



The Environmental Group Limited

Half Yearly Report to Shareholders

6 months ended 31 December 2009

Financial Results highlights

- Operating Profit Before Tax of \$581,610, a turnaround from a \$180,000 Loss in the last 6 months of the previous financial year.
- Total Revenue down 33% to \$15.4 million and Profit Before Tax down 64% to \$581,610.
- Gross margin up 3% to 35%
- Cash reserves of \$3.9 million up on previous corresponding period
- Pays fully franked dividend and introduces inaugural Dividend Reinvestment Plan

A copy of the Company's financial statements for the 6 months ended 31 December 2009 is available on EGL's website at:
www.environmental.com.au

EGL announces Half Year Profit

3 March 2010

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 2009.

Commentary

Challenging economic conditions in the key resources sector dominated the Company's performance in the half year ended 31 December 2009. Notwithstanding these challenges, The Environmental Group Limited (ASX: EGL) maintained margins allowing the Company to report a Profit Before Tax (PBT) of \$581,610 down 64% on the corresponding period. This is a turnaround from an \$180,000 loss before tax in the last 6 months of the previous financial year.

The Company reported revenues from continuing operations of \$15.4 million, a reduction of 33% over the previous corresponding period. This was primarily attributable to a reduction in major new projects for our design and construct Product segment. Reflecting the diverse nature of EGL's market offering, our services division maintained revenue when compared to the corresponding period. Margin erosion from this segment reflected underperformance in the Company's Facilities Services mine support activities in regional NSW. Our Asset Management operations proved to be resilient in a difficult market for the period and management continues its program to improve the efficiency of these assets.

Despite the reduced revenue, EGL's focus over the last 6 months has been on maintaining margins at profitable levels. The Company realised some notable achievements in this regard, with gross margins increasing to 35% compared to 32% in the corresponding period.

Corporate details

THE ENVIRONMENTAL GROUP LIMITED

ABN: 89 000 013 427

Directors

Mr John Read (Chairman)

Mr. Alex Fabbri (Non-Executive)

Managing Director

Mr Bill Highland

CFO & Company Secretary

Mrs. Angela Axisa

Contact details

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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

The Company maintains a strong cash position with cash reserves at 31 December 2009 of \$3.9 million, an increase over the corresponding period. The Company continues to enjoy a robust balance sheet with no net debt. As at 31 December 2009, EGL had a surplus of current assets over current liabilities in excess of \$5.0 million and shareholders' equity of \$17.8 million.

On 27 November 2009, EGL continued its policy of rewarding shareholders, by declaring a fully franked dividend of 0.2 cents per share to shareholders registered as at 15 January 2010. The dividend was paid on 29 January 2010. The Company's inaugural dividend reinvestment plan (DRP) was well supported with a participation rate by shareholding of more than 55 %.

During the past 6 months we have strengthened our management team with the appointment of several experienced executives; Mr. Stephen Hodgson - General Manager for Mining Services, Mr. Philippe Cussinet - General Manager Gas & Vapour & Mrs. Angela Axisa - Chief Financial Officer and Company Secretary. While they are yet to have an impact on the Company's published results, we expect their contribution will significantly enhance our operating practices and performance.

Looking ahead

Whilst we see some early signs of confidence returning to our key market segments, this is still fragile and has yet to translate into significantly higher order levels. Subject to a sustained improvement in the economy and the activity level of our major customers, we remain cautiously optimistic for a better outlook in the resource and environmental sectors for the second six months ending 30 June 2010

John Read
Chairman

Bill Highland
Managing Director

About EGL

EGL is a leading ASX listed facility services and environmental solutions company that provides clean air and clean water and mining support services 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.