



Tuesday, 10 November 2015

Following is a transcript of a speech delivered by the Chairman Designate of Bradken Limited, Mr Phil Arnall prior to the handover of the Chairmanship of the Company by the retiring Chairman, The Hon. Nick Greiner AC at the end of the meeting.

**BRADKEN LIMITED
2015 ANNUAL GENERAL MEETING
CHAIRMAN'S SPEECH**

These last few months have been very sobering for your Board. We have felt the discontent of our shareholders and we have taken on board these concerns and will of course heed them to the extent we are able.

Partly as a result of this, there has now been significant change to our directors. I speak for the balance of the Board in saying that our retiring directors were active and positive contributors and always acted in the best interests of the Company and its shareholders. We wish them well.

Turning to the business itself, it is common knowledge that the Resources industry continues to face significant headwinds and of course this downturn has direct ramifications on the businesses that service it, such as Bradken.

It is the deepest and longest downturn we have experienced and it is difficult to find any industry commentators who will predict when a recovery will commence. Best consensus appears to be 2018 and your Company has predicated its planning on this scenario.

Brian, in his presentation, will outline the impact of this on the business and offer a reasoned view of the future as we see it. Suffice to say that there are signs that the business is softer than that anticipated at the time of the June 15 review, and, absent any sign of recovery, we will continue with the kind of restructuring initiatives that have characterised the past 12 months or so and we will continue to manage the business for the generation of cash.

That said, the restructure and cost downs currently implemented by Management, have significantly mitigated the impact of a softer revenue line and more is slated for the second half of this year.

These initiatives have been far reaching and have resulted in substantial reductions in our labour force as well as closure and downscaling of some manufacturing facilities. This restructure is painful and costly, but essential for the longer term creation of value. Management continues to do an outstanding job in restructuring and going forward these initiatives will continue to be an important part of Management and Board focus.

Even with Bradken's current relatively stable revenue base and the implementation of these restructuring measures, the Company's share price has continued to seriously struggle. To some extent this is due to a stretched balance sheet in the face of weak market conditions.



It will be a priority of the Board to examine ways to address this, beyond the application of operating cash flow surpluses over coming periods. We will carefully examine opportunities to release funds from surplus assets where this does not materially affect the Company's present operations or its ability to quickly react to future market upturns.

It is our wish to convey to the market generally and to shareholders specifically, initiatives that will give confidence that, whilst operating in a difficult environment, this business is under control and capable of riding out the current down-cycle.

In its relatively short history, Bradken Limited has developed into a quality enterprise that has a DNA that transcends the present market conditions. We have:

- A global reach into every significant resources market.
- A distributed manufacturing strategy that utilises low cost global facilities whilst retaining entrenched Company quality standards.
- A business unit structure that focusses on market needs and differentiated solutions.
- World-class technology and intellectual property.
- Exemplary management and workforce, experienced and motivated to service their respective markets.

As a final point, I want to reassure shareholders that your Board sees the following urgent priorities as its immediate agenda:

- Refresh the Board and provide succession for the CEO. In the next period the Board will be kept lean but with further appointments to provide skills appropriate to the needs of the Company at this time. We are continuing with the search for a suitable person to replace the CEO at the end of the year.
- Implement initiatives to improve the structure of the balance sheet. Subsequent to the final payment for the Indian foundry, in early calendar 2016, ongoing cashflow will be directed at reducing debt. This will be supplemented by non-strategic asset sales as they are identified.
- Continue efforts to right-size the business in the face of market conditions. Management have been significantly disrupted over the past 2 years responding to a number of indicative and highly qualified conditional proposals, without any resolution. The Board now hopes to provide management with the space to concentrate on further restructuring and cost down initiatives as well as driving the revenue side of the business.

Naturally, the Board will respond to any firm and financially sound proposal it may receive and communicate this to shareholders at the appropriate time.

Thankyou.

Phil Arnall
Chairman Designate