

ASX RELEASE

1 August 2023

SECOS DIVESTS TRADITIONAL PLASTIC ASSETS

The Board of sustainable Biopolymer producer SECOS Group Limited (ASX: SES), (**SECOS** or the Company) is pleased to provide the market with a material update on its transition to manufacturing 100% sustainable products.

SECOS has entered into an asset sale agreement to divest its traditional plastic manufacturing assets to ADVENT PACKAGING SDN BHD (**ADVENT**). SECOS has also entered into a strategic manufacturing agreement to supply ADVENT with resin for compostable pallet wrap and sustainable packaging films under the SECOS MyEcoWorld™ brand.

Highlights and Key Terms

- SECOS to exit low margin traditional plastic market to focus entirely on sustainable packaging
- Traditional plastic assets sold to ADVENT for RM\$0.6m (approximately AUD\$0.2m) and will also unlock approximately AUD\$2.0m of working capital
- SECOS enters into an exclusive manufacturing supply agreement with ADVENT for the supply of MyEcoWorld™ compostable pallet wrap and bio-packaging films
- ADVENT, a packaging manufacturer based in Malaysia, will manufacture SECOS' MyEcoWorld™ compostable cast films using SECOS' proprietary compostable resins
- Provisions of approximately AUD\$0.5m will be taken up to account for closure costs
- The asset sale is expected to be completed by 1 December 2023

The sale of the Company's traditional plastic cast film manufacturing assets (held in SECOS' subsidiary STELLAR FILMS (MALAYSIA) SDN BHD) will allow SECOS to focus solely on the sale and development of sustainable resins and finished products under its MyEcoWorld™ brand. The expected net funds of AUD\$1.7m from the asset sale will be re-invested to support the expansion of the Company's compostable range of products.

The move will further strengthen SECOS as a leader in sustainable packaging and will see sustainable product sales become 100% of the group's sales mix, compared to its current mix of 35% traditional plastic and 65% compostable products. The Company has been progressively reducing its focus on production of lower margin traditional plastic products, and this transaction will transition the business to 100% sustainable products.

The strategy to divest traditional plastic assets is well supported by the market's move away from these products. Margins for traditional plastic products have declined over time. While the traditional plastic business contributed 35% of the Company's FY23 total sales, it has been a low margin category that has dragged on group performance. SECOS expects the sale to ADVENT will improve the Group's overall gross margin.

SECOS Group Limited (ASX: SES)

ABN 89 064 755 237

Unit 1, 247 Ferntree Gully Road, Mount Waverley, VIC 3149 Australia

T: +613 8566 6800 E: info@secosgroup.com.au E: www.secosgroup.com.au

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The decision comes after extensive work to determine the most effective path for the Company's expansion in the sustainable plastics segment. SECOS is now well positioned to expand its resin technology to cater to the evolving compostable and sustainable market, further its range of MyEcoWorld™ branded products, and become the trusted leader in bioplastics.

Going forward SECOS' strategy is to use a combination of converter partnerships and in-house manufacturing to take its products to market. The Company's dual focus on developing strategic supplier and converter partnerships (like the ADVENT partnership discussed above) together with in-house manufacturing, will require a significantly lower investment in manufacturing assets. SECOS' new business model will see an increased focus on the sale of resins to converters to produce new MyEcoWorld™ branded products for sale via SECOS' growing global retail and wholesale sales channels.

SECOS' CEO, Mr. Richard Tegoni said:

"The divestment of SECOS traditional plastic business aligns with the Company's strategy of being the leader in sustainable packaging. It allows the Company to focus operations on compostable resin manufacture and development, with a growing range of finished products produced via a combination of outsourcing and in-house manufacturing. Our strong retail brand, MyEcoWorld™ positions us well to source highly competitive large-scale converters to manufacture an entirely new and expanding range of compostable and sustainable products, rather than investing in manufacturing conversion assets to fulfil demand. This will result in not only reduced time to market for new products, but also a wider variety of products. SECOS will prioritise investment in developing new resin grades and expand its range of MyEcoWorld™ products via our growing global distribution and sales footprint."

ADVENT's CEO, Audrey Bong said:

"We are very excited to partner with SECOS and look forward to developing the packaging film and pallet wrap market together. Our initial trials using SECOS' compostable pallet wrap produced off their Stellar Films cast lines were successful and proved to be of a very high quality compared to several other compostable pallet wrap products that we also trialed. We aim to have the new cast line assets relocated in the new year and ready to begin production."

This announcement was authorised for release by the Board of SECOS Group Limited
For more information, please contact:

Richard Tegoni
CEO and Executive Director
+61 411 110 901
r.tegoni@secosgroup.com.au

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About SECOS Group Limited

SECOS Group Limited (ASX: SES) is a leading developer and manufacturer of sustainable packaging materials. SECOS supplies its proprietary biodegradable and compostable resins, packaging products and high-quality cast films to a blue-chip global customer base. SECOS Group is integrated from resin production into film (cast and blown) production and can develop bespoke compostable solutions for a range of applications.

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 China and a resins plant in Malaysia. The Company also produces high quality cast films in Malaysia.

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

Disclaimer and Explanatory Notes Forward Looking Statements

This document may include forward looking statements. Forward looking statements include, but are not necessarily limited to, statements concerning SECOS' planned operational program and other statements that are not historic facts. When used in this document, the words such as "could", "plan", "budget", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward looking statements. Although SECOS believes its expectations reflected in these are reasonable, such statements involve risks and uncertainties, including but not limited to risks and uncertainties relating to impacts that may arise from Covid-19, and no assurance can be given that actual results will be consistent with these forward-looking statements. SECOS confirms that it is not aware of any new information or data that materially affects the information included in this announcement and that all material assumptions and technical parameters underpinning this announcement continue to apply and have not materially changed.

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