

CHAIRMAN ADDRESS

Good morning.

I would like to welcome you all to the 2017 Annual General Meeting for SECOS Group Limited. Thanks for joining us here today.

For those of you who don't know me, my name is Richard Tegoni, and I am the chairman of the SECOS Board.

2017 was an important year for SECOS, and our company gained significant momentum. We worked hard to expand our markets and grow our revenue, and this has seen us build on this progress as we entered 2018.

The Group has turned around its financial performance since SECOS was launched as a merged entity, comprising one of Australia's finest film manufacturers and a cutting-edge, bio-based resin technology developer.

We finished the year in a strong position, achieving a positive operating cash flow in the final quarter of 2017, and we saw improvements in cash receipts and sales through the second half of the year. We will be working hard in 2018 to ensure that this momentum can continue.

These achievements included an improvement in our 2017 operating cash outflows by eight hundred thousand dollars on a year on year basis.

Our net loss in 2017 was a significant improvement on the year before, with SECOS posting a two point nine million dollar loss for the year, up from four point nine million dollars in 2016.

We achieved these results despite weathering some difficult conditions. These included major restructuring of the Group's operations, long trial periods for product acceptance by major customers, and significant investment in new technology. We also faced restructuring costs and headwinds associated with working in an emerging market environment.

Our success to date has validated our strategy to target the waste management and hygiene films markets. Our plastic products are developed and produced using SECOS' proprietary Compostable and Biohybrid™ resins.

SECOS has worked hard over the past year to deliver stronger value to its customers, as well as to its shareholders. We completed a detailed review of our operations to identify areas where we could reduce expenditure. This has helped us to achieve synergies between the Group's business units.

Initiatives that we implemented during the year included streamlining the Company's corporate finance division to ensure focus and resources are best matched to the highest performing areas of the business. These changes are expected to yield material savings on overhead costs.

Two of our three manufacturing business units, in Malaysia and Australia, achieved profit on a monthly run rate basis in 2017. We increased plant utilisation rates, and we retain significant scope to work our assets harder to meet growing demand from large US and Asian customers.

Just prior to year-end, SECOS launched a review and restructure of our Chinese operations. We want to establish a structure there that will encourage sustainable growth. We have already acted on the results from this review, and this has seen our operations at Cardia Bioplastics Nanjing running at full capacity and achieving record output.

We expect this improvement, coupled with sales growth from our Australian and Malaysian operations and our efforts to reduce overheads, will see SECOS achieve positive cash flow across the Group.

The work to improve Cardia Bioplastics has already netted us benefits, as in early November, we announced the signing of a one point five million dollar contract with Penrith City Council to supply compostable bags over 18 months.

This is part of the momentum across our industry, which sees a shift away from single-use plastic bags in Australia. Major retailers including Coles and Woolworths are set to implement changes to their plastic bag use in the coming year. This should be positive for SECOS as retailers look to enhance their environmental and sustainability credentials. SECOS sees great scope to meet customer demand for more environmentally friendly bags made using our proprietary resin technology.

We are confident that the demand for our eco-friendly compostable waste management products will continue to grow, as local authorities in Australia and abroad increasingly seek to divert organic food waste from landfill.

Across financial year 2018, we expect to drive further efficiencies and cost savings while continuing to grow the business.

As we finished 2017 in a strong position, we have continued this momentum into the current financial year. The September quarter saw a forty per cent increase in cash receipts when compared to 2017, and customer demand for our proprietary compostable resins rose sharply. The first few months of FY18 have seen us achieve sales representing several multiples of the resin sales we made in FY17.

Also in the first quarter of FY18, we announced a contract to licence MiniFAB's newly developed and world first micro-engineered breathable film technology. This will empower SECOS to produce and supply some of the world's best breathable film products to the fast-growing hygiene film market, and will not require us to make a huge capital outlay to do so. These products will potentially be the first of their kind, so this is an important and exciting step for our company.

I would like to thank my fellow Board members for their efforts and support during 2017 and moving into 2018. I also thank our management team and staff who have performed impressively, particularly as we have worked to reduce our costs.

I thank our Shareholders for your continued support and belief in our Company to be a leader in change towards sustainable plastic solutions and waste management. Our success to date has been made possible through your commitment.

SECOS is moving in the right direction towards profitability and a more efficient operation that can sustain growth in a changing market. With a strong start to the year already posted, I am confident we can deliver on our goals in 2018.

Thank you for your time today.

Regards,
Richard Tegoni
Chairman