Media / Market Release

Tuesday, 13 August 2013

For immediate release

	June 13	June 12	Change
NPAT	$66.9m	$100.5m	(33%)
EBITDA	$183.6m	$220.4m	(17%)
Underlying NPAT	$96.1m	$100.5m	(4%)
Underlying EBITDA	$214.0m	$219.2m	(2%)
Underlying EBITDA Margin	16.2%	15.1%	
Sales Revenue	$1,313.1m	$1,451.3m	(10%)
Operating Cash Flow	$217.6m	$121.2m	80%
Earnings per Share (based on weighted average number of shares)	39.6 cents	60.5 cents	(35%)
Dividend per Share	38.0 cents	41.0 cents	(7%)
LTIFR [1]	5.3	4.3	

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 year ended 30 June 2013 of $66.9 million, however this included a one-off pre-tax charge of $30.4 million relating to the Federal Court proceedings associated with the Norcast acquisition, which will be written back to profit if the Company's appeal is successful.

While statutory EBITDA was $183.6 million, underlying EBITDA before the costs resulting from the Federal Court action was $214.0 million, a decrease of only 2% on the previous year.

"This result was achieved in a quietening market with sales down 10% to $1,313.1 million and the result demonstrates the strength of the Company's consumable products bias and the defensibility of our margins," Managing Director, Brian Hodges said.

The Directors have declared a fully franked final dividend of 18.0 cents per share, making a full year dividend of 38.0 cents, down 7% on F12. The Directors have resolved no Dividend Reinvestment Plan for this period. The dividend is payable on 13 September 2013 with a record date of 23 August 2013.

Divisional Review of F13

Sales revenue for the Mining Products Division of $413 million was up by 4% on the F12 result with margins increased from 33.1% to 34.1%. A combination of higher unit costs and a weaker Australian dollar during the latter part of the financial year led to a slowdown in spending on capital and maintenance, along with destocking, in Australia and global customers. The Division's sales in both the Australian and overseas markets grew due to increased tonnes mined and the uptake of new Bradken GET products, despite the slowdown in mining activity.

Sales in the Mineral Processing Division of $250 million were in line with the prior year with gross margin increasing from 35.4% to 37.7%. The margin gains were achieved through excellent operational optimisation at the Mont Joli, Canada facility, the introduction of new differentiated products into target markets and the rationalisation of many products into the optimal plant of manufacture. This led to a strong improvement in quality of earnings with the additional margin more than offsetting a moderate increase in overheads that included an increase in regional selling and product development resources in line with Bradken's business model which will allow continued growth of the business in the world's major mining regions.

The Rail Division's sales of $223 million were down approximately 33% on the prior financial year. During F13, the Rail Division produced 1,070 rail cars in the Xuzhou manufacturing facility in China. This represented a significant volume reduction on the prior year and is reflective of the general down-turn in the resources sector, which also resulted in a reduction in spare parts sales. Notwithstanding the lower volumes, gross margin and profitability significantly improved as a consequence of the disciplined and deliberate execution of the Division's "Contain and Consolidate" business plan.

The US based Engineered Products Division's sales of $309 million were down approximately 11% in F13 from the prior financial year. This net change resulted from a vibrant first half of the year which showed an 11% increase year-on-year, to a second half decline of 18% compared to the corresponding period. The Division has responded to the reduction in demand in 2H13 by realigning workforce levels and reducing fixed costs and discretionary expenditure to align with the current period of slower economic activity.

Bradken opened a new purpose-built Global Corporate Centre in Newcastle in March 2013 with product development and technical research facilities that promote innovative, technological and collaborative thinking.

In April 2013, Bradken opened its world class 20,000 tonne foundry in Xuzhou, China which commenced producing resources-related consumable products during the start-up production phase. This facility will be a cornerstone for future growth.

Cash Flow and Borrowings

Operating cash flow before capital expenditure for the year was $217.6 million, an improvement of 80% over the previous year. The improvement was driven by working capital reductions of $79 million and reductions in tax payments, however the results included $26.7 million of costs relating to the Federal Court proceedings. Capital expenditure was $96.7 million for the year, down from $131.9 million in the previous year.

Net debt levels decreased to $425.3 million from $442.8 in the previous year. The reduction in debt was achieved after a payment of $26.7 million to the Federal Court pending an appeal and the depreciation in the AUD against the USD during May and June resulting in an additional $28.8 million on translation of Bradken's USD denominated debt. The company's gearing remains conservative at 2.0 times (net debt / EBITDA) and unchanged from the gearing level at the end of the previous year.

Human Resources

The Global Lost Time Injury Frequency Rate (LTIFR) for F13 at 5.3 was an increase on the previous year due to deterioration in performance in the USA which is being actively addressed by Management. 26 sites were Lost Time Injury (LTI) free for F13, which is an increase of seven on the F12 safety result. Global strategic planning for Human Resources and Occupational Health & Safety is now being undertaken separately to bring an increased focus on each.

Significant employment downsizing has occurred in the USA (down 15%) and Australian (down 14%) regions as the business is reshaped to align with emerging market conditions. Employment levels reduced from a high of 6,500 to the current level or 5,425.

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 also commenced in the USA.

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 expect mine production to show steady increases again in F14 for most commodities and the energy segment to remain strong for oil and gas products," said Mr Hodges.

"Miners will continue to restrict expenditure to improve cash flow due to weaker prices and high cost pressures which largely affect new equipment purchases and discretionary consumables, but we expect non-discretionary consumable sales to track production."

"Ultimately, new capital equipment will be required and while some orders are returning, there is little visibility of a trend," Mr Hodges added.

Bradken has significant low cost capacity in Xuzhou and the capability to respond to returning market demand and is being assisted by the lower Australian dollar. Capex will be restricted to mostly stay-in-business at around $40 million.

Bradken continues to reduce both operating and overhead costs in line with the lower activity levels and to reduce working capital and capital expenditure to maximise cash flow and maintain gearing close to current levels.

"The first half of F14 will be challenging, but overall we expect the year to be broadly comparable with F13," said Mr Hodges.

Ends

For more information contact:

Steven Perry
Chief Financial Officer
T +61 2 4926 8605 **F** +61 2 4926 8201
M +61 438 084 356 **E** sperry@bradken.com

Brian Hodges
Managing Director
T +61 2 4926 8604 **F** +61 2 4926 8201
M +61 438 700 229 **E** bhodges@bradken.com

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 5,425 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 liner 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.

Mineral Processing maintains a prominent international market position in the design, manufacture and supply of high quality mill and crusher liners for SAG/AG mills, rod mills, ball mills, gyratory crushers, cone crushers and jaw crushers for primary and secondary applications in the mineral processing 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.

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, the Division employs approximately 1,800 people across five steel foundries and three machine shops in North America.

Other operations include **Cast Metal Services** (CMS) and the **Metal Recycling** business. CMS 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. The Metal Recycling business sources mild steel, stainless steel and alloy scrap steel largely from mine sites and industrial operations to supply the Company's foundry operations.

For further information about Bradken visit bradken.com