

ASX RELEASE

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SECOS' Malaysian unit achieves trading profitability

Highlights:

- **SECOS' Malaysian operations under its fully owned subsidiary Stellar Films (Malaysia) Sdn Bhd have achieved consistent trading profitability through FY17**
- **Stellar Films (Malaysia) earnings are running more than 49% higher than the period two years earlier, driving the generation of more than \$50,000 of monthly EBITDA**
- **Significant scope to boost Malaysian plant utilisation from current 60% to drive sales and margin growth as SECOS pursues the attractive niche markets of films, packaging and waste management**
- **Further growth expected with SECOS' operations now running profitably in Malaysia and Australia; Chinese business unit currently under review with a view to bringing SECOS to cash flow positivity at a Group level**

Sustainable and eco-friendly packaging company SECOS Group Limited (ASX: SES, "the Company") is pleased to advise of consistent profitability and ongoing business development at the Company's Malaysian production facility at Port Klang near Kuala Lumpur.

Stellar Films (Malaysia) Sdn Bhd sales have grown to more than \$880,000 per month, with plant utilisation of approximately 60% offering significant scope for this growth to continue.

The unit's run rate of earnings before interest, tax, depreciation and amortisation (EBITDA) has expanded by approximately 49% since the Company acquired the Malaysian business in April 2015.

Stellar Films (Malaysia) is now consistently contributing more than \$50,000 in monthly EBITDA to the Group.

SECOS managing director, Stephen Walters, said:

"It has been pleasing to watch the progress in our Malaysian business as it has grown to become a significant and consistent contributor to SECOS.

"In Malaysia we are achieving consistent supply of resin and experiencing rising demand for our film products, as the hygiene market continues to grow strongly in Asia.

"This has driven solid expansion in both sales and margins, and implementing tight cost controls has helped our Malaysian operations to generate increasingly healthy earnings."

The Company notes that following this update and that of 21 March 2017, two of SECOS' three business units (Australia and Malaysia) have now achieved trading profitability.

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SECOS has recently launched a review of its Chinese operations with the intention of establishing a structure that will encourage sustainable growth. This review, along with sales growth out of Australia and Malaysia and further reductions in head office fixed overhead costs, should aid SECOS' progress toward cash flow positivity at a Group level.

The Company reiterates its expectation announced on 21 March 2017 of recent business development progress to fast-track SECOS' path to profitability at a Group level.

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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 holds a strong patent portfolio and the global trend toward sustainable packaging is fueling the Company's growth, bringing FY16 revenue of \$21 million.

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 Nanjing, China, with manufacturing plants for high quality cast films in Melbourne and Kuala Lumpur, Malaysia. SECOS' annual production capacity is 7,200 tonnes of bioplastic resins, 15,000 tonnes of cast film and 2,000 tonnes of blown film and finished products.

SECOS has sales offices in Australia, Malaysia, China and the US, with a network of leading distributors across the Americas, Asia and Europe.