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Presentation

BRIAN HODGES , MANAGING DIRECTOR AND CEO, BRADKEN LIMITED : So welcome, ladies and gentlemen. We might get underway. I don't know what to read into the small crowd today. We'll see as we go through the presentation anyway.

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I'mBrian Hodges , managing director. Steven Perry , the CFO, will be helping me with the presentation today. A couple of our senior executives are here as well. Anybody having a question afterwards, we'll probably have a little bit of time and I also welcome a couple of our directors. So thanks very much everybody for being here.

I'll simply cover the key outcomes for the year, the financial review, operational review, and then some words on strategy and outlook. Key outcomes for the year are in a difficult year really but underlying EBITDA at AUD173 million and I'll let Steven go into all the underlying ins and outs. I'll stick at the underlying level and talk you through the bigger picture here.

It's really the guidance that we gave in May. There's no change from that. It's down about 19%-20% on the previous year and it's nearly all confined to mining capital products. As we go through, it's quite interesting how the base of the businesses stayed very stable and that's really the swing factor here.

So I want to make the point up front that this year, we were well past destocking order cancellations stage of the mining cycle. That occurred, or ended, if you like, fourth quarter of the year before. We saw quite a step up from July to August when I was making this presentation a year ago, only for then to see the order intake for the rest of the year sort of stay relatively flat. So it sort of came back from the low point in the cycle and it's continued moving sideways from that point.

There has been quite a bit of price pressure through this year but you'll see our variable margins are up and we've taken advantage of some of the low cost capacity. We've built for really growth and expansion and used it to be able to get our costs down and therefore benefit from it in margin.

There's a deliberate strategy, as I stood here last year, and even at the half year where we said we're going to hang on to the majority of our overheads, we're going to hope that this capital products market comes back but by April this year it was fairly obvious that the order intake and the growth was sort of moving sideways in that area. So we changed tact and we started to restructure.

We basically started to restructure the manufacturing operations and the supporting overheads associated with that, really taking into account that there's a new reality here and there will be a new cycle at some stage but at this stage we're moving across the bottom of it.

We've got low cost capacity so we didn't need the higher cost capacity in the smaller plants and we're starting to close a number of them down and move on. We've already closed the foundry in Henderson in Perth, our Mittagong facility, a small facility that has a naval base in Perth and Muswellbrook Mining Services facility and the Welshpool foundry is currently undergoing closure. It will be closed probably in the second half of 2015. It's already ramping down.

The year also saw strong cash flow generated and it's really working capital coming down as the business delivers and us keeping a tight clamp on CapEx, both of those ending up reducing our debt as you'll see as Steven looks into numbers.

Finally, our Company has paid AUD0.11 dividends in the second half, bringing the full year dividend to AUD0.26. It's unfranked on this occasion and we're not going to operate the DRP.

Our financial highlights, I just want to touch on the higher level here but you can really see here that what I just outlaid in the last slide, sales down, quality of earnings, EBITDA to sales are decreasing basically from the fact we held on to the overheads hoping that the cycle would start to come back. Then ultimately at the bottom of the page, free cash flow, while not as strong last year, still quite strong in terms of the business and the debt coming down.

So I think that's the sort of result you expect from Bradken's defensible consumable product space as the capital piece of the business comes off but the defensible bottom end stays together and you see the business deliver and throw off cash.

Just looking in a bit more detail as what happened in sales. Three sets of pie charts here comparing last year to this year. First of all if we take the business in total, just the whole business, there's a section of the business not much more than 10% that's non-resources, so outside of energy and mining, and that area is decreased in this period, in fact, by nearly 40%, AUD53 million, and really related to construction equipment that we made for the likes of Caterpillar and locomotive frames in the US that we were making. So we saw that drop away.

If we drop down to the middle of the page and look at resources sales for the other 90% of the business, that sector fell 11% and really now we're starting to head into the new equipment purchases and lower maintenance services sort of work spent by mining companies. In fact, capital product sales reduced 13% or AUD62 million. Lower demand from the mining OEMs and fuel rail wagons delivered in this period. So the effect of the mining slowed down on the capital part of the side.

Now, if we just look at the light blue section in the bottom, which is just the consumable sales by commodity, that also came off 8% and it's in to specific areas. One is the crawler shoe. Crawler shoes are like - we've treated them as consumable but really in this downturn, they've acted more like a capital part. They seem to be discretionary, where you can delay the expenditure on under carriage and maybe you park up the machine when the under carriage is worn. So I think two things here.

The miners have been and the OEMs have been able to significantly reduce spend in this crawler shoe area but there'll also be a big pent up demand when that comes back.

Secondly in this area in gold, there were quite a lot of expansion projects in gold and they stopped through this period. So the mill liners that we would have supplied into those new expansion projects actually didn't go ahead and were put on hold and remain on hold just at this stage. You can see the change in the pie really is gold as a segment getting a little smaller and coal getting a little smaller.

I think this slide gives good explanation of the business, this sort of new slide that I added this year. The way to think about this slide is it's a graph of our sales since 2010 and it's just spread into four segments and it's really the segments we took out of the total sales. So the dark blue being the remaining piece of Bradken. So what we excised was the light grey which is the rail wagons and the mining OEMs and the mining services.

I'll start with the little one first. There's very little mining services work in Bradken. There never has been a lot of mining services work in Bradken and there's even less today. You can see that since 2012 at the peak of the boom the OEM work and the rail cars have come off with the cycle but very defensively and a very good situation is that the base of the business is almost entirely intact and that's because of the high margin and consumable piece of the business and some energy OEM which also doesn't appear to be very cyclic in our business. So there's quite a strong core under this business of about AUD800 million.

We have a view about what's happening in the market sort of now and going forward. I'll just touch on a couple of these points here really. The mining companies continue to focus on cash and efficiency enhancements while restricting expansion activity. Well, they're taking advantage of all of production. We're not seeing the expansion of the mines.

Lower cost iron ore producers though are forecast to grow at 7%, overwhelmingly weighted towards Australian and Brazilian projects near commissioning. We're seeing the Pilbara very strong and our businesses that are heavily focused to the Pilbara are back and performing quite well with their consumer products.

Australian thermal coal producers on the other hand remain under pressure with the increased exports from the US Powder River Basin to Australia's traditional export markets and we don't see much change in that. There is pent up maintenance work and replacement bucket work required there and it is having to be carried out but if you like reluctantly. They are still desperately trying to keep their costs down and low.

Metallurgical coal remains supported by the growth in Chinese and Indian steel production. Australia's proximity to these Asian steel mills and high quality coking coal is really supporting the domestic operation and we see them getting on with life here. We see significant growth in copper concentrate and a forecast lifting 7% to - we don't need to go into these details but there's copper concentrate added in 2013.

Finally from the Australian domestic manufacturing activity, really continuing to decline and we saw that in our industrial and our business this year. It's being transferred really to Asia that work. Maintenance programs designed to increase efficiency and reliability sort of in the useful life of plant especially in rail in the Pilbara is really providing an upside opportunity for our new transport industrial products division.

So while the sort of work is moving there will be more maintenance work in that area and we've reorganised ourselves to look closely at that going forward and I've got a bit more to say about that a bit further in the presentation.

This is sort of just the actual point graph of the order intake over the last 12 months and we didn't put a line of best fit in it because there really isn't a line of best fit in it. It's sort of gone sideways, as you can see. So, you know, the comment says that order intake remains stable for most of 2014. You can in July it was lower. The quarter before in 2013, if you've got the last slide that we put out, it was lower and so it did come back in July and August last year and maybe that might have continued but from there it sort of went relatively sideways.

They're sort of some indication of the slight improvement late in the period but it's only slight. We're really well placed here to take advantage of this swing when it does come but it's not obvious when it's going to lift.

I think this graph is a long term trend graph of revenue and EBITDA. I think the thing to note is the two halves of 2014 were similar. Sales and EBITDA effectively flat, no change across that period. We sort of think sales in the first half of 2015 will be similar again. There are initiatives underway, you'll see through here, that we're working on the bottom line effect of 2015 but sales-wise, due to the lead times in the business, we're sort of thinking about similar in the first half.

I think I'll pass over to Steve and heï¿½ll go through the detailed financials and then come back to talk about operations.

STEVE PERRY, CFO, BRADKEN LIMITED : Thanks, Brian. Good morning, everyone. It's my pleasure to present the financial review for I think this is the tenth annual results presentation for Bradken.

Mirroring Brian's comments, we've seen the 2014 year tougher, I guess, than previous years, especially through the boom over the last five to six years. As Brian said, we've seen sales down 14%. There's been reductions in sales really across most of the businesses, some fairly slight, some larger than others, but mainly centred around the OEM capital facing businesses. So mainly in industrial products and the engineer products business and as Brian said the crawler shoe business, at least the OEM part of the crawler shoe business.

Off of that lower sales base, we saw EBITDA drop 28% to a little over AUD173 million and a little bit above the May guidance that we put out a couple of months ago. If I fast forward all of the numbers down to NPAT, I think when you look at the NPAT there's five major drivers that are driving the NPAT down to the 68% lower number than what we saw last year.

The first item is obviously the restructuring costs that we booked in the year, AUD41.2 million of restructuring costs, AUD19.5 million of that number was impounded of the physical assets. The other three items that I'm going to talk about make up AUD8.7 million and they're all outlined in the accounts fairly clearly. They're fairly easy to see.

FX losses, which were essentially the unwinding of the unrealised FX gains that we would put through 12 months ago and some which relate, I think, to the 12 year as well. The reason for that is essentially we put in what's called hedge accounting so the accountants in the room will know what that means. But with all that volatility that we experienced with the FX transaction or the transactions that relate to FX over the last two years now have been eliminated from the business so we won't see that volatility going forward.

Secondly there was a one off gain of a little over AUD13 million from the settlement of the Norcast case which has obviously been well communicated to the market. There are one off losses of AUD6.5 million due to acquisitions that didn't go ahead and related legal fees. So those items essentially comprise the difference between the underlying EBITDA and the unadjusted EBITDA that you see there of AUD143 million.

The other items that affected NPAT, obviously a decrease in ANG. I'm not sort of sure what sort of adjective you use here for that decrease in ANG's profits but I'm going to use substantial. It's gone from 11 to -.1 which is very substantial. Higher depreciations we recorded during the year for the full year effects being from the capitalisation of the China foundry, lower tax expense for the year obviously due to the one off costs that I just talked about as well as the R&D claims that we put through. We did a fairly fundamental review of the way that we claim R&D within Bradken and that's resulted in some substantial tax for tax claims.

Of course, the slightly lower borrowing costs from the refinancing again which has been pretty well communicated to the market.

So let's have a look how the EBITDA has moved from year to year. This slide just shows the major drivers that affect the difference. Obviously you can see the biggest driver there is due to the volume decrease, AUD58.2 million, again coming out of the lower capital OEM facing businesses but slightly lower sales down across most businesses.

There has been some price impact, as Brian alluded to, pricing impact of around AUD7 million. Again mainly with the capital OEM facing businesses, so some price decreases wherever OEMs have been involved in the mix, we've had some price reductions there. But price pressure, needless to say, across the Group. Some mix changes as well, the rail business has held up volume wise a little better than the other businesses, or the other businesses in the mix, of course that's at slightly lower margins. Although rail's had a very good year margin wise, it is at lower margins than the other businesses so there's a little bit of negative mix there. Offsetting the price in the mix are some cost initiatives and cost reductions that we've had totalling a little over AUD20 million. That AUD20 million is obviously over and above the cost reductions that are involved in that volume drop, so these are costs that have gone to increasing the margin which we'll see in a slide later on.

The cost reductions will continue into 2015, we'll continue to rationalize the manufacturing base. As the net debt drops we'll start to avail ourselves of some cost reduction CapEx of which we have quite a vast pipeline. Also probably look at some small step at acquisitions that would give us access to some better, wider technologies and also some geographical expansions. Of course the overheads also dropped AUD12.6 million. As Brian said, we did hold onto the overheads during the year, the AUD12.6 million should have been around AUD30 million if you look at the ratios on the volume drop. AUD12.6 million is pretty well low lying overheads that are fairly easy to reduce and we'll look at reducing those overheads significantly going forward in the next year as well.

Okay well this is the slide that shows the major segments that we operate in. As I said, sales down 14% but I think most importantly on this slide you can see that the gross margins have yet again increased slightly year-on-year, so up 0.5% to 33.3%. If we just go down and have a look at the businesses individually, Mining Products down 18%, major contributor to that again is crawler shoe OEM. I've got to say though that that business, there's two parts to that business. There's the crawler OEM part of that business and there's the growing direct sales that we make to end customers. So if you look at the two segments of that business, the direct sales that we make, which is more in line with the typical breakdown business model, has been increasing year-on-year. Whereas the OEM's are decreasing. So again, wherever we're exposed to OEMs we seem to be in more trouble and wherever we have a direct facing business to the end customer we seem to do much better and of course the margins are much better as well.

The two fixed plant businesses within mining did very well for the year, their sales actually increased due to good market conditions in the Pilbara as well as the oil sands in Canada. GET business, sales were a little lower in GET. It's one of our businesses that does face the coal market fairly significantly and of course everybody will be aware of what's happening with East coast coal. I think we've only had the products in that business, a full range of products, available to the market from probably the beginning of the last quarter. We've seen some fairly good market penetration with the new cast lip system, the Penetrator max system, in the last quarter and that will continue into next year. So a much different picture of GET in the last quarter I think than the first three quarters and that will continue on into next year. Margins of course in that mining products business again lifted due to the increased mix of GET consumer parts as well as the fixed plant business as well which is doing very well.

Moving onto mineral processing, sales decreased only 6%, I think that's the resilience of that product group, the mill liner group, the mill liner market is obviously fairly consistent year-on-year with the production facilities. Of course the margins increased again a little as we're shifting work out of those higher cost mill liner foundries into Mont-Joli and also into Xuzhou. Engineered products that are our American based capital business, sales down mainly in the industrial products business largely due to the Caterpillar business being down. Margins down slightly as well as they've had pricing pressure from the OEMs. I think if you strip the energy business out from that it's a vastly different dynamic in energy. It's quite buoyant and fairly flat year-on-year and the margins have held up very well, so a little bit of a mix there with within that engineered products business.

Rail business was down only slightly year-on-year. The wagon builds in the 2014 year were actually a little over 1200 as opposed to 1070 wagons in 2013. So whilst the rail wagon build rate was up, the way we account for the contract profits and the sales just meant that the sales were less this year. I won't go into details around that but it's sort of to do with the way we take up profit and account for the sales.

Okay this slide shows the gross margin history going back to 2007. A pretty good story here I think, a slide that really shows the defensibility of the margins throughout Bradken. I think if you look at the two peaks in that graph around the 2010 and 2014 period, they're really periods where the OEM work had disappeared from the business. So it goes to show you the strength of the base consumables business when that comes through as being the major component of the sales. As we've explained many times before, the variable costs in Bradken are 80% to 85%, depending on the products, and management's readily able to manage those costs and reduce them where we need to and hence you see those strong margins. We'll continue to reduce the cost base going forward and essentially that means concentrating on three main areas.

The first area is the manufacturing footprint. We announced in May a rationalization of some of the foundries, particularly in Australia, and we'll continue to review the viability of the higher cost foundries in the next 12 months. Secondly, change in the workload and the workload mix. Where we can we'll move products to more optimal locations where they have a lower cost of manufacture and that's an ongoing initiative in Bradken but something that's getting a lot of focus at the moment. Thirdly, as I said before, we have had a clamp on CapEx and I think going forward, as the debt starts to get down to a level that we're happy with, then we'll start to open up the purse strings a bit and start to spend some money on some cost reduction CapEx. Because we do have quite a lot of cost reduction CapEx in the pipeline that can be spent once the gearing's opened up a bit.

Okay I guess one of the highlights of the presentation is the cash generation and the debt number. Again this year, quite strong operating cash flow, 90% conversion of underlying EBITDA to cash, largely a result of focusing on the working capital as well. We've been doing that now for a few years and the working capital reductions have been coming through now for three years. Tax payments lower, as I said, due to the R&D rebates and the restructuring costs. The free cash flow, a higher number than you would expect due to the clamp on CapEx that we've had, with CapEx coming in at around about half of what we spent last year.

Okay this slide shows the macro movements in working capital. Again working capital fell 12% during the year to AUD211 **million**, while receivables and inventories, pretty well across the **board** in Bradken, most businesses did a pretty good job in that area. I guess I would make one note that some of our larger, more substantial customers withheld some payments that we probably should have received in June that we received on July 1,2014. We would have dearly liked to have banked that AUD20 **million** on June 30, 2014 and the gearing numbers would have been even better. But it is what it is and the numbers are what they are, so they'll appear in this year. Still some working capital to come out of the **mining** products businesses and they'll be targeted in 2015. So I think a lot of the working capital reductions have been done but there is still a little bit of gas left in the tank for some reductions next year.

Just a brief look at CapEx. Overall CapEx spend, as I said, was AUD55.9 **million**, pretty well in line with the guidance that we set in May of AUD55 **million**, with AUD23 **million** in the second half. I won't go through all the bullet points but the first bullet point there is really the AUD16 **million** for the completion of the **China** foundry and the CMS manufacturing facility. That's the last major piece of spending in **China** and I think that is a piece of expansion CapEx that we don't need to spend going forward. So if we didn't have that in the numbers then the capital expenditure would have been below AUD40 **million** for the year and that'll give you an idea of the base going forward.

I've said there that the stay in business CapEx was about [AUD2.7 **million**] (sic - see Press Release, "AUD30.5 **million** (2.7% of sales)"), it would have been lower than that all bar some substantial environmental CapEx that we had to spend in Australia. Which I guess we'll never shirk our responsibilities for environmental compliance but we do have quite a lot of small foundries in Australia that all require substantial CapEx from time to time on stay in business, things like environmental, and one of the reasons why we need to rationalize that base because that sort of CapEx doesn't generate much in the way of profit. As I said, as the gearing continues to fall. We'll look at that CapEx pretty closely and we'll look at spending some money on some cost reduction CapEx and some smaller acquisitions that we've got in mind that do come up from time to time.

Our net debt dropped AUD50 **million** to AUD370 **million**, a little better than what we forecast in May. We said the gearing would end up at 2.25 times, it's sitting at around 2.1 times. I think you'll see if you read through the annual reports, that when you calculate the gearing under the covenants calculation with the banks, it's even less than that, it's around 2.08 times. So the gearing, I think, is rapidly leaving the table as an issue. We're forecasting the gearing to drop below 2 times by December and then drop again by June on the assumption that we don't go and spend some money on some CapEx or some acquisitions. So I think a good job's been done there. I think I might hand over to Brian now for the operational review.

BRIAN HODGES : Thank you Steven. I don't know what you guys think but I think we had a bit of the operational review so I might just touch a few high points here and move through. Mining products, as Steven pointed out, is basically where the core part of our consumable business is. It was down 18% on the previous period but still AUD339 million in sales. I think the effects really are OEM crawler shoes, sales and Australian coal and they were themes from when I was talking earlier. But in the iron ore, where our fixed plant business is in Western Australia, it's very strong, that business was up. The oil sands business, the Canadian business out of Edmonton, also had a strong year sales wise and it was up.

I thought we'd put a slide in this presentation on GET, on progress with GET. GET is a product line in the mining business that has really got a pent up opportunity within it and we're starting to see the early stages of that being delivered. Basically the first generation of the equipment that we made was really what we call direct replacement part equipment which was equipment that you could install on the existing fleet that was in the market place. Now we're starting to release, especially in the cast lip product range which is the large mining product range, hammer-less products and they're continuing to gain strong market acceptance. That combined with the better quality foundries going forward in Runcorn and Xuzhou and the lower cost base gives us a lot of confidence that we can make a difference here with this product range.

Orders for the buckets that those equipment fit to are really quite a bit stronger in the second half, I think it's both acceptance of the better product but it's also the fact that many of the mining customers have gone as far as they can go with the existing equipment. They really now have to get out and buy new buckets and get buckets repaired. We're starting to make that equipment in Xuzhou as well so it's giving us quite a good entry into the market. Very focused on service, this GET business, and having superior service and a lot of monitoring and a lot of time spent in the mine sites, so really executing the Bradken business model. We're getting, I think, good feedback that that's well received, both in Australia as we traditionally gave over the years, but also offshore as we're meeting customers offshore who aren't used to that level of service and are starting to be impressed by it.

We've had some successful trials in Brazil and North America for our product ranges and of course the offshore stuff is still in the early stages, first get the products released and working in Australia and then starting to extend them overseas. But some of the early trial work is very encouraging and that is leading to some orders and it should grow in the 2015 year. Of course, not to double up here because Steven will come back and talk a little about the restructuring savings, but within those restructuring savings the closure of Welshpool this year will make us about AUD5 million as we transition that work into Runcorn and Xuzhou foundries.

Mineral processing is our business that sells primarily mill liners to copper and gold mines, so they're the liners for the large mills and you'll see a picture of that lower on the page here. This business is already well globalized and it's very strong on the sales front end and it has leading market shares globally. We've had both a very low cost offshore cost base for about half of what we made, and a very good quality but higher cost base in Australia. This year's seen us start to transition that with the closure of Henderson foundry, the movement of a number of those mill liners to the Asian foundries, both in Malaysia and primarily into Xuzhou.

They did strengthen their margins a little bit while there was also some price pressure. There is the effect here of the gold mine OEM work being put on hold. While they won more direct work, in this business when you win work, the customer still needs to reduce his stock of the previous supplier and convert over. So sometimes it's anything up to 12 months before you get the benefit to those of those, see those increased sales. So we know we've won more than we've lost in this business but we're waiting for those sales to come on as the customers transition through the original stock. We're having success, you can see, in Africa and in the Stans area, the business is really starting to operate as a quality global business in this market.

Our rail operations business has really -- we have to stop talking about it as improving, it's been fairly stable now for a year or two. It is a slightly lower margin business, as Steven said, margins are quite acceptable. It's also a business with very low asset base and very low need for working capital, so a valuable part of our operation. Mostly focused on Australia though and at the moment, as we know, the mining slowdown in that area will affect the wagons built going forward. As that's occurring we're seeing a lift in parts and maintenance which are higher margin, so the business is balancing out and had quite a successful year and going forward.

Engineered products wise, I think Steven also touched on this business, but it's a capital products business in the US. It's really two distinct parts, one half of it's into energy related products and we're really seeing no change in the market in that area. It's high margin, it has high market shares in its niche and it's continued through that period. It's being underpinned, the energy business now, by the release of military work from the US government into the submarine program and some land based systems.

Also the top slide here is a new market for us, if I move over to the industrial products business. The industrial products second half of this business has been affected by the mining OEMs, it makes large castings for large mobile mining equipment, like large mining trucks in particular. That's been directly affected. The business has well maintained its profitability, even in the downturn. It keeps equality of earnings intact; it has the same Bradken approach of reducing its variable costs quite strongly. A new market of structural castings for use in large civil buildings -- and you can see a picture of one of those which is a node joint in a large railway station being built in San Francisco -- is an emerging market for that business.

That's one of the capital businesses. I think we've said in the bottom dot point that we see some growth in this business as it starts to come back in these broader capital markets in the US as the economy's developing. Not so much of a help from mining capital parts in 2015 though.

The other businesses, I'll just mention briefly. The industrial business is our Australian based original casting business and it really it's down in line with the mining industry. It's 22% down on previous corresponding period and a general reduction in the industrial market as well as OEM manufacturing activity in Australia and this is something that we're not really seeing changing. I think those people that have seen this business over a number of years will realise it's been quite a high margin business and good, stable profitable business and the core that is still there is exactly the same business and the business has actually now, for the last two months, been merged into the rail division.

So the new rail and industrial products division put two businesses that were relatively small together, saw the overhead savings and they're now the focus on the parts -- the hubs for rail, the other parts for the Australian general foundry. We're relocating its manufacturing into our Asian operations and we'll see that business able to maintain I think its profitability levels going forward and finally Cast Metal Services. Cast Metal Services, our foundry consumable supply business, it also tracked down overall in sales due to the lower requirement from our foundries but is making good progress in extending to the American based foundries and the Canadian based foundries and winning external work in the UK and it this year completed its new manufacturing plant in Xuzhou so it can move its Australian based manufacturing to that part of the world.

So in general that business is responding to the change in the market quite well. Just very quickly on people and safety, a pleasing result in our safety performance this year. We got close to a 20% improvement in lost time injury. Obviously any number is unacceptable, you want zero there if you can get it but we're making strong progress. We've got a total of 24 sites lost time injury free in the last year and as I read down through this slide you can see that we've effectively lost about 450 people through this period. We did lose quite a few people in the last period and I guess we're something like 1500 people from the peak at this stage and probably drop more yet as we continue with the restructuring.

There's a number of things happened on the culture and people side as well and one of the important things for the year was the roll out of our HR portal and we're able to look at people globally and their skills and look seriously to operate our workforce and our business on a much more global basis as all of our management systems are starting to become globalised which is a strong focus.

Just might move and finish in strategy and outlook. I wanted to talk a little bit more about restructuring. The manufacturing re-organisation announced in May which I'll ask Steven to talk a little bit about in a moment is really but one stage of a series of business remodeling initiatives, the benefits of which will be seen in 2015 and 2016. We're working on a number of fronts and I've listed them there. Really transferring work to lower cost facilities is a major focus and improving our margins and our variable cost base.

Exiting a number of smaller manufacturing facilities and developing world scale facilities in low cost countries. So buoyed with the success we've had in China we are keen to continue that and transform the Company into quite a low cost, as well as the differentiated product consumer and we're pushing on with that. Expanding our direct selling. We've had a fair bit of comment about the variability in the OEM market for us, the loss of margins in that area, so basically expanding our direct selling model in order to promote customers with maximum benefit for our differentiated product offering.

Really pressing home the business model, we're going ahead strongly in a number of product ranges in that area. As I said we've combined the rail and industrial business and really focusing on a high margin Asian focused business here as the Australian manufacturing declines over time and we find ourselves with the skill and knowledge to supply these customers that are relocating into Asia, we will pursue into Asia and continue to supply them.

We've consolidated our metal recycling business and our cast metal services business, obviously both are supplying foundries with consumables that they use but we were able to take some advantage of the globalisation of CMS and reduce the overheads at the same time and I touched on this as well, but customising our ERP systems. So when you have a multi-manufacturing **site** facility it's very good to have a common ERP system globally so you can look where is the lowest cost of manufacture, where are the opportunities for cost reduction and why and so as we globalise up these ERP systems we're seeing opportunities for further cost savings and taking them as we go forward.

Steven, now if you wouldn't mind I'll get you to comment on this slide for me about the manufacturing re-organisation.

STEVE PERRY: Yes, I can do that. I alluded in the first slide, I told you what the restructuring one off costs were which is essentially the differences between the underlying and the unadjusted EBITDA but this slide sets it out in a little more detail. We said in May that the manufacturing organisation, which again is just one part of what Brian just talked about, as more of a strategic focus on not just reducing costs but increasing the profitability across the **board**, especially in times where we're not going to see much in the way of sales growth, so this is just one part of the strategy.

We said the manufacturing re-organisation would add AUD27 **million** to profit before tax, in a full year. About 60% of that will be achieved in the 2015 year. If you have a look down that slide you can see the restructuring costs really made up of three main items, some of which are EBITDA impacts, some of which are profit before tax impacts. The biggest part there is the asset write downs of the foundries that we're closing. There are some redundancy costs and some sundry other closure costs concerned with making good the properties before we sell them.

Ripping plant and equipment out, we obviously don't want to leave fully functioning foundries available for competitors, so we have to clean up all those sites. So that totaled AUD41.1 **million**. We couldn't take up the whole provision this year, there are some accounting reasons why you can't take up provisions in the year. You have to announce redundancies for example in the year that you're in, so the upshot of that is we have some costs that will be delayed into next year that needs to be provided for.

So AUD41.1 **million** in this year, AUD13.2 **million** next year. It's a few **million** dollars above what we said in May but pretty well on target. If you add to those restructuring costs the other one off cost that I talked about, they're listed there as well, the Norcast court case write back of AUD13.3 **million**, due diligence costs and legal fees of AUD6.5 **million** and the FX which I won't go through again, of AUD15.5 **million**. So the AUD48.1 **million**, the AUD8.7 **million**, really the difference between the profit before tax and you can see the EBITDA impact there for yourself.

Savings next year, we're expecting AUD13.5 **million** that will flow through to EBITDA in next year and I think the way that you can think about that is if this year gives you AUD173 **million**, if next year was similar then the AUD13.5 **million** would pretty well be an add on to the AUD173 **million**.

BRIAN HODGES : Okay. Thank you for that. I think I'll just finish on this outlook slide. So we expect an improvement in order intake as delayed expenditure at mine sites is released and mine production volumes continue to increase. So those two things are happening and they're real and they should support the second half sales but it really remains unclear when the **mining** capital cycle, which is not the two that I raised above, will improve.

But, we're not solely reliant on that either. So that's really about the best way I can picture up this market. There is pent up work to be done, the production in **iron ore** and **copper** and some other areas is increasing but there isn't at this stage any sign of the capital cycle re-emerging. So we've sort of got on with it here and making a lot of other changes and restructuring changes and growing the business and getting ourselves in a position where we can spend cost reduction CapEx, et cetera, et cetera to start growing the bottom line if we don't see a lot of growth in the top line.

So management initiatives are well underway to significantly reduce overheads as well as capitalise on the GT market share gains that we're hoping to see and low cost manufacturing capacity in Xuzhou that we already have. The benefits from the restructuring announced in May, which Steven just talked about, and other business remodeling strategies will begin to be realised in 2015. They will take more time, so there will be some gains as well in 2016.

There's been tight control of CapEx and working capital, that's not going to change. It will continue, with the previous year's CapEx directed to capacity expansion in **China** now completed. So I wanted to sort of draw people's attention to there's a free kick in last year of the [AUD16 **million**] we spent in Xuzhou we could redirect and still spend no more CapEx, we could redirect into say fast pay back cost reduction.

We remain really committed to gearing of around 2 times but we now believe we have some scope for some fast pay back cost reduction initiatives and maybe one or two smallish synergistic acquisitions both of which, which is not unusual, are presently under consideration but this will come on top of a modest say, 2.5%, stay in business CapEx which you always need to rationalise in for Bradken which is part of just our ongoing business.

I'd like to leave the presentation there, happy to take questions initially from the room I guess and then subsequently from the phones.

Questions and Answers

UNIDENTIFIED AUDIENCE MEMBER: Brian, I think Steve has answered part of this in terms of how much the cost savings you plan to hold on to this year but just in terms of where we are in the cycle in regards to pricing pressure do you think all of the pain has been taken or do you expect potentially if nothing changes another leg down over the next 12 months?

BRIAN HODGES : I think it's fair to say that there is going to be ongoing pricing pressure. You saw it, we apportioned I think AUD7 **million** in the full year to pricing pressure. I don't think in the next year where we are in the cycle that will be alleviated. It probably won't be alleviated for a couple of years. We would be hoping to run in front of the wave though with variable costs.

UNIDENTIFIED AUDIENCE MEMBER: Brian, just a couple of questions if I may? Just you mentioned in terms of the potential sort of cost reduction CapEx how sort of far away should we think about that is? I know you mentioned some broad parameters around the gearing ratios and so forth and secondly, just to give us a bit of a feel around how that order intake kind of has moved into July and August and sort of where that is currently kind of sitting, I guess?

BRIAN HODGES : Okay, John. After we released CapEx you're typically looking at six to nine months to have it implemented and then you will see a full year saving the 12 months subsequent to that. So if we're standing here now and we're on the cusp of releasing some of that work then we're talking the second half, the latter part of the second half, to see the annual run rate starting to occur.

UNIDENTIFIED AUDIENCE MEMBER: So they might start to happen reasonably soon, would you say?

BRIAN HODGES : Yes, they might start to happen in terms of us placing orders and doing them but they mostly involve things like automation, the removal of manual handling. A lot of stuff about removing high cost labour, so that tends to mean some sort of replacement of the manual labour now with some sort of automation and if I just come back to your second question, which is about order intake, we finished 2013 a little stronger in order intake, which you can see sort of thing in what we said.

July is typically a low order intake month and it is a low order intake month and August I have no idea. So in other words it is what it is. It was just a little bit better towards the end of 2013, July is always low and was again low this year and of course I have no view of August.

UNIDENTIFIED AUDIENCE MEMBER: Then (inaudible - microphone inaccessible)?

BRIAN HODGES : Yes.

UNIDENTIFIED AUDIENCE MEMBER: Thank you.

UNIDENTIFIED AUDIENCE MEMBER: McPhale, I'**m** a shareholder. Is the **Company** generating any franking credits at the moment? That's one question and do you think that there will be any chance of a franked part of the dividend in the future?

BRIAN HODGES : I think the simple answer to your first question is no, we don't have any franking credits at the moment and I think Steven would answer that the next dividend is also likely to be unfranked but after that we should be able to frank at least a portion of our dividends. We've got to the stage now where probably more than 50% of our earnings are offshore and we've had some reasons to have a low tax rate at the moment, so we've given the shareholders the benefit of all the existing franking credits at this stage.

OPERATOR: (Operator Instructions) Paul Buys, Credit Suisse .

PAUL BUYS, ANALYST, CREDIT SUISSE : Morning, guys. Just a few quick ones from me. Firstly you spoke I guess throughout the presentation about I guess your struggles on the OEM side and I was just interested if you could sort of give us a broad brush quantification for what kind of exposure do you have to OEMs as things stand across your various businesses and I guess what the trend is there? Do you think you're kind of hitting a trough in terms of OEM sales? You mentioned they have been going down while the direct has been going up and I'**m** just interested, are you troughing out there or are you still on a decline on the OEM side?

BRIAN HODGES : I think there's a really good slide, I think it's slide 6 in the pack, that's got the mining OEM portion of the business sort of cut out there. I think the exact number is not there but the ratio is easy to work out. A couple of hundred million dollars. The first thing to say is that the non-mining OEMs are little changed, especially the ones in energy. They're quite stable, it's high margin work and it's there long term. The mining OEMs are also quite good margin work but they're cyclic.

I guess the point we're making at the moment, which we weren't making in 2012, is that they're actually at the bottom of the cycle where in 2012 they were at the top of the cycle so they were very popular. I think the cycle for them is at the bottom, so I don't think that we'll see further necessarily reductions from the mining OEMs but it's unclear as to when that cycle will turn. We are seeing growth in our direct sale of crawler shoes, that was what was mentioned, but the reality is that market is low and while there are some sales the OEMs have very few sales in that area and our direct sales are not a high number either.

They are growing but not a high number, so I think we're waiting for crawler shoes to come back. There are two things driving the crawler shoe business (inaudible) but one is there will be pent up demand for people putting off the purchase of crawler shoes or undercarriage equipment because they can. They can delay it and they've got machines in their fleet that are idle which they can put to the side and secondly, people aren't buying a lot of new machines, so that segment, that third of the market is missing as well.

So the best answer I can give you is the exact size of it is recorded in that slide 6 and it is probably closer to the bottom.

PAUL BUYS: Thanks, Brian. Sorry, I should have elaborated on the first part, I said quantification, it was also you mentioned when you spoke about that, that new slide, I guess energy OEMs are also in the -- which you guys included in the base part of the business which is obviously because it's -- I assume because it's much more stable, how big a sort of part is energy OEMs of that base portion?

BRIAN HODGES : Those sales are around the AUD100 million.

PAUL BUYS: Right. Okay. Thank you. Just one on the rail side of the business, you guys mentioned I guess a longer term number of wagons coming down but increasing opportunity on the maintenance side which is higher margin. If we put those two things together and look two to three years out what are you seeing in terms of expected size of the business? Then obviously we can see a sort of a mixed change there -- does that point to a similar size of the business a few years out with a different mix or will that actually be a smaller business?

STEVE PERRY: We actually have combined the business now with our core base industrial business. So we expect to keep you would see an improving profitability now both businesses together because there's more efficient use of overheads and facilities. So expect the quality of it and as the industrial business already had good quality of earnings and the rail business will now benefit from that.

We will re-base that business into Asia and we expect it to grow. We don't expect it to take its place -- you know our core business growth strategies in the consumable parts but we see that business as being a good business using skills we've had for a long time in and around Asia and growing going forward. I'm not predicting it to grow more than global growth.

PAUL BUYS: Alright. Okay thanks guys. That's all from me.

OPERATOR: Thank you. Your next question comes from the line of Raphael Lamm of L1 Capital.

RAPHAEL LAMM, ANALYST, L1 CAPITAL: Good day guys -- am I on now?

BRIAN HODGES : Yes you're on.

RAPHAEL LAMM: Okay not sure if you heard me before but I just want to say good result in difficult circumstances and welcome the costs out program that's already underway. Just interested in I guess you mentioned a couple of times additional opportunities around reducing overheads going forward. Is it possible to give a little bit of quantification around that opportunity?

BRIAN HODGES : I think that the announcements of changes of facilities and that sort of thing affect a lot of people and I'd rather make those not over the public address system if you like. So we will continue to refine the overheads and if you want to get some sort of feel for it you can see the ratios of overheads to sales that we had in previous times. You can see the business returning to those sorts of levels. In fact as we moved to foundries like Xuzhou in China the absolute overheads will fall as well. The percentages will actually fall over time. So that's probably in this sort of forum the right way to answer that question thanks.

OPERATOR: Thank you. Your next question comes from the line of Brent Walsh of Merrill Lynch . Please ask your question.

BRENT WALSH, ANALYST, MERRILL LYNCH : Yes thanks Brian and Steve. Just a quick one -- you mentioned a couple of times about I guess the balance sheet heading in the right direction and the opportunity for some small synergistic M&A . Could you perhaps elaborate on what sort of markets, geographies or product lines would be attractive and obviously we all know about the approach to Austin which was terminated because the deal wasn't accretive any longer? Has that equation changed somewhat in recent months? Any comments there would be really helpful.

BRIAN HODGES : Yes I think that you can look for us to look in two areas. One is around the **mining** consumable pieces where we get a technology we can globalise or a position in a geography that we're currently not in. We are -- so when you look at the **mining** consumable parts of our businesses and the businesses within them and the mineral processing business and the business there and the sort of products and geographies around those that's the main area of focus for us. The other area on the manufacturing side would be low cost -- availability of low cost manufacture would be the other area that we're attracted to.

BRENT WALSH: Okay thanks.

OPERATOR: Thank you. Your next question comes from the line of Anthony Passe-De Silva of JP Morgan . Please ask your question.

ANTHONY PASSE-DE SILVA, ANALYST, JP MORGAN AUSTRALIA : Good morning gentlemen. My first one is a clarification just to confirm how much revenues and gross profit were in the industrial business in this current period that will be moved across with rail in the FY15 period?

BRIAN HODGES : I'**m** looking at my partner here. I think the revenue was about AUD70 **million**.

STEVE PERRY: Yes the revenues about AUD70 **million** and gross --

BRIAN HODGES : Gross margin --

STEVE PERRY: --gross profit wise that business is around 30%.

BRIAN HODGES : Yes or 31% gross margin.

STEVE PERRY: Yes.

BRIAN HODGES : So --

ANTHONY PASSE-DE SILVA: Okay thank you. Just on the **energy** businesses in North America there have been some concerns for some around the issues for the Canadian **oil** sands producers getting their **oil** out of Canada. So I would be interested to get your comments on what you've seen in that market and if there are any particular product lines up there that you're seeing growing strongly or otherwise. Then also your exposure to US shale or some of the offshore **oil** and gas in Gulf of Mexico if you've got any opportunities there?

BRIAN HODGES : Yes all of those are markets for this **energy** business based in Tacoma. We've quoted a huge amount of work for shifting **oil** out of Edmonton down into the States and not a lot of its been let. We have won some work and now there's talk of an east-west type pipeline in Canada that we're quoting on. There's quite a pent up amount of work but the current US administration hasn't been approving that work. What is happening in that business a little bit more has been shale gas compressors and pump stations and that sort of thing associated with that and we've been winning work in that area.

In recent times the US government releasing a submarine program for new submarines and nuclear armaments type program where the Tacoma business is maybe the only US supplier for quite a range of that product. Traditionally we have won work in the Gulf for [nodes] and some pumps and explosion type devices and that sort of thing for deep underwater work. It's not a big market within that business but it's one of the markets. Basically the business is a business that's a collection of niches -- small niches and so we do make and we do win work into all of those that you mentioned.

ANTHONY PASSE-DE SILVA: Okay great. Thanks very much.

OPERATOR: Thank you. Your next question comes from the line of Oscar Oberg of CLSA. Please ask your question.

OSCAR OBERG, ANALYST, CLSA: Yes thanks guys. I just have a couple of questions just on GET. Just around 12 months ago you said I think 50% of existing market share held under the existing license had been recovered. I guess what is this level running at now and would it be fair to say perhaps the opportunity for GET is outside of Australia?

BRIAN HODGES : Do you want that on or I -- did you hear? Did you hear that question?

STEVE PERRY: I didn't hear the question.

BRIAN HODGES : Okay so the question was a year ago we said our market share was -- did you say recovering to 50%?

OSCAR OBERG: Yes that's right I think yes.

BRIAN HODGES : In Australia and you also asked what progress was made offshore?

OSCAR OBERG: That's right.

BRIAN HODGES : I'll ask the Executive General Manager of **Mining** who's closer to it than me can give you an accurate update.

ENDA SHERIDAN , EXECUTIVE GM**MINING** PRODUCTS, BRADKEN LIMITED : Yes thanks for that. I'**m**Enda Sheridan here -- the Executive General Manager of our **Mining** Division. The GET business has generally maintained its market share through the period and we have been working to continue to develop offshore markets. It's been generally a pretty tough market for us particularly in the east coast **coal** this year so you can see some contraction in sales as a result of that. We're starting to see that change a little bit particularly over the last three months as miners who have postponed and suspended general maintenance costs are now forced to start tendering for work. So we'll see some changes there that should drive sales. Thank you.

BRIAN HODGES : Offshore -- offshore?

ENDA SHERIDAN : Yes and just on the offshore it's a similar story -- the market conditions have been pretty tough. We've maintained share in most areas but we're seeing no increased activity and this environment here where customers are looking for better value and changes are now in positions where they're looking to change suppliers so that offers us opportunities as well. We're doing some trialling in North and South America which has been successful and we expect that to **lead** to some work in the future as well.

BRIAN HODGES : Thanks.

OSCAR OBERG: That's great. That's guys.

BRIAN HODGES : Okay.

OPERATOR: Thank you. Your next question comes from the line of Gwen Foster of Guardian Life. Please ask your question.

GWEN FOSTER, ANALYST, GUARDIAN LIFE INSURANCE: Hi Brian and Steve. Thanks for the presentation. I wondered if you could expand a little bit upon your -- the bullet point about exiting smaller manufacturing facilities and developing world scale facilities in low cost countries. Is that moving more things to Xuzhou and expanding there or is it other countries and Xuzhou like facilities there and I just wondered if you could give a little more detail as to what you're thinking about?

BRIAN HODGES : I think it's both. We've still got a lot of capacity in Xuzhou to use up and that would be most of the activity in 2015. We will have a need for another low cost facility for a different product range which I probably don't want to actually go into in as much detail over the phone but that's in the next two to three years. The other part of the low hanging fruit is the second half of Xuzhou.

I think for those close to us know that all the infrastructure is built but only half of the foundry is installed for 20,000 tonnes. There's another 20,000 tonnes of capacity able to be installed at low margin. Right in the 15 year and probably the 16 year we don't have a need for that piece of capacity so it's not a CapEx that's run of mine but it's there and very high returns when we get to be able to use it. So I guess that's what we're eluding to -- both using the existing Xuzhou plus the second phase of it and one other project that we've got on the drawing **board** that we're working on.

GWEN FOSTER: Okay great. Thank you.

OPERATOR: Thank you. Your last question comes from the line of Will Charlston of Goldman Sachs . Please ask your question.

WILL CHARLSTON, ANALYST, GOLDMAN SACHS : Good day Brian and Steve. Just following on from Oscar's question on GET sales were down around 14% or 15%. What happened to your market share during the period do you think?

BRIAN HODGES : Do you want to get that one again?

ENDA SHERIDAN : Yes thanks Will this is Enda Sheridan here again. Just to answer your question I've already answered it there we believe we've held our market share generally across most of the regions in the period. The drop in the GET sales through the period was driven by the lower demand particularly in the east coast coal market. So in other regions we've held up our sales. The biggest impact was the east coast coal market.

WILL CHARLSTON: Okay thanks Enda. Just also on your talk about expanding your sales direct to the miners -- have you had any competitive response in the OEMs put in any orders or anything like that?

BRIAN HODGES : Well you know we've traditionally had roles where we compete with some OEMs and supply other OEMs so there's no real change from that perspective. I think the real issue in that call issue area is that the market itself is very, very low and so there is just not a lot of activity happening at all. We will continue to compete as we always have with the OEMs that we've always competed with so that's normal for Bradken.

WILL CHARLSTON: Okay thanks Brian.

BRIAN HODGES : Okay so if there aren't any further questions from the floor I might thank you very much for coming and in your interests and your questions. Thank you.

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