



ASX ANNOUNCEMENT

14 November 2012

2012 Annual General Meeting Chairman's Address

Engenco Limited (ASX:EGN) (**Company**) attaches a copy of the Chairman's address at the 2012 Annual General Meeting for the Company held on 14 November 2012.

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Engenco Limited

Annual General Meeting – 14 November 2012

Address to Shareholders by Dale Elphinstone, Chairman

About 2 years ago we commenced on our 3 to 5 year management plan aimed at transforming Engenco Limited into a truly successful and enduringly profitable business. We certainly have had significant challenges in the early stages of this undertaking, but we are now seeing encouraging signs of improvement albeit some are taking longer than initially anticipated.

I would like to summarise a few specific items which our CEO Dennis Quinn will expand on later in the meeting.

We are obviously disappointed with our FY2012 underlying net loss of circa \$2.0 million compared with the \$6.8 million profit result of 2011. This does however need to be put into context with an underlying loss of \$9.9 million reported in 2010. Nonetheless we are fully aware that there is still a lot of work to do, and management are focussed on achieving a more stable profit pattern.

We are encouraged however, by the relatively consistent headline revenue. With stable sales of around \$200m, the business is in a strong position to improve EBITDA and net profit results. Our management team are particularly focussed on improving quality of earnings and driving higher profit margins through a variety of initiatives which Dennis will elaborate on a little later.

Our gearing increased to 31% with net debt increasing by around \$7m at June 2012 compared to the previous year end. Additionally, through a rigorous and detailed balance sheet review the board approved a number of asset revaluations resulting in some balance sheet write downs. We now believe the asset carrying values to be at the correct levels for the current market conditions.

Unfortunately, the erosion in the company's capital base along with the lack of cash generation from operations has left the business in a less than optimal funding position. The company has just announced a capital raising, details of which are available separately. The capital raising is aimed at better positioning the company's operational cash requirements in what is a tough and distracting bank funding environment given the company's performance, and general market conditions.

Our Engenco group has maintained focus on the core strengths and capabilities of our Power & Propulsion and Rail & Road businesses.

As mentioned earlier the company is now demonstrating a stable revenue base, and we believe we are well positioned to maintain this. Engenco's operations service the resources, defence, transport and power generation sectors across Australia and in a number of strategic overseas locations.

Our approach to improving the performance of the business has been one of steady, definitive action knowing that it would take some time for the improvements to flow through to the bottom line. We clearly would have preferred some of the improvements to have come to fruition sooner but the task has been much greater than originally anticipated. We remain confident the turnaround is now progressing at a reasonable pace and we will be successful.

More importantly, we have put in place a leadership team that is both highly competent and focussed on making Engenco the highly successful business we all know it can be. Following the fundamentally important initial management phase undertaken by Vince De Santis on an interim basis, Dennis Quinn was appointed CEO during the 2012 financial year and we welcome the positive impact he is already having on not only operational aspects but the overall management of the group. The highly dedicated management team now in place continue to make good headway and anticipate accelerated performance improvement over the balance of this year and the years ahead.

The core market positions held by Engenco present strong opportunities for growth and our strategy remains focussed on developing and leveraging these opportunities so that the company can realise its full potential. We are confident that our products and services portfolio will provide continuing long term growth prospects for the company.

We have good people, good technical intellectual property and good strategic positions. We are well advanced with the required structural changes within the business. We have improving momentum and remain confident in our 3 to 5 year strategy.

Before closing I would like to acknowledge the members of your board, independent directors Don Hector and Ross Dunning who have been so supportive of the business and underpinned good governance, and Vince De Santis who has continued his strong contribution at board level.

Finally I would like to thank all of our employees who have remained dedicated, hardworking and confident in the business; and to you, our shareholders for your patience and support as we continue to work to make Engenco a better business.

Thank you.

Dale Elphinstone

Chairman