



**MASAN CONSUMER CORPORATION**  
Address: 12<sup>th</sup> Floor, Kumho Asiana Plaza Saigon,  
39 Le Duan, Dist. 1, HCMC, Vietnam  
Tel: (84-8) 62 555 660 Fax: (84-8) 38 190 463

**ENGLISH TRANSLATION**

**REPORT OF THE BOARD OF DIRECTORS  
AT THE 2015 ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders,

The Board of Directors (the “Board”) would like to report on the Board’s activities in 2014 as follows:

In 2014, the Vietnamese economy showed signs of recovery. Vietnam’s GDP grew 5.9% against the official target of 5.8% and was higher than the previous year’s. The country also achieved relatively low inflation with CPI at 4.1% and also stability in foreign exchange rates.

2014, a period when the Vietnamese economy was stabilizing, was a year of investment for Masan Consumer. We invested to increase our capacity, strengthen our brands, broaden our distribution, grow the team, and greatly enhance our information and reporting platform.

By redefining our categories, from sauces into seasoning, instant noodles into convenience foods, and going deeper into bottled beverages, we have increased our addressable market for consumer products by approximately 4 times, from USD1.1 billion to approximately USD5 billion (which does include the USD16 billion meat category).

On brand building, last year, we launched new brands to the market such as Wake-Up 247, a coffee-flavored energy drink, instant coffee Wake-Up 2-in-1, Lemona salted lemon mineral water, Nam Ngu 3 Vi granule, and a new variant of Chin-su fish sauce. These investments contributed to nearly VND1,000 billion in revenue in 2014 and created many growth opportunities for the future. Overall, 2014 was a difficult year for consumer companies, especially for new brands since consumers remained cautious with expenditures and were less likely to explore new brands. However, the Company’s increase in sales and success in new products launches suggest that our investment in brand building was sound and effective in 2014.

On the production side for 2014, after successfully consolidating Vinacafe Bien Hoa, the leading instant coffee company in Vietnam, we increased processing capacity for instant coffee by nearly 3 times with the commissioning of the new factory in Long Thanh. This factory allowed us to reduce our imports of coffee powder, improving overall margins. At Vinh Hao, after installing a modern, automated bottling line, we increased Vinh Hao’s capacity by 250%. We also broke ground to build a manufacturing hub in Nghe An province. Upon completion, our instant noodles and fish sauce capacity is expected to increase by 20% and 40%, respectively. The new hub will shorten the distance between us and our customers in the North, improving delivery time and lowering logistics costs. The new hub also allows us to develop fresher and more distinctive products to meet the specific tastes of our consumers in the North. In seasonings, we invested in a new line for soya sauce capable of meeting all of Vietnam’s consumption. We also invested to increase our capacity to produce raw fish sauce in Phu Quoc by 50%, which can be used to produce premium fish sauce.

For our distribution network, in 2014, Masan Consumer increased points of sales to approximately 230,000, of which 190,000 points of sale were for food products and 110,000

points of sale were for beverage products (taking into account some overlap). Much of the expansion came from our beverage business, which greatly enhanced our on-premise availability. Today, Vinacafe is available on Vietnam Airline's flights and Vietnam Railways' trains.

Furthermore, in order to better manage our distribution system as it grows, Masan Consumer invested heavily in a state-of-the-art Distribution Management System ("DMS") from Oracle, Siebel. We have rolled out the DMS to all of our distributors and have fully integrated it into the Company's systems. Today, all sales information flows to Masan Consumer from more than 230,000 points of sale and 2,000 salesmen across various category teams. With more standardized and timely information, we are able manage our operations more efficiently. More importantly, we can now gain insight into our customers and tailor our market approach accordingly.

In 2014, we also operated more efficiently which resulted in improved margins. From economies of scale, better raw material procurement, improved supply chain management, and greater efficiency in production, we saw gross margin increased from 42% in 2013 to 44% in 2014, exceeding the budgeted gross margin of 42.5%.

However, we also encountered some challenges in 2014. In the second quarter of 2014, new transportation regulations came into effect which reduced the maximum load trucks can carry. This resulted in ground transportation costs increasing by more than 35%. As a company that transports over one million pallets worth of products annually to distributors across the country, Masan Consumer had to restructure its logistics practices to protect margins. As a result, we were minimally impacted by the change in transportation regulations.

"Doing Fewer – Bigger" was one the Company's objectives in 2014. As a result, Masan Consumer divested from non-core activities while building up its food and beverages platform. The Company sold Masan Agri, which holds a 40% interest in animal feed company Proconco, and Minh Viet Packaging, a subsidiary that manufactures packaging materials. We invested to increase our stake in Vinh Hao and also purchased a stake in Cholimex. We also entered the processed meat business with the acquisition of Saigon Nutri Food Joint Stock Company ("SNF"), which currently manufactures sausages and canned meat. This is just a first step into the animal-base protein sector in Vietnam.

Financially, Masan Consumer achieved record revenue and net profit of VND13,098 billion and VND3,425 billion, respectively, an increase of 10% and 5%, respectively versus 2013. Due to the aforementioned efficiency in operations, gross profit increased by 15% from VND 4,999 billion in 2013 to VND 5,771 billion in 2014.

In 2014, Masan Consumer sold its ownership in Masan Agri Company which reduced income from associate. Other major corporate actions include a cash dividend of VND5,800 billion, a share buyback, and two acquisitions (Cholimex and SNF). Together with our investment in product development, brand building, new manufacturing facilities, and IT software, our average cash balance was reduced. Therefore we saw a decline in financial income, causing our earnings to grow less than our revenue.

## **OUTLOOK IN 2015**

In 2015, Vietnam's economy is expected to continue its recovery and grow. As a result, consumer confidence and spending is also expected to improve.

In 2015, we believe years of investing in our platform will begin to pay off. With increased capacity, a larger addressable market, a strong portfolio of brands, a deep distribution network, and a committed leadership team, we believe that 2015 will show great momentum for Masan Consumer.

Yours sincerely,

*Ho Chi Minh City, April 10, 2015.*

**ON BEHALF OF THE BOARD**

**CHAIRMAN**

*(signed and sealed)*

**NGUYEN DANG QUANG**