

**EGL****The Environmental Group Limited**

Half Yearly Report to Shareholders

6 months ended 31 December 2008

Financial Results highlights

- Total revenue up 101% to \$23.1 million
- Gross margin up \$100% to \$7.5 million
- EBITDA up 889% to \$1,860,712
- Operating profit before tax up 999% to \$1,629,625
- Operating profit after tax up 1,581% to \$1,128,485

A copy of the Company's financial statements for the 6 months ended 31 December 2008 is available on EGL's website at:
www.environmental.com.au

EGL announces significant increase in first half revenue and profit

Dear Shareholder,

On behalf of the Directors of The Environmental Group Limited (EGL) we present our commentary on the performance of the Company for the six months ended 31 December 2008.

Commentary

In the six months ended 31 December 2008, EGL achieved record revenues from continuing operations of \$23.1 million an improvement of 101% over the previous corresponding period. The increase in revenues reflected strong construction activity by our major customers in the resource and industrial sectors. The growth in revenues and resilient margins saw the Company declare an increase in profit before tax (PBT) to \$1.63 million, also a record for EGL. Cash flows from operations for the period under review were also positive.

Revenue and profit growth were underpinned by credible performances across all divisions and segments of the Company's operations. EGL's Facility Services Division recorded a 44% growth in revenues to \$7.9 million. The Company's Infrastructure Division recorded a 155% increase in revenues to \$15.1 million and a 195% increase in PBT to \$1.56 million.

EGL's Net Profit after Tax (NPAT) for the six months ended 31 December 2008 was \$1.13 million after an accounting provision for income tax of \$501,140. The Company enjoys the benefit of significant tax losses carried forward and therefore only a nominal amount of tax was paid during the period in relation to a recently acquired controlled entity.

On 29 August 2008, EGL declared a maiden fully franked dividend of 0.3 cents per share to shareholders registered as at 30 September 2008. The dividend was paid on 10 October 2008.

The Company continues to have no net debt and positive cash on its balance sheet. As at 31 December 2008, EGL had a surplus of current assets over current liabilities in excess of \$5.3 million and shareholders' equity in excess of \$17.9 million.

Corporate details

THE ENVIRONMENTAL GROUP LIMITED

ABN: 89 000 013 427

Directors

Mr John Read (Chairman)

Mr Elliott Kaplan
(Non-Executive)

Mr Rhett Butler
(Non-Executive)

Chief Executive Officer

Mr Bill Highland

CFO & Company Secretary

Mr Ashley Arnott

Contact details

Unit 3, 9 Packard Avenue
Castle Hill NSW 2154

Telephone: (02) 8858 3499

Facsimile: (02) 9899 3463

Email:
mail@environmental.com.au

Website:
www.environmental.com.au

Share Registry

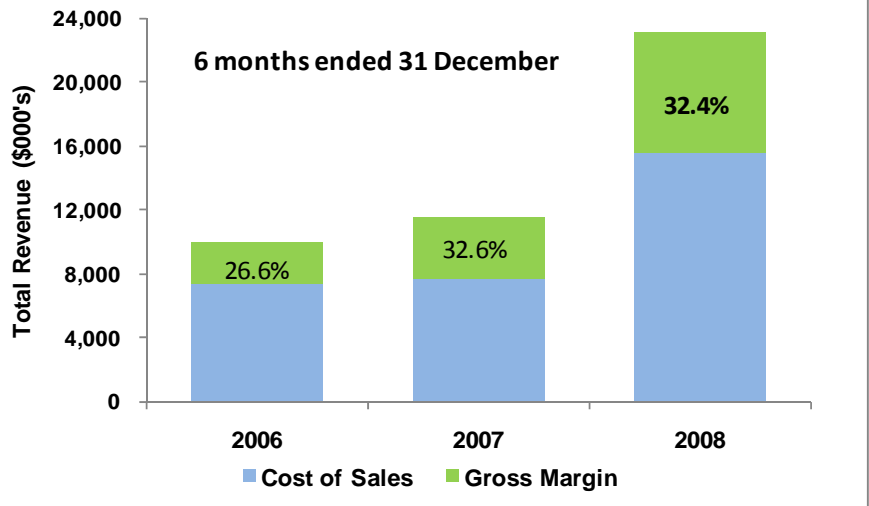
Please contact our share registry if you have any queries regarding your holdings or would like to change your contact details, at

Registries Limited

Level 7, 207 Kent Street
Sydney NSW 2000

Telephone: (02) 9290 9600

Facsimile: (02) 9279 0664



Key highlights during the period

The acquisition of Lenmac Engineering in July 2008: In the period to 31 December 2008, this business generated revenues of \$1 million and profits before tax of \$118,000 subsequent to acquisition;

The Gas & Vapour division has, as at the date of this report won new work in excess of \$8 million since the start of the financial year.

The Mining Services division performed broadly in line with budget expectations during the period notwithstanding heightened uncertainty in the mining and minerals sector;

The Company has increased personnel in its subsidiary, Total Air Pollution Control to pursue new sales initiatives. This investment in organic growth is expected to result in increased sales in late calendar 2009;

EGL's water and waste water treatment division exceeded budget for the period and given the specialist know-how embedded in this division, management has embarked on a program to improve the efficiency of the assets it manages to enhance the profitability of this division and to add to shareholder value from the portfolio of facilities managed.

Looking ahead

At this juncture, the Company cannot reliably forecast trading performance for the six months ending 30 June 2009 given unprecedented economic uncertainty and the potential impact this will have on the level of activity by our customers in the resource and industrial sectors.

However, the Company continues to win new work at acceptable margins which in the ordinary course of business would be sufficient to support profitable trading in the six month period ending 30 June 2009, albeit at reduced volumes and aggregate profitability.

John Read
Chairman

Bill Highland
Chief Executive Officer

About EGL

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