<u>Q&A – Analyst Conference Q2/20</u>

<u>CBM</u>

Q: Outlook on Cement demand in Thailand and ASEAN for 2H20?

A: In Thailand, without the 3 additional working days in April from the cancellation of Songkran holiday, cement demand would have been flat.

In terms of each demand segment;

- Infrastructure: We believe that government spending will continue both in megaprojects and small projects for villages.
- Commercial: We expect this segment to remain weak due to poor business sentiment, lack of international tourists due to the ongoing Covid-19 lockdown, and weak consumer spending.
- Residential: Demand from property developers remains weak due to the same reason as commercial segment. This is particularly true for condominium builders. Meanwhile, demand from self-build middle-class homeowners could continue. Within residential segment, area of growth is likely to come from home improvement, maintenance, and renovation amid Covid-19 pandemic. By offering service solutions, SCG believes we can grow in this segment.

In other countries: Demand in Cambodia is still growing whereas demand in other countries will likely be weak because of the impact from the Covid-19 outbreak.

Q: Will there be more impairment cost in Cement industry especially in Indonesia or Myanmar due to weak demand?

A: This will depend on auditor's evaluation in any given quarter. The impairment done in Q2/20 was mainly due to the impact from Covid-19 pandemic.

Q: The drop in Fajar's volume is mainly due to COVID-19 or other reasons?

A: Covid-19 pandemic in Indonesia was the main reason behind volume decrease at Fajar. However, on consolidated basis, SCG Packaging's volume still grew YoY in Q2/20 from the consolidation of Fajar in Indonesia as well as Visy in Thailand. To offset weak demand in Indonesia, we can also export which enabled capacity utilization to remain high.

Q: Could you provide further clarity on cement impairment of your Indonesia Asset?

A: Situation in Indonesia from the lockdown is not good at the moment. The construction demand has shrunk. In terms of impairment, we have to assess the outlook of the business. The asset we impaired in Q2/20 is Ready mix concrete.

<u>Chemicals</u>

Q: We are continuing to see prices move up in recent weeks even though Naphtha prices are stable. Could you explain why and can you also elaborate where do you see capacity coming in 2H20?

A: The direction of chemical prices will depend on demand and capacity addition in the 3rd quarter. Supply wise, we are seeing about 1.5 – 2 million tons in additional capacity.

<u>Packaging</u>

Q: What was the organic demand growth in polymer packaging in 2Q20 and if we exclude plant in Vietnam and Visy consolidation, what would be your volume growth in 2Q20?

A: Demand growth mainly came from the export and plant expansion in Vietnam. If we excluded Visy, the existing operation would still be growing especially in flexible packaging (direct contact with food). Additionally, we have rigid packaging that grew on increased demand from the healthcare segment with Covid-19 pandemic causing a surge in sales of products such as alcohol gel.

Q: We saw big drop in margin in Fibrous chain business, is this temporary drop due to Covid-19 or is this something structural?

A: The margin drop seen in Q2/20 was due to the Covid-19 pandemic. Schools and universities were closed and more people started to work from home. Consequently, consumption of printing and writing paper dropped sharply. Thankfully, the Fibrous chain team implemented cost savings measures that helped mitigate demand weakness. And amid Covid-19 pandemic, we saw growth in demand for tissue paper which is part of the Fibrous chain.