

ASX ANNOUNCEMENT

26 February 2014

Half Year Results Released

Engenco Limited (ASX:EGN) announced its FY14 Half Year Results which recorded a net loss after tax (attributable to members) of \$7.2M for the six months ended 31 December 2013, compared with a loss of \$59.6M for the corresponding period last financial year.

The underlying trading result was a loss of \$4.8M compared with a loss of \$6.0M for the same period last year.

Commenting on the result Chairman Dale Elphinstone said, “Although the result was disappointing in that market conditions led to lower revenue and a loss, there was a solid improvement compared with recent results. The Directors believe that the second half will be profitable as the Company continues its operational improvement programme that is now starting to yield tangible positive results. Several new contracts across the Group are being finalised and these are expected to produce significantly higher revenue. Whilst certain business segments still present challenges, the Board remains confident that our 3-to-5 year turn-around plan will lead to sustainable profitability.”

Cost saving measures introduced over the last few periods have been effective and have helped mitigate the impact of the lower revenue in the first half. This resulted in consolidated earnings before interest, tax, depreciation and amortisation (EBITDA) of \$2.0M (H1 2013: \$2.5M), excluding significant items.

Further cost saving initiatives, particularly those relating to site consolidations, are still underway and the benefits of these are expected to flow in the medium term.

The outstanding EBITDA turnaround of Gemco Rail, albeit from a lower revenue base, is an encouraging positive indicator of the Board’s strategy to improve the Group’s results by driving operational efficiencies and right-sizing the business. Consolidated earnings of the Group before interest and tax (EBIT), excluding significant items showed some improvement, despite the lower revenue.

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	H1 2014 \$000	H1 2013 \$000
Revenue	68,260	92,925
EBITDA excluding significant items ²	1,975	2,504
EBIT excluding significant items ¹	(3,273)	(3,593)
Reported net profit / (loss) after tax for the period	(7,361)	(59,490)
Underlying trading loss ³	(4,810)	(6,044)

¹ EBIT is earnings before finance costs and income tax expense.

² EBITDA is EBIT before depreciation and amortisation.

³ Underlying trading loss is net loss after tax excluding significant items.

Note - EBIT, EBITDA and underlying trading loss are non-IFRS financial measures, which have not been subject to review or audit by the Group's external auditors. These measures are presented to enable understanding of the underlying performance of the Group.

A limited number of significant items, mainly relating to restructuring, impacted the current period result as can be seen in the table below:

	H1 2014 \$000	H1 2013 \$000
Net profit / (loss) after tax for the period	(7,361)	(59,490)
<i>Significant Items:</i>		
Impairment of goodwill and other intangible assets	-	42,615
Impairment of inventory	552	-
Impairment of accounts receivable	465	-
Legal settlements and associated costs	-	2,000
Onerous contract provision	276	-
Staff termination costs	1,258	1,467
Derecognition of deferred tax assets	-	7,364
Underlying trading loss ³	(4,810)	(6,044)

Mr Elphinstone commented further, "The consolidated Group's cash-generating performance improved compared to the first half of FY13 and this helped preserve the positive cash balance at reporting date, whilst financial liabilities continue to be paid down.

"In summary, the under-performing units of the Group are now well-positioned to take advantage of higher volumes and are expected to deliver much improved profitability as revenue levels increase. The Directors remain confident of a return to profitability in the near term."

About Engenco Limited

Engenco specializes in:

- Maintenance, repair and overhaul of heavy duty engines, powertrain and propulsion systems
- Maintenance, repair and overhaul of locomotives

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- *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.

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