

22 July 2020

Company Announcements Office
ASX Limited
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Sydney, NSW 2000

Baltec IES secures \$7.7M contract win

The Board of The Environmental Group Limited (EGL) is pleased to provide the following market update.

In March 2020, the board advised that since 1st July 2019, Baltec IES had secured over \$17M of orders based on current exchange rates. We are pleased to confirm that three significant strategic additional contracts, valued at over \$8.5M, have now been secured. The largest contract is a \$7.7M project awarded by Siemens, a long-standing blue-chip customer of Baltec IES. The project will be delivered in 2021 and will have an impact on revenue in FY21 and FY22.

A second order, valued at \$0.5M, is the first sale into the Russian market using the world class Baltec IES technology. This order is expected to open markets for future contracts and to provide the opportunity to secure additional Joint Venture and Technology transfer agreements within Russia and internationally.

This is a significant turnaround in order intake for Baltec IES which has experienced lower volumes over the last 12 months as a result of the tightening in the global gas turbine market. Baltec IES expects to secure up to an additional \$10M of contracts in the first quarter of FY21. These potential contracts are in addition to the \$25.5 M already secured and are expected to have a major impact on trading performance in FY21 and FY22. Baltec IES now has a carryover of work into FY21 of more than \$18M compared with \$5M in the previous financial year. Revenue for Baltec in 2019/20 will be about \$11M, however a significantly increased forecast closer to \$26M is expected in FY21.

The pleasing upturn in new contract wins by Baltec IES demonstrates that the various EGL operating business units can provide a degree of counter cyclical project flow during challenging economic conditions.

A third contract was won by Tomlinson Energy Service (TES) which, whilst relatively small at \$400,000, is the first order for the value engineered in house boiler design. Earlier designs became too expensive leading to a review of our product offering including engineering, manufacturing, and marketing. The outcome of this review resulted in a more efficient, versatile, and cost effective unit. Work is progressing to expand the product range to meet customer demands.

Tomlinson Energy Service continues to deliver solid performance to the EGL group providing essential replacement, service, and maintenance to the Australian boiler, and waste to energy market.

Outlook

FY20 has been a difficult year for EGL, as for many other companies, and this will result in a loss before tax in the region of \$1.5M - \$1.9M. Bank covenants in relation to Debt Service Cover and Financial Leverage have been waived and will not be tested as at 30th June 2020.

Baltec IES EBIT Loss before unrealised foreign exchange movements for FY20 is expected to be approximately \$400k, and the first in over 20 years of trading. As previously outlined this is the result of lower revenue levels of \$11M due to the weaker global gas turbine market.

Strong sales performance in the second half of FY20 and an improved pipeline underpins the Baltec IES forecast for revenue in the region of \$26M in FY21 and an expected return to profitability.

TES results will be impacted by COVID 19 but will still produce a positive EBIT of about \$1M this year and this is expected to continue strongly into next year. Forecast EBIT for this division is in the range of \$1.5 - \$1.8M for FY21.

The EGL outlook for FY21 is growth in revenue from approximately \$37M in FY20 to approximately \$50M and a return to FY17 levels of profitability.

The above figures are subject to final management and board review, and audit clearance.

This announcement has been authorised for release by the Board.

For further information please contact

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About EGL

EGL has four business units, all committed to the protection of the environment by improving air quality, reducing carbon emissions, enhancing waste to energy production and lifting water quality.

- **Total Air Pollution Control** has a range of technologies which reduce dust, odours and harmful gasses from the environment.

- **Baltec IES** produces inlet and exhaust systems for gas turbines, which are used to complement and augment solar and wind energy production, without the use of rare mineral battery resources.
- **Tomlinson Energy Service** offers a network of service offices across Australia providing 24/7 service, maintenance and repairs of both proprietary equipment and other OEM equipment. The division also provides an essential link in our strategy to build a bio/waste to energy platform.
- **EGL Water** division continues to develop our patented technologies in conjunction with Victoria University. EGL recognises that one of the world's most valuable assets is water and will persist in our vision to reduce water pollution, leading to an improved environment, through low cost technology solutions.