

ANNUAL REPORT 2019



RESPONSIBILITY

PROACTIVENESS

CREATIVITY



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LIST OF ABBREVIATIONS

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

I

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



MR. PHAM NGOC MINH
Chairman of the Board



MR. DUONG TRI THANH
Chief Executive Officer

Dear Valued Shareholders, Customers and Partners of Vietnam Airlines,

First of all, the Board of Directors and the Board of Management of Vietnam Airlines would like to express our sincerest gratitude to the valued shareholders, customers and partners for your trust and support. Thanks to your companionship, Vietnam Airlines maintained strong performance, achieved remarkable outcomes and a number of new set records with the motto of “Responsibility – Proactiveness – Creativity”.

Business results continued to break the record with the revenue of VND 100,316 billion, increasing 1.4% year-on-year; the consolidated pre-tax profit by VND 3,388.9 billion, exceeding 2.3% versus last year. In which, the parent company achieved VND 74,693.89 billion in revenue and VND 2,899.34 billion in pre-tax profit, an increase of 20% year-on-year and exceeding 8.3% versus AGM plan.

Most of Vietnam Airlines' financial ratios have significantly improved, contributing to the capital autonomy and financial adequacy. Return on Equity (ROE) reached over 16%, while Debt-to-Equity ratio (D/E) decreased to 2.27 times.

In addition to financial goals being met, flight operation across Vietnam Airlines Group continued to achieve the best performance ever with 186,000 flights made and 29 million passengers transported. Having overcome difficulties in infrastructure, resources and increase in airspace competition, Vietnam Airlines managed to guarantee absolute safety, aviation security, improve On-Time Performance of departure and arrival ratios of about 90%.

2019 marked a significant transformation of Vietnam Airlines with HVN stock officially listed on the Ho Chi Minh City Stock Exchange (HOSE) and Vietnam Airlines named among the **Top 50 Best Listed Companies in Vietnam** by Forbes Vietnam for the first time. Thanks to the additional capital, Vietnam Airlines strengthened operating activities through domestic and international cooperation projects, fleet investment, network development, and service revamp.

In addition to cooperation with provinces and major local partners, including Vietnam National Administration of Tourism, Vietnam Posts and Telecommunications Group

(VNPT), VinGroup, Sun Group, etc. Vietnam Airlines enhanced extensive collaboration with leading international aviation partners, namely: Skywise open aviation data platform with Airbus; e-commerce with Sabre; aircraft engine maintenance cooperation with Pratt & Whitney, etc. Particularly, in September 2019, Vietnam Airlines launched the first and only aircraft component maintenance, repair and overhaul (MRO) joint venture in Vietnam with ST Engineering Aerospace – the world's largest MRO service provider.

Vietnam Airlines received the highest number of aircraft in the history and operated the most routes in the last five years, with 22 new aircraft and 10 new routes. In 2019, Vietnam Airlines received the entire Airbus A350-900 XWB fleet of 14 aircraft, and operated 3 of the state-of-the-art wide-body Boeing 787-10 Dreamliner aircraft. This completed our fleet of more than 100 aircraft and 100 routes covering all 23 airports across Vietnam and intercontinental route network.

Given our aspiration to become a 5-star international airline, Vietnam Airlines has constantly introduced improvements in service. 2019 was the year of digital technology innovation and integration: from the launch of mobile application and automatic check-in service to the universalization of wireless entertainment system across



WE ARE STEPPING INTO A REVOLUTIONARY DECADE OF ASIA'S ANTICIPATED DOMINANCE OVER THE WORLD'S AVIATION INDUSTRY. 2020 MARKS A SPECIAL YEAR OF OVERWHELMING OPPORTUNITIES, CHALLENGES AND CHANGES FOR THE WHOLE MARKET.



the entire Airbus A321neo fleet, the introduction of in-flight Wifi service on Airbus A350, and the new Vietnam Airlines - FPT Play application.

These steps are essential foundation for Vietnam Airlines to be widely recognized, with numerous prestigious accolades by reputable international organizations. Vietnam Airlines was rated as a **4-star Airline Rating** by Skytrax International Rating Organization for the fourth consecutive year. Vietnam Airlines was honored as **World's Leading Cultural Airline** and **World's Leading Airline - Premium Economy Class** by World Travel Awards. With the efforts of information technology adaptation and digital transformation, Vietnam Airlines was the only entity to



receive the **Outstanding User Organization Award** by Asian-Oceanian Computing Industry Organization (ASOCIO) in 2019.

***Dear Valued Shareholders,
Customers and Partners,***

According to Center for Asia Pacific Aviation (CAPA), we are stepping into a revolutionary decade of Asia's anticipated dominance over the world's aviation industry. Nevertheless, the beginning of this decade marks a special year of overwhelming challenges for the whole market.

From the earlier of this year, the world is going through a series of upheavals, including the outbreak of the COVID-19 pandemic which rapidly spread to more than 200 countries and territories, causing adverse impacts on the global economy.

The world economy is predicted to lose trillions of dollars and the aviation industry alone might lose a few hundred billion dollars. According to the International Air Transport Association (IATA), the global aviation will suffer a loss of USD 314 billion, in which Asia Pacific will be hit hard, accounting for more than USD 113 billion.

The sharp decline in travel demand, immigration restriction and border lockdown have put the air transport industry to stagnate, most of the fleet is grounded. The complicated developments of the pandemic have reduced market demand in long term, directly affected the operations of Vietnam Airlines as well as other regional airlines, signaling significant changes to the business prospect of the Group and the whole industry in 2020.

Vietnam Airlines proactively implemented countermeasures, including business scale adjustment, assertive cost cutting especially fixed costs and operational costs, labour allocation, salary reform and maximizing utilization of the support from the government and partners to maintain stable business activities. Those steps will help Vietnam Airlines overcome the crisis and be well-prepared for recovery.

While most of the commercial flights are suspended, Vietnam Airlines increase the volume of cargo transportation to support revenue stream and ensure the economic continuity as the role of a flag carrier.

To demonstrate how we prioritize the role of people factor in the comprehensive business development, Vietnam Airlines has streamlined the organizational and managerial models, ascertained efficient utilization of human resources and provided trainings to managerial and multi-level staff to better operate after the market recovery.



PHAM NGOC MINH
Chairman of the Board

History has proven that Vietnam Airlines has always managed to overcome difficulties and finds in them opportunities to be successful. With 25 years of experience and leading position in aviation industry, we believe all challenges in 2020 are the opportunity for the Group to push forward strategic foundation and prepare a comprehensive long-term development plan.

Together with the business resurgence towards 2022, Vietnam Airlines continues to execute the fleet development plan with a vision for 2030, service quality revamp, and extensive information technology adoptio. The ultimate target is becoming a 5-star Airline and a Digital Airline.

With the consensus, determination and confidence of the valued shareholders, customers and partners, the Board of Directors and Board of Management strive to overcome 2020 difficulties and make Vietnam Airlines brand stronger in the international arena, and be worthy of Vietnam's flag carrier.



DUONG TRI THANH
Chief Executive Officer



 **Vietnam Airlines** 
REACH FURTHER



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CERTIFICATE
4 TIMES
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II DEVELOPMENT STRATEGY



CORE VALUES



VISION MISSION



- Uphold the No. 1 position as Vietnam's aviation group leader
- Vietnam Airlines to become a leading Asian airline of customer's choice and be the main force transportation of Vietnam as a flag carrier.
- Provide diverse and high-quality air transport up to customers' expectations
- Create a civilized and professional working environment with various opportunities for career development for employees.
- Run effective business operation, ensure sustainable benefits for shareholders.

- Safety is the top priority and the basis of every activity.
- Customer-centric approach. Our development tightly links to customers' trust.
- Employees are the most valuable asset. All remuneration policies are built fairly and worthily to maintain the cohesion and solidarity of the organization.
- Creativity is the business motto, we constantly innovate various business aspects with breakthrough mindset and strive to achieve big success.
- Responsible airline group. We understand that corporate social responsibility is a business practice to ensure all decisions made and actions taken are in line with social sustainability.

TARGETS



- Top 3 leading airline group in Southeast Asia in terms of revenue.
- Vietnam Airlines to be on top 10 favorite airlines in Asia. Top 3 airlines in Southeast Asia in terms of scale.
- Advance 4-star airline services and progressively achieve 5-star airline standards for Vietnam Airlines.
- Implement resilient digital transformation to become a comprehensive Digital Airline Group.
- Become one of the most favorite workplaces in Vietnam.



DEVELOPMENT STRATEGY



Route network

- Domestic network: This is the strategic network. Vietnam Airlines will continue to develop its route network departing from Ha Noi - Da Nang - Ho Chi Minh City; and promote new hubs such as Hai Phong; continue to jointly coordinate with JPA and VASCO in product offerings.
- International network in Southeast Asia, Northeast Asia, South Pacific: This is the main operation network, generating major profits. Vietnam Airlines continues to increase flight frequency to improve the products of 2 flights/day/route, using wide-body aircraft. The Company also conducts research to open new routes from Central

Asia to Northeast Asia region, considers opening the Ha Noi - Melbourne route, and looks for opportunities to explore new destinations in Brisbane or Perth.

- Sub-regional network of Cambodia - Laos - Myanmar - Vietnam (CLMV): This is a network with major political significance. Vietnam Airlines needs to maintain an effective competitiveness with Bangkok (Thailand) gateway; develops more products connecting tourist destinations in Central Vietnam and Indochina... and coordinates with K6 to support Vietnam Airlines products.
- Inter-continental long-haul flight network: This is a long-term strategic network which is carefully analyzed and developed. Vietnam Airlines is selecting a few more destinations in Europe as well as considering new routes to America's Los Angeles or San Francisco while ensuring the overall operational efficiency of the entire network.

Fleet strategy

- Wide-body aircraft: continue to operate the current fleet for Europe, Australia, Northeast Asia, consider exploring new route to America on the basis of ensuring the business efficiency.
- Narrow-body aircraft: serve domestic market and

international routes with low capacity/short-haul (less than 5 hours of flight).

- Regional jet aircraft or Turboprop aircraft: maintain routes using ATR 72 aircraft, operate niche markets (short routes, small capacity, airports with limited infrastructure, etc.), study for new kind of aircraft to replace ATR 72.

Investment strategy

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

Capital strategy

Using a combination of various capital sources to ensure the mobilization of sufficient financial resources for investment needs; on the principle of maintaining the Debt-to-Equity ratio at a safe level and low financial costs. To execute this strategy, Vietnam Airlines implements the following solutions: (i) Increasing owner's equity via share issuance to increase charter capital; raising share premium and operating profit; (ii) Mobilizing capital from capital markets through commercial loan, bond issuance, export credit loan (if eligible); and (iii) Utilizing the Sale and Leaseback structure.

2019 KEY HIGHLIGHTS



50.1%

MARKET SHARE
Leading Vietnam
aviation industry

29

MILLION
Passengers

7,929.6

VND BILLION
State budget
payment,
fulfilling 105% of
the plan

3,389

VND BILLION
Consolidated profit
before tax

100,316

VND BILLION
Consolidated revenue

2,899

VND BILLION
Profit before tax
of the parent company
increased by 19.9%
versus 2018

 **Vietnam Airlines** 
REACH FURTHER



DID YOU KNOW

VIETNAM AIRLINES FEATURES THE NEWEST DIGITAL TECHNOLOGY FOR A SMOOTHER FLIGHT EXPERIENCE

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GENERAL INFORMATION

- Name in Vietnamese: TỔNG CÔNG TY HÀNG KHÔNG VIỆT NAM - CTCP
- Name in English: Vietnam Airlines JSC.
- Address: 200 Nguyen Son, Bo De Ward, Long Bien District, Ha Noi
- Telephone number: (+84.24) 3827 2732 | Fax: (+84.24) 3872 2375
- Website: www.vietnamairlines.com
- Email: nhadautu@vietnamairlines.com
- Business registration certificate for Joint Stock Company number 0100107518, issued by Hanoi Department of Planning and Investment, and registered for the 6th change on 26 February 2019.
- Charter capital: VND 14,182,908,470,000
- Ticker: HVN. Par value: VND 10,000/share
- Total number of outstanding shares: 1,418,290,847 shares (as of 31 December 2019)





BUSINESS LINES

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

Direct support services for air transportation:

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



Repair and maintenance of transportation vehicles: maintenance of aircraft, engines, spare parts, aviation supplies and equipment, equipment for groundwork and other technical equipment.

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



BUSINESS NETWORK

VIETNAM AIRLINES OPERATES THE LARGEST AIR ROUTE NETWORK IN VIETNAM

As of 31 December 2019,
Vietnam Airlines had

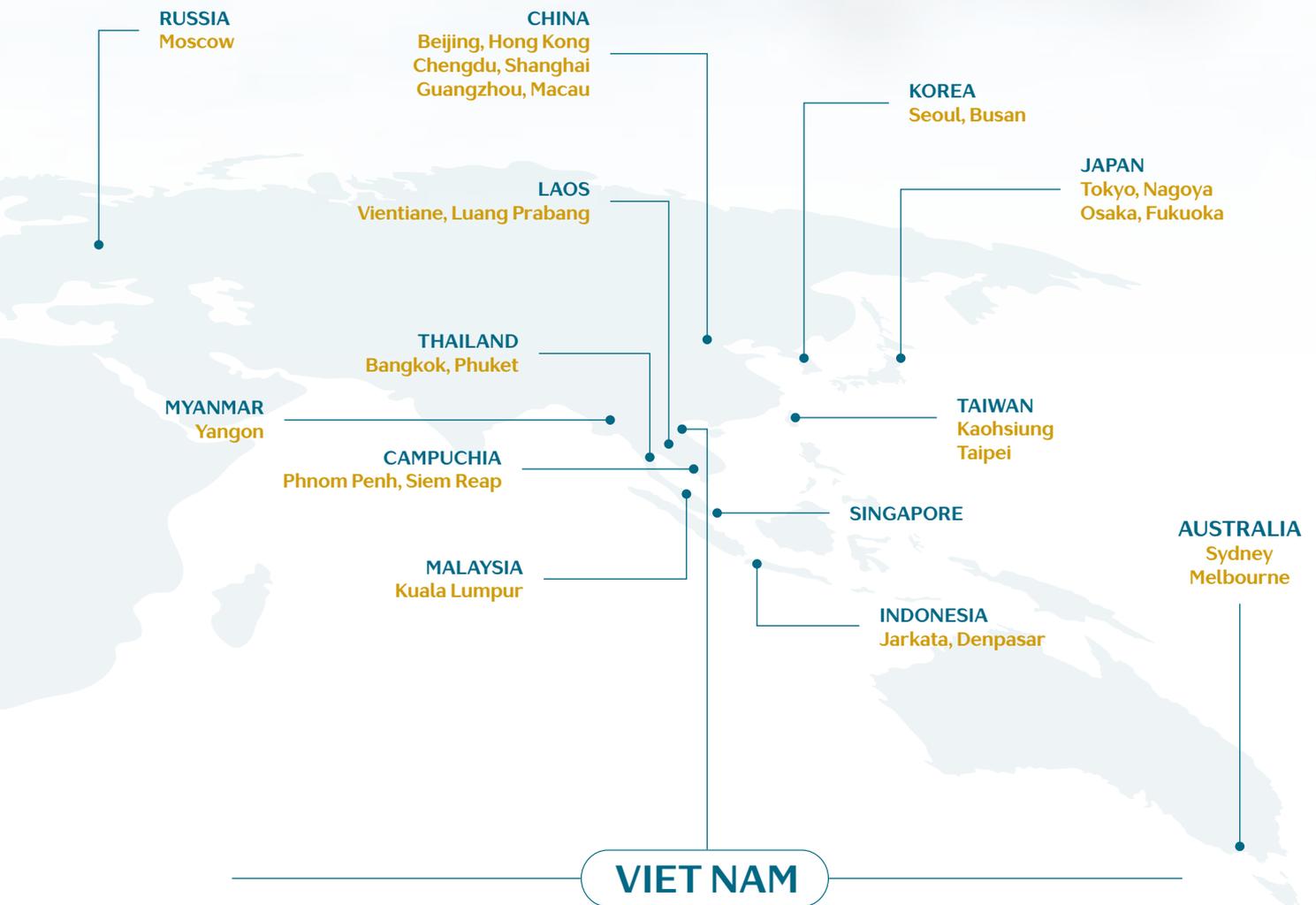
5 subsidiaries

25 branches operating in over

20 major provinces and cities in Vietnam



Besides, Vietnam Airlines, which has a geographically extensive commercial footprint that covers many parts of Europe, Asia, Australia, and North America with 31 branches and representative offices in 20 countries and territories, is poised to cater to the demands of customers around the globe.



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

ESTABLISHMENT AND DEVELOPMENT HISTORY



2002

Vietnam Airlines launched its new logo - The Golden Lotus that embodies the flag carrier's growth to reach the status of an important regional and global player with a national identity. This marked the beginning of Vietnam Airlines' comprehensive orientation campaign in brand strategy associated with outstanding improvements in service quality, flight route expansion, and fleet development



2006

Honored with Operational Safety Audit Certificate by International Air Transport Association (IATA) and became an official member of IATA



1993

Vietnam National Airline was incorporated

1995

Vietnam Airlines Corporation was incorporated by merging 20 enterprises in the aviation industry with Vietnam Airlines as the core entity

2003

Vietnam Airlines overhauled its operations by adopting the holding company model, following Decision No. 372/QDTTG on 04 April 2003 issued by the Prime Minister

Vietnam Airlines received and commissioned the first Boeing 777 aircraft, which marked its fleet modernization project



2010

Became a State-owned One-Member Limited Liability company

Vietnam Airlines officially became the first airline in Southeast Asia to join SkyTeam Airline Alliance





2015

March 2015: Vietnam Airlines held the first General Shareholders' Meeting and adopted the Charter of Joint Stock Company

April 2015: Officially operated as a Joint Stock Company from 01 April 2015

July 2015: Received and commissioned state-of-the-art Airbus A350 and Boeing 787 aircraft. Became the first airline in Southeast Asia and the second in the world to receive the new generation Airbus A350-900 aircraft. Launched the new corporate identity system

LOTUSMILES 2017

January 2017: Vietnam Airlines, whose shares were officially listed on the stock market with the ticker HVN, became a public company with the top market cap

December 2017: Welcomed the 200 millionth passenger after 20 years of operation and reached 1.5 million Lotusmiles members

2019

May 2019: HVN shares were officially listed on Ho Chi Minh City Stock Exchange (HOSE) on 07 May 2019

July 2019: Received Skytrax's certificate for a 4-star standard airline for 4 consecutive years (2016, 2017, 2018, 2019)

August 2019: Officially received the first Boeing 787-10 aircraft

October 2019: Welcomed the 100th aircraft in Vietnam Airlines' fleet

2014

September 2014: The Prime Minister approved Vietnam Airlines' equitization plan

November 2014: Vietnam Airlines successfully launched initial public offering at Ho Chi Minh City Stock Exchange

2016

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

July 2016: The Japan's largest aviation group - ANA Holdings Inc officially became Vietnam Airlines' strategic shareholder with 8.7% of the charter capital

2018

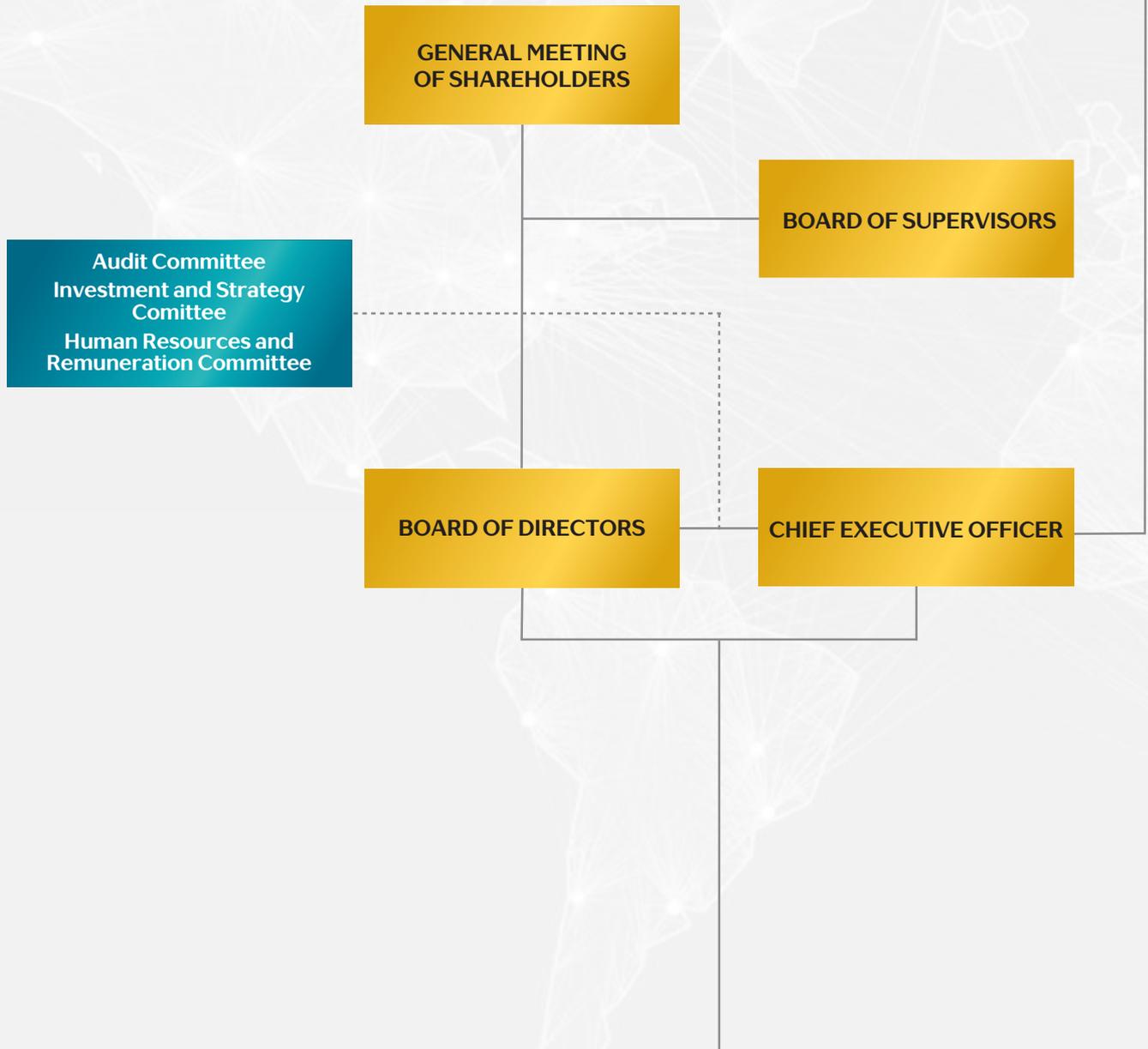
July 2018: Received Skytrax's certificate for a 4-star standard airline for the 3rd consecutive year

November 2018: Officially received the first Airbus A321neo aircraft

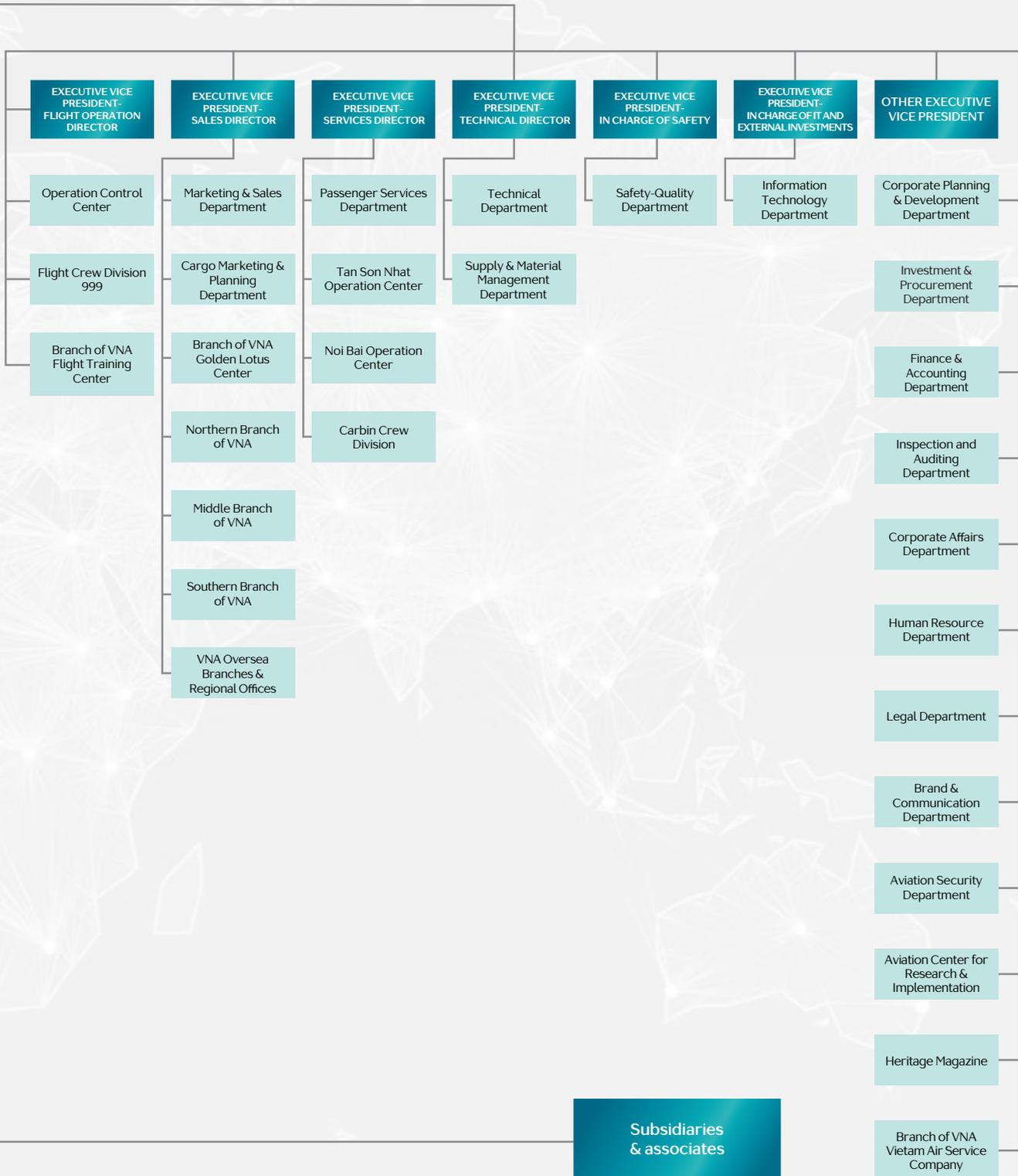
The State capital representation right was transferred from the Ministry of Transport to the Commission for Management of State Capital at Enterprises



ORGANIZATION STRUCTURE



A change in the organization structure in 2019:
Merger of the Party and government's specialized supporting units in accordance with Decree No. 69/QĐ-TW of the Central Committee of the Party.



Organization structure as of 31 December 2019

THE LEADERSHIP TEAM



BOARD OF DIRECTORS



Mr. PHAM NGOC MINH
Chairman of the Board

Year of birth: 1960

Qualification: PhD in Economics

Year of commencement at
Vietnam Airlines: 1981

Positions held in other
organizations: Vice Chairman of
the Board of Directors - Cambodia
Angkor Air

**Mr. DUONG TRI THANH**

Member of the Board & Chief Executive Officer

Year of birth: 1961

Qualification: Master of Science in Aviation Transportation

Year of commencement at Vietnam Airlines: 1991

**Mr. TA MANH HUNG**

Member of the Board

Year of birth: 1972

Qualification: Master of Economic Management

Year of commencement at Vietnam Airlines: 1996

**Mr. NGUYEN XUAN MINH**

Member of the Board

Year of birth: 1971

Qualification: Master of Applied Finance and Investment

Year of commencement at Vietnam Airlines: 2015

Positions held in other organizations:

- Chairman of the Board of Directors - Techcom Securities JSC. (TCBS)
- Chairman of the Representative Committee of Techcom Vietnam REIT Fund (FUCVREIT)
- Chairman of the Board of Directors - VAM Vietnam Fund Management JSC.
- Member of the Board of Directors - Vinafco JSC. (VFC)

**Mr. KOJI SHIBATA**

Member of the Board

Year of birth: 1957

Qualification: Bachelor of International Studies, University of Tokyo

Year of commencement at Vietnam Airlines: 2017

Positions held in other organizations: Senior Deputy Chief Executive Officer, Strategic Planning Director - Asia Pacific, ANA Holdings Inc.

BOARD OF MANAGEMENT



Mr. DUONG TRI THANH

Member of the Board & Chief Executive Officer

Year of birth: 1961

Qualification: Master of Science in Aviation Transportation

Year of commencement at Vietnam Airlines: 1991



Mr. NGUYEN THAI TRUNG

Deputy Chief Executive Officer

Year of birth: 1960

Qualification: Pilot

Year of commencement at Vietnam Airlines: 1978



Mr. NGUYEN HONG LINH

Deputy Chief Executive Officer

Year of birth: 1962

Qualification: Pilot

Year of commencement at Vietnam Airlines: 1984

Positions held in other organizations: Chairman of the Board of Directors - Viet Flight Training JSC. (VFT)



Mr. TRINH HONG QUANG

Deputy Chief Executive Officer

Year of birth: 1963

Qualification: Master of Business Administration

Year of commencement at Vietnam Airlines: 1992

Positions held in other organizations: Chairman of the Board of Directors - Jetstar Pacific Airlines (JPA)

**Mr. TRINH NGOC THANH**

Deputy Chief Executive Officer
 Year of birth: 1964
 Qualification: Master of Business Administration
 Year of commencement at Vietnam Airlines: 1988
 Positions held in other organizations:
 Chairman of the Board of Directors - Aviation Information and Telecommunications JSC. (AITS)

**Mr. LE HONG HA**

Deputy Chief Executive Officer
 Year of birth: 1972
 Qualification: Master of Business Administration
 Year of commencement at Vietnam Airlines: 1994
 Positions held in other organizations:
 Chairman of Member's Council - Vietnam Air Petrol One- Member Co., Ltd. (SKYPEC)

**Mr. DANG NGOC HOA**

Deputy Chief Executive Officer
 Year of birth: 1972
 Qualification: Master of Aviation Engineering
 Year of commencement at Vietnam Airlines: 1995
 Positions held in other organizations:
 Chairman of Members' Council - Vietnam Airport Ground Services Co., Ltd. (VIAGS)

**Mr. TRAN THANH HIEN**

Chief Accountant & Head of Finance and Accounting Board
 Year of birth: 1963
 Qualification: Master of Business Administration
 Year of commencement at Vietnam Airlines: 1992
 Position held in other organizations:
 Chairman of Board of Directors - Vietnam Aircraft Leasing Company (VALC)

SUPERVISORY BOARD



Ms. NGUYEN THI THIEN KIM

Chief Supervisor
Year of birth: 1967
Qualification: Master of Business Administration



Mr. MAI HUU THO

Member of Supervisory Board
Year of birth: 1962
Qualification: Master of Business Administration



Mr. LAI HUU PHUOC

Member of Supervisory Board
Year of birth: 1967
Qualification: Master of Business Administration

CHIEF ADMINISTRATOR - SECRETARY OF THE COMPANY



Mr. NGUYEN XUAN THUY

Year of birth: 1962

Qualification: Master of Business
Administration

Positions held in other organizations:
Member of Members' Council -
Aircraft Engineering One-member
Co., Ltd. (VAECO)

LIST OF SUBSIDIARIES AND AFFILIATES

(AS AT 31 DECEMBER 2019)

List of subsidiaries

ST. NO.	SUBSIDIARIES	SHORT NAME	ADDRESS	BUSINESS LINES	PAID-IN CHARTER CAPITAL (VND MILLION)	OWNERSHIP OF VNA (%)
1	Vietnam Airlines Engineering Limited	VAECO	Noi Bai International Airport, Phu Minh Commune, Soc Son District, Ha Noi	Maintenance, repair of aircraft, engines and spare parts	1,093,117	100.00
2	Vietnam Air Petrol Limited	SKYPEC	202 Nguyen Son, Bo De Ward, Long Bien District Ha Noi	Airline fuel supply	800,000	100.00
3	Vietnam Airlines Caterers Limited	VACS	Tan Son Nhat International Airport, Ward 2, Tan Binh District, HCMC	Airline catering services	85,448	100.00
4	Vietnam Airport Ground Services Limited	VIAGS	49 Truong Son, Ward 2, Tan Binh District, HCMC	Ground, technical and commercial services	250,000	100.00
5	Jetstar Pacific Airlines Joint Stock Aviation Company	JPA	112 Hong Ha, Ward 2, Tan Binh District, HCMC	Aviation transportation	3,522,081	68.85
6	Noi Bai Cargo Terminal Services JSC.	NCTS	Noi Bai International Airport, Phu Minh Commune, Soc Son District, Ha Noi	Air cargo services	261,669	55.13
7	Tan Son Nhat Cargo Services Limited	TCS	46-48 Hau Giang, Ward 4, Tan Binh District, HCMC	Air cargo services	93,726	55.00
8	Tan Son Nhat Cargo Services and Forwarding Limited	TECS	6 Thang Long, Ward 4, Tan Binh District, HCMC	Air cargo services	51,430	51.00
9	Vinako Forwarding Company Limited	VINAKO	49 Truong Son, Ward 2, Tan Binh District, HCMC	Forwarding, logistics, warehousing services, etc	8,578	65.05
10	Noi Bai Catering Services JSC.	NCS	Noi Bai International Airport, Phu Minh Commune, Soc Son District, Ha Noi	Airline catering services and related services	179,491	60.17
11	Noi Bai Airport Services JSC.	NASCO	Noi Bai International Airport, Phu Minh Commune, Soc Son District, Ha Noi	Support services in aviation and related services	83,158	51.00
12	Viet Flight Training JSC.	VFT	117 Hong Ha, Ward 2, Tan Binh District, HCMC	Pilot training	66,000	51.52
13	Aviation Information and Telecommunications JSC.	AITS	414 Nguyen Van Cu, Bo De Ward Long Bien District, Ha Noi	IT and telecommunications services	58,032	52.73
14	Aviation Labour Supply and Import-Export JSC.	ALSIMEXCO	1, Alley 200/10 Nguyen Son, Bo De Ward, Long Bien District, Ha Noi	Labor export and import	10,000	51.00
15	Sabre Vietnam JSC.	SABRE VN	5 th Floor, De Nhat Building, 53 Quang Trung, Nguyen Du Ward, Hai Ba Trung District, Ha Noi	Services related to the distribution of Sabre system and call system	5,200	51.69

List of affiliates

No	ASSOCIATES	SHORT NAME	ADDRESS	BUSINESS LINES	PAID-IN CHARTER CAPITAL (VND MILLION)	OWNERSHIP OF VNA (%)
1	Vietnam Aircraft Leasing JSC	VALC	6 th Floor, 18 Ly Thuong Kiet, Phan Chu Trinh Ward, Hoan Kiem Ward, Ha Noi	Purchase, lease and sublease of aircraft	63,315,837 (USD)	32.48
2	Cambodia Angkor Air	K6	206A, Preah Norodom Blvd, Sangkat Tonle Basac, Khan Chamkarmon, Phnom Penh, Cambodia	Air passenger and cargo transportation services	100,000,000 (USD)	49.00
3	Da Nang Airport Service JSC	MASCO	Da Nang International Airport, Hai Chau District, Da Nang City	Air catering services, direct support services for air transportation	42,677	36.11
4	General Aviation Import-Export JSC	AIRIMEX	414 Nguyen Van Cu, Bo De Ward, Long Bien District, Ha Noi	Import and distribution of aircraft spare parts and airport ground equipment	25,927	41.31
5	Aviation High Grade Plastic JSC	APLACO	Alley 200 Nguyen Son, Bo De Ward, Long Bien District, Ha Noi	High-grade plastic	17,280	30.41

SHAREHOLDER STRUCTURE

STOCK INFORMATION

TYPE OF SHARE	Common shares
PAR VALUE	VND 10,000 per share
TOTAL NUMBER OF OUTSTANDING SHARES	1,418,290,847 shares
TOTAL NUMBER OF LISTED SHARES	1,418,290,847 shares

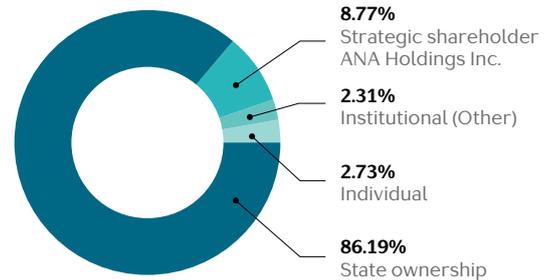
SHAREHOLDER STRUCTURE

SHAREHOLDER TYPE	NUMBER OF SHAREHOLDERS	NUMBER OF	OWNERSHIP
I. State ownership (CMSC)	1	1,222,368,291	86.19%
II. Strategic shareholder ANA Holdings Inc.	1	124,438,698	8.77%
III. Institution (Other)	81	32,763,335	2.31%
1. Local	45	19,174,343	1.35%
2. Foreign	36	13,588,992	0.96%
IV. Individual	15,189	38,720,523	2.73%
1. Local	14,825	37,694,728	2.66%
2. Foreign	364	1,025,795	0.07%
TOTAL	15,727	1,418,290,847	100.00%

MAJOR SHAREHOLDERS (EACH OWNING OVER 5% OF THE STAKE):

Rank	SHAREHOLDER	NUMBER OF SHARES	OWNERSHIP
1	STATE OWNERSHIP (CMSC)	1,222,368,291	86.19%
2	ANA HOLDINGS INC	124,438,698	8.77%

SHAREHOLDER STRUCTURE



DIVIDEND PAYMENT IN 2019

In 2019, the Board of Directors instructed the payment of dividend in cash to Vietnam Airlines' shareholders in accordance with the resolution of the 2019 Annual General Meeting and in compliance with law. The payout was completed in June 2019 with a payment ratio equal to 10% of the par value, equivalent to the total payout amount of VND 1,418 billion.

DIVIDEND

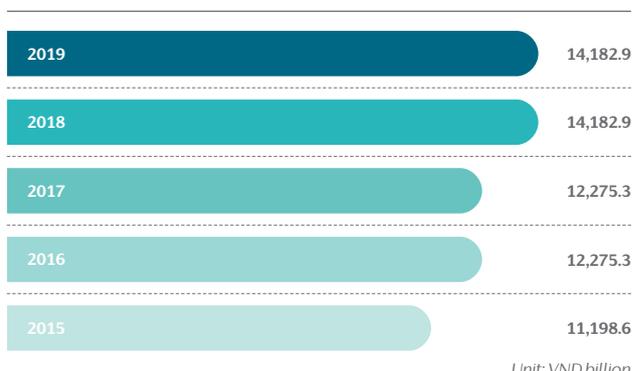


CHANGES IN OWNER'S EQUITY IN 2019

As of 31 December 2019, Vietnam Airlines' owner equity was unchanged from 01 January 2019 and stayed at VND 14,182,908,470,000. In 2019, Vietnam Airlines deducted the investment and development fund an amount of VND 779,931,216,740 from its 2018 undistributed profit after tax, according to the resolution of the Annual General Meeting in May 2019.

HISTORY OF VIETNAM AIRLINES' CHARTER CAPITAL INCREASE

CHARTER CAPITAL SIZING



Growth between
2015-2019

▲ 27%



HIGHLIGHT EVENTS IN 2019

Month
FEB



Hanoi Open Dragon Boat Racing Festival 2019

Month
MAY



Vietnam Airlines shares (ticker: HVN) were officially listed on Ho Chi Minh City Stock Exchange - (HOSE) on 07 May 2019

Month
JULY



25th anniversary of Vietnam - Japan route

Month
AUG



60th anniversary of the establishment of Flight Crew Division 919 and the receipt of the Independence Medal - Second Class



Receipt of the first "super aircraft" Boeing 787-10 Dreamliner with designation VN-A879.



15th anniversary of Vietnam - Russia direct route as well as a ceremony to change the destination airport in Moscow from Domodedovo to Sheremetyevo

Month
SEP



Launched Vietnam Singapore Technologies Engineering Aerospace Ltd. Company (VSTE) to provide aircraft component maintenance, repair and overhaul services for domestic and international airlines, including services for Airbus A320 class and some equipment for the common classes such as Boeing 787, Airbus A350, A320, A321, ATR 72...

Month
OCT



A ceremony to welcome the 100th aircraft of VNA's fleet with the presence of the Permanent Deputy Prime Minister Truong Hoa Binh and the Deputy Minister of Transport Le Anh Tuan.

Month
NOV



The LotusMiles Program, after 20 years, reached three million members being frequent flyers, marking an important milestone on VNA's development path, affirming its leading position in developing policies, products and services to offer the best benefits to customers.



London Symphony Orchestra returned to Ha Noi to perform "Vietnam Airlines Classic - Hanoi Concert 2019" for the third year.

AWARDS AND ACCOLADES IN 2019



4-star airline certificate for 4 consecutive years 2016, 2017, 2018, 2019 accredited by Skytrax.



“World’s Leading Cultural Airline” and **“World’s Leading Airline - Premium Economy Class”** by World Travel Awards - WTA at the Grand Final Gala Ceremony 2019 in Oman.



3 prestigious awards including **“Asia’s Leading Airline - Economy Class”**, **“Asia’s Leading Airline - Premium Economy Class”** and **“Asia’s Leading Airline - Brand”** by World Travel Awards - WTA at the WTA Asia & Oceania Gala Ceremony 2019 held in Phu Quoc.





Vietnam Timeless Charm Award for the **Airline carrying the largest number of tourists** in 2019 presented by the Vietnam National Administration of Tourism and the Vietnam Tourism Association.



Top 50 Vietnam The Best for the fourth consecutive year by VNR500.



Top 50 Best Listed Companies by Forbes Vietnam.



The 2019 ASOCIO ICT **Awards for Outstanding User Organization.**



Top 10 Well-known Brands Vietnam 2019, an award hosted by the Vietnam Intellectual Property Association to honor outstanding businesses in the era of international integration and competition.



Top 5 Airlines with the highest Airbus A350 XWB Operational Reliability Trend voted by Airbus, the world's leading aircraft manufacturer.



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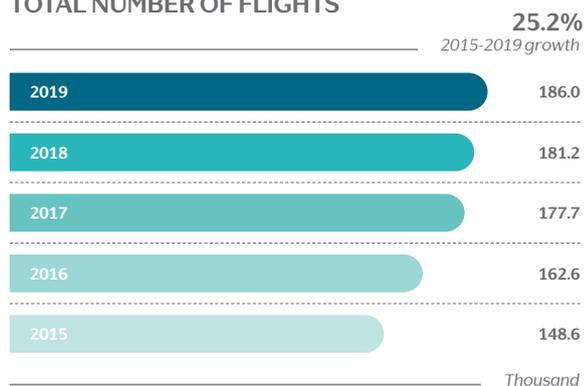
IV BUSINESS PERFORMANCE

1.0 KEY OPERATIONAL PERFORMANCE

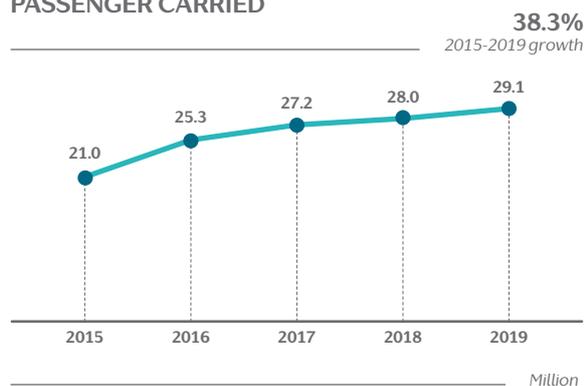
1.1. VNA GROUP

METRIC	UNIT	2015	2016	2017	2018	2019	2019/2018	2015-2019
Total number of flights	Thousand	148.6	162.6	177.7	181.2	186.0	2.6%	25.2%
Passengers carried	Million	21	25.3	27.2	28.0	29.1	3.3%	38.3%
Cargo and mail carried	Thousand tons	209	289.0	344.0	366	371.3	1.4%	77.7%
Revenue passenger-kilometers (RPK)	Billion passengers.km	31.6	36.3	39.2	41.5	42.9	2.1%	35.7%
Available seat-kilometers (ASK)	Billion seats.km	39.2	44.9	48.0	50.8	52.8	2.7%	34.7%
Load Factor	%	81%	80.8%	81.7%	81.7%	81.2%	-0.6%	

TOTAL NUMBER OF FLIGHTS

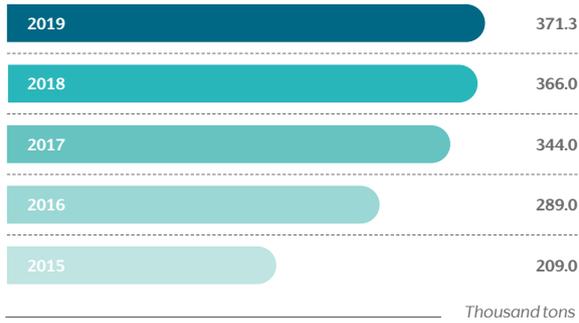


PASSENGER CARRIED



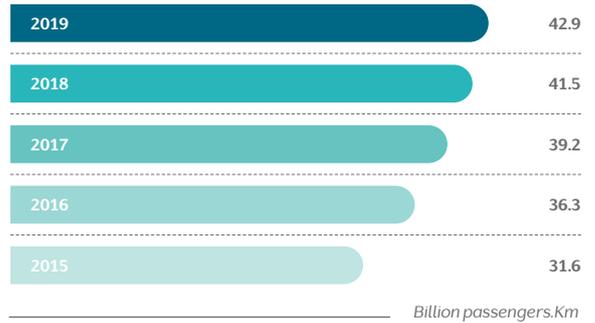
CARGO AND MAIL CARRIED

77.7%
2015-2019 growth



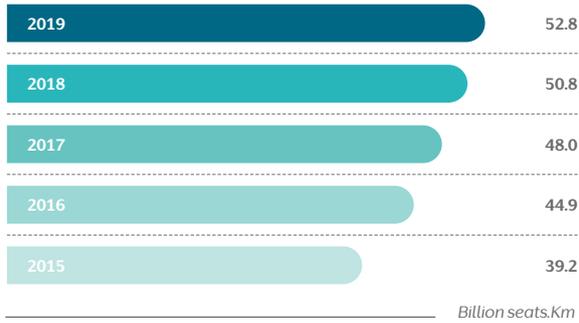
REVENUE PASSENGER-KILOMETERS (RPK)

35.7%
2015-2019 growth



AVAILABLE SEATS-KILOMETERS (ASK)

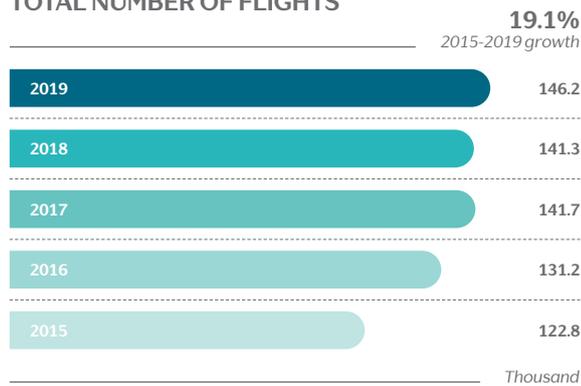
34.7%
2015-2019 growth



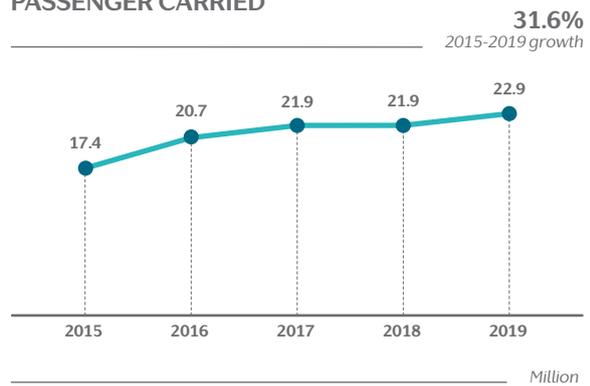
1.2. VIETNAM AIRLINES

METRIC	UNIT	2015	2016	2017	2018	2019	2019/2018	2015-2019
Total number of flights	Thousand	122.8	131.2	141.7	141.3	146.2	3.5%	19.1%
Passengers carried	Million	17.4	20.7	21.9	21.9	22.9	4.6%	31.6%
Cargo and mail carried	Thousand tons	208.4	271.0	323.0	341.5	348.0	1.9%	67.0%
Revenue passenger-kilometers (RPK)	Billion passengers.km	28.7	32.8	34.8	36.3	37.6	3.6%	31.0%
Available seat-kilometers (ASK)	Billion seats.km	35.8	40.6	42.7	44.7	46.5	4.0%	29.9%
Load Factor	%	80.7%	80.8%	81.5%	81.3%	80.9%	-0.5%	

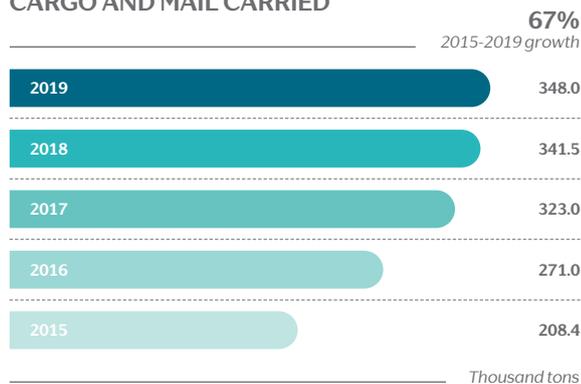
TOTAL NUMBER OF FLIGHTS



PASSENGER CARRIED



CARGO AND MAIL CARRIED



REVENUE PASSENGERS-KILOMETERS (RPK)



AVAILABLE SEATS-KILOMETERS (ASK)

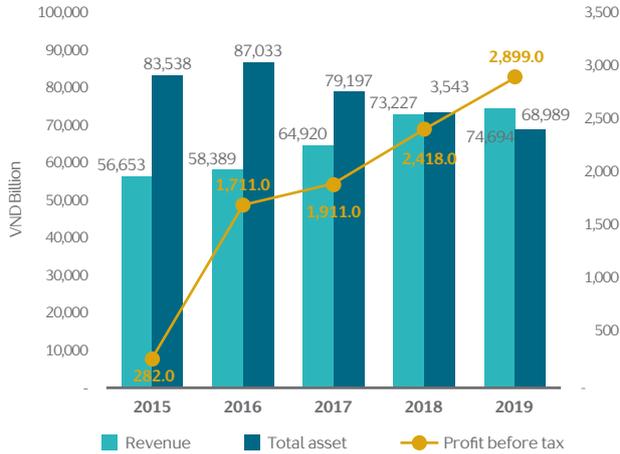


2.0 KEY FINANCIAL INDICATORS

2.1. PARENT COMPANY

BUSINESS RESULTS 2015-2019

VND **2,899 billion**
2019 Profit before tax



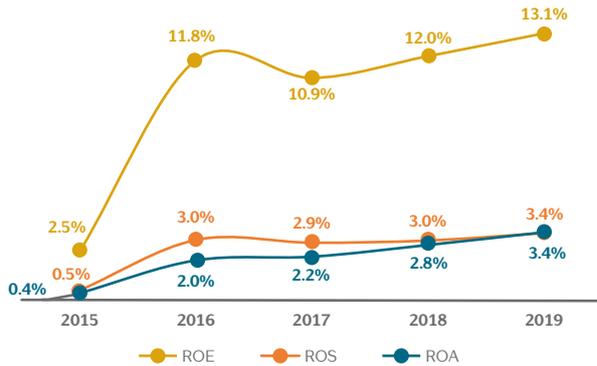
TOTAL LIABILITY AND DEBT RATIO

Debt ratio
2.7



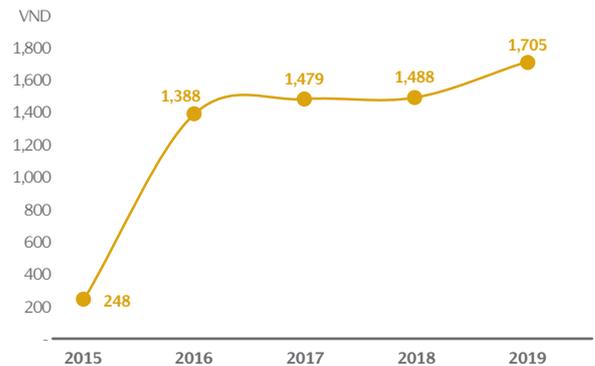
OPERATING EFFICIENCY

ROE
13.1%



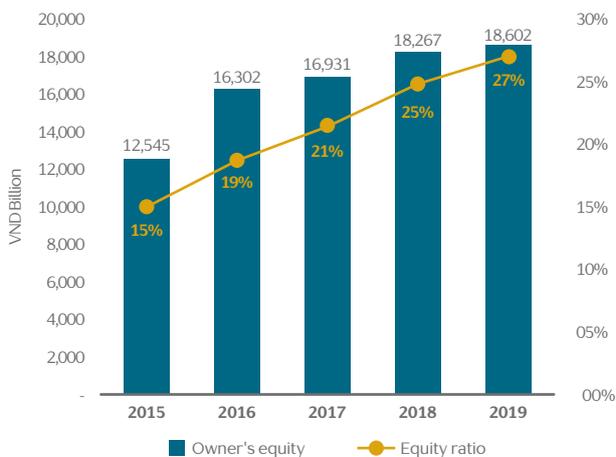
EPS

+587.5%
2015-2019 growth



CAPITAL AUTONOMY AND FINANCIAL ADEQUACY

Equity ratio
27%



2.2. CONSOLIDATED RESULTS

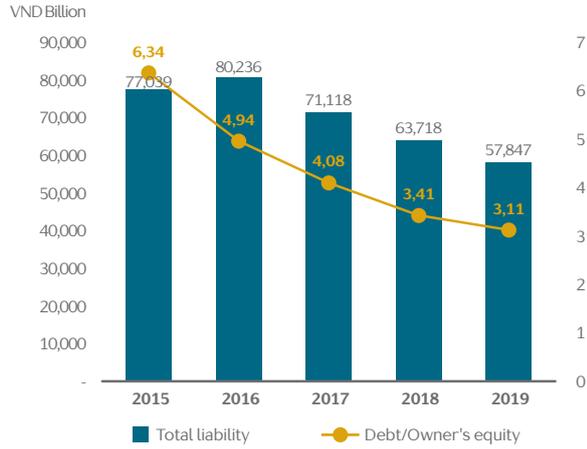
BUSINESS RESULTS 2015-2019

VND 3,389 billion
2019 Profit before tax



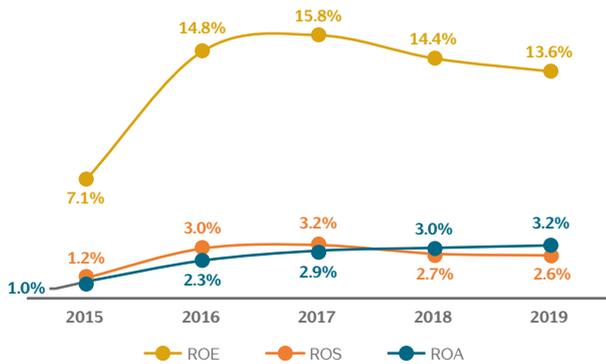
TOTAL LIABILITY AND DEBT RATIO

Debt ratio
3.1



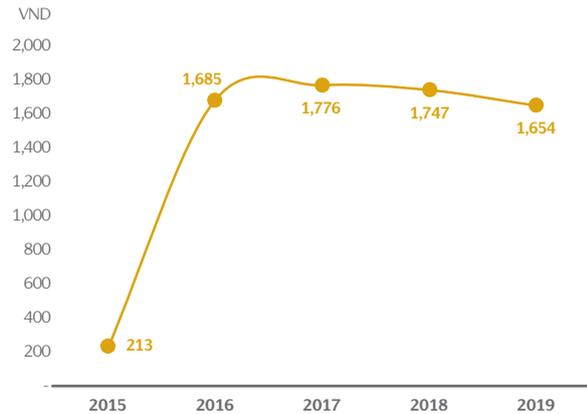
OPERATING EFFICIENCY

ROE
13.6%



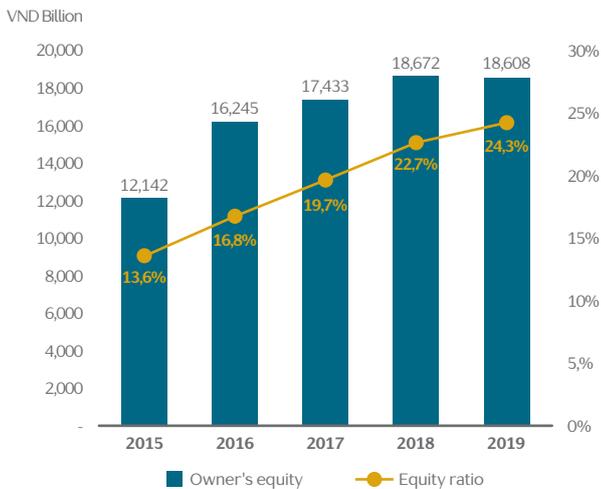
EPS

+676.5%
2015-2019 growth



CAPITAL AUTONOMY AND FINANCIAL ADEQUACY

Equity ratio
24.3%



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VIETNAM AIRLINES FORMED THE FIRST AND ONLY JOINT-VENTURE FOR MAINTENANCE & REPAIR OF AIRCRAFT EQUIPMENT IN VIETNAM

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V

ASSESSMENT OF THE BOARD OF DIRECTORS

1.0 ON THE OPERATIONS OF VIETNAM AIRLINES

BUSINESS RESULTS

In 2019, apart from certain favorable factors, business operations were adversely affected by many challenges including fast-changing market, the glut of transport capacity, rising competition, and decreasing fares to gain market share. The average revenue sharply declined, especially in the 4th quarter, with the key payment currencies including the AUD, EUR, KRW, and CNY depreciating against the USD and domestic airport infrastructure remaining overloaded. The entry of new players, which was followed by the solicitation of specific human resources like pilots and engineers, created great difficulties for Vietnam Airlines' business.

Amid this challenging landscape, guidelines were promptly issued to the Board of Management

to adopt flexible and proactive management measures, control the demand-responsive load factor, and ensure operational security and safety. Service quality indicators all performed satisfactorily or even over-performed while profit targets set by the AGM were fulfilled, workforce productivity improved against the previous year and employees' income maintained at a decent level. Additionally, as a move to retain talents, Vietnam Airlines increased salary for pilots of the Boeing 787 and Airbus A350 fleet before the salary review was due.

The specifics business performance of 2019 was as follows:

NO	INDICATOR	TARGET FOR 2019	ACTUAL RESULT 2019	ACTUAL RESULT/TARGETT 2019	ACTUAL RESULT 2018	GROWTH COMPARED TO 2018
1	Consolidated revenue	111,729	100,316	90%	98,950	1.4%
	<i>Parent company</i>	82,520	74,694	91%	73,277	1.9%
2	Consolidated profit before tax	3,362	3,389	101%	3,312	2.3%
	<i>Parent company</i>	2,678	2,899	108%	2,418	19.9%
3	Consolidated profit after tax	2,680	2,537	95%	2,599	-2.4%
	<i>Parent company</i>	2,407	2,418	100%	2,111	14.5%
4	Consolidated contributions to the State budget	7,012	7,929.6	113%	6,715.1	18.1%

PROFIT
BEFORE TAX
OF THE PARENT
COMPANY

VND
2,899
billion

CONSOLIDATED
PROFIT
BEFORE TAX

VND
3,389
billion

TARGET
CONTRIBUTION
TO THE STATE BUDGET

VND
7,012
billion

ACTUAL/PLANNED
PERCENTAGE

113%

ACTUAL
CONTRIBUTION
TO THE STATE BUDGET

VND
7,929.6
billion



Increased sustainable benefits for shareholders

In 2019, Vietnam Airlines paid cash dividends in accordance with the AGM's resolution. With a payment ratio equal to 10% of the par value, shareholders received a total dividend amount of VND 1,418 billion.

Vietnam Airlines also completed the listing of HVN shares on Ho Chi Minh City Stock Exchange (HOSE) on 07 May 2019. This marked a milestone in the flag carrier's development and demonstrated our long-term strategic vision as well as the determination to constantly improve business performance, promote transparency, and standardize governance.



Corporate governance and the enhancement of operational efficiency

Given the sweeping development of information technology (IT), digital economy and Industry 4.0, Vietnam Airlines has accelerated the implementation of its key IT projects. We also set up a Digital Marketing and Transformation Department (DMD) to boost the adoption of e-commerce as well as take preparatory steps to launch a Digital Airline Group.

The organization was overhauled to merge professional functions with the Party Committee's supporting units. This move is intended to streamline the organization while ensuring flexibility and efficiency.



Employee compensation and benefits

Regarding human resources as one of our core values, Vietnam Airlines has over the past several years conducted a salary reform program that links compensation and benefits with business performance. This program has motivated employees to improve productivity and efficiency as well as helped engage and retain them for the company's further development.

In 2019, Vietnam Airlines performed two waves of pay rise for pilots (one on 01 June 2019 and the other on 01 September 2019) and ensured the proper implementation of remuneration policies including voluntary pension insurance and health insurance. At the same time, Vietnam Airlines completed a Pilot scheme on reform of the salary management mechanism for the 2019 - 2021 period according to Resolution No. 27-NQ/TW of the Central Committee of the Party.

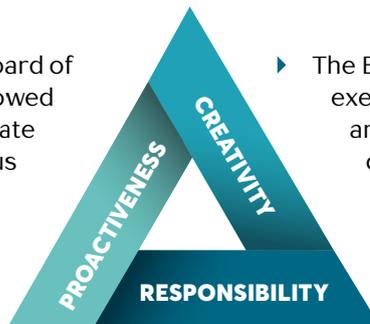
2.0

ON THE ACTIVITIES OF THE BOARD OF MANAGEMENT (BOM)

Upholding the motto “**Responsibility – Proactiveness – Creativity**”, in 2019 the Board of Management demonstrated flexibility and creativity in leading Vietnam Airlines through challenges, successfully fulfill business targets and duties:



- ▶ Based on the orientation of the Board of Directors, the BOM regularly followed market movements to orchestrate the drastic and synchronous development and execution of timely solutions, carry out business operations with safety, quality, efficiency, and sustainability.



- ▶ The BOM fully and earnestly executed the Resolutions and Decisions of the Board of Directors; complied with the provisions of law, Vietnam Airlines' Charter and other internal regulations.

- ▶ The BOM properly performed the reporting of business performance in all aspects. In addition to the analysis and evaluation of implementation results, reports also provided forecasts and assessments of the market situation in the next period and developed various management scenarios, thereby enhancing proactiveness and flexibility in running business.

3.0 ON THE ORIENTATION OF OPERATIONS FOR 2020

With a motto “Take pride - Reach further”, Vietnam Airlines will set the following key goals and tasks: ensuring the security and safety of business activities; improving service quality, ensuring profitability and labor productivity; elevating the image and status as the flag carrier.



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VI REPORT OF THE BOARD OF MANAGEMENT ON BUSINESS PERFORMANCE

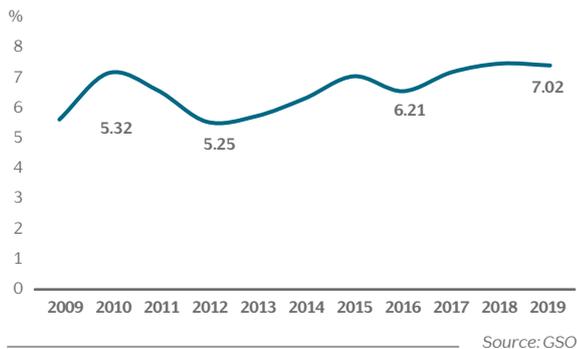
1.0 BUSINESS ENVIRONMENT

1.1. AN OVERVIEW OF THE BUSINESS ENVIRONMENT IN 2019

In 2019, Vietnam's economic growth rate of 7.02% helped the country reach GDP growth of over 7% for the second consecutive year since 2011. Macroeconomic indicators were stable while the number of international tourist arrivals saw a robust trend.

The regional and world economy was significantly affected by the US - China trade war as well as Hong Kong's protest-induced recession. Threats to safety and security, especially cyber security, remained visible.

GDP GROWTH



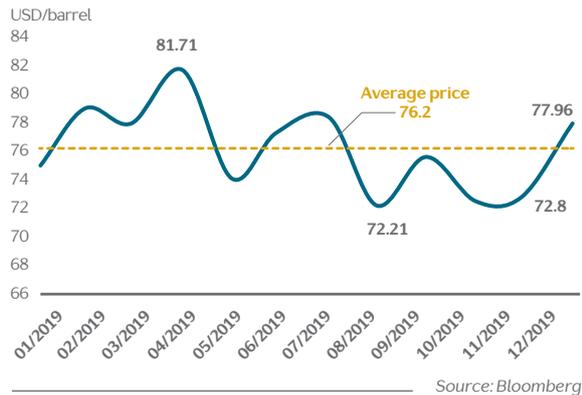
FOREX market

The key payment currencies including JPY, CNY, AUD, and KRW in Vietnam Airlines' currency basket depreciated against USD in the second half of 2019, exerting adverse impacts on the company's business results, namely a decline in revenue and increase in costs by VND 160 billion. In 2019, the VND/USD exchange rate stayed stable around the average of 23,240 which is 0.68% lower than the planned VND 23,420.

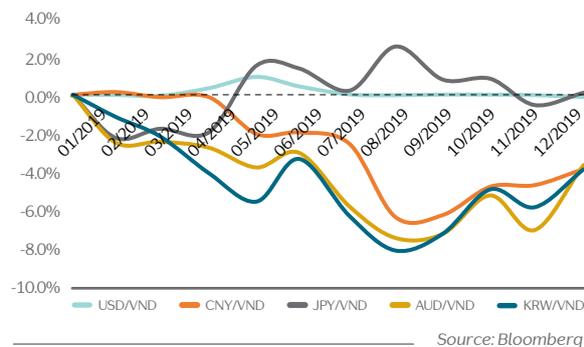
Fuel price trend

The actual fuel price in 2019 was USD 76.7 per barrel, a USD 6.1 per barrel lower than the planned USD 82.8 per barrel. This enabled fuel costs to be slashed by about VND 1,320 billion.

FUEL PRICE BEHAVIOR (JET KEROSENE)



EXCHANGE RATE BEHAVIOR

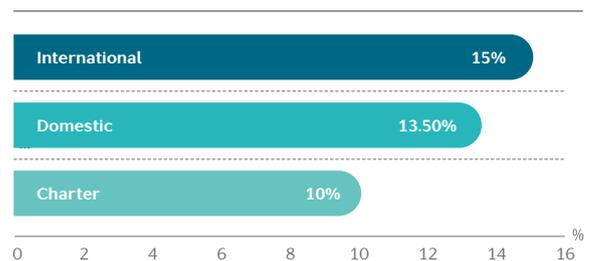


1.2 VIETNAM AIR TRANSPORTATION MARKET

International market

In 2019, the total market size was 34.7 million passengers, a year-over-year increase of 15%. The growth rate of the low-cost segment was 24% while the traditional full-service segment recorded a 10% increment. The strong growth of the low-cost segment intensified competition in the international market, particularly in Northeast Asia and Southeast Asia.

AVIATION MARKET GROWTH



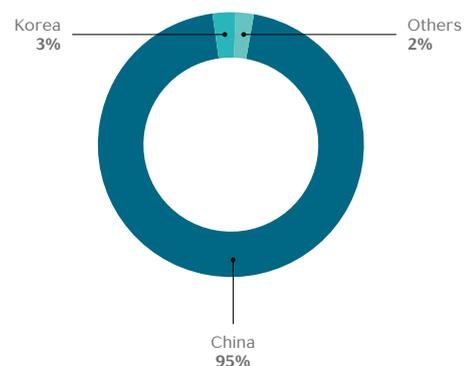
Domestic market

The size of the domestic aviation market was 37.3 million passengers in 2019, 13.5% higher than the 2017 – 2018 period, which saw growth rates between 7% and 10%. The main driver of this growth was the entry of new players.

Air charter

The total size of the air charter market in 2019 was 5.3 million passengers, a year-on-year rise of 22%. The growth was chiefly ascribed to Northeast Asia, where China accounted for 95%, South Korea 3%, and the other contributors were responsible for the rest. The Chinese air charter market grew by 25% thanks to the sharp increase in loading capacity from 19 airlines, 6 of which are low-cost carriers (LCC). The LCC market share increased by 4 percentage points over the same period, equivalent to 70%. LCCs' low-pricing strategy caused a drop in charter rates.

CHARTER SERVICE



1.3 ASSESSMENT OF INTERNATIONAL AVIATION ORGANIZATIONS

According to the IATA's Economic Performance of the Airline Industry – 2019 End-year report, the world's aviation industry continued to perform positively. The revenue passenger-kilometers (RPK) worldwide reached 8,680 billion passengers.kilometers, up by 4.2% over the same period. At the same time, the world's air transportation revenue was estimated to reach USD 838 billion, up by 3.2% year-on-year.

2.0 PERFORMANCE IN VARIOUS AREAS

2.1 ROUTE NETWORK

By the end of 2019, Vietnam Airlines had an international network of 61 routes to 33 destinations in 18 countries and territories with the following noteworthy changes:

Newly launched routes

- July 2019 ● Da Nang – Busan
📅 2 flights/week
- October 2019 ● Da Nang – Bangkok
📅 7 flights/week
- October 2019 ● HCMC – Bali
📅 5 flights/week
- October 2019 ● HCMC – Phuket
📅 3 flights/week
- November 2019 ● Da Nang – Chengdu
📅 4 flights/week
- November 2019 ● Ha Noi/HCMC – Shenzhen
📅 7 flights/week
- December 2019 ● Ha Noi – Macau
📅 7 flights/week



The increase of capacity

From Q3/2019 ● On HCMC – Bangkok, Ha Noi – Busan, HCMC – Busan, HCMC – Incheon routes, the capacity was increased by introducing wide-body aircraft including the Boeing 787-10, which was put into operation on HCMC - Busan and HCMC - Incheon



Domestically, by the end of 2019, VNA operated 40 routes to 22 destinations with the following noticeable new routes:

Newly launched routes

- 15 January 2019 ● HCMC – Chu Lai
📅 7 flights/week
- 31 January 2019 ● Da Nang – Can Tho
📅 7 flights/week
- 01 November 2019 ● Da Nang – Van Don
📅 5 flights/week



VNA GROUP



INTERNATIONAL ROUTES



- Chặng bay do Vietnam Airlines khai thác
Operated by Vietnam Airlines.
- - - Chặng bay hợp tác liên danh với các hãng hàng không khác
Operated by codeshare partners.

Một số đường bay có thể được điều chỉnh tạm thời do ảnh hưởng của dịch viêm đường hô hấp cấp COVID-19
Some routes can be adjusted temporarily due to the impact of coronavirus outbreak (COVID-19)



Vietnam Airlines hợp tác liên danh với SNCF từ Paris đến 18 điểm nội địa Pháp;
Vietnam Airlines offers codeshare services on 18 domestic French routes to/from Paris operated by SNCF.

ASIA ROUTE MAP



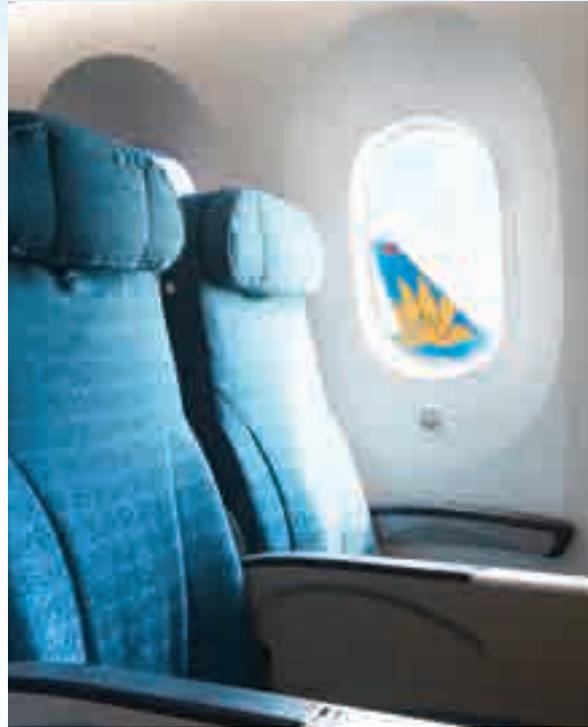
- Chặng bay do Vietnam Airlines khai thác
Operated by Vietnam Airlines.
- - - Chặng bay liên danh với các hãng hàng không khác.
Operated by codeshare partners.
- - - Vietnam Airlines hợp tác liên danh với All Nippon Airways trên một số chặng nội địa Nhật Bản.
Vietnam Airlines offers codeshare flights on some domestic Japanese routes operated by All Nippon Airways.

Một số đường bay có thể được điều chỉnh tạm thời do ảnh hưởng của dịch viêm đường hô hấp cấp COVID-19
Some routes can be adjusted temporarily due to the impact of coronavirus outbreak (COVID-19)

2.2 FLEET

In order to enhance operational efficiency and aiming to qualify for a 5-star airline status, Vietnam Airlines started operating new-generation wide-body aircraft (A350, B787) into operation on long-haul and medium-haul international routes (Paris, Frankfurt, London, Incheon routes in 2015; Shanghai, Narita (Tokyo), Osaka, Sydney, Melbourne in 2016; Haneda (Tokyo) in 2017; Nagoya, Beijing, Busan, Moscow in 2018; Bangkok, Singapore in 2019 as well as Hanoi - HCMC domestic routes in 2015. In the period of 2015 - 2019, the fleet of A350 and B787 demonstrated its operational efficiency by earning VND 1,483 billion and VND 3,032 billion respectively (the A350 fleet reached its highest performance in 2019 with VND 763 billion and the B787 fleet achieved its highest performance with VND 925 billion in 2018). The efficiency of the older-generation wide-body fleet (A330, B777) in the period 2010-2014 was much lower than the new-generation one.

In 2019, Vietnam Airlines took delivery and operated 16 new narrow-body A321neos and 03 wide-body Boeing 787-10s. The A321neo, which is a new class of aircraft with outstanding features such as spacious cabin, state-of-the-art technology, environmental friendliness, and fuel efficiency, enabled Vietnam Airlines to enhance operational efficiency and service quality.



2.3. FLIGHT OPERATION

In 2019, with the management guideline of **“Safe – Efficient, Innovative – Creative”**, the units of the Operating Department coordinated to deliver decent and safe in-flight services with a total of 186,000 flights, and meet the target OSP, OTP. All KPIs of flight operation were met and exceeded plans, all teams of the Department excellently fulfilled the assigned tasks, specifically:

- ▶ Ensure absolute security and safety of flights.
- ▶ Safely and timely operate charter flights serving the Party, State Leaders; flights carrying out national political missions; take charge off and handle 26 storms, quickly adjust European routes to avoid Pakistan – India, Turkey warzones to maximize schedule stability.
- ▶ Maintain the On-Time Performance (OTP equivalent to 89%) at a high level compared to other regional carriers amid the infrastructure congestions.
- ▶ Receive and successfully operate the new-generation fleet of Boeing 787-9, Boeing 787-1, Airbus A350-900, Airbus A321neo.
- ▶ Improve the flight operation efficiency, optimize the flight schedule, flexibly and effectively manage the flight schedule in line with market demand.
- ▶ Research and apply economic solutions to shorten the routes, design and approve of new economic and efficient flight models.
- ▶ Adopt IT applications to optimize the operational tasks, proactively and creatively enhance labor productivity: Integrated Operations Control Centre, Electronic Flight Profile, Pilot-Flight Attendant Allocation System, and other Economic Mobile Operating Application System.
- ▶ Effectively carry out the periodical training, upgrade, practice and preparation for regular pilots. Efficiently using the flight simulator complex (SIM) in cooperation with CAE.



- ▶ Focus on developing talent resources with a strong political standpoint to meet the Group’s business expectation in unfavorable conditions where domestic airlines were competing fiercely to attract resources.

2.4 COMMERCIAL PERFORMANCE

a. Passenger transportation

Parent company

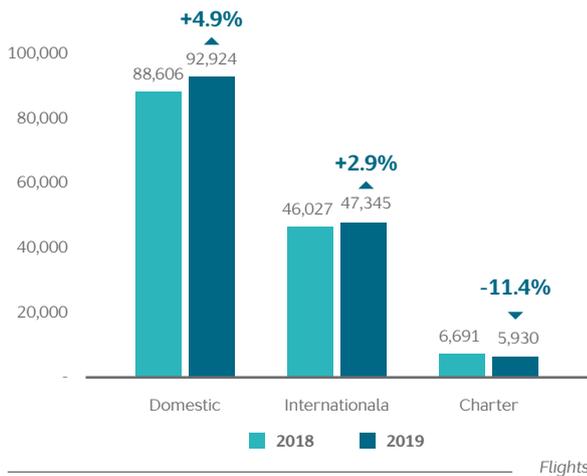
In 2019, Vietnam Airlines proactively increased or decreased the loading capacity in tandem with market demand to optimize revenues and slash costs. Sales were pushed during peak seasons for higher revenue.

For international networks, in addition to ramping up operations in the key market of Northeast Asia with new routes and higher loading capacity for the China market, Vietnam Airlines agily orchestrated our operation plans among the Germany, Japan, South Korea and Australia

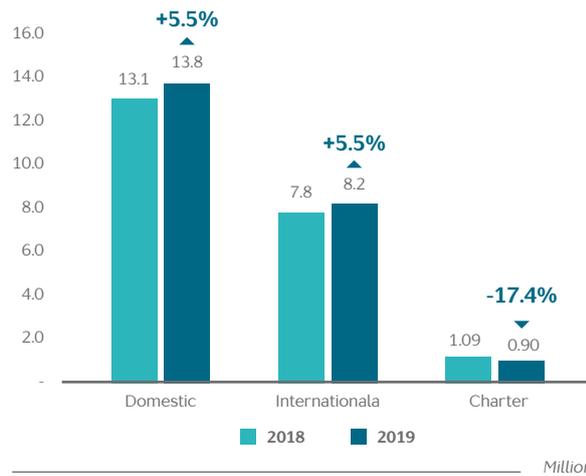
routes to ensure the business efficiency. For domestic networks, we introduced multiple initiatives to strengthen the most important route between Hanoi and HCMC mixing Vietnam Airlines and Jetstar Pacific products.

On other important domestic routes connecting Hanoi/HCMC and Da Nang, Vietnam Airlines also constantly monitored market movements and flexibly adjusted loading capacity to better leverage opportunities, operate unit's rates, maximize business efficiency.

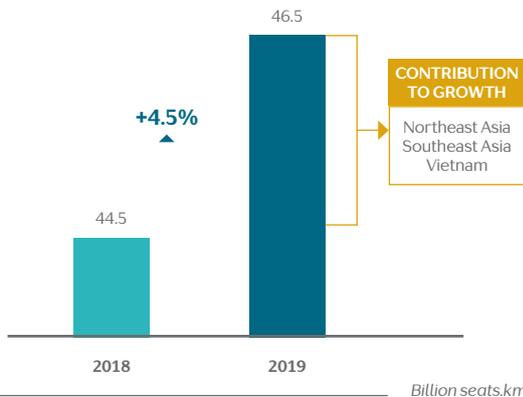
TOTAL NUMBER OF FLIGHTS 146,199 **+ 3.4%**



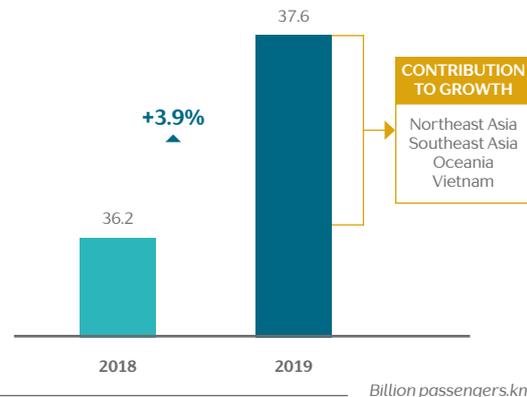
TOTAL NUMBER OF PASSENGERS 22.9 **+ 4.6%**



TOTAL OPERATIONAL CAPACITY **ASK**

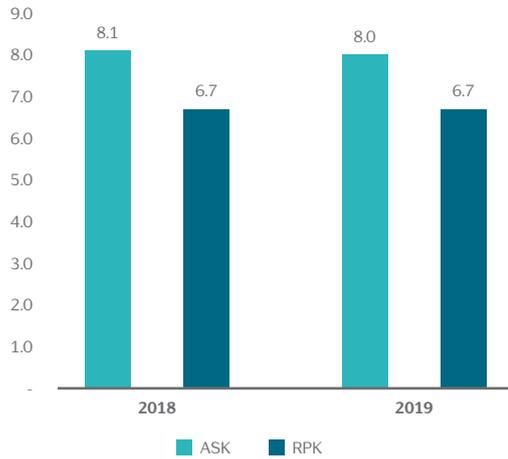


TOTAL OPERATIONAL CAPACITY **RPK**



OPERATIONAL CAPACITY

EUROPE



ASK: Billion seats.km
RPK: Billion passengers.km

OPERATIONAL CAPACITY

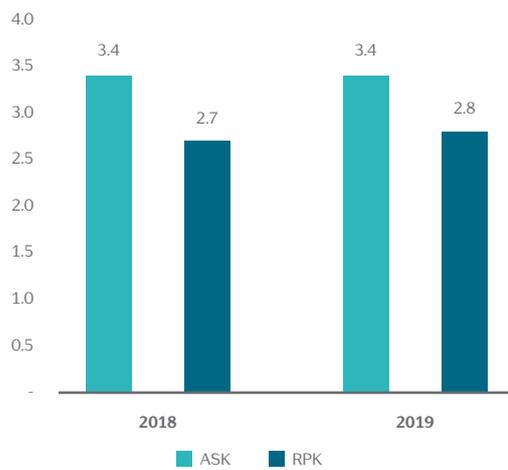
NORTHEAST ASIA



ASK: Billion seats.km
RPK: Billion passengers.km

OPERATIONAL CAPACITY

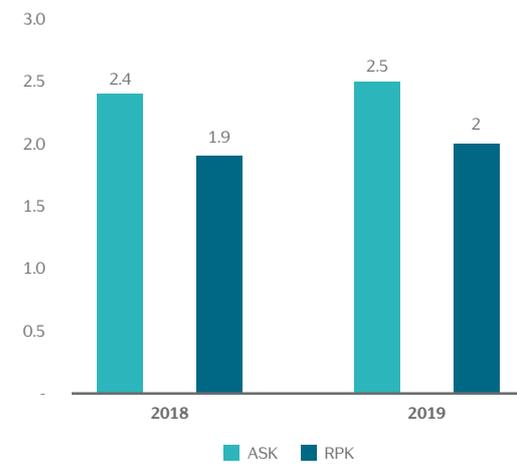
OCEANIA



ASK: Billion seats.km
RPK: Billion passengers.km

OPERATIONAL CAPACITY

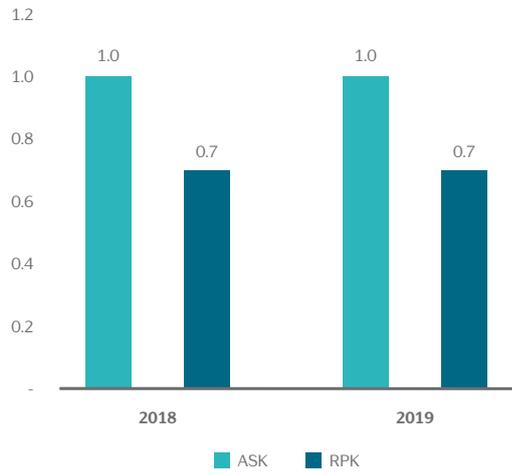
SOUTHEAST ASIA



ASK: Billion seats.km
RPK: Billion passengers.km

OPERATIONAL CAPACITY

INDOCHINA



ASK: Billion seats.km
RPK: Billion passengers.km

OPERATIONAL CAPACITY

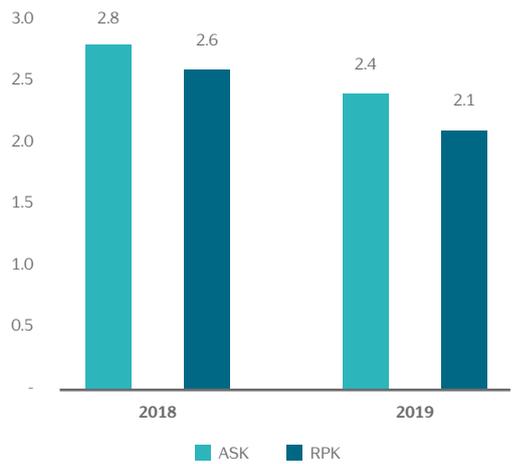
VIETNAM



ASK: Billion seats.km
RPK: Billion passengers.km

OPERATIONAL CAPACITY

AIR CHARTER

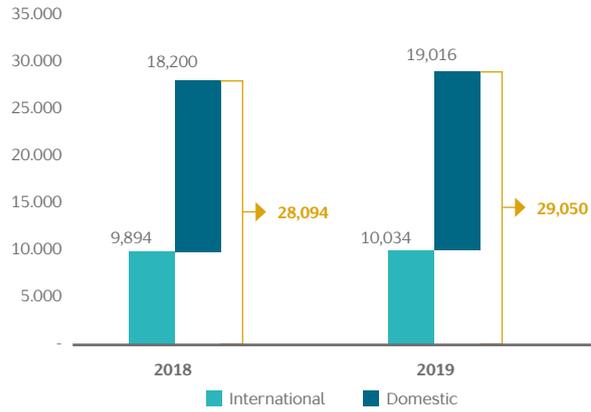


ASK: Billion seats.km
RPK: Billion passengers.km

VNA Group

NUMBER OF PASSENGERS

+3.4%



Thousand

RPK

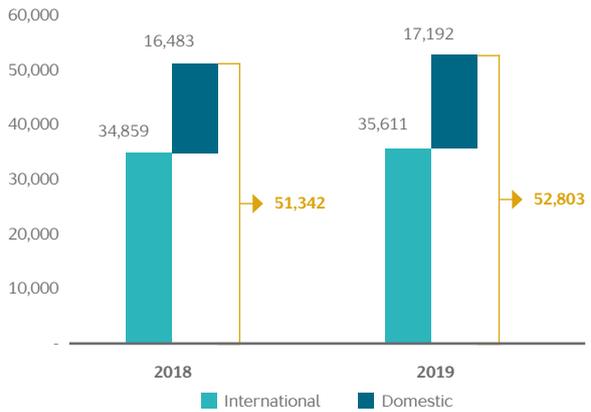
+2.3%



Million passengers.km

ASK

+2.8%



Million seats.km

LEADING MARKET SHARE (*)



(*) Air charter is excluded

b. Cargo and parcel transportation

The total sizing of the local air cargo market in 2019 did not grow as expected. The increase was only 3.2% compared to 2018 (international market increased by 3.6% and domestic market by 1.9%) while competition continued to rise. Against this background, Vietnam Airlines flexibly maneuvered sale and fare policies, increased sale of high-price products, and promote fill-up sales.

	UNIT	2018	2019	2019/2018
Transportation capacity	Tons	341,586	347,012	+1.6%
Domestic	Tons	162,294	160,553	-1.07%
International	Tons	178,597	185,984	+4.14%
Air charter	Tons	695	475	-31.65%

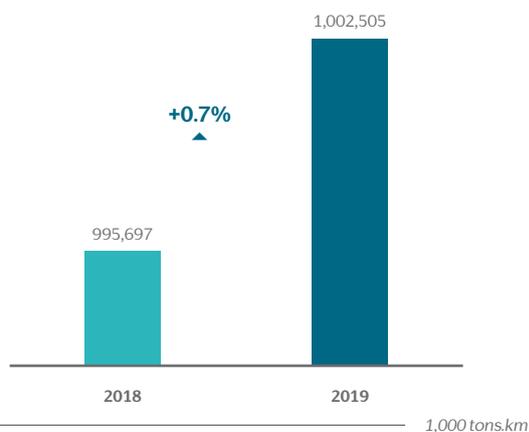
MARKET ANALYSIS BY REGION

NO	METRIC	RFTK			AFTK			LOAD FACTOR		
		2018	2019	Growth	2018	2019	Growth	2018	2019	Growth
1	Europe	371,844	357,267	-3.90%	401,292	385,232	-4.00%	92.70%	92.70%	0.00%
2	Oceania	120,792	126,248	4.50%	166,786	156,421	-6.20%	72.40%	80.70%	11.50%
3	Northeast Asia	312,806	330,571	5.70%	463,265	509,025	9.90%	67.50%	64.90%	-3.90%
4	Southeast Asia	23,856	25,512	6.90%	30,296	36,359	20.00%	78.70%	70.20%	-10.80%
5	Indochina	901	801	-11.10%	5,159	4,824	-6.50%	17.50%	16.60%	-5.10%
6	Vietnam	165,498	162,106	-2.00%	254,509	223,824	-12.10%	65.00%	72.40%	11.40%
TOTAL		995,697	1,002,505	0.70%	1,321,307	1,315,685	-0.40%	75.40%	76.20%	1.10%

Unit: Thousand tons.km

TOTAL OPERATIONAL CAPACITY

RFTK



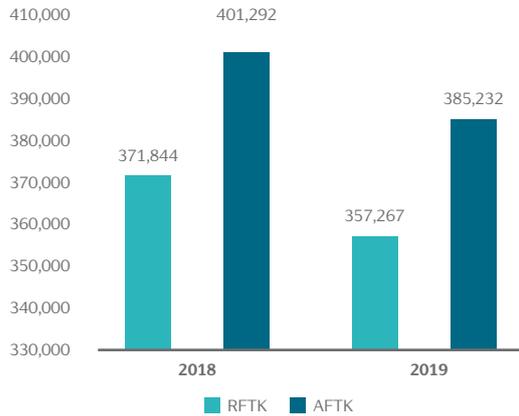
TOTAL OPERATIONAL CAPACITY

AFTK



OPERATIONAL CAPACITY

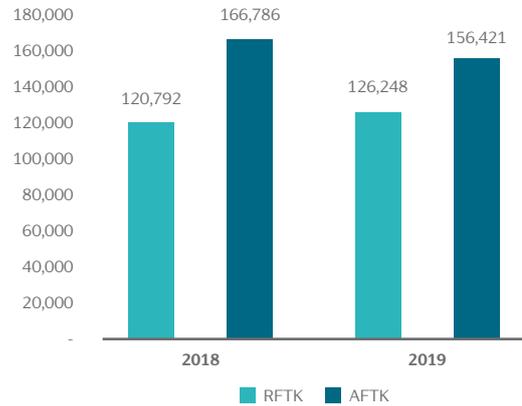
EUROPE



RFTK, AFTK: 1,000 tons.km

OPERATIONAL CAPACITY

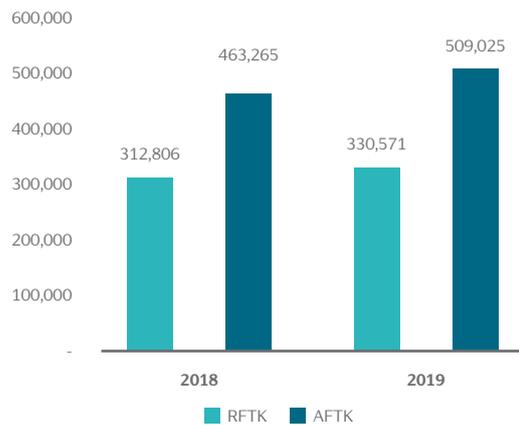
OCEANIA



RFTK, AFTK: 1,000 tons.km

OPERATIONAL CAPACITY

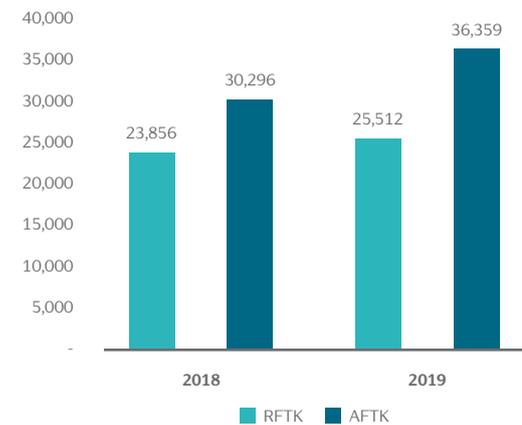
NORTHEAST ASIA



RFTK, AFTK: 1,000 tons.km

OPERATIONAL CAPACITY

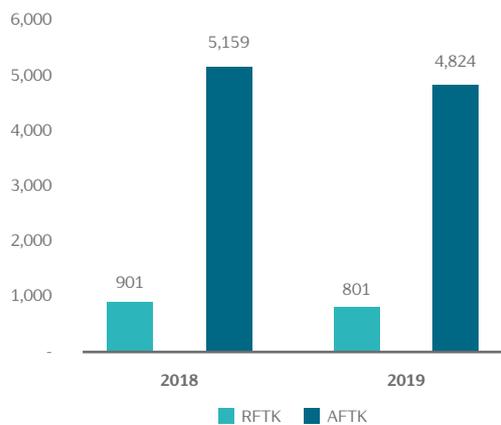
SOUTHEAST ASIA



RFTK, AFTK: 1,000 tons.km

OPERATIONAL CAPACITY

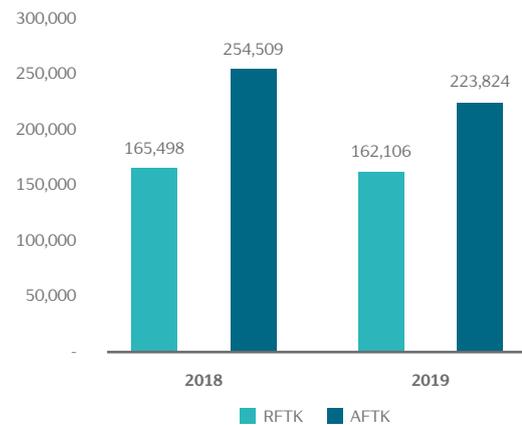
INDOCHINA



RFTK, AFTK: 1,000 tons.km

OPERATIONAL CAPACITY

VIETNAM



RFTK, AFTK: 1,000 tons.km

c. Frequent Flyer Program (LotuSmiles)

The LotuSmiles Program recorded a strong growth in the number of member, reaching a peak of 3 million members as of December 31, 2019. In order to achieve the above result, the LotuSmiles program attracted a large number of registrants thanks to its implementation of a variety of promotions, such as:

- ▶ Promotion programs to attract new registrants.
- ▶ Member development at check-in counters in 3 major domestic airports (Hanoi, HCMC, and Da Nang).
- ▶ Member development through online OTA ticket agencies.
- ▶ Member development through partners' customer database such as Grab, Mytour, etc.
- ▶ In cooperation with organizations and universities: Enhancing communications to develop member in these organizations.
- ▶ Member development through major events both onshore and offshore such as Festa Ho Guom, VITM, events held by branches in Japan, Taiwan, and the United Kingdom.

The program kept improving the service quality whilst applying a wide range of new benefits:

- ▶ Buying tickets using miles and cash redemption.
- ▶ Extending membership for children: Children from 2 years old are eligible to participate in the LotuSmiles program, instead of 16 years old previously.
- ▶ Service benefits: For luggage, Platinum members are entitled to carry 2 more packages (46kg in total) instead of 25kg as before. Gold and Titanium members are entitled to carry 1 more package (23kg) instead of 15kg and 10kg as before.
- ▶ Mile-accumulating benefits: Including the Economy Lite and Economy Super Lite booking classes for LotuSmiles mileage accumulation.
- ▶ Getting rewards: Extending the benefits of getting rewards on behalf of relatives for Titanium members. Historically, getting rewards on behalf of relatives was only available to Platinum and Gold members.
- ▶ Million Miler: Introducing benefits for members who have accumulated at least 1 million qualifying miles from Vietnam Airlines flights since joining the program. The qualified members will receive Platinum cards for 5 years with full benefits for Platinum members. In addition, members are also provided with special care at check-in, exit of the country, security areas, Lotus lounge, boarding gates, in-flight, etc. for international flights departing from Hanoi, Da Nang and HCMC.
- ▶ Members are eligible to redempt awarding miles into qualifying miles/flights to upgrade membership tier.
- ▶ Additionally, the LotuSmiles program launched many other benefits from program partners: Discounts on hotel rooms, catering, etc.)

In terms of cooperation, the LotuSmiles program has a network of 21 aviation partners and 52 domestic and international partners of reputable brands in various sectors (finance, banking, telecommunication, hospitality, tourism, car rental, shopping, beauty care, etc.) that provide excellent and exclusive experience to customers.



2.5. SERVICES

In 2019, Vietnam Airlines continued to improve and upgrade both ground and in-flight services.

a. Improvements in ground services

- ▶ Vietnam Airlines focused on maintaining and improving the quality of ground services by intensively adopting technological solutions, stay relevant to the trends of the world's leading airlines, and improving service quality to optimize customer satisfaction.
- ▶ For pre-flight check-in services: in addition to existing services such as website check-in, Vietnam Airlines app check-in, check-in kiosks and in-town check-in; Vietnam Airlines launched telephone check-in service in Hanoi and HCMC and introduced family check-in counters at international and domestic airports. In 2019, Vietnam Airlines expanded check-in kiosks at foreign airports such as Chubu, Haneda, Narita, etc. and implemented Sabre DCS at Sheremetyevo, Sydney, Melbourne and other airports.
- ▶ Vietnam Airlines's intensive investment in upgrading technology enabled us to maintain the stability level of the check-in system, which was around 99.99% across the system, and allowed passengers to save their check-in and waiting time at airports. The rate of online and kiosk check-in usage continuously increased in 2019, reaching nearly 49% in Hanoi and 51% in HCMC, thus helped secure better customer experience of service personalization.



- ▶ Vietnam Airlines constantly explored and finetuned its services at customer touch points by introducing new solutions such as boarding by area, expanding the range of international - domestic and domestic - domestic flight connections at Hanoi, HCMC, and Da Nang airports with connecting time within 5 hours, minimizing baggage claim waiting time, and reducing baggage loss for higher satisfaction of customer experience.
- ▶ In order to improve the comprehensive range of ground and in-flight products and services, in 2019, Vietnam Airlines set up and commissioned its own international lounge called "Lotus Lounge" at Da Nang international terminal. We also completed the chain of private lounges at 03 airports in Hanoi, HCMC and Da Nang to provide premium services to Business class passengers, those with access card and priority passengers in the SkyTeam Alliance.
- ▶ As a highlight in 2019, Vietnam Airlines came up with multiple service offers such as preferred seat selection, baggage allowances calculated by piece system, and flexible sale of ancillary products that suit the trending in the aviation industry, thus maximizing customer satisfaction of all segments and increasing earnings.



b. Improvements in in-flight services

► Catering

- » Defining cuisine as one of the most contributors to building the reputation of the flag carrier and 4-star service quality, Vietnam Airlines constantly paid serious attention to exploring new recipes and updating menus to promote passengers' personalized experience, especially those of the Business class. Bun cha nem cua be (Kebab rice noodles with crab spring rolls) and Bun bo Hue (Hue-style beef vermicelli soup) featuring Vietnamese cuisine were cherry-picked as the two new "Signature Dishes" in cooperation with the world-famous chef Luke Nguyen - Vietnam Airline's Global Cuisine Ambassador. Besides, Vietnam Airlines continued to promote Vietnam's regional fruit delicacies by introducing to Business class menus distinctive seasonal fruits that meet the VietGAP standards such as Hung Yen longan, Thanh Ha lychee, Cao Phong orange, Canh orange, Hoa Loc mango, Tay Ninh melon, green-skinned grapefruit, and so on.



- » In 2019, Vietnam Airlines revamped the Business class menus on domestic flights and inbound ones. The new selections, which are of high quality and updated with cuisine trends as well as passengers' preferences, focus on local favours of Vietnam and other countries for unique dining experience. Likewise, specialities of destination countries such as Japan and

South Korea were also included in order to offer internationally diverse experiences. In particular, Vietnam Airlines also provided training to international catering companies on how to prepare traditional Vietnamese dishes such as prawn spring rolls with sweet and sour fish sauce, Hoi An chicken rice, lemongrass skewers to be served on international flights to Vietnam.

► **In-flight entertainment**

- » In 2019, Vietnam Airlines launched an overall upgrade of in-flight entertainment service quality with the total duration entertainment programs making up over 600 flight hours, covering a wide variety of entertainment including Hollywood blockbusters, action movies, comedy, psychology, sports, and kids' shows, gameshows, etc. The in-flight entertainment guide LotuStar was redesigned to reflect these refreshed entertainment selections. In addition, the quality of wireless streaming service was also upgraded on the new Airbus A321neo fleet with the number of programs increasing by 5 to 6 times.
- » With a view to improving 4-star standard service quality and enriching customer experience, Vietnam Airlines introduced onboard Wifi service on four A350s aircraft.
- » Vietnam Airlines and FPT Telecom concluded a strategic partnership to deploy the FPT Play application for passengers traveling on Vietnam Airlines' domestic flights starting from 20 December 2019. This is expected to offer customers an exciting entertainment experience before, during, and after flights.

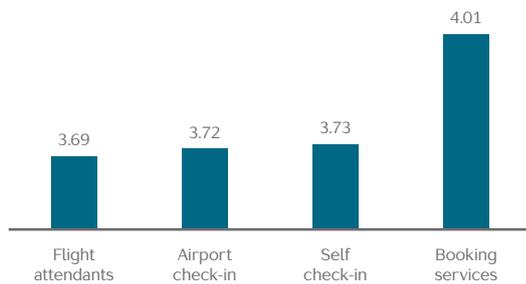


► **Amenities**

Amenities such as seat covers and double-quilted blankets in the Business class were also upgraded with exquisite improvements to elevate passenger experience during long-haul flights.



CUSTOMER SATISFACTION INDEX (CSI)



▶ **Customer satisfaction indicators**

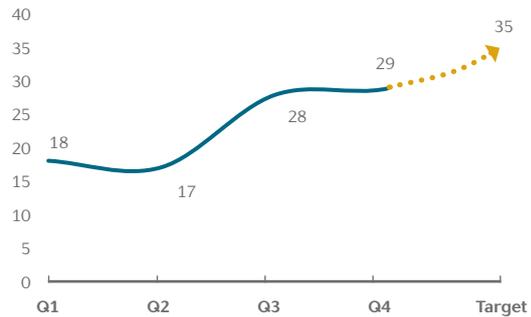
Vietnam Airlines’ Net Promoter Score in 2019 reached 23 points, relatively high compared to the industry average (8 points - according to IATA assessment on Asia and Europe routes). The NPS saw constant improvement quarter over quarter in 2019, which indicated customer trust, preference, and willingness to continue flying with Vietnam Airlines.

Vietnam Airlines’ average Customer Satisfaction Index (CSI) in 2019 averaged at 3.76 points, an increase from the 3.75 points in 2018. Touch points that scored high CSI included (*traditional*) reservation, airport check-in, self check-in, and flight crew.

▶ **Orientation toward 5-star service quality**

- » Maintain stable and sustainable service quality – Focus on the key dimensions of service upgrades – Focus on increasing revenues and cutting costs;
- » Diversify services towards personalization and automation in customer experience.

NET PROMOTER SCORE (NPS)



Continuously finetune and update service standards under commitments with Skytrax, staying relevant to new service trends;

- » Constantly enhance and diversify both ground and in-flight products and services; diversifying services, leveraging technology in the development of products and services so as to meet customers’ demands and preferences;
- » Continue to finetune the system, employ a consulting partner for 5-star service quality, and cooperate with ANA Holdings Inc. in service quality enhancement;
- » Build a professional, dedicated flight crew who represent Vietnamese culture and act as brand ambassadors to promote the images of Vietnam and Vietnam Airlines brand to the world;
- » Attach importance to and improve market research, quality management and customer experience to identify customers’ pain points and proactively meet their expectations.



2.6. TECHNICAL AREAS

a. Fleet maintenance programs

- ▶ Vietnam Airlines is independently implementing all technical maintenance services for its in-service fleet of ATR 72, A321, A350, and B787 aircraft including onsite and offsite maintenance.
- ▶ For onsite maintenance, Vietnam Airlines is capable of performing all sorts of heavy-check for ATR42/72, C-check for A319, A320, and A321; 2C-check for A350, and base check for B787 with intervals of 18000 FH, 6000 FC, 3 years.
- ▶ The Equalized check program has been completed for A-check recurring of the A321 fleet. The pilot signing program and the On-call service have been deployed at international airports to minimize the number of skilled technical personnel aboard a flight.
- ▶ Vietnam Airlines has also performed maintenance projects to refurbish aircraft for sale and handover to leasing partners. In 2019, one A321 aircraft was sold and another was overhauled with major maintenance and significant improvements. Besides, VAECO, a subsidiary of Vietnam Airlines, also provides maintenance and refurbishment services for foreign partners. Specifically, two B777s were maintained and returned to the flag carrier of Bangladesh – Biman.



- ▶ Interior maintenance is always a concern, and Vietnam Airlines obtained Skytrax's 4-star certification for the fourth consecutive year. Management and administration activities have also been optimized with the share of repairs being greater than replacements, thus slashing both downtime and costs.
- ▶ In 2019, a pilot test of E-Techlog (electronic technical log) was also performed on the A350 fleet to improve aircraft maintenance management and labor productivity.
- ▶ For off-site maintenance, services are currently provided to not only Vietnam Airlines but also nearly 80 international airlines that operate flights to Vietnam.

b Cooperation with major local and international aircraft maintenance and repair facilities for better maintenance capacity

Vietnam Airlines has partnered with Singapore's STA has established a joint venture (JV) to provide maintenance, repair and overhaul services to Vietnam Airlines and other regional carriers. The JV started operations in QII/2019. Additionally, aiming to become a major MRO center in the region, Vietnam Airlines has been negotiating with a number of MRO partners and some major global airlines to establish a joint venture providing fuselage and wing maintenance services in Vietnam for better competitiveness and higher technical service quality.

c. Solutions for higher fleet utilization and cost saving

Vietnam Airlines has been adopting multiple initiatives to enhance fleet operational efficiency and utilization with optimal costs, specifically:

- ▶ Constantly perform basic technical programs (AD/SB, MOD) for higher reliability of equipment and aircraft systems; develop an overall program for better maintenance - repair and fault detection; maintain and improve the coordination between the flight operation and the technical service functions, effectively utilizing the VHF radio; applying AHM/Airman and ADEM in the interception, preventive maintenance; adopt digital applications (Skywise) for early detection of potential failures.
- ▶ Continue to implement the Equalized check program for the C1 recurring of the A321 fleet to evenly distribute maintenance tasks performed at night and reduce the block-check recurring for better fleet utilization.
- ▶ Strictly monitor supply and maintenance contracts as well as product support agreements with aircraft and engine manufacturers to claim and fully utilize after-sale product support and warranty policy in order to lower direct maintenance costs.
- ▶ Regularly update benchmarks of individual indicators for comparison, prompt response and optimal adjustment of maintenance activities

d. Development orientation for maintenance facilities of Vietnam Airlines and VAECO

- ▶ Vietnam Airlines' Technical Function will accelerate the expansion of aircraft and component maintenance capacity by cooperating with major global partners, work towards mastering advanced technologies and performing expertise-intensive tasks in the aviation industry.
- ▶ Perform all types of maintenance and repair, including heavy check recurring of the in-service fleet of Vietnam Airlines.
- ▶ Integrate advanced management techniques into maintenance management, airworthiness, and fleet configuration.



- ▶ Expand hangar capacity, improve the quality of technical staff involved in maintenance and repair works in order to expand services to other customers than Vietnam Airlines.

e. Impressive and outstanding indicators of technical activities

- ▶ In 2019, Vietnam Airlines performed a great volume of work, contributing to the fulfillment of business targets and ensuring absolute safety. Specifically:

KPI (%)	12 MONTHS OF 2019
ARL	94.18
DR A321	99.50
DR A350	99.58
DR B787	99.04
DR ATR 72	99.67

- ▶ Fleet maintenance
 - » Offsite maintenance: Provided technical assurance for 288,818.89 flight hours (of which, A321: 174,862.14 FHs; A350: 56,351.91 FHs; B787: 47,563.39 FHs and ATR 72: 10,041.45 FHs).
 - » Onsite maintenance:

CHECK TYPES	A321	A350	B787	ATR 72	A330
A check		119	126	26	9
Phase check	732				
C check	89	14	8	9	
Other				9	1

2.7. SAFETY AND SECURITY

- ▶ In 2019, the number of incidents decreased against 2018. There was no type B error (-1 compared to 2018) while the number of type C and type D errors dropped to 2 (-1 year over year) and increased to 05 (+2 year over year) respectively. The company reached the KPI of 9.73, which was much lower than the planned 10.52. This helped the company achieve the target set by the Safety Committee and ensure the absolute safety of business operations.
- ▶ The incidents/events that needed reporting to Civil Aviation Authority of Vietnam as required were mainly of type E. All incidents/ events related to the reliability of equipment were statistically analyzed, tracked, reviewed and directly discussed with the manufacturers for additional solutions and timely enhancement of safety control.
- ▶ For incidents/events caused by external factors such as birdstrike, particularly those related to FOD, the Group timely took safety measures when detecting potential risks for A321neo engines in terms of disruption of operation.
- ▶ The minor events (the proportion of event/10,000 flights of all levels 1, 2, 3) were lower than in 2018 and curbed within the target.
- ▶ Successfully implemented several major cooperation programs: successful renewal of the 7th IOSA Certificate, AOC Certificate by Civil Aviation Authority of Vietnam; performing and maintaining the Certificates of airworthiness for the Group's aircraft; operating the Total Quality Safety Management System, which helped to complete the Group's Safety Management System; VHAT Program and ensuring the absolute safety of charter flight for the Party and State Leaders on domestic and foreign business trips.

STATEMENT OF SAFETY CULTURE WITH A VISION TO 2025

VNA, as the flag carrier, is always well-aware of its responsibilities to the Party, Government and society, as well as to all international passengers while meeting the air travel demands.

SAFETY AS THE ULTIMATE TOP PRIORITY.

01 MAINTAINING SAFE AND EFFECTIVE OPERATION
 VNA shall constantly develop high-performance teams, innovative management process, advanced technological foundation to maintain its leading **SAFE AND EFFECTIVE** operation in Vietnam, region and over the world.

02 SAFE PUNCTUAL, 4-STAR TOWARDS 5-STAR SERVICE
 VNA shall leverage its reputation on the **SAFETY, PUNCTUALITY** and 4-star, towards 5-star **CUSTOMER SERVICE**.

03 SAFE COMFORTABLE AND ENVIRONMENTAL-FRIENDLY OPERATION
 VNA shall fulfill the high-tech demands of itself and international passengers in terms of maintenance, towards upgrading the fleet to ensure **SAFE, COMFORTABLE, AND ENVIRONMENTAL-FRIENDLY** operation.

04 COMPLIANCE WITH SAFETY HIGHLY RELIABLE COOPERATION, ASSOCIATED WITH SOCIAL RESPONSIBILITIES
 VNA shall ensure its conformity to **SAFETY, COOPERATION** with the aviation authorities and ensure the highly reliable international services, associated with **CORPORATE'S SOCIAL RESPONSIBILITIES**.

05 SAFE CARGO, PASSENGER TRANSPORTATION
 VNA always recognizes that **SAFE CARGO** transportation shall be accompanied by **SAFE PASSENGER** transportation at all times.

06 SAFETY AS THE ULTIMATE TOP PRIORITY WITHOUT SACRIFICING IT AT ANY COST
 VNA identifies **SAFETY AS THE ULTIMATE TOP PRIORITY**, and **SHALL NOT SACRIFICE IT AT ANY COST**.

07 DEVELOPING SAFETY CULTURE ON THE BASIS OF: BOS, INAMORI, 5-STAR AIRLINE
 VNA commits to developing the Corporate Culture, particularly **SAFETY CULTURE** on the basis of such innovative management models as **BOS, 5-STAR AIRLINE, INAMORI**, for all of its staff from **MANAGEMENT TO TECHNICAL, SERVICE** to cultivate from awareness to action and innovation across the organization, spreading to all passengers and partners.

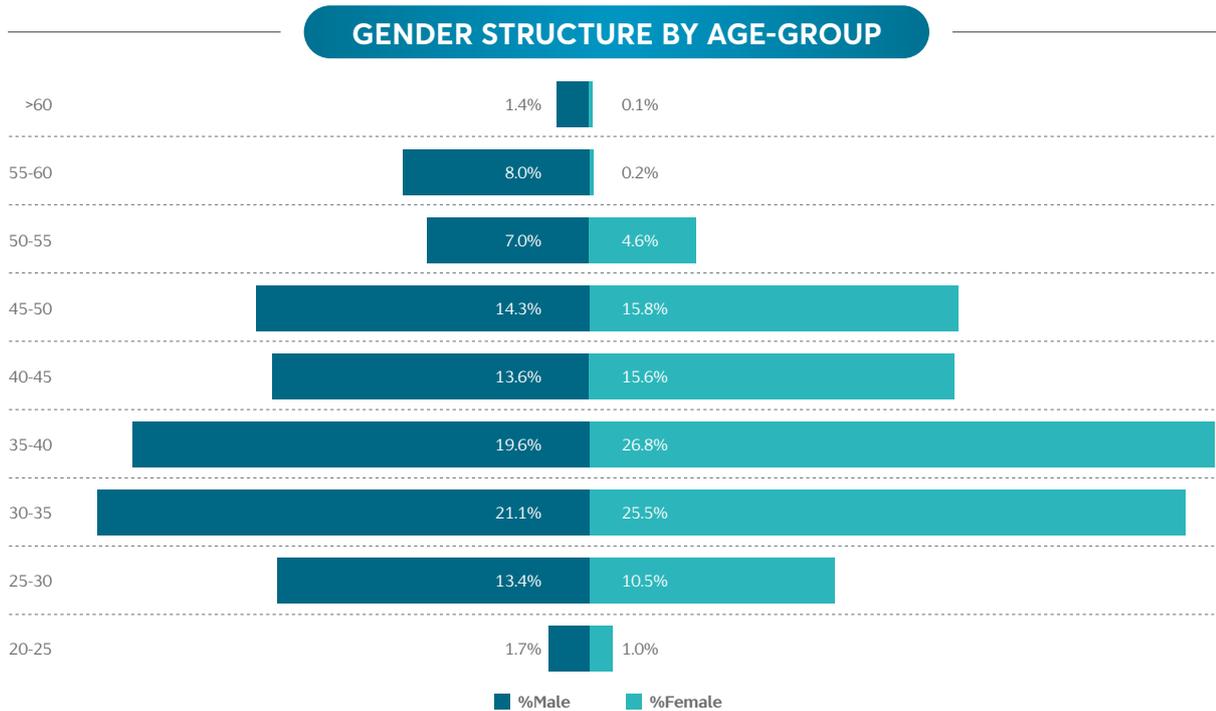
"Dear my colleagues and staff, join me to turn our commitments into actions on developing the Safety Culture with a vision towards 2025 when our beloved carrier becomes the 5-star airline, along with the double fleets, passengers and route networks compared to present"
 - President & CEO Doong Tri Thanh.

This statement was affirmed by the President & CEO to close the Workshop on Aviation Safety Culture 2018 held on May 12 in Da Nang.

2.8. HUMAN RESOURCES MANAGEMENT

a. Workforce

By 31 December 2019, a total workforce of the Group numbered 21,255 employees with Vietnam Airlines employing 6,409 people. Vietnam Airlines workforce showed a continued trend of rejuvenation and higher level of professional expertise. In particular, importance was attached to developing the talent pool of pilots, flight crew, aircraft engineers and technicians in both quantity and quality, gradually reducing the proportion of foreign employees while still meeting requirements of the air transportation business.



Labour productivity

PRODUCTIVITY INDICATOR	2019	
	VALUE	GROWTH COMPARED TO 2018
RPK-based	688 billion tons.km per head	↑ 5.9%

The achievement of the above-mentioned outcomes can be ascribed to the effective utilization of the workforce, the restructuring of organization, the stability and flexibility in managing the team, and the intensive training and development of the key resources (i.e. pilots, aircraft engineers and technicians). Accordingly, despite a higher volume of flights and passengers, Vietnam Airlines has managed to meet business requirements, ensure flight safety and maintain RPK-based productivity rise over the years.

b. Remuneration and income

In order to acquire and retain a committed quality workforce, especially managers, engineers, specialists, and such specific resources such as pilots and flight crew, Vietnam Airlines has continuously conducted salary and bonus reform programs to award the team with better pay as well as to complete its income distribution policy. Since 2016, the pay rise has been maintained between 5% and 20%, depending on job titles.

In 2019, Vietnam Airlines performed two waves of salary increase for pilots (from 01 June 2019 and 01 September 2019) and ensured proper implementation of welfare policies including voluntary pension insurance and health insurance. In the same year, Vietnam Airlines completed the pilot scheme on renewing the salary management mechanism for the 2019 - 2021 period according to Resolution No. 27-NQ/TW of the Central Committee of the Party.



c. Training and development of human resources

Regarding human resources as our core competitive edge, in 2019, Vietnam Airlines intensified training and development activities to help improve the capacity of the entire system.

Vietnam Airlines continued to leverage in-house resources and employ specific talents including pilots, flight attendants, engineers, and technicians following long-term and medium-term strategies. In 2019, special attention was paid to the training of human resources with the success of the “Changing with the world” workshop series. Thousands of ideas and initiatives were presented in each seminar, many of which were translated into great business benefits. Vietnam Airlines also provided Safety – Security training courses for more than 11,000 pilots, flight attendants, flight operators, and ground service staff as required by IOSA standard and the applicable regulations on aviation; 05 English courses were held in New Zealand for 91 outstanding officials and specialists; and 05 Masters of Science (MSc) received training at Cranfield University - UK and ENAC.





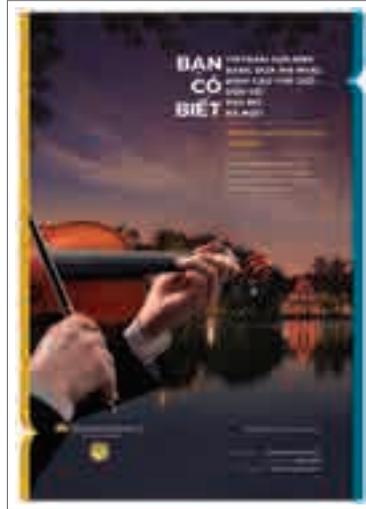
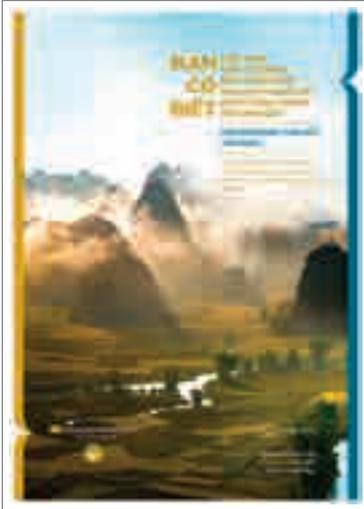
d. Corporate culture

Vietnam Airlines' corporate cultural values have been nurtured over our 25 years of development. In an effort to preserve and promote cultural strengths at the workplace, Vietnam Airlines has launched a series of cultural programs such as *Safety Culture*, *Office Culture*, *Four "Xin" (please) – Four "Luôn" (always)*, *Accelerating improvements Faster and Higher* as the basis of employees' work ethics, attitudes, and behaviors. We have also focused on conveying our messages on corporate value to customers and shareholders through promotion campaigns that contain culturally profound brand images .



2.9. COMMUNICATIONS AND BRAND DEVELOPMENT

Strategic advertising

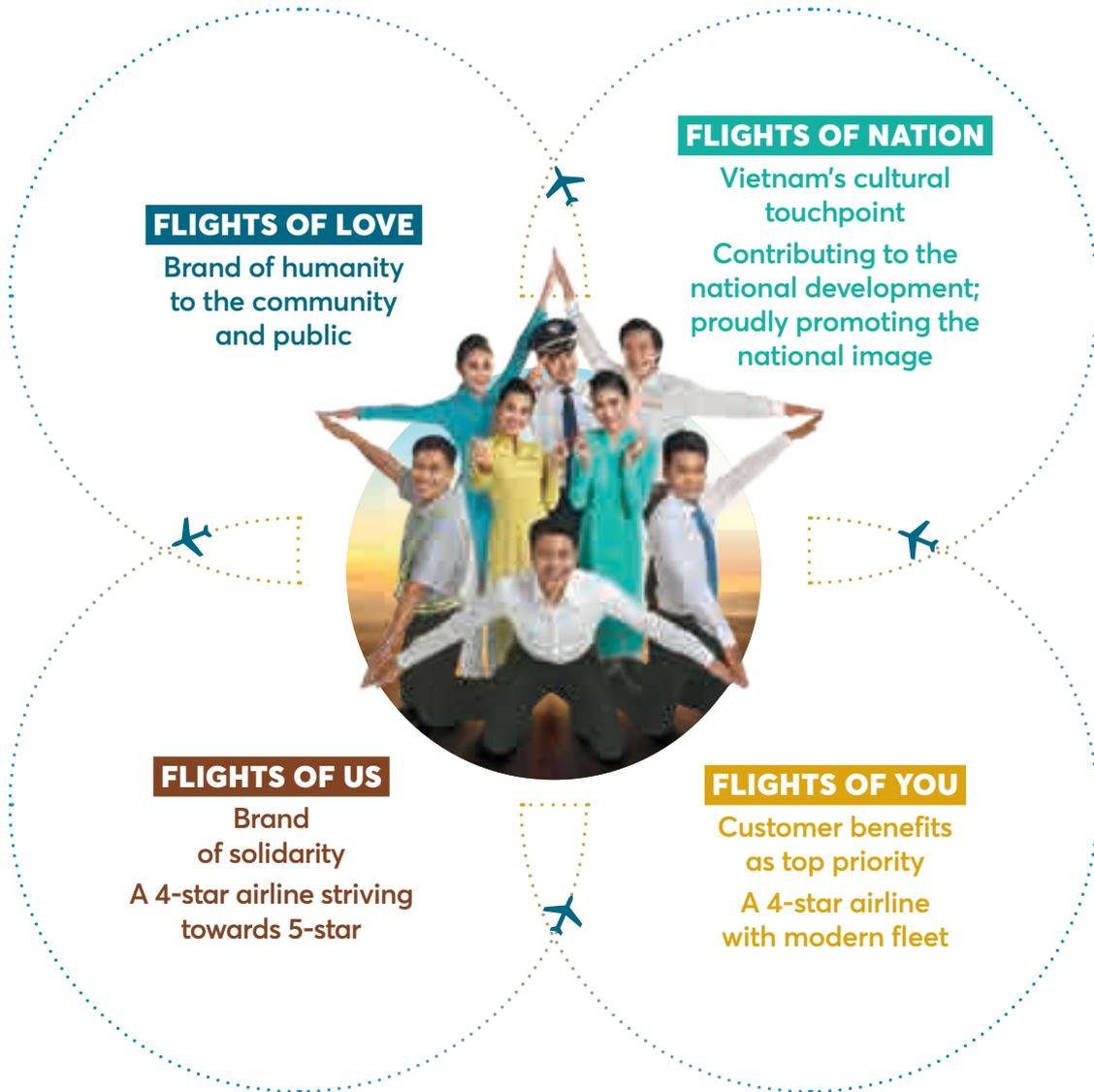


In the 2019 – 2021 period, Vietnam Airlines will develop a long-term brand development strategy with customer-centric as the navigation of all activities.

The aims are comfortable flying experience, convenient routes, multiple flight options with outstanding and high-class services to meet customers' expectations; customers will be aware of a Vietnam Airlines' image of friendliness, caring, responsibility at all touch points of trying and using services, hence winning customers'

love and trust especially in major domestic and international markets.

- ▶ **2019:** The airline strives to perform better than the 4-star class.
- ▶ **2020-2021:** Recovery period post Covid-19, the operational focus is Kindness, Confidence, Dedication and Solidarity to the country and society as a national's flag carrier with customers at the centre.



► **Advertising campaigns in 2019:**

- » A strategic advertising campaign with the message “The world is changing. Are you?” was synchronously launched across multiple communicatin channels in Vietnam market (outsourced channels: TV, newspapers, OOH, digital advertising; VNA’s owned channels: Heritage and Heritage Fashion magazines; in-flight

advertising, website, Facebook, Vietnam Airlines offices; exchange and cooperation channels with provinces and other partners) and international channels (CNN, BBC; trade fairs).

- » More than 160 advertising campaigns on products, services, and specific sale policies were launched.



2.10 INFORMATION TECHNOLOGY

a. Towards a Digital Airline Group

Aiming to become a Digital Airline, Vietnam Airlines has over the years boosted the integration of information technology into our commercial, management and operation activities. In 2019, multiple IT solutions were researched and applied in management and customer experience improvement. Particularly:

- ▶ Upgraded the revenue management system; Completed the flight efficiency analysis system (VNA Profit); Developed a sales management reporting system (Salesforce); Deployed the performance management and tracking system for predictive maintenance and flight optimization based on Airbus Big Data platform (Skywise); Implemented Aerial Service Management System (AVIF); Expanded the online video conferencing system to all domestic and international branches.
- ▶ Upgraded the Sales Mobile App with outstanding features for better customer experience; Implemented functions for higher ancillary revenue; Diversified payment methods using e- wallet and Paylater; Provided onboard Wifi on A350 aircraft; introduced FPT Play application on mobile devices for pre-departure entertainment; Launched the application for booking tickets with miles and cash (Dynamic Rewards); launched the online special service request (SSR).

Determined to become a Digital Airline Group, Vietnam Airlines has so far completed digitization in almost all areas including receipts, e-tickets, e-invoices, flight documents, official letters, and documents. Business processes from flight operation, pilots and flight attendants management, trade, services, finance and accounting, and marketing have been all digitalized.



Furthermore, as the country's flag carrier, Vietnam Airlines has attached importance to ensuring safety, information security and confidentiality for customers and shareholders. Network system security is strictly monitored to ensure the achievement of 100% of information security KPIs.

b. Digital transformation roadmap in the 2020 – 2030 period

- ▶ The 2020 – 2022 period: Digital transformation is to focus on customer-oriented commercial activities and services
 - » Build and develop Digital Property
 - » Develop E-Marketing activities
 - » Develop E-sales and Distribution
 - » Launched Web customer service
- ▶ The 2022 – 2030 period:
 - » Digital transformation to take place in the remaining areas
 - » Developing big data and digital infrastructure
 - » Integrate and connect digital transformation for each area using disruptive technologies
 - » Synchronize and roll out digital transformation in all areas.

2.11 COOPERATION PROGRAMS

a. Cooperation with the strategic shareholder ANA Holdings Inc.

In 2019, the comprehensive partnership between Vietnam Airlines and the strategic shareholder ANA Holdings Inc. (ANA) reaped a number of remarkable results in several fields including:

- ▶ Retoration of a flexible partnership on HCMC – Nagoya route operated by Vietnam Airlines;
- ▶ Initiation of negotiations on a joint venture;
- ▶ Continued technical assistance, focusing on corporate governance, commerce, operation, customer services, information technology, and engineering.

b. Commercial cooperation

- ▶ In 2019, Vietnam Airlines started a new partnership with Aeroflot (Russia) and expanded its co-branded products with Bangkok Airways and Philippines Airlines. The total number of partners is maintained at 26 (25 airlines and 01 French railway company). In addition, the cooperation with Jet Airways was terminated in April 2019 following the latter's bankruptcy. Through bilateral partnerships, Vietnam Airlines' network has been expanded to 192 routes to 124 destinations globally

with footprint on all five continents, out of which 144 routes to 90 destinations have not been operated directly by Vietnam Airlines. Additionally, Vietnam Airlines has been actively negotiating new partnerships with potential partners in India (Indigo) and Sri Lanka (Srilankan Airlines).

- ▶ Regarding joint ventures, after 02 years of cooperation, Vietnam Airlines and Air France have achieved certain positive results that help improve their business. Vietnam Airlines is also discussing joint ventures with Korean Air and China Airlines. These are expected to be launched in 2020.
- ▶ Regarding multilateral cooperation: Vietnam Airlines enthusiastically participated in SkyTeam's activities and projects, which motivated us to upgrade our system and service standards to meet the Alliance's requirements. In 2019, Vietnam Airlines was actively engaged in the implementation of alliance's new development strategy, focusing on the enhancement of seamless passenger experience and development of advanced and exclusive technological applications. Vietnam Airlines also participated in activities of multilateral organizations like IATA and promoted its role and influence on multilateral policies in such a way as to benefit Vietnam.



c. Cooperation in IT

On 27 February 2019, Vietnam Airlines and Sabre Group entered into a strategic partnership in aviation information technology to foster information technology adoption in governance and customer service improvement as well as to support the former’s drive toward the status of a Digital Airline Group.

d. Cooperation in tourism

Cooperation with Vietnam National Administration of Tourism: On 24 December 2019, the Vietnam National Administration of Tourism and the flag carrier Vietnam Airlines signed a memorandum of strategic cooperation in tourism promotion for the 2020 - 2022 period .

This strategic cooperation memorandum is an important basis for both parties to promote the images of Vietnam, its people, and its tourist attractions to the world. It will also help create high-quality and attractive products and services that meet customers’ tastes, offering Vietnamese citizens and international visitors opportunities to travel conveniently and connecting Vietnam to the world.

e. Cooperation with local authorities

The cooperation between Vietnam Airlines and the country’s provinces and cities has been constantly strengthened and expanded. In 2019,



Vietnam Airlines signed a cooperation agreement with Tay Ninh and Ha Giang provinces and continued to build on the existing partnerships with Hanoi, HCMC, Quang Ninh, Da Nang, and other provinces.

These partnerships have greatly contributed to the introduction and promotion of Vietnam Airlines' image, products and services. At the same time, they have enabled Vietnam Airlines, as the flag carrier, to perform its mission of boosting local economic development through the promotion of local and national tourism and local specialties to the world.



f. Cooperation with conglomerates

Partnerships between Vietnam Airlines and other conglomerates will allow all concerned parties to leverage their strengths and tap into new development opportunities.

Vietnam Airlines and the Vietnam Posts and Telecommunications Group (VNPT) entered into a strategic cooperation agreement on 22 October 2019. This agreement helps strengthen the bilateral partnership in business activities, allowing both parties to leverage their respective strengths to better enhance business performance and distinctive offerings to their customers.

g. Cooperation with FPT Play

The Vietnam Airlines - FPT Play partnership will enhance customer experience on all of Vietnam Airlines' domestic routes and will serve as the flag carrier's step forward to further enhance our in-flight services and become one of the most favorite airlines in Asia-Pacific.



h. Cooperation with VinGroup

Vietnam Airlines and VinGroup have signed a cooperation agreement to develop co-branded products including cooperation in using the products and services provided by both parties, cooperation in communications and other areas.



i. Cooperation with Sun Group

Vietnam Airlines and Sun Group have signed a cooperation agreement to develop bundled products and services that combine aviation and tourism on the entire flight network of Vietnam Airlines as well as all recreation and hospitality facilities of Sun Group.



3.0 INVESTMENT ACTIVITIES

In 2019, Vietnam Airlines' investment activities focused on key projects with long-term horizon to improve our competitiveness and operational efficiency. Priority was given to new-generation fleet utilization and IT projects. The total realized investment amount in 2019 was VND 746.5 billion.



3.1 KEY INVESTMENT PROJECTS

- ▶ Installation of Sharklet for ten A321s aircraft for fuel efficiency, emission reduction, and operation cost saving.
- ▶ New-generation fleet utilization projects: Investment in ground service equipment in the 2016 – 2018 period, ULD project in the 2019 – 2020 period.
- ▶ IT infrastructure and information security projects: Expansion of the firewall system to domestic and international branch offices, expansion of the video conferencing system across the network.
- ▶ Pilot and flight crew training projects: Investment in training equipment for A321 Integrated Procedures Trainer and Airbus A350 Mockup model.
- ▶ The renovation of the office building of the professional aviation training school at 200 Nguyen Son - Phase 2.



3.2 EXTERNAL INVESTMENTS

a. Overview

In 2019, Vietnam Airlines achieved our assigned targets while preserving external investments. The total dividends/profits earned from these investments in 2018 was VND 1,076 billion with the return on investment by 31 December 2019 reaching 15.9%.

Most of the Vietnam Airlines' investees, whose business is closely associated with air transportation business, performed decently and contributed significantly to the overall business performance of the Group.

b. Business performance of investees

NO	LOGO	COMPANY	VNA'S OWNERSHIP	BUSINESS PERFORMANCE
1		VAECO		<p>A one member limited liability company wholly owned by VNA, VAECO's core business is to provide maintenance and repair services for aircraft, engines, parts and components. The company was incorporated and developed in line with standards set by the Civil Aviation Administration of Vietnam - CAAV, the US's Federal Aviation Administration - FAA, and International Civil Aviation Organization - ICAO. The conformity with such standards enables VAECO to provide maintenance and repair services for all of VNA's aircraft as well as those of over 40 international airlines operating routes to Vietnam. As presented in the 2019 unaudited financial statement, the total revenue of VAECO was VND 2,633 billion, profit before tax was VND 173 billion, and the ROE ratio was 15%. The estimated profit allocated from VAECO to Vietnam Airlines in 2019 was VND 28 billion.</p> <p>In 2019, VAECO cooperated with ST Aerospace Systems PTE LTD to establish Vietnam Singapore Technologies Engineering Aerospace Limited Company (VSTEA) - the first and only aircraft equipment maintenance, repair and overhaul (MRO) company in Vietnam to date with 51% of charter capital owned by VAECO. As a partnership between two leading aviation technology companies of Vietnam and Singapore, VSTEA is fully qualified to provide high-quality aircraft maintenance and repair services in Vietnam to domestic and international airlines.</p>
2		SKYPEC		<p>The company has extensive and professional experience in supplying aviation fuel to domestic and international airlines with a fuel storage capacity of over 210,000 m3, a network covering 18 airports across Vietnam and 04 major international airports in South Korea.</p> <p>The company has developed laboratories that meet ISO/IEC 17025:2005 standards with 10 standard tests. Its quality management system, which complies with ISO 9001-2015, is certified by QMS Organization, allowing it to provide optimal services to domestic and international airlines.</p> <p>SKYPEC is the fuel supplier with a total output of nearly 1,800,000 tons in 2019, ensuring safety and operational efficiency for more than 226,800 flights, up by 9% over the same period.</p> <p>In 2019, the total revenue reached VND 29,399 billion, pre-tax profit was VND 653 billion, and ROE ratio was 65.9%. The estimated profits allocated to Vietnam Airlines in 2019 were VND 495 billion.</p>
3		VACS		<p>VACS operates in food production and air catering services. The company has applied the latest quality standard of ISO 9001:2015 and various quality control systems such as ISO 45001:2018 (a replacement of OHSAS), HACCP, etc.</p> <p>In 2019, the Company was awarded "Best Caterer" in Asia by the International Aviation Magazine. The total revenue of VACS in 2019 was VND 958.3 billion, pre-tax profit was VND 200.2 billion, and its ROE ratio reached 187%. The estimated profits allocated to Vietnam Airlines in 2019 were VND 149 billion.</p>

NO	LOGO	COMPANY	VNA'S OWNERSHIP	BUSINESS PERFORMANCE
4		VIAGS	 100%	<p>The company provides services at passenger terminals and cargo terminals as well as apron services, technical services and commercial ground services.</p> <p>In 2019, the total revenue of VIAGS was VND 2,204.79 billion, profit before tax of VND 198.25 billion, and ROE ratio of 62.9%. The estimated profits allocated to Vietnam Airlines in 2019 were VND 94.62 billion.</p> <p>In 2019, VIAGS received 15 awards for high service quality from major airlines such as Vietnam Airlines, Asiana Airlines, China Airlines, Japan Airlines, Korean Air, etc. and was recommended for the Prime Minister's certificate of merit.</p>
5		Jetstar Pacific	 68.85%	<p>Jetstar Pacific (JPA) is an airline operating in air transport business with 68.85% of charter capital owned by Vietnam Airlines. It is essential to develop JPA as a low-cost carrier to improve the competitiveness of VNA Group in line with the common trend of the air transport market and VNA's development strategy.</p> <p>In 2019, Vietnam Airlines instructed its authorized representative at JPA to take flexible measures to increase revenue and reduce costs coming up with solutions to tackle difficulties faced by JPA amid fierce competition and oversupply in the domestic market in the last months of the year. The company's profit before tax in 2019 was VND 31.1 billion, an increase compared to the planned target.</p>
6		NCTS	 55.13%	<p>As a leading and professional cargo services company in the North, NCTS is providing cargo handling services to 28 airlines operating at Noi Bai International Airport. In 2019, NCTS won the "Top 500 largest enterprises in Vietnam" award by Vietnam Report and the "Best Performance Partner 2014 - 2018" award by Asiana Airlines. NCTS made great efforts and exceeded the profit plan for 2019. The output reached 383 thousand tons, its total revenue was VND 712 billion, profit before tax reached VND 275 billion, and the ROE ratio was 84%. The estimated profits allocated to Vietnam Airlines in 2019 were VND 123 billion.</p>
7		TCS	 55.00%	<p>Restructured from a limited liability company into a joint stock company on 01 August 2017 with 55% of charter capital owned by Vietnam Airlines, TCS is specialized in providing cargo services for international flights at Tan Son Nhat Airport to international airlines and forwarding agents. TCS's aims to become one of Southeast Asia's leading air cargo terminals. In 2019, TCS was officially recognized as the Authorized Training Center for DGR Cat 6 courses in Vietnam by the International Air Transport Association (IATA) and was honored to receive the ISAGO certificate for the fourth consecutive time. As a pioneer in the supply of cargo services at Tan Son Nhat terminal, TCS's profit has high annual growth rates. In 2019, the total revenue of TCS was VND 932 billion, the estimated profit before tax was VND 577 billion, and the ROE rate 498%. The estimated dividends allocated to Vietnam Airlines in 2019 were VND 246 billion.</p>
8		TECS	 51.00%	<p>The company provides freight forwarding, logistics, customs clearance services, warehousing and storage. In 2019, the total revenue of TECS reached VND 310.5 billion, profit before tax VND 97.2 billion, and the ROE ratio 146%. The estimated profits allocated to Vietnam Airlines in 2019 were VND 37.59 billion.</p>
9		VINAKO	 65.05%	<p>The company mainly operates in air and sea freight forwarding. Though a small-size business with the charter capital of VND 8.6 billion with 65.05% of the stake is owned by Vietnam Airlines and 34.95% owned by Konoike Transport Co., Ltd (Japan), VINAKO's ROE ratio is always maintained at high level. In 2019, the total revenue of VINAKO reached VND 12.2 billion, ROE ratio was 130%. The estimated profits allocated to Vietnam Airlines were VND 6.8 billion.</p>

NO	LOGO	COMPANY	VNA'S OWNERSHIP	BUSINESS PERFORMANCE
10		NCS	 60.17%	<p>The company operates in food production and catering services with nearly 30 years of experience. NCS has maintained the application of ISO 22000: 2005 quality management system as well as HACCP and HALAL standards in its production activities.</p> <p>In 2019, the total revenue of NCS reached VND 648 billion, profit before tax VND 44.6 billion and its ROE ratio 19.9%. The estimated dividends allocated to Vietnam Airlines in 2019 were VND 18.4 billion.</p>
11		NASCO	 51.00%	<p>The company mainly provides direct support services for air transport and other supporting services at Noi Bai International Airport. NASCO was granted the ISO 9001: 2015 Quality Management System certification in August 2017. As presented in the 2019 unaudited financial statement, the total consolidated revenue of Nasco reached VND 595 billion and its consolidated profit before tax was VND 42.5 billion. The estimated dividends allocated to Vietnam Airlines in 2019 were VND 10 billion.</p>
12		VFT	 51.52%	<p>The company provides pilot training for regional airlines. In 2019, the ATO 01 pilot training project was approved by VFT's General Meeting of Shareholders, marking an important milestone in its development strategy. In 2019, its profit before tax was estimated to be VND 8.2 billion and the ROE ratio was 9.7%. The estimated dividends allocated to Vietnam Airlines in 2019 were VND 3.1 billion.</p>
13		AITS	 52.73%	<p>Providing information technology and telecommunication services. AITS currently plays an important role in the air transportation value chain by building critical technology and telecommunications platforms for Vietnam Airlines including the Amasis system, internal portal system (Webportal), active monitoring system (Monitoring), Netline system, Email system, etc. In 2019, the total revenue of AITS reached VND 229.9 billion, profit before tax reached VND 10.5 billion, the ROE ratio was 14.1%. The estimated dividends allocated to Vietnam Airlines in 2019 were VND 3.7 billion.</p>
14		ALSIMEXCO	 51.00%	<p>The company provides services in the aviation industry, especially the supply, import and export of manpower. In addition to supplying flight attendants for Vietnam Airlines, the company is supplying and managing nearly 500 employees working for 40 foreign aviation representative offices in Vietnam and one joint venture. Employees supplied by the company have been performing well, some have been appointed to senior positions, raising the reputation of Vietnamese labor to international airlines. In 2019, the profit before tax of ALSIMEXCO reached VND 6.1 billion and ROE ratio was 44.9%. The estimated dividends allocated to Vietnam Airlines in 2019 were VND 2 billion.</p>
15		SABRE VIETNAM	 51.69%	<p>The company establishes booking systems and provides related services through Sabre global distribution system, value-added telecommunications, telephone answering, and ticket agency. Since 2017, Sabre Vietnam been implementing the Passenger Service System for Vietnam Airlines. In 2019, Sabre's total revenue reached VND 107.3 billion, profit before tax VND 8 billion and its ROE ratio 101.8%. The estimated dividends allocated to Vietnam Airlines in 2019 were VND 2.6 billion.</p>

Affiliates

NO	LOGO	COMPANY	VNA'S OWNERSHIP	BUSINESS PERFORMANCE
1		VALC	 32.48%	The company operates mainly in aircraft purchase, sale, lease, and leaseback. VALC is established to purchase aircraft for lease and operation by domestic airlines, thereby supporting the growth of Vietnam's aviation industry, increasing the number of locally owned aircraft, reducing the dependence on international aircraft market, enhancing the competitiveness and promoting the integration of Vietnam's aviation industry into the world. In 2019, VALC's total revenue was USD 75 million, profit before tax USD 21.8 million and ROE ratio 27.2%. The estimated dividends allocated to Vietnam Airlines from in 2019 were USD 4.1 million.
2		Cambodia Angkor Air (K6)	 49.00%	The flag carrier of Cambodia is an investee of Vietnam Airlines. In 2019, K6 operated a total of 12 thousand flights with 868,000 passengers and a load factor of 79%. In the context of increasingly fierce competition in the Cambodian market and lowering demand for routes to China, the company has synchronously implemented various solutions to improve its operating results in 2019. Additionally, K6 continued the comprehensive cooperation with Vietnam Airlines including but not limited to fleet, route network, technical and commercial operations to better leverage VNA Group's human resources.
3		MASCO	 36.11%	Mainly operating in food production and in-flight catering services, supplies and equipment, transportation of passengers, crew, flight attendants at airports as well as passengers and cargoes by road, intra-provincial and inter-provincial taxi services, and commercial business at airport terminals, MASCO is the first and longest-running business that provides aviation services in the Central region. In 2019, MASCO entered into contracts to provide services to QING DAO Airlines and S7 Airlines at Cam Ranh International Airport. In 2019, MASCO's total revenue was VND 249.3 billion, pre-tax profit VND 18.7 billion, and ROE ratio 35%. The estimated dividends allocated to Vietnam Airlines in 2019 were VND 4.3 billion. In addition, MASCO awarded as the best caterer by Air China in 2019.
4		AIRIMEX	 41.31%	The company mainly operates in the import and distribution of machinery, equipment, supplies, spare parts and provides import and export services for the aviation industry. As presented in the unaudited financial statements in 2019, the total revenue of Airimex was VND 291 billion, profit before tax VND 9.6 billion, and ROE ratio 23.5%. The estimated dividends allocated to Vietnam Airlines in 2019 were VND 2 billion.
5		APLACO	 30.41%	The company operates mainly in the plastic industry. As one of the leading enterprises of Vietnamese plastic industry, Aplaco has sufficient and state-of-the-art equipment and technologies to manufacture high-quality in diverse designs and colors including: products for airlines and plastic packaging. The 2019 business performance of Aplaco has not been updated yet.

Other investees

NO	LOGO	COMPANY	VNA'S OWNERSHIP	BUSINESS PERFORMANCE
1		SPT	 0.36%	This is a joint stock company with 0.36% of the charter capital (equivalent to VND 4.3 billion) owned Vietnam Airlines. The company provides postal, telecommunications, and information technology services as the main business lines. The 2019 business performance of SPT has not been updated yet.

4.0 FINANCIAL PERFORMANCE

4.1 OVERALL PERFORMANCE

4.1.1 Parent company

METRICS	UNIT	2018	2019	2019/2018
TOTAL ASSETS	VND billion	73,543	68,989	-6.2%
NET REVENUE	VND billion	70,742	72,117	1.9%
OPERATING PROFIT	VND billion	1,663	2,119	27.5%
OTHER PROFIT	VND billion	755	780	3.3%
PROFIT BEFORE TAX	VND billion	2,418	2,899	19.9%
PROFIT AFTER TAX	VND billion	2,111	2,418	14.6%
1. Liquidity ratio				
» Current ratio (Short-term assets/Short-term debt)	Time	0.5	0.5	-5.8%
» Quick ratio $\frac{\text{Short-term assets} - \text{Inventory}}{\text{Short-term debt}}$	Time	0.5	0.5	-4.8%
2. Capital structure				
» Debt/Total assets	%	75.2%	73.0%	-2.8%
» Short-term debt/Total assets	%	33.4%	35.9%	7.5%
» Long-term debt/Total assets	%	41.7%	37.1%	-11.1%
» Debt (excluding air transport liability)/Equity	Time	2.6	2.2%	-13.5%
» Debt/Equity	Time	3.0	2.7%	-10.5%
» Equity/Total capital	%	24.8%	27.0%	8.6%
3. Operating efficiency				
» Inventory turnover (Costs of goods sold/Average inventory)	Time	114.7	139.0	21.2%
» Net revenue/Total assets	Time	0.96	1.05	8.7%
4. Profitability ratio				
» Profit after tax/Net revenue (ROS)	%	2.98%	3.35%	12.4%
» Profit after tax/Average owner's equity (ROE)	%	12.00%	13.12%	9.4%
» Profit after tax/Average total assets (ROA)	%	2.76%	3.39%	22.8%
» Operating profit/Net revenue	%	2.35%	2.94%	25.0%
» EBITDAR	VND billion	18,676	19,501	4.4%
» EPS	VND	1,488	1,705	14.6%
» P/E	Time	23.04	19.79	-14.1%

4.1.2. Consolidated results

METRIC	UNIT	2018	2019	2019/2018
TOTAL ASSETS	VND billion	82,390	76,455	-7.2%
NET REVENUE	VND billion	96,811	98,228	1.5%
OPERATING PROFIT	VND billion	2,356	2,450	4.0%
OTHER PROFIT	VND billion	956	939	-1.9%
PROFIT BEFORE TAX	VND billion	3,312	3,389	2.3%
PROFIT AFTER TAX	VND billion	2,599	2,537	-2.3%
DIVIDEND PAYOUT RATIO (%)	%	10%	8%	-20.0%
1. Liquidity ratio				
» Current ratio (Short-term assets/Short-term debt)		0.6	0.6	-2.8%
» Quick ratio				
$\frac{\text{Short-term assets} - \text{Inventory}}{\text{Short-term debt}}$	Time	0.5	0.5	-3.3%
2. Capital structure				
» Debt/Total assets	%	77.3%	75.7%	-2.2%
» Short-term debt/Total assets	%	39.0%	41.1%	5.3%
» Long-term debt/Total assets	%	38.3%	34.6%	-9.7%
» Debt (excluding air transport liability)/Equity	Time	2.9%	2.6%	-11.8%
» Debt/Equity	Time	3.4%	3.1%	-8.9%
» Equity/Total capital	%	22.7%	24.3%	7.4%
3. Operating efficiency				
» Inventory turnover (Costs of goods sold/Average inventory)	Time	24.5	24.1	-1.8%
» Net revenue/Total assets	Time	1.5	1.3	9.3%
4. Profitability ratio				
» Profit after tax/Net revenue (ROS)	%	2.7%	2.6%	-3.8%
» Profit after tax/Average owner's equity (ROE)	%	14.4%	13.6%	-5.4%
» Profit after tax/Average total assets (ROA)	%	3.0%	3.2%	5.1%
» Operating profit/Net revenue	%	2.4%	2.5%	2.5%
» EBITDAR	VND billion	21,678	22,035	1.6
» EPS	VND	1,747	1,654	-5.3
» P/E	Time	19.63	20.41	3.9

Overall assessment:

- ▶ The aviation market in 2019 encountered a slowdown in growth, whilst the overcapacity and increase in competition had cause the average ticket price to decline, affecting the business performance. To handle the situation, the Board of Directors of Vietnam Airlines actively operated the business flexibly, in line with the market situation, balancing the objectives of ensuring market share and efficiency. Vietnam Airlines enhanced the cost management and resource optimization, focused on promoting sales, increased additional sources of income, explored and leveraged the opportunities of boost the revenue.
- ▶ In 2019, the Parent company achieved a positive business results which significantly improved compared to 2018. The 2019 profit before tax rose 19.9% compared to the last year and exceeded by 8.3% versus plan. All of the 2019 profitability ratios were higher than 2018. The capital structure and capital autonomy continued to improve. The debt/equity ratio as of December 31, 2019 fell to 2.7 times. The cashflow in 2019 remained positive, ensured the liquidity. The overall financial situation was getting better, secure and healthy.

4.2. FINANCIAL ANALYSIS OF PARENT COMPANY AND CONSOLIDATED RESULTS

Parent company's Revenue and Profit

METRIC	2018	2019	COMPARED TO 2018	
			VALUE	%
1. Total revenue and other income	73,227	74,694	1,467	2.0%
Net revenue	70,742	72,117	1,375	1.9%
Financial income	1,727	1,794	67	3.9%
Other income	758	783	25	3.3%
2. Profit before tax	2,418	2,899	481	19.9%
3. Profit after tax	2,111	2,418	307	14.6%

Unit: VND billion

- ▶ The Parent company's total revenue and other income in 2019 reached VND 74,694 billion, increasing by VND 1,467 billion compared to 2018. In which, 2019 net revenue of the parent company reached VND 72,117 billion, accounting for 96.6% of the total revenue. The net revenue was the major growth driver of total revenue; in addition, the financial income and other income also significantly contributed with the rise of 3.9% and 3.3%, respectively.
- ▶ The profit before tax of the parent company was VND 2,899 billion, achieving 108.3% of the plan and growing by 19.9% compared to 2018, the growth could be enormously attributed to the income from major business.

Parent company's Equity and Assets

METRIC	2018	2019	COMPARED TO 2018	
			VALUE	%
Short-term assets	12,480	11,853	(626)	-5.0%
Long-term assets	61,063	53,136	(3,927)	-6.4%
TOTAL ASSETS	73,543	68,989	(4,553)	-6.2%
Liability	55,275	50,387	(4,888)	-8.8%
» Short-term debt	24,580	24,790	210	0.9%
» Long-term debt	30,696	25,597	(5,099)	-16.6%
Owner's Equity	18,267	18,602	335	1.8%
TOTAL CAPITAL	73,543	68,989	(4,553)	-6.2%

Đơn vị tính: Tỷ đồng

- ▶ The Parent company's total assets as at December 31, 2019 was VND 68,989 billion, slumped by VND 4,553 billion compared to 2018 (-6.2%). The downward trend of 2019 total assets were in line with the current direction of capital and asset restructuring. Specifically, Vietnam Airlines would decrease financing assets from liabilities but ensure a sufficient resource for the development by moving from the purchase of essential assets, aircraft and engines, to lease.
- ▶ Vietnam Airlines's cash reserve by the end of 2019 was in a healthy condition. Specifically, the cash balance and deposits of more than 3 months as at December 31, 2019 reached VND 4,185 billion, the net cash reserve surged by VND 504 billion compared to 2018.
- ▶ The Parent company's liabilities as at December 31, 2019 was VND 50,387 billion, plunged by VND 4,888 billion compared to 2018 (-8.8%), mainly due to the fact that the Group continued to pay its debt in accordance with and even ahead the payment schedule, causing the debt outstanding and finance lease to decline, and there was no capital mobilization on the investment of high-value assets within the year.
- ▶ The capital structure continued to improve towards the decrease in debts. In 2019, the equity went up by 1.8%, while the debt went down by 8.8%. The capital autonomy rose from 24.8% by the end of 2018 to 27.0% by the end of 2019, the debt ratio and capital structure were improved positively towards the safety and sustainability.

Consolidated Revenue and Profit

METRIC	2018	2019	COMPARED TO 2018	
			VALUE	%
1. Total revenue and other income	98,950	100,316	1,366	1.4%
Net revenue	96,811	98,228	1,417	1.5%
Financial income	1,160	1,140	(20)	-1.7%
Other income	995	983	(13)	-1.3%
Share of loss in associates	(16)	(34)	(18)	113.0%
2. Profit before tax	3,312	3,389	77	2.3%
3. Profit after tax	2,599	2,537	(61)	-2.4%

Unit: VND billion

The consolidated total revenue and profit in 2019 reached VND 100,316 billion compared to 2018, the main contribution came from the revenue growth from main business activities of the Parent company. The consolidated profit before tax was VND 3,389 billion, increasing 2.3%

compared to 2018, exceeding 100.8% of plan. The increase in consolidated revenue and profit was attributed not only to the parent company but also to the positive rise in revenue of the affiliates (fuel supplies, cargo services, ground services, carter services, etc.).

Consolidated Assets – Capital

METRIC	2018	2019	COMPARED TO 2018	
			VALUE	%
Short-term assets	20,326	19,288	(1,037)	-5.1%
Long-term assets	62,065	57,167	(4,898)	-7.9%
TOTAL ASSETS	82,390	76,455	(5,935)	-7.2%
Liability	63,718	57,847	(5,871)	-9.2%
» Short-term debt	32,170	31,421	(750)	-2.3%
» Long-term debt	31,548	26,427	(5,121)	-16.2%
Owner's Equity	18,672	18,608	(65)	-0.3%
TOTAL CAPITAL	82,390	76,455	(5,935)	(-7.2%)

Unit: VND billion

- ▶ The consolidated assets as at December 31, 2019 were VND 76,455 billion, decreasing by VND 5,935 billion compared to 2018 (equivalent to -7.2%), mainly due to the fall in the parent company's assets (insignificant amount of new investment and net value of assets continued to drop because of depreciation).
- ▶ The net cash reserve by the end of 2019 reached VND 5,262 billion, rocketing by VND 3,826 billion compared to the balance by the end of 2018.
- ▶ By the end of 2019, the consolidated debt reached VND 57,847 billion, slumping by 9.2% compared to 2018, mainly due to the decline in long-term debt outstanding and finance leases. In terms of capital structure, as at December 31, 2019, the consolidated owner's equity was VND 18,608 billion, accounting for 24.3% of the total capital; while the consolidated debt contributed to 75.7% of the total capital. Compared to 2018, the increase in the proportion of owner's equity in the total capital boosted and decrease in the debt/equity ratio showed a positive improvement in the capital structure and finance safety, solvency of the Group.

5.0

INNOVATIONS IN ORGANIZATIONAL STRUCTURE AND MANAGEMENT POLICY

Vietnam Airlines has carried out a wide range of synchronous solutions: supply capacity management, high-efficiency revenue management, launching of 2 software programs in Operation and Service Divisions to support cost reduction, enhance operation and control

productivity and quality; review of organizational model to streamline operational structure to improve working efficiency; proactive promotion of administrative reforms and the adoption of e-documents through the online portal.

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VII ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

Vietnam Airlines

prioritized the implementation of environment protection goals and community responsibilities, towards a sustainable growth and development





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

- Co-ordinated with the British Embassy to implement CSR strategy in Health - Social healthcare training for the period of 2019 - 2021, implemented surgery for 8,100 children and trained 88 doctors.
- Cooperated with Operation Smile providing free cleft reconstructive surgery to 30 children.
- Provided transportation to 6 cases of organ transplantations around Vietnam.
- Accompanied with “Heartbeat Vietnam” auctioning business class tickets, earning USD 15,000 to implement surgery for 12 poor children with congenital heart defects.
- 2 children’s playgrounds built in Quang Tri and Lao Cai. 44 bikes donated to children in difficult mountainous areas in Dong Thap.
- Organized the humanitarian blood donation program named “Giọt hồng Vietnam Airlines”, collecting 1,553 blood units.



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

- Implemented series of “Changing with the World” seminars, giving thousands of ideas and innovations with great benefits to VNA’s business operation.
- 11,000 pilots, flight crew, flight operators, ground service staffs trained on Safety - Security in compliance with IOSA standards and aviation regulations.
- 5 English training classes held up in New Zealand for 91 excellent trainees, officers and experts of the Company.
- 5 Masters of Science (MSc) trained at Cranfield University - UK and ENAC.



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

- Invested in new generation fleet (Boeing 787-9, Airbus A350-900, Airbus A321neo) reducing fuel consumption, carbon emission and noise pollution.
- Applied SAFRAN fuel efficient software (SFCO₂).



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

- Maintained sustainable and stable business operations, contributed VND 7,369 billion to the state budget.
- Contributed to the national economic growth by creating a total of 21,255 jobs in air transportation, cargo transportation and synchronous services.
- Promoted and introduced local culinary products on Vietnam Airlines’s flights such as Hung Yen dimocarpus longan, Thanh Ha lychee, Cao Phong orange, Hoa Loc sweet mango, Tay Ninh cantaloup, green pomelo.



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

- Moved towards a Digital Airline model by adopting superior technology in business operations: flight efficiency analysis system (VNA Profit), commercial management report (Salesforce), performance management on Airbus’s Big Data platform (Skywise), in-flight service management system (AVIF) and improvement of Vietnam Airlines mobile app (Sales Mobile App).



G12. Ensure sustainable consumption and production patterns

- Participated in Anti-Plastic Waste Alliance, deployed the “Zero Waster Vietnam Airlines” campaign.
- Eliminated, minimized and replaced the usage of nylon bags with environmentally friendly materials, averagely reduced 50 million of nylon bags, saved 257 liters of clean water, 9,000 kwh of electricity and 513 thousand liters of fabric softener every year.



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

- Modernized the fleet by using fuel-efficient aircraft and engines, thus reducing emission.
- Actively organized propaganda activities to raise awareness of environment protection such as “Saturday Community Volunteer Day”, “Green Sunday”, “Plastic Bag Free Day”, Earth Hour.

1.0 COMPLIANCE WITH ENVIRONMENTAL PROTECTION REGULATIONS

Compliance with environmental protection regulations represents Vietnam Airlines' top priority in our environmental protection and energy consumption.

Vietnam Airlines carried out an assessment of emission control (CO² Emission), fuel consumption, innovations/improvements to save fuel (Fuel Efficient), noise reduction, etc. Not only did Vietnam Airlines strictly comply with the applicable laws on environmental protection, but we also constantly invested in upgrading vehicles,

equipment, technology and applied technological and technical solutions in order to reduce fuel consumption and environmentally harmful CO² emission.

Promoting the Safety and Integrity culture by the implementation and guidance of Safety Behaviour Definitions, conducting an online survey of Safety and Integrity culture which resulted at 3.9 points and targeting to reach 4.0 by 2020 (Proactive level); providing training courses on risk management of insurance fund utilization.



2.0 SOCIAL ENGAGEMENT

Vietnam Airlines demonstrated its corporate responsibility to the community and society by joining prestigious domestic and foreign organizations to address issues of public concerns:

- ▶ Co-ordinated with the British Embassy to implement CSR strategy in Medical – Community Healthcare training for the 2019 – 2021 period through a 5-party partnership including Vietnam Airlines, Facing The World, 108 Hospital, Viet Duc Hospital and Hong Ngoc Hospital. The humanitarian goal of the partnership is highly appreciated with surgeries performed for 8,100 children and training provided to 88 doctors.
- ▶ Partnered with the Public Health England - NewBorns to support National Hospital of Pediatrics doctors in attending courses in the UK to improve their expertise in minimizing infant mortality rate in Vietnam.
- ▶ Cooperated with Operation Smile to provide free cleft reconstructive surgeries to 30 children.
- ▶ Successfully provided transportation to 6 cases of organ transplantations across the country according to the cooperation agreement with the Vietnam National Coordinating Centre for Human Organ Transplantation on maximum support for tissue/organ transport procedures and provision of reserved seats for tissue/organ containers on Vietnam Airlines flights.
- ▶ On 09 June 2019, Vietnam Airlines participated in Anti-Plastic Waste Alliance, made commitments



and declared to take action against plastic waste along with enterprises, associations, and social organizations in Vietnam. Vietnam Airlines has been deploying many “Green” projects in joint efforts with the community against plastic waste. Specifically, Vietnam Airlines replaced some in-flight items and supplies made of disposable plastic and non-degradable nylon with environmentally friendly materials such as paper cups or other degradable materials in accordance with the Ministry of Natural Resources and Environment’s regulations. Besides, Vietnam Airlines will gradually transfer to packaging without plastic wrap and use reusable materials. In the coming time, the company will continue to explore and use biodegradable materials such as paper, non-woven fabric, and nylon made from wheat flour and corn flour. In addition to the adoption of environmentally friendly products to preserve “Green” space, Vietnam Airlines also focused on investing in new-generation aircraft such as Boeing 787-9, Airbus A350-900, and Airbus A321neo. Equipped with modern technologies, these new airplane feature lower fuel consumption and emission reduction than those of same class such as Boeing 777-200ER, Airbus A330, Airbus A320, and A321. The investment in a modern fleet and the use of environmentally friendly products represent Vietnam Airlines’ efforts toward sustainability and a part of the Journeys of Pride and Journeys of Love campaign, which is designed to promote and spread the good values of the country and community to local people and friends globally.

- ▶ Vietnam Airlines was the Diamond sponsor of the Vietnam Talent Awards 2019.
- ▶ Presented 2,000 Nhan Dan (People) newspapers to soldiers in border and island areas.
- ▶ Joined the holding of the “Heartbeat Vietnam” auction of 10 business class tickets on Ha Noi – Nha Trang or Ho Chi Minh City - Nha Trang routes combined with vouchers for stay at MIA Resort Nha Trang at the “Scar of Life 9” program with proceeds of USD 15,000. With this amount, Vietnam Airlines helped bring healthy hearts to 12 poor children with congenital heart defects.
- ▶ Donated VND 110 million to the “60th anniversary of Truong Son Trail - The Legend of a road” program.
- ▶ Donated VND 110 million to “Glorious Vietnam” program.
- ▶ Organized “Back to roots” journeys and social activities, donated funds to build houses of gratitude, houses of unity, semi-boarding houses; organized free medical examination, treatment and medicine dispensation for people in several provinces; organized visits and presented gifts to families favored by preferential polic and impoverished ones; presented gifts to needy children; mobilized donations for “Humane meals”, “Green Sunday”; presented gifts to impoverished children in mountainous areas, etc.
- ▶ Gave Lunar New Year gifts to 8 needy youth union members on the occasion of 2019 Tet holiday 2019.
- ▶ In response to the campaign of “Voluntary blood donation”, Vietnam Airlines successfully launched a humanitarian blood donation campaign named “Giọt hồng Vietnam Airlines” with the participation of 1,401 officers and staffs, collecting 1,553 blood units.
- ▶ Actively organized communication activities, launched environmental protection campaigns with 200 youth union members participating in various forms including “Volunteer Saturday”, “Green Sunday” to raise awareness of environmental protection and change the behaviors of Vietnam Airlines youngsters; join hands to protect the environment and combat climate change; participated in Plastic Bag Free Day, Earth Hour, etc.
- ▶ On the occasion of the 72nd anniversary of War Invalids and Martyrs’ Day, the Standing Committee, officers and members of grassroots youth unions along with Party Committees and Trade unions organized 12 delegations to light grateful-candle at over 20 cemeteries and presented gifts to relatives of martyrs’ families, Vietnamese heroic mothers with a total of 117 gifts worth VND 149.5 million.
- ▶ Co-ordinated with Quang Tri and Lao Cai provincial youth unions to build two children’s playgrounds worth VND 30 million each.
- ▶ Co-ordinated with Dong Thap provincial youth union to donate 44 bicycles to children in impoverished mountainous areas.
- ▶ Assumed the care of 23 Vietnamese heroic mothers in Quang Nam province, raising the total number to 45; visited families favored by preferential policy, veteran revolutionaries, Vietnamese heroic mothers on the occasion of Tet holidays and War Invalids and Martyrs’ Day with presents worth VND 3.75 billion.





3.0 EMPLOYEE WELFARE AND BENEFITS

Vietnam Airlines properly and fully complied with welfare policies for employees. In 2019, Vietnam Airlines completed and reported the pilot scheme salary management mechanism reform for the 2019 - 2021 period according to Resolution No. 27-NQ/TW of the Central Committee of the Party. Vietnam Airlines also implemented salary reforms for employees, particularly:

- ▶ For pilots: implemented 02 waves of pay rise from 01 June 2019 and 01 September 2019. After reforms, the average income (after tax) of Vietnamese pilots is now equal to 65% to 75% (depending on the title and fleet) of that of foreign pilots currently working for Vietnam Airlines and 05 times higher than the pre-2008 period.
- ▶ For executives, experts, engineers, officials and other employees: piloted the payment

of salary on revenues performance basis at the Northern Region Branch of VNA. Based on pilot results, Vietnam Airlines will summarize, learn from lessons and implement synchronous salary reform in the whole system in such a way as salaries and bonuses will be based on (i) the business performance of Vietnam Airlines, (ii) the function's level of task completion, and (iii) the KPI performance (quantity/quality, revenues, flight output, etc.) of each individual.

Other incentives and benefits such as group voluntary pension insurance, health insurance for employees and relatives, annual vacation benefits, fare exemption and discount, etc. will continued to be implemented. Besides, social insurance will provided in accordance with applicable rules and on better terms than regulatory requirements.



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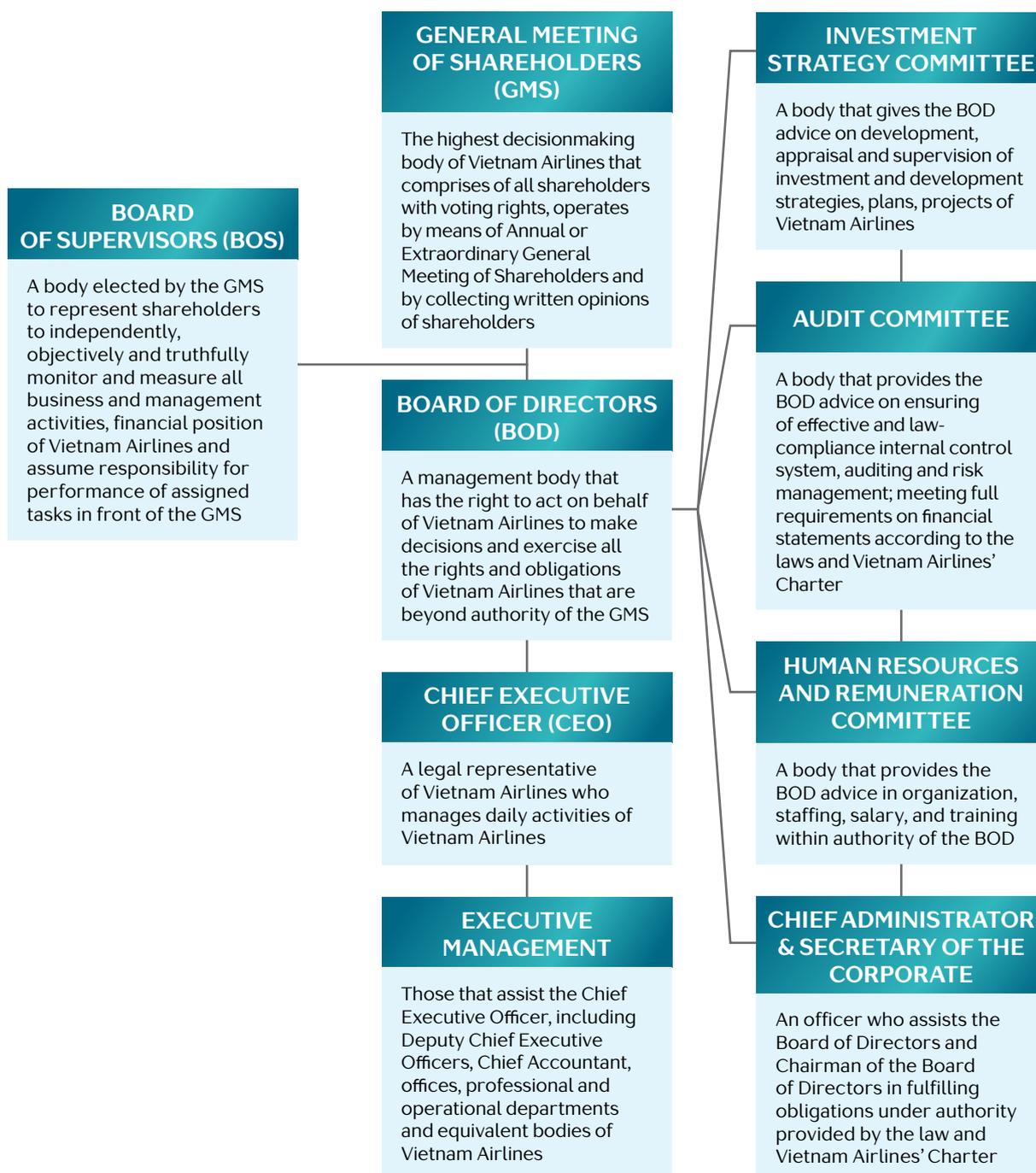
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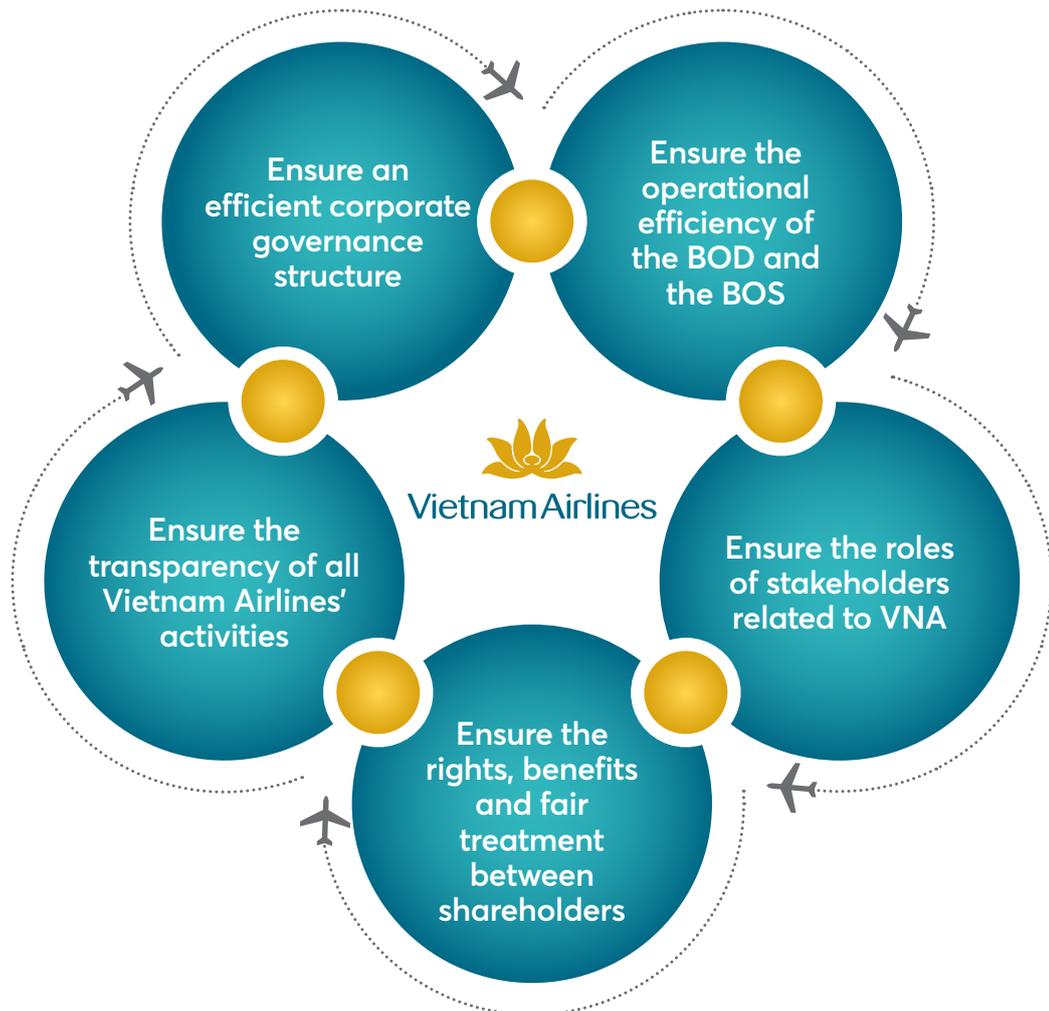
VIII CORPORATE GOVERNANCE

1.0 CORPORATE GOVERNANCE STRUCTURE



Corporate governance principles

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



2.0

INFORMATION AND ACTIVITIES OF THE BOARD OF DIRECTORS

NO	NAME	POSITION	SHAREHOLDING AT VIETNAM AIRLINES	
			VOLUME	PERCENTAGE
1	Pham Ngoc Minh	Chairman	7,394	0.0005%
2	Duong Tri Thanh	Member of BOD cum CEO	7,441	0.0005%
3	Nguyen Xuan Minh	Member of BOD	-	-
4	Ta Manh Hung	Member of BOD	9,005	0.0006%
5	Koji Shibata	Member of BOD	-	-

In 2019, the BOD held 18 meetings, issued 250 Resolutions and 158 Decisions under their authority. The BOD regularly reviewed and evaluated Vietnam Airlines' business operations and finetuned important internal policies and procedures of the company. BOD members showed their sense of responsibility in the decision-making process. As far as Vietnam

Airlines' important proposals and plans were concerned, the BOD sought advice from their experts and committees. All activities of the BOD, which strictly complied with applicable regulations governing a public company's corporate governance, were relevant to the benefits of Vietnam Airlines and shareholders as well as ensured the harmony of shareholder interests.

3.0

ACTIVITIES OF THE COMMITTEES UNDER THE BOARD OF DIRECTORS

THE INVESTMENT STRATEGY COMMITTEE performs the role of advising the BOD on such aspects as sale and leaseback; plans to launch new routes; and construction.

THE AUDIT COMMITTEE advises the BOD on the following aspects: overseeing the internal control system; Auditing financial statements; Risk management.

THE HUMAN RESOURCES AND REMUNERATION COMMITTEE advises the BOD on the following aspects: the use of salary, bonus and welfare funds; salary regime for dedicated supervisors, pilot scheme on salary management mechanism reform for the 2019 – 2021 period; Salary reform for pilots.



4.0 REPORT OF THE SUPERVISORY BOARD

4.1. MEMBERSHIP AND STRUCTURE OF THE SUPERVISORY BOARD

NO.	MEMBER OF SUPERVISORY BOARD	POSITION	DATE OF ROLE COMMENCEMENT	NUMBER OF BOARD OF DIRECTORS' MEETINGS ATTENDED	REASON FOR NON-ATTENDANCE
1	Ms. Nguyen Thi Thien Kim	Chief Supervisor	10 May 2019	8/8	In all BOD meeting, the BOS only need to send one representative.
2	Mr. Mai Huu Tho	Member of BOS	12 March 2015	18/18	
3	Mr. Lai Huu Phuoc	Member of BOS	10 May 2019	8/18	

4.2. ACTIVITIES OF THE SUPERVISORY BOARD

The BOS's activities focused on the following key matters:

- ▶ Participated and gave opinions at all BOD meetings; periodic briefings, conferences, workshops, etc. of the Group to grasp the situation, share ideas and oversee the corporate governance and administration practices of Vietnam Airlines.
- ▶ Completed the amendment and issue of the Regulations on organization and operation of the BOS.
- ▶ Reviewed the completeness, legality and honesty of business reports, semi-annual and annual separate and consolidated financial statements of the Company; reviewed the BOD's 2019 report. Oversaw the content, scope, progress and quality of auditing the Company's 2019 financial statements in accordance with Auditing service agreement signed with Deloitte Vietnam Company Limited.
- ▶ Reviewed the Group's financial supervision report for 2018 and the first six months of 2019; Contributed comments on the amendment and supplementation of legal documents including laws, decrees, circulars, etc. and other matters as required by major shareholder (the Commission for Management of State Capital at Enterprises).
- ▶ Proactively represented shareholders to inspect and oversee business activities, corporate governance and administration practices of the Company on the basis of the applicable laws, Corporate Charter, internal regulations, and shareholders' requirements.
- ▶ Oversaw the Company's information disclosure in accordance with the Securities Law, reviewed the transparency of the information disclosure process to ensure shareholders's interests.
- ▶ Oversaw the BOD and Board of Management's execution of the 2019 AGM' Resolution. Oversaw the BOD's issue of resolutions and decisions and the Board of Management's execution of the BOD's resolutions. Oversaw the development and execution of business, investment and financial plans, the sale and leaseback of aircraft and engines; the execution of restructuring and special supervision of JPA and K6.
- ▶ Oversaw the Group's development of business plan for 2020 and the execution of the 2019 business plan; focused on overseeing the commercial vertical; oversaw the execution of solutions to improve sale efficiency and minimize operational risks associated with certain routes to Northeast Asia.
- ▶ Oversee the audits conducted by the State Audit Office of Vietnam at the Group in 2019 and the execution of recommendations made by the inspection and audit agencies as well as the BOS. Review the quality of the internal audit function.
- ▶ Executing other tasks according to the Charter, Internal Regulations on corporate governance; BOS's regulation and other related laws.

4.3. MEETINGS OF THE SUPERVISORY BOARD

In 2019, the BOS held 8 meetings to agree on the following matters:

- ▶ The election of a dedicated Chief Supervisor, the assignment of tasks to BOS members; the adoption of amendments and additions to the Regulations on organization and operation of the BOS;
- ▶ Inspection and supervision agenda and the execution of key tasks; review of execution in each period;
- ▶ Review results: Business operation reports and 2018 financial statements for 2018; the Company's semi-annual and annual financial statements for 2019 (including the Parent Company's financial statements and the Consolidated financial statements) and the BOD's operation report;
- ▶ Review results: Financial supervision statements in 2018 and the first six months of 2019 of the Company (including the Parent Company's financial statements and the Consolidated financial statements);
- ▶ The summarization of the BOS's activities in 2019; the development of an action plan for 2020 and assignment of tasks to BOS members for the optimal execution thereof.
- ▶ The Report of the Supervisory Board to be submitted to the Annual General Meeting in 2020;
- ▶ Alignment on the courses of action for other matters within the BOS's functions and duties.

4.4. AGENDA FOR 2020

The Supervisory Board shall perform its regular duties with a focus on the following aspects:



5.0 ACTIVITIES OF THE CHIEF ADMINISTRATOR & CORPORATE SECRETARY

In 2019, the chief administrator accomplished the following assigned duties:

- ▶ Advised the Board of Directors on the organization of BOD meetings and General Shareholders' Meetings; issued Resolutions/Decisions of the Board of Directors and the General Meeting of Shareholders related to all Vietnam Airlines' business areas to ensure compliance with the regulations of law and the corporate charter.
- ▶ Took charge of Vietnam Airlines' investor relations activities; carried out related works between Vietnam Airlines and its shareholders.
- ▶ Conducted the disclosure of information on the stock market as authorized.

6.0 INVESTOR RELATIONS

Vietnam Airlines strictly complies with applicable regulations on information disclosure and provides shareholders and investors with access to transparent and timely information.

Vietnam Airlines always attaches importance to ensuring interests of shareholders. We regularly update and publicize our activities on various communication channels in order for shareholders and investors to acquire information in a timely manner. In addition, at the Shareholders' Meetings, the Group management address questions raised by shareholders in regards to Vietnam Airlines' operations.



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IX RISK MANAGEMENT

The risks that affected Vietnam Airlines' realization of our goals in 2019 and the plan for 2020:

	RISK IDENTIFICATION	RISK MANAGEMENT MEASURES
BUSINESS ENVIRONMENT RISKS	<ul style="list-style-type: none"> Some risks which are unexpected with very low probability of occurrence but, if they do occur, will have great and serious impacts such as earthquakes, floods, war, dangerous epidemic. Unexpected fluctuations in fuel costs will directly affect business performance. Specifically, a change in the annual average price of fuel at USD 1 per year will result in a change of about VND 240 billion in VNA's operating costs. 	<ul style="list-style-type: none"> Closely monitor fluctuations to adopt appropriate responses to market movements. Manage revenue, strictly control costs, and ensure currency balances in case of fluctuations in exchange and interest rates. Use fuel-efficient engines Foster long-term and comprehensive partnerships with major financial institutions to be entitled competitive interest in the event of capital mobilization.
LEGAL RISKS	<ul style="list-style-type: none"> The obligation to comply with Vietnamese law, law of countries where Vietnam Airlines conducts business and international treaties to which Vietnam is a signatory. Disputes and legal issues that may arise in connection with Vietnam Airlines' business. 	<ul style="list-style-type: none"> Improve the legal risk management capacity and professional competency of the legal department. Proactively conduct reviews and ensure Vietnam Airlines' business activities are compliant with Vietnamese law, law of countries where Vietnam Airlines conducts business and international treaties to which Vietnam is a signatory. Closely coordinate with Vietnamese authorities and authorities of host countries. Constantly update new regulations related to Vietnam Airlines' business. Employ domestic and international legal consultants to support Vietnam Airlines in its compliance with Vietnamese law, law of countries where Vietnam Airlines conducts business and international treaties to which Vietnam is a signatory. Raise the legal awareness of all functions and employees.
COMPETITION RISKS	<ul style="list-style-type: none"> Along with the development of the aviation industry and the open-door policy, the governments around the globe, including that of Vietnam, have to gradually reduce protective measures in favor of State-owned enterprises. Regulations on FDI capital and policies to facilitate private carriers and joint ventures with foreign countries have become prevailing. Moreover, fierce competition from low cost carriers (LCCs) increases the risk of dwindling market share for full-service carriers, including Vietnam Airlines. This will cause growing competition both at home and abroad. ASEAN's Open Skies Agreement and joint ventures between regional low-cost carriers with domestic carriers to exploit the Vietnamese domestic market increase competition in Vietnam market. In Europe market, in addition to the competition with traditional gateway competitors (Thai Airways, Singapore Airlines, Cathay Pacific), carriers in the Middle East region such as Emirates, Qatar, Ethiad have been seeking to promote the expansion of routes from/to Vietnam and have captured an increasing market share in Europe-Vietnam travel market segment. Holding competitive advantages such high frequency of flights, good service quality and reasonable pricing, these players will continue to be tough challengers for VNA. The domestic market with strong competition is exploited mainly by carriers including VNA & VASCO, Jetstar Pacific (JPA), Vietjet Air and Bamboo Airlines - the carrier that entered the market in January 2019. Vietjet Air positions itself as a LCC while Bamboo Airlines is expected to adopt a hybrid model. JPA, which is a subsidiary of Vietnam Airlines, operates as a LCC with operation on domestic and international routes with low price competition, and co-ordinates closely with Vietnam Airlines on products and shares operation resources. 	<ul style="list-style-type: none"> Design products with cultural identity in services, differentiating from competitors and meeting international quality standards of a 4-star airline. Finetune processes, streamline organizational and governance structure according to the standard model of a full-service carrier for efficiency improvement and cost optimization. Adopt product blends between airlines in VNA Group (VNA, VASCO, JPA) and Dual Brand strategy between VNA and JPA. Expand the effectiveness of network cooperation and marketing to maximize VNA Group's network optimization. Constantly promote bilateral and multilateral cooperation with airlines within and beyond SkyTeam.

	RISK IDENTIFICATION	RISK MANAGEMENT MEASURES
SPECIFIC RISKS	<ul style="list-style-type: none"> • Airport technical and air traffic control infrastructure remains inadequate and fails to keeping up with the pace of development, leading to the limited number of apron spots in domestic airports; • The State policies on access rights to operate take-off/landing hours at major international airports. Meanwhile, with the rapid pace of technological research and development, alternative technological products and solutions for aviation services such as video-conferencing and high-speed trains are posing many challenges for the industry. • Shortage of highly qualified human resources, especially pilots and technical engineers. • Increasingly strict requirements to maintain aircraft use efficiency and effective operation to ensure operation revenue from aircraft; this is partially met by reducing the turn around time. • The Company may also suffer significant potential losses in the event of an aviation accident or incident that results in damage to the Company's assets and image. 	<ul style="list-style-type: none"> • Focus resources on training and developing specialized workforce. • Improve the efficiency of management and effective flight scheduling; maintain highly increasing aircraft use efficiency and effective operation to ensure that operation revenues from aircraft are partially met by reducing the turn around time. • Secure fuel hedging contracts to protect against fuel price hikes; operate modern fuel-efficient aircraft. • Maintain an environment of absolute safety and security for all passengers and employees as the core value of Vietnam Airlines. • Complete the safety management system (SMS), strengthen the supervision and control to ensure operational safety as prescribed. • Promote safety culture in a synchronized manner throughout the network.
INFORMATION RISKS	<ul style="list-style-type: none"> • Inaccurate, untimely and incomplete information disclosure. 	<ul style="list-style-type: none"> • Strictly comply with the regulations on information disclosure on the securities market, ensuring the timeliness, accuracy and fullness of information. • Issue and strictly implement the regulations on the role of spokespersons to control the disclosure of information; regularly monitor the mass media in order to promptly detect and correct incorrect and unclear information.
INTERNAL AUDIT RISKS	<ul style="list-style-type: none"> • The audit fails to detect the weaknesses of the Company's internal control system. • The auditing procedures do not find out the material misstatements. • The auditor gives an unreasonable opinion on the subject audited. 	<ul style="list-style-type: none"> • Ensure internal auditors are qualified and experienced under the prescribed standards to meet the job requirements, pay attention to the auditors' professional ethics, ensure the independence of auditors as well as the Internal audit department. • Develop and implement internal auditing processes in accordance with current auditing practices and regulations, including planning, development of the audit program and quality control to ensure audit quality. • Review annual financial statements by working with the independent auditor in terms of audit methodology and plan. • Closely supervise the implementation of audit agreements, request relevant entities to confirm the mandays of each auditor and comment on the activities of the auditors to ensure proper audit quality. Annually, review and evaluate the performance of the auditor before renewal.



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REACH FURTHER





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AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

STATEMENT OF THE BOARD OF DIRECTORS

VIETNAM AIRLINES JOINT STOCK COMPANY

No. 200 Nguyen Son Street, Bo De Ward,
Long Bien District, Hanoi City, Vietnam

STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of Vietnam Airlines Joint Stock Company (referred to as "Vietnam Airlines") presents this report together with the Vietnam Airlines' consolidated financial statements for the year ended 31 December 2019.

THE BOARDS OF MANAGEMENT AND DIRECTORS

The members of the Boards of Management and Directors of Vietnam Airlines who held office during the year and to the date of this report are as follows:

Board of Management

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

Board of Directors

Mr. Duong Tri Thanh	President & CEO
Mr. Trinh Hong Quang	Executive Vice President
Mr. Trinh Ngoc Thanh	Executive Vice President
Mr. Le Hong Ha	Executive Vice President
Mr. Dang Ngoc Hoa	Executive Vice President
Mr. Nguyen Thai Trung	Executive Vice President
Mr. Nguyen Hong Linh	Executive Vice President
Mr. Nguyen Minh Hai	Executive Vice President (to 01 January 2019)
Mr. Tran Thanh Hien	Chief Accountant

THE BOARD OF DIRECTORS' STATEMENT OF RESPONSIBILITY

The Board of Directors of Vietnam Airlines is responsible for preparing the consolidated financial statements, which give a true and fair view of the consolidated financial position of Vietnam Airlines as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. In preparing these consolidated financial statements, the Board of Directors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the consolidated financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that Vietnam Airlines will continue in business; and
- design and implement an effective internal control system for the purpose of properly preparing and presenting the consolidated financial statements so as to minimize errors and frauds.

VIETNAM AIRLINES JOINT STOCK COMPANY

No. 200 Nguyen Son Street, Bo De Ward,
Long Bien District, Hanoi City, Vietnam

STATEMENT OF THE BOARD OF DIRECTORS (Continued)**STATEMENT OF RESPONSIBILITY OF THE BOARD OF DIRECTOR (Continued)**

The Board of Directors is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the consolidated financial position of Vietnam Airlines and that the consolidated financial statements comply with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. The Board of Directors is also responsible for safeguarding the assets of Vietnam Airlines and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

The Board of Directors confirms that Vietnam Airlines has complied with the above requirements in preparing these consolidated financial statements.

The COVID-19 pandemic has had a particularly serious impact on the global aviation industry and Vietnam Airlines is no exception. Vietnam Airlines, in response to the epidemic and to mitigate possible effects, has actively implemented a series of drastic measures in management and operation of production and business activities; made the most of the sharing and support of partners and suppliers to maintain the business continuity. Vietnam Airlines has appealed the Government of Vietnam requesting the necessary support to the national airlines to cope with the crisis. We strongly believe that Vietnam Airlines will overcome the crisis, be well prepared for the recovery and development stage.

For and on behalf of the Board of Directors,

Duong Tri Thanh
President & CEO

10 April 2020



INDEPENDENT AUDITORS' REPORT

No.: 1035 /VN1A-HN-BC

INDEPENDENT AUDITORS' REPORT

**To: The shareholders
The Board of Management and Board of Directors
Vietnam Airlines Joint Stock Company**

We have audited the accompanying consolidated financial statements of Vietnam Airlines Joint Stock Company (referred to as "Vietnam Airlines"), prepared on 10 April 2020 as set out from page 05 to page 39, which comprise the consolidated balance sheet as at 31 December 2019, and the consolidated statement of income, and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to Vietnam Airlines' preparation and fair presentation of the consolidated 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 management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of in all material respects of the consolidated financial position of Vietnam Airlines as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.



INDEPENDENT AUDITORS' REPORT (Continued)

Emphasis of Matter

We draw attention to Note 36 to the consolidated financial statements regarding the ongoing spread of COVID-19 which has directly impacted the Company's financial and operational performance. The Company's ability to continue as a going concern will depend upon the financial support of the Government of the Socialist Republic of Vietnam and borrowing, payable extensions by commercial banks, financial institutions and suppliers. These conditions, along with other matters as set forth in Note 36, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on 25 March 2019.



Pham Hoai Nam
Deputy General Director
 Audit Practising Registration Certificate
 No. 0042-2018-001-1

Pham Quynh Hoa
Auditor
 Audit Practising Registration Certificate
 No. 0910-2018-001-1

DELOITTE VIETNAM COMPANY LIMITED

10 April 2020
 Hanoi, S.R. Vietnam

CONSOLIDATED BALANCE SHEET

VIETNAM AIRLINES JOINT STOCK COMPANY

 No. 200 Nguyen Son Street, Bo De Ward,
 Long Bien District, Hanoi City, Vietnam

FORM B 01-DN/HN

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance (Reclassified)
A. CURRENT ASSETS	100		19,288,261,370,657	20,325,570,151,479
I. Cash and cash equivalents	110	4	2,957,234,029,680	3,603,022,371,040
1. Cash	111		1,743,434,829,680	3,077,622,371,040
2. Cash equivalents	112		1,213,799,200,000	525,400,000,000
II. Short-term financial investments	120	5	3,579,235,209,000	2,875,357,791,157
1. Trading securities	121		-	100,000,000
2. Held-to-maturity investments	123		3,579,235,209,000	2,875,257,791,157
III. Short-term receivables	130		7,904,079,165,877	9,170,868,542,954
1. Short-term trade receivables	131	6	4,367,024,583,298	4,579,150,246,096
2. Short-term advances to suppliers	132	7	457,602,795,156	3,409,637,674,248
3. Other short-term receivables	136	8	3,180,958,660,288	1,276,836,546,487
4. Provision for short-term	137	9	(101,506,872,865)	(94,755,923,877)
IV. Inventories	140	10	3,569,653,534,166	3,685,639,354,126
1. Inventories	141		3,688,732,610,890	3,919,659,998,700
2. Provision for devaluation of inventories	149		(119,079,076,724)	(234,020,644,574)
V. Other short-term assets	150		1,278,059,431,934	990,682,092,202
1. Short-term prepayments	151	11	743,854,695,521	671,058,789,859
2. Value added tax deductibles	152		510,995,500,198	299,313,004,401
3. Taxes and other receivables from the State budget	153	16	23,209,236,215	20,310,297,942

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

VIETNAM AIRLINES JOINT STOCK COMPANYNo. 200 Nguyen Son Street, Bo De Ward,
Long Bien District, Hanoi City, Vietnam**FORM B 01-DN/HN**Issued under Circular No.202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance**CONSOLIDATED BALANCE SHEET (Continued)**

As at 31 December 2019

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
B. NON-CURRENT ASSETS	200		57,166,604,665,872	62,064,686,595,665
I. Long-term receivables	210		2,172,895,865,060	2,017,197,126,541
1. Long-term trade receivables	211	6	1,412,487,563	1,412,487,563
2. Long-term advances to suppliers	212	7	91,465,907,540	-
3. Other long-term receivables	216	8	2,080,588,185,957	2,016,355,354,978
4. Provision for long-term doubtful debts	219	9	(570,716,000)	(570,716,000)
II. Fixed assets	220		46,955,993,985,097	51,026,088,832,054
1. Tangible fixed assets	221	12	17,450,500,516,030	17,038,382,196,591
- Cost	222		38,013,304,459,826	30,844,747,192,333
- Accumulated depreciation	223		(20,562,803,943,796)	(13,806,364,995,742)
2. Finance lease assets	224	13	29,268,066,140,087	33,824,473,134,764
- Cost	225		46,845,065,834,885	53,319,946,513,695
- Accumulated depreciation	226		(17,576,999,694,798)	(19,495,473,378,931)
3. Intangible assets	227	14	237,427,328,980	163,233,500,699
- Cost	228		739,542,851,877	650,588,352,630
- Accumulated amortisation	229		(502,115,522,897)	(487,354,851,931)
III. Long-term assets in progress	240	15	410,078,481,191	243,234,466,291
1. Construction in progress	242		410,078,481,191	243,234,466,291
IV. Long-term financial investments	250		2,094,597,391,071	2,135,344,488,697
1. Investments in associates	252	17	1,522,830,896,860	1,559,728,668,935
2. Equity investments in other entities	253	5	568,166,494,211	565,615,819,762
3. Held-to-maturity investments	255	5	3,600,000,000	10,000,000,000
V. Other long-term assets	260		5,533,038,943,453	6,642,821,682,082
1. Long-term prepayments	261	11	5,211,284,713,204	6,407,829,152,512
2. Deferred tax assets	262		9,885,756,933	2,588,803,995
3. Long-term reserved spare parts	263		311,868,473,316	232,403,725,575
TOTAL ASSETS (270=100+200)	270		76,454,866,036,529	82,390,256,747,144

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

CONSOLIDATED BALANCE SHEET (Continued)

VIETNAM AIRLINES JOINT STOCK COMPANY

No. 200 Nguyen Son Street, Bo De Ward,
Long Bien District, Hanoi City, Vietnam

FORM B 01-DN/HN

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

CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2019

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
C. LIABILITIES	300		57,847,310,038,109	63,717,833,334,911
I. Current liabilities	310		31,420,636,213,287	32,170,307,308,854
1. Short-term trade payables	311	18	15,882,909,654,084	14,475,373,103,938
2. Short-term advances from customers	312		655,668,076,900	276,996,554,424
3. Taxes and amounts payable to the State budget	313	16	589,249,992,350	617,516,443,830
4. Payables to employees	314		1,683,053,290,582	1,791,123,521,201
5. Short-term accrued expenses	315	19	3,588,312,668,941	4,281,739,090,494
6. Short-term unearned revenue	318	20	951,632,046,493	1,036,566,217,436
7. Other current payables	319	21	599,837,491,596	627,636,005,335
8. Short-term loans and obligations	320	22	6,507,875,954,465	8,272,535,285,842
9. Short-term provisions	321		174,122,931	-
10. Bonus and welfare funds	322	24	961,922,914,945	790,821,086,354
II. Long-term liabilities	330		26,426,673,824,822	31,547,526,026,057
1. Long-term accrued expenses	333	19	-	341,827,940,563
2. Long-term unearned revenue	336		2,684,867,905	2,874,851,636
3. Other long-term payables	337	21	870,742,716,345	807,598,496,480
4. Long-term loans and obligations	338	23	25,426,549,239,895	30,193,295,541,927
5. Deferred tax liabilities	341		126,697,000,677	201,929,195,451
D. EQUITY	400		18,607,555,998,420	18,672,423,412,233
I. Owners' equity	410		18,607,555,998,420	18,672,423,412,233
1. Owners' contributed capital	411	25	14,182,908,470,000	14,182,908,470,000
2. Share premium	412	25	1,220,852,256,541	1,220,852,256,541
3. Other owners' capital	414	25	241,355,237,827	241,355,237,827
4. Assets revaluation reserve	416	25	(1,153,004,222,954)	(1,153,004,222,954)
5. Foreign exchange reserve	417	25	239,246,750,951	240,638,053,339
6. Investment and development fund	418	25	801,378,380,887	21,447,164,147
7. Other reserves	420	25	2,024,298,861	2,024,298,861
8. Retained earnings		25	2,612,482,961,570	3,365,259,327,410
- Retained earnings accumulated to the prior year end	421a		271,717,145,576	1,040,944,409,576
- Retained earnings of the current year/current year	421b		2,340,765,815,994	2,324,314,917,834
9. Non-controlling interests	429		460,311,864,737	550,942,827,062
TOTAL RESOURCES (440=300+400)	440		76,454,866,036,529	82,390,256,747,144



Nguyen Thuy Mai
Preparer



Tran Thanh Hien
Chief Accountant



Duong Tri Thanh
President & CEO

10 April 2020

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

CONSOLIDATED INCOME STATEMENT

VIETNAM AIRLINES JOINT STOCK COMPANY
No. 200 Nguyen Son Street, Bo De Ward,
Long Bien District, Hanoi City, Vietnam

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

Unit: VND

ITEMS	Codes	Notes	Current year	Prior year (Reclassified)
1. Gross revenue from goods sold and services rendered	01	28	99,099,610,861,632	97,589,706,275,299
2. Deductions	02	28	871,527,158,319	779,064,557,487
3. Net revenue from goods sold and services rendered (10=01-02)	10	28	98,228,083,703,313	96,810,641,717,812
4. Cost of sales and services rendered	11		87,259,507,651,369	84,754,418,723,943
5. Gross profit from goods sold and services rendered (20=10-11)	20		10,968,576,051,944	12,056,222,993,869
6. Financial income	21	30	1,139,599,385,417	1,159,737,514,511
7. Financial expenses	22	31	2,344,875,558,447	3,674,967,890,617
- In which: Interest expense	23		1,454,778,846,398	1,561,363,900,664
8. Share of loss in associates	24		(34,235,810,035)	(16,074,582,644)
9. Selling expenses	25	33	4,616,584,090,808	4,771,157,893,967
10. General and administration expenses	26	33	2,662,244,049,221	2,398,253,572,153
11. Operating profit (30=20+(21-22)+24-(25+26))	30		2,450,235,928,850	2,355,506,568,999
12. Other income	31	32	982,553,353,325	995,349,933,797
13. Other expenses	32		43,892,875,951	38,951,674,056
14. Profit from other activities (40=30+12-13)	40		938,660,477,374	956,398,259,741
15. Accounting profit before tax (50=30+40)	50		3,388,896,406,224	3,311,904,828,740
16. Current corporate income tax expense	51		933,964,491,926	695,812,381,497
17. Deferred corporate tax (income)/expense	52		(82,529,147,708)	17,583,288,959
18. Net profit after corporate income tax (60=50-51-52)	60		2,537,461,062,006	2,598,509,158,284
18.1. Vietnam Airlines' shareholders	61		2,345,801,820,003	2,335,040,234,598
18.2. Non-Controlling Interest	62		191,659,242,003	263,468,923,686
19. Basic earnings per share	70	34	1,654	1,747

Nguyen Thuy Mai
Preparer

Tran Thanh Hien
Chief Accountant

Duong Tri Thanh
President & CEO

10 April 2020

The accompanying notes are an integral part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT

VIETNAM AIRLINES JOINT STOCK COMPANY

 No. 200 Nguyen Son Street, Bo De Ward,
 Long Bien District, Hanoi City, Vietnam

FORM B 03-DN/HN

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

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2019

Unit: VND

ITEMS	Codes	Current year	Prior year (Reclassified)
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	3,388,896,406,224	3,311,904,828,740
2. Adjustments for:			
Depreciation and amortisation of fixed assets	02	5,142,695,395,692	5,020,071,590,237
Provisions	03	(108,016,495,931)	(30,868,907,829)
Foreign exchange losses arising from translating foreign currency items	04	30,033,060,589	639,412,591,390
Gain from investing activities	05	(662,227,285,176)	(482,774,387,973)
Interest expense	06	1,454,778,846,398	1,561,363,900,664
3. Operating profit before movements in working capital	08	9,246,159,927,796	10,019,109,615,229
Changes in receivables	09	1,189,542,215,928	2,589,441,241,621
Changes in inventories	10	(99,493,347,931)	(432,995,816,938)
Changes in payables (excluding accrued loan interest and corporate income tax payable)	11	565,025,138,031	815,825,388,383
Changes in prepaid expenses	12	1,123,748,533,646	(1,331,041,849,086)
Interest paid	14	(1,473,336,222,289)	(1,569,220,704,363)
Corporate income tax paid	15	(999,205,807,806)	(532,962,497,924)
Other cash outflows	17	(733,640,156,733)	(633,519,666,023)
Net cash generated by operating activities	20	8,818,800,280,642	8,924,635,710,899
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets and other long-term assets	21	(1,267,347,844,441)	(1,018,933,606,028)
2. Proceeds from sale, disposal of fixed assets and other long-term assets	22	130,528,234,634	3,176,358,649
3. Cash outflow for lending, buying debt instruments of other entities	23	(4,959,720,715,849)	(3,825,491,791,157)
4. Cash recovered from lending, selling debt instruments of other entities	24	4,263,613,298,006	1,349,533,086,391
5. Interest earned, dividends and profits received	27	549,135,235,605	416,626,185,761
Net cash used in investing activities	30	(1,283,791,792,045)	(3,075,089,766,384)

The accompanying notes are an integral part of these financial statements

VIETNAM AIRLINES JOINT STOCK COMPANYNo. 200 Nguyen Son Street, Bo De Ward,
Long Bien District, Hanoi City, Vietnam**FORM B 03-DN/HN**Issued under Circular No.202/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance**CONSOLIDATED CASH FLOW STATEMENT (Continued)**

For the year ended 31 December 2019

Unit: VND

ITEMS	Codes	Current year	Prior year
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from share issue and owners' contributed capital	31	44,337,285,000	838,941,760,763
2. Proceeds from borrowings	33	25,023,024,908,115	22,311,199,440,141
3. Repayment of borrowings	34	(27,125,682,744,188)	(26,869,284,769,448)
4. Repayment of obligations under finance leases	35	(4,402,853,298,719)	(4,759,692,322,605)
5. Dividends and profits paid	36	(1,720,877,610,430)	(1,304,481,207,405)
Net cash used in financing activities	40	(8,182,051,460,222)	(9,783,317,098,554)
Net decreases in cash (50=20+30+40)	50	(647,042,971,625)	(3,933,771,154,039)
Cash and cash equivalents at the beginning of the year	60	3,603,022,371,040	7,540,619,875,447
Effects of changes in foreign exchange rates	61	1,254,630,265	(3,826,350,368)
Cash and cash equivalents at the end of the year (70=50+60+61)	70	2,957,234,029,680	3,603,022,371,040



Nguyen Thuy Mai
Preparer



Tran Thanh Hien
Chief Accountant



Duong Tri Thanh
President & CEO

10 April 2020

The accompanying notes are an integral part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

VIETNAM AIRLINES JOINT STOCK COMPANY

No. 200 Nguyen Son Street, Bo De Ward,
Long Bien District, Hanoi City, Vietnam

FORM B 09-DN/HN

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

1. GENERAL INFORMATION

Structure of ownership

Vietnam Airlines Joint Stock Company ("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 units with dependent accounting ("dependent units").

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 01 July 2010; the Parent Company - Vietnam Airlines Corporation, operating as a State-owned enterprise, was converted into Vietnam Airlines Company Limited, operating under the form of a one member limited liability company.

Vietnam Airlines runs its operation under 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. According to the third amendment of its Enterprise Registration Certificate dated 01 April 2015, Vietnam Airlines Company Limited – One Member Limited Liability Company was converted into Vietnam Airlines Joint Stock Company. Vietnam Airlines has the latest Enterprise Registration Certificate amended for the sixth time on 26 February 2019.

The number of employees of Vietnam Airlines and its subsidiaries as at 31 December 2019 was 21,166 (31 December 2018: 21,335).

Operating industry and principal activities

Vietnam Airlines' operating industry under Enterprise Registration Certificate includes:

- Air transportation of passengers;
- Investment, management of investment capital and capital for business operation; overseas investments; purchase and sale of businesses; capital contribution, 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, export and import 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);

VIETNAM AIRLINES JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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- Construction and construction consultancy service (not including construction design);
- Labor supply (excluding brokerage and referral, employment and labor supply for enterprises which have functions in respect of labor export and supply, management of labor working abroad); Import, export of labor;
- Science and technology;
- Trade in real estate;
- Trade in e-commerce services; and
- Training; finance and banking; finance leasing (only when permitted by the State's competent authorities).

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

Normal production and business cycle

Vietnam Airlines's normal production and business cycle is carried out for a year of 12 months or less.

Vietnam Airlines' structure

Vietnam Airlines operates under the holding company and subsidiary model. The corporate structure of Vietnam Airlines consists of dependent units (including local and overseas branches), subsidiaries and associates.

Dependent units of Vietnam Airlines include:

- Branch of Vietnam Airlines JSC. – Heritage Magazine
- Branch of Vietnam Airlines JSC. – Flight Crew 919
- Branch of Vietnam Airlines JSC. – Cabin Crew
- Branch of Vietnam Airlines JSC. – Noi Bai Operation Center
- Branch of Vietnam Airlines JSC. – Tan Son Nhat Operation Center
- Branch of Vietnam Airlines JSC. – Flight Training Center
- Branch of Vietnam Airlines JSC. – Lotusmiles
- Branch of Vietnam Airlines JSC. – Vietnam Air Service Company (VASCO)
- Northern Region Branch of Vietnam Airlines JSC.
- Southern Region Branch of Vietnam Airlines JSC.
- Central Region Branch of Vietnam Airlines JSC.
- Branch of Vietnam Airlines JSC. in Thailand
- Branch of Vietnam Airlines JSC. in Singapore
- Branch of Vietnam Airlines JSC. in Malaysia
- Branch of Vietnam Airlines JSC. in Laos
- Branch of Vietnam Airlines JSC. in Cambodia
- Branch of Vietnam Airlines JSC. in Japan
- Branch of Vietnam Airlines JSC. in Republic of Korea
- Branch of Vietnam Airlines JSC. in Hong Kong
- Branch of Vietnam Airlines JSC. in Taiwan
- Branch of Vietnam Airlines JSC. in Russia
- Branch of Vietnam Airlines JSC. in Australia
- Branch of Vietnam Airlines JSC. in Germany
- Branch of Vietnam Airlines JSC. in France and Western Europe
- Branch of Vietnam Airlines JSC. in Canada
- Branch of Vietnam Airlines JSC. in China
- Branch of Vietnam Airlines JSC. in the US
- Branch of Vietnam Airlines JSC. in the UK
- Branch of Vietnam Airlines JSC. in Myanmar
- Branch of Vietnam Airlines JSC. in Indonesia

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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VIETNAM AIRLINES JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Details of Vietnam Airlines's subsidiaries/associates as at 31 December 2019 are as follows:

No.	Name	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
Subsidiaries					
1	Jetstar Pacific Airlines Aviation Joint Stock Company	Vietnam	68.85	68.85	Aviation transportation business
2	Vietnam Airlines Engineering One Member Company Limited	Vietnam	100.00	100.00	Repair and maintenance of aircraft
3	Vietnam Air Petrol One Member Company Limited	Vietnam	100.00	100.00	Jet fuel business
4	Noi Bai Cargo Terminal Services Joint Stock Company	Vietnam	55.13	55.13	Providing cargo services for flights
5	Noi Bai Catering Services Joint Stock Company	Vietnam	60.17	60.17	Providing catering for flights
6	Vietnam Airlines Caterers Limited	Vietnam	100.00	100.00	Providing catering for flights
7	Viet Flight Training Joint Stock Company	Vietnam	51.52	51.52	Pilot training
8	Aviation Information and Telecommunication Joint Stock Company	Vietnam	52.73	52.73	Information and telecommunication
9	Tan Son Nhat Cargo Services Joint Stock Company	Vietnam	55.00	55.00	Cargo services for flights
10	Tan Son Nhat Cargo Services and Forwarding Company Limited	Vietnam	51.00	51.00	Transportation, cargo forwarding, warehousing
11	Noi Bai Airport Services Joint Stock Company	Vietnam	51.00	51.00	Aviation transportation services
12	VINAKO Forwarding Company Limited	Vietnam	65.05	65.05	Forwarding cargo, ground transportation, warehousing
13	Aviation Labor Supply and Import-Export Joint Stock Company	Vietnam	51.00	51.00	Import-Export of labour
14	Sabre Vietnam Joint Stock Company	Vietnam	51.69	51.69	Automatic booking
15	Vietnam Airport Ground Services One Member Company Limited	Vietnam	100.00	100.00	Ground services
Associates					
1	Cambodia Angkor Air	Cambodia	49.00	49.00	Aviation transportation business
2	Vietnam Aircraft Leasing Joint Stock Company	Vietnam	32.48	32.48	Aircraft leasing
3	General Aviation Import-Export Joint Stock Company	Vietnam	41.31	41.31	Trustee services for export and import
4	Danang Airport Services Joint Stock Company	Vietnam	36.11	36.11	Aviation services
5	Aviation High-Grade Plastic Joint Stock Company	Vietnam	30.41	30.41	Making plastic products

**VIETNAM AIRLINES JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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Disclosure of information comparability in the consolidated financial statements

The comparative figures of the consolidated balance sheet and corresponding notes are the figures of Vietnam Airlines' audited consolidated financial statements for the year ended 31 December 2018. As presented in Note 37, certain reclassifications have been made to the prior year's figures to enhance their comparability with the current year's presentation.

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

The accompanying consolidated financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to consolidated financial reporting.

The consolidated financial statements of Vietnam Airlines Joint Stock Company have been prepared in accordance with the regulations of the consolidated financial reporting regime applicable to Vietnam Airlines Joint Stock Company issued under Decision No. 1913/QĐ-TCTHK-TCKT dated 18 December 2015 of Vietnam Airlines ("Decision 1913"). Decision 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. In case of Vietnam Airlines providing 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 balances has been sold out in the current year.

The accompanying consolidated financial statements are not intended to present the consolidated financial position, consolidated income statement and consolidated cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

Financial Year

Vietnam Airlines' financial year begins on 01 January and ends on 31 December.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted by Vietnam Airlines in the preparation of these consolidated financial statements, are as follows:

Estimates

The preparation of consolidated financial statements in conformity with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the financial year. Although these accounting estimates are based on the management's best knowledge, actual results may differ from those estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**VIETNAM AIRLINES JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FORM B 09-DN/HN****Basis of consolidation**

The consolidated financial statements incorporate the financial statements of Vietnam Airlines and enterprises controlled by Vietnam Airlines (its subsidiaries) up to 31 December each year. Control is achieved where Vietnam Airlines has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by Vietnam Airlines.

Intragroup transactions and balances are eliminated in full on consolidation.

Non-controlling interests consist of the amount of those non-controlling interests at the date of the original business combination (see below) and the non-controlling interests' share of changes in equity since the date of the combination. Losses in subsidiaries are respectively attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combinations

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to profit and loss in the year of acquisition.

The non-controlling interests are initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Investments in associates

An associate is an entity over which Vietnam Airlines has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Interests in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in Vietnam Airlines' share of the net assets of the associate. Losses of an associate in excess of Vietnam Airlines' interest in that associate (which includes any long-term interests that, in substance, form part of Vietnam Airlines' net investment in the associate) are not recognised.

Where a group entity transacts with an associate of Vietnam Airlines, unrealised profits and losses are eliminated to the extent of Vietnam Airlines' interest in the relevant associate.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and deposits with original term of 03 months or less that are highly liquid and readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial investments**Trading securities**

Trading securities are those Vietnam Airlines holds for trading purpose. Trading securities are recognised from the date Vietnam Airlines obtains the ownership of those securities and initially measured at the fair value of payments made at the transaction date plus directly attributable transaction costs.

In subsequent years, investments in trading securities are measured at cost less provision for impairment of such investments.

Provision for impairment of investments in trading securities is made in accordance with prevailing accounting regulations.

VIETNAM AIRLINES JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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Held-to-maturity investments

Held-to-maturity investments comprise investments that Vietnam Airlines has the positive intent or ability to hold to maturity, including term deposits (commercial bills), bonds, preference shares which the issuer shall redeem at a certain date in the future, loans held to maturity to earn periodic interest and other held-to-maturity investments.

Held-to-maturity investments are recognised on a trade date basis and are initially measured at acquisition price plus directly attributable transaction costs. Post-acquisition interest income from held-to-maturity investments is recognised in the consolidated income statement on accrual basis. Pre-acquisition interest is deducted from the cost of such investments at the acquisition date.

Held-to-maturity investments are measured at cost less provision for doubtful debts.

Provision for doubtful debts relating to held-to-maturity investments is made in accordance with prevailing accounting regulations.

Equity investments in other entities

Equity investments in other entities represent Vietnam Airlines' investments in ordinary shares of the entities over which Vietnam Airlines has no control, joint control, or significant influence.

Equity investments in other entities are carried at cost less provision for impairment.

Receivables

Receivables represent the amounts recoverable from customers or other debtors and are stated at book value less provision for doubtful debts.

Provision for doubtful debts is made for receivables that are overdue for six months or more, or when the debtor is in dissolution, in bankruptcy, or is experiencing similar difficulties and so may be unable to repay the debt.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all applicable costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

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).

Unit price of aircraft spare parts and supplies for consumption 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 and unrepairable, the issued cost is the total value of such items and charged to the consolidated income statement during the year.
- For rotational spare parts and supplies whose unit price ranges from USD 1,500 to USD 50,000 issued for consumption, cost is recognised as long-term prepayments in the consolidated balance sheet and allocated to the consolidated income statement on a straight line basis over 03 years from the first issuance.
- For rotational spare parts and supplies whose unit price is more than USD 50,000 issued for consumption, cost is recognised as long-term prepayments in the consolidated balance sheet and allocated to the consolidated income statement on a straight line basis over 05 years from the first issuance.

Vietnam Airlines applies the perpetual method of accounting for inventories.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**VIETNAM AIRLINES JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)****FORM B 09-DN/HN**

The assessment of necessary provision for inventory devaluation follows current prevailing accounting regulations, which allow provisions to be made for obsolete, damaged, or sub-standard inventories and for those which have costs higher than net realisable values as at the consolidated balance sheet date.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

The costs of purchased tangible fixed assets comprise their purchase prices and any directly attributable costs of bringing the assets to their working conditions and locations for their intended use. The costs of tangible fixed assets formed from construction investment by contractual mode or self-construction or self-generating process are the settled costs of the invested construction projects in accordance with the prevailing State's regulations on investment and construction management, directly-related expenses and registration fee (if any). In the event the construction project has been completed and put into use but the settled costs thereof have not been approved, the cost of tangible fixed assets is recognised at the estimated cost based on the actual cost incurred. The estimated cost will be adjusted according to the settled costs approved by competent authorities.

In cases of tangible fixed assets being aircraft, credits granted under aircraft purchase contracts are recognised in accordance with the following principles:

- Credit granted in form of services under aircraft purchase contracts is not recognized separately from cost of the aircraft but treated as a deduction from cost of sales upon actual receipt;
- Credit granted in form of spare parts or equipment which Vietnam Airlines is not likely to receive under aircraft purchase contracts is not recognised separately from cost of the aircraft but treated as a deduction from cost of sales upon actual receipt;
- Credit granted in form of equipment which Vietnam Airlines is likely to receive with a detailed list for handover under aircraft purchase contracts 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 capitalized as an additional cost of tangible fixed assets.

Tangible fixed assets are depreciated using the straight-line method over their following estimated useful lives:

	<u>Years</u>
Aircraft	16 - 20
Aircraft engines	10
Buildings and structures	10 - 30
Machinery and equipment	5 - 10
Office equipment	3 - 5
Motor vehicles	7 - 10
Others	5 - 7

Loss or gain resulting from sales and disposals of tangible fixed assets is the difference between profit from sales or disposals of assets and their residual values and is recognised in the consolidated income statement.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Vietnam Airlines as a lessor:

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

**VIETNAM AIRLINES JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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Vietnam Airlines as a lessee:

Assets held under finance leases are recognised as assets of Vietnam Airlines at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included on the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with Vietnam Airlines' general policy on borrowing costs (see below in Borrowing cost).

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Assets held under finance leases are depreciated using straight line method over their expected useful lives on the same basis as tangible fixed assets.

Intangible assets and amortisation

Intangible assets that are presented at cost less accumulated amortisation, representing the cost of land use rights and computer software, such as passenger/cargo revenue management software, cargo management software, accounting software. Vietnam Airlines does not amortise the granted indefinite life land use rights. Land use rights with definite term are amortised using the straight-line method over the duration of the right to use the land. Intangible assets representing computer software are amortised using straight-line method over the period from 03 to 07 years.

Construction in progress

Properties in the course of construction for production, rental and administrative purposes or for other purposes are carried at cost. The cost includes any costs that are necessary to form the asset including construction cost, equipment cost, and other directly attributable costs and borrowing costs in accordance with Vietnam Airlines' accounting policies. Such costs will be included in the estimated costs of the fixed assets (if settled costs have not been approved) when they are put into use.

According to the State's regulations on investment and construction management, the settled 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 vary depending on competent authorities.

Prepayments

Prepayments are expenses which have already been paid but relate to results of operations of multiple financial years.

Long-term prepaid expenses represent expenses of overhaul expenses for aircraft engines, export credit guarantee fees in respect of financing contracts for aircraft purchasing, tools and supplies issued for consumption awaiting allocation and rotational spare parts. Details are as follows:

- Overhaul expenses for aircraft engines and fuselage is allocated to the consolidated income statement when the overhaul is completed. For leased aircraft engines, the expenses awaiting allocation exclude the amount from maintenance reserves paid by the lessor. Vietnam Airlines allocates the overhaul expenses as follows: repair and maintenance expense of fuselage, main engines, auxiliary power unit and aircraft landing gears incurred at USD 300,000 or more will be allocated over the year of 03 years. Major maintenance expenses are fully recognized into the income statement if incurred at less than USD 300,000.
- The cost of overhaul of aircraft engines specified in the engine maintenance contract on a hourly basis is accrued and recognized into the consolidated income statement based on flight hours.
- Export credit guarantee fees for financing contracts for aircraft purchasing under financial lease terms and other expenses relating to financing contracts are allocated to operating expenses over the financing duration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VIETNAM AIRLINES JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **FORM B 09-DN/HN**

- Tools, supplies issued for consumption awaiting allocation and rotational spare parts include:
 - The cost of tools and supplies issued for consumption that represent assets that do not meet fixed assets criteria and have their estimated useful lives of more than 01 year is allocated to the operating expenses over the year of 02 years.
 - Rotational spare parts are evenly allocated in each year (see details in the Note on "Inventories").

Accrued expenses

Estimated accrued expenses of the current year pertain to expenses actually incurred but invoices not yet received as at 31 December 2019.

Payable provisions

Payable provisions are recognised when Vietnam Airlines has a present obligation as a result of a past event, and it is probable that Vietnam Airlines will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation as at the balance sheet date.

End of lease obligation

Under the terms of aircraft operating lease contracts between Vietnam Airlines and lessors, Vietnam Airlines has 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 dated 25 August 2016 of the Ministry of Finance, Vietnam Airlines can recognize costs for operating lease aircraft return when incurred or make provision for aircraft return obligation over the lease period. Vietnam Airlines currently recognizes costs for operating lease aircraft return when incurred.

Owners' equity and distribution of retained earnings

Vietnam Airlines' owners' equity include contributed capital from ordinary shares, share premium, other funds and retained earnings of each year.

Funds are appropriated from profit after tax. Profit after tax is distributed according to the Resolution of the General Meeting of Shareholders.

Revenue recognition

Revenue from the sale of goods is recognised when all five (5) following conditions are satisfied:

- (a) Vietnam Airlines has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) Vietnam Airlines retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits associated with the transaction will flow to Vietnam Airlines; and
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue of a transaction involving the rendering of services is recognised when the outcome of such transactions can be measured reliably. Where a transaction involving the rendering of services is attributable to several years, revenue is recognised in each years by reference to the percentage of completion of the transaction at the balance sheet date of that years. The outcome of a transaction can be measured reliably when all four (4) following conditions are satisfied:

- (a) The amount of revenue can be measured reliably;
- (b) It is probable that the economic benefits associated with the transaction will flow to Vietnam Airlines;
- (c) The percentage of completion of the transaction at the consolidated balance sheet date can be measured reliably; and
- (d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

**VIETNAM AIRLINES JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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Aviation transportation revenue

Sales of transportation documents (which comprise air tickets and vouchers) are presented as trade accounts payable on the consolidated balance sheet, which is recognised as revenue in the consolidated income statement when the actual carriage service is performed. Revenue from sales of transportation vouchers (including normal tickets, MCO, baggage and YQ) which are expired but not yet used by customers is recognized in the consolidated income statement.

Revenue from aircraft charter and charter flights is recognised in the consolidated statement of income upon completion of services. No revenue is recognised if the recovery of the consideration due cannot be measured reliably.

Auxiliary services for transportation

Revenue from auxiliary services rendered, which are completed within a short time, is recognised in the consolidated income statement upon completion of services. No revenue is recognised if the recovery of the consideration due cannot be measured reliably.

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 services, participating in promotion programs, etc. provided by Vietnam Airlines or specific aviation and non-aviation vendors. The portion of revenue derived from the outstanding usable reward points for which customers expect to redeem shall be determined at fair value and recognized as unearned revenue. Unearned revenue is recognized as income in the year when customers redeem the points or upon expiry of the points. During the year, Vietnam Airlines changed the estimate to determine the outstanding miles that customers expect to redeem. The percentage of customers expected to redeem miles for points is calculated on the basis of the average of the latest three years' percentages. The Company assessed that this change in accounting estimate based on more reliable information. If the estimated rate determined as in 2018 is applied, unearned revenue on the balance sheet as at 31 December 2019 will increase by VND 275,914,732,390 and revenue from goods sold and services rendered in the consolidated income statement for the year ended 31 December 2019 will decrease by the same amount.

Other income

Interest income is recognized on accrual basis, by reference to the outstanding principal and at the applicable interest rate. Dividend income is recognized when the right to receive dividend is established.

Gain from sales of aircraft purchase right and lease back aircraft in form of operating lease are recognised as other income in the consolidated income statement. This accounting treatment is subject to further guidance and approval from the Ministry of Finance. On 10 February 2020, the Company sent an official letter to the Ministry of Finance to seek guidance for accounting treatments of these business transactions. The official response by the Ministry of Finance on 25 March 2020 clearly stated that there is no prevailing regulations on the sales of aircraft purchase rights and lease back aircraft in accordance with Vietnamese Accounting Standards and Vietnamese Accounting System for enterprises, therefore, the specific accounting treatment for this matter shall be studied, taken into consideration and guided in the forthcoming time.

Foreign currencies

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balances of monetary items denominated in foreign currencies as at the consolidated balance sheet date are retranslated at the exchange rates on the same date. Exchange differences arising from the translation of these accounts are recognised in the consolidated income statement. Unrealised foreign exchange gains as at the balance sheet date are not treated as part of distributable dividends to shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VIETNAM AIRLINES JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**FORM B 09-DN/HN****Borrowing costs**

Borrowing costs are recognised in the consolidated income statement in the year when incurred unless they are capitalised in accordance with Vietnamese Accounting Standard No. 16 "Borrowing costs". Accordingly, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. For specific borrowings for the purpose of construction of fixed assets and investment properties, borrowing costs are capitalised even when the construction period is under 12 months.

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 financial year) of Vietnam Airlines by the weighted average number of ordinary shares outstanding during the year.

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

Deferred tax is recognised on significant differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and Vietnam Airlines intends to settle its current tax assets and liabilities on a net basis.

The determination of the tax currently payable is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and their ultimate determination depends on the results of the tax authorities' examinations.

Other taxes are paid in accordance with the prevailing tax laws in Vietnam.

4. CASH

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Cash on hand	18,596,701,675	17,937,035,532
Bank demand deposits	1,593,024,231,877	2,914,915,515,114
Cash in transit	131,813,896,128	144,769,820,394
Cash equivalents	1,213,799,200,000	525,400,000,000
	<u>2,957,234,029,680</u>	<u>3,603,022,371,040</u>

**VIETNAM AIRLINES JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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5. FINANCIAL INVESTMENTS

	Closing balance		Opening balance	
	Cost	Provision	Cost	Provision
	VND			
a. Trading securities				
Trading securities	-	-	100,000,000	-
	Cost	Closing balance	Cost	Opening balance
	VND	Carrying amount	VND	Carrying amount
b. Held-to-maturity	3,582,835,209,000	3,582,835,209,000	2,885,257,791,157	2,885,257,791,157
Short term				
- Term deposits (i)	3,579,235,209,000	3,579,235,209,000	2,875,257,791,157	2,875,257,791,157
Long Term				
- Term deposits (ii)	3,600,000,000	3,600,000,000	10,000,000,000	10,000,000,000
(i) Short term held-to-maturity investments represent deposits with remaining terms not exceeding 12 months at the balance date and are not cash equivalents at commercial banks with annual interest rate ranging from 5.0% - 8.45%.				
(ii) Long term held-to-maturity investments represent deposits with remaining terms over 12 months at the balance date at commercial banks with annual interest rate from 8.3%.				
	Closing balance		Opening balance	
	Cost	Provision	Cost	Provision
	VND			
c. Investments in other entities				
- Saigon Postal Corporation	568,166,494,211	-	565,615,819,762	-
- Phuong Nam Investment, Tourism and Shipping One Member Limited Company	6,161,138,309	-	6,161,138,309	-
- Aviation Logistics Corporation	185,050,002,264	-	185,050,002,264	-
- Tan Son Nhat Petrol Commercial Joint Stock Company	65,049,600,000	-	65,049,600,000	-
- Southern Aviation Construction Port Joint Stock Company	119,686,420,000	-	119,686,420,000	-
- Noibai Aviation Fuel Services	52,000,000,000	-	52,000,000,000	-
- Aviation Ground Services	30,000,000,000	-	30,000,000,000	-
- Cam Ranh International Aviation Services Joint Stock Company - Vietnam Airlines	17,000,000,000	-	17,000,000,000	-
- Investments in others entities	90,000,000,000	-	90,000,000,000	-
	3,219,333,638	-	668,659,189	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VIETNAM AIRLINES JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **FORM B 09-DN/HN**

6. TRADE RECEIVABLES

	Closing balance	Opening balance
	VND	VND
a. Trade receivables from customers		
- Receivables from agents selling passenger transportation products	1,902,767,665,664	2,072,099,104,668
- Receivables from other airlines	1,061,437,372,716	1,106,905,258,637
- Cargo transportation fees receivables	389,426,397,146	402,147,798,003
- Others	1,014,805,635,335	999,410,572,351
	<u>4,368,437,070,861</u>	<u>4,580,562,733,659</u>
b. Trade receivables from customers classified by payment term		
- Short-term	4,367,024,583,298	4,579,150,246,096
- Long-term	1,412,487,563	1,412,487,563
	<u>4,368,437,070,861</u>	<u>4,580,562,733,659</u>
In which: Trade receivables from customers which are related parties (Detail stated in Note 35)	112,944,701,104	41,886,630,831

Short-term trade receivables from related parties are unsecured, interest-free and repayable according to the agreed credit term.

7. ADVANCES TO SUPPLIERS

	Closing balance	Opening balance
	VND	(Reclassified)
	VND	VND
a. Short-term		
Prepayments for aircraft leasing	70,474,546,680	73,346,548,655
Prepayments for aircraft purchasing	-	2,830,861,941,943
Others	387,128,248,476	505,429,183,650
	<u>457,602,795,156</u>	<u>3,409,637,674,248</u>
b. Long-term		
Prepayments for construction in progress	91,465,907,540	-
	<u>91,465,907,540</u>	<u>-</u>

8. OTHER RECEIVABLES

	Closing balance	Opening balance
	VND	(Reclassified)
	VND	VND
a. Short-term		
- Prepayments for overhaul costs to be offset against overhaul reserve (i)	2,170,822,818,081	589,631,180,584
- Deposits for leasing aircrafts, aircraft engines in short-term (ii)	345,467,061,023	314,832,160,093
- Interest on deposits	134,951,320,693	103,253,045,367
- Dividends receivables	2,428,837,595	1,491,948,728
- Advances	13,054,936,480	15,796,974,903
- Short-term collateral, deposits	17,795,567,431	15,696,503,281
- Other short-term receivables	496,438,118,985	236,134,733,531
	<u>3,180,958,660,288</u>	<u>1,276,836,546,487</u>
b. Long-term		
- Deposits for leasing aircrafts, aircraft engines (ii)	1,922,082,556,396	1,835,931,222,039
- Other long-term collateral, deposits	154,705,784,248	173,452,737,540
- Other long-term receivables	3,799,845,313	6,971,395,399
	<u>2,080,588,185,957</u>	<u>2,016,355,354,978</u>
In which: Other receivables from related parties (Detail as stated in Note 35)	567,437,962,499	383,449,877,584

- (i) Prepayment for overhaul costs to be offset against overhaul reserve represent the actual repair expense that Vietnam Airlines expects to recover from aircraft lessors. When the settlement of repair expense is made between Vietnam Airlines and aircraft lessors, the unclaimed balance from the lessors will be recorded in expenses during the year.
- (ii) This amount represents deposits made by Vietnam Airline for leasing aircraft and aircraft engines which will be refunded at the end of lease term.

**VIETNAM AIRLINES JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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9. BAD DEBTS

	Cost		Provision		Closing balance Recoverable amount		Cost		Provision		Opening balance Recoverable amount	
	VND		VND		VND		VND		VND		VND	
Indochina Airlines Joint Stock Company	38,537,918,851		38,537,918,851		-		38,537,918,851		38,537,918,851		-	
Global Horizon Canada	13,470,000,000		13,470,000,000		-		13,470,000,000		13,470,000,000		-	
Petrolimex Insurance Corporation	8,609,168,851		8,609,168,851		-		8,609,168,851		8,609,168,851		-	
Air Fast Ticket Group	5,364,841,869		5,364,841,869		-		5,329,934,603		5,329,934,603		-	
Others	56,562,904,147		36,095,659,294		20,467,244,853		46,432,760,007		29,379,617,572		17,053,142,435	
	122,544,833,718		102,077,588,865		20,467,244,853		112,379,782,312		95,326,639,877		17,053,142,435	
<i>In which:</i>												
Provision for doubtful debts - short-term			570,716,000						570,716,000			
Provision for doubtful debts - long-term			101,506,872,865						94,755,923,877			

Vietnam Airlines determines the recoverable amount by deducting provision for doubtful debts made at the consolidated balance sheet date from the cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VIETNAM AIRLINES JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **FORM B09-DN/HN**

10. INVENTORIES

	Closing balance		Opening balance	
	Cost	VND Provision	Cost	VND Provision
Goods in transit	292,501,315,186	-	355,704,351,960	-
Raw materials	1,228,753,668,373	(119,079,076,724)	1,253,186,467,578	(234,020,644,574)
Tools and supplies	78,679,540,620	-	69,959,903,466	-
Work in progress	53,636,422,978	-	91,045,141,108	-
Merchandise (*)	2,008,932,091,643	-	2,130,909,649,569	-
Goods in bonded warehouse	24,359,981,756	-	16,064,811,631	-
Goods on consignment	1,869,590,334	-	2,789,673,388	-
	3,688,732,610,890	(119,079,076,724)	3,919,659,998,700	(234,020,644,574)

(*) Merchandise is mainly Jet A1 fuel at Vietnam Air Petrol One Member Company Limited, a subsidiary of Vietnam Airlines.

During the year, the Company has made provision for devaluation of inventories (mostly spare parts for the A330 aircraft which is no longer exploited and out of date chemicals) with amount of VND 53,187,444,447 (2018: VND 4,579,682,412) since these inventories' net reliable value are lower than cost at the consolidated balance sheet date.

During the year, VND 168,129,012,297 (2018: VND 7,245,073,438) was reversed as a provision for devaluation of inventories because all of raw materials provided (spare parts of aircraft B777, F70 and other raw materials) were sold out.

11. PREPAYMENTS

	Closing balance	Opening balance
	VND	VND
a. Current		
- Aircraft and aircraft engine rentals	642,864,432,218	575,893,533,365
- Commission from sales of transportation document	34,875,729,092	55,780,608,886
- Other short-term prepaid expenses	66,114,534,211	39,384,647,608
	743,854,695,521	671,058,789,859
b. Non-current		
- Overhaul expenses for aircraft engines and fuelages	3,145,537,153,505	3,994,546,269,035
- Export credit guarantee fee	1,324,814,224,815	1,558,439,842,926
- Rotational spare parts, tools and supplies	528,479,465,337	616,866,349,764
- Others	212,453,869,547	237,976,690,787
	5,211,284,713,204	6,407,829,152,512

**VIETNAM AIRLINES JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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12. INCREASES, DECREASES IN TANGIBLE FIXED ASSETS

	Aircrafts, aircraft engines		Buildings, structures		Machinery, equipment		Motor vehicles		Office equipment		Others		Total	
	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND
COST														
Opening balance	22,306,212,737,708	2,447,095,814,113	3,589,549,160,062	1,430,203,616,881	775,702,141,407	295,983,722,162	30,844,747,192,333							
Increase	6,792,520,335,885	70,197,497,028	483,558,072,283	265,176,867,035	84,046,408,458	32,104,005,107	7,727,603,185,796							
Purchase	313,266,857,075	12,996,660,625	475,321,147,877	205,861,090,663	81,028,119,847	29,863,490,496	1,118,337,366,583							
Transfer from construction in progress	-	41,270,730,257	-	-	-	2,240,514,611	43,511,244,868							
Increase from financial lease assets	6,479,253,478,810	-	-	-	450,000,000	-	6,479,703,478,810							
Adjustment of costs	-	11,082,525,718	760,755,405	1,390,839	450,193,409	-	12,294,865,371							
Reclassified	-	-	7,476,169,001	59,314,385,533	954,375,874	-	67,744,930,408							
Other movements	-	4,847,580,428	-	-	1,163,719,328	-	6,011,299,756							
Decrease	(272,640,895,841)	(26,984,530,623)	(143,452,986,375)	(35,822,478,338)	(72,645,771,959)	(7,499,255,167)	(559,045,918,303)							
Disposal	(272,640,895,841)	(26,984,530,623)	(82,614,209,323)	(27,391,933,463)	(72,645,771,959)	(7,499,255,167)	(489,776,596,376)							
Other movements	-	(1,524,391,519)	-	-	-	-	(1,524,391,519)							
Reclassified	-	(59,314,385,533)	-	(8,430,544,875)	-	-	(67,744,930,408)							
Closing balance	28,826,092,177,752	2,490,308,780,518	3,929,654,245,970	1,659,558,005,578	787,102,777,906	320,588,472,102	36,013,304,459,826							

ACCUMULATED DEPRECIATION

Opening balance	8,661,968,074,012	1,067,385,320,484	2,379,176,138,728	964,689,371,857	555,651,668,540	177,494,422,121	13,806,364,995,742
Increase	6,354,533,900,351	120,007,634,843	298,562,443,453	142,558,520,467	87,184,672,499	19,662,087,420	7,022,509,259,033
Charge for the year	1,379,978,452,633	119,838,358,229	297,805,438,356	134,340,227,641	86,734,672,499	19,662,087,420	2,038,359,236,778
Increase from financial lease assets	4,974,555,447,718	-	-	-	450,000,000	-	4,975,005,447,718
Reclassified	-	169,276,614	757,005,097	8,218,292,826	-	-	9,144,574,537
Decrease	(41,985,981,791)	(25,548,905,761)	(90,865,202,892)	(28,148,781,714)	(72,022,206,058)	(7,499,232,763)	(266,070,310,979)
Disposal	(41,985,981,791)	(25,548,905,761)	(82,600,438,506)	(27,391,933,463)	(71,899,244,164)	(7,499,232,763)	(256,925,736,448)
Reclassified	-	-	(8,264,764,386)	(756,848,251)	(122,961,894)	-	(9,144,574,531)
Closing balance	14,974,515,992,572	1,161,844,049,566	2,586,873,379,289	1,079,099,110,610	570,814,134,981	189,657,276,778	20,562,803,943,796
NET BOOK VALUE							
Opening balance	13,644,244,663,696	1,379,710,493,629	1,210,373,021,334	465,514,245,024	220,050,472,867	118,489,300,041	17,038,382,196,591
Closing balance	13,851,576,185,180	1,328,464,730,952	1,342,780,866,681	580,458,894,968	216,288,642,925	130,931,195,324	17,450,500,516,030

As at 31 December 2019, the cost of Vietnam Airlines' tangible fixed assets includes VND 3,188,331,691,914 (31 December 2018: VND 2,915,472,905,924) of assets which have been fully depreciated but are still in use.

As at 31 December 2019, Vietnam Airlines and its subsidiaries have pledged its tangible fixed assets, which has the carrying value of approximately VND 10,045,528,921,160 (31 December 2018: VND 10,749,614,408,150) to various banking facilities granted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VIETNAM AIRLINES JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **FORM B09-DN/HN**

13. INCREASES, DECREASES IN FINANCE LEASE ASSETS

	Aircrafts and aircraft engines	Machinery and office equipment	Total
	VND	VND	VND
COST			
Opening balance	53,319,496,513,695	450,000,000	53,319,946,513,695
Adjustment of costs	4,822,800,000	-	4,822,800,000
Transfer to tangible fixed-assets	(6,479,253,478,810)	(450,000,000)	(6,479,703,478,810)
Closing balance	46,845,065,834,885	-	46,845,065,834,885
ACCUMULATED DEPRECIATION			
Opening balance	19,495,023,378,931	450,000,000	19,495,473,378,931
Charge for the year	3,056,531,763,585	-	3,056,531,763,585
Transfer to tangible fixed-assets	(4,974,555,447,718)	(450,000,000)	(4,975,005,447,718)
Closing balance	17,576,999,694,798	-	17,576,999,694,798
NET BOOK VALUE			
Opening balance	33,824,473,134,764	-	33,824,473,134,764
Closing balance	29,268,066,140,087	-	29,268,066,140,087

As at 31 December 2019, Vietnam Airlines was leasing 29 aircraft including A321, B787 and ATR-72. At the end of each lease, Vietnam Airlines has the option to purchase the aircraft under lease contracts' terms and conditions.

14. INCREASES, DECREASES IN INTANGIBLE ASSETS

	Land use rights	Computer software	Others	Total
	VND	VND	VND	VND
COST				
Opening balance	101,563,537,206	522,617,946,657	26,406,868,767	650,588,352,630
Additions	-	121,785,405,428	212,818,182	121,998,223,610
Disposal	-	(3,503,478,976)	-	(3,503,478,976)
Other movements	(28,987,608,000)	-	(552,637,387)	(29,540,245,387)
Closing balance	72,575,929,206	640,899,873,109	26,067,049,562	739,542,851,877
ACCUMULATED AMORTISATION				
Opening balance	31,958,810,944	454,189,172,220	1,206,868,767	487,354,851,931
Charge for the year	165,728,333	47,632,079,202	6,587,794	47,804,395,329
Reclassified	804,563,839	(804,563,839)	-	-
Disposals	-	(3,503,478,976)	-	(3,503,478,976)
Other movements	(28,987,608,000)	-	(552,637,387)	(29,540,245,387)
Closing balance	3,941,495,116	497,513,208,607	660,819,174	502,115,522,897
NET BOOK VALUE				
Opening balance	69,604,726,262	68,428,774,437	25,200,000,000	163,233,500,699
Closing balance	68,634,434,090	143,386,664,502	25,406,230,388	237,427,328,980

As at 31 December 2019, the cost of Vietnam Airlines' intangible fixed assets includes VND 404,700,721,837 (31 December 2018: VND 430,992,510,271) of assets which have been fully depreciated but are still in use.

As at 31 December 2019, Vietnam Airlines and its subsidiaries have pledged its intangible fixed assets, which has the carrying value of approximately VND 25,200,000,000 (31 December 2018: VND 25,200,000,000) to secure banking facilities granted.

15. LONG-TERM CONSTRUCTION IN PROGRESS

	Closing balance VND	Opening balance VND
Training Center Project at 200 Nguyen Son phase 2	234,079,127,524	85,664,170,075
Investment project for Sharklet for 10 A321 CEO owned aircrafts	45,794,649,256	-
Construction project to support ground services at Tan Son Nhat Airport - Phase 2	17,837,109,000	17,837,109,000
Phu Quoc airport fuel supply station	31,337,129,813	15,120,894,219
Investment project of ground equipment phase 2016 - 2018	-	87,314,015,450
Other projects	81,030,465,598	37,298,277,547
	410,078,481,191	243,234,466,291

**VIETNAM AIRLINES JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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	Opening balance		Paid during the year		Closing balance	
	Receivable VND	Payable VND	Payable during the year VND	Paid during the year VND	Receivable VND	Payable VND
Value added taxes	9,307,995,749	115,399,436,143	1,450,883,639,917	1,459,315,174,962	3,977,800,430	101,637,705,779
Import-export taxes	10,002,801,601	-	377,554,777,438	386,171,156,824	18,619,180,987	-
Corporate income taxes	653,007,319	254,864,230,692	934,777,134,936	999,205,807,806	225,730,740	190,008,281,243
Personal income taxes	99,244,219	75,018,352,549	1,057,627,927,830	1,044,690,258,761	183,330,290	88,040,107,689
Natural resource taxes	197,373,760	-	3,072,000	-	194,301,760	-
Land and housing taxed and land rental	34,729,094	-	308,171,245,778	307,704,815,563	8,892,008	440,593,129
Environmental protection taxes	-	167,299,677,000	2,420,665,698,000	2,388,551,973,000	-	199,413,402,000
Contractor taxes	-	4,858,101,882	115,657,277,097	111,166,559,543	-	9,348,819,436
Other taxes, fees and duties	15,146,200	76,645,564	10,781,218,220	10,481,634,510	-	361,083,074
	20,310,297,942	617,516,443,830	6,676,121,991,216	6,707,287,380,969	23,209,236,215	589,249,992,350

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 ("JPA") – a subsidiary of Vietnam Airlines has an obligation to pay an additional amount of VND 303 billion to the State Treasury for the period from 01 January 2004 to 30 June 2009, in which tax and penalty are VND 186 billion and VND 117 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 JPA any unrecorded payables including cumulative tax payable or as reported by JPA on 31 July 2007.

From August 2012 to February 2013, JPA had paid a part of the above mentioned tax liability with an amount of VND 63.5 billion, being tax payable incurred for the period after Qantas Asia Investment Company (Singapore) Pte. Ltd. invested in JPA (since 31 July 2007).

According to Official Letter No.3106/TCT-QLN dated 29 August 2012 issued by the General Department of Taxation, JPA was permitted to defer the payment of tax penalty until receiving any further guidance. On 4 February 2013, the Ministry of Finance sent the 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 JPA's tax liabilities of VND 127.8 billion incurred prior to 31 July 2007 until receiving further guidance.

As at 31 December 2019, the remaining tax and penalty payables of VND 127.8 billion and VND 117 billion, respectively, have not been recorded in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VIETNAM AIRLINES JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **FORM B09-DN/HN**

17. INVESTMENTS IN ASSOCIATES

Address	Closing balance		Opening balance	
	Historical cost	Value under equity method	Historical cost	Value under equity method
	VND	VND	VND	VND
Cambodia Angkor Air	868,495,011,091	559,505,115,793	868,495,011,091	634,035,976,080
Vietnam Aircraft Leasing Joint Stock Company	439,335,275,853	920,153,284,312	439,335,275,853	883,362,106,269
Danang Airport Services Joint Stock Company	86,652,841,772	20,664,970,866	86,652,841,772	20,493,180,634
General Aviation Import - Export JSC (Airimex)	22,812,300,000	17,253,525,889	22,812,300,000	16,583,405,952
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	1,522,830,896,860	1,423,461,764,579	1,559,728,668,935

18. SHORT-TERM TRADE PAYABLES

	Closing balance		Opening balance	
	Amount	Amount able to be paid off	Amount	Amount able to be paid off
	VND	VND	VND	VND
Payables from sale of passenger, baggage, MCO transportation document (i)	9,431,731,507,587	9,431,731,507,587	8,638,816,242,765	8,638,816,242,765
Trade payables to suppliers and Interlines payable	4,563,014,782,414	4,563,014,782,414	4,441,208,362,838	4,441,208,362,838
Payables relating to tax included in air ticket prices (ii)	1,863,938,949,984	1,863,938,949,984	1,366,636,376,136	1,366,636,376,136
Payable from sale of cargo transportation document	3,225,889,044	3,225,889,044	7,418,577,661	7,418,577,661
Others	20,998,525,055	20,998,525,055	21,293,544,538	21,293,544,538
	15,882,909,654,084	15,882,909,654,084	14,475,373,103,938	14,475,373,103,938

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

(ii) Payables relating to tax included in air ticket prices represent the tax value that Vietnam Airlines has to pay to the tax authorities or the airport administration agencies, including taxes that would incur when the tickets are sold to customer or the transport service is perform.

19. ACCRUED EXPENSES

	Closing balance	Opening balance
	VND	VND
a. Short-term		
Flight services expenses	900,572,457,101	960,012,497,148
Aircraft fuel expenses	291,457,980,337	323,959,239,960
Aircraft lease and repair expenses	1,143,175,531,461	1,466,413,600,756
Interest expenses	164,381,320,701	184,058,815,268
Others	1,088,725,379,341	1,347,294,937,362
	3,588,312,668,941	4,281,739,090,494
b. Long-term		
Aircraft lease and repair expense	-	341,827,940,563
	-	341,827,940,563

20. SHORT-TERM UNEARNED REVENUE

	Closing balance	Opening balance
	VND	VND
Customer loyalty programme	924,731,964,237	1,012,228,635,046
Others	26,900,082,256	24,337,582,390
	951,632,046,493	1,036,566,217,436

VIETNAM AIRLINES JOINT STOCK COMPANY
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21. OTHER PAYABLES

	<u>Closing balance</u> <u>VND</u>	<u>Opening balance</u> <u>VND</u>
a. Short-term		
Dividends payable	3,274,242,257	2,686,043,598
Deposits received for overhaul reserve	45,604,479,713	188,443,048,121
Short-term deposits and collaterals received	122,158,055,642	46,722,064,756
Others	428,800,713,984	389,784,848,860
	<u>599,837,491,596</u>	<u>627,636,005,335</u>
b. Long-term		
Receipt in advance of credit granted under Material Solutions Agreement	306,861,245,824	306,861,245,824
Deposits received for overhaul reserve and aircraft leasing	360,796,162,738	306,610,693,421
Long-term deposits received	203,085,307,783	194,126,557,235
	<u>870,742,716,345</u>	<u>807,598,496,480</u>
In which:		
Other payables for related parties (Detail stated in Note 35) (i)	361,320,227,808	306,610,693,421

- (i) Other payables to related parties generally represent deposits of aircraft leased by companies which Vietnam Airlines must repay at the end of lease term.

22. SHORT-TERM LOANS AND OBLIGATIONS

	<u>Opening balance</u> <u>Carrying amount</u> <u>/Amount able to be paid off</u> <u>VND</u>	<u>During the year</u>		<u>Closing balance</u> <u>Carrying amount</u> <u>/Amount able to be paid off</u> <u>VND</u>
		<u>Increases</u> <u>VND</u>	<u>Decreases</u> <u>VND</u>	
Short-term borrowings	2,562,152,220,622	16,586,801,251,421	17,874,766,609,710	1,274,186,862,333
Current portion of long-term loans (see Note 23)	1,307,624,897,037	1,394,333,696,564	1,340,958,786,210	1,360,999,807,391
Current portion of long-term obligations under finance leases (see Note 23)	4,402,758,168,183	3,882,709,258,321	4,412,778,141,763	3,872,689,284,741
	<u>8,272,535,285,842</u>	<u>21,863,844,206,306</u>	<u>23,628,503,537,683</u>	<u>6,507,875,954,465</u>

Details of short-term borrowings as at 31 December 2019:

	<u>Closing balance</u> <u>Carrying amount</u> <u>/Amount payable to be paid off</u> <u>VND</u>	<u>Opening balance</u> <u>Carrying amount</u> <u>/Amount payable to be paid off</u> <u>VND</u>
Joint Stock Commercial Bank for Foreign Trade of Vietnam	769,381,042,186	567,936,528,980
Vietnam Technology and Commercial Joint Stock Bank	113,719,365,913	646,436,855,945
Bank for Investment and Development of Vietnam	344,976,998,387	209,205,000,000
Vietnam Joint Stock Commercial Bank for Industry and Trade	10,119,072,356	307,247,594,905
Vietnam Maritime Commercial Joint Stock Bank	-	365,609,685,661
Southeast Asia Commercial Joint Stock Bank	35,990,383,491	-
Vietnam Prosperity Joint Stock Commercial Bank	-	3,500,000,000
HSBC Private International Bank	-	66,844,789,690
Saigon - Ha Noi Commercial Joint Stock Bank	-	1,755,000
Vietnam Export Import Commercial Joint Stock Bank	-	395,370,010,441
	<u>1,274,186,862,333</u>	<u>2,562,152,220,622</u>

Short-term loans are unsecured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VIETNAM AIRLINES JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) **FORM B09-DN/HN**

23. LONG-TERM LOANS AND OBLIGATIONS

	<u>Closing balance</u> <u>Amount able to</u> <u>be paid off</u>	<u>Opening balance</u> <u>Amount able to</u> <u>be paid off</u>
	VND	VND
Long-term loans	9,130,920,986,764	9,953,019,304,169
Long-term obligations	<u>21,529,317,345,263</u>	<u>25,950,659,302,978</u>
	<u>30,660,238,332,027</u>	<u>35,903,678,607,147</u>

In which:

- Amount due for settlement within 12 months	5,233,689,092,132	5,710,383,065,220
- Amount due for settlement after 12 months	25,426,549,239,895	30,193,295,541,927

As at 31 December 2019, details of long-term loans and finance lease obligations of Vietnam Airlines are as follows:

	<u>Closing balance</u> <u>Carrying amount</u> <u>/Amount within</u> <u>repayment capacity</u>	<u>Opening balance</u> <u>Carrying amount</u> <u>/Amount within</u> <u>repayment capacity</u>
	VND	VND
Long-term borrowing (i)		
Joint Stock Commercial Bank for Foreign Trade of Vietnam	4,864,442,568,431	5,244,227,170,365
Vietnam Joint Stock Commercial Bank for Industry and Trade	310,881,745,895	306,587,975,969
Vietnam Technology and Commercial Joint Stock Bank	65,561,798,630	84,302,248,290
Vietnam Export Import Commercial Joint Stock Bank	838,154,864,000	940,394,500,000
Bank for Investment and Development of Vietnam	1,628,996,638,516	2,224,669,569,258
Vietnam International Commercial Joint Stock Bank	210,811,706,446	246,141,984,347
Military Commercial Joint Stock Bank	546,841,981,202	526,568,947,737
Indovina Bank Ltd	286,881,672,000	318,964,536,000
Credit Agricole Bank	8,246,388,360	43,931,105,853
Vietnam Development Bank	592,630,084	1,806,518,350
Vietnam Bank for Agriculture and Rural Development	2,801,640,000	4,329,840,000
Tien Phong Commercial Joint Stock Bank	40,578,484,096	-
Vietnam Maritime Commercial Joint Stock Bank	-	6,327,168,000
Vietnam Prosperity Joint Stock Commercial Bank	3,689,820,000	4,767,740,000
Vietnam - Russia Joint Venture Bank	322,439,049,104	-
	<u>9,130,920,986,764</u>	<u>9,953,019,304,169</u>
Finance Lease liabilities (ii)		
Citibank	7,402,288,556,747	8,993,171,834,817
Credit Agricole Bank	586,769,286,651	1,398,936,742,115
JP Morgan Chase Bank	1,605,382,167,474	1,914,424,971,611
HSBC Bank	1,407,613,976,763	1,789,872,533,509
ING Group	8,702,625,857,628	9,825,128,220,926
DVB Bank	-	2,029,125,000,000
MUFG Bank	1,824,637,500,000	-
	<u>21,529,317,345,263</u>	<u>25,950,659,302,978</u>

(i) Long-term loans are repayable as follows:

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
On demand or within one year	1,360,999,807,391	1,307,624,897,037
In the second year	1,349,704,142,510	1,221,896,455,268
In the third to fifth year inclusive	3,829,010,322,547	3,661,772,253,643
After five years	<u>2,591,206,714,316</u>	<u>3,761,725,698,221</u>
	<u>9,130,920,986,764</u>	<u>9,953,019,304,169</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	1,360,999,807,391	1,307,624,897,037
Amount due for settlement after 12 months	<u>7,769,921,179,373</u>	<u>8,645,394,407,132</u>

VIETNAM AIRLINES JOINT STOCK COMPANY
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(ii) The future minimum lease payments under above non-cancellable finance leases are:

As at 31 December 2019

	Total payments	Interest	Principal
	VND	VND	VND
In the first year	4,592,368,923,908	719,679,639,167	3,872,689,284,741
In the second year	4,122,064,300,511	582,815,109,280	3,539,249,191,231
From the third to fifth year inclusive	3,876,366,733,529	459,999,595,360	3,416,367,138,169
After fifth years	11,574,958,091,518	873,946,360,396	10,701,011,731,122
	24,165,758,049,466	2,636,440,704,203	21,529,317,345,263

As at 01 January 2019

	Total payments	Interest	Principal
	VND	VND	VND
In the first year	5,274,099,493,940	871,341,325,757	4,402,758,168,183
In the second year	4,041,971,837,953	509,891,496,929	3,532,080,341,024
From the third to fifth year inclusive	12,103,771,752,683	1,597,016,981,950	10,506,754,770,733
After fifth years	8,040,873,984,835	531,807,961,797	7,509,066,023,038
	29,460,717,069,411	3,510,057,766,433	25,950,659,302,978

24. BONUS AND WELFARE FUNDS

These funds are established by appropriating from retained earnings as approved by shareholders at shareholders' meeting. These funds are used to pay bonus and welfare to employees in accordance with Vietnam Airlines' bonus and welfare policies. Movements of bonus and welfare funds during the year are as follows:

	Current year	Prior year
	VND	VND
Opening balance	790,821,086,354	506,577,400,993
Addition in the year	904,552,894,324	892,935,824,045
Other increase	189,091,000	-
Paid in the year	(733,640,156,733)	(608,692,138,684)
Closing balance	961,922,914,945	790,821,086,354

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VIETNAM AIRLINES JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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25. OWNER'S EQUITY**Movement in owner's equity**

	Owner's contributed capital	Share premium	Other owner's capital	Assets revaluation reserve	Foreign exchange reserve	Investment and Development Fund	Enterprise reorganisation assistance fund	Other equity funds	Retained earnings	Total
	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND
Opening balance	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
Shares issue	1,907,570,690,000	-	-	-	-	-	(1,068,628,929,237)	-	-	(1,068,628,929,237)
Net profit for the year	-	-	-	-	-	-	-	-	2,335,040,234,598	2,335,040,234,598
Appropriation to Bonus and Welfare fund	-	-	-	-	-	-	-	-	(892,935,824,045)	(892,935,824,045)
Dividends, profits declared	-	-	-	-	-	-	-	-	(892,027,022,400)	(892,027,022,400)
Currency translation differences	-	-	-	-	30,956,420,528	-	-	-	-	30,956,420,528
Other movement	-	-	-	-	-	-	-	-	(2,438,348,973)	(2,438,348,973)
Closing balance	14,182,908,470,000	1,220,852,256,541	241,355,237,827	(1,153,004,222,954)	240,638,053,339	21,447,164,147	-	2,024,298,861	3,365,259,327,410	16,213,909,895,171
Opening balance	14,182,908,470,000	1,220,852,256,541	241,355,237,827	(1,153,004,222,954)	240,638,053,339	21,447,164,147	-	2,024,298,861	3,365,259,327,410	18,121,480,585,171
Net profit for the year	-	-	-	-	-	-	-	-	2,345,801,820,003	2,345,801,820,003
Withdraw for development investment fund (i)	-	-	-	-	-	779,931,216,740	-	-	(779,931,216,740)	-
Appropriation to Bonus and Welfare fund	-	-	-	-	-	-	-	-	(893,527,357,146)	(893,527,357,146)
Currency translation differences	-	-	-	-	(1,391,302,388)	-	-	-	-	(1,391,302,388)
Dividends, profits declared (i)	-	-	-	-	-	-	-	-	(1,418,290,847,000)	(1,418,290,847,000)
Other movement	-	-	-	-	-	-	-	-	(6,828,764,957)	(6,828,764,957)
Closing balance	14,182,908,470,000	1,220,852,256,541	241,355,237,827	(1,153,004,222,954)	239,246,750,951	801,379,380,887	-	2,024,298,861	2,612,482,961,570	18,147,244,133,683

(i) According to the Resolution of the Annual General Meeting of Shareholders on 10 May 2019, Vietnam Airlines decided to distribute its 2018 retained earnings as follows: appropriating 27% of profit after tax to investment and development fund; paying dividend at 10% of par value, which was equivalent to VND 1,000/share (2018: VND 800/share); appropriating to bonus and welfare funds and management bonus fund.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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Vietnam Airlines' authorized and issued share capital are:

Shares	Closing balance	Opening balance
Number of shares issued to the public	1,418,290,847	1,418,290,847
<i>Ordinary shares</i>	<i>1,418,290,847</i>	<i>1,418,290,847</i>
<i>Preference shares</i>	-	-
Number of outstanding shares in circulation	1,418,290,847	1,418,290,847
<i>Ordinary shares</i>	<i>1,418,290,847</i>	<i>1,418,290,847</i>
<i>Preference shares</i>	-	-

All ordinary shares have a par value of VND 10,000.

Charter capital

In accordance with the 6th amended Enterprise Registration Certificate for joint stock company dated 26 February 2019, Vietnam Airlines' total charter capital is VND 14,182,908,470,000. The charter capital has been fully contributed by shareholders as follows:

	Number of shares	Percentage (%)	Opening and closing contributed capital VND
State owner	1,222,368,291	86.19	12,223,682,910,000
ANA Holding Incorporation (ANA)	124,438,698	8.77	1,244,386,980,000
Other shareholders	71,483,858	5.04	714,838,580,000
Total	1,418,290,847	100	14,182,908,470,000

26. OFF-BALANCE SHEET ITEMS

Lease commitments

The future minimum lease payments under non-cancellable operating lease aircraft were:

	Closing balance	Opening balance
	VND	VND
Within one year	13,297,590,837,338	10,400,432,821,951
In the second to fifth year inclusive	51,818,333,465,112	37,569,599,863,599
More than five years	51,450,548,665,716	34,217,399,774,631
	116,566,472,968,166	82,187,432,460,181

Operating lease aircraft as at 31 December 2019 include:

- Aircraft A321 - 16 units under dry lease;
- Aircraft A321 NEO - 19 units under dry lease;
- Aircraft A320 - 18 units under dry lease;
- Aircraft ATR72 - 01 unit under dry lease;
- Aircraft B787-9 - 04 units under dry lease;
- Aircraft A350 - 14 units under dry lease;
- Aircraft B787-10 - 03 units under dry lease.

Operating lease engines of which lease payments depend on cycles and flight hours as at 31 December 2019 include:

- Long-term lease aircraft engines – 12 units including 4 A321 aircraft engines, 3 A350 aircraft engines, 2 B787 aircraft engines và 3 A320 aircraft engines; and
- Short-term lease aircraft engines – 9 units including 7 A321 aircraft engines và 2 A350 aircraft engines.

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VIETNAM AIRLINES JOINT STOCK COMPANY
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Foreign currencies

	Units	Closing balance	Opening balance
US Dollar	USD	38,322,085	35,932,001
Thai Baht	THB	14,657,626	12,915,090
Chinese Yuan	CNY	14,054,951	15,450,619
Singapore Dollar	SGD	1,171,077	810,171
Australian Dollar	AUD	486,403	1,011,631
Euro	EUR	4,067,599	5,552,577
Hong Kong Dollar	HKD	6,065,785	2,152,073
South Korean Won	KRW	2,766,303,378	4,180,387,599
Japanese Yen	JPY	341,358,642	314,445,451
Taiwan Dollar	TWD	2,492,407	4,680,796
British Pound	GBP	768,879	1,105,495
Canadian Dollar	CAD	90,770	132,913
Russian Ruble	RUB	22,733,507	12,636,904
Laos Kip	LAK	1,045,000	22,195,443
Malaysian Ringgit	MYR	779,920	860,754
Indonesian Rupiah	IDR	3,442,547,626	3,579,994,380

Bad debts written off

	Closing balance	Opening balance
	VND	VND
Bad debts written off	92,632,703,319	92,718,727,933

27. BUSINESS AND GEOGRAPHICAL SEGMENTS**Business segments**

Vietnam Airlines mainly operates in passenger carriage by air, other business segments make up a very small proportion of Vietnam Airlines' operation. Consequently, the consolidated financial information presented on the consolidated balance sheet at 31 December 2019 and all of revenue, expenses information presented in the consolidated income statement for the year ended 31 December 2019 are mainly related to the passenger carriage segment.

Geographical segments

Vietnam Airlines' core operation is the passenger carriage by air. This operation takes place in Vietnam and other countries around the world. In 2019, Vietnam Airlines' income incurred in countries other than Vietnam did not make up over 10% of the total. Accordingly, Vietnam Airlines did not prepare consolidated financial statements by geographical segments.

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28. REVENUE

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

	<u>Current year</u> VND	<u>Prior year</u> VND
Revenue from sales of goods and providing of services		
In which:		
- Aviation transportation	78,888,715,646,096	78,571,632,390,118
- Auxiliary service for transportation	5,187,776,879,412	4,440,987,332,791
- Sale of goods	14,022,492,094,514	13,606,424,748,553
- Others	1,000,626,241,610	970,661,803,837
	<u>99,099,610,861,632</u>	<u>97,589,706,275,299</u>
Revenue deductions		
- Sales discounts	(871,206,283,191)	(778,718,819,837)
- Sales return	(320,875,128)	(345,737,650)
	<u>(871,527,158,319)</u>	<u>(779,064,557,487)</u>
Net sales	<u>98,228,083,703,313</u>	<u>96,810,641,717,812</u>

29. PRODUCTION AND OPERATING COSTS BY NATURE

	<u>Current year</u> VND	<u>Prior year</u> VND
Raw materials	25,879,599,653,761	27,356,787,652,449
Labour	9,632,068,517,681	9,656,544,291,069
Depreciation and amortisation	5,142,695,395,692	5,020,071,590,237
Out-sourced services	40,393,363,348,887	36,861,397,501,022
In which:		
- Overhaul of aircraft engines	5,106,782,884,906	4,093,657,353,815
- Regular repair of aircraft engines	3,688,590,384,215	3,530,948,173,623
- Aircraft leasing	14,491,394,380,147	13,060,326,480,734
- Other out-sourced services	17,106,595,699,619	16,176,465,492,850
Other monetary expenses	1,515,814,737,545	1,340,476,922,491
	<u>82,563,541,653,566</u>	<u>80,235,277,957,268</u>

30. FINANCIAL INCOME

	<u>Current year</u> VND	<u>Prior year</u> VND
Bank and loan interest	404,857,615,115	352,468,321,744
Dividends and profits received	173,819,400,060	144,420,699,550
Foreign exchange gain	554,395,309,836	657,295,144,637
Other financial income	6,527,060,406	5,553,348,580
	<u>1,139,599,385,417</u>	<u>1,159,737,514,511</u>

31. FINANCIAL EXPENSES

	<u>Current year</u> VND	<u>Prior year</u> VND
Interest expense	1,454,778,846,398	1,561,363,900,664
Expenses related to long-term loan contracts, finance lease contracts	264,247,288,438	289,078,491,257
Foreign exchange loss	621,174,464,555	1,477,739,688,037
Other financial expenses	4,674,959,056	346,785,810,659
	<u>2,344,875,558,447</u>	<u>3,674,967,890,617</u>

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VIETNAM AIRLINES JOINT STOCK COMPANY
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32. OTHER INCOME

	<u>Current year</u> <u>VND</u>	<u>Prior year</u> <u>VND</u>
Sale, disposal of fixed assets	117,801,635,661	2,588,502,759
Penalties	316,492,664,418	125,223,982,209
Gain from sale of aircraft purchase rights, sale and lease back aircraft engines	164,864,147,455	577,444,939,919
Others	383,394,905,791	290,092,508,910
	<u>982,553,353,325</u>	<u>995,349,933,797</u>

33. SELLING EXPENSES AND GENERAL AND ADMINISTRATION EXPENSES

	<u>Current year</u> <u>VND</u>	<u>Prior year</u> <u>VND</u>
General and administration expenses incurred during the year		
Labor	1,199,893,441,576	1,364,182,954,633
Tax expenses	386,611,562,996	110,102,948,472
Other general and administration expenses	1,075,739,044,649	923,967,669,048
	<u>2,662,244,049,221</u>	<u>2,398,253,572,153</u>
Selling expenses incurred during the year		
Labor	708,244,571,526	743,372,429,177
Commission expenses	347,763,330,630	520,514,296,696
Ticket booking and seat reservation	1,682,502,175,720	1,601,323,712,531
Other selling expenses	1,878,074,012,932	1,905,947,455,563
	<u>4,616,584,090,808</u>	<u>4,771,157,893,967</u>

34. BASIC EARNINGS PER SHARE

	<u>Current year</u> <u>VND</u>	<u>Prior year</u> <u>VND</u>
Accounting profit after corporate income tax	2,345,801,820,003	2,335,040,234,598
Amount of Bonus and welfare fund (*)	-	-
Profit after corporate income tax attributable to ordinary shareholders	2,345,801,820,003	2,335,040,234,598
<i>Average ordinary shares in circulation for the year</i>	<i>1,418,290,847</i>	<i>1,336,235,447</i>
Basic earnings per share	<u>1,654</u>	<u>1,747</u>

(*) Vietnam Airlines and its subsidiaries have not resolved the amount of net profit to be appropriated to Bonus and Welfare fund for the year ended 31 December 2019.

VIETNAM AIRLINES JOINT STOCK COMPANY
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35. RELATED PARTY TRANSACTIONS AND BALANCES

List of related parties with significant transactions and balances for the year:

<u>Related party</u>	<u>Relationship</u>
Vietnam Aircraft Leasing Joint Stock Company	Associate
Danang Airport Services Joint Stock Company	Associate
General Aviation Import - Export JSC	Associate
Aviation High Grade Plastic Joint Stock Company	Associate
Cambodia Angkor Air	Associate

During the year, Vietnam Airlines entered into the following significant transactions with its related parties:

	<u>Current year</u>	<u>Prior year</u>
	<u>VND</u>	<u>VND</u>
Dividends and profits received	101,321,018,380	101,623,683,750
Vietnam Aircraft Leasing Joint Stock Company	94,237,440,000	94,237,440,000
Danang Airport Services Joint Stock Company	4,238,575,000	5,779,743,750
General Aviation Import-Export Joint Stock Company	2,142,000,000	1,606,500,000
Aviation High-Grade Plastic Joint Stock Company	703,003,380	-
Sale of goods and services	428,472,423,417	382,968,761,534
Cambodia Angkor Air	428,472,423,417	382,968,761,534

Significant related party balances as at the consolidated balance sheet date were as follows:

	<u>Closing balance</u>	<u>Opening balance</u>
	<u>VND</u>	<u>VND</u>
Short-term trade receivables	112,944,701,104	41,886,630,831
Cambodia Angkor Air	112,944,701,104	41,886,630,831
Other short-term receivables	567,437,962,499	383,449,877,584
Vietnam Aircraft Leasing Joint Stock Company	383,119,174,801	383,449,877,584
Cambodia Angkor Air	184,318,787,698	-
Other short-term payables	361,320,227,808	306,610,693,421
Cambodia Angkor Air	361,320,227,808	306,610,693,421

Remuneration paid to Vietnam Airlines' Board of Directors during the year was as follows:

	<u>Current year</u>	<u>Prior year</u>
	<u>VND</u>	<u>VND</u>
Remuneration paid to Board of Directors	13,045,567,988	15,462,000,000
Salaries and bonus	13,045,567,988	15,462,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VIETNAM AIRLINES JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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36. SUBSEQUENT EVENTS

- (i) The ongoing spread of the Coronavirus ("COVID-19") has been disrupting the world's economies. As of the date of this report, the Company's business operations have been significantly adversely affected as well due to uncertainty of the pandemic situation of COVID-19 in Vietnam. Various proactive and effective measures have been taken by the Government of the Socialist Republic of Vietnam, (the "Government"), on top of aligning to the requirements of the World Health Organization as to contain this disease, which include, but which are not limited to the restriction of travel and border controls as well as social distancing.

Consequently, this event has directly impacted the Company's core revenue from aviation transportation. The management has assessed the potential impact of COVID-19 on the Company's financial and operational performance together with appropriate plans in the short-term and long-term to manage the uncertainty. Accordingly, the Company's ability to continue as a going concern will depend upon financial support by the Government and borrowing, payable extensions by commercial banks, financial institutions and suppliers. The Company has submitted an Official Letter to the Government requesting the necessary support, including:

- Granting loans within the Government credit facilities program for COVID-19 impacted enterprises;
- Reduction of taxes and other payables to the state budget; and
- Support to deal with lenders/creditors and other organizations to extend borrowings and defer liabilities

The financial support application is in the process of review and is subject to the approval of the Government. In addition, the management is actively revisiting the business strategy, working with its business partners, commercial banks and financial institutions to address the current financial situation.

- (ii) In 2020, the Prime Minister approved the plan of Vietnam Airlines of restructuring its investment in Cambodia Angkor Air. At the reporting date, such divestment is under implementation.
- (iii) To the reporting date, Vietnam Airlines has signed contracts to sell 5 A321 aircraft with a total disposal value of approximately USD 37,009,000. Vietnam Airlines is in the process of handing over these aircraft and it is expected that this transaction will be before June 2020.

37. COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's figures to enhance their comparability with the current year's presentation. Details are as follows:

	Before being reclassified	Reclassified	After being reclassified
	VND	VND	VND
Balance sheet			
Short-term advance payment to suppliers	4,302,861,187,443	(893,223,513,195)	3,409,637,674,248
Other short-term receivables	856,942,145,437	419,894,401,050	1,276,836,546,487
Short-term prepaid expenses	197,729,677,714	473,329,112,145	671,058,789,859
Income statement			
General and administration expenses	2,606,023,300,522	(207,769,728,369)	2,398,253,572,153
Cost of sales and services rendered	84,546,648,995,574	207,769,728,369	84,754,418,723,943
Cash flow statement			
Changes in receivables	2,116,112,129,476	473,329,112,145	2,589,441,241,621
Changes in prepaid expenses	(857,712,736,941)	(473,329,112,145)	(1,331,041,849,086)



Nguyen Thuy Mai
Preparer



Tran Thanh Hien
Chief Accountant



Duong Tri Thanh
President & CEO

10 April 2020

ANNEXES & ADDITIONAL INFORMATION

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