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The Manager
Company Announcements Office
ASX Limited
Level 4, Exchange Centre
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SYDNEY NSW 2000

Dear Sir/Madam,

MANUFACTURING REORGANISATION AND MARKET UPDATE

Bradken Limited (“Bradken”) announces a reorganisation of its manufacturing, which is projected to reduce the Company’s overall operating costs by \$27 million per annum before tax with \$22 million of this flowing to EBITDA. It is expected that over 60% of the savings will be achieved in the FY15 financial period. These changes are expected to materially improve medium to longer-term EBITDA growth through sustainable lower costs.

As a result of the reorganisation, there is expected to be a one-off charge of around \$51.4 million before tax in FY14 which relates mainly to retrenchment costs, plant and equipment write-offs, and other site closure costs for the affected manufacturing facilities. A summary of the financial impact for FY14 is shown in the table below.

Reorganisation Summary	EBITDA Impact (\$m)	PBT Impact (\$m)	Cash Impact after Tax (\$m)
Asset Writedowns	-	26.5	-
Redundancies	17.1	17.1	12.0
Other Closure Costs	6.3	7.8	5.0
Total	23.4	51.4	17.0

In the second half of FY14, while Bradken has recorded a slight increase in overall monthly order intake levels, there has been no evidence of a ramp up in the capital products portion of the work. With the market now at a lower level and no short to medium term improvement foreseen, Management is making a number of changes to the Company’s operations to more effectively utilise the lower cost capacity now available in some of its overseas and domestic facilities, which has resulted from earlier low cost capacity expansion initiatives.

Bradken intends to progressively close a number of its highest cost manufacturing facilities and reduce associated costs and by transferring work, enable the more cost effective facilities to achieve improved efficiencies through increased production levels. Once completed at the end of FY15, the reorganisation is expected to see Bradken’s total employee numbers reduced to 4,700, down 10% from December 2013 and 25% down from the peak in September 2012.



The Company last week announced the closure of its Henderson foundry in Perth with the relocation of work to its Runcorn foundry in Brisbane and its Xuzhou foundry in China. Xuzhou in particular, has now successfully completed its commissioning phase, has recently lifted current output to 40% of capacity and will further increase its output in 2014/15 to 17,000 tonnes per annum, which is 85% of capacity.

Market update

Management would like to take this opportunity to update the market on FY14. The underlying EBITDA forecast for fiscal 2014, excluding one-off items, is now forecast at around \$173 million, compared to around \$180 million previously forecast in February 2014.

The statutory EBITDA for FY14 will include the restructuring costs, the subject of the announcement, as well as one-off costs of around \$8 million relating to due diligence undertaken on acquisitions that did not proceed and further unrealised foreign exchange losses in the second half of FY14.

Considering the cash impact of the manufacturing reorganisation and the slightly lower underlying EBITDA, it is expected that gearing, measured as net debt / underlying EBITDA, will be 2.25 times as at 30 June 2014, which is the same as the previous half. This outcome has been assisted by restricting capital expenditure to \$55 million and ongoing working capital improvements.

The Company is confident that the steps outlined above will place Bradken in a strong position for the next growth phase of the market.

For further information contact:

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