



MASAN CONSUMER CORPORATION

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ENGLISH TRANSLATION

**REPORT OF THE BOARD OF DIRECTORS
AT THE 2018 ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders,

The Board of Directors (the “Board”) would like to report to the 2017 Annual General Meeting of Shareholders of Masan Consumer Corporation (the “Company” or “Masan Consumer”) on the Board’s activities in 2017 as follows:

I. OVERVIEW

In 2017, Vietnam’s economy continued to be one of the best performers globally with GDP growth of 6.81%, higher than the target of 6.7% set by National Assembly, and the highest growth rate in the last 10 years according to the General Statistics Office (GSO). Growth is expected to be further supported by higher foreign direct investment and Vietnam’s proactive participation in free trade agreements to further integrate Vietnam into the global economy. However, we believe Vietnam’s true value lies in its domestic consumption potential.

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 90 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.

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. According to Nielsen, Vietnam’s Consumer Confidence Index grew significantly in 3Q2017, boosting Vietnam’s ranking to the top 5 most optimistic countries in the world.

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.

Though 2017 was solid year for Vietnam’s economy, it was a challenging period for Masan Consumer as the company took the initiative to transform its business model from “product pushing” to “brand building”, which required sacrificing sales to build a more sustainable route-to-market. This strategic initiative to de-stock distributor level inventory was primarily done to i)

improve route to market efficiency and ii) reduce reliance on trade promotion to free up resources for investing in brand building activities.

FY2017 net revenue declined by 4.2% to VND13,214 billion compared to FY2016, which takes into account over VND1,000 billion in distributor stock level reduction. By selling less into the distributors and allowing them to sell their existing stock level to consumers, we were able to cut back on trade promotion expenses and invest more into building brands. As a result, second half trade promotion expenses declined by around 10% versus 2H2016 while marketing expenses increased by 27%. This has led to sales growth in key categories and higher success rates for new launches. In addition, distributor-level inventory days have gone down from roughly 2 months to below 1 month, translating to fresher products for consumers.

Notably, 2H2017 sales of core categories stabilized and growth pillars demonstrated greater momentum. We saw a strong recovery in instant noodles, up 16.3% in 2H2017 as opposed to declining 18.7% in 1H2017, period on period. Strong growth in energy drinks (up 54.9% YoY) and processed meat (up nearly 6 times YoY) validated our entry into new growth categories. The shift to a brand driven business model also enabled us to sustainably reduce trade promotion activities, resulting in EBITDA margin increasing by more than 10%, from 16.6% in 1H2017 to 27.2% in 2H2017.

For 2018, Masan Consumer expects to deliver more than 30% growth in revenues and more than 40% growth in profits driven by successful premiumization strategy in core portfolio and significant market opportunity for new growth pillars. Results in the first two months of 2018, have added impetus to the growth momentum, with 1Q2018 revenues expected to grow nearly 70% compared to 1Q2017.

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 and In-land ASEAN overall 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 2018, 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.

Internationally, expected increase in soft commodity prices during 2018 may adversely impact margins for Masan's primary consumer businesses. Rising geo-political concerns, especially in the South China Sea, may affect Vietnam's export growth leading to slower economic growth. Similar to 2017, drought, salt-water intrusion etc. may affect Vietnam's agricultural sector, dampening consumer's purchasing power and affecting overall growth. Strong demand-side pressure 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.

Consumer Market in Vietnam

Vietnam's consumer market is a fast evolving, highly attractive segment, underpinned by a rising middle-class, which is driving lifestyle changes. Food consumption growth forecasts over the next five years are the highest in ASEAN, fueled by low inflation, improved infrastructure and a fast-growing retail sector.

One-third of the population will be defined as middle-class by 2020, as rapidly rising income levels grow at nearly 8.8%, driving per capita incomes beyond US\$3,400 by the end of the current decade. Domestic consumer demand will be further supported by favorable demographics, greater urbanization and a rise in disposable incomes. Infrastructure, which plays a key role in facilitating consumption, has been significantly improved in the past few years, while the retail market seems highly attractive to international retailers.

Vietnam has the third largest population in Southeast Asia, with nearly 70% of the population belonging to the working age group: 15-64 years old (United Nation Organization). While Vietnam's demographic profile presents an excellent opportunity for the rise of domestic consumer demand, there are other trends allied to these demographic realities that could result in structural changes in the consumer market. These include greater demand for convenience foods, greater focus on quality and health aspects of products, market consolidation, greater preference for branded products, and demand for new products and variants.

Vietnam's urban population was just above a quarter of the total population in 2005 and had increased to 35% in 2017. Comparatively, urban population rates are much higher in Southeast Asia with Thailand, Indonesia and Malaysia at 50%, 54% and 75%, respectively (World Bank). Increasing urban migration is a strong structural support pillar for consumer growth, but rural Vietnam remains a growth driver for our business.

Vietnam's real GDP per capita, estimated at slightly more than US\$2,385 for 2017 (GSO), is similar to the levels in Thailand and China in 2003 and 2007, respectively. Both these economies experienced sharp growth in consumer spending from these levels. As Vietnam's real GDP grows (8.5% CAGR expected over 2016 - 2020, according to the IMF), consumer expenditure is expected to increase at a CAGR of 8.0%. Vietnam, one of the fastest growing Southeast Asian economies, is poised to enter the next high-growth phase in consumer spending.

The consumer sector in Vietnam has strong growth prospects as it is underpinned by the rising living standards of Vietnamese families. On a per capita basis, spending on packaged food and beverage in Vietnam is still relatively low compared to its emerging market peers, demonstrating the significant growth potential of the market. We expect future growth to be driven by the continuing change in urban consumer lifestyles as consumers place a higher importance on convenience, safety and health. In addition, rising consumption of branded FMCG products in rural Vietnam will drive market growth as access of rural consumers to products improves, backed by higher levels of disposable income.

CONVENIENCE FOODS CATEGORY

The rice, pasta and noodles food segment in Vietnam experienced robust growth between 2010 and 2017 with sales volume CAGR of 4.0%, according to Euromonitor, reaching nearly VND 28 trillion in size. For the next 5 years, this market is expected to grow 3% value CAGR.

Due to the growing health and wellness trend, players are expected to pay more attention to their research and development regarding health issues, to satisfy consumers' demand for nutritious

packaged food. Producers of packaged food perceived to be less healthy, such as instant noodles, may need to be more innovative to not only change consumer mindsets but also to add additional nutritional benefits to their products to spur consumption.

Convenience foods, our worst performing branded food and beverages category in 2016 returned to growth despite a reduction in distributors' stock of approximately VND140 billion in 2017. While 2017 net revenue was flat, the 8% growth in sales during 2H2017 YoY reflects solid recovery in contrast to the de-growth of 18.7% in 1H2017. Return to growth in 2H2017 has been supported by innovations such as Kokomi Dai. In addition, Omachi products have also been performing better, supported by instant noodles with meat and the recent launch of Omachi cup format.

PROCESSED MEAT CATEGORY

For Vietnamese consumers, quality and hygiene are two most important factors when buying meat products. This is due to previous cases of hygiene scandals in the country, as food safety and hygiene were increasing concerns of consumers, especially younger Vietnamese who were more knowledgeable about companies and manufacturing processes. Processed meat currently represents less than 1% of Vietnam's meat consumption as compared to approximately 14% in China. While still a relatively new category for Masan, processed meat is a high potential growth driver.

The year 2017 was a transformational year for processed meat, as revenue grew 6 times compared to 2016. "Xot lac" snack sausage remains an iconic "consumption trend" within the sausage category as validated by the approval of children across the country.

Recently, Heo Cao Boi released its latest addition to the product roster: 3-minute meatball to begin our journey to enter consumer's main meals. Our 3-minute meatball stands out from other competitions in packaged foods because we utilized "heat-withstanding" technology to keep our products fresh, retain all nutrition, and free from bacteria. It can be stored in-room temperature up to 6 months without the need for preservatives. Our 3-minute meatball is expected to become a new "consumption trend" for Vietnamese daily meals because of its convenience, hygiene and differentiated taste.

SEASONING CATEGORY

According to Euromonitor, sauces, condiments and dressings market was estimated to be VND23,7 trillion as of December 2017, and is expected to grow 4% value CAGR till 2022. Increasing hectic lifestyles, especially common for millennials living in big cities such as Ho Chi Minh City and Hanoi drove the growth for this sector, as many young consumers do not want to spend extra time on cooking meals. In response to this trend, many manufacturers introduced new products to meet consumer needs. In order to boost consumption, industry players guided consumers by displaying clear usage instructions on product packaging, in addition to introducing different pack sizes to increase adoption.

Seasonings' net revenue in 2017 declined by 10.9% compared to FY2016. This is a result of VND579 billion worth of distributor level stock reduction. With less trade promotion which partially impacted the net selling price for consumer, Masan experienced a sales decline in the economy segment where consumers are more price sensitive.

However, mainstream and premium segments remain stable and have started to performed better. New launches in 2017 included "Nam Ngu Phu Quoc" (launched in 2Q2017), "Nam Ngu Nhan

Vang” (launched in 4Q2017) and “Chin-su Man Ma” (launched in 4Q2017). All of these products are more premium and are part of Masan’s strategy to up-trade its consumer base.

Management expects revenue in 2018 is going to reach VND6,000 – 6,500 billion due to brand building efforts and new product innovations launched in 2H2017 and will fuel growth in 2018.

COFFEE CATEGORY

According to Euromonitor, coffee segment was worth VND25 trillion in 2017 and is expected to grow annually by 9% (CAGR 2018-2021). Vietnam is expected to register strong GDP growth and lower unemployment levels, which would support consumer confidence in spending. More consumers would also have to juggle hectic lifestyles, fueling the need for convenience products like instant hot drinks. Coffee is expected to be the biggest beneficiary of this trend.

Domestic manufacturers lead due to their established presence, which sees a majority of Vietnamese consumers remaining loyal to them with strong trust in the quality of the product offered. Domestic manufacturers continued to invest strongly in product innovations as a bid to offer local consumers the most updated product portfolios to meet evolving needs.

Masan’s coffee category (excluding Wake-Up 247, which is covered under beverages) experienced over VND200 billion in de-stocking and in 2017, net revenue (include export) decline 19% compare to 2016. Key to coffee category is the Wake-up brand, which decreased by only 7.5% in FY2017. In 4Q2017, Masan re-launched the Wake-up brand to i) revitalize the brand image, ii) upgrade the portfolio and support its efforts to expand nationwide. The re-launch of Wake-up will upgrade it from one popular product in the economy segment into an umbrella brand playing across different price points, which is expected to improve its brand image and distribution coverage.

BEVERAGE CATEGORY

According to Euromonitor, beverages market comprising bottled water, carbonates, juices, energy drinks and ready-to-drink products was worth nearly VND92 trillion in 2017, and is expected to grow 13% value CAGR till 2022. Vietnamese consumers are increasingly becoming health conscious and prefer healthy drinks which has continued to drive the growth of the soft drinks market. This 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 the blue-collar sector like manufacturing, agriculture and transportation.

International players continue to hold higher market shares in the soft drinks market, due to their branding and product innovation initiatives. Domestic players are expected to continue increasing volume share and narrow the gap between off-trade value shares, as they have a strong knowledge of the tastes on local consumers and their desire to seize a higher share of growing consumer incomes.

Net revenue for Masan’s beverages segment growth 24.5% YoY compared to FY2016, mainly driven by the 54.9% increase in energy drinks to VND1,225 billion in FY2017. This growth in energy drinks was driven by increasing Wake-up 247’s availability (from 50,000 points of sale to 75,000). Given its importance as a growth pillar, Masan Consumer, through its subsidiary Masan Beverages, launched a tender offer for all of the shares of Vinacafé Bien Hoa (owner of the brand), resulting in its ownership increasing from 68.5% to 98.5% in February 2018.

Our Wake-Up 247 energy drink is one of our most successful offerings for consumers a unique and coffee-based energy drink. In 2017, Wake-Up 247 witnessed significant growth and became a VND1,000 billion brand in terms of revenue, up 54.9% compared to 2016. Wake-Up 247 is a key as energy drinks will continue to be Masan Consumer's key growth pillar in 2018 and is expected to contribute VND1,500 – 1,800 billion in terms of revenue on the back of increasing points of sale of 150,000.

II. ACTIVITIES OF BOARD OF DIRECTORS IN 2016

In 2017, 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.

In 2017, there were no transactions between Masan Consumer Corporation and members of the Board of Directors of the Company.

In 2017, the Board of Directors received no compensation.

III. 2018 FINANCIAL OUTLOOK

For 2017, Masan Consumer's focus would be on transforming its business model and practices, with a clear focus on sell-out growth and building win-win relationships within its ecosystem of suppliers and distributors. This will enable Masan to deliver strong results beginning in early 2018 and ensure sustainable growth in the medium term for our food and beverage business.

In addition, the initiative will optimize SG&A, driving profitability and providing cash flows to build power brands. The increased focus on building power brands would also change the model from "product pushing" to "brand building", created by end-consumer's demand. Margins could be impacted by expected higher input costs which will increase material costs. However, focus on innovation would help to reduce conversion and input costs, offsetting the input price pressures. In addition, superior operational execution could also minimize logistics and indirect costs, lifting EBIT margins.

In terms of product categories, the focus would be build and consolidate Masan's position within the fish sauce category in Vietnam, with expansion into In-land ASEAN as the next growth driver. With our up-trade strategy, Management expects revenue from seasonings in 2018 to reach VND6,000 – 6,500 billion.

We will focus on building premium and mainstream categories within convenience foods to generate sustainable cash flows, and building more successful brands like Omachi and Kokomi. Revenue from convenience food is expected to increase 15% to 20% in 2018 with one-third of growth coming from new product launches.

Within the beverages segment, our focus would be reaching majority market share in coffee and accelerating the growth of our beverages portfolio. Revenue from coffee is expected to increase 15%, and from beverages is 30% to 50% in 2018.

Finally, addition of a new scale category like processed meat, could add further impetus to our growth profile in the near future.

Based on these, Masan Consumer expects to deliver a 29% to 40% growth in topline for FY2018, with net profits expected to be up 45% to 59%, due to above mentioned transition from “product pushing” to “brand building” and successful new product launches.

<i>(VND billion)</i>	Plan 2018		Actual 2017	Growth Rate	
	Low End	High End		Low End	High End
Net Sales	17,000	18,500	13,214	29%	40%
Net Profit after Tax and Non-controlling interests (VAS)	3,100	3,400	2,132	45%	59%

Yours sincerely,

Ho Chi Minh City, April 13, 2018

ON BEHALF OF THE BOARD

CHAIRMAN

(signed and sealed)

TRƯƠNG CÔNG THẮNG

APPENDIX
RESOLUTIONS OF THE BOARD OF DIRECTORS IN 2017

No.	Number of the Resolutions	Date	Main content
1.	01/2017/NQ-HĐQT-MS	09/2/2017	Approving CAPEX project of Masan Industrial One Member Company Limited.
2.	02/2017/NQ-HĐQT-MS	08/3/2017	Approving the shareholders' book closing date for 2017 AGM.
3.	04/2017/NQ-HĐQT-MS	30/3/2017	Approving CAPEX budget in 2017 and the matters presented for 2017 AGM's approval.
4.	05/2017/NQ-HĐQT-MS	31/3/2017	Approving the advance of 2017 earnings from its subsidiaries.
5.	07/2017/NQ-HĐQT	28/4/2017	Approving the dissolution of Masan ĐN One Member Company Limited.
6.	08/2017/NQ-HĐQT-MS	28/4/2017	Approving the credit line of the Company provided by a bank.
7.	09/2017/NQ-HĐQT-MS	28/4/2017	Approving the credit line of the Company provided by a bank.
8.	10/2017/NQ-HĐQT-MS	18/5/2017	Approving the establishment a branch of the Company.
9.	11/2017/NQ-HĐQT-MS	19/5/2017	Approving CAPEX project of Saigon Nutri Food Joint Stock Company.
10.	12/2017/NQ-HĐQT-MS	24/5/2017	Approving the shareholders' book closing date for 2017 Extraordinary General Meeting of Shareholders.
11.	12/2017/NQ-HĐQT-MS	19/6/2017	Approving the issuance of new shares under ESOP.
12.	13/2017/NQ-HĐQT-MS	23/6/2017	Approving the change of the Chairman of the Board of Directors and Legal Representative of the Company.
13.	14/2017/NQ-HĐQT-MS	18/7/2017	Approving the increase of charter capital of the Company under ESOP.
14.	15/2017/NQ-HĐQT-MS	22/8/2017	Approving CAPEX for Oracle project.
15.	16/2017/NQ-HĐQT-MS	22/8/2017	Approving the decentralization and authorization regulation of the Company.
16.	17/2017/NQ-HĐQT-MS	22/8/2017	Approving the renewal of the facility agreement of the Company with the bank.
17.	18/2017/NQ-HĐQT-MS	10/10/2017	Approving the increase of charter capital of Masan Industrial One Member Company Limited.

18.	19/2017/NQ-HĐQT-MSC	10/10/2017	Approving the plan to increase the charter capital of its subsidiary.
19.	20/2017/NQ-HĐQT-MSC	30/10/2017	Approving the credit line of the Company provided by a bank.
20.	21/2017/NQ-HĐQT-MSC	13/11/2017	Approving the credit lines of its subsidiaries provided by a bank.
21.	22/2017/NQ-HĐQT-MSC	13/11/2017	Approving the credit line of the Company provided by a bank.
22.	23/2017/NQ-HĐQT-MSC	30/11/2017	Approving the establishment a branch of the Company.
23.	24/2017/NQ-HĐQT-MSC	30/11/2017	Approving the establishment a branch of the Company.
24.	25/2017/NQ-HĐQT-MSC	30/11/2017	Approving the establishment a business location of the Company.
25.	26/2017/NQ-HĐQT-MSC	05/12/2017	Approving the plan to increase the charter capital of its subsidiary.
26.	27/2017/NQ-HĐQT-MSC	05/12/2017	Approving that Masan Beverage Company Limited will offer to tender VCF shares.
27.	28/2017/NQ-HĐQT-MSC	15/12/2017	Approving the renewal of the facility agreement of the Company with the bank.
28.	29/2017/NQ-HĐQT-MSC	15/12/2017	Approving the advance of earnings from its subsidiaries.
29.	30/2017/NQ-HĐQT-MSC	29/12/2017	Approving the earnings allocation from its subsidiaries.
30.	31/2017/NQ-HĐQT-MSC	29/12/2017	Approving the earnings allocation from its subsidiary.
31.	32/2017/NQ-HĐQT-MSC	29/12/2017	Approving CAPEX project of Masan Industrial One Member Company Limited.