



**MASAN CONSUMER CORPORATION**

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**ENGLISH TRANSLATION  
FOR REFERENCE PURPOSE ONLY**

**REPORT OF THE BOARD OF DIRECTORS  
AT THE 2022 ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders,

The Board of Directors (the “Board”) would like to report to the 2022 Annual General Meeting of Shareholders of Masan Consumer Corporation (the “Company” or “Masan Consumer”) on the Board’s activities in 2021 as follows:

**I. OVERVIEW**

After two years of headwinds from the Covid-19 pandemic, the world economy in 2021 seemed to have emerged from the shadow of recession and showed signs of a faster-than-expected recovery. Despite uneven economic growth and the risks from of new variants, supply chain disruptions and inflationary pressures, we see 2022 to be a promising year, with higher vaccination rates and governmental support and growth policies.

The global GDP growth in 2021 was estimated at 5.5% compared to negative growth rate of 3.6% in 2020 (source: IMF). However, the global economic growth is now facing double challenges of inflation and pandemic with spread of new Covid-19 variants. Travel restriction may exacerbate supply shortage, bottlenecks in manufacturing chain and international trade. High price and negative growth combined may likely lead to unexpected “scenario” of global economy including inflation and recession.

Regardless of the challenges caused by the Delta variant, Vietnam’s economy in 2021 still maintained positive growth with GDP hitting 2.58%, lower than in 2020 of 2.91%, thanks to the quick recovery in the 4th quarter of 2021 and low CPI. However, there are still hidden challenges in 2022 with imminent return of high inflation due to high oil price and high unemployment rate/business closures.

The Covid-19 pandemic adversely impacted businesses and economic activities of the whole economy Masan Consumer was not spared. Social distancing measures lasting 4 consecutive months from June to September 2021 created many difficulties to production activities, especially with regards to supply chain disruptions, high raw material costs, and shortages of workforce. However, we made great best efforts to maintain production activities, ensuring supply of goods as requested by State management agencies who wanted to ensure the needs of consumers were met. As a result, in 2021, Masan Consumer delivered net revenue growth of 19% to VND27,766 billion compared to VND23,327 billion in 2020 thanks to strong growth in the convenience foods category of 25.4% versus 2020, driven by growth in two key brands, Omachi and Kokomi, in instant noodles. The processed meat category grew 51.7% due to new product launches. Total seasoning sales increases by 18.8% in 2021 due to upgraded seasonings category. The coffee category increased by 10% thanks to remarkably new ideas of launching two key products

including Wake-up Cafe and Phinn 2 in 1 coffee brands while the beverage segment enjoys a slight drop compared to 2020. Although home and personal care (HPC) category is a new category for us, we still delivered a 20% growth compared to 2020.

Gross profit margin in 2021 reached 42.5%, similar to last year's despite higher material costs. Net profit after tax post minority interest ("NPAT Post-MI") reached VND5,526 billion, up 20% versus VND4,598 billion in 2020 thanks to increased net revenue and optimization of sale and marketing expenses.

Masan Consumer expects that in 2022, it will continue to 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 2021 was temporary. Masan Consumer's 2022 growth forecast will be shared in more detail at the 2022 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 2022 will increase. Suppliers play an important role in determining input costs. This may adversely impact profit margins of Masan's business lines. Besides, some economic elements such as inflation, high interest rate, foreign exchange rate will have impacts on our cost of capital and business expansion strategy.

### **Vietnam Consumer Sector**

In 2021, Vietnam consumer goods market experienced a tough year due to the 4th wave of Covid-19 pandemic outbreak in big cities, especially Southern region. Strict shutdown and social distancing measures, supply chain disruptions, labor shortages, and full and partial closures of production facilities resulted in occasional panic buying by consumers. The consumer goods sector saw growth slowing down compared to its peak in 2020 due to household consumption declining. In the second year of the Covid-19 pandemic, packaged foods, milk and dairy products drove the growth in 4 main cities and in rural areas. Beverage category seemed to have suffered the most during the 4th wave of the Covid-19 pandemic, especially in rural areas. Such decline in consumer spending were due to higher unemployment and lower incomes. Since social distancing measures lifted, consumers' economic outlook and financial situation improved during 4Q2021 thanks to high vaccination rate and the resumption of business and production activities, although still at levels below the pre-pandemic period.

The Covid-19 pandemic outbreak which made its impacts felt in 2020 has changed the Vietnamese consumption habits and this became more evident in 2021. When social distancing and shutdown measures tightened, a large number of people worked from home or gathered at production facilities and factories for a longer periods. Health, food safety and convenience became their top concern. Due to "working from home" protocols, branded and packaged products, milk and dairy products have seen growth in both urban and rural areas. Online retail sales grew as consumers preferred to use online shopping channels, door-to-door delivery services, and nearby mini markets rather than offline channels such as wet market, general trade stores or big supermarkets.

In 2022, with the Covid-19 pandemic still not completely under control, consumers have rationalized their spending more. However, despite being more frugal, particularly with discretionary items, they are more opened to spend for in-home consumption and paying more for healthier options.

### **Convenience Foods**

In 2021, net revenue for convenience foods reached VND8,629 billion, up 25.4% versus 2020. Omachi increased by 25.1% while Kokomi increased by 33.5% in the same period. The success of convenience foods was due to strong growth of Kokomi 90 in the mid-end segment and stable investment for the Omachi & Kokomi brands.

In 2021, the launch of Chin-Su 7-day breakfast portfolio successfully grew our convenience foods category within the premium segment. For the first time, consumers can enjoy the nutritional 7-dishes in 7-days breakfast with real meat. These products only take 5 minutes to prepare a quality breakfast at home. Especially during social distancing period, families search for convenient, delicious meals that suits the favorite taste of family members.

### **Sauces, Condiments and Dressings**

Sales of seasonings in 2021 reached VND10,028 billion including export sales, a 18.4% growth versus 2020 thanks to upgrading seasonings portfolio and an increase in demand for seasonings during a period when people spent more time cooking at home. Chin-Su and Nam Ngu fish sauces become an indispensable part in every meal as we differentiate our products by making them more delicious and safe for health. For example, Masan fish sauce products have applied production technology to reduce salt content to improve cardiovascular health. Today, the Chin-Su brand makes up approximately 30% of total seasoning turnover. Our new innovations in the premium segment have been well- received by consumers:

- Chin-Su seasoning granule with 5 times as much flavor concentration as condensed bone broth stew is a seasoning granule product with highest content of bone stew in the seasoning category.
- Chin-Su chili sauce enjoyed a 40% growth supported by our marketing campaign that emphasized the “bursting of flavors” for thousands of delicious dishes. Every dish served or prepared with Chin-Su chili sauce will be enhanced with spicy, fragrant flavors for family members to enjoy.

### **Soft Drinks**

Vietnam’s bottled beverage sector in 2021 struggled with negative growth of approximately 2-8% in both urban and rural areas (source: Kantar Worldpanel 2021) due to big impacts caused by social distancing measures from the 4th wave of the Covid-19 pandemic.

Net revenue for Masan Consumer’s beverage category reached VND3,654 billion, a negative growth (-2%) versus 2020. We took the opportunity to introduce new innovations such as Wake-up 247, Ho Van PET Bottle, Vivant Spring, Wake-up Cola to stimulate in-home consumption.

It is expected in 2022 Masan Consumer will recover its growth momentum with a target sale of VND6,000 billion – 6,500 billion by launching new products, building new distribution and trial stimulus models in line with the “new normal”.

## **Coffee, nutritious food and drinks**

Coffee category of Masan Consumer successfully implemented its marketing plan and launched new innovations, penetrating into the premium 2-in-01 and 3-in-1 segments with Wake-up Black Coffee and 2-in-1 coffee with a market share of 21%-24%. The coffee category achieved sales of VND1,569 billion, up 10.2% compared to 2020, on the back of stronger brand building investments to support Vinacafé and Wake-up products to be No.1 in their respective coffee segments in Vietnam.

Nutritious food and drink category of Masan Consumer increased by 54% versus 2020 thanks to expansion of product portfolio and the launch of low-sugar cereal and increased distribution coverage of B'fast barley milk nationwide.

## **Processed Meat**

Processed meat category grew by 51.7% compared to 2020 (VND1,276 billion in 2021 vs VND841 billion in 2020). Of which, Ponnie brand contributed 41% and Heo Cao Boi contributed 50% to the total sales. Ponnie brand initially penetrated into pasteurized sausage market, building a pipeline for cool and frozen products in the future. In 2022, it is expected to increase the level of consumption and consumer frequency by developing formulas with variety of choices, targeting young consumers – a big and extremely high potential segment. In addition, processed meat category is expected to enter segments. In 2022, new product categories such as snack, canned food are targeted to be introduced.

## **Home and Personal Care**

In 2021, our HPC category contributed VND1,502 billion to net revenue, up 20% versus 2020 (NETCO included) thanks to successful launch of new products including Joins 2-in-1 powder detergent and Homey dishwashing liquid, contributing to expansion of product portfolio to meet diverse demand of consumers in both urban and rural areas. These two new products are growing its market share at WinCommerce supermarkets and holding their largest market share since September 2021.

## **II. ACTIVITIES OF BOARD OF DIRECTORS IN 2021**

1. In 2021, 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 2021, there were no transactions between Masan Consumer Corporation and members of the Board of Directors of the Company.
3. In 2021, the Board of Directors received no compensation.

### **III. 2022 FINANCIAL OUTLOOK**

In 2022, the return and prolonged outbreak of the Covid-19 pandemic had a significant impact on all socio-economic aspects of Vietnam. However, overcoming difficulties and challenges, the economy still had many achievements. This will create an opportunity for Vietnam's economy to recover in 2022; therefore, Masan Consumer plans to budget for both net revenue and net profit after tax to grow from 20% to 30%. However, the situation in Ukraine starting in February 2022 is expected to cause oil prices, materials and packaging prices to rise, leading to an increase in inflation, affecting consumer spending behavior. As a business operating in the consumer staples industries, we realize that high inflation will affect the Company's revenue and profit plans. Therefore, the final 2022 financial budget is still pending and shall be presented in greater detail at the 2022 Annual General Meeting.

Yours sincerely,

*Ho Chi Minh City, 7 April 2022*

**ON BEHALF OF THE BOARD**

**CHAIRMAN**

*(signed and sealed)*

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**APPENDIX**  
**RESOLUTIONS OF THE BOARD OF DIRECTORS IN 2021**

<b>No.</b>	<b>Number of the Resolutions</b>	<b>Date</b>	<b>Main content</b>
1.	01/2021/NQ-HĐQT	25/01/2021	Approving the short term credit line of the Company provided by a bank.
2.	02/2021/NQ-HĐQT-MS	25/01/2021	Approving the short term credit line of the Company and subsidiaries of Masan Food Company Limited provided by a bank.
3.	03/2021/NQ-HĐQT-MS	25/01/2021	Approving a subsidiary of Masan Food Company Limited to joint use of short-term credit lines of the Company provided by a bank.
4.	04/2021/NQ-HĐQT-MS	25/01/2021	Approving CAPEX of subsidiary of Masan Food Company Limited
5.	05/2021/NQ-HĐQT-MS	08/02/2021	Approving the shareholders' book closing date for 2021 AGM.
6.	06/2021/NQ-HĐQT-MS	26/02/2021	Approving the increase of the medium-long term credit line of subsidiary of Masan Food Company Limited provided by a bank.
7.	07/2021/NQ-HĐQT	26/02/2021	Approving the increase of the medium-long term credit line of subsidiary of Masan Food Company Limited provided by a bank.
8.	08/2021/NQ-HĐQT-MS	11/3/2021	Approving the contents submitted to the 2021 Annual General Meeting of Shareholders for approval.
9.	09/2021/NQ-HĐQT-MS	26/3/2021	Approving CAPEX of subsidiary of Masan Food Company Limited
10.	10/2021/NQ-HĐQT-MS	26/4/2021	Approving the Regulations on the operation of the Audit Committee and appointing the members of the Audit Committee
11.	11/2021/NQ-HĐQT-MS	17/5/2021	Approving CAPEX of subsidiary of Masan Food Company Limited
12.	12/2021/NQ-HĐQT-MS	20/5/2021	Approving the increase of short term credit line of the Company provided by a bank.
13.	13/2021/NQ-HĐQT-MS	20/5/2021	Approving the short term credit line of the Company provided by a bank.
14.	14/2021/NQ-HĐQT-MS	29/6/2021	Approving the increase of the charter capital of its subsidiary.

15.	15/2021/NQ-HĐQT-MSC	05/8/2021	Approving the issuance of new shares under ESOP.
16.	16/2021/NQ-HĐQT-MSC	06/8/2021	Approving the long-term syndicated credit line of a subsidiary at the Bank.
17.	17/2021/NQ-HĐQT-MSC	01/9/2021	Approving the resignation of a member of the Board of Directors
18.	18/2021/NQ-HĐQT-MSC	27/9/2021	Approving the 2021 earnings advance from its subsidiaries.
19.	19/2021/NQ-HĐQT-MSC	05/11/2021	Approving the provisioning for inventories of the Company and its subsidiaries
20.	20/2021/NQ-HĐQT-MSC	16/11/2021	Approving CAPEX of subsidiary of Masan Food Company Limited
21.	21/2021/NQ-HĐQT-MSC	26/11/2021	Approving CAPEX of subsidiaries of Masan Food Company Limited
22.	22A/2021/NQ-HĐQT-MSC	06/12/2021	Approving the increase of the charter capital of Masan Innovation Company Limited
23.	22B/2021/NQ-HĐQT-MSC	06/12/2021	Approving Masan Innovation Company Limited to establish a subsidiary.
24.	23/2021/NQ-HĐQT-MSC	06/12/2021	Approving the earnings allocation from Masan Beverage Company Limited.
25.	24/2021/NQ-HĐQT-MSC	21/12/2021	Approving the earnings allocation from Masan Food Company Limited.
26.	25/2021/NQ-HĐQT-MSC	23/12/2021	Approving CAPEX of subsidiary of Masan Food Company Limited