

Management Discussion and Analysis
Q4/2023 and FY2023
(Audited)

The logo for SCGP, with 'S', 'C', and 'G' in blue and 'P' in red, set against a background of a city skyline and people.

Executive Summary

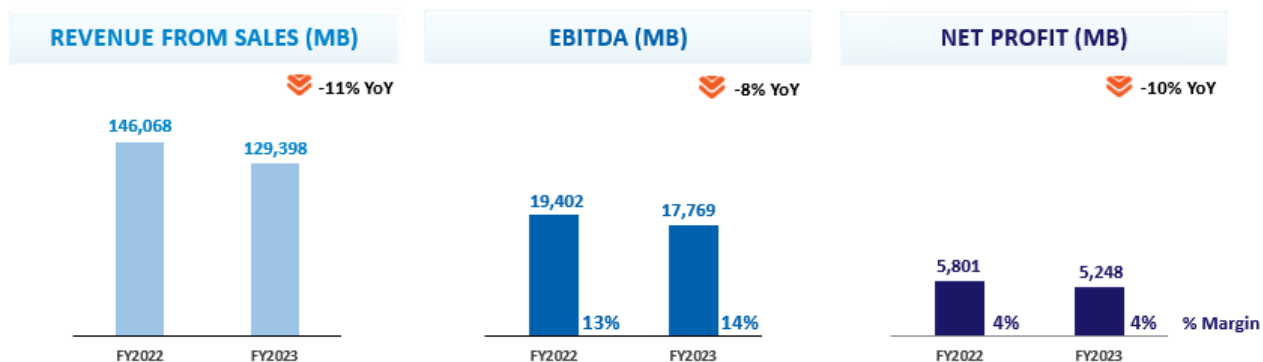
In 2023, packaging demand sequentially rebounded particularly in consumer-oriented sectors such as food, beverages, and household products, driven by domestic consumption in ASEAN. This upturn was propelled by the recovery of service sector and the revival of tourism activities. The reopening of China's economy also played a significant role in alleviation of supply chain disruptions. Favorable factors from global rise of demand for essential goods, along with effect from export ban of agricultural products in other countries, have supported the growth of certain ASEAN exports, including frozen food, canned food, processed food, fresh fruits, and rice.

However, slower than expected economic recovery in China as well as high inflation and interest rates in Europe were key factors that limit purchasing power and hindered ASEAN's durable goods exports, notably in electronics, automotive parts, furniture, garments, and footwear.

Stiff competition and excess supply led to persistent product price pressure, particularly in Indonesia's packaging paper industry. Regional selling prices in both domestic and export markets of pulp and packaging paper reached their bottom point before started to pick up at the end of 2023. Meanwhile, prices of consumer packaging were more stable due to resilient demand especially for daily-consumption products

Major cost movement, on a YoY basis, indicated improvement, including freight from higher container availability in the supply chain while raw materials and energy costs were lower in the midst of weaker economy. Nonetheless, geopolitical conflict in the Middle East which arose in the latter part of the year have led to volatility in global freight cost and route management.

SCGP's 2023 performance highlights



Total revenue from sales was 129,398 MB (-11% YoY).

- YoY decreased from lower sales volume and product prices, especially from packaging paper and pulp amidst slow global and regional economic recovery.

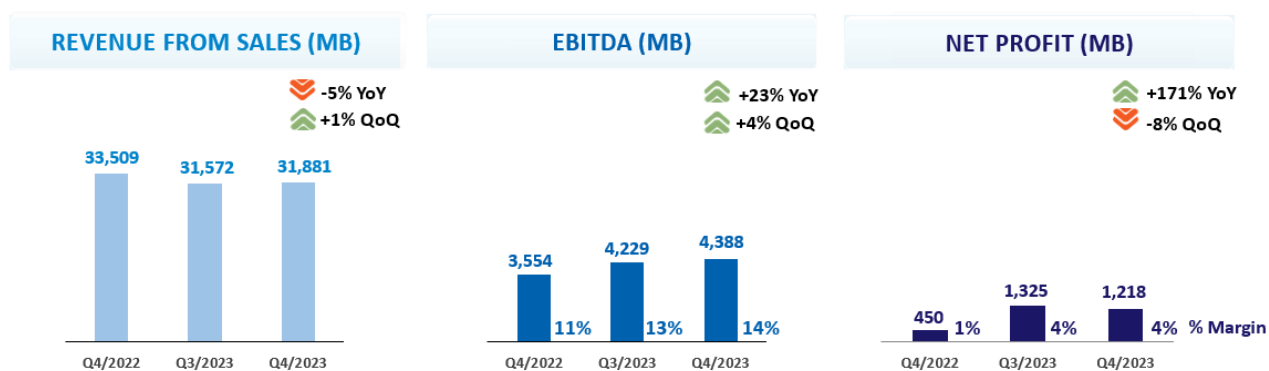
EBITDA recorded at 17,769 MB (-8% YoY) with EBITDA margin of 14%.

Profit for the year was 5,248 MB (-10% YoY) with net profit margin of 4%.

- YoY decline was primarily caused by a decrease in sales volume and selling prices in alignment with revenue. However, overall margin was maintained as a result of continued efforts in cost reduction and operational excellence.

For packaging industry in Q4/2023, demand increased QoQ, primarily from domestic market for food, beverage, and consumer goods enhanced by year-end festivities and tourism activities. Exports of specific segments such as frozen food and pet food also improved while non-essential products such as consumer electronics, garment, and footwear remained stable. Moreover, long holiday affected manufacturer’s operation rate especially in Thailand and The Philippines.

SCGP’s Q4/2023 performance highlights



Total revenue from sales was 31,881 MB (-5% YoY and +1% QoQ).

- YoY drop was due to lower regional market price of packaging paper amidst slow economic recovery especially in China. In addition, exports of non-essential goods from ASEAN remained stagnated as consumer spending was mainly allocated to essential expenditures.
- QoQ increased by positive demand in consumer-linked segment during the year-end festivities, ASEAN export recovery particularly for food products and sales volume improvement of packaging paper in Indonesia. Nonetheless, year-end holidays led to lower number of operating days for business sector.

EBITDA reported at 4,388 MB (+23% YoY and +4% QoQ) with EBITDA margin of 14%.

Profit for the period was 1,218 MB (+171% YoY and -8% QoQ) with net profit margin of 4%

- YoY profitability improved from higher sales volume of all business segments, capacity expansions in consumer packaging, and effective cost management throughout the value chain.
- QoQ profitability decreased was from higher finance cost, depreciation, and tax expenses.

Annual dividend payment

In consideration of the FY2023 financial performance, the Board of Directors has proposed for shareholder approval at the Annual General Meeting (AGM), a full year 2023 annual dividend payment of 0.55 Baht per share, of which 0.25 Baht per share was previously paid as an interim dividend on 22 August 2023. The final dividend payment of 0.30 Baht per share will be on 22 April 2024, record date of 3 April 2024, and XD-date of 2 April 2024.

Table 1 - SCGP's Consolidated Financial Statements

Unit: MB

	Q4				Jan - Dec		
	2023	2022	%y-o-y	% q-o-q	2023	2022	%y-o-y
Operating Results from Consolidated Financial Statements							
Revenue from sales	31,881	33,509	-5%	1%	129,398	146,068	-11%
Integrated Packaging Business	23,951	25,253	-5%	2%	97,044	117,219	-17%
Fibrous Business	6,119	6,240	-2%	-1%	24,894	24,273	3%
Recycling Business	1,811	2,016	-10%	0%	7,460	4,576	63%
Cost of sales	26,179	28,625	-9%	1%	106,274	121,791	-13%
Gross profit	5,702	4,884	17%	2%	23,124	24,277	-5%
<i>Gross profit margin (%)</i>	<i>18%</i>	<i>15%</i>			<i>18%</i>	<i>17%</i>	
Distribution costs and administrative expenses	3,887	3,770	3%	2%	15,684	16,039	-2%
EBITDA	4,388	3,554	23%	4%	17,769	19,402	-8%
<i>EBITDA Margin (%)</i>	<i>14%</i>	<i>11%</i>			<i>14%</i>	<i>13%</i>	
Profit for the period	1,218	450	171%	-8%	5,248	5,801	-10%
<i>Net profit margin (%)</i>	<i>4%</i>	<i>1%</i>			<i>4%</i>	<i>4%</i>	
Earnings per Share (Baht)	0.28	0.10			1.22	1.35	
Core Financials							
Core EBITDA	4,378	3,666	19%	4%	17,642	19,240	-8%
Core Profit	1,215	628	93%	-7%	5,146	5,768	-11%

Note:

Revenue from sales by business = Revenue from sales after inter-segment elimination basis

EBITDA = Earnings before finance cost, tax, depreciation and amortization
(excluded dividend from associates and included FX gain/loss from loans)

In 2023 and 2022, dividend from associates were 9 MB and 11 MB, respectively.

Profit for the period = Profit for the period attributable to owners of the Company

Table 2 – Non-operating Items Adjustment for Core Profit and Core EBITDA

	Unit: MB			
	Core Profit		Core EBITDA	
	Q4		Q4	
	2023	2022	2023	2022
	1,215	628	4,378	3,666
Key Items				
1) FX Gain/Loss from Loan, Derivatives and Investment	15	(117)	17	(200)
2) Company restructurings	-	-	-	-
3) Changes to local regulations	-	(118)	-	12
4) Expenses related to M&Ps transactions	(20)	(8)	(20)	(7)
5) Others	8	65	13	83
Total	3	(178)	10	(112)
Profit for the period and EBITDA	1,218	450	4,388	3,554

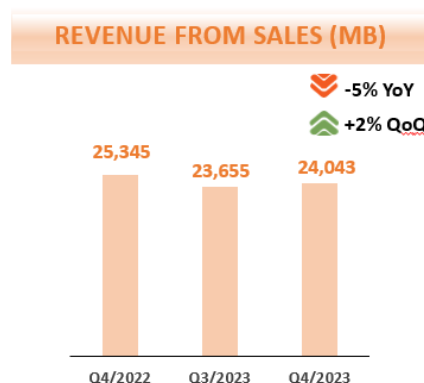
Key analysis on Core profit and Core EBITDA

In Q4/2023, SCGP's Core EBITDA was recorded at 4,378 MB (+19% YoY and +4% QoQ), and Core Profit was 1,215 MB (+93% YoY and -7% QoQ). The above adjustment shows key non-operating items that affected SCGP's EBITDA and profit for the period. Key item for Q4/2023 came mainly from FX gain from loan, and M&P transaction costs.

Operating Results by Key Business Segments

Integrated Packaging Business (IPB)

Q4/2023 performance (Before inter-segment elimination)

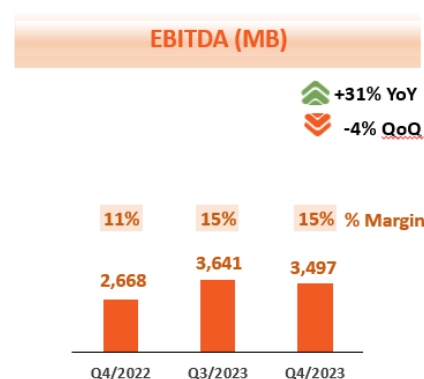


Revenue from sales recorded at 24,043 MB

- YoY, IPB revenue decreased by 5% mainly as a result of weaker regional price of packaging paper although there was improvement on sales volume.

- QoQ, IPB revenue increased 2% primarily driven by solid demand in consumer staples and consumer discretionary products e.g. processed foods, personal care, and pet foods. The increase in demand was supported by tourism & slight recovery

of export sector especially in Thailand and Vietnam. Furthermore, there were favorable factors contributing to the rise in consumer packaging demand including Lunar New Year preparation in Vietnam and the upcoming general election in Indonesia along with improvement of packaging paper's sale volume in Indonesia for both domestic (+8% QoQ) and export (+62% QoQ).



EBITDA recorded at 3,497 MB with EBITDA margin of 15%. Profit for the period was 1,183 MB.

- YoY, EBITDA increased by 31% and profit for the period increased 131%. EBITDA and profit significantly improved YoY mainly from higher sales volumes of packaging paper with low base in Q4/2022. Additionally, the enhanced profitability was achieved through strategic cost optimization, specifically raw materials and energy cost management. SCGP committed to

operational excellence by prioritizing initiatives such as the usage of data analytics and Artificial Intelligence (AI) to optimize energy & steam consumption and production processes. The company also strives to diversify its sources of raw materials to ensure a reliable supply and maintain a competitive cost position.

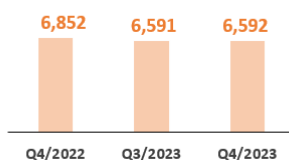
- QoQ, EBITDA and profit for the period dropped 4% and 17% respectively from the before-mentioned increase in finance cost, depreciation, and tax expenses. Nonetheless consumer packaging segment still demonstrated a sequential improvement in profitability thanks to SCGP's unwavering development to deliver innovative products and packaging solutions that effectively meet the evolving demand of its customers.

Fibrous Business (FB)

Q4/2023 performance (Before inter-segment elimination)

REVENUE FROM SALES (MB)

- 4% YoY
Flat QoQ



Revenue from sales recorded at 6,592 MB

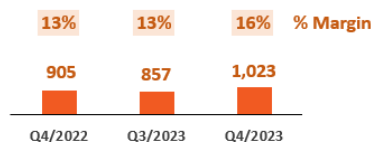
- YoY, decreased by 4% from weakened market prices across all product categories particularly pulp prices.

- QoQ, flat, with lower sales volume of foodservice packaging in the midst of fewer outdoor activities during the winter season in Europe. However, there was a notable increase in sales volume for graphic paper and copy paper, linked to the high season of publishing events such as the production of new year calendars and diaries.

Additionally, there were improvement in sales volume and price of pulp, driven by increased demand in global garment and textile industry.

EBITDA (MB)

+13% YoY
+19% QoQ



EBITDA recorded at 1,023 MB with EBITDA margin of 16%. Profit for the period was 366 MB.

- YoY, EBITDA and profit for the period were up 13% and 242% respectively mainly due to improvement in sales volume of foodservices packaging and paper.

- QoQ, EBITDA and profit for the period improved by 19% and 61% respectively mainly from pulp operation in alignment with higher revenue along with the resumption of production from the major annual maintenance undertaken in Q3/2023.

major annual maintenance undertaken in Q3/2023.

Table 3 - Operating Results by Business Segment (Before inter-segment elimination)

Unit: MB

	Q4				Jan - Dec		
	2023	2022	%y-o-y	%q-o-q	2023	2022	%y-o-y
Revenue from Sales							
Consolidated SCGP	31,881	33,509	-5%	1%	129,398	146,068	-11%
Integrated Packaging Business	24,043	25,345	-5%	2%	97,363	117,524	-17%
Fibrous Business	6,592	6,852	-4%	0%	26,835	26,928	0%
Recycling Business	2,134	2,254	-5%	4%	8,669	4,814	80%
Intersegment Elimination	(888)	(942)	6%	-21%	(3,469)	(3,198)	-8%

	Q4				Jan - Dec		
	2023	2022	%y-o-y	%q-o-q	2023	2022	%y-o-y
EBITDA							
Consolidated SCGP	4,388	3,554	23%	4%	17,769	19,402	-8%
Integrated Packaging Business	3,497	2,668	31%	-4%	14,419	14,729	-2%
Fibrous Business	1,023	905	13%	19%	3,835	4,066	-6%
Recycling Business and Others	131	248	-47%	n.a.	3,290	4,386	-25%
Intersegment Elimination	(263)	(267)	1%	-1%	(3,775)	(3,779)	0%

	Q4		Jan - Dec	
	2023	2022	2023	2022
EBITDA Margin (%)				
Consolidated SCGP	14%	11%	14%	13%
Integrated Packaging Business	15%	11%	15%	13%
Fibrous Business	16%	13%	14%	15%

	Q4				Jan - Dec		
	2023	2022	%y-o-y	%q-o-q	2023	2022	%y-o-y
Profit (loss) for the period							
Consolidated SCGP	1,218	450	171%	-8%	5,248	5,801	-10%
Integrated Packaging Business	1,183	512	131%	-17%	5,095	4,505	13%
Fibrous Business	366	107	242%	61%	1,235	1,245	-1%
Recycling Business and Others	(118)	16	-838%	42%	2,334	3,674	-36%
Intersegment Elimination	(213)	(185)	-15%	-76%	(3,416)	(3,623)	6%

Note:

 EBITDA = Earnings before finance cost, tax, depreciation and amortization
 (excluded dividend from associates and included FX gain/loss from loans)

EBITDA Margin = EBITDA / Revenue from Sales

Profit for the Period = Profit for the period attributable to owners of the Company

Consolidated SCGP's financial statement is presented after the intersegment elimination.

Cost of Sales

In 2023, SCGP's cost of sales was 106,274 MB (-13% YoY), comprising of integrated packaging business (IPB) of 80,602 MB (-18% YoY), fibrous business (FB) of 22,704 MB (Flat YoY), and recycling business of 6,718 MB. The decrease in cost of sales was primarily attributed to continued efforts on cost reduction and operational excellence, along with the improvements in key cost components, including raw materials prices, freight, and energy costs. Below are key focuses of SCGP's effective cost management.

- i. **Supply chain optimization:** SCGP concentrated on synergy and optimization with execution of cross-selling, pool-purchasing, and product portfolio rationalization across its regional operations to enhance cost efficiency.
- ii. **Security of supply:** The company ensured the stability and quality of recovered paper (RCP), an important raw material, by sourcing from diversified sources globally. The effort to strengthen security of supply includes 1) Expansion of recycling infrastructure (Total of 154 recycling stations and recycling partners) across ASEAN 2) Primary source collection, which allowed SCGP to access good quality RCP at competitive price 3) Investment in international packaging materials recycling business as part of backward integration to enhance long-term sourcing capability, while also fulfil a fast-growing global demand of recycled materials for external clients.
- iii. **Energy management:** SCGP has effectively managed coal cost, which primarily procured from the Indonesian coal market with index-linked price. SCGP's coal sourcing strategy involves an optimization via data analytics for both volume and price, ensuring cost-efficient management of coal resource. Meanwhile, the company improves its cost competitiveness by increasing biomass usage portion as an alternative fuel (AF) source to coal. On another front, SCGP has implemented the project to utilize artificial intelligent (AI) technology to enhance energy and steam consumption efficiency and optimize production costs while also reduce GHG emission.

The company also committed to achieving a Net Zero target by 2050 through circular economy practices and the development of environmental-friendly innovations to meet the evolving needs of environmentally conscious businesses and consumers. The abovementioned usage of AF, which increased to 36% of the total energy sources in 2023, from 30.6% at the end of 2022, not only led to the reduction in cost but also represented SCGP's strong commitment to reduce GHG emission.

Table 4 - Cost of Sales by Business Segment

Unit: MB

	Q4		% y-o-y	% q-o-q	Jan - Dec		
	2023	%			2023	%	%y-o-y
Integrated Packaging Business	19,916	76%	-10%	3%	80,602	76%	-18%
Fibrous Business	5,495	21%	-6%	-2%	22,704	21%	0%
Recycling Business	1,742	7%	12%	0%	6,718	6%	85%
Intersegment Elimination	(974)	-4%	2%	23%	(3,750)	-3%	11%
Consolidated SCGP	26,179	100%	-9%	1%	106,274	100%	-13%

Summary of Financial Positions as of 31 December 2023

Total assets were equal to 198,561 MB or an increase of 1,281 MB (+1% from December 2022) with details as follows;

1. The increase in assets from M&Ps of Starprint, Law Print, and Bicappa of 1,992 MB, including Goodwill of 1,093 MB
2. Net increase in cash, cash equivalents and short-term investments of 4,837 MB while inventory decreased by 4,028 MB, both in volume and price of raw materials and finished goods.

Total liabilities were equal to 96,112 MB or an increase of 21,799 MB (+29% from December 2022) which was primarily due to

1. The preparation for potential additional share acquisition (Put option) of 44.48% shares, valued at 22,313 MB, in PT Fajar Surya Wisesa Tbk. (Fajar) from SCGP's partner with possible transaction in the middle of 2024.
2. The decrease in net borrowing of 1,056 MB as a result of repayment of bank loans whilst lease liabilities increased from Peute's facility relocation project.

Total shareholders' equity reported at 102,449 MB or a decrease of 20,518 MB from December 2022. The change was mainly from the decrease in other equity interest of 23,204 MB as a result of the record of liabilities related to Fajar's put option (Above) and dividend payment of 3,286 MB while the increase was from profit for the year of 5,429 MB.

Capital Structure

In 2023, total debt to equity ratio was at 0.9 times which was higher than 0.6 times in 2022 due to the recording of liabilities related to put options in Fajar in Q2/2023. Net debt to EBITDA was at 1.8 times which was slightly lower than 1.9 times in 2022. Interest-bearing debt to equity ratio was at 0.5 times which was higher than 0.4 times in 2022.

Table 5 - Summary of SCGP's Consolidated Statement of Financial Position

Unit: MB

	2023	2022	Change	
			MB	%
Total Assets	198,561	197,280	1,281	1%
Current Assets	60,272	60,154	118	0%
Cash and cash equivalents	9,889	9,966	(77)	-1%
Short-term investments	7,292	2,378	4,914	207%
Trade and other current receivables	22,648	23,254	(606)	-3%
Inventories	19,253	23,281	(4,028)	-17%
Investments in associates	1,063	1,034	29	3%
Property, plant and equipment	94,279	94,585	(306)	0%
Goodwill	29,374	28,233	1,141	4%
Other intangible assets	10,051	10,574	(523)	-5%
Total Liabilities	96,112	74,313	21,799	29%
Trade and other current payables	14,808	14,282	526	4%
Loans	49,113	50,169	(1,056)	-2%
Liabilities related to put options	22,313	-	22,313	n.a.
Total Shareholders' Equity	102,449	122,967	(20,518)	-17%
Total equity attributable to owners of the company	77,322	97,201	(19,879)	-20%
Non-controlling interests	25,127	25,766	(639)	-2%

Table 6 - SCGP's Net Debt

	Unit: MB	
	2023	2022
Short-term Loans	15,337	16,155
Foreign	15,067	12,988
Baht	270	3,167
% of Total Loans	31%	32%
Long-term Loans	33,776	34,014
Foreign	6,768	7,407
Baht	27,008	26,607
% of Total Loans	69%	68%
Total Loans	49,113	50,169
Average cost of debt (%)	4.1%	2.7%
Cash and Cash Under Management	17,180	12,347
Cash and cash equivalents	9,889	9,966
Short-term investments	7,291	2,381
Net Debt	31,933	37,822



Table 7 - Key Financial Ratio

			2023	2022
Profitability Ratio				
1	Gross Profit Margin	(%)	17.9	16.6
2	EBITDA Margin	(%)	13.7	13.3
3	Net Profit Margin	(%)	4.1	4.0
4	Core EBITDA Margin	(%)	13.6	13.2
5	Core Profit Margin	(%)	4.0	3.9
6	Return on Assets	(%)	2.7	3.3
7	Return on Equity	(%)	6.0	6.0
8	Return on Invested Capital	(%)	5.0	5.1
Liquidity Ratio				
9	Current Ratio	(times)	0.9	1.8
10	Quick Ratio	(times)	0.6	1.0
Activity Ratio				
11	Account Receivable Turnover	(times)	6.4	6.8
12	Account Payable Turnover	(times)	9.6	10.9
13	Cash Cycle	(days)	92	90
14	Total Asset Turnover	(times)	0.7	0.7
15	Inventory Turnover	(times)	5.0	5.2
Leverage Ratio				
16	Net Debt to EBITDA	(times)	1.8	1.9
17	Net Debt to Equity	(times)	0.3	0.3
18	Debt to Equity	(times)	0.9	0.6
19	Interest-bearing Debt to Equity	(times)	0.5	0.4

Note:

- 1) Gross Profit Margin is calculated by Gross profit divided by revenue from sales
- 2) EBITDA Margin is calculated by EBITDA divided by revenue from sales
- 3) Net Profit Margin is calculated by Profit for the period attributable to owners of the Company divided by revenue from sales
- 4) Core EBITDA Margin is calculated by Core EBITDA divided by revenue from sales
- 5) Core Profit Margin is calculated by Core Profit divided by revenue from sales
- 6) Return on Assets is calculated by Profit for the period (LTM) divided by average total assets
- 7) Return on Equity is calculated by Profit for the period attributable to owners of the Company (LTM) divided by average shareholders' equity attributable to owners of the Company
- 8) Return on Invested Capital is calculated by Profit from operations minus tax expense, divided by the sum of net debt and shareholders' equity
Net Debt is calculated by Total interest-bearing debt less cash and cash under management
- 9) Current Ratio is calculated by Current assets divided by current liabilities.
- 10) Quick Ratio is calculated by Sum of cash and cash equivalents plus short-term investment and trade and other receivables, divided by current liabilities
- 11) Account Receivable Turnover is calculated by Revenue from sales divided by average trade receivables
- 12) Account Payable Turnover is calculated by Cost of sales divided by average trade payables
- 13) Cash Cycle is calculated by adding collection period and inventory turnover period minus payment period
- 14) Total Asset Turnover is calculated by Revenue from sales divided by average total assets
- 15) Inventory Turnover is calculated by Cost of sales divided by average inventory
- 16) Net Debt to EBITDA is calculated by Net debt divided by EBITDA (LTM)
- 17) Net Debt to Equity is calculated by Net debt divided by total equity
- 18) Debt to Equity is calculated by Total debt divided by total equity
- 19) Interest-bearing Debt to Equity is calculated by Interest-bearing debt divided by total equity



Summary of Cash Flows Statement Ended 31 December 2023

In 2023, SCGP's net cash flows provided by operating activities amounted to 21,482 MB including the operating cash flows of 22,864 MB and tax payment of 1,382 MB. Cash flows generated from operations were comprised of profit for the year adjusted by items such as depreciation and amortization, tax expense, and change in operating assets and liabilities.

Net cash flows used in investing activities amounted to 13,060 MB with main contributions from the M&P investments of 1,303 MB, other capital expenditure of 7,383 MB, and short-term investments of 4,821 MB.

Net cash flows used in financing activities amounted to 8,366 MB, driven by a decrease in net borrowings of 3,024 MB, dividend payment of 3,286 MB while interest and other finance costs payment amounted to 2,067 MB.

Table 8 - Summary of SCGP's Consolidated Statement of Cash Flows

	Unit: MB		
	2023	2022	Change
Cash flows from operating activities	21,482	17,234	4,248
Cash flows from investing activities	(13,060)	(3,119)	(9,941)
Cash flows from financing activities	(8,366)	(11,602)	3,236
Net increase in cash and cash equivalents	56	2,513	(2,457)
Free cash flows	14,099	10,048	4,051

Business expansion to fulfill growing consumer demand

During Q4/2023, SCGP successfully completed 3 merger and partnership (M&P) deals in Italy, the UK, and Vietnam, along with 1 organic expansion in the Netherlands. Concurrently, there are 2 ongoing capacity expansion projects in Thailand and Vietnam. While the project in Thailand proceeded as planned, the project in Vietnam was postponed with details as follows;

1. Merger and Partnership (M&P)

- **Italy (Medical Supply and Labware, Roletto):** SCGP acquired an 85% stake in Bicappa Lab S.r.L. (Bicappa), a specialist in pipette tips, with an investment of approximately 125 MB. This strategic transaction is through a subsidiary of SCGP, Deltalab, S.L. (Deltalab), which specializes in medical supplies and labware. This would strengthen Deltalab with the distinguished capability of its primary supplier of pipette tips, a premium margin product in Deltalab's labware portfolio. This M&P investment provides Deltalab with access to valuable expertise in conductive polymer injection technology (For auto-pipetting) and advanced automated operations. Moreover, this advancement will open up new opportunities to expand sales of

other medical supplies and labware products to Bicappa’s client base. The current capacity of Bicappa is 12 plastic injection mold production lines. Bicappa’s financial performance was consolidated from November 2023 onward.

- **The United Kingdom (Flexible Packaging, Stockport):** The acquisition of 100% of Law Print & Packaging Management Limited (Law Print), a prominent packaging solution provider, was completed with an investment of approximately 475 MB. This transaction would enlarge SCGPs’ sales channels and customer networks with a particular focus on the premium market of fast-growing pet food manufacturers in UK and across Europe. This forward integration enables SCGP to supplement its customer’s network with Law print's existing and future clients. Additional benefit will be on synergies via cross-selling of other SCGP consumer packaging products to multinational companies (MNC) clients. Law Print’s financial performance was consolidated from November 2023 onward.

- **Vietnam (Fiber Packaging, Dong Nai):** SCGP acquired a 70% stake in Starprint Vietnam JSC (SPV), a leading offset folding carton packaging manufacturer, with a total investment of approximately 987 MB. This transaction emphasizes SCGP’s commitment to meet Vietnam’s rising packaging consumption. This will further enhance SCGP’s packaging solutions portfolio with expanded production in folding carton, and extend the portfolio with new capabilities to produce rigid box, which will enable SCGP to serve the fast-growing and high-margin aesthetic display packaging segments. The combined capacity of SPV encompassed 16,500 tons of offset printing per year and 8 million pieces of rigid boxes per year. SPV’s performance will be consolidated from January 2024 onward.

2. Organic expansion

- **Netherlands (Packaging Materials Recycling, Alblisserdam):** A facility expansion and relocation project for international recycling business, from Dordrecht to Alblisserdam, nearby Rotterdam port, under Peute Recycling B.V. (Peute) was completed. The project would improve transportation efficiency, double the sourcing and processing capacity of recovered paper to 2 million tons per year and recovered plastic to 0.2 million tons per year, while also enabling SCGP to significantly improve the fulfillment of recycling materials to global customers. This project started commercialization in November 2023.

The 2 ongoing organic expansions are as follows:

- **Thailand (Fiber packaging, Samutprakan and Samutsakorn):** The expansion of corrugated containers capacity in response to surge in domestic demand. This project incorporates the latest available technology of production and printing capabilities, including robotic, automation and attractive printing application. This will add 75,000 tons per year of production capacity, which is equal to 9% of total capacity in Thailand, with an investment of 2,450 MB. The project is strategically located at the center of customers’ production hubs, making it a pivotal factor in accommodating

growing customer orders while improving cost competitiveness in logistics. Currently, the corrugator building has been completed while installation of machinery is ongoing with an expected start-up in the first quarter of 2024.

- **Vietnam (Packaging paper, North Vietnam):** A new production base in the northern region of Vietnam under Vina Kraft Paper Company Limited (VKPC) will support the packaging market growth driven by rising demand of industrial & export sectors, and surge in FDI as a result of investment promotion policy. This project will add packaging paper capacity of 370,000 tons per year or an increase of 75% from existing capacity with capital expenditures amounted to 11,793 MB. Approval of Environmental Impact Assessment (EIA) was already completed while the land preparation process is ongoing. Nevertheless, further investment in the project is currently under review amid the latest development of demand and supply condition in the region. Final investment decision is expected by the end of 2024.

ESG and sustainability as the core of SCGP’s operation

SCGP expedites GHG reduction and scale up sustainable project initiatives toward **NET ZERO target**. With our dedications to the commitment of Science-Based Target initiative (SBTi) of 25% GHG emission reduction from 2020 base year by 2030, SCGP has progressed well ahead of plan with reduction of 19.5%¹ from base year at the end of 2023.

Other progress of sustainability-related activities includes (1) the increase of alternative fuels portion to 36% of total energy sources, from 30.6% at the end of 2022, and (2) the utilization of AI and big data analytic for energy efficiency improvement, which created cost saving of 130 MB for Thai operations. SCGP also plan to extend this technology across ASEAN operation.



As of November 24th, 2023, SCGP achieved a distinguished total **ESG score of 85** from S&P Global Corporate Sustainability Assessment (CSA), securing its position in the Top 1% globally. This marks the second consecutive year that SCGP has been recognized as Global and Industry Mover in the Containers & Packaging sector by CSA, demonstrating its ongoing dedications in sustainability.

SCGP received two SET AWARDS 2023 from The Stock Exchange of Thailand (SET) in **Best Innovative Company Awards**, and **Best Sustainability Awards** for two consecutive years, reaffirming SCGP position as a sustainable and innovative organization.



- The first was Best Innovative Company Awards for the showcase of innovative Detect Odor Monitoring (D.O.M.) system. This innovation is a comprehensive odor detection and monitoring solution, which provides customers with an effective solution to manage odor-related issues while elevates the standard of sustainable environmental air management.

1. Pending for final audited result



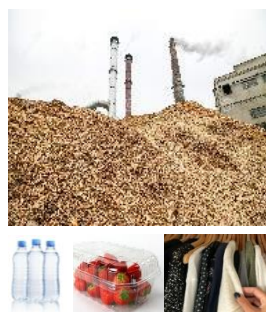
- The second was Best Sustainability Awards for conducting business in line with sustainable development and circular economy principles throughout the value chain. This includes enhancing efficiency in raw material collection and the recovery rate in the long run, and promoting collaboration with partners in caring for society and environment along with being a leader in good corporate governance with distinguished ESG framework.



- Additionally, SCGP has achieved a AAA sustainable stock rating from SET ESG Rating, reflecting its commitment to conduct business with consideration for environmental, social, and governance (ESG) factors, leading to an enhanced confidence and recognition in Thai and international stock markets.

Continuously pursue sustainable and innovative consumer solutions with distinguished research and development capability

SCGP continues to develop sustainable packaging solutions through its expertise in research & development (R&D) and collaboration with partners to come up with the solutions that address customers’ requirements while also improve users’ comprehensive experiences.



Joint Development Agreement (JDA) between SCGP and Origin Materials:

The development of sustainable innovation “Bio-based Plastic” from Eucalyptus woodchip to capture emerging growth in renewable materials globally. This partnership would also strengthen integration along SCGP’s value chain. SCGP have been successfully completed proof-of-concept, technology verification, and pilot testing stages. The project is currently progressing towards the study of yield enhancement and identifying potential partners and markets.

Management Outlook

Looking into 2024, the global economy shows signs of improvement in key areas. This supports by decline in inflation & interest rates in various countries amid lower energy and food costs along with the normalization of intra-region supply chain. Consumer disposable income and spending are expected to be improved as well as business and consumer sentiments. Nonetheless, challenges still remain especially in the slow-recovered economies in Europe and also from volatilities related to ongoing geopolitical conflicts.

Thai economy is expected to recover in 2024, driven by domestic consumption growth and tourism sectors. Furthermore, several factors contribute to the positive outlook, including economic-boost government policy, public spending in stimulus measures, infrastructure projects and tourism promotion campaigns such as visa exemptions. Moreover, the increased business confidence would lead to expansion in private investment. As the economy bounces back, packaging demand is heading toward the upturn, especially in consumer-linked segments such as food, beverages, and fast-moving consumer goods.

ASEAN economies are expected to outperform other regions, thanks to solid domestic demand, improving contribution from service sectors, and export recovery. These factors would lead to an uplift in demand for consumer goods while also enables ASEAN to be one of the most attractive regions for foreign investment with domestic consumption which accounted for roughly 60% of GDP, coupled with a growing young middle-class income population group.

For the regional packaging paper industry, China has continuously increased its import volume of packaging paper after the country's reopening in early 2023 with import tariff exemption of recycled-based packaging paper throughout last year while the continuation of exemption in 2024 was already announced. Meanwhile, pressure on ASEAN export paper prices has already passed the bottom in 2023 and expected to pick up in 2024 along with sequential demand improvement in the region.

With respect to cost outlook in early 2024, recovered paper prices are expected to move sideways up as local and regional paper mills restock inventory to serve rising demand in the region. Meanwhile, SCGP continues to enhance its competitive advantage with completion of the facility expansion and relocation project of its international recycling business near Rotterdam Port, the Netherlands. This is one of the important pillars for SCGP's long term strategic direction to strengthen RCP sourcing competitiveness while also fulfill emerging demand of recycled materials.

Meanwhile, volatility in energy and freight costs are expected to continue amid geopolitical issues in the Middle East and Europe. Therefore, SCGP continuously emphasizes on cost management efforts, including the incremental usage of alternative fuels, such as biomass from agricultural waste and woodchip, to reduce reliance on coal consumption and also improve

production cost. Additionally, the company aims to accelerate operational excellence effort by utilizing artificial intelligence (AI) for energy and production optimization throughout its regional operations. These initiatives not only reduce greenhouse gas emissions but also result in a reduction in overall energy costs.

SCGP continues to pursue quality growth and extend its leadership position as packaging solutions provider in ASEAN. This objective is achieved through a unique two-pronged approaches, organic expansions and programmatic M&Ps, that emphasize strategic fit and enable value-accretion to overall business model. Apart from expansion which strengthen value chain integration, the company focuses on identifying new frontiers of growth including in medical-related industries, bio-solutions, and global foodservices. This approach not only enhances SCGP's market presence but also generates value-accretive synergy across its various operations. By strategically pursuing these avenues, SCGP aims to capitalize on emerging opportunities and solidify its position as a leading packaging player in the industry.

Research, Development, and Innovation (RD&I) are key to the fulfilments of evolving and emerging customers' requirements that shift toward being more environmentally friendly. The company is committed to providing high-quality innovative packaging products, services, and solutions that will enhance value to customers. With a dedicated RD&I, which consists of over 40 Ph.D. researchers, SCGPs' packaging solutions' revenue and innovation were increased to approximately 35% of total sales at the end of 2023.

ESG (Environmental, Social and Governance) continues to be a crucial core of SCGP's business operations, particularly in areas such as greenhouse gas reduction. The company has an explicit Science-Based Targets initiative (SBTi) goal to reduce GHG emission by 25% within 2030 compared with the base year 2020, while SCGP also set NET ZERO target by 2050. In addition, SCGP emphasizes on the development of sustainable products by expanding its range of recyclable, reusable, or compostable packaging with the aim of reaching 100% of all sales volume by 2025. These initiatives showcase SCGP's commitment to environmental sustainability and responsible business practices.

The logo for SCGP, with 'S', 'C', and 'G' in blue, and 'P' in a gradient of red, orange, and yellow. The background features a blue sky, a white wireframe cityscape, and a group of diverse people engaged in various activities like cycling, walking a dog, talking on a phone, and shopping.

EVOLVE THE WAY OF LIFE



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