



## **MASAN GROUP CORPORATION**

8<sup>th</sup> Floor, Central Plaza, 17 Le Duan Street,  
District 1, Ho Chi Minh City, Viet Nam.

Phone : (+84 28) 6256 3862

Facsimile : (+84 28) 3827 4115

Web : [www.masangroup.com](http://www.masangroup.com)

## **ENGLISH TRANSLATION**

### **REPORT OF THE BOARD OF DIRECTORS AT 2019 ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders,

The Board of Directors (the Board) would like to report on the Board's activities in 2018 as follows:

The record-setting performance results of 2018 is a cumulation of Masan Group's efforts over the past several years, a period that saw both success and growing pains. Most importantly, 2018 sets the foundation and springboard for our 5 year growth plan. 2018 marks the start our strategic journey where we aim to "keep going" with our business buildings beliefs and our passion: to be Vietnam's pride by uplifting the material and spiritual lives of Vietnamese consumers.

Financially, in 2018, Masan Group delivered VND38,188 billion in net revenue and core net profit (excluding net one-time gains) post minority interest of VND3,478 billion, representing an earnings growth of 57.1% compared to 2017. Core profit margin increased to 9.1% in 2018 from 5.9% during the same period last year. The details and drivers of our financial results in 2018 is covered at length in our 4Q2018 earnings release and our Management Report section of our 2018 Annual Report. In this Report, we wish to provide a strategic snapshot of each business unit.

#### **MASAN CONSUMER**

After resetting our consumer centric foundation and strategy in 2017, we started to unlock value in 2018: net revenue growth of ~30% and over 200% increase in profits. We are confident about the new brands, product formats, superior innovations and enhanced go-to-market capabilities that will ensure 2018 results are sustainable.

Our premium, aspirational brands and innovations across our product portfolio are gaining momentum and will be key growth drivers going forward. Our beverage product portfolio is now approaching US\$200 million in net revenue due to fast-growing power brands and a distribution network that will soon rival our food network in depth and breadth.

There continues to be lessons learned as our incubating product portfolio lags against our internal expectations. We have not yet cracked the code, but are redeveloping the brands, innovation and go-to-market strategy for beer and processed meat products so they can move from incubation to growth categories.

The learnings from our incubating portfolio have been valuable, helping us streamline our framework to diversify into other product categories over the next 5 years.

We will, 1) focus on daily-use categories where there is an inefficiency, problem or lack of innovation, 2) enter categories only when we have sufficient capabilities to deliver breakthrough innovations and not make “me-too” products, 3) enter categories where there is already deep consumer understanding and, 4) evolve synergies with our existing distribution network.

This will save us time and enhance our success rate to win over our consumers. This will be key to deliver on our 2022 goals:

- #1 consumer innovator in the market.
- 50% of consolidated revenue and growth comes from new brands and product categories.
- US\$2 billion in net revenue and US\$400 million in net profit.

To be recognized as Vietnam’s #1 consumer company, we have to be the partner of choice in all living spaces not just the kitchen.

## **MASAN NUTRI-SCIENCE**

Our animal nutrition business declined by around 25% in 2018, in lockstep with the overall market. Despite this, our business managers did a tremendous job navigating the crisis and grinding their teeth to protect profits. Keeping our head above water gave us adequate resources to invest and protect our future - meat.

We believe meat will have the biggest impact on consumer’s lives over the next 5 years. We have invested upfront to set the new consumer standard – state-of-the-art European chill technology to fulfill quality and safety demands.

The rate of consumer conversion to delicious and safe meat has the potential to accelerate rapidly – after Masan’s entry into the domestic fish sauce market, 90% of consumers switched to safe, branded fish sauce products within the span of 3 years. We believe we have a market-changing product and unique distribution model to bring consumers a similar breakthrough value with meat as we did in fish sauce.

Our 2022 goals:

- Own 10% nationwide market share of Vietnam’s US\$10.2 billion pork market.
- Build the #1 nationwide meat distribution network, combination of self-owned flagship retail stores, modern trade and wet market.
- US\$2 billion in revenue with 50% coming from branded meats and profitability of US\$200-250 million.

There will be many challenges ahead in our meat journey, but owning an integrated supply chain will minimize business risks and volatility. In addition, our feed segment will generate profitability growth in the range of 10-15% over the medium-term, providing us with a cushion during the ramp-up period.

We started with providing nutrition solution to farmers and pigs, but our end game is to solve the meat needs of our consumers. Masan Nutri-Science is a consumer company, and our business results will also reflect this accordingly by 2022.

## **MASAN RESOURCES**

We are uniquely positioned to be a part of the technological industrial value chain, but to also influence it greatly. Tungsten is an irreplaceable element that powers semiconductor, 3-D printing, robotics, electric cars and renewable energy sector. These industries are changing the face of the world and we want to become a strategic piece of this puzzle.

We have made great strides starting from a green-field mining project to the world's largest primary APT producer outside of China. Our transformation has only just begun - going from APT producer to tungsten solution provider for industrial leaders such as Apple, Samsung, Tesla, their supply chain providers and peers.

We have realized we cannot do this on our own. As the largest ex-China primary APT producer globally, we are well positioned for strategic partnerships. We have a road map to enhance our competitiveness and market position by 2022:

- Consolidate APT tungsten market share from 36% to 50%+ by increasing our Tungsten Chemical Plant capacity to 12,000 metric tons by 2021.
- Consolidate the tungsten concentrate and tungsten recycling capabilities to ensure sustainable supply.
- Become a hi-tech global materials player by 2020.

If we can become what Intel became for the computer industry value chain in the high-tech materials space, we too will grow and generate strong cash flows throughout commodity cycles, and become a key component of industry 4.0.

## **TECHCOMBANK**

The bank's consumer-centric and ecosystem strategy has enabled it to become the #1 Joint Stock Bank and deliver 13 consecutive quarters of revenue growth. This transformation has yielded strong results, but we believe this is just the inflection point.

Techcombank has the #1 affluent customer base (35% market share) but this only represents 0.26% of the population – “mass” represents 70% of Vietnam's population, of which 90% are still unbanked.

The bank is developing the technological capabilities, product portfolio, and channel and customer engagement strategy to provide “mass” consumers a unique modern financial life solution. Only a bespoke and differentiated service model will work as consumers' needs and considerations are entirely different. I believe we will start seeing strong penetration in the mass segment over the course of 2019 and 2020.

By focusing on every customer's financial life and not just banking for the affluent and corporates, I believe the bank will continue to deliver sustainable revenue growth driven by fee income (21% of total operating income today to reach ~40-50%), industry leading return on average equity of 20%+, and a retail consumer base of at least 15 million. This is consistent with the bank's business strategy - “Low Risk-High Return” and to manage the consumer wallet.

With respect to the Board's activities, the governance and management of the Company in 2018, and resolutions approved by the Board are recorded in the Appendix attached to this report.

## **2019 AND FUTURE OUTLOOK**

In 2019, Masan aims to deliver ~20-30% growth in net revenues to reach between VND45 to VND50 trillion. Reported net profit post-minority interest is expected to reach between VND5 to VND5.5 trillion during the same period, a growth of ~40-60% compared to core profits in 2018. Over the medium term, profitability is expected to grow by 2x compared to revenue growth, with double digit profit margin, as Masan continues to ensure effective SG&A investments (~15-16% as percentage of net revenue) and fully realize interest savings of over VND1 trillion from 2018 deleveraging initiatives.

Over the next 5 years, Masan will continue to explore and invest in building a true “Consumer-Tech” platform, where consumer and technology can seamlessly interact. As Vietnam’s population becomes more sophisticated in terms of tastes and preferences, demanding safe and healthy products, growing proliferation of internet and smart-devices will create multiple touch-points between consumers and marketers. Masan will build out an omni-channel presence over the next 5 years to capture an even higher share of consumer wallet by offering a bigger portfolio of products and better services to enhance the quality of life for Vietnamese consumers.

Yours sincerely,

*Ho Chi Minh City, 12 April 2019*

**ON BEHALF OF THE BOARD  
CHAIRMAN**

*[signed and sealed]*

**NGUYEN DANG QUANG**

## APPENDIX

In 2018, members of the Board were not compensated in their capacity as members of the Board and the Board did not incur any operational expenses in accordance with the Resolution of the 2018 Annual General Meeting of Shareholders on 24 April 2018.

The Board's members in 2018 discussed and approved the material resolutions as follows:

- Transactions between the Company and its related parties.
- Organizing the 2018 Annual General Meeting of Shareholders.
- Establishment of representative office in Hanoi.
- Issuing new shares to the employees under ESOP.
- Increase of the Company's charter capital.
- Plan of sale of the Company's treasury shares.
- Issuing option to the investor with respect to the Company's shares.
- Redemption of the Company's bonds issued in 2015.
- Redemption of the Company's bonds issued in 2017.
- Investment transactions with respect to bonds, certificates of deposit, other financial instruments.
- The Group cash management policy; and
- Other matters.

In 2018, the CEO and the Management Board continued to fulfill their respective roles and responsibilities. The CEO and the Management Board strictly fulfilled the resolutions approved by of the shareholders and the Board.

A compilation of all the Board's resolutions in 2018 is set out as follows:

No.	Number of the resolutions	Date	Main contents
1.	65/2018/NQ-HDQT	28/02/2018	Approving resignation letter of Mr. Seokhee Won from Deputy CEO.
2.	99/2018/NQ-HDQT	26/03/2018	Approving transaction between the Company and its related parties.
3.	110/2018/NQ-HDQT	29/03/2018	Approving meeting date of 2019 AGM, proposed agenda and relevant matters.
4.	149/2018/NQ-HDQT	09/05/2018	Approving the establishment of representative office in Hanoi.

5.	170/2018/NQ-HDQT	23/05/2018	Approving the issuance of new shares to the employees under ESOP.
6.	211/2018/NQ-HDQT	15/06/2018	Approving the increase of the Company's charter capital.
7.	333/2018/NQ-HDQT	11/09/2018	Approving the plan of sale of the Company's treasury shares.
8.	346/2018/NQ-HDQT	19/09/2018	Issuing option to the investor with respect to the Company's shares.
9.	366/2018/NQ-HDQT	03/10/2018	Redemption of the Company's bonds issued in 2015.
10.	368/2018/NQ-HDQT	03/10/2018	Redemption of the Company's bonds issued in 2017.
11.	370/2018/NQ-HDQT	03/10/2018	Approving investment transactions with respect to bonds, certificates of deposit, other financial instruments.
12.	406/2018/NQ-HDQT	29/11/2018	Approving the Group cash management policy.