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Presenters

BRIAN HODGES – Managing Director

STEVE PERRY – Chief Financial Officer

Bradken Limited – 2015 Interim Results

Tuesday, 10th February 2015

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2015 Interim Results

1. Key Outcomes	**Brian Hodges**
2. Financial Review	Steve Perry
3. Operational Review	Brian Hodges
4. Outlook	Brian Hodges

Key Outcomes

- Sales revenue was 12% lower and underlying EBITDA was $72.3 million compared to the previous corresponding period. The order book closed slightly higher than in the previous period
- Management's efforts to rebase the cost structure and maintain competitiveness of the business for long term growth are well advanced, with direct costs reduced in line with lower sales resulting in margins being maintained. Initiatives to reduce the overhead cost base are on target with $21 million of cash overhead reductions forecast in 2015 growing to $33 million in 2016. Total cost of restructuring to date is $47.1 million and related plant and equipment impairment is $51.1 million
- Impairment charges were taken, mainly relating to businesses exposed to the mining capital equipment cycle
- Cash flow was impacted by one-off restructuring costs and higher inventory levels with some of the higher inventory relating to changes to the selling model and some being transitionary, associated with the restructuring
- Net debt was broadly in line with the previous corresponding period, however gearing ended higher than target with net debt impacted by foreign exchange translation
- Consequently, the Directors have determined not to pay a half year dividend this period to ensure adequate flexibility within the business is maintained as it transitions into the current operating environment

Financial Highlights

A$ Millions	6 Months to: Dec-14	6 Months to: Dec-13	% Change to Dec-13
Sales	**495.4**	563.6	(12%)
Underlying EBITDA	**72.3**	86.2	(16%)
Underlying NPAT	**13.8**	38.1	(64%)
Underlying EBITDA/Sales	**14.6%**	15.3%	
Underlying EPS (cents)	**8.3**	22.5	(63%)
DPS (cents)	**-**	15.0	
Free Cash Flow	**(6.1)**	29.4	
Net Debt *	**433.8**	438.4	1%

* Net Debt excludes lease liability

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Market Thematics

- Mined tonnes continue to increase across major commodities
- Continuing decline in commodity prices throughout this period
- Miners continuing to pursue efficiency gains and cost reduction strategies including deferral of maintenance and equipment replacement
- Mining supply chain moving towards purchasing directly from manufacturers and low cost emerging countries in Asia
- The effective AUD:USD exchange rate decreased 13.3% from 0.94 to 0.82

2015 Interim Results

Financial Performance

A$ Millions	6 months to: Dec-14	Dec-13	% Change Dec-13
Sales	495.4	563.6	(12%)
Underlying EBITDA	72.3	86.2	(16%)
Unadjusted EBITDA	14.5	86.2	(83%)
Depreciation	(26.3)	(26.1)	(1%)
Profit from Investment	(0.1)	1.0	
Amortisation / Impairment	(70.7)	(6.5)	
Borrowing costs	(15.1)	(15.4)	2%
Tax Expense	(5.1)	1.0	(626%)
Underlying NPAT	13.8	38.1	(64%)
Unadjusted NPAT	(92.6)	38.1	(343%)

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Reconciliation of Underlying Results

Reconciliation of Underlying Results	EBITDA	NPAT
Unadjusted Results	14.5	(92.6)
Restructuring Costs	25.5	17.8
Impairment of Property, Plant & Equipment	31.5	22.9
Impairment of Intangibles		39.5
Austin Engineering Investment Impairment		25.6
Due Diligence - Legals	0.8	0.6
Underlying Results	72.3	13.8

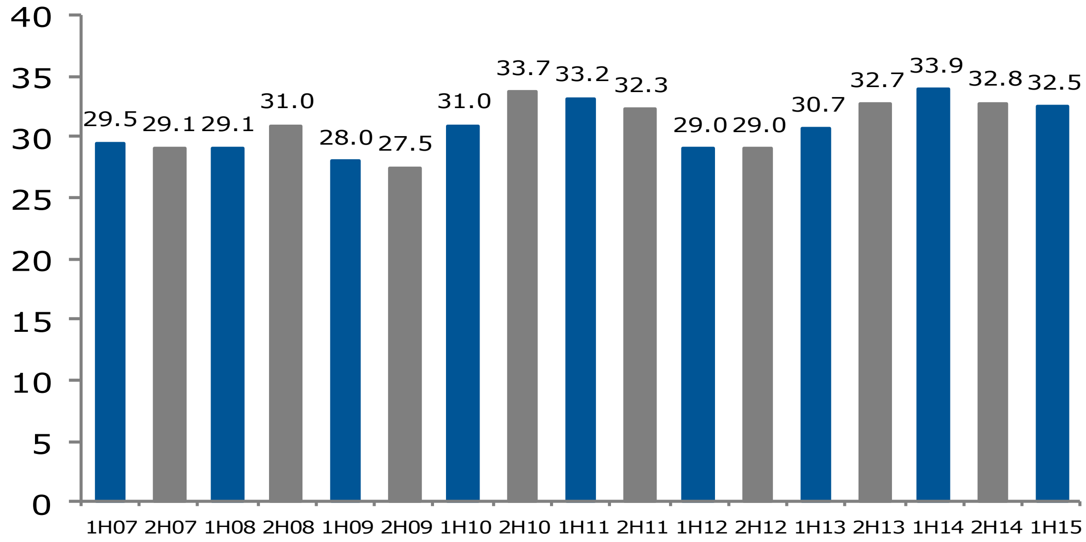
Divisional Sales

- Sales revenue fell 12% to $495 million when compared to the previous corresponding period as a result of decreased sales of new rail cars ($33m), lower sales to mining OEMS ($31m) and fewer replacement parts sales for power generation plants in the USA ($16m)
- With over 50% of earnings now denominated in USD, exchange rate volatility is having a material positive impact

	6 Months to:			% Change to	
	Dec-14	Jun-14	Dec-13	Jun-14	Dec-13
Sales					
Mining Products	**142,954**	**153,567**	**164,802**	(6.9%)	(13.3%)
Mineral Processing	**104,288**	**116,861**	**115,055**	(10.8%)	(9.4%)
Engineered Products	**130,427**	**153,929**	**123,596**	(15.3%)	5.5%
Transport & Industrial	**108,996**	**133,847**	**146,842**	(18.6%)	(25.8%)
Other	**8,710**	**13,465**	**13,276**	(35.3%)	(34.4%)
Total Sales	**495,375**	**571,669**	**563,571**	(13.3%)	(12.1%)

Divisional Margins

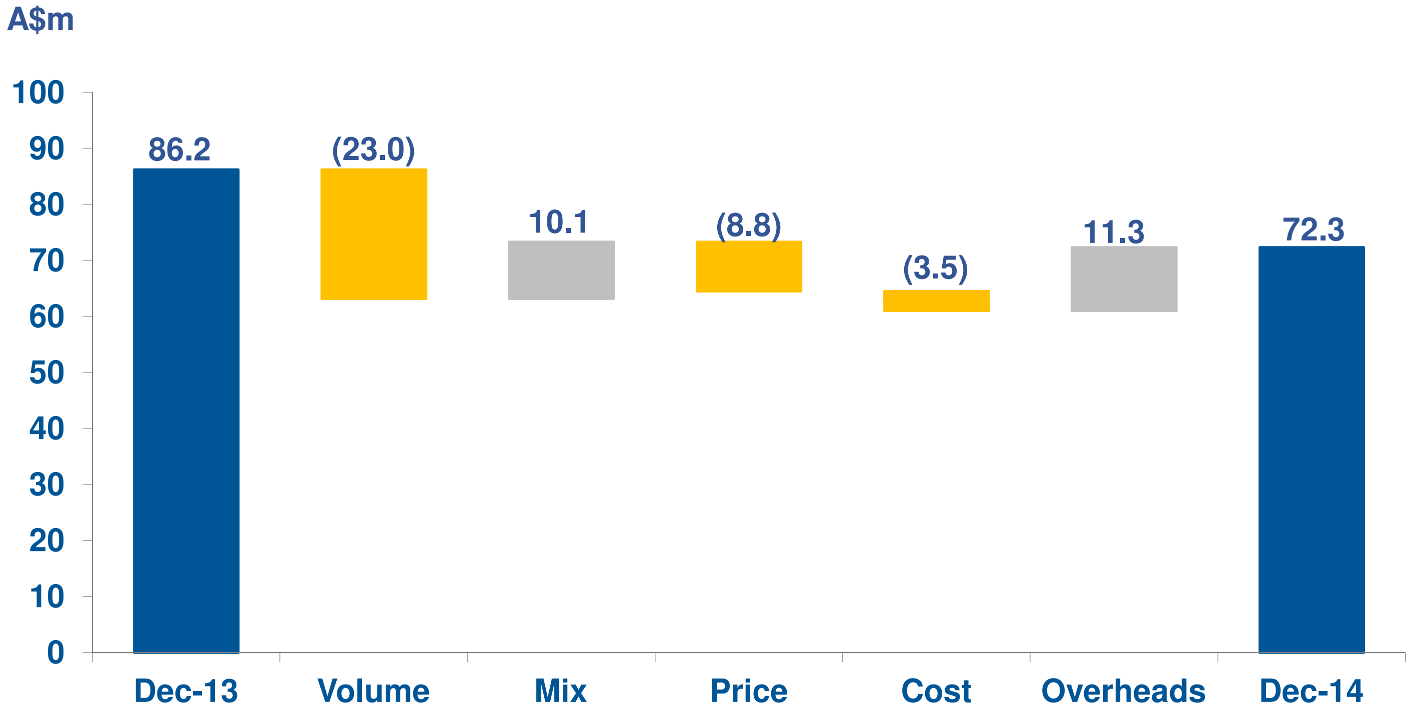
	6 Months to: Dec-14		Jun-14		Dec-13	
Gross Margin		% to sales		% to sales		% to sales
Mining Products	**47,226**	33.0%	**51,669**	33.6%	**60,377**	36.6%
Mineral Processing	**36,921**	35.4%	**42,852**	36.7%	**41,250**	35.9%
Engineered Products	**41,622**	31.9%	**50,090**	32.5%	**42,211**	34.2%
Transport & Industrial	**25,743**	23.6%	**33,723**	25.2%	**38,346**	26.1%
Other	**8,958**	102.8%	**8,890**	66.0%	**8,699**	65.5%
Total Margin	**160,470**	32.5%	**187,224**	32.8%	**190,883**	33.9%



Historical Gross Margin Percentage to Sales

EBITDA Movements

- Largest impact on EBITDA due to reduction in sales volume of rail wagons and crawler systems sold to new equipment manufacturers
- Negative price and cost offset by reductions in overheads
- Over 50% of earnings are now USD denominated
- EBITDA would have been $74.3 million using a period end rate of 0.82 instead of the period average rate of 0.89

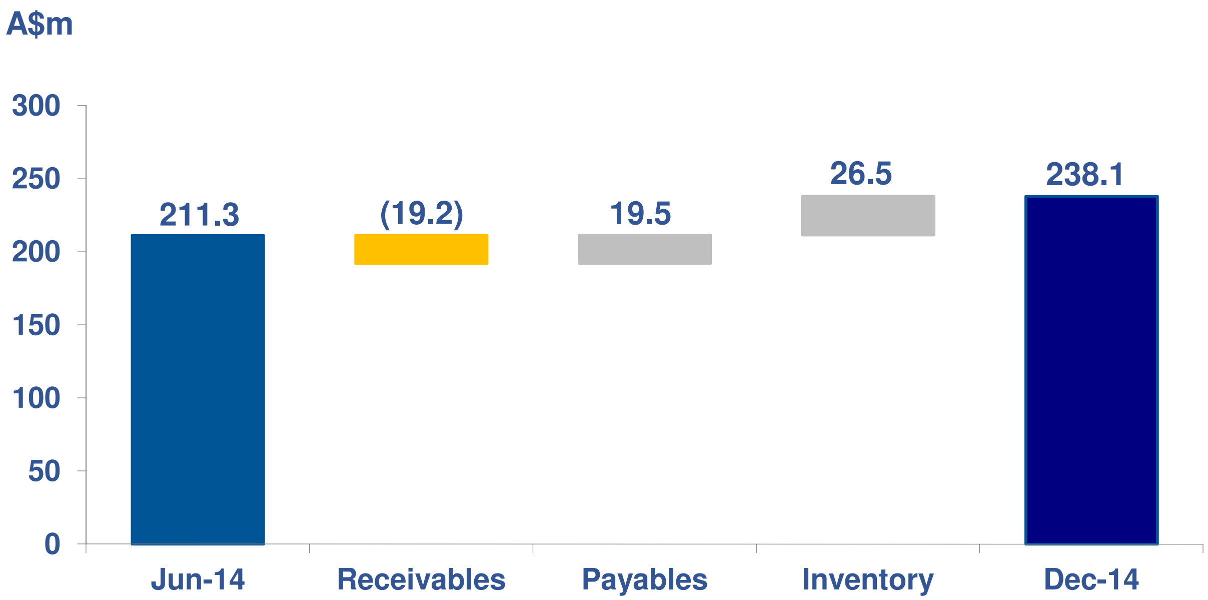


Free Cash Flow Generation

A$ Millions	6 months to: Dec-14	Dec-13
Underlying EBITDA	72.3	86.2
Working Capital / Other	(28.9)	(5.9)
Interest & Borrowing Costs	(13.6)	(13.1)
Income Tax Payments	(3.2)	(0.2)
Operating Cash Flow (before restructuring)	26.6	67.0
Restructuring Costs	(9.8)	
Operating Cash Flow	16.8	67.0
Net Capex	(22.3)	(32.8)
Investments	(0.6)	(4.8)
Free Cash Flow	(6.1)	29.4

Working Capital Movements

- Debtors and creditors reduced 13% in line with a 12% volume reduction
- Increased inventory levels were due to:
  - ✓ Translation on US based inventory - $7m
  - ✓ Temporary increase in Energy work in progress which will be sold in 2H15 - $4m
  - ✓ Temporary increase in GET stock due to manufacturing location restructure - $6m
  - ✓ Increase in inventory for Crawler Systems stock due to the move to direct selling - $9.5m
- No further non-volume related inventory increases are forecast for the second half



Capital Management – Key Measures

	6 Months to: Dec-14	Dec-13
Net Debt (A$m) (excluding leases)	433.8	438.4
Gearing (Net debt/Net debt + Equity)	39.3%	35.7%
Gearing (Net debt/EBITDA)*	2.7	2.2
Interest Cover (EBITDA/Interest cost)*	6.0	6.7
Working Capital	238.0	247.6

* Gearing and interest cover statistics and banking covenants are based on underlying EBITDA

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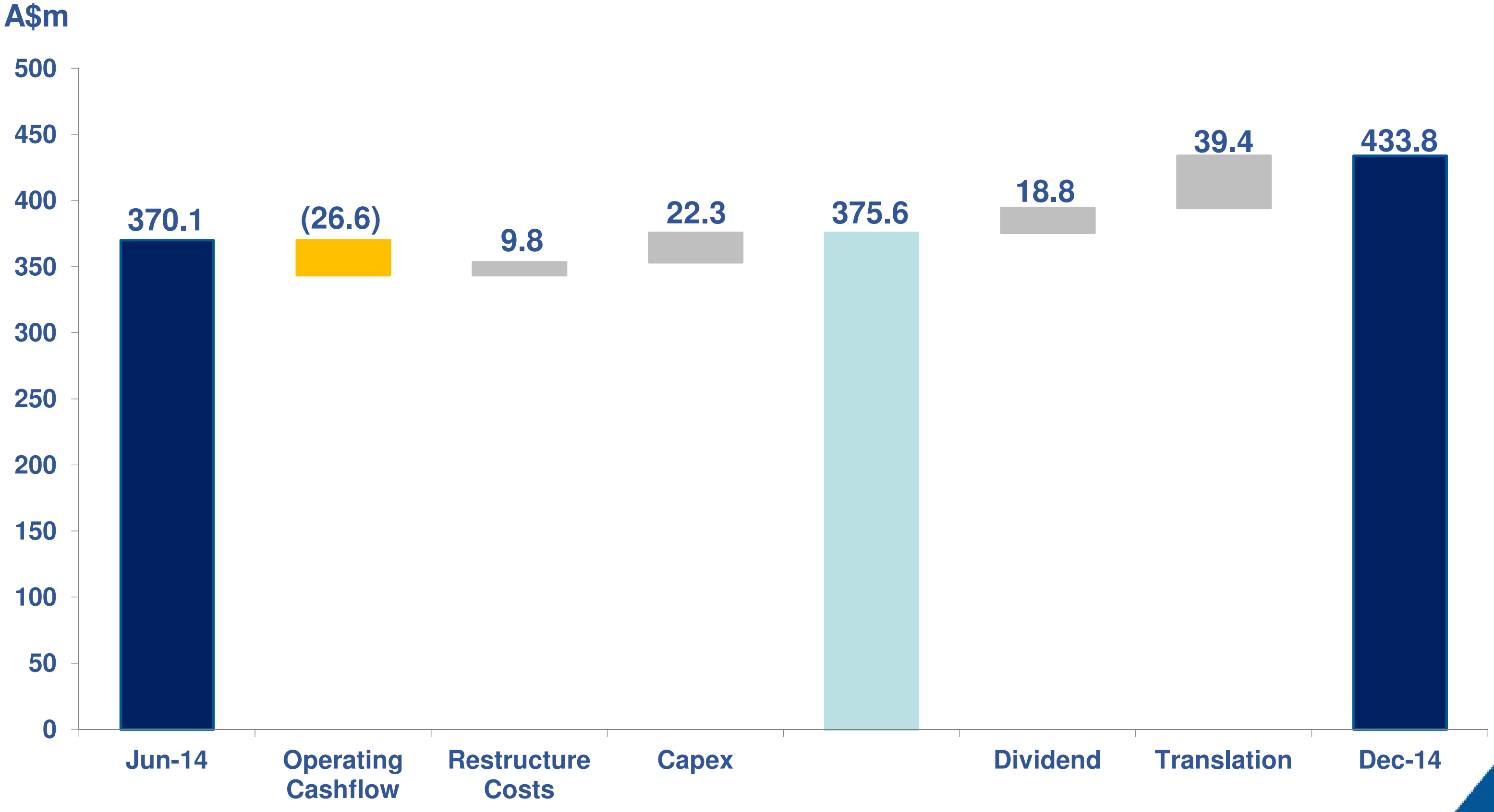
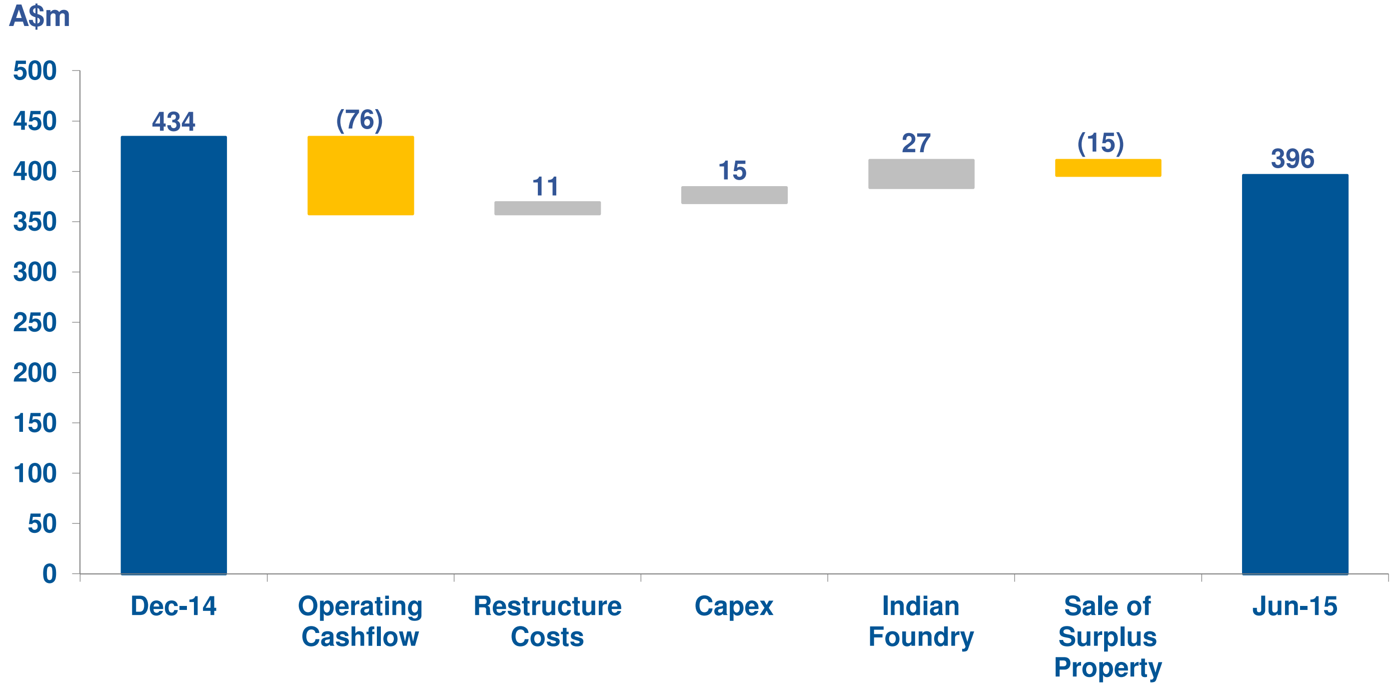
Net Debt Movements

- Increased net debt mostly due to the translation effect of the falling AUD on USD denominated debt
- Lower cashflow conversion due to a temporary build up of work in progress in Energy and finished goods in Ground Engaging Tools and Crawler Systems



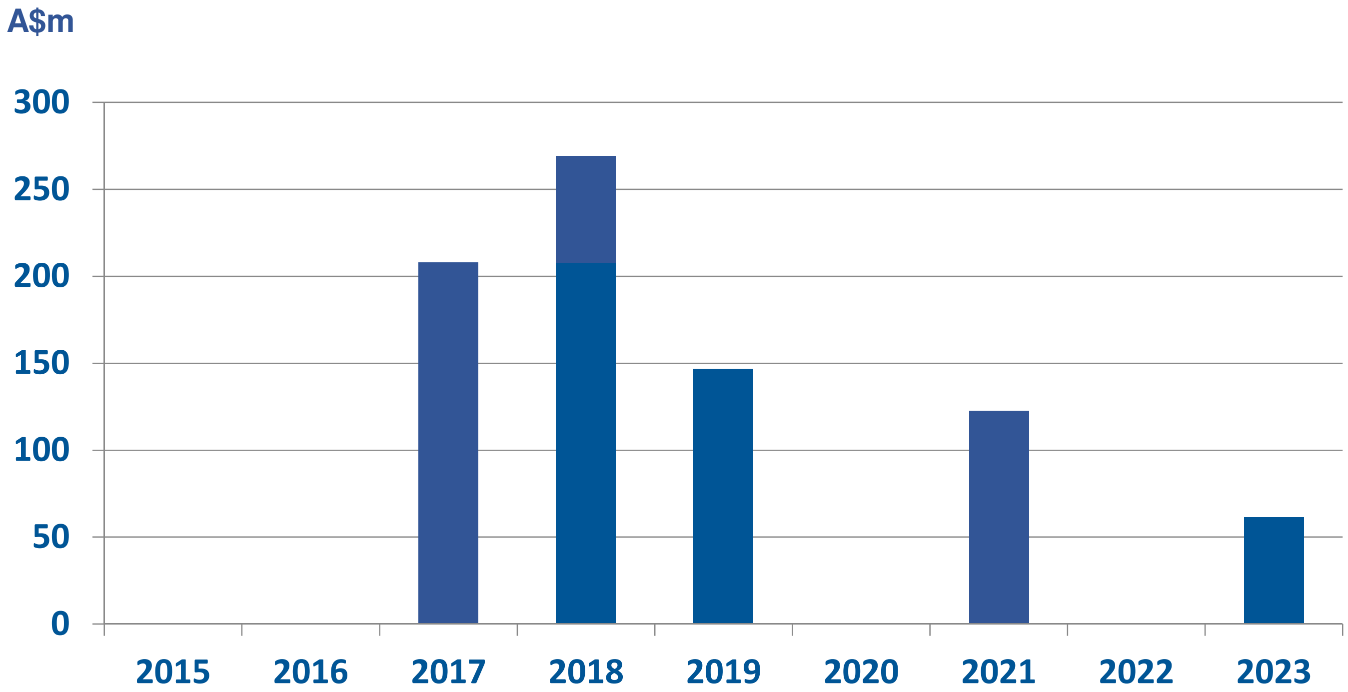
Net Debt Forecast for the Second Half

- Net debt and gearing is expected to decrease (to less than 2.5 times EBITDA) in the second half due to stronger operating cash flow and continued sale of surplus properties
- Total USD denominated net debt reduced from $235 million at June 2014, to $125 million today
- Business capex in 2H15 will be $42 million which includes the acquisition of the Indian foundry
- Surplus properties totalling around $25 million to be sold, with $15 million included in 2H15
- To support growth initiatives, the sale and leaseback of a parcel of long term strategic Australian facilities is being reviewed which would release up to a further $75 million in funds



Debt Maturity Profile

- No debt maturities until 2017, which does not need to be replaced
- Total facilities under syndicated and USPP facilities of $800 million with $366 million headroom



Capital Expenditure

- Overall, net capex spend for the half year was $22.3 million which was 32% lower than the previous corresponding period
- Although new capex was largely restricted, there were a number of cost reduction and growth projects coming to completion in this period:
  - ✓ Tooling for China foundry due to product movements from Australia - $2.9 million
  - ✓ Increased machining capabilities for the Energy Business in Tacoma - $3.0 million
  - ✓ New equipment for rubber/ceramic products manufacture for the Fixed Plant Business - $3.1 million
  - ✓ New Ground Engaging Tools designs and tooling - $1.4 million
  - ✓ Stay in Business Capex - $11.9 million (2.4% of sales)
- With gearing (net debt / EBITDA) in 2H15 forecast to be higher than the target range after completion of the acquisition of the foundry in India, capex will remain restricted largely to stay in business items

2015 Interim Results

Operational Review

- **Mineral Processing**: Market share gains in North America and Africa delivered on the back of cost reductions resulting from transfer of mill liners to Xuzhou.
- **Mining Products**:
  - ✓ **GET & Buckets**: Completed development of full range of products required for the domestic market. Won new supply contracts with an estimated value of $25 million per annum. Transfer of GET product manufacture from Welshpool to Runcorn and Xuzhou continued on schedule.
  - ✓ **Crawler Systems**: Direct sales in the period grew by over 50%. Supply agreements have been negotiated with major miners which will deliver increased revenue in the second half. Transfer of Crawler Shoes and small sprockets to Xuzhou continued. Inventory increased to support higher levels of direct sales.
  - ✓ **Fixed Plant**: Continued expansion of manufacturing in China with the addition of ceramic mounted rubber product. Gained market share in iron ore with an expanded range of products. The oil sands region suffered with a down turn in project activity.

Class 2 Harmonise® Upper Hoist Rigging Package

RH400 Crawler Shoe, Oil Sands, Canada

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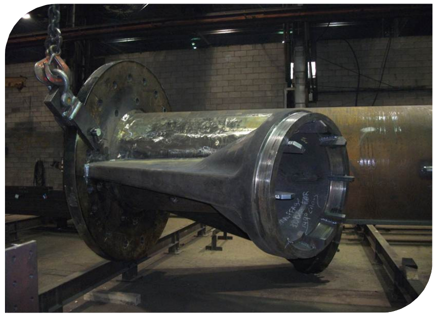
Operational Review

- **Engineered Products (US)**: Sales in the USA remained flat with some improvement late in the period
  - ✓ **Industrial Products:** Sales increased, reflecting the increased demand for freight rail locomotives, following significant growth in the transportation of crude oil by rail
  - ✓ **Energy**: Sales down compared with the previous corresponding period, due to delays in natural gas pipeline projects and deferrals in upgrades of aging power generation plants
- **Transport & Industrial Products**: The Industrial business was merged into the Rail business to form Transport and Industrial in order to increase focus on the supply of components across a range of industries. Non-project portion of the business was impacted by reduced sales to domestic mining OEMs. Rail car sales were down 150 units in the period to 453 units.
- **Cast Metal Services**: Increased internal supply to Bradken's North American foundries as an early precursor to broader supply in the market. Made excellent progress in the reduction of working capital along with completion of commissioning of new plant and equipment in Xuzhou to manufacture refractories and coatings.

Bradken Exciter Housings



Arthur Ashe Tennis Stadium Node for roof support - Structural

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Operational Forecast

- Overhead reductions are ahead of schedule to deliver Cost savings equivalent to $27 million by July 2015
- The effect of lower order intake from miners faced with reduced commodity prices have expedited the following actions:
  - ✓ Closure of high cost operations and transfer of work to lower cost manufacturing facilities with Welshpool, Adelaide and Chehalis (USA) foundries announced for closure in 2015
  - ✓ Adjust the capacity of the business in line with market requirements and downsize the rail project operations
  - ✓ Acquisition of a foundry in India to replace high cost production in Adelaide with low cost capacity for manufacture of Mill Liner products
  - ✓ Expand direct sales in the Crawler Systems business to provide customers with maximum benefit of our differentiated product offering, necessitating an increase of finished goods held in stock
  - ✓ Roll-out of our existing ERP System globally, to provide visibility of manufacturing costs and promote opportunity for variable cost reductions

Multi-Stage Pump Casting with intricate clean passage requirements - Energy

Rio Tinto B-Series Iron Ore Wagon

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Outlook

- We expect a slight increase in overall sales revenue in the second half with an incremental improvement in margins due to a more favourable mix
- Improving mine production volumes are expected to underpin consumable sales along with the impact of market share gains of the first half for Ground Engaging Tools, Crawler Systems and Mineral Processing
- Capital product sales are expected to decrease due to a fall in new rail car order intake, requiring further restructuring of the cost base to appropriate levels
- Business remodeling, which is proceeding ahead of previously announced plans, will continue throughout calendar year 2015, placing the company in a strong position to maximise returns at this level during the cycle
- Mont-Joli (Canada) foundry will operate at full capacity and Xuzhou (China) foundry will continue to ramp-up production throughout the second half
- The low cost Indian foundry acquisition which was announced on December 2014 will be completed in March
- The Directors' decision to suspend the dividend, no further working capital increases and sale of surplus properties are expected to reduce the gearing to below 2.5 times by the end of the financial year

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Thank You

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