



Ceramics Day

26 June 2018



Table of Contents

Section I SCG Portfolio in Ceramic Business

- Key Investment Milestones
- Current Position

Section II Basic Knowledge

- Demand & Supply
- Product Portfolio & Segmentation
- Ceramic Production Process

Section III Key Movements for Thailand Business

- Amalgamation and Timeline
- Strategic Directions
 - Optimization Value of Core Business
 - Accretive Value Creation

Section I: SCG Portfolio in Ceramic Business

SCG Investment Milestones in Ceramic Business

-  **COTTO** 1979 : Acquired Thai Ceramic Co., Ltd. (TCC)
-  **SOSUCO GROUP** 1997 & 1998 :
 - Acquired The Siam Ceramic Group Industries Co.,Ltd (SGI)
 - Invested in 51.0% share stake of Sosuco Ceramic Co., Ltd (SSC)
-  **CAMPANA** 2008 : Acquired Thai-German Ceramic Industry Public Company Limited (TGCI)
-  **MARIWASA** 2008 : Acquired Mariwasa Siam Ceramics, Inc. (MSC)
Leading ceramic tiles in Philippine
-  **KIA** 2011 : Acquired PT Keramika Indonesia Assosiasi (KIA Group)
Leading ceramic company in Indonesia
-  **PRIME** 2013 : Acquired Prime Group
The 1 number ceramic company in Vietnam
-  **GEMAGO** 2014 : Gemago Co.,Ltd. (GMG)
Ceramic distributor for SCG ceramics company

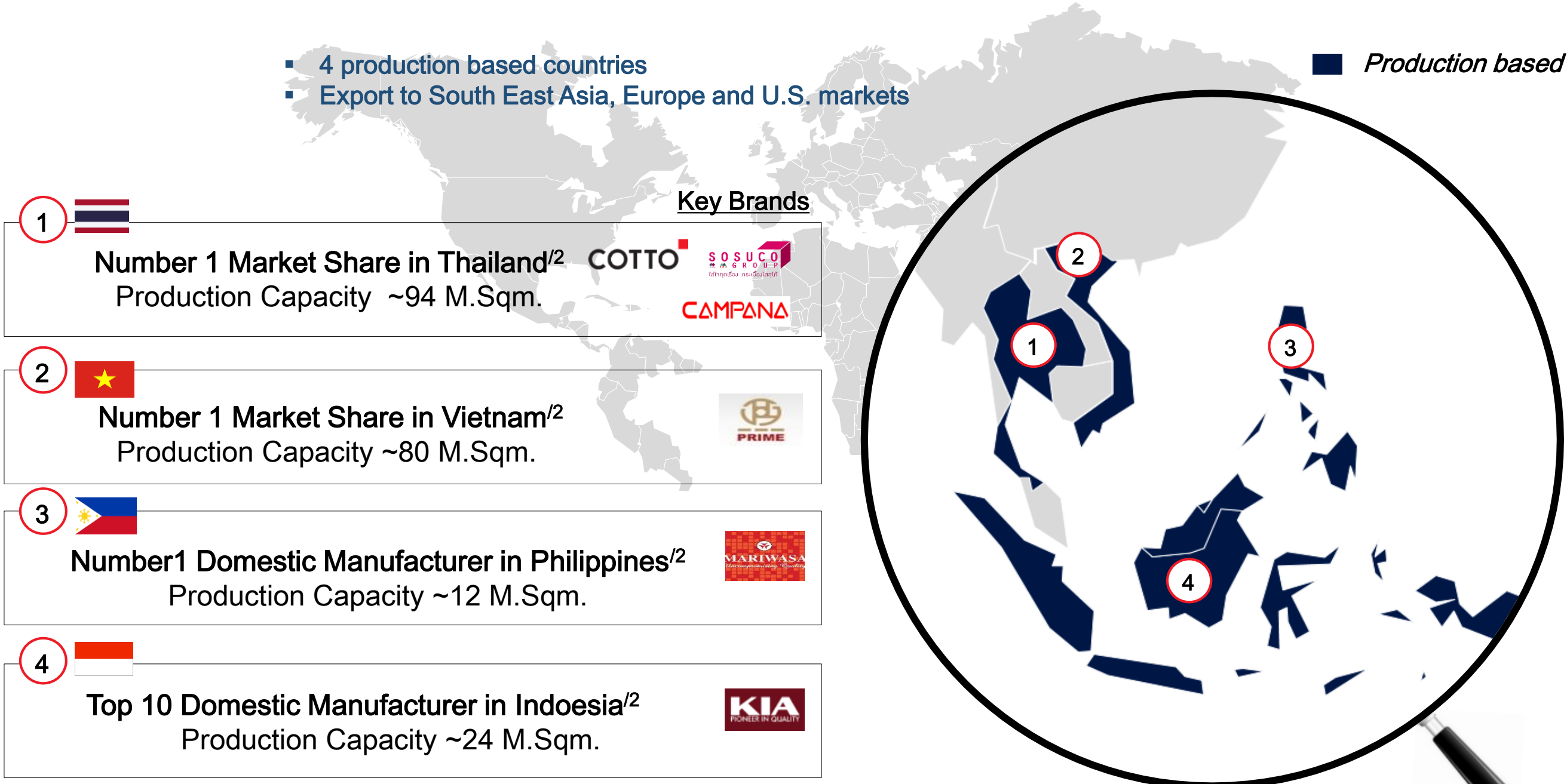
Current Position

The largest regional ceramic producer^{/1} with total production capacity of 210 M.Sqm./year

(No.2 PT MULIAKERAMIK in Indonesia with 80 M.Sqm/year , No.3 Dynasty in Thailand with 69 M.Sqm/year)

- 4 production based countries
- Export to South East Asia, Europe and U.S. markets

■ Production based







/1 Ceramic World Review
/2 Company Information

Section II: Basic Knowledge

Demand & Supply

Growing market in Vietnam, Philippines, and Indonesia while oversupply in all countries

<u>Demand vs Supply (unit: M.Sqm.)</u>		<u>Market Situation</u>
Thailand 	<ul style="list-style-type: none"> • Oversupply • 152 vs 206 in 2017 	<ul style="list-style-type: none"> • Remaining soft in consumption -5% ^{/1} CAGR 2013-2016
Vietnam 	<ul style="list-style-type: none"> • Oversupply • 279 vs 444 in 2017 	<ul style="list-style-type: none"> • Rising in consumption 13% ^{/2} CAGR 2013-2016
Philippines 	<ul style="list-style-type: none"> • Import dominated country • Consumption 69 • Manufacturing supply 15 	<ul style="list-style-type: none"> • Growing market with increasing trend of imported ceramic consumption 19% ^{/2} CAGR 2013-2016
Indonesia 	<ul style="list-style-type: none"> • Oversupply • 177 vs 526 in 2017 	<ul style="list-style-type: none"> • Large market with sign of recovering in consumption 2% ^{/2} CAGR 2013-2016

/1 Company information

/2 Ceramic World review

Product Portfolio and Segmentation (1)

Variety of product and application portfolio serving customer needs in all segmentations



COTTO Grande



COTTO Italia



Glass Tile

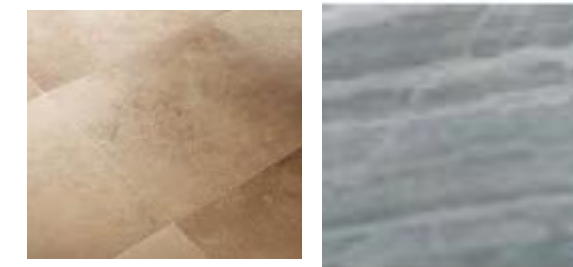


Mosaic

<u>Segmentation</u>	<u>Application & Specification</u>	<u>Selling Price</u> (Baht per SQM.)	<u>SCG Brands</u>
Luxury Market ↑ ↓ Medium-High Market	<i>Large Size Glaze Porcelain</i>	1,800 – 6,000	COTTO [■] Italia GRANDE COTTO [■]
	<i>Glass Tile</i>	1,800 – 3,500	
	<i>Mosaic</i>	200 - 800	

Product Portfolio and Segmentation (2)

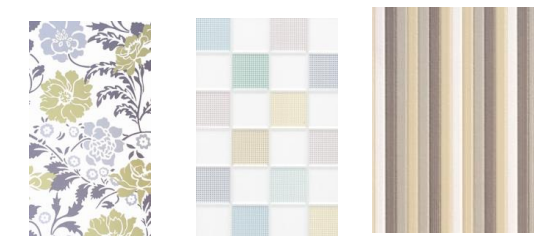
Variety of product and application portfolio serving customer needs in all segmentations



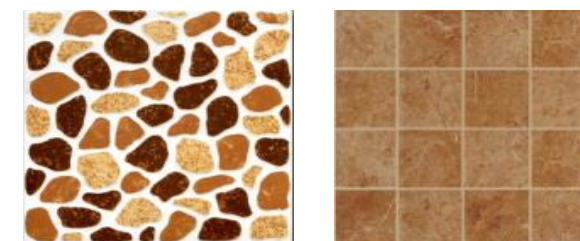
Glazed Porcelain



Unglazed Porcelain



Wall Tile

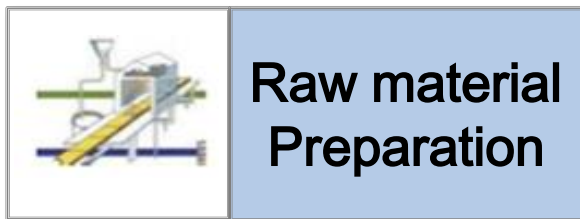


Floor Tile

<u>Segmentation</u>	<u>Application & Specification</u>	<u>Selling Price (Baht per SQM.)</u>	<u>SCG Brands</u>
Medium-High Market ↑	<i>Small-Medium size Glaze Porcelain</i>	200 - 800	COTTO
	<i>Unglazed Porcelain</i>	150 - 600	
↓ Mass – Medium Market	<i>Wall Tile</i>	120 - 500	COTTO
	<i>Floor Tile</i>	100 - 350	CAMPANA SOSUCO GROUP ใส่ใจทุกเรื่อง กระเบื้องใสสุภา

Ceramic Production Process

Raw material and energy are key elements in production cost



- Source of raw material : 85% local: 15% Import
- Body Slip Ingredients : clay, powder, feldspar and pottery stone
- Glaze Slip Ingredients : color, chemical and Frit coating

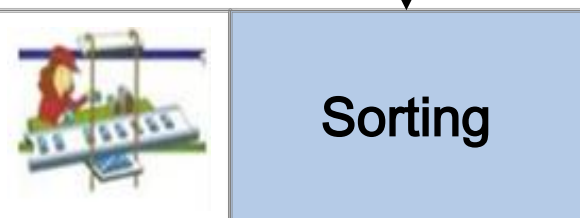


Dry Pressing System : high durable pressure at 250-350 kg./cm²



Temperature : 1,150 Celsius.

Timing : 30-90 Minutes



Quality classification and Grading

Cost structure

**Raw Material
40-50%**

Body Slip (40%)
Glaze Slip (60%)

**Energy
30-40%**

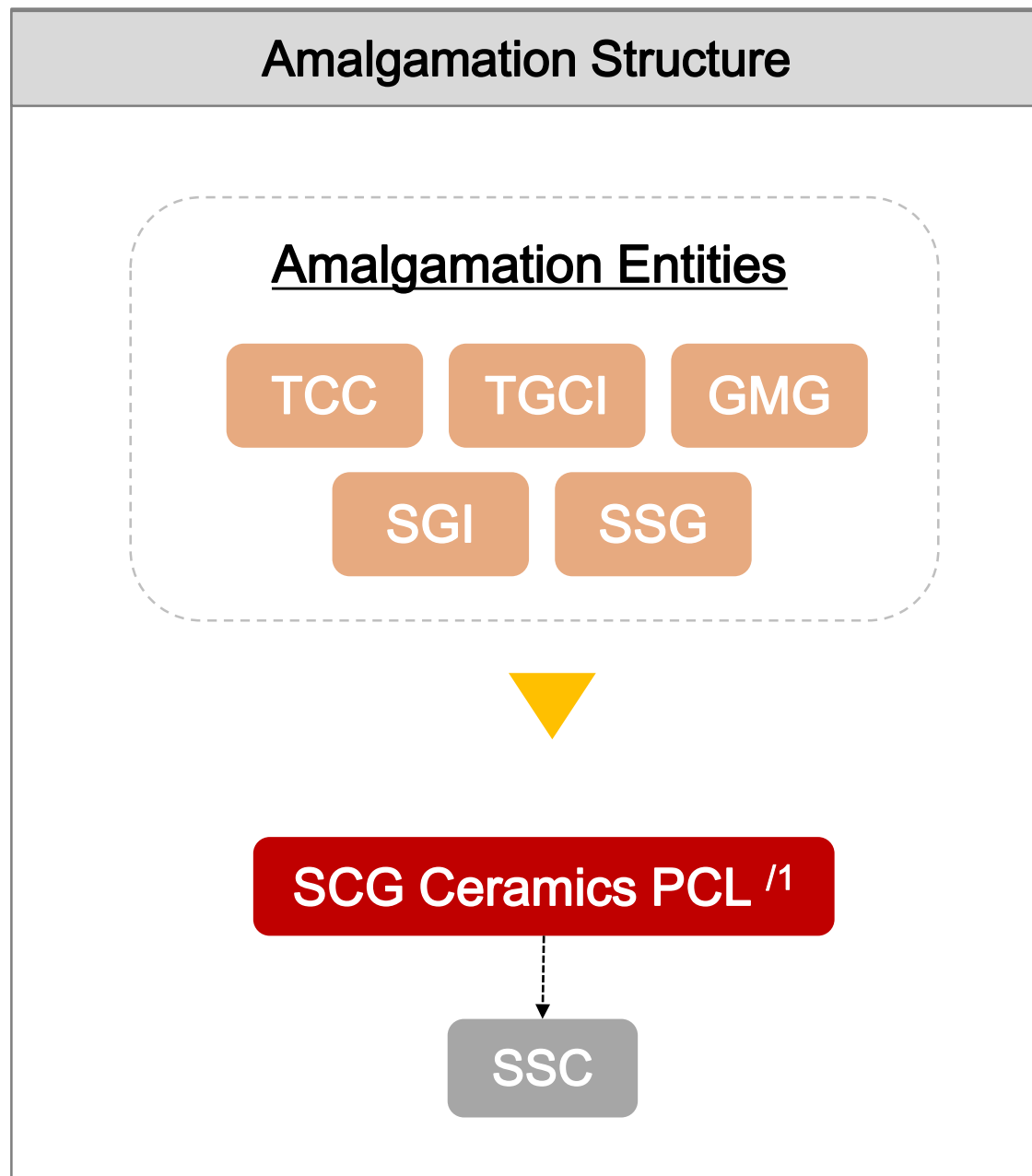
Electricity (30%)
Gas (70%)

**Other
10-20%**

Section III: Key Movements for Thailand Business

Amalgamation & Timeline

To strengthen our competitive advantages in Thailand market



/1 Proposed name to MOC on 1Aug 2018

Amalgamation & Timeline

SCG's BoD approved the support for the restructuring of ceramic tile business

20 Dec 2017

Start of TGCI share trading suspension

20 Jul 2018

Official 1st day of SCG Ceramics PCL.

Registration of COTTO with MOC

1 Aug 2018

Up-coming activities

26 Mar 2018

Shareholders' meeting of SCG's five subsidiaries passed the resolution for Amalgamation

31 Jul 2018

Joint EGM

Subject to SET Approval

End of TGCI share trading suspension



First day trade of COTTO shares

Strategic Directions

1 Optimization value of core business

1.1 Production allocation

1.2 Cost reduction

1.3 Production Improvement

2 Accretive Value Creation

2.1 HVA Product

2.2 ONE-Stop service solution

2.3 Own ceramic outlet expansion

Strategic Directions - 1 Optimization value of core business

1.1 Production Allocation - Transform 'brand-based' factory to 'cost-based' factory strategy

- Allocate production to the lowest cost factory and fully utilize capacity of kiln
- After reallocation, average 10-15% cost saving on production allocated

Production Allocation after Amalgamation				
Factory	Capacity (M.Sqm.)	Pre-merge Utilization		Post- merge Utilization
HinKong, Saraburi	27	80% - 85% COTTO	▶	60% - 65% COTTO
NongKhae Industrial Estate, Saraburi	24	65% - 70% CAMPANA	▶	75% - 80% COTTO CAMPANA SOSUCO GROUP ใส่ใจทุกเรื่อง กระเบื้องใสสุโขทัย
NongKhae, Saraburi	43	65% - 70% SOSUCO GROUP ใส่ใจทุกเรื่อง กระเบื้องใสสุโขทัย	▶	70% - 75% COTTO CAMPANA SOSUCO GROUP ใส่ใจทุกเรื่อง กระเบื้องใสสุโขทัย

Strategic Directions - ① *Optimization value of core business*

1.2 Cost Reduction through organization restructuring and product portfolio management

- Integrate business functions to promote greater efficiency and corporate profitability
- Reduce unnecessary SG&A cost such as Indirect charge which is expected to be approx. 1%-2% of total revenue
- Product portfolio optimization



Strategic Directions - 1 Optimization value of core business

1.3 Production Improvement - Utilize knowledge sharing to leverage production technology for reducing energy cost and enhancing capability of producing sophisticated products

Examples of successful production improvement

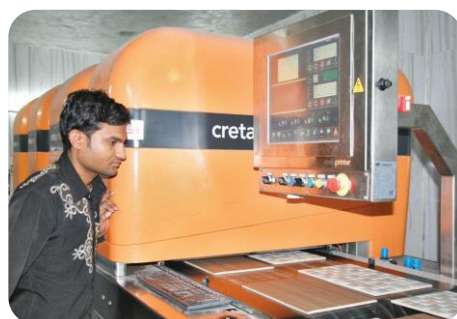
- Continuously invest in Energy saving projects including Low Firing Energy, Solar cell, etc. to save energy consumption, significant cost of ceramic products.



Low Firing Energy
(since 2012)



Dry Grinding
(since 2014)



Digital Printing
(Since 2000)

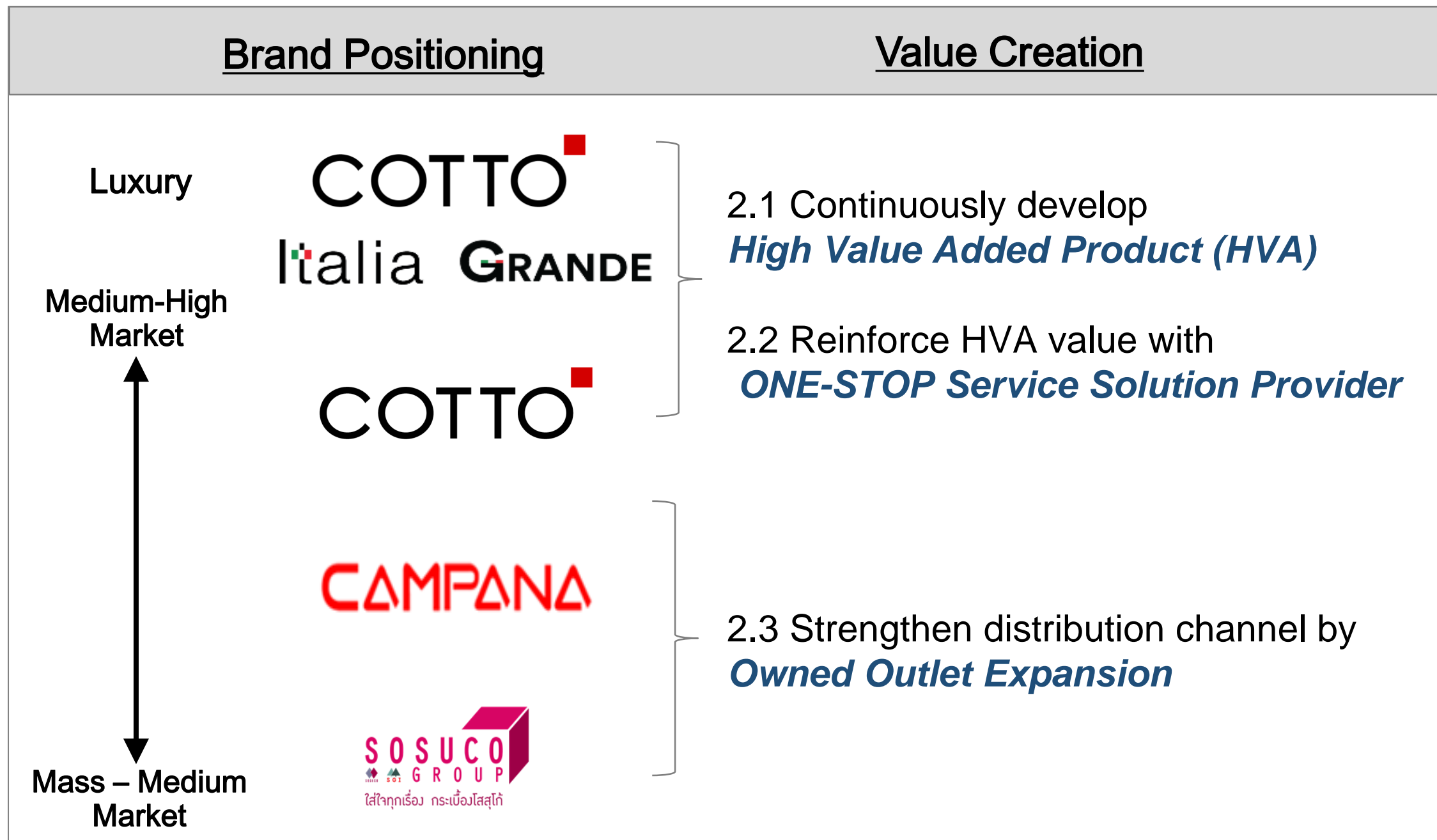


Water Jet Cutting
(Since 2002)

- Enhance capability of producing sophisticated products

Strategic Directions - 2 *Accretive value creation*

Create values from all segmentations



Strategic Directions - 2 *Accretive value creation*

2.1 High Value Added Product (“HVA”) continuously improve High Value Added Product (HVA) to serve market demand and enhance profitability

Examples of High Value Added Product (“HVA”)



COTTO Italia (2013) – Balza Series
(1,800-2,100 Baht/sqm.)



COTTO Grande (2016) – CEMENT EBONY Series
(4,500-6,000 Baht/sqm.)

Strategic Directions - 2 *Accretive value creation*

Examples of High Value Added Product (“HVA”)

X-Porcelain(2016)
ONCE Series
(550-650 Baht/sqm.)



Super Glossy Tiles (2017)
Ritz Marble Series
(1,100-1,300 Baht/sqm.)

Strategic Directions - 2 *Accretive value creation*

2.2 ONE-STOP Service Solution provider - offer variety of service including designing, product sourcing and installation to enhance competitive edges



Design

Provides full-service of design to suit customer's specific preference



Contact Point



Sourcing

Offer variety of products, more variety of design, brand, function usage and cover all segments

COTTO

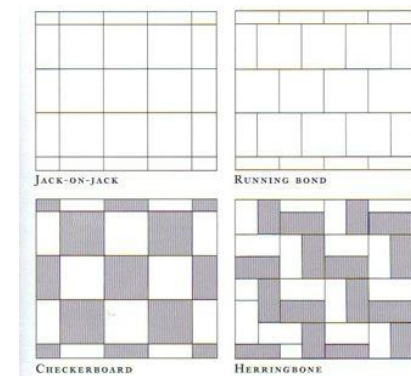
CAMPANA

SOSUCO GROUP
ใส่ใจทุกเรื่อง กระเบื้องใสสุด



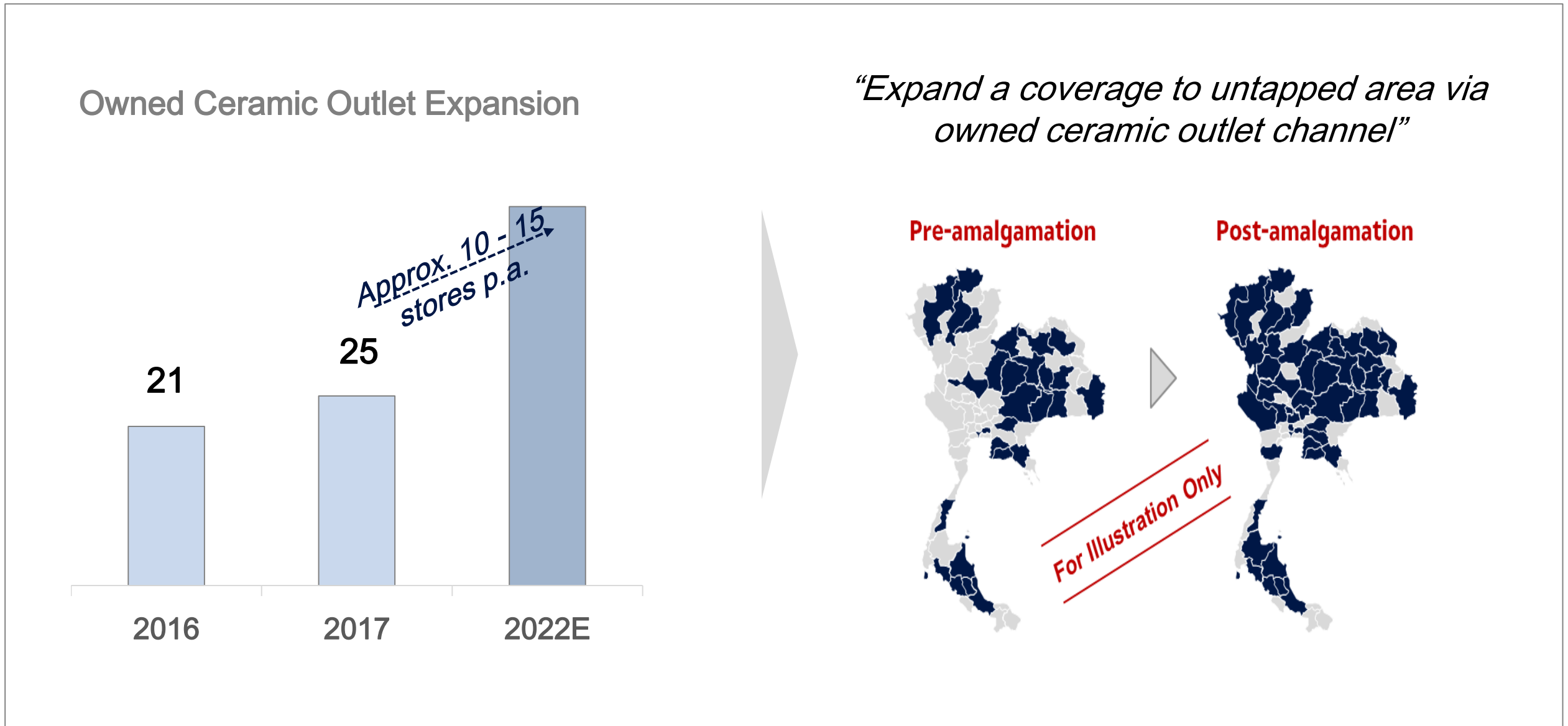
Technical & Installation

“Great expertise” in After-service installation and maintenance



Strategic Directions - 2 *Accretive value creation*

2.3 Owned ceramic outlet expansion 10-15 stores per year, to increase market coverage and profitability



Q & A