Q&A – Analyst Conference Q4/19

Chemicals:

Q: Could you explain why Polyolefin sales volume slightly declined?

A: Sales volume of 457,000 tons in Q4/19 was well within historical ranges. During the low cycle, SCG continues to focus on HVA and maintains operational flexibility to adjust to the demand landscape.

Q: Do you see any improvement on polyolefin sales volume in Q1/20?

A: We believe chemicals margin have already bottomed. We see improving sentiment on trade war. This has allowed for margin recovery seen in recent days. We continue to monitor the situation closely.

Q: Impact of China ban on single use plastic?

A: China's plastic ban policy in 2020 mainly affects common plastic bags. SCG has minimal exposure to plastic bags at approximately 1% of polyolefin volume. Our strategy continues to be to develop HVA products with a focus on durable plastics for use in circular economy.

Q: How is Customer's PE inventory before Chinese New Year?

A: Our observation inventory levels have been notably low.

Packaging:

Q: Has there been some delay in SCG Packaging's move downstream and if so what has caused it?

A: There has been no delay. Our priority is to solidify our upstream position in each of the market we operate. Our decision to go downstream is dependent upon market's condition and readiness, as well as returns expectation. We also place emphasis on the integration of service and solutions in building out our regional platform.

Cement – Building Materials (CBM):

Q: What are the government infra projects that are in the pipeline and what would be the impact from the delay in government's budget approval?

A: The delay in budget approval is likely to keep the lid on domestic cement demand growth. We expect this to be most pronounced in the first half of this year following the delay in budget approval. That said, we expect demand to accelerate in the second half of 2020 and there are still committed government projects in the pipeline over the next 4-5 year. Taking all factors into consideration, we expect cement demand to be stable in 2020 vs. 2019.

Q: What is the outlook of Cement and Building Materials Business with regards to production cost in 2020?

A: We expect cost level to drop slightly in 2020 driven mainly by efficiency improvement projects. We have an additional solar power project starting up in 1H20. This is designed for SCG's own consumption which should help reduce electricity purchase from external sources.