERS (RPK)



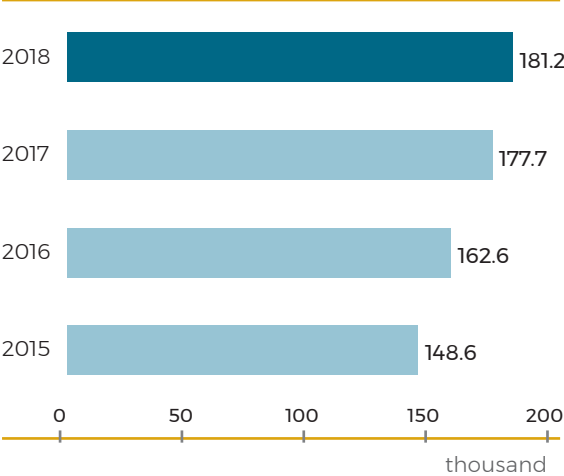
### AVAILABLE SEAT-KILOMETERS (ASK)



# VNA GROUP

Metric	Unit	2015	2016	2017	2018
Total number of flights	Thousand	148.6	162.6	177.7	<b>181.2</b>
Passengers carried	Million	21.0	25.3	27.2	<b>28.0</b>
Cargo and mail carried	Thousand tons	209	289	344	<b>366</b>
Revenue passenger-kilometers (RPK)	Billion passengers.km	31.6	36.3	39.2	<b>41.5</b>
Available seat-kilometers (ASK)	Billion seats.km	39.2	44.9	48.0	<b>50.8</b>
Load Factor	%	81%	81%	82%	<b>82%</b>

## TOTAL NUMBER OF FLIGHTS



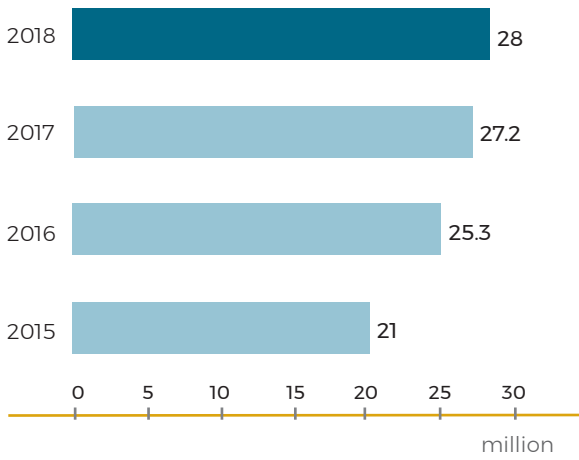
### TOTAL NUMBER OF FLIGHTS

**181.2**  
THOUSANDS

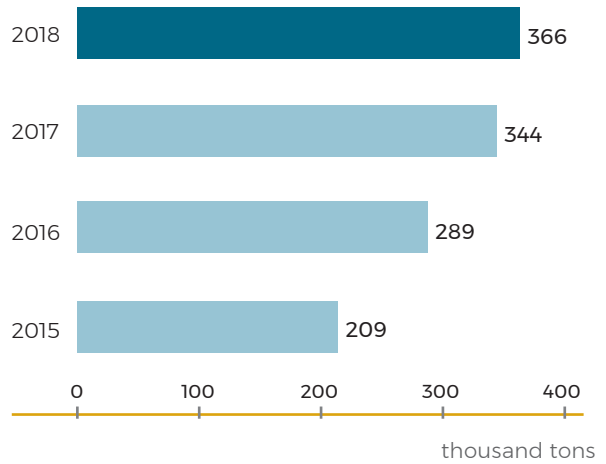
### PASSENGERS CARRIED

**28**  
MILLIONS

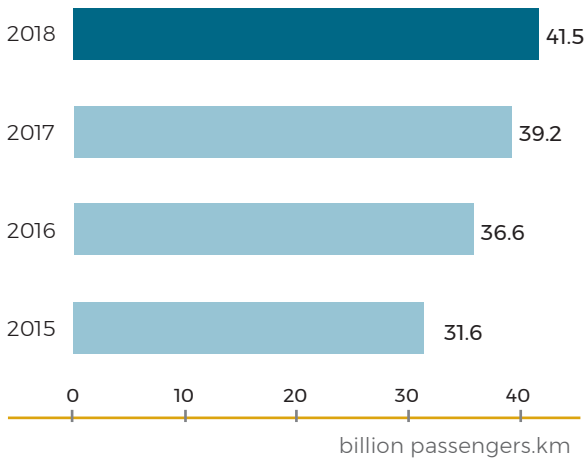
### PASSENGERS CARRIED



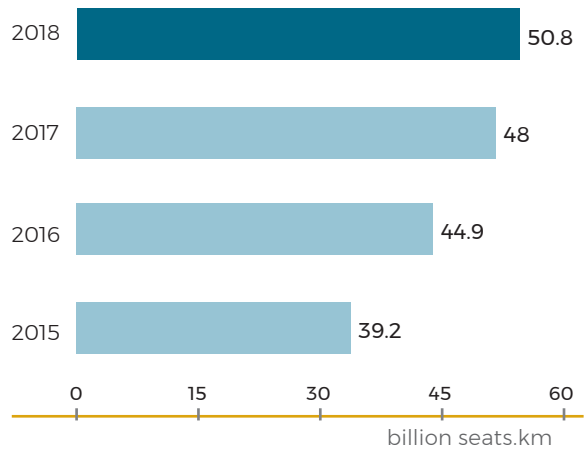
### CARGO AND MAIL CARRIED



### REVENUE PASSENGER-KILOMETERS (RPK)



### AVAILABLE SEAT-KILOMETERS (ASK)

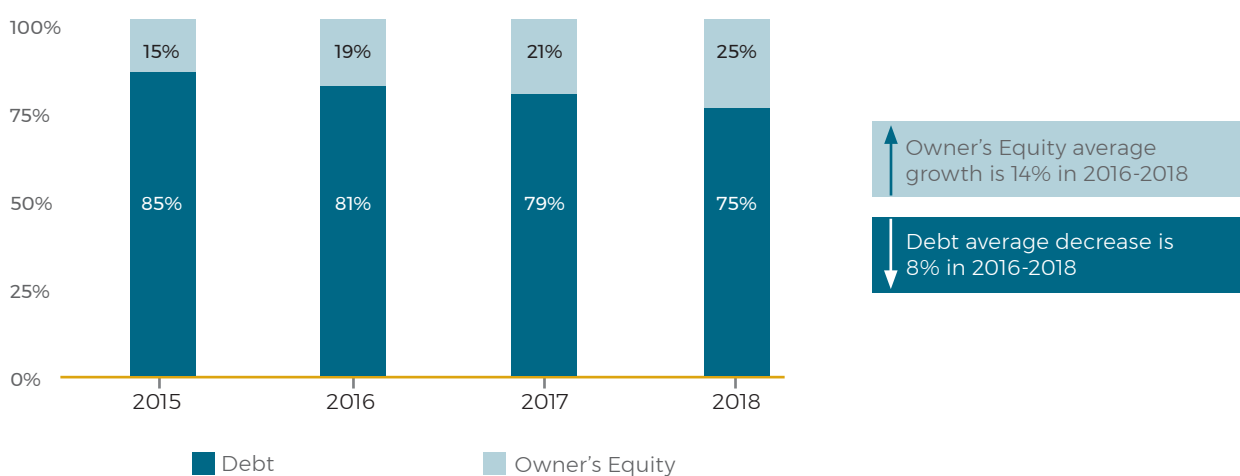


## Key financial indicators

### VIETNAM AIRLINES

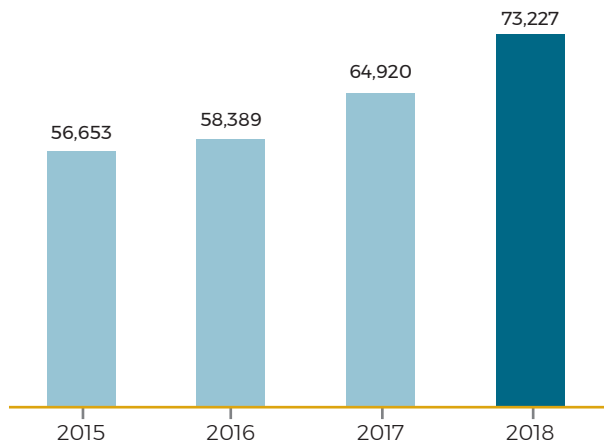
Metric	2015	2016	2017	2018
Total revenue (VND billion)	56,653	58,389	64,920	<b>73,227</b>
Total assets (VND billion)	83,538	87,033	79,197	<b>73,543</b>
Owner's equity (VND billion)	12,545	16,302	16,931	<b>18,267</b>
Profit before tax (VND billion)	282	1,711	1,912	<b>2,418</b>
Return on Equity - ROE	2.46%	11.81%	10.93%	<b>12.00%</b>
Return on Sales - ROS	0.52%	3.01%	2.87%	<b>2.98%</b>
Return on Assets - ROA	0.38%	2.00%	2.18%	<b>2.76%</b>
Earnings per share – EPS (VND)	248	1,388	1,479	<b>1,488</b>
Liabilities (excluding income from sale) to owner's equity ratio	5.20	3.94	3.26	<b>2.58</b>

### CAPITAL STRUCTURE



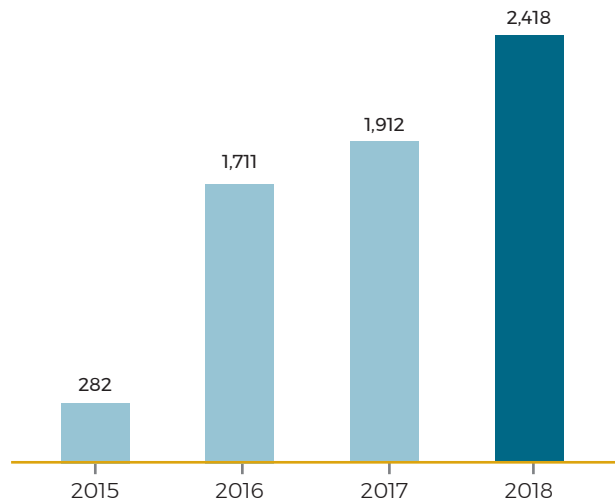
## TOTAL REVENUE

VND billion

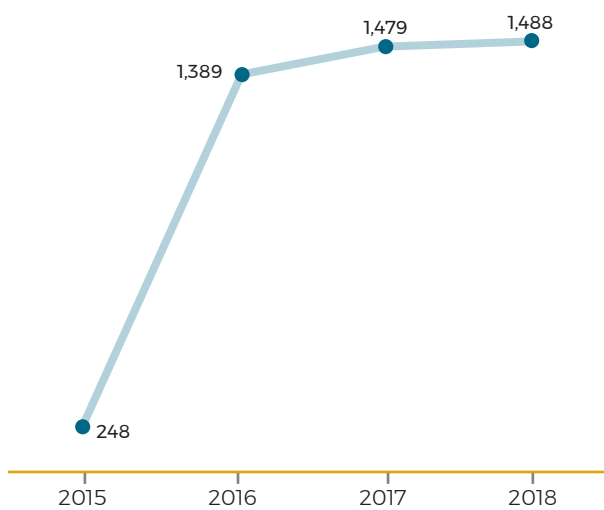


## PROFIT BEFORE TAX

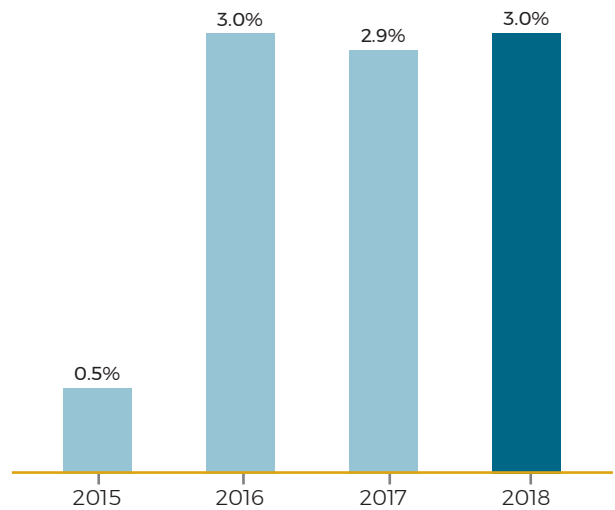
VND billion



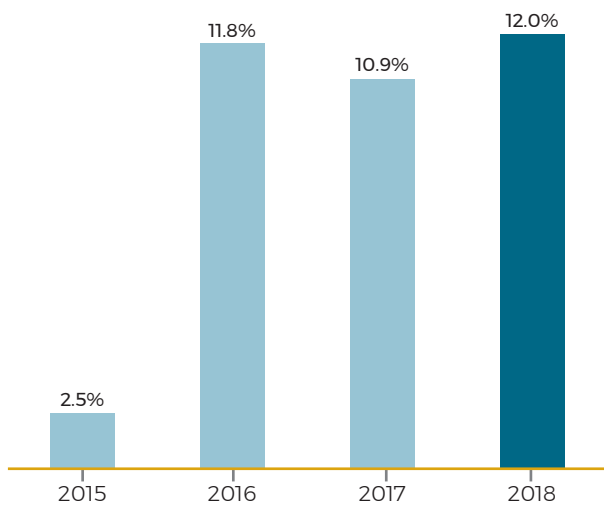
## EARNINGS PER SHARE (EPS)



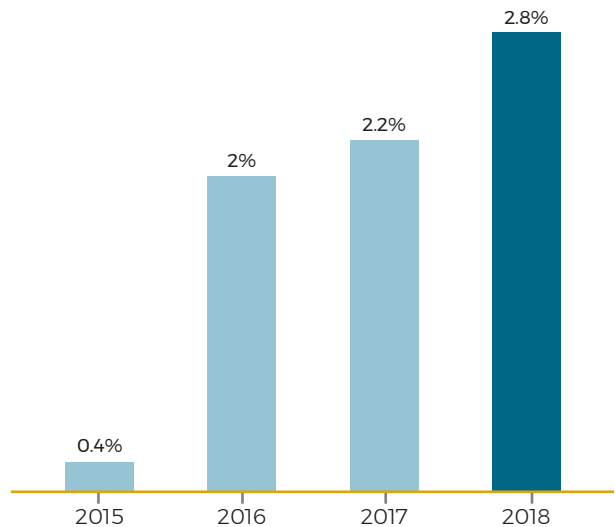
## ROS



## ROE



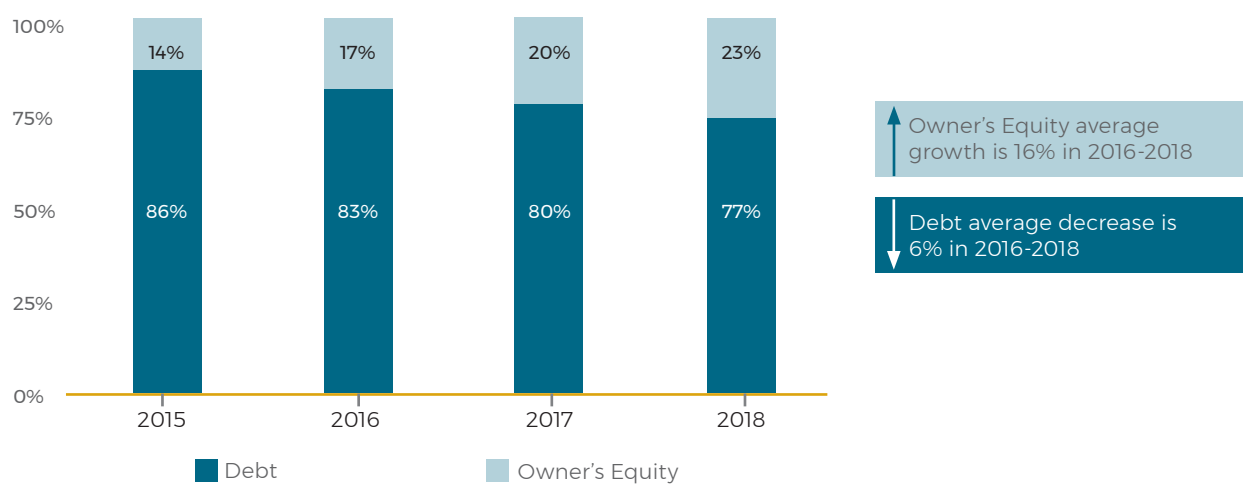
## ROA



## CONSOLIDATED RESULTS

Consolidated metric	2015	2016	2017	2018
Total revenue (VND billion)	69,167	71,642	84,962	<b>98,950</b>
Total assets (VND billion)	89,182	96,480	88,551	<b>82,390</b>
Owner's equity (VND billion)	12,142	16,245	17,433	<b>18,672</b>
Profit before tax (VND billion)	1,049	2,601	3,155	<b>3,312</b>
Return on Equity - ROE	7.14%	14.83%	15.79%	<b>14.39%</b>
Return on Sales - ROS	1.22%	3.00%	3.21%	<b>2.68%</b>
Return on Assets - ROA	1.00%	2.27%	2.87%	<b>3.04%</b>
Earnings per share – EPS (VND)	213	1,685	1,776	<b>1,747</b>
Liabilities (excluding income from sale) to owner's equity ratio	5,84	4,52	3,64	<b>2,95</b>

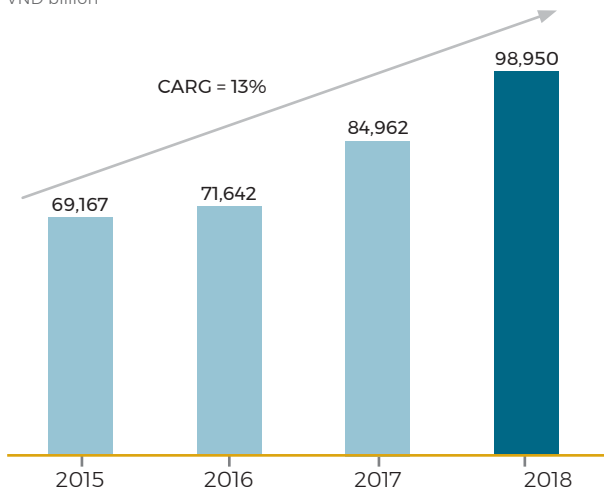
## CAPITAL STRUCTURE





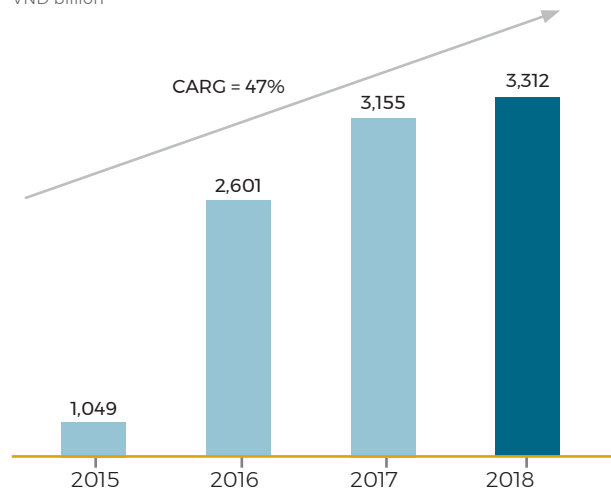
## TOTAL REVENUE

VND billion



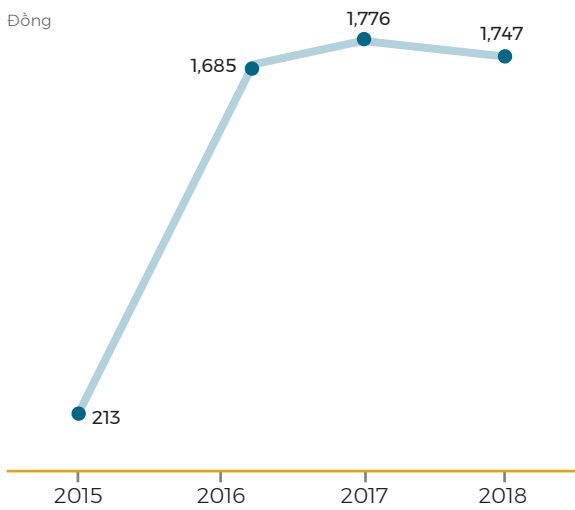
## PROFIT BEFORE TAX

VND billion

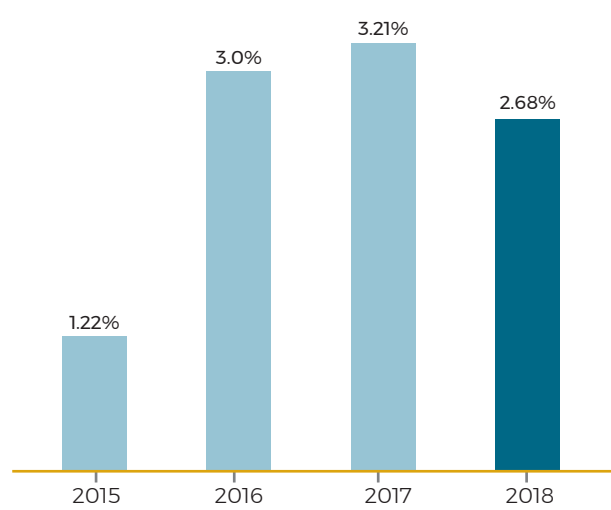


## EARNINGS PER SHARES (EPS)

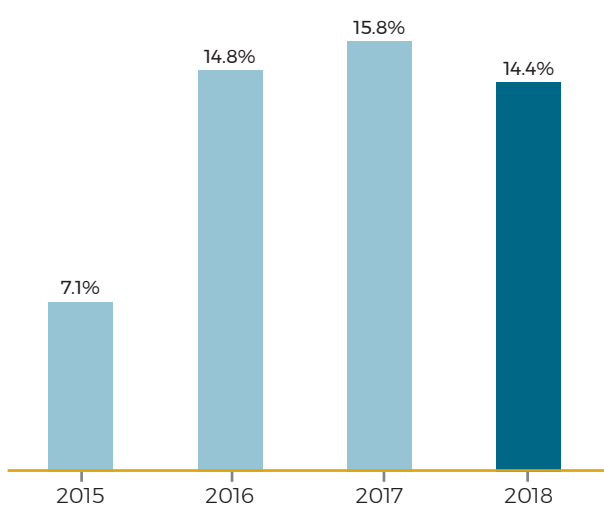
Đồng



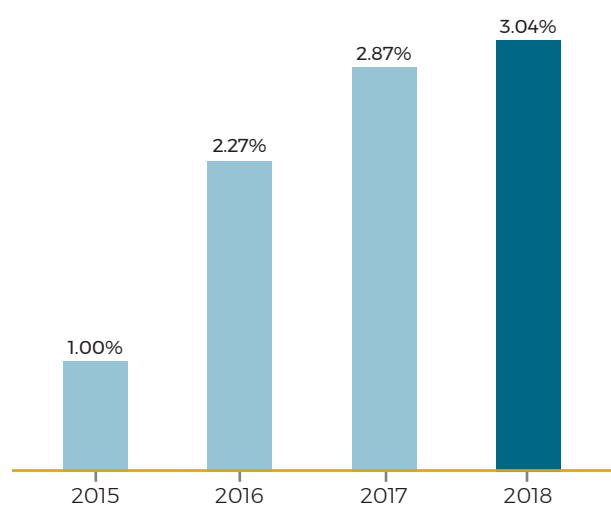
## ROS



## ROE



## ROA



## Business performance in the period of 2015 – 2018

Metric	Target 2015-2018	Actual 2015-2018
<b>Total transported volume</b>		
- Passenger (million)	84.9	81.8
- Cargo (million)	976.6	1,146.5
<b>Total investment capital of parent company (VND billion)</b>	<b>61,167</b>	<b>33,240.8</b>
Total revenue (VND billion)		
- Consolidated	383,674	324,720
- Parent company	293,605	253,189
<b>Profit before tax (VND billion)</b>		
- Consolidated	9,077	10,116
- Parent company	6,088	6,323
<b>Profit after tax/ Average paid up capital (%)</b>		
- Consolidated	7.13	13.04
- Parent company	6.38	9.30

Resolution 01/NQ-ĐHĐCĐ of the first General Meeting of Shareholders on March 12, 2015 approved some key business targets in the period of 2015 – 2018. At the end of 2018, the business operations of Vietnam Airlines continued to maintain a stable annual growth, with year-on-year positive results. The actual figures during 2015 – 2018 have been in line with the plan, especially on profitability and efficiency.

**The total transported volume in terms of passenger and cargo in the period of 2015 – 2018 reached 81.8 million and 1.15 million tons, respectively.** The passenger volume slightly declined by 3.6% compared to the target since the company adjusted the loading capacity when fuel prices increased to ensure the operational efficiency. The 2018 cargo volume exceeded by 18.4% compared to the plan.

**The consolidated and separate profit before tax during 2015 – 2018 all grew even the revenue slightly declined compared to plan.** The 4-year consolidated profit before tax reached VND10,116 billion, an increase of 11.5% while consolidated revenue slightly decreased by 15% compared to the plan.

**The total investment capital of the parent company during the 2015 – 2018 period reached VND33,240.6 billion, equal to 54.3% of the plan.**

**The reasons are as follows:**

- (1) Some infrastructure construction projects were delayed due to overlapping administrative procedures and regulations on land and construction.
- (2) In the period of 2016 – 2018, Vietnam Airlines has not financed new fleet development but utilizing sale and leaseback practices. This does not require additional capital but still maintains capacity increase, ensuring business requirements and financial health of the company.

**The 4-year consolidated and separated return on equity both exceeded targets.** The average consolidated and parent ROE in the period of 2015-2018 reached 13.4% and 9.3%, respectively.





 **Vietnam Airlines**   
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# **DID YOU KNOW VIETNAM AIRLINES IS ONE OF ASIA'S MOST FAVORITE AIRLINES IN 2018\*?**

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## **THE WORLD IS CHANGING. ARE YOU?**

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Vietnam Airlines – the airline that never stops improving, has been honorably named by global customers as one of Asia's top-11 favorite airlines in 2018.

\*Announced by TripAdvisor, the largest social travel website in the world.

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# ASSESSMENTS OF THE BOARD OF DIRECTORS

## On the operations of Vietnam Airlines

### BUSINESS RESULTS

With the 2018 business operational theme of **“Accelerating improvement, faster and higher”**, Vietnam Airlines has promoted its advantages based on the flexibility in product management practices, constant improvement in fleet efficiency and productivities, and the increase of decision-making speed, all with the focus on quality and efficiency. By the end of 2018, Vietnam Airlines had achieved the main business operation

objectives, while also ensuring absolute safety, with all operational metrics exceeding their targets. Vietnam Airlines also received the 4-star standard service quality certification from Skytrax for the third consecutive year, in addition to achieving a healthy financial performance and fulfilling all objectives assigned by the General Meeting of Shareholders.

No.	Metric	Unit	Plan 2018	Actual 2018	Plan/Actual 2018 (%)
<b>1</b>	<b>Passengers carried</b>	<b>Million passengers</b>	<b>24.3</b>	<b>21.9</b>	<b>90.1</b>
<b>2</b>	<b>RPK</b>	<b>Billion passengers.km</b>	<b>38.5</b>	<b>36.3</b>	<b>94.0</b>
<b>3</b>	<b>Cargo and mail carried</b>	<b>Thousand tons</b>	<b>349.9</b>	<b>341.6</b>	<b>97.6</b>
<b>4</b>	<b>RFTK</b>	<b>Million tons.km</b>	<b>996.2</b>	<b>995.7</b>	<b>99.9</b>
<b>5</b>	<b>Revenue</b>				
5.1	Consolidated	VND billion	97,073	98,950	101.9
5.2	Parent company	VND billion	73,490	73,227	99.6
<b>6</b>	<b>Profit before tax</b>				
6.1	Consolidated	VND billion	2,421	3,312	136.8
6.2	Parent company	VND billion	1,959	2,418	123.4
<b>7</b>	<b>Profit after tax</b>				
7.1	Consolidated	VND billion	1,917	2,599	135.6
7.2	Parent company	VND billion	1,836	2,111	114.9
<b>8</b>	<b>Total investment capital</b>	<b>VND billion</b>	<b>3.503</b>	<b>671</b>	<b>19.1</b>

### **Increase sustainable benefits for shareholders**

According to the 2018 General Meeting of Shareholders' Resolution, Vietnam Airlines paid cash dividends to shareholders. With a payment ratio of 8% based on par value, shareholders received a total VND982 billion in cash dividend which was an increase of 33.3% compared to the amount paid in 2017.

Vietnam Airlines also completed the plan to increase charter capital through shares on public offering for existing shareholders. All proceeds from the offering were used to finance the fleet development plan and to increase the financial capacity of Vietnam Airlines. After raising capital, the HVN stock has moved to list on HOSE, enhancing the position and image of Vietnam Airlines on the stock market.

### **Corporate governance practices and operational efficiency of Vietnam Airlines**

In order to create a development strategy breakthrough for the upcoming 2019 - 2020 period, Vietnam Airlines has developed a restructuring project to innovate and

improve operational efficiency. This project has its basis in the government's guidance and from Vietnam Airlines' position as a flag carrier with leading effective operations. Accordingly, the restructuring, innovation and improvement of business efficiency practices will be implemented as planned and also will be executed at both the parent company and subsidiaries.

### **Compensation and benefits for employees**

One of Vietnam Airlines' core values and the most important resources is our employees. During the past years, Vietnam Airlines has gradually conducted a salary reform program that ties salary with business performance. This program has motivated employees to improve productivity, efficiency, and an ultimate commitment to the company.

In 2018, Vietnam Airlines deployed a salary reform program and increased the salary for pilots and cabin crew from June 1, 2018; and for manager, experts, engineers, officials and other employees from July 1, 2018. The company also continued to implement voluntary pension insurance and health insurance for employees.



## On the activities of the Board of Management

Under the direction of the Board of Directors and following the developments of the market, the Board of Management successfully completed the task of managing 2018 business operations. The results are as follows:

- Actively, flexibly and effectively implemented operating solutions, to ensure operational efficiency in an unfavourable market.
- Corporate governance practices have been in-line with Vietnam Airlines' operational scale and development needs.
- Fully complied with the regulation on business operation reporting (periodically and ad-hoc according to practical requirements), with a focus on analysing and evaluating the business performance results as well as proposing solutions for improvement.
- Fully and earnestly executed the Resolutions/ Decisions of the Board of Directors; complied with legal regulations, Vietnam Airlines' Charter and other internal management documents.





# On the orientation of 2019 operations

In 2019, the political and social environment of Vietnam continues to be stable, with economic growth forecast to reach 6.9%. The air transportation market continues to grow as the total number of international passengers estimated to grow by 12%. The domestic market is expected to grow by 16.3% year-on-year. However, Vietnam Airlines will also face challenges such as rising fuel prices, increasing competition from new entrants, overloading at airports (especially Tan Son Nhat Airport) as well as global macroeconomic and political uncertainties.

With the 2019 motto **“Responsibility - Proactiveness - Creativity”**, the Board of Directors determines the focus of direction and key orientation of business operations as follows:





Vietnam Airlines



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# REPORT AND ASSESSMENT BY THE BOARD OF MANAGEMENT

## Business environment

### OVERVIEW

**Vietnam's 2018 economy achieved its highest growth in 10 years as GDP grew by 7.08%.** Inflation remained stable at 4%, unchanged from 2017. The exchange rate was tamed as VND only depreciated 2.2 - 2.3% while other currencies such as EUR, CNY, and GBP depreciated 4 - 5% against USD.

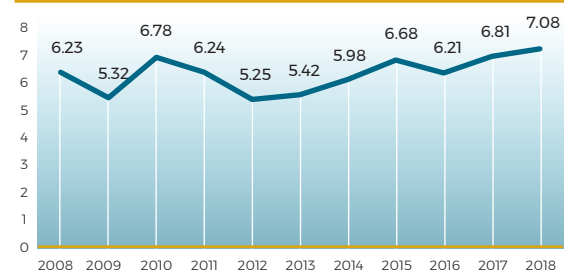
#### Fuel price trend

Fuel price is one of the main factors that affects the fare and business performance of Vietnam Airlines (as fuel shares the biggest part in the total cost, at 27% on average). Fuel prices surged sharply in 2018 and reached its peak at USD 92.99/barrel and only declined in the last quarter of the year. The average price in 2018 was 85.1 USD/barrel, an increase of 12.1 USD/barrel and equivalent to a 16% rise compared to plan.

#### Exchange rates

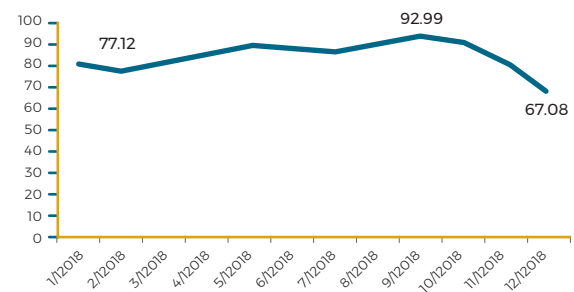
The key currencies (JPY, CNY, EUR, AUD...) in Vietnam Airlines' currency basket depreciated in the second half of 2018. Under the pressure of global economic and political uncertainties in Europe (i.e. Brexit), EUR depreciated by 5.8% against VND in 2018. Meanwhile, AUD depreciated by 10.6% against VND due to the impact of the US-China trade war. The USD/VND exchange rate at December 31, 2018 rose 2% year-to-date.

GDP GROWTH (%)



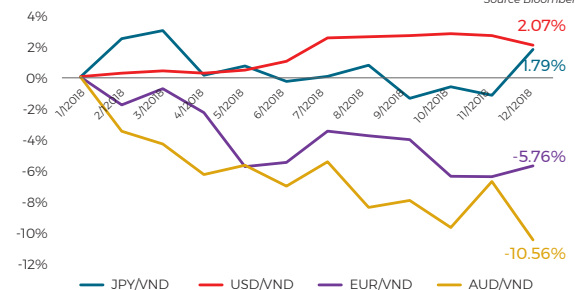
SINGAPORE KEROSENE

USD/barrel



EXCHANGE RATE FLUCTUATIONS

Source Bloomberg



# VIETNAM'S AIR TRANSPORTATION MARKET

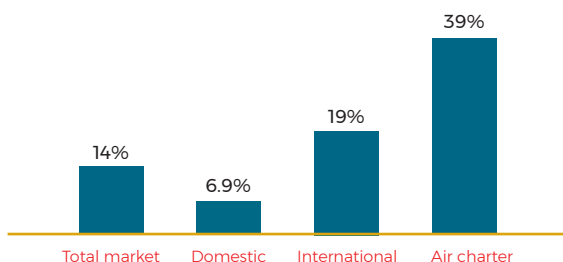
In 2018, the global aviation industry overcame many challenges, especially increased fuel prices, which accounted for 24.2% of all airlines' total costs (up to USD 188 billion). It resulted in a significant drop in airlines' profits. However, the global aviation industry still achieved a positive performance. According to IATA data, the total number of passengers carried worldwide reached 4,343 million, an increase of 6.2%; RPK reached 8,255 billion passengers.km, an increase of 6.1% over the same period. The revenue and profit after tax of the global aviation industry in 2018 were estimated at USD 854 billion and USD 32.3 billion, respectively.

Vietnam still witnessed a remarkable growth of the aviation industry in 2018, largely thanks to the dramatic growth of tourism industry. Vietnam welcomed 15.5 million passengers, an increase of 19.9% compared to 2017. The total air transportation market served 67.3 million passengers in 2018, up 14% compared to 2017. There were 68 international airlines coming from 25 countries and territories together with 4 domestic airlines, all operating 48 domestic routes connecting Hanoi, HCMC and Da Nang at 18 local airports spreading on hub-and-spoke, inter-regional and regional networks nationwide.

## International

In 2018, the total market reached 30.3 million passengers, an increase of 19% compared to 2017, of which the growth of low cost carriers (LCC) was up to 38%, and the growth of full service carriers (FSC) was 14%. The strong growth of LCC segment intensified the competition in the international market, especially in Northeast Asia and Southeast Asia.

## VIETNAM AVIATION MARKET GROWTH



## Domestic

The domestic aviation market reached 32.9 million passengers in 2018, up 6.9%, which was a decline compared to 2017's growth of 9.9%. The domestic market has shown a slowdown since its booming time in 2013 – 2016.

## Air charter

The total air charter market reached 4.1 million passengers, an increase of 39% year over year. The growth mainly came from North-east Asia, especially China.

# Business performance

## ROUTE NETWORK

**International network** - Continued to open new routes and increased operating frequency: The international network directly operated by Vietnam Airlines includes 54 routes to 29 destinations in 17 countries and territories. Vietnam Airlines just opened 2 new routes in 2018: Nha Trang - Seoul with a frequency of 4 flights per week starting from the end of March 2018 and Da Nang - Osaka with a frequency of 7 flights per week starting from the end of October 2018.

**Domestic network** - Fully operated at all airports in Vietnam: By the end of 2018, Vietnam Airlines operated 40 routes to 22 domestic destinations. On 30 December 2018, Vietnam Airlines officially opened the HCMC - Van Don route with a frequency of 7 flights per week. The company has had its presence in all domestic airports by now.

Year 2018	Destinations		Routes	
	Domestic	International	Domestic	International
Vietnam Airlines	22	29	40	54
JPA	16	6	22	29
VNA Group	22	29	44	56

## VNA GROUP

INTERNATIONAL  
ROUTES

56

DOMESTIC  
ROUTES

44

DOMESTIC  
DESTINATIONS

22

INTERNATIONAL  
DESTINATIONS

29

# FLEET

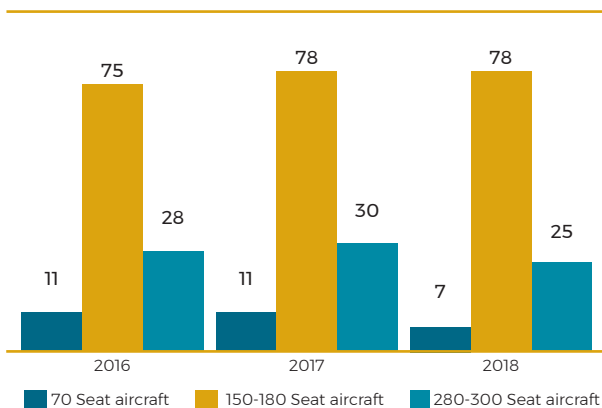
Airline	Type of Aircraft	Number of aircraft as of December 31, 2018		
		Leased	Owned	Total
Vietnam Airlines	ATR72	1	6	7
	A321	17	41	58
	A321 NEO	3	0	3
	A330	2	0	2
	A350	12	0	12
	B787	4	7	11
	Tổng	39	54	93
Jetstar Pacific	A320	17	0	17
<b>VNA Group</b>		<b>56</b>	<b>54</b>	<b>110</b>

**In 2018 Vietnam Airlines continued the fleet reform roadmap by adding 20 new-generation A321NEO aircrafts into its fleet. This was the next move after successfully innovating the wide-body fleet with the addition of two world-class, modern Boeing 787-9 and Airbus A350-900 aircrafts.**

At the end of 2018, the total number of aircraft in the VNA Group's fleet was 110, in which 93 were operated by Vietnam Airlines. In order to improve financial efficiency and meet air travel demand while increasing the 4-star service quality, Vietnam Airlines develops with an orientation of constantly increasing the number of narrow-body fleet while

reducing the number of 70 seat aircrafts and adjusting the number of wide-body fleet. According to the plan from 2021 - 2025, Vietnam Airlines will order 50 narrow-body aircrafts and regional jets. The new fleet will gradually replace the current old one, bringing outstanding experience to customers.

## VNA GROUP'S FLEET



**Vietnam Airline's key fleet is in the top youngest fleet among traditional full service carriers (FSC) in the Asia Pacific region.**

# COMMERCIAL

## Passenger and cargo transportation

### Vietnam Airlines

Metric	Unit	2017	2018	% change
<b>Total number of flights</b>	<b>Flights</b>	141,707	141,324	-0.3%
- Domestic		91,904	88,606	-3.6%
- International		44,528	46,027	+3.4%
- Air charter		5,275	6,691	+26.8%
<b>Passengers carried</b>	<b>Million</b>	21.9	21.9	+0.1%
- Domestic		13.67	13.08	-4.3%
- International		7.31	7.77	+6.2%
- Air charter		0.93	1.09	+17.5%
<b>Cargo carried</b>	<b>Thousand tons</b>	322.3	341.6	+6%
- Domestic		158.6	162.3	+2.4%
- International		163	178.6	+9.5%
- Air charter		0.71	0.69	-1.8%

**In 2018, Vietnam Airlines operated 141,300 flights, and carried 21.9 million of passengers and 341,600 tons of cargo.** We are proud of our On-Time Performance (OTP), leading to our being among top Asian airlines by OTP. Specifically, the departure and arrival OTP achieved 89.2% (+1.2 compared to the target), and 82.6% (+1.4 compared to the target), respectively.

**For international network,** Vietnam Airlines continued to expand operations in the key market of Northeast Asia with the two new routes Nha Trang - Seoul and Da Nang - Osaka. It also customizes and implements a flexible operation plan, and increases flight frequency of wide-body fleet on Northeast Asia routes. The load factor of international routes in 2018 reached the record level of 81.4%.

**For domestic network,** Vietnam Airlines still maintains and operates in the direction of maximizing reliability and convenience to passengers. The company has deployed a series of initiatives to strengthen key routes by cooperating with JPA on daily flights, tracking market movements, and flexibly adjusting of loading capacity to better act on opportunities.

#### OTP TOP IN ASIA

**89,2%**  
DEPARTURE OTP

**82,6%**  
ARRIVAL OTP



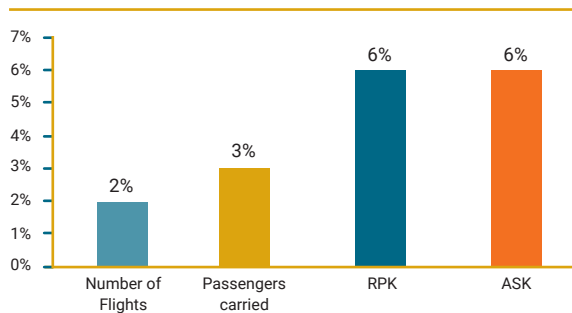
## VNA Group

Metric	Unit	2017	2018	% change
Number of flights	Flight	177,700	181,200	2%
Passenger carried	Million	27.2	28.0	3%
RPK	Billion passengers.km	39.2	41.5	6%
ASK	Billion seats.km	48.0	50.8	6%
Load factor	%	82%	82%	-

2018 recorded another successful year of VNA Group in implementing the **“Dual Brand”** strategy on the entire domestic network. Vietnam Airlines and JPA has completely coordinated in terms of products, network, sale and marketing programs... in order to extend product coverage and serve diversified passenger groups. JPA tapped into its advantages as a low cost carrier (LCC) amidst the boom of the LLC segment, thus enhancing the competitiveness of VNA Group. Vietnam Airlines continued to sustain its leading position as a 4-star airline with an integrated network of domestic and international routes to serve passengers demanding service quality. The 2018 results of VNA Group were all optimistic compared to last year:

the total number of passengers was 28 million, up 3% from 2017; RPK and ASK both rose 6% year on year, reaching 41.5 billion passengers.km and 50.8 billion seats.km, respectively; the load factor remained stable at 82% and the domestic market share reached 55.3%.

### GROWTH 2018/2017



### Frequent Flyer Program (LotuSmiles)

The LotuSmiles program recorded a strong growth in the number of members at 47%, reaching a peak of 2.2 million members as of December 31, 2018. In this year, more than 6.2 billion miles were accumulated by its members, an increase of 35% from the previous year. The LotuSmiles program attracts a large number of registrants thanks to its outstanding benefits such as diverse ways to accumulate bonus miles, special offers, access to Business Lounges, check-in and boarding priorities, and special customer care services.

Vietnam Airlines keeps improving service quality and adopting new technologies, e.g. enhancing the quality of the 24/7 LotuSmiles Call Center and enabling online purchase/transfer/redemption of miles.

The LotuSmiles program has a network of 65 domestic and international partner brands in various sectors (aviation, finance, telecommunication, hospitality, tourism, car rental...) that provide excellent benefits and exclusive experience to members.



As a member of SkyTeam Alliance for 8 years, Vietnam Airlines allows LotuSmiles members to accumulate and redeem miles at more than 20 international member airlines. Vietnam Airlines once again succeeded to deploy to SkyTeam Lounge and SkyTeam Branded Lounge in 2018, which allows its Elite Plus member to enjoy the lounge services of the Alliance's members at more than 750 lounges worldwide. In particular, Vietnam Airlines' passengers can enjoy preferential prices at SkyTeam Lounge (in 2 years) and SkyTeam Branded Lounge (in 5-6 years).

MEMBER GROWTH

**+47%**

MILES ACCUMULATED

**6,2 Billion**

LOTUSMILES  
MEMBERS

**2,2 million**

LOTUSMILES  
PARTNERS

**65**

LOTUSMILES' LOUNGES  
WORLDWIDE

**750**

# SERVICES

## Ground services

In 2018, Vietnam Airlines continued to deploy the self-service options with check-in kiosks available at domestic airports (Hanoi, HCMC, Da Nang, and Cam Ranh) and international airports (Fukuoka, Kansai, Narita, Incheon, and Frankfurt); upgrade the online check-in (DXCI) program; and launch the mobile app featuring Digital Connect for online check-in via mobile devices. The investment in upgrading Vietnam Airlines' technology platform helps passengers save time at the airport, which is reflecting through the increasing rate of self check-in at Hanoi (HAN) and HCMC (SGN), reaching nearly 45% in 2018.



Maintained a ratio of 99,99% of a stable check-in system to support a high OTP achievement and retain customer satisfaction and trust.

Along with that, since 2018 Vietnam Airlines also launched in-town checking service in Hanoi and Da Nang; set up additional fixed check-in counters at 3 main airports, to create convenience for traditional check-in passengers.



## Three consecutive years from 2016-2018

Skytrax's 4-star international airline certification  
World Leading Airline - Premium Economy Class  
World Leading Cultural Airline



Improving and upholding the international 4-star service quality have contributed to enhancing the passenger composition, thereby helping to improve the operational efficiency of Vietnam Airlines.

## SELF-SERVICE CHECK-IN KIOSKS

### 09 airports

**Domestic:** Hanoi (HAN), HCMC (SGN), Cam Ranh (CXR), Da Nang (DAD)

**International:** Fukuoka (FUK), Kansai (KIX), Narita (NRT), Incheon (ICN), Frankfurt (FRA)

Vietnam Airlines worked along with the Alliance's member airlines to successfully launch the SkyTeam Rebooking service in Hanoi and HCMC. If a passenger having a flight ticket from the Alliance's member airlines encounters any incident, Vietnam Airlines will assist that person to rebook.

## In-flight services

Defining service quality as the core of development, Vietnam Airlines prioritizes the integration of traditional culture into its products and services in addition to meeting advanced international standards.

- In the strategy of promoting Vietnamese cuisine, Vietnam Airlines appointed the renowned Chef Luke Nguyen to be its Global Cuisine Ambassador and help embed three region specialties to the in-flight menus. It is well received and highly appreciated by Vietnam Airlines' passengers. Vietnam Airlines' flights also serve distinctive seasonal fruits and signature products such as Hung Yen longan, Thanh Ha lychee, Cao Phong orange, and Hoa Loc mango.
- Vietnam Airlines also incorporates culinary experience unique to destination countries in order to bring passengers signatures of different regions in the world. Most recently, the company received numerous compliments for serving Japanese utensils set in the business class on flights from/to Japan.
- In-flight menus are reimagined and renewed regularly, focusing on local elements to advance the quality of catering services.



- Regarding in-flight entertainment, Vietnam Airlines has launched the advanced wireless streaming service on the new A321NEO fleet. The total amount of entertainment programs has increased to 600 flight hours.

With the aim of completing and improving the 4-star standard service quality, Vietnam Airlines has brought duty-free sale service on medium and long-haul international routes, enriching passengers' experience.



**Development orientation toward a 5-star service-quality airline**

Ensuring **Safety - Quality - Efficiency** in its business operations, strengthening its 4-star service quality on the way toward achieving 5-star, maintaining high OTP, widely applying digital mobile technology, and increasing efficiency.

To stabilize and perfect its 4-star service quality, Vietnam Airlines needs to keep all of the key service components specified by Skytrax rated 4-star or higher in 2019, which is prerequisite to a 5star standard in 2021. Accordingly, service must be customer-centric as the Company advances

premium services for high-incomers and popular services for economy passengers. At the same time, the products are designed by incorporating cultural uniqueness and international standards.

Constantly upgrading and diversifying products and services; utilizing technology into the product creations to serve customers' demands and preferences.

Building a professional, dedicated flight crew imbued with the Vietnamese culture who acts brand ambassadors to promote Vietnam and Vietnam Airlines to the world.



## TECHNICAL

Vietnam Airlines has synchronously deployed various initiatives to enhance fleet operational efficiency and utilization with optimal costs. The Company is also promoting the application of new technologies on real-time fleet monitor to early detect aircraft failures before landing for timely responses. In 2018, Vietnam Airlines was one of the pioneers that worked along with Airbus to launch Skywise software for the analysis and evaluation of operation and maintenance data in order to provide preventive maintenance options.

### **Cooperation with Singapore Technologies Aerospace Ltd (ST Aerospace)**

In 2018, Vietnam Airlines signed a cooperation agreement with Singapore Technologies Aerospace Ltd (ST Aerospace), a member of ST Engineering Ltd, to establish a joint venture to provide aircraft rectification and full-package spare parts for the entire Air-bus A321 fleet of Vietnam Airlines and other regional airlines. The collaboration with STA will help Vietnam Airlines to perform all maintenance tasks in Vietnam, which

will significantly save time and cost as opposed to the alternatives of sending aircraft abroad.

### **Cooperation with Air France Industries KLM Engineering & Maintenance**

In the same year, Vietnam Airlines and Air France Industries KLM Engineering & Maintenance (AFI KLM E&M) signed a contract for Boeing 787-9 engine maintenance that is worth more than USD 500 million. Accordingly, AFI KLM E&M will maintain 20 GENx engines (including 16 engines of the currently operated 8 aircrafts and 4 back-up aircrafts) of Vietnam Airlines in the next 12 years. AFI KLM E&M also supports back-up engines for Vietnam Airlines if needed to ensure optimal operational efficiency. The collaboration with AFI KLM E&M will ensure a smooth operation for Vietnam Airlines' Boeing 787-9 fleet, which is vital to better operate key international and domestic long-haul routes with 4-star service standard. This is also Vietnam Airlines' commitment to providing the best experience for passengers.





# HUMAN RESOURCE MANAGEMENT

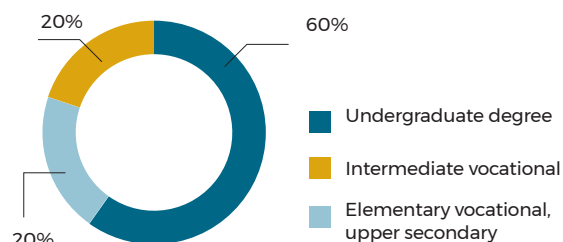
## Labor force

As of 31 December 2018, a total number of 22,420 employees are working for the entire Group, an increase of 2.8% compared to the data of end 2017, of which Vietnam Airlines' employees were 6,605. More than 60% of Vietnam Airlines' labor force is under 40 years old. The average labor age is 38.4, of which the average age of men is 39.4 and women is 37.3. The proportion of foreign employees at Vietnam Airlines is reducing and replaced by an uptrend of higher quality and qualified local employees, which helps to support the Company's air transportation business and other business operations.

In terms of labor quality, nearly 60% of Vietnam Airlines' employees graduated from undergraduate and post-graduate programs. This is a great advantage of Vietnam Airlines in developing its labor quality. The management staff is provided training courses to improve knowledge and expertise, which in turn becoming a foundation of the Company's sustainable growth.

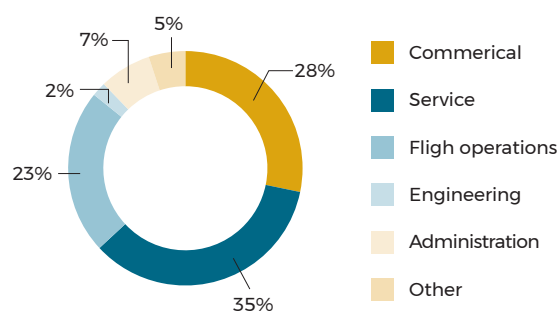


## LABOR STRUCTURE BY QUALIFICATION



Qualification	Quantity	Ratio
Graduate and post-graduate de-gree	3,950	59.8%
College and intermediate vocational	1,345	20.4%
Elementary vocational, upper secondary	1,310	19.8%
<b>Total</b>	<b>6,605</b>	<b>100%</b>

## LABOUR STRUCTURE BY SEGMENT



Segment	Quantity	Ratio
Service	2,301	34.8%
Commercial	1,866	28.3%
Flight operations	1,499	22.7%
Advisory, administration	475	7.2%
Engineering	130	1.9%
Other	334	5.1%
<b>Total</b>	<b>6,605</b>	<b>100%</b>



## Productivity

Together with the fleet modernization plan by adding advanced technologies and fuel-efficient aircrafts, Vietnam Airlines also applies several solutions to labor quality and productivity enhancement such as operational process innovations, technology application to the self-service initiatives, and promotion of self-service check-in solutions to encourage passengers perform online booking, payment, check-in, and lost-and-found declaration. As a result, these initiatives help reduce the workload of front offices and labor costs, while reducing airport overcapacity and investment budget for service infrastructure such as call-center, booking offices, and check-in counters.

In 2018, the productivities based on ASK and RPK increased 7.8% and 7.6%, respectively compared to 2017. Although the number of flights and passengers grew significantly, Vietnam Airlines still maintained a stable workforce to satisfy the needs of business operations and ensure absolute safety for all passengers.



## Remuneration and Compensation

Understanding that human resource is a strategic factor and the most valuable asset, Vietnam Airlines always focuses on attracting and retaining a committed quality workforce, particularly specific positions such as management staff, technicians, specialists, pilots, and flight attendants. Vietnam Airlines also understands that it is critical to ensure a comfortable life for employees, thus continuously reforming remuneration, adjusted salary and bonus scheme, as well as promoting a fair treatment and motivation for employees. In the period of 2016 - 2018, Vietnam Airlines' salary has increased by an average of 5% - 20%, depending on seniority and productivity.

### LABOR PRODUCTIVITY TARGET

ASK-BASED

**6.8 million seats.km/employee**

▲ **7,8%**

RPK-BASED

**5.5 million passengers.km/employee**

▲ **7,6%**

### Training and coaching

Understanding the importance of labor quality in the implementation of the Company's long-term strategy and vision, Vietnam Airlines progressively encourages and supports all employees to access intensive training programs, and promotes learning opportunities with the goal of improving knowledge and experience for the workforce, especially the high-skilled and specific employees such as pilots and technicians.

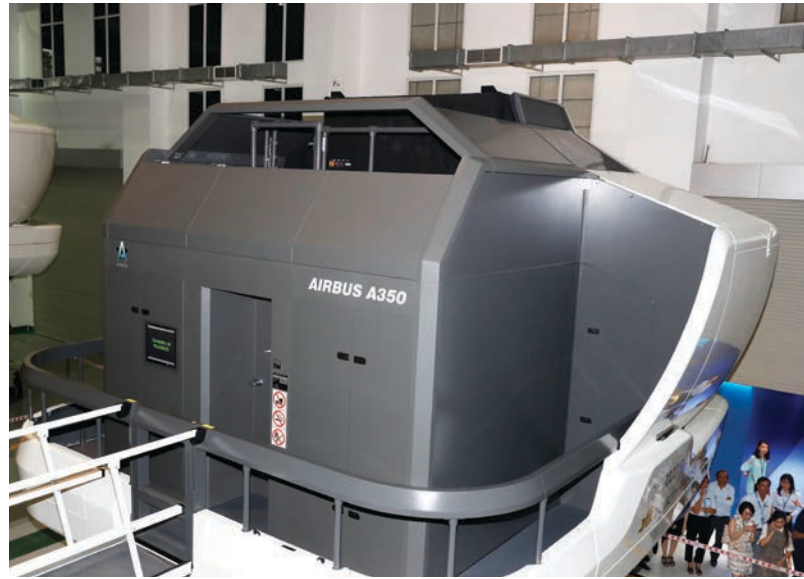


#### Highlights of Vietnam Airlines' 2018 training practices:

Quantity	Training topics
<b>14,750</b>	Trainees were trained in IOSA courses as required by the Civil Aviation Safety Authority for pilots, flight attendants, flight operators and ground service staff.
<b>16,772</b>	Flight attendants, ticket booking staff and check-in staff were trained about culture, communication skills, styles, and customer care skills meeting 4-star standard and targeting 5-star service quality.
<b>1,230</b>	Employees participated in internal training courses about INAMORI Management Principles and Blue Ocean Strategy (BOS).
<b>46</b>	Number of managers and core staff received intensive training in advanced aviation management and English proficiency: <b>02</b> core staff joined the Master of Air Transport Management at Cranfield University, United Kingdom. <b>04</b> core staff joined the intensive training courses on aviation safety management hosted by Airbus and ENAC University, France. <b>40</b> management staff joined the advanced English training program in New Zealand.

### **Flight simulator (SIM) complex**

In 2018, Vietnam Airlines launched the first flight simulator (SIM) complex in Vietnam, marking an important milestone in its pilot training strategy. The complex consists of 4 cockpit simulators manufactured by the Canadian company CAE Inc., in which there are 2 training devices for Airbus A321 pilots, 1 cockpit simulator for Airbus A350, and 1 for Boeing 787 crew. The establishment of the first flight simulator complex not only benefits Vietnam Airlines in particular but Vietnam's aviation industry in general. The localization of training practices for the three main aircraft models will enable Vietnam Airlines to become more proactive in training and retaining highest quality and quantity of pilots in line with international standards, and meet the highest standard of operational safety and quality. Vietnam Airlines will also save more than VND 285 billion within 10 years as a result of its own pilot transforming and training practices.



### **Corporate culture**

#### **Culminated cultural values**

Vietnam Airlines' corporate cultural values have been built up over 20 years of establishment and development. In the process of preserving and promoting cultural strengths, Vietnam Airlines has launched a series of cultural programs such as Safety Culture, office culture, and four xin (please) - four luon (always), made improvements faster and further... They are basis of employees' work ethics, attitudes, and behaviors. Vietnam Airlines also focuses on conveying its corporate value messages to customers and shareholders through promotion campaigns in great cultural depth.

#### **Safety culture**

As safety is the vital element in all operations, safety has also become a core value and the foundation of our corporate culture. Vietnam Airlines' management aims to upgrade its safety culture to a proactive level in all aspects by 2020 and achieve an advanced level (Generative) by 2025.



# BRAND COMMUNICATION AND MARKETING

In the long-term brand development orientation toward 2020, Vietnam Airlines takes proactive approach to building strategy and promoting its brand messages to the public through professional marketing agents. The brand positioning and marketing campaigns are developed on a year basis for different international and domestic markets. This is to ensure appropriate customer approaches for each market's characteristics and achieve the brand awareness targets.



Vietnam Airlines' marketing messages are promoted on an integrated media network through different and diversified channels, in which the key channel is digital marketing.



## Orientation towards a long-term brand identity development and integrated media network expansion

### Communication channels utilized by Vietnam Airlines

- 
**Vietnam Airlines owned channels**  
 Digital advertising channels,, email/wifi marketing, radio and TV advertising...
- 
**Traditional channels**  
 Magazines/ newspapers, hotline, flight radio, billboards, POSM...
- 
**Outsourced channels**  
 Digital advertising channels,, email/wifi marketing, radio and TV advertising...
- 
**Cooperation & sponsorship channels**  
 Online channels, backdrop/billboard via cooperation with advertising agencies and local authorities

### 2018 promotion campaigns



# INFORMATION TECHNOLOGY

Vietnam Airlines always focuses on developing and applying large information technology systems, which is in line with the development of a 4-star international standard airline.

To improve customer experience and increase the operational efficiency while better managing costs and risks, in 2018 Vietnam Airlines launched several systems and applications with exceptional management and information features including flight efficiency analysis system (RPS), human resource management (HR), management information system (MIS), pilot-flight attendant allocation system (Crew), and Vietnam Airlines mobile app.

## **Cooperation with Sabre:**

In order to better meet customer demands and increase operational efficiency, in 2018 Vietnam Airlines signed an extended cooperation agreement with Sabre Corporation. This agreement will enhance the operational scope of the Sabre Passenger Service System – SabreSonic currently used by Vietnam Airlines and will improve its operational efficiency, profitability as well as competitiveness in the digital age.

## **Development orientation toward a Digital Airlines:**

Building a common, unified database (Data Warehouse) for the entire system. Continuing to digitalize documents for flight operations and management and expand digitalization to other business operations.

Synchronously deploying information technology systems based on industry standards and best practices of the aviation industry, deploying 4.0 technologies such as artificial intelligence (AI), biometric identification (Biometric) and data mining (Big Data) in commercial, fleet operations and management, automation and customization for enhanced customer experience.

Enhancing the application and deployment of IT systems in technical maintenance activities and early forecasting for better maintenance.

Constantly updating new technologies and trends in the aviation industry regionally and globally, in order to identify opportunities and challenges to take its IT infrastructure one step ahead of the business requirements.



## COOPERATION PROGRAMS

### **Cooperation with the strategic shareholder ANA Holdings Inc.**

In 2018, the comprehensive cooperation between Vietnam Airlines with the strategic shareholder ANA Holdings Inc. (ANA) continued to be implemented in various aspects and contributed to the business results of both parties:

- Expanding partnership on Da Nang - Osaka route operated by Vietnam Airlines;
- Trade promotions (promoting Japan travel for Vietnamese customers, incentives for regular passengers) have shown positive results and achieved marketing objectives;
- Collaborate on technical assistance, focusing on business management, commerce, operations, customer services and information technology.



## Commercial cooperation

- Vietnam Airlines has started 2 new partnerships in 2018 with Xiamen Airlines (China) and Israel Airlines (Israel), thereby increasing the number of partners to 27 (26 airlines and 1 French train company). Through bilateral partnerships, Vietnam Airlines expanded to 91 global destinations, which helped to increase its presence on all the five continents.
- After a year of cooperation between Vietnam Airlines and Air France, both parties have achieved certain positive results that help improve their business operations.
- Multilateral cooperation: In 2018, Vietnam Airlines enthusiastically participated in building the development orientation of Skyteam Alliance for 2019 with a focus on enhancing seamless passenger experience and supporting member airlines in the development and application of advanced and exclusive technology. Vietnam Airline also actively got involved in activities of multilateral organizations like IATA and promoted its role and influence to benefit Vietnam.

## Cooperation with local authorities

In other to promote tourism, images and flight routes to major cities of Vietnam, carry out the mission as the national flag carrier and contribute to the development of domestic tourism and aviation industry, in 2018, Vietnam Airlines signed a cooperation contract with the People's Committee



of Da Nang, Quang Ninh, and also effectively implemented the cooperative agreements with the People's Committees of Hanoi, HCMC, Hue and Khanh Hoa.

## Cooperation for the priority of using Vietnamese brands

On 6 August 2018, Vietnam Airlines and Vietnam Dairy Products JSC (Vinamilk) signed a strategic cooperation agreement with the goal of jointly developing the national brands to reach worldwide audience.



On 4 October 2018, Vietnam Airlines and Vingroup officially signed a cooperation agreement to develop co-branded and combined aviation and tourism products on the entire flight network.



## Investment activities

In 2018, Vietnam Airlines' investment activities focused on key projects, giving priority to infrastructure construction and IT projects to improve the operational management and create infrastructure for technical systems and fleet utilization. The total investment amount of 2018 was VND670.8 billion.

### KEY INVESTMENT PROJECTS

Most of Vietnam Airlines' key investment projects were completed in 2018 or entered their final stage and are expected to be completed in 2019, including:

Project	Progress	Objective
A350 fleet investment project (Received 8/10 aircrafts)	Received 2 new aircrafts in 2018 under SLB	Modernize the wide-body fleet
Office building combined with professional aviation training at 200 Nguyen Son - Phase 2	Expected to complete in 2019	Build a professional, modern, environmental-friendly workspace
Investment of ground service equipment in the period of 2016 – 2018	Received and operated	Improve ground services to meet 4-star international standards
Upgrading and replacement of WAN Backbone system	Completed	Ensure the IT infrastructure and information security
New fare management and distribution system	Completed	Fare adjustment and management
Allocation software system for pilots and flight attendants	Completed	Flight scheduling and management for pilots and flight attendants

### OUTSIDE INVESTMENT

#### Overview

Vietnam Airlines' 2018 external investments achieved preset targets and met requirements on preserving and developing external investment. The total return from external investments in 2018 was VND1,070 billion, making the return/ total investment ratio of 16.5% in 2018.

#### Business results of member companies





Most of Vietnam Airlines' affiliates are closely related to air transportation business lines. They had efficient operation, and thus contributing significantly to the overall business performance of Vietnam Airlines.








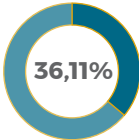

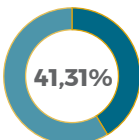

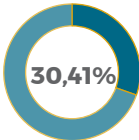
## List of Subsidiaries

TT	Logo	Company	VNA's ownership	Business performance
1		VAECO		The main activity is providing maintenance and repair services for aircraft and aircraft engines, parts and components. The company performs all maintenance services for Vietnam Airlines' aircraft bodies and 75 other international airlines operating in Vietnam. In 2018, VAECO's total revenue was VND2,451 billion and profit before tax was VND142 billion, up 11% compared to 2017..
2		SKYPEC		The company has extensive experience and professional operation in aviation fuel supply to domestic and international airlines. The quality management system of the company has met international standards of ISO 9001: 2015. In 2018, the company's total revenue reached VND29,195.8 billion and profit before tax was VND392.6 billion, up 22% compared to 2017.
3		VACS		The company operates in food processing and aviation catering services. The company has applied the latest quality standard of ISO 9001:2015, ISO 45001:2018, HACCP, and so on. In 2018, the company provided air catering services at Phu Quoc International Airport to two new customers, including British Thomas Cook Airlines and Swedish TUI fly Nordic. Its 2018 total revenue was VND895.9 billion and pre-tax profit was VND193.8 billion, up 112.8% compared to 2017.
4		VIAGS		The company provides services at passenger terminals and cargo terminals as well as apron services, technical services and commercial ground services. In 2018, VIAGS achieved a total revenue of VND2,046.9 billion, and pre-tax profit of VND187.7 billion, an increase of 12.1% compared to 2017.
5		Jetstar Pacific		The low-cost carrier (LCC) subsidiary of Vietnam Airlines, combining products with Vietnam Airlines to complete air transportation product range and help enhance the competitiveness and position of VNA Group. In 2018, Jetstar Pacific continued the process of restructuring, recorded profit and achieved a total revenue of recorded profit and achieved a total revenue of VND9.31 trillion.
6		NCTS		As a leading and professional cargo services company in the North, NCTS is providing cargo handling services to 27 airlines operating at Noi Bai International Airport. In 2018, NCTS continued to win the awards of "Top Vietnam's 50 Best-Performing Companies in Vietnam" and "50 Best Most Effective Business Companies in Vietnam" and 55,13% "Top 50 Best Listed Companies in Vietnam" by The Business Review Magazine (Nhip Cau Dau Tu) and Forbes Vietnam. Total 6 NCTS Dau Tu Magazine and Forbes Vietnam. Total revenue in revenue in 2018 reached VND 719VND719 billion VND and profit before tax was VND 298VND298 billion, equivalent to 87.7% of 2017. The company's 2018 profit was in-line with forecast of the competitive landscape and the market development. NCTS made great efforts and fulfilled the 2018 guidance plan.

TT	Logo	Company	VNA's ownership	Business performance
7		TCS	 55,00%	TCS's development orientation is to become one of Southeast Asia's leading air cargo terminals. TCS successfully signed contracts with two Asian airlines, i.e., Chongqing Airlines and Philippines Air Asia, and thus enhance TCS's market share. In 2018, TCS was honored to receive many compliments from major customers such as Qatar Airways, China Airlines, and Korean Air. TCS's 2018 total revenue reached VND876 billion and profit before tax was VND550 billion, up 7% compared to 2017.
8		TECS	 51,00%	The company provides freight forwarding, logistics, customs clearance services, warehousing and storage. TEC's 2018 total revenue reached VND323.2 billion and profit before tax was VND89.4 billion, increasing by 15% compared to 2017..
9		VINAKO	 65,05%	The company mainly operates in air and sea freight forwarding. In 2018, due to the negative impacts of the sharp decline in production from its Hanoi branch, and natural disasters in Japan coupled with competition in prices and increased fuel prices, the company's business results did not complete the plan set out. Its 2018 revenue reached VND146.3 billion, decreasing by 1.4% compared to 2017; profit before tax reached VND17.1 billion, dropping by 6.3% compared to 2017.
10		NCS	 60,17%	The company operates in foods processing and catering services and has nearly 30 years of experience. In June 2018, NCS took its Noi Bai processing facility into operation, improving quality and affirming its leading position in catering services at Noi Bai International Airports. In the same year, NCS's total revenue reached VND638.5 billion and pre-tax profit reached VND58.1 billion, equivalent to 55.2% of 2017. The revenue growth rate was higher than 2017, nevertheless costs also increased due to depreciation and operation expenses. The new catering processing facility equipped with modern capacity led to a decline in pre-tax profit. However, this is an essential step to ensure the sustainable operation.
11		NASCO	 51,00%	The company mainly provides direct support services for air transport and other supporting services at Noi Bai International Airport. In 2018, NASCO's consolidated revenue reached VND591 billion and consolidated pre-tax profit reached VND29 billion, rising by 36.6% compared to 2017.
12		VFT	 51,52%	The company provides pilot training for regional airlines. In 2018, VFT achieved important milestones in deploying Vietnam's flight training center in the period of 2020 - 2025. The company's 2018 revenue reached VND41.9 billion and pre-tax profit reached VND8.1 billion, increasing by 7% compared to 2017.
13		AITS	 52,73%	The company provides information technology and telecommunication services. AITS currently plays an important role in the air transportation value chain by building critical technology and telecommunication platforms for Vietnam Airlines. In 2018, AITS's total revenue reached VND 215VND215.89 billion and profit before tax was VND 10VND10.12 billion, up 7.38% compared to 2017.

TT	Logo	Company	VNA's ownership	Business performance
14		<b>ALSIMEXCO</b>	 <b>51,00%</b>	Since its establishment, the company has been maintaining a stable operation. In 2018, the company's revenue reached VND390 billion and pre-tax profit reached VND6 billion, up 10.2% compared to 2017.
15		<b>SABRE VIỆT NAM</b>	 <b>51,69%</b>	Since 2017, Sabre Vietnam has deployed the Passenger Service System for Vietnam Airlines. In 2018, Sabre's total revenue reached VND100.4 billion and the profit before tax of reached VND10 billion, up 16.7% compared to 2017.

### Associates

TT	Logo	Company	VNA's ownership	Business performance
1		<b>VALC</b>	 <b>32,48%</b>	In 2018, VALC's total revenue reached USD88.5 million and profit before tax reached USD24.9 million. Dividends allocated to Vietnam Airlines in 2018 were VND94.2 billion, equivalent to 2017.
2		<b>Cambodia Angkor Air (K6)</b>	 <b>49,00%</b>	The national flag carrier of Cambodia which had capital contributed from Vietnam Airlines. In 2018, K6 continued to fully cooperate with Vietnam Airlines in terms of flights, flight routes, technical and commercial operations. With an increasingly fierce competition in the Cambodian market, the company has implemented many synchronous restructuring solutions to improve its 2018 operating results.
3		<b>MASCO</b>	 <b>36,11%</b>	The company operates mainly in catering services, supplies and equipment onboard, commercial business at airport terminals. In 2018, Masco's total revenue reached VND237.9 billion and pre-tax profit was VND18.2 billion, equivalent to 45.9% of 2017. The catering services in Nha Trang recently faced fierce competition that made Masco's international catering market share sharply declined.
4		<b>AIRIMEX</b>	 <b>41,31%</b>	The company mainly operates in import and distribution of machinery, equipment, supplies, spare parts, and import and export services for the aviation industry. In 2018, Airimex's total revenue reached VND182 billion and profit before tax reached VND8.6 billion, equivalent to 83.3% of 2017.
5		<b>APLACO</b>	 <b>30,41%</b>	The company operates mainly in plastic industry and produces high quality and convenient products with equipment and technologies.

# Financial performance

## OVERALL PERFORMANCE

### Overview

Metrics	Parent company		Consolidated	
	2018	Compared to 2017 (%)	2018	Compared to (%)
Total assets	73,543	-7.14%	82,390	-6.96%
Net revenue	70,742	11.62%	96,811	16.71%
Operating profit	1,663	9.30%	2,356	13.90%
Other profit	755	93.19%	956	-12.01%
Profit before tax	2,418	26.46%	3,312	4.97%
Profit after tax	2,111	16.25%	2,599	-2.27%

Unit: VND billion

### Key financial highlights

Metrics	Parent company		Consolidated	
	2017	2018	2017	2018
<b>1. Liquidity ratio (time)</b>				
+ Current ratio	0.50	0.51	0.65	0.63
+ Quick ratio	0.48	0.49	0.55	0.52
<b>2. Capital structure (%)</b>				
+ Debts/Total assets	78.62%	75.16%	80.31%	77.34%
+ Short-term debts/Total assets	31.14%	33.42%	36.97%	36.33%
+ Long-term debts/Total assets	47.49%	41.74%	43.34%	35.63%
+ Debts (excluding air transport liability)/ Equity	3.26	2.58	3.64	2.95
+ Debts/ Equity	3.68	3.03	4.08	3.41
+ Equity/Total capital	21.38%	24.84%	19.69%	22.66%

Metrics	Parent company		Consolidated	
	2017	2018	2017	2018
<b>3. Operating efficiency (time)</b>				
+ Inventory turnover	142.12	102.30	24.30	24.44
+ Net revenue/Total assets	0.80	0.96	0.94	1.18
<b>4. Profitability ratio (%)</b>				
+ Profit after tax/Net revenue	2.87%	2.98%	3.21%	2.68%
+ Profit after tax/Average owner's equity	10.93%	12.00%	15.79%	14.39%
+ Profit after tax/Average total assets	2.18%	2.76%	2.87%	3.04%
+ Operating profit/Net revenue	2.40%	2.35%	2.49%	2.43%
+ EBITDAR (VND billion)	16,596	18,676	18,535	21,678
+ EPS (VND)	1,479	1,488	1,776	1,747
+ P/E (time)	29.14	23.04	24.27	19.63

### Assessment

Taking advantage of the growth of the air transportation market in 2018, Vietnam Airlines had seized the opportunities and effectively implemented management solutions to overachieve the business targets. Additionally, to manage the exchange and interest rate fluctuations during the year, the Company's management always monitors and ensures the financial safety.

- The parent company's consolidated and net revenue reached VND70,742 billion and VND96,811 billion, respectively, up 11.62% and 16.71% compared to 2017.
- Consolidated pre-tax profit reached VND3,312 billion, increasing by 4.97% compared to 2017, and exceeding 36.8% compared to target. The parent company's pre-tax profit reached VND2,418 billion, up 26.5% compared to 2017 and 23.4% higher than target.
- Profitability ratios in 2018 have increased compared to 2017. The debt ratio decreased compared to 2017 due to a lower debt balance and an increase in equity. Liquidity metrics were maintained stably as Vietnam Airlines does not incur overdue debts in order to ensure timely payment of principal and interest.

**ROE (PARENT COMPANY)**

**12%**

**DEBT/EQUITY RATIO**

**2.58**

## FINANCIAL ANALYSIS

### Revenue, profit

Metric	2017	2018	Compared to 2017	
			Value	(%)
<b>1. Total revenue and other income</b>	<b>64,920</b>	<b>73,227</b>	<b>+8,307</b>	<b>+12.8</b>
Net operating revenue	63,375	70,742	+7,367	+11.6
Financial income	1,150	1,727	+577	+50.1
Other income	395	758	+363	+91.9
<b>2. Profit before tax</b>	<b>1,912</b>	<b>2,418</b>	<b>+506</b>	<b>+26.5</b>
<b>3. Profit after tax</b>	<b>1,816</b>	<b>2,111</b>	<b>+295</b>	<b>+16.2</b>

Unit: VND billion

2018 net operating revenue reached VND 70,742 billion, an increase of 11.6% compared to 2017, in which the growth mainly came from acceleration of international air transportation and international air charter. Financial income and Other income also improved significantly, contributed more than 11% to the incremental revenue and profit. Profit before tax reached VND 2,418 billion, an increase of 26.5% compared to 2017 and exceeded 23% of target. The core business grew 18% due to a strong growth of air transportation revenue and advanced cost management practices.

**TOTAL REVENUE (PARENT COMPANY)**  
**73.227 BILLION**  
**▲ 12.8%**

**PROFIT BEFORE TAX**  
**2.418 BILLION**  
**▲ 26.5%**

## Assets and Capital

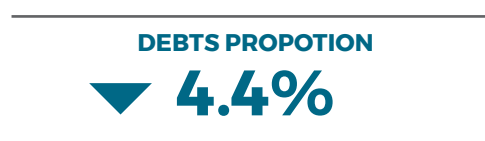
	2017	2018	Compared to 2017	
			Value	(%)
1. Short-term assets	12,261	12,480	+219	+1.8
2. Long-term assets	66,936	61,063	-5,873	-8.8
<b>Total assets</b>	<b>79,197</b>	<b>73,543</b>	<b>-5,654</b>	<b>-7.1</b>
3. Total debts	62,266	55,275	-6,991	-11.2
Short-term debts	24,658	24,580	-78	-0.3
Long-term debts	37,608	30,696	-6,912	-18.4
4. Owner's equity	<b>16,931</b>	<b>18,267</b>	<b>+1,336</b>	<b>+7.9</b>
<b>Total liabilities and owner's equity</b>	<b>79,197</b>	<b>73,543</b>	<b>-5,654</b>	<b>-7.1</b>

Unit: VND billion

Total assets of Vietnam Airlines as of December 31, 2018, were VND73,543 billion, decreasing VND5,654 billion compared to 2017 (equivalent to 7.196%). The trend of reducing total assets was in line with the direction of management to optimize resources, whereby Vietnam Airlines reduces the ratio of purchasing (owning) new aircraft and increasing the proportion of sale and leaseback (SLB) aircraft.

The capital structure has shifted toward a positive direction, increasing the proportion of owner's equity (up 3.4% compared to the same period in 2017) and reducing the proportion of liabilities (total debts/total assets at the end of 2018 decreased to 75.2% compared to 78.6% of the same period last year).

With the ability to balance stable cash flow, Vietnam Airlines has made loan repayments on schedule and actively paid in advance for long-term loans to help quickly reduce its outstanding principal. Liabilities as of December 31, 2018, were VND55,275 billion, decreasing VND6,991 billion compared to the same period of 2017, equivalent to a decrease of 11.2%.



## CONSOLIDATED FINANCIAL ANALYSIS

### Revenue, profit

Metric	2017	2018	Compared to 2017	
			Value	(%)
<b>1. Total revenue and other income</b>	<b>84,962</b>	<b>98,950</b>	<b>+13,988</b>	<b>+16.5</b>
Net revenue	82,951	96,811	+13,860	+16.7
Financial income	907	1,160	+253	+27.9
Other income	1,125	995	-130	-11.5
Share of loss in associates	-20	-16	+4	+20
<b>2. Profit before tax</b>	<b>3,155</b>	<b>3,312</b>	<b>+157</b>	<b>+5</b>
<b>3. Profit after tax</b>	<b>2,659</b>	<b>2,599</b>	<b>-60</b>	<b>-2.3</b>

Unit: VND billion

The year of 2018 recorded the consolidated net revenue growth at 16.8% compared to 2017, reached VND96,811 billion. Profit before tax reached VND3,312 billion, an increase of VND157 billion, equivalent to a growth of 5% compared to 2017 and exceeded 36.8% of the target. In addition to the contribution of the parent company, the growth of consolidated revenue and profit also came from the profit growth of most subsidiaries operating in synchronous air transportation services (aviation fuel, cargo services, catering services, ground services, etc.).

#### TOTAL REVENUE

**98,950 BILLION**  
▲ **16.5%**

#### PROFIT BEFORE TAX

**3,312 BILLION**  
▲ **5%**

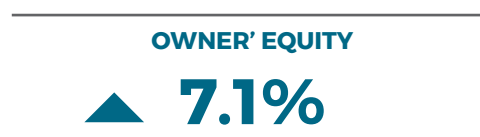


## Assets and Capital

Metric	2017	2018	Compared to 2017	
			Value	(%)
1. Short-term assets	21,122	20,326	-797	-3.8
2. Long-term assets	67,428	62,065	-5,363	-8.0
<b>Total assets</b>	<b>88,550</b>	<b>82,390</b>	<b>-6,161</b>	<b>-7.0</b>
3. Total debts	71,118	63,718	-7,400	-10.4
Short-term debts	32,739	32,170	-568	-1.7
Long-term debts	38,379	31,548	-6,831	-17.8
4. Owner's equity	<b>17,433</b>	<b>18,672</b>	<b>+1,239</b>	<b>+7.1</b>
<b>Total liabilities and owner's equity</b>	<b>88,550</b>	<b>82,390</b>	<b>-6,161</b>	<b>-7.0</b>

Unit: VND billion

Total consolidated assets as of December 31, 2018 was VND82,390 billion, a decrease of VND6,161 billion compared to 2017 (equivalent to 7%). The main reason for the decrease in assets was mainly due to a decrease in the parent company's assets and increased depreciation, while new investment assets in the period were insignificant. As of December 31, 2018, consolidated owner's equity grew by VND1,239 billion compared to the same period of 2017 (up 7.1%), reached VND18,672 million. Total liabilities decreased by 10.4% over the same period of 2017, due to long-term debt reduction.



## Improvements and innovations in organizational structure and management policies

Vietnam Airlines has reviewed the organizational model to align and consolidate the operational structure, ensuring an effective working process and complying with assignments. Several units and departments such as Department of Development Planning, Marketing and Sales, and Finance and Accounting have been restructured with reasonable arrangement of personnel and progressive methods of approaching, communicating and processing tasks have been applied.

The Company also conducted a revision and amendment of a number of internal management regulations, which is updated in accordance with the applicable corporate governance model. The amendment and promulgation cover the scopes of all departments, units and aim at reducing the number of cumbersome procedures by building a

single, simple and consistent system. This centralized regulation framework allows Vietnam Airlines to direct its components in terms of management and administration works. As for the content prescribed by law, the regulations do not represent but only refer to necessary legal documents for the reference during implementation.

In addition, Vietnam Airlines actively promoted administrative reforms and extended the use of electronic documents through an online portal. The process of signing, approving and issuing for most internal documents is digitalized. It also helps allocate appropriate authorization and personnel involvement in processing and reporting practices, which will in turn minimize time and cost of execution.





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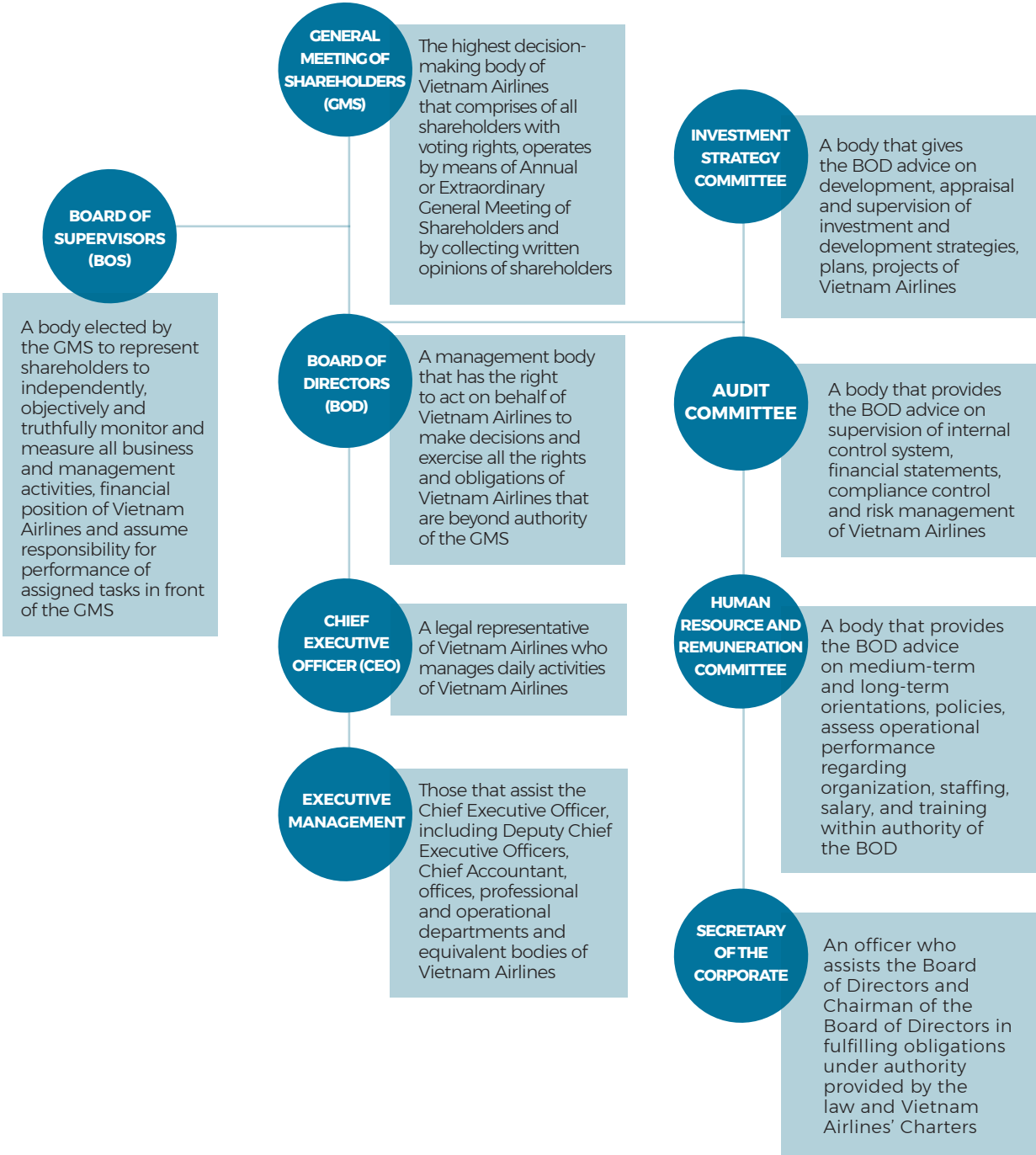
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# CORPORATE GOVERNANCE

## Corporate governance structure



# Corporate governance principles



## Corporate governance principles

The system of corporate governance principles of Vietnam Airlines complies with the provisions of the Ministry of Finance's 2014 Enterprise Law, Decree No. 71/2017/ND-CP dated June 06, 2017, and the Circular No. 95/2017/TT-BTC dated September 22, 2017, Vietnam Airlines' Charter and its internal and external regulations in order to:

- Ensure a practical corporate governance structure;
- Ensure the operational efficiency of the BOD and the BOS;
- Ensure the rights and benefits of shareholders and stakeholders;
- Ensure fair treatment between shareholders;
- Ensure the transparency of all Vietnam Airlines' activities.

## Ensure a practical corporate governance structure

In order to effectively operate governance models, Vietnam Airlines has built and regularly updated a system of internal processes and regulations to establish a unified and transparent governance mechanism. These practices help to monitor the company's operations in a professional, transparent and effective manner, ensuring the best interests of shareholders as well as the harmonization of interests of stakeholders.

In 2018, Vietnam Airlines approved the amendment and supplement of the company's Charter according to Resolution No. 03/NQ-DHDCCD dated May 10, 2018. Along with this amendment, Vietnam Airlines also issued the Internal Regulation on corporate governance under the Decision No. 449/QD-HDQT/TCTHK which came effective on June 1, 2018 in order to comply with Vietnam's law and aim to improve the company's corporate governance practices.

### **Ensure the operational efficiency of the Board of Directors and the Board of Supervisors**

Vietnam Airlines has clearly defined and separated functions, duties and authorizations between the Chairman of the BOD and the CEO, between the BOD and the BOS. The compliance with governance standards contributes to the transparency and efficiency of Vietnam Airlines' corporate governance practices.

The BOD must have at least 5 members and no more than 9 members, in which the total number of non-executive members accounts for at least one-third of the total members of the BOD. Each member must not concurrently be a member of the BOD of more than 5 other companies.

The Committees under the BOD play an active role in consulting and supporting the BOD activities.

- Investment Strategy Committee: advises and consults the BOD in the practices of planning, evaluating and supervising of implementation process of strategies, plans, investment and development projects of Vietnam Airlines;
- Audit Committee: advises and consults the BOD in the practices of supervising the internal control system, auditing financial statements, controlling compliance, and managing risks;
- Human Resources and Remuneration Committee: advises and consults the BOD in terms of organization, personnel, compensation and benefits, and policies under the authorization of the BOD.

The BOD, the BOS, and the CEO coordinate on the following principles:

- Always work towards the benefits of Vietnam Airlines;
- Comply with the Law and Charter of Vietnam Airlines;
- Take self-initiative to complete assigned tasks;

All members have the rights to reserve their agreement or disagreement on any matter and are accountable to give explanations if requested.

### **Ensure the rights and benefits of shareholders and stakeholders**

Article 29 and 30 of Vietnam Airlines' Charter clearly stipulate the rights and obligations of shareholders. The basic rights of shareholders include:

- The right to participate and vote at the General Meeting of Shareholders.
- The right to receive dividends and prioritization to buy new shares.
- The right to freely transfer shares.
- The right to be treated fairly.
- The right to nominate and stand for election to the BOD and the Board of Supervisors.
- The right to access information promptly and regularly.

In 2018, Vietnam Airlines held one Annual General Meeting of Shareholders (GMS) and obtained shareholders' written opinions. The organizing procedures carried out by Vietnam Airlines in accordance with the law to ensure maximum rights and benefits of shareholders.

As approved in Resolution of 2018 Annual GMS, shareholders also received cash dividends with a payment ratio of 8% par value. The total of dividends received by shareholders was VND982 billion, an increase of 33.3% compared to 2017.

Furthermore, shareholders are also entitled to participate in the issuance of shares to existing shareholders for the increase of Vietnam Airlines' charter capital in December 2018, with the issuing price of VND10,000/share. Total capital successfully issued is VND1,907.57 billion, raising the company's charter capital from VND12,275.34 billion to VND14,182.91 billion. All additional shares issued in 2018 had been approved by the Hanoi Stock Exchange for official trading on February 22, 2019.



### **Ensure fair treatment between shareholders**

One of the core principles of corporate governance is fair treatment between shareholders.

Shareholders are treated fairly and protected by shareholder rights, which are stipulated in the Charter and the Internal Regulation on Corporate Governance of Vietnam Airlines.

Vietnam Airlines' Charter, Internal Regulation on Corporate Governance, Annual Report, Quarterly Financial Statements and Information Disclosure are all published on the websites of the State Securities Committee, Hanoi Stock Exchange, and Vietnam Airlines under the provisions of Circular 155/2015/TT-BTC. This publication ensures that shareholders receive information promptly and accurately.

At the Annual GMS, the process of discussing and voting on agenda issues follows the below principles:

- Vietnam Airlines does not restrict shareholders to attend the GMS and applies modern technology to enable shareholders to attend and express their opinions. This effort includes guiding shareholders to vote through an online portal, use electronic voting or other electronic methods as stipulated in Article 140 of the Enterprise Law.
- Creating opportunities for shareholders (i) to ask questions to the members of the BOD, the BOS and independent auditors in order to receive clear answers and (ii) to make decisions based on full, unbiased information for all issues raised.
- Questions asked by shareholders must be answered immediately. If a question is not addressed at the meeting, Vietnam Airlines needs to provide written answer within 05 working days from the closing of the GMS.

Protecting the rights of minority shareholders: A shareholder or a group of shareholders holding more than a 10% stake for at least six consecutive months shall have the following rights:

- To request the BOS to examine each specific issue related to the management and operation of Vietnam Airlines if necessary.
- To nominate individuals to the BOD and the BOS.
- To review and extract the minutes book from meetings, resolutions and decisions of the BOD, financial statements and reports of the BOS.
- To propose to convene an Extraordinary General Meeting of Shareholders.

### **Ensure the transparency of all activities of Vietnam Airlines**

Vietnam Airlines' information disclosure principles and obligations comply with the Circular No. 155/2015/TT-BTC, regulations on securities, and Vietnam Airlines' Charter. Vietnam Airlines has issued an internal regulation on information disclosure on the stock market and assigns a dedicated team to be in charge of the disclosure. All information related to corporate governance or business operations, especially sensitive one that may impact the stock price and decisions of shareholders and investors are published timely, ensuring our transparency before all shareholders and investors.

All information is also published on Vietnam Airlines' website where investors can easily access to, analyze and study about the company.

## Information and activities of the Board of Directors

No	Name	Position	Date of appointment as member of the BOD	Holding at Vietnam Airlines	
				Volume	Percentage
1	Pham Ngoc Minh	Chairman	12/3/2015	7,394	0.0005%
2	Duong Tri Thanh	Member of BOD cum CEO	01/6/2016	7,441	0.0005%
3	Nguyen Xuan Minh*	Member	12/03/2015	-	-
4	Ta Manh Hung	Member	01/10/2016	9,005	0.0006%
5	Koji Shibata**	Member	20/02/2017	-	-

\* Mr. Nguyen Xuan Minh is the ownership representative of Techcombank.

\*\* Mr. Koji Shibata is the ownership representative of ANA Holdings Inc.

In 2018, the BOD held 17 meetings, issued 301 Resolutions and 102 Decisions under their authorization. The BOD constantly reviews and evaluates Vietnam Airlines' business operations, completes important internal policies and procedures of the company (Business Charter, Internal Regulations on corporate governance, Financial Management Regulations of Vietnam Airlines' 100% owned companies). The members have shown their responsibilities in the decision-making process

of the BOD. For Vietnam Airlines' important proposals and plans, the BOD also consults advice from the experts and the committees under the BOD. All activities of the BOD strictly comply with regulations on corporate governance for a public company, connect with the benefits of Vietnam Airlines and shareholders as well as the harmonization of interests of stakeholders.



# Activities of the Committees under the Board of Directors

## Investment and Strategy Committee

performs the role of advising and consulting the BOD on the following tasks:

- 2018 investment plan;
- Fleet development plan in the period of 2021 – 2025 with a vision to 2030;
- Investment orientation plan for 2018 and the period of 2018 – 2020 which then assigned to the representatives of Vietnam Airlines' ownership at subsidiaries and associates;
- Revision of 5-year plan for 2016 - 2020;
- Current and future land usage management of Vietnam Airlines.

## The Audit Committee

acts in accordance with the annual action plan and actual tasks, including:

- Reviewing the performance of the Internal Audit Department in 2017;
- Coordinating with the BOS and the Internal Audit Department to review the 2017 financial statements of the parent company, the 2017 consolidated financial statements of Vietnam Airlines and the profit distribution of the parent company and other one-member limited companies with 100% charter capital owned by Vietnam Airlines.
- Regularly monitoring Vietnam Airlines' business operations through the monthly, quarterly

and biannually reporting system, monitoring the supervision activities of the Internal Audit Department;

- Checking the financial management and responses to recommendations of the independent inspector, auditor and internal auditor for Vietnam Airlines' branches in Japan and Singapore;
- Monitoring the operations of Vietnam Airlines' Airbus A350 and Boeing 787 aircraft.
- Monitoring and checking the execution of recommendations from the independent inspector, auditor and internal auditor for the Finance and Accounting Department.

## The Human Resources and Remuneration Committee

undertakes the following duties:

- Proposing to increase and revise the salary policy for pilots and trainers from June 01, 2018, and revise the payroll for officials and other staff from July 1, 2018;
- Planning for the usage of salary, bonus and welfare funds in 2018;
- Instructing the direction of the salary reform project under the guidance of the Resolution 27-NQ/TW;
- Reviewing the policy adjustment for attracting foreign pilots in 2019.

# Remuneration and benefits for Board of Directors and Board of Supervisors

	Plan 2018	Actual 2018
Salary fund	6,048	5,443.2
Remuneration	1,224	1,378.8
<b>Total</b>	<b>7,272</b>	<b>6,822.0</b>

Unit: VND million

# Report of the Board of Supervisors

## Structure of the Board of Supervisors

No.	Member of Board of Supervisors	Positio	Member of Board of Supervisors since	Number of Board of Directors' meetings attended	Rationale for not attending
1	Mr. Lai Huu Phuoc	Head of BOS	March 12, 2015	8/17	On business trips
2	Mr. Mai Huu Tho	Member of BOS	March 12, 2015	14/17	On business trips
3	Mr. Hoang Thanh Quy*	Member of BOS	March 12, 2015	9/17	On business trips

\* In 2018, the Board of Supervisors occurred one change in personnel as Mr. Hoang Thanh Quy resigned. This information was published on the websites of SSC and Vietnam Airlines on October 12, 2018. Vietnam Airlines will report to the 2019 General Meeting of Shareholders to dismiss Mr. Hoang Thanh Quy and nominate a new member accordingly.

## Activities of the Board of Supervisors

Activities of the BOS focused on the following key issues:

- Summarizing the activities of the BOS in 2017 and the first six months of 2018, developing and executing the plan for the next period.
- Participating and commenting at the GMS and monthly briefings.
- Supervising the implementation of Resolutions of the GMS; supervising the issuance and execution of the BOD's Resolutions.
- Monitoring the implementation of business operations and investment plans; appraising financial statements of 2017 and the first six months of 2018; supervising the financial position of the company.
- Supervising the activities of the BOD and Board of Management.
- Monitoring the capital raising plan and the State divestment process; the sale and leaseback practices for aircraft and engines, the execution of special supervision for JPA and K6; the isting procedure on HoSE and the response to recommendations from inspection and audit agencies.

## Meetings of the Board of Supervisors

According to regulations, the BOS meets periodically in order to summarize and approve the results of quarterly supervision reports as follows:

- **Quarter I/2018:** Summarizing supervision activities and results from 2017, approving the operation agenda for 2018; discussing and approving the business results from 2017 as well as the guidance for 2018; summarizing supervision results of 2017 separated and consolidated financial statements and the implementation of the Resolution from Quarter IV/2017.
- **Quarter II/2018:** Discussing and approving the implementation of the Resolution from Quarter I/2018 and the Resolutions of the GMS; summarizing and approving the BOS's activities in the first six months of 2018 and the plan for the second half of the year.
- **Quarter III/2018:** Discussing and approving the implementation of business guidance for the first six months of 2018; Appraising and approving the appraisal results of first-half 2018 separated and consolidated financial statements from the Internal Audit Department; supervising the implementation of the Resolution from the second quarter of 2018.

- **Quarter IV/2018:** Quarter IV/2018: Discussing and approving the business operations for the first nine months of 2018, estimating business results of 2018 and the orientation for 2019 plan; monitoring the special supervision for JPA and K6; approving the 2018 business result report and the 2019 plan of the Board of Supervisors; supervising the implementation of the Resolution in the third quarter of 2018.

### **Results of supervising activities of the Board of Supervisors in 2018**

- Supervising activities of the Board of Directors and Board of Management
  - ◇ The 2018 Annual General Meeting of Shareholders issued Resolution No. 03/NQ-DHDCĐ dated May 10, 2018. All assigned tasks of the General Meeting of Shareholders' Resolutions have been implemented. The company also completed the increase of charter capital through a share issuance for existing shareholders.
  - ◇ In 2018, the Board of Directors held 17 meetings and presented matters for shareholders' written approval in accordance with regulations. The Board of Directors' activities fully complied with the provisions of the law and regulations and met all requirements of business operations.
  - ◇ On each Board of Directors' Resolution, the CEO always issued implementing documents that assigned specific tasks to each department and unit. Quarterly, the CEO collected information and reported on the implementation process, the on-goings, challenges and proposed solutions.
  - ◇ In 2018, the Board of Directors issued 301 Resolutions and 102 Decisions to implement the General Meeting of Shareholders' Resolutions.
  - ◇ Those regulations were specified in the

Board of Directors' Resolutions and were fully implemented by the CEO. The Resolutions and Decisions of the Board of Directors were issued in the correct order, with competence and in accordance with the provisions of the Law and Vietnam Airlines' Charter.

- ◇ The Board of Management implemented the Board of Directors' Resolutions and Decisions in a timely and flexible manner, proposed solutions for challenges to ensure operational efficiency. The Board of Directors supervised the activities of the Board of Management by monitoring the implementation of the Board of Directors' Resolutions.
- ◇ Information disclosure practices were implemented in accordance with regulations.
- **Evaluating the coordination between the Board of Supervisors, Board of Directors and Board of Management:** The coordination between the Board of Supervisors, Board of Directors, CEO and shareholders was well maintained and implemented to ensure the interests of shareholders and comply with the Law and Vietnam Airlines' regulations. The Board of Supervisors properly completed its functions, tasks and responsibilities as stipulated, closely coordinating with the Board of Directors and the Board of Management in performing its tasks. The Board of Supervisors received continued support and collaboration from the Board of Directors, Board of Management and VNA functional departments in all its activities.
- **Appraising the 2017 financial statements:** The Board of Supervisors directed the Internal Audit Department to conduct the appraisal of financial statements and worked with the independent auditors on the results of 2018

financial statements. The Board of Supervisors agreed with the auditor's opinions on Vietnam Airlines' financial statements: The financial statements were prepared and audited/reviewed in accordance with regulations, gave a true and fair view, in all material respects, of the financial position of the parent company, and the consolidated financial position of Vietnam Airlines, and complied with Vietnam's accounting standard, accounting policy, and legal regulations related to preparing and presenting financial statements.

### **Operation plan for 2019**

According to regulations, the Board of Supervisors performs its duties with a focus on the following key objects:

- Appraising the financial statements of 2018 and the first six months of 2019.
- Supervising the organization of the 2019 Annual General Meeting of Shareholders; reporting to the General Meeting of Shareholders on the results

of performance and supervision of the Board of Supervisors in 2018.

- Participating and commenting at the meetings of Board of Directors and monthly briefings.
- Supervising the implementation of the Resolutions of the General Meeting of Shareholders and the issuance, implementation and execution of the Board of Directors' Resolutions; supervising business operations, investment activities and the financial position of Vietnam Airlines in 2019 as well as the development of 2020 plan.
- Supervising activities of the Board of Directors and the Board of Management.
- Supervising the implementation of the State divestment plan in the 2018 – 2020 period; the listing procedure on HOSE; the sale and leaseback practices for aircraft and engines; the strengthening of financial supervision; the response to the recommendations from inspection and audit agencies, and the information disclosure compliance.

## **Activities of the person in charge as Administrator & Secretary of the Corporation**

In June 2018, Mr. Nguyen Xuan Thuy was appointed as the Head Administrator & Secretary of the Corporation, replacing Mr. Nguyen Huu Tuat, in order to conduct responsibilities that comply with the regulations on corporate governance for a public company. The person in charge has accomplished the following assigned duties:

- Advised the Board of Directors in organizing Board of Directors' meetings and Annual

- General Meetings; issued Resolutions/Decisions of the Board of Directors and the General Meeting of Shareholders related to all Vietnam Airlines' operation complying with the law and Vietnam Airlines' charter.
- In charge of Vietnam Airlines' investor relations activities; carried out related works between Vietnam Airlines and its shareholders.
- Conducted information disclosure practices under the authorization on the stock market.

# Investor relations

**“Vietnam Airlines commits to always accompanying with the shareholders in establishing open discussion channels and effective information disclosure, ensuring safety, quality and efficiency in business operations, combining greater shareholders’ interests with sustainable corporate growth and national development”**

Vietnam Airlines always discloses updated information fully, publicly and transparently; hosts numerous meetings with the participation of hundreds of analysts, investors and partners who are interested in HVN stock. We also actively participate in various securities and stock markets conferences and seminars organized by securities

firms or stock exchanges. Our Annual Report is published annually in English and Vietnamese, and has a professional design, creative content and high quality of international standards, making it a useful document that provides the most comprehensive information about Vietnam Airlines to shareholders, investors and partners.

**Vietnam Airlines has been honored by Hanoi Stock Exchange as one of the Top 10 market capitalization companies on UPCoM implementing professional information disclosure and transparency practices in the 2017-2018 period. This accomplishment has affirmed Vietnam Airlines’ image and reputation, as well as strengthening shareholders’ trust in HVN stock.**

## Contact information of the Investor Relations Department:

Mr. Nguyen Xuan Thuy

Person in charge as Administrator – Secretary of the Corporation

Email: [nhadautu@vietnamairlines.com](mailto:nhadautu@vietnamairlines.com)

Tel: 024 3873 2732

Fax: 024 3872 2375

Headquarter: 200 Nguyen Son Street, Bo De Ward, Long Bien District, Hanoi

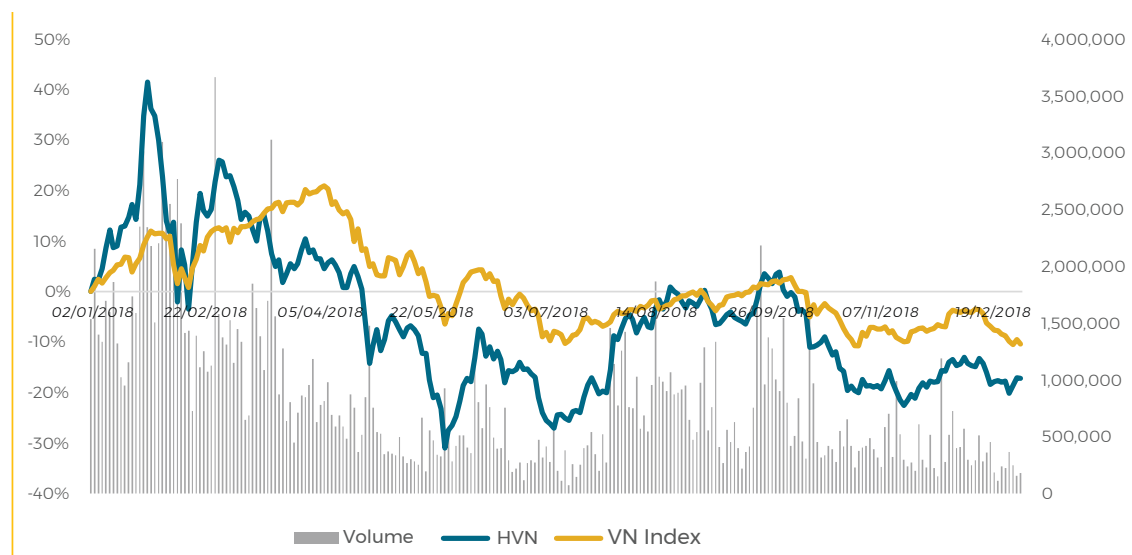


# STOCK INFORMATION AND SHAREHOLDER STRUCTURE

## HVN stock performance in 2018

No	Metric	Volume	Unit
1	Total number of trading sessions	250	Session
2	Total matching volume	206,907,515	Shares
3	Total matching value	9,230	VND billion
4	Average matching volume per session	827,630	Shares
5	Highest matching volume (February 27, 2018)	3,673,754	Shares
6	Lowest matching volume (July 12, 2018)	71,290	Shares
7	Highest average price (January 23, 2018)	67,301	VND per share
8	Lowest average price (July 13, 2018)	28,315	VND per share

## HVN performance & VN-Index in 2018



**HVN is one of the top liquid stocks on UPCoM** with an average turnover of about 800,000 shares per session, equal to VND30.6 billion traded a day (calculated on the average price of HVN stock in 2018).

**In 2018, the stock market witnessed the worst correction since 2014** following the impact of global macroeconomic instability, notably the Federal Reserve’s interest rates raising and the US

- China trade war. VN-Index declined by nearly 10% and closed at 892.5 points on this record day.

**HVN stock also got hit by the market momentum.** In January 2018, the stock price had been surging by 40%, year-to-date. After that, under the pressure of the market, HVN was weakened and went sideways in the second half of the year.



## Total number of shares and type of shares

Type of shares	Common shares
Par value	VND10,000 per share
Total number of outstanding shares	1,418,290,847 shares
Total number of listed shares	1,418,290,847 shares
Number of transferrable shares	1,307,408,297 shares
Number of restricted shares	110,882,550 shares

## Shareholder structure

Shareholder type	Number of shareholders	Number of shares	Percentage of ownership
<b>I. I. Major shareholders</b>			
I. State ownership (SCIC)	1	1,222,368,291	86.19%
II. Strategic shareholder ANA Holdings	1	124,438,698	8.77%
<b>II. Other shareholders</b>			
1. Institutions	64	30,274,520	2.13%
Local	34	21,096,548	1.48%
Foreign	30	9,177,982	0.65%
2. Individuals	15,398	41,209,328	2.91%
Local	15,078	40,263,164	2.84%
Foreign	320	946,164	0.07%
<b>Total</b>	<b>15,464</b>	<b>1,418,290,847</b>	<b>100.00%</b>

(Source: List of shareholders as at March 12, 2019)

## Shareholder structure

Total new shares offering to existing shareholders	190,757,069 shares
Issuing price	VND 10,000 per share
Total capital from share issuance	VND 1,907,570,690,000
Incremental charter capital	VND 1,907,570,690,000

**1,418,290,847**  
TOTAL NUMBER OF  
SHARES

**15,464**  
TOTAL NUMBER OF  
SHAREHOLDERS

**14,183**  
CHARTER CAPITAL  
(VND BILLION)

**47,087**  
MARKET CAPITALIZATION  
(VND BILLION)

**Share transactions of insiders and related parties in 2018**

No.	Name of shareholder	Relation-ship with insiders	Ownership prior transaction		Ownership post transaction		Rationale
			Volume	Percentage	Volume	Percentage	
1	Pham Ngoc Minh	Insider	6,398	0.0005%	7,394	0.0005%	Buy new shares issued for existing shareholders
2	Duong Tri Thanh	Insider	6,698	0.0005%	7,741	0.0005%	Buy new shares issued for existing shareholders
3	Ta Manh Hung	Insider	7,792	0.0006%	9,005	0.0006%	Buy new shares issued for existing shareholders
4	ANA Holdings Inc	Related to insider	107,668,938	8.77%	124,438,698	8.77%	Buy new shares issued for existing shareholders
5	Trinh Ngoc Thanh	Insider	8,398	0.0007%	9,706	0.0007%	Buy new shares issued for existing shareholders
6	Nguyen Minh Hai	Insider	7,099	0.0006%	8,204	0.0006%	Buy new shares issued for existing shareholders
7	Nguyen Hong Linh	Insider	7,099	0.0006%	8,204	0.0006%	Buy new shares issued for existing shareholders
8	Trinh Hong Quang	Insider	7,298	0.0006%	8,434	0.0006%	Buy new shares issued for existing shareholders
9	Le Hong Ha	Insider	7,198	0.0006%	8,319	0.0006%	Buy new shares issued for existing shareholders
10	Nguyen Thai Trung	Insider	6,000	0.0005%	6,934	0.0005%	Buy new shares issued for existing shareholders
11	Dang Ngoc Hoa	Insider	8,389	0.0007%	9,695	0.0007%	Buy new shares issued for existing shareholders
12	Tran Thanh Hien	Insider	7,296	0.0006%	8,432	0.0006%	Buy new shares issued for existing shareholders

No.	Name of shareholder	Relation-ship with insiders	Ownership prior transaction		Ownership post transaction		Rationale
			Volume	Percentage	Volume	Percentage	
13	Mai Huu Tho	Insider	7,099	0.0006%	8,204	0.0006%	Buy new shares issued for existing shareholders
14	Hoang Thanh Quy	Insider	6,700	0.0005%	7,743	0.0005%	Buy new shares issued for existing shareholders
15	Nguyen Xuan Thuy	Spokes-person	3,500	0.000285%	4,045	0.000285%	Buy new shares issued for existing shareholders
16	Vuong Thi Phuc Minh	Related to insider	1,899	0.00015%	2,194	0.00015%	Buy new shares issued for existing shareholders
17	Trinh Hong Minh	Related to insider	1,500	0.00012%	1,733	0.00012%	Buy new shares issued for existing shareholders
18	Nguyen Thi Phuong Thao	Related to insider	3,100	0.0003%	3,582	0.0003%	Buy new shares issued for existing shareholders
19	Nguyen Thi Phuong Hieu	Related to insider	900	0.0001%	1,040	0.0001%	Buy new shares issued for existing shareholders
20	Tran Thi Huong	Related to insider	2,500	0.0002%	2,899	0.0002%	Buy new shares issued for existing shareholders
21	Vietcombank	Related to insider	22,403,693	1.83%	17,109,412	1.206%	- Sell 7.600.000 shares by crossing on the market - Buy 2.305.719 new shares issued for existing shareholders
22	SCIC	Related to insider	1,057,638,000	86.16%	1,222,368,291	86.19%	Buy new shares issued for existing shareholders

## Risk and risk management

Vietnam Airlines constantly identifies and proposes rapid and upgraded risk management solutions to the Board of Management and the Board of Directors. These timely risk assessments and management measures will help limit negative impacts on business results as well as the reputation of Vietnam Airlines.

### MAJOR RISKS IDENTIFICATION AND RISK MANAGEMENT MEASURES

	Risk Identification	Risk Management Measures
Business Environment Risks	<ul style="list-style-type: none"> <li>● Unexpected fluctuations in GDP growth, average income, inflation, exchange rates, interest rates, and fuel prices ...</li> <li>● Terrorism, civil war and military intervention, political and economic tensions between countries.</li> <li>● Natural risks in forms of natural disasters, epidemics, earthquakes, volcano eruptions and tsunamis.</li> </ul>	<ul style="list-style-type: none"> <li>● Closely monitor fluctuations to apply appropriate, flexible measures.</li> <li>● Manage revenue, strictly control costs, and ensure monetary balances in case of fluctuations in exchange and interest rates.</li> </ul>
Legal Risks	<ul style="list-style-type: none"> <li>● Compliance with policies and laws in countries in which Vietnam Airlines carries out its operations and business activities, in addition to compliance with international treaties in aviation, labour, trade, and taxation, etc. that Vietnam is a signatory.</li> <li>● Disputes and legal issues may be encountered during the operation.</li> </ul>	<ul style="list-style-type: none"> <li>● Continuously update new regulations related to Vietnam Airlines' businesses.</li> <li>● Improve management capacity and use legal consultants, in particular consultants in the countries that Vietnam Airlines conduct operations and business activities.</li> <li>● Actively review and ensure that Vietnam Airlines' operations and business activities comply with local domicile laws.</li> </ul>
Competition Risks	<ul style="list-style-type: none"> <li>● Risk of market share decline due to the growing competition from low cost carriers (LCC).</li> <li>● ASEAN's Open Skies Agreement increases regional and domestic competition.</li> <li>● Competitors accelerate their expansion, compete for market share and create competition pressure on the international aviation market.</li> </ul>	<ul style="list-style-type: none"> <li>● Design products with cultural identity in services, differentiating from competitors and meeting international quality standards of a 4-star airline.</li> <li>● Improve the organizational and managerial structures, adopting best practices for a traditional airline to meet international standards.</li> </ul>
Specific Risks	<ul style="list-style-type: none"> <li>● Shortage of high qualified human resources (especially pilots and technical engineers).</li> <li>● Airport technical infrastructure; limited number of apron spots in airports.</li> <li>● The State policies on access rights to operate take-off/ landing hours at major international airports.</li> <li>● light safety, aviation security and other risks during flight operations.</li> </ul>	<ul style="list-style-type: none"> <li>● Focus resources on training and developing specialized workforce.</li> <li>● Improve efficiency of management and effective flight scheduling.</li> <li>● Secure fuel hedging contracts to prevent against fluctuations of fuel price; operate a fleet of modern fuel-efficient aircrafts.</li> <li>● Maintain an environment of absolute safety and security for all passengers and employees.</li> </ul>
Information Risks	<ul style="list-style-type: none"> <li>● Cyber-attacks by hackers or data theft by spies.</li> <li>● Confidential Information leaking, loss, manipulation that poses serious impacts on business operations of the company.</li> <li>● False and inaccurate information about Vietnam Airlines' business operation on the mass media.</li> </ul>	<ul style="list-style-type: none"> <li>● Comply with regulations on information security and on IT emergency response, deploy a 24/7 network security system.</li> <li>● Develop modern communication protocols with focus on internal communication.</li> <li>● Comply with regulations about information disclosure; ensure that all information is actively published accurately, promptly and timely.</li> </ul>

# DID YOU KNOW

VIETNAM AIRLINES IS ONE OF THE MOST PUNCTUAL AIRLINES IN VIETNAM IN 2018?

THE WORLD IS CHANGING.  
ARE YOU?

\*According to data of Civil Aviation Administration of Vietnam.



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# ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

## Development of sustainable value cores

**The 17 universal Sustainable Development Goals** – SDGs were adopted by all United Nation member states into the Agenda 2030. The 17 Goals are built on the successes of the **Millennium Development Goals** – MDGs, which are due to expire by the end of 2019. This is a strategic blueprint to achieve a better and sustainable future, and to encourage participating

countries to develop a sustainable, harmonized and dynamic global economy. The Prime Minister of Vietnam has launched the National Action Plan for Implementation of Agenda 2030 for Sustainable Development. Vietnam Airlines, as a flag carrier, is also contributing to the national commitments.





# CONTRIBUTION OF VIETNAM AIRLINES TO THE SUSTAINABLE DEVELOPMENT



## Economic Growth

G8. DECENT WORK AND ECONOMIC GROWTH



## Environmental Protection

- G6. CLEAN WATER AND SANITATION
- G7. AFFORDABLE AND CLEAN ENERGY
- G12. RESPONSIBLE CONSUMPTION AND PRODUCTION
- G13. CLIMATE ACTION



## Social Development

- G3. GOOD HEALTH AND WELL-BEING
- G4. QUALITY EDUCATION
- G9. INDUSTRY, INNOVATION AND INFRASTRUCTURE
- G11. SUSTAINABLE CITIES AND COMMUNITIES





### **G3. Ensure healthy lives and promote well-being for all at all ages**

- Cooperated with Operation Smile providing free cleft reconstructive surgery to 55 children.
- Provided transportation to 6 cases of organ transplantations around Vietnam.
- Associated with the UK-based charity Facing the World on technology transfer for 30 doctors performing facial disfigurement surgeries on children.
- Invested in modern fitness facilities, tennis courts, and football pitches to improve employees' physical health.
- All staff enjoy medical check-ups and health insurance policies, and participate in the voluntary pension insurance scheme.



### **G6. Ensure availability and sustainable management of water and sanitation for all**

- Vietnam Airlines provides clean water to all passengers and to all staff for activities of daily living.
- Domestic wastewater is processed with modern technology.



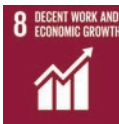
### **G4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all**

- 46 senior executives joined training courses to enhance technical qualifications and management skills at IATA and aircraft manufactories.
- 14,750 trainees were trained in the IOSA courses as a part of IATA Operational Safety Audit program.
- 1,230 employees participated in training seminars on INAMORI management principles and on Blue ocean leadership for change management.
- Vietnam Airlines regularly organizes professional workshops on commercial and operational safety... to create open space for employees to share ideas and better their expertise.



### **G7. Ensure access to affordable, reliable, sustainable and modern energy for all**

- Adopted a modern fleet (A350, B787, A321NEO) featuring environment-friendly, fuel-efficient engines which help reduce emissions and noise pollution.
- Improved business management, fleet management, and energy consumption. In 2018 the total saving energy was 6,265 tons.



### **G8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**

- Maintained sustainable and stable business operations, contributed VND 6,718 billion to the state budget.
- Contributed to the national economic growth by creating a total of 22,420 jobs.
- Conducted 141,300 flights and promoted trade and sustainable tourism.
- Partnered with big Vietnamese corporates to promote Vietnam's national brands to the world.



### **G11. Make cities and human settlements inclusive, safe, resilient and sustainable**

- Vietnam Airlines identifies safety as the ultimate top priority of all operations.
- Effectively implemented the transportation development strategy of the government.
- Granted preferential fares for elderly, children and passengers with disabilities.



### **G9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation**

- Constructed a new office building with green space to create a green, clean and appealing workplace.
- Moved towards a Digital Airline model by adopting superior technology in business operations such as data warehouse, best practices of the aviation industry, Artificial Intelligence, Biometric, and Big Data.
- Contributed to the development of Vietnam's aviation infrastructure by building and developing training centers and maintenance centers at major airports.



### **G12. Ensure sustainable consumption and production patterns**

- Properly collected, transported and disposed of waste from in-flight services and domestic waste.
- Prepared reports on environmental impact assessment, environmental protection plans, environmental monitoring and waste management for Vietnam Airlines and member companies.



### **G13. Take urgent action to combat climate change and its impacts**

- Modernized the fleet by utilizing fuel-efficient aircraft and engines, thus reducing CO2 emissions.
- Planted 11,000 casuarinas (equivalent to 5 hectares) to create a windbreak forest in Quang Ninh.
- Actively participated in environmental programs and activities to raise awareness of environment protection: Earth Hour, World Environment Day June 05, a campaign to make the world cleaner, gameshow, and drawing competition.

# Compliance with the environmental protection regulations

## **Total amount of raw materials, energy and water consumption of the year**

**Aviation fuels:** The main source of energy directly consumed by Vietnam Airlines' air transportation business is Jet A1, accounting for 99.88% of total energy consumption. Specifically, in 2018 Vietnam Airlines consumed 1,203,172 tons of Jet A1, equivalent to 1,263,331 TOE (tons of oil equivalent).

**Operational energy:** The direct energy source for managerial and operational departments and committees includes lighting, office equipment, A92 gasoline for automobiles, diesel oil for generators..., accounting for a minimal portion in the total energy consumption.

**Domestic water:** Domestic water used for administrative and office work are provided by the city/ provincial water supply system. The 2018 total consumption was 45,000 m<sup>3</sup>. Domestic wastewater is discharged directly into the city/ provincial drainage system. Water supply for direct business operations such as in-flight water, aircraft washing and cleaning... is provided by service partners.

**Energy saving solutions:** In 2018, Vietnam Airlines pursued two solutions for energy efficiency and conservation, including one on equipment and technology innovation and one on fleet management and operation.

- **Solution one equipment and technology innovation:** In 2018, Vietnam Airlines received the first three A321NEO aircrafts featuring engines that meet the CAEP 6 requirements on aviation environmental protection standards. These new-generation engines help reduce fuel consumption by 16%, emissions by 50% and

noise pollution by 75% compared to the current A321CEO aircraft.

- **Solution on fleet management and operation:** Airlines continues to deploy solutions on fleet management to reduce fuel consumption and CO<sub>2</sub> emissions. In 2018, the company adopted new initiatives or upgrades that resulted in saving an amount of 6,265 tons of fuel.

## **Implementation and compliance with environmental protection regulations**

Compliance with environmental protection regulations along with energy efficiency and conservation stays the top priorities of Vietnam Airlines. The company regularly updates new regulations on environmental protection through different channels such as official correspondences, press and media, and legal websites. It also fully observed the regulations on environmental protection and on energy efficiency and conservation.

Vietnam Airlines and member companies nationwide strictly abide by and fully deploy activities such as environmental impact assessment preparation, environmental protection plans, environmental monitoring, and waste management. In 2018, Vietnam Airlines conducted one energy audit project as regulated (major energy-consuming facilities must be audited once every three years).

## **Environmental protection activities in 2018**

In order to raise staff awareness on environmental protection and efficient energy consumption, Vietnam Airlines carried out several communication and training programs. Environmental communication initiatives were

widely and practically implemented during environmental festivals throughout the year such as the World Environment Day on June 05, Earth Hour, and the Campaign to Make the World Cleaner. Multiple activities taking place at all Vietnam Airlines' units in 2018, being well received by thousands of staff and achieving positive results were:

- Coordinated with the Central Committee of the Communist Youth Union to plant and donate 11,000 casuarinas (equivalent to 5 hectares) to create a wave break forest in Ha Long city, Quang Ninh;
- Posted activities and communication articles on the intranet;

- Hosted game show with prizes for environmental education on the intranet, participated by thousands of employees;
- Organized an environmental drawing competition for children of our employees, receiving 160 paintings.

### **Striving for a better environment**

In 2018, Vietnam Airlines has been constructing a new, modern and environment-friendly office building that contributes to improving the working environment. Also, the company created more green space and planted more trees in the workspace to create a green, clean, and appealing environment.



## Social Engagement

Cooperated with NGO **Operation Smile** to provide free cleft reconstructive surgery to 55 children.

Vietnam Airlines continued to foster its position as a socially responsive airline. The year of 2018 marked the cooperation between Vietnam Airlines and the **National Coordinating Center for Human Organ Transplant**. The company provided transportation for six cases of organ transplantations in Vietnam, contributing to saving lives. The Ministry of Health rewarded Vietnam Airlines for our contribution to public health protection.

Associated with the UK-based charity **Facing The World** on technology transfer for 30 doctors performing facial disfigurement surgeries for child victims of Agent Orange.

In 2018, Vietnam Airlines and member companies donated VND 10 billion to **build schools in Muong Nhe (Dien Bien) and Minh Hoa (Quang Binh)**; donated VND3.5 billion to the Fund for the poor; giving gifts to war invalids and martyrs' families; and provided subsidies to employees with difficulties.

Donated VND 100 billion to the **Truong Bon's 50-year memoir program** – a known transportation battlefield during the American war.



# Welfare and benefits

Defining human resources as the driving force and goal of business development, Vietnam Airlines has constantly strived to enhance its remuneration policy to better employees' incomes, promote physical and mental well-being, encourage improved productivity and changed work etiquette, as well as ignite the pride in and commitment to Vietnam Airlines. In addition to the remuneration policy, Vietnam Airlines has also paid attention to rolling out various welfare and benefit policies for employees.

## Insurance policies

In 2018, Vietnam Airlines continued to apply and maintain the annual program of group voluntary pension insurance to supplement and provide financial/ income support to retired employees; and adopted health insurance program for health protection and improvement of quality of life during their employment.

## Other benefits

Vietnam Airlines continued to widely arrange for company trips for all staff to domestic and

international destinations for physical well-being and improved solidarity. Vietnam Airlines also saves a part of welfare fund to support team activities.

Other personnel policies and allowance are regularly implemented to take care of all employees, e.g. presenting gifts to staff's children during the mid-autumn festival and on the Children's Day, rewarding excellent pupils or sending gifts to female employees on the International Women's Day and Vietnam's Women's Day.



 Vietnam Airlines   
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# CONSOLIDATED FINANCIAL STATEMENTS

## Vietnam Airlines JSC

for the year ended 31 December 2018

### Establishment documents

Decision No. 259/2006/QĐ-TTg dated 13 November 2006 of the Prime Minister on establishment of the State-owned enterprise – Vietnam Airlines Corporation including member entities with dependent accounting.

Decision No. 952/QĐ-TTg dated 23 June 2010 of the Prime Minister on conversion of the Parent Company - Vietnam Airlines Corporation into a State-owned one member limited liability company since 1 July 2010.

Decision No. 3207/QĐ-BGTVT dated 13 October 2016 of the Ministry of Transport on finalization of cash generated from equitization, cost for equitization and revaluation of State capital at effective date of equitization of Vietnam Airlines JSC.

**Enterprise Registration Certificate No.** 0100107518      26 February 2019

The Enterprise Registration Certificate has been amended six times, the most recent of which is by the Enterprise Registration Certificate No, 0100107518 dated 26 February 2019, The Enterprise Registration Certificate was issued by Hanoi Department of Planning and Investment,

### Board of Management

Mr. Pham Ngoc Minh	Chairman
Mr. Duong Tri Thanh	Member
Mr. Ta Manh Hung	Member
Mr. Nguyen Xuan Minh	Member
Mr. Koji Shibata	Member

### Board of Directors

Mr. Duong Tri Thanh	President & CEO
Mr. Trinh Hong Quang	Executive Vice President
Mr. Trinh Ngoc Thanh	Executive Vice President
Mr. Le Hong Ha	Executive Vice President
Mr. Dang Ngoc Hoa	Executive Vice President
Mr. Nguyen Thai Trung	Executive Vice President
Mr. Nguyen Hong Linh	Executive Vice President
Mr. Nguyen Minh Hai	Executive Vice President (until 1 January 2019)
Mr. Tran Thanh Hien	Chief Accountant

### Registered Office

200 Nguyễn Sơn, Long Biên, Hà Nội, Việt Nam

### Auditor

KPMG Limited Vietnam

## **Vietnam Airlines JSC**

### **Statement of the Board of Directors**

The Board of Directors of Vietnam Airlines JSC (“Vietnam Airlines”) presents this statement and the accompanying consolidated financial statements of Vietnam Airlines and its subsidiaries for the year ended 31 December 2018.

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

- (a) the consolidated financial statements set out on pages 5 to 62 give a true and fair view of the consolidated financial position of Vietnam Airlines and its subsidiaries as at 31 December 2018, and of their consolidated results of operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting; and
- (b) at the date of this statement, there are no reasons to believe that Vietnam Airlines and its subsidiaries will not be able to pay their debts as and when they fall due.

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

On behalf of the Board of Directors



Duong Tri Thanh  
President & CEO

Hanoi, 25 March 2019



## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders Vietnam Airlines JSC

We have audited the accompanying consolidated financial statements of Vietnam Airlines JSC ("Vietnam Airlines") and its subsidiaries, which comprise the consolidated balance sheet as at 31 December 2018, the consolidated statements of income and cash flows for the year then ended and the explanatory notes thereto which were authorised for issue by Vietnam Airlines' Board of Directors on 25 March 2019, as set out on pages 5 to 62.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

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

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

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



### Auditor's Opinion

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of Vietnam Airlines JSC and its subsidiaries as at 31 December 2018 and of their consolidated results of operations and their consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting.

### KPMG Limited

Vietnam

Audit Report No.: 16-02-00057-19-2



Tran Anh Quan  
Practicing Auditor Registration  
Certificate No.: 0306-2018-007-1  
Deputy General Director

Doan Thanh Toan  
Practicing Auditor Registration  
Certificate No.: 3073-2019-007-1

Hanoi, 25 March 2019

## Vietnam Airlines JSC

### Consolidated balance sheet as at 31 December 2018

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

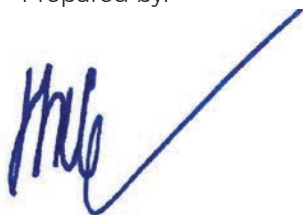
	Code	Note	31/12/2018 VND	1/1/2018 VND
<b>ASSETS</b>				
<b>Current assets</b>				
<b>(100 = 110 + 120 + 130 + 140 + 150)</b>	<b>100</b>		<b>20,325,570,151,479</b>	<b>21,122,732,928,741</b>
<b>Cash and cash equivalents</b>	<b>110</b>	<b>4</b>	<b>3,603,022,371,040</b>	<b>7,540,619,875,447</b>
Cash	111		3,077,622,371,040	2,120,415,497,010
Cash equivalents	112		525,400,000,000	5,420,204,378,437
<b>Short-term financial investments</b>	<b>120</b>		<b>2,875,357,791,157</b>	<b>409,299,086,391</b>
Trading securities	121	5(a)	100,000,000	-
Held-to-maturity investments	123	5(b)	2,875,257,791,157	409,299,086,391
<b>Accounts receivable – short-term</b>	<b>130</b>		<b>9,644,197,655,099</b>	<b>9,608,180,196,424</b>
Accounts receivable from customers	131	6	4,579,150,246,096	3,963,515,421,579
Prepayments to suppliers	132	7	4,302,861,187,443	4,922,411,727,508
Other receivables	136	8(a)	856,942,145,437	813,814,268,014
Allowance for doubtful debts	137	9	(94,755,923,877)	(91,561,220,677)
<b>Inventories</b>	<b>140</b>	<b>10</b>	<b>3,685,639,354,126</b>	<b>3,233,835,802,911</b>
Inventories	141		3,919,659,998,700	3,470,521,838,511
Allowance for inventories	149		(234,020,644,574)	(236,686,035,600)
<b>Other current assets</b>	<b>150</b>		<b>517,352,980,057</b>	<b>330,797,967,568</b>
Short-term prepaid expenses	151	15(a)	197,729,677,714	217,230,559,291
Deductible value added tax	152		299,313,004,401	89,711,666,762
Taxes and others receivable from State Treasury	153	18	20,310,297,942	23,855,741,515
<b>Long-term assets</b>				
<b>(200 = 210 + 220 + 240 + 250 + 260)</b>	<b>200</b>		<b>62,064,686,595,665</b>	<b>67,427,752,946,844</b>
<b>Accounts receivable – long-term</b>	<b>210</b>		<b>2,017,197,126,541</b>	<b>4,176,531,225,299</b>
Accounts receivable from customers - long-term	211	6	1,412,487,563	1,394,607,563
Prepayments to suppliers - long-term	212	7	-	1,812,099,336,087
Other long-term receivables	216	8(b)	2,016,355,354,978	2,363,607,997,649
Allowance for doubtful - long-term debts	219	9	(570,716,000)	(570,716,000)
<b>Fixed assets</b>	<b>220</b>		<b>51,026,088,832,054</b>	<b>55,086,555,441,658</b>
Tangible fixed assets	221	11	17,038,382,196,591	17,949,543,147,145
Cost	222		30,844,747,192,333	29,928,288,203,307
Accumulated depreciation	223		(13,806,364,995,742)	(11,978,745,056,162)
Finance lease tangible fixed assets	224	12	33,824,473,134,764	36,974,621,048,400
Cost	225		53,319,946,513,695	53,392,830,549,661
Accumulated depreciation	226		(19,495,473,378,931)	(16,418,209,501,261)

	Code	Note	31/12/2018 VND	1/1/2018 VND
Intangible fixed assets	227	13	163,233,500,699	162,391,246,113
Cost	228		650,588,352,630	623,390,403,932
Accumulated amortisation	229		(487,354,851,931)	(460,999,157,819)
<b>Long-term work in progress</b>	<b>240</b>	<b>14</b>	<b>243,234,466,291</b>	<b>269,625,540,621</b>
Construction in progress	242		243,234,466,291	269,625,540,621
<b>Long-term financial investments</b>	<b>250</b>	<b>5(c)</b>	<b>2,135,344,488,697</b>	<b>2,114,548,123,652</b>
Investments in associates	252		1,559,728,668,935	1,551,252,520,532
Equity investments in other entities	253		565,615,819,762	565,833,415,677
Allowance for diminution in the value of long-term financial investments	254		-	(2,537,812,557)
Held-to-maturity investments	255	5(b)	10,000,000,000	-
<b>Other long-term assets</b>	<b>260</b>		<b>6,642,821,682,082</b>	<b>5,780,492,615,614</b>
Long-term prepaid expenses	261	15(b)	6,407,829,152,512	5,530,615,533,994
Deferred tax assets	262	16	2,588,803,995	1,331,012,795
Long-term tools, supplies and spare parts	263		232,403,725,575	248,546,068,825
<b>TOTAL ASSETS (270 = 100 + 200)</b>	<b>270</b>		<b>82,390,256,747,144</b>	<b>88,550,485,875,585</b>
<b>RESOURCES</b>				
<b>LIABILITIES (300 = 310 + 330)</b>	<b>300</b>		<b>63,717,833,334,911</b>	<b>71,117,566,152,055</b>
<b>Current liabilities</b>	<b>310</b>		<b>32,170,307,308,854</b>	<b>32,738,421,854,141</b>
Accounts payable to suppliers	311	17	14,475,373,103,938	13,805,266,299,095
Advances from customers	312		276,996,554,424	339,531,602,893
Taxes and others payable to State Treasury	313	18	617,516,443,830	425,031,867,035
Payables to employees	314		1,791,123,521,201	1,568,532,261,559
Accrued expenses	315	19(a)	4,281,739,090,494	4,573,543,743,638
Unearned revenue – short-term	318	20	1,036,566,217,436	719,522,863,991
Other payables – short-term	319	21(a)	627,636,005,335	1,082,048,555,836
Short-term borrowings and finance lease liabilities	320	22(a)	8,272,535,285,842	9,689,506,851,655
Provisions – short-term	321		-	28,860,407,446
Bonus and welfare fund	322		790,821,086,354	506,577,400,993
<b>Long-term liabilities</b>	<b>330</b>		<b>31,547,526,026,057</b>	<b>38,379,144,297,914</b>
Long-term accrued expenses	333	19(b)	341,827,940,563	-
Long-term unearned revenue	336		2,874,851,636	4,364,618,372
Other payables – long-term	337	21(b)	807,598,496,480	758,915,862,105
Long-term borrowings and finance lease liabilities	338	22(b)	30,193,295,541,927	37,432,775,702,145
Deferred tax liabilities	341	16	201,929,195,451	183,088,115,292

	Code	Note	31/12/2018 VND	1/1/2018 VND
<b>EQUITY (400 = 410)</b>	<b>400</b>		<b>18,672,423,412,233</b>	<b>17,432,919,723,530</b>
<b>Owners' equity</b>	<b>410</b>	<b>23</b>	<b>18,672,423,412,233</b>	<b>17,432,919,723,530</b>
Share capital	411	24	14,182,908,470,000	12,275,337,780,000
Ordinary shares with voting rights	411a		14,182,908,470,000	12,275,337,780,000
Share premium	412		1,220,852,256,541	1,220,852,256,541
Other capital	414		241,355,237,827	241,355,237,827
Differences upon asset revaluation	416		(1,153,004,222,954)	(1,153,004,222,954)
Foreign exchange differences	417		240,638,053,339	209,681,632,811
Investment and development fund	418		21,447,164,147	21,447,164,147
Enterprise reorganisation assistance fund	419		-	1,068,628,929,237
Other equity funds	420		2,024,298,861	2,024,298,861
Retained profits	421		3,365,259,327,410	2,907,620,288,230
Retained profits brought forward	421a		1,040,944,409,576	553,738,204,303
Retained profits for the current year	421b		2,324,314,917,834	2,353,882,083,927
Non-controlling interest	429	26	550,942,827,062	638,976,358,830
<b>TOTAL RESOURCES (440 = 300 + 400)</b>	<b>440</b>		<b>82,390,256,747,144</b>	<b>88,550,485,875,585</b>

25 March 2019

Prepared by:



Hồ Xuân Tam

Department of Finance and Accounting



Tran Thanh Hien

Chief Accountant

Approved by:



Duong Tri Thanh

President & CEO

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



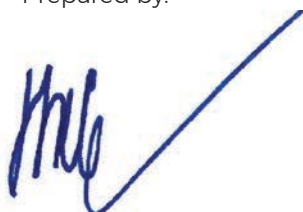
**Vietnam Airlines JSC**  
**Consolidated statement of income for the**  
**year ended 31 December 2018**

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

	Code	Note	2018 VND	2017 VND
<b>Revenue from sales of goods and provision of services</b>	<b>01</b>	<b>28</b>	<b>97,589,706,275,299</b>	<b>83,553,713,100,813</b>
<b>Revenue deductions</b>	<b>20</b>	<b>28</b>	<b>779,064,557,487</b>	<b>602,742,605,540</b>
<b>Net revenue (10 = 01 - 02)</b>	<b>10</b>	<b>28</b>	<b>96,810,641,717,812</b>	<b>7,540,619,875,447</b>
<b>Cost of sales</b>	<b>11</b>		<b>84,546,648,995,574</b>	<b>72,278,296,333,981</b>
<b>Gross profit (20 = 10 - 11)</b>	<b>20</b>		<b>12,263,992,722,238</b>	<b>10,672,674,161,292</b>
Financial income	21	29	1,159,737,514,511	906,645,270,861
Financial expenses	22	30	3,674,967,890,617	2,293,714,332,481
In which: Interest expense	23		1,561,363,900,664	1,558,118,623,739
Share of loss in associates	24		(16,074,582,644)	(19,861,652,419)
Selling expenses	25	31	4,771,157,893,967	4,874,949,412,061
General and administration expenses	26	32	2,606,023,300,522	2,323,175,539,158
<b>Net operating profit</b> <b>{30 = 20 + (21 - 22) + 24 - (25 + 26)}</b>	<b>30</b>		<b>2,355,506,568,999</b>	<b>2,067,618,496,034</b>
Other income	31	33	995,349,933,797	1,124,558,621,123
Other expenses	32		38,951,674,056	37,417,629,340
<b>Results of other activities (40 = 31 - 32)</b>	<b>40</b>		<b>956,398,259,741</b>	<b>1,087,140,991,783</b>
<b>Accounting profit before tax</b> <b>(50 = 30 + 40)</b>	<b>50</b>		<b>3,311,904,828,740</b>	<b>3,154,759,487,817</b>
<b>Income tax expense – current</b>	<b>51</b>	<b>35</b>	<b>695,812,381,497</b>	<b>471,377,611,879</b>
<b>Income tax expense – deferred</b>	<b>52</b>	<b>35</b>	<b>17,583,288,959</b>	<b>24,268,611,881</b>
<b>Net profit after tax</b> <b>(60 = 50 - 51 - 52)</b>	<b>60</b>		<b>2,598,509,158,284</b>	<b>2,659,113,264,057</b>
<b>Attributable to:</b>				
Equity holders of the Company	61		2,335,040,234,598	2,370,500,548,767
Non-controlling interest	62		263,468,923,686	288,612,715,290
<b>Earnings per share</b>				<b>(Restated)</b>
earnings per share	70	36	<b>1,747</b>	<b>1,776</b>

25 March 2019

Prepared by:



Hồ Xuân Tam

Department of Finance and Accounting



Tran Thanh Hien

Chief Accountant

Approved by:



Duong Tri Thanh

President & CEO

**Vietnam Airlines JSC**  
**Consolidated statement of cash flows for**  
**the year ended 31 December 2018 (Indirect method)**

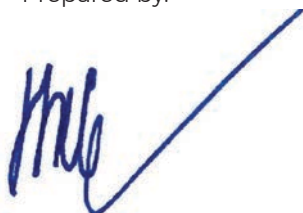
Form B 03 – DN/HN  
 (Issued under Circular No. 202/2014/TT-BTC  
 dated 22 December 2014 of  
 the Ministry of Finance)

	Code	Note	2018 VND	2017 VND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Profit before tax</b>	<b>01</b>		<b>3,311,904,828,740</b>	<b>3,154,759,487,817</b>
<b>Adjustments for</b>				
Depreciation and amortisation	02		5,020,071,590,237	5,192,580,322,457
Allowances and provisions	03		(30,868,907,829)	113,099,442,953
Exchange losses/(gains) arising from revaluation of monetary items denominated in foreign currencies	04		639,412,591,390	(63,985,663,924)
Profits from investing activities	05		(482,774,387,973)	(315,261,310,952)
Interest expense	06		1,561,363,900,664	1,558,118,623,739
<b>Operating profit before changes in working capital</b>	<b>08</b>		<b>10,019,109,615,229</b>	<b>9,639,310,902,090</b>
Change in receivables	09		2,116,112,129,477	6,811,365,649,648
Change in inventories	10		(432,995,816,939)	(620,103,845,038)
Change in payables and other liabilities	11		815,825,388,383	4,627,807,018,445
Change in prepaid expenses	12		(857,712,736,941)	(243,547,847,801)
			11,660,338,579,209	20,214,831,877,344
Interest paid	14		(1,569,220,704,363)	(1,588,543,545,160)
Income tax paid	15		(532,962,497,924)	(349,629,400,992)
Other payments for operating activities	17		(633,519,666,023)	(298,815,506,086)
			956,398,259,741	1,087,140,991,783
<b>Net cash flows from operating activities</b>	<b>20</b>		<b>8,924,635,710,899</b>	<b>17,977,843,425,106</b>

	Code	Note	2018 VND	2017 VND
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for additions to fixed assets and other long-term assets	21		(1,018,933,606,028)	(760,601,382,188)
Proceeds from disposals of fixed assets and other long-term assets	22		3,176,358,649	1,611,975,393,533
Payments for granting loans, purchase of debt instruments of other entities	23		(3,825,491,791,157)	(852,708,000,000)
Receipts from collecting loans, sales of debt instruments of other entities	24		1,349,533,086,391	1,207,084,915,009
Payments for investments in other entities	25		-	(73,999,940,000)
Receipts of interests and dividends	27		416,626,185,761	324,518,533,557
<b>Net cash flows from investing activities</b>	30		<b>(3,075,089,766,384)</b>	<b>1,456,269,519,911</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from equity issued	31		838,941,760,763	62,675,865,832
Proceeds from borrowings	33		18,025,269,309,092	19,430,255,503,126
Payments to settle loan principals	34		(22,583,354,638,399)	(28,571,347,407,325)
Payments to settle finance lease liabilities	35		(4,759,692,322,605)	(4,576,515,299,460)
Payments of dividends	36		(1,304,481,207,405)	(1,011,077,805,038)
<b>Net cash flows from financing activities</b>	40		<b>(9,783,317,098,554)</b>	<b>(14,666,009,142,865)</b>
<b>Net cash flows during the year (50 = 20 + 30 + 40)</b>	<b>50</b>		<b>(3,933,771,154,039)</b>	<b>4,768,103,802,152</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>60</b>		<b>7,540,619,875,447</b>	<b>2,764,885,359,376</b>
<b>Effect of exchange rate fluctuations on cash and cash equivalents</b>	<b>61</b>		<b>(3,826,350,368)</b>	<b>7,630,713,919</b>
<b>Cash and cash equivalents at the end of the year (70 = 50 + 60 + 61)</b>	<b>70</b>	<b>4</b>	<b>3,603,022,371,040</b>	<b>7,540,619,875,447</b>

25 March 2019

Prepared by:



Ho Xuan Tam

Department of Finance and Accounting

Approved by:



Tran Thanh Hien

Chief Accountant



Duong Tri Thanh

President & CEO

**Vietnam Airlines JSC**  
**Notes to the consolidated financial statements for**  
**the year ended 31 December 2018**

Form B 09 – DN/HN  
(Issued under Circular No. 202/2014/TT-BTC dated  
22 December 2014 of the Ministry of Finance)

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

**1. Reporting entity**

**(a) Ownership structure**

Vietnam Airlines JSC (“Vietnam Airlines”), formerly a State-owned enterprise, was established under Decision No. 259/2006/QĐ-TTg dated 13 November 2006 by the Prime Minister, including its member entities with dependent accounting (“dependent entities”).

Based on Decision No. 952/QĐ-TTg dated 23 June 2010 on conversion of the Parent Company - Vietnam Airlines Corporation into a State-owned one member limited liability company from 1 July 2010; the Parent Company - Vietnam Airlines Corporation, operating as a State-owned enterprise, was converted into Vietnam Airlines Corporation, operating as a one member limited liability company.

According to the Enterprise Registration Certificate for One Member Limited Liability Company No. 0100107518 initially issued by the Hanoi Department of Planning and Investment on 30 June 2010 and the third amendment dated 1 April 2015, the Parent Company - Vietnam Airlines Corporation was converted into a joint stock company under the name of Vietnam Airlines Joint Stock Company from 1 April 2015.

The consolidated financial statements of Vietnam Airlines for the year ended 31 December 2018 comprise Vietnam Airlines and its subsidiaries and their interest in associates.

**(b) Principal activities**

Principal activities of the parent company and subsidiaries include:

- Air transportation of passengers;
- Investment, management of investment capital, business operation; overseas investments; purchase and sale of businesses; capital contribution or purchase of shares or share transfer, sale of shares;
- Air transportation of luggage, cargos, parcels, postal items and mails;
- Activities of general aviation (aerial photography of the terrain, geological surveys, lead flight calibration of air stations, repair and maintenance of high voltage lines, serving oil and gas, afforestation, environmental testing, search and rescue, medical emergency, providing flights for political, economic, social and national defence tasks);
- Provision of commercial, tourist, hotel, duty-free shop services offered at airports and in other provinces and cities; other aviation services;
- Provision of technical services for commercial ground; other services at passenger terminals and cargo terminals and parking services at airports, airfields;

- Repair and maintenance of motor vehicles (except automobiles, motors, motorbikes and other motorised vehicles): maintenance of aircraft, engines, spare parts, aviation equipment and other technical equipment;
- Production of components, spare parts, materials for aircraft, technical equipment and others in aviation industry;
- Provision of technical services, materials and spare parts for local and international airlines;
- Provision of forwarding services, investment and exploitation of technical infrastructure at airports: passenger and cargo terminals, technical infrastructure and synchronous services in respect of air transport line;
- Multimodal transport;
- Export, import of aircraft, engines, spare parts, aviation equipment (rent, lease, hire purchase, purchase and sale) and other goods as per the State regulations;
- Manufacturing, import and export of tools, instruments and equipment serving the air transportation line;
- Manufacturing, processing, import and export of food to serve on plane;
- Export and import of oil, gasoline, aviation grease (including fuels, lubricants and dedicated liquids) and other kinds of fuel;
- Supply of oil, gasoline, aviation grease (including fuels, lubricants and dedicated liquids) and other kinds of fuel at airports;
- Gasoline retail agents;
- Provision of agent services to air carriers, aircraft engine, equipment and spare parts manufacturers, domestic and foreign travel and transportation companies;
- Printing (except as prohibited by the State);
- Construction and construction consultancy service (not including construction design);
- Supply labor (excluding brokerage and referral, employment and labor supply for enterprises which have functions in respect of labor export and supply of labor, management of labor working abroad); Import, export of labor;
- Science and technology;
- Trade in real estate;
- Trade in e-commerce services; and
- Training; Finance and banking; Finance leasing (the enterprise operates only when permitted by the State's competent authorities).

For business lines that the laws require certain conditions, Vietnam Airlines and its subsidiaries operate only when meeting such conditions.

**(c) Normal operating cycle**

The normal operating cycle of Vietnam Airlines and its subsidiaries is generally within 12 months.

**(d) Corporate structure**

As at 31 December 2018, Vietnam Airlines had 30 dependent entities (including domestic and overseas branches), 15 subsidiaries and 5 associates (1/1/2018: 30 dependent entities, 15 subsidiaries and 5 associates).

Details of Vietnam Airlines' subsidiaries and associates are as follows:

**Vietnam Airlines JSC**  
**Notes to the consolidated financial statements for**  
**the year ended 31 December 2018 (continued)**

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	Address	31/12/2018			1/1/2018			Principal activities
		Number of shares	% of equity owned	% of voting rights	Number of shares	% of equity owned	% of voting rights	
<b>Subsidiaries</b>								
Jetstar Pacific Airlines Aviation Joint Stock Company ("Jetstar")	Vietnam	22,044,981	68.85%	68.85%	22,044,981	68.85%	68.85%	Aviation transportation business
Vietnam Airlines Engineering Company Limited	Vietnam	-	100.00%	100.00%	-	100.00%	100.00%	Repair and maintenance of aircraft
Vietnam Air Petrol One Member Company Limited (SKYPEC)	Vietnam	-	100.00%	100.00%	-	100.00%	100.00%	Jet fuel business
Noi Bai Cargo Terminal Services Joint Stock Company	Vietnam	14,425,401	55.13%	55.13%	14,425,401	55.13%	55.13%	Providing cargo services for flights
Noi Bai Catering Services Joint Stock Company	Vietnam	10,800,607	60.17%	60.17%	10,800,607	60.17%	60.17%	Providing catering on plane
Vietnam Airlines Caterers Limited	Vietnam	-	100.00%	100.00%	-	100.00%	100.00%	Providing catering on plane
Viet Flight Training Joint Stock Company	Vietnam	3,400,000	51.52%	51.52%	3,400,000	51.52%	51.52%	Pilot training
Aviation Information and Telecommunication Joint Stock Company	Vietnam	3,060,000	52.73%	52.73%	3,060,000	52.73%	52.73%	Information and telecommunication
Tan Son Nhat Cargo Services Joint Stock Company (formerly named as Tan Son Nhat Cargo Services Company Limited)	Vietnam	5,154,930	55.00%	55.00%	5,154,930	55.00%	55.00%	Cargo services for flights
Tan Son Nhat Cargo Services and Forwarding Company Limited	Vietnam	-	51.00%	51.00%	-	51.00%	51.00%	Transportation, cargo forwarding, warehousing
Noi Bai Airport Services Joint Stock Company	Vietnam	4,241,160	51.00%	51.00%	4,241,160	51.00%	51.00%	Aviation transportation services
VINA KO Forwarding Company Limited	Vietnam	-	65.05%	65.05%	-	65.05%	65.05%	Forwarding cargo, ground transportation, warehousing
Aviation Labor Supply and Import-Export Joint Stock Company	Vietnam	510,000	51.00%	51.00%	510,000	51.00%	51.00%	Import-Export of labour
Sabre Vietnam Joint Stock Company	Vietnam	268,800	51.69%	51.69%	268,800	51.69%	51.69%	Automatic booking
Vietnam Airport Ground Services Company Limited	Vietnam	-	100.00%	100.00%	-	100.00%	100.00%	Ground services

	Address	31/12/2018			1/1/2018			Principal activities
		Number of shares	% of equity owned	% of voting rights	Number of shares	% of equity owned	% of voting rights	
<b>Associates</b>								
Cambodia Angkor Air	Cambodia	-	49.00%	49.00%	-	49.00%	49.00%	Aviation transportation business
Vietnam Aircraft Leasing Joint Stock Company	Vietnam	42,835,200	32.48%	32.48%	42,835,200	32.48%	32.48%	Aircraft leasing
Danang Airport Services Joint Stock Company	Vietnam	1,541,265	36.11%	36.11%	1,541,265	36.11%	36.11%	Aviation services
General Aviation Import-Export Joint Stock Company (Airimex)	Vietnam	1,071,000	41.31%	41.31%	1,071,000	41.31%	41.31%	Trustee services for export and import
Aviation High-Grade Plastic Joint Stock Company	Vietnam	525,400	30.41%	30.41%	525,400	30.41%	30.41%	Making plastic products

As at 31 December 2018, Vietnam Airlines JSC and its subsidiaries had 21,335 employees (1/1/2018: 20,902 employees),

**Vietnam Airlines JSC**  
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**2. Basis of preparation**

**(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises, the regulations on consolidated financial statements applicable to Vietnam Airlines issued in conjunction with Decision No. 1913/QĐ-TCTHK-TCKT (“Decision No. 1913”) dated 18 December 2015 of Vietnam Airlines, and the relevant statutory requirements applicable to financial reporting.

Decision No. 1913 is developed based on Decision No. 2581/TCTHK-TCKT dated 30 December 2011 of Vietnam Airlines approved by the Ministry of Finance in its Official Letter No. 17011/BTC-CDKT dated 14 December 2011. Accordingly, the consolidated financial reporting regime applicable to Vietnam Airlines contains some differences from Vietnamese Accounting Standard (“VAS”) No. 7 “Accounting for investments in associates” and VAS No. 25 “Consolidated financial statements and accounting for investments in subsidiaries” issued in conjunction with Decision No. 234/2003/QĐ-BTC dated 30 December 2003 and related implementation guidance in Circular No. 161/2007/TT-BTC dated 31 December 2007 and Circular No. 202/2014/TT-BTC dated 22 December 2014 by the Ministry of Finance. Details are as follows:

- Intra-group balances and transactions between Vietnam Airlines and its subsidiaries or among subsidiaries including receivables and payables, loans and borrowings, revenue and expenses are eliminated using the lower amounts in case of differences upon reconciliation and verification between Vietnam Airlines and its subsidiaries or among subsidiaries. Where Vietnam Airlines provides transportation services to subsidiaries, the subsidiaries’ figures related to such transactions will be used for elimination; and
- For intra-group purchases and sales of inventories, it is assumed that the previous year’s inventory volume has been sold out in the current year.

**(b) Basis of measurement**

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

**(c) Annual accounting period**

The annual accounting period of Vietnam Airlines and its subsidiaries is from 1 January to 31 December.

**(d) Accounting and presentation currency**

Vietnam Airlines and its subsidiaries’ accounting currency is Vietnam Dong (“VND”), which is also the currency used for financial statement presentation purpose.



### **3. Summary of significant accounting policies**

The following significant accounting policies have been adopted by Vietnam Airlines and its subsidiaries in the preparation of these consolidated financial statements.

#### **(a) Basis of consolidation**

##### *(i) Subsidiaries*

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

##### *(ii) Non-controlling interests*

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

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

##### *(iii) Associates*

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

##### *(iv) Transactions eliminated on consolidation*

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains and losses arising from transactions with equity accounted investees are eliminated against the investment to the extent of Vietnam Airlines's interest in the investee.

As described in Note 2(a). Vietnam Airlines eliminates the balances of receivables and payables, loans and borrowings, revenue and expense transactions among Vietnam Airlines and its subsidiaries or among subsidiaries using the lower amounts in case of differences in these figures reconciled and verified among Vietnam Airlines and its subsidiaries or among subsidiaries. Where Vietnam Airlines provides transportation services to subsidiaries, the subsidiaries' figures related to such transactions will be used to eliminate on consolidation. Besides, for internal purchases and sales of inventories, it is assumed that the previous year's inventory volume has been used up in the current year.

**(b) Foreign currency**

*(i) Foreign currency transactions*

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

Monetary assets and liabilities denominated in currencies other than VND are translated into VND at the average of the account transfer buying rates and selling rates at the end of the annual accounting period quoted by the commercial bank where Vietnam Airlines or its subsidiaries most frequently conducts transactions or at rates approximating actual commercial bank rates.

All foreign exchange differences are recorded in the consolidated statement of income, Unrealised foreign exchange gains at the end of the annual accounting period are not treated as part of distributable dividends to shareholders.

*(ii) Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to VND at exchange rates at the end of the annual accounting period. The income and expenses of foreign operations are translated to VND at exchange rates at the dates of transactions.

Foreign currency differences arising from the translation of foreign operations are recognised in the consolidated balance sheet under the caption "Foreign exchange differences" in equity.

**(c) Cash and cash equivalents**

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

**(d) Investments**

*(i) Trading securities*

Trading securities are those held by Vietnam Airlines and its subsidiaries for trading purpose i.e. purchased for resale with the aim of making profits over a short period of time. Trading securities are initially recognised at cost which includes purchase price plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at cost less allowance for diminution in value. An allowance is made for diminution in value of trading securities if market price of the securities item falls below its carrying amount. The allowance is reversed if the market price subsequently increases after the allowance was recognised. An allowance is reversed only to the extent that the securities' carrying amount does not exceed the carrying amount that would have been determined if no allowance had been recognised.

*(ii) Held-to-maturity investments*

Held-to-maturity investments are those that Vietnam Airlines' and its subsidiaries' management has the intention and ability to hold until maturity. Held-to-maturity investments include term deposits at bank. These investments are stated at costs less allowance for doubtful debts.

*(iii) Equity investments in other entities*

Investments in equity instruments of other entities for which Vietnam Airlines has neither control nor significant influence are initially recognised at cost which include purchase price plus any directly attributable transaction costs. Subsequent to initial recognition, the investment in other entities are stated at cost less allowance for diminution in value.

*(iv) Allowance for diminution in the value of equity investments*

An allowance is made for diminution in investment values if the investee has suffered a loss, except where such a loss was anticipated by Vietnam Airlines' management before making the investment. The allowance is reversed if the investee subsequently made a profit that offsets the previous loss for which the allowance had been made. An allowance is reversed only to the extent that the investment's carrying amount does not exceed the carrying amount that would have been determined if no allowance had been recognised.

Allowance for diminution in value of investments in other entities is made in accordance with Circular No. 228/2009/TT-BTC dated 7 December 2009 of the Ministry of Finance guiding the appropriation and use of allowance for diminution in value of inventories, loss of financial investments, doubtful debts and warranty for products, goods and construction works at enterprises and Circular No. 89/2013/TT-BTC dated 28 June 2013 of the Ministry of Finance amending and supplementing Circular No. 228/2009/TT-BTC and prevailing accounting regulations.

**(e) Accounts receivable**

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

**(f) Inventories**

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

The cost of spare parts and supplies received is calculated based on prices stated in suppliers' commercial invoices and all related expenses (such as import duty, commission fees, transportation costs).

Inventory costing methods are as follow:

- Unit price of inventories issued for consumption other than aircraft spare parts and supplies is calculated using the first-in-first-out method.
- Unit price of aircraft spare parts and supplies issued for consumption in the year is calculated using the specific identification method.

The following principles are applied in allocating the costs of spare parts and supplies issued for consumption:

- For spare parts and supplies which are consumable, issued for one-time consumption

(unrepairable), issued price is charged to production and business costs during the year equalling the total value of such items.

- For repairable and rotational spare parts whose unit price ranges from USD1,500 to USD50,000 issued for consumption, cost is recognised as long-term prepayments on the consolidated balance sheet and allocated to production and business costs on a straight line basis over 3 years from the first issuance.
- For repairable and rotational spare parts whose unit price is more than USD50,000 issued for consumption, cost is recognised as long-term prepayments on the consolidated balance sheet and allocated to production and business costs on a straight line basis over 5 years from the first issuance.

Vietnam Airlines and its subsidiaries apply the perpetual method of accounting for inventories. .

Allowance for inventory is calculated in accordance with the prevailing accounting regulations which allow provisions to be made for obsolete, damaged, or sub-standard inventories and for those with costs higher than net realisable values at the end of the annual accounting period.

## **(g) Tangible fixed assets**

### *(i) Cost*

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition for its intended use. In cases of tangible fixed assets being aircrafts, credits granted under aircraft purchase contracts are recognised in accordance with the following principles:

- credit granted under aircraft purchase contracts being services is not recognised separately from cost of the aircraft but as a decrease in cost of sales upon actual receipt;
- credit granted under aircraft purchase contracts being spare parts or equipment which Vietnam Airlines is not likely to receive is not recognised separately from cost of the aircraft but as a decrease in cost of sales upon actual receipt;
- credit granted under aircraft purchase contracts being equipment which Vietnam Airlines is likely to receive with a detailed list for handover is recognised separately from cost of the aircraft.

Expenditure incurred after tangible fixed assets have been put into operation, such as repair, maintenance and overhaul cost, is charged to the consolidated statement of income in the year in which the cost is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of tangible fixed assets beyond their originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

### *(ii) Depreciation*

Depreciation is computed on a straight-line basis over the estimated useful lives of tangible fixed assets.

The estimated useful lives are as follows:

- Aircrafts 16 – 20 years
- Aircraft engines 10 years
- Buildings and structures 10 – 30 years
- Machinery and equipment 5 – 10 years
- Motor vehicles 7 – 10 years
- Office equipment 3 – 5 years
- Others 5 – 7 years

**(h) Finance lease tangible fixed assets**

Leases in terms of which Vietnam Airlines and its subsidiaries assume substantially all the risks and rewards of ownership are classified as finance leases. Tangible fixed assets acquired by way of finance leases are stated at an amount equal to the lower of fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation.

Depreciation on finance leased assets is computed on a straight-line basis over the estimated useful lives of items of the leased assets. The estimated useful lives of finance leased assets are consistent with the useful lives of tangible fixed assets as described in accounting policy 3(g).

**(i) Intangible fixed assets**

*(i) Land use rights*

Land use rights are stated at cost less accumulated amortisation. The initial cost of a land use rights acquired in a legitimate transfer comprises its purchase price and any directly attributable costs incurred in conjunction with securing the land use rights. Amortisation is calculated on a straight-line basis over 20 to 30 years. Land use rights with indefinite term are not amortised.

*(ii) Software*

Software comprises passenger/cargo revenue management software, cargo management software and accounting software. Cost of acquiring new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software cost is amortised on a straight-line basis over 3 to 7 years.

**(j) Construction in progress**

Construction in progress represents the costs of construction and machinery which have not been fully completed or installed. Construction in progress will be transferred to fixed assets at estimated costs (if such costs have not been approved) when they are ready for use.

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

**(k) Long-term prepaid expenses**

*(i) Overhaul expenses for aircraft engines and airframe*

Overhaul expenses for aircraft engines and airframe are allocated to the statement of income when the overhaul is completed. For leased aircraft engines, overhaul expenses exclude the amount from maintenance reserve paid by the lessor. Overhaul expenses of airframe, main engines, auxiliary power unit and aircraft landing gears incurred at USD300,000 or more are allocated to the statement of income over 3 years. Overhaul expenses are fully recognised into the statement of income during the year if incurred below USD300,000.

Overhaul expenses for aircraft engines provided under maintenance cost per hour contracts are accrued and charged to the statement of income based on flight hours.

*(ii) Export credit guarantee fee*

Export credit guarantee fee in respect of financing contracts for aircraft purchase under finance lease and other expenses relating to financing contracts are allocated to the statement of income on a straight line basis over the duration of the finance lease contract.

*(iii) Tools and instruments*

Tools and instruments include:

- Assets held for use by Vietnam Airlines and its subsidiaries in the normal course of business whose costs of individual items are less than VND30 million and therefore not qualified for recognition as fixed assets under prevailing regulation. Cost of tools and instruments are amortised over a period of two years;
- Rotational spare parts allocated annually (Note 3(f)).

**(l) Trade and other payables**

Trade and other payables are stated at their cost.

**(m) Provisions**

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

*Aircraft return obligation*

Under the terms of aircraft operating lease contracts between Vietnam Airlines/its subsidiaries and lessors, Vietnam Airlines and its subsidiaries have an obligation to return the aircraft to the same working order and conditions as at delivery (except for normal wear and tear) upon returning the aircraft to lessors at the end of the lease period. In accordance with Official Letter No. 11876/BTC-CDKT of Ministry of Finance, Vietnam Airlines can recognise costs for operating lease aircraft return when

incurred or make provision for aircraft return obligation over the lease period. Vietnam Airlines and its subsidiaries currently recognise costs for operating lease aircraft return when incurred.

**(n) Unearned revenue from frequent flyer program**

Vietnam Airlines implements its frequent flyer program, namely the Golden Lotus Program for frequent customers, under which such customers can accumulate points when purchasing goods or services provided by Vietnam Airlines or specific participating vendors. The portion of revenue derived from the accumulated reward points for which customers are expected to redeem shall be determined at fair value and recognised as unearned. Unearned revenue is recognised in the statement of income in the year when customers redeem the points or upon expiry of the points.

**(o) Share capital**

*Ordinary shares*

Ordinary shares are recognized at issuance price less incremental costs directly attributable to the issue of shares, net of tax effects. Such costs are recognized as a deduction from share premium.

**(p) Taxation**

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

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

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

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

**(Q) Revenue and other incomes**

*(i) Aviation transportation revenue*

Sales of transportation documents (which comprise air tickets and vouchers) are presented as trade accounts payable on the balance sheet, which is recognised as revenue in the consolidated statement of income when the actual carriage service is performed.

Revenue from aircraft charter and charter flights is recognised in the consolidated statement of income upon completion of services. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

*(ii) Auxiliary services for transportation*

Revenue from auxiliary services rendered, which are completed within a short time, is recognised in the consolidated statement of income upon completion of services. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

*(iii) Goods sold*

Revenue from the sale of goods is recognised in the consolidated statement of income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods. Revenue on sales of goods is recognised at the net amount after deducting sales discounts.

*(iv) Rental income*

Rental income from leased property is recognised in the consolidated statement of income on a straight-line basis over the term of the lease.

*(v) Interest income*

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

*(vi) Dividend income*

Dividend income is recognised when the right to receive dividend is established. Share dividends are not recognised as income. Dividends and profit received which are attributable to the period before investment acquisition date or before equitisation date are deducted from the carrying amount of the investment.

**(r) Operating lease payments**

Payments made under operating leases are recognised in the consolidated statement of income on a straight-line basis over the term of the lease.

**(s) Borrowing costs**

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

**(t) Earnings per share**

Vietnam Airlines presents basic earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders (after deducting any amounts appropriated to bonus and welfare funds for the accounting period) of Vietnam Airlines by the weighted average number of ordinary shares outstanding during the year.

Vietnam Airlines does not have potential ordinary shares and therefore does not present diluted EPS.



#### (u) Segment reporting

A segment is a distinguishable component of Vietnam Airlines and its subsidiaries that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Board of Directors is of the opinion that Vietnam Airlines and its subsidiaries operate in one single business segment, which is airlines and auxiliary operations.

Vietnam Airlines and its subsidiaries' geographical segments are defined by countries where sales incur. For the year ended 31 December 2018, the Board of Director assessed that Vietnam is the only country with revenue of more than 10% of total revenue, and thus being a reportable segment. Assets and related costs and liabilities are unallocated due to nature of airlines business, i.e. assets are mainly registered and managed in Vietnam while operated across its worldwide route network.

#### (v) Related parties

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

## 4. Cash and cash equivalents

	31/12/2018 VND	1/1/2018 VND
Cash on hand	17,937,035,532	19,506,094,579
Cash in banks	2,914,915,515,114	1,941,174,835,253
Cash in transit	144,769,820,394	159,734,567,178
Cash equivalents	525,400,000,000	5,420,204,378,437
	<b>3,603,022,371,040</b>	<b>7,540,619,875,447</b>

*Cash in banks at 31 December 2018 included VND838,942 million (1/1/2018: Nil) which is subject to restriction in use until the date the State Securities Commission confirms the receipt of share issuance completion report (5 January 2019).*

## 5. Investments

### (a) Trading securities

	31/12/2018		1/1/2018	
	Quantity	Cost VND	Quantity	Cost VND
Trading securities	10.000	100.000.000	-	-

### (b) Held-to-maturity investments

	31/12/2018		1/1/2018	
	Cost VND	Fair value VND	Cost VND	Fair value VND
Held-to-maturity investments - short-term				
Term deposits	<b>2.875.257.791.157</b>	<b>2.875.257.791.157</b>	<b>409.299.086.391</b>	<b>409.299.086.391</b>
Held-to-maturity investments - long-term				
Term deposits	<b>10.000.000.000</b>	(*)	-	-

The fair value of the held-to-maturity investments - short-term approximates carrying amount due to the short-term nature of these financial assets.

(\*) Vietnam Airlines and its subsidiaries have not determined fair values of these investments for disclosure in the consolidated financial statements because information about their market prices is not available and there is currently no guidance on determination of fair value using valuation techniques under Vietnamese Accounting Standards or the Vietnamese Accounting System for enterprises. The fair values of these investments may differ from their carrying amounts.

### (c) Long-term financial investments

	31/12/2018		1/1/2018	
	Carrying amount VND	Value under equity method VND	Carrying amount VND	Value under equity method VND
<b>Investments in associates</b>				
Cambodia Angkor Air	868,495,011,091	634,035,976,080	868,495,011,091	693,002,099,683
Vietnam Aircraft Leasing Joint Stock Company	439,335,275,853	883,362,106,269	439,335,275,853	813,811,668,258
Danang Airport Services Joint Stock Company	86,652,841,772	20,493,180,634	86,652,841,772	23,389,162,523
General Aviation Import-Export Joint Stock Company (Airimex)	22,812,300,000	16,583,405,952	22,812,300,000	15,795,590,068
Aviation High-Grade Plastic Joint Stock Company	6,166,335,863	5,254,000,000	6,166,335,863	5,254,000,000
	<b>1,423,461,764,579</b>	<b>1,559,728,668,935</b>	<b>1,423,461,764,579</b>	<b>1,551,252,520,532</b>

	31/12/2018		1/1/2018	
	Carrying amount VND	Allowance VND	Carrying amount VND	Allowance VND
<b>Equity investments in other entities</b>				
Phuong Nam Investment Tourism and Shipping One Member Company Limited	185,050,002,264	-	185,050,002,264	-
Tan Son Nhat Petrol Commercial Joint Stock Company	119,686,420,000	-	119,686,420,000	-
Southern Air Petro Logistics Joint Stock Company	52,000,000,000	-	52,000,000,000	(2,269,433,432)
Noi Bai Aviation Fuel Service Joint Stock Company	30,000,000,000	-	30,000,000,000	-
Aviation Logistics Services Joint Stock Company	65,049,600,000	-	65,049,600,000	-
Saigon Post and Telecommunication Joint Stock Company (SPT)	6,161,138,309	-	6,161,138,309	-
Cam Ranh International Terminal Joint Stock Company	90,000,000,000	-	90,000,000,000	-
Aviation Ground Service Company Limited	17,000,000,000	-	17,000,000,000	(268,379,125)
Others	668,659,189	-	886,255,104	-
	<b>565,615,819,762</b>	<b>-</b>	<b>565,833,415,677</b>	<b>(2,537,812,557)</b>

The fair value of equity investments as at 31 December 2018 has not been disclosed because (i) for investments in listed entities, the volume of share transactions during the period was low and therefore share prices do not accurately reflect fair values of the investments; and (ii) the remaining investments had no quoted market values. There is currently no guidance on determination of fair value using valuation techniques under Vietnamese Accounting Standards or the Vietnamese Accounting System for enterprises. The fair values of these investments may differ from their costs.

**(d) Movements in equity investments in associates**

	2018 VND	2017 VND
Balance at the beginning of the year	1,551,252,520,532	1,579,127,638,033
Addition	-	4,558,600,000
Share of loss in associates incurred during the year	(16,074,582,644)	(19,861,652,419)
Foreign exchange differences arising from the translation of foreign operations (Note 23)	30,956,420,528	4,806,655,949
Dividends	-	(17,530,770,808)
Other movements	(6,405,689,481)	152,049,777
<b>Balance at the end of the year</b>	<b>1,559,728,668,935</b>	<b>1,551,252,520,532</b>

## 6. Accounts receivable from customers

### (a) Accounts receivable from customers in details

	31/12/2018 VND	1/1/2018 VND
Receivables from agents selling passenger transportation products	2,072,099,104,668	1,942,357,851,888
Receivables from other airlines	431,100,723,118	432,788,992,725
Cargo transportation fees receivable	402,147,798,003	358,169,026,116
Others	1,675,215,107,870	1,231,594,158,413
	<b>4,580,562,733,659</b>	<b>3,964,910,029,142</b>

### (b) Accounts receivable from customers classified by payment term

	31/12/2018 VND	1/1/2018 VND
Short-term	4,579,150,246,096	3,963,515,421,579
Long-term	1,412,487,563	1,394,607,563
	<b>4,580,562,733,659</b>	<b>3,964,910,029,142</b>

### (c) Accounts receivable from customers who are related parties

	31/12/2018 VND	1/1/2018 VND
<b>Associate</b>		
Cambodia Angkor Air	41,886,630,831	61,954,565,121

The trade related amounts due from related parties were unsecured, interest free and are receivable as agreed.

## 7. Prepayments to suppliers

### (a) Prepayments to suppliers - short-term

	31/12/2018 VND	1/1/2018 VND
Prepayments for aircraft purchasing	2,830,861,941,943	3,002,686,694,503
Prepayments for aircraft leasing	546,675,660,800	524,146,980,576
Prepayments for overhaul costs to be offset against maintenance reserve	419,894,401,050	1,076,120,156,565
Others	505,429,183,650	319,457,895,864
	<b>4,302,861,187,443</b>	<b>4,922,411,727,508</b>

### (b) Prepayments to suppliers - long-term

	31/12/2018 VND	1/1/2018 VND
Prepayments for aircraft purchasing	-	1,812,099,336,087

## 8. Other receivables

### (a) Other short-term receivables

	31/12/2018 VND	1/1/2018 VND
Deposits for leasing aircrafts (*)	314,832,160,093	275,591,139,686
Receivables of aircraft maintenance reserves	169,736,779,534	-
Interest on deposits	103,253,045,367	13,727,001,647
Dividends receivable	1,491,948,728	7,197,032,509
Advances	15,796,974,903	18,722,636,112
Short-term collateral, deposits	15,696,503,281	59,657,236,243
Temporary payments of import duty, value added tax	-	248,083,968,925
Others	236,134,733,531	190,835,252,892
	<b>856,942,145,437</b>	<b>813,814,268,014</b>

(\*) This amount represents deposits made by Vietnam Airlines for leasing aircrafts which will be returned within twelve months from the reporting date.

### (b) Other long-term receivables

	31/12/2018 VND	1/1/2018 VND
Deposits for leasing aircrafts, aircraft engines	1,835,931,222,039	2,161,725,502,990
Other long-term collateral, deposits	173,452,737,540	196,219,810,160
Other long-term receivables	6,971,395,399	5,662,684,499
	<b>2,016,355,354,978</b>	<b>2,363,607,997,649</b>

### (c) Other receivables from related parties

	31/12/2018 VND	1/1/2018 VND
<b>Associates</b>		
Vietnam Aircraft Leasing Joint Stock Company (*)	383,449,877,584	431,497,039,009

(\*) Other receivables from Vietnam Aircraft Leasing Joint Stock Company represents deposit for aircraft leasing.

The non-trade related amounts due from related parties were unsecured, interest free and are receivable as agreed.

## 9. Bad and doubtful debts

	31/12/2018		1/1/2018					
	Overdue days	Cost VND	Allowance	Recoverable amount VND	Overdue days	Cost VND	Allowance VND	Recoverable amount VND
<b>Overdue debts</b>								
Indochina Airlines Joint Stock Company	Over 5 years	38,537,918,851	(38,537,918,851)	-	Over 5 years	38,537,918,851	(38,537,918,851)	-
Global Flight	Over 3 years	-	-	-	Over 3 years	3,039,295,020	(3,039,295,020)	-
Air Fast Ticket Group	Over 3 years	5,329,934,603	(5,329,934,603)	-	Over 3 years	5,506,563,686	(5,506,563,686)	-
Others	1 - 20 years	68,511,928,858	(51,458,786,423)	17,053,142,435	1 - 20 years	46,383,080,886	(45,048,159,120)	1,334,921,766
		<b>112,379,782,312</b>	<b>(95,326,639,877)</b>	<b>17,053,142,435</b>		<b>93,466,858,443</b>	<b>(92,131,936,677)</b>	<b>1,334,921,766</b>
<b>Of which:</b>								
Allowance for doubtful debts – short-term			(94,755,923,877)				(91,561,220,677)	
Allowance for doubtful debts – long-term			(570,716,000)				(570,716,000)	

## 10. Inventories

	31/12/2018		1/1/2018	
	Cost VND	Allowance VND	Cost VND	Allowance VND
Goods in transit	355,704,351,960	-	4,219,742,099	-
Raw materials	1,253,186,467,578	(234,020,644,574)	1,173,131,546,033	(236,686,035,600)
Tools and supplies	69,959,903,466	-	70,791,009,732	-
Work in progress	91,045,141,108	-	28,755,770,550	-
Merchandise inventories (*)	2,130,909,649,569	-	2,175,855,776,125	-
Goods in bonded warehouse	16,064,811,631	-	15,546,402,609	-
Goods on consignment	2,789,673,388	-	2,221,591,363	-
	<b>3,919,659,998,700</b>	<b>(234,020,644,574)</b>	<b>3,470,521,838,511</b>	<b>(236,686,035,600)</b>

(\*) These are mainly Jet A1 fuel at Vietnam Air Petro One Member Company Limited, a subsidiary of Vietnam Airlines.

Included in inventories at 31 December 2018 was VND77,513 million of raw materials carried at net realisable value (1/1/2018: VND77,744 million) and VND210,227 million of obsolete, slow-moving raw materials (1/1/2018: VND199,180 million).

## 11. Tangible fixed assets

	Aircrafts, aircraft engines VND	Buildings, structures VND	Machinery, equipment VND	Motor vehicles VND	Office equipment VND	Others VND	Total VND
<b>Cost</b>							
Opening balance	22,326,675,542,074	2,240,480,316,437	3,064,820,594,944	1,325,878,093,217	691,846,460,829	278,587,195,806	29,928,288,203,307
Addition	-	6,845,361,582	353,460,196,096	114,729,980,998	73,934,224,252	23,541,803,679	572,511,566,607
Transfer from construction in progress	-	201,152,664,632	221,290,959,928	-	30,128,932,993	-	452,572,557,553
Adjustment of costs	(20,462,804,366)	246,669,823	213,083,186	-	165,000	-	(20,002,886,357)
Reclassification	-	-	2,287,486,570	339,630,000	(2,627,116,570)	-	-
Disposal and write-off	-	(1,265,299,504)	(52,523,160,662)	(10,744,087,334)	(17,580,525,097)	(6,145,277,323)	(88,258,349,920)
Other movements	-	(363,898,857)	-	-	-	-	(363,898,857)
Closing balance	<b>22,306,212,737,708</b>	<b>2,447,095,814,113</b>	<b>3,589,549,160,062</b>	<b>1,430,203,616,881</b>	<b>775,702,141,407</b>	<b>295,983,722,162</b>	<b>30,844,747,192,333</b>
<b>Accumulated depreciation</b>							
Opening balance	7,328,442,858,946	955,704,260,260	2,176,210,101,638	862,613,803,782	495,973,020,507	159,801,011,029	11,978,745,056,162
Charge for the year	1,333,525,215,066	114,900,586,525	253,544,463,069	112,202,684,760	78,534,678,226	23,503,590,809	1,916,211,218,455
Reclassification	-	-	2,107,693,589	186,229,594	(2,293,923,183)	-	-
Disposal and write-off	-	(1,265,299,504)	(52,686,119,568)	(10,718,234,795)	(16,562,107,010)	(5,810,179,717)	(87,041,940,594)
Other movements	-	(1,954,226,797)	-	404,888,516	-	-	(1,549,338,281)
Closing balance	<b>8,661,968,074,012</b>	<b>1,067,385,320,484</b>	<b>2,379,176,138,728</b>	<b>964,689,371,857</b>	<b>555,651,668,540</b>	<b>177,494,422,121</b>	<b>13,806,364,995,742</b>
<b>Net book value</b>							
Opening balance	14,998,232,683,128	1,284,776,056,177	888,610,493,306	463,264,289,435	195,873,440,322	118,786,184,777	17,949,543,147,145
Closing balance	13,644,244,663,696	1,379,710,493,629	1,210,373,021,334	465,514,245,024	220,050,472,867	118,489,300,041	17,038,382,196,591

Included in tangible fixed assets were assets costing VND2,915,473 million which were fully depreciated as of 31 December 2018 (1/1/2018: VND2,784,163 million), but which are still in active use.

At 31 December 2018 tangible fixed assets with a net book value of VND10,749,614 million (1/1/2018: VND12,981,072 million) were pledged with banks as security for loans granted to Vietnam Airlines and its subsidiaries.



## 12. Finance lease tangible fixed assets

	Aircrafts and aircraft engines VND	Machinery and office equipment VND	Total VND
<b>Cost</b>			
Opening balance	53,392,380,549,661	450,000,000	53,392,830,549,661
Adjustments of costs	(72,884,035,966)	-	(72,884,035,966)
Closing balance	<b>53,319,496,513,695</b>	<b>450,000,000</b>	<b>53,319,946,513,695</b>
<b>Accumulated depreciation</b>			
Opening balance	16,417,870,186,747	339,314,514	16,418,209,501,261
Charge for the year	3,077,153,192,184	110,685,486	3,077,263,877,670
Closing balance	<b>19,495,023,378,931</b>	<b>450,000,000</b>	<b>19,495,473,378,931</b>
<b>Net book value</b>			
Opening balance	36,974,510,362,914	110,685,486	36,974,621,048,400
Closing balance	33,824,473,134,764	-	33,824,473,134,764

Vietnam Airlines has 38 aircrafts under finance lease including A321, B787 and ATR72-500. At the end of each lease, Vietnam Airlines has the option to purchase the equipment under contract's terms and conditions. The leased equipment secures the lease obligations (Note 22(d)).

## 13. Intangible fixed assets

	Land use rights VND	Software VND	Others VND	Total VND
<b>Cost</b>				
Opening balance	101,376,307,850	495,607,227,315	26,406,868,767	623,390,403,932
Additions	187,229,356	27,251,519,342	-	27,438,748,698
Disposals	-	(240,800,000)	-	(240,800,000)
Closing balance	<b>101,563,537,206</b>	<b>522,617,946,657</b>	<b>26,406,868,767</b>	<b>650,588,352,630</b>
<b>Accumulated amortisation</b>				
Opening balance	31,772,635,292	428,019,653,760	1,206,868,767	460,999,157,819
Charge for the year	186,175,652	26,410,318,460	-	26,596,494,112
Disposals	-	(240,800,000)	-	(240,800,000)
Closing balance	<b>31,958,810,944</b>	<b>454,189,172,220</b>	<b>1,206,868,767</b>	<b>487,354,851,931</b>
<b>Net book value</b>				
Opening balance	69,603,672,558	67,587,573,555	25,200,000,000	162,391,246,113
Closing balance	69,604,726,262	68,428,774,437	25,200,000,000	163,233,500,699

Included in intangible fixed assets were assets costing VND430,993 million which were fully amortised as of 31 December 2018 (1/1/2018: VND346,963 million), but which are still in use.

At 31 December 2018 intangible fixed assets with a net book value of VND25,200 million (1/1/2018: VND25,200 million) were pledged with banks as security for loans granted to Vietnam Airlines and its subsidiaries.

## 14. Construction in progress

Major constructions in progress were as follows:

	31/12/2018 VND	1/1/2018 VND
Unit load device Project period 2016 - 2018	87,314,015,450	-
ULD period 2017 - 2018	-	10,351,607,350
Training Center Phase 2	85,664,170,075	4,326,773,433
Construction project supporting ground services at Tan Son Nhat Airport - Phase 2	17,837,109,000	17,837,109,000
Phu Quoc airport fuel supply station	15,120,894,219	-
Noi Bai Air Catering Project	-	161,395,322,416
Construction of 3200m3 reservoir Project- Cam Ranh warehouse	-	10,259,705,926
Warehouse at Lien Khuong Airport	-	11,030,600,817
Aviation tool cleaner	-	11,008,582,500
Other projects	37,298,277,547	43,415,839,179
	<b>243,234,466,291</b>	<b>269,625,540,621</b>

## 15. Prepaid expenses

(a) Short-term prepaid expenses

	31/12/2018 VND	1/1/2018 VND
Aircraft and aircraft engine rentals	87,620,470,570	93,209,350,039
Commission from sales of transportation documents (*)	55,780,608,886	77,376,881,883
Insurance expenses	10,061,152,416	3,827,855,173
Other short-term prepaid expenses	44,267,445,842	42,816,472,196
	<b>197,729,677,714</b>	<b>217,230,559,291</b>

(\*) These represents commission fees paid to agents for transportation documents sold but the transportation services has not been rendered, These prepaid expenses are transferred to the consolidated statement of income when transportation service is carried out or transportation documents expire.

(b) Long-term prepaid expenses

	Overhaul expenses for aircraft engines and airframe VND	Export credit guarantee fee VND	Rotational spare parts, tools and supplies VND	Others VND	Total VND
Opening balance	2,890,830,795,910	1,816,076,517,988	598,309,351,552	225,398,868,544	5,530,615,533,994
Addition	3,861,811,354,900	-	420,052,698,104	191,589,411,540	4,473,453,464,544
Disposals	-	-	(208,254,000)	(7,676,770)	(215,930,770)
Reclassification	(408,822,913)	-	-	408,822,913	-
Amortisation for the year	(2,757,687,058,862)	(257,636,675,062)	(401,287,445,892)	(179,412,735,440)	(3,596,023,915,256)
Closing balance	<b>3,994,546,269,035</b>	<b>1,558,439,842,926</b>	<b>616,866,349,764</b>	<b>237,976,690,787</b>	<b>6,407,829,152,512</b>

## 16. Deferred tax assets and liabilities

	Tax Rate	31/12/2018 VND	1/1/2018 VND
<b>Deferred tax assets:</b>			
Land rental	20%	1,522,491,193	-
Fixed assets	20%	388,495,249	636,011,620
Others	20%	677,817,553	695,001,175
Total deferred tax assets		<b>2,588,803,995</b>	<b>1,331,012,795</b>
<b>Deferred tax liabilities:</b>			
Provisions	20%	(201,621,872,969)	(183,051,888,659)
Others	20%	(307,322,482)	(36,226,633)
Total deferred tax liabilities		(201,929,195,451)	(183,088,115,292)
		<b>(199,340,391,456)</b>	<b>(181,757,102,497)</b>
<b>Balance sheet classification:</b>			
Other long-term assets		2,588,803,995	1,331,012,795
Long-term liabilities		(201,929,195,451)	(183,088,115,292)
Net deferred tax liabilities		<b>(199,340,391,456)</b>	<b>(181,757,102,497)</b>

## 17. Accounts payable to suppliers

### (a) Accounts payable to suppliers in details

	Cost and amount within payment capacity	
	31/12/2018 VND	1/1/2018 VND
Payables from sale of passenger, baggage, MCO transportation documents (i)	8,638,816,242,765	7,626,772,137,160
Accounts payable to suppliers and Interlines payables	4,441,208,362,838	5,031,590,204,053
Payables relating to tax included in air ticket prices (ii)	1,366,636,376,136	1,110,497,876,995
Payables from sale of cargo transportation documents	7,418,577,661	16,271,654,103
Others	21,293,544,538	20,134,426,784
	<b>14,475,373,103,938</b>	<b>13,805,266,299,095</b>

(i) Payables from sale of passenger, baggage, MCO transportation documents represent the service value paid by customers but not yet used as at the end of the accounting period.

(ii) Payables relating to tax included in air ticket prices represent the tax value that Vietnam Airlines and its subsidiaries have to pay to the tax authorities or the airport administration agencies, including taxes incurred when selling tickets to passengers and taxes that would incur when the transport service is performed.

### (b) Accounts payable to suppliers who are related parties

	Cost and amount within payment capacity	
	31/12/2018 VND	1/1/2018 VND
<b>Associates:</b>		
General Aviation Import – Export JSC (Airimex)	<b>40,027,554,440</b>	<b>55,252,302,254</b>

The trade related amounts due to related parties were unsecured, interest free and are payable upon demand.

## 18. Taxes and other receivable from and payable to State Treasury

	1/1/2018			31/12/2018		
	Receivable VND	Receivable VND	Incurred after netting-off VND	Paid VND	Receivable VND	Payable VND
<b>Taxes</b>						
Value added tax	11,942,086,694	53,763,697,276	1,596,632,946,160	(1,532,363,116,348)	9,307,995,749	115,399,436,143
Import-export tax	9,598,294,507	-	477,875,967,004	(478,280,474,098)	10,002,801,601	-
Corporate income tax	2,224,510,091	104,343,831,039	685,054,400,349	(532,962,497,924)	653,007,319	254,864,230,692
Personal income tax	75,704,023	29,892,256,589	910,907,073,685	(865,804,517,921)	99,244,219	75,018,352,549
Natural resource taxes	-	3,686,320	66,280,160	(267,340,240)	197,373,760	-
Land and housing taxes and land rental	-	1,354,816,206	60,414,762,886	(61,804,308,186)	34,729,094	-
Environment protection tax	-	182,851,932,000	2,271,007,353,000	(2,286,559,608,000)	-	167,299,677,000
Contractor tax	-	52,515,254,627	58,601,534,525	(106,258,687,270)	-	4,858,101,882
Other taxes	-	306,392,798	4,014,934,651	(4,251,425,774)	-	69,901,675
<b>Other obligations</b>						
Fees and duties	15,146,200	180	485,162,767	(478,419,058)	15,146,200	6,743,889
	<b>23,855,741,515</b>	<b>425,031,867,035</b>	<b>6,065,060,415,187</b>	<b>(5,869,030,394,819)</b>	<b>20,310,297,942</b>	<b>617,516,443,830</b>

According to Tax Inspection Minutes dated 28 April 2011 issued by the Tax Department of Ho Chi Minh City. Jetstar Pacific Airlines Aviation Joint Stock Company (Jetstar) - a subsidiary of Vietnam Airlines has an obligation to pay an additional amount of VND303 billion to State Treasury for the period from 1 January 2004 to 30 June 2009, in which tax and penalty are VND186 billion and VND117 billion, respectively.

According to Article 6.1.c of the Investment and Share Reassignment Agreement dated 26 April 2007 between Qantas Airways Limited, Qantas Asia Investment Company (Singapore) Pte., Ltd. and the State Capital Investment Corporation of Vietnam ("SCIC"). SCIC agreed to reimburse Jetstar any unrecorded payables including cumulative tax payable or as reported by Jetstar on 31 July 2007.

From August 2012 to February 2013. Jetstar had paid a part of the above-mentioned tax liability with an amount of VND63,522,344,280, being tax payable incurred for the period after Qantas Asia Investment Company (Singapore) Pte. Ltd. invested in Jetstar (since 31 July 2007).

According to Official Letter No.3106/TCT-QLN dated 29 August 2012 issued by the General Department of Taxation. Jetstar was permitted to defer the payment of tax penalty until receiving further guidance. On 4 February 2013, the Ministry of Finance sent Tax Department of Ho Chi Minh City Official Letter No. 1894/BTC-TCT requesting the Tax Department of Ho Chi Minh City to delay the collection of Jetstar's tax liabilities of VND127,8 billion incurred prior to 31 July 2007 until receiving further guidance.

As at 31 December 2018, the remaining tax and penalty payables of VND127.8 billion and VND117 billion, respectively, have not been recorded in the consolidated financial statements.

## 19. Accrued expenses

### (a) Accrued expenses – short-term

	31/12/2018 VND	1/1/2018 VND
Flight services expenses	960,012,497,148	734,864,514,023
Aircraft fuel expenses	323,959,239,960	431,013,630,165
Aircraft lease and repair expenses	1,466,413,600,756	2,176,221,535,589
Interest expenses	184,058,815,268	191,915,618,967
Others	1,347,294,937,362	1,039,528,444,894
	<b>4,281,739,090,494</b>	<b>4,573,543,743,638</b>

### (b) Accrued expenses – long-term

	31/12/2018 VND	1/1/2018 VND
Aircraft lease and repair expenses	<b>341,827,940,563</b>	-

## 20. Unearned revenue – short-term

	31/12/2018 VND	1/1/2018 VND
Revenue from customer loyalty program	1,012,228,635,046	708,476,808,282
Others	24,337,582,390	11,046,055,709
	<b>1,036,566,217,436</b>	<b>719,522,863,991</b>

## 21. Other payables

### (a) Other payables – short-term

	31/12/2018 VND	1/1/2018 VND
Aircraft maintenance expenses (*)	188,443,048,121	542,796,815,401
Short-term deposits and collaterals received	46,722,064,756	150,347,051,804
Dividends payable	2,686,043,598	3,485,476,224
Spare parts and tools payables	-	76,346,779,671
Others	389,784,848,860	309,072,432,736
	<b>627,636,005,335</b>	<b>1,082,048,555,836</b>

(\*) Aircraft maintenance expenses represent remaining maintenance reserve held by Vietnam Airlines for its leased out aircrafts,

### (b) Other payables – long-term

	31/12/2018 VND	1/1/2018 VND
Receipt in advance of credit granted under Material Solutions Agreement	306,861,245,824	306,861,245,824
Deposits received for maintenance reserve and aircraft leasing	306,610,693,421	249,570,353,914
Long-term deposits and collaterals received	194,126,557,235	202,484,262,367
	<b>807,598,496,480</b>	<b>758,915,862,105</b>

**(c) Other payables representing amounts due to related parties**

	31/12/2018 VND	1/1/2018 VND
<b>Associate</b>		
Cambodia Angkor Air	306,610,693,421	249,570,353,914

Other payables to related parties represent maintenance reserve and deposits received for aircraft leasing and are payable by Vietnam Airlines as agreed.

**22. Borrowings and finance lease liabilities****(a) Short-term borrowings and finance lease liabilities**

	1/1/2018		Movement during the year			31/12/2018
	Carrying amount and amount within repayment capacity VND		Addition VND	Decrease VND	Revaluation VND	Carrying amount and amount within repayment capacity VND
Short-term borrowings (Note (c)(i))	2,247,201,644,107	17,810,821,043,292	(17,480,910,813,864)	(14,959,652,913)		2,562,152,220,622
Current portion of long-term borrowings	2,796,042,521,053	3,610,399,908,927	(5,102,443,824,535)	3,626,291,592		1,307,624,897,037
Current portion of finance lease principals	4,646,262,686,495	4,473,996,575,891	(4,759,692,322,605)	42,191,228,402		4,402,758,168,183
	<b>9,689,506,851,655</b>	<b>25,895,217,528,110</b>	<b>(27,343,046,961,004)</b>	<b>30,857,867,081</b>		<b>8,272,535,285,842</b>

**(b) Long-term borrowings and finance lease liabilities**

	31/12/2018 VND	1/1/2018 VND
Long-term borrowings (Note (c)(ii))	9,953,019,304,169	14,662,704,422,644
Finance lease liabilities (Note (d))	25,950,659,302,978	30,212,376,487,049
	35,903,678,607,147	44,875,080,909,693
Repayable within twelve months	(5,710,383,065,220)	(7,442,305,207,548)
Repayable after twelve months	<b>30,193,295,541,927</b>	<b>37,432,775,702,145</b>

**(c) Terms and conditions of outstanding borrowings**

*(i) Terms and conditions of outstanding short-term borrowings*

	Currency	31/12/2018 VND	1/1/2018 VND
Joint Stock Commercial Bank for Foreign Trade of Vietnam	USD	567,936,528,980	880,838,088,160
Vietnam Technological and Commercial Joint Stock Bank	USD	570,692,725,637	-
Vietnam Technological and Commercial Joint Stock Bank	VND	75,744,130,308	15,268,421,878
Vietnam Export Import Commercial Joint - Stock Bank	USD	395,370,010,441	76,013,456,473
Maritime Commercial Joint Stock Bank	USD	365,609,685,661	-
The Joint Stock Commercial Bank for Investment and Development of Vietnam	USD	209,205,000,000	-
Vietnam Joint Stock Commercial Bank for Industry and Trade	USD	203,669,990,791	657,556,579,159
Vietnam Joint Stock Commercial Bank for Industry and Trade	USD	-	264,726,771,856
Vietnam Joint Stock Commercial Bank for Industry and Trade	VND	103,577,604,114	63,446,084,922
HSBC Bank (Vietnam) Ltd,	VND	66,844,789,690	81,000,000,000
Vietnam Prosperity Joint Stock Commercial Bank	VND	3,500,000,000	-
Saigon – Hanoi Commercial Joint Stock Bank	VND	1,755,000	-
Vietnam Bank for Agriculture and Rural Development	USD	-	127,816,439,410
Vietnam International Commercial Joint Stock Bank (VIBBank)	USD	-	76,496,849,630
Vietnam International Commercial Joint Stock Bank (VIBBank)	VND	-	4,038,952,619
		<b>2,562,152,220,622</b>	<b>2,247,201,644,107</b>

The bank loans are unsecured.

*(ii) Terms and conditions of outstanding long-term borrowings*

	Currency	Year of maturity	31/12/2018 VND	1/1/2018 VND
Joint Stock Commercial Bank for Foreign Trade of Vietnam (*)	VND	2021 - 2024	129,151,592,921	258,742,225,761
Joint Stock Commercial Bank for Foreign Trade of Vietnam (*)	USD	2028	5,115,075,577,444	6,582,392,121,453
Vietnam Export Import Commercial Joint Stock Bank	USD	2024	927,896,832,000	2,082,694,864,507
Vietnam Export Import Commercial Joint Stock Bank (*)	VND	2019-2021	12,497,668,000	26,709,477,000
Cathay United Bank (Taiwan)	USD	2023	-	748,122,431,773
Vietnam Technological and Commercial Joint Stock Bank (*)	USD	2020	-	43,234,785,258
Vietnam Technological and Commercial Joint Stock Bank	VND	2022	84,302,248,290	47,000,000,000
Joint Stock Commercial Bank for Investment and Development of Vietnam (*)	USD	2024	846,954,583,777	969,152,465,398
Joint Stock Commercial Bank for Investment and Development of Vietnam	USD	2028	1,377,714,985,481	1,495,853,999,933
Vietnam International Commercial Joint Stock Bank (*)	VND	2022 - 2024	37,800,504,143	128,689,563,332
Vietnam International Commercial Joint Stock Bank (*)	USD	2022 - 2024	208,341,480,204	771,746,895,591
Military Commercial Joint Stock Bank	USD	2025	449,978,760,000	504,393,120,000
Military Commercial Joint Stock Bank	VND	2022	76,590,187,737	65,464,609,793
Indovina Bank	USD	2022	318,964,536,000	622,858,942,255
Maritime Commercial Joint Stock Bank (*)	VND	2022	6,327,168,000	33,081,080,000
Credit Agricole Bank	USD	2020	43,931,105,853	75,922,550,162
Vietnam Joint Stock Commercial Bank for Industry and Trade (*)	VND	2019 - 2023	306,587,975,969	197,702,890,688
Vietnam Development Bank	EUR	2020	1,806,518,350	3,084,359,740
Vietnam Prosperity Joint Stock Commercial Bank	VND	2023	4,767,740,000	-
Vietnam Bank for Agriculture and Rural Development	VND	2021	4,329,840,000	5,858,040,000
			9,953,019,304,169	14,662,704,422,644
Repayable within twelve months			(1,307,624,897,037)	(2,796,042,521,053)
Repayable after twelve months			<b>8,645,394,407,132</b>	<b>11,866,661,901,591</b>

(\*) The bank loans are secured over assets with a net book value of VND10,774,814 million as at 31 December 2018 (1/1/2018: VND13,167,667 million) (Note 11, Note 13). The other loans are guaranteed by the Ministry of Finance or unsecured.



**(d) Finance lease liabilities**

	31/12/2018 VND	1/1/2018 VND
ING Group	9,825,128,220,926	10,730,185,325,943
Citibank	8,993,171,834,817	10,366,357,326,554
DVB Bank	2,029,125,000,000	2,189,206,250,002
JP Morgan Chase Bank	1,914,424,971,611	2,173,476,703,926
HSBC Bank	1,789,872,533,509	2,143,696,988,852
Credit Agricole Bank	1,398,936,742,115	2,609,453,891,772
	<b>25,950,659,302,978</b>	<b>30,212,376,487,049</b>

The future minimum lease payments under non-cancellable finance leases are:

**31 December 2018**

	Total payments VND	Interest VND	Principal VND
Within one year	5,274,099,493,940	871,341,325,757	4,402,758,168,183
Within two to five years	16,145,743,590,636	2,106,890,478,879	14,038,853,111,757
More than five years	8,040,873,984,835	531,825,961,797	7,509,048,023,038
	<b>29,460,717,069,411</b>	<b>3,510,057,766,433</b>	<b>25,950,659,302,978</b>

**1 January 2018**

	Total payments VND	Interest VND	Principal VND
Within one year	5,420,513,765,100	774,251,078,605	4,646,262,686,495
Within two to five years	16,943,552,391,806	1,882,165,046,565	15,061,387,345,241
More than five years	11,101,187,326,734	596,460,871,421	10,504,726,455,313
	<b>33,465,253,483,640</b>	<b>3,252,876,996,591</b>	<b>30,212,376,487,049</b>

At 31 December 2018, finance lease liabilities denominated in foreign currencies amounted to USD1,119 million (1/1/2018: USD1,328 million).

## 23. Changes in owners' equity

	Share capital VND	Share premium VND	Other capital VND	Differences upon asset revaluation VND
<b>Balance at 1 January 2017</b>	12,275,337,780,000	1,220,852,256,541	241,355,237,827	(1,153,004,222,954)
Net profit for the year	-	-	-	-
Appropriation to bonus and welfare fund	-	-	-	-
Dividend (Note 25)	-	-	-	-
Effect of transaction to change ownership percentage in subsidiaries	-	-	-	-
Currency translation differences (Note 3(b) (ii))	-	-	-	-
Adjustment for finalisation of salary fund	-	-	-	-
Other movements	-	-	-	-
<b>Balance at 1 January 2018</b>	12,275,337,780,000	1,220,852,256,541	241,355,237,827	(1,153,004,222,954)
Share capital issued	1,907,570,690,000	-	-	-
Net profit for the year	-	-	-	-
Appropriation to bonus and welfare fund	-	-	-	-
Dividend (Note 25)	-	-	-	-
Currency translation differences (Note 3(b) (ii))	-	-	-	-
Other movements	-	-	-	-
<b>Balance at 31 December 2018</b>	<b>14,182,908,470,000</b>	<b>1,220,852,256,541</b>	<b>241,355,237,827</b>	<b>(1,153,004,222,954)</b>

Foreign exchange differences VND	Investment and development fund VND	Enterprise reorganisation assistance fund (*) VND	Other equity funds VND	Retained profits VND	Total VND
204,874,976,862	21,447,164,147	1,068,628,929,237	2,024,298,861	1,801,088,143,876	15,682,604,564,397
-	-	-	-	2,370,500,548,767	2,370,500,548,767
-	-	-	-	(547,482,414,773)	(547,482,414,773)
-	-	-	-	(736,520,266,800)	(736,520,266,800)
-	-	-	-	138,903,562	138,903,562
4,806,655,949	-	-	-	-	4,806,655,949
-	-	-	-	19,129,954,166	19,129,954,166
-	-	-	-	765,419,432	765,419,432
209,681,632,811	21,447,164,147	1,068,628,929,237	2,024,298,861	2,907,620,288,230	16,793,943,364,700
-	-	(1,068,628,929,237)	-	-	838,941,760,763
-	-	-	-	2,335,040,234,598	2,335,040,234,598
-	-	-	-	(892,935,824,045)	(892,935,824,045)
-	-	-	-	(982,027,022,400)	(982,027,022,400)
30,956,420,528	-	-	-	-	30,956,420,528
-	-	-	-	(2,438,348,973)	(2,438,348,973)
<b>240,638,053,339</b>	<b>21,447,164,147</b>	<b>-</b>	<b>2,024,298,861</b>	<b>3,365,259,327,410</b>	<b>18,121,480,585,171</b>

Non-controlling Interest movements are separately disclosed in Note 26. Note 26 should be read together with this note for a full understanding of movements in owner's equity.

(\*) In accordance with the audit minutes on finalisation of equitisation expenses, redundant employee expenses and re-determination of the actual value of the State capital at the date of ownership transfer between the Ministry of Transport, the Ministry of Finance and Vietnam Airlines dated 4 October 2016. Vietnam Airlines is permitted to maintain the positive balance of the Enterprise Reorganisation Assistance Fund for the State shareholder to fulfil its obligation of purchasing additional shares issued by Vietnam Airlines when Vietnam Airlines increases its share capital. In 2018, Vietnam Airlines issued additional shares to its shareholders including the State and transferred this fund to increase share capital according to Decision No.2258/QD-BTC of the Ministry of Finance dated 3 December 2018.

## 24. Share capital

Vietnam Airlines' authorised and issued share capital are:

	31/12/2018		1/1/2018	
	Number of shares	VND	Number of shares	VND
<b>Authorised share capital</b>				
	1,418,290,847	14,182,908,470,000	1,227,533,778	12,275,337,780,000
Issued share capital				
Ordinary shares	1,418,290,847	14,182,908,470,000	1,227,533,778	12,275,337,780,000
<b>Shares in circulation</b>				
Ordinary shares	1,418,290,847	14,182,908,470,000	1,227,533,778	12,275,337,780,000

All ordinary shares have a par value of VND10,000. Each share is entitled to one vote at meetings of Vietnam Airlines. Shareholders are entitled to receive dividend as declared from time to time. All ordinary shares are ranked equally with regard to Vietnam Airlines' residual assets.

In accordance with the amended Enterprise Registration Certificate dated 26 February 2019, Vietnam Airlines' total share capital is VND14,182,908,470,000.

As at 31 December 2018, the share capital has been fully contributed by shareholders as follows:

	Number of shares	Percentage (%)	Contributed capital as at 31/12/2018 VND
The State as owner	1,222,368,291	86,19	12,223,682,910,000
ANA Holding Inc, (ANA)	124,438,698	8,77	1,244,386,980,000
Other shareholders	71,483,858	5,04	714,838,580,000
	<b>1,418,290,847</b>	<b>100,00</b>	<b>14,182,908,470,000</b>

## 25. Dividends

The General Meeting of Shareholders of Vietnam Airlines on 10 May 2018 resolved to distribute dividends amounting to VND982,027 million (VND800 per share) (2017: VND736,520 million).

## 26. Non-controlling interest

	2018 VND	2017 VND
Opening balance	638,976,358,830	562,039,355,295
Share capital issued	-	60,246,920,000
Share premium	-	2,428,945,832
Net profit for the year	263,468,923,686	288,612,715,290
Appropriation to bonus and welfare fund	(24,827,527,339)	(19,180,839,436)
Dividends	(326,694,204,908)	(257,875,790,938)
Effect of transaction to increase ownership percentage in subsidiaries	-	(138,903,562)
Other movements	19,276,793	2,843,956,349
Closing balance	<b>550,942,827,062</b>	<b>638,976,358,830</b>

## 27. Off balance sheet items

### (a) Lease

The future lease payments under operating leases were:

	31/12/2018 VND	1/1/2018 VND
Within one year	11,972,753,453,201	9,670,241,820,099
Within two to five years	53,330,988,814,023	51,973,059,216,731
More than five years	80,770,869,706,098	87,156,676,823,302
	<b>146,074,611,973,322</b>	<b>148,799,977,860,132</b>

Operating lease assets as at 31 December 2018 include aircraft and engines as follows:

- Aircraft A321: 17 units under dry lease;
- Aircraft A330: 2 units under dry lease;
- Aircraft ATR72: 1 units under dry lease;
- Aircraft B787-9: 4 units under dry lease;
- Aircraft A350: 12 units under dry lease;
- Aircraft A321NEO: 3 units under dry lease;
- Aircraft A320: 19 units under dry lease
- Long-term lease aircraft engines: 10 units including P735095 (A330), ESN-V16989 (A321), ESN-V17037 (A321), ESN-V17365 (A321), 21024 (A350), 21088 (A350), v2757-A5 (IAI V10114), ELFC V18880, ELFC V18909, ELFC V18926 ; and
- Short-term lease aircraft engines: 7 units including V12178 (A321), V13120 (A321), V15191 (A321), 956102 (B787), V2757-A5 (IAI V10312), V2757-A5 (IAI V18784), V2757-A5 (IAI V10766).

**(b) Foreign currencies**

	31/12/2018		1/1/2018	
	Original currency	VND equivalent	Original currency	VND equivalent
Australian Dollar (AUD)	1,011,631	16,534,095,593	1,772,740	31,524,638,799
Canadian Dollar (CAD)	132,913	2,263,637,045	218,989	3,986,475,756
Hong Kong Dollar (KHD)	2,152,073	6,372,287,590	6,089,161	17,822,974,247
Japanese Yen (JPY)	314,445,451	65,404,653,808	303,658,763	61,339,070,126
South Korean Won (KRW)	4,180,387,599	86,743,042,678	3,407,327,067	74,756,755,850
Malaysian Ringgit (MYR)	860,754	4,803,006,204	553,576	3,118,847,184
Russian Ruble (RUB)	12,636,904	4,448,190,180	11,911,200	5,229,016,800
Singapore Dollar (SGD)	810,171	13,721,061,815	978,422	16,706,548,820
Thai Baht (THB)	12,915,090	9,247,204,543	12,377,702	8,773,956,388
Taiwan Dollar (TWD)	4,680,796	3,534,000,980	6,549,112	5,004,634,644
US Dollar (USD)	35,932,001	833,263,105,280	29,471,563	670,330,690,884
Chinese Yuan (CNY)	15,450,619	52,269,444,248	17,782,500	61,740,839,375
Laos Kip (LAK)	22,195,443	66,585,000	1,920,116	5,760,348
British Pound (GBP)	1,105,495	32,468,398,136	297,348	9,116,689,680
Euro (EUR)	5,552,577	147,854,032,073	3,226,805	88,020,782,426
Indonesian Rupiah (IDR)	3,579,994,380	5,692,191,065	2,589,039,404	4,246,024,623
New Zealand Dollar (NZD)	-	-	9,209	148,660,887
		<b>1,284,684,936,238</b>		<b>1,061,872,366,837</b>

**(c) Bad debts written off**

	31/12/2018 VND	1/1/2018 VND
Bad debts written off	<b>103,048,716,283</b>	<b>99,580,276,201</b>

## 28. Revenue from sales of goods and provision of services

Total revenue represents the gross value of goods sold and services rendered exclusive of value added tax, Net revenue comprised:

	2018 VND	2017 VND
Total revenue		
Aviation transportation (*)	78,571,632,390,118	68,928,593,247,903
Auxiliary services for transportation	4,440,987,332,791	4,255,274,908,279
Sales of goods	13,606,424,748,553	9,529,148,042,545
Others	970,661,803,837	840,696,902,086
	<b>97,589,706,275,2992</b>	<b>83,553,713,100,813</b>
Less revenue deductions		
Sales discounts	(778,718,819,837)	(602,364,496,468)
Sales return	(345,737,650)	(378,109,072)
	<b>(779,064,557,487)</b>	<b>(602,742,605,540)</b>
Net revenue	<b>96,810,641,717,812</b>	<b>82,950,970,495,273</b>

(\*) Included in revenue from transportation of passengers and baggage were VND1,057 billion of value of (i) all the tickets (including regular tickets, MCO, baggage and YQ) sold in the year ended 31 December 2017 which expired but had not been used by customers by 31 December 2018; and (ii) expired restricted tickets sold in the year which had not been used (2017: VND922 billion).

## 29. Financial income

	2018 VND	2017 VND
Interest income from deposits	352,468,321,744	206,952,840,258
Dividends	144,420,699,550	112,821,650,393
Foreign exchange gains	657,295,144,637	583,791,190,748
Other financial income	5,553,348,580	3,079,589,462
	<b>1,159,737,514,511</b>	<b>906,645,270,861</b>

## 30. Financial expenses

	2018 VND	2017 VND
Interest expense	1,561,363,900,664	1,558,118,623,739
Expenses related to long-term loan contracts, finance lease contracts	289,078,491,257	291,742,779,835
Foreign exchange losses	1,477,739,688,037	446,163,828,869
Reversal of allowance for diminution of long-term financial investments	(268,379,125)	(6,862,611,437)
Other financial expenses	347,054,189,784	4,551,711,475
	<b>3,674,967,890,617</b>	<b>2,293,714,332,481</b>



### 31. Selling expenses

	2018 VND	2017 VND
Staff costs	743,372,429,177	681,890,575,816
Commission expenses	520,514,296,696	604,456,582,875
Ticket booking and seat reservation	1,601,323,712,531	1,524,146,275,503
Other selling expenses	1,905,947,455,563	2,064,455,977,867
	<b>4,771,157,893,967</b>	<b>4,874,949,412,061</b>

### 32. General and administration expenses

	2018 VND	2017 VND
Staff costs	1,364,182,954,633	1,082,978,392,446
Tax expenses	317,872,676,841	372,902,414,104
Other general and administration expenses	923,967,669,048	867,294,732,608
	<b>2,606,023,300,522</b>	<b>2,323,175,539,158</b>

### 33. Other income

	2018 VND	2017 VND
Gain from disposals of fixed assets	2,588,502,759	15,435,104,220
Gain from transfer of engine and the deposit to purchase aircraft	577,444,939,919	771,653,717,102
Penalty received from other parties	125,223,982,209	75,238,108,897
Insurance compensation	138,898,319,107	16,635,335,832
Others	151,194,189,803	245,596,355,072
	<b>995,349,933,797</b>	<b>1,124,558,621,123</b>

### 34. Production and business costs by element

	2018 VND	2017 VND
Raw material costs	39,045,329,885,243	28,708,818,203,926
Staff costs	9,656,554,291,069	8,838,486,562,714
Depreciation and amortisation	5,020,071,590,237	5,192,580,322,457
Outside services	36,861,397,501,022	35,066,420,015,629
In which		
- Repair expenses of air engines and airframe	7,624,605,527,438	7,759,422,207,086
- Aircraft leasing	13,060,326,480,734	12,593,301,128,656
- Other outside services	16,176,465,492,850	14,713,696,679,887
Other expenses	1,340,476,922,491	1,670,116,180,474

## 35. Income tax

### (a) Recognised in the consolidated statement of income

	2018 VND	2017 VND
<b>Current tax expense</b>		
Current year	694,557,797,757	470,792,028,036
Under provision in prior years	1,254,583,740	585,583,843
	695,812,381,497	471,377,611,879
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	17,421,667,295	23,268,170,339
Effect of change in tax rate	-	18,879,425
Write down/reversal of deferred tax asset	161,621,664	981,562,117
	17,583,288,959	24,268,611,881
Income tax expense	<b>713,395,670,456</b>	<b>495,646,223,760</b>

### (b) Reconciliation of effective tax rate

	2018 VND	2017 VND
<b>Accounting profit before tax</b>	3,311,904,828,740	3,154,759,487,817
<b>Adjustments</b>		
Prior year unrealised foreign exchange difference	236,419,349,955	215,915,969,536
Non-deductible expenses	25,423,444,391	25,023,628,886
Tax exempted income	(144,420,699,550)	(113,424,650,193)
Current year unrealised foreign exchange difference	(191,611,125,503)	(232,537,592,647)
Income from Business Cooperation Contracts (BCC)	(60,092,686,364)	(52,088,860,145)
Losses from investments in associates	16,074,582,644	19,861,652,419
Effect of consolidation adjustments	(101,613,871,171)	(118,366,548,976)
Other adjustments	(10,000,732,721)	(1,306,215,137)
Tax losses utilised	-	(848,485,935,036)
Current period tax losses	330,613,212,002	252,520,343,506
<b>Taxable income</b>	3,412,696,302,423	2,301,871,280,030
Tax rate	20%	20%
Current income tax expenses on operating profit	682,539,260,485	460,374,256,006
Changes in deferred tax assets and deferred tax liabilities	17,583,288,959	24,268,611,881
Current income tax expenses from BCC	12,018,537,272	10,417,772,030
Under provision in prior years	1,254,583,740	585,583,843
	<b>713,395,670,456</b>	<b>495,646,223,760</b>

**(c) Applicable tax rates**

Under the terms of Income Tax Law, Vietnam Airlines and its subsidiaries have an obligation to pay the government income tax at the rate of 20% of taxable profits.

## 36. Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2018 was based on the profit attributable to ordinary shareholders of Vietnam Airlines after deducting the expected amounts appropriated to Bonus and welfare funds and a weighted average number of ordinary shares outstanding as follows:

*(i) Net profit attributable to ordinary shareholders*

	2018 VND	2017 VND
Net profit for the year	2,335,040,234,598	2,370,500,548,767
Appropriation to Bonus and welfare funds (*)	-	-
Net profit attributable to ordinary shareholders	<b>2,335,040,234,598</b>	<b>2,370,500,548,767</b>

(\*) Vietnam Airlines and its subsidiaries have not resolved the amount of net profit to be appropriated to bonus and welfare funds for the year ended 31 December 2018.

*(ii) Weighted average number of ordinary shares*

	2018	2017 (Previously reported)
Issued ordinary shares at the beginning of the year	1,227,533,778	1,227,533,778
Effect of shares issued on 24 December 2018 for transfer from enterprise reorganisation assistance fund	106,862,893	-
Effect of shares issued on 24 December 2018 for cash	1,838,776	-
Weighted average number of ordinary shares for the year	<b>1,336,235,447</b>	<b>1,227,533,778</b>

*(iii) Restatement of weighted average number of ordinary shares and basic earnings per share for the year ended 31 December 2017*

During 2018, Vietnam Airlines issued 190,757,069 additional shares to its shareholders, of which 106,862,893 was by mean of transfer from enterprise reorganisation assistance fund. Accordingly the weighted average number of ordinary shares and basic earnings per share for the year ended 31 December 2017 have been restated as follows:

	Weighted average number of ordinary shares	Basic earnings per share VND
As previously reported	1,227,533,778	1,931
Effect of shares issued on 24 December 2018 for transfer from enterprise reorganisation assistance fund	106,862,893	(155)
Restated	<b>1,334,396,671</b>	<b>1,776</b>

### 37. Significant transactions with related parties

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

	Transaction value	
	2018 VND	2017 VND
<b>Dividend received during the year</b>		
<b>Associates</b>		
Vietnam Aircraft Leasing Joint Stock Company	94,237,440,000	76,706,669,192
Danang Airport Services Joint Stock Company	5,779,743,750	16,055,234,000
General Aviation Import – Export JSC (Airimex)	1,606,500,000	2,731,050,000
<b>Sales of goods and services</b>		
<b>Associates</b>		
Cambodia Angkor Air	382,968,761,534	448,381,589,536
<b>Purchase of goods and services</b>		
<b>Associates</b>		
General Aviation Import – Export JSC (Airimex)	151,057,188,078	174,261,423,790
<b>General Director</b>		
Salary and bonus	2,030,533,000	2,029,115,000
<b>Other members of Board of Directors</b>		
Salary and bonus	8,136,638,000	8,130,953,000
<b>Members of Board of Management and Supervisory Board</b>		
Compensation	5,294,829,000	6,855,548,000

### 38. Non-cash financing activities

	2018 VND	2017 VND
Share capital increase by transfer from enterprise reorganization assistant fund	1,068,628,929,237	-
Offset dividend payables with receivables	5,039,452,529	-

### 39. Corresponding figures

Corresponding figures as at 1 January 2018 were derived from the balances and amounts reported in the consolidated financial statements as at and for the year ended 31 December 2017.

25 March 2019

Prepared by:

Hồ Xuân Tam

Department of Finance and Accounting

Trần Thanh Hiền

Chief Accountant

Approved by:

Dương Trí Thành

President & CEO



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# ANNEXES & ADDITIONAL INFORMATION

## Head office

### VIETNAM AIRLINES JSC

Address: 200 Nguyen Son, Long Bien District, Hanoi, Vietnam

Contact center in Vietnam (24/7):

- Call within Vietnam: 1900 1100
- Calls from foreign countries to Vietnam:  
(+84.24) 3832 0320
- Email: telesales@vietnamairlines.com  
Lotusmiles Contact Center (24/7):
- Call within Vietnam: 1900 1800
- Call from foreign countries to Vietnam:  
(+84.24) 3832 0320
- Email: lotusmiles@vietnamairlines.com

## Vietnam Airlines branches in Vietnam

### NORTHERN REGION BRANCH OF VIETNAM AIRLINES

Address: 25 Trang Thi, Hoan Kiem District, Hanoi

Tel: (+84.24) 6270 0200 | Fax: (+84.24) 3934 9636

E-mail: vpkvmb@vietnamairlines.com

### MIDDLE REGION BRANCH OF VIETNAM AIRLINES

Address: 27 Dien Bien Phu, Da Nang

Tel: (+84.236) 382 1130 / 826 465 | Fax: (+84.236) 383 2759

E-mail: reservation.mro@vietnamairlines.com

### SOUTHERN REGION BRANCH OF VIETNAM AIRLINES

Address: 49 Truong Son, Ward 2, Tan Binh District, HCMC

Tel: (+84-28) 3844 6667 | Fax: (+84-28) 3848 5312

Email: telesales.sro@vietnamairlines.com

### VIETNAM AIR SERVICE COMPANY (VASCO)

Address: No. B114, Bach Dang Street, Ward 2, Tan Binh District, HCMC

### FLIGHT TRAINING CENTER

Address: No. 117 Hong Ha Street, Ward 2, Tan Binh District, HCMC



# Member companies

## **VIETNAM AIRLINES ENGINEERING COMPANY (VAECO)**

Address: Noi Bai International Airport, Soc Son, Hanoi  
Tel: (+84.24) 3884-9657 | Fax: (+84.24) 3886-5532  
Website: vaeco.com.vn

## **VIETNAM AIR PETROL COMPANY LIMITED (SKYPEC)**

Address: 202 Nguyen Son, Bo De Ward, Long Bien District, Hanoi  
Tel: (+84.24) 3827 2316 | Fax: (+84.24) 3827 2317  
Email: skypec@skypec.com.vn | Web: www.skypec.com.vn

## **VIETNAM AIRPORT GROUND SERVICE COMPANY LIMITED (VIAGS)**

Address: 49 Truong Son, Ward 2, Tan Binh District, HCMC  
Tel: (+84.28) 3547 22 88 | Fax: (+84.28) 3547 11 88  
Email: vanthu.viags@vietnamairlines.com  
Web: www.viags.com.vn

## **VIETNAM AIRLINES CATERERS LTD. (VACS)**

Tan Son Nhat International Airport, Tan Binh District, HCMC  
Tel: (+84.28) 3844 8367 | Fax: (+84.28) 3844 6719  
E-mail: vncxcater@vnn.vn  
Web: www.vnaircaterers.com

## **AVIATION INFORMATION AND TELECOMMUNICATIONS JSC (AITS)**

Address: 414 Nguyen Van Cu, Long Bien District, Hanoi

## **NOIBAI AIRPORT SERVICES JSC (NASCO)**

Noi Bai International Airport, Soc Son District, Hanoi  
Tel: (+84.24) 3886 5457/ 3884 0085  
Fax: (+84.24) 3886 5555  
E-mail: nasco-khkd@fpt.vn

## **GENERAL AVIATION IMPORT-EXPORT JSC (AIRIMEX)**

414 Nguyen Van Cu, Long Bien District, Hanoi  
Tel: (+84.28) 3877 0265 / 3877 0266  
Fax: (+84.28) 3827 1925 / 3772 3439  
E-mail: arimex@fpt.vn

## **JETSTAR PACIFIC AIRLINES JOINT STOCK AVIATION COMPANY (JPA)**

Address: 112 Hong Ha, Ward 2, Tan Binh District, HCMC, Vietnam  
Tel: (+84.28) 3845 0092 | Fax: (+84.28) 3845 0085  
Web: www.jetstar.com

## **CAMBODIA ANGKOR AIR JSC**

Address: #206 Preah Norodon Blvd, Phnom Penh, Cambodia

## **VIET FLIGHT TRAINING JSC (VFT)**

Address: 117V Hong Ha, Ward 2, Tan Binh District, HCMC  
Tel: (+84.28) 3547 0916 | Fax: (+84.28) 3547 0920  
Hotline: (+84) 90 532 5860  
Email: vft@bayviet.com.vn | Web: www.bayviet.com.vn

## **AVIATION LABOR SUPPLY AND IMPORT-EXPORT JSC (ALSIMEXCO)**

Address: No. 1 Lane 200/10 Nguyen Son, Bo De, Long Bien, Hanoi  
Tel: (+84.24) 3827 1993 / 3873 2383  
Fax: (+84.24) 3873 0624  
E-mail: business@alsimexco.vn | Web: alsimexco.vn

## **TAN SON NHAT CARGO SERVICES AND FORWARDING CO., LTD. (TECS)**

Address: 06 Thang Long Street, Ward 4, Tan Binh District, HCMC, Vietnam  
Tel: (+84.28) 3811 0633 / 3811 0678  
Fax: (+84.28) 3811 5522 | Email: contactus@tecs.com.vn

## Member companies

### **VIETNAM AIRCRAFT LEASING JSC (VALC)**

Address: Floor 14th, A Vincom Tower, No. 191 Ba Trieu, Hanoi, Vietnam  
ĐT: (+84.24) 35 77 22 25 | Fax: (+84.24) 35 77 22 70  
Email: info@valc.com.vn | Web: www.valc.com.vn

### **DANANG AIRPORT SERVICES JSC**

Address: Da Nang International Airport, Hai Chau District, Da Nang, Vietnam  
Tel: (+84 511) 383 0340 | Fax: (+84 511) 382 6133  
Email: masco@masco.com.vn

### **NOI BAI CATERING SERVICES JSC (NCS)**

Address: Noi Bai International Airport, Hanoi  
Tel: (+84.24) 3886 5577 | Fax: (+84.24) 3884 0199  
E-mail: nbcatering@hn.vnn.vn

### **SABRE VIETNAM JSC**

Address: 5th Floor, De Nhat Building, No. 53 Quang Trung, Nguyen Du Ward, Hai Ba Trung District, Hanoi  
Tel: (+84.24) 39431975 | Fax: (+84.24) 39431972  
Email: hannmc@sabretn.com.vn  
Website: www.sabretn.com.vn

### **TAN SON NHAT CARGO SERVICES COMPANY LIMITED (TCS)**

Address: Tan Son Nhat Airport, Tan Binh District, HCMC  
Tel: (+84.28) 3848 6489 | Fax: (+84.28) 3842 7944

### **VINAKO FORWARDING COMPANY LIMITED (VINAKO)**

Address: 4 Truong Son Street, Ward 2, Tan Binh District, HCMC  
Tel: (+84.28) 3844 6252 / 3848 5353  
Fax: (+84.28) 3848 5353  
E-mail: vinako.fwd@hcm.vnn.vn

### **NOI BAI CARGO TERMINAL SERVICES JSC (NCTS)**

Address: Noi Bai International Airport, Soc Son District, Hanoi  
Tel: (+84.28) 3 5840905 | Fax: (+84.28) 3 5840906  
E-mail: operation@noibaicargo.com.vn

### **AVIATION HIGH - GRADE PLASTIC JSC**

Address: Gia Lam Airport, Nguyen Son Street, Long Bien District, Hanoi

# Vietnam Airlines branches in foreign

## UNITED KINGDOM

**London:** 11-13 Lower Grosvenor Place,  
SW1W 0EX, London, UK

## CAMBODIA

**Phnompenh:** No 41, 214 Samdech Pan Str.,  
Phnompenh, Kingdom of Cambodia.

**Siem Reap:** No 342, Road 6 Khum Svay  
Dangkum Srok Siem Reap, Kingdom of  
Cambodia

## CANADA

**Vancouver :** 11166 Alberni Street, Suite  
1006 Vancouver, BC V6E3Z3, Canada

## TAIWAN

**Taiwan:** 5F, 59 Sung Chiang Road, Taiwan

**Kaohsiung:** 3F-6, No.56, Min-sheng 1St, Rd,  
Kaoshiung City, Taiwan

## GERMANY

**Frankfurt:** ossmarkt 5, D-60311 Frankfurt  
am Main, Germany

## KOREA

**Seoul:** Soon Hwa Bldg., 9th Floor, 89  
Seosomun-ro, Jung-Gu, Seoul, Korea

**Pusan:** #704, Korean Teacher's Mutual  
Fund Bldg. 192 Chungangdaero, Dong-Gu,  
Pusan, Korea

## HONGKONG

Suite 1004, 10th Floor,  
Tower One Lippo Center,  
No 89 Queensway, Hongkong

## LAOS

**Vientiane:** 63 Samsenthai Road,  
Lao Plaza Hotel 1st Floor – Vientiane

**Luang Prabang:** Luang Prabang Airport,  
Lao P.D.R

## RUSSIA

**Moscow:** Bld. 1, 3rd Frunzenskaya,  
Moscow, 119270, Russia

## MALAYSIA

**Kuala Lumpur:** Suite 05, Level 5 Menara  
Hap Seng, Jalan P.Ramlee, 50250  
Kuala Lumpur, Malaysia

## UNITED STATE OF AMERICA

**San Francisco:** 88 Kearny Str, Suite 1400,  
San Francisco, California 94108, USA

## MYANMAR

**Yangon:** #1702, Sakura Tower 339,  
Bogyoke Aung San Road,  
Kyauktada Township, Yangon, Myanmar

## JAPAN

**Tokyo:** Daido Seimei Kasumigaseki Bldg.,  
6F 1-4-2 Kasumigaseki, Chiyoda-ku,  
Tokyo 100-0013, Japan

**Osaka:** Midousuji Diamond Bldg., 6F 2-1-3  
Nishi Shinsaibashi, Chuo-ku, Osaka –shi,  
Osaka 542-0086, Japan

**Fukuoka:** City 15 Bldg., 1-8-36  
Hakataekiminami, Hakata-ku, Fukuoka  
812-0016, Japan

**Nagoya:** Ohashi BLDG. 10F 3-25-3 Meieki,  
Nakamura-ku, Nagoya 450-0002-Japan

## FRANCE

**Paris:** 51-53, avenue des Champs-Elysées,  
75008 Paris, France

## SINGAPORE

**Singapore:** 260 Orchard Rd, #08-08 The  
Heeren Singapore 229921, Singapore

## THAILAND

**Bangkok:** 10th Floor, Wave Place Buiding,  
55 Wireless Rd. Lumpinee Patumwan  
Bangkok 10330, Thailand

## AUSTRALIA

**Sydney:** Level 25, St. Martins Tower,  
Suite 25.03, 31 Market Street,  
Sydney, NSW 2000, Australia.

**Melbourne:** 350 Collins Street,  
Melbourne, Victoria 3000, Australia

## CHINA

**Beijing:** Unit 1703A, Tower F, Phoenix  
Place, 5A Shuguang Xili, Chaoyang  
District, Beijing 100028, China.

**Shanghai:** Room 1605, Imago Building No.  
99 Wu Ning Street, Shanghai City, China

**Quangzhou:** Room 954-955,  
Garden Hotel Tower, 368 Huanshi Dong Lu,  
Quangzhou, 510064

**Chengdu:** 1919#Western Tower, 19th South  
Renmin Road Sec4, Chengdu, China

## INDONESIA

**Jakarta:** Wisma Tamara Lt.8 # 868,  
Jl. Jend. Surdiman Kav. 24,  
Jakarta 12920 Indonesia

# REGIONAL ROUTE MAP



# ASIA ROUTE MAP



- Operated by Vietnam Airlines.
- - - Operated by codeshare partners.
- - - Vietnam Airlines offers codeshare flights on some domestic Japanese routes operated by All Nippon Airways.

# INTERNATIONAL ROUTE MAP



- Operated by Vietnam Airlines.
- - - Operated by codeshare partners.





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