



Media / Market Release

Tuesday, 9 February 2010

For immediate release

	December 09	December 08	Change
NPAT and minorities	\$25.7m	\$34.9m	Down 26%
EBITDA	\$70.7m	\$90.7m	Down 22%
EBITDA margin	15.3%	14.7%	
Sales Revenue	\$463.0m	\$615.8m	Down 25%
Operating cash flow	\$81.8m	\$53.0m	Up 54%
Earnings per share (based on shares at 31/12/2009)	19.8 cents	28.3 cents	Down 30%
Dividend per share	13.0 cents	10.0 cents	Up 30%
LTIFR	2.9	4.3	Improved 67%

Note: Lost time injury frequency rate (LTIFR) is the number of occurrences of injury divided by the total number of hours worked by all workers, for each one million hours worked.

Bradken Limited (ASX: BKN) today reported a net profit after tax and minorities for the half year ended 31 December 2009 of \$25.7m, a 26% decrease over the previous corresponding period. EBITDA was up on guidance but down 22% on HY09 to \$70.7m while EPS decreased 30% to 19.8 cents per share.

“The HY09 result was at the top of the economic cycle, the impact of the Global Financial Crisis saw trading levels drop significantly in HY10, especially in our overseas operations, to what we believe is the bottom of the cycle, Managing Director, Brian Hodges said.

“Management responded to the situation and was able to expand gross margins by reducing variable costs in line with activity levels and by achieving the benefits from previous capital expenditure. This combined with reduced overhead spend allowed the EBITDA to sales ratio to improve to 15.3% from 14.7% in HY09.”

“A notable feature of the half year’s result is the strong cash performance which has allowed us to significantly reduce debt and provide balance sheet flexibility going forward. The Australian debt facilities were refinanced in December 2009, providing funding stability for this business for a further three years.”

The Directors have declared a fully franked interim dividend of 13 cents per share, an increase of 30% over the previous period. The Company’s dividend reinvestment plan remains active, without a discount, and the dividend will be payable on 15 March 2010 with a record date and last DRP election date of 19 February 2010. The pricing period for the DRP will be 10 working days beginning on 23 February 2010.

[Divisional Review of HY10](#)

The Rail Division delivered sales growth of 21% in HY10 compared to HY09, due to continued strong market demand for freight wagons. In HY10, Bradken delivered a total of 842 wagons predominately coal wagons. Gross margins were higher as efficiency improved and some lower margin contracts were completed. The Xuzhou facility is now fully functional with a project for 176 coal wagons delivered in the half along with the supply of subcomponents supporting Australian manufacturing at Ipswich and Mittagong. The Chinese operation continues to improve productivity to levels in advance of other plants.

Sales revenue for the Mining Products Division decreased in HY10 by 23% on HY09. The revenue in all product groups was impacted by price reductions passed on from lower input costs. The capital related products such as crawler shoes, mining buckets and wear plate continued to be impacted throughout the half driving the majority of the volume decline. Gross margins improved in the half aided by well managed cost control and the flow through of savings from previous capital expenditure.

The ESCO license expires on 30 June 2011 and will not be renewed. ESCO patented ground engaging tools account for approximately 9% of total sales. Bradken is currently in arbitration with ESCO regarding the licence and respective obligations post licence, the outcome of which may be known before the end of FY10. Post the licence, Bradken will be in a position to pursue long term growth opportunities globally in ground engaging tools.

Following changes to an Accounting Standard, the reported numbers for the Industrial Division now exclude the CMS business. Sales revenue for Industrial products decreased by 34%, reflecting the slow down across a broad range of industrial market sectors, including heavy vehicle builders, mining OEMs and general fabrication. The gross margin percentage improved slightly to 31%.

The CMS business, which is now reported in the "Other" segment area, operated in line with foundry activity and has significantly reduced its working capital level and successfully expanded into the United Kingdom.

Sales revenue for the Engineered Products Division was significantly impacted by the global recession and the strength of the Australian dollar. Sales for the HY10 of A\$96.7m were 50% down on the 5 month period in HY09. In US dollars, sales of US\$85.1m were down 39% on HY09. Management has taken swift action to address both variable and fixed costs and the business is profitable and well-prepared for the market upturn. This action, along with targeted sales initiatives, allowed gross margins to increase in HY10 to 33%.

Revenue in the Power & Cement Division was down by 33%. While sales to the power industry were less impacted by the economic conditions, cement sector product sales and general industrial sales reduced significantly. Gross margins continued to improve and the expansion into the power generation market continued with increased sales to Poland and the winning of the first power tender in China.

Cash Flow and Borrowings

Operating cash flow in HY10 of \$81.8m was 54% higher than that of the previous period due to reduced working capital and lower capital expenditure. Working capital levels were managed in line with lower activity levels, reducing by \$40m from June 2009. Inventory reduced by \$40m and receivables by \$22m while creditors also reduced by \$21m.

The strong cash performance enabled a reduction in net debt of \$72m from June 2009 to \$326.3m at December 2009. Favourable translation of the US denominated debt contributed \$17m of the reduction. The Company's gearing is sound with Net Debt to Net Debt plus Equity improved from 53% to 46% and Net Debt at 2.19 times EBITDA.

Refinancing of the Australian bank debt facilities was completed in December 2009 with increased facility size and a new expiry date of December 2012. The three banks from the previous facility remained in the new syndicated facility with an additional global bank added to provide flexibility for the future.

Both the Australian businesses and the USA business operated well within their Covenants during the period and continue to do so. Financial ratios for the Australian businesses at 31 December were Debt to EBITDA of 1.95 times and Interest Cover of 5.7 times compared to the Covenants limits of less than 3 times and greater than 3 times respectively. The USA business's borrowings, comprising US\$69m senior notes and US\$25.1m of bank debt, has limited Covenants and are well within their respective limits. The expiry dates for the USA facilities are in November 2011 (US\$75m facility) and November 2014 (US\$69m of senior notes).

Further debt reductions are targeted for the full year through continued control of working capital and reduced capex spend of around \$40m. Our target level for total net debt, for the current business structure is \$300m or below at 30 June 2010.

Human Resources

"We have continued to see significant improvement in our safety performance, with a 38% reduction in Lost Time Injury Frequency Rate (LTIFR) to a global annualised rate of 2.9, with 18 of our manufacturing facilities experiencing a year or more free of lost time injuries. The Engineered Products Division showed substantial improvement reducing LTIFR to 0.9 from 8.9 previously after introducing Bradken's 21 Step Safety Plan," Mr Hodges said.

"Employee numbers stabilised in HY10 and we expect to increase employment across the group in the second half."

Outlook and Strategy

"Our continued focus on maintaining earnings quality and cash generation is positioning Bradken well to take advantage of recovery in the global market, with the true value of the North American acquisition yet to be realised," said Mr Hodges.

"Our underlying business strategies remain unchanged, with the focus on our key strengths in the design, manufacture and supply of consumable products to the mining, energy and rail industries. We will continue to review opportunities for consumable products acquisitions both in Australia and internationally as the current cycle continues."

"Our expectations are that we will see improving trading conditions in the second half. While the Australian mining industry is expected to be strong, the offshore businesses will not reach the growth rates previously expected in this period."

"The Rail business will be particularly strong in FY10 with orders already in place to make forecast sales levels at margins above those of FY09."

"We reiterate our guidance given at the AGM in October 2009, which was FY10 EBITDA slightly down on FY09."

Ends

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More about Bradken

Bradken is the leading supplier of differentiated consumable and capital products to the resources, energy and freight rail industries. The Company employs almost 4,500 people in 32 manufacturing facilities and more than 28 sales and service centres across Australia, New Zealand, the USA, the United Kingdom and China.

Bradken has been in operation for over 85 years and became a publicly listed company in August 2004. It has five core divisions.

Mining supplies ground engaging tools, wear plate and block products, crawler systems, mill liners, crusher liners and associated refurbishment and maintenance services. These products are primarily consumable wear parts for earth moving equipment used extensively throughout the mining industry. Mill liners and crusher liners are consumable products, which are regularly replaced by operators of mills and crushers in the mining and quarrying industries.

Rail designs, manufactures and supplies rail freight rolling stock, cast and general spares, and provides rolling stock maintenance and refurbishment services. Its product and service offering, as in all Bradken's divisions, is customised to meet specific customer requirements.

Industrial manufactures and supplies iron and steel cast products, mainly consumables, directly to end users for use in their process plants or manufacturing processes. The products can vary from products manufactured to the client's specification, customised products and products based on Bradken's proprietary designs.

Power & Cement designs and manufactures grinding elements, mill liners and other related products used in coal fired power generation, cement production and other industries with equally demanding applications world-wide. The Division maintains a position of strength in the supply of wear parts and consumables through interaction with customers targeted at the development of cost effective solutions to operational problems.

Engineered Products is a leading North American based supplier of large (greater than 4,500kg), highly engineered steel castings to the high growth global energy, mining and rail markets. Headquartered in Atchison, Kansas, AmeriCast employs approximately 2,000 people across five steel foundries and three machine shops in North America and a trading office in Xuzhou, China.

Other operations include the **Cast Metal Services** business which manufactures and distributes consumable products for the steelmaking and foundry industries, and the corporate activities of the Bradken Group.

For further information about Bradken visit www.bradken.com