



MASAN CONSUMER CORPORATION

Address: 12th 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 2020 ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders,

The Board of Directors (the “Board”) would like to report to the 2020 Annual General Meeting of Shareholders of Masan Consumer Corporation (the “Company” or “Masan Consumer”) on the Board’s activities in 2019 as follows:

I. OVERVIEW

Vietnam’s economy recorded an impressive GDP growth of 7.02% in 2019. According to the General Statistics Office (GSO), this was the second consecutive year that Vietnam’s economic growth had reached over 7% since 2011. The trade and services sector in 2019 recorded a robust growth thanks to higher consumer demands, expanded markets, abundant supply and secured quality of goods. Tourism sector continued to be a key performer, attracting a record-breaking number of over 20 million international arrivals.

Vietnam’s economy recorded a remarkably high growth rate in the context of: (i) trade war between the two leading economies, i.e. US-China, and global trade stagnation externally; (ii) negative impacts by climate change and African swine fever domestically.

Vietnam’s demographics and rising income levels support strong continued growth in domestic consumption. The country has just entered an anticipated 30-year era of “demographic dividend” with nearly 70% of its 100 million residents in the working age population and 56% of its residents under the age of 30. Over the next 10 years, the working age population is expected to grow by at least one million per year. The portion of the population earning degrees higher than secondary education is increasingly higher to build up a pool of highly skilled labor force in different industries, especially the service and consumer industries.

Vietnam’s expanding workforce is expected to drive consumer spending. In addition, the combined effects of continuous economic growth, rapid urbanization, “demographic dividend,” emergence of middle-income earners, and an expanding modern retail network, will fuel the growth of overall food consumption in the medium- to long-term.

The rapid rise of the middle class and households having middle income or higher to over 50% of total number of households (from 35% in 2012 to 54% in 2019 according to Kantar Worldpanel) has boosted huge demand for “higher-end” consumer products. The continued expansion of urbanization has also resulted in a smaller family structure with only 1-2 members, which, in turn, leads to higher per capita income. The group of people aged 25-39 (about 25% of the population)

is the dominant group in terms of purchasing power and consumption. Consumers are willing to pay more for quality food products.

Vietnam's food and beverage sector is expected to maintain double-digit growth rates for the near future, primarily due to increased domestic consumer demand fueled by a rise in disposable incomes. As a result, Masan is well positioned to benefit from Vietnam's improving macroeconomic outlook, especially from growing consumer confidence in Vietnam, as a market leader with a portfolio of basic consumer staple products.

After transforming our business model from "product push" to "brand building" in the end of 2017, which required sacrificing sales to build a more sustainable route-to-market, Masan Consumer ("MSC") returned to growth in 2018 and 2019. This strategic initiative to de-stock distributor level inventory was primarily done to improve route to market efficiency and reduce the amount of selling expenses dedicated to trade promotions, so that the Company can invest in its brands and support the launch of new innovations.

2019 continued to be another successful year for MSC as net revenue grew 8.7% to VND18,488 billion compared to VND17,006 billion in 2018. Key drivers were mid-single digit growth in foods portfolio due to premiumization and new product launches, supported by double digit growth in beverages portfolio, nearly 2x growth in processed meats offset by weakness in coffee segment.

Seasonings category revenue was up 4.2% in 2019, due to growth in fish sauce portfolio and 4x growth in granule sales. Granules continues to emerge as a strong contributor to topline with nearly 4.4% contribution to total seasonings sales in 2019. Premium product launches like Nam Ngu Phu Quoc, Chin-Su Man Ma and Chin-su Ca Com Mua xuan will continue to support premium seasonings portfolio growth in 2020. Convenience foods portfolio grew 7.2% in 2019, as the premium portfolio continued to drive growth, up 25.2% compared to last year. Full-meal solutions, one of the main drivers for premium portfolio growth was up ~80% compared to 2018. Premium portfolio now accounts for over 50% of total convenience food sales, while full-meal solutions accounts for 9%.

Beverages segment net revenue was up by 27.2% in 2019 led by 32.5% growth in energy drinks and 15.2% growth in bottled water revenue. Energy drink segment continues to be powered by ~30% growth in Wake-Up 247 brand, while the new brand Compact has emerged as a new growth driver, and now represents ~7% of energy drink's portfolio.

In MSC's incubation portfolio, processed meats delivered 96.1% growth in net revenue for 2019. New product launches continued to drive growth with brands like Heo Cao Boi. Category is expected to grow 2x in 2020 due to strong innovation portfolio, with new meat SKU's, localized flavors, supported by strategic social media campaigns. Coffee businesses underperformed compared to expectations, though 4Q2019 was a better quarter for the category. Even though, growth remains a concern, as 2019 revenues for the category were down 12.8%. New coffee formats like roast and ground coffee, and ready to drink products could be a potential to turnaround this category in 2020.

In terms of profitability, gross margins were 43% in 2019, compared to 44.7% in 2018, due to lower margins from granules and convenience foods, offset by higher margins in energy drinks. Net profit after tax post minority interest were VND4,026 billion in 2019, up 19.6% compared to

VND3,367 billion in 2018, due to higher net revenue and optimized sales and marketing expenses.

For 2020, Masan Consumer expects to deliver growth in revenues and profits driven by a successful premiumization strategy in our core portfolio and growing market share in our new growth pillars.

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.

In addition, various macroeconomic factors including but not limited to personal expenditure and consumption patterns, inflation levels, interest rates, commodity price levels, debt burden of consumers or businesses and general availability of credit, as well as factors such as the spread of disease, large-scale acts of war, terrorism or any other adverse social, geographic or political incidents may affect Masan's business operations adversely.

In 2020, Vietnam's economy is expected to continue expanding, supported by growing domestic consumption on the back of higher disposable incomes, expanding middle class, higher rate of urbanization and a banking system with stronger asset metrics. The first half of 2020 is expected to be significantly impacted by the global pandemic related to Corona virus and its spillover effects, as is already evident by less than 4% growth in Vietnam's GDP during the 1st quarter of 2020.

Any unexpected volatility in soft commodity prices during 2020 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

Vietnam's demographics present an excellent opportunity for the rise in domestic consumer demand and is expected to persist through the next several decades. There are other trends allied to these demographic realities, which will influence consumer behavior, including: (i) higher numbers of women in the workforce, (ii) increasing urbanization, (iii) busier lifestyles and (iv) greater exposure to marketing. These could result in structural changes in the consumer market, including: (i) greater demand for convenience foods, (ii) greater focus on quality and health aspects of products, (iii) consolidation and greater preference for branded products and (iv) demand for new products and variants. The markets for most food and beverage products have been consolidating over the last few years, driven by: (i) higher disposable income in the hands of consumers and resultant focus on product quality, (ii) greater awareness of health and safety issues and (iii) greater investments in product development, marketing and distribution by large players. The traditional shopping practices have shifted to more modern channels (convenience store chains, supermarkets, e-commerce etc.) where consumers have more time available to find and choose products at the most reasonable prices to meet their actual needs.

Convenience Foods

Packaged food in Vietnam is a very competitive category, with multiple players offering a diverse array of brands competing across the market. Aside from the country's large population, strong economic growth and increasing openness to foreign investment have helped to attract many new local and international players in the recent years. Packaged food companies in Vietnam continue to develop new products in response to rising disposable incomes, better education about nutrition and increased concern about food safety among local consumers. In particular, manufacturers are expected to introduce products containing more added-value ingredients to meet the changing demands of consumers. The smaller family structure with 1-2 members will grow in popularity, and lead to an increasing demand for smaller pack sizes.

Envisioning complete family meals in developing our Chin-Su Food brand, in 2019, Masan Consumer took the lead in the packaged food market by introducing Chin-Su canned noodles with fresh beef as a complete and healthy meal solution, promoting the premiumization of the business with superior and higher-end products. Masan's net sales of convenience foods in 2019 reached VND4,968 billion, up 7% compared to 2018. Omachi continued to lead the high-end segment by realizing double-digit growth of 25% compared to 2018 thanks to the repeated communication efforts on unique experiences with cup noodles, mixed noodles, and other innovative products. By relentless passion to lead the high-end market, Omachi is expected to further grow significantly to reach new heights.

Coffee

Vietnam's economic growth has spurred a strong consumer trend. The speed of urbanization, fast and busy lifestyles have led to an increasing demand for convenience and packaged foods. As a result, instant coffee is expected to further grow in the future. In particular, consumers are ready to embrace new flavors such as coffee-based drinks; thus, the introduction of new products is a key factor to build a brand that provides a higher competitive advantage.

Masan Consumer's coffee production (except for the Wake-Up 247 brand reported under soft drinks category) recorded net sales of VND1,490 billion. Masan launched the 4-in-1 coffee with coconut milk and cream to meet the needs of those who prefer strong coffee-flavored beverages. This is a unique and novel combination of coffee, cream, milk and coconut flavors to bring a creative coffee-based product to customers.

Sauces, Condiments And Dressings

The rapid growth of the middle class has led to stronger consumer demand on many aspects, as a higher number of consumers are eager to experience higher-end products. Apart from improvement in the quality of life, the household's quest for essential seasoning products also moves along this trend as consumers are willing to pay more for quality and high-class spices. High-quality fish sauce products such as Chin-Su and Nam Ngu packed in glass bottles are two brands for which consumers are willing to pay more due to superior quality.

The rapid expansion of urbanization, the dominance of younger generation in population structure, the diversity in modern cuisine and the booming growth of restaurants and eateries in cities all drive the growth of seasonings category, especially sauces and dips. In 2019, Chin-Su chili sauce remained one of the favorite products among younger generation while the new introduction of Japanese-style Chin-Su chili sauce offered a complete collection of spices.

In addition, 2019 also marked a remarkable growth of Chin-Su granule which, within just one year of launch, quickly earned its place in the Top 3 products with 11% volume share. By creating a big breakthrough for premium Chin-Su products and validating the effectiveness of premiumization strategy, sales for this category in 2019 increased by 5% compared to 2018 to reach VND7,249 billion from VND6,958 billion.

Processed meat

Consumers' demand for better-quality food in terms of taste, affordability and nutrition is also reflected in their evolving consumption of meat and seafood products, staples in Vietnamese cuisine. Vietnam's consumers are also being exposed to a multitude of types of processed meat and are open to trying out new types of cuisine from the West as well as the trendy use of healthy convenience foods based on processed meat in Japan and South Korea.

In 2019, the Heo Cao Boi sausage recorded a disruptive growth as its net sales reached VND411 billion, up 96% compared to 2018. The Heo Cao Boi sausage has become one of the favorite brands among Vietnamese children to validate a popular trend among the modern consumers.

Soft drinks

According to Nielsen, Vietnam's soft drinks industry includes bottled water, carbonated drinks, fruit juices, energy drinks and ready-to-drink beverages had a market value of VND65,000 billion in 2019 and grows at 9% annually.

Vietnamese consumers are increasingly becoming health conscious and prefer healthy drinks which has continued to drive the growth of the soft drinks market. The segment saw increased preference towards healthier alternatives such as ready-to-drink tea, juice and bottled water. Another growth driver is demand for energy drinks from people working in blue-collar sectors such as manufacturing, agriculture and transportation. Although foreign companies are gaining a higher market share as they are first movers who have developed a branding strategy and a diverse portfolio of products, domestic companies are expected to grow their market in terms of sales volume and bridge the gap in the market share by value by capturing local tastes and preferences.

Masan's net sales of beverages reached VND3,549 billion in 2019, an increase of 27% compared to 2018, mainly attributed to higher sales of energy drinks from VND1,960 billion to VND2,579 billion, or an increase of 32% due to wider coverage of Wake-Up 247 energy drinks (from 46% in 2018 to 56% of market value in 2019), and introduction of Compact Cherry energy drinks. As such, Masan Consumer's market share in the energy drinks industry reached 11% in 4Q2019, compared to 8.4% in the same period in 2018.

Wake-Up 247 energy drink proved to be a very successful launch for us, demonstrated by its continued strong growth in 2019 of 30.6% compared to 2018. Wake-Up 247 is the driving force behind the growth of Masan Consumer's beverage category, which are attributed to branding & increased coverage. In addition, the Compact Cherry energy drinks - launched in June 2019 - also quickly grew and was widely accepted by consumers. Energy drinks are expected to contribute over VND4,000 billion of sales in 2020 and will continue to be a pillar that drives the growth of Masan Consumer.

Home and personal care

The home and personal care market is one of the largest and most attractive consumer sectors in Vietnam with a total market size in excess of US\$3 billion, which is currently dominated by foreign players and products. Consumers in Vietnam end up overpaying for these products, as is evident from the fact that Vietnam has the highest spending per capita for this category among Southeast Asian markets. Masan believes that the HPC market is still at the early stages of growth when compared to other developed markets and provides significant opportunities to build Vietnamese power brands.

Masan Consumer acquired a majority stake in Net Detergent JSC (“NET”) during 1Q2020, as it is a strategic entry point for Masan to build a diversified home and personal care business. Masan will work alongside NET to drive significant growth by building an innovative portfolio and utilizing Masan’s current distribution network which has a high existing overlap with NET’s distribution, to unlock potential synergies and create long-term value for our consumers.

II. ACTIVITIES OF BOARD OF DIRECTORS IN 2019

1. In 2019, 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 2019, there were no transactions between Masan Consumer Corporation and members of the Board of Directors of the Company.
3. In 2019, the Board of Directors received no compensation.

III. 2020 FINANCIAL OUTLOOK

Masan Consumer expects to deliver a 24% to 33% growth in topline for FY2020, with net profit after tax and non-controlling interests expected grow by 14% to 22%.

(VND billion)	Plan 2020		Actual 2019	Growth Rate	
	Low End	High End		Low End	High End
Net Sales	23,000	24,500	18,488	24%	33%
Net profit after tax attributable to equity holders of the Company (Normalized)	4,600	4,900	4,026	14%	22%

Yours sincerely,

Ho Chi Minh City, June 20, 2020

ON BEHALF OF THE BOARD

CHAIRMAN

(signed and sealed)

TRƯỜNG CÔNG THẮNG

APPENDIX
RESOLUTIONS OF THE BOARD OF DIRECTORS IN 2019

No.	Number of the Resolutions	Date	Main content
1.	01/2019/NQ-HĐQT-MSC	10/01/2019	Approving CAPEX project of Masan Industrial One Member Company Limited and Masan HD One Member Company Limited.
2.	02/2019/NQ-HĐQT-MSC	14/01/2019	Approving Masan Food One Member Company Limited to establish a subsidiary in Long An.
3.	03/2019/NQ-HĐQT-MSC	14/01/2019	Approving the extension of timeline to contribute charter capital to a subsidiary.
4.	02/2019/NQ-HĐQT-MSC	04/03/2019	Approving the shareholders' book closing date for 2019 AGM.
5.	04/2019/NQ-HĐQT-MSC	12/4/2019	Approving its CAPEX budget in 2019 and the matters presented for 2019 AGM's approval.
6.	05/2019/NQ-HĐQT-MSC	12/4/2019	Approving the short term credit line of its subsidiary provided by a bank.
7.	06/2019/NQ-HĐQT-MSC	24/4/2019	Electing the Chairman of the Board of Directors for the term 2019 - 2024.
8.	07/2019/NQ-HĐQT	11/6/2019	Approving the issuance of new shares under ESOP.
9.	08/2019/NQ-HĐQT-MSC	11/6/2019	Approve short-term overdraft limit of the Company and its subsidiaries at a Bank.
10.	09/2019/NQ-HĐQT-MSC	11/6/2019	Approving the short term credit line of the Company provided by a bank.
11.	10/2019/NQ-HĐQT-MSC	11/6/2019	Approving the short term credit line of the Company provided by a bank.
12.	11/2019/NQ-HĐQT-MSC	21/6/2019	Approving the adjustment of the plan to deal with the shares that will not be subscribed in the issuance plan of new shares under ESOP.
13.	12/2019/NQ-HĐQT-MSC	21/6/2019	Approving CAPEX project of Masan HG One Member Company Limited.
14.	13/2019/NQ-HĐQT-MSC	24/6/2019	Approving the short term credit line of the Company provided by a bank.
15.	14/2019/NQ-HĐQT-MSC	19/7/2019	Approving the increase of charter capital of the Company.
16.	15/2019/NQ-HĐQT-MSC	30/7/2019	Approving CAPEX project of Masan Industrial One Member Company Limited.

17.	16/2019/NQ-HĐQT-MSC	30/7/2019	Approving the issuance shares for increase of share capital with finances from the equity.
18.	17/2019/NQ-HĐQT-MSC	23/8/2019	Approving CAPEX project of Masan HD One Member Company Limited.
19.	18/2019/NQ-HĐQT-MSC	23/8/2019	Approving the earnings allocation from Masan Beverage One Member Company Limited.
20.	19/2019/NQ-HĐQT-MSC	30/8/2019	Approving the guarantee for the facility of its subsidiary at a bank.
21.	20/2019/NQ-HĐQT-MSC	06/9/2019	Approving the increase of charter capital of the Company.
22.	21/2019/NQ-HĐQT-MSC	13/9/2019	Approving CAPEX project of Masan Industrial One Member Company Limited and Masan HD One Member Company Limited.
23.	22/2019/NQ-HĐQT-MSC	23/9/2019	Approving the profit advance of its subsidiaries.
24.	23/2019/NQ-HĐQT-MSC	13/12/2019	Approving the establishment of a subsidiary of the Company.
25.	24A/2019/NQ-HĐQT-MSC	20/12/2019	Approving the increase of charter capital of Masan Food One Member Company Limited.
26.	24B/2019/NQ-HĐQT-MSC	20/12/2019	Approving the increase of charter capital of Masan MB One Member Company Limited.
27.	25/2019/NQ-HĐQT-MSC	20/12/2019	Approving the tender offer of NET shares by Masan HPC Company Limited.
28.	26A/2019/NQ-HĐQT-MSC	20/12/2019	Approving the profit advance of its subsidiary.
29.	26B/2019/NQ-HĐQT-MSC	20/12/2019	Approving the 2019 earnings allocation from its subsidiaries.