

Q&A Summary 3Q20 Analyst Conference

Chemicals

Q: How does the company prepare to sustain sales, margins and volumes after the MOC shutdown in 4Q20 particularly in PE, PP and PVC? What will demand prospects be in 2021 after vaccine release?

A: In 4Q20 we have 45 days turnaround so the volume is about 120,000-130,000 ton. Margins will depend on many factors. We do believe that demand from China and India is quite ok. However there will be some additional supply as well.

If vaccine for Covid-19 is successful, the sentiment should be better. In terms of the real demand, we will have to see which sectors will come out of the difficulties first.

Q: What drove the company's decision make an investment in AJ and what is your strategy to enhance the sustainability of product margins?

A: Since 2014 we have produced BO film with Japanese partner and especially for the packaging film. From our observation, during COVID-19 pandemic, the growth in demand for packaging film especially BOPP and other PE film has been robust.

One of the things this investment allows is for us to focus on the development of Mono Material and coating that we can improve the property and recyclability of the film. This should help support product margin. We see 6-7% growth in demand per annum in Vietnam.

Q: Why SCG Chemicals acquired AJ instead of SCGP?

A: BOPP is an intermediate product or film used to produce flexible packaging. Users of BOPP are packaging companies. Our plan is to build a scalable operation and sell BOPP film to many packaging customers. Producing BOPP film fits more with SCG Chemicals which focuses on business-to-business transactions than with SCGP which focuses more on business-to-business-to-consumers. The BOPP film capacity we plan to build in Vietnam is also significantly larger than SCGP's annual consumption of this product.

Q: How big of the capacity of AJ? And how potentially big of the Vietnam project?

A: We plan for 25,000 TPA capacity in BOPP in Vietnam. As for AJ, it is a publicly traded company, and analysts can check directly with the company on its capacity.

Q: How much of the overall investment in Vietnam cracker? And progress?

A: Total project cost is \$USD 5.4 billion. In 2018, we secured 100% of the loans needed for the project. Initially, we proceeded with equity upfront which we believe is prudent. Currently, the progress is about 55% which is in-line with our plan.

Q: How long do you expect the strong PE and PP spreads will sustain given that supply is coming in 4Q? And how much is the new supply you expect in 2020 and 2021?

A: We still see some good demand but at the same time we see additional supply on the horizon. In this situation, we have to manage our sales, cost and operation as well as speed up HVA products and put a lot effort in cost saving projects. We do our best to deliver good performance.

CBM

Q: CBM's EBITDA margin is quite good. Will it sustain?

A: We can sustain EBITDA margin at least until next year with more and more efficiency improvement projects such as:

- 1) Digitization, automation and ID4 for the manufacturing areas in order to improve operation and production.
- 2) Energy saving projects such as solar farm and solar roof
- 3) Cost optimization in non-manufacturing functions using RPA to reduce the expenses and consolidate the overall process

FINANCIAL

Q: What is the plan for capital allocation in 2021 and 2022?

A: Early this year, our plan was 70 billion Baht capex for 2020. Due to the Covid-19 pandemic, we put strong brake on our CAPEX. As you can see the business performed much better than expected, so we continue to proceed and speed up the CAPEX to about 60 billion baht for this year. Going forward, we would be looking for growth opportunities, both organic and M&A.