



# PROUD TO BELONG

## BRADKEN LIMITED

### 2012 Annual General Meeting

Tuesday, 23 October 2012

**NICK GREINER,** Chairman  
**BRIAN HODGES,** CEO and Managing Director



# Agenda

## **1. Chairman's Address**

**Nick Greiner**

## 2. Managing Director's Address

Brian Hodges

## 3. Formal Business

Nick Greiner

## 4. Refreshments

# The Board



**Back Row L – R:**

**Mr Greg Laurie**

Independent Non-Executive Director

**Mr Peter Richards**

Independent Non-Executive Director

**Mr Vince O'Rourke AM**

Independent Non-Executive Director

**Mr Phil Arnall**

Independent Non-Executive Director



**Front Row L – R:**

**Dr Eileen Doyle**

Independent Non-Executive Director

**Mr Brian Hodges**

Managing Director & Chief Executive Officer

**Mr Nick Greiner AC**

Independent Non-Executive Chairman

**Inset (Far Right)**

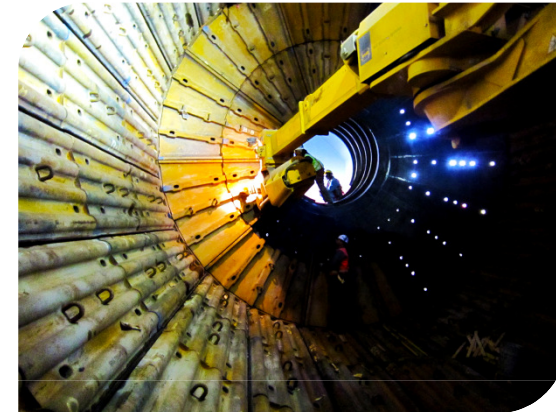
**Mr Steven Perry**

Chief Financial Officer & Company Secretary



# F12 Board Highlights

- The past twelve months have proven to be a year of variable fortunes for Bradken with a number of excellent acquisitions and strong organic growth contributing to the Company's pleasing financial results
- The globalisation of Bradken's key consumable products has been a focus for the Board of Directors since the Company went public in 2004 and the acquisition of Norcast (Canada and Malaysia) completed in July 2011, proved to be an excellent acquisition
- Commencing from a zero base, the global launch of Bradken's own proprietary GET and excavator bucket product range was inline with the Company's strategy of globalisation with the progressive market release throughout the year to round out our consumable product range



# F12 Board Highlights

- Construction of Bradken's new world-class foundry in Xuzhou, China is progressing well. Equipped with state-of-the-art technology, the foundry will be capable of producing up to 20,000 tonnes of alloy steel per annum when fully operational
- Vince O'Rourke, who has been a Non-Executive Director of Bradken since 2004, is retiring today. I would like to express the gratitude of the Board for the time and effort Vince has contributed to the Company and for his tireless hard work as Chairman of the Human Resources Committee. Vince has been an enthusiastic advocate for the career development of young people in the Company and for the continued drive to implement new safety initiatives throughout the Company
- On behalf of the Board, I would like to thank Brian Hodges, the executive team and all Bradken staff for their ongoing contribution to the success of Bradken and we appreciate, of course, the continuing support of our shareholders

# Agenda

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**Brian Hodges**

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4. Refreshments

# F12 Business Highlights

- Bradken Limited reported a net profit after tax and minorities for the year ended 30 June 2012 of \$100.5 million, a 15% increase on F11 on 26% higher sales of \$1,451.3 million. Profit performance rebounded with EBITDA improving by 12% to \$220.4 million
- The underlying fundamentals of the business remained very strong, and our monthly order intake and order book continued to be at historical high levels
- We saw continuing growth of mining markets worldwide
- We added capacity to our foundry operations in Australia, Malaysia, Canada and the USA to meet this increased demand for cast steel products



Grain Wagons

# F12 Business Highlights

- The successful raising of US\$200 million of lower cost 7 year, 10 year and 12 year funding in November 2011 provided the business with a solid foundation from which to respond to future market opportunities to grow the business
- Bradken continues to build a common culture as the business expands globally by implementing business development initiatives including development of the next generation of business leaders through accelerated leadership courses, recognition awards and the CEO leadership program which has commenced in the USA



New Mt Thorley Office & Workshop



# F12 Financial Highlights

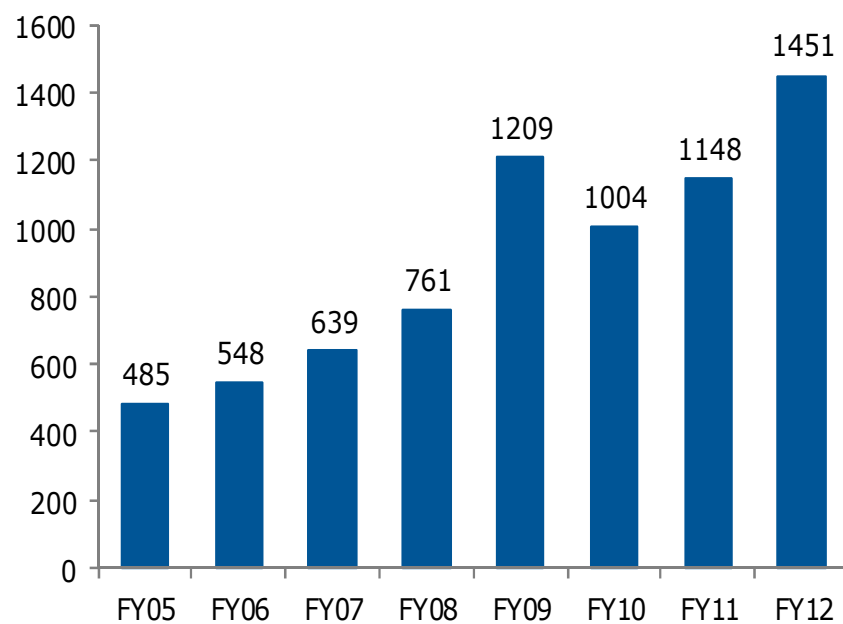
	June 2012	June 2011	Change
Sales	\$1,451.3m	\$1,147.5m	26%
NPAT (after minorities)	\$100.5m	\$87.2m *	15%
EBITDA	\$220.4m	\$196.1m *	12%
Earnings per Share	60.5 cents	60.7 cents	
Dividend per Share	41.0 cents	39.5 cents	

- Surpassed guidance given in April with EBITDA of \$220.4 million up 12% and NPAT of \$100.5 million up 15% on F11 operating results
- Sales revenue was up 26% and EBITDA up 12% with mining consumables and capital products businesses all performing exceptionally well throughout F12
- Executed a capex spend of \$131.9 million in F12, primarily to expand foundry capacity by 25% for growth at lower cost
- Tenure of the Company's debt facilities now includes both a syndicated facility finalised in April 2011 and a USPP facility finalised in November 2011

\* Dec-10 Amortisation, EBITDA, PBT, NPAT after adjusting for impairment charges of \$12.2m after tax.

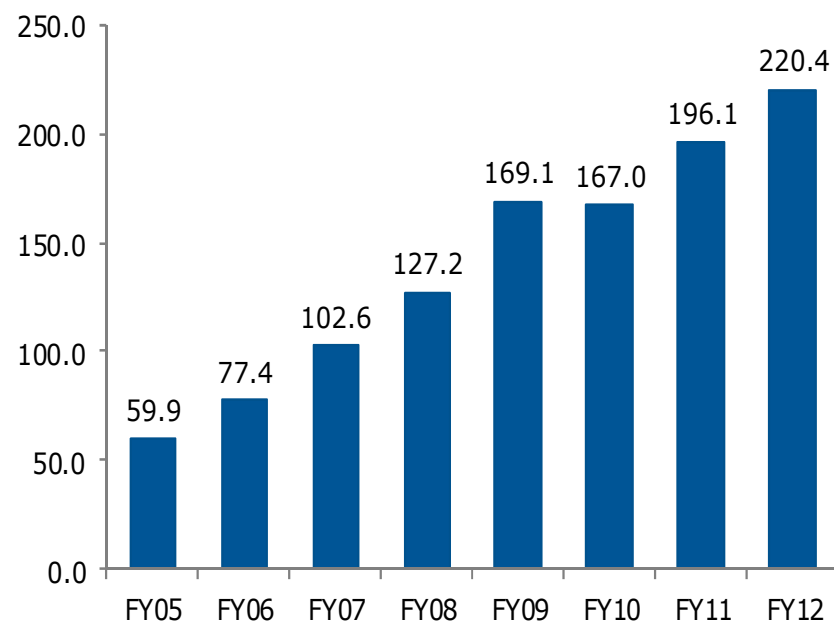
# Sales Revenue / EBITDA Trends

Revenue (A\$m)



Financial Years

EBITDA (A\$m)



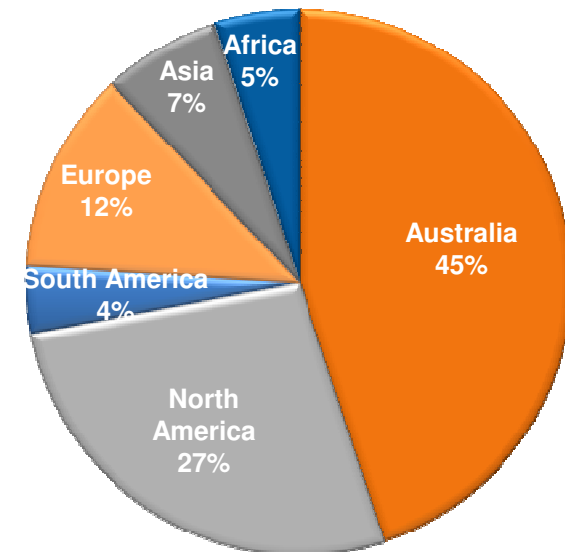
Financial Years

# Operational Review - Mining Products

## Overview

- Mining Products consists of all mining product sales including Mineral Processing Australia & America (Norcast), Fixed Plant Australia & Canada, Crawler Systems and Ground Engaging Tools (GET) & Buckets businesses
- Sales of \$648 million was up 22% year on year reflecting ongoing strong demand from mining markets and contribution from acquisitions offset by a reduction in GET sales
- Margin at 34% was down 2.5% year on year due to changes in product mix between GET and other acquisitions, which is likely to be a short term effect
- In line with corporate strategy mining products sales are continuing to be globalised, with dependence on Australian sales now at 45%

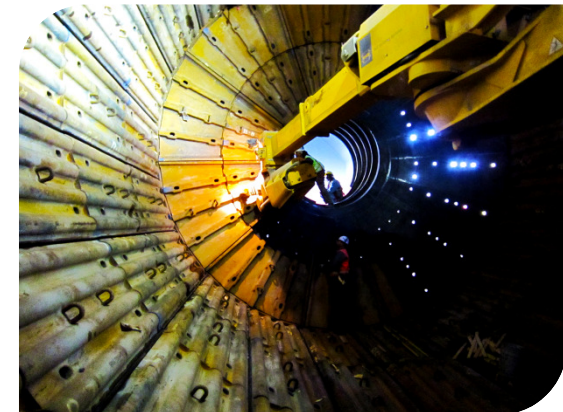
Percentage of Sales  
by Region



# Operational Review - Mining Products

## Mineral Processing

- Sales up 108% year on year driven by organic growth and contributions from the Norcast acquisition
- Global leader in the design, manufacture and supply of mill liners to the global mining industry
- Global manufacturing capacity shortage and the ability to leverage product technology offers opportunities for this business
- Commencing in F13, the Business has been combined into one global operation, managed from Newcastle by Bradley Ward

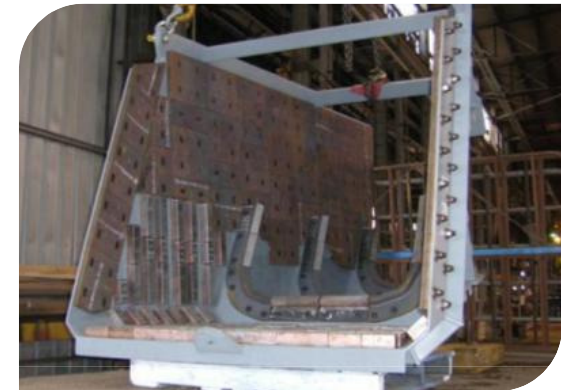




# Operational Review - Mining Products

## Fixed Plant

- Sales up 48% year on year with strong contributions from the AOA and WPS acquisitions and organic growth
- The Canadian oil sands operations, which had very competitive pricing, experienced flat market conditions in F12
- Manufacturing of key product lines commenced in China to meet demand at increased margins
- Expanded product offering is enabling market penetration particularly in the Western Australia iron ore market



# Operational Review - Mining Products

## Crawler Systems

- Sales up 40% year on year with demand from original equipment manufacturers and aftermarket being very strong
- Bradken is recognised as a global leader in the design and manufacture of undercarriage components for large mining class excavators
- New product releases and market penetration into North & South America and Africa continued
- Current order book was at a record levels going in to F13, with capacity from the Xuzhou foundry in the second half to be used to meet increased demand



# Operational Review - Mining Products

## GET & Buckets

- F12 marked the launch of Bradken's own ground engaging tool (GET) and excavator bucket product ranges
- Consumable GET products designed with wholly owned Bradken IP were progressively released through the year. 60% of targeted range was released by June 2012
- Market acceptance of new product range has been excellent
- Secure supply contracts are in place with a number of major global mining companies
- Sales volumes have increased progressively through the year with monthly sales at the end of F12 at 60% of historical (under licence) levels
- Sales into markets outside of Australia commenced in the second half of F12

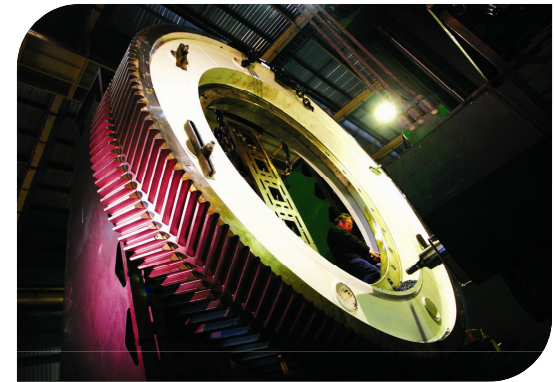




# Operational Review - Industrial

## Industrial

- Sales up 7% year on year in Australia driven largely by mining equipment manufacturers demand for industrial castings
- The market is being impacted by loss of Australian customer competitiveness and offshore manufacturing
- Continues to be a very high margin business





# Operational Review – Rail

## Rail

- Sales up 56% with margins down due to cost overruns
- Manufactured and shipped a record 2,061 wagons in F12
- Two contracts executed in F12 required new designs, which caused delays and compressed manufacturing timeframes leading to lower efficiencies and higher costs
- One contract was completed and the other contract manufactured with no material financial departure from the announcement made in April 2012
- Significant improvements have been made to the Rail management systems around financial reporting and project management



# Operational Review - Engineered Products

## Industrial Products

- Sales up 33% year on year with increased demand from original equipment manufacturers
- Amite expansion completed to ultimately expand capacity to 70 tons per day, with current production at 55 tons per day, up from 24 tons per day in F11
- Backlog at the end of June up 9% from the beginning of the year despite increased production
- At the end of F12, major customers were seeking increased capacity



# Operational Review - Engineered Products

## Energy Products

- Sales up 10% year on year
- Softness in energy markets due to gulf oil spill and Japan nuclear incidents which impacted F12 is now abating
- Anticipated approval of Keystone pipeline and growth in hot horizontal fracking market in USA should improve energy product demand in the second half of F13
- New Linatron facility completed to meet customer demand for increased radiographic testing on high integrity products leading to a greater proportion of higher margin work



# People & Safety

- Global Lost Time Injury Frequency Rate (LTIFR) for F12 at 4.3 which is an increase on the previous year due mainly to the inclusion of the Norcast acquisition safety performance statistics
- 19 sites were LTI free for the year
- First Global Safety Strategy Conference held in February 2012
- Minimal issues related to recruitment due to slow domestic economies
- Employment of suitably qualified and experienced people in technical disciplines remains a challenge for Australian manufacturing
- Business development programs continue to build a common culture as the business expands globally



# Xuzhou Foundry Project

- Construction of the new Xuzhou foundry required to meet global consumable product demand is largely complete and most of the plant and equipment is installed and currently undergoing commissioning
- Spent \$54.3 million in F12 with \$38 million required in F13 to complete the project
- Mill liner trial castings poured and undergoing first article approval
- Equipment installation status:
  - All building work is essentially complete
  - Furnace, AOD and pouring machine installed and operational
  - Coreshooters and moulding line installed and major pieces of equipment commissioned
  - Sand reclamation plant installation nearing completion and will be commissioned at the end of October
  - Aftercast equipment installation progressing well – heat treatment ovens and manipulators commissioned, shotblast being installed, quench system due shortly for commissioning
  - Warehouse and machining/induction hardening building on schedule for completion end November 2012
- 5,000 tonnes to be produced in the first year of operation to 30 June 2013 with an ultimate capacity of 20,000 tonnes per annum over three shifts when fully operational
- Products to be produced will be Crawler Shoes (60%) and Mill Liners (40%)
- Sales from this product mix should equate to \$25 million in F13

# Xuzhou Foundry Project



# Outlook

- The much publicised slowdown in mining activity appears to be earlier and initially deeper than expected, with coal markets being disproportionately impacted
- For Bradken, this is being reflected in a reduction in the order intake for maintenance services and industry destocking of consumable products
- Capital products order intake has slowed in the USA and Australia including some order cancellations and delivery deferrals as mining companies put projects on hold
- There have been no changes in activity in copper and gold based businesses and no impact in oil and natural gas markets
- While there are a number of positive initiatives in the second half, including the Xuzhou foundry coming on stream and strong market activity in oil and gas, we continue to have limited visibility beyond the first half
- Margins are strongly defensible and Bradken will continue to move quickly to adjust its cost base
- Capital expenditure is being limited to committed projects with \$60 million expected in 1H13 of which \$40 million is for the Xuzhou foundry and second half expenditure able to be contained to \$15 million dependent upon the outlook
- There is no debt maturing in the period or near term, with gearing potentially peaking mid year and then reducing quickly in the second half

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1. Chairman's Address

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2. Managing Director's Address

Brian Hodges

**3. Formal Business**

**Nick Greiner**

4. Refreshments

# Formal Business

- 1. Financial Reporting**
- 2. Remuneration Report**
- 3. Re-election of Director - Mr Peter Richards**
- 4. Grant of Restricted Share Rights to Mr Brian Hodges**



## Agenda Item 1

## Financial Reporting

To receive and consider the Financial Report of the Company and the consolidated entity, the Directors' Report and Auditor's Report for the financial year ended 30 June 2012

# Remuneration Report

- The Human Resources Committee met on four occasions in the 2011/12 financial year. It considered the following remuneration items:
  - A review of base salary and other compensation elements of the Managing Director and Senior Executives
  - Approval of short term incentive payments and share entitlements for the 2011/12 financial year
  - Performance measures and allocation guidelines for short term incentives and long term share allocations for 2012/13
  - External Remuneration Consultants benchmark advice
  - Review of Company's Remuneration Philosophy
- Bradken has a variable executive remuneration policy designed to reward its Global Management Team for delivering the Company's business strategy both in the short and long term
- The key business goal is to maximise profit and shareholder wealth
- The Company's executive remuneration is focused on attracting and retaining talented people that are aligned with the Company's business model and our shareholders' expectations
- The Company's reward and recognition systems are performance based to drive sustainable and profitable growth
- They encourage a culture of leadership, strong values and innovative business development that is particularly attractive to a new generation of young managers

## Agenda Item 2

## Remuneration Report

To adopt the Remuneration Report of the Company for the financial year ended 30 June 2012

## Agenda Item 3

## Re-election of Director

To consider, and if thought fit, pass the following as an ordinary resolution:

That Mr Peter Richards, who retires by rotation in accordance with Article 9.3 of the Company's Constitution, be re-elected as a Director of the Company



## Agenda Item 4

# Grant of Restricted Share Rights to Mr Brian Hodges

To consider and, if thought fit, pass the following as an ordinary resolution:

That the following is approved for all purposes under the Corporations Act 2001 (Cth) and the Listing Rules of ASX Limited:

- (a) participation in the Bradken Equity Plan by Mr Brian Hodges, Managing Director as to 141,021 restricted share rights; and
- (b) acquisition accordingly by Mr Hodges of those restricted share rights and, in consequence of vesting of those restricted share rights, of ordinary shares in the Company to be held in trust for Mr. Hodges in the Bradken Employee Share Ownership Plan Trust, all in accordance with the rules for restricted share rights as set out in the Bradken Equity Plans - Trust Deed as amended from time to time and on the basis described in the Explanatory Notes on Items of Business accompanying the Notice of Meeting convening this meeting



# PROUD TO BELONG

Thank You

