Media / Market Release

Tuesday, 11 February 2014 For immediate release

Solid Performance in a Challenging Market

	December 13	December 12	Change
NPAT	$38.1m	$46.7m	Down 18%
EBITDA	$86.2m	$105.1m	Down 18%
EBITDA Margin	15.3%	15.5%	
Sales Revenue	$563.6m	$680.5m	Down 17%
Operating Cash Flow	$67.0m	$70.8m	
Earnings per Share (based on weighted average number of shares)	22.5 cents	27.6 cents	Down 18%
Dividend per Share	15.0 cents	20.0 cents	Down 25%
LTIFR [1]	4.8	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 half year ended 31 December 2013 of $38.1 million, an 18% decrease over the previous corresponding period. EBITDA decreased by 18% to $86.2 million on lower sales revenue and earnings per share decreased by 5.1 cents, down 18% to 22.5 cents.

"In spite of the first six months of this financial year being particularly challenging for Bradken with sales remaining at low levels, we slightly exceeded our first half guidance of $85 million EBITDA. Since June 2013, we have seen order intake levels strengthen for all consumable product ranges. Mine production levels are continuing to increase and we expect sales to improve through the second half," Managing Director, Brian Hodges said.

The Directors have declared an interim dividend of 15.0 cents per share, which is in the middle of the Board's stated range and will be unfranked as outlined in the August 2013 full year presentation. The Company's Dividend Reinvestment Plan ("DRP") has been reactivated with a 2.5% discount. The dividend is payable on Friday, 21 March 2014 with a Record Date of Friday, 21 February 2014. The ten day DRP pricing period will commence on Wednesday, 26 February 2014 and end at close of business on Tuesday, 11 March 2014.

Operational Review of HY14

Sales revenue for the Mining Products Division of $174 million was down 16.9% with all businesses being affected by the market downturn, however margins of 36.1% were up 2.3% on the previous corresponding period results. Demand for Ground Engaging Tools ("GET") was flat across most regions with significant contraction in the Australian coal market. Crawler Systems sales revenue was down due to a significant drop in new equipment sales and corresponding excess inventory in the market place. Fixed Plant sales in the Canadian Oil Sands were up due to increased activity in the regional market.

The Mineral Processing Division, which derives its sales primarily from copper and gold mines, achieved sales revenue of $117 million which was up 6% on the previous corresponding period due to higher sales in Australia and Indonesia, tempered by lower levels of OEM work for new mines. Market demand slowed abruptly in the first half for the Division with customers destocking, delaying change-outs and cancelling or postponing new projects, thus reducing the order book. Margins remained strong with continued focus on increased use of alloy scrap, benchmarking for best practice

between like facilities and capex to reduce costs and increase competitiveness. In the first half, new business was won at three sites in Africa with promising new prospects currently being pursued in the USA, Europe and Central Asia.

Overall, sales revenue for the Rail Division of $109 million was down 17% compared to the previous corresponding period. The number of rail wagons manufactured in Xuzhou, China during the first half was 603 with a further 650 wagons programmed to be built in the second half. Stronger demand for spare parts and maintenance & renewal services was offset to some extent by the lower demand for wagons, thus improving the margin mix. Robust systems and procedures introduced into the rail business over the last two years continue to generate greater efficiencies, reduce costs and improve margins with the business now stabilised and the focus moving to diversifying both product and market.

The US based Engineered Products Division's sales revenue was US$113 million, down 31% on the previous corresponding period, reflecting continued soft capital mining and rail locomotive markets. The Industrial Products business sales were down reflecting the continuation of weak demand for capital parts for mobile mining equipment which began in the second half of 2013. The Energy Business sales revenue was flat but the settled US federal budget and increasing demand for natural gas pipeline products is expected to drive an improved second half for the energy business.

Sales revenue for Cast Metal Services ("CMS"), the Company's foundry consumables business was down 27% due to a significant reduction in orders from Australian foundries and steel mills as a result of the depressed market conditions leading to downsizing. Global expansion initiatives are progressing well in North America and the United Kingdom, which have both increased sales, whilst Malaysia and China remained steady throughout the period. The installation and commissioning of new equipment for CMS in Xuzhou demonstrates a committed focus by Management to the growth and future potential of this business.

Financial Performance

Net profit after tax decreased 18.4% to $38.1 million on lower sales. Although the sales contracted during the period, the quality of earnings was maintained with the EBITDA margin largely unchanged at 15.3% a decrease of only 0.2% over the previous corresponding period. Margins in Mineral Processing and Engineered Products were down slightly although margins in Rail and Mining improved due to cost reductions and manufacturing efficiencies. Net profit after tax was positively impacted by a number of one-off abnormal deductions including revised R&D claims from prior years.

Operating cash flow was largely unchanged at $67.0 million, a decrease of only 5.4% on the previous corresponding period, due to a lower tax payments and continued high conversion of EBITDA to cash. Overall capex spend for the period was $32.8 million compared with $53.9 million for the previous corresponding period. Capex spend for the full year is forecast to be $58.0 million with total capex estimated at $25.2 million for the second half.

The Company's syndicated debt is currently being refinanced. In addition to the $200 million USPP and other bilateral facilities, the replacement facility will allow for $540 million with tenure of 3, 4 and 5 years and will provide significant interest savings beginning in the fourth quarter. The refinancing will be completed by the end of March with the book build already completed and substantially oversubscribed.

The Company's gearing measured as Net Debt to Net Debt plus Equity remained unchanged from June 2013 at 35.7%. Net Debt increased slightly to 2.2 times EBITDA due to lower USD exchange rates affecting the US loans and increased investments.

Human Resources

The global Lost Time Injury Frequency Rate (LTIFR) increased slightly to an annualised rate for H14 of 4.8 lost time injuries per million person hours worked.

Total employment in the group continued to reduce from 5,500 to 5,200 over the half, down from a peak of 6,400 as further adjustments were made due to market conditions. This flexibility is vital for Bradken to enable it to protect its margins in times of reduced market activity.

Independent management system triennial audits were conducted at all major global facilities with continued ISO9001 and ISO14001 certification resulting.

Strategy and Outlook

"With mining growth steady, Bradken is actively pursuing opportunities which increase our scale or diversify our consumable product offering provided they fit with our Business Model," said Mr Hodges.

A non-binding and indicative proposal has been made to the Austin Engineering Board of Directors to acquire all of the ordinary shares in the Company. The proposal is to acquire all of the ordinary shares in Austin that Bradken does not currently own via a scrip offer at a fixed exchange ratio of 0.75 Bradken shares for one Austin share. This approach was made prior to Austin Engineering's recently announced capital raising and on the basis of a number of assumptions including full year earnings for Austin being in line with consensus forecasts and the results of due diligence.

"Bradken and Austin have executed a Confidentiality Agreement on acceptable terms and we are waiting on due diligence to commence. It should not however be construed that a binding agreement will occur."

"Mine production volume growth continues to expand the consumable product market to which we are largely aligned although mining capital expenditure, especially on mobile plant looks likely to remain at reduced levels through this period."

The expanding US economy is supporting growth in energy and capital products and for domestic infrastructure like rail and construction although this will likely take time to impact on sales revenue.

"Bradken continues to focus on cash and will reintroduce its dividend reinvestment plan as well as largely restricting capex for 'stay in business' to $25 million in the second half. Net debt / EBITDA is expected to return to around 2.0, our long term average and the refinancing will deliver much lower interest costs in the fourth quarter," said Mr Hodges.

"Overall, we see high single digit sales growth for most of the business with no need to increase overheads in the period leading to sound profit conversion."

"Based on all of the above, we forecast around $180 million EBITDA for the full year."

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 over 5,200 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.

The **Mining Products Division** is a global business which manufactures and supplies ground engaging tools, wear plate and liner products, crawler systems and associated refurbishment and maintenance services. These products are primarily consumable wear parts for mobile and fixed plant used extensively throughout the mining industry.

The **Mineral Processing Division** is a global business which manufactures and supplies mill liners, crusher liners and associated refurbishment and maintenance services. Mill liners and crusher liners are consumable products, which are regularly replaced by operators of mills and crushers in the mining and quarrying industries.

The **Rail Division** 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.

The **Engineered Products Division** 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 1,600 people across five steel foundries and three machine shops in North America.

Other businesses of Bradken include Industrial products, Cast Metal Services (CMS) and the Metal Recycling.

- The **Industrial business** 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.
- **CMS** is a global business 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.
- 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