

ASX RELEASE

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SECOS completes strategic review, resolves to cease its Australian film manufacturing operations

Highlights:

- **Following completion of its strategic review into its wholly owned subsidiary Stellar Films Australia (SFA), SECOS will commence the orderly cessation of its Australian film manufacturing operations.**
- **The Company expects to achieve significant operating and overhead cost savings through transferring SFA customers to its Malaysian operations. Once this transition period has passed, SECOS expects to achieve an improvement to net profit after tax of more than \$0.9 million per annum.**

Sustainable and eco-friendly bioplastics developer SECOS Group Limited (ASX: SES, "SECOS" or "the Company") advises that it has completed the strategic review of its wholly owned subsidiary, Stellar Films Australia ("SFA") and SFA's Australian cast film manufacturing assets ("Strategic Review") announced to the ASX on 10 October 2018.

The Board engaged an independent consultant, Promentor, to assist with the Strategic Review and ensure that the best interests of all stakeholders would be served by thoroughly evaluating the Company's options.

The findings of the Strategic Review have confirmed the Board's expectation that SECOS can achieve significant operating and overhead cost savings by moving the Company's current traditional plastic film production from its facility in Melbourne to the Company's production facilities in Malaysia.

The review has also determined that SECOS can improve its profitability by ceasing to operate the SFA business, although the level of improvement will depend on how much business can be successfully transferred to the Company's Malaysian operations.

As such, the Company has resolved to continue with its existing plans to transfer SFA customers to its Malaysian operations and will commence the orderly cessation of its Australian film manufacturing operations.

SECOS expects that after a transition period, most Australian customers will transfer their business to the Company's Malaysian operations.

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The Company expects to achieve an improvement to net profit after tax of more than \$0.9 million per annum once the transition period has passed.

The practical elements of ceasing manufacturing in Australia include the following:

- Transitioning of customers to Malaysia;
- Running stock down and transferring surplus stock to Malaysia where possible;
- Transferring some SFA staff elsewhere within SECOS Group;
- Providing notice to employees and to landlord;
- Making redundancy payments;
- Selling remaining stock, equipment and parts;
- Terminating the lease and making good the premises.

Following the cessation of manufacturing in Australia, SFA will continue to sell film and bill customers using Malaysia to produce the product, generating profits and utilising tax losses, and will continue to repay bank debt in accordance with the Company's loan agreement.

SECOS expects this plan to incur a one-off cash charge of \$0.9 million in FY19 which will be funded from the Company's recently completed share placement and rights issue. The Company notes that the significant ongoing costs of keeping SFA open under its existing structure mean shareholders' best interests will be served by taking this action immediately.

SECOS Executive Chairman, Richard Tegoni, said:

"The decision by the Board to cease operations in Australia is an important step to further lower SECOS Group's cost base and to consolidate and optimise its manufacturing assets. With this improved structure, we expect to continue to deliver significant growth in bioplastic resin sales, and over time upgrade our world-class hygiene film production to support compostable and breathable film for the large and attractive feminine and infant hygiene markets."

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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.

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

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