

Summary of Q&A – Q3/17 SCC Analyst Conference

Cement – Building Materials

1) What is the outlook for the Thai cement business?

Prices are relatively stable, with growths in the bulk segment from the government sector. At the same time, we are seeing a gradual growth trend from the private sector that is gradually improving in terms of home pre-sales and the retail-trade.

2) How much of the coal requirement for 2018 has been secured?

Approximately 75% of the 2018 coal volume has been secured, with slightly higher y-o-y cost.

3) What is the outlook for SCG's regional cement plants?

Overall, there is expected to be increased competition in all of the countries, which will result in slightly lower market prices of cement.

In Vietnam, we expect volume from Northern Vietnam to continue to move towards Southern Vietnam, and generally bypass the central market. In Cambodia, the increased supply there will be limited to the border town, and distribution channel is required for sales in Thailand. For the Indonesian market, there is good demand pick-up from the government sector in Java, and is likely to continue. In the Myanmar market, the market growth has been impacted by the high prices for construction steel, and the situation may improve in 2018.

In the meanwhile, it takes a year or so for SCG's cement plants to ramp up capacity, and is now 70-80% on average, across the board.

4) How do we see the highlight and outlook of logistic & others, and RMC?

The growth of logistic and others was from increased trading sales of non-SCG products. On RMC, the trend is from government related projects.

Chemicals

5) What is delaying the decision on LSP?

We are reviewing the completion of LSP's financing package. This was to be finalized at the end of 2017, but it looks to be more towards early 2018 at this time, as there are numerous parties involved in the package decision.

6) How do we see the chemicals outlook for 2018?

In light of the 8.5 million ton C2 addition in 2017, PE-naphtha margins have dropped to below \$700/ton. For 2018, we see approximately 7.5 million ton in additions, which implies that the margins situation will not get worse, while demand continues to improve. Hence, we do not see trough conditions in the coming years. For 2017 and 2018, we have factored in the new shale gas based capacity from the US. On Iran, there is the recent 2.5 million ton cracker start-up, while future efforts will depend on the sanction efforts of the US.

7) How about PE vs PP?

PE is expected to be steady in 2018, while PP could only get better due to decreasing supply in the coming years.

8) How is SCG managing the net-short position of C2 and C3 products? What about the effect of higher LPG pricing?

We try to import 5,000 – 10,000 tons per month, on average. There are also periods where we do not import any, as downstream margins are too low.

On LPG, currently we use very little of it, as it does not make sense, relative to naphtha.

Others

9) What is the FX sensitivity for SCG, and will SCG hedge its position?

The effect towards the bottom-line is approximately 600MB per quarter, or 2,400MB annually.

With this in mind, we are monitoring the situation closely.