

ASX ANNOUNCEMENT

12 June 2020

Business Update

Engenco Limited (ASX:EGN) (**Engenco** or **Company**), business update, including response to the COVID-19 pandemic and its impact on operations:

Engenco's business units have continued to trade during the various stages of COVID-19 restrictions with some effects on operations, principally related to the requirement to follow the advice given by relevant government agencies and health authorities. Our response plan to COVID-19 has focused on ensuring the wellbeing of employees, customers and contractors as we have endeavoured to ensure business continuity. This has included the implementation of social distancing, hygiene measures and temperature testing at all company locations, and working from home arrangements where possible.

Engenco has focused on continuity of service and supply to our customers who operate within the transport, logistics, resources and defence industries. To date there has been less disruption in these sectors, and the demand for our services across all business units has been largely unaffected, with the exception of CERT Training.

CERT Training has experienced lower demand for classroom training. As a response, to meet social distancing requirements training can now also be delivered online. With the support of the JobKeeper initiative, classroom training is being completed with a smaller number of trainees attending each session.

COVID-19 has also impacted Hedemora Turbo and Diesel in Sweden, which is currently operating with a reduced workforce due to supply chain disruptions from European suppliers. We have also seen some delays and deferrals in capital purchasing commitments and new projects by customers.

In Australia, potential risks of delay through the international supply chain have at this stage been adequately managed by leveraging our strong supplier relationships and investment in strategic inventory.

The Company has continued to implement its growth strategy. Our new rail maintenance facility in Gladstone, Central Queensland, is operational and continues to build momentum. The Drivetrain branch network continues to evolve as we invest in a regional workshop footprint to meet customers' requirements. The integration of CERT and Momentum into the Workforce Solutions division is continuing with this division well-placed to maximise future workforce development opportunities for our customers.

ASX ANNOUNCEMENT

The diversity of our operations has allowed total expected trading revenue to remain reasonably stable. Although the COVID-19 pandemic has impacted parts of the business and affected sales mix to some degree, prudent cost control measures and the completion of strategic investments are expected to benefit the second half result. While we had initially anticipated second half trading performance would be negatively affected, we now expect FY20 second half profit before tax to exceed the first half.

Engenco remains appropriately capitalised with credit facilities which remain undrawn. The Company is well-positioned to take advantage of future growth opportunities which are anticipated as COVID-19 restrictions are progressively eased and the broader economy begins to recover.

This announcement has been authorised for release to the ASX by the Engenco Board of Directors.

About Engenco Limited

Engenco (EGN) specialises in:

- Maintenance, repair and overhaul 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 solutions
- Manufacture and supply of road transport and storage tankers for dry bulk products

Engenco services a diverse client base across the defence, resources, marine, power generation, rail, heavy industrial, mining and infrastructure sectors.

For further information, please contact:

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| Kevin Pallas Managing Director and CEO T: +61 (0)3 8620 8900 E: kevin.pallas@engenco.com.au | Paul Burrows CFO and Company Secretary T: +61 (0)3 8620 8900 E: paul.burrows@engenco.com.au |
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