Engenco

ASX ANNOUNCEMENT

21 February 2013

FIRST HALF LOSS AS TURNAROUND TASK CONTINUES

- Net loss after tax (before impairment) of $9.5 million including $5.3 million of significant items.
- Impairment charges of $42.6 million against intangible assets.
- Derecognition of $7.4 million of deferred tax assets (other than Drivetrain Sweden and Greentrains).
- Revenue outlook slightly down in second half.

The half-year operating results of Engenco Limited (**ASX: EGN**)(**Company**) were below budget expectations in the first half but were consistent with the revised guidance issued on 12 December 2012.

In response to an off market takeover bid announced by Elph Pty Ltd on the same date, an Independent Expert's Report was commissioned by the independent directors and released on 16 January 2013. This report indicated that the value of the Company's intangible assets could not be supported. Based on this report, the Audit Committee recommended and the directors determined that intangible assets to a value of $42.6 million should be impaired.

The half-year review considered the deferred tax assets (**DTA**) of the Group. Subsequent to a recommendation received from the Audit Committee, the Board determined not to continue to recognise the DTA of all entities in the Group other than Drivetrain Sweden and Greentrains, resulting in a negative $7.4 million impact on the income statement. Subject to the tests imposed by tax legislation, the DTA may be reinstated in future years when the Australian operations return to profitability.

The overall result in the first half was a loss of $59.5 million.

The previously announced entitlement offer was completed subsequent to 31 December 2012, with $28 million (before expenses) being raised. These funds have been used to retire $15 million of bank debt with the remainder being used to provide working capital for ongoing operations.

Operational snapshot

Drivetrain Power and Propulsion's revenue and EBITDA were down compared with previous year first half results, largely owing to lower component and service sales to customers in mining related business and slower than expected penetration of identified growth segments.

Gemco Rail's revenue was down compared with previous first half financial year 2012 results owing to less fabrication work being received than anticipated. Profitability was significantly impacted by losses on fabrication projects completed in the period.

Momentum's revenue grew year on year based on new contracts particularly in Western Australia and this resulted in an improvement in earnings.

CERT generated higher revenue in the comparable period but margins were impacted by costs associated with new location establishment.

Greentrains' revenue and earnings were down slightly when compared with the first half financial year 2012 results as demand for rolling stock was slower with excess locomotive capacity being available as they come back off lease in coal dedicated markets into general freight haulage.

Convair's dry bulk tanker business performed well with increased revenue and earnings compared to prior year results for the comparable period.

Outlook

'*Whilst the results are disappointing we continue to make progress in turning the business around*', said Dennis Quinn, CEO. '*The business has undergone significant structural changes in the first half, and we continue to implement cost reduction and business re-organisation opportunities for the future. The action taken on impairment of intangibles was based on an independent assessment and external advice, but will not impact operational performance. Subject to the tests imposed by relevant taxation legislation, the deferred tax assets may be reinstated in future as the Australian business units return to profitability.*

We expect revenues in the second half to be slightly lower but of better quality. With the lower cost structure and the absence of some of the significant items experienced in the first half, we expect a positive EBITDA for the Group overall. This will provide a foundation for us to build from in 2014.'

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*

EGN services a diverse client base across the defense, resources, marine, power generation, rail, heavy industrial, mining and infrastructure sectors. EGN employs around 550 people (excluding contractors) operating from more than twenty locations in five countries.

Dennis Quinn Chief Executive Officer T: +61 (0)3 8620 8900 E: dennis.quinn@engenco.com.au	**Anna Bagley** Company Secretary T: +61 (0)3 8620 8900 E: anna.bagley@engenco.com.au