

ASX/MEDIA ANNOUNCEMENT

ASX: YPB | 31st January 2017

YPB PROVIDES REVIEW OF Q4 2016 ACTIVITIES

- **Highest revenue quarter since inception**
- **Lowest net cash outflow quarter for the year**
- **Strategy and financial outlook update to be issued in the coming days**

Brand Protection and Customer Engagement solutions company YPB Group Ltd (ASX: YPB) is pleased to provide a summary of activities for the quarter ended 31 December 2016.

Key achievements for the quarter included:

- Concluding a supply agreement with multi-national packaging innovator Orora Limited (ASX: ORA) whereby Orora will offer the YPB PROTECT, DETECT, CONNECT range to its customer base. The supply agreement superseded an MOU with Orora signed in May 2016 and marked the start of the marketing of YPB's solutions to Orora's customers.
- Signing a Master Supply Agreement with Blackmores Limited (ASX: BKL) allowing YPB's solutions to be employed across the Blackmores range.
- Commencing supply of YPB's invisible tracer to Mamacare, a leading brand of nutritional products for pregnant and nursing mothers, initially to PROTECT its export range.
- Securing 350 new stores with bespoke Retail Anti-Theft solutions. The new customers included Lorna Jane with 200 stores in Australia and USA plus two national chains with 150 stores in total.
- Winning a three year contract with a top tier global pharmaceutical company for forensic laboratory services and IP protection solutions design and implementation.
- Signing a strategic partnership with leading USA packaging design and manufacturing company L&E to offer YPB's full suite of Brand Protection and Customer Engagement solutions to its customer base. L&E's customers include household name global athletic footwear and apparel brands.

FINANCIAL SUMMARY

Q4 2016 cash flows were in line with expectations and the best for the year. Cash receipts for Q4 were \$0.930m the highest quarterly cash receipts ever and up from \$0.529m in the Q3. There was some small "catch up" in Q4 from the low Q3 but new business was the primary contributor to the clear improvement.

Gross cash outflows in Q4 were approximately \$0.240m lower than Q3, with an accelerated R&D spend offset by lower staff and administration costs. Q4 saw \$0.5m R&D spend, half of the year's total, occur in the quarter as development of the CONNECT Customer Engagement software platform

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was accelerated due to customer interest. This spend level is likely to be maintained in Q1 2017 but then fall quickly in subsequent quarters as presently targeted functionality modules are completed. The 13.7% fall in staff, administration and corporate costs in Q4 was impacted by timing and a modest rise is expected in Q1 2017, though this will remain below Q3 levels.

Due to the higher cash receipts in Q4 and well controlled costs, net cash outflow was the lowest for the year at \$1.994m.

A successful equity raising was conducted in Q4 with approximately \$4m raised from an existing shareholder at \$0.25 per share.

Cash at the end of Q4 was \$2.752m, up from \$0.600m at the end of Q3.

Please note that the Appendix 4C includes “estimated cash outflows for next quarter” at item 9. This is a *gross* cash outflows forecast and should not be compared to the *net* cash flow figure in item 1 of the Appendix 4C. Q1 2017 gross cash outflows are likely to be largely in line with those of Q4 2016.

Please also note that an updated outlook for 2017 will be released to the ASX in the coming days. YPB conducts its annual planning work in late November and December of each year to develop its Annual Operating Plan (AOP). Conclusion of the AOP has taken longer than expected this year due to new strategic opportunities arising during the AOP process. These opportunities would result in expanded market reach and a much lower YPB cost base. Final determination of the plan’s details is now in train and will be released to the market as soon as it is concluded.

YPB Executive Chairman John Houston said: “As anticipated, Q4 2016 was the best cashflow quarter for the year and clear progress is being made. We look forward to presenting the updated 2017 outlook to the market in the coming days.”

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ABOUT YPB

YPB Group (ASX: YPB) is a pioneer in advanced brand protection solutions. Listed on the Australian Securities Exchange, YPB is expanding its global footprint with an established presence in Australia, China, Thailand, USA, Mexico and India.

YPB's patented Anti-Counterfeit technology combined with its Security Packaging and Anti-Theft solutions, Consulting Services and YPB's proprietary CONNECT platform enables clients to PROTECT their high value brands from the risks of counterfeit, product diversion and theft while providing the tools to CONNECT directly with their customers.

PROTECT

Smart Security Packaging and labeling for Brands

YPB offers a wide range of Smart Security Packaging and Labeling solutions that can be incorporated into almost any material and offer cost effective strategies to PROTECT the integrity and value of products and brands in high-risk markets.

Government Vital Documents

YPB offers solutions to Governments to PROTECT their Vital Documents that include ID cards, Visas, Passports, Vehicle Labels and many other applications.

Retail Anti-theft

YPB offers clients the latest technology in Retail Anti-Theft and Labeling solutions effective for mainstream retailers, boutiques and exporters to PROTECT against theft.

IP solutions & forensic services

YPB's IP solution specialists work with quality brands and Governments, to develop bespoke brand protection strategies and solutions that will deliver real protection and safety for brands, products and consumers.

Secure Supply Chain

YPB offers secure supply chain solutions to Governments, banks and companies wanting to ensure the integrity of their supply chain using a combination of YPB's authentication technology and secure track and trace solutions, delivering real protection for high value documents, brands, products and consumers.

DETECT

Scanner and Tracer protection solutions

YPB's patent protected state-of-the art Tracer technology is invisible, cannot be copied or destroyed. Brand owners who include YPB's tracers in their packaging can use YPB's scanners to verify their product's authenticity. If a counterfeit is detected YPB's forensic services can consult with a brand owner to develop strategic, tailored solutions to protect the brand against counterfeiting and product diversion.

CONNECT

Smartphone applications to Detect and Connect

YPB's sophisticated, user friendly and powerful smartphone applications allow brand owners and consumers to identify and report suspected counterfeit or diverted products. They also allow brands to connect and engage directly with their customers via QR codes, Near Field Communication, secure track and trace and product scanning. The YPB CONNECT platform delivers brand owners valuable and actionable intelligence about their products and customers to measure, tailor and individualise direct marketing campaigns through a 'big data' analytics capability.

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

YPB Group Limited

ABN

68 108 649 421

Quarter ended ("current quarter")

December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	930	2,969
1.2 Payments for		
(a) research and development	(509)	(1063)
(b) product manufacturing and operating costs	(413)	(1,577)
(c) advertising and marketing	(72)	(216)
(d) leased assets	(100)	(377)
(e) staff costs	(1,322)	(5,876)
(f) administration and corporate costs	(790)	(3,083)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	31
1.5 Interest and other costs of finance paid	(49)	(203)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	183	183
1.8 Other (provide details if material)	140	144
1.9 Net cash from / (used in) operating activities	(1,994)	(9,070)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(46)	(296)
(b) businesses (see item 10)	-	(135)
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(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	(46)	(431)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	4,284	10,219
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	(99)	(840)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
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	4,185	9,379

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	600	2,902
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,993)	(9,070)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(46)	(431)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,185	9,379
4.5	Effect of movement in exchange rates on cash held	6	(28)
4.6	Cash and cash equivalents at end of quarter	2,752	2,752

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	2,752	600
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,752	600

6. Payments to directors of the entity and their associates

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

Current quarter \$A'000
268
-

N/A

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

N/A

8. Financing facilities available

Add notes as necessary for an understanding of the position

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-

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 into or are proposed to be entered into after quarter end, include details of those facilities as well.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(538)
9.2 Product manufacturing and operating costs	(374)
9.3 Advertising and marketing	(60)
9.4 Leased assets	(87)
9.5 Staff costs	(1,359)
9.6 Administration and corporate costs	(859)
9.7 Other (provide details if material)	130
9.8 Total estimated cash outflows	(3,147)

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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:



 (Director/Company secretary)

Date: 31 January 2017

Print name: ROBERT WHITTON

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.

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