

ASX RELEASE

24 May 2018

Sale and Leaseback of Malaysian Plant

Highlights:

- **SECOS achieves sale and leaseback of freehold property belonging to its wholly-owned subsidiary Stellar Films Malaysia**
- **Proceeds from the sale to release approximately \$2.0 million in free cash for SECOS after reducing net debt by approximately \$1.3 million**
- **Leaseback agreement includes a three by three year term providing flexibility for future expansion**

Sustainable and eco-friendly bioplastics developer SECOS Group Limited (ASX: SES, “the Company”) is pleased to announce it has entered into a sale and leaseback agreement of freehold property belonging to its wholly-owned Malaysian subsidiary.

The Company has achieved a sale price of MYR 10.5 million (A\$3.5 million) for the land and building, the proceeds of which will be used to reduce net debt by approximately A\$1.3 million and release free cash of approximately A\$2.0 million.

The higher than expected sale price will strengthen the Company’s balance sheet which had the property recently revalued at \$A3.29 million.

The sale and leaseback transaction aligns with the recently announced leasehold agreement for the Company’s new resin plant, also located in Kuala Lumpur. The sale contract, on a 99-year government freehold title, is subject to Malaysian government approval, with financial settlement and access to proceeds scheduled for November 2018.

The funds from the sale and leaseback will empower SECOS to accelerate its investment in resin manufacturing capacity to meet growing demand for its compostable bioplastic resins.

Investment in additional resin manufacturing capacity is a key plank of the Company’s strategy to drive scalable and profitable growth. Each \$1 million of capital investment in resin compounders is expected to deliver an additional \$5 million to \$6 million in annual sales.

SECOS has taken possession of its new resin plant building and remains on track to begin the supply of its proprietary resins out of Malaysia by July 2018. The brand new 30,000 square foot facility is ideally located close to Malaysia’s largest port and will provide the Company with much-needed extra capacity to meet the growing market demand for bioplastics.

SECOS continues to see increasing interest in the Company’s unique eco-friendly products. SECOS remains well positioned to drive significant revenue growth through its proprietary bioplastic technologies, strong geographic footprint and global patent protection.

SECOS Group Limited (ASX: SES)

ACN 064 755 237

Level 2, Suite 6, 205-211 Forster Road Mount Waverley VIC 3149 Australia

t: +613 8566 6805 e: info@secosgroup.com.au www.secosgroup.com.au

SECOS Managing Director, Stephen Walters, said:

“Optimising our balance sheet is a critical step in maximising the group’s growth potential at a time when we are seeing record growth in demand for bioplastics. The extra \$2 million in free cash will provide strong support for our expansion plans during the latter part of this year.”

For more information, please contact:

Richard Tegoni

Executive Chairman

+61 411 110 901

r.tegoni@secosgroup.com.au

Tim Dohrmann

Investor and Media Enquiries

+61 468 420 846

tim@nwrcommunications.com.au

About SECOS Group Limited

SECOS Group Limited (ASX: SES) is a leading developer and manufacturer of eco-friendly bioplastic 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 FY17 revenue of \$22 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.

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