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PRESENTATION

Tom Gorman - *Brambles Limited - CEO*

Welcome everybody and let me start by saying, good morning. I think all of you know me by now, but I am Tom Gorman, I am the CEO of Brambles and it is really my pleasure this morning to welcome you to today's briefing. I would like to again thank you for joining us for our review of Brambles' half year results for the 2010 financial year.

Now, sitting with me on stage today are Greg Hayes our CFO and Michael Roberts, Vice President for Investor Relations and Corporate Affairs. What I am going to do over the next period of time is to give you some of my views on the result and then Greg will pop up here and take you through some of the numbers in a bit more detail. Then I will come back after Greg is through and I will talk a little bit about your views on the outlook and then from there we will open up for questions.

Let me start by focusing on a high level view of our financials and particularly talking about our financial discipline. We continue to generate very strong cash flow. Our balance sheet is really in great shape and we have ample headroom to fund our growth, and Greg will talk about that in a bit. In line with the measures that we announced last financial year we are reducing overheads across the organisation.

Of course, as we expected the first half of this year we were subject to weak economic conditions around the globe, and as I discussed at the AGM, when I was really first introduced to the market, our largest markets the USA and Western Europe have been most affected by the economic downturn. Although organic growth was weak, we were able to offset the market softness to a great extent through winning new business on the CHEP and the Recall side.

Today we are winning business in all of our business units including CHEP America and I will talk about that in a moment. The net loss position for CHEP USA for the first half of this year is really a result of the losses that came late in FY09 and very early in FY10.

We continue to invest in our long term success in addition to the Better Everyday program in the US and I will talk about that more in a moment again, we also continue to invest in our growth markets, both in terms of developing new regions and more specifically new platforms and new service lines.

Our RPC business or our re-useable plastic container business is growing strongly around the world with strong growth in Europe, South Africa and right here at home in Australia and New Zealand.

We also continue to invest considerable effort in our safety performance. The severity and the frequency of our injuries is declining in every one of our business units and we are making significant progress and we are remaining committed to promoting our zero harm culture within Brambles. Again this is a Brambles-wide initiative that impacts both CHEP and Recall.

The new leadership team is taking shape. The new head of EMEA has now been identified. He is senior executive with significant logistics experience. A formal announcement will be made as soon as possible as the details of that announcement are being finalised with his current employer.

We now have a very, very strong balance of internal operational experience in addition to some real world class external appointments and my team is now together.

I believe we are very well placed to start growing again. Our leverage to a broad based economic recovery is very strong, you will see the details of that this morning and the initiatives that I am personally driving, Better Everyday in the US, investment in new markets and developing the new leadership team ultimately will drive our long term profitable growth.

Now let me give you a brief overview of the Group performance and then I will discuss in more detail each one of our operating regions. I will remind you here to start with that all of the figures, with the exception of the dividend are in US dollars and that unless otherwise noted in the presentation our growth comparisons are done on a constant currency basis.

So the results -- the Group's sales revenue was down 2% in the first half of the year to $2.1 billion. This reflected the impact on pallet volumes of the subdued market conditions, again primarily driven by the US and the Western European markets. CHEP's operations in the automotive sector in Australia and Europe are also more exposed to weaker economic conditions and I will share with you the results of those as well.

As we have said previously, the Recall Secure Destruction Services business really has been exposed to a poor environment for paper prices as well as volumes and you will see the detail of the Recall performance in a moment.

Now, excluding the automotive operations in Europe and Australia and SDS, our sales were broadly in line with the prior corresponding period. Our statutory operating profit was down 3% to $338 million and the most significant impact on profit was the quality investment within CHEP USA, which was $65 million in the first half which included monies associated with the Better Everyday program. Now we will cover that in some more detail because there are quite a few numbers relative to Better Everyday.

Now underlying profit was down 30% to $340 million and Greg will walk you through more detail of underlying profit changes when he is up on the stage.

Our free cash flow after dividends was up substantially in the first half compared with the prior period last year. This improvement reflects a significant reduction in capital expenditure and tight management of our working capital. We are declaring a dividend today of $0.125 per share.

Now looking at the Group's sales result before talking about each region in a little more detail, what I would like to remind you here is something that of course you already know but the first three months of this fiscal year did present a particularly difficult comp period. We knew that going into the year and it has proven to be the case.

If you just recall that in the first quarter of FY09, that was very much a pre-GFC period and then for us, obviously, all of FY10 is post-GFC.

Now automotive and the SDS business within Recall are most particularly affected. The automotive sector in our first half was down 17% versus the prior comparable period and SDS sales were off by 15%. Again if you were to exclude those two sectors our sales were really just down $11 million broadly in line with last year, down about half a percentage point.

The reduction in pricing and mix reflects primarily actions taken in CHEP USA. Now in addition to the investment in quality as part of the Better Everyday program, you should be aware that we continue to aggressively protect our market share in the US CHEP business. As I said earlier, we are winning business in all of our markets and as you can see from this slide for the first six months of the year net new business wins really all but offset the impact of organic losses and then you are really focusing on automotive and SDS being down in the first six months.

This slide here just takes the CHEP business and breaks its sales by product line. I will do the same for you when we come to Recall in a moment. But as you can see here, we really delivered very strong growth in the RPC business, which helped offset the weakness in the automotive business. As I said earlier, automotive was down 17% and RPC was up 15%. The decline in pallets of 2% reflects the lower organic volumes in the US and Western Europe and reduced pallets on hire at the start of the year here in Australia. So after the destocking that we saw at the end of FY09 in the Australian market our pallet hire stock was lower, so we came into the year with an excess stock potion here in Australia.

Now we have been able to offset that within that business unit with regional growth and new business opportunities that will come to light for you when I talk about Asia Pacific in a second.

So, now from the high level let me walk you through each business unit and again I will start with the CHEP Americas. Sales were down 5% to $757 million. CHEP USA was actually down 7% in the first half, Canada was up 3% and Latin America was up 5%. The US decline reflects lower organic growth, net loss business in the period as well as some pricing and mix changes. In CHEP USA we do expect our full year volumes to be down 3% consistent with what I indicated to you when I spoke at the AGM back in November and our view of that is unchanged.

Our statutory operating profit rose 36% to $109 million. Now this does reflect the fact that we have not recognised any significant items in the first half of fiscal year 10 results, and that's in contrast to what we did in FY09.

And also, as I said at the AGM, there will be about $20 million of cost in CHEP USA this fiscal year for storing about four million idle pallets. Our view on that is also unchanged, and in the first half results we've reflected about $10 million - roughly half of that total.

So the 54% fall in underlying profit is also affected by that change. Now as I said, Greg is going to dive into the - walk through the profits in quite a bit more detail.

Our cash flow in the Americas is up $23 million to $140 million. This reflects lower CapEx and a key issue here is the reduction in new pallet commitments and imports. Now most of you will remember that we talked about our situation in the US where we had commitments to deliver new pallets to certain customers. That was fine when the business was growing. When growth slows you wind up in an excess pallet position. There are about 12 million of those pallets back - if you go back to FY08. We've worked very diligently to reduce the need for new pallet requirements - both from imports as well as new to new customers, and we've been able to basically halve that number. So by the end of this fiscal year that 12 million will have been reduced to about six million - and that's also helping us reduce our capital expenditures.

Now for the Better Everyday Program - maybe I should just recap just to remind you what we announced back in October - and the Better Everyday Program is really about creating a step change - a fundamental change in the quality of our products and in the quality of our service in the CHEP USA business. It involves $110 million of fas - what we've called fast-track expenditure - over FY10, 11 and 12, as well as an ongoing $50 million of cost increase to the CHEP US business.

And the Better Everyday Program really has three core attributes. One is to improve the quality of our pallets. Two is to make ourselves easier to do business with - so improve the ease of doing business. And the third is to improve our customer interface. We believe that in the long run this is going to help us retain customers, win new business, and ultimately will give us pricing opportunities in the long-term.

Now the $65 million of spending in the first half of this year also includes the remaining $37 million that we announced as part of the pallet quality program back in early 09. So it's a combination of two things - the quality program and the Better Everyday Program together gives us $65 million. We still have considerable spending within the Better Everyday Program - and again Greg will go through those numbers in a bit more detail.

I am happy to say that our Better Everyday Program is on track. Our pallet quality - relative to pallet quality, we said that we would deliver 100% of our issues at the new US bus standard by the end of March, and as of today we're now at 94%, so we're well and truly on our way to delivering against that important metric. We are also issuing at a higher US premium standard in order to meet customer demand where required.

Rejections related to pallet quality were down 62% in the first half - a significant reduction in terms of the 62% down, but I will remind you that the base we're coming off is relatively small. So our total rejections last year were 0.71 of 1%, and now we're running at 0.27%. So you can see that we've made a significant improvement, although rejections in total remain quite low.

Now on the ease of doing business front we are also making great progress - 40% of CHEP USA customers have now adopted our portfolio, plus account administration tool - and some of you will be familiar with this tool - basically it's putting our business online. Our target is to deliver 60% by the end of this fiscal year, and we believe we're on track.

And similar to EMEA we have also designed and tested a new simplified invoice and we're rolling that out now with customers, and that rollout will continue through FY10 and '11. And we've also added some key resources to the CHEP USA sales and marketing team, and we're taking further steps to simplify our structure in the US and really to put the decision maker closer to the customer.

We are getting great responses from our customers on the overall Better Everyday Program, and I have to say that our statistics back that up. We've been winning net new business in CHEP USA since the launch of the Better Everyday program. We're reducing our new pallet requirements. Our rejections are coming down, and our satisfaction is going up.

So Better Everyday is well and truly on track.

Now shifting from the Americas let me give you some insight into CHEP EMEA results. Sales revenue in EMEA was down 1% to $770 million. Pallet volumes were down in our biggest markets - the UK and Ireland and Iberia - but new business growth was strong in our newer CHEP markets - Italy, Germany, and of course Central and Eastern Europe all experienced growth in the first half of the year. And our sales were up 11% in Middle Eastern Africa.

And also importantly across Europe we were able to grow our RPC business, and our RPC business grew at 10% in the first half of the year. Net new wins within EMEA were strong at about 2% of total revenues.

Now automotive sales continues to be the drain on our business in total, and that's no different than in EMEA. Automotive sales were down 19% in the first half - down 23% in Africa, and about 19% in Europe. Now again I'll just remind you that we're in essence comparing a pre and post-GFC period - but automotive was depressed.

Our statutory operating profit was down 8% to $159 million. Now in addition to weakness in the automotive sector there were also some higher costs as a result of lower pallet volumes and the quality investments that I've talked about that we're making in the European business. Now these costs were offset partially by operating efficiencies as well as overhead reductions that are coming through as part of the EMEA restructuring that really took place at the back end of the last year.

And we are making great progress in Europe as well on the ease of doing business. The new simplified invoice was launched in November and now 70% of our European customers are on that invoice, and also we continue to have great progress with portfolio plus.

Now if you were to exclude automotive, our sales were actually up 1% and our statutory profit would have been down just 3. Cash flow was very strong at $203 million which is up $66 million from the prior year.

Now shifting to Asia Pac - the Asia Pac story is a positive story. Our sales revenue in this region rose by 4% to $195 million. We had very strong growth in the RPC and the plastic display pallet business here in Australia, and we've experienced great growth of our sales in China, India, New Zealand and South East Asia, and all of that more than offset the soft automotive sector, and as I referred to earlier, the lower starting hire balance that we had in the Australian pallet business.

The fall in profit of 6% to $32 million reflects declines in the automotive sector, and our continuing investment in new products and service lines - such as RPCs - that saw a great growth. Excluding automotive, profit was broadly in line with the first half of last year.

Now as most of you, or some of you might be aware, Greg and I were able to visit China in January and spend a week up there with our team, and I have to say that we both came away very excited and impressed. Our sales are growing rapidly in this market, and there are significant opportunities for growth in both the automotive sector as well as with FMCG.

Now the improvement in cash flow within Asia Pacific again reflects lower CapEx and tighter working capital management.

So now in the same way that we looked at the sales by product line for the CHEP business, let me do the same for you - and I'll move on to Recall. Now this does give us another way of looking at the impact of the SDS business here for Recall. You can see that the decline in SDS revenue was down again 15%. A little bit more than half of that was driven by the decline in paper prices first half FY10 to first half FY09. But we also saw about a 50% decline in economic or volumes - so economic activity in this space - and these are really both the result of depressed economic conditions. We have more recently seen an increase in paper prices which gives us a stronger view of the SDS business going forward.

And you can also see here that the DMS business is still really very much the core of our total Recall offering, and that segment continues to grow and has a very strong sales pipeline.

Now the Recall results - revenue was down 1% to $364 million, and again the growth we experienced in DMS comes from a 5% increase in carton volumes. Net new wins across total Recall generated 3% of our sales growth, and excluding SDS, our sales were actually be up in Recall by 4%.

Our statutory operating profit for the first half was in line with the first half of FY09 at $53 million. Profit excluding SDS was up 16%. Now a big contributor the strong performance within Recall again are the benefits from their FY09 restructuring in the same way that we're seeing that flow through in our other business, but also I have to say that Recall has a very strong ongoing focus on cost efficiencies.

Now as I said, that's a very quick overview of where we stand around the Brambles businesses - both CHEP and Recall. What I'd like to do now is to hand it over to Greg. He'll walk you through in more detail on profit, cash flow, then the balance sheet, and then I'll come back up to give you a bit of an outlook and then we'll take Q&A.

Thank you.

Greg Hayes - ***Brambles Limited - CFO***

Thanks Tom, and good morning to you all today. I'm pleased to be here today after my first three months at Brambles, and I look forward to talking and meeting with many of you today and in the coming weeks.

As I present the results today may I remind you that the comparatives and growth will be using constant currency, unless otherwise stated.

Sales revenue for the first half of the 2010 financial year was down 2% - as detailed by Tom earlier I won't go into that in any detail. Underlying profit is down 30%. It must be noted that significant items within ordinary activities were excluded from underlying profit in the first half of 2009. These are detailed on the next slide.

First half of 2010 includes $65 million of Better Everyday and quality program costs that Tom has outlined, which includes the remainder of the original quality program - announced in February 2009 - of $37 million, and an additional $28 million of the Better Everyday Program announced in October 2009.

I will discuss the underlying profit outcome in more detail later.

Operating profit is down 3%. This comparative is also impacted by the treatment of significant items.

Profit before tax is in line with the prior comparable period. Interest expense was $54 million, down $10 million on the first half 2009. This was principally driven by a lower average debt balance and lower benchmark rates offset by higher margins and fees.

Profit after tax is 2% up on the prior period. Tax expense is $74 million down $4 million on the first half of constant exchange rates, principally driven by the impact of a lower profit contribution from the US and the result of a favourable withholding tax ruling in Europe.

The effective tax rate at the statutory level of 27.2% compared to 28.7% in the prior comparable period as detailed in appendix 5. The future effective tax rate is expected to be between 30% and 32% on an annual basis.

Group statutory EPS is down 8% but note that the comparative period includes $17 million of additional profits from discontinued operations.

There was a strong cash flow performance for the half, up $159 million or 72% on the prior period at constant exchange rate, and I'll discuss that on a later slide. Brambles' value add of $71 million is down $80 million on the prior period principally due to the decline in profits.

The next slide shows the impact of significant items. Note that the figures are shown at actual exchange rates. As can be seen, the first half 2009 included several significant items which were largely the result of action taken in the tough economic conditions at the end of calendar 2008.

The first half of 2010 includes only $2 million of significant items in CHEP EMEA as a continuation of the facilities and operations rationalisation program. This compares with $7.9 million in the first half of 2009. A total of $56.4 million has been expensed as significant to date on rationalisation with further small amounts to occur in the second half of 2010.

The rationalisation program has started to deliver results and once complete remain track to deliver cost savings of $40 million per annum.

Now turning to underlying profit in more detail, as identified earlier, excluding significant items on a constant currency basis group underlying profit is down 30% or $140 million. Volume price and mix is down $19 million, principally due to CHEP America's sales decline of 5%, offset by growth in all other business units. There are declines in profit in both automotive and FDS as Tom has discussed.

The impact for automotive is $8 million in CHEP EMEA and $2 million in CHEP Australia. For FDS there is a decline in paper prices on average around 15% for the period and paper volumes around 12% for the period, and with an impact of around $6 million. Their every day and quality program costs of $65 million for the first half are on track, of which $37 million is the previous program and $28 million Better Everyday.

$52 million is scheduled to be spent in the second half of 2010 to bring the total to $80 million for the full financial year for Better Everyday.

The increase in direct costs of $23 million includes storage costs of $14 million for additional pallet holdings as a result of customer destocking. $10 million of that cost is in CHEP USA. Plus there are other plant costs increases for quality investment particularly in the EMEA.

The other category includes IPEP expense at $60 million, up $24 million in the half, resulting from the completion of audits in the period in CHEP USA and CHEP Europe and resultant compensations in CHEP USA in particular.

Notwithstanding this, the asset leakage remains consistent with previous periods, as indicated by the control ratio. The second half IPEP expense is expected to be consistent with prior periods at around $50 million and annual expense is expected to revert to the long-term average in financial year 2011. That is around $100 million. The increase in IPEP expense is offset by savings achieved in the period from the facilities and operations rationalisation program.

This slide sets out the performance for global CHEP with sales revenue of $1.7 billion down to 2% in constant currency and, again, Thomas discussed the sales by region so I won't go into them. Operating profit is up 5%, however first half 2009 includes the impact of significant items. The profit margin is 17% across CHEP, which is expected to increase when economic conditions improve, in particular as we utilise idle pallets there will be increased revenue and reduced storage costs.

Now I'd like to move on to show the movements in CHEP America's operating profit period. This is a busy slide with the first half 2009 operating profit at $80 million. This included significant items totalling $153 million which added back to arrive at the underlying profit of $233 million.

First half 2010, operating profit and underlying profit are identical since the first half 2010 includes no significant items in CHEP America. As can be seen it is $125 million lower at constant currency than the first half 2009. Of this amount the Better Everyday and quality program at $65 million is around half of the difference. This has been coloured the same as pallet quality in the prior period since both are related to increasing the quality standard in the US pool and are ideally comparable.

The impact of volume price and mix is $27 million. Of this, price and mix is $12 million, which is a result of the impact of more competitive environment and the change in customer mix following some customer losses in CHEP USA.

Organic volumes are down $6 million or 1%, mostly due to the impact in the US, which is down 3%, while net business losses are down $8 million or 2%, again, mostly in the USA. There is an $18 million profit impact in direct costs which includes $10 million of storage for excess pallets. This is related to the 4 million pallets which are temporarily stored on average in this half, and this is expected to be similar in the second half.

Direct costs also include the combination of other costs, such as the costs to build the expanded network to meet customer needs of around $9 million, Wal-Mart's ongoing cost to serve around $3 million, additional repair costs to convert customers from new pallet requirements $2 million, and these are partially offset by lower transport costs as a consequence of network optimisation. The transport cost ratio has fallen one percentage point to 20% in the US, as shown in appendix 2(a). Other is predominantly $18 million of additional IPEP expense, as discussed previously.

Let me move on to CHEP EMEA, where the statutory operating profit is down 8%. Volume price and mix, excluding automotive, delivered moderate profit growth of $3 million, mainly due to the new business wins. The decline in automotive resulted in an $8 million profit impact and excluding automotive, statutory operating profit would be down 3%.

Direct costs have increased by $8 million, resulting from plant costs, from storage and handling to reflect customer destocking and a continuous focus on quality and customer service. The plant cost ratio in CHEP Europe has increased by one percentage point to 27%, as shown in appendix 3(b). Transport costs were flat and the transport cost ratio remains at 24% for CHEP Europe.

In the Other category there are savings coming through from the 2009 restructuring and other costs initiatives more than offsetting a $5 million increase in IPEP expense.

For CHEP Asia Pacific, statutory operating profit is down 6%, or $1.6 million in constant currency. New business wins and price impacts drove a $3 million increase in profit from volume, price and mix.

The Australia automotive business remains profitable but has experienced a tough period with a $2 million decline from the prior corresponding period. Profit for Asia Pacific would have been flat on the prior comparable period, excluding the impact of automotive.

There is a further decline of $2 million in the other category due to supply chain destocking, which has impacted margins in Australia and New Zealand through additional relocation costs and an increase in depreciation on the equipment purchased during the financial year 2009 to support new business growth, notably RPCs, China and India.

Now turning to recall, where sales revenue is down 1% for the total business. All regions have been impacted by lower paper prices and volumes in FDS. Excluding FDS sales across recall, we're up 4%. There's been strong DMS growth resulting in a 5% increase in carton volumes to 91 million cartons at 31 December. Net new business wins contributed 3% of sales growth and our margins remain stable.

The next slide shows that statutory operating profit for recall was in line with the prior corresponding period. As Tom outlined earlier, excluding the impact of FDS profit was up 16%. The direct cost improvement reflects the benefits of restructuring in 2009 and an ongoing focus on cost efficiency in recall.

Now I'll move on to cash flow and financing. Now we have completed the P&L review, all the figures for the remainder of the presentation are at actual exchange rates. Now, while EBITDA is down $65 million there has been a strong cash flow performance across the business. Free cash flow over dividends of 133 million is 224 million higher than first half 2009.

This principally reflects a reduction in capital expenditure and the impact of a dividend reinvestment plan. CapEx is down $146 million against the prior comparable period with reductions in all business units which I'll show you on the next slide. It is expected that there'll be a similar level of CapEx in the second half.

Working capital continues to be tightly controlled and I've discussed the IPEP expense earlier. The provisions in other category has improved mainly due to the timing of expenditure and lower annual employee bonus payments in the first half of 2010 based on the financial year '09 performance. Significant items cash payments are related to the accelerated scrapping of excess pallets in CHEP USA and facilities and operations rationalisation across the Group. Most of this was provided for in the previous financial year. Tax paid is marginally in excess of tax expenses due to the timing of tax instalments which cash interest paid was marginally lower than interest expense.

Net cash dividends fell by $26 million, approximately half resulting from the reduced final dividend for 2009 and half from the impact of the dividend reinvestment plan introduced in the second half of 2009. Free cash flow after dividends for the second half of 2010 is expected to be similar to the first half result in the full year 2010 free cash flow being $120 million to $150 million above last year.

Now this slide is presented on an accruals basis and shows how we've been able to reduce our capital expenditure in light of the changes in the economic environment. Capex is down $144 million on the prior comparable period and reduced new pallet purchases contributed around $100 million of this total. Some has outlined a reduction in new pallet commitments. All regions had a lower Capex, CHEP America down 55, CHEP EMEA down 51, CHEP Asia-Pacific down 35 and Recall down $3 million although there was continued investment to support growth and expand security infrastructure.

When economies start to grow capital expenditure is expected to increase to support demand although the use of idle pallets will reduce short term capital requirements. There is no expectation of any significant increase in Capex in the remainder of this financial year.

Moving onto the financial ratios you can see here that net get at the end of the year was $2 billion and $28 million. Down $115 million from June 2009 and this is as a result of positive cash generation after dividends. A summary by currency of the debt balances is shown in Appendix 4. The duration of the debt portfolio is 2.8 years at December 2009 and there is no refinancing required in the second half of 2010. Exposure to interest rate rises is limited as interest is fixed for 47% of the debt portfolio as at December 2009. The ratio of net debt to EBITDA was 1.8 times and EBITDA interest cover 10.4.

Committed credit facilities including the $535 million of US private placement notes totals $3.4 billion. Now of that $567 million is due to expire in November this year. Undrawn committed credit facilities total $1.317 billion at December 2009 while cash balances stood at $118 million. There is significant head room left without having to get extra debt when these securities expire in November.

The investment credit grade ratings of BBB+ from Standard & Poor's and Baa1 stable outlook from Moody's were issued in December 2009. These ratings reaffirm the underlying strength of the Brambles business and provide us with additional financial flexibility. Thank you very much and I will now hand back to Tom for his wrap up.

Tom Gorman - ***Brambles Limited - CEO***

Well thank you very much Greg, I greatly appreciate that and welcome to the stage as well. Look I'll now give you a quick overview of our outlook on the business and then we'll move swiftly into a question and answer period.

Our view on the business really is unchanged from when I spoke to the market place and spoke to you at the AGM just a short three months ago. We have very strong market positions, we have outstanding customers. We have a robust new business pipeline and we have a very compelling long term growth prospects. Although there are pockets of economic growth throughout our businesses both within CHEP and Recall, we are not seeing a sustained returns underlying economic growth in our keys markets of the US and Europe.

Since the AGM back in November and really through the end of the 2009 calendar year, performance was broadly in line with our own expectations. For the first six weeks of this calendar year we have not observed enough to conclude that market conditions are improving significantly from the last quarter of calendar year 2009. But we can clearly say that conditions in these very difficult and challenging markets have stabilised. I am confident that we have the right team in place now to manage aggressively the things that we can control in our own business. Also to continue to invest in the business and to increase our focus on retaining and growing market share in all of our markets. Putting these actions in place will position us for improved performance in both CHEP and Recall when economic conditions do recover.

So with that I'd like to say thank you very much for joining us today both online and here in the room. I'll now pass it over to Michael Roberts and he'll serve as the moderator through the question period. Thank you.

QUESTION AND ANSWER

Michael Roberts - ***Brambles Limited - Vice President, Investor Relations and Corporate Affairs***

Just for the people in the room, if you wouldn't mind introducing your name and organisation. We'll start with questions in the room. I think Phil here - Phil Wensley in the middle.

Philip Wensley - ***Morgan Stanley - Analyst***

Thanks look a couple of questions from me. Philip Wensley from Morgan Stanley. First of all just on your outlook statement saying that the first six weeks of this half being no better than the December quarter kind of surprises me given we've seen a lot of economic data that's showing an improving economic condition and FMCG volumes starting to improve, consumer sentiment starting to improve in all geographies. Why do you think you're not seeing any more improvement in underlying volumes than that?

Tom Gorman - ***Brambles Limited - CEO***

Well look I think if you step back and look at the six weeks since the end of the last calendar year I think there have been a lot of things that have been happening in the market. Nobody likes to hear this but weather has been fairly challenging in our core markets in the US and in the UK. So we've had quite a disruption in terms of logistics flows and so forth through the first couple of weeks of this year. So that's one minor issue that doesn't repeat itself of course but that's been there.

Secondly we have seen growth with certain customers in certain months. So if you look at some of the volumes of our key FMCG players we would see months where we do get quite significant growth. So 4, 5, 6, 7% growth in any given month. When we get behind those numbers it's really driven by promotion. So when the promotion is in place we'll get a big movement in that product line. When the promotion is taken off we see a return to sort of much, much more subdued conditions.

Now if you compare the first quarter with the second quarter, so sort of the comps get easier for us as you can imagine as we move to a sort of pre GFC to post GFC. We are seeing an improvement from levels that you would have seen early on but nothing that we could really say is a sustainable indication of economic recovery.

I think for us to be able to stand in front of you and say we're really seeing a sustainable growth we have to see if repeatable across a broad segment of our customer base and we have to see it month in and month out and we just haven't seen it.

Philip Wensley - ***Morgan Stanley - Analyst***

Okay look secondly when you announced the CHEP USA review you said that you were going split the portfolio of the pallet pool into two and in this result it looks like we've seen no improvement in revenue from a price and mix perspective. That sort of surprises me. I know you didn't actually say you were going to get a lot of uplift from doing that, but it surprises me that it's actually been a negative contributor given you should be able to offer some certain percentage of your customers a better quality pallet. Why do you think there's been no improvement there?

Tom Gorman - ***Brambles Limited - CEO***

Well look I think that everything that we said we would do with Better Everyday was done. The Better Everyday program is completely in line both from a financial stand point and from a physical stand point. So maybe it's just a matter of clarifying what the Better Everyday program is for you. First of all what we said is that we would get 100% of our US pallet portfolio to a US+ standard. So from the standard that we used to be at the first step up is to get to US+. As I've indicated to you as of now we're at 94% of that and that is well and truly on track to deliver against our commitment.

Secondly we said that we would have a second standard which is referred to as US Premium and in both cases we said that we did not assume in any of our modelling that we would get incremental pricing. Nor did we assume in our modelling any incremental growth from the improvement in the pallet quality standard. Now naturally one would expect that over time that presents an opportunity to us. But we were very clear that that was not included in any of our modelling.

I must say also that we're four months into the Better Everyday program. What we need to do is to prove to our customers that we are delivering a higher quality standard consistently and reliably and that's what we're doing. We also indicated to you back in October when Better Everyday was announced - Jim Ritchie and I were here doing a bit of a road show and we indicated to you at the time that broadly speaking we were going to hold prices flat. We were not going to have any general price increase for our customers.

What you're seeing in the US business in a negative in terms of mix and pricing, we have in some of the customers that we lost in the beginning of the year, in some cases those were higher value customers so that has a negative mix affect on us and additionally we have been aggressive to hang on to some of our customers. So we have taken those actions in the short term.

I still am confident in the pricing environment in the long term but we need to prove to our customers that we can repeatedly and reliably deliver them the quality that we know we can and we're well and truly on the way to do that.

Matthew Crowe *- JP Morgan - Analyst*

Firstly on the customer losses. Since you spoke to us last have you had any customers coming back or do you think there's scope to go and get some of the customers you lost and win them back on the new products? Secondly, can I just ask what were the impacts of the losses in China and India on the result there? Because it's pretty hard to determine the performance of that business when you've got a very mature old business in the Australia one and that infant business. Can you just give us a bit more clarity there.

Tom Gorman *- Brambles Limited - CEO*

Look I'll answer the first way and then I'll pass you to Greg on the financial question. So just in terms of net new wins and any significant losses and any recoveries I think is your question and I think you really focused on the US business. So we have one business back from our competitors, we have specifically one business back from iGPS. Now we are not, we, as you know, we do not generally share that information broadly because it is a confidential issue with our customers and unless they give us approval to make an announcement we do not. So we have had some success there.

But more importantly, since the announcement of the Better Everyday program, we have been growing our business. So even though in the US in the first six months we were in a net loss position, and just to clarify what that means, the way we look at wins and losses is we look at performance over a rolling 12 month period, so coming into this fiscal year the US team did experience some significant losses.

What I said at the AGM is that we were not in a position to recover that with enough new wins and that still holds in terms of us being in a net loss position versus new customer additions in the US business. But since the announcement of the Better Everyday program, we have been adding new customers at a pretty substantive clip, but not big enough to offset the losses that we came into the year with.

So that gives me a good deal of confidence and I believe our pipeline is strong in the US. But I also would just remind you that for me to sit here and say we will never lose another customer would be ridiculous. We are in a very competitive business globally. We have competitors in each one of our markets and my emphasis with our teams around the world is to focus on the customer. If we can deliver continued satisfaction in terms of quality and service experience, focus on the customer and the growth will come. Less focus on what our competitors are doing, some of whom make an awful lot of noise in the market place. Do not let that distract us; we will stay focused on satisfying the customer.

Now I will pass to my partner here.

Greg Hayes *- Brambles Limited - CFO*

As far as the second question is concerned, we do not disclose the performance in India and China. We regard that as commercially sensitive at this stage while they are going through their growth phase.

Michael Roberts *- Brambles Limited - Vice President, Investor Relations and Corporate Affairs*

We will go to the phones. Simon Mitchell is first in line on the phone from UBS.

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Simon Mitchell - ***UBS - Analyst***

Hi, Tom, just a quick question on utilisation of the pools, obviously where the $4 million excess pallets in the US. But can you give us some idea of the slack in the system that exists across the different regions in pool utilisation or velocity rates?

Tom Gorman - ***Brambles Limited - CEO***

Yes, look I mean the largest issue for us is the US and that is unchanged in terms of what we communicated back at the AGM time in November. The US is making great progress, as I alluded to, in terms of reducing new pallet commitment so we are very confident that we can put those pallets to work in FY11 and beyond, and that will be driven by new customer wins, organic growth as well as a non-requirement, if you will, to put new pallets to certain customers. That is why we are hanging on to those pallet and the costs are coming in line with what we indicated earlier.

The other key market is really that the excess pallet position is relatively small. I mean here in Australia, as I mentioned, we came into the year with a lower hire stock balance, so given the Australian model when the pallets are out in the market they are generating revenue but the destocking that hit us last year left us with a small percentage of excess pallets and that really drives more logistics' expense here in Australia, so it is just moving the pallets around as opposed to really paying for outside storage if you will.

Then the third market is really in Europe and we have two major pallet types there, the 1210 and the 1208. The 1208s we are still buying some 1208s to meet demand but that system is relatively well balanced and the 1210 issue really is just moving pallets from the UK back to the Continent and then they return back to the UK fully laden. So it is not a significant excess pallet we are just moving those pallets from market to market.

We do not cut our pallet purchases really down to zero on 1210s in Europe and that really is an issue about keeping the supply base up and running, but we are buying very, very few 1210 pallets at all at the moment. So the real issue is in the US.

Simon Mitchell - ***UBS - Analyst***

Okay and just a question on your sort of return and margin indications on the US review. I think you mentioned mid-20s to where you would see the business settling, giving your additional time in the role, are you still comfortable with those targets?

Tom Gorman - ***Brambles Limited - CEO***

Yes, I think, from our point of view that is unchanged our position in the long term. We are really just jumping in to the Better Everyday program and a heck of a lot of work was done developing that program and now we are implementing it and this is really where the hard work begins. But I am really quite proud of what Jim Ritchie and the team have been doing.

What is important for me is that we deliver on what we are saying we are going to do and we are delivering the physicals and that physical delivery is in line with our expectations and it is in line with the financials that we have set up. Now there are swings and roundabouts in each one of the assumptions that we have made, as you would expect, but we continue to deliver against that and that is what we are going to focus on.

This is really a three year accelerated program, FY10, 11 and 12 and we are really just in the first couple of months of it. But thus far we are heading in the right direction. The other thing that gives me an enormous amount of comfort is the response that we are getting from our customers. The customer response has been extremely positive and now we just have to do this, as I said to one of the earlier questions, repeatedly and reliably and that is what is going to drive long term customer satisfaction.

Simon Mitchell - ***UBS - Analyst***

Thanks.

Michael Roberts - ***Brambles Limited - Vice President, Investor Relations and Corporate Affairs***

We will stay with the phones, Andrew Gibson, from Goldman Sachs JB Were.

Andrew Gibson - ***Goldman Sachs JB Were - Analyst***

Hi guys, just a couple of questions. First of all just on the IPEP provision, could you just provide a little more clarity around that. So is my understanding correct in saying that the step up in that provision is just more about a catch-up on the back of the audit process? And if you could just clarify what the guidance was there - were you guiding towards a 50 million provision in the second half, and then carrying that through?

Greg Hayes - ***Brambles Limited - CFO***

Just on the guidance - that's right, 50 million in the second half. In examining all the information that we have, including the control ratio, we are comfortable that we expect the IPEP provision to normalise at the historic average of around 100 million a year.

The first half position was the result of completed audits. Some of those have been delayed due to some of the economic conditions, and there is an impact of a reduced compensations in the US. Tom might want to comment on the economic condition.

Tom Gorman - ***Brambles Limited - CEO***

Look, I think I probably repeat if I talk a little bit about the economic conditions in the US, but we are seeing some pockets of things that you could be, that you could see as positive moves, but you know, across the US we have a fairly good view of the future, because with some customers we have very high penetration, and again what we would need to see to stand in front of you and say we've seen a turnaround is we'd need to see month on month improvement there, and we just haven't seen it yet.

Andrew Gibson - ***Goldman Sachs JB Were - Analyst***

Okay, and then just regarding new issues, they were down 5%, and you were saying the first half you're still holding to the guidance down 3% for the full year. Is that just more due to improving comps as you cycle through the year?

Tom Gorman - ***Brambles Limited - CEO***

Yeah, I think there's two issues there. Yeah, the 3% down in a full year, that's a pallet volume number that we shared with you, and that's in line with what we've seen, what I was seeing back at AGM time, so no change there.

And yeah, the comps do change, obviously second half to second half, in some ways the comps get easier, or more favourable. But it's also an impact as we talked about to some degree of the position that the USA business started the year with - with some customer losses that they've now been working hard to recover with new wins.

Andrew Gibson - ***Goldman Sachs JB Were - Analyst***

The final question is - can you provide a bit of a feel as to what turns were across the geographics on a net basis?

Tom Gorman - ***Brambles Limited - CEO***

Net turns - sorry, I'm not sure I understand the question. I apologise.

Andrew Gibson - ***Goldman Sachs JB Were - Analyst***

Well we've got the gross pallet numbers for the various geographies, if we can just get a feel for what the turns were on a net basis.

Greg Hayes - ***Brambles Limited - CFO***

Andrew, we'll come back to you on that one.

Andrew Gibson - ***Goldman Sachs JB Were - Analyst***

Okay, thanks.

Greg Hayes - ***Brambles Limited - CFO***

We'll come back to the room now.

Anthony Moulder - ***Credit Suisse - Analyst***

Anthony Moulder from Credit Suisse. Just back on that IPEP provision - what does that say about the accuracy or the read through from your control ratios which have been trading higher, but you have this increase in the IPEP coming through?

Greg Hayes - ***Brambles Limited - CFO***

Sorry, I didn't quite understand the question.

Anthony Moulder - ***Credit Suisse - Analyst***

You've got a control ratio that's in excess of 99% that's been trading higher, and yet when you do an audit you've lost more pallets or you're providing for a greater degree of loss into that market in the US in particular. My question is, is that control ratio an accurate reflection of the control that you have at the [unclear], given these loss ratios continue to trend higher?

Greg Hayes - ***Brambles Limited - CFO***

The control ratio is not a perfect measure, because depending on where we are in the cycle, it - I mean we have some other measures that we use within the business to adjust for growth or for de-stocking to ensure that what we're looking at is the most accurate ratio.

In terms of the impact for this period, what I said was that we had audits and we had audit outcomes, and then we were seeking compensation outcomes against those audit outcomes. In the ordinary course we would have received additional compensations which would have reduced the IPEP expense for that period, but due to the commercial relationships that we had and some of the negotiations we had, those amounts turned out to be lower which meant that we didn't recover as much book value which means the IPEP provision went up for the period.

Anthony Moulder - ***Credit Suisse - Analyst***

Some of which due to the competitive position in the US market?

Tom Gorman - ***Brambles Limited - CEO***

Yeah, look, I think that when you look at pricing and mix, and you take the compensations, I think that it comes together that - we have built a big commitment here around Better Everyday and we're going to work aggressively to hang onto our customer base and to grow our customer base in the US. So whether it's compensations or pricing, quite a bit of this falls into the commercial negotiation arena, and we're working very hard to make sure we have a strong base from which we can grow in the US business.

Anthony Moulder - ***Credit Suisse - Analyst***

Just another question on different geography - CHEP China, qualify the losses that that business continues to make, but Tom are you still confident that it is the growth opportunity that your predecessor identified as far as the five year performance of that business?

Tom Gorman - ***Brambles Limited - CEO***

Oh I do, yeah. I remain pretty bullish on China. I think there's a couple of pieces to share with you here. I mean, the model that we use in China is, you know, it's a CHEP model but with a China flavour I would say, because it's not a highly developed modern distribution market yet. But that doesn't mean that there aren't opportunities to grow profitably there.

We are growing in the FMCG space. We're definitely growing in automotive. We have different pallet offerings. We have different service offerings. It's already quite a sophisticated business and quite a diverse business for us.

Growth will accelerate, you know, exponentially as China moves into a more modern distribution space, but look that could take some number of years. I think the reason that we're bullish on it is because we believe that there's a first mover advantage and we want to take advantage of that, so being up there is very important to us.

And the other thing that we've done is we build our team - in China it is a Chinese team, so we have not in quotes, burdened that organisation with a significant amount of expatriate costs. We're really building our core skills now. We've only been up there a couple of years and the business is growing nicely, and we're building capability in that country that we can use as a strong base to expand from.

So, to me, all the lights are green at the moment. The pace of the growth is really what you're interested in, and obviously that's what we're interested in, but we're going to do it at a managed pace with a mindset of taking advantage of our first mover opportunity.

Russell Shaw - ***Macquarie Research Equities - Analyst***

Russell Shaw from Macquarie. Just two questions guys. First one on - in terms of your premium or Better Everyday product, you've spoken about 94% of all issues being at the US plus standard. What percentage of your - can you give us more colour on your customer base which is now a net premium standard.

Tom Gorman - ***Brambles Limited - CEO***

You know the premium is still relatively low. It's less than 5% in terms of those customers that are looking for US premium. But Russell I would say less important than what the percentage is, is that we're meeting 100% of the requirement. So customers that want it we're able to deliver to, but at the moment it's relatively low. And we'll be learning a lot more about that as the months unfold on Better Everyday.

The first step for us was to get up to 100% of US plus, and that has had a very very strong positive customer response.

Russell Shaw - ***Macquarie Research Equities - Analyst***

Okay. You're still quite confident that that sort of 73/27 split is the right split?

Tom Gorman - ***Brambles Limited - CEO***

Well we haven't changed our view yet, but as I said, as the months unfold here we're going to learn a lot more about customer demand, because when we did this work we were coming off of a - you know, we didn't have a US plus to come off of in terms of a comparative. Now our customers are seeing what we're capable of delivering at US plus, and it's having a positive impact in the marketplace, but we'll continue to focus on that.

Russell Shaw - ***Macquarie Research Equities - Analyst***

Then my second question is just on - going back to pricing - you said pricing in Europe was pretty flat year on year - is that more a function of economic activity or ongoing competition and retaining your customer base?

Tom Gorman - ***Brambles Limited - CEO***

It's really both, but in the European market I think, as many of you would be aware, we have an indexing system in the US and it's really several components. It's a labour cost component. It's a timber component, and it has a petrol or a diesel component, and those are relatively benign. So there has been no pricing. It's primarily driven by the indexing.

As I indicated back at the AGM, across Brambles we've seen pricing to be relatively flat, and we're still seeing that. You know, somewhat down in the US offset by a little bit of pricing in other markets, but generally pricing is slack, and we don't see a changing our view on that any time soon.

Greg Hayes - ***Brambles Limited - CFO***

Tom, there's a question online, in fact on the net, from a private investor - do you consider the Recall business a long-term part of Brambles? An old favourite.

Tom Gorman - ***Brambles Limited - CEO***

It's the only question I haven't had. Look, again we've spent a fair bit of time with Recall in the first 100 days. I think I'm about at my hundredth day anniversary, and obviously Greg's a little bit shorter than that - but we have spent - I have spent personally times in Atlanta with Elton Potts and his leadership team, and look, we like what we see in the Recall business to be blunt. They're making good progress. You could see it in their numbers today. They have a strong pipeline for growth opportunities, and like any business they have both challenges and opportunities, and at the moment we're really stuck into those opportunities with the Recall team. So we don't have anything, change in opinion in terms of Recall being part of Brambles.

Greg Hayes - ***Brambles Limited - CFO***

We'll go to the phones - Cameron McDonald from Deutsche Bank.

Cameron McDonald - ***Deutsche Bank - Analyst***

Yeah thanks guys. Just following up on the pricing mix in the US, assumingly you've - as you have said Tom, you have gone after those contracts reasonably aggressively. How long are those contracts being signed for so that we can expect to see that lower pricing coming through for?

Tom Gorman - ***Brambles Limited - CEO***

Yeah, I wouldn't draw any conclusion on the length of the pricing. I think that the opportunity for the US is going to be around how do we look at pricing opportunities in the future relative to the improvement that we're delivering in overall satisfaction with the customers. So, I don't think Cameron that you'd really want to draw any sort of conclusion in terms of a long-term trend in pricing.

Cameron McDonald - ***Deutsche Bank - Analyst***

Okay, and you've mentioned that the comps sort of get easier, and you've also said that the worst part of the current period was actually the first three months relative to the second three months. Can you give us an idea of what that split was like within the first half?

Tom Gorman - ***Brambles Limited - CEO***

Yeah, I mean, look, it's not our practice Cameron as you know to give sort of quarterly detail, but I think everybody would be aware that because the comp was a pre-GFC to post-GFC for the first three months, I mean it's a very very difficult comp. That's not unique to us. I mean any FMCG player, any business for that matter had the same challenges. And look, things did improve in the second three months of the first half for us, but really we're at a level where we're not seeing significant growth as I said earlier, beyond that now. So we're in sort of a post-GFC environment that we're not seeing strong growth coming out of.

Cameron McDonald *- Deutsche Bank - Analyst*

So effectively you're saying from here on in you're expecting zero percent?

Tom Gorman *- Brambles Limited - CEO*

Yeah, I mean, look, broadly when one looks into the future, you know, the outlook is generally pretty flat, and I think you can see that in terms of most of our markets, and then the clear indication that we have given is with the US - the outlook there is negative 3%.

Cameron McDonald *- Deutsche Bank - Analyst*

Okay. Thanks.

Phil Campbell *- Citigroup - Analyst*

Phil Campbell from Citi. I suppose when you strip out some of the US quality costs and stuff like that, a lot of the cyclicality comes about from the automotive business and also from the SDS business within Recall. I was just wondering if you could help us think about maybe the recovery in both of those components. I suppose the big question is does automotive get back to where it was or does it recover off a lower base but it's obviously down to more normalised levels? So just interested in the timing and the extent of the recovery of both those areas.

Tom Gorman *- Brambles Limited - CEO*

Well let me talk about automotive first and then come back to SDS. But look, on automotive, it's a very difficult one to call because a lot of the automotive volatility in consumer demand that we've seen really over the last 12 months has had to do with so many government incentive programs that were in place. I mean there have been scrappage programs or cash for clunker programs, whatever you'd like to call them. You've seen them around the world. So I don't think you're seeing really clear or consistent underlying consumer demand. What you're seeing is government incentivised demand.

So I do think that that has had an effect on the marketplace. And I think now what we're really seeing is we believe we've found a base and a bottom in the automotive space. It really is a question of how is that automotive demand going to return over time. And that to me is in line with the broader question of where do we see general consumer demand coming. And we don't really see any uptake there and we're surely not seeing it in automotive. Except, having said that, for the emerging markets, particularly in China. If you look at Chinese automotive growth they are now, they passed last year, they are now the largest automotive manufacturer in the world. I think it was 13.8 million units that they produced last year. So they exceed the US, Western Europe, they are the largest producer.

So that growth we continue to see as robust. But I will say that even though automotive is clearly more cyclical at the moment, we still like the automotive business and we like it because it's a good business for us and we think we deliver real value for our customers in that space. And the automotive industry understands outsourcing quite well and they focus on what's core for them. I think we can add a lot of value and we're clearly doing that around the world. Although we are dealing with a down market.

Relative to SDS, I mean look, there are two things there roughly split 50/50. One is the economic activity, so I'll just say that that comes back to the broader discussion of an uptake in economic activity. But the other half has to do with paper prices. And as we did indicate we are seeing some strengthening in paper prices, particularly in the US. Now if that's an early indicator of a return to economic growth then sobeit. But, nevertheless, we are seeing some strengthening in paper prices in the US and that gives us some level of optimism for that business going forward.

Greg Hayes - ***Brambles Limited - CFO***

And just to note there we've included an index on US paper prices just to give you an indication.

Michael Roberts - ***Brambles Limited - Vice President, Investor Relations and Corporate Affairs***

Thank you. Back to the phones. There's another question up here in the room David if you'd take the microphone to Phil. David Rosenbloom on the line from Wallara.

David Rosenbloom - ***Wallara Asset Management - Analyst***

Yeah just a quick one if I could. Just on the Better Everyday, I'm testing my memory here, but I guess you've done $28 million in the first half, $52 million in the second. Is that an acceleration and could you like outline if the quantum has changed in the spend in the timing of it going forward past fiscal term?

Greg Hayes - ***Brambles Limited - CFO***

That's no change. The program was outlined to be $50 million ongoing expenditure. And then an accelerated component of $110 million which was split $30 million in the first year, being our financial year 2010 and then $50 million in 2011, $30 million in 2012. So the total expenditure to 31 December was $28 million. $52 million will take that to $80 million which equates to the $50 million plus the $30 million accelerated. So that's in line with what was disclosed back in October.

David Rosenbloom - ***Wallara Asset Management - Analyst***

Okay so we're calling that $50 million already the ongoing expenditure that's--

Greg Hayes - ***Brambles Limited - CFO***

That's right.

David Rosenbloom - ***Wallara Asset Management - Analyst***

Great, thank you.

Michael Roberts - ***Brambles Limited - Vice President, Investor Relations and Corporate Affairs***

Thanks David. Brendan Wong from Ausbil on the phone line.

Brendan Wong - ***Ausbil - Analyst***

Hi Tom. Can you please talk about what sort of competitive activity you're seeing from the red pallets in Australia and Asia?

Tom Gorman - ***Brambles Limited - CEO***

You're referring to Loscam there?

Brendan Wong - ***Ausbil - Analyst***

Yes.

Tom Gorman - ***Brambles Limited - CEO***

Now look Loscam is a competitor of ours here in Australia. Their market position has been relatively stable over the past number of years. There has not been a big shift in terms of competitive activity or competitive balance I would say in the Australian market. They have a somewhat stronger positioning than us in certain south-east Asian markets, but nothing really to comment on in terms of big shifts in competitive positioning of Loscam vis-a-vis CHEP in the Asia Pacific market.

Brendan Wong - ***Ausbil - Analyst***

And have you got any comments on pricing you're seeing in Australia and Asia?

Tom Gorman - ***Brambles Limited - CEO***

No, none whatsoever really. I mean I think this might be a question that's leading for the other side than for me. But nevertheless, no, nothing to comment on there other than the broader comments that we've made that the bigger issue for us on pricing, as we've identified with the US market.

Brendan Wong - ***Ausbil - Analyst***

Okay, thank you.

Michael Roberts - ***Brambles Limited - Vice President, Investor Relations and Corporate Affairs***

Paul Ryan from Evans and Partners on the phone.

Paul Ryan - ***Evans and Partners - Analyst***

Afternoon gents. Just wondering if you could give us any colour on UK and Spain. I think 18 months ago it was something like 50% of EMEA revenue for CHEP. Are pallet issue volume stabilising there yet? I think Tom a few months ago post the AGM you were at pains to suggest how difficult Spain was. Is that still a headwind for you over the course of this calendar year?

Tom Gorman - ***Brambles Limited - CEO***

Oh well, I mean nothing's really a headache but, look, I think that Spain remains a serious challenge within the European context. And it has serious economic challenges that obviously affect the CHEP business but affect Spain in the long run and impact every other business operating there.

We haven't really seen anything that changes our view. I mean unemployment in Spain is running at a very high level. As I talked about back at the AGM time, Spain was really built on construction and real estate development that has really, that bubble has burst post GFC. And that continues to be a challenging environment for us. But it is a very big footprint for us and it's an important market for us and it's a profitable market for us. We're going to continue to try to grow our business there, both through winning new customers and expanding our base. We're in both the pallet and the RPC business in Spain. So the issue for us just that the organic environment is quite depressed.

The UK is different. I wouldn't put the UK in the same basket as where Spain is. The UK business, we're adding new customers in the UK. We talked about this before, but we're looking at new verticals in the UK. That is our strongest market in Europe. It's one of the places we've been the longest. We have a very strong market position there. But our driver there really is, how do we grow into new verticals and new offerings. And the team is really pushing to a lot of new areas in the UK. So we remain bullish on it.

I'm bullish on Spain. I just think that, in the near term, the economic conditions are going to continue to be quite challenging.

Paul Ryan - ***Evans and Partners - Analyst***

Thanks.

Michael Roberts - ***Brambles Limited - Vice President, Investor Relations and Corporate Affairs***

Thanks Paul. And we're probably in the home stretch. Back to Phil.

Phil Campbell - ***Citigroup - Analyst***

Just given the plant cost ratio's increased a percent in the EMEA geography and there's no disclosure on APAC, can you talk about pallet quality issues outside the US?

Tom Gorman - ***Brambles Limited - CEO***

Yeah, well maybe I'll do that and just comparing it to the US. I mean, to be clear, the US pallet quality issue is really about bringing the US pallet quality up to a higher standard. So it's not about buying different pallets it's just the repair processes bringing it up to a higher standard. And as we articulated, when the Better Everyday program was launched, that is not the issue that we have elsewhere around the CHEP world.

We have a standard that meets customer requirements in all the other markets. So when we deliver to that standard we will satisfy the customer. But I also said at the time that we always make quality investments in all of our operations around the world. And we're doing that in EMEA as I said we would. And what we do there is really to consistently deliver to the standard. The US really has to make a fundamental step change improvement in the standard, which they now have done with US Plus and US Premium. For Europe, it's just about consistently delivering to the standard that already exists. And the focus in EMEA and all the other markets, when you're investing in quality improvement, you work hard to fund it through efficiencies. And those efficiencies come in plant operating efficiencies, they come in your logistics efficiencies and all of your cost factors. And that's where the EMEA team is still focused on.

What we have identified in the first half is that we have invested more in quality, in Europe in particular, to continually meet customer demands. But there's no change in the standard. The team there is very much focused on delivering efficiencies to offset that.

Michael Roberts - ***Brambles Limited - Vice President, Investor Relations and Corporate Affairs***

Okay, sorry Phil, just one--

Phil Campbell - ***Citigroup - Analyst***

Just one more quick one as well. Just on the irrecoverable pallet pool provision expense. So you're guiding that to go back down another $10 million from $110 million to $100 million. What's the driver of the fall back by $10 million?

Greg Hayes - ***Brambles Limited - CFO***

It's the same issue. What's occurred in the first half is symptomatic of the recoveries through compensation. And that has a negative impact on the IPEP expense in the period. Because if we don't get as much in the way of compensation then that net book value of those pallets rolls through the IPEP expense.

Now what we're saying is that we're expecting the compensations to be like some of the other negotiation issues at the moment to be related to the period rather than to be permanent.

Michael Roberts - ***Brambles Limited - Vice President, Investor Relations and Corporate Affairs***

Okay. Are there any more questions from the room? I think that's about it. We can wrap it up there. Thanks very much for your attendance today and we'll speak to you all very soon. Thank you.

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