

## ASX RELEASE

9 December 2019

### SECOS Expects Improved First Half Result

#### Highlights:

- **Improved result expected for Half Year**
- **New City Council business awarded**
- **Changes in environmental awareness and renewables legislation continue to drive sales and increased customer engagement**

Sustainable and eco-friendly bioplastics developer SECOS Group Limited (ASX: SES, "SECOS" or "the Company") is pleased to provide trading update.

Based on unaudited accounts and subject to completion of December closing, SECOS expects the Company's half year net loss to reduce significantly by over 50% compared with prior corresponding period.

#### Key Achievements in first six months include:

- Strengthening Biopolymer sales in Malaysia as local authority enforces ban on single use PE bags in past two months;
- Increased China film plant utilization rate to over 90% with strong order book on hand. Further capacity expansion is possible through low cost debottlenecking;
- Initial sales achieved in strategic markets including Central America; the USA and South Africa, increasingly driven by brands seeking renewable packaging solutions and by legislative changes;
- Existing Australian Local Council business continues to expand with new council tenders awarded in last two months expected to deliver additional sales of \$0.5 million per annum;
- Cost and overhead reductions are flowing through from the Business Transformation Program implemented and announced in late 2018;
- Debt reduced to only \$0.65 million (down from \$6.2 million as at 30 June 2018); and
- Successful launch of two new resin grades and six new film grades including stiffer biopolymers and home compostable resins to expand the biopolymer product range and meet growing market demand.

**SECOS Group Limited (ASX: SES)**

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Ian Stacey, SECOS CEO said, "It is pleasing to see the benefits of the Business Transformation Program flowing through to the bottom line. We are now seeing more and more city councils going FOGO (Food Organics – Garden Organics programs) with new business coming our way as we provide the compostable bag solution required by these councils".

"Our investment in R&D and operational efficiency has also resulted in improved productivity and better asset utilization rates" Mr. Stacey said.

### Ongoing Developments:

- Several bioplastic resin qualification trials are progressing and are expected to lead to further orders as plastic converters move to switch production to bioplastics to supply customer demands. Some of these trials, if successful will include applications for major international brands;
- SECOS is in discussion with a number of Australian brands who are signatories to the Australian Packaging Covenant (APCO) and National Packaging Targets. These targets require companies to change any single use plastic packaging to either 100% reusable, recyclable or compostable packaging by 2025.
- The development of a new compostable cast film application is progressing well and will expand opportunities into the hygiene market such as diapers, pads and medical film and flow wrap applications;
- Continued investment in R&D to develop new resin and film grades aimed at catering for emerging market demands for bioplastic applications; and
- Investment in Courier bag production assets underway with trials for compostable courier bags progressing to final stage development.

Richard Tegoni, SECOS Chairman said, "The overwhelming media coverage on the failure of recycling and the impact of plastics on the environment has led to a significant market shift to find alternative environmentally friendly packaging technologies. This has resulted in an unprecedented level of enquires from customers seeking renewable packaging solutions such as bioplastics."

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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 Group is integrated from resin production, into film (cast and blown) production and can develop bespoke compostable solutions for a range of applications.

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 China and resins plant in Malaysia. The Company also has manufacturing plants for high quality cast films in Malaysia.

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

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