

**TO: COMPANY ANNOUNCEMENTS OFFICE  
ASX LIMITED**

**DATE: 21 APRIL 2015**

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**COMPLETION OF ACQUISITION (STELLAR FILMS GROUP) AND INVESTOR PRESENTATION**

SECOS Group Limited (**Company**) is pleased to advise that completion has occurred under the Share Sale Deed dated 26 February 2015 between the Company and each party listed in Schedule 1 therein (as **Sellers**).

The Company has issued to the Sellers an aggregate of 51,972,604 ordinary shares in the Company (on a post-consolidation basis) in consideration for all of the Sellers' shares in Stellar Films Group Pty Ltd and Stellar Films Malaysia Sdn Bhd. The issued shares are subject to a voluntary escrow for a period of 12 months from completion.

**Appointment of Managing Director and Chief Financial Officer**

The Company is also pleased to announce the appointment of Mr Stephen Walters as Managing Director and Mr Trevor Haines as Chief Financial Officer, effective immediately. Please refer to the notice of meeting announced by the Company on 6 March 2015 for more information on Mr Stephen Walters and Mr Trevor Haines.

Mr Steven Bendel, who has been a non-executive director of the Company since 7 October 2013, will retire from the Board as of today. The Company would like to take this opportunity to extend to Mr Steven Bendel its gratitude for his valued contribution to the Company during the period of his appointment.

**Capital Raising**

As announced by the Company on 6 March 2015, following completion of the Acquisition, the Company intends to raise approximately \$3,500,000 by way of:

- (a) a private placement approved by the Company's shareholders on 7 April 2015 of \$2.5 million at an issue price of at least 80% of the volume weighted average market price for shares calculated over the last 5 days before the issue is made to professional and sophisticated investors (**Placement**); and
- (b) a non-renounceable rights issue to all eligible shareholders at the same price as the Placement to raise up to \$1 million (**Rights Issue**).

The net proceeds of the Placement and the Rights Issue will be applied as detailed in the attached Investor Presentation.

Immediately following the Placement, the Company will conduct the Rights Issue. Further details in respect of the Rights Issue (including pricing and an indicative timetable) will be announced following confirmation of the Placement.

**Richard Tegoni**  
Chairman  
SECOS Group Limited



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# **Investor Presentation 2015**

**Leading developer & manufacturer of sustainable packaging**

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# Disclaimer

## Forward looking statements disclaimer

"This presentation may contains "forward-looking statements." Such forward-looking statements may include, without limitation:

- (i) estimates of future earnings;
- (ii) estimates of future production and sales;
- (iii) estimates of future cash costs;
- (iv) estimates of future cash flows;
- (v) statements regarding future debt repayments; and
- (vi) estimates of future capital expenditures.

Where the Company expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, forward looking statements are subject to risks, uncertainties and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such risks include, but are not limited to increased production costs, as well as political and operational risks in the countries and states in which we operate or sell product to, and governmental regulation and judicial outcomes.

The Company does not undertake any obligation to release publicly any revisions to any "forward-looking statement" to reflect events or circumstances after the date of this presentation, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

All financial amounts are expressed in Australian dollars unless otherwise indicated."

# Cardia Bioplastics and Stellar Films Merger

Overview of Stellar and Cardia

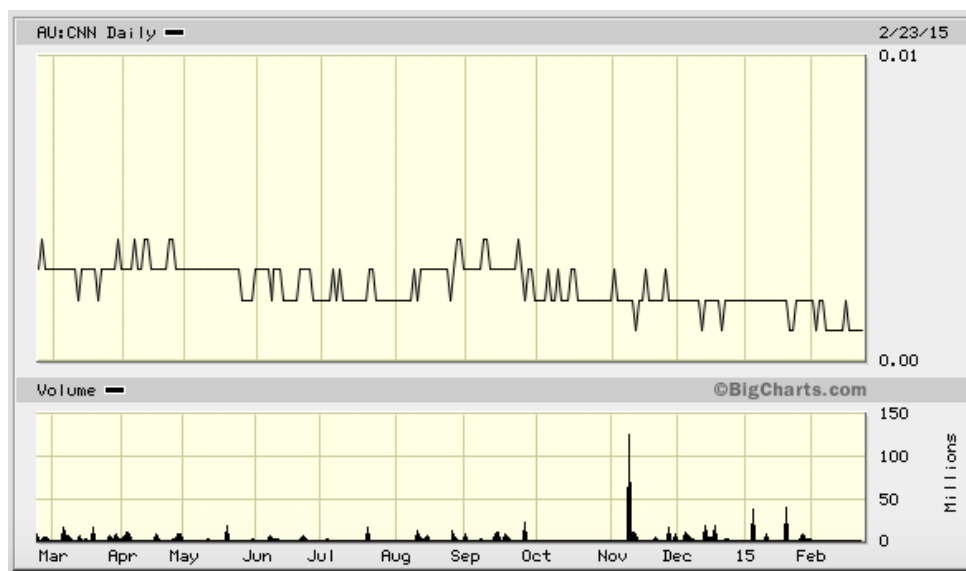


# Cardia Bioplastics Summary

## Board of Directors

|                       |                               |
|-----------------------|-------------------------------|
| <b>Richard Tegoni</b> | <b>Executive Chairman</b>     |
| <b>Frank Glatz</b>    | <b>Managing Director</b>      |
| <b>Steven Bendel</b>  | <b>Non-Executive Director</b> |
| <b>Gideon Meltzer</b> | <b>Non-Executive Director</b> |

## Share Price Performance



## Capital Structure

|  |                  |
|--|------------------|
| Australian Securities Exchange (ASX: code)                                       | <b>SES</b>       |
| Shares on issue (ASX)  | <b>4,250m</b>    |
| Share price (average traded over last 90 days)                                   | <b>0.2 cents</b> |
| Market capitalisation  | <b>\$8.50m</b>   |
| Listed options on issue (ASX: CNOB) Exercisable at 1.5c any time to 30 June 2015 | <b>221.3m</b>    |
| Rolling monthly turnover   | <b>40m</b>       |
| Top 20 shareholders  | <b>45.3%</b>     |
| Total number of shareholders (as at 24 February 2015)                            | <b>1,450</b>     |

**Cardia**  
bioplastics™

# Stellar Films and Cardia Bioplastics Profiles

|                              | Stellar Films  | Cardia Bioplastics  |
|------------------------------|--|---|
| Business                     | <ul style="list-style-type: none"> <li>Manufacturer and global marketer of high quality cast films</li> <li>50.8% ownership in Akronn producing silicone-coated film and paper products</li> </ul>   | <ul style="list-style-type: none"> <li>Global developer and manufacturer of bioplastic resins and finished products derived from renewable resources</li> </ul>   |
| Products                     | <ul style="list-style-type: none"> <li>Cast films and packaging, release liners</li> </ul>   | <ul style="list-style-type: none"> <li>Resins, films &amp; packaging, waste management products, carrier bags</li> </ul>  |
| Target markets               | <ul style="list-style-type: none"> <li>Personal care, hygiene, pet care and medical product markets</li> </ul>   | <ul style="list-style-type: none"> <li>Personal care, hygiene, pet care, protective packaging, councils, waste management, retail markets</li> </ul>  |
| Locations                    | <ul style="list-style-type: none"> <li>Headquartered in Melbourne</li> <li>Manufacturing facilities in Melbourne, Port Klang and Nilai, Malaysia.</li> <li>Sales offices: Melbourne, Port Klang</li> <li>Global distributor network</li> </ul> | <ul style="list-style-type: none"> <li>Headquartered in Melbourne</li> <li>Manufacturing facilities in Nanjing, China</li> <li>Sales offices in Melbourne, Nanjing, Kuala Lumpur, Vancouver, Sao Paulo</li> <li>Global distributor network</li> </ul> |
| Sales FY2014<br>Sales 1H2015 | <ul style="list-style-type: none"> <li>\$21.5 million</li> <li>\$10.6 million</li> </ul>   | <ul style="list-style-type: none"> <li>\$5.0 million</li> <li>\$3.7 million</li> </ul>  |



# Merger Synopsis

- Consideration:
  - Owners of Stellar Films Group will be issued an aggregate of 55% of the issued shares in Cardia on a post-consolidation basis in consideration for 100% of the issued shares and units in Stellar Films Group
- SECOS Group raising \$3.5 million in equity via a share placement and rights issue
  - Funds to be used for working capital, operating expenses and production expansion to deliver sales growth

## Stellar Films Group value includes

- Stellar operations as going concern
- Manufacturing, sales and distribution
- Lease hold and facilities at Port Klang
- Plant, equipment and machinery in Deer Park, Australia and Port Klang, Malaysia
- 50.8% of Akronn business
- Stellar Films Group brand, logos & trademarks, intellectual property, customer contracts and know how
- Inventory (\$ 1.8 million, Dec 2014)
- Debtors (\$ 4.1 million, Dec 2014)
- Creditors (\$ 5.9 million, Dec 2014)

# Merger Rationale

- Market access and reach in absorbent hygiene products market - \$72 billion industry growing 5.5% per annum, and emerging, high growth Bioplastics industry with focus on packaging, waste management products and carrier bags target market segments.
- Unique global product offering to absorbent hygiene products market – environmentally preferred, made from renewable resources, lower carbon foot print, heavy metal free, silicone coated hygiene products.
- Enhanced competitiveness through integrated production from resins to films to coated products.
- Geographic footprint of combined operations. Focus on high growth Asian market.
- Stellar's underutilised production assets. Production and supply chain efficiency. Operational savings. Cost effective expansion options.
- Complementary intellectual property positions and customer reach.
- Highly focused management teams with internationally recognised industry experts in sustainable packaging.
- Scale and resources to deliver the successful implementation of growth strategy in hygiene films and bioplastics products.

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# SECOS Group Summary

## Board of Directors

|                        |                          |
|------------------------|--------------------------|
| <b>Richard Tegoni</b>  | Non-executive Chairman   |
| <b>Stephen Walters</b> | Group Managing Director  |
| <b>Frank Glatz</b>     | CEO Bioplastics Business |
| <b>Trevor Haines</b>   | Chief Financial Officer  |
| <b>Gideon Meltzer</b>  | Non-Executive Director   |

## Business

- Leading developer & manufacturer of sustainable packaging
- High quality cast films, bioplastic resins & finished products derived from renewable resources for the global packaging industry
- Changing the world of packaging

## Capital Structure after consolidation

|   |                 |
|---|-----------------|
| Australian Securities Exchange (ASX: code)  | <b>SES</b>      |
| Shares on issue (ASX)   | <b>94.45 m</b>  |
| Share price   | <b>20 cents</b> |
| Market capitalisation   | <b>\$18.9m</b>  |
| Listed options on issue (ASX: CNOB) Exercisable at \$1.5 any time to 30 June 2015 | <b>2.2m</b>     |
| Top 20 shareholders   | <b>73%</b>      |
| Total number of shareholders (as at 15 March 2015)                                | <b>1,500</b>    |

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# SECOS Group Overview

- ASX-listed company (ASX: SES) formed through merger of Cardia Bioplastics and Stellar Films.
- Corporate and operational centre in Melbourne, Australia.
- Manufacturing plants in Deer Park (Australia), Port Klang (Malaysia) and Nanjing (China).
- Akronn Joint Venture (50.8%) for silicone coated products in Nilai (Malaysia)
- Sales & operational offices in Australia, Malaysia, China, USA and Brazil.
- Established global distributor network across the Americas, Europe, Asia, Middle East and Africa.



# Absorbent hygiene products market

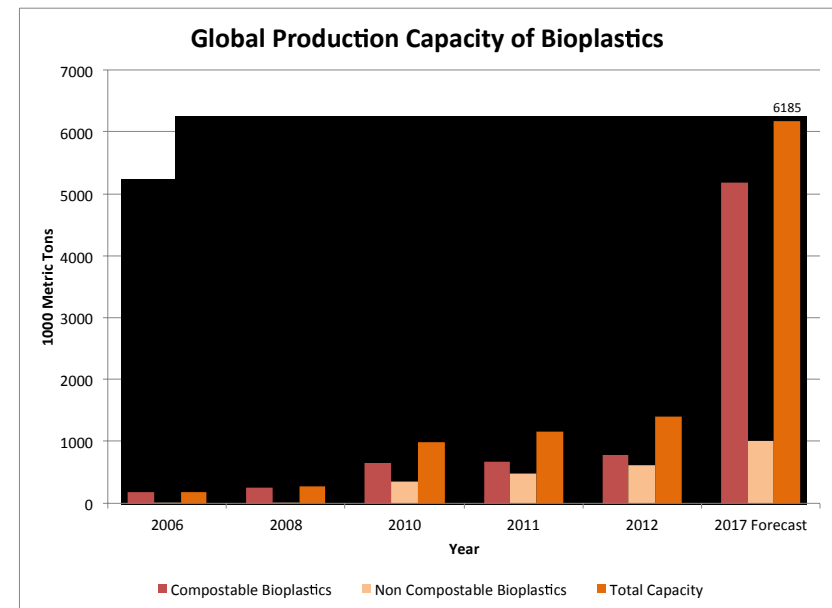
- Absorbent hygiene products: baby diapers, feminine hygiene products and adult incontinence products
- **\$72 billion industry growing 5.5% a year.**
- Growth across both developed & developing markets.
- Driven by demographics & economic development.
- **Consumers demand more environmentally friendly, non-toxic hygiene products**
- Tailwinds
  - Births across Asia are rising
  - Population of women expected to rise
  - Aging population is growing
  - Disposable income is increasing with middle class
- Headwinds - Sustainable growth requires environmental sustainability
  - **Transform our supply chain with renewable materials**
  - Eliminate manufacturing and operating waste
  - Create industry-led solutions to post-consumer solid waste created by our products



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# Bioplastics Industry

- Bioplastics: bio-based and/or biodegradable plastics
- Increased “package goods” consumption due to continued economic development and societal trends towards convenience.
- Growth of middle classes & increased consumerism in developing countries.
- Uncertainty around oil (price and future availability) as a key input in traditional plastics.
- Increased Government regulation of environmental issues and waste management: legislation and taxes.
- Organic waste diversion being implemented around the world.
- Increased costs of landfills (globally).
- Increased consumer demand for sustainable products due to awareness of environmental issues.
- Global brand leaders are investing in the transition from traditional plastics to bioplastics - tracking consumer preference trends and preparing for global legislative changes.
- **Sustainable and renewable Bioplastics packaging is estimated to be < 1% of the plastics packaging market (c.\$200B p.a.) with exponential growth potential.**



Source: European Bioplastics/ IfBB Industry Report 2013

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# SECOS Group Manufacturing Plants



Resin production in Nanjing (China)



Film production in Nanjing (China)



Film production in Port Klang (Malaysia)



Bag production in Nanjing (China)



Film coating in Nilai (Malaysia)



Film production in Deer Park (Australia)

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# Manufacturing Plants & Volume Capabilities

## **SECOS Group has developed proprietary manufacturing processes for its bioplastic resin, cast films and finished products**

- SECOS Group manufacturing plants are located in Deer Park (Australia), Port Klang (Malaysia) and Nanjing (China).
- SECOS Group specializes in production of its high quality cast films, bioplastic resins & finished products derived from renewable resources.
- It extends its product range through its Akronn Joint Venture (50.8%) for silicone coated products in Nilai (Malaysia)
- Annual production capacity of c. 7,200 tonnes of bioplastics resins and c. 17,000 tonnes of film and finished products with cost effective capacity expansion options.
- SECOS Group has set up fully integrated product supply from bioplastic resin to certified compostable and Biohybrid™ films and bags that ensures product quality and cost competitiveness.
- Quality systems ISO9001 certified.



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# SECOS Group Global Customers

SECOS Group delivered sales or is in commercialisation developments with the following leading global brands:



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# SECOS Group Product Offering



- High quality cast films for personal care, hygiene, pet care and medical product applications.
- Embossed barrier, laminated, multi-layer, printed or general packaging films.



- Paper or film release liners for the personal care, hygiene, photo voltaic and graphic arts industries.
- Standard plastic or sustainable film options with
- Tailored release properties for specific customer applications.



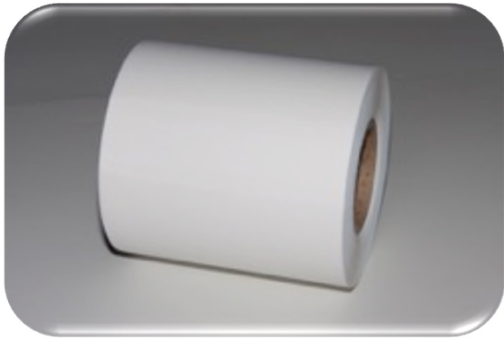
- Certified biodegradable & compostable
- Made with less oil
- Contain GMO free, renewable, plant based material
- Can be composted in aerobic composting plants
- Turned into compost, condition soil for improved plant growth, independently verified



- Made with less oil & heavy metal free
- Contain GMO free, renewable, plant based material
- Reduces global warming by sequestering CO2
- Lower carbon foot print verified by independent Life Cycle Assessment
- Cost effective alternative to fossil fuel derived films



# SECOS Group Hygiene Films & Packaging



# Standard feminine hygiene product vs SECOS feminine hygiene product



Biohybrid™ pouch packaging silicone coated



Benefits:

- No release paper (cost savings)
- Lower carbon foot print
- Made with less oil
- Matt finish, satin touch
- Heavy metal free

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# Patents & International Accreditation

SECOS Group has developed and retains a strong Intellectual Property portfolio:

- 11 Patent families for bioplastic resins & packaging products. 20 patents so far granted in key markets.
- Patents protect composition formulation, manufacturing process and applications for global packaging products invented by The Group's R&D team.

## International Accreditation

- Accredited globally, in all countries with certification schemes – including the USA, EU, China, Australia, South America, Japan & Asia.
- Food contact approval in Europe and USA. Halal Certification.
- Nanjing plant certified to China Environmental Standard.
- The Group's Malaysian business awarded BioNexus Status.



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# SECOS Group Global Activities

| Applications              | ANZ | China | North America | Brazil | Europe/<br>Middle East | SE Asia<br>(focus Malaysia) |
|---------------------------|-----|-------|---------------|--------|------------------------|-----------------------------|
| Hygiene films & Packaging | ✓✓✓ | ✓     | ✓✓✓           | ✓      | ✓✓✓                    | ✓✓✓                         |
| Waste management products | ✓✓✓ | ✓✓✓   | ✓✓✓           | ✓✓     | ✓✓                     | ✓✓✓                         |
| Carrier Bags              | ✓   | ✓✓    | ✓             | ✓✓✓    | ✓                      | ✓                           |

|     |        |      |
|-----|--------|------|
| ✓   | ✓✓     | ✓✓✓  |
| Low | Medium | High |

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# Financial Summary – December 2014

## Proforma

| Profit & Loss - Half Year July – December 2014 |                |              |
|--|----------------|--------------|
|  | (\$000's)      | % of Revenue |
| Revenue  | 12,958         | 100%         |
| Gross Margin                                   | 1,517          | 12%          |
| Overheads                                      | 3,945          | 30%          |
| Other income                                   | 509            |              |
| <b>Normalised EBITDA</b>                       | <b>(1,919)</b> | <b>(15%)</b> |
| Adjustments                                    | 1,101          |              |
| <b>EBITDA after adjustments</b>                | <b>(3,020)</b> | <b>(23%)</b> |
|  |                |              |

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# Commentary on trading results

- **Trading summary reflects:**

- Consolidated results of both Cardia and Stellar for half year to December 2014.
- Normalised trading with Brazil's results removed from trading statement and disclosed as an adjustment to EBITDA.
- Abnormals arising from Stellar's restructure of manufacturing operations.

- **Gross margin reflects:**

- Unfavourable exchange rate environment and high polymer prices.
- Stellar's reduced production (arising from restructure) impacting margins.
- Akronn's trading for the half year reflecting a "start up" phase.
- Cardia China commenced production in new facilities with new work force impacting margins.

# Financial Summary – December 2014

## Proforma

| Balance Sheet December      |              |
|-----------------------------|--------------|
|                             | (\$000's)    |
| Current assets              | 9,570        |
| Property, plant & equipment | 6,207        |
| Other assets                | 1,038        |
| Goodwill on merger          | 4,847        |
| Current liabilities         | (10,596)     |
| Non current liabilities     | (2,385)      |
| <b>Total Equity</b>         | <b>8,681</b> |

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# Offer Summary – Share Placement & Rights Issue

- \$2.5 million Share Placement
  - Lead manager: Patersons Securities Limited
  - Issue price not lower than 80% VWAP
- \$1.0 million Rights Issue
  - Issue price not lower than 80% VWAP

|                          | Shares        | <i>Gross Amount Raised</i> |
|--------------------------|---------------|----------------------------|
| Existing Shares on issue | 94.45 million |                            |
| Share Placement          |               | \$2.5 million              |
| Rights Issue             |               | \$1.0 million              |
| <b>Total</b>             |               | <b>\$3.5 million</b>       |

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# Use of Proceeds

|  |               |
|--|---------------|
| • Working capital to purchase raw materials to deliver business growth | \$1.5 million |
| • Technology development and patent cost                               | \$0.3 million |
| • Operating expenses   | \$1.0 million |
| • Capital expenditure for expansion of film extrusion and bag making   | \$0.7 million |
| <hr/>  |               |
| Total  | \$3.5 million |

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# Key Risks

## Company specific

- Integration risk
- Potential decline of Stellar's film sales
- Product liability
- Research and development risks
- Business interruption; production or development delays
- Intellectual property risks
- Competition
- Unforeseen capital expenditure
- Occupational health & safety
- Reliance on third parties and key personnel
- Operating risks
- Forecasts

## General risks

- General economic conditions
- Variability and risks of capital markets
- Foreign exchange
- Government legislation
- Bribery and Corruption in respect to foreign operations

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# Growth Opportunities

| Short term<br>(1 year)   | Medium term<br>(1 - 3 years)   | Long term<br>(3+ years)   |
|--|--|---|
| Utilise excess capacity of Cardia resin and Stellar cast film production | Expand customers and sales of Biohybrid™ hygiene films                 | Centered on development and marketing of sustainable packaging                            |
| Expand Cardia film and bag production at Stellar Malaysia plant          | Expand roll out of organic waste diversion, specific Councils targeted | Absorbent hygiene products industry fully adopting products made from renewable resources |
| Successful commercialisation of Biohybrid™ hygiene films                 | Legislation and bans of standard retail carrier bags                   | Global roll out of organic waste diversion  |
| Deliver business growth based on current sales development activities    | Deliver business growth based on current sales pipeline                | Bioplastics becomes the product choice  |

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## Revenue & Capacity Range\*

|                                | 2015 H1  | 2015 FY  | 2016 FY  | 2017 FY  |
|--------------------------------|----------|----------|----------|----------|
| Lower Range Revenue - A\$000   | \$13,613 | \$29,148 | \$43,957 | \$52,462 |
| Upper Range Revenue - A\$000   | \$13,613 | \$29,148 | \$51,061 | \$71,310 |
|                                |          |          |          |          |
| Capacity - Film in tonnes      | 17,000   | 17,000   | 18,500   | 18,500   |
| Capacity – Coatings in Mil Sqm | 240      | 240      | 240      | 400      |

- The Lower range data is based on anticipated sales from customers' orders using present day prices and known costs of production.
- Upper range data assumes full production capacity at existing facilities and additional production from planned expenditure using funds from the proposed capital raising
- Revenue includes 50.8% of Akronn revenue
- Refer to disclaimer regarding forward looking statements

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# SECOS Group Investment Summary

- Only ASX-listed stock focused on sustainable packaging.
- Market access and reach in absorbent hygiene products market - \$72 billion industry growing 5.5% per annum, and emerging, high growth Bioplastics industry.
- Highly focused management team with internationally recognised industry experts in sustainable packaging.
- Strong IP and patent position on technology and comprehensive range of high performance sustainable packaging products.
- Sales to high profile brand owners, retailers, packaging companies and Councils.
- Joint development with leading consumer goods and global packaging companies.
- Established global operations and distributor network.
- Cost-effective manufacturing in Nanjing, KL and Melbourne, with low cost expansion options.
- Well positioned to globally expand sales and marketing with unique environmentally friendly hygiene products that meet customer demands.

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