Media / Market Release

Tuesday, 7 February 2012 For immediate release

	December 11	December 10	Change
NPAT	$43.1m	$38.2m	Up 13%
EBITDA	$100.1m	$90.1m	Up 11%
EBITDA Margin	14.6%	16.9%	Down 2.3%
Sales Revenue	$683.2m	$532.5m	Up 28%
Operating Cash Flow	$10.7m	$36.2m	Down 70%
Earnings per Share (based on weighted average number of shares)	26.2 cents	27.4 cents	Down 4%
Dividend per Share	19.5 cents	18.5 cents	Up 5%
LTIFR[1]	4.2	3.4	Up 0.8

Notes: 1. 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 for the half year ended 31 December 2011 of $43.1 million, a 13% increase over the previous corresponding period. EBITDA increased by 11% to $100.1 million on a sales increase of 28%. While one-off costs associated with the Norcast acquisition fair value adjustments and rationalisation accounted for a reduction in earnings per share of 2.0 cents, overall earnings per share decreased by 1.2 cents to 26.2 cents per share.

”The underlying fundamentals of the business remain very strong, with our order intake at historically high levels. We are seeing continuing expansion of mining markets and are currently adding capacity to our foundry operations in Australia, China, Malaysia, Canada and the USA to meet the increased demand for cast steel consumable products. Sales of the new Bradken ground engaging tools product range are also forecast to grow strongly in the second half,” Managing Director, Brian Hodges said.

“The result, which includes the contribution of the Norcast, AOA and WPS acquisitions, was negatively impacted by the loss of the ground engaging tools products licence, which expired on the 30 June 2011. The company experienced a loss of high margin ground engaging tools product sales while retaining overheads associated with the development and promotion of Bradken’s own ground engaging tools product range.

“The successful raising of US$200 million of lower cost long term funding in November 2011 has given the business a solid foundation from which to respond to the strong market opportunities.”

The Directors have declared a fully franked interim dividend of 19.5 cents per share, an increase of one cent on the previous corresponding period. The Company’s dividend reinvestment plan remains active with a discount of 2.5% and the dividend will be payable on 19 March 2012 with a record date of 17 February 2012.

Divisional Review of HY12

Sales revenue for the Mining Products Division increased by 26% compared to 1H-11 results. The gross margin was negatively impacted by reduced sales of high margin ground engaging tools products. .Bradken’s new ground engaging tools product range is being progressively released to the market. A total of 25% of 700 new ground engaging tools products have now been sold to the market and are performing well. Over 60% of new products are planned for release

by the end of this financial year. The new ground engaging tools products are being actively promoted throughout the world and will generate sales in North and South America, Africa and Europe in the second half of this financial year.

Rail Division sales revenue was up 56% compared to 1H-11, with 1,028 freight wagons delivered. Pricing pressure from Chinese competition has resulted in lower margins. The Division's production is scheduled to increase in the second half with wagon deliveries forecast to be 2,200 for the full year. Some improvement in margin is expected in the second half.

The US based Engineered Products Division performed strongly with sales of $155 million up 15% on 1H-11. The order book remains strong for the second half and the business will benefit from the increased capacity coming on line at the Amite foundry in Louisiana.

The Industrial Division and CMS business performed strongly in the period. The Industrial Division continues to see a drift towards offshore manufacture while continued global strategic sourcing is enabling the CMS business to expand margins on key foundry consumables in addition to the introduction of new product lines.

Cash Flow and Borrowings

Operating cash flow in 1H-12 of $10.7 million was 70% lower than that of 1H-11 due to higher working capital to fund sales growth, as well as higher interest and tax payments. Higher working capital levels reflect increased activity in the majority of Bradken's businesses and less favourable commercial terms on rail projects.

Capital expenditure for 1H-12 was $57.3 million, up from $27.5 million in 1H-11. Capital expenditure was mainly focused on increasing foundry manufacturing capacity, the largest project being the construction of the new foundry in Xuzhou, China.

Net debt levels increased to $475.1 million from $231.6 million at June 2011. The increased debt was due to payments of $190.3 million for acquisitions and capital expenditure programs. The Company's gearing measured as Net Debt to Net Debt plus Equity remained unchanged at 40%. Net Debt was 2.28 times EBITDA but is forecast to return to below 2.0 times EBITDA by the end of 2H-12.

In respect of the Group's successfully completed US$200 million US Private Placement of debt in November 2011, the facility provides lower cost funding and an increase in total debt facilities of the Group to A$550 million plus US $200 million. The private placement provides longer term maturities as follows: US$50 million seven year notes, US$100 million 10 year notes and US$50 million 12 year notes. Importantly, the new facilities are unsecured and have the same covenants as the current facilities put in place in April 2011, which are gearing of Net Debt to EBITDA of 3.0 times and Interest Cover of 3.25 times EBITDA.

Human Resources

"Innovative development programs continue to build a common culture as the business expands globally with a strong focus on safety, training, business values, employee recognition, succession planning and development of the next generation of business leaders," said Mr Hodges.

"Bradken has experienced few issues relating to recruitment due to the slowing of domestic economies, although the employment of suitably qualified and experienced people in technical disciplines remains a challenge for Australian manufacturing."

The global Lost Time Injury Frequency Rate (LTIFR) increased marginally as a result of the addition of the Norcast acquisition safety performance statistics.

Strategy and Outlook

"Bradken's business strategies remain unchanged, with the focus on key strengths in the design, manufacture and supply of consumable products to the mining, energy and rail industries. We will continue to take advantage of growth in

our core resources and energy markets, look for capital expenditure projects to provide organic growth, seek complementary acquisitions and improve margins through technology, capital expenditure and vertical integration initiatives," said Mr Hodges.

"Mining markets are expected to continue to expand in future years providing high margin organic growth and the strong order intake and record order book will put focus on effective utilisation of the new capacity as soon as it is available in the second half," said Mr Hodges.

The business is naturally stronger in the second half and will benefit from a number of first time initiatives including:

- a strong growth of high margin ground engaging tools product sales with overheads already in place;
- the acquisition foundries in Canada and Malaysia will operate for a full six month period, will not incur opening balance adjustments and will benefit from significant efficiency and output gains; and
- in the USA, the new Amite foundry capacity and Tacoma Linatron machine will come online.

"Excluding one-off adjustments for the Norcast acquisition, we confirm the current guidance of EBITDA growth of 25% - 30% with NPAT growth in the range of 35% - 40% over FY11 adjusted results."

Mr Hodges said, "FY13 should see a continuation of the second half of FY12 demand with expanded capacity available from the new China foundry and with ground engaging tools product global sales continuing to grow strongly as new products are progressively released to the market."

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 5,900 people in 34 manufacturing facilities and more than 30 sales and service centres across Australia, New Zealand, USA, Canada, United Kingdom, Indonesia, South Africa, South America and China.

Bradken, which has been in business for over 90 years and became a publicly listed company in August 2004, has four market-focused divisions.

Mining Products 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 mobile and fixed plant 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.

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 2,500 people across eight steel foundries and four machine shops in North America.

Other operations include Cast Metal Services (CMS), which manufactures and distributes consumable steelmaking and foundry industries, the metal recycling business, which support the Company's foundry business and the corporate activities of the Bradken Group.

For further information about Bradken visit bradken.com