

Summary of Q&A – Q2/18 SCC Analyst Conference

Cement – Building Materials

1) What is the driver of the domestic Thai cement demand?

The main driver is related to the government infrastructure projects, which were started in 2017 and are now progressing better in terms of cement consumption in 2018. In the residential segment, it is the developers' construction activities began in 2018, following their pre-sales growth last year.

2) How do we know that the cement market in Thailand has stabilized?

Percentage wise, there is y-o-y growth, while the producers are able to pass on the price increases as a result of higher coal prices. Once the market can absorb such rising price, it can be the sign that market is stabilizing. However, cement market in Thailand still in condition of "wait and see".

Chemicals

3) Will LSP start up during the trough, and how can it be competitive?

We expect LSP to be competitive over the cycle, and attribute this to its flexible feedstock that makes LSP being in the best cost competitiveness and economies of scale.

4) How much of the feedstocks is currently from LPG vs naphtha?

We are currently running at 15-20% LPG, and plan to expand this with non-Thai LPG from Q3/18 onwards as facility was back on track.

5) On the MOC expansion, how is MOC able to use propane and produce its olefins products?

MOC is a highly flexible cracker which has the metathesis technology to recycle products to produce both ethylene and propylene.

6) Related to the US-China trade frictions, have we seen any movements from the US producers or the global customers?

This is very early, and we have yet to see any movement. There are some signs of lower orders of commodity grade PE, while we are more focused towards the HVA PE pipe grades. On the customers' side, inventory levels are still normal, with no signs of destocking. Of course, this depends on the future developments between the two sides.

7) With rising PTA margins, will SCC restart SCC's idle capacity?

The current run up in PTA margins, is just the beginning and doubt if long-lasting, and will depend on the reaction of new supply which has lower barrier to entry and quick response time. It does not take too long to construct a new PTA plant, which are now very large at 4 million tons per plant. However, such spike margin should not be the point to expand PTA capacity.

8) On the current HDPE margins, is difference between margins in Asia and in N. America structural?

We hope that is the sustained structural case, as there is high Chinese demand for PE pipes for its gas infrastructure projects. This is why HDPE margins are healthy in Asia.

Packaging

9) Why are margins still healthy, and what is the packaging dynamics for Vietnam?

The supply of products remains tight, while customers' demand is still steady. In addition, we continue to invest in efficiency projects or cost push in certain areas to maintain margins. On Vietnam, there are exports from Vietnam to China, while we also see signs of Chinese producers setting up operations in Vietnam to serve the market in China.

HVA

10) Has SCC's HVA percentage of sales stalled at the current level?

We are raising the bar in terms of HVA products, innovation and services. This is why we are setting up R&D centers in the EU, the UK, and Norway (especially Chemicals and Packaging business). However, it is even more challenge to develop differentiated products for CBM, so we shift to enter into the concept of services (construction solution base, synergy of logistics & supply chain) which will begin to show results in a few years from now. More effort is to do application based services and be closer to the customers. As such, this is why we are showing financial results which are higher than the average of our peers. Lastly, this also takes into consideration of movement towards the digital transformation platform.