



The Environmental Group Limited

Annual General Meeting 2015



THE ENVIRONMENTAL GROUP LIMITED

A G E N D A

QUORUM / OPEN MEETING

CHAIRMAN'S WELCOME, INTRODUCTION OF BOARD
MEMBERS

NOTICE OF MEETING – TAKEN AS READ

CHAIRMAN'S PRESENTATION

BUSINESS PRESENTATIONS

BUSINESS – NOTICE OF MEETING ITEMS

- Financial Statements and Reports
- Resolutions
- Other Business

Board Composition

- ▶ **David Cartney Non Executive Chairman**
Fellow of the Australian Institute of Company Directors
Member of the Institute of Directors London
15 plus years as an independent & non-executive Chairman & Director
Past chairman of an electrical contracting and electrical engineering group
Chartered Accountant, PHD in finance and a Master's degree
- ▶ **Ellis Richardson Executive Director**
Chartered Engineer
30 years general management experience
Managing Director of large listed Australian engineering companies
Foundation Fellow of the Institute of company directors
- ▶ **Sinan Boratav Executive Director**
Master's degree in Engineering
General Manager Baltec IES
20 years' experience in the management of complex international engineering projects
- ▶ **Lynn Richardson Non Executive Director**
Past member of the Executive Committee of Baltec
Well qualified with an MBA, Graduate Certificate in Accounting
Member of the Australian Institute of Company Directors.

AGM Chairman's Address

I am pleased to be addressing you, my fellow shareholders, in my first Annual General Meeting since being appointment as the Non-Executive Chairman of EGL.

We are pleased that EGL achieved an operating profit of \$805k for the year ended 30th June 2015 compared to \$87k for the previous financial year with a profit before tax of \$537k compared to a loss of \$141k for the previous year.

Despite this improvement from the previous year the board is still not satisfied with EGL performance.

I will now discuss the Group's performance, the actions taken and conclusions.

Chairman's Presentation

Group Overview

- ▶ The board have successfully addressed the following matters, since last year
 - ▶ Successful rights issue
 - ▶ Appointed a CEO after a comprehensive search process
 - ▶ Refinanced a portion of shareholders loans
 - ▶ Improved the flexibility of project financing
 - ▶ Addressed actions of a former TAPC director and employee through arbitration
 - ▶ Enhanced the skills and diversity of the board

EGL performance is a tale of 2 Speed Subsidiaries

- ▶ The two major subsidiaries of EGL have performed quite differently
 - ▶ Baltec IES (Baltec) performing well
 - ▶ Total Air Pollution Control (TAPC) not performing well
- ▶ 3 years ago these 2 businesses generated a similar amount of earnings and historically TAPC has been a profitable business

Total Air Pollution Control Pty Limited (TAPC)

- ▶ As you may be aware the success of TAPC depends on growth of the Australian mineral processing sector, which has suffered over the past few years
- ▶ New equipment and plant rebuild activity has been severely affected by the resources slump, customers have limited their expenditure to necessary repairs and maintenance
- ▶ As a result TAPC Sales volume has therefore declined resulting in losses in TAPC
- ▶ TAPC's earnings in the past were dependent on larger projects and these have been few and far between as Australian companies have tightened their belts on CAPEX
- ▶ This now leaves TAPC dependent on its smaller CAPEX projects and its lower volume maintenance and spares business

Actions taken to improve TAPC

- ▶ Ellis Richardson our Executive Director Focused on TAPC during the first half of the year and tightened cost structure
 - ▶ Reduced cost by circa \$800k per annum
 - ▶ TAPC was re-focused into 2 business areas
 - ▶ Dust & Fume (previously ESP & Filtration)
 - ▶ Gas & Vapor
 - ▶ Both businesses concentrated on sales and pipeline increase
- ▶ Henk van Kruining appointed as CEO continued the focus on TAPC with particular emphasis on:
 - ▶ A strategic review and analysis of TAPC
 - ▶ Developing sales outside the mineral processing markets
 - ▶ Continued focus on Sales pipeline & business development
 - ▶ Pursued overseas opportunities especially Asia and other markets where TAPC products and services would be of value

TAPC performance

- ▶ Despite the actions taken and the reduced operating costs
 - ▶ TAPC financial performance continues to suffer in the absence of an improvement in the resources sector
 - ▶ Larger contracts in the medium term are increasingly difficult to predict although there are some positive signs
 - ▶ The board is currently considering a range of strategic options for TAPC and how to improve its performance in line with EGL expectations

Baltec Business continues well

- ▶ Baltec continues to win projects
- ▶ Projects have been available to Baltec for tendering and quoting in a diverse range of markets and geographical locations
 - ▶ Margins and contract terms continue under some pressure
 - ▶ New more profitable projects are proactively being sought
- ▶ The board expresses its appreciation for the effort that the Baltec team consistently makes in developing, promoting and managing the Baltec Business.

Building Board to Support Baltec

- ▶ Baltec's performance is critical and the board have been proactive in:
 - ▶ Strengthening the board by appointing Lynn Richardson as a director.
 - ▶ Lynn has provided strategic input to the Baltec Business as a member of the Baltec Review Committee, prior to Baltec sale to EGL
 - ▶ Lynn is making a solid contribution in the development of EGL across a range of areas including
 - ▶ Clear corporate governance insights
 - ▶ Solid understanding of the financial dynamics of the business
 - ▶ Constructive contribution to board discussion and decision-making

Supporting Baltec Business

- ▶ Enhanced funding for project finance through a mix of traditional bank finance and Efic funding
- ▶ Proactive international marketing efforts resulting in winning projects from multinational blue chip customers
- ▶ Continuing support from Ellis Richardson and Henk van Kruining

CEO Appointed after Search Process

- ▶ Henk van Kruining was appointed CEO in May 2015 after a comprehensive search process through an external recruitment company
- ▶ Henk comes with wide experience including TAPC type businesses
- ▶ Henk did a strategic review of the Baltec and TAPC businesses
- ▶ Conclusions:
 - ▶ Baltec facing increasing competition but would benefit from more targeting of projects in terms of profitability and improved cashflow terms. This is being addressed in the tendering process.
 - ▶ TAPC needs to continue to focus on value creating opportunities and enhance its sales focus

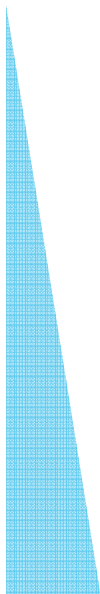
Total Air Pollution Control Pty Limited

- ▶ The Board refers to the announcement to the recent ASX announcement , regarding the amicable resolution of legal proceedings commenced by Total Air Pollution Control Pty Ltd (TAPC), a wholly-owned subsidiary of EGL, against a number of persons.
- ▶ The Board was satisfied with the resolution and believes the proceedings and their resolution were in the best interests of TAPC and EGL.

The Rights Issue

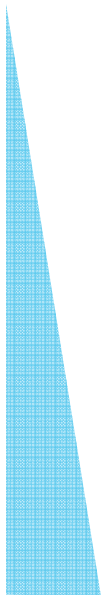
- ▶ We are pleased with the success of the rights issue EGL, received applications in excess of 84% raising \$750k
- ▶ Thanks to all shareholders who participated and to the commitment by the underwriters
- ▶ The funds raised have been used to assist in funding Working Capital within the group

Business Presentations



Baltec IES Ptey Limited

Business Presentation





BALTEC IES

Supplier to Global Gas Turbine Power Plant Industry

BALTEC
INLET &
EXHAUST
SYSTEMS

BALTEC IES PRODUCTS

DIVERTER DAMPERS



BYPASS STACKS



INLET FILTER HOUSES



COMBINED CYCLE GAS TURBINE POWER PLANT

Diverter Dampers - Experience Counts



BALTEC
INLET &
EXHAUST
SYSTEMS

Baltec IES has supplied some of the biggest
Diverter Dampers in the world

Baltec IES is one of a limited number
of reputable suppliers globally



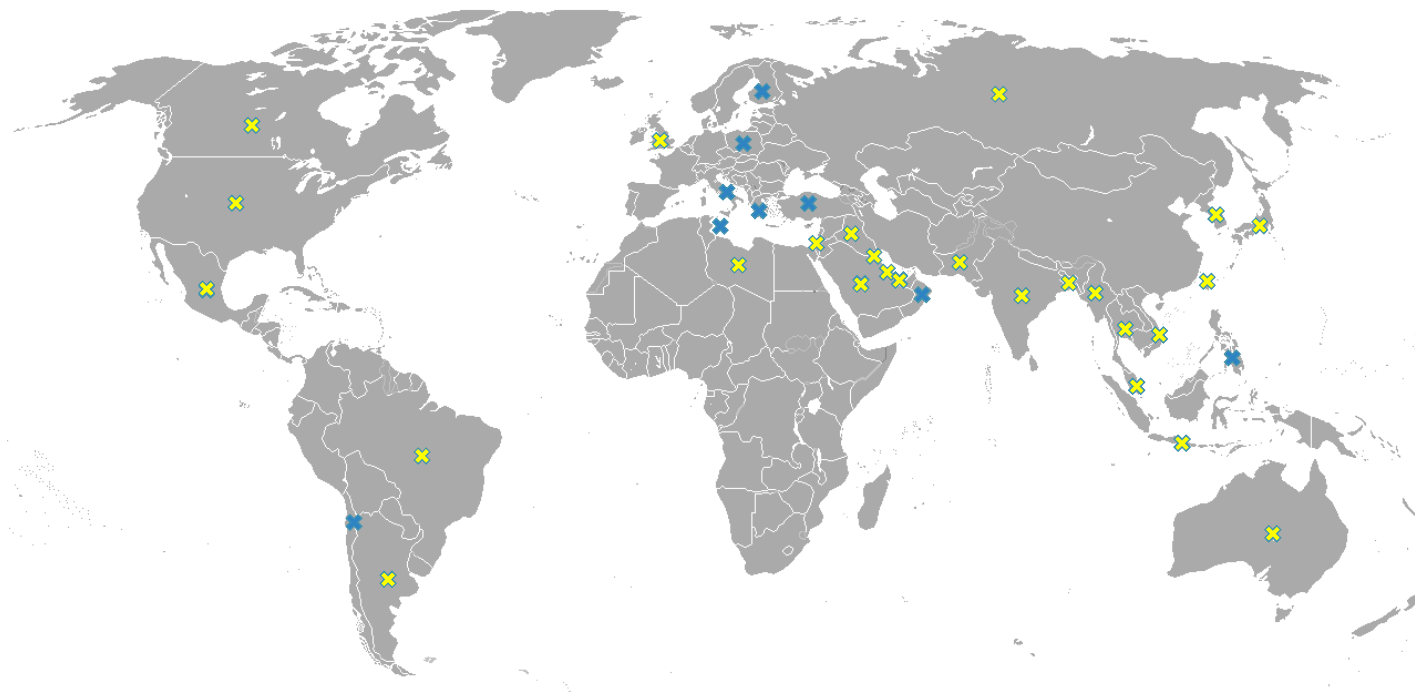
BALTEC
INLET &
EXHAUST
SYSTEMS

Baltec IES – Global Supplier to Global Companies

Baltec IES supplies products to:

- ▶ Engineering Procurement Contractors (EPC's)
- ▶ Gas Turbine Manufacturers
- ▶ Heat Recovery Steam Generator (HRSG) Suppliers
- ▶ End User Power Generators

Offices, Agents & Fabricators



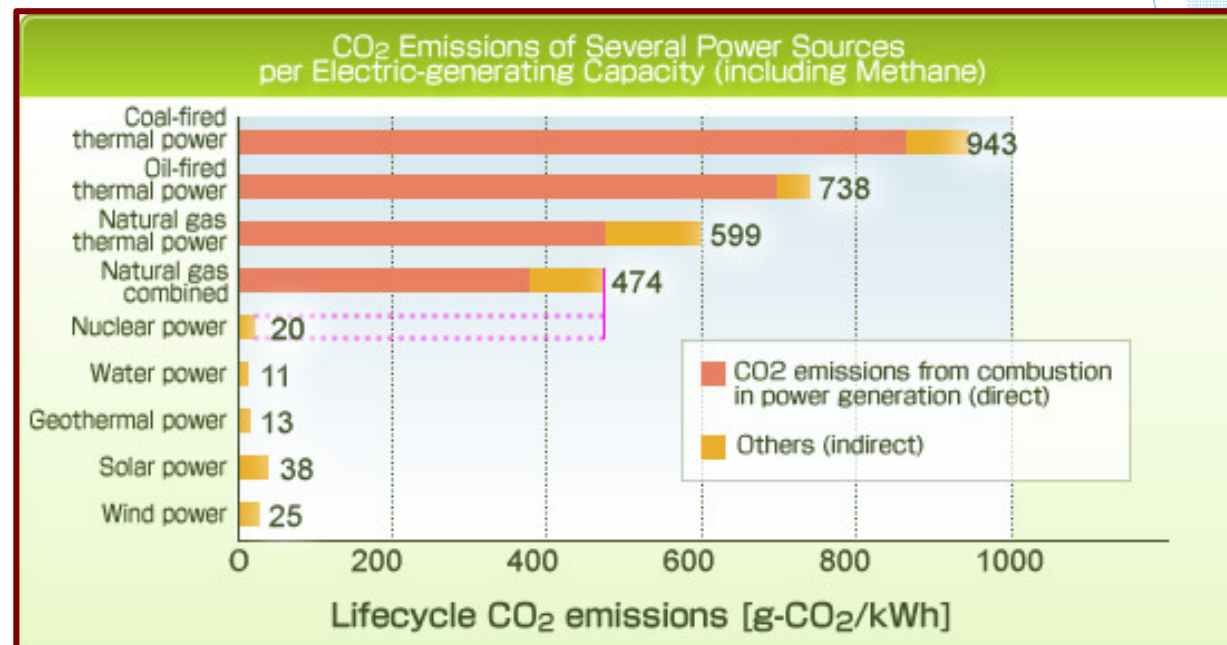
BALTEC
INLET &
EXHAUST
SYSTEMS

✕ Fabrication
✕ Offices & Agents

Why Gas Turbine Power Plants?

- As Gas Turbines become more powerful, natural gas becomes more popular
- Transition Energy Between Coal and Renewables
- Less Carbon Emissions than Coal Thermal Power Plants

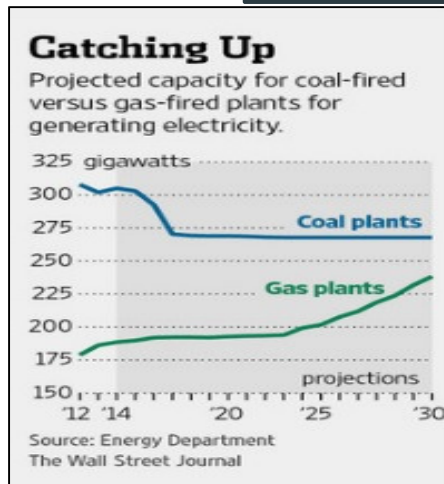
CLEAN & PROVEN ENERGY



MARKET SIZE and TRENDS

WORLD POWER DEMAND (billion kw-hours)

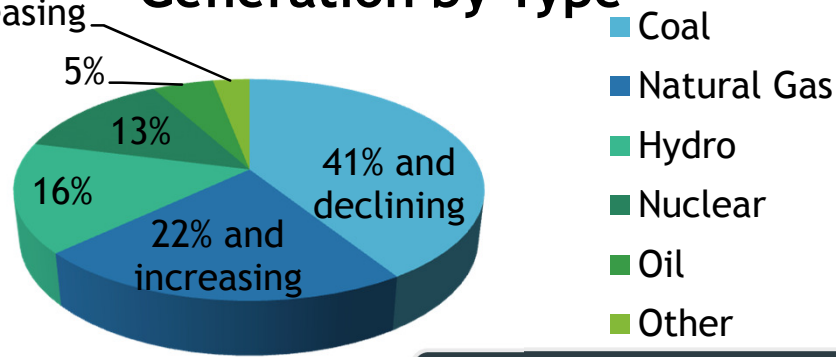
- 1990: 11,875 2020: 24,775
- Doubling of power needs since 1990s



BALTEC
INLET &
EXHAUST
SYSTEMS

3% and
increasing

Generation by Type



Source: Various Studies including
Forecast International Reports, CT USA

Why Gas Turbine Power Plants?

Next 3 decades

- **GT Industry in USA and MENA Countries,** is expected to grow strongly.
- **China is expected to become the leading GT region** to reduce dependence on coal power plants
- **Gas Turbines will benefit from increasingly stringent emissions legislation and roll out of emissions trading schemes.**



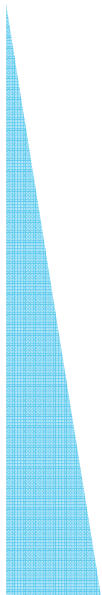
BALTEC IES



BALTEC
INLET &
EXHAUST
SYSTEMS

GAS TURBINE POWER PLANTS

Business Presentations TAPC





EGL AGM – 16th November 2015

Total Air Pollution Control

Overview

- 1. Industries Served**
- 2. Air Emissions and Technologies**
- 3. Our International Partners**
- 4. Our Locations**

Quality • Innovation • Experience



Industries Served by TAPC

- **Municipal Wastewater** - Infrastructure spending on the rise due to under-investment and population growth
- **Mineral Processing** - Subdued investment and deferred maintenance environment
- **Pulp and Paper** - Maintenance focus
- **Power Generation** - Maintenance focus
- **Cement** - Reasonably strong market
- **Chemicals** - Subdued investment environment
- **Food Processing** - Pockets of strength especially post exchange rate fall
- **Other Industrial** - Pockets of strength

Air Emissions and Technologies

- **Dust and fumes particulates - Electrostatic Precipitators and Fabric Filters**
- **Chemicals and Vapours - Scrubbers, Mist Eliminators and Oxidation**
- **Odours - Scrubbers and Carbon Adsorption**



TAPC Electrostatic Precipitator Projects



BHP Billiton Olympic Dam



Visy Paper, NSW

One Steel Whyalla

Glencore Mt. Isa, QLD



TAPC Fabric Filter Installations

Paint
Manufacturing



Wood Fired
Boiler



Steel Mill



Metallurgical
Ore
Processing



Grinding Plant
ventilation



Chemical Scrubbing - Dynawave®



**BlueScope Steel, Port
Kembla**

Gypsum Plant

Removing Sulfur Dioxide and
creating Gypsum

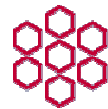
International Partnerships



Advanced fabric filter technology



Electrostatic Precipitator technology



LANTEC
PRODUCTS, INC.



Chemical Scrubber technology

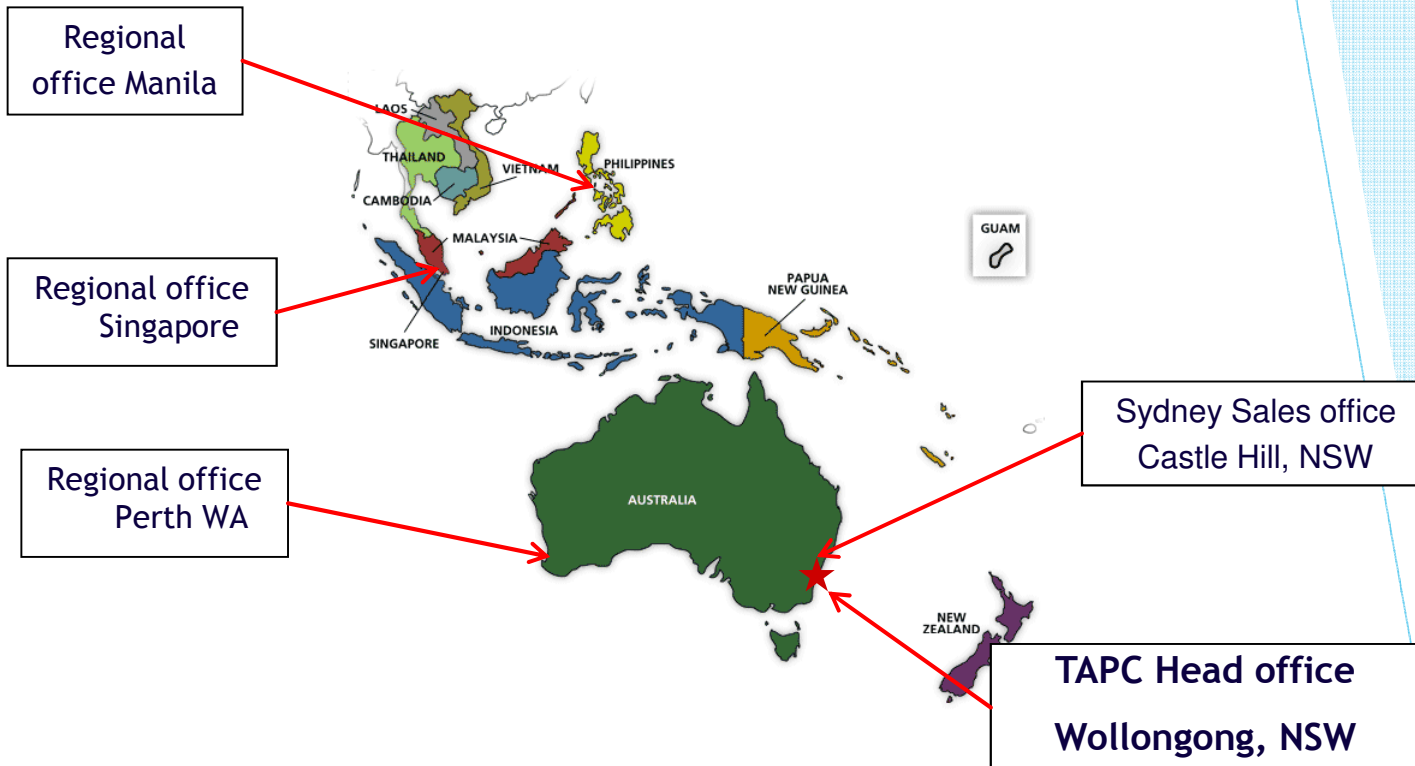


Dynawave™ technology



Thermal Oxidation technologies

Regional Locations



The Air Pollution Control Experts

Quality ° Innovation ° Experience



1960s

1970s

1980s

1990s

2000s

Today

www.tapc.com.au

Chairman's Presentation (Cont)

Future

▶ OPERATIONAL PROGRESS

▶ Baltec

- ▶ It is expected that Baltec will continue to win projects working with existing and new blue chip international customers
- ▶ We appreciate the support from our bankers and financiers that has enabled Baltec to confidently bid and win projects.

▶ TAPC

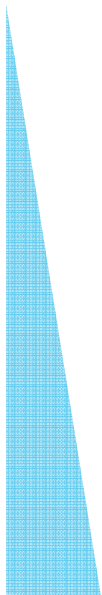
- ▶ Your directors are working with management to evaluate the strategic direction of the business with the objective of maximising shareholder value

▶ Outlook

The outlook for the year is characterised by the continuing pressure on the margins of Baltec and the control of costs in TAPC

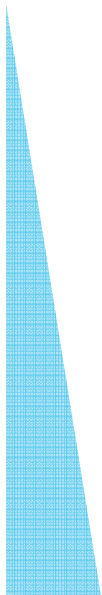
The outlook for the foreseeable future for EGL is continued pressure on Baltec Margins and a drag on profits from TAPC until the mineral processing sector commences CAPEX in TAPC related projects.

Approval of Items



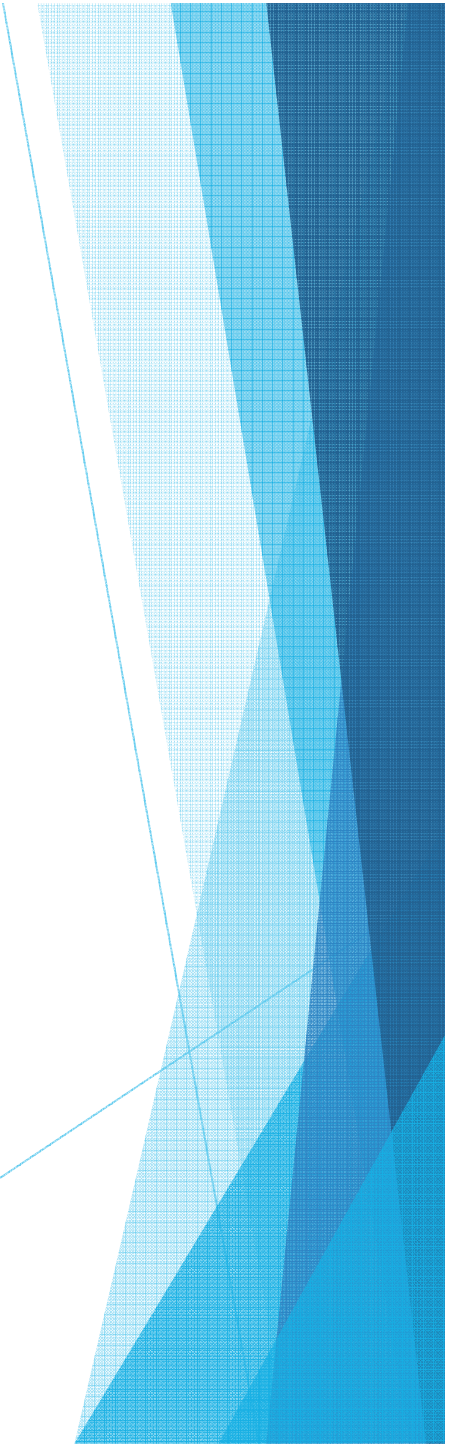
Agenda Items A

Consideration of Reports - Annual Report for the Year
Ended 30 June 2015



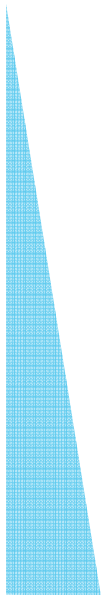
Agenda Items B

Questions & Comments on management of the Company -
Questions for auditor



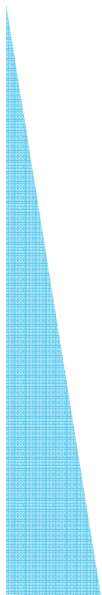
Agenda Item C

Items for Approval

1. Remuneration Report
 2. Election of Lynn Richardson
- 

Resolution 1 - Remuneration Report

That, the Company's Remuneration Report for the financial year ended 30 June 2015 (set out in the Directors' Report) be adopted.



Resolution 1 - Proxies

Totals	For	Against	Open	Total	% For
1. Remuneration Report	11,395,537	1,208,458	30000	12,633,995	90.2%

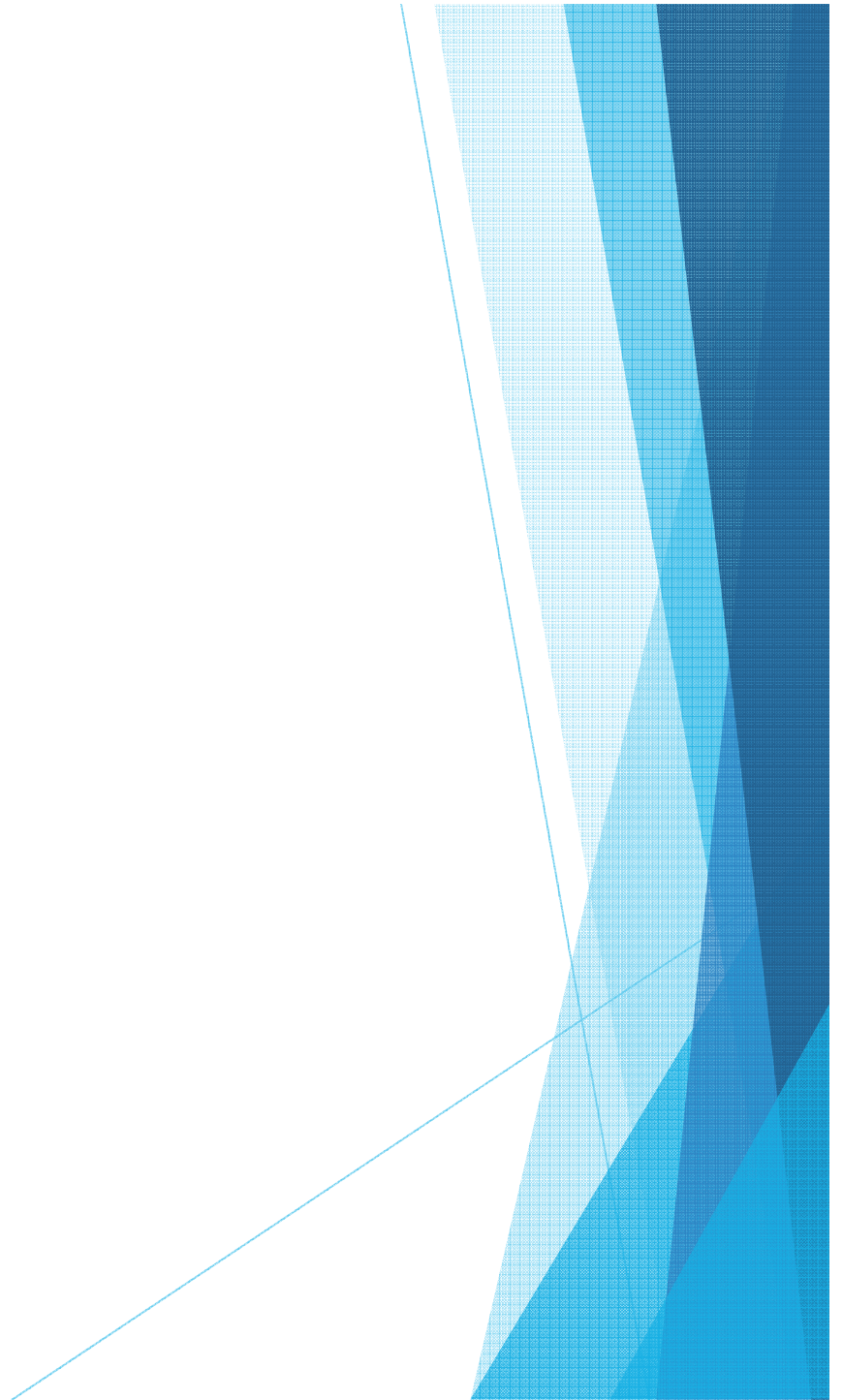
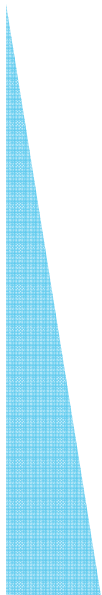
Resolution 2 - Election of Lynn Richardson

That Lynn Richardson, who was appointed as a Director of the Company in accordance with clause 19.2(a) of the Company's Constitution, retires in accordance with clause 19.2(b) of the Company's Constitution, and having offered himself for election and being eligible, is hereby elected as a Director of the Company.

Resolution 2 - Proxies

Totals	For	Against	Open	Total	% For
2. Election of Ms Lynn Richardson	106,481,162	26,309,207	158,407	132,948,776	80.1%

Other Business



Thank You for your attendance, we invite you to
join us for some refreshments and an opportunity
to speak with the Directors and senior
management



The Environmental Group Limited