

## Q&A Summary 4Q20 Analyst Conference

### Chemicals

**Q: The conventional way of producing chemicals feedstock factors in oil price of around \$50/bbl currently. If oil price were to rise to US\$60/bbl, would this be more beneficial to your Chemicals Recycling project's return? In your cost estimate, do you include cost of collecting waste in your assumption? Do you have target to scale up this project in the future?**

A: Many European petrochemicals players have announced their recycling technologies, mostly using pyrolysis (technique of using heat to transform plastic waste into renewable feedstock). SCG's technology uses pyrolysis mixed with catalytic. This enables us to use less heat in the feedstock production process, resulting into relatively lower conversion cost.

We need 3-6 months to complete our test and evaluate the scalability of the project. Our cost calculation includes costs related to waste procurement. Compared to conventional feedstock, indications suggest our chemicals recycling cost is quite competitive.

In terms of values, many brand owners in various countries have announced requirements for recycled materials to be used in their product packaging. We see good prospects for chemicals recycling.

**Q: Do you have any plans for BST to increase capacity as current margin for NBL is high and market is very tight?**

A: As BST is our associate company, hence we cannot comment on this. We can confirm NBL demand has been quite strong.

**Q: What are sources of raw materials go to your chemicals recycling plant? Same as PET bottle? Do you plan to import raw materials from outside to feed this plant?**

A: We collaborate with communities and partners to collect waste and ensure we have enough waste to feed our recycling plant. Our technology does not require the waste procured to be sorted and cleaned, thus the quality of domestic or ASEAN waste is acceptable.

**Q: How scalable it is? What will be the limitation to step up chemicals recycling capacity?**

A: We need 3-6 months to complete our test and will update analysts and investors.

**Q: What is the percentage of recycling product capacity to your total CAPEX allocation? (Given LSP is 50% of total CAPEX)**

A: If the testing goes well, we plan to expand chemicals recycling plant in ASEAN as well.

**Q: How do you determine at which scale of recycling plant would be profitable? Do you have any competitors doing this with similar or different technology?**

A: We use modular concept so we can expand module by module. Not many players are using the same technology as us.

**Q: Outlook on polyolefins supply landscape in 2021 and impact to product prices and spreads?**

A: We will see additional supply coming up this year. However, the creation and distribution of COVID-19 vaccine, global relief and recovery are also in sight. This means we will also see improvement in chemicals demand. SCG will have to monitor the situation closely.

**Q: Could you share the Container shortage situation? How has the shortage impacted PE price?**

A: This shortage has played a role in supporting PE prices. In terms of impact mitigation, if sellers manage containers well, they should still be able to push and sell products and neutralize impact from the shortage situation. At the same time, buyers will have to secure their raw materials and ensure they have enough supply for own production.

#### **CBM**

**Q: Where will you add another 27MW? AND If you build solar panels to replace green areas, how does carbon reduction count?**

A: A typical solar farm needs 7 Rai of land (approximately 2.8 acres) per 1 MW. Currently, we are utilizing our own land beside factory areas that used to be stockyards. Hence, we are not replacing green areas with solar. We also use Building Information Modelling (BIM) technology to decide where the solar farm should be installed. This will allow us to maximize self-generated power.

**Q: How much existing power consumption comes from Solar energy or renewable? And any long term target?**

A: For solar capacity, we had 67MW in 2020 and this year will add another 27MW. We have 110MW from Waste Heat Generation. This means we will have approximately 200MW in total by 2021. We also plan to fully convert factory roof to solar roof.

**Q: Outlook for cement seems to be weaker for longer, therefore, are there any other impairments can we expect in the future? Are there any tax benefit for the impairment?**

A: On asset impairments, we adhere fully to accounting standard. If we see any signs, we will do the testing and make impairment as necessary. On the other hand, if the outlook and situation improved, there would be less impairment. There is no tax benefit on the impairment.

**Q: Could you share cement demand outlook?**

A: COVID-19 and tourist areas (ie. Phuket or Chiangmai), market is still weak, while other areas is improving especially in retail and wholesale sectors.

New condominium sector will be slowdown till 2H/21 whereas townhouse segment is picking up gradually. Finally, we have seen the government project is very strong. The proportion of government projects will be more on Building segment such as hospital. This will be an opportunity for CBM business.

**Q: COVID-19 did impact to many countries in ASEAN but why the impairment happened only in Indonesia?**

A: The Indonesian market had been experiencing slowdown even before the COVID-19 occurred. We continue to see impact from the ongoing lockdown today.

## **FINANCIAL and HVA**

**Q: Due to the spin-off of SCGP, SCG's gearing has dropped and its debt capacity increases quite a lot. Could you comment on the capital management strategy or the direction of future CAPEX?**

A: We have a disciplined process to balance risk and growth. In pursuing growth, our strategies and focuses are as follow:

- Packaging (SCGP): Growth be driven by the expansion of successful T-model strategy which will be rolled out in other countries in ASEAN.
- Chemicals: Capacity increase, expansion of HVA product offerings, and chemicals recycling are the focus.
- CBM : Emphasize on the transformation to and enhancement of Omni Channel, Retails and sales of Services & Solutions.

**Q: Your new definition of HVA products reduces the shelf life of a HVA product to 3 years. Is this long enough to get the pay back?**

A: Our policy is aimed at encouraging continuous development of HVA products. All SCG businesses have to find a way to come up with new HVA offerings. This is not related to the Pay-back as we still have the same hurdle rate as before.