

ASX RELEASE

29 April 2019

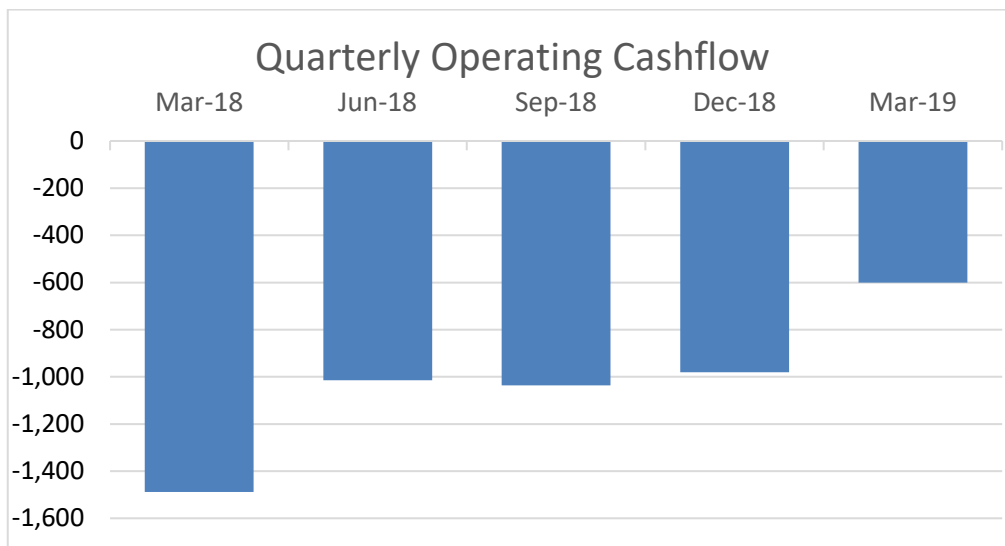
SECOS Quarterly Cash Flow Statement and Appendix 4C

Highlights:

- **\$1.1 million cash generated in March quarter**
- **\$2.0 million closing cash as at 31 March 2019**
- **Net Debt reduced by \$1.5 million**
- **Quarterly operating cash outflow reduced by over \$0.8 million to \$0.6 million on a year on year basis**

The Board of sustainable and eco-friendly bioplastics developer SECOS Group Limited (ASX: SES, “the Company”) is pleased to present its Quarterly Activities Report and Appendix 4C Quarterly Cash Flow Statement for the consolidated entity consisting of SECOS Group Limited and the entities it controlled (“SECOS Group”) for the quarter ended 31 March 2019.

SECOS has invested considerable and ongoing efforts in business improvement which are now starting to yield the results with lower net operating cash outflows in March quarter.



SECOS Group Limited (ASX: SES)

ACN 064 755 237

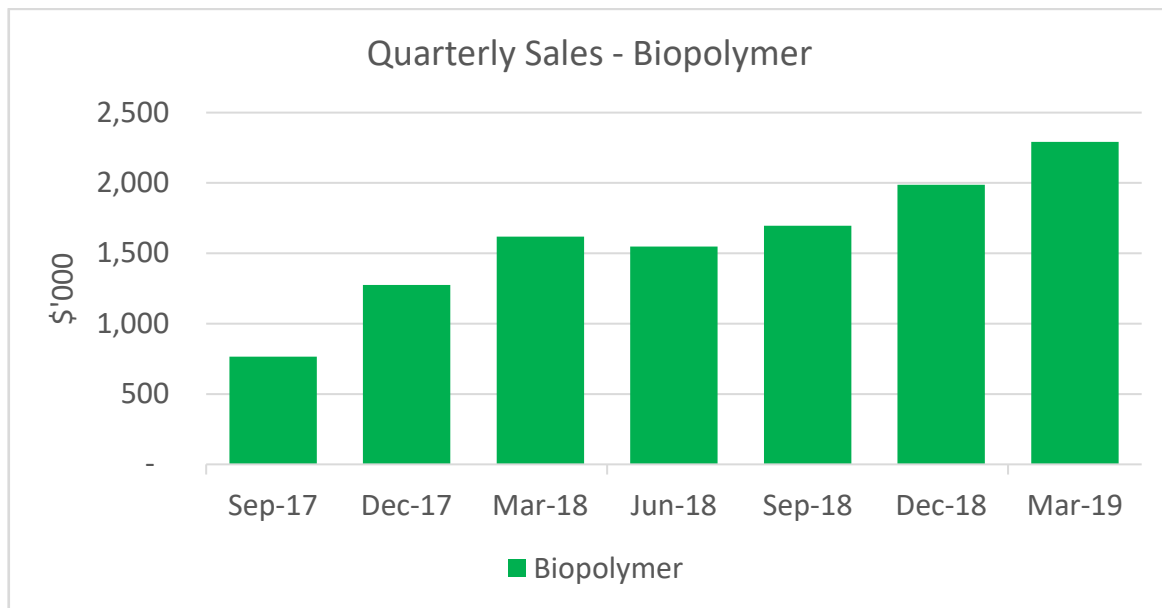
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Bioplastics

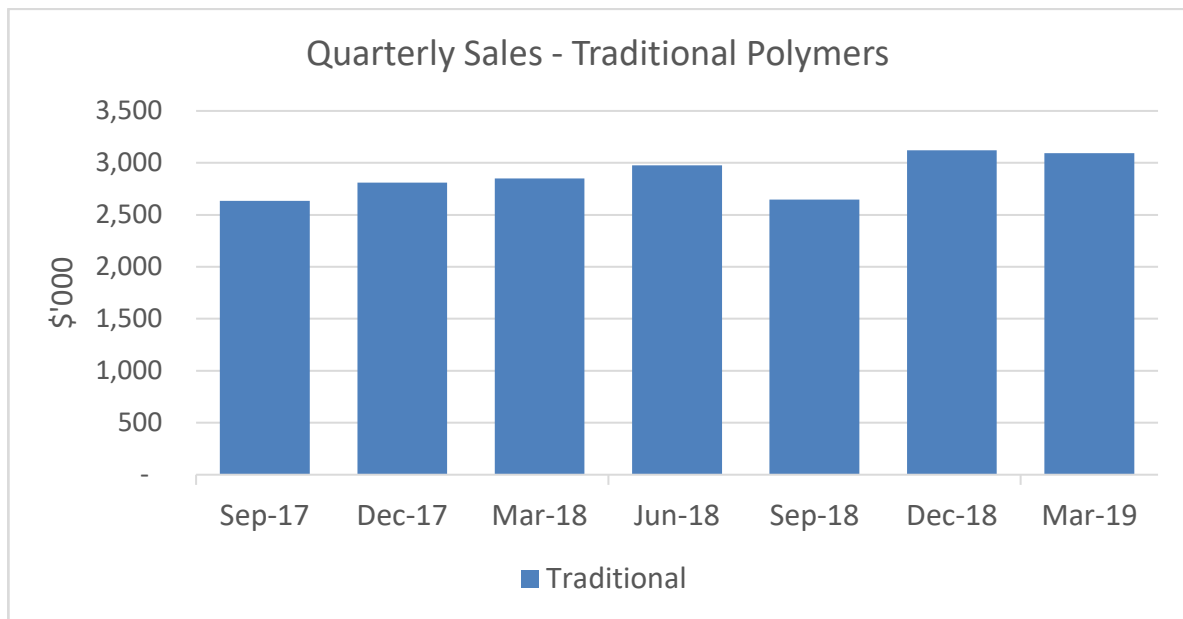
Bioplastic sales for the quarter continued to increase, up 15.3% from the previous quarter and up 43% on March 2018 quarter. The Company continues to experience growth in sales of bioplastic products from its manufacturing facilities in both Malaysia and China.

SECOS' growth trend in quarterly bioplastic sales is depicted in the chart below.



Traditional Plastics

Sales of traditional polymers to hygiene cast film customers have decreased as depicted below, following closure of the Company's Australian manufacturing operations in the second half of 2018. Production of traditional polymer film continues at the Company's Malaysian facility and SECOS is working to develop new customers for its hygiene & medical films within the Australasian markets, thus leveraging its substantial experience in this area. In the medium to longer term SECOS aims to convert its traditional plastic hygiene products to incorporate bioplastics and aims to introduce breathable films using its unique and exclusive MiniFab™ licensed technology.



NB: Exclude sales from Stellar Australia Pty Ltd (refer ASX announcement dated 9-Jan-2019)

Cash Flow

Cash receipts from customers in the quarter were \$6.3 million, equal to March 2018 quarter despite the group's closure of its Australian traditional film plant, which delivered significant cost reductions.

Net cash outflow from operations was \$0.6 million, reflecting the benefits of business improvements and organisational restructuring announced late last year.

SECOS Chief Executive Officer, Ian Stacey, said:

"Following the implementation of the group's organisational changes we have immediately started to see improvements to cash outflows:

- We have reduced the company's annual expense base by 16% FY 18 vs FY 19.
- We have closed the unprofitable Australian traditional polymer plant in December 2018 which has helped reduce our cash outflows.
- We have targeted new applications within the Compostable & BioHybrid™ product space which yield higher margins and as a consequence cash outflows from Operational Business is trending to positive in line with forward planning.
- We are actively managing our cash to optimize our capacity for high value business"

Corporate

Additional processes have been implemented to enhance planning and predictability of the business:

- Better production planning processes around the resin/film enabling working capital efficiencies.
- Greater discipline around capex expenditures.
- Greater discipline around operational expenditure.

Better Margins in Biopolymer Resin & Film Business

- Scale advantages are extracting better biopolymer raw material costs which in turn are enhancing contribution margins.
- Greater focus on developing biopolymer film & bag business to capture integrated margin from resin to bag internal margin.
- The focus on resin sales from SECOS Malaysian plant will target high-margin applications over higher volume lower margin applications.

Traditional Oil-based Polyolefin Business

- SECOS is taking a more aggressive business development stance to expand its existing traditional film customer base supplied by the Malaysian Cast Film business.
- SECOS is working to extrude BioHybrid™ & Compostable film through its Cast lines in Malaysia to capture integrated resin to film margin in the same way SECOS' China operations captures integrated margin available from converting its biopolymer resin into blown film.

New Business

- SECOS is working with several large converters to trial Biopolymer resin through third party cast film lines and SECOS' own cast lines as the company fields more enquiries for Compostable & BioHybrid™ Hygiene applications.

Outlook

- SECOS is continuing to develop new Biopolymer formulations in response to changing customer needs, evolution of new applications and changing requirements for compostable resin certification, which are expected to lead to new sales opportunities in the medium term.
- Further growth in biopolymer resin & film sales are expected in view of significant opportunity and the Company's available manufacturing capacity.
- SECOS expects further margin improvement in its resin and film business as applications move to biopolymers.
- On 1st April 2019, SECOS reduced debt by further \$0.9m through conversion of part of the \$2.6m convertible notes leaving \$1.7m in Convertible Notes outstanding in April.

The Company's March 2019 Appendix 4C follows.

For more information, please contact:

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About SECOS Group Limited

SECOS Group Limited (ASX: SES) is a leading developer and manufacturer of sustainable packaging materials. Based in Melbourne, Australia, SECOS supplies its proprietary biodegradable resins, packaging products and high-quality cast films to a blue-chip global customer base.

SECOS holds a strong patent portfolio and the global trend toward sustainable packaging is fueling the Company's growth.

The Company's headquarters and Global Application Development Centre are based in Melbourne, Australia. SECOS has a Product Development Centre and manufacturing plant for resins and finished products in Nanjing, China, with manufacturing plants for high quality cast films in Port Klang, Malaysia.

SECOS has sales offices in Australia, Malaysia, China and the US, with a network of leading distributors across the Americas, Europe, Asia, the Middle East, Africa and India.

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APPENDIX 4C

QUARTERLY REPORT FOR ENTITIES SUBJECT TO LISTING RULE 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

SECOS GROUP LIMITED

Quarter ended ("current quarter")

ABN 89 064 755 237

31 March 2019

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 Months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	6,215	17,774
1.2	Payments for	-	-
	(a) research and development	(85)	(225)
	(b) product manufacturing and operating costs	(4,739)	(14,467)
	(c) advertising and marketing	(503)	(882)
	(d) leased assets	(122)	(382)
	(e) staff costs	(872)	(3,090)
	(f) administration and corporate costs	(319)	(934)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	(102)	(338)
1.6	Income taxes paid (capital gains)	(73)	(73)
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(600)	(2,617)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	(590)
	(b) businesses (see item 10)		
	(c) investments	-	-
	(d) intellectual property		
	(e) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	3,241	3,241
	(b) businesses (see item 10)		
	(c) investments		
	(d) intellectual property		
	(e) other non-current assets		-
2.3	Cash flows from loans to other entities		-
2.4	Dividends received (see note 3)		-
2.5	Other (provide details if material)		-
2.6	Net cash from / (used in) investing activities	3,241	2,650

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	1,952
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings		(418)
3.6	Repayment of borrowings	(1,514)	(1,514)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	(1,514)	20

4.	Net increase / (decrease) in cash and cash equivalents for the period	1,127	53
4.1	Cash and cash equivalents at beginning of quarter/year to date		
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(600)	(2,617)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	3,241	2,650
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1,514)	20
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	1,992	1,992

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,937	810
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)		
	Funds in Transit	-	-
	Deposits against Bank Guarantee Issued	55	55
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,992	865

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	-
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities	173	173
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	2,908	2,908

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered or are proposed to be entered into after quarter end, include details of those facilities as well.

Facility and lender	Interest Rate	Secured/ Unsecured	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
Term Loan National Australia Bank	8.36%	Secured	173	173
Loan facilities			173	173
Debtor Finance Facility Timelio Pty Ltd	9.50%	Secured against invoices	-	-
Unsecured Loan	10.0%	Unsecured	300	300
Convertible Notes	10.0%	Unsecured	2,608	2,608
Other Facilities			2,908	2,908
Total			3,081	3,081

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	100
9.2	Product manufacturing and operating costs	5,000
9.3	Advertising and marketing	300
9.4	Leased assets	600
9.5	Staff costs	1,000
9.6	Administration and corporate costs	300
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows	7,300

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here: [sent electronically without signature] Date: **29 April 2019**
 Print name: **Edmond Tern** (Director/Company Secretary)

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.