Bradken Limited

Half Year Results 2017

21 February 2017

2017 Half Year Highlights

ZERO HARM

The business has reviewed and sharpened its focus on safety.

Total recordable injury frequency rate is reducing.

Underlying EBITDA was $52 million, in line with expectations and similar to last year.

Sales were down 6% to $380 million but gross margin improved slightly compared to 1H16.

Our tight focus on cost control has continued.

Total cash costs continue to decline period on period, helping to improve margins.

Our order book remains similar to prior periods.

Work in hand remains stable at $379 million. Despite recent rising commodity prices, we are not seeing a meaningful rise in maintenance spending or new capital projects starting.

Delays and slowdowns in the North American energy, defence and locomotive markets has negatively impacted our Engineered Products business.

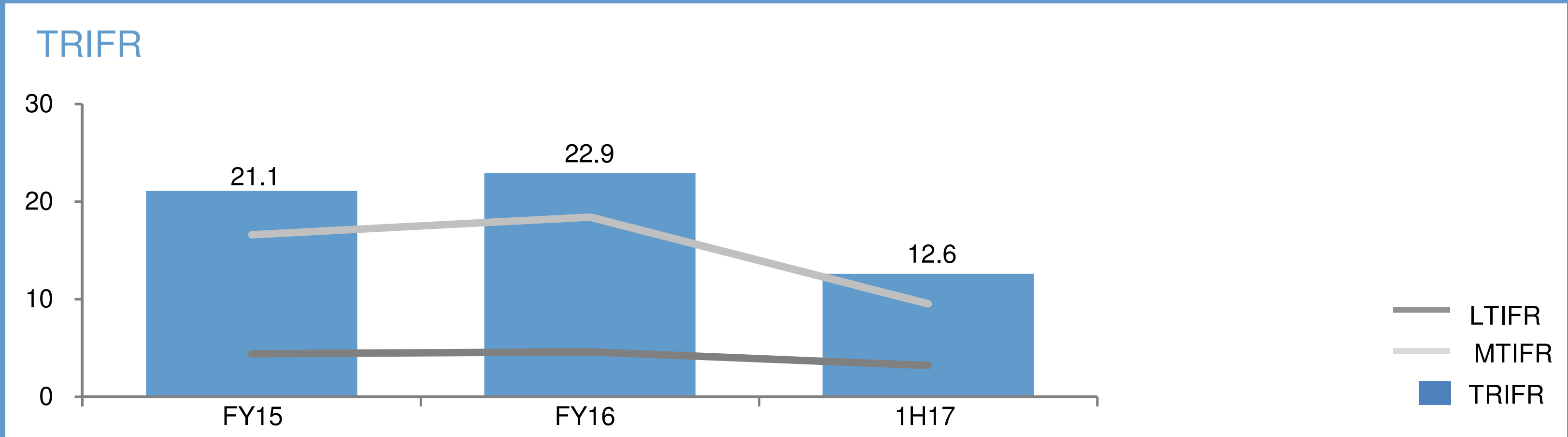
Revenue for the period was down 6%.

HY17 safety performance has improved

- Safety performance for the first half of FY17 has reduced our total recordable injury frequency rate (TRIFR) by 45%. However, our goal remains, "zero harm."

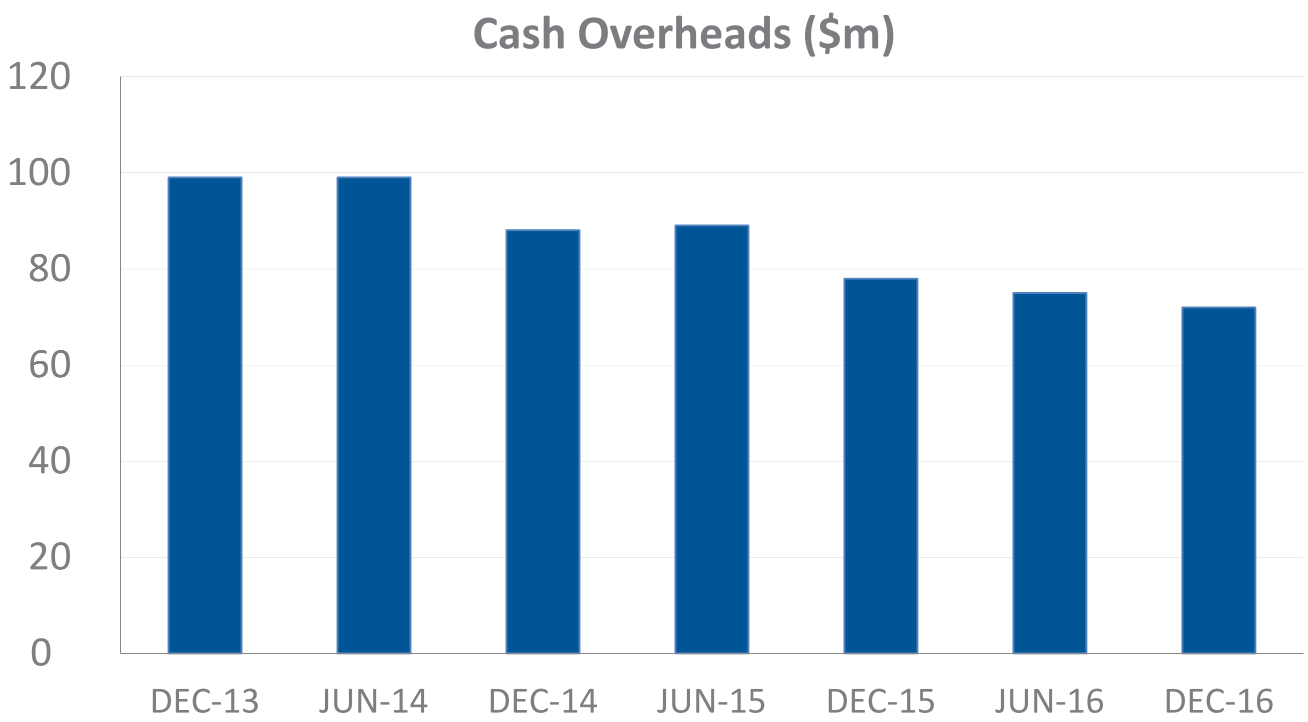
	FY15	FY16	1H17	% Change FY16 to 1H17
LTIFR	4.4*	4.6*	3.2	30% Improvement
MTIFR	16.6	18.4	9.5	48% Improvement
TRIFR	21.1*	22.9*	12.6	45% Improvement

* As part of a safety classifications review in the U.S. since last reporting, these numbers have been adjusted accordingly.



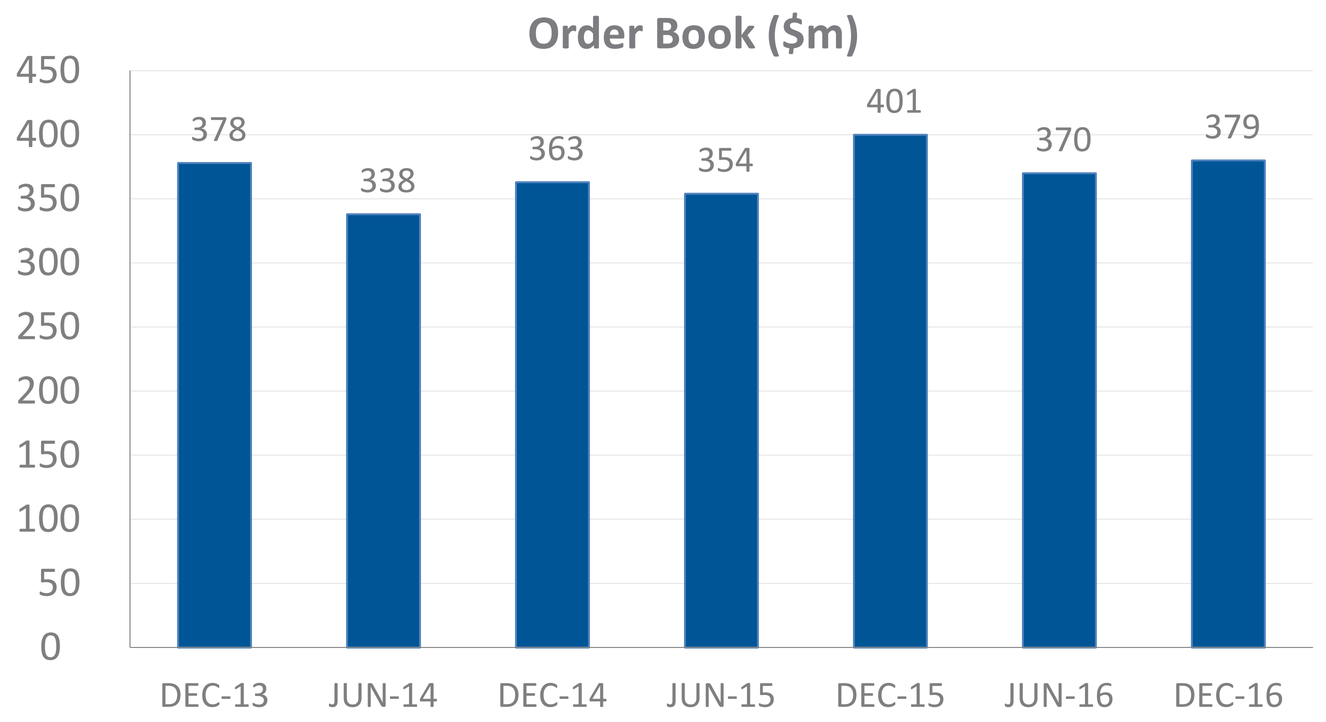
Total Cash Costs

- Our strong focus on cost control has further reduced our cash costs period on period.



Order Book

- Bradken's work in hand remains largely unchanged from the prior period.



Financial highlights
Half on half review

REVENUE
$380.1 million
▼ Down 6%

WORK IN HAND
$379 million
▼ Down 5%

UNDERLYING EBITDA
$51.6 million
▼ Down 1%

UNDERLYING NPAT
$16.8 million
▲ Up 137%

FREE CASH FLOW
$21.8 million
▼ Down 10%

NET DEBT
$271.1 million
▼ Down 31%

Underlying Performance

- Underlying EBITDA in line with expectations at $51.6 million
- Net debt reduced 31% to $271.1 million due to free cash flow and conversion of RPS

A$ Millions	1H17	2H16	1H16	% Change 2H16	% Change 1H16
Sales	380.1	414.5	404.5	(8%)	(6%)
Work in hand	379	370	401	2%	(5%)
Underlying EBITDA	51.6	56.5	51.9	(9%)	(1%)
Underlying EBITDA / Sales	13.6%	13.6%	12.8%		
Underlying NPAT	16.8	22.4	7.1	(25%)	137%
Underlying EPS (cents)	9.3	13.0	4.2	(29%)	121%
Free Cash Flow	21.8	36.6	24.3	(40%)	(10%)
Net Debt	271.1	352.4	393.2	23%	31%

Financial Performance

- One-off major items impacting NPAT include restructuring costs, a further provision for rail warranties and an accounting loss on the conversion of the RPS

A$ Millions	1H17	2H16	1H16	% Change 2H16	% Change 1H16
Sales	380.1	414.5	404.5	(8%)	(6%)
Underlying EBITDA	51.6	56.5	51.9	(9%)	(1%)
Unadjusted EBITDA	(9.1)	35.5	13.7		
Depreciation	(13.7)	(17.6)	(20.9)	22%	35%
Amortisation	(2.1)	(2.2)	(4.0)	5%	48%
Impairment of ANG	-	(1.7)	(5.5)	100%	100%
Impairment of PPE	-	(46.3)	(116.9)	100%	100%
Impairment of Intangibles	-	-	(64.1)	-	100%
Net Finance Costs	(13.1)	(15.8)	(18.1)	17%	28%
Tax Benefit / (Expense)	1.3	20.3	47.7	(94%)	(97%)
Unadjusted NPAT	(36.7)	(27.8)	(168.1)	(32%)	78%
Underlying NPAT	16.8	22.4	7.1	(25%)	137%

Reconciliation to underlying profits

A$ Millions	EBITDA	NPAT
Unadjusted profit	(9.1)	(36.8)
Adjustments:		
Gain on sale of properties	(1.3)	(1.0)
Gain on recovery of legal costs	(0.6)	(0.4)
Loss on Derivative valuation	36.3	35.5
Manufacturing Reorganisation	10.0	7.0
Abnormal Warranty Expense	13.7	9.6
Due diligence, acquisition costs & legal costs	3.1	2.9
Runcorn fire costs	0.1	0.0
Loss from European Operations	1.0	1.0
Unrealised FX Gains	(1.6)	(1.1)
Impairment of PPE		0.1
Underlying Profit	**51.6**	**16.8**

Cash Generation

- Free cash flow was in line with guidance at $21.8 million after a penultimate payment for the India foundry of $10.4 million

A$ Millions	1H17	2H16	1H16	% Change 2H16	% Change 1H16
Underlying EBITDA	51.6	56.5	51.9	(9%)	(1%)
Working Capital / Other	(1.4)	30.3	5.3	(104%)	(126%)
Interest & Borrowing Costs	(15.3)	(21.3)	(17.5)	28%	13%
Income Tax Payments	2.5	(14.0)	0.8	118%	215%
Operating Cash Flow (Before Restructuring)	**37.5**	**51.5**	**40.5**	**(27%)**	**(7%)**
Restructuring and Other Costs	(9.3)	(4.2)	(13.9)	(121%)	33%
Proceeds from Sale of PPE	11.4	11.4	6.0	0%	90%
Payment for Businesses	(10.4)	(10.1)	-	(3%)	-
Capital Expenditure	(7.4)	(12.0)	(8.3)	38%	11%
Free Cash Flow*	**21.8**	**36.6**	**24.3**	**(40%)**	**(10%)**

*Free cash flow includes payments for security deposits

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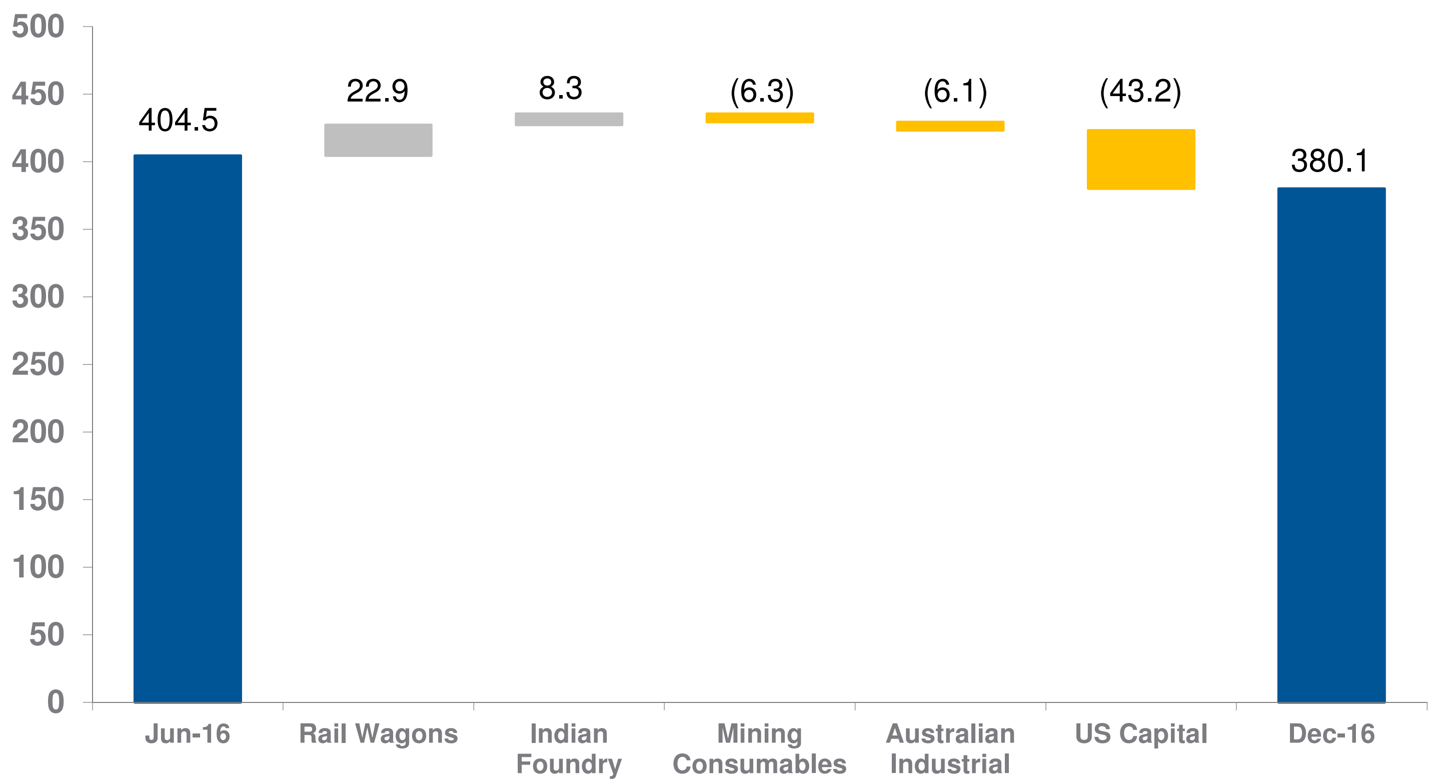
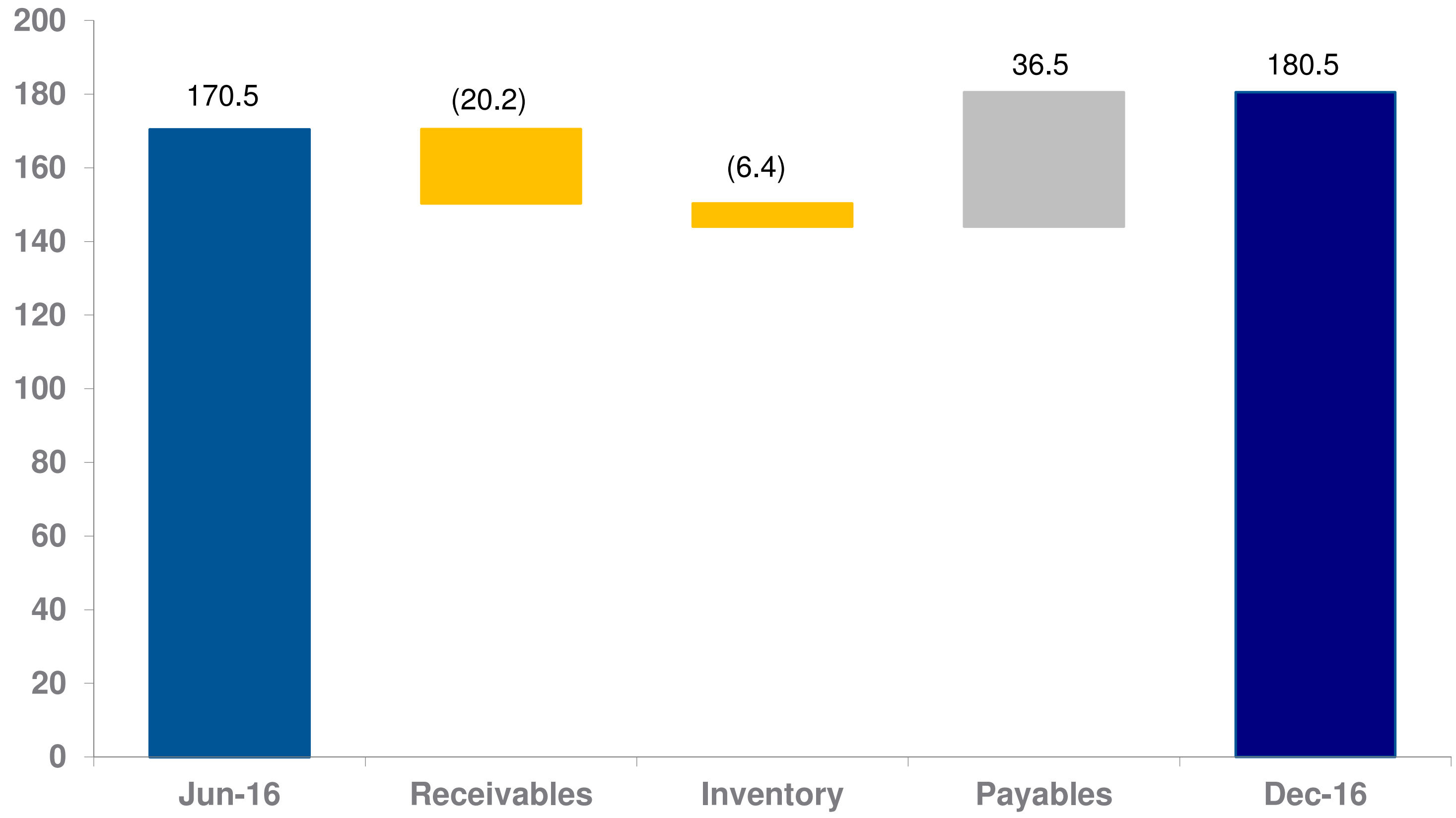
Sales Movement

- Continued lack of orders for capital work in defence, energy and mining
- Flat conditions for mining consumables related businesses
- Worsening of conditions in Australian and US based Industrial markets offset by an order for livestock wagons for Queensland



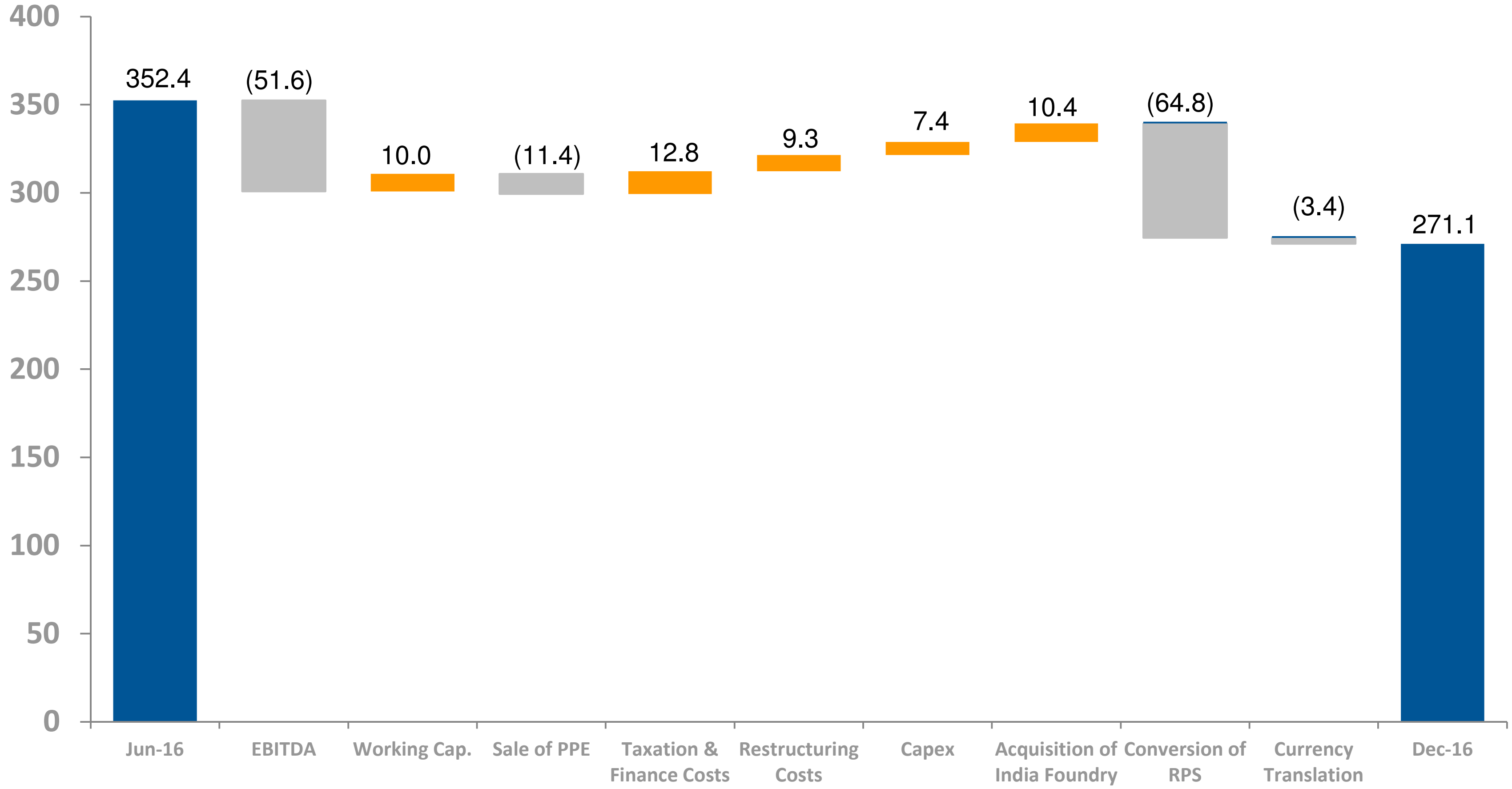
Working Capital

- Working capital largely unchanged however lower creditors' balance reflects tighter credit environment and lower volumes



Net Debt Movements

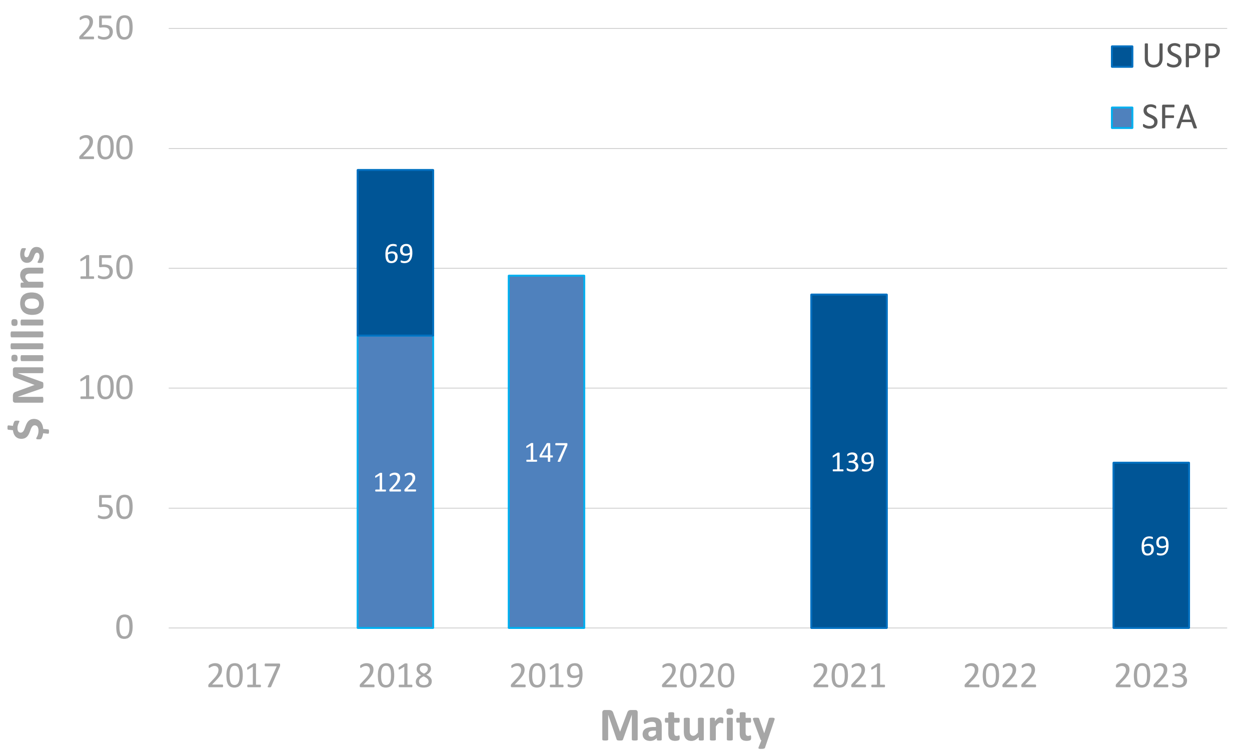
- Bradken continues to operate well within its banking covenants
- HY17 Net debt / EBITDA was 2.69 for covenant purposes



* Net debt excludes leases

Debt Maturity Profile

- Long term debt maturity profile with no refinancing required until July 2018

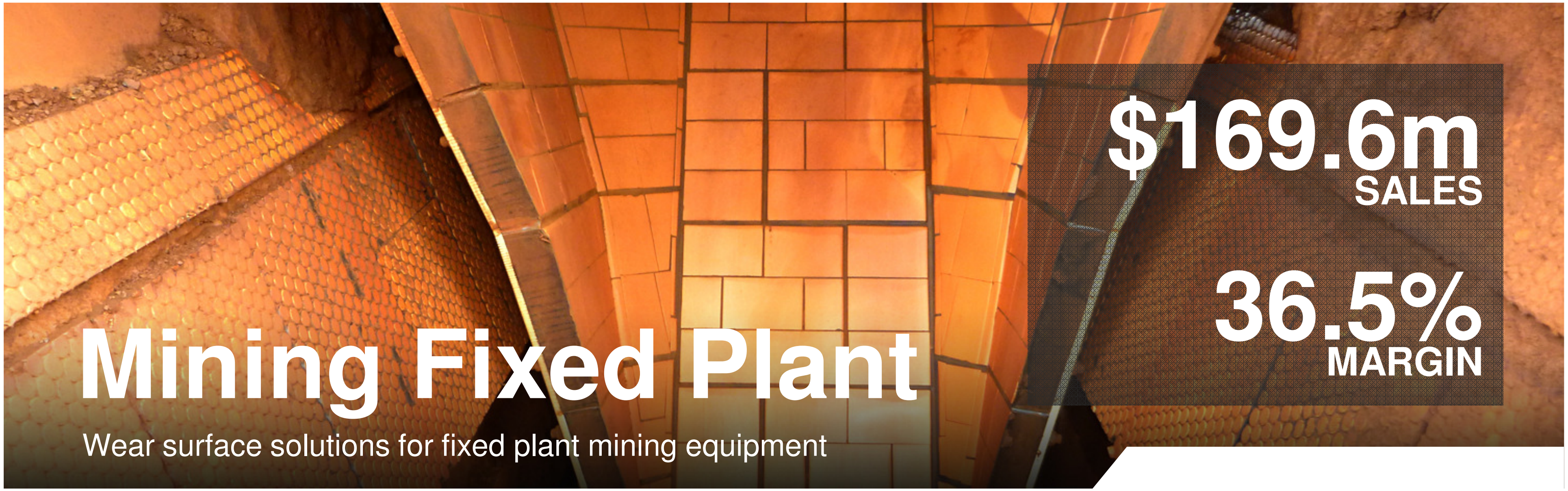


DIVISION DRIVERS

- Rail Capital sales boosted by a Queensland contract for Livestock Wagons
- Mining Consumables sales flat and a further reduction in Australian Industrial product sales due to poor market conditions
- Consumables margins stronger, with overall margin percentage in line with the previous corresponding period despite the significantly higher volume of low margin Rail Capital sales
- Plans to further penetrate the global Crawler Systems market approved and being implemented
- Net stock and WIP reduced a further 8% with improved inventory management processes yielding ongoing improvements
- The facility rationalisation program concluded with the sale of the Launceston foundry in the period

	1H17	2H16	1H16	% Change 2H16 to 1H17	% Change 1H16 to 1H17
Sales	$127.5m	$113.5	$114.9m	▲12.3%	▲11.0%
Gross margin	28.1%	24.3%	28.4%	▲3.8%	▼0.3%
Order book in hand	$82m	$111m	$105m	▼26.1%	▼21.9%

*Gross margin excludes abnormal rail warranty costs



Mining Fixed Plant

Wear surface solutions for fixed plant mining equipment

DIVISION DRIVERS

- Sales up by 4.8% in the previous corresponding period following the acquisition of the India foundry
- Mill Liner production in India commenced late in HY17
- Strong competition within the consumable market has placed pressure on maintaining margins
- Initial wear liners and Smartliner installations at US hard rock mines creating momentum and enabling growth of Bradken's brand
- Reduction in order book from previous corresponding period due to customers' drive towards Just-In-Time supply

	1H17	2H16	1H16	% Change 2H16 to 1H17	% Change 1H16 to 1H17
Sales	$169.6m	$187.8	$161.6m	▼9.7%	▲4.8%
Gross margin	36.5%	35.8%	36.3%	▲0.7%	▲0.2%
Order book in hand	$121m	$117m	$130m	▲3.4%	▼6.9%

Engineered Products

High-spec castings for mining, energy, defence, construction and rail

DIVISION DRIVERS

- General Industrial orders down reflecting lower locomotive rail volume following reduced coal and crude oil carloads
- Reduction in energy orders with continued deferral of power plant refurbishments and pipeline builds on the back of declining oil and natural gas prices
- Increase in Military orders as the US Navy submarine program progresses
- Order book up from June 2016, reflecting increased orders in the transit rail market
- Significant restructuring actions completed, including consolidation of the Amite, Louisiana foundry operations into the Atchison, Kansas facility

	1H17	2H16	1H16	% Change 2H16 to 1H17	% Change 1H16 to 1H17
Sales	$77.8m	$106.1	$121.0m	▼26.7%	▼35.7%
Gross margin	29.5%	26.8%	30.5%	▲2.7%	▼1.0%
Order book in hand	$176m	$141m	$165m	▲24.8%	▲6.7%

Outlook

We continue to expect core consumable sales to dictate future operating levels. We are not expecting any meaningful capital investment (outside of US nuclear submarine castings) to impact our order book.

Without a significant increase in consumable spending by our mining customers and increased spending in the North American industrial market in the first quarter of calendar 2017, we would anticipate full year earnings to be in line with FY16 full year earnings, on a lower revenue base.

Given the typically long lead times required on many of our products, order book gains recognised late in FY17 will have a positive impact in the next fiscal year.

We anticipate the Hitachi Construction Machinery Co., Ltd offer to be completed during the next reporting period.