

ASX ANNOUNCEMENT

6 June 2013

Market update and Earnings Guidance

- Ongoing operational improvements together with a continuing focus on cost and working capital management position Engenco well to deal with the more subdued economic outlook
- FY13 earnings guidance revised due to challenging market conditions

Engenco Limited (ASX: EGN) provides the following update regarding operations, trading conditions and outlook for full year 2013 results.

Operations

The company continues to work on cost saving and performance improvement initiatives including rationalisation of operations and a focus on productivity enhancements.

- The closure of one of Gemco's rail facilities in Adelaide is underway. This operation is being consolidated into better equipped and more efficient Gemco workshops on the East Coast providing scope for improved throughput and lower fixed costs whilst maintaining the company's strategic rail footprint.
- In streamlining the Drivetrain parts and components supply chain, the redirection of incoming logistics through Sydney rather than Melbourne will result in savings on warehousing, import and local freight as well as improving customer service levels.
- Investments in new equipment for Engenco's rail personnel and infrastructure business places Momentum in a better position to penetrate the rail infrastructure market.
- Training business CERT has continued to expand its coverage and is now poised to capture opportunities in the Queensland rail market.
- The oversupply of locomotives in the market place on the back of the general downturn in the domestic coal market has affected Greentrains' revenue but it is continuing to pursue and win niche opportunities.
- Convair has introduced further manufacturing innovations and efficiency improvements and remains highly competitive in the locally-manufactured, dry bulk tanker market, due to its proprietary designs.
- Engenco has concentrated heavily on cash flow and working capital management and this has resulted in a much-improved cash position.

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Trading Conditions and Outlook

Market conditions have not recovered and continue to be soft, particularly in the resource sector and related rail infrastructure services on the East Coast. Ongoing cost management initiatives by customers have also affected expenditure on asset maintenance. The resulting lower-than-anticipated demand for Engenco's products and services has put downward pressure on both revenues and earnings.

As a result, the company now expects that full-year earnings from operations¹ in FY13 will be an after-tax loss of between \$12M and \$14M (previous guidance was an after-tax loss of between \$10M and \$12M).

"The Board and management remain focussed on improving, rationalising and refining the business. The FY13 second half is still expected to be much improved compared to recent period results although somewhat depressed by market conditions", CEO Dennis Quinn said. "The business is now on a positive trajectory and it is expected this will continue through FY14."

About Engenco Limited

Engenco (EGN) specializes in:

- Maintenance, repair and overhaul of heavy duty engines, powertrain and propulsion systems
- Maintenance, repair and overhaul of locomotives
- Manufacture and maintenance of wagons, carriages and associated rail equipment
- Project management, training and workforce provisioning services
- Manufacture and supply of road transport and storage tankers for dry bulk products
- Leasing of locomotives, wagons and other rail equipment

Engenco services a diverse client base across the defense, resources, marine, power generation, rail, heavy industrial, mining and infrastructure sectors. EGN employs around 600 people (excluding contractors).

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¹ Excluding impairment charges against intangible assets and de-recognition of deferred tax assets.