

2 November 2016

Company Announcements Office  
ASX Limited  
Level 4  
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Sydney NSW 2000

#### **The Environmental Group Limited strategic update**

The Environmental Group (ASX: EGL) advises its continued success in winning business in both the Baltec and TAPC established markets. In addition to the AUD \$10M of new orders announced on 27th April 2016 and AUD \$12M announced on 19th September, the group has been awarded a further AUD 14M of work, bringing a total of AUD 36M of new forward work since January 2016. This value of contracts won over the past 10 months, is significant when compared to our annual turnover of approximately AUD 26M per annum in each of the previous two financial years. This 50% increase in work volume compared to our annual revenue will support the growth of the group over the next 12 months. The enhanced cash flow from projects will pave the way for your directors to invest in the growth of the group both organically and additional expansion through possible future acquisitions.

One of the major contracts with a value of over AUD 7.6M, was won by TAPC in the past week. The board would like to thank our new CEO Peter Bowd and his team for the considerable effort and extensive commercial negotiations undertaken to ensure that this contract passed our project risk and commercial assessment process. The board has recognised that to shift the TAPC brand and re-engage in the market a substantial shift in our operating paradigm was required, and the engagement of Peter and restructure of the business unit is a reflection of what was needed. The result of which is the successful negotiation of the largest single international contract won by TAPC in recent years.

We are pleased to advise that after six weeks Peter has achieved significant success in revitalising the TAPC brand, its people and winning substantial new work. The work carried to realign TAPC and protect and enhance its brand has already resulted in future annualised cost savings in excess of \$300k. The marketing achievements should result in a healthier pipeline for TAPC over the next 12 months, from which your board would expect acceptable returns. Whilst the benefits of these strategic initiatives will be reflected in the second half results, the increased marketing and restructuring cost will be taken up as an expense in the first half of this year.

As noted in the 2016 Annual Report, EGL was in the process of re-negotiating the repayment terms of a loan of \$1M from Baltec Inlet and Exhaust Pty Ltd (Inlet) (a company controlled by Ellis Richardson, the Managing Director and a major shareholder of EGL) due to be repaid by 31<sup>st</sup> December 2016. The lender has agreed to be repaid progressively over the next 4 years. The interest rate remains unchanged at bank rate plus 6% (the default rate is bank rate plus 8%). As shareholders would be aware, in addition to the loan referred to earlier, there is balance of \$485k on a second loan between Baltec and Inlet. This will be paid by the due date of 31<sup>st</sup> December 2016 in accordance with the agreement, thereby reducing the interest costs of up to 12% per annum.

The Directors wish to thank Ellis for his continued significant financial support and continued long term confidence in the Group and its Executive team

In addition to the loan funding referred to above, our bankers and non-bank financiers continue to support the group, which has now locked in the financial facilities to support the expected increased growth as well as future acquisition capability.

We are pleased to announce that our subsidiary company PT Baltec Ltd in Indonesia has received an award as one of the top 10 EPC companies servicing the electricity market in Indonesia. The award was presented to Pak Ahmad Basalamah our resident Director in Indonesia by Pak Edwin Hidayat Abdullah Deputy Minister. Please feel free to view the presentation on our website [www.egl.com.au](http://www.egl.com.au)



David Cartney  
Non-Executive Chairman