

ASX Announcement
Engin Limited (ASX: ENG, [www .engin.com.au](http://www.engin.com.au))

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Performance Update **Half Year ended 31 December 2007**

Sydney, 24 January 2008:

Chairman Appointment

Engin today announces that Mr Ian Smith has assumed the role of Chairman of the Board.

Mr Smith, who joined the company in September 2007, brings a wealth of experience in the media and communications industry to the role, with over twenty years in the advertising business. Smith's previous roles include CEO of Yahoo!7, CEO of the Communications Group Ltd, President International for Bates Worldwide and a board Director of Cordiant Communications PLC.

Performance Update

Engin Limited announces its unaudited draft financial statements for the half-year ended 31 December 2007 showing a net loss before and after tax of \$6.7 million.

As noted in the Chairman's Statement in the 2007 annual report, during the second half of the 2007 financial year, the company commenced the implementation of a world-class customer relationship and billing system. This went live in the final quarter of last calendar year. Through this period the company's high customer growth aspirations were unfortunately not met, despite achieving growth in subscriptions of 11.4% to 85,000.

A strategic review of the business was undertaken in October and November 2007 to reduce the ongoing working capital requirements of the business, and bring forward cash flow breakeven. A revised strategy was determined and implemented which, to date, is succeeding with remuneration, marketing and services related costs having been significantly reduced and are now more closely aligned with cash flow being generated from operating activities.

ADSL2+

A further outcome of the strategic review was to temporarily put on hold the company's ADSL2+ project until such time that the strategy to provide a nearer-term path to profitability for the company's core telephony business was successfully executed. With this strategy being successfully executed it is intended that the ADSL2+ project will recommence later this financial year. The intention remains for Engin to be able to offer a combined broadband access and telephony solution.

TiVo

Engin intends to market TiVo to its customer base as well as work with Seven and its related bodies corporate to build the retail channel relationships. To reduce funding demands, Engin has decided to relinquish its exclusivity of distribution status and in doing so, significantly reduced the performance related risk and demands on working capital carried by Engin under the TiVo distribution contract. Agreement has been reached with HTS (a Seven Group Company and holder of the TiVo rights) to vary the agreement to achieve this outcome.

The company is also in discussion with Unwired in regard to examining prospective operational synergies between the two companies' complementary product and service offerings.

Engin is now better positioned to focus on its core telephony business, while still retaining the option to distribute TiVo as part of a Broadband triple play. This position materially decreases its working capital demands and will accelerate its path to profitability.

Sale of the Unwired Shareholding

As previously noted, the company sold its shareholding in Unwired into the bid by Seven Network Limited's wholly owned subsidiary, Network Investment Holdings Pty Limited. A profit of \$3.7 million (\$3.1 million net of interest related costs) was realised on this investment. Engin has repaid the funds raised to make the initial investment, along with interest owing, to Seven. Engin remains well positioned to capitalise on Unwired's roll out of WiMax in due course.

Fund raising

As previously foreshadowed, Engin will seek new equity to complete the funding of its business, including consolidation of its broadband telephony business. Details of this will be made available in early February.

Unaudited Results

ENGIN LIMITED

	Draft, unaudited management accounts Jul 07 - Dec 07	Prior corresponding period - Audited Jul 06 - Dec 06	Audited Jan 07 - Jun 07	Audited Full year 2007
	\$ mil	\$ mil	\$ mil	\$ mil
Hardware and airtime revenue	9.8	7.9	8.7	16.6
Cost of revenue	6.1	5.1	5.7	10.8
Margin	3.7	2.8	3.0	5.8
Margin%	37.9%	35.4%	34.6%	35.0%
<u>Overheads</u>				
Remuneration *	7.0	4.4	5.2	9.6
Marketing expense	3.0	3.0	2.7	5.7
Other	2.1	1.4	1.6	3.0
Total Overheads	12.1	8.8	9.5	18.3
Loss before interest, taxation, depreciation and the profit on sale of the Unwired Investment	(8.4)	(6.0)	(6.5)	(12.5)
Profit on sale of UNW shares	3.7	0.0	0.0	0.0
Net interest income / (expense)	(0.5)	0.2	0.4	0.5
Depreciation and amortisation	(1.6)	(0.9)	(1.0)	(1.9)
Loss before taxation	(6.7)	(6.7)	(7.1)	(13.8)
Taxation	0.0	2.2	(5.7)	(3.5)
Net loss after taxation	(6.7)	(4.5)	(12.8)	(17.3)

* Includes \$0.6m writeback of options expense Jul07-Dec07

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About Engin

Engin, listed on the ASX (ENG), is Australia's leading Broadband phone company, cutting the cost of calling for tens of thousands of homes and small businesses across Australia. By using Engin products, broadband users can keep their previous phone number to receive calls, whilst making great savings with their outbound calls. Engin's customers receive high quality calls using VoIP (Voice over Internet Protocol) technology. Engin is a distributor of TiVo, which is expected to launch in Australia in 2008.

Engin is headquartered in Sydney Australia and delivers a digital voice service across existing broadband connections. Winner of the ATUG Best Communications Solution – Small Business 2006 award and the 2005 iAwards AIIA communications category, Engin provides affordable telecommunication alternatives for all Australian consumers and businesses. For more information, please visit www.engin.com.au

For more information, please contact:

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