SECOS GROUP

Changing Plastic to Create a Better World

Annual General Meeting Presentation

22nd November 2019

(ASX: SES)

FY 19 Highlights

Financials

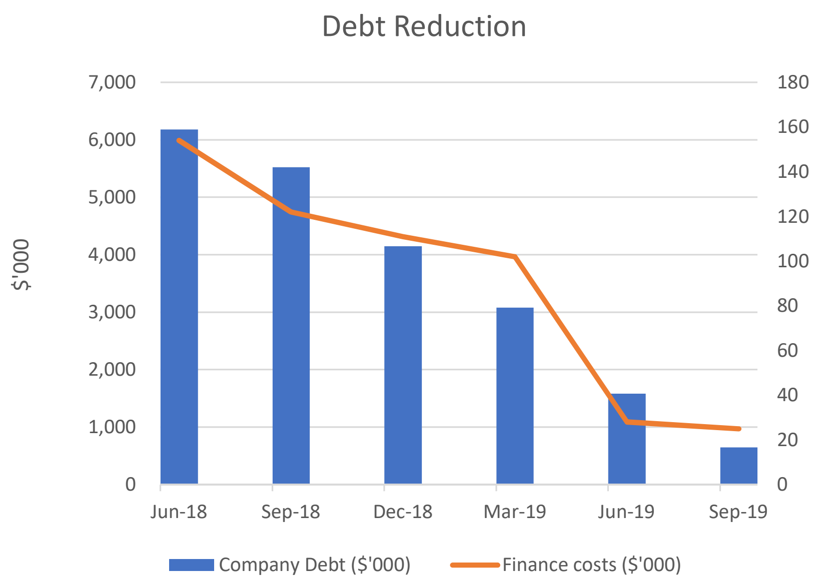
- Underlying revenue increases: FY19 of $19.6m vs FY18 of $16.7m
- Increase in contribution margins: Q1 FY18/19 vs Q1 19/20
- Major reduction in debt: FY 19 of $1.4m Vs FY 18 of $6.2m

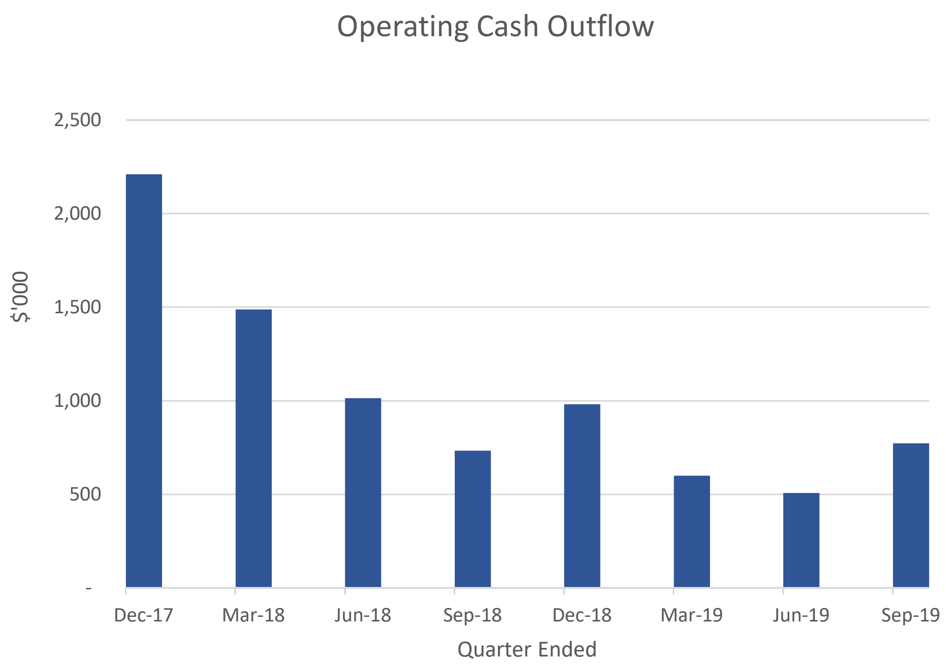
Revenue	↑	**+17%**
Contribution Margin	↑	**+30%**
Debt	↓	**-77%**

Commercial

- Development of 2 new biopolymer resins & 6 new film applications
- Expansion in geographic reach as consumers, brands and regulators demand alternatives to traditional plastics
- In receipt of initial orders for new resin & film application grades, sales pipeline reflects substantial growth in environmentally friendly products

SECOS Group: Company Financials





Geographic Spread, Customers & Assets

Sales in $ and time

Revenue

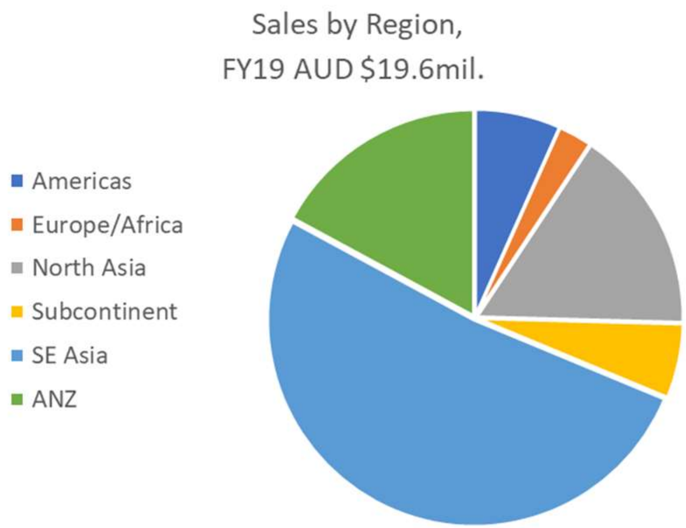
- Increasing geographic diversity of revenue stream generated via direct & indirect sales resources promoting the SECOS Group

Customers

- Customers ~140

Assets

- Staff ~140
- Three manufacturing operations; 2 in Malaysia, 1 in China
- IP – invested significantly in new grades and applications



Strengthening

- Competitive position via increased scale, lower production costs
- Fundamentals in place to grow; staff + assets + product range

New Bag/Film Compostable markets evolving

<u>Blown Lines</u>
Generally narrower films & used for bags/pouches.

<u>Cast Lines</u>: wider films & greater running speeds vs blown lines
=> scale.

- SECOS formulation competence enables adjustment/development of formulations as new film applications opportunities emerge.

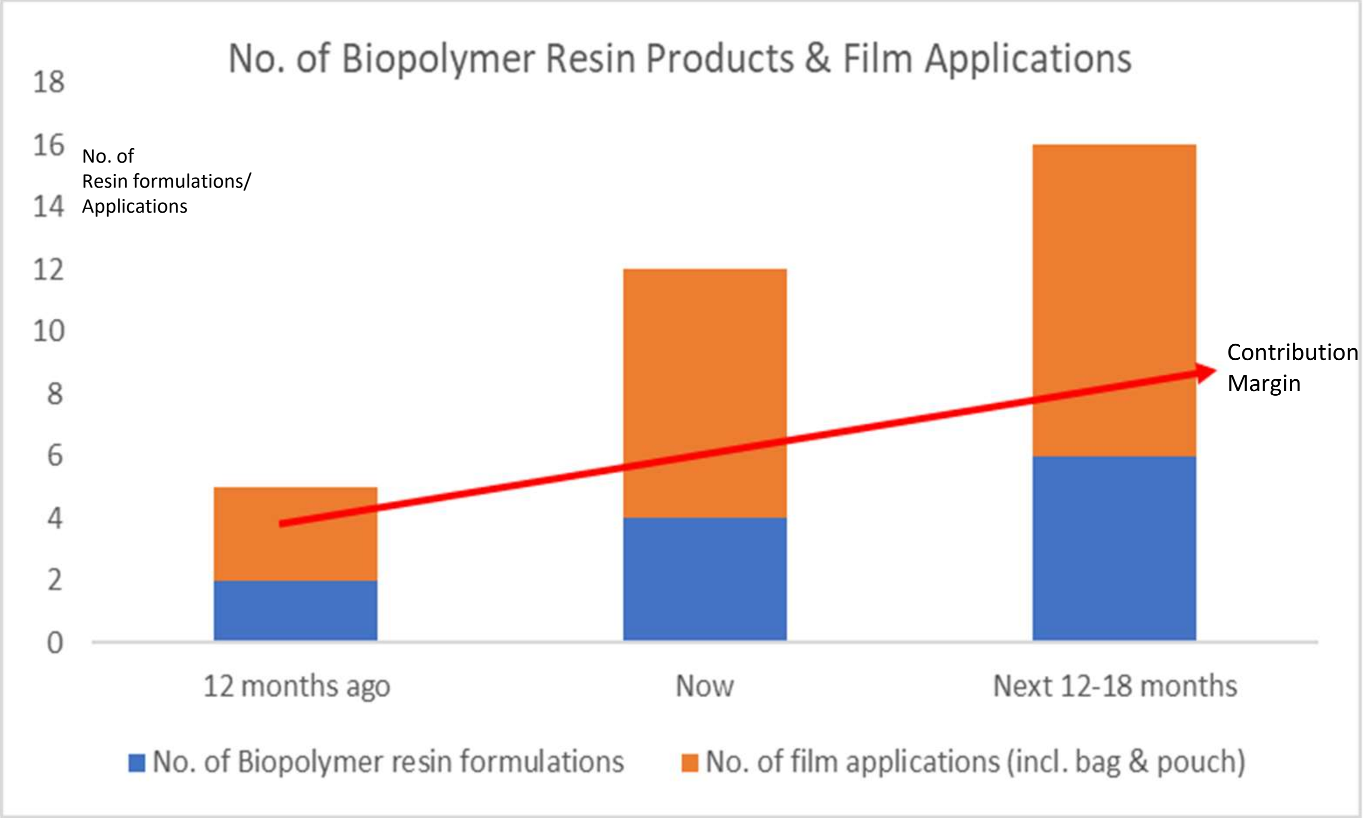
- Evolving and Future compostable film applications will require greater scale; SECOS intends to use new resin formulations and its cast film assets to enter new markets, increase its margins, and provide significant scale advantages.

Product Development Pipeline

- **Development of new biopolymer resin formulations** (e.g. Home Compostable food and non-food; Higher Mechanical Strength formulations)

- **Development of new film applications/bags/pouches to utilize cast & blown film assets** (e.g. Compostable hygiene & medical film for protective gowns & diapers; Courier Bags and other new applications)

- **Formulation changes have and will result in increased contribution margins as sales to converters for these new grades increase.**



Changing the world of packaging

SECOS GROUP

Biopolymer resin & Film Industry - Value Creation

Precursors of
biopolymer resins

Convert biopolymer
precursors to resin

Convert biopolymer
resin to film & bags

Retail sales of bags,
Satchels, film etc

SECOS has R & D expertise, film assets & sales capability which makes it active in three of the value creating areas (compounding; converting & retail). ***These assets allow SECOS to capture resin, film and distribution "profits."***

Changing Regulatory Environment – is now global

- Indian Government moving to ban single use plastics has driven demand in compostable resin & bags. 25 Indian states have partial or full ban on single use plastics. Some states have mandated compostable/biodegradable bags as an option.

- Australia – Single use plastic bags banned in 5 states. Parliament review of Product Stewardship Amendment (plastics & packaging) Bill 2019 is before the Senate Environment Committee. Review includes:
  - An increase in the rate and quality of recycling and composting of packaging and plastics

  Targets for product packaging:
  - 100% of all packaging will be reusable, recyclable or compostable by 2025.
  - 70% of all packaging will be recycled or composted by 2025.
  - Specifically, 70% of plastic packaging will be recycled or composted by 2025

- Mexico close to banning single use plastic bags; compostables are being touted as a suitable alternative
  - This draft Mexican Standard establishes the minimum specifications that must be met for compostable plastics that are suitable for organic recovery through aerobic composting.
  - The specifications are aimed at establishing the requirements that must be met by plastic products to be classified as compostable

Difficulties recycling plastic

- Film producers can incorporate recycle-PE in production of new plastic products. However recycle of the final plastic product is limited for reasons such as :

  - Soft plastic recycle streams of consistent quality are hard to obtain => leads to variability in mechanical properties.

  - Soft & rigids: so many sources can lead to contamination of single use plastic recycle => which is not generally appropriate for use in food.

  - Economics for recycle of plastics remains limited.

  - Only a small % of recycle actually occurs; USA Environment Protection agency figures show recycle rates of plastics actually falling (Plastic News, Nov. 15, 2019).

- Difficulty recycling plastics => a lot is going to costly landfill

- Conclusion: Compostable polymers attractive where recycling has limitations.

Victoria's Recyclable Waste Headed to Landfill Following Plant Closures

More than 30 councils are affected. SKM Recycling says more than 400,000 tonnes of waste per year is at stake.

SKM Recycling, Laverton — Photography: Google / R.s Sidhu

Published on 29 July 2019
by NICK BUCKLEY

SHARE

Victorian councils will soon have to send kerbside recycling waste straight to landfill, unless an alternative can be found, after a major recycling company stopped receiving recyclables last week.

As reported by *the ABC*, on Thursday night SKM Recycling told the 33 Melbourne councils it holds contracts with it would stop receiving recyclables. The company is currently fighting creditors seeking to place it into insolvency and has warned that 400,000 tonnes of waste per year would go to landfill if the company were to shut. The Victorian Government has

Outlook

- Identified areas to expand capacity to capture growth opportunities
- Identified future resin grade and film opportunities for new application development
- Expecting increased sales & margins from new grades & film applications
- Increasing council tender business predicted via FOGO initiatives
- Making investments in Courier Bag Industry and output
- Making investment in developing compost film grade for production utilizing cast lines

SECOS is Committed to reducing Single Use plastics; and in so doing reducing environment contamination as well as marine plastic waste. SECOS is working on additional biopolymer solutions to address rigid plastics waste (HDPE bottles, straws etc.).

Board & Executive

Ian Stacey
Chief Executive Officer

- Joined SECOS in Oct. 2018; brings 15 years polymer experience, and significant turnaround experience.
- Previously CEO of Australian of Hoechst SA & TOTAL Petrochemicals subsidiaries.
- GM of TOTAL Polystyrene Asia, based in China.

Donald Haller Jnr
Non-Executive Director

- Joined Board in September 2016
- Former Audit and Consulting Partner with Ernst and Young
- Former Lead Industry and Consulting Partner with Price Waterhouse Coopers
- Former Lead Client Partner with IBM

Richard Tegoni
Executive Chairman

- Joined Board in Dec-2012
- Chairman since Oct-2013
- Executive and Director positions with various organisations and industries including Financial Services, Telecoms, Publishing and Arts

David Wake
Non-Executive Director

- Joined Board in Jul-2018
- Former Vice President Finance of ICI
- Former CFO of Securency

Stephen Walters
Executive Director

- 30+ years plastics and packaging experience including executive position with Orica
- Successfully transformed Stellar Film out of Orica and later merged with SECOS

Jim Walsh
Non-Executive Director

- Joined Board in Nov-2018
- Chairman of GMHBA Ltd
- Non-Executive Director of AG Coombs Group Pty Ltd
- Chairman KM Property Funds Ltd.

- Directors all hold shares & are issued shares in lieu of salary
- Key executives have solid industry experience

DISCLAIMER

Forward-looking statements disclaimer

This presentation 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.

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