

28 August 2015

## **Commentary on Results for the Year Ended 30 June 2015**

### **Financial review**

The Directors, Executive Leadership Team and Staff of the Environmental Group Limited (EGL) have worked consistently over the past 12 months to build on structural changes, resulting in significant cost reductions, enabling the group to make a small profit attributable to shareholders for the year.

The current financial year under review has seen a number of significant changes within the EGL, resulting in a group net profit before taxation of \$536,665 against a loss of \$140,847 before taxation in 2014 and a growth in revenue for the group from \$17M to \$26M. These results are a reflection of work done over the past two years, in cutting costs within the operating businesses, particularly Total Air Pollution Control (TAPC) and EGL corporate. These results, however, reflect differing performance within the business operations and downward pressure on margins in some sectors.

The Directors would like to thank shareholders for their confidence and support in making the rights offer a successful outcome, it is uncommon to achieve an acceptance rate of over 80% within businesses of a similar size to EGL

### **Operational Review**

The current year includes the results of Baltec IES Pty Limited (Baltec) for 12 months compared to 7 months in the previous year. Baltec's acquisition continues to meet the group's expectations and has made significant contribution towards the profitability of EGL. Baltec has continued to win international projects with blue chip customers and has successfully procured improved external project funding to enable Baltec to continue bidding on these competitive projects.

As was noted in the December 2014 accounts, Total Air Pollution Control Pty Limited (TAPC) was restructured into two business units each managed by a General Manager. This restructure has enabled the management to develop their individual business priorities to take advantage of their specific strengths and market needs.

The Electrostatic Precipitator business (ESP) within TAPC continues to actively identify new customers and markets both locally and internationally. Although, there has been some success in overseas markets the traditional ESP Australian market continues to be flat. This is due to the lack of investment by large businesses, particularly in the resources sector, where investment has been relatively low over the past 3 years. Despite this low demand, the ESP business has made a positive contribution to the profitability of EGL.

The re-energised Gas and Vapour business unit within TAPC is making progress towards building on its reputation for delivery of its innovative solutions, and this has resulted in winning some new work. This business unit continues to refine its product offering and is committed to strengthening and broadening its technology base. Whilst the Gas and Vapour business unit made a loss for the year, management have been actively marketing the business locally and internationally. The board and management are actively reviewing this business unit such that it makes a positive contribution to the profitability of the group.

As was advised to shareholders on 24 July 2015, TAPC commenced proceedings against previous employees for alleged misuse of company information. The court provided a limited interdict to TAPC precluding the previous employees from contacting specified customers. The parties have agreed to subject the matter to mediation at the end of August 2015.



## The Environmental Group Limited

The appointment of Henk van Kruining as CEO marks a significant milestone in the development of a cohesive strategy across all EGL businesses. Henk has spent the past few months working with the General Managers of Baltec and TAPC in critically evaluating each business unit in detail, and is developing strategies to improve value for shareholders. This strategic review is expected to provide the directors with various options for each part of EGL, so that the board can consider what is strategically in the best interest of shareholders, employees and other stakeholders.

### Outlook

EGL is expected to bid for and deliver contracts won in its markets. The Australian market for TAPC is expected to continue flat to low, while the overseas markets, although competitive, are expected to generate reasonable future contracts. The Directors continue to work with management and staff to improve the business and the EGL brand. The overarching objective is to continue to strengthen shareholder value. The directors will continue to evaluate each business unit's strategy and cost structures and will implement these strategies appropriately in the coming quarters.

A handwritten signature in black ink that reads 'David Cartney'.

Mr David Cartney  
Chairman

EGL is a leading ASX listed facility services and environmental solutions company that provides industrial services, clean air and clean water to the resource, industrial and municipal sectors. EGL provides industrial services to the resources sector, operates air and water infrastructure, completes engineered solutions to enhance air and water quality and provides environmental facility management.

**APPENDIX 4E****The Environmental Group Limited  
ABN 89 000 013 427  
And its controlled entities****Preliminary Final Report  
Financial Year Ended 30 June 2015**  
*(Previous reporting period: Year ended 30 June 2014)***This report is based on audited accounts****Results for announcement to the market**

Revenues from ordinary activities	Up	8,714,113	or	49%	to	\$ 26,650,858
Total profit from continuing operations before taxation	Up	677,512	or	481%	to	536,665
Total profit from continuing operations after taxation	Down	(959,126)	or	(73%)	to	346,257
Total comprehensive profit for the year	Down	(449,939)	or	(57%)	to	333,919
Net profit for the year attributable to members	Down	(410,055)	or	(53%)	to	369,659

<b>Dividends</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
Final dividend proposed:	<b>Nil</b>	<b>Nil</b>
Interim dividend paid:	<b>Nil</b>	<b>Nil</b>
Record date for determining entitlements to the dividends:	<b>Not applicable</b>	

The directors have declared no dividends during the period.

**Explanation of figures reported above**

Refer to attached annual report and covering commentary.

**This financial report is the preliminary final report provided to the Australian Securities Exchange under listing rule 4.3**