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BRADKEN LIMITED

2014 Annual General Meeting

Tuesday, 21 October 2014

NICK GREINER, Chairman

BRIAN HODGES, CEO and Managing Director

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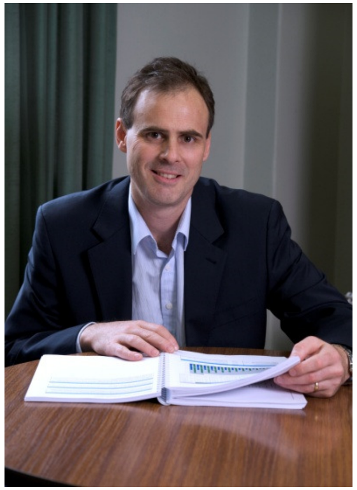
Agenda

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 Phil Arnall
Independent Non-Executive Director

Mr Nick Greiner AC
Independent Non-Executive Chairman

Mr Brian Hodges
Chief Executive Officer & Managing Director

Dr David Smith
Independent Non-Executive Director

Mr Peter Richards
Independent Non-Executive Director

Front Row (L–R):

Mr Greg Laurie
Independent Non-Executive Director

Dr Eileen Doyle
Independent Non-Executive Director

Inset:

Mr Steven Perry
Chief Financial Officer & Company Secretary

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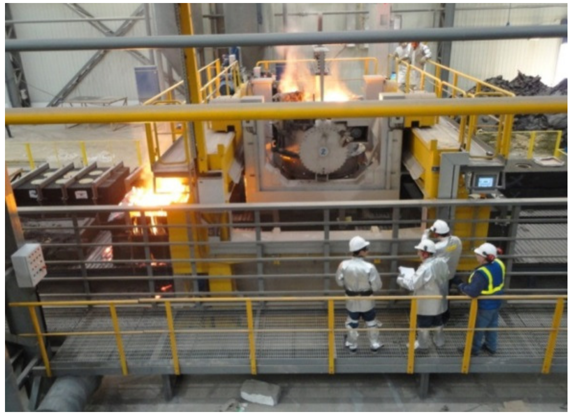
Overview of FY14 Performance

- Achieved an underlying EBITDA for the year ended 30 June 2014 of $173.3 million, which was in line with the guidance we provided to the market in April 2014 but 19% down on the previous year due to the downturn in the mining capital products market
- Despite pricing pressure in some key markets, we achieved 33.3% gross margin in the period, up from 32.7%, utilising lower cost facilities
- Maintained overheads up until April 2014 in the hope of a quick rebound in the capital products market and implemented plans to restructure manufacturing operations and supporting overheads to take account of the new reality and an advantage of previously installed low cost capacity
- The measures Management is taking due to the current low in the mining cycle is enabling us to position the business to maintain our earnings quality and continue growth into new ranges of industrial consumable products



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Financial Results

Revenue

A$1,135.2M

2014 *	1135.2
2013 *	1313.1
2012	1451.3

EBITDA

A$173.3M

2014 *	173.3
2013 *	214.0
2012	220.4

Net Profit After Tax

A$55.1M

2014 *	55.1
2013 *	96.1
2012	100.5

Operating Cash Flow

A$155.1M

2014	155.1
2013	217.6
2012	121.2

Earnings per Share

2014	32.4c
2013	56.8c

Dividend per Share

2014	26.0c
2013	38.0c

* Underlying Results

Mine Volumes in Key Commodities Continue to Grow

- Mining companies continue to maintain focus on cash management and efficiency enhancements while restricting expansion activity
- Lower cost iron ore producers forecast to grow at a CAGR of 7% between FY14 and FY17, overwhelmingly weighted towards Australian and Brazilian projects near commissioning
- Metallurgical coal demand will remain supported by continued growth in Chinese and Indian steel production. Australia's proximity to Asian steel mills and high-quality coking coal will support domestic operations
- Significant growth is expected in copper concentrate supply which is forecast to lift by 7% to 15.7Mt in 2015 and a further 5% in 2016 to 16.4Mt on top of the 500kt of copper concentrate capacity added in 2013
- General Australian domestic manufacturing activity will continue to decline and be transferred to Asia. Maintenance programs designed to increase efficiency, reliability and useful life provides an upside opportunity for the Transport & Industrial Products business

People & Safety

- Global Lost Time Injury Frequency Rate for FY14 was 4.1, which is a significant reduction on the previous year's rate of 5.3, with 24 sites Lost Time Injury free for FY14
- The manufacturing reorganisation announced in April 2014 is one of a series of business remodeling initiatives including:
  - Henderson foundry closed in June 2014 with Welshpool foundry expected to close in the first quarter 2015
  - Naval Base manufacturing facility in Western Australia sold in June 2014
  - Muswellbrook and Mittagong manufacturing facilities are currently up for sale
  - Increasing production in low cost facilities including Xuzhou which will increase capacity from 35% to 65%
  - Combining the Rail and Industrial businesses into a high margin Asian focused business
  - Consolidating the Metal Recycling Business into the Cast Metal Services Business with a strong global focus
- Completed business remodeling and lower activity levels have seen employment in FY14 reduce from 5,425 to 4,650, down from a peak of 6,400

FY15 Order Intake Versus Sales Revenue

- With little excess remaining in the Closing Order Book, order intake is continuing to improve from the low point in 4Q13

Order Intake	FY13	FY14				FY15
	Q4	Q1	Q2	Q3	Q4	Q1
Average per Month ($m)	56	62	72	101	82	91

- Order intake currently lags sales by around one quarter, which means that 1H15 sales will equate to the sum of 4Q14 and1Q15 order intake, or approximately $515 million
- We expect the gradual increase in average monthly order intake to continue for the balance of FY15 and a normal 47/53 sales split between the halves to result

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Rationalisation and Fixed Cost Reduction in FY15

- Plans are ahead of schedule with a $21 million decrease over FY14 in cash overheads and the full year run rate for cash overheads, which will be evident in FY16, expected to be $33 million lower than FY14

	Market Announcement (May 2014)	Current Forecast showing Improvement	Market Announcement (May 2014)	Current Forecast showing Improvement
	2015		**2016**	
Full Year Cash Overhead Savings	13	21	22	33
Depreciation Savings	3	3	5	9
Total	**16**	**24**	**27**	**42**

- We expect to largely maintain our gross margin percentages at around 32.5% despite price reductions, due to Mont-Joli operating at 100% capacity and Xuzhou increasing from 35% last year to operate at 65% of its nominal output
- Gearing will increase slightly at the half year to around 2.25 net debt to EBITDA accommodating stock build up to facilitate plant closures, direct selling and redundancies and will likely return to target levels at the full year
- We have provisioned a further charge, as previously announced, for restructuring of around $16 million in the first half

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Market Positioning and Operations

- **Mineral Processing:** On plan with the Mont-Joli foundry at full capacity and the Xuzhou site ramping up is lowering variable costs and recovering overheads.
- **Engineered Products (US):** Volumes are steady to plan with Energy winning increasing amounts of Government infrastructure work, while mining capital work remains slow
- **Transport & Industrial Products:** Steady to plan with some second half project work, yet to win. Rail wagon projects are largely non-mining, either general freight or agriculture at this time.
- **GET & Buckets:** The market is reducing in size due to customers seeking price downs and idling of high cost mines, mostly in coal. We appear to be at least holding our volume. With the closure of Welshpool, the relocation of work to Runcorn and Xuzhou is maintaining margins.
- **Crawler Systems**: Capital sales are very low with the mining capital slow down. We are winning more aftermarket work at somewhat lower prices. Relocation of work to Xuzhou is lowering our costs but the move to direct sales requires more stock to be held.
- **Fixed Plant**: Is mostly aftermarket work with sales variable but strong. Customers are seeking price reductions due to low iron ore prices. Ongoing relocation of manufacturing to Xuzhou is lowering our costs.
- **Cast Metal Services:** Business is rebuilding its volumes, supplying our offshore facilities from its lower cost base out of Xuzhou

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Post Re-basing Plans for the Business

- Management plans for rebasing costs at these lower volumes are now in place and will be largely implemented by the end of FY15
- Management is focussed on commencing profitable growth independent of the mining cycle in the second half as the gearing improves
  - Around $25 million of two year payback capex, essentially for EBITDA margin expansion over and above stay in business requirements is available to implement
  - We are working on a number of aligned high-return small acquisitions, at later stages of consideration, which improve our Asian low cost base or add to our consumable product portfolio, with a small number of these acquisitions coming available in the second half

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Please join the Board for refreshments

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