

## **Q&A Summary 1Q22 Analyst Conference**

### **Chemicals**

#### **Q: Could you please elaborate more on Chemicals' planned maintenance in Q2/22?**

A: In Q1/22, we have built some inventories in anticipation of the upcoming planned turnaround of our polyolefin plant in Q2/22. The estimated impact on polyolefin sales volume from the planned turnaround would be approximately 35,000-40,000 tons. The overall situation relating to our operating rate and peers in the 2<sup>nd</sup> quarter will be closely monitored amid increased market volatility this year.

#### **Q: Could you please provide information on SCGC's expansion strategy including that for PVC?**

A: SCGC is uniquely positioned as the only integrated polyolefin players with a strong presence in the 3 largest economies in ASEAN, namely Indonesia, Vietnam, and Thailand. Given good growth in these markets, SCGC sees opportunity to expand our capacity. We also plan to strengthen our PVC position via upstream integration.

#### **Q: Does the delay of capacity start up in China include polyolefin capacity, or is it just the upstream complex? Can this offset expected capacity addition this year? Could you comment on what the demand will look like next year when LSP begins commercial operation?**

A: We see significant PP capacity addition in 2022 which is higher than 2021 and 2023. For PE, capacity addition in 2022 is less than that in 2021 while capacity addition in 2023 will be even less. Some capacity additions we see in 2022 were postponed from last year due to the Covid-19 pandemic. However, in 2023 we expect supply to tighten with less capacity addition.

#### **Q: What is the target capacity for Bio or Green chemicals? Does it include recycled capacity or only bio-plastic?**

A: Accelerating green polymer platform is one of the four growth pillars SCGC has outlined. Within this segment, we now have mechanical recycling capacity in the E.U. which will be undergoing expansion shortly. We are working with Braskem to assess the feasibility of building a sizeable bio-plastic capacity in Thailand at around 200,000 tons. And we are in working with our partner to scale up our advanced recycling capability.

#### **Q: For LSP project in Vietnam, what is the breakeven utilization rate of the plant? What kind of cost increase in terms of depreciation, interest expense, and operating expense should be expected from the project?**

A: We capitalize the LSP's development cost until we announce commercial operations. Thus far, LSP's construction cost is within budget as we benefit from having locked in key cost components at an early stage. We are confident about the LSP's competitiveness given its flexible feedstock configuration. In terms of OPEX excluding feedstock, it is in the same range with our Thailand-based complexes. Depreciation should be calculated using 30-year time period. The project's investment cost is US\$5.4 billion with debt-to-equity profile of 1:1. Half of the LSP's interests rates have already been locked which provides some comfort amid rising interest rate environment.

### **Cement-Building Materials**

#### **Q: Could you provide the guidance about the potential impact from higher diesel price into the operations and earnings impact from weaker Thai Baht?**

A: Based on the government's plan to raise the capped diesel price from Bt30/liter to Bt35/liter, Cement-Building Materials business transportation cost is expected to increase by about 15%. That said, this increase in cost can be passed on to the customers as it is the customers who pay for the delivery of our products.

In terms of Thai Baht depreciation, SCG earns a significant portion of its revenues in US Dollar and stands to benefit from Thai Baht depreciation.

### **Financial and CAPEX**

**Q: Why is planned CAPEX for 2022 lower compared to what SCG guided earlier in the year? Your CAPEX in Q1/22 is also low.**

A: Given increased uncertainties from the Russia-Ukraine conflict and significant energy price volatility, we have decided to be prudent in our expenditure even as our liquidity is high and our balance sheet is robust. In addition, some projects were delayed, but some were continued and accelerated such as the construction of the LSP as well as the acceleration of alternative fuel use.

**Q: How much would be CAPEX spending on LSP in FY2022 and Q1/23?**

A: CAPEX for the LSP accounted for about half of Q1/22 capex. The remaining CAPEX for the project is approximately 50 billion THB.

**Q: Given that some of SCG's projects might be reviewed, could you please comment on PVC and LSP2 investment plan?**

A: Since both the PVC and LSP2 are part of SCG's strategic direction, SCG intends to continue pursuing downstream and backward integration. We however note that the LSP2 is in the feasibility study phase, hence there will not be a significant CAPEX in the near-term.

**Q: Since Cement-Building Materials business is undergoing transformation, what is the traditional cement business' size compared to overall Cement-Building Materials business? And what is your future target? Should one consider Cement business as cash cow or growth business?**

A: Cement business accounts for approximately 60% of SCG Cement-Building Materials, and this is our Cash Cow business. We also have 3 areas of growth including Service Solutions, Retail, and Logistics.

**Q: You mentioned that on your price adjustment, some customers accept readily while some hesitate. Could you give more details on which industry are struggling to accept your price hike?**

A: Project-based customer that they've already committed to total project cost may have a tough time accepting cost increase. Meanwhile, developers who move faster and are active in certain property segments may be more willing to accept our product price increase and try to sell their products on new cost base. For the industrial customers, those whose purchases from us make up a small portion of their total cost will have a relatively easy time accepting our cost increase. Example includes those in the packaging industry.

### **ESG**

**Q: What is your view on Carbon Capture, Utilization and Storage (CCUS) investment?**

A: Currently, Carbon Capture, Utilization and Storage (CCUS) has relatively high cost. SCG has been exploring this technology. We believe it would take a few years for this to be viable. Meanwhile, SCG has made good progress on the use of alternative fuel which helps with carbon reduction.