

2017

Change and
Accelerating
Change

ANNUAL REPORT



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DEVELOPMENT ORIENTATION

List of abbreviations

ASK	Available Seat Kilometers	PBT	Profit before tax
AFTK	Available Freight Tonne Kilometers	PAT	Profit after tax
BH	Block Hour	FSC	Full Service Carrier
BOS	Board of Supervisors	LCC	Low Cost Carrier
EMPL	Employees	RPK	Revenue Passenger Kilometers
CLMV	Cambodia, Laos, Myanmar, Vietnam	RFTK	Revenue Freight Tonne Kilometers
IT	Information technology	PT	Production and Trade
JSC	Joint Stock Company	LLC	Limited Liability Company
GMS	General Shareholders' Meeting	VIETNAM AIRLINES (VNA)	Vietnam Airlines JSC (including Vasco)
MC	Members' Council	VNA GROUP	VNA and subsidiaries, associates
BOD	Board of Directors	APT	Air passenger transport
JPA	Jetstar Pacific Airlines Joint Stock Aviation Company	YIELD	Average revenue
KG	Cambodia Angkor Air		

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of Directors and Chief Executive Officer



General target

Develop VNA as a strong enterprise, a flag carrier and the key player in Vietnam's aviation industry, with state-of-the-art technical infrastructure for maintenance and advanced and specialized training; act as a bridge for the promotion of Vietnam's international relations during integration; become a major airline in Southeast Asia and a dominant one in CLMV region (Cambodia, Laos, Myanmar, Vietnam); improve business performance based on the harmony between its shareholders' interests and the economic and development demands of the country; and serve as a reliable reserve force for national security and defense.

Business orientation

- Affirm the leading position of VNA in the Vietnam market; be highly regarded for economic performance to assure its shareholders' interests while effectively implement political tasks assigned by the Government; play the key role in Aviation traffic; and act as a reserve force for national security and defense.
- Strive to achieve its goal of becoming an advanced airline that ranks among the top airlines in ASEAN in terms of scope; maintain the dominant role in CLMV sub-regional aviation; and develop VNA as a reputational brand of Vietnam in the market. Coordinate with other airlines in VNA.
- Group including Jetstar Pacific, Cambodia Angkor Air and VASCO to develop a wide range of products, meet the transportation needs of various customers, provide economies of scale through combination on product promotion, training, coaching, aircraft maintenance, and competitiveness enhancement.
- In aviation business, take safety as the top priority; improve quality of products and services with a "customer-oriented" approach; gradually increase the proportion of high-income customers; design products which build cultural identity into the services of VNA; distinguish itself from its competitors; meet international 4-star airline standards; and strive to be a preferred airline in Asia by 2020 in terms of in-flight and ground service quality.
- Assure sustainable development through a targeted investment policy in key businesses to create competitive advantages; improve quality of aviation services of VNA and its affiliates while balancing investment funds and investment efficiency. Focus on investment in technical infrastructure for repairs and maintenance, specialized training and, coaching institutes and facilities in the synchronous service at the airports line.
- Show flexibility in active arrangement and use of resources, especially fleets and technical infrastructure in each phase in conformity with market forecasts.
- Optimize internal resources, and put resource development as its top priority. Develop a talent team of general staff, pilots, engineers and experts with professional skills, high productivity, stable political stability and the ability to successfully operate and manage a large and professional airline.
- Harmonize interests of shareholders, enterprise and employees. Develop a professional corporate culture, foster a civilized working environment, offer opportunities for career training and development, and income improvement, to attract workforce of high qualification and skills in Vietnam.

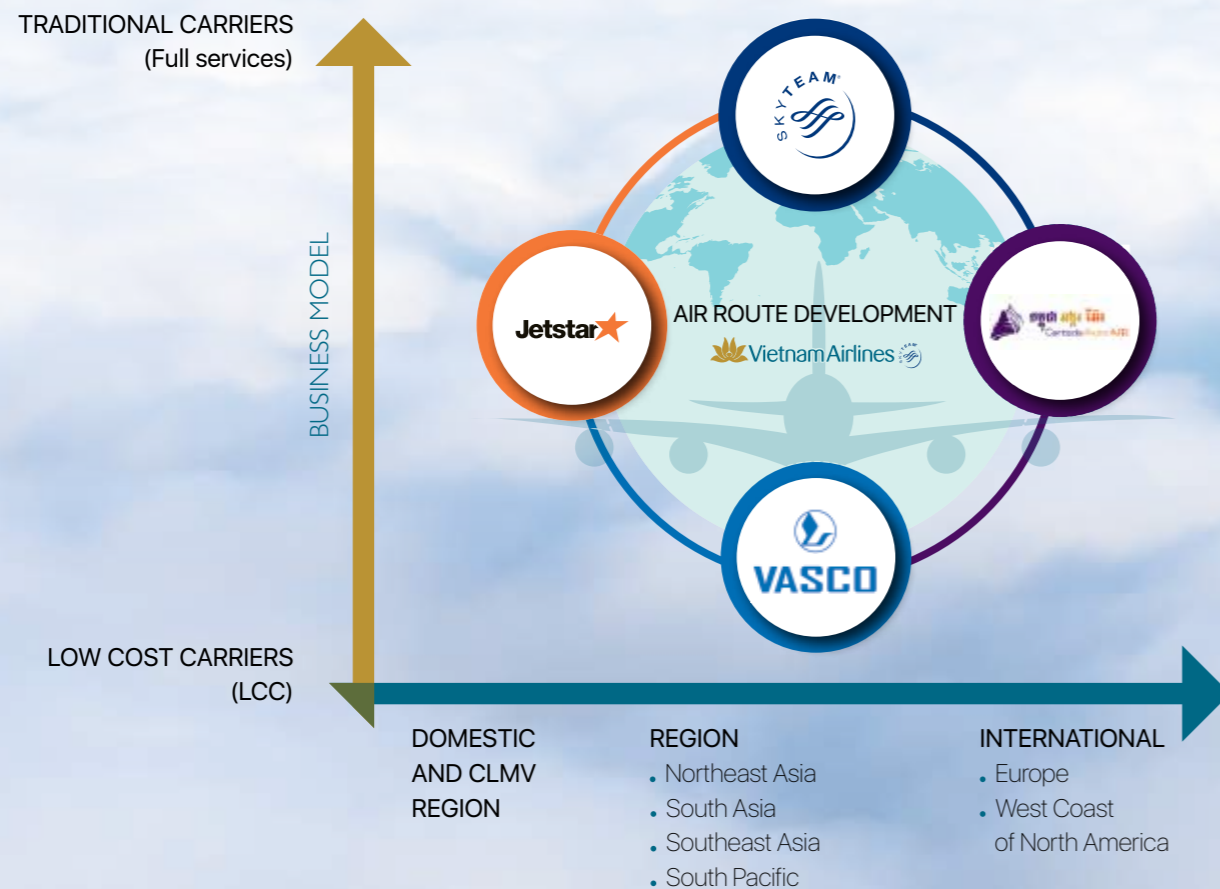
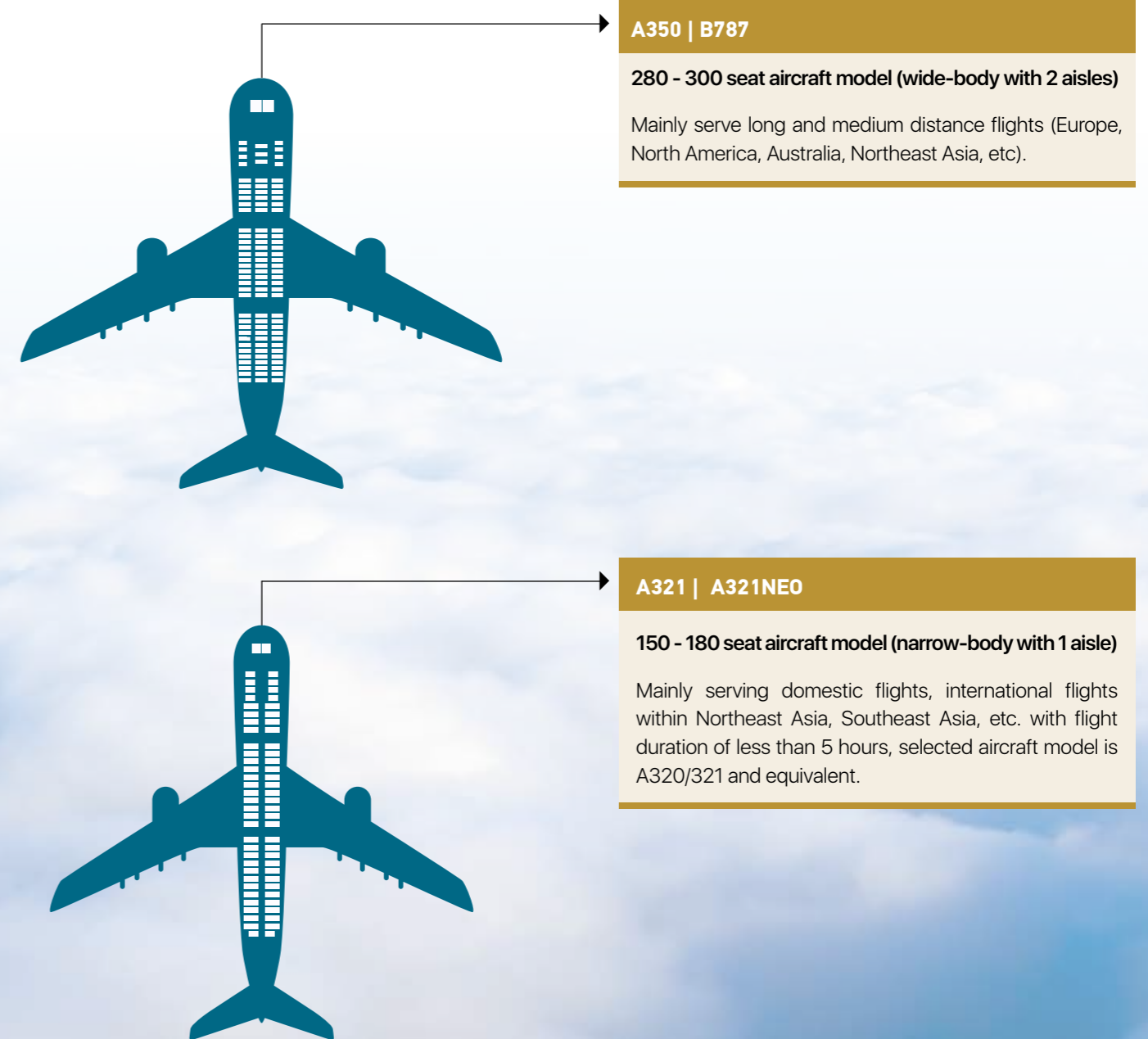
Development plan towards 2020

Air routes

- Air routes of VNA continue to be developed by increasing frequency of operation and concentrating on planning transit airports through in the gateways of Ho Chi Minh City and Hanoi. This effort is to gradually establish Ho Chi Minh City and Hanoi as regional transport hubs to compete with large transport hubs such as Hong Kong, Bangkok, Singapore, and Kuala Lumpur. Da Nang airport will be gradually developed to become a supporting hub for the two main hubs, Noi Bai International Airport and Tan Son Nhat International Airport.
- The domestic air routes of VNA are planned in line with national transport and tourism planning, ensuring active support to the international air routes and to local economic development. These are strategic air routes of VNA with major political significance, and a key role in national economic development.
- VNA products will be continuously built based on development of air routes from the three major hubs, i.e. Hanoi, Da Nang and Ho Chi Minh City, affirming the leading positioning of VNA as the flag carrier. Moreover, its products will be designed to ensure satisfaction of target customers and improve competitiveness. In order to meet the increasingly various demands of passengers, VNA will research and develop more routes to connect regions (not departing from three major hubs).
- Furthermore, VNA will closely coordinate with Jetstar Pacific in terms of products to implement a dual branding strategy. Accordingly, VNA will cover high-income and medium-income customers, and maintain its stable market share for low-income customers, whereas Jetstar Pacific will directly compete with other low cost carriers and aim to grow market share for low income customers.

Fleet development

The passenger fleet development plan of VNA towards 2020 will include two main aircraft models under general international standards:



Messages from Chairman of the Board of Directors and Chief Executive Officer



Dear valued shareholders, On behalf of the Board of Directors and Board of Management of VNA, we would like to extend our warmest greetings and express sincere thanks for your trust and companion with Vietnam's Flag Carrier.

In 2017, VNA maintained its leading position in the market as evidenced by the fact that most business targets, set by 2017 Annual Shareholders' Meeting were achieved. These were VNA's best ever business results.

VNA delivered 140,000 safe flights in the safest manner and transported about 22 million passengers. Total consolidated revenue reached VND 84,962 billion, and record profit before tax was VND 3,155 billion, which was 92.6% exceed target, in which, revenue and profit before tax of Parent Company was VND 64,920 billion and VND 1,911 billion respectively (increased by 52% in comparison with the planned target and 11.7% compared to that of 2016). In particular, profit from its key business lines as air aviation business grow steadily.

Overcoming difficulties regarding infrastructure at some domestic terminals, VNA maintained high and stable on-time performance (OTP) of 90.2% on average, even in peak seasons such as the Tet holidays, and ranked among the top 10 airlines with the highest OTP worldwide.

The Corporation completed the sale of 4 Boeing 777 aircraft, and received 4 new A350 aircraft and 1 Boeing 777 aircraft in the form of sale and leaseback (SLB). New aircraft that have been put into operation recently have made a great contribution to the general success of VNA and affirmed our brand and ratings as a 4-star airline for two consecutive years under Skytrax standards.

Restructuring of business funds towards SLB solutions and decreasing investment loans have improved the safety levels of financial indicators Debt to equity ratio reduced significantly, almost reaching a controlled level of 3:1 at the end of 2017, and is likely to reduce to below 3:0 in 2018.

Since its initial public offering on Upcom on January 03rd, 2017, with securities code of HVN, VNA has consistently been listed in the top 20

companies with the highest capitalized value in the Vietnam securities market. Impressive business results, a sound financial position, and closely and effectively controlled liabilities of VNA as at the end of 2017 will be prerequisites for corporate value to rocket, and for its market capitalization value to rise to USD 2.4 billion, up increased 50% in comparison with that of the beginning of the year, and for earnings per share to climb to 1,931 VND/share, increased by 14.6% compared to that of the same period last year.

2017 saw widespread recognition of VNA by domestic and international communities, with a huge number of reputational awards. Notably Brand Finance, a brand valuation and strategy consultancy, upgraded VNA brand ranking by 3 levels to AA, making VNA one of the ten strongest brands with the best growth of Brand Strength Index BSI in 2017 in Vietnam.

VNA believes that these results have reaffirm our internal values and future growth potential, and reflect its efforts to build trust, and balance the interests of shareholders, enterprise and customers.

Dear valued shareholders,

Based on business environment forecasts and careful assessment of difficulties, advantages, opportunities and challenges, VNA has developed high feasibility 2018 business plans for stable and sustainable development to present to shareholders for their opinions.

The Board of Directors and Board of Management of VNA will closely comply with our guideline "Accelerating change, faster and higher", to continuously reform and innovate; ensure Safety - Quality - Effectiveness in its operation; and complete criteria and plans passed by the 2018 Annual Shareholders' Meeting to a high level of excellence. Along with endlessly improving corporate governance capacity and reforming organizational structures, VNA will commit to take solutions to improve its labor productivity, competitiveness, and product diversification for permanent and sustainable development.

In 2018, VNA will complete its plans to increase charter capital to offer to its current shareholders, transfer rights to subscribe additionally issued shares of State-owned shareholders, and perform procedures to change share listing into Ho Chi Minh City Stock Exchange (HOSE) in order to serve the best interests of shareholders.

Pursuant to the sustainable growth of business results, maintaining a sound financial position, endlessly increasing brand value, supporting valued shareholders and the unity, dedication and professionalism of employees, the Board of Directors and Board of Management believe that VNA will complete 2018 business plans with distinction, making the Flag Carrier and bearer of the "Reach Further" slogan one of the most preferred airline in Asia - Pacific in the near future.

Chairman of the Board of Directors
(Signed)

PHAM NGOC MINH

Chief Executive Officer
(Signed)

DUONG TRI THANH

GENERAL INTRODUCTION

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Business lines and network

Business line

- Passenger transport (aviation transportation of passengers), cargo transport (transportation of luggage, cargo, parcels, postal matters, mail).
- Services directly support for aviation business:
 - General aviation activities (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, medical first aid, flights for political, economic, social, national security and defense tasks).
 - Other specialized aviation services.
 - Provision of trade, tourism, hospitality services, sale of duty-free goods in isolated areas at international border gates, airports, on board aircraft, and in provinces and cities.
 - Providing technical services for ground control; engineering; services at passenger terminals, cargo terminals and parking lots at airports.
- Repair and maintenance of transport vehicles (maintenance of aircraft, engines, spare parts and aviation supplies, equipment, equipment for ground engineering and other technical equipment).
- Production of measuring, testing, navigating and controlling equipment: Production of aircraft components, spare parts, supplies, technical equipment and other aviation industry contents. Providing of technical services and spare parts to domestic and foreign airlines.
- And other business lines according to Business Registration Certificate.

General information

- Name in Vietnamese: Tổng Công ty Hàng không Việt Nam - CTCP
- Name in English: Vietnam Airlines JSC
- Name in short: Vietnam Airlines
- Date of establishment: May 27th, 1995
- Logo:  Vietnam Airlines 
- Business registration certificate and tax code no. 0100107518
- Securities code: HVN
- Charter capital: 12,275,337,780,000 VND
- Address: No. 200 Nguyen Son, Bo De Ward, Long Bien District, Hanoi
- Telephone number: (+84.24) 3827 2289 | Fax: (+84.24) 3872 2375
- Website: www.vietnamairlines.com
- Email: nhadautu@vietnamairlines.com



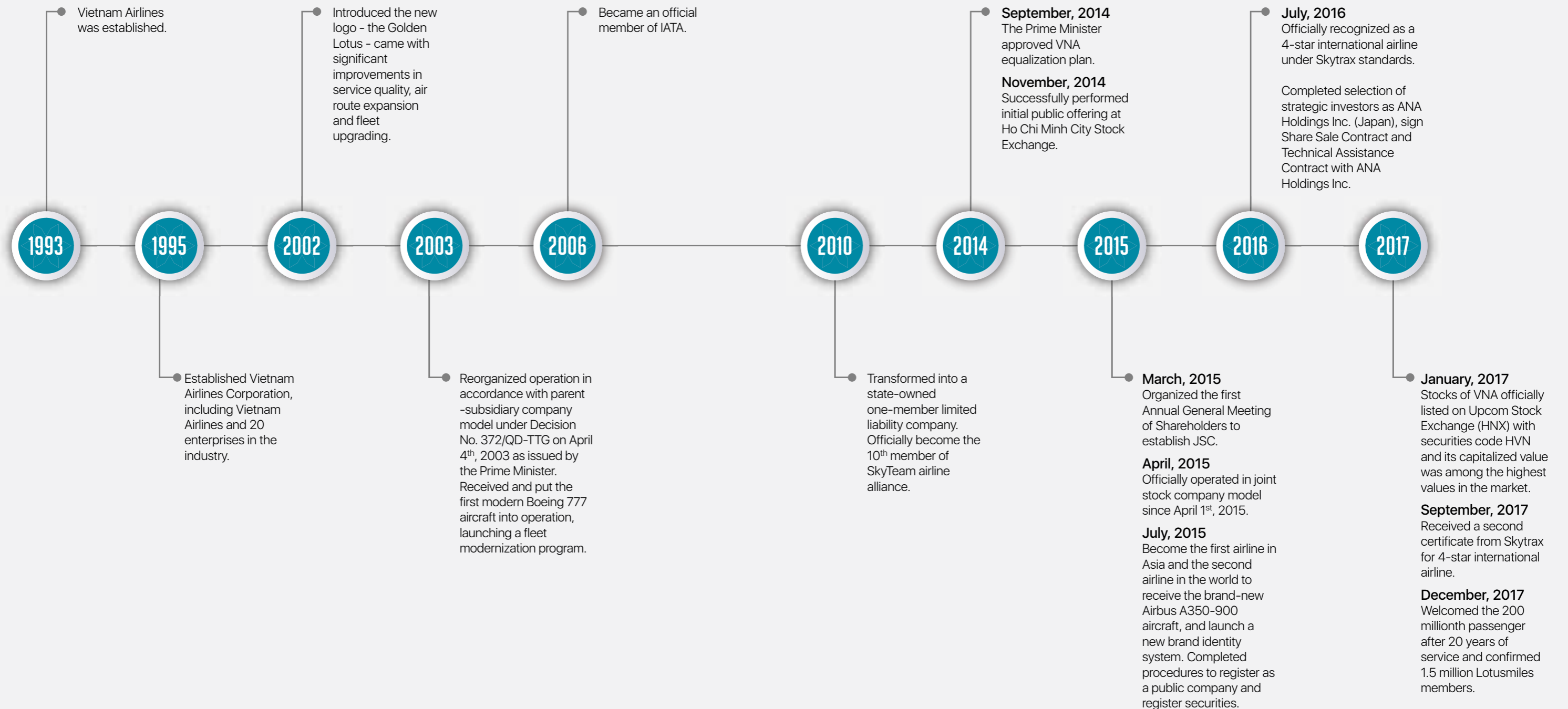


Business network

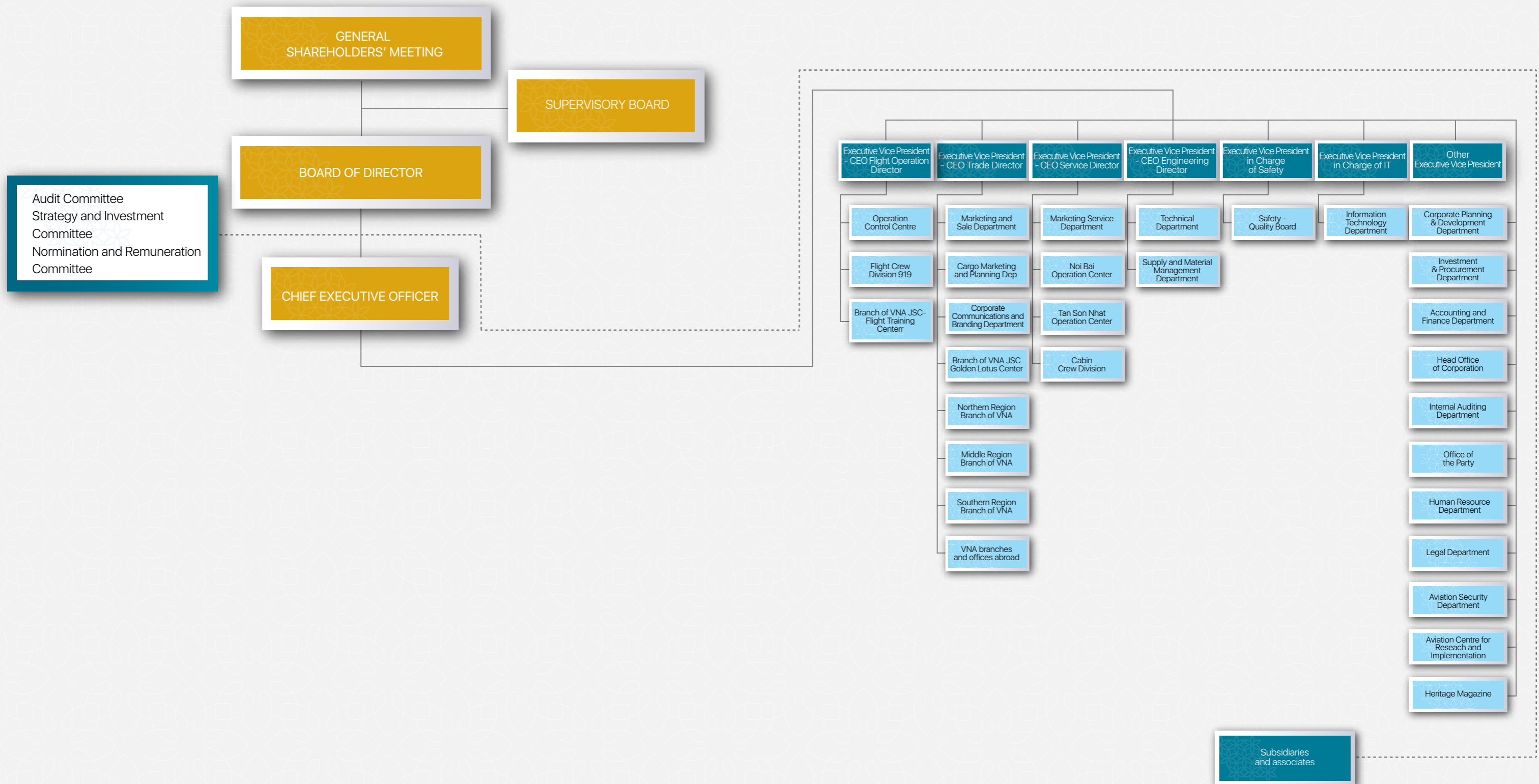
As of December 31st, 2017, VNA had 5 affiliated units and 25 branches operating in more than 20 provinces and large cities in Vietnam.

VNA has a graphically wide operation network in Europe, Asia, Australia and North America with 31 branches and representative offices in more than 20 countries and territories, meeting market demands of customers all over the world.

Development history



Organizational model, management structure





Master Chef
LUKE NGUYEN

Master Chef **LUKE NGUYEN**

Global Cuisine AMBASSADOR
of Vietnam Airlines



☎ 1900 1100
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 🌐 www.vietnamairlines.com



 Board of Directors

ANNUAL REPORT



MR. PHAM NGOC MINH
 Chairman
 Members of the Board of Directors

Year of birth: 1960
 Qualification:
 - PhD in Economics
 Position held in other organizations:
 - Deputy Chairman of the Board of Directors of Cambodia Angkor Air



MR. DUONG TRI THANH
 President & CEO
 Member of the Board of Directors

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. KOJI SHIBATA
 Member of the Board of Directors

Year of birth: 1957
 Qualification:
 - Bachelor of International Studies, University of Tokyo
 Position held in other organizations:
 - Senior Deputy Chief Executive Officer
 - Strategic Planning Director - Asia Pacific ANA Holdings Inc



MR. NGUYEN XUAN MINH
 Member of the Board of Directors

Year of birth: 1971
 Qualification:
 - Master of Applied Finance and Investment
 Position held in other organizations:
 - Deputy Chairman of BOD of VAM Vietnam Fund Management JSC
 - Chairman of Members' Council of Techcom Securities Co., Ltd
 - Member of BOD of Ninh Van Bay Travel Real Estate Joint Stock Company
 - Member of BOD of Vietnam Chemical Finance Joint Stock Company



BOARD OF MANAGEMENT



MR. DUONG TRI THANH
President & CEO
Member of the Board of Directors

Year of birth: 1961
Qualification:
- Master of Science in Aviation Transportation



MR. NGUYEN THAI TRUNG
Executive Vice President

Year of birth: 1960
Qualification:
- Pilot



MR. NGUYEN HONG LINH
Executive Vice President

Year of birth: 1962
Qualification:
- Pilot
Position held in other organizations:
- Chairman of BOD of Viet Flight Training Joint Stock Company (VFT)



MR. TRINH HONG QUANG
Executive Vice President

Year of birth: 1963
Qualification:
- Master of Business Administration



MR. TRINH NGOC THANH
Executive Vice President

Year of birth: 1964
Qualification:
- Master of Business Administration
Position held in other organizations:
- Chairman of BOD of Aviation Information and Telecommunications Joint Stock Company



MR. LE HONG HA
Executive Vice President

Year of birth: 1972
Qualification:
- Master of Business Administration
Position held in other organizations:
- Chairman of Members' Council of Vietnam Air Petrol One Member Company Limited (SKYPEC)
- Chairman of BOD of Jetstar Pacific Airlines (JPA)



MR. DANG NGOC HOA
Executive Vice President

Year of birth: 1972
Qualification:
- Master of Aviation Engineering
Position held in other organizations:
- Chairman of Members' Council of Vietnam Airport Ground Services Company Limited (VIAGS)



MR. NGUYEN MINH HAI
Executive Vice President

Year of birth: 1972
Qualification:
- Bachelor of Economics
Position held in other organizations:
- Member of BOD and Chief Executive Office of Cambodia Angkor Air



MR. TRAN THANH HIEN
Chief Accountant and Head of Finance and Accounting Board

Year of birth: 1963
Qualification:
- Master of Business Administration
Position held in other organizations:
- Chairman of BOD of Vietnam Aircraft Leasing Company

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
Member of Board of Supervisors

Year of birth: 1973
Qualification:
- Master of Business Administration

PERSON IN CHARGE OF INFORMATION PUBLICATION



MR. NGUYEN HUU TUAT
Secretary of Corporation

Year of birth: 1958
Qualification:
- Master of Business Administration
Position held in other organizations:
- Chairman of BOD of Tan Son Nhat Cargo Services & Forwarding Co., Ltd (TECS)

List of subsidiaries and associates

LIST OF SUBSIDIARIES

No.	Subsidiaries	Name in short	Main business lines	Address	Actual charter capital (VND billion)	Ownership rate of VNA (%)
1	Vietnam Airlines Engineering Company Limited	VAECO	Maintenance, repair, major repair of aircrafts, engines and spare parts, outdoor services	Noi Bai International Airport - Phu Minh Commune - Soc Son District - Hanoi	1,060	100.00
2	Vietnam Air Petrol Company Limited	SKYPEC	Airline fuel supply	202 Nguyen Son - Bo De Ward - Long Bien District - Hanoi	550	100.00
3	Vietnam Airlines Caterers Ltd.	VACS	Airline catering services	Tan Son Nhat Airport - Ward 2 - Tan Binh District - HCMC	85,448	100.00
4	Vietnam Airport Ground Services Company Limited	VIAGS	Services at terminals and aprons, ground, technical and commercial services	49 Truong Son - Ward 2 - Tan Binh District - HCMC	250	100.00
5	Jetstar Pacific Airlines Joint Stock Aviation Company	JPA	Aviation transportation (LCC)	112 Hong Ha - Ward 2 - Tan Binh District - HCMC	3,522	68.85
6	Noi bai Cargo Terminal Services JSC	NCTS	Provision of services for cargos	Noi Bai International Airport - Phu Minh Commune - Soc Son District - Hanoi	261,669	55.13
7	Tan Son Nhat Cargo Services Co.,Ltd	TCS	Provision of forwarding and warehouse management services	46-48 Hau Giang - Ward 4 - Tan Binh District - HCMC	93,726	55.00
8	Tan Son Nhat Cargo Services and Forwarding Co., Ltd	TECS	Services of forwarding, logistics, warehousing, etc	No. 6 Thang Long - Ward 4 - Tan Binh District - HCMC	51,430	51.00
9	Vinako Forwarding Company Limited	VINAKO	Global multimodal transport chain	49 Truong Son - Ward 2 - Tan Binh District - HCMC	8,578	65.05
10	Noi Bai Catering Services JSC	NCS	Airline catering services	Noi Bai International Airport - Phu Minh Commune - Soc Son District - Hanoi	179.7	60.17
11	Noibai Airport Services JSC	NASCO	Services in support of aviation and other services at Noi Bai International Airport	Noi Bai International Airport - Phu Minh Commune - Soc Son District - Hanoi	83,158	51.00
12	Viet Flight Training JSC	VFT	Pilot training	117 Hong Ha - Ward 2 - Tan Binh District - HCMC	66	51.52
13	Aviation Information and Telecommunications JSC	AITS	Services in IT and telecommunications field	414 Nguyen Van Cu - Bo De Ward - Long Bien District - Ha Noi	58,032	52.73
14	General Aviation Import-Export JSC	ALSIMEXCO	Provision of labor in aviation field	No. 1, Lane 200/10 Nguyen Son - Bo De Ward - Long Bien District - Hanoi	10	51.00

No.	Subsidiaries	Name in short	Main business lines	Address	Actual charter capital (VND billion)	Ownership rate of VNA (%)
15	Sabre Vietnam JSC	SABRE	Booking system and related services through Sabre global distribution system, etc.	5 th Floor, De Nhat Building, No. 53 Quang Trung, Nguyen Du Ward, Hai Ba Trung District, Hanoi	5.2	51.69

LIST OF ASSOCIATES

No.	Subsidiaries	Name in short	Main business lines	Address	Actual charter capital	Ownership rate of VNA (%)
1	Vietnam Aircraft Leasing Company	VALC	Purchase, sale, rental and sublease of aircrafts	14 th Floor, Vincom Tower A - 191 Ba Trieu - Le Dai Hanh Ward - Hai Ba Trung District - Hanoi	USD 63.3 million	32.48
2	Cambodia Angkor Air	K6	Passenger transport service	206A, Preah Norodom Blvd, Sangkat Tonle Basac, Khan Chamkarmon, Phnom Penh, Cambodia	USD 100 million VND	49.00
3	Middle Airport Services JSC	MASCO	Services of aviation trade and catering	Da Nang International Airport - Hai Chau District - Da Nang City	42,677 billion VND	36.11
4	General Aviation Import-Export JSC	AIRIMEX	Services of import, export/ distribution of aircraft spare parts and airport ground equipment	414 Nguyen Van Cu - Bo De Ward - Long Bien District - Ha Noi	25,927 billion VND	41.31
5	Aviation High Grade Plastic JSC	APLACO	High-grade plastic industry	Lane 200 Nguyen Son - Bo De Ward - Long Bien District - Hanoi	17,280 billion	30.41

Shareholder structure

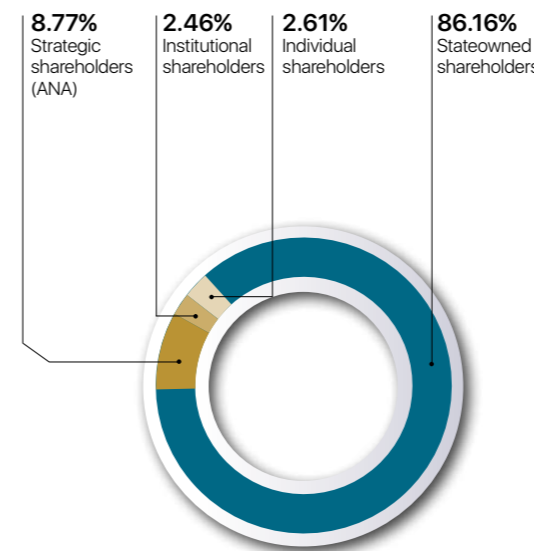
Share information

Type of shares	Type of shares
Par value	10,000/ share
Total number of outstanding shares	1,227,533,778 share
Total number of registered shares	1,227,533,778 share
Freely transferred shares	1,116,651,228 share
Restrictedly transferred shares	110,882,550 share

Shareholder structure

Shareholder structure	The number of Shareholders	The number of shares	Ownership rate
I. The State (Ministry of Transport)	1	1,057,638,000	86.16%
II. Organizations	41	137,893,350	11.23%
1. Domestic	28	26,972,852	2.20%
2. Overseas	13	110,920,498	9.04%
III. Individuals	11,552	32,002,428	2.61%
1. Domestic	11,375	31,470,749	2.56%
2. Overseas	177	531,679	0.04%
Total		1,227,533,778	100%

Source: List of shareholders completed as at January 30th, 2018)



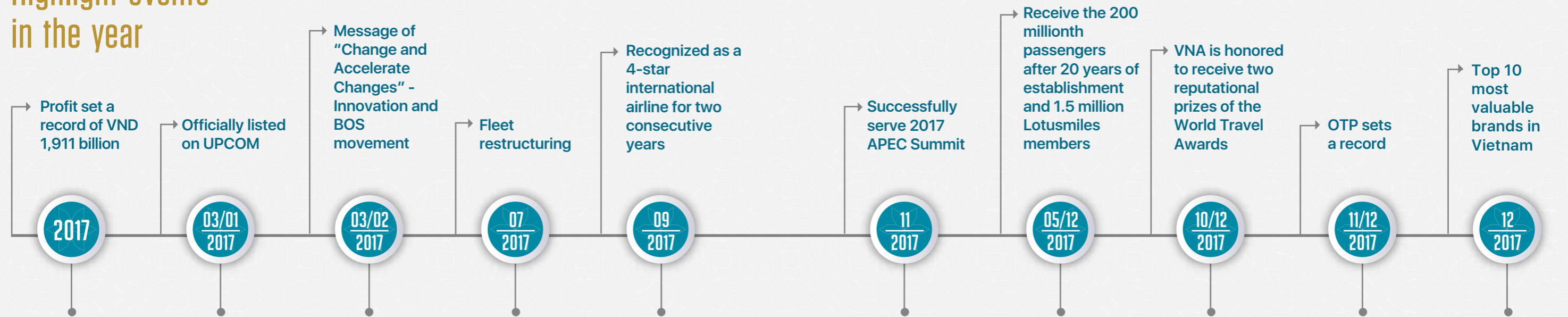
List of major shareholders (holding more than 5% of total shares)

Name of shareholders	Number of shares	Ownership rate
The State (Ministry of Transport)	1,057,638,000	86.16%
ANA Holdings Inc	107,668,938	8.77%

Situation of dividend payment

In 2017, the Board of Directors directed payment of dividends in cash to shareholders of VNA as approved in the 2017 Annual Shareholders' Meeting under legal provisions. Dividend payment was completed in October 2017 with payout ratio of 6% of par value, equivalent to the total payment of VND 736.5 billion.

Highlight events in the year



In 2017, profit for VNA Group set a record of VND 3,155 billion, higher than the record profit in 2016. This shows that we have successfully implemented sustainable development guidelines and dramatically improved business results. At the end of 2017, HVN stock price peaked at 43,000 VND/share, two times higher than offer price.

On January 3rd, 2017, VNA stocks with HVN code were officially listed and traded on UPCOM. This is a significant event in the development process of VNA, meeting the expectations of shareholders that hold HVN stocks and traded on Vietnamese securities market. By directly adding 1.2 billion stocks to the Vietnamese securities market, HVN contributed the second largest share quantity to UPCOM in terms of size and value.

In order to successfully achieve business goals set for 2017, since February 3rd, VNA has deployed plans to organize emulation and commendation movement with the motto of "Change and Accelerate Changes". With this message throughout 2017, VNA has provided products with stable quality, safely operated and performed flexible competition strategy for millions of customers who are willing to trust in and fly with VNA.

In 2017, VNA organized five blue-ocean strategy training courses with an attendance of 183 officials at all levels, focusing on 10 important topics. The "Blue-ocean strategy" has been extensively applied to staffs of agencies and units to bring new knowledge, create and develop management capacity, leadership thinking, strategic planning, to contribute to the flourishing of VNA.

In July, we also reached an agreement on the sale and completion of the handover of four Boeing 777-200ER aircrafts and one standby engine PW 4090 to Pratt & Whitney (PW). We signed a long-term rental contract to rent six new Airbus A321 neo aircrafts from Aviation Capital Group. In November, 2017, in the witness of the President of Vietnam Tran Dai Quang and the President of the U.S. Donald Trump, VNA and Pratt & Whitney signed a contract to purchase and support engine products for 20 Airbus A321neo aircrafts amounting to more than USD 1.5 billion. 2017 also marked the successful operation of a new-generation of B787 and A350 fleets including 11 B787 and 10 A350 aircrafts up to the end of 2017. At the same time, ATR fleet was completely handed over to VASCO.

On September 6th, at "Vietnam Night" Gala Dinner in the framework of the International Travel Expo 2017 in Ho Chi Minh City (ITE 2017), VNA was honored to be recognized as a 4-star international airline under Skytrax standards for the second consecutive year. With the 4-star certificate for the second consecutive year, VNA is added to the same list with other 4-star airlines such as Air France (France), Lufthansa (Germany), Emirates Airlines (UAE), Japan Airlines (Japan), Korean Air (Korea), etc.

As a special sponsor - the official carrier of 2017 APEC Summit, VNA has made a great impression, contributing to the overall success of the Summit and affirmed its position as "A National Cultural Ambassador" with 110 more flights, solemn and safe reception and guaranteed security. On this occasion, VNA was honored to be awarded the Medal of "Special sponsor for APEC Vietnam 2017" by APEC 2017 National Committee.

On December 5th, at Tan Son Nhat International Airport, VNA held a welcome ceremony for the 200 millionth passenger, marking an important milestone in its history of over two decades since its establishment. This milestone result from recent trust of the aviation community and millions of domestic and international passengers into efforts and achievements of VNA. This welcome ceremony shows great gratitude of VNA to 200 million valued customers who have put their trust in every flight of VNA and is also a commitment to endless efforts for perfect experience of passengers in the near future.

On December 10th, 2017, VNA was officially honored by the World Travel Awards (WTA) at the Global Awards Ceremony with two prestigious awards: "World's Leading Airline - Premium Economy Class" and "World's Leading Cultural Airline". This is not only the pride of each member of VNA but also the recognition by millions of passengers around the world. This greatly motivates each member, each department, unit and branch to keep on serving customers with the best quality.

In 2017, VNA continuously set records of on-time performance (OTP). On December 11th, OTP reached 96.17%, especially at Da Nang Airport, which was 100%. On December 12th, OTP reached 98.95%. Previously, on August 30th during the peak summer period, OTP of VNA was 95.83%.

As announced by Brand Finance - the world's top brand valuation company - brand value of VNA in 2017 increased by 3 levels, jumping from ranking 12th in 2016 to 9th in the list of the strongest brands in Vietnam. Brand value of VNA reached USD 310 million, compared to USD 194 million in 2016.

Titles and prizes awarded in the year 2017

01



Certificate of "4-star international airline" for the second consecutive year under Skytrax standards

02



World's Leading Airline – Premium Economy Class, awarded by the World Travel Awards

03



World's Leading Cultural Airline, awarded by the World Travel Awards

04



Airline of the year 2017 in Asia - Pacific awarded by CAPA

05



TOP 15 most valuable Vietnamese trademarks in 2017 voted by FORBES Vietnam

06



Included in Top 10 airlines with the highest On-Time Performance in the world according to international customer survey results

07



Brand Finance upgraded brand rating of Vietnam Airlines by 3 levels to AA, making it the most improved brand (BSI) in 2017 in Vietnam, valued as USD 310 million (USD 194 million in 2016)

08



Carrier of the highest number of tourists in Vietnam in 2017, according to the Ministry of Culture, Sports and Tourism

09



Top 50 Best Companies in Vietnam ranked by VNR (VIETNAM REPORT)

10



Top 10 famous brands voted by Vietnam Intellectual Property Association, Association of Vietnam Retailers and media organizations

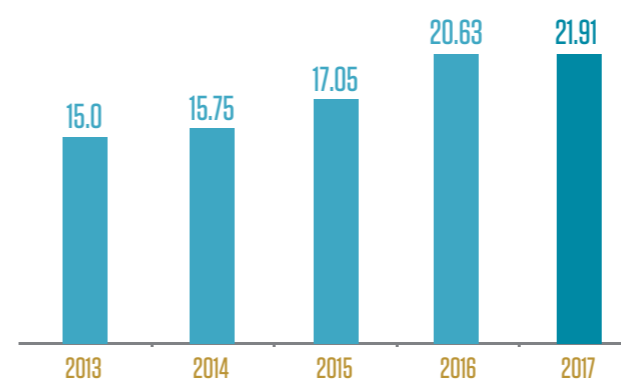


OVERVIEW OF BUSINESS RESULTS

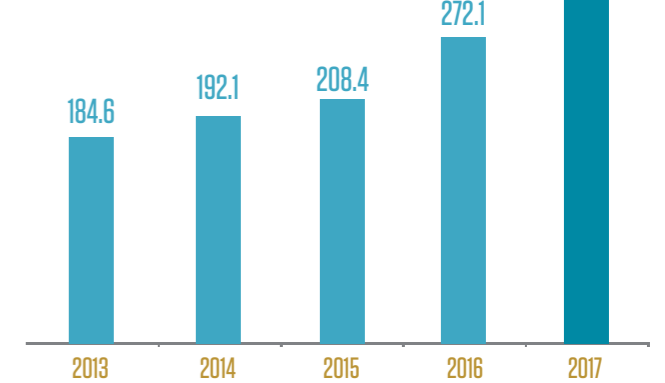


🌸 Graphs of operational indicator growth of Vietnam Airlines

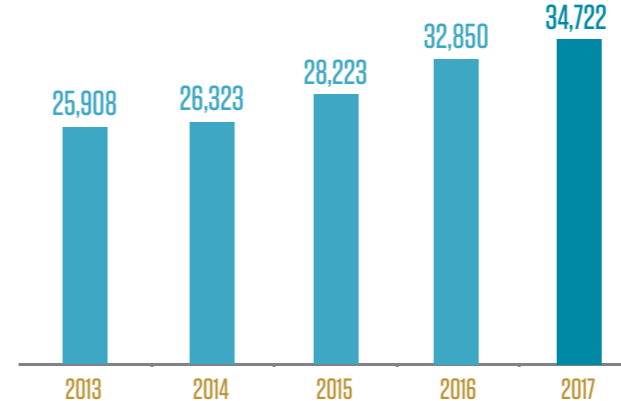
Passengers transported
(Million passengers)



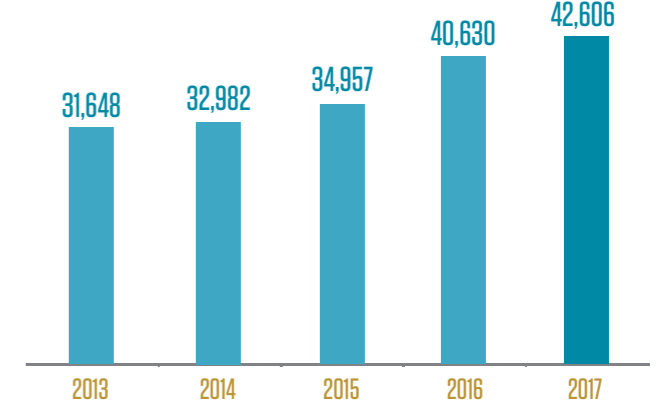
Cargo transported
(Thousand tons)



RPK
(Million passengers.km)



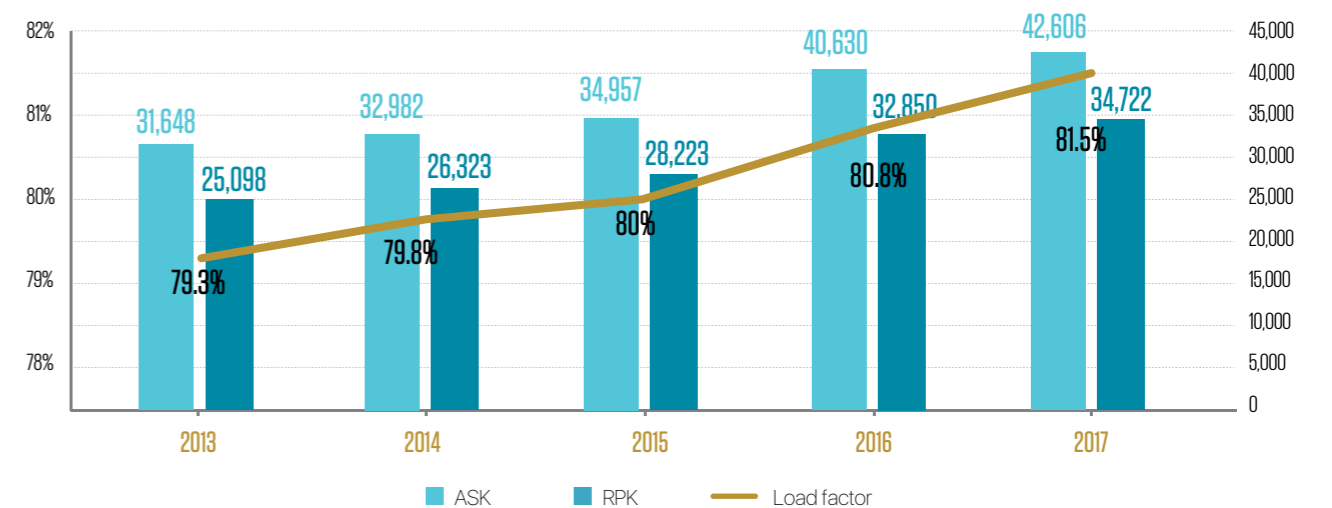
ASK
(Million seats.km)



Basic operational indicators

Indicators	Unit	2013	2014	2015	2016	2017	% Change 2017/2016
Total number of flights	flights	113,848	118,386	122,814	139,684	142,110	1.7%
Passengers carried	Million passengers	15.00	15.75	17.05	20.63	21.91	6.2%
Cargo and parcels carried	Thousand tons	184.6	192.3	208.4	272.1	322.3	18.4%
Revenue passenger kilometers (RPK)	Million passengers.km	25,098	26,323	28,223	32,850	34,722	5.7%
Available seat kilometers (ASK)	Million seats.km	31,648	32,982	34,957	40,630	42,606	4.9%
Load factor (LF)	%	79.3%	79.8%	80.7%	80.8%	81.5%	0.7 point

Load factor

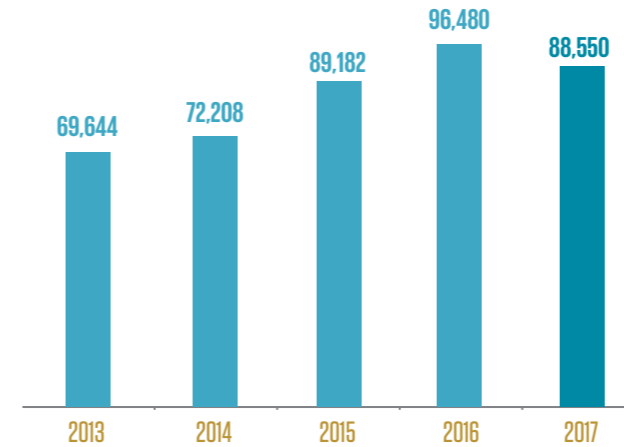


Basic financial indicators

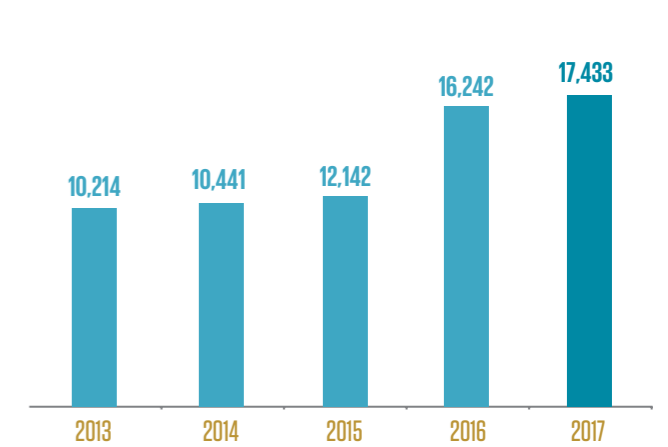
Unit: Billion VND

Indicators	2013	2014	2015	2016	2017	% Change 2017/2016
CONSOLIDATED BUSINESS RESULTS						
Total revenue	70,311	70,519	69,167	71,642	84,962	+18.6%
Net revenue	68,855	69,030	65,942	70,089	82,951	+18.4%
Total cost	69,805	69,795	68,118	69,041	81,808	+18.5%
Net operating profit	188	234	(193)	2,067	2,068	+0.03%
Profit before tax	507	724	1,049	2,601	3,155	+2.3%
Profit after tax attributable to shareholders of the parent company	43	164	506	2,055	2,371	+15.4%
CONSOLIDATED FINANCIAL INDICATORS						
Total assets	69,644	72,208	89,182	96,480	88,551	-8.2%
Liabilities	58,941	61,271	77,039	80,236	71,118	-11.4%
Owner's equity	10,247	10,441	12,142	16,245	17,433	+7.3%
Paid-up capital	9,062	9,023	11,199	12,275	12,275	0.0%
Profit after tax/Total assets (ROA, %)	0.4%	0.6%	1.4%	2.2%	2.9%	+0.7 điểm
Profit after tax/Average paid-up capital (ROE, %)	2.9%	4.6%	8.0%	17.9%	21.7%	+3.8 điểm

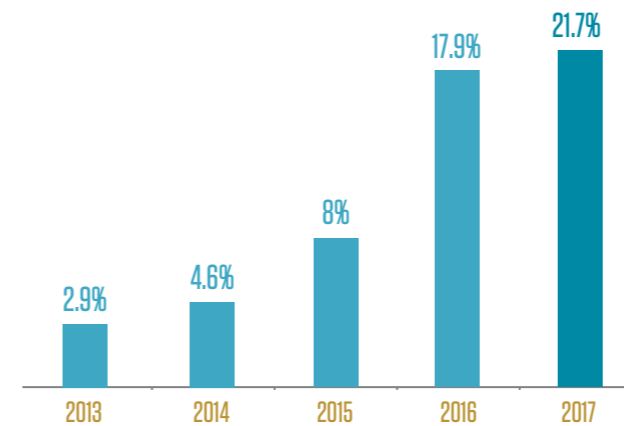
Total assets
(Billion VND)



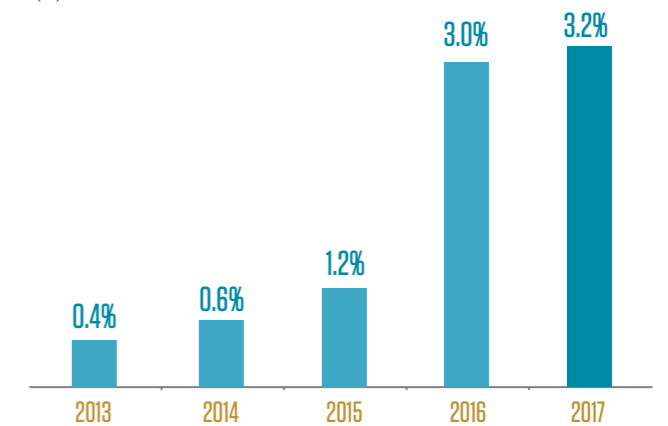
Owner's equity
(Billion VND)



ROE
(%)

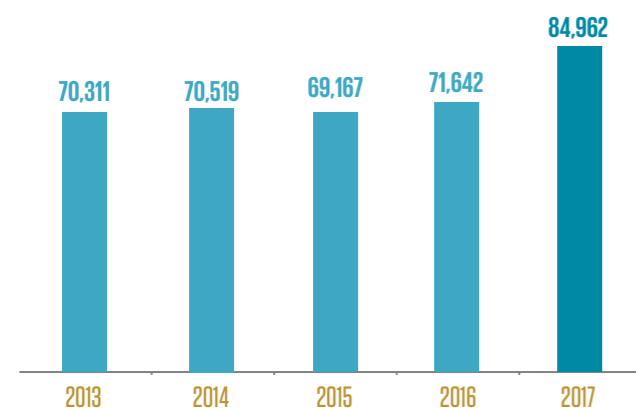


ROS
(%)

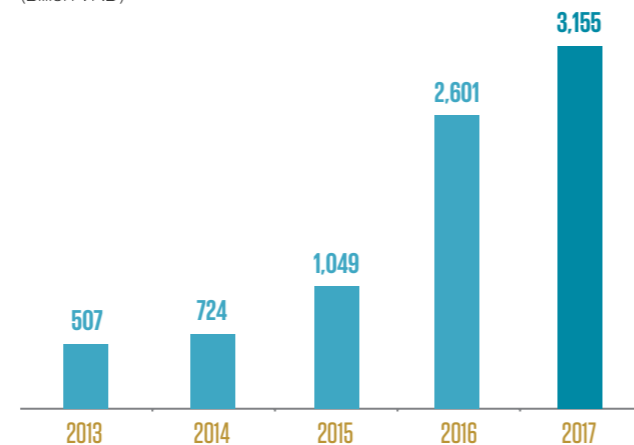


Graphs of financial indicator growth (consolidated indicators)

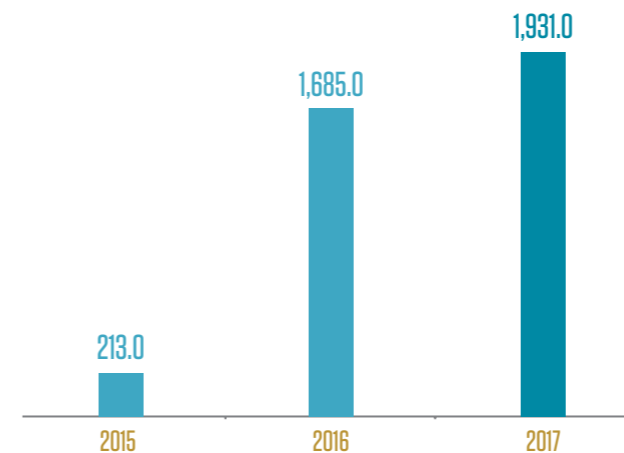
Total revenue
(Billion VND)



Profit before tax
(Billion VND)



Earnings per share
(VND)



TOTAL REVENUE VND 84,962 billion ▲ 18.6 %	TOTAL ASSETS VND 88,551 billion ▼ 8.2 %
OWNER'S EQUITY VND 17,433 billion ▲ 7.3 %	PROFIT BEFORE TAX VND 3,155 billion ▲ 21.3 %
MARKET CAPITALIZATION VND 2.4 billion ▲ 54.6 %	

ASSESSMENTS BY THE BOARD OF DIRECTORS

VNA business activity

In 2017, with the unity of effort and determination in the whole system, VNA successfully implemented the Resolution of the Annual Shareholders' Meeting and excellently achieved the business target:

No.	Criteria	Unit	Target 2017	Actual 2017	Actual/Target
1	Passengers transported	Million	22.55	21.91	97.2
2	RPK	Billion.km	35.80	34.72	97.0
3	Goods and packages transported	1000 tons	296.79	323.3	108.9
4	RFTK	Thousand tons.km	839,834	922,979	109.9
5	Revenue				
5.1	Consolidated	Billion vnd	87,900	84,962	96.7
5.2	Parent company	Billion vnd	66,872	64,920	97.1
	<i>In which: Revenue VTHK</i>	Billion vnd	61,993	63,967	103.2
6	Profits before tax				
6.1	Consolidated	Billion vnd	1,638	3,155	192.6
6.2	Parent company	Billion vnd	1,256	1,911	152.1
7	Profit after tax				
7.1	Consolidated	Billion vnd	1,338	2,659	198.7
7.2	Parent company	Billion vnd	1,256	1,816	144.6
8	Total investment	Billion vnd	2,925.6	2,187.8	74.8

Board of Management Activities

The Board of Management has successfully accomplished the objectives of 2017 business operation of Vietnam Airlines. Achievements include:

- Successfully exceeding the business targets of 2017.
- Fully and seriously implementing the Resolutions/Decisions/Directions by the Board of Directors, operating accordingly to the decentralization and authorization between the

Board of Directors and the Board of Management, ensuring the compliance with the provisions of the laws, VNA regulations and other current internal regulations;

- Thoroughly following the regulated reporting system to the Board of Directors and relevant government authorities about VNA's performance;
- Always striving to overcome

difficulties, resolving problems and issues and timely proposing to the Board of Directors for suitable guidance and directions;

- Constantly improving the competences of corporate governance in professional and modern manners with high responsibilities; drastically, actively and flexibly managing the operation for the interests of VNA and shareholders.

Direction for 2018

Vietnam's socio-economic environment in 2018 is forecasted as stable, with GDP growth of 6.7% compared to 2017. The aviation transportation market continuously maintains high growth momentum (inbound market is forecasted to increase 16.2%, domestic 13.8% and charter flights 35.4% over the same period of time). However, VNA will face with many difficulties and challenges such as high fuel prices, growing competition with low cost segment, overcrowding at airports (especially Tan Son Nhat airport), as well as the continual unpredictability of the world political and economic uncertainty.

In that context, with the goals and missions of 2018 plan, the Board of Directors determines the focal guidance under the motto of "ACCELERATING CHANGE, QUICKER – HIGHER", constantly innovating in management and operation, ensuring safety - quality - efficiency. Major orientations to be implemented in 2018 are as follows:

- Enhance the capacity of corporate governance, strengthen the organizational model and project management competences in accordance with the law and international standards; Effectively exploit and utilize operating resources on the basis of weekly market update rolling forecasts toward monthly, quarterly, and annually, according to the fields of activities, in order to fulfill

the objectives and targets assigned by the Annual Shareholders' Meeting.

- Continue to accelerate the administrative reform program: decentralization, authorization, delegation of power to working levels for proactive and responsible performance. Reduce unnecessary administrative procedures.
- Ensure absolute safety of flying operations; Improve the quality of Aviation transportation and synchronous services; Centralize on customers, develop products and services based on modern technologies; Sustain the service standards of the 4-star international airline.
- Closely coordinate between member airlines in VNA Group with products, resources and brand names, in order to improve the competitiveness and diversify products, ensuring the long-term and sustainable development objectives; Develop a plan to associate products, goods and services between businesses in the VNA Group.
- Continue the fleet renewal program, phase 2 of the fuel economy program; Improve the capacity of aircraft maintenance, engines and major aircraft technical systems; Optimal cost management of the technical block; Cooperate with

qualified partners to improve the levels and development of advanced and modern aviation techniques and technologies.

- Thoroughly and effectively implement marketing communication strategies and campaigns, products promotion, building VNA brand with the images of a modern, professional, friendly, dynamic and effective airline.
- Fundamentally change the control and management of VNA's Capital investing companies; Complete the management mechanism applicable to the airline's legal capital representatives; strengthen the inspection, supervision and evaluation of performance of companies with VNA's capital contribution, especially companies encountering difficulties and problems in production and business activities.
- Increase productivity and quality of labor; Ensure the income and benefits of the employees; Concentrate on employee training and job rotation planned for the period of 2016-2020 and 2021-2025.
- Develop and implement long-term and medium-term programs and plans: restructuring plan for VNA and companies with VNA's capital contribution in the period of 2018-2020; Plan to divest and reduce state ownership of VNA towards 2020; Fleet development plan between 2021-2025 and looking towards to 2030...

- Successfully organized the 2018 Annual Shareholders' Meeting; Complete the plan to increase the charter capital by offerings to existing shareholders and transfer the rights to purchase additional shares issued to the State shareholders; Applying procedures to stock-listing on HOSE, bringing the best values for VNA shareholders.





ASSESSMENT BY THE BOARD OF MANAGEMENT ON THE BUSINESS OPERATIONS SITUATION IN 2017

51 | Business environment

52 | Business results for business fields

77 | Key investment projects

82 | Financial performance

91 | Innovations in organizational structure and
management policy



Business environment

The growth rate of Vietnam's economy in 2017 reached 6.81%, the highest in the last six years, which combined with macroeconomic indicators and the high growth rate of the aviation industry have facilitated a boom in the aviation market. In which:

- The number of international passengers carried by VNA was 25.4 million, setting a record growth rate of 23.6% in comparison with the same period last year, resulting from outstanding increases in the number of Korean and Chinese passengers (accounting for about 50% of the growth rate of international passengers). Significant growth in low cost carriers has put dramatic competitive pressure on traditional airlines.
- The number of domestic passengers carried by VNA was 30.7 million, climbing by 10% in comparison with the same period last year. After a boom period in term of the loading capacity of LCC (2013 - 2016), the loading capacity of the domestic market in 2017 rose slowly by 6%, compared to the average growth rate of 20-30% in previous years.
- The number of passengers carried by air charter was 2.74 million, going up by 53% in comparison with the same period last year and 3.7% higher than forecast. Growth of this market was mainly focused in Northeast Asia.

Exchange rates between foreign currencies and USD was less fluctuated, and any fluctuation tended to favor VNA. The stability of Vietnamese dong has had positive impacts and reduced the financial expenses of VNA. These are basic advantages of VNA and member companies in VNA Group.

However, the complicated political and economic situation; world trade relations; the occurrence of natural disasters, including serious flooding all over the world and in Vietnam; and the unexpected increase of Fuel Prices etc. have affected transport demand and aviation business.

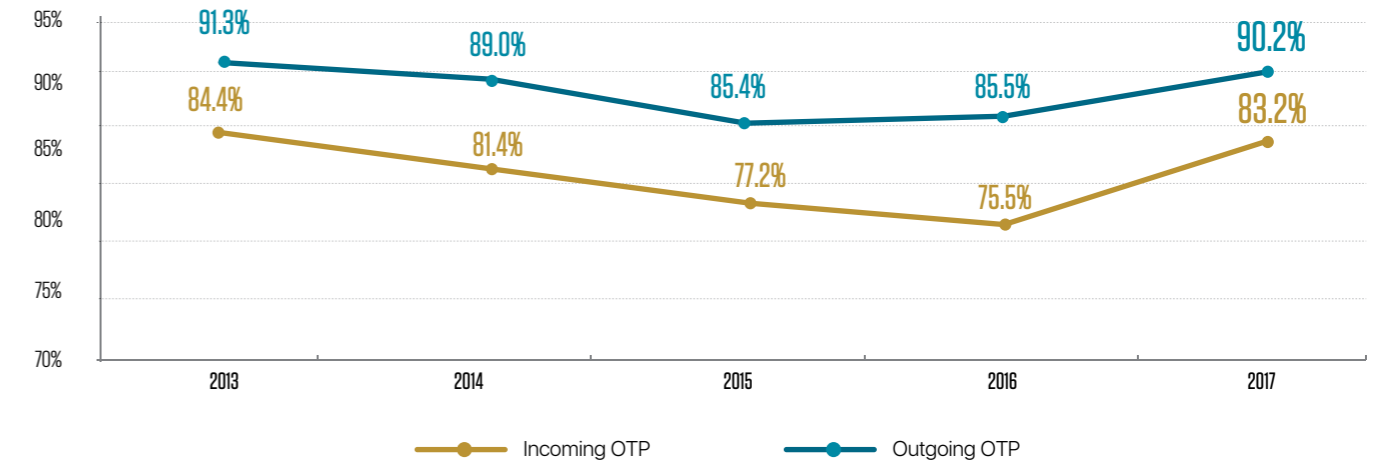
Business results for business fields

Passenger and cargo transport results

PASSENGER TRANSPORT

Region	Revenue from Passengers (Billion VND)		ASK (Billion seats.km)		RPK (Billion passengers.km)	
	2017	Compared with 2016 (%)	2017	Compared with 2016 (%)	2017	Compared with 2016 (%)
Domestic	19,216	17.8%	12.7	7.2%	10.52	10.5%
Europe	6,616	3.7%	7.51	-1.2%	6.33	1.0%
Northeast Asia	17,856	9.3%	13.57	5.3%	10.86	5.3%
Southeast Asia	3,208	-1.9%	2.40	-4.4%	1.86	-7.0%
Australia	2,870	4.0%	3.17	12.4%	2.38	7.9%
Indochina	1,985	-6.6%	0.97	-5.1%	0.64	-3.9%
Air charter	2,921	25.9%	2.32	29.1%	2.12	27.9%
Total	54,671	10.4%	42.61	5.3%	34.71	6.4%

On-time performance index (%)



As at the end of 2017, VNA has carried 142.1 thousand safe flights, and carried about 22 million passengers. Load factor was 81.5%, OTP was high throughout the year, even in peak seasons such as the Tet holiday, in which the average incoming OTP was more than 90%, making VNA one of the airlines with the highest on-time performance in the world.



Aware of the trends in the aviation market, in 2017, VNA has proactively and flexibly reduced its operation frequency on some routes with low performance and focused on high-income customers. Although output of passenger transport and loading capacity were about 3% lower than planned, operational performance.

- For international routes, VNA has put new-generation aircraft including B787 and A350 models into operation, especially for extremely important routes such as Australia, Japan, Korea and China. VNA has flexibly adjusted its products, seized opportunities in high potential markets, reduced impacts from increasing competition, maintained the average revenue and successfully exceeded the target of 2017.
- For domestic routes, VNA completed core products on main routes; launched programs such as "Round hours, easy choices" and "Ideal flight times, optimal choices"; proactively managed loading

capacity to match market demand; and optimized operational performance. In 2017, although domestic loading capacity was generally lower than planned, load factor and passenger transport revenue were significantly higher than planned compared to the same period last year. Furthermore, coordination among VNA, Vasco and JPA regarding resources has enabled VNA Group to extend its presence in the domestic market with flights to 21 domestic destinations, meaning the domestic market share of VNA regarding loading capacity was 59%, rising by 1.2 points in comparison with that of 2016.

- For air charter, total revenue in 2017 was more than VND 2,900 billion, increased by about 26% in comparison with the same period last year. This service is mainly performed by A321 aircraft during night time, which contributed to improvement in A321 operational performance as well as whole network performance.

GOODS AND PACKAGES TRANSPORTED

Region	REVENUE (BILLION VND)		AFTK (1000 TONS.KM)		RFTK (1000 TONS.KM)	
	2017	Compared with 2016 (%)	2017	Compared with 2016 (%)	2017	Compared with 2016 (%)
Europe	1,265	11.9%	379,065	6.4%	350,402	12.4%
Australia	328	54.0%	158,178	57.2%	103,324	43.3%
Northeast Asia	2,159	38.0%	394,708	30.0%	280,217	41.4%
Southeast Asia	290	1.0%	31,782	2.5%	22,360	5.6%
Indochina	13	8.3%	4,874	128.7%	977	-9.7%
Specialized aircraft, Air charter	10	233.3%	8,243	29.5%	1,703	442.4%
Domestic	1,703	16.5%	287,229	3.7%	163,785	13.2%
Total	5,768	23.5%	1,264,079	17.4%	922,768	23.1%

In 2017, cargo transport activities have made a great breakthrough. Cargo transport output and revenue from cargo transport grew by 19% and 22.3% respectively, in comparison with the same period last year. This results from the fact that VNA has increased operation frequency and used its wide-body fleet (A350 and B787) for key international and domestic air routes, while the air cargo market flourished in the context of electronic commerce development.



Service quality

In 2017, VNA continued to affirm its standing as a 4-star international airline for the second consecutive year under Skytrax standards. VNA opened Customer Care Centers 19001100 and 19001800 (for Lotusmiles members), providing outstanding services with personalization of customer care anytime and anywhere.

Simultaneously launching new Lotus lounges in Noi Bai and Tan Son Nhat, VNA has synchronized improved services with enhanced convenience and comfort for passengers.

Effective improvement in service quality is also evidenced by VNA's higher than anticipated OTP in 2017. The average departure OTP of flights was over 90%, making VNA one of airlines with the highest OTP in the world. Impressively, the high OTP was maintained year-round, including during peak seasons and though out the Tet holidays.



In 2017, VNA focused on developing its Kiosk checkin service to help passengers reduce waiting time at airports, and conveniently select seats on demand, thus reducing pressure on human resources. The average rate of passengers performing their own check-in witnessed impressive growth in comparison with the same period last year:

- In Noi Bai Airport, it reached 33.16%, climbing by 12.8% compared to that of 2016.
- In Da Nang Airport, it reached 26.6%, growing by 10.5% compared to that of 2016.
- In Tan Son Nhat Airport, it reached 34.3%, leaping by 11.6% compared to that of 2016.



LOTUSMILES PROGRAM

LOTUSMILES



Reach **1,500,000** Lotusmiles members

Launched in December, 1999, VNA's Lotusmiles Program achieved its greatest breakthrough in around two decades, reaching 1.5 million members in 2017. The Lotusmiles Program has attracted large numbers of customers with special offers for members such as qualifying miles, access to Business class lounges, check-in privileges, etc. The program has been continuously innovated to provide service quality and state-of-the-art technologies with the launch of online registration via the website (2009), the launch of the Lotusmiles account management mobile app (2013), and introduction of the 24/7 Lotusmiles Member Care Call Center 1900 1800 (2017), etc. At present, over 80 entities in various industries (aviation, telecommunications, finance, banking, tourism, hospitality, etc.) are partners of the Lotusmiles program and are entitled to various offers in many fields. In addition, since VNA joined SkyTeam in 2010, Lotusmiles members can exchange qualified miles for bonuses from more than 20 international airlines within this global aviation alliance.

Air routes

DESTINATION			AIR ROUTES		
Domestic	International	Total	Domestic	International	Total
21	29	50	38	52	90

As a Vietnam Flag Carrier, VNA boasts a wide air route network with high operational frequency and convenient transit flight schedule. VNA currently operates direct flights to 21 domestic airports and 30 international airports.

In 2017, VNA added a new route Hanoi - Sydney (Australia) to its summer flight schedule at a frequency of 3 flights/week by Boeing 787-9 Dreamliner, thereby raising total number of flights from Vietnam to Australia to 17 flights/week. In addition, in order to meet increasing demand by its customers, VNA increased the frequency of flights from Hanoi to Yangon (Myanmar) from 5 flights/week to 7 flights/week, Da Nang - Hangzhou route (China) from 2 flights/week to 4 flights/week.

Along with Jetstar Pacific Airlines (JPA), in June, 2017, VNA launched a new product on the air route to/ from Osaka (Japan) in the presence of Prime Minister Nguyen Xuan Phuc: JPA became the first low cost carrier of Vietnam to operate direct flights to Japan with its Hanoi/ Da Nang - Osaka route, whilst VNA officially put the Boeing 787-9 Dreamliner into operation on the Hanoi - Osaka route. This marks

its completion of key air routes from Hanoi/Ho Chi Minh City to Tokyo and Osaka (Japan) that are operated by new Boeing 787 and Airbus A350-900 XWB aircraft with 4-star international quality and high on-time performance.

In a joint venture agreement signed in October, 2017 between VNA and Air France, the two airlines committed to providing more options and convenience to passengers by combining their air route network and connecting regional and international transit hubs including Noi Bai Airport, Tan Son Nhat Airport and Paris-CDG Airport to 50 destinations in Europe of AF (compared to 14 destinations at present) and 21 domestic destinations of VNA. This will continuously link the air route network of SkyTeam member airlines to more than 1,000 global destinations.

In the domestic market, VNA has re-operated Hanoi-Tuy Hoa route at a frequency of 4 flights/week by A321 aircraft. The re-activation of the Tuy Hoa destination has affirmed the presence of the VNA Group in all domestic airports and reinforced its market share in local air routes.

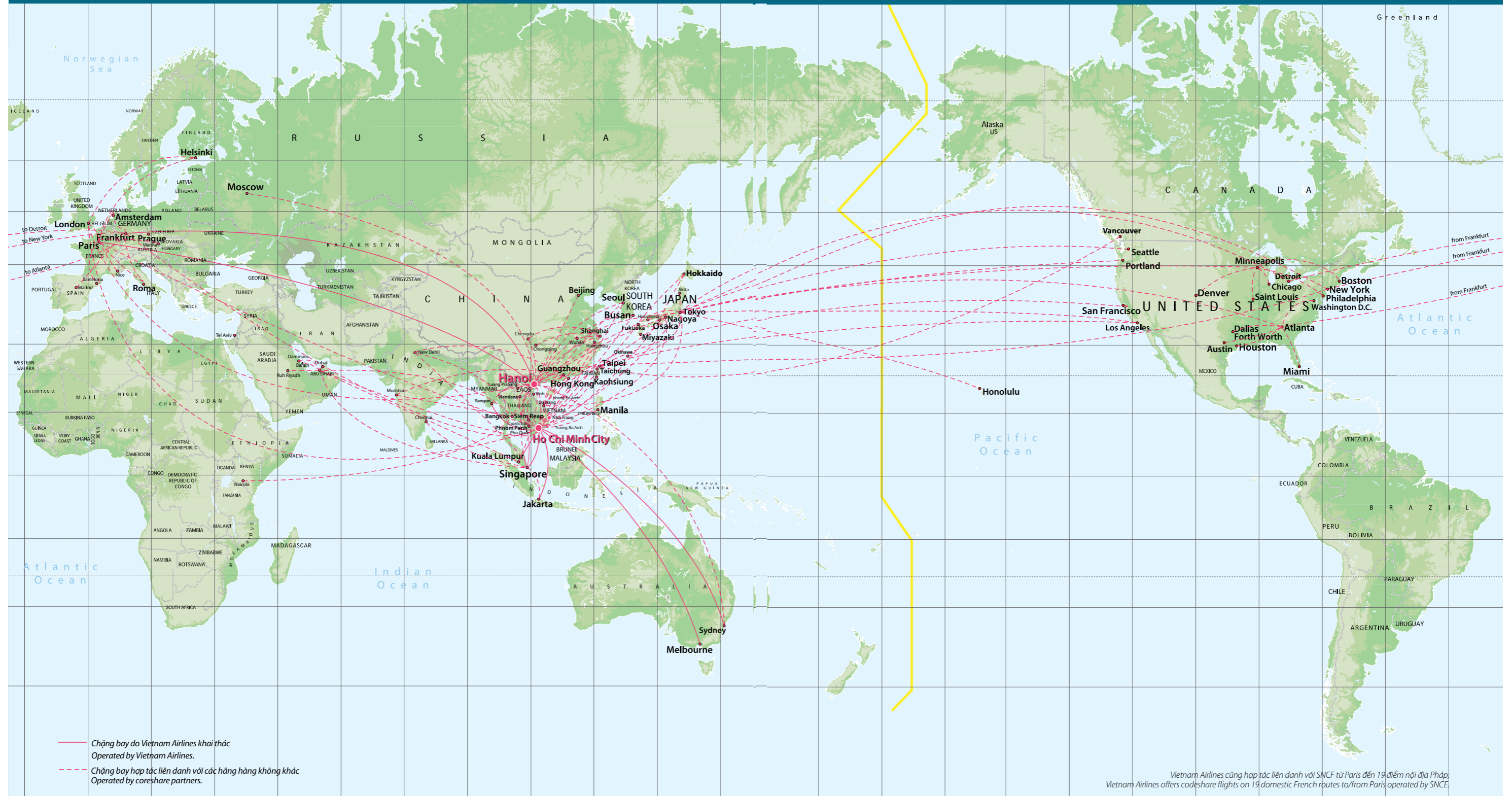
REGIONAL ROUTE MAP



ASIA ROUTE MAP

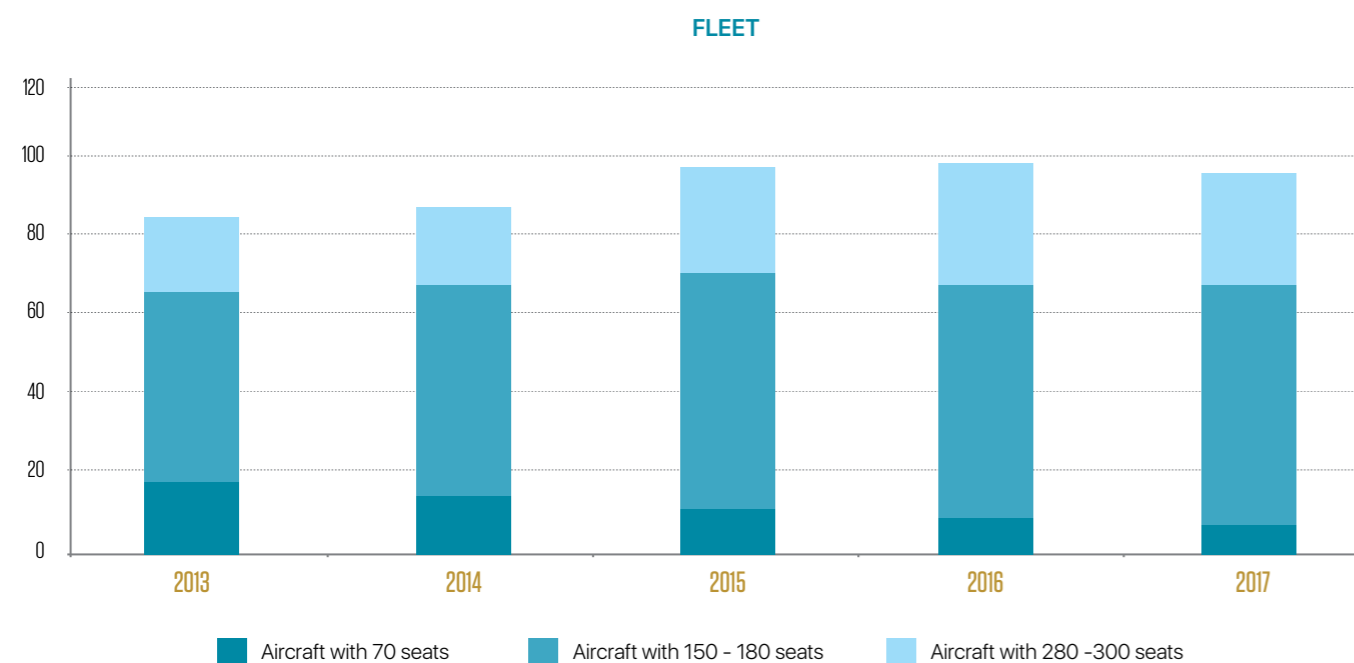


INTERNATIONAL ROUTE MAP



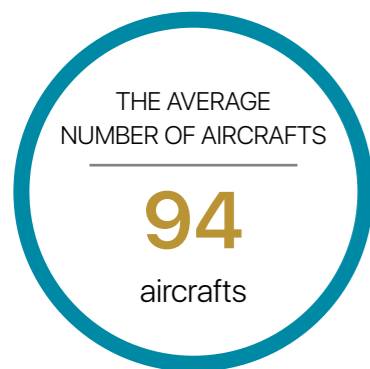
Market	Destinations
Vietnam	21 destinations: THE NORTH: Hanoi, Dien Bien Phu, Hai Phong, Vinh, Thanh Hoa THE CENTRAL: Da Nang, Nha Trang, Pleiku, Buon Me Thuot, Da Lat, Quy Nhon, Dong Hoi, Tuy Hoa*, Chu Lai, Hue THE SOUTH: Ho Chi Minh City, Can Tho, Ca Mau, Phu Quoc, Rach Gia, Con Dao
CLMV sub-region	5 destinations: Vientiane, Luang Prabang (Laos) Phnom Penh, Siem Reap (Cambodia) Rangoon (Burma)
Northeast Asia	8 destinations: Kaohsiung, Taipei (Taiwan) Tokyo, Osaka, Fukuoka, Nagoya (Japan) Seoul, Pusan (Korea)
Southeast Asia	4 destinations: Bangkok, Singapore, Kuala Lumpur, Jakarta
Australia	2 destinations: Sydney, Melbourne (Australia)
China	6 destinations: Hongkong, Shanghai, Beijing, Guangzhou, Chengdu, Hangzhou (China)
Europe	4 destinations: Paris (Germany), Frankfurt (Germany), Moscow (Russia), London (England)
Total	50 destinations

* The domestic air route has one more destination than in 2016, the is TBB (Tuy Hoa) re-operated by VNA since October, 2017



VNA is the airline with the largest and most modern fleet in Vietnam. The average age of the whole fleet is low in comparison with many other airlines in the world. The fleet structure is modernized and simplified with fewer models to improve operation performance, reduce costs and raise revenue and competitiveness in the market.

In 2017 VNA saw continued successes in its fleet reform roadmap. It has completed a lump sum sale of 04 B777-200ER aircraft and 01 standby engine PW 4090 after more than 15 years of operation; returned 01 ATR72 and 03 A330 leased aircraft; received 04 new A350 and 01 new B787, thus increasing the total number of VNA's next-generation, wide-body aircraft to 10 A350 and 11 B787. As at December 31st, 2017, the total number of aircraft in the VNA fleet is 96.



Aircraft type	AS AT DECEMBER 31 ST , 2016			AS AT DECEMBER 31 ST , 2017		
	Leased	Owned	Total	Leased	Owned	Total
70-seat aircraft	5	6	11	4	6	10
ATR	5	6	11	4	6	10
150-180 seat aircraft	17	41	58	17	41	58
Airbus A321	17	41	58	17	41	58
280-300 seat aircraft	17	11	28	19	7	26
Airbus A330	8	0	8	5	0	5
Airbus A350	6	0	6	10	0	10
Boeing B777	0	4	4	0	0	0
Boeing B787	3	7	10	4	7	11
Total	39	58	97	40	54	94



✿ Engineering services

In 2017, VNA successfully received and effectively put into operation the new A350 and B787 aircrafts, following the professional receipt process and careful preparation in all steps from technician training, equipment supplies, and the deployment of engine and aircraft maintenance programs performed by major partners such as Rolls-Royce, Thales, SAFRAN, etc. As a result, VNA has always ranked among the leading airlines in the world for A350 and B787 aircraft operation reliability.

The aircraft maintenance capacity of VNA was impressively improved in 2017 when VAECO (a wholly owned

subsidiary of VNA) was conferred the EASA-145 certificate of European Aviation Safety Agency (April, 2017) and became the first and only aircraft maintenance organization in Vietnam to hold these two most key certificates including FAR-145 (Federal Aviation Administration) and EASA-145. Holding EASA-145, VAECO is certified competent to provide maintenance and repair services and put aircraft registered in Europe into operation. This will facilitate the issuing of more approvals by global aviation authorities to Vietnam and gain the trust of international customers and aviation insurers with regards to maintenance service quality in Vietnam.

✿ Cooperation programs

2017 marked dynamic, effective deployment and expansion of cooperation programs and agreements between VNA and partners inside and outside the field of aviation:



Commercial cooperation

- VNA cooperated with new partner Bangkok Airways (Thailand) in 2017, increasing the total number of partners to 26 (25 airlines and 01 French train company). By bilateral cooperation, VNA has added 89 destinations around the world, with a strong presence in all 5 continents.
- In particular, VNA has implemented a joint venture agreement between Vietnam and France with Air France and established the JV VN-AF Executive Board in 2017 to take advantage of the strengths of each party with regards to air routes, sales networks, technical and financial infrastructure, regular customers, lounges, etc. The common aim is to bring practical benefits to consumers and the business community, including Vietnam and AF.
- For multilateral cooperation: As the most premium member of Skyteam, VNA has been involved in Skyteam activities and projects, motivating VNA to upgrade its service standards and systems and meet the requirements of Skyteam. VNA has actively participated in activities at IATA's multilateral organizations, promoting its roles and influences towards common policies in favor of Vietnam.



Strategic cooperation

2017 marked a new leap in comprehensive cooperation between VNA and its strategic investor, ANA Holdings Inc. (ANA). The two parties have gained outstanding achievements in fields such as:

- Expand codeshare flights from/to Cambodia operated by VNA.
- Allow members, frequent-flyer passenger (FFP) of two airlines to add miles on codeshare routes instead of codeshare flights.
- General trade promotion activities (programs for encouraging Vietnamese tourists to visit Japan, image promotion and incentive programs for regular customers).
- Continue to provide technical support, focus on corporate governance, trade, operation, customer service, information technology and engineering.



Cooperation with local authorities (the People's Committees of provinces and cities)

In accordance with the strategy for cooperation development, the promotion and extension of tourism potential and the socio-economic development of VNA with provinces and large cities, in order to improve roles and promote the image of Vietnam Flag Carrier - VNA, in 2017, VNA signed comprehensive cooperation agreements with the People's Committee of many provinces and large cities such as the People's Committee of Hanoi (February 22nd, 2017), the People's Committee of Ho Chi Minh City (June 29th), the People's Committee of Thua Thien Hue Province (August 11th, 2017), the People's Committee of Khanh Hoa Province (October 18th, 2017).



🌸 Communications and brand development

Throughout 2018 - 2020, VNA will focus on brand development, working towards proactive preparation of its long-term brand development strategy in conformity with VNA's capacity and resources. The objective is to continue to dominate the Vietnamese market and, by 2020

to become the largest airline in ASEAN and a preferred airline in Asia for service quality, especially in-flight service and strengthen brand reputation globally. Global branding and strategic advertising are continuously performed with the advice of professional agencies.

- Brand positioning and communications:
 - In 2018: Committed to stable and synchronous 4-star quality.
 - In 2019: Always strives to reach further.
 - In 2020: Global airline, striving towards 5-star service standard.





● Branding strategy

Brand differentiation strategies:

- A 4-star airline strives toward a 5-star service quality based on 04 main criteria: Safety, high OTP; Professional, full services; Convenient flight schedule and flexible pricing ranges.
- Service quality beyond expectation: Comprehensive customer care services, bring in customers' trust and positive emotions towards the brand.

- Continue to affirm VNA's position against competitors: strive to reach an international 5- star airline standard with a good reputation in the region and all over the world, positively representing the image and culture of Vietnam.
- Sustainability development and corporate social responsibility demonstrates the brand attributes of Charity, Confidence, Dedication and Solidarity as follows:

- + Flights of Nation - Vietnam's cultural touch: Mission to contribute to national development; proudly represent the national image.
- + Flights of You - Always concern about customers' interests: A 4-star airline with modern fleet; aviation alliance and VNA group.
- + Flights of Love - A brand of humanity, has social responsibility with the community and public.

- + Flights of Us - A brand of solidarity: An international 4-star airline strives towards 5-star service standard.
- Develop brand image: Modern, creativity, friendliness, activeness, effectiveness and having social responsibility.



Information technology

Information technology system plays a key role in VNA's increasingly stronger growth, providing efficient assistance to management, administration and operation across the group's business. In 2017, VNA performed 76 IT projects/schemes, focusing on important IT application and infrastructure systems. The average annual readiness of the IT systems is 99.97%. Information security and cyber defense continue to be ensured with 24/24 strict supervision, which has enabled VNA to successfully protect its IT systems from the biggest ransom ware attack worldwide, WannaCry and its variants and ensure smooth operation of IT systems throughout the peak seasons.

For IT cooperation development, in 2017, VNA signed a strategic cooperation agreement with Viettel and FPT Group to improve IT capacity for VNA, to supply products and services between the parties, and to supervise, update and upgrade cyber defense measures. VNA also signed the Coordination Regulation with the Cyber Security Department A68 (the Ministry of Public Security) for information security and safety.

Key investment projects

In 2017, the total investment capital of air transport projects of Vietnam Airlines amounted up to 2,188 billion. VNA focused on equipment investment projects for new fleet of A350, B787 aircrafts; infrastructure development projects in order to meet the business demands as well as improve service quality of VNA. The investments in 2017 not only has complied with regulations, conformed to development strategies, planning and plans of VNA, but also accommodated essential requirements and assured the efficiency.



Key investment projects

In 2017, VNA implemented 02 Group-A investment projects and 14 Group-B investment projects. The projects have been progressing on schedule. Specifically, for the project purchasing 10 A350-900s, VNA has received 06/10 new aircrafts, the rest are scheduled for delivery in 2018 - 2019 in form of SLB. The project on changing 08 B787-8s for B787-9s has finalized the purchase (08/08 aircrafts delivered).

External investments

In 2017, VNA additionally invested VND 41.5 billion into MASCO, NCS and Sabre VN under capital increase plans approved by the competent authorities. In general, external investments in 2017 achieved preset targets and met requirements on preserving and developing external investment. Most of investment portfolio had high return, total profit/dividends from these enterprises continuously grew, positively contributing to VNA's business. According to meeting minutes of the 2017 BOD/GMS of VNA's

affiliates, the total value of dividends and profit VNA received from its 2016 business was VND 968.5 billion, making the return/total investment as of December 31st, 2017 15%.

Business result of affiliates

Activities of VNA and its affiliates in VNA Group are closely associated with each other and effectively serve main business operation of VNA.

No.	Company	Business situation
1	 VAECO A SUBSIDIARY OF VIETNAM AIRLINES	In March 2017, VAECO was approved by the European Aviation Safety Agency to maintain aircrafts under EASA145 certificate. Accordingly, VAECO held aircraft maintenance certificates issued by two world's leading aviation authorities including FAA and EASA, making VAECO a strong player in the region and in the world. The Company ensured absolute safety in aircraft maintenance and flight operation for VNA and other customers, capital efficiency and outstanding achievements. In 2017, the total revenue of VAECO was VND 2,233 billion, profit before tax was VND 127.6 billion, rising by about 15% compared to 2016.
2	 Skypec VIETNAM AIR PETRO	In order to meet requirements on fuel quality specifications for aircrafts, the company invested and built 03 laboratories against international standard ISO/IEC 17025:2005 with 10 standard tests. Quality management system of the Company met international standard ISO 9001-2008 and has been improved, upgraded to international standard ISO 9001-2015. In 2017, the total revenue of Skypec was VND 20,767.7 billion, profit before tax was VND 321 billion, increasing by 20% compared to 2016.
3	 VACS A SUBSIDIARY OF VIETNAM AIRLINES	The Company got ISO 9001-2008 certificate and received many awards for caterers from large airlines in the region and in the world such as Singapore Airlines, All Nippon Airways, Korean Air, United Airlines, etc. In June, 2014, the Company was awarded 2016 Best Caterer prize by Asiana Airlines. In 2017, the total revenue of VACS was VND 825.78 billion, profit before tax was VND 171.81 billion, climbing by 6.76% compared to 2016.
4	 VIAGS A SUBSIDIARY OF VIETNAM AIRLINES	Originally established as factories providing ground services, VIAGS has over 25 years of experience in this field, more than 4,000 highly qualified staff who are professionally trained from basic to advanced level, and modern equipment system operated at the highest safety and quality level under ISO 9001-2015 and ISAGO at all times. 2017 was the second year that the Company operated as a one member limited liability company with total revenue of VND 1,857 billion, profit before tax of VND 167 billion, raising by 26% compared to 2016.
5	 NCTS NOI BAI CARGO TERMINAL SERVICES JSC A SUBSIDIARY OF VIETNAM AIRLINES	NCTS aims to become the leading professional cargo terminal services company in the North Vietnam. In 2017, NCTS was conferred upon ISAGO certificate and ISO 9001: 2008 quality management system certificate, honorably ranked as the second in the whole air route of Singapore Airlines and received many certificates of merit from large airlines such as China Southern Airlines, Etihad Airways, etc. The total revenue in 2017 of NCTS reached VND 742 billion, profit before tax was VND 340 billion, equivalent to 127% of the annually planned one.

No.	Company	Business situation
6	 TCS A SUBSIDIARY OF VIETNAM AIRLINES	Transformed from a limited liability company into Tan Son Nhat Cargo Services JSC since August 01st, 2017 with 55% of charter capital owned by VNA, the Company specializes in providing cargo services for international flights at Tan Son Nhat Airport to customers including international airlines and forwarding agents. TCS aims to become one of the leading cargo terminals in Southeast Asia. In 2017, TCS was honorably conferred upon quality management system certificate under ISO 9001:2015 for "Air cargo services", received a huge number of certificates of merit from large airlines such as Korean Air, China Airlines and was honored as "Enterprise of the Year 2017" by the Border Gate Customs Sub-Department of Tan Son Nhat International Airport. As a pioneer in providing cargo services through Tan Son Nhat terminal, profit of TCS has high annual growth rate. In 2017, the total revenue of TCS was VND 815 billion, profit before tax was VND 515 billion, going up by 18% compared to 2016.
7	 TECS EXPRESS	In 2017, the total revenue of TECS reached VND 299.8 billion, pre-tax profit reached VND 77.7 billion, leaping by 114.4% compared to 2016.
8	 VINAKO FORWARDING CO., LTD. A SUBSIDIARY OF VIETNAM AIRLINES	In 2017, International Air Transport Association (IATA) conferred Vinako upon IATA's official member certificate. In 2017, the total revenue of Vinako was VND 148.36 billion, profit before tax was VND 18.23 billion, surging by 8.27% compared to 2016. It is expected that VNA receives VND 9.36 billion from 2017 business result of Vinako.
9	 NCS	Specialized in in food production, processed food, food and drink catering services, etc. with about 30 years of experience. NCS has maintained application of ISO 22000: 2005 quality management system, HACCP, HALAL standard to production. Since its establishment, NCS has been voted by many large airlines as the best caterer in the world. (Japan Airlines voted NCS as "The Best Caterer in Asia in 2017"). In 2017, the total revenue of NCS reached VND 616.343 billion, profit before tax reached VND 105.15 billion, jumping by 24% compared to 2016.

No.	Company	Business situation
10	 NASCO A SUBSIDIARY OF VIETNAM AIRLINES	Nasco has been applying ISO 9001: 2015 quality management system. Nasco received certificate for 4-star C room from Skytrack, BSI certificate of ISO 9001: 2015 quality management system. In 2017, Nasco continued to expand its services to foreign customers and signed contracts with new partners such as Air Macau, Asiana Airlines. In 2017, the total revenue of Nasco was VND 420 billion and profit before tax reached VND 22.36 billion.
11	 VIET FLIGHT TRAINING	VFT is the first pilot training institution in Vietnam approved by the Civil Aviation Administration of Vietnam. In 2017, the total revenue of VFT was VND 46.64 billion, profit before tax was VND 7.6 billion, increasing by 17.05% compared to 2016.
12	 AITS	AITS is in charge of essential information technology - telecommunications services such as Amasis system, Webportal system, active monitoring system, Netline system, Email system, etc. In 2017, the total revenue of AITS reached VND 193.4 billion, profit before tax reached VND 9.4 billion, raising by 92.5% compared to 2016.
13	 Alsimexco	Since its establishment, business operation of the Company has maintained high growth rate at all times. In 2017, the total revenue of Alsimexco was VND 330.27 billion, profit before tax was VND 5.45 billion, surging by 44% compared to in 2016. It is expected that amount of dividends received by VNA from 2017 business result of Alsimexco is VND 1.87 billion.
14	 Sabre	In 2017, Sabre Vietnam provided customer care services to VNA. In 2017, the total revenue of Sabre reached VND 77.8 billion, profit before tax was VND 8.6 billion, climbing by 226% compared to 2016. It is expected that amount of dividends received by VNA from 2017 business result of Sabre is VND 3 billion.
15	 Jetstar	It is essential to develop JPA towards LCC model as a low cost carrier to improve competitiveness of VNA Group in line with the common trend of air transport market and VNA's development strategy. In 2017, VNA directed its authorized representative of capital contribution in JPA to take flexible measures to manage JPA's business operation, aiming at revenue increase, cost reduction and solutions to restructuring.

List of associates

No.	Company	Business situation
1	 VALC	VALC was established to purchase aircrafts for domestic airlines to lease and operate, which has supported the growth of Vietnam's aviation industry, increased the number of aircrafts owned by Vietnam, reduced dependence on international aircraft market, enhanced competitiveness and promoted integration of Vietnam's aviation industry into the world. In 2017, the total revenue of VALC reached USD 85.5 million, profit before tax reached USD 26.6 million, jumping by 2.74% compared to 2016.
2	 Cambodia Angkor AIR	In an effort to improve quality and security under IOSA standards, K6 was conferred upon IOSA certificate in July, 2017 and recognized as an IATA member in August, 2017. Accordingly, K6 is the first airline of Cambodia to hold these international certificates, enabling it to expand its commercial cooperation with international airlines. K6 has comprehensively cooperated with VNA regarding code-share on domestic air routes, international flights to the UK, France, Hong Kong and deployed code-share cooperation with Laos Airlines since September, 2017.
3	 MASCO	Masco is the first business unit to provide aviation services in the Central Vietnam. In 2017, the total revenue of Masco reached VND 296.86 billion, profit before tax reached VND 49.47 billion, equal to 88.9% compared to 2016. It is expected that the amount of dividends VNA received from Masco's 2017 business is VND 11.5 billion.
4	 AIRIMEX AN AFFILIATE OF VIETNAM AIRLINES	Airimex was recognized by the Customs Department of Hanoi as a unit successfully implementing Vietnam Automated Cargo Clearance System and Vietnam Customs Intelligence System (VNACCS/VCIS) and was honored by Hanoi Stock Exchange (HNX) as top 30 of 500 most transparent companies on HNX during the period of 2013 - 2014. In 2017, the total revenue of Airimex reached VND 255 billion, profit before tax of the company reached VND 10.3 billion, going up by 7% compared to 2016.
5	 APLACO	Aplaco mainly operates in plastic industry, Aplaco is one of the leading enterprises of Vietnamese plastic industry with sufficient and state-of-the-art equipment, technologies, providing high-quality and practical products in various shapes and colors including products for airlines, packaging products, etc.

Financial performance

Financial position

Unit: Billion VND

No.	Items	2016	2017	2017/2016 Difference	
				Value	%
I VNA Group					
1	Total asset value	96,480	88,550	-7,930	-8.2%
2	Owner's equity	16,245	17,433	+1,188	+7.3%
3	Total revenue	71,642	84,962	+13,320	+18.6%
4	Net revenue	70,089	82,951	+12,862	+18.4%
5	Net operating profit	2,067	2,068	+1	+0.04%
6	Profit before tax	2,601	3,155	+554	+21.3%
7	Profit after tax	2,105	2,659	+554	+26.3%
II Vietnam Airlines					
1	Total asset value	87,033	79,197	-7,836	-9.0%
2	Owner's equity	16,302	16,931	+629	+3.9%
3	Total revenue	58,389	64,920	+6,531	+11.18%
4	Net revenue	56,518	63,375	+6,856	+12.1%
5	Net operating profit	1,234	1,521	+287	+23.2%
6	Profit before tax	1,711	1,911	+200	+11.7%
7	Profit after tax	1,703	1,816	+113	+6.6%

RECORD PROFIT
BEFORE TAX

VNA Group

VND 3,155 billion

▲ 21.3 %

Vietnam Airlines

VND 1,911 billion

▲ 11.7 %

2017, given the growth of air transport market, VNA proactively seized opportunities and effectively took management solutions to successfully exceed the preset business targets. Profit before tax of VNA Group rocketed to VND 3,155 billion up 26.3% compared to 2016 and exceeding by 92.6% in comparison with the planned one. Profit before tax of Parent Company (Vietnam Airlines) surged to VND 1,911 billion, climbing by 11.7% in comparison with that in 2016 and exceeding by 52.2% in comparison with the planned one.

In 2017, the Corporation was recognized as the Enterprise with the best financial indicators in market. According to assessment by Brand Finance, the brand value of VNA is USD 310 million, jumping by more than 60% compared with that in 2016.

Business performance and financial balances were significantly improved towards effectiveness, balance, transparency and sustainability. 2017's profitability indicators were higher than those in 2016 because operating revenue and profit were better. Liabilities decreased in comparison with the same period last year because the owner's equity went up. Liquidity indicators were higher without overdue debts; principals and interests were paid on due. In general, financial capacity of VNA in 2017 was safe and reliable.

Main financial indicators

Item	Unit	2016	2017
VNA Group			
Liquidity			
Current ratio	time	0.76	0.65
Quick ratio	time	0.67	0.55
Capital structure			
Liabilities to total assets ratio	time	0.83	0.80
Liabilities (excluding income from sale of transport vouchers) to the average owner's equity ratio	time	4.52	3.64
Operation capacity			
Inventory turnover (= cost of goods sold to the average inventory ratio)	time	26.7	24.3
Net revenue to total assets ratio	time	0.73	0.94
Profitability			
Profit after tax to net revenue ratio	%	3.00%	3.21%
Profit after tax to the average paid-up capital	%	17.94%	21.66%
Profit after tax to total assets	%	2.18%	3.00%
Earnings per share	VND	1,685	1,931
Vietnam Airlines			
Liquidity			
Current ratio	time	0.63	0.50
Quick ratio	time	0.62	0.48
Capital structure			
Liabilities to total assets ratio	%	81.27%	78.62%
Liabilities (excluding income from sale) to owner's equity ratio	time	3.94	3.26
Operation capacity			
Inventory turnover (= cost of goods sold to the average inventory ratio)	time	149.59	127.13
Net revenue to total assets ratio	time	0.65	0.80
Operation capacity			
Profit after tax to net revenue ratio	%	3.01%	2.87%
Profit after tax to the average paid-up capital	%	14.51%	14.79%
Profit after tax to total assets	%	1.96%	2.29%
Earnings per share	VND	1,388	1,479

Assessment of consolidated financial status

VENUE

Unit: Billion VND

Revenue structure of VNA group	2016	2017	2017/2016 Difference	
			Value	%
1. Revenue from sales and service supply	70,572	83,554	12,982	118.4%
<i>Revenue from air transport</i>	60,052	68,929	8,877	114.8%
<i>Revenue from ancillary transport</i>	3,679	4,255	576	115.7%
<i>Sales revenue</i>	5,852	9,529	3,677	162.8%
<i>Other revenues</i>	989	841	-148	85.0%
2. Sales deductions	483	603	120	124.8%
3. Net revenue	70,089	82,951	12,862	118.4%
4. Financial revenue	900	907	7	100.8%
5. Other incomes	578	1,125	547	194.6%
6. Gain and loss in joint venture companies, associates	75	-20	-95	-26.7%
7. Total revenue and other incomes	71,641	84,962	13,321	118.6%

Total revenue includes net revenue, financial revenue, gain and loss in associates and other revenues

Total cost includes cost of goods sold, financial expenses, selling expenses, overhead costs, other costs

2017 witnessed an increase of VNA's consolidated net revenue by 18.4% in comparison with that in 2016, equivalent to VND 82,951 billion. In the consolidated net revenue structure, air transport accounted for the largest percentage (83.1% of the net revenue), mainly from revenues of VNA, JPA and K6. This showed that air transport plays a key role in business operation of the Group.

COST

Unit: Billion VND

Cost structure of VNA group	2016	2017	2017/2016 Difference	
			Value	%
1. Cost of raw materials	21,239	28,709	7,470	35.2%
2. Labor cost	8,283	8,838	555	6.7%
3. Fixed asset depreciation	5,218	5,193	-25	-0.5%
4. Leasehold service cost	29,699	35,066	5,367	18.1%
5. Other operating costs	1,508	1,670	162	10.7%
6. Financial expenses	3,049	2,294	-755	-24.8%
7. Other costs	45	37	-8	-17.8%
Total	69,041	81,807	12,766	18.5%

The total consolidated cost reached VND 81,807 billion, increasing by 18.5% in comparison with that in 2016. The increase of consolidated cost mainly came from dramatic rise in raw materials cost (aircraft fuel) and leasehold service cost (aircraft, engine rental) by 35.2% and 18.1%, respectively in comparison with the same period last year. These two costs also accounted for the highest percentages of the consolidated cost structure, 35.1% and 42.9%, respectively.

ASSET SITUATION

Unit: Billion VND

Item	2016	2017	2017/2016 Difference	
			Value	%
1. Current assets	22,309	21,122	-1,187	-5.3%
2. Non-current assets	74,171	67,428	-6,743	-9.1%
Total assets	96,480	88,550	-7,930	-8.2%

The total consolidated assets as of December 31st, 2017 reached VND 88,550 billion, decreasing by VND 7,299 billion compared to in 2016 (equivalent to 8.2%). The main reason was VNA sold 4 B777s and depreciated its fixed assets while not yet purchasing new aircrafts. This reduced noncurrent assets by 9.1% compared to that in 2016, from VND 74,171 billion at the end of 2016 to VND 67,428 billion. Also, current assets reduced by 5.3% in comparison with that in 2016, equivalent to VND 1,187 billion (mainly due to decrease in advance to purchase A350 aircrafts in form of SLB in the year). As at the end of 2017, the total assets of VNA Group slumped by 8.2% compared to the same period in 2016.

Assessment of financial status of Vietnam Airlines (Parent Company)

OWNER'S EQUITY AND USE OF CAPITAL AND LOANS

Unit: Billion VND

Item	2016	2017	2017/2016 Difference	
			Value	%
1. Liabilities	80,236	71,118	-9,118	-11.4%
Current liabilities	29,363	32,739	3,376	11.5%
Non-current liabilities	50,873	38,379	-12,494	-24.6%
2. Owner's equity	16,245	17,433	1,188	7.3%
Total capital	96,480	88,550	-7,930	-8.2%

Regarding consolidated capital structure, as of December 31st, 2017, the owner's equity of VNA Group increased by VND 1,188 billion compared to the same period in 2016 (rising by 7.3%) to VND 17,433 billion (this came from significant increase of profit after tax by 61.4%) whereas total liabilities slumped by 11.4% compared to the same period last year, negatively affected by decrease of non-current liabilities (down 24.6% compared to the same period last year). This resulted from the fact that in the year, Vietnam Airlines sold and leased back 01 B787 and 04 A350s, and thus had no long term loans arisen. Also, the Group prepaid long term loans with high interest to minimize interest expenses and long-term debt outstanding. Accordingly, long-term debt outstanding and finance lease remarkably went down from VND 49,829 billion to VND 37,433 billion (down 24.88% compared to the same period last year).

FINANCIAL PERFORMANCE

Unit: Billion VND

Item	2016	2017	2017/2016 Difference	
			Value	%
1 Total revenue	71,642	84,962	+13,320	+18.6%
2 Total cost	69,041	81,807	+12,766	18.5%
3 Profit before tax	2,601	3,155	+554	+21.3%
4 Profit after tax	2,105	2,659	+554	+26.3%

At the end of 2017, profit before tax of VNA Group was VND 3,155 billion, rocketing by VND 554 billion, equivalent to 21.3% in comparison with that in 2016 and almost two times higher than the planned target. In addition to the increased profit of the Parent Company VNA (climbing by VND 200 billion), this resulted from the increased profits of some subsidiaries such as Skypec, Viags, TCS.

In general, the operating and profitability indicators of VNA were higher than in 2016. Return on equity was 21.66%, rising by 3.73% in comparison with 2016. Higher profit and lower liabilities decreased the liabilities to owner's equity ratio of VNA Group from 4.94 times to 4.08 times, and the outstanding debt to owner's equity ratio from 3.75 to 2.7 times, both within the range of assured financial safety [N1].

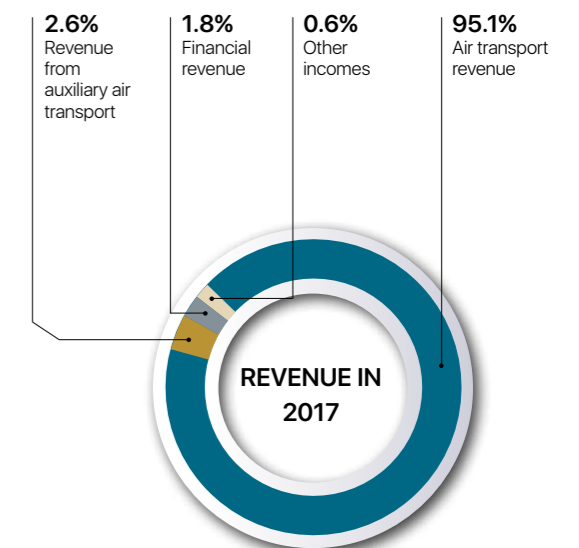
REVENUE

Unit: Billion VND

Item	2016	2017	2017/2016 Difference	
			Value	%
1. Revenue from sales and service supply	56,993	63,967	6,974	12.2%
1.1. Revenue from air transport	55,281	62,310	7,029	12.7%
* Passengers, luggage	47,272	52,467	5,195	11.0%
* Cargos and parcels	4,835	5,938	1,103	22.8%
* Specialized aircrafts, Air charter	2,329	2,950	621	26.7%
* Others	845	955	110	13.0%
1.2. Revenue from ancillary transport	1,712	1,656	-56	-3.3%
2. Sales deductions	475	592	117	24.6%
3. Net revenue	56,518	63,375	6,857	12.1%
4. Operating revenue	1,391	1,150	-241	-17.3%
5. Other income	480	395	-85	-17.7%
Total other revenues and incomes (= 3 + 4 + 5)	58,389	64,920	6,531	11.2%

OTHER REVENUES AND INCOMES (PARENT COMPANY)

Net operating profit in 2017 was VND 63,376 billion, up 12.1% compared to 2016. Revenue structure and quality were improved. Revenue from available seat miles (RASK) rose by 3% compared to the same period last year.



COST

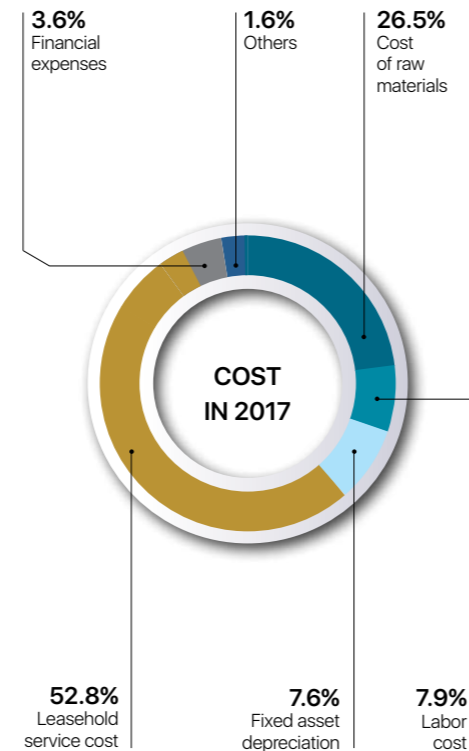
Unit: Billion VND

Cost structure of Vietnam Airlines	2016	2017	2017/2016 Difference	
			Value	%
1. Cost of raw materials	13,243	16,699	3,456	26.1%
2. Labor cost	5,016	4,963	-53	-1.1%
3. Fixed asset depreciation	4,835	4,792	-43	-0.9%
4. Leasehold service cost	29,306	33,274	3,968	13.5%
5. Other operating costs	646	1,007	361	55.9%
6. Financial expenses	3,629	2,267	-1,362	-37.5%
7. Other costs	3	5	2	66.66%
Total	56,678	63,008	6,331	11.2%

COST STRUCTURE OF PARENT COMPANY

In 2017, budget and cost were closely controlled based on targets. The total cost of the parent company reached VND 63,008 billion, up 11.2% compared to 2016, mainly due to fuel price increase and aircraft rental when Vietnam Airlines sold and leased back 01 B787 aircraft and 04 newly received A350 aircrafts in the year.

In cost structure of the Parent Company, raw materials cost and leasehold service cost accounted for extremely high percentage, equivalent to 26.5% and 52.8%, respectively.



ASSET STATUS

Unit: Billion VND

Item	2016	2017	2017/2016 Difference	
			Value	%
1. Current assets	12,913	12,261	-652	-5.0%
2. Non-current assets	74,120	66,936	-7,184	-9.7%
Total assets	87,033	79,197	-7,836	-9.0%

The total assets of VNA as of December 31st, 2017 was VND 79,197 billion, down VND 7,836 billion compared to 2016 (equivalent to 9%), in which non-current assets reduced by as much as VND 7,184 billion (equivalent to 9.7%) and current assets by 5% in comparison with the same period last year. The main reason was VNA sold 04 B777s and depreciated its fixed assets while not yet purchasing new aircrafts. Accordingly, at the end of 2017, the percentage of non-current assets reduced from 85.2% to 84.5%, lower than the same period last year, whereas the percentage of current assets surged from 14.8% to 15.5%.

VNA implements receivable management, provisioning for bad debts in accordance with current regulations. As of 31/12/2017, the provision for bad debts was VND 25.7 billion, down 0.8% over the same period of 2016.

OWNER'S EQUITY AND USE OF CAPITAL AND LOANS

Unit: Billion VND

Item	2016	2017	2017/2016 Difference	
			Value	%
1. Liabilities	70,731	62,266	-8,465	-12.0%
Current liabilities	20,404	24,658	4,254	20.8%
Non-current liabilities	50,327	37,608	-12,719	-25.3%
2. Owner's equity	16,302	16,931	629	3.9%
Total capital	87,033	79,197	-7,836	-9.0%

Liabilities as of December 31st, 2017 was VND 62,266 billion, down VND 8,465 billion compared to the same period of 2016, equivalent to a reduction of 12%. The reason was in the year, Vietnam Airlines sold and leased back 05 aircrafts (including 01 B787 aircraft and 04 A350 aircrafts), and thus had no arisen long term loans. Also, VNA prepaid high interest long-term loans, which reduced long-term loan outstanding. The capital structure was improved positively; the owner's equity increased (up 3.9% compared to the same period of 2016), and the funded capital decreased (ratio of liabilities to total capital at the end of 2017 slumped to 78.6% from 81.3% in the same period of 2016).

The capital was used and added promptly to meet business and investment demand. Effective management of cash flows and working capital ensured liquidity and rocketed financial incomes. That the business capital was restructured towards SLB and loans for investment decreased improved financial indicators towards safety. Debt to owner's equity ratio significantly went down and was approaching to a 3:1 control level at the end of 2017 and is likely to decrease to below 3:1 in 2018.

Exchange rate between local currencies and USD fluctuated in favor of VNA in the year, especially, the stable USD/VND exchange rate made a significant contribution to business result of VNA. In general, gain from exchange difference due to revaluation of items denominated in foreign currencies in 2017 amounting to VND 60.25 billion compared to loss of VND 695.5 billion in 2016.

FINANCIAL PERFORMANCE

Unit: Billion VND

Financial performance of Vietnam Airlines	2016	2017	2017/2016 Difference	
			Value	%
1 Total revenue	58,389	64,920	+6,531	+11.2%
2 Total cost	56,678	63,008	+6,331	11.2%
3 Profit before tax	1,711	1,911	+200	+11.7%
4 Profit after tax	1,703	1,816	+113	+6.6%

At the end of 2017, profit before tax of VNA was VND 1,911 billion, up 11.7% compared to 2016 and up 52% compared to the planned one. Specifically, profit from air transport, the core business, grew fast and stable. Profit growth was mainly driven by growth in passenger and freight revenue. The favorable exchange rate fluctuation in combination with increasingly improved cost management has brought about the overall efficiency of the whole system.

Vietnam Airlines was ranked among top 20 best places to work in Vietnam



Innovations in organizational structure and management policy

In 2017, VNA developed, amended and issued internal management regulations, professional management regulations of VNA, Charter of one member limited liability companies owned by VNA to meet actual business requirements and comply with changes in legal provisions.

For organizational structure, VNA changed organization of Flight Crew Division 919 and Flight attendants in conformity with trend and scale of fleet development. The Passenger Service Board was established by having the

Market Service Board changed its name and consolidated to further improve the service quality of VNA, step by step catch up with the market trends. VNA also made adjustment to organization of Central and Southern branches to be in sync with the Northern branch, achieving synchronization across the system.

Besides, VNA continued to coordinate with and learn from its strategic partner ANA, sent delegations to study organizational models of international airlines in terms of engineering, trade, services, etc... to keep itself updated and more competitive.



Vietnam Airlines

LOTUS LOUNGE



ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

97 | Assurance of aviation safety and security

98 | Personnel and human resource
development

106 | Compliance with environmental
protection laws

109 | Responsibilities for local communities,
social security programs



Assurance of aviation safety and security

✿ Assurance of safety

VNA always pay attention to and proactively improves its ability to assure aviation safety by well managing resources, effectively using data analysis and safety management systems to ensure active safety. In the last 20 years, VNA has been proud of being the leading company in adopting Safety Management System (SMS) under aviation safety regulations and standards of ICAO, aviation authorities, associations and alliances that VNA joins as a member. Besides, the goal of safe operation has been demonstrated by the Board of Directors at all times in specific operational policies, regulations and procedures and well communicated to all VNA employees.

In 2017, VNA completed its program on continuous recognition and assessment for renewing aircraft operator certificate (AOC) for the project on improvement of safety supervision capacity under Civil Aviation Administration of Vietnam to get approval of Category 1 (CAT1) from FAA, assessment for renewing IATA operational safety audit (IOSA). VNA gradually put AQD scheme into effective operation, made safety culture in VNA an integral part and responsibility of each employee, strengthened its inspection, supervision and assurance of compliance with processes and regulations during task performance by employees, controlled distraction and consciousness to comply with discipline and regulations by pilots during flights and kept on performing fatigue risk management system (FRMS).

In the context of unstable politics and security in the world, complicated regional fluctuations and potential risks regarding domestic security, security assurance was comprehensively and effectively deployed by VNA with positive impacts on its operation and transport and contributed to the absolute safety of flights carrying participants during APEC 2017 in Vietnam.

Safety and quality are core values of VNA. We commit to providing customers with these core values and maintaining a safe environment for all of our employees. Leaders and all staff of VNA always understand that the existence and development of VNA are associated with trust of customers.

Personnel and human resource development

✿ Labor force in the year

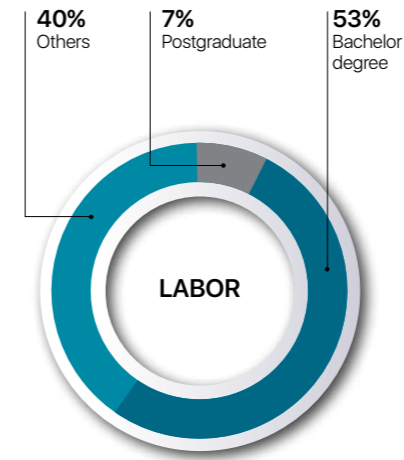


In development strategy of VNA, human resource is the most important factor and the most precious asset.

VNA GROUP
21,816 employees
VIETNAM AIRLINES
✿ Total employees: 6,708
✿ The average age: 38
✿ Pilots, flight attendants: 2,778 accounting for 41% of total employees.

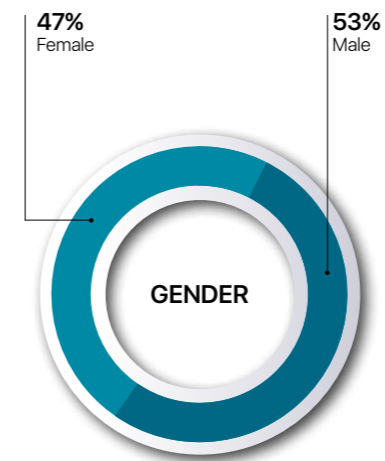
At the end of 2017, total number of employees of VNA was 6,708, recording a slight year-on-year drop, and was also smaller than its plan. However, flight and passenger transport output rose by 1.7% and 6.2% year-on-year. This showed that employees of VNA well met requirements on business growth rate and assured absolute safety for passengers under international 4-star quality standards.

The structure and quality of VNA human resources were stable with most of its employees holding bachelor or postgraduate degrees, accounting for 60% of total employees of VNA. The development of human resource including pilots and flight attendants, especially pilot trainers, was considered as a top priority. Vietnamese pilots currently accounts for 74% of the total number of pilots of VNA and most of them are assigned to operate two new-generation aircraft models including B787 and A350 (90%). This has affirmed the role and pride of Vietnamese pilots to seize and master advanced science and technology while assure high safety and efficiency of flights.



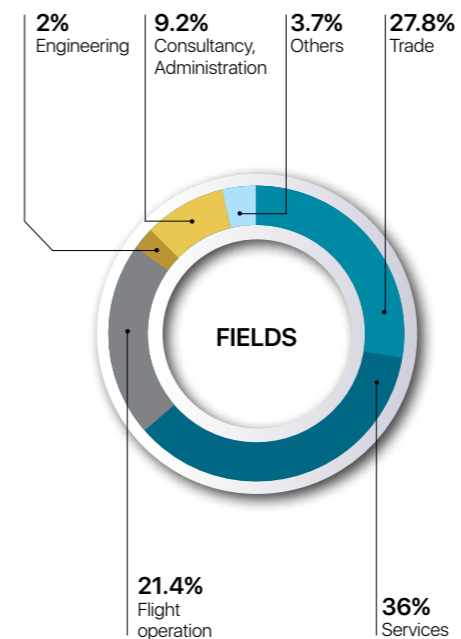
LABOR STRUCTURE BY QUALIFICATION

Qualification	Quantity	Percentage
Postgraduate degree	482	7%
Bachelor degree	3,536	53%
Others	2,690	40%



LABOR STRUCTURE BY GENDER

Qualification	Quantity	Percentage
Male	3,523	53%
Female	3,185	47%



LABOR STRUCTURE BY FIELDS

Qualification	Quantity	Percentage
Trade	1,864	27.8%
Services	2,415	36.0%
Flight operation	1,436	21.4%
Engineering	131	2%
Advisor, Administration	617	9.2%
Others	245	3.7%

REVENUE/EMPLOYEE	RPK/EMPLOYEE	ASK/EMPLOYEE
9.82 Billion VND/employee ▲ 16.4 %	5.15 million passengers.km/employee ▲ 9.0 %	6.38 Million seats.km/employee ▲ 7.7 %



VNA reviewed and rearranged its labor force to ensure simplified organization structure, maintain stability of indirect labor, only increase the number of specialized labor (flight attendants, pilots) and necessary labor under business requirements and tasks (A350, B787, terminal expansion project, etc.) and focus on implementing work transfer, training, coaching and career development.

With labor productivity of 6.3 million seats.km/employee in 2017, VNA ranked among top 5 airlines in Asia - Pacific and top 20 airlines in the world regarding labor force according to statistics of IATA about 67 airlines.



Development of human resource

Staff evaluation

- Staff evaluation is conducted by VNA on an annual basis and before staff promotion in accordance with legal procedures. The year-end evaluation is based on quarterly performance. Party committees, heads of agencies, business units and individual staff always show their responsibilities during this evaluations.

on individual's professional fields. VNA also assigns representatives of its contributed capital in other enterprises in accordance with legal requirements and regulations of VNA. The assigned staff have met work requirements and contributed to the maintenance and development of VNA capital.

Staff promotion and transfer

- VNA promotes and transfers its staff in accordance with legal procedures, and encourages the promotion of young, eligible and qualified staff to management positions to prepare for future senior leadership.
- In order to meet business requirements, VNA transfers staff between advisory and units based

Staff planning

- VNA always pays attention to the recruitment of young and qualified staffs to meet increasing requirements of market. Staff in VNA plan needs undergraduate or higher degree (except for staff planned for flight operation positions, who must be pilots), advanced political theory qualification and fluency in a foreign language.

Training activities

In 2017, training and coaching activities gained significant achievements, in detail:

12,000	Flight attendants, booking staff, ticket sales staff, check-in staff are annually trained in culture, style, customer care skills to meet 4-star service quality standard, improve capacity of sales system of Vietnam Airlines.
8,040	Trainees participate in training courses under requirements of IOSA and aviation regulations for pilots, flight attendants, flight operators and ground staff.
1,906	Employees are internally trained for the change in leadership thinking under Blue Ocean Strategy (BOS).
478	Trainees are trained in soft skill development for works.
147	VND billion was used to fund training in 2017, rising by 11% year-on-year.



- Well organize the human resource preparation, specialized labor force selection and training. For pilots, the main training will use funds from the society, saving large amount of budget for VNA.
- Train and develop the probation staff for sales assistant and airport operation assistant: Develop curriculum with theoretical and practical content to give these staff sufficient experience and knowledge when being deployed.
- Organize more seminars and strengthen internal training. Coordinate with Boeing (the U.S.) and UCSI University to organize Seminar on aviation economics and Blue Ocean Strategy training - change leadership thinking under blue ocean strategy.
- Train and improve capacity of sales system, enhance 4-star quality service in combination with safety and security training under requirements of the Civil Aviation Authority of Vietnam.
- Endlessly invest in coaching equipment in Flight Training Center, put 01 SIM A321 into operation in the year, installing SIM 787 and A350 and integrated procedure training (IPT) equipment A321 in 2018.

Policies on salary, bonus and benefits

In 2017, there were dramatic changes in compensation regime and policy of VNA for employees to recognize their contributions and motivate them to work dedicatedly as well as attract talents to make contributions and commit to long-term engagement with Vietnam Airlines:

- Salary and bonus: In 2017, income from salary and bonus was 10%-15% higher than that in 2016 by title and title group for managers, specialists, engineers, executive officers, employees, flight attendants; and 5% higher for pilots.
- Other compensations, rights and benefits:
 - Implement voluntary pension insurance scheme to provide financial support/increase income for retired employees and improve benefits for employees.
 - Issue new Regulation on reduction and exemption of ticket charges for all staff of VNA and one member limited liability companies wholly owned by VNA.





Implementation of and compliance with environmental protection regulations

VNA fully and closely complies with legal provisions on environmental protection, efficiently and economically uses energy at all times and does not commit any violation. Compliance activities such as environmental impact assessment, environmental protection plans, environmental monitoring and waste management are always fully implemented in all units of VNA nationwide. Liquid waste, garbage from aircrafts and domestic waste are collected, transported and treated by competent partners licensed by the State. In other environmental fields, VNA constantly updates, monitors and supervises operation of its units to ensure that legal provisions on environmental protection are closely complied.

Compliance with environmental protection laws

Total amount of raw materials, energy and water consumed in the year

The direct energy source for production and transport activities of VNA was from Jet A1, accounting for 99.92% of total energy consumption of VNA. In detail, in 2017, VNA consumed 1.16 million tons of Jet

A1, equivalent to 1.22 million TOE (tons of oil equivalent).

The indirect energy source used for consultancy and management in business units included electricity, A92, fuel for lighting, office equipment, automobiles, generators, etc., accounting for an extremely low percentage (0.08%) of total energy consumption of VNA.

VNA mainly used water for

administration activities and offices from water supply system of provinces/cities with the consumption of about 140 thousand m³ in 2017. Domestic wastewater was directly discharged into the drainage system of provinces/cities. Water supply for direct business operation such as water used on aircrafts, water for aircraft washing, cleaning, etc. was provided by service providers.

Compliance with environmental protection laws, efficient use of energy are top priorities of VNA in environmental protection and energy use. VNA has organized a division specialized in environmental protection that assumes responsibility for general management of environmental protection and energy efficiency.

🌿 Environmental protection activities and programs implemented or participated by VNA in the year

In order to raise staff' awareness of environmental protection, economical and efficient use of energy, VNA communicated and trained its staff. Communication activities were widely and practically implemented on the environmental festivals in the year such as World Environment Day, June 05th, Campaign to make the world cleaner, etc.

In 2017, VNA organized two training sessions at Da Nang and TSN to inform new legal provisions on environmental protection and efficient use of energy, raise staff' awareness of environmental protection and organized study tours to learn about good models of environmental protection and energy saving in some agencies and units outside VNA.

🌿 Assessment of emission control (CO₂ emission), energy consumption, initiatives and innovations for fuel efficiency, noise reduction, etc.

Not only closely complying with legal provisions on environmental protection, VNA constantly renovates its fleet and equipment, at the same time adopt new advanced technology and management solutions to decrease impacts on the environment and improve its reputation. In 2017, VNA continued to take two solutions for efficient use of energy including:

- Renovating its fleet and equipment, adopting technologies and solutions on fleet management and operation.
- Solutions on renovating equipment and technologies:
 - In 2017, VNA completed replacement of all B777 aircrafts and some A330 aircrafts by A350 aircrafts and B787 aircrafts that are able to save 20% of fuel.



- Applying Select Two engine configuration for some A321 CEO aircrafts, saving 0.58% fuel compared to Select One.
- Sign lease contracts for 20 A321 NEO aircrafts, saving 16% of fuel compared to A3211 CEO aircrafts, expected to be put into operation from the end of 2018.
- Solutions on fleet management and operation: VNA continued to take solutions on fleet management and operation to reduce fuel consumption and CO2 emission with total saved fuel amount equivalent to 4,332 tons.

Responsibilities for local communities and social security programs



- Following the fine tradition for 22 years, in 2017, VNA joined in many social and charity activities to help communities and the unfortunate to overcome difficulties.
- With the desire to give more love, in the last Mid-Autumn Festival, the journey named "Flights of Love" of VNA offered small but meaningful gifts inspired by stories of exceptional efforts, warm feelings and beliefs in life to passengers of its domestic flights.
- Distinct gifts with extensive humanity values offered by VNA to passengers are works of artisans suffering from many difficulties in life. Beyond a special journey for the full moon season, "Flights of Love" is the first step in the journey of connecting and supporting social enterprises for more development of VNA and popularizing beliefs and positive things nationwide.
- In an event showing gratitude to 200 million passengers, in December, 2017, VNA officially launched "Flights of Love", one of the activities for the community in search of life



improvement projects that helps the society become better. An owner of a special card of the program will be provided with a free air ticket for all project trips. On the occasion of welcoming the 200 millionth passenger of VNA, the first three projects of "Flights of Love" have been announced, including the "Flood Resistant Housing Project", "Heart Foundation" and the "Operation Smile Vietnam".

- To promote humanitarian values, in January, 2018, VNA has continued its big story about love and corporate social responsibility with a social campaign named "Flights of Love". The campaign has helped many



children who dream of becoming pilots, aircraft engineers, airline employees or simply love aircrafts, etc. to make their dreams come true.

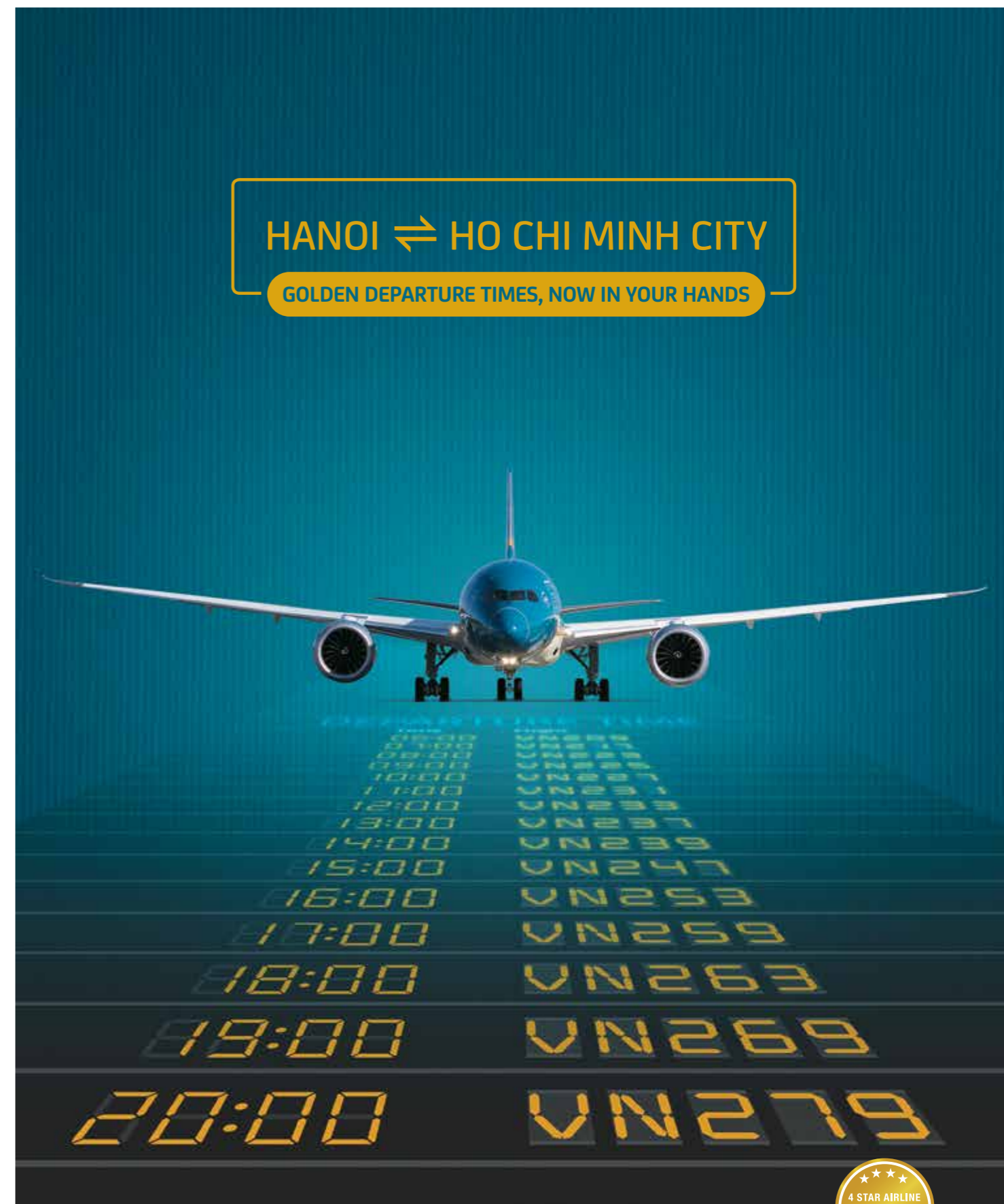
- One of VNA's development strategies is to promote community social responsibility. Flights of Love was launched with a mission to improve the lives of people and contribute to development of the whole society. The mission has been continuously pursued by VNA through many activities for the community.
- In July 2017, VNA funded the construction of Thuong Hoa Elementary and Secondary School with VND 5 billion in Minh Hoa District, Quang Binh Province. This is the seventh social works (with total value of VND 35 billion) funded by VNA under the 30A-CP program to support poverty reduction rapidly and sustainably for 61 poor districts nationwide.
- As a pioneer in social works, the Youth Union of VNA also performed many meaningful activities. In May 2017, the Youth Union of Flight Crew Division 919 in collaboration with the Youth Union of JPA and the Youth Union of the Ministry of Public Security completed "Library for children" at Nguyen Van Troi



Elementary School, Saloong Commune, Ngoc Hoi District, Kon Tum Province to bring useful and interesting books to students in remote and disadvantaged areas of Kon Tum Province.

- Besides, in flood season in mountainous Northwestern provinces, in August, 2017, VNA has supported to transfer 2.5 tons of goods to aid Son La - Yen Bai. In November 2017, in flood season in Central provinces, VNA also donated VND 150 million to Quang Nam and Binh Dinh Province each to help local people overcome difficulties and stabilize their lives soon.

- Sharing difficulties with people in South Central provinces after typhoon no. 10, VNA has urged each VNA's employee to donate at least one day salary to help local people. Total amount of VND 600 million were transferred to Quang Binh and Ha Tinh Province, VND 300 million each.
- CSR activities conducted by VNA currently showed that the development of a strong enterprise and the building a better world are not two contrast goals. These are actually two associated factors to develop a sustainable business.



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CORPORATE GOVERNANCE

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Corporate governance structure

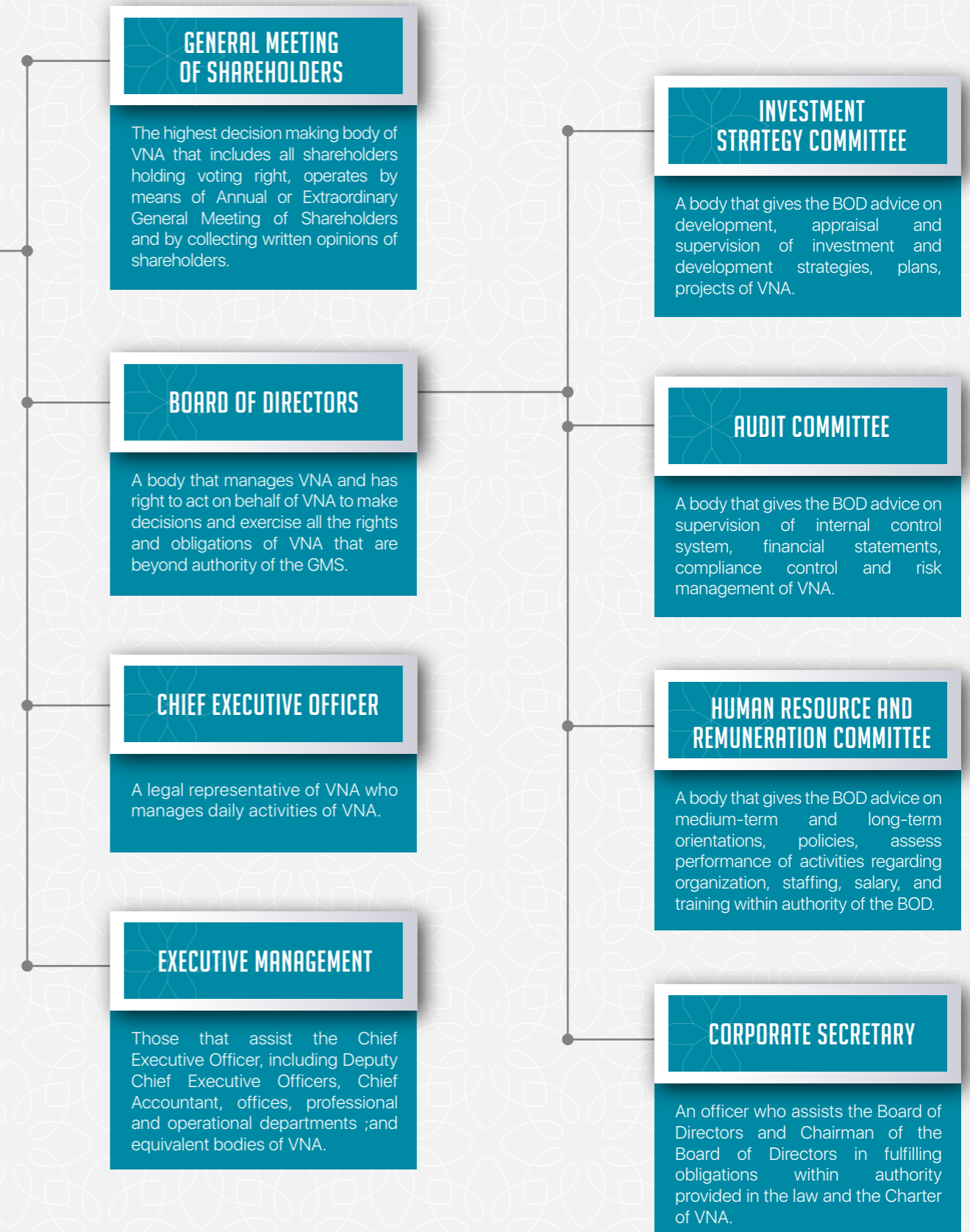
VNA corporate governance structure

BOARD OF SUPERVISORS

A body elected by the GMS to represent shareholders to independently, objectively and truthfully supervise, assess all business and management activities, financial position of Vietnam Airlines and assume responsibility before the GMS for performance of assigned tasks.

The system of corporate governance principles of VNA comply with regulations of the 2014 Enterprise Law, Decree No. 71/2017/ND-CP dated June 6th, 2017 of the Government, Circular No. 95/2017/TT-BTC dated September 22nd, 2017 of the Ministry of Finance, the Charter of VNA and internal rules and regulations in order to:

- Ensure appropriate governance structure.
- Ensure effective performance of the Board of Directors and Board of Supervisors.
- Ensure the interests of shareholders and related persons.
- Ensure fair treatment among shareholders.
- Ensure public transparency of all activities of VNA.



GENERAL MEETING OF SHAREHOLDERS

The highest decision making body of VNA that includes all shareholders holding voting right, operates by means of Annual or Extraordinary General Meeting of Shareholders and by collecting written opinions of shareholders.

INVESTMENT STRATEGY COMMITTEE

A body that gives the BOD advice on development, appraisal and supervision of investment and development strategies, plans, projects of VNA.

BOARD OF DIRECTORS

A body that manages VNA and has right to act on behalf of VNA to make decisions and exercise all the rights and obligations of VNA that are beyond authority of the GMS.

AUDIT COMMITTEE

A body that gives the BOD advice on supervision of internal control system, financial statements, compliance control and risk management of VNA.

CHIEF EXECUTIVE OFFICER

A legal representative of VNA who manages daily activities of VNA.

HUMAN RESOURCE AND REMUNERATION COMMITTEE

A body that gives the BOD advice on medium-term and long-term orientations, policies, assess performance of activities regarding organization, staffing, salary, and training within authority of the BOD.

EXECUTIVE MANAGEMENT

Those that assist the Chief Executive Officer, including Deputy Chief Executive Officers, Chief Accountant, offices, professional and operational departments ;and equivalent bodies of VNA.

CORPORATE SECRETARY

An officer who assists the Board of Directors and Chairman of the Board of Directors in fulfilling obligations within authority provided in the law and the Charter of VNA.

Information and activities of the BOD

Members and structure of the BOD

No.	Full name	Position	Ownership of shares of VNA	
			The number of shares	Ratio
1	Pham Ngoc Minh	Chairman of the BOD	6,398	0.0005%
2	Duong Tri Thanh	Member of the BOD and CEO	6,698	0.0005%
3	Luu Van Hanh	Member of the BOD	3,799	0.0003%
4	Nguyen Xuan Minh	Member of the BOD	-	-
5	Ta Manh Hung	Member of the BOD	7,752	0.0006%
6	Koji Shibata	Member of the BOD	-	-

In 2017, VNA changed members of the BOD as follows:

- Mr. Koji Shibata was elected to be a member of the BOD, representing contributed capital of ANA Holdings Inc. from February 20th, 2017 under the resolution of the Extraordinary Shareholders' Meeting in 2017.
- Mr. Luu Van Hanh ceased to be a member of the BOD, 2015 - 2020 tenure from November 1st, 2017 to retire under regulations.



Activities of the BOD

By the end of 2017, the BOD held 17 meetings, issued 318 Resolutions and 115 Decisions within its authority. The number of Resolutions/Decisions issued in the year decreased by 23% in comparison with that in 2016 but the quality and timeliness of these documents was significantly enhanced. This is because the BOD has strengthened decentralization

and delegated more powers to the Board of Management, specified agencies/individuals in charge to encourage proactiveness, efficiency and responsibility for business management while ensuring compliance with the law.

In order to ensure the quality of discussions in convened board meetings or quality of written opinions, the Chairman of the BOD

pre-assigned tasks to members of the BOD, Committees of the BOD to study and appraise the content of the resolutions to be submitted to the BOD. Accordingly the BOD convened meetings to discuss major matters of significant importance and complicated nature. For other less important matters, the BOD collected written opinions of its members.

No.	Member of the BOD	Position	Date of appointment as member of the BOD	Number of BODs meetings attended	Attendance rate	Reason for absence
1	Pham Ngoc Minh	Chairman of the BOD	12/3/2015	17/17	100%	
2	Duong Tri Thanh	Member of BOD and CEO	01/6/2016	17/17	100%	
3	Luu Van Hanh	Member of the BOD	12/3/2015	15/17	88%	Retired from November 1 st , 2017
4	Nguyen Xuan Minh	Member of the BOD	12/3/2015	9/17	53%	Away on business, gave opinions in meeting minutes
5	Ta Manh Hung	Member of the BOD	01/10/2016	16/17	94%	
6	Koji Shibata	Member of the BOD	20/02/2017	3/17	18%	

Members of the BODs duly exercised their duties and diligence in reviewing and appraising the content of resolutions they are assigned with. The Board member representing the strategic shareholder ANA Holdings Inc. elected in the Extraordinary Meeting of Shareholders in 2017 played an important role in promoting the strategic partnership between VNA and ANA and the technical assistance programs under cooperation agreements signed between the parties.

Activities of the BOD's Committees

Investment Strategy Committee

- Developing 2017 business plan and investment plan of VNA, operation orientations and development strategies for airlines of the VNA Group (K6, JPA, and VASCO).
- Amending and supplementing management regulations of VNA such as regulations on management of investment capital of VNA in other enterprises, regulations on investment and procurement management, and contract regulations.
- Directing the development of 2018 plans for international and domestic transport markets and the fleet, with specific performance indicators (exchange rates, fuel prices, and profit before tax in 2018) and capital investment outside the enterprise.
- Appraising the 2018 investment preparation and implementation plans, providing advice to the BOD.

Audit Committee

- Appraising the 2016 financial statements (FS) of Parent Company and member companies.
- Working with KPMG regarding 2017 semi-annual and annual 2017 financial statements.
- Overseeing business performance of JPA, K6.
- Appraising settlement of investment capital for completed projects.
- Inspecting and overseeing the activities of the Internal Audit Department by considering the results of programs under approved annual plans.
- Reviewing and revising documents to be issued by the BODs, eg. Financial Regulations, Debt Management, etc.
- Inspecting and auditing compliance with finance-accounting policies and regulations, tax policies of host countries by some overseas branches of VNA.

Human Resource and Remuneration Committee

- Implementing the 2017 voluntary pension insurance scheme, health insurance, and 2017 summer vacation plans.
- Directing and approving the 2018 plan for use of resources and those for 2019 - 2020 period; adjusting, reforming and restructuring policies on remuneration for employees and managers at all levels in 2018.

Reports of the Board of Supervisors

Activities of the BOS

No.	Member of the BOS	Position	Date of appointment as member of the BOS	Number of BOS meetings attended	Reason for absence
1	Lai Huu Phuoc	Head of the BOS	12/3/2015	8/17	At least 1 member of BOS attended each of the BOD meetings
2	Mai Huu Tho	Member of the BOS	12/3/2015	16/17	
3	Hoang Thanh Quy	Member of the BOS	12/3/2015	15/17	

In 2017, activities of the BOS focused on the following main areas:

- Overseeing implementation of GMS resolutions, the promulgation and implementation of BODs resolutions.
- Supervising business activities, investment activities and financial position of the Corporation.
- Supervising activities of the BOD and Board of Management.
- Supervising fulfillment of obligation to disclose information.
- Attending and giving opinions in BOD meetings and monthly briefings.
- Appraising separate financial statements, consolidated financial statements for 2016, and the first six months of 2017.
- Supervising the organization convention of the General Meeting of Shareholders and, development 2018 plans.
- Supervising the implementation of capital increase plan of the Corporation; operation performance of JPA, K6; sale and leaseback of aircrafts; supervising responses to the recommendations of inspection and audit agencies.
- Conducting semi-annual and annual review of BOS activities and developing plans for the subsequent periods.

Meetings of the BOS

The BOS conducted periodic meetings to review and agree on the quarterly supervision results as follows:

The 2017 first quarter meeting

Reviewing oversight activities in 2016, endorsing 2017 action plans; agreeing on 2016 business performance and 2017 plans; discussing outcome of 2016 financial statement appraisal and the implementation of Resolutions of the 2016 fourth quarter meeting.

The 2017 second quarter meeting

Assessing implementation of Resolutions of the 2017 first quarter meeting; discussing results of the 2017 Annual General Meeting of Shareholders and implementation of the GMS Resolution; assess the sale and lease back of A350 and B787 aircrafts; reviewing and agreeing the BOS's operation report for the first six months and action plans for the last six months of 2017.

The 2017 third quarter meeting

Assessing Come to Agreement on implementation of business plan for the first six months of 2017; appraising e and pass endorsing the appraisal result for of semi-annual financial statements in 2017; Supervise overseeing the sale of B777 aircrafts; overseeing the Supervise implementation of Resolutions in of the 2017 second quarter of 2017meeting.

The 2017 fourth quarter meeting

Assessing situation of business operation in the first nine months of 2017, forecasting the implementation of 2017, and giving directions for 2018 plans; monitoring the oversight of JPA, K6 operation; agreeing on contents of the BOS's operation report for 2017 and 2018 plans; overseeing the implementation of Resolutions of the 2017 third quarter meeting.

Supervision results

- Assessment of the implementation of Resolutions of the GMS, Resolutions of the BOD.

Resolutions of the GMS: In 2017, the GMS issued Resolution of the Extraordinary General Meeting of Shareholders No. 02/NQ-DHDCD dated February 20th, 2017 and Resolution of the Annual General Meeting of Shareholders No. 04/NQ-DHDCD dated June 20th, 2017. Accordingly, VNA completed implementation of all the contents of GMS Resolutions, except for the increase of charter capital by offering shares to current shareholders. This is because:

- The State-owned shareholders wishing to implement plans to sell part of share purchase rights must follow the valuation procedures, register for the sale of rights, and select the right time to ensure the feasibility.

- Due to the high volume of rights traded (57.8 million stocks, equivalent to market value of almost VND 3,000 billion at current stock price), VNA considered the right time to ensure efficiency.

Resolutions of the BOD: In 2017, the BOD of the Corporation issued 318 Resolutions and 155 Decisions to implement Resolutions of the GMS.

For each Resolution of the BOD, the CEO issued documents to implement and assign specific tasks to each department and subsidiary. The CEO conducted weekly reviews and reports on the implementation of BOD. Resolutions which include contents already completed, contents being implemented, difficulties and obstacles, if any, and proposed solutions. Resolutions of the BOD have been fully implemented by the CEO.

- **Business operation of VNA:** Since the beginning of the year, the executive board of VNA has been active and resolute in directing and managing all aspects of business operations. Implementation of business plan was updated and reported on a monthly basis, clearly analyzing advantages and difficulties and proposing solutions so that the Management Board was able to closely monitor, promptly direct and ensure the achievement of set targets for business performance.

- **Investment activities:** In 2017, total investment value accounted for 74.8% of the planned one. Projects were performed in conformity with strategies, planning plans and approved contents. Reporting, supervision and assessments of investment projects were performed under regulations.

- **2017 financial statements** and financial position of VNA: Financial statements of VNA were prepared and audited/ reviewed in accordance with regulations and gave true and fair view of all material aspects of VNA business operations.

VNA properly managed the use of capital, assets and liabilities, performed accounting activities and prepared financial statements under current in accordance with regulations of the State and VNA.

All recommendations by inspection and audit agencies, audit agencies and the BOS have been seriously, promptly, fully implemented by VNA. The BOS will keep on supervising and , assessing the implementation of proposals recommendations and coordinate work with the BOD to complete improve the overall management activities of VNA.

- **Activities of the BOD and the Board of Management:** In 2017, the BOD held conducted 17 meetings and asked for collections of written opinions under in accordance with regulations. All activities of the BODs complied with the law and regulations of VNA and met business requirements. Resolutions and Decisions of the BODs were rightly issued in accordance with relevant regulations and the Charter of VNA.

The Management Board promptly implemented resolutions, decisions of the BODs, flexibly managed the business, and took appropriate measures to remedy difficulties and ensure efficient business operations. The BODs supervised operations of the Board of Management through overseeing the implementation of BODs Resolutions.

- **Information disclosure on securities market:** The BOS regularly monitored and supervised information disclosure obligations of VNA. Since VNA became a public company, the BOD and the Board of Management have always complied with the requirements for information disclosure on securities market, providing shareholders and investors with transparent, public, and sufficient information about its business operations and performance.

Coordination of BOS activities with BOD, CEO and shareholders

Coordination of BOS activities with BOD, CEO and shareholders was well maintained to ensure the interests of shareholders and comply with legal provisions and regulations of VNA. The BOS properly completed its functions, tasks, and powers as stipulated, closely coordinating with the BOD and CEO in performing its tasks. BOS received continued support and collaboration from the BOD, Board of Management and VNA functional divisions in all its activities.

Activities of the Corporate Secretary Person in charge of information disclosure

Full name	Date of appointment as Corporate Secretary	Number of BOD meetings attended	Ownership of shares of VNA	
			The number of shares	Ratio
Nguyen Huu Tuat	April 01 st , 2015	17/17	4,799	0.0004%

In 2017, the Corporate Secretary satisfactorily completed his duties of giving advice to the BOD and preparing documents, records of meetings of the BOD and GMS as directed by the Chairman of the BOD; giving advice on meeting procedures, attending and preparing

minutes of meetings of the BOD and GMS; assisting the issue of Resolutions of the BOD and GMS and the Charter of VNA; providing information about the BOD, GMS and required information for disclosure on securities market as required by the law.



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SÀI CẢNH VƯỜN CAO

Risk management

Type	Nature of risks	Risk management measures of VNA
Business environment risk	<ul style="list-style-type: none"> Terrorism, civil wars, military intervention, political conflicts that limit free trade and movements, tightened security measures that increase operation costs and reduce efficiency. Unexpected adverse fluctuations of GDP growth rates, average income, inflation rates, exchange rates, interest rates, aircraft fuel prices, etc. Risks of natural disasters, epidemics, earthquakes, volcanoes, tsunamis 	<ul style="list-style-type: none"> Monitoring closely fluctuations to apply appropriate, flexible measures. Managing revenues, controlling costs, and ensuring monetary balances in case of fluctuations in exchange and interest rates. Maintaining long-term and comprehensive relations with major financial institutions to get competitive interest rates for capital mobilization. Using fuel-saving engines.
Legal risks	<ul style="list-style-type: none"> Compliance with laws and regulations of countries where VNA does business and international treaties on aviation, labor, trade, tax, etc. that Vietnam is a signatory. Matters related to disputes, legal proceedings during operations. 	<ul style="list-style-type: none"> Continuously updating legal provisions related to activities of VNA. Improving governance capacity, using legal consultants, and especially employing local legal consultants in countries where VNA does business. Ensuring that business operations of VNA comply with the laws of host countries.
Competition risks	<ul style="list-style-type: none"> Risk of market share reduction due to development and competition of low cost carriers. Open Skies Policy in ASEAN increases regional and domestic competition. Competitors expanding operations and market shares and increasing competition pressure in international markets. 	<ul style="list-style-type: none"> Designing products with cultural identity in services, differentiating from competitors and meeting international quality standards of a 4-star airline. Improving processes, reforming organizational and managerial structures, adopting best practices for a traditional airline to improve operation performance and optimize costs.

Type	Nature of risks	Risk management measures of VNA
Specific risks	<ul style="list-style-type: none"> Shortage of highly qualified human resources (especially pilots, technical engineers). Limitation in technical infrastructure of airports, aprons. The State policies on access rights to operate take-off/landing hours at major international airports. Flight safety, aviation security, and risks during flight operations. 	<ul style="list-style-type: none"> Focusing resources to train and develop specialized workforce. Improving efficiency of management and effective flight schedules. Securing fuel hedging contracts to prevent against fluctuations of fuel price. Operating state-of-the-art fleet. Keeping a safe environment with absolute security for passengers and all employees as a core value of VNA. Improving safety management system (SMS), strengthening supervision, control, and specific measures to ensure operational safety. Promoting safety culture in the whole system of VNA.
Information risks	<ul style="list-style-type: none"> Cyber-attacks by hackers or data theft by spies Information disclosure, loss or manipulation that poses serious impacts on business operations, reputation and development strategy of VNA. Insufficient, inaccurate, or untimely disclosure and supply of information. Incorrect or inaccurate information about business operation of VNA on mass media. 	<ul style="list-style-type: none"> Issuing information security regulations under standard ISO27001, regulations on response to urgent IT incidents, applying 24/7 cyber security system to avoid cyber-attacks, reducing human risks, and applying KPI in IT field. The Communications and Brand Board focusing on modern communications development, controlling internal information and public disclosure, etc. Fully complying with regulations on information disclosure on securities market, ensuring that the information disclosed is accurately and timely.

Investor relations



“VNA 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”

Growth of corporate value and market capitalization

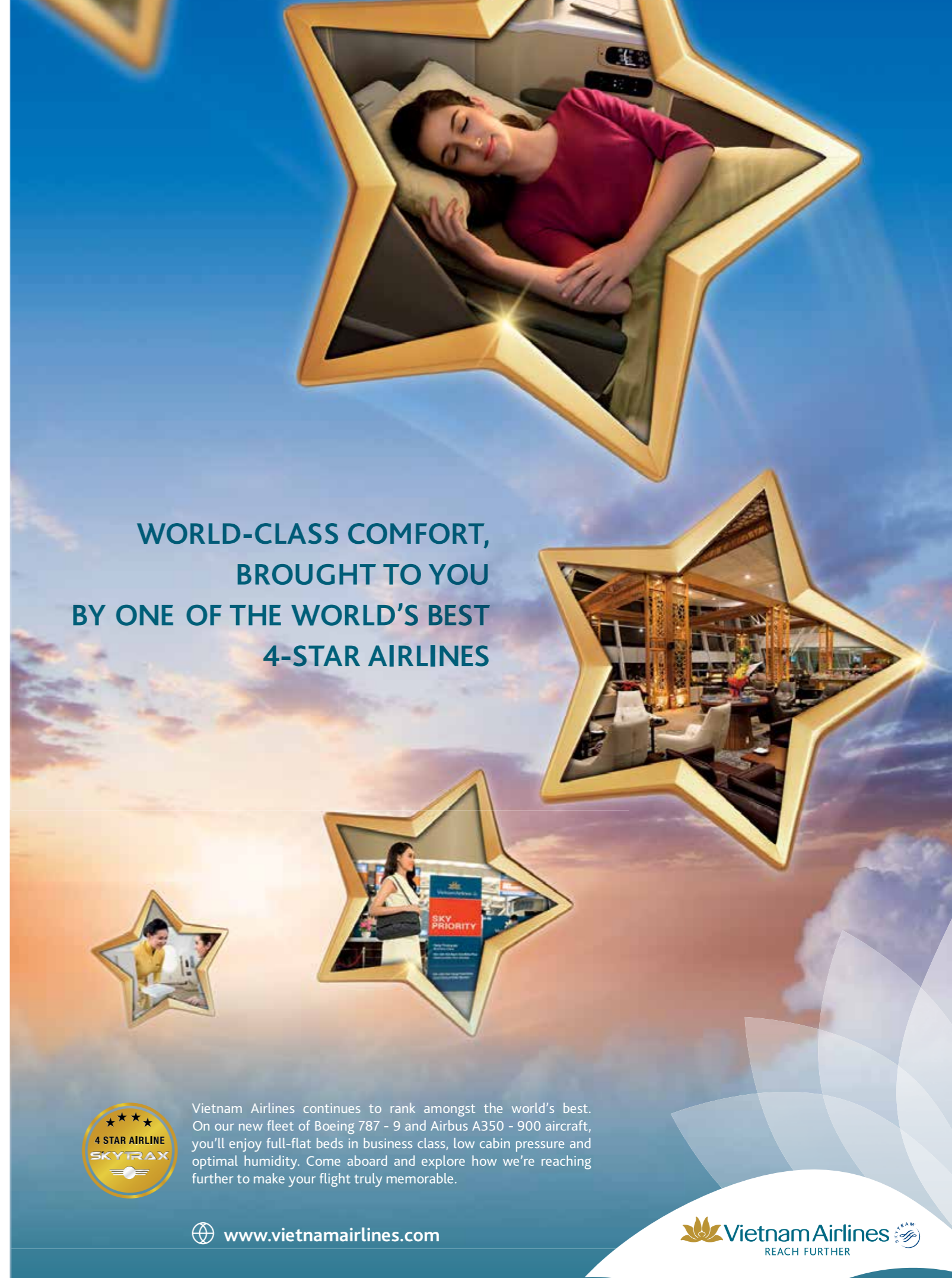
VNA was officially listed its stocks on Upcom since January 03rd, 2017 and is always ranked among top 20 companies with the highest capitalization value in Vietnamese securities market in 2017.

Excellent business results, sound and viable financial position, and

efficiently controlled balances are attributable to high liquidity and stable growth rate of VNA stocks. Value of stocks reached the peak of over 43,000 VND/stock at the end of the year, equivalent to market capitalization value of USD 2.4 billion, rising by 55% compared to initial public offering, earnings per

VNA successfully held the Extraordinary General Meeting of Shareholders on February 20th, 2017 and the Annual General Meeting of Shareholders on June 20th, 2017 and endorsed important resolutions within the authority of the GMS.

share was 1,931 VND/share, surging by 14.6% compared to the same period last year. These results have reaffirmed the internal values and growth potentials of VNA in the future, manifesting its efforts to build trust and increase values for shareholders, the enterprise and its customers.



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BY ONE OF THE WORLD'S BEST
4-STAR AIRLINES**

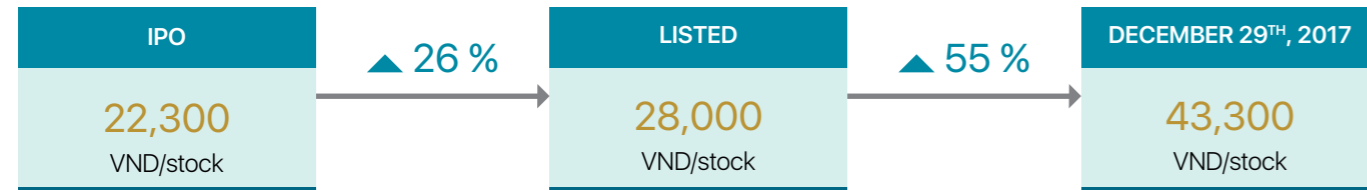


Vietnam Airlines continues to rank amongst the world's best. On our new fleet of Boeing 787 - 9 and Airbus A350 - 900 aircraft, you'll enjoy full-flat beds in business class, low cabin pressure and optimal humidity. Come aboard and explore how we're reaching further to make your flight truly memorable.

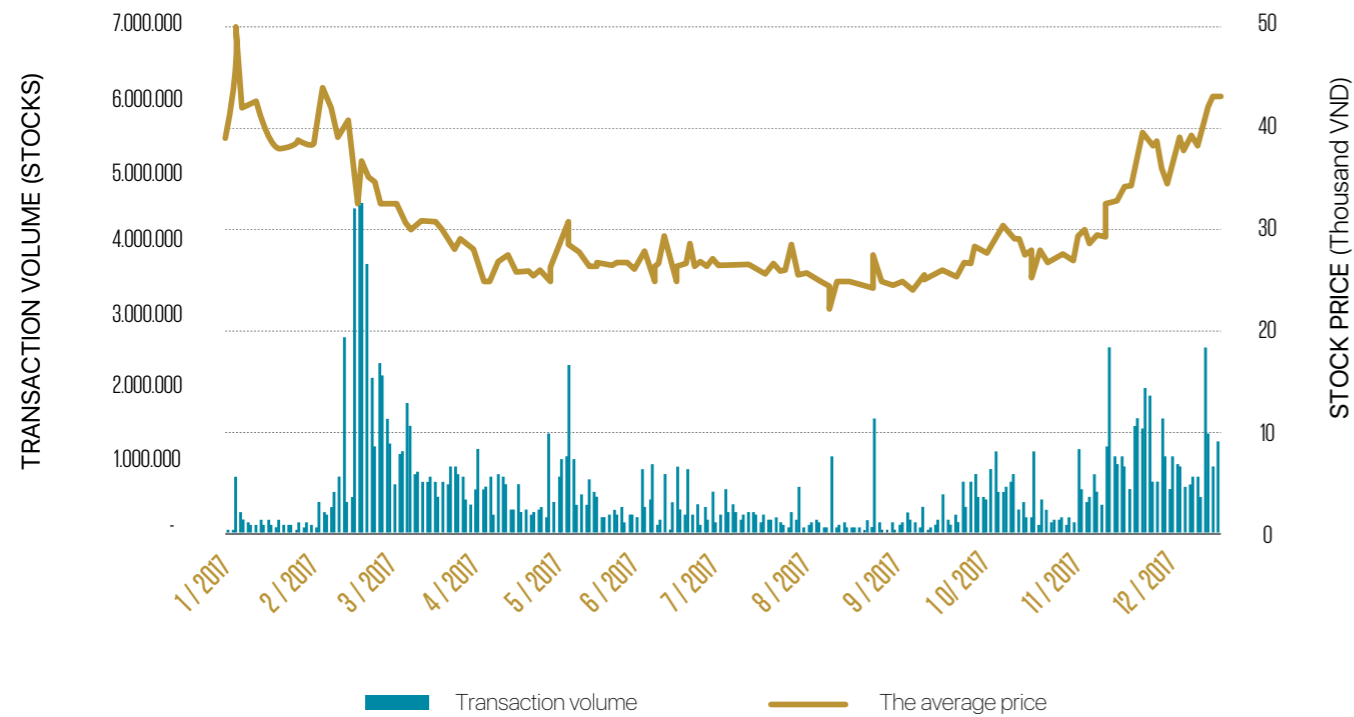
 www.vietnamairlines.com

 **Vietnam Airlines**
REACH FURTHER

GROWTH OF STOCK PRICE



FLUCTUATIONS OF STOCK PRICE OF VNA IN 2017

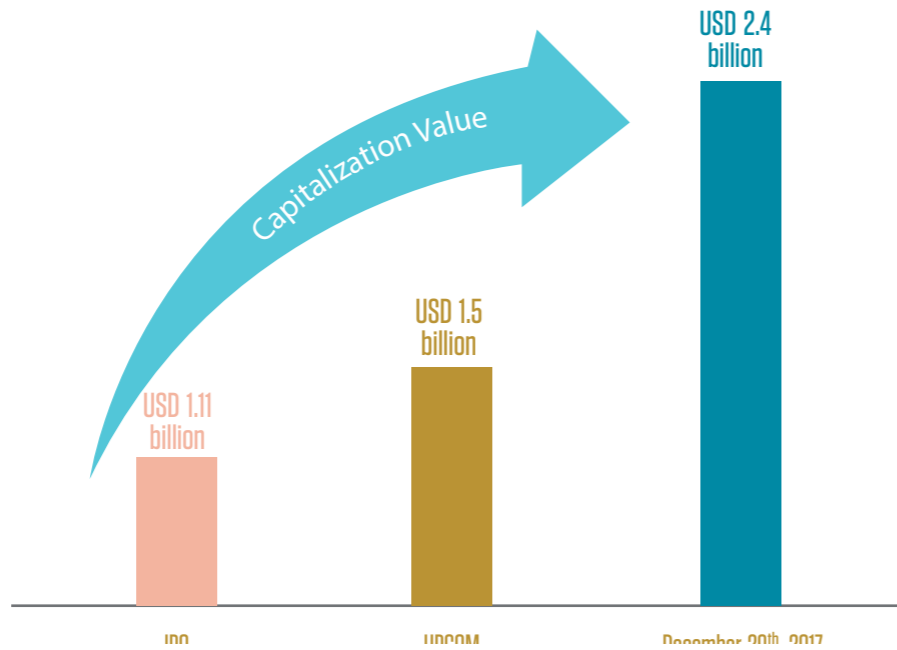


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Vietnam Airlines continues to rank amongst the world's best. On our new fleet of Boeing 787 - 9 and Airbus A350 - 900 aircraft, you'll enjoy a diverse selection of international and Vietnamese culinary delights. Come aboard and explore how we're reaching further to make your flight truly memorable.

GRAPH ON GROWTH OF MARKET CAPITALIZATION VALUE OF VIETNAM AIRLINES



Information disclosure on securities market

VNA has a specialized division in charge of investor relations that is directly managed by the Corporate Secretary. It is tasked with disclosing information in the market as required by the State management agencies, holding regular meetings and information exchanges with investors, ensuring the full and timely disclosure of accurate and quality information, creating trust from investors and enhancing the images and reputations of VNA in the market.

In 2017, VNA held regular meetings with domestic and foreign investors, securities companies and fund management companies. Besides, VNA attended all the conferences and training programs in finance, securities, corporate governance, etc., especially the Annual Corporate Meeting in 2017 held by Hanoi Stock Exchange on November 17th, 2017 as a member enterprise and official transport sponsor.

"Investor relations" contents on website www.vietnamairlines.com are fully and continuously updated with information disclosure under regulations to help shareholders, investors to easily access information about Vietnam Airlines.

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 **Vietnam Airlines**
REACH FURTHER

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements for the year ended 31 December 2017

Vietnam Airlines JSC Corporate Information

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 / 20 March 2017

The Enterprise Registration Certificate has been amended six times, the most recent of which is by the Enterprise Registration Certificate No. 0100107518 dated 20 March 2017. The Enterprise Registration Certificate was issued by Hanoi Department of Planning and Investment.

Board of Management

Mr. Pham Ngoc Minh	Chairman
Mr. Luu Van Hanh	Member (until 31/10/2017)
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. Nguyen Minh Hai	Executive Vice President
Mr. Dang Ngoc Hoa	Executive Vice President
Mr. Nguyen Thai Trung	Executive Vice President (from 22/4/2017)
Mr. Phan Xuan Duc	Executive Vice President (until 30/11/2017)
Mr. Nguyen Hong Linh	Executive Vice President (from 1/12/2017)
Mr. Nguyen Ngoc Trong	Executive Vice President (until 31/12/2017)
Mr. Tran Thanh Hien	Chief Accountant

Registered Office

200 Nguyen Son Street, Long Bien District, Hanoi, Vietnam

Auditor

KPMG Limited, Vietnam



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 2017.

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to 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 2017, 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, 26 / 03 / 2018

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 2017, 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 26/03/2018.

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.

Consolidated balance sheet

as at 31 December 2017

Form B 01- DN/HN

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

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 as at 31 December 2017 and of its consolidated results of operations and its 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.: 16-02-057/2017-d



Tran Anh Quan

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

Hanoi, 26/03/2018

Doan Thanh Toan

Practicing Auditor Registration
Certificate No.: 3073-2014-007-1

	Code	Note	31/12/2017 VND	1/1/2017 VND
ASSETS				
Current assets				
(100 = 110 + 120 + 130 + 140 + 150)	100		21,122,732,928,741	22,309,076,409,828
Cash and cash equivalents	110	4	7,540,619,875,447	2,764,885,359,376
Cash	111		2,120,415,497,010	1,767,709,581,449
Cash equivalents	112		5,420,204,378,437	997,175,777,927
Short-term financial investments	120		409,299,086,391	763,676,001,400
Held-to-maturity investments	123	5(a)	409,299,086,391	763,676,001,400
Accounts receivable – short-term	130		9,608,180,196,424	15,622,855,140,252
Accounts receivable from customers	131	6	3,963,515,421,579	3,443,588,578,754
Prepayments to suppliers	132	7	4,922,411,727,508	11,136,694,291,380
Other receivables	136	8(a)	813,814,268,014	1,125,400,096,522
Allowance for doubtful debts	137	9	(91,561,220,677)	(82,827,826,404)
Inventories	140	10	3,233,835,802,911	2,712,180,564,486
Inventories	141		3,470,521,838,511	2,821,047,839,720
Allowance for inventories	149		(236,686,035,600)	(108,867,275,234)
Other current assets	150		330,797,967,568	445,479,344,314
Short-term prepaid expenses	151	15(a)	217,230,559,291	184,365,692,747
Deductible value added tax	152		89,711,666,762	156,508,442,254
Taxes receivable from State Treasury	153	18	23,855,741,515	104,605,209,313

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

Consolidated balance sheet

as at 31 December 2017 (continued)

Form B 01- DN/HN

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

	Code	Note	31/12/2017 VND	1/1/2017 VND
Long-term assets				
(200 = 210 + 220 + 240 + 250 + 260)	200		67,427,752,946,844	74,171,251,295,993
Accounts receivable – long-term	210		4,176,531,225,299	4,833,214,758,161
Accounts receivable from customers - long-term	211	6	1,394,607,563	1,394,607,563
Prepayments to suppliers - long-term	212	7	1,812,099,336,087	2,435,873,162,405
Other long-term receivables	216	8(b)	2,363,607,997,649	2,396,517,704,193
Allowance for doubtful - long-term debts	219	9	(570,716,000)	(570,716,000)
Fixed assets	220		55,086,555,441,658	61,409,518,540,209
Tangible fixed assets	221	11	17,949,543,147,145	21,181,636,758,139
Cost	222		29,928,288,203,307	38,606,881,503,073
Accumulated depreciation	223		(11,978,745,056,162)	(17,425,244,744,934)
Finance lease tangible fixed assets	224	12	36,974,621,048,400	40,074,945,442,518
Cost	225		53,392,830,549,661	53,404,449,739,544
Accumulated depreciation	226		(16,418,209,501,261)	(13,329,504,297,026)
Intangible fixed assets	227	13	162,391,246,113	152,936,339,552
Cost	228		623,390,403,932	584,800,272,646
Accumulated amortisation	229		(460,999,157,819)	(431,863,933,094)
Long-term work in progress	240		269,625,540,621	262,220,170,679
Construction in progress	242	14	269,625,540,621	262,220,170,679
Long-term financial investments	250	5(b)	2,114,548,123,652	2,066,294,206,579
Investments in associates	252		1,551,252,520,532	1,579,127,638,033
Equity investments in other entities	253		565,833,415,677	496,566,992,540
Allowance for diminution in the value of long-term financial investments	254		(2,537,812,557)	(9,400,423,994)
Other long-term assets	260		5,780,492,615,614	5,600,003,620,365
Long-term prepaid expenses	261	15(b)	5,530,615,533,994	5,319,932,552,737
Deferred tax assets	262	16	1,331,012,795	2,154,845,050
Long-term tools, supplies and spare parts	263		248,546,068,825	277,916,222,578
TOTAL ASSETS (270 = 100 + 200)	270		88,550,485,875,585	96,480,327,705,821

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

Consolidated balance sheet

as at 31 December 2017 (continued)

Form B 01- DN/HN

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

	Code	Note	31/12/2017 VND	1/1/2017 VND
RESOURCES				
LIABILITIES (300 = 310 + 330)	300		71,117,566,152,055	80,235,683,786,129
Current liabilities	310		32,738,421,854,141	29,362,757,831,474
Accounts payable to suppliers	311	17	13,805,266,299,095	12,009,576,914,474
Advances from customers	312		339,531,602,893	268,760,789,659
Taxes and others payable to State Treasury	313	18	425,031,867,035	426,179,460,693
Payables to employees	314		1,568,532,261,559	1,390,911,311,411
Accrued expenses	315	19	4,573,543,743,638	2,470,071,553,711
Unearned revenue – short-term	318	20	719,522,863,991	562,307,697,560
Other payables – short-term	319	21(a)	1,082,048,555,836	918,827,540,756
Short-term borrowings and finance lease liabilities	320	22(a)	9,689,506,851,655	11,035,691,702,894
Provisions – short-term	321	23	28,860,407,446	41,701,207,446
Bonus and welfare funds	322		506,577,400,993	238,729,652,870
Long-term liabilities	330		38,379,144,297,914	50,872,925,954,655
Long-term unearned revenue	336		4,364,618,372	1,884,596,800
Other payables – long-term	337	21(b)	758,915,862,105	878,510,547,408
Long-term borrowings and finance lease liabilities	338	22(b)	37,432,775,702,145	49,829,138,174,531
Deferred tax liabilities	341	16	183,088,115,292	159,643,335,667
Provisions – long-term	342		-	3,749,300,249

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

Consolidated balance sheet

as at 31 December 2017 (continued)

Form B 01- DN/HN

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

	Code	Note	31/12/2017 VND	1/1/2017 VND
EQUITY (400 = 410)	400		17,432,919,723,530	16,244,643,919,692
OWNERS' EQUITY	410	24	17,432,919,723,530	16,244,643,919,692
Share capital	411	25	12,275,337,780,000	12,275,337,780,000
■ Ordinary shares with voting rights	411a		12,275,337,780,000	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		209,681,632,811	204,874,976,862
Investment and development fund	418		21,447,164,147	21,447,164,147
Enterprise reorganisation assistance fund	419		1,068,628,929,237	1,068,628,929,237
Other equity funds	420		2,024,298,861	2,024,298,861
Retained profits	421		2,907,620,288,230	1,801,088,143,876
■ Retained profit/(accumulated losses) brought forward	421a		553,738,204,303	(143,333,754,443)
■ Retained profit for the current year	421b		2,353,882,083,927	1,944,421,898,319
Non-controlling interest	429	27	638,976,358,830	562,039,355,295
TOTAL RESOURCES (440 = 300 + 400)	440		88,550,485,875,585	96,480,327,705,821

Prepared by:



Ho Xuan Tam

Department of Finance and Accounting

Hanoi, 26/03/2018

Approved by:



Tran Thanh Hien

Chief Accountant

Duong Tri Thanh

President & CEO

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

Consolidated statement of income

for the year ended 31 December 2017

Form B 02- DN/HN

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

	Code	Note	31/12/2017 VND	1/1/2017 VND
Revenue from sales of goods and provision of services	01	29	83,553,713,100,813	70,571,488,322,864
Revenue deductions	02	29	602,742,605,540	482,514,471,542
Net revenue (10 = 01 - 02)	10	29	82,950,970,495,273	70,088,973,851,322
Cost of sales	11		72,278,296,333,981	59,246,148,246,923
Gross profit (20 = 10 - 11)	20		10,672,674,161,292	10,842,825,604,399
Financial income	21	30	906,645,270,861	899,842,836,077
Financial expenses	22	31	2,293,714,332,481	3,049,417,848,736
<i>In which: Interest expense</i>	23		1,558,118,623,739	1,365,427,620,435
Share of (loss)/profit in associates	24		(19,861,652,419)	74,777,582,856
Selling expenses	25	32	4,874,949,412,061	4,456,253,993,479
General and administration expenses	26	33	2,323,175,539,158	2,244,778,696,112
Net operating profit	30		2,067,618,496,034	2,066,995,485,005
{30 = 20 + (21 - 22) + 24 - (25 + 26)}				
Other income	31	34	1,124,558,621,123	578,376,098,914
Other expenses	32		37,417,629,340	44,789,738,486
Results of other activities (40 = 31 - 32)	40		1,087,140,991,783	533,586,360,428

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

Consolidated statement of income

for the year ended 31 December 2017 (continued)

Form B 02- DN/HN

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

	Code	Note	2017 VND	2016 VND
Accounting profit before tax (50 = 30 + 40)	50		3,154,759,487,817	2,600,581,845,433
Income tax expense – current	51	36	471,377,611,879	340,669,014,103
Income tax expense – deferred	52	36	24,268,611,881	154,675,736,633
Net profit after tax (60 = 50 - 51 - 52)	60		2,659,113,264,057	2,105,237,094,697
Attributable to:				
Equity holders of the Company	61		2,370,500,548,767	2,054,563,627,762
Non-controlling interest	62		288,612,715,290	50,673,466,935
Earnings per share				
Basic earnings per share	70	37	1,931	1,685

Prepared by:

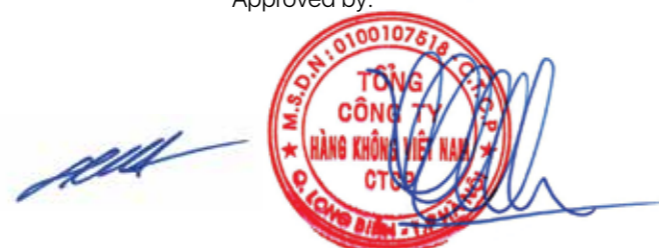


Ho Xuan Tam

Department of Finance and Accounting

Hanoi, 26/03/2018

Approved by:



Tran Thanh Hien

Chief Accountant

Duong Tri Thanh

President & CEO

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

Consolidated statement of cash flows

for the year ended 31 December 2017

(Indirect method)

Form B 03- DN/HN

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

	Code	Note	2017 VND	2016 VND
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	01		3,154,759,487,817	2,600,581,845,433
Adjustments for				
Depreciation and amortisation	02		5,192,580,322,457	5,218,292,501,411
Allowances and provisions	03		113,099,442,953	41,061,246,841
Exchange (gains)/losses arising from revaluation of monetary items denominated in foreign currencies	04		(63,985,663,924)	730,050,392,571
Profits from investing activities	05		(315,261,310,952)	(545,251,701,369)
Interest expense	06		1,558,118,623,739	1,365,427,620,435
Operating profit before changes in working capital	08		9,639,310,902,090	9,410,161,905,322
Change in receivables	09		6,811,365,649,648	(463,996,513,375)
Change in inventories	10		(620,103,845,038)	(954,278,619,370)
Change in payables and other liabilities	11		4,627,807,018,445	4,227,964,944,492
Change in prepaid expenses	12		(243,547,847,801)	(604,196,414,778)
			20,214,831,877,344	11,615,655,302,291
Interest paid	14		(1,588,543,545,160)	(1,528,052,892,341)
Income tax paid	15		(349,629,400,992)	(387,537,191,194)
Other payments for operating activities	17		(298,815,506,086)	(149,224,296,483)
Net cash flows from operating activities	20		17,977,843,425,106	9,550,840,922,273

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

Consolidated statement of cash flows

for the year ended 31 December 2017

(Indirect method)

Form B 03- DN/HN

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

	Code	Note	2017 VND	2016 VND
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for additions to fixed assets and other long-term assets	21		(760,601,382,188)	(9,277,532,789,609)
Proceeds from disposals of fixed assets and other long-term assets	22		1,611,975,393,533	295,386,846,662
Payments for granting loans, purchase of debt instruments of other entities	23		(852,708,000,000)	(1,455,682,977,222)
Receipts from collecting loans, sales of debt instruments of other entities	24		1,207,084,915,009	1,074,175,102,222
Payments for investments in other entities	25		(73,999,940,000)	(107,000,000,000)
Collections on investments in other entities	26		-	24,605,300,000
Receipts of interests and dividends	27		324,518,533,557	243,026,390,220
Net cash flows from investing activities	30		1,456,269,519,911	(9,203,022,127,727)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from equity issued	31		62,675,865,832	2,567,441,763,999
Proceeds from borrowings	33		19,430,255,503,126	27,369,210,821,590
Payments to settle loan principals	34		(28,571,347,407,325)	(26,866,352,970,822)
Payments to settle finance lease liabilities	35		(4,576,515,299,460)	(4,791,607,944,488)
Payments of dividends	36		(1,011,077,805,038)	(434,298,920,492)
Net cash flows from financing activities	40		(14,666,009,142,865)	(2,155,607,250,213)

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

Consolidated statement of cash flows

for the year ended 31 December 2017

(Indirect method)

Form B 03- DN/HN

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

	Code	Note	2017 VND	2016 VND
Net cash flows during the year (50 = 20 + 30 + 40)	50		4,768,103,802,152	(1,807,788,455,667)
Cash and cash equivalents at the beginning of the year	60		2,764,885,359,376	4,573,823,236,419
Effect of exchange rate fluctuations on cash and cash equivalents	61		7,630,713,919	(1,149,421,376)
Cash and cash equivalents at the end of the year (70 = 50 + 60 + 61)	70	4	7,540,619,875,447	2,764,885,359,376

Prepared by:



Ho Xuan Tam

Department of Finance and Accounting

Hanoi, 26/03/2018

Approved by:



Tran Thanh Hien

Chief Accountant

Duong Tri Thanh

President & CEO

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

Notes to the consolidated financial statements

for the year ended 31 December 2017

Form B 09 - DN/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.

Reporting entity

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 2017 comprise Vietnam Airlines and its subsidiaries and their interest in associates.

Principal activities

The principal activities of Vietnam Airlines JSC and its 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.
- 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.

Normal operating cycle

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

Corporate structure

As at 31 December 2017, Vietnam Airlines had 30 dependent entities (including domestic and overseas branches), 15 subsidiaries and 5 associates (1/1/2017: 30 dependent entities, 15 subsidiaries and 5 associates).

Notes to the consolidated financial statements

for the year ended 31 December 2017

(continued)

Form B 09- DN/HN

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

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

	31/12/2017				1/1/2017			Principal activities
	Address	Number of shares	% of equity owned	% of voting rights	Number of shares	% of equity owned	% of voting rights	
Subsidiaries								
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%	7,200,405	60.10%	60.10%	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%	-	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%	178,935	89.47%	89.47%	Automatic booking
Vietnam Airport Ground Services Company Limited	Vietnam	-	100.00%	100.00%	-	100.00%	100.00%	Ground services
Associates								
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%	1,085,405	36.07%	36.07%	Aviation services
General Aviation Import-Export Joint Stock Company (Airmex)	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 2017, Vietnam Airlines JSC and its subsidiaries had 20,902 employees (1/1/2017: 20,761 employees).

Basis of preparation

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.

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.

Annual accounting period

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

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.

Summary of significant accounting policies

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

Basis of consolidation

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.

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.

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.

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.

Foreign currency

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.

- **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.

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.

Investments

- **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.

- **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.

- **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.

Accounts receivable

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

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.

Tangible fixed assets

- **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.

- **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

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).

Intangible fixed assets

- **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.

- **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.

- **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.

Long-term prepaid expenses

- **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, the expense awaiting allocation excludes the amount from maintenance reserve paid by the lessor. Repair and maintenance 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. Maintenance expenses are fully recognised into the statement of income during the year if incurred below USD300,000.

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

- **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.

- **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)).

Trade and other payables

Trade and other payables are stated at their cost.

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.

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.

Share capital

Ordinary shares

Ordinary shares are stated at par value. Incremental costs directly attributable to the issue of shares, net of tax effects, are recognised as a deduction from share premium.

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.

Revenue and other incomes

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.

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.

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 stated on the invoice.

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.

Interest income

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

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.

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.

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.

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 the Company 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.

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 2017, the Board of Director assessed that Vietnam is the only country with

revenue of more than 10% 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.

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.

Cash and cash equivalents

	31/12/2017 VND	1/1/2017 VND
Cash on hand	19,506,094,579	22,329,003,278
Cash in banks	1,941,174,835,253	1,633,241,520,321
Cash in transit	159,734,567,178	112,139,057,850
Cash equivalents	5,420,204,378,437	997,175,777,927
	7,540,619,875,447	2,764,885,359,376

Investments

Held-to-maturity investments

	31/12/2017		1/1/2017	
	Cost VND	Fair value VND	Cost VND	Fair value VND
Held-to-maturity investments - short-term				
Term deposits	409,299,086,391	409,299,086,391	763,676,001,400	763,676,001,400

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

Long-term financial investments

	31/12/2017		1/1/2017	
	Carrying amount VND	Value under equity method VND	Carrying amount VND	Value under equity method VND
Investments in associates				
Cambodia Angkor Air	868,495,011,091	693,002,099,683	868,495,011,091	790,999,754,460
Vietnam Aircraft Leasing Joint Stock Company	439,335,275,853	813,811,668,258	456,866,046,661	743,791,332,576
Danang Airport Services Joint Stock Company	86,652,841,772	23,389,162,523	82,094,241,772	23,557,798,297
General Aviation Import-Export Joint Stock Company (Airimex)	22,812,300,000	15,795,590,068	22,812,300,000	15,524,752,700
Aviation High-Grade Plastic Joint Stock Company	6,166,335,863	5,254,000,000	6,166,335,863	5,254,000,000
	1,423,461,764,579	1,551,252,520,532	1,436,433,935,387	1,579,127,638,033

Long-term financial investments (continued)

	31/12/2017			1/1/2017		
	Carrying amount VND	Allowance VND	Fair value VND	Carrying amount VND	Allowance VND	Fair value VND
Equity investments in other entities						
Phuong Nam Investment Tourism and Shipping One Member Company Limited	185,050,002,264	-	185,050,002,264	185,050,002,264	-	185,050,002,264
Tan Son Nhat Petrol Commercial Joint Stock Company	119,686,420,000	-	153,439,954,494	90,901,080,000	(5,679,900,037)	85,221,179,963
Southern Air Petro Logistics Joint Stock Company	52,000,000,000	(2,269,433,432)	49,730,566,568	52,000,000,000	(2,269,433,432)	49,730,566,568
Noi Bai Aviation Fuel Service Joint Stock Company	30,000,000,000	-	35,524,177,931	30,000,000,000	-	33,095,443,854
Aviation Logistics Services Joint Stock Company	65,049,600,000	-	65,049,600,000	24,393,600,000	-	24,393,600,000
Saigon Post and Telecommunication Joint Stock Company (SPT)	6,161,138,309	-	6,161,138,309	6,161,138,309	-	6,161,138,309
Cam Ranh International Terminal Joint Stock Company	90,000,000,000	-	90,000,000,000	90,000,000,000	-	90,000,000,000
Aviation Ground Service Company Limited	17,000,000,000	(268,379,125)	16,731,620,875	17,000,000,000	(1,451,090,525)	15,548,909,475
Others	886,255,104	-	886,255,104	1,061,171,967	-	1,061,171,967
	565,833,415,677	(2,537,812,557)	602,573,315,545	496,566,992,540	(9,400,423,994)	490,262,012,400

The fair value of equity investments as at 31 December 2017 is identified based on the following basis:

- The closing price of shares on the stock market as at 31 December 2017 for listed companies.
- Value of owners' equity as at 31 December 2017 corresponding to the percentage of interest ownership of Vietnam Airlines and its subsidiaries for unlisted companies or initial investment cost for those with unavailable financial information.

Movements in equity investments in associates

	2017 VND
Balance at the beginning of the year	1,579,127,638,033
Addition	4,558,600,000
Share of loss in associates incurred during the year	(19,861,652,419)
Foreign exchange differences arising from the translation of foreign operations (Note 24)	4,806,655,949
Dividends	(17,530,770,808)
Other movements	152,049,777
Balance at the end of the year	1,551,252,520,532

Accounts receivable from customers

Accounts receivable from customers in details

	31/12/2017 VND	1/1/2017 VND
Receivables from agents selling passenger transportation products	1,942,357,851,888	1,636,994,471,683
Receivables from other interline airlines	432,788,992,725	681,938,384,919
Cargo transportation fees receivable	358,169,026,116	307,172,911,678
Receivables from aircraft leasing	26,687,232,463	29,891,132,949
Others	1,204,906,925,950	788,986,285,088
	3,964,910,029,142	3,444,983,186,317

Accounts receivable from customers classified by payment term

	31/12/2017 VND	1/1/2017 VND
Short-term	3,963,515,421,579	3,443,588,578,754
Long-term	1,394,607,563	1,394,607,563
	3,964,910,029,142	3,444,983,186,317

Accounts receivable from customers who are related parties

	31/12/2017 VND	1/1/2017 VND
Associates		
Cambodia Angkor Air	61,954,565,121	82,120,929,200

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

Prepayments to suppliers

Prepayments to suppliers – short-term

	31/12/2017 VND	1/1/2017 VND
Prepayments for aircraft purchasing	3,002,686,694,503	8,609,061,295,391
Prepayments for overhaul costs to be offset against maintenance reserve	1,076,120,156,565	1,799,799,981,195
Prepayments for aircraft leasing	524,146,980,576	445,604,170,216
Others	319,457,895,864	282,228,844,578
	4,922,411,727,508	11,136,694,291,380

Prepayments to suppliers – long-term

	31/12/2017 VND	1/1/2017 VND
Prepayments for aircraft purchasing	1,812,099,336,087	2,435,873,162,405

Other receivables

Other short-term receivables

	31/12/2017 VND	1/1/2017 VND
Interest on short-term deposits	20,924,034,156	12,032,467,104
Advances	18,722,636,112	25,372,629,102
Short-term collateral, deposits	59,657,236,243	62,103,038,715
Deposits for leasing aircrafts (*)	275,591,139,686	171,997,542,750
Temporary payments of import duty, value added tax	248,083,968,925	639,465,339,888
Others	190,835,252,892	214,429,078,963
	813,814,268,014	1,125,400,096,522

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

Other long-term receivables comprise

	31/12/2017 VND	1/1/2017 VND
Deposits for leasing aircrafts, aircraft engines	2,161,725,502,990	2,301,948,875,337
Other long-term collateral, deposits	196,219,810,160	88,402,144,357
Other long-term receivables	5,662,684,499	6,166,684,499
	2,363,607,997,649	2,396,517,704,193

Other receivables from related parties

	31/12/2017 VND	1/1/2017 VND
Associates		
Vietnam Aircraft Leasing Joint Stock Company (*)	431,497,039,009	426,469,704,854

(*) 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.

Bad and doubtful debts

	Overdue days	31/12/2017		Recoverable amount VND	Overdue days	1/1/2017		Recoverable amount VND
		Cost VND	Allowance VND			Cost VND	Allowance VND	
Overdue debts								
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	3,039,295,020	(3,039,295,020)	-	Over 2 years	3,625,074,029	(3,625,074,029)	-
Air Fast Ticket Group	Over 3 years	5,506,563,686	(5,506,563,686)	-	Over 2 years	4,936,788,080	(4,936,788,080)	-
Others	1 - 20 years	46,383,080,886	(45,048,159,120)	1,334,921,766	1 - 20 years	38,012,584,745	(36,298,761,444)	1,713,823,301
		93,466,858,443	(92,131,936,677)	1,334,921,766		85,112,365,705	(83,398,542,404)	1,713,823,301
Of which:								
Allowance for doubtful debts – short-term		(91,561,220,677)					(82,827,826,404)	
Allowance for doubtful debts – long-term		(570,716,000)					(570,716,000)	

Inventories

	31/12/2017		1/1/2017	
	Cost VND	Allowance VND	Cost VND	Allowance VND
Goods in transit	4,219,742,099	-	42,588,489,890	-
Raw materials	1,173,131,546,033	(236,686,035,600)	969,722,603,034	(108,867,275,234)
Tools and supplies	70,791,009,732	-	199,589,141,023	-
Work in progress	28,755,770,550	-	5,884,370,413	-
Merchandise inventories (*)	2,175,855,776,125	-	1,585,740,421,598	-
Goods in bonded warehouse	15,546,402,609	-	12,645,537,475	-
Goods on consignment	2,221,591,363	-	4,877,276,287	-
	3,470,521,838,511	(236,686,035,600)	2,821,047,839,720	(108,867,275,234)

(*) 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 2017 was VND77,744 million of raw materials carried at net realisable value (1/1/2017: Nil) and VND 199,180 million of obsolete, slow-moving raw materials (1/1/2017: VND148,978 million).

Tangible fixed assets

	Aircrafts, aircraft engines VND	Buildings, structures VND	Machinery, equipment VND	Motor vehicles VND	Office equipment VND	Others VND	Total VND
Cost							
Opening balance	31,422,795,360,939	2,210,028,273,872	2,911,510,065,220	1,128,279,082,149	656,136,501,499	278,132,219,394	38,606,881,503,073
Addition	-	-	153,117,681,245	212,529,786,482	49,174,430,928	8,491,334,921	423,313,233,576
Transfer from construction in progress	-	45,442,372,776	-	-	-	-	45,442,372,776
Adjustment of costs	(30,437,899,357)	-	(131,835,877)	-	-	(513,563,503)	(31,083,298,737)
Reclassification	-	(14,835,947,813)	13,417,322,358	1,229,956,664	1,436,839,808	(1,248,171,017)	-
Disposal and write-off	(9,065,681,919,508)	(2,625,941,703)	(12,233,617,495)	(15,267,139,668)	(14,890,794,099)	(3,573,659,040)	(9,114,273,071,513)
Other movements	-	2,471,559,305	(859,020,507)	(893,592,410)	(10,517,307)	(2,700,964,949)	(1,992,535,868)
Closing 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
Accumulated depreciation							
Opening balance	13,290,786,782,996	840,453,546,004	1,943,598,586,629	781,469,517,546	423,237,016,901	145,699,294,858	17,425,244,744,934
Charge for the year	1,507,158,437,811	119,356,102,812	241,108,441,699	(52,559,168)	(545,498,554)	(1,633,261,417)	-
Reclassification	-	(1,619,360,303)	3,850,679,442	-	-	-	-
Disposal and write-off	(7,469,502,361,861)	(2,375,768,850)	(12,233,617,495)	(15,242,155,760)	(14,890,794,099)	(3,401,452,635)	(7,517,646,150,700)
Other movements	-	(110,259,403)	(113,988,637)	(1,003,805,772)	(10,517,307)	-	(1,238,571,119)
Closing 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
Net book value							
Opening balance	18,132,008,577,943	1,369,574,727,868	967,911,478,591	346,809,564,603	232,899,484,598	132,432,924,536	21,181,636,758,139
Closing 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

Included in tangible fixed assets were assets costing VND2,784,163 million which were fully depreciated as of 31 December 2017 (1/1/2017: VND2,514,787 million), but which are still in active use.

At 31 December 2017 tangible fixed assets with a net book value of VND12,981,072 million (1/1/2017: VND13,645,487 million) were pledged with banks as security for loans granted to Vietnam Airlines and its subsidiaries.

Finance lease tangible fixed assets

	Aircrafts and aircraft engines VND	Machinery and office equipment VND	Total VND
Cost			
Opening balance	53,403,999,739,544	450,000,000	53,404,449,739,544
Adjustments of costs of aircrafts	(11,619,189,883)	-	(11,619,189,883)
Closing balance	53,392,380,549,661	450,000,000	53,392,830,549,661
Accumulated depreciation			
Opening balance	13,329,312,563,162	191,733,864	13,329,504,297,026
Charge for the year	3,088,557,623,585	147,580,650	3,088,705,204,235
Closing balance	16,417,870,186,747	339,314,514	16,418,209,501,261
Net book value			
Opening balance	40,074,687,176,382	258,266,136	40,074,945,442,518
Closing balance	36,974,510,362,914	110,685,486	36,974,621,048,400

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)).

Intangible fixed assets

	Land use rights VND	Software VND	Others VND	Total VND
Cost				
Opening balance	100,933,196,031	457,460,207,848	26,406,868,767	584,800,272,646
Additions	443,111,819	40,386,679,918	-	40,829,791,737
Disposal and written-off	-	(1,207,299,736)	-	(1,207,299,736)
Other movement	-	(1,032,360,715)	-	(1,032,360,715)
Closing balance	101,376,307,850	495,607,227,315	26,406,868,767	623,390,403,932
Accumulated amortisation				
Opening balance	31,630,738,739	399,026,325,588	1,206,868,767	431,863,933,094
Charge for the year	141,896,553	31,348,188,622	-	31,490,085,175
Disposal and written-off	-	(1,207,299,736)	-	(1,207,299,736)
Other movement	-	(1,147,560,714)	-	(1,147,560,714)
Closing balance	31,772,635,292	428,019,653,760	1,206,868,767	460,999,157,819
Net book value				
Opening balance	69,302,457,292	58,433,882,260	25,200,000,000	152,936,339,552
Closing balance	69,603,672,558	67,587,573,555	25,200,000,000	162,391,246,113

Included in intangible fixed assets were assets costing VND346,963 million which were fully amortised as of 31 December 2017 (1/1/2017: VND344,791 million), but which are still in use.

At 31 December 2017 intangible fixed assets with a net book value of VND25,200 million (1/1/2017: VND25,200 million) were pledged with banks as security for loans granted to the Company and its subsidiaries.

Construction in progress

Major constructions in progress were as follows:

	31/12/2017 VND	1/1/2017 VND
10 A350 Project signed in 2007	-	171,315,035,746
Noi Bai Air Catering Project	161,395,322,416	23,371,506,654
8 B787-9 Project signed in 2008	-	19,156,657,493
Southern Operating Center Project	-	868,079,945
Construction project supporting ground services at Tan Son Nhat Airport-Phase 2	17,837,109,000	18,173,769,941
Construction of 3200m3 reservoir Project – Cam Ranh warehouse	10,259,705,926	-
Unit load device Project	10,351,607,350	-
Warehouse at Lien Khuong Airport	11,030,600,817	-
Aviation tool cleaner	11,008,582,500	-
Other projects	47,742,612,612	29,335,120,900
	269,625,540,621	262,220,170,679

At 31 December 2017 constructions in progress with a carrying value of VND161,395 million (1/1/2017: Nil) were pledged with banks as security for loans granted to the Company and its subsidiaries.

Prepaid expenses

Other receivables from related parties

	31/12/2017 VND	1/1/2017 VND
Commission from sales of transportation documents (*)	77,376,881,883	78,721,654,334
Prepaid aviation insurance expenses	3,827,855,173	1,615,009,625
Aircraft and aircraft engine rentals	93,209,350,039	37,204,377,466
Other short-term prepaid expenses	42,816,472,196	66,824,651,322
	217,230,559,291	184,365,692,747

(*) 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.

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	2,308,938,684,653	2,072,623,021,962	719,946,353,190	218,424,492,932	5,319,932,552,737
Additions	2,448,391,376,983	636,889,338	348,881,531,337	175,062,623,877	2,972,972,421,535
Amortisation for the year	(1,866,499,265,726)	(257,183,393,312)	(470,518,532,975)	(168,088,248,265)	(2,762,289,440,278)
Closing balance	2,890,830,795,910	1,816,076,517,988	598,309,351,552	225,398,868,544	5,530,615,533,994

Deferred tax assets and liabilities

	Tax rate	31/12/2017 VND	1/1/2017 VND
Deferred tax assets:			
Fixed assets	20%	636,011,620	889,621,365
Others	20%	695,001,175	1,265,223,685
Total deferred tax assets		1,331,012,795	2,154,845,050
Deferred tax liabilities:			
Provisions	20%	(183,051,888,659)	(159,632,441,462)
Others	20%	(36,226,633)	(10,894,205)
Total deferred tax liabilities		(183,088,115,292)	(159,643,335,667)
		(181,757,102,497)	(157,488,490,617)
Balance sheet classification:			
Other long-term assets		1,331,012,795	2,154,845,050
Long-term liabilities		(183,088,115,292)	(159,643,335,667)
Net deferred tax liabilities		(181,757,102,497)	(157,488,490,617)

Accounts payable to suppliers

Accounts payable to suppliers in details

	Cost and amount within payment capacity	
	31/12/2017 VND	1/1/2017 VND
Payables from sale of passenger, baggage, MCO transportation documents (i)	7,626,772,137,160	6,864,334,304,344
Payables relating to tax included in air ticket prices (ii)	1,110,497,876,995	1,088,520,056,621
Accounts payable to suppliers and Interlines payables	5,031,590,204,053	4,019,980,205,073
Other payables	20,134,426,784	18,067,603,935
Payables from sale of cargo transportation documents	16,271,654,103	18,674,744,501
	13,805,266,299,095	12,009,576,914,474

(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.

Accounts payable to suppliers who are related parties

	Cost and amount within payment capacity	
	31/12/2017 VND	1/1/2017 VND
Associates		
General Aviation Import – Export JSC (Airimex)	55,252,302,254	33,114,952,734

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



Taxes and other receivable from and payable to State Treasury

	1/1/2017		Payable after netting-off VND	Paid VND	31/12/2017	
	Receivable VND	Payable VND			Receivable VND	Payable VND
Taxes						
Value added tax	20,893,688,673	74,411,378,200	1,424,295,138,775	(1,435,991,217,720)	11,942,086,694	53,763,697,276
Import-export tax	15,646,957,890	-	404,123,086,207	(398,074,422,824)	9,598,294,507	-
Corporate income tax	67,450,918,322	53,509,736,730	465,689,903,532	(349,629,400,992)	2,224,510,091	104,343,831,039
Personal income tax	598,498,228	88,073,094,252	832,525,645,952	(890,183,689,410)	75,704,023	29,892,256,589
Natural resource taxes	-	-	86,818,400	(83,132,080)	-	3,686,320
Land and housing taxes and land rental	-	-	58,397,244,904	(57,042,428,698)	-	1,354,816,206
Environment protection tax	-	179,927,901,000	2,270,533,224,000	(2,267,609,193,000)	-	182,851,932,000
Contractor tax	-	29,950,423,668	154,843,515,045	(132,278,684,086)	-	52,515,254,627
Other taxes	-	306,926,843	2,582,414,958	(2,582,949,003)	-	306,392,798
Other obligations						
Fees and duties	15,146,200	-	166,026,916	(166,026,736)	15,146,200	180
	104,605,209,313	426,179,460,693	5,613,243,018,689	(5,533,641,144,549)	23,855,741,515	425,031,867,035

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 2017, the remaining tax and penalty payables of VND127.8 billion and VND117 billion, respectively, have not been recorded in the consolidated financial statements.

Accrued expenses – short-term

	31/12/2017 VND	1/1/2017 VND
Flight services expenses	734,864,514,023	947,813,559,129
Aircraft fuel expenses	431,013,630,165	233,962,784,690
Aircraft lease and repair expenses	2,176,221,535,589	615,266,112,905
Interest expenses	191,915,618,967	222,340,540,388
Others	1,039,528,444,894	450,688,556,599
	4,573,543,743,638	2,470,071,553,711

Unearned revenue – short-term

	31/12/2017 VND	1/1/2017 VND
Revenue received in advance	11,046,055,709	3,480,166,553
Revenue from customer loyalty program	708,476,808,282	558,827,531,007
	719,522,863,991	562,307,697,560

Other payables

Other payables – short-term

	31/12/2017 VND	1/1/2017 VND
Aircraft maintenance expenses (*)	542,796,815,401	523,939,573,606
Spare parts and tools payables (**)	76,346,779,671	78,981,016,341
Short-term deposits and collaterals received	150,347,051,804	16,041,450,409
Dividends payable	3,485,476,224	20,167,223,524
Others	309,072,432,736	279,698,276,876
	1,082,048,555,836	918,827,540,756

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

(**) Spare parts and tools payables represent estimated amount payables related to spare parts, tools received in the year but invoices not yet received.

Other payables – long-term

	31/12/2017 VND	1/1/2017 VND
Deposits received for maintenance reserve and aircraft leasing	249,570,353,914	411,746,265,177
Long-term deposits and collaterals received	202,484,262,367	154,902,842,000
Receipt in advance of credit granted under Material Solutions Agreement	306,861,245,824	311,861,440,231
	758,915,862,105	878,510,547,408

Other payables representing amounts due to related parties

	31/12/2017 VND	1/1/2017 VND
Associates		
Cambodia Angkor Air	249,570,353,914	411,746,265,177

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

Borrowings and finance lease liabilities

Short-term borrowings and finance lease liabilities

	1/1/2017 Carrying amount and amount within repayment capacity VND	Movement during the year		31/12/2017 Carrying amount and amount within repayment capacity VND
		Addition VND	Decrease VND	
Short-term borrowings (Note (c)(i))	4,233,228,096,584	19,046,630,206,247	(21,032,656,658,724)	2,247,201,644,107
Current portion of long-term borrowings	2,226,181,096,576	8,021,548,355,128	(7,451,686,930,651)	2,796,042,521,053
Current portion of finance lease principals	4,576,282,509,734	4,646,385,901,042	(4,576,405,724,281)	4,646,262,686,495
	11,035,691,702,894	31,714,564,462,417	(33,060,749,313,656)	9,689,506,851,655

Long-term borrowings and finance lease liabilities

	31/12/2017 VND	1/1/2017 VND
Long-term borrowings (Note (c)(ii))	14,662,704,422,644	21,816,143,824,635
Finance lease liabilities (Note (d))	30,212,376,487,049	34,815,457,956,206
	44,875,080,909,693	56,631,601,780,841
Repayable within twelve months	(7,442,305,207,548)	(6,802,463,606,310)
Repayable after twelve months	37,432,775,702,145	49,829,138,174,531

Terms and conditions of outstanding borrowings

Terms and conditions of outstanding short-term borrowings

	Loại tiền	31/12/2017 VND	1/1/2017 VND
Vietnam Joint Stock Commercial Bank for Industry and Trade	USD	657,556,579,159	992,292,307,788
Vietnam Joint Stock Commercial Bank for Industry and Trade (*)	USD	264,726,771,856	2,295,799,193,612
Vietnam Joint Stock Commercial Bank for Industry and Trade	VND	63,446,084,922	55,258,938,053
Joint Stock Commercial Bank for Foreign Trade of Vietnam	USD	880,838,088,160	152,855,792,618
Vietnam Technological and Commercial Joint Stock Bank	VND	15,268,421,878	-
Vietnam Export Import Commercial Joint - Stock Bank	USD	76,013,456,473	229,598,676,809
Military Commercial Joint Stock Bank	USD	-	97,333,249,455
HSBC Bank (Vietnam) Ltd.	USD	-	29,707,593,873
HSBC Bank (Vietnam) Ltd.	VND	81,000,000,000	150,000,000,000
Vietnam Bank for Agriculture and Rural Development	USD	127,816,439,410	66,245,844,375
Vietnam International Commercial Joint Stock Bank (VIBBank)	USD	76,496,849,630	99,136,500,001
Vietnam International Commercial Joint Stock Bank (VIBBank)	VND	4,038,952,619	-
HD Bank	VND	-	65,000,000,000
		2,247,201,644,107	4,233,228,096,584

(*) This short-term loan with credit limit of USD117 million is for the purpose of financing the purchase of 10 aircrafts of Jetstar. The loan is secured by the sale-and-leaseback agreements between Jetstar and Aviation Capital Group Corporation.

Terms and conditions of outstanding long-term borrowings

	Loại tiền	Năm đáo hạn	31/12/2017 VND	1/1/2017 VND
Joint Stock Commercial Bank for Foreign Trade of Vietnam (*)	VND	2021 - 2024	258,742,225,761	318,196,931,177
Joint Stock Commercial Bank for Foreign Trade of Vietnam (*)	USD	2028	6,582,392,121,453	10,671,150,858,757
Vietnam Export Import Commercial Joint Stock Bank	USD	2024	2,082,694,864,507	2,414,134,000,168
Vietnam Export Import Commercial Joint Stock Bank (*)	VND	2019-2021	26,709,477,000	57,396,379,000
Cathay United Bank (Taiwan)	USD	2023	748,122,431,773	1,687,391,675,781
Vietnam Technological and Commercial Joint Stock Bank (*)	USD	2020	43,234,785,258	1,075,785,184,796
Vietnam Technological and Commercial Joint Stock Bank	VND	2022	47,000,000,000	-
Southeast Asia Joint Stock Commercial Bank	USD	2024	969,152,465,398	1,108,576,748,353
Vietnam International Commercial Joint Stock Bank (*)	VND	2022 - 2024	128,689,563,332	95,059,639,922
Vietnam International Commercial Joint Stock Bank (*)	USD	2022 - 2024	771,746,895,591	860,594,974,906
Military Commercial Joint Stock Bank	USD	2025	504,393,120,000	567,941,220,000
Military Commercial Joint Stock Bank	VND	2022	65,464,609,793	-
Joint Stock Commercial Bank for Investment and Development of Vietnam (*)	USD	2028	1,495,853,999,933	1,641,872,862,104
Indovina Bank	USD	2022	622,858,942,255	710,465,607,496
Ocean Commercial Joint Stock Bank (*)	USD	2018	-	128,931,206,986
Maritime Commercial Joint Stock Bank (*)	VND	2022	33,081,080,000	62,434,992,000
Credit Agricole Bank	USD	2020	75,922,550,162	106,825,575,211
Vietnam Joint Stock Commercial Bank for Industry and Trade (*)	VND	2019 - 2023	197,702,890,688	147,727,038,282
Cathay United Bank - Chu Lai Branch (*)	USD	2019	-	58,741,830,064
Vietnam Development Bank	EUR	2020	3,084,359,740	12,446,726,563
Viet Capital Joint Stock Commercial Bank	VND	2019	-	26,100,000,000
Vietnam Thuong Tin Commercial Joint Stock Bank	VND	2020	-	56,984,133,069
Vietnam Bank for Agriculture and Rural Development	VND	2021	5,858,040,000	7,386,240,000
			14,662,704,422,644	21,816,143,824,635
			(2,796,042,521,053)	(2,226,181,096,576)
			11,866,661,901,591	19,589,962,728,059

(*) The bank loans are secured over assets and construction in progress financed by the loans with a net book value of VND13,167,667 million as at 31 December 2017 (1/1/2017: VND13,670,687 million) (Note 11, Note 13 and Note 14). The other loans are guaranteed by the Ministry of Finance or unsecured.

During the year, long-term borrowings of Vietnam Airlines and its subsidiaries bore annual interest rates as below:

- Long-term borrowings denominated in USD: Ranging from 2.7% to 6.7%;
- Long-term borrowings denominated in EUR: Ranging from 1% to 3.03%; and
- Long-term borrowings denominated in VND: Ranging from 8.6% to 10.5%.

Finance lease liabilities

	31/12/2017 VND	1/1/2017 VND
Citibank	10,366,357,326,554	11,914,382,411,578
ING Group	2,609,453,891,772	11,834,176,637,004
Credit Agricole Bank	2,173,476,703,926	3,724,349,288,555
JP Morgan Chase Bank	2,143,696,988,852	2,465,583,917,081
HSBC Bank	10,730,185,325,943	2,525,551,804,710
DVB Bank	2,189,206,250,002	2,351,181,110,009
Viettel-CHT Company Limited	-	232,787,269
	30,212,376,487,049	34,815,457,956,206

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

31 December 2017

	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
	33,465,253,483,640	3,252,876,996,591	30,212,376,487,049

1 January 2017

	Total payments VND	Interest VND	Principal VND
Within one year	5,223,462,264,034	647,179,754,300	4,576,282,509,734
Within two to five years	17,996,474,388,971	1,627,913,102,574	16,368,561,286,397
More than five years	14,491,744,589,001	621,130,428,926	13,870,614,160,075
	37,711,681,242,006	2,896,223,285,800	34,815,457,956,206

At 31 December 2017, finance lease liabilities denominated in foreign currencies amounted to USD1,328 million (1/1/2017: USD1,529 million).

Short-term provisions

	31/12/2017 VND	1/1/2017 VND
Provision for amount payable to Military Petroleum Corporation (*)	20,339,407,446	40,339,407,446
Other provisions	8,521,000,000	1,361,800,000
	28,860,407,446	41,701,207,446

(*) On 16 October 2008, Da Nang-based Lien Chieu Aviation Fuel Warehouse of Central Air Petro Enterprise (a dependent unit of Vietnam Air Petrol One Member Company Limited (SKYPEC) which is a subsidiary of Vietnam Airlines) suffered from a landslide which caused losses and damages to the assets of SKYPEC and Military Petroleum Corporation which were stored there.

According to the Judgment No. 151/2010/KDTM-ST dated 6 December 2010 and No. 05/2014/KDTM-ST dated 27 February 2014 of Hanoi People's Court, SKYPEC recorded a provision for amount payable to Military Petroleum Corporation corresponding to the goods of Military Petroleum Corporation stored at Lien Chieu Aviation Fuel Warehouse with an amount of VND40,339,407,446 and recorded this amount in the operating expenses for the nine-month period ended 31 December 2015.

The Judgment No. 181/2016/KDTM-PT dated 27 October 2016 of Hanoi Supreme Court resolved the same arbitration as Judgement No. 05/2014/KDTM-ST dated 27 February 2014 of Hanoi People's Court that SKYPEC has obligation to compensate Military Petroleum Corporation on the assets damaged.

In 2017, following the Judgement of the Court, SKYPEC paid to Military Petroleum Corporation an amount of VND20 billion and reduced its short-term provision accordingly.

Changes in owners' equity

	Share capital VND	Share premium VND	Other capital VND	Differences upon asset revaluation VND	Foreign exchange differences VND	Investment and development fund VND	Enterprise reorganisation assistance fund (*) VND	Other equity funds VND	Retained profits VND	Total VND
Balance at 1 January 2016	11,198,648,400,000	36,493,938,542	158,188,957,570	(1,153,004,222,954)	190,743,186,933	103,642,172,417	1,068,628,929,237	2,024,298,861	65,279,379,622	11,670,645,040,228
Share capital issued	1,076,689,380,000	1,184,358,317,999	-	-	-	-	-	-	-	2,261,047,697,999
Capital increase	-	-	83,166,280,257	-	-	(82,192,149,269)	-	-	(974,130,988)	-
Net profit for the year	-	-	-	-	-	-	-	-	2,054,563,627,762	2,054,563,627,762
Appropriation to bonus and welfare funds	-	-	-	-	-	-	-	-	(169,696,300,876)	(169,696,300,876)
Effect of transaction to increase ownership percentage in subsidiaries	-	-	-	-	-	-	-	-	(11,349,863,408)	(11,349,863,408)
Currency translation differences (Note 3(b)(ii))	-	-	-	-	13,666,857,421	-	-	-	-	13,666,857,421
Adjustment according to State Audit conclusion	-	-	-	-	-	-	-	-	55,930,035,158	55,930,035,158
Transfer of profit after tax incurred during the pre-equitisation period to State Treasury	-	-	-	-	-	-	-	-	(174,129,922,303)	(174,129,922,303)
Other movements	-	-	-	-	464,932,508	(2,859,001)	-	-	(18,534,681,091)	(18,072,607,584)
Balance at 1 January 2017	12,275,337,780,000	1,220,852,256,541	241,355,237,827	(1,153,004,222,954)	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
Net profit for the year	-	-	-	-	-	-	-	-	2,370,500,548,767	2,370,500,548,767
Appropriation to bonus and welfare funds	-	-	-	-	-	-	-	-	(547,482,414,773)	(547,482,414,773)
Dividend (Note 26)	-	-	-	-	-	-	-	-	(736,520,266,800)	(736,520,266,800)
Effect of transaction to change ownership percentage in subsidiaries	-	-	-	-	-	-	-	-	138,903,562	138,903,562
Currency translation differences (Note 3(b)(ii))	-	-	-	-	4,806,655,949	-	-	-	-	4,806,655,949
Adjustment for finalisation of salary fund	-	-	-	-	-	-	-	-	19,129,954,166	19,129,954,166
Other movements	-	-	-	-	-	-	-	-	765,419,432	765,419,432
Balance at 31 December 2017	12,275,337,780,000	1,220,852,256,541	241,355,237,827	(1,153,004,222,954)	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

Non-controlling Interest movements are separately disclosed in Note 27. Note 27 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 Reorganization 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.

Share capital

Vietnam Airlines' authorised and issued share capital are:

	31/12/2017		1/1/2017	
	Number of shares	VND	Number of shares	VND
Authorised share capital	1,227,533,778	12,275,337,780,000	1,227,533,778	12,275,337,780,000
Issued share capital				
Ordinary shares	1,227,533,778	12,275,337,780,000	1,227,533,778	12,275,337,780,000
Shares in circulation				
Ordinary shares	1,227,533,778	12,275,337,780,000	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 8 July 2016, Vietnam Airlines' total share capital is VND12,275,337,780,000.

As at 31 December 2017, the share capital has been fully contributed by shareholders as follows:

	Number of shares	Percentage (%)	Contributed capital as at 31/12/2017 VND
The State as owner	1,057,638,000	86.16	10,576,380,000,000
ANA Holding Inc. (ANA)	107,668,938	8.77	1,076,689,380,000
Other shareholders	62,226,840	5.07	622,268,400,000
	1,227,533,778	100.00	12,275,337,780,000

Dividends

The General Meeting of Shareholders of Vietnam Airlines on 20 June 2017 resolved to distribute dividends amounting to VND736,520 million (VND600 per share) (2016: Nil).

Non-controlling interest

	2017 VND	2016 VND
Opening balance	562,039,355,295	471,746,481,072
Share capital issued	60,246,920,000	306,394,066,000
Share premium	2,428,945,832	-
Net profit for the year	288,612,715,290	50,673,466,935
Appropriation to bonus and welfare funds	(19,180,839,436)	(17,512,212,671)
Dividends	(257,875,790,938)	(254,836,408,782)
Effect of transaction to increase ownership percentage in subsidiaries	(138,903,562)	11,349,863,408
Other movements	2,843,956,349	(5,775,900,667)
Closing balance	638,976,358,830	562,039,355,295

Off balance sheet items

Lease

The future lease payments under operating leases were:

	31/12/2017 VND	1/1/2017 VND
Within one year	9,670,241,820,099	9,247,340,564,654
Within two to five years	51,973,059,216,731	31,893,640,532,417
More than five years	87,156,676,823,302	66,302,311,637,580
	148,799,977,860,132	107,443,292,734,651

Operating lease assets as at 31 December 2017 include aircraft and engines as follows:

- Aircraft A350: 10 units under dry lease;
- Aircraft A330: 5 units under dry lease;
- Aircraft A321: 17 units under dry lease and 1 unit wet lease;
- Aircraft A320: 20 units under dry lease;
- Aircraft ATR72: 4 units under dry lease;
- Aircraft B787: 4 units under dry lease;
- Long-term lease aircraft engines: 6 units including P735095 (A330), ESN-V16989 (A321), ESN-V17037 (A321), ESN-V17365 (A321), 21024 (A350) and 21088 (A350); and
- Short-term lease aircraft engines: 9 units including V10123 (A320), V13184 (A320), P733319 (A330), P733396 (A330), P733339 (A330), V12178 (A321), V13120 (A321), V15191 (A321) and 956102 (B787).

Foreign currencies

	31/12/2017		1/1/2017	
	Original currency	VND equivalent	Original currency	VND equivalent
Australian Dollar (AUD)	1,772,740	31,524,638,799	390,839	6,448,066,606
Canadian Dollar (CAD)	218,989	3,986,475,756	245,257	4,149,014,022
Hong Kong Dollar (HKD)	6,089,161	17,822,974,247	1,168,285	3,431,252,076
Japanese Yen (JPY)	303,658,763	61,339,070,126	240,677,160	47,172,723,360
South Korean Won (KRW)	3,407,327,067	74,756,755,850	2,871,080,857	54,349,560,623
Malaysian Ringgit (MYR)	553,576	3,118,847,184	2,186,188	11,108,019,246
Russian Ruble (RUB)	11,911,200	5,229,016,800	14,613,561	5,553,153,146
Singapore Dollar (SGD)	978,422	16,706,548,820	2,273,137	35,867,829,039
Thai Baht (THB)	12,377,702	8,773,956,388	44,771,529	28,474,692,310
Taiwan Dollar (TWD)	6,549,112	5,004,634,644	5,415,353	3,834,069,924
US Dollar (USD)	29,471,563	670,330,690,884	19,508,474	444,110,410,609
Chinese Yuan (CNY)	17,782,500	61,740,839,375	28,270,500	92,670,697,787
Laos Kip (LAK)	1,920,116	5,760,348	576,000	1,728,000
British Pound (GBP)	297,348	9,116,689,680	430,422	12,054,407,494
Euro (EUR)	3,226,805	88,020,782,426	3,986,386	95,972,243,914
Indonesian Rupiah (IDR)	2,589,039,404	4,246,024,623	5,193,249,616	8,776,591,851
New Zealand Dollar (NZD)	9,209	148,660,887	-	-
		1,061,872,366,837		853,974,460,007

Bad debts written off

	31/12/2017 VND	1/1/2017 VND
Bad debts written off	99,580,276,201	99,435,847,405

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:

	2017 VND	2016 VND
Total revenue		
● Aviation transportation (*)	68,928,593,247,903	60,051,753,405,177
● Auxiliary services for transportation	4,255,274,908,279	3,678,887,611,069
● Sales of goods	9,529,148,042,545	5,851,874,816,721
● Others	840,696,902,086	988,972,489,897
	83,553,713,100,813	70,571,488,322,864
Less revenue deductions		
● Sales discounts	(602,364,496,468)	(482,169,059,268)
● Sales return	(378,109,072)	(345,412,274)
	(602,742,605,540)	(482,514,471,542)
Net revenue	82,950,970,495,273	70,088,973,851,322

(*) Included in revenue from transportation of passengers and baggage were VND922 billion of value of (i) all the tickets (including regular tickets, MCO, baggage and YQ) sold in the year ended 31 December 2016 which expired but had not been used by customers by 31 December 2017; and (ii) expired restricted tickets sold in the year which had not been used (2016: VND646 billion).

Financial income

	2017 VND	2016 VND
Interest income from deposits	206,952,840,258	134,982,473,755
Dividends	112,821,650,393	20,662,409,999
Foreign exchange gains	583,791,190,748	718,754,725,934
Gain on disposal of investments	-	22,865,342,896
Other financial income	3,079,589,462	2,577,883,493
	906,645,270,861	899,842,836,077

Financial expenses

	2017 VND	2016 VND
Interest expense	1,558,118,623,739	1,365,427,620,435
Expenses related to long-term loan contracts, finance lease contracts	291,742,779,835	299,970,810,256
Foreign exchange losses	446,163,828,869	1,384,092,339,963
Reversal of allowance for diminution of long-term financial investments	(6,862,611,437)	(4,787,210,349)
Other financial expenses	4,551,711,475	4,714,288,431
	2,293,714,332,481	3,049,417,848,736

Selling expenses

	2017 VND	2016 VND
Staff costs	681,890,575,816	704,660,358,177
Commission expenses	604,456,582,875	635,756,618,366
Ticket booking and seat reservation	1,524,146,275,503	1,460,945,604,393
Other selling expenses	2,064,455,977,867	1,654,891,412,543
	4,874,949,412,061	4,456,253,993,479

General and administration expenses

	2017 VND	2016 VND
Staff costs	1,082,978,392,446	974,074,910,140
Tax expenses	372,902,414,104	412,550,988,695
Other general and administration expenses	867,294,732,608	858,152,797,277
	2,323,175,539,158	2,244,778,696,112

Other income

	2017 VND	2016 VND
Gain from disposals of fixed assets	15,435,104,220	294,335,618,797
Gain from transfer of the right to purchase aircraft	771,653,717,102	77,444,505,707
Penalty received from other parties	75,238,108,897	60,937,677,058
Insurance compensation	16,635,335,832	37,633,863,247
Income from maintenance reserves claimed back	113,068,338,576	-
Others	132,528,016,496	108,024,434,105
	1,124,558,621,123	578,376,098,914

Production and business costs by element

	2017 VND	2016 VND
Raw material costs	28,708,818,203,926	21,239,887,669,048
Staff costs	8,838,486,562,714	8,283,381,263,333
Depreciation and amortisation	5,192,580,322,457	5,218,292,501,411
Outside services	35,066,420,015,629	29,715,010,856,963
In which		
* <i>Repair expenses of air engines and airframe</i>	<i>7,759,422,207,086</i>	<i>5,767,006,393,201</i>
* <i>Aircraft leasing</i>	<i>12,593,301,128,656</i>	<i>10,753,029,752,594</i>
* <i>Other outside services</i>	<i>14,713,696,679,887</i>	<i>13,194,974,711,168</i>
Other expenses	1,670,116,180,474	1,507,558,561,681

Income tax

Recognised in the consolidated statement of income

	2017 VND	2016 VND
Current tax expense		
Current year	470,792,028,036	339,334,308,784
Under provision in prior years	585,583,843	1,334,705,319
	<u>471,377,611,879</u>	<u>340,669,014,103</u>
Deferred tax expense		
Origination and reversal of temporary differences	23,268,170,339	153,047,331,002
Effect of change in tax rate	18,879,425	(486,471,339)
Write down/reversal of deferred tax asset	981,562,117	2,114,876,970
	<u>24,268,611,881</u>	<u>154,675,736,633</u>
Income tax expense	<u>495,646,223,760</u>	<u>495,344,750,736</u>

Reconciliation of effective tax rate

	2017 VND	2016 VND
Accounting profit before tax	3,154,759,487,817	2,600,581,845,433
Adjustments	215,915,969,536	500,418,172,358
Prior year unrealised foreign exchange difference	25,023,628,886	39,489,956,975
Non-deductible expenses	(113,424,650,193)	(22,296,136,174)
Tax exempted income		(219,576,191,386)
Current year unrealised foreign exchange difference	(232,537,592,647)	(38,541,349,638)
Income from Business Cooperation Contracts (BCC)	(52,088,860,145)	(74,777,582,856)
Profits from investments in associates	19,861,652,419	(776,895,004,123)
Effect of consolidation adjustments	(118,366,548,976)	(153,173,515)
Other adjustments	(1,306,215,137)	(1,250,179,226,246)
Tax losses utilised	(848,485,935,036)	900,016,528,384
Current period tax losses	252,520,343,506	
Taxable income	<u>2,301,871,280,030</u>	<u>1,658,087,839,212</u>
Tax rate	20%	20%
Current income tax expenses on operating profit	460,374,256,006	331,617,567,842
Changes in deferred tax assets and deferred tax liabilities	24,268,611,881	154,675,736,633
Current income tax expenses from BCC	10,417,772,030	7,716,740,942
Under provision in prior years	585,583,843	1,334,705,319
	<u>495,646,223,760</u>	<u>495,344,750,736</u>

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.

Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2017 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:

Net profit attributable to ordinary shareholders

	2017 VND	2016 VND
Net profit for the year	2,370,500,548,767	2,054,563,627,762
Appropriation to Bonus and welfare funds (*)	-	(80,257,184,944)
Net profit attributable to ordinary shareholders	2,370,500,548,767	1,974,306,442,818

(*) 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 2017.

Weighted average number of ordinary shares

	2017	2016
Issued ordinary shares at the beginning of the year	1,227,533,778	1,119,864,840
Effect of shares issued on 8 July 2016	-	51,917,077
Weighted average number of ordinary shares for the year	1,227,533,778	1,171,781,917

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	
	2017 VND	2016 VND
Dividend received during the year		
<i>Associates</i>		
Vietnam Aircraft Leasing Joint Stock Company	76,706,669,192	-
Danang Airport Services Joint Stock Company	16,055,234,000	13,024,860,000
General Aviation Import – Export JSC (Airimex)	2,731,050,000	4,337,550,000
Sales of goods and services		
<i>Associates</i>		
Cambodia Angkor Air	448,381,589,536	494,231,429,361
Danang Airport Services Joint Stock Company	61,178,385	428,583,000
Purchase of goods and services		
<i>Associates</i>		
General Aviation Import – Export JSC (Airimex)	174,261,423,790	305,109,909,059
Aviation High-Grade Plastic Joint Stock Company	-	848,636,910
Members of Board of Directors and Board of Management of Vietnam Airlines		
Compensation	16,238,016,000	11,090,820,000

Corresponding figures

Corresponding figures as at 1 January 2017 were derived from the balances and amounts reported in the consolidated financial statements as at and for the year ended 31 December 2016.

Prepared by:



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Approved by:



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Hanoi, 26/03/2018

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