



**MASAN CONSUMER CORPORATION**

Address: 12<sup>th</sup> Floor, MPlaza Saigon,  
39 Le Duan, Dist. 1, HCMC, Vietnam  
Tel: (84-28) 62 555 660 Fax: (84-28) 38 109 463

**ENGLISH TRANSLATION  
FOR REFERENCE PURPOSE ONLY**

**REPORT OF THE BOARD OF DIRECTORS  
AT THE 2021 ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders,

The Board of Directors (the “Board”) would like to report to the 2021 Annual General Meeting of Shareholders of Masan Consumer Corporation (the “Company” or “Masan Consumer”) on the Board’s activities in 2020 as follows:

**I. OVERVIEW**

In 2020, the global economy suffered a downturn as a result of the COVID-19 pandemic, details of which are extensively covered in countless other sources. 2021 looks to be more promising according to the World Bank, the International Monetary Fund (“IMF”), and the Asian Development Bank all believe that the world economy will gradually recover in 2021. However, the global economic recovery will mainly depend on the successful implementation of COVID-19 vaccination programs and other measures to kickstart economic activities.

Vietnam, which also was negatively impacted by the pandemic, was able to fair much better than the rest of the world, largely to the proactive initiatives of the government. As such, Vietnam’s economy still managed to grow by 2.91% annually in 2020 (General Statistics Office of Vietnam) and was one in four countries in the world to its GDP per capita increase (IMF). Vietnam's economy is forecasted to strongly recover with GDP expected to increase by 6.5-6.8% as domestic and foreign economic activities return to normal and the pandemic becomes more controlled on a globally.

With regards to Masan Consumer in particular, the COVID-19 greatly impacted our organization in 2020. With social distancing measures and lockdowns occurring in the first half of the year, our operations were challenged. However, as a result of being a producer of daily staples and the resultant increase in in-home consumption, our business achieved record success. Net revenue increased significantly by 26.3% to VND23,343 billion compared to VND18,488 billion in 2019. For the first time in our history, we delivered over US\$1 billion in net revenue. Such growth is attributable to the strong performance of our convenience food category which saw sales increased by 38.5% compared 2019, driven by the expansion of the premium portfolio. The processed meat category achieved a breakthrough growth rate of 104.4% after Masan pioneered new innovations catering to the youth segment. Seasonings sales grew 12.4% in 2020 thanked to the growth in premium fish sauce products and a doubling of sales of premium granules. The beverage category grew 5% and coffee sales decreased slightly, compared to 2019. While the Home and Personal Care (“HPC”) segment just launched a new product in September 2020, it also contributed 5.3% of sales for Masan Consumer.

In terms of profit, the gross profit margin in 2020 was 42.5%, lower than that of 2019 (43%), due to the lower profit margins of HPC products. Net profit after tax attributable to shareholders of the Company in 2020 reached VND4,598 billion, increasing by 14.2%, compared VND4,026 billion in 2019, driven by an increase in net revenue and optimization of logistics costs, selling expenses, and marketing expenditures.

Masan Consumer expects that in 2021, it will achieve double-digit revenue and profit growth due to our premiumization strategy for more established key categories, and significant growth in newer key categories such as beverages, processed meat and HPC. We do not believe the momentum we saw in 2020 was temporary. Masan Consumer's 2021 growth forecast will be shared in more detail at the 2021 Annual General Meeting of Shareholders.

## **Business Environment**

Masan Consumer's existing operations are focused primarily on Vietnam and our performance and the quality of our assets depend substantially on the stability of Vietnamese economy. Hence, going forward, economic environment in Vietnam may significantly impact Masan's operations, in addition to a variety of external factors, including economic developments throughout Asia and the rest of the world.

It is predicted that the price of key input materials of Masan in 2021 will increase, which may also adversely impact margins for Masan's consumer businesses. Supply chain disruptions and any unexpected depreciation of the Vietnamese Dong against the U.S. Dollar could make it more expensive to import goods and push up overall prices for goods and services.

## **Vietnam Consumer Sector**

In 2020, the COVID-19 pandemic adversely impacted global economic activity but Vietnam was still able to grow its economy. While the country did see a decline at the beginning of the year when COVID-19 first emerged, trade and consumer service activities still reached a high growth rate in the last months of the year; domestic transport activities gradually recovered, but overseas transport and tourism still faced many difficulties.

Affected by the pandemic, Vietnamese consumers have shifted their spending habits, becoming much thriftier and focusing more on value as their incomes decline. This has led consumers to choose daily necessities at low and reasonable prices, with more purchases for in-home consumption as opposed to out of home dining. The pandemic has also raised the health consciousness of Vietnamese consumers, who are now more concerned about safety, hygiene and nutrition when making purchases for themselves and their families.

Following the momentum seen in 2019, the modern shopping channel ("MT") continued to expand from urban to more rural areas, supporting higher consumption as more goods become widely available to more people. Consumers are becoming more familiar with and enjoying the shopping experience at supermarkets, minimarkets, and convenience stores close to where they live and work. In 2020, spending in the MT channel in rural areas grew by 40% compared to 2019 and is expected to continue to explode in the following years (source: Kantar Worldpanel rural Vietnam in September 2020).

Vietnam's high internet penetration rate combined with the COVID-19 pandemic fueled the growth of online shopping in 2020. While becoming popular, consumers are still skeptical of

doing all of their shopping (especially for groceries) through the internet as fraud and misinformation is still a cause for concern. Manufacturers who are keen to develop an online presence need to have a strong and clear communication and marketing strategy to reach the right consumers, not only to raise awareness but also to provide quality and convenient shopping experience.

## **Convenience Foods**

The COVID-19 pandemic resulted in stronger growth in the convenience foods category, which experienced higher sales in both urban and rural markets. The increase in sales not only occurred in the mainstream segment but also in the more premium segment where Masan Consumer launched Chin-Su convenient, ready-to-eat (“RTE”) full meal solutions. During a period when many consumers had to stay at home due to social distancing, convenience food products saw stronger demands across the country and across all price segments.

In 2020, net revenue of Masan Consumer's convenience foods category reached 6,882 billion, a 38.5% growth compared to 2019. Omachi increased 32% compared to 2019, dominating the premium segment with 45% market share, becoming the best-selling brand in the supermarket channel and the country's best-selling cup noodle. Omachi's success was due to the following brand attributes: i) "not hot potato noodle"; ii) "premium"; and iii) "trendsetter". In the more mainstream segment, Kokomi noodles also outperformed, experiencing 42.8% YoY growth and is now the best-selling noodle brand in the North.

We wish to further highlight our success in the premium segment within the convenience foods category. 2020 marked the introduction of the Chin-Su Breakfast Set, part of our portfolio of RTE full meal solutions designed to meet consumers' demand for nutritious and filling convenient foods with real meat. Such full meal solutions serve the needs of consumers who must limit their out-of-home dining due to social distancing. This Chin-Su Breakfast Set was also developed to encourage eating at home with the added benefit of spending quality time with family. Enough for each day of the week and to meet the different tastes of all family members, the set is made up of 7 breakfast varieties all with real meat: i) Vietnamese beef noodle; ii) chicken vermicelli stewed with bamboo shoots; iii) Phnom Penh noodle soup; iv) beef stew noodle soup; v) crab noodle soup; vi) pork rib porridge; and vii) heart, liver porridge.

## **Sauces, Condiments and Dressings**

The sauces, condiments and dressings (“seasonings”) category continues to be the backbone of Masan Consumer, not only because it is one of our largest and most profitable categories, but because we cannot be a leading Vietnamese food company without being a leader in a category that defines the “taste” of Vietnamese cuisine. Seasonings are core to Vietnamese culinary heritage, particularly fish sauce, which is required to flavor every Vietnamese meal. As daily staples, our seasoning products did not see a decline in sales due to COVID-19. No matter what happens in the county or rest of the world, Vietnamese consumers will never stop using seasonings to make their meals authentically Vietnamese.

We wish to highlight 3 successful product launches in the seasonings category that occurred in 2020:

- Ca com Bien Dong Chin-Su Fish Sauce: a charming and delicious fish sauce variant packaged in a in a premium glass bottle;

- Double Spicy Chin-Su Chili Sauce: a spicier variant of our famous Chin-Su Chili Sauce for consumers demanding more heat; and
- 25 Nutrients Chin-Su Granules: an innovative granule product that not only flavors dishes but also provides 25 nutrients, enriching family meals.

In 2020, the seasonings category's net revenue reached VND8,147 billion, an increase of 12.4% compared to 2019. Our efforts to premiumize the category have been paying off and our more premium brands now represent 36% of total seasonings sales in 2020, growing by 28.7% compared to 2019.

## **Soft Drinks**

In 2020, Vietnam's bottled beverage industry, which includes bottled water, carbonated drinks, energy drinks and ready-to-drink products, reached a combined market value of VND70,000 billion, an increase of 7.6% compared to 2019, according to data from Nielsen. As a result of the global pandemic, the trend towards healthier beverage products has accelerated and is expected to continue and be a growth driver of the bottled beverage market. With less impulse and out-of-home consumption/purchases due to social distancing and lower workplace activities across many sectors of the economy, the energy drink segment saw negative growth. Most beverages companies in Vietnam did not experience sales growth in 2020.

Despite such unfavorable market conditions, Masan's beverage category still reached VND3,724 billion in net sales, an increase of 5% compared to 2019, mainly thanks to revenue from the energy drink segment. In addition to the coffee-flavored Wake-Up 247 energy drink, which reached 10% market share, other energy drink brands supported overall growth such as such as Compact Cherry (reaching 1% volume share and increasing by 81% YoY) and Ho Van (reaching 0.6% volume share in less than 1 year after launch). In anticipation of the trend towards healthier alternatives, Masan Consumer also launched Lemona C, Hari Hari aloe vera juice and B'fast tonic food drink.

For 2021, the Company expects sales of energy drinks to reach VND5,000 billion, contributing to Masan's target of VND7,000 billion in revenue from beverages overall.

## **Coffee**

The COVID-19 pandemic adversely impacted the beverage category in general and the coffee category in particular. Social distancing, working from home, and limited tourism resulted in lower coffee consumption 2020.

In 2020, Masan Consumer's coffee category (excluding Wake-Up 247 because it belongs to the bottled beverage category) recorded net revenue of VND 1,424 billion, decreasing by 4.4% compared to 2019.

In 2021, Masan Consumer aims to continue promoting new innovations with leading coffee experts to launch outstanding products to suit consumer tastes when the “new normal” period returns after the pandemic.

## **Processed Meat**

In 2020, net sales of sausage products reached VND840 billion, growing by 104,4% compared to 2019.

Heo Cao Boi had a breakthrough in sales, becoming a favorite "meat snack" brand of Vietnamese children. The Ponnice brand introduced product breakthroughs in the pasteurized sausage segment, providing a high source of nutrition and a unique experience (sausage with filling, 88% meat sausage, etc.).

## **Home and Personal Care**

Home & Personal Care is now an attractive "playground" for multinational corporations with a market value of about US\$3.1 billion. However, this industry is still underdeveloped compared to other markets and there are many opportunities to develop strong domestic brands. As a Vietnamese business with a strong understanding of Vietnamese consumers, Masan Consumer aims to become a local champion in the HPC category. We believe Masan Consumer has many advantages to successfully develop a wide portfolio of HPC products, not only to enhance the physical lives of our consumers, but to also make them proud that a local company can build such inspirational brands.

The acquisition of NET Detergent Joint Stock Company ("NETCO") in the beginning of 2020 marked the start of our HPC journey. Within a year after the acquisition, we were able to leverage NETCO's know-how and production capabilities to launch Masan Consumer's first internally developed HPC product, the "Joins 2-in-1" laundry detergent. The product can deliver both the benefits of a detergent and a fabric conditioner. Joins 2-in-1 effectively removes stains using enzyme technology from Europe. It also has ingredients to "nurture" fabrics, allowing clothes to stay soft after washing and drying without using fabric softener.

In 2020, our HPC category contributed VND1,265 billion in net sales to MSC's financial results.

## **II. ACTIVITIES OF BOARD OF DIRECTORS IN 2020**

1. In 2020, Board of Directors participated in:
  - Overseeing the activities of the Chief Executive Officer and other managers related to the daily operations of the Company;
  - Coordinating closely with the Chief Executive Officer and Management Board to discuss strategy and issues of the Company;
  - Deciding on restructuring the business model and organizational structure of the Company to be more efficient; and,
  - Deciding on investment projects of the Company and its subsidiaries.
2. In 2020, there were no transactions between Masan Consumer Corporation and members of the Board of Directors of the Company.
3. In 2020, the Board of Directors received no compensation.

## **III. 2021 FINANCIAL OUTLOOK**

Masan Consumer expects to deliver a 16% to 31% growth in topline for FY2021, with net profit after tax and non-controlling interests expected grow by 11% to 22%.

<i>(VND billion)</i>	<b>Plan 2021</b>		<b>Actual 2020</b>	<b>Growth Rate</b>	
	Low End	High End		Low End	High End
Net Sales	27,000	30,500	23,343	16%	31%
Net profit after tax attributable to equity holders of the Company	5,000	5,500	4,520	11%	22%

Yours sincerely,

*Ho Chi Minh City, 11 March, 2021*

**ON BEHALF OF THE BOARD**

**CHAIRMAN**

*(signed and sealed)*

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**APPENDIX**  
**RESOLUTIONS OF THE BOARD OF DIRECTORS IN 2020**

<b>No.</b>	<b>Number of the Resolutions</b>	<b>Date</b>	<b>Main content</b>
1.	01/2020/NQ-HĐQT-MSC	27/02/2020	Approving the short term credit line of the Company provided by a bank.
2.	02/2020/NQ-HĐQT-MSC	21/01/2020	Approving the L/C credit line of its subsidiary provided by a bank.
3.	03/2020/NQ-HĐQT-MSC	21/01/2020	Approving the guarantee for the facility of its related party at a bank.
4.	04/2020/NQ-HĐQT-MSC	28/02/2020	Approving the shareholders' book closing date for 2020 AGM.
5.	05/2020/NQ-HĐQT-MSC	17/3/2020	Approving the collection of shareholders' opinions in written.
6.	06/2020/NQ-HĐQT-MSC	17/3/2020	Approving the increase of the short term credit line of the Company provided by a bank.
7.	07/2020/NQ-HĐQT	25/3/2020	Approving the long term credit line of its subsidiary provided by a bank.
8.	08/2020/NQ-HĐQT-MSC	25/3/2020	Approving the short term credit line of the Company provided by a bank.
9.	09/2020/NQ-HĐQT-MSC	25/3/2020	Approving CAPEX projects of its subsidiaries.
10.	10/2020/NQ-HĐQT-MSC	11/4/2020	Approving the budget of a Marketing programme.
11.	11/2020/NQ-HĐQT-MSC	22/4/2020	Approving total CAPEX budget in 2020.
12.	12/2020/NQ-HĐQT-MSC	22/4/2020	Approving CAPEX projects of its subsidiaries.
13.	13/2020/NQ-HĐQT-MSC	23/4/2020	Approving the long term credit line of its subsidiary provided by a bank.
14.	14/2020/NQ-HĐQT-MSC	19/6/2020	Approving the matters presented for 2020 AGM's approval.
15.	15/2020/NQ-HĐQT-MSC	19/6/2020	Approving CAPEX projects of the Company.
16.	16A/2020/NQ-HĐQT-MSC	30/6/2020	Approving the related party transactions of the Company and its related parties.
17.	16B/2020/NQ-HĐQT-MSC	30/6/2020	Approving the investment transactions.
18.	17/2020/NQ-HĐQT-MSC	30/6/2020	Approving the change of the Chairman of the Board.
19.	18/2020/NQ-HĐQT-MSC	01/7/2020	Approving the establishment of a branch of the Company.

20.	19/2020/NQ-HĐQT-MS	01/7/2020	Approving CAPEX projects of its subsidiary.
21.	20/2020/NQ-HĐQT-MS	06/7/2020	Approving the increase of the short term credit line of its subsidiary provided by a bank.
22.	21/2020/NQ-HĐQT-MS	06/7/2020	Approving the short term credit line of its subsidiary provided by a bank.
23.	21/2020/NQ-HĐQT-MS	06/7/2020	Approving the increase of the short term credit line of its subsidiary provided by a bank.
24.	23/2020/NQ-HĐQT-MS	15/7/2020	Approving the short term credit line of its subsidiary provided by a bank.
25.	24/2020/NQ-HĐQT-MS	24/7/2020	Approving the short term credit line of its subsidiary provided by a bank.
26.	25A/2020/NQ-HĐQT-MS	29/7/2020	Approving the increase of charter capital of its subsidiary.
27.	25B/2020/NQ-HĐQT-MS	29/7/2020	Approving the establishment of a subsidiary of its subsidiary.
28.	26/2020/NQ-HĐQT-MS	29/7/2020	Approving the short term credit line of its subsidiary provided by a bank.
29.	27/2020/NQ-HĐQT-MS	06/8/2020	Approving the profit advance of its subsidiary.
30.	28/2020/NQ-HĐQT-MS	20/8/2020	Approving the issuance of new shares under ESOP.
31.	29/2020/NQ-HĐQT-MS	06/10/2020	Approving the increase of charter capital of the Company by issuance of ESOP.
32.	30/2020/NQ-HĐQT-MS	19/10/2020	Approving the earnings allocation from its subsidiary.
33.	31/2020/NQ-HĐQT-MS	22/10/2020	Approving CAPEX projects of its subsidiary.
34.	32/2020/NQ-HĐQT-MS	19/11/2020	Approving the establishment of a subsidiary of the Company.
35.	33/2020/NQ-HĐQT-MS	25/11/2020	Approving the short term credit line of its subsidiary provided by a bank.
36.	34/2020/NQ-HĐQT-MS	25/11/2020	Approving the authorization in relation to the seal of the Company.
37.	35/2020/NQ-HĐQT-MS	28/12/2020	Approving the 2020 earnings allocation from its subsidiaries.