

ASX ANNOUNCEMENT

25 August 2014

Engenco reports FY2014 results

- Restructuring positions company for return to profit in FY2015
- Reduced underlying trading loss for the year shows significant improvement

Engenco Limited (ASX:EGN) (**Engenco** or **Company**), the specialist industrial engineering services group, today announced a reduced underlying after-tax loss of \$6.4 million (FY2013: \$11.9 million) for the year ended 30 June 2014. Following impairment of assets and other significant items totalling \$5.1 million, the Company's statutory loss was \$11.5 million (FY2013: \$91.5 million). Revenue was \$140.3 million (FY2013: \$176.1 million).

Results summary for the year ended	2014 \$000	2013 \$000
Revenue	140,273	176,088
EBITDA ²	1,692	(67,008)
EBIT ¹	(8,836)	(79,642)
Profit / (loss) after tax for the period	(11,503)	(91,515)
Underlying trading loss ³	(6,428)	(11,896)
Net operating cash flow	5,733	6,235
Net assets	77,427	89,029
Net debt	18,651	18,867

A half yearly comparison follows:

	H1 FY14 \$000	H2 FY14 \$000	H1 FY13 \$000	H2 FY13 \$000
Revenue	68,260	72,013	92,925	83,163
EBITDA excluding significant items	1,975	5,359	2,588	1,679
EBIT excluding significant items	(3,273)	79	(3,509)	(4,858)
Statutory loss after tax	(7,361)	(4,142)	(59,490)	(32,025)
Underlying trading loss ³	(4,810)	(1,618)	(5,960)	(5,936)

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.

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Ross Dunning, Engenco's Managing Director, said:

"This is an unsatisfactory result, heavily influenced by the decline in resources industry activity. The Rail & Road sectors were particularly affected, as customers reduced operating and capital expenditure.

"While we made progress throughout FY2014 towards restoring the Company to profitability, it became clear in the fourth quarter that radical action would be needed. Accordingly, and as announced in June, we restructured the Group and reduced the workforce by about 10%. This restructuring streamlined the reporting and accountability of functions across the entire Group, as well as consolidating the accounting functions in the corporate office.

"As a result of these significant changes, Engenco is a more focused and efficient group. Most business units are now trading profitably and the Company is positioned to return to profit in FY2015."

Review of operations

Drivetrain Power and Propulsion (Drivetrain) services heavy mobile powertrain systems, large frame turbochargers, and heavy diesel and gas power generation and compression equipment.

Drivetrain's consolidated revenue for the year was \$52.1 million and EBITDA (excluding significant items) was \$4.0 million. The business continued to be impacted by the general economic downturn and, in particular, the reduction in resources industry activity in Australia. However, activity in the gas industry is now showing promising signs of improvement, providing opportunities for the business.

In November 2013, it was announced that Drivetrain had secured a \$2 million contract with Santos Ltd for three stand-alone gas compression units. These units were packaged by Sage in Calgary, Canada, and were recently delivered to the operating site and await final commissioning by the customer.

Gemco Rail has provided manufacturing, maintenance, refurbishment and overhaul services to the rail industry since 1997. The business continued to be affected by low demand for fabrication services and the flow-on effects from the resources industry downturn. For FY2014, the business reported revenue of \$42.1 million and EBITDA (excluding significant items) of \$3.3 million.

In March 2014, Gemco Rail secured two maintenance contracts, totaling \$5 million, with EDI Rail-Bombardier Transportation (Maintenance) for wheel, bogie and rail bearing overhaul work on the Public Transport Authority of Western Australia's A-series electric commuter trains. These four-year contracts position the business for additional work in the future.

Total Momentum provides workforce solutions for the construction, maintenance and upgrading of rail track and for rail operations. For FY2014, the business reported revenue of \$19.6 million and EBITDA (excluding significant items) of \$1.2 million.

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Labour hire services in Western Australia continue to grow and work in other States is also expanding. Activity in Queensland is expected to increase as a result of Total Momentum's selection for Queensland Rail's track infrastructure panel.

In April, Total Momentum signed a contract with John Holland Group to supply specialist railroad labour for the Roy Hill project in Western Australia. This work will continue through FY2015.

Centre for Excellence in Rail Training (CERT) provides training, assessment and certification services to the Australian rail industry. During FY2014, CERT performed well with revenue of \$6.3 million and EBITDA (excluding significant items) of \$1.1 million. The business experienced significant expansion in Western Australia, including its appointment as preferred supplier of rail training for the Roy Hill project and selection for government funded training programs. The successful establishment of a training facility in Brisbane has brought significant growth opportunities in the State of Queensland. This business is expected to perform well in FY2015.

Greentrains provides a range of locomotives and wagons for lease to the Australian rail industry. In FY2014, revenue was \$6.3 million and EBITDA (excluding significant items) was \$3.7 million. The business continues to be negatively affected by the current oversupply of standard gauge locomotives in the Australian market, as well as a general softening in the leasing market as a result of the lack of new construction activity.

Convair designs and manufactures tankers for the transport of dry bulk products by road and rail. The dry bulk tank business performed below expectations due to the downturn in construction activity and a cyclical downturn in customer purchasing. Revenue for the year was \$13.6 million while EBITDA (excluding significant items) was \$1.8 million.

Balance sheet and cash flow

Net operating cash flow before interest and tax was \$5.7 million (FY2013: \$6.2 million). At 30 June 2014 net debt was \$18.7 million (FY2013: \$18.9 million), and as announced separately today agreements are in place to extend the group's existing debt facilities with Elph Pty Ltd and the Commonwealth Bank of Australia until 30 September 2015 and 31 October 2015, respectively.

Breakdown of significant items

	2014 \$000	2013 \$000
Impairment of goodwill and other intangible assets	-	(43,275)
Impairment of property, plant and equipment	-	(20,350)
Impairment of inventory	(1,792)	(1,529)
Impairment of accounts receivable	(465)	(861)
Legal settlements and associated costs	-	(2,004)
Onerous contract provision	(276)	(1,705)
Staff termination costs	(2,666)	(1,551)
Derecognition of deferred tax assets	-	(8,344)
Make-good provision	(443)	-
Other significant items	567	-
Total significant items	(5,075)	(79,619)

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Outlook

The Group expects to return to profit in FY2015 and will provide a further update at its annual general meeting in November.

About Engenco Limited

Engenco (EGN) specializes in:

- Maintenance, repair, overhaul and supply of heavy duty engines, powertrain, propulsion and gas compression 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.

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