ASX ANNOUNCEMENT

22 November 2017

2017 Annual General Meeting: Chairman's Address and Managing Director & CEO's Address

Engenco Limited (ASX:EGN) (**Company**) attaches a copy of the Chairman's address and the Managing Director and CEO's address for the 2017 Annual General Meeting held on 22 November 2017.

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 provisioning
- Leasing of wagons and other rail equipment
- 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.

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Annual General Meeting – 22 November 2017

Address to Shareholders by Vince De Santis, Chairman

Good morning ladies and gentlemen,

My name is Vince De Santis, Chairman of the Engenco Limited Board and on behalf of the Board I'd like to welcome you to the Company's 2017 Annual General Meeting.

We have a quorum present here today and so I will formally declare the meeting open and propose that we take the Notice of Meeting as read.

First of all, I'd like to introduce my fellow directors:

- Engenco's Managing Director and Chief Executive Officer, Mr Kevin Pallas.
- Our non-executive directors: Mr Dale Elphinstone, Mr Ross Dunning and Ms Alison von Bibra who joined our Board earlier this year.

We are also joined here today by a number of Engenco executives and staff members including our Chief Financial Officer, Mr Graeme Campbell.

Also in attendance is Mr Maurice Bisetto, a partner at KPMG, the Company's auditors. Maurice will be retiring as our audit partner at the conclusion of today's meeting as part of KPMG's partner rotation policy. His successor, and fellow KPMG partner, is Suzanne Bell.

Maurice has been the partner on the Engenco audit team for the last 5 years. We wish to express our sincere thanks and appreciation for the contribution he has made over these past years.

As you would have seen in the Notice of Meeting, there are a number of items of business for consideration. One of these involves the re-election of myself and Ross Dunning who both retire by rotation; and another relates to the re-election of Alison von Bibra, who having been appointed after the 2016 AGM, must also retire and stand for re-election.

Before we consider the items in the Notice of Meeting, I will comment on Engenco's performance and achievements over the past financial year and key aspects of the Company's strategy. After dealing with the formal agenda items, Kevin will address the meeting in relation to the Company's performance and outlook.

If you have questions on anything not directly related to the Notice of Meeting business items as and when they are put forward for consideration, we would ask that you save your questions until the conclusion of the formal business and Managing Director's address.

At last year's AGM, we said that Engenco's FY16 financial performance represented "a fairly major milestone" in the Company's fortunes. That was certainly true but FY17 has been another transformative year for many reasons not the least being the more than threefold growth in net profit after tax from continuing operations, the strong cashflow which has carried on from the previous year and further improvement in the Company's balance sheet.

In regard to the latter, there are a couple of things worth noting.

First of all, Engenco has no debt and with the Elph funding facility, which is currently undrawn, extended until 30 April 2019, the Company now has a solid foundation and the financial capacity to pursue most opportunities as and when they arise.

Secondly, other than some computer software which is being rapidly amortised, Engenco has no intangible assets on its books.

It was not that long ago that Engenco's share price traded at a discount to its net tangible asset value which unfortunately carried with it, a number of negative connotations for our various stakeholders.

I will not elaborate any further other than to say we are very pleased to note that this is no longer the case.

Kevin will provide a more specific overview of what lies ahead for our various business units however I will make a few general observations.

Those of you who are followers of acclaimed American business author and lecturer, Jim Collins will be familiar with his "flywheel effect" where a giant flywheel initially requiring so much effort just to move one rotation, becomes progressively easier to turn after each subsequent rotation until it eventually starts to gather its own momentum.

Now just to be clear, I am not suggesting that Engenco has achieved greatness or that the "Engenco flywheel" has gathered the sort of momentum which Jim Collins would celebrate. However the last two to three years' results do reflect some of the impact of our flywheel beginning to turn ever so slowly, moving forward a little easier after each successive rotation.

Those results are also a reflection of what can be achieved from the application of a patient strategy and consistent application of effort. A few years ago, most of our attention was on dealing with what we somewhat kindly referred to as "legacy issues". Now we can and do very much focus our energy and resources on the future.

Earlier this month we released a Market Update in which we signalled an expectation, based upon the current year to date performance and outlook, that Engenco's after tax profit for FY18 was expected to be materially better than the FY17 result. That expectation remains unchanged although it is contingent upon general economic conditions remaining positive.

For a company of its size and scale, Engenco is still reasonably diverse operating in a number of business segments despite the substantial rationalisation which has been undertaken over the past seven years. But as plans for these remaining businesses evolve and some of the opportunities we are pursuing begin to take shape, we aim to become an even more focused organisation. However, we remain patient and will only do what is in the best long term interests of the Company.

At last year's AGM, we said the Board would not declare a dividend until it was satisfied that Engenco's FY16 profitability was repeatable and the Company's capital base and credit facilities were both well established.

Consequently, the Board's decision to declare a 0.5 cents per share fully franked dividend for FY17 represented another major milestone for Engenco. In addition, as a result of the income taxes that were paid quite some years ago, the Company is in the enviable position of being able to fully frank future dividends of nearly $36 million from current franking credits combined with substantial carry forward losses which are available to be offset against the Company's Australian taxable income.

During the past year, we also undertook a Share Purchase Plan (SPP) in which all shareholders were given an opportunity to top-up their shareholdings. While available to all shareholders, the SPP was aimed at shareholders who held unmarketable parcels worth less than $500. The SPP was then followed by a Share Sale Facility program under which the shares held by 518 shareholders were sold. Engenco currently has around 800 shareholders compared with the approximately 1,300 shareholders on the register prior to the implementation of the Share Sale Facility.

Engenco's accomplishments over these past few years would not have been possible without great management and dedicated employees. The skill and commitment required to achieve such results does not go unnoticed by the Board.

In addition to all the day to day challenges and opportunities which our people encounter, we are also continuing on the journey of developing our valued "human capital" and we are very pleased to welcome Alison onto our Board along with the deep insights and experience she brings in this area of endeavour. Alison has been a most welcome and valuable contributor to the Company.

Engenco is certainly a more valued organisation today than what it was this time last year in more ways than one whether it be financial - something which is quite obvious, the ongoing development and improved capability of our people, or the high regard in which the Company is generally held by its customers, suppliers and key business partners.

These things are easily summarised in a few short words but this greatly understates the considerable effort which has gone into their achievement.

I would like to personally thank my fellow Board members for their wise stewardship and their collective passion to see Engenco achieve, if not exceed its potential.

On behalf of the Board, I also wish to thank Kevin for his outstanding leadership, the executive management team for their hard work and to Engenco's loyal and committed employees who each day serve our valued customers and in doing so, enable us all to enjoy the great outcomes achieved over the past year.

And finally, we wish to thank our loyal shareholders for their ongoing faith in the Company especially to the many of you who have been longstanding and extremely patient supporters. We plan to continue rewarding you for your support and look forward to another year of strong progress in FY18.

As mentioned earlier, Kevin will provide a more detailed presentation after we have dealt with the Notice of Meeting items which we will attend to now.

Vince De Santis
Chairman

Address to Shareholders by Kevin Pallas, Managing Director & CEO

Good morning ladies and gentlemen,

At our AGM last year we expressed the expectation that through our continuous development of strategies, products, services, and most importantly – people, we would further advance our improving performance trend. Indeed, our results for the 2017 financial year have borne this out and we are pleased to be reporting the very good outcomes as outlined in Vince's earlier address.

As general interest in Engenco grows amongst customers, suppliers, investors and others, we find it useful to repeat the description of our business structure and range of service offerings, which has been stable for several years now.

We are a reasonably diverse group operating mainly in Australia, but with operations and customers in other parts of the world including Sweden. Our Business Units are structured into the two segments namely Power & Propulsion and Rail & Road which provide products and services to the resources, rail, transport, defence, maritime and power generation industries.

The company reported an $8.5 million net profit after tax for continuing operations in FY17, building on the $2.5 million profit in FY16, and representing another significant improvement in performance year-on-year.

Revenue from continuing operations for the year was $129 million, down slightly reflecting a better sales mix with fewer low margin capital items compared to FY16. We continue to focus on attracting better quality revenue streams which translate to more favourable and stable profitability.

The Group's cash generating performance is very satisfactory, having cash-in-hand and an adequate undrawn debt facility places the business in a secure position, and provides the company with flexibility as opportunities evolve.

A combination of factors contributed to delivering what can only be described as an outstanding set of results for Engenco, which just a few years ago faced a difficult future. Several operational highlights drove the positive results during the year, some of which I will summarise as follows.

Our Group-wide MakeSafe platform provides the framework for our safety and quality systems – and the achievements in this area are the product of the collaborative partnership between the MakeSafe team and our operations management and leadership teams. The demanding nature of the industries we serve provide a backdrop to the standards for which we strive – for example, achieving one of the highest level ISO quality certifications; National Rail Regulator accreditation; delivering Type-B compliance projects to the gas industry; meeting the strict requirement of a Registered Training Organisation, to name a few. But of-course chief among the goals of our safety teams is that of providing a safe and healthy work-place – and to this end we have worked hard to engrain a positive culture of personal safety responsibility.

I will now provide some specific highlights for each of our Business Units.

In proportion of revenue, Gemco Rail and Drivetrain are clearly our largest Business Units. From the graphic you can see Gemco provided 40% of total Group revenue whilst Drivetrain provided 29%, followed by Convair, Momentum Rail, CERT and Hedemora. Profitability margins vary somewhat as I will discuss shortly when we focus on each Business Unit.

The consolidated Group EBIT, from continuing operations, generated in FY17 was $9.1 million representing a 247% improvement on the previous year.

Starting with the Power and Propulsion segment, Drivetrain delivered a far better EBITDA margin on decreased total revenue for the year due to the previously mentioned lower demand for low margin capital equipment, particularly in the energy sector focussed Power and Compression business. Importantly, as the Australian mining industry began to re-emerge – demand for "spares and repairs" began to build after several periods of low activity. Our strategy of maintaining capability and capacity through those lean times began to pay dividends as Drivetrain's Mobile Powertrain business was positioned to capitalise on the rather sudden improvement in market conditions, even though low levels of manufacturing activity by mining equipment suppliers in Australia persisted.

In the defence sector business stream, Drivetrain's reputation for high quality OEM products and exceptional customer service, backed by significant investments in the strategic stocking of inventory, ensured good sales volumes into key Australian defence industry customers. In particular, our critical component support on the Collins Class Submarine life-extension, our through-life support of the Bushmaster, and our design and test support of the Hawkei PMV demonstrates our solid ability to engage on complex defence projects.

Drivetrain's representation and distribution relationships which are held closely with a range of well-entrenched global OEM components and parts manufacturers remains a key element of Drivetrain's strong market position. Our strategy of expanding these representations in a focussed manner has yielded further success with the introduction of a number of innovative products expected to drive growth into the future. In particular, our product range expansion into the commercial vehicle components market, and our advanced gas-processing equipment products are very exciting prospects.

Sweden based Hedemora Turbo & Diesel is the OEM of the Hedemora Diesel Engine, and the Hedemora HS Turbocharger. These products are in operation around the world in relatively small numbers. The diesel engine population is in decline as the last commercial quantities were commissioned at the turn of the century, but the Hedemora HS Turbocharger range are new-age products that we expect will carry the business forward into the future. In particular, after years of development we have launched the "HS7800" high performance derivative which is designed to suit a significant number of modern engine varieties.

By far the largest Business Unit in the Rail and Road segment, Gemco Rail continued to show growth and improved outcomes in FY17, following several years of focussed performance improvement initiatives. Over the last few periods Gemco's status in the rail maintenance industry has matured steadily, supported by being part of the broader Engenco Group. The business has proven its resilience, innovative approach and flexibility whilst demonstrating solid governance and financial backing – all of which are very important factors which are highly valued by large rail operators who form our customer base.

More than doubling EBITDA in FY17 is the product of a combination of factors, some of which are described as follows.

Our flagship rail facility in Forrestfield, Western Australia, provided good revenue growth as our wheel and bearing servicing activities in particular benefited from sales and efficiency initiatives commenced in previous periods. Our mining customers increasingly see the benefit of utilising our value-for-money Perth based maintenance services, including the major repair and overhaul of their key rollingstock equipment. The expanding volume of freight locomotive servicing in Forrestfield as well as in Dynon, our main East Coast facility, led to greater operating leverage as these workshops continued to experience greater demand from the intermodal, bulk and mining sectors.

There has been healthier utilisation of the PQGY wagon fleet and this boosted Gemco's performance in FY17 as demand for available rollingstock on flexible rental arrangements returned in the market.

Building on the relationships established with major rail equipment manufacturers, our Product Sales business further penetrated the rollingstock spare parts and consumables, track measuring and maintenance equipment and hand tools markets through the provision of innovative and value-adding products and advice.

The Australian rail freight task continues to grow and as we further develop our strategic location footprint, we expect to gain greater market share in what is currently a changing operator environment. As a leading independent service provider, Gemco Rail is well positioned to benefit from several significant prospects as customers increasingly look for new and innovative ways to maintain and overhaul rollingstock assets.

Momentum Rail, our skilled rail operations personnel business, performed well as a result of the growth in the provision of rail operations workforce services to national freight rail operators who increasingly are seeking outsourced labour provision solutions. Momentum offers a flexible, high quality labour pool and provides customers with pro-active labour planning and rostering services which are highly valued in the complex world of rail operations. We expect to capitalise on future revenue growth opportunities as national freight rail operators continue to seek flexible staffing arrangements, and as a range of significant rail infrastructure projects begin to ramp up in the foreseeable future.

The Centre for Excellence in Rail Training (CERT) provides nationally recognised training services and assists customers with the development and implementation of training programs. CERT's training facilities and educators are strategically located in all mainland states to ensure compliant, responsive and cost effective service to national clients. During the year we used internal resources to update and modernise our training assets. This investment has helped set CERT's training materials and delivery quality at the highest level, and has also helped underpin stricter regulatory compliance requirements.

Our training scope expansion into rail-aligned industries is gaining momentum and our student reach is increasing through the establishment of new training facilities in strategic locations. There exists further potential for growth as the National Regulator increases focus on compliance; and as government-funded training programmes progress.

Convair, our dry bulk goods tanker design and manufacturing business operates from a single site in Epping, Victoria. Faced with very tough market conditions in the early part of the financial year, our strategy of continually reducing manufacturing costs allowed us to offer a superior quality product at competitive prices. As the construction market in particular began to recover during FY17, we experienced increased demand for tankers as our investment into the new design Convair tanker was met with enthusiasm by our customers – leading to a more satisfactory financial outcome for the year. The steady growth in parts, fleet servicing and the maintenance & repairs business was also pleasing.

Convair's new, unique design steel tanker has many appealing benefits to operators and is manufactured using advanced, highly efficient processes – allowing us to offer a high-quality product at competitive prices. We are seeing continued improvement in demand, mainly generated by a very active construction industry.

Delivering a much-improved set of results is without doubt a team-effort. If you do not have your team rowing in the same direction it is difficult to truly succeed. We have worked hard to engender a culture of high-performance amongst all employees, strongly believing that success leads to success. In support of this ethos we have developed a range of programmes aimed at making our workplaces safe, challenging and rewarding for all employees.

In fact developing and improving the capabilities of our people is a cornerstone of our Group strategy, as we encourage our employees to strive for greater skills and knowledge, and help develop the future leaders of the business. We believe that this, in concert with the other important elements of our strategy, will help drive the momentum of continued growth and performance throughout the business.

As mentioned today and in our recent market update, the positive momentum of FY17 has continued forward into the first months of FY18. We have seen market conditions remain buoyant in most sectors and are clearly benefitting from having positioned the company for growth whilst carefully controlling our fixed-cost base. Obviously, as we generate better quantity and quality of revenue, our operating leverage improves and this leads to enhanced profitability.

Our cash generation has been reasonably robust in the year-to-date, we have a positive cash balance, and the Elph facility is currently undrawn. Consequently we are confident of our ability to fund foreseeable organic growth and expansion objectives.

So our outlook in summary is that subject to general economic conditions remaining positive, we expect another material improvement in Group performance in the 2018 financial year.

I thank the Chairman and my fellow board members for their valuable advice and guidance, and thanks to our long-standing shareholders for their enduring faith in our ability to succeed. It has been a terrific effort by the corporate team, the business unit senior management teams and all of our staff who have worked tirelessly in the dedicated effort of making the company successful. Well done team!

Overall, we have reached a far more stable state in the development of the company and now look to the future with a good degree of confidence.

Kevin Pallas
Managing Director & CEO