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BRADKEN LIMITED

2015 Annual General Meeting

Tuesday, 10 November 2015

NICK GREINER, Chairman

PHIL ARNALL, Chairman Designate

BRIAN HODGES, CEO and Managing Director

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Agenda

1. Chairman's Address	Nick Greiner
2. Chairman Designate's Address	Phil Arnall
3. Managing Director's Address	Brian Hodges
4. Formal Business	Nick Greiner
5. Refreshments	

Chairman's Address

Chairman Designate's Address

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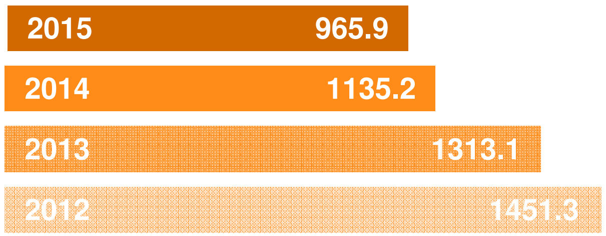
Overview of FY15 Performance

- Global Lost Time Injury Frequency Rate (LTIFR) for FY15 was 3.4, which is a significant reduction on the previous year's LTIFR of 4.1, with 35 sites being Lost Time Injury free, which is an improvement of 11 sites on the previous year.
- Sales revenue decreased 15% year-on-year to $966 million due to lower rail car and mining capital component sales.
- Gross margins were maintained while cash overhead reductions of $23 million year-on-year combined to deliver an underlying EBITDA of $136 million or 14.1% to sales.
- An NPAT loss of $241 million was recorded after significant non-cash charges for restructuring and impairment.
- Planned restructuring in FY15 was completed with the creation of a new division from four existing businesses, closure of high cost subscale manufacturing facilities and a reduction of 1,500 employees to 3,475.
- The senior debt and gearing for covenant purposes were improved by the issuing of $70 million of Redeemable Preference Shares, a short-term increase in the key banking covenant (Net Debt / EBITDA) to 3.5 and reduced exposure to USD denominated debt by taking forward cover.
- The Directors did not declare a dividend.

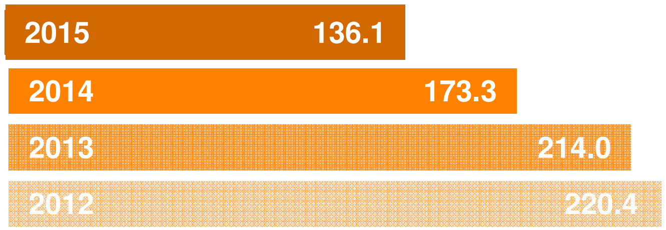
Financial Results

Revenue
A$965.9M

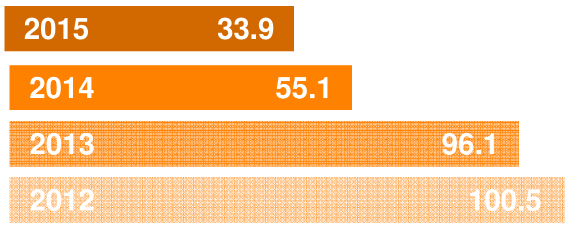


EBITDA*
A$136.1M

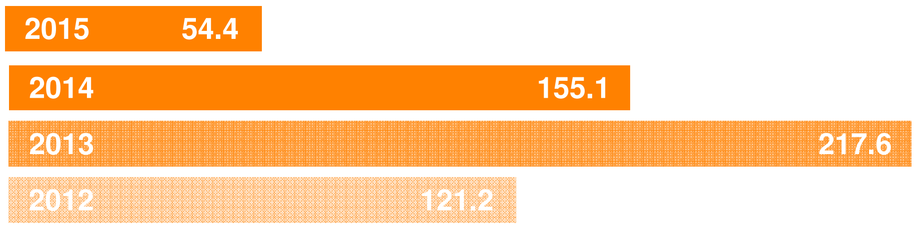
* Underlying Results



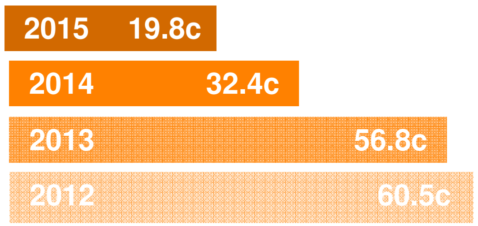
Net Profit After Tax*
A$33.9M



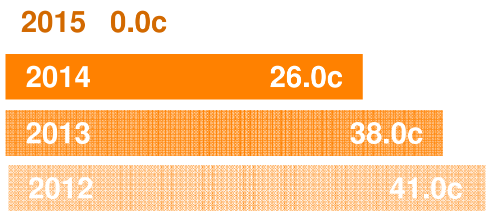
Operating Cash Flow
A$54.4M



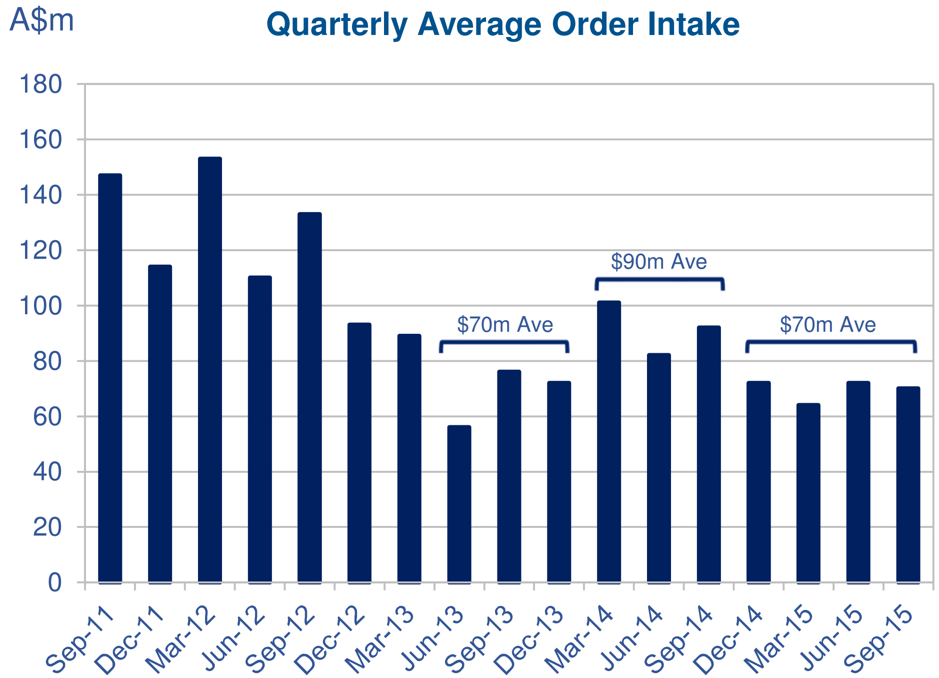
Earnings per Share*



Dividend per Share

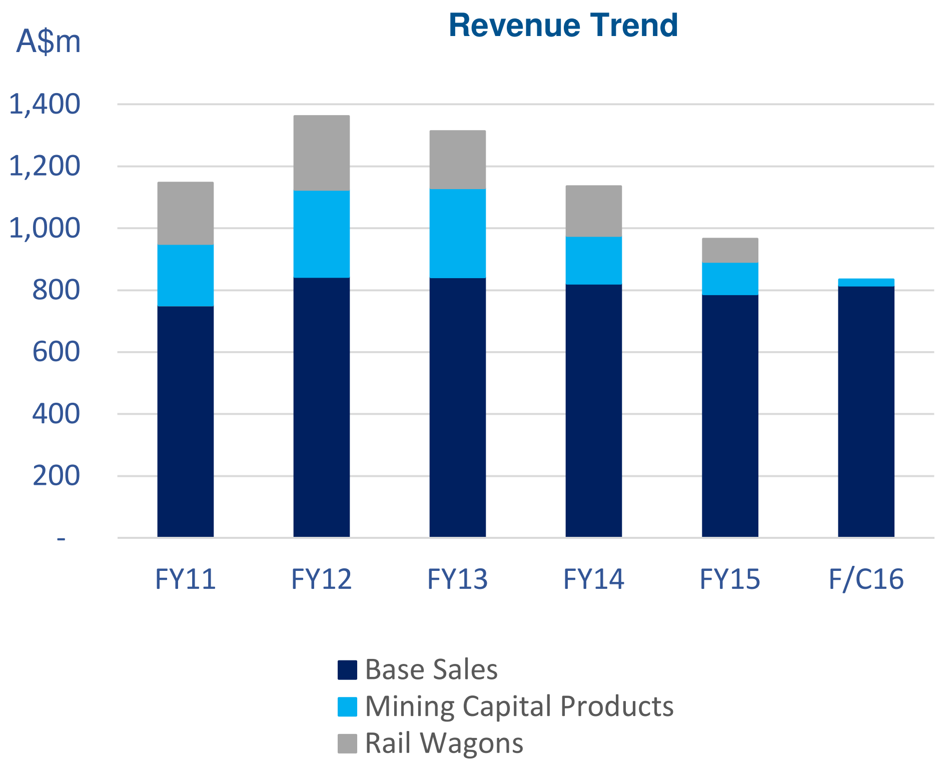


Order Intake Stable Through FY15



- Bradken's orders for mining capital products have materially reduced since 2012.
- While order intake improved and stabilised at a higher level in the first three quarters of 2014, it reduced again from November 2014 as a consequence of the sharp decline in oil and iron ore commodity prices.
- Order intake currently lags sales by around one quarter, which means that 1H16 sales will approximate to the sum of 4Q15 and1Q16 order intake.
- Order intake for the last four quarters have remained consistent at around $70 million per month.

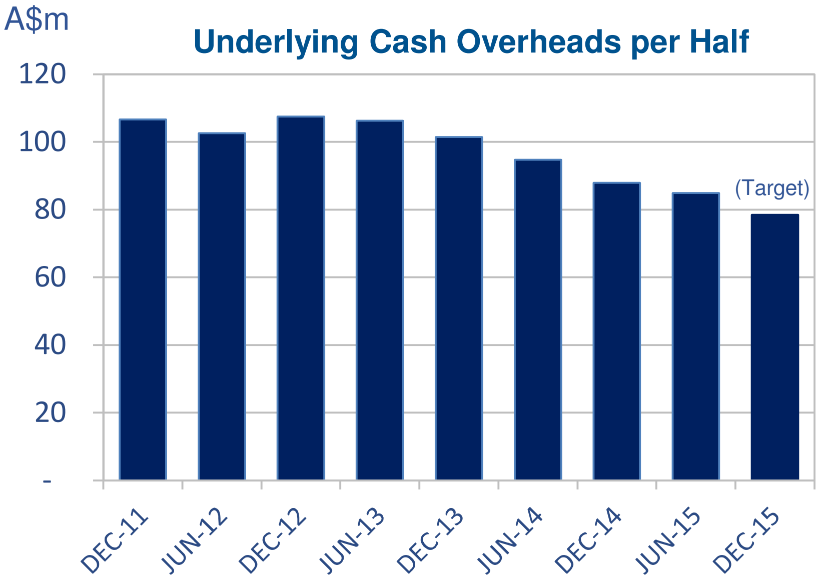
Stable Base Revenue Stream – A Key Strength

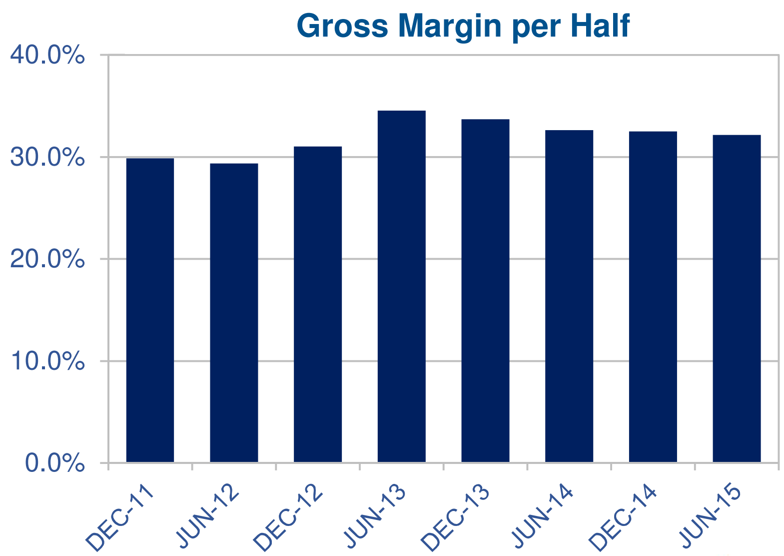


- Base sales have been consistent since 2012.
- Since the peak in F12, capital products sales to mining OEMs and rail wagons have steadily decreased.
- The downturn has been of such duration and depth that little capital work remains to cause a further decline and Management is more confident we are approaching the bottom of the mining capital cycle.
- Activities focussed on growing share in the direct consumables market are being strongly promoted.

Impacts of Business Restructuring

- Cash overheads have been reduced broadly in line with the reduction in sales with further reductions planned during the second half of 2016.
- Management has been able to largely maintain gross margins through reductions in variable costs across all facilities in the face of strong pricing pressure.
- Gross margins have been assisted by the low cost offshore capacity developed and acquired in the growth years and the customer-valued differentiation in our products.
- Restructuring in FY16 is aimed at continuing to achieve Bradken's typical EBITDA/Sales performance.





* Cash overheads include all cash costs other than direct materials and labour.

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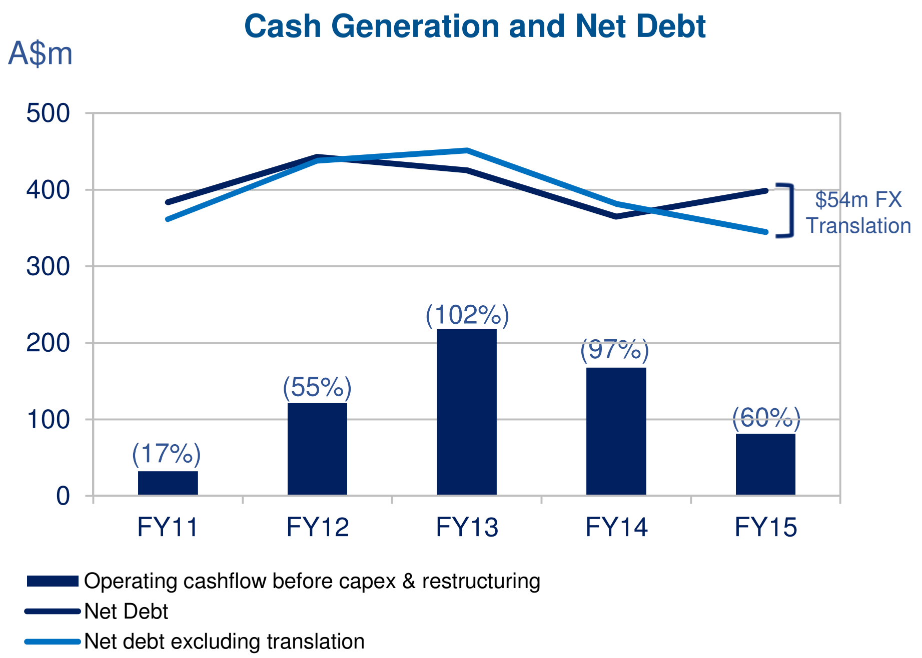
Free Cash Flow will Improve the Balance Sheet



- The business is being managed to maximise free cash to reduce net debt.
  - Although net debt increased $34 million in 2015, $54 million of the Company's net debt was due to translation of USD debt.
  - At the end of July 2015, total FX exposed USD debt had been reduced significantly to around $90 million.
- Bradken is holding a conservative $30 million of surplus assets for sale, which are being progressively sold.
- The business will continue to generate cash around 65% of EBITDA before net capex and restructuring costs.
  - Capex was $56 million in 2015 and will be reduced to around $20 million in 2016 excluding the final payment for the Indian foundry of $21 million.
  - Cash restructuring costs were $27 million in 2015 and are expected to be around $20 million in 2016.

* Net debt excludes finance leases and includes the RPS.

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Market Positioning and Operations

- **Mineral Processing**: Improved revenue on last year with some market share gains and the Mont-Joli, Adelaide and Merlimau foundries at full capacity, along with additional volume (40 HPW from 30 HPW) loaded onto the Xuzhou site.
- **Mining & Transport**: Global mining and industrial product markets remain depressed, with little to no capital project work available. Order levels for consumable products have stabilised. Costs have reduced with the closure of high cost facilities and reductions in variable overheads.
- **Engineered Products (US)**: Volumes are trending lower following continued weakness in mining capital work and lower oil prices. Locomotive rail has remained relatively strong. Market share has been maintained, partially due to price concessions. Expect to win additional military work in 2H16. Cost reduction actions are being worked to size operations to volumes with significant downsizing of the Amite foundry following closure and sale of the Chehalis manufacturing facility in FY15.
- **Fixed Plant**: Sales continue to improve as major supply agreements are re-negotiated and closer customer relationships developed. In oil and gas, small cost reduction capex has assisted margin growth in FY16.
- **Cast Metal Services**: Australian sales volumes have contracted significantly. Key sales emphasis has been realigned to North America with lower cost products being supplied from the manufacturing facility in Xuzhou, China.

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Outlook

- The convergence of order intake and sales is expected to lead to sales revenue in FY16 below FY15.
- Bradken significantly restructured in FY15. Cash overheads will reduce a further $20 million in FY16, taking total cash overhead reductions to $43 million since the restructure of the business commenced in June 2014.
- Another significant round of restructuring has commenced offsetting some of the decline in profit, which will include:
  - Closing further facilities in Australia including Acacia Ridge after transferring work
  - Sale of the Darlaston operation in the UK
  - Significant downsizing the Amite foundry in the USA
  - Materially lowering fixed and cash overheads in line with the reduced size of the business
- Bradken Management is strongly focused on winning the available work, which is resulting in the gain of some market share in a highly competitive market place. The Company is likely to win a $25 million freight car project.
- The temporary resetting of the banking covenants, the Redeemable Preference Share arrangements and strong focus on cost reductions is allowing the Company to successfully navigate FY16 and is expected to deliver significant gearing improvements in FY17.

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Remuneration Report

- The Human Resources Committee met on five occasions in the 2014/15 financial year. The Committee considered the following remuneration items:
  - A review of base salary and other compensation elements of the Managing Director and Senior Executives lead to no change in base remuneration for 2015/16.
  - No benchmarking consultants were required in 2015.
  - Short Term Incentive (STI) performance hurdles review resulted in no payments being made to the CEO or Executives in 2014/15 (Note: Last payments occurred in 2012).
  - Long Term Incentive (LTI) performance measures were evaluated against Total Shareholder Return (TSR) resulting in no vesting of Restricted Share Rights into shares for the CEO or Executives in 2014/15. (Note: Last partial vesting occurred in 2012).
- Bradken's CEO and Executive variable component of remuneration is strongly linked to Company growth and performance.
- Several Divisions were amalgamated to form the new Mining & Transport Division as we continue to restructure the business.
- Subsequent to year end, two further decision were taken by the Board:
  - The Directors agreed to take a fee cut in FY16.
  - The Directors agreed to rescind the Board's offer of Performance Rights to the Managing Director for FY16.

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Please join the Board for refreshments

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