

## ASX ANNOUNCEMENT

28 April 2016

### Disposal of Greentrains rollingstock

- Majority of Greentrains rollingstock sold
- Purchased by Holdco Holdings Pty Ltd, parent company of Southern Shorthaul Railroad Pty Ltd
- Proceeds to be applied towards debt reduction
- Sale expected to be completed before the end of the current financial year

Engenco Limited (ASX:EGN) (**Engenco** or **Company**), the specialist industrial engineering services group, is pleased to announce that its subsidiary company, Greentrains Limited (**Greentrains**) has today entered into an unconditional asset sale agreement to sell the majority of its locomotive fleet to the parent entity of rail freight services company, Southern Shorthaul Railroad Pty Ltd (**SSR**). A selection of associated locomotive spare parts owned by Engenco subsidiary Gemco Rail Pty Ltd, have also been included in the transaction.

The net proceeds of sale, which is expected to exceed A\$6 million, will be applied towards reducing the circa. A\$17.8 million secured debt owed by Greentrains to Engenco's major shareholder, Elph Pty Ltd.

Engenco's Managing Director, Kevin Pallas, said, "We are delighted to have reached an agreement with SSR in regard to the sale of our locomotive fleet, a substantial portion of which have been off-hire for quite some time in what continues to be a heavily oversupplied locomotive rental market. While there are some leasing opportunities with respect to our wagon rental fleet, medium to long-term locomotive rental prospects continue to be scarce. When these factors were taken into account, along with the not insignificant ongoing depreciation, finance, insurance and other associated fleet holding costs, SSR's offer to acquire the overwhelming majority of our locomotives and associated spares, presented an attractive opportunity to the Company to reduce these costs and its exposure to the capital intensive locomotive rental market."

Mr Pallas added, "The carrying value of our locomotive fleet was significantly impaired following independent valuations conducted during FY15 and prior years, and consequently the sale transaction with SSR will result in the Company booking a significant gain on the disposal of these assets in the current financial year. The application of the net sale proceeds to pay down the Elph loan is expected to further strengthen our balance sheet while the ongoing cost reductions will continue to be enjoyed into FY17 and beyond. Overall, we believe the transaction represents a positive outcome for both Engenco and SSR."

As part of the sale agreement, which is required to be completed within 60 days of execution, Engenco will retain its rail rental wagon fleet, and a small number of low value locomotives.

## **About Engenco Limited**

Engenco (EGN) specialises 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 and infrastructure sectors.

## **For further information, please contact:**

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