Start of Transcript

Mike Ihlein: Well good afternoon everyone and welcome to this beautiful city of Madrid where both CHEP Europe and Recoil Europe have significant operations and you'll obviously hear a lot more about both those businesses over the coming days. I think there's no greater place to come and do this in Europe. The Americans probably say the opposite. But I think it's wonderful to actually come to Europe, see something of the culture and the history of the place, but also the fact that the businesses here have been established a very long time as well. And you'll see some of that strength in their business presentations that you'll hear from the team over the next couple of days.

The operations review is exactly that. It's going to be focused on operations. You'll have the opportunity to see and touch, hopefully don't touch too many things, at the actual site visits themselves, including a visit to one of CHEPs customers also this week, over the next couple of days. And most importantly, I think you're going to have time to meet of course, and to spend time with our senior management here. There's quite a few of them here. So you're going to see a lot of both of both CHEP and Recall folks and get to know them and see what their histories are, where they come from, the fact that they've been instrumental in building what I think are two highly successful businesses here in Europe.

What I will be doing though, and just for the benefit of those on the web cast, because I think pretty much everyone in this room is very familiar with Brambles, but I will also touch on a brief overview of Brambles as well, and as you all know you've been provided I think a copy of our trading update that was released this morning and I will touch on the key aspects of that also.

Now that trading update is normally done around this time of the year and it's required by the London Stock Exchange because of the secondary listing that Brambles retains here in Europe. As a consequence of the trading update, the interim management statement that's called by the LSE, that will take the place of the normal June trading update and you will see that effectively it follows a very similar format to what we've done June in previous years. So therefore the next update for us on results, after these next couple of days will be the full year's results presentation in August.

As I said today, the next of couple of days around Recall and CHEP, today is the Recall day. So Liz and I won't take too much of Elton's time. He has assured me he wants to spend as much time as he possibly can presenting all the exciting things that are actually happening in their business, both globally, but with a particular focus on Europe where you'll hear from Trace Norton and in a global sense from Christian Coenen.

Then on Tuesday, Wednesday that's the CHEP day. I think we need Tuesday, Wednesday because Tom's got so many people presenting. I think we need every minute of every one of those days to be able to cover that. Plus the site visits and the customer visit as well.

If I just talk firstly about an overview of Brambles; as you know our objective is to be the leading global provider for supply chain solutions and information management solutions. So both CHEP and Recall. But in fact there's actually quite a lot of similia in terms of the information and the data that we have out of both of those businesses that we are increasingly using in managing our businesses. The fact that we have such high visibility of movements through the supply chain, in the case of CHEP, whether it be here in Europe or in the United States, we're finding that that is providing us with a significant strategic advantage in how we will manage our businesses for the future.

Two businesses as you know, CHEP and Recall, 45 countries, well over 45 now. In Europe here for CHEP we're in 23 countries. So it's a very geographically dispersed business here. And in Recall's case nine countries here in Europe, out of a total of 23 across the globe.

Over 12,000 employees across Brambles; 2700 of those are here in CHEP Europe. So this is a very, very significant part of our total business. And Recall Europe, not quite as many as CHEP, I think Elton's trying to get as many as he can, but 1,100 people here in recall in Europe. Total assets across the group, about $5 billion. Thirty five per cent of those assets are CHEP Europe and five per cent Recall Europe.

So Elton's got a lot of people 1,100 but is running a pretty efficient operation in terms of the level of capital that's deployed here. And both CHEP Europe and Recall Europe will talk a lot about how they're utilising those assets to deliver improved returns for the longer term.

Whether it be CHEP or whether it be Recall, both of these businesses are at the heart of what happens in modern business today. In the case of CHEP, the pallet is still the most common platform for moving goods through the supply chain. Nobody has been able to find a better mouse trap yet. And we'll talk a little about different platforms and how you might get returns out of different platforms, but at the end of the day, the pallet is still the way you move goods through the supply chain.

Even in recession, whether it be in the US or Europe, people are still moving goods and you've seen that in some of our trading update numbers today, that we're still delivering growth in all of our businesses across the world. Why is that, pretty simple; the value proposition around CHEP is still there. The fact that there's been a global slowdown in the economies does not change the overall value proposition.

In the case of Recall, all businesses need to retain and manage documents and information. And the requirements to do that, whether it be driven by legislation or privacy, or just general good business sense, that doesn't change either in a recession. And Elton will show you some pretty interesting numbers about what's happening to a number of core parts of the business in Recall that

I think give me quite a lot of confidence about the future for that business for the long term.

This slide here, slide six, just looks at the Brambles sales revenue by service line. Just going from clockwise around the chart, from the top right down, firstly in the case of pallets, this is mainly FMCG and it's in regions and with customers that have highly developed distribution and retailing infrastructures. We have about 250 million pallets around the world. And if you think about the CHEP business, it's a unique combination of reliable high quality products, and frankly whether it's pallets, or automotive containers or RPCs or IBCs, it is an unusual but high quality combination. Very sophisticated control systems, but all driven around delivering solutions to customers. And that applies in every one of the products that we have on offer.

To service all of that we have a very expensive international network and one of the keys to delivering performance out of pooling, whether it be pallets or containers, is the expensive networks so that you can get these supply chain advantages and synergies. Overall 7,000 people in Recall [E] and CHEP across the world to be able to manage these pools of assets.

In automotive containers that’s used by parts suppliers to ship parts to assembly lines, thereby avoiding doubling handling of parts, we have about 11 million containers and the reason it's very relative to talk about that is that the largest pool of automotive containers we have is actually here in Europe. Now the automotive sector is very weak as most people would know. And we will talk about the impact that that has been having on the group.

But notwithstanding the weakness in the automotive sector, the European business and brambles overall is still delivering growth, even though we’re seeing significant reductions in automotive. But it's a good margin, very strong part of our business and when that sector recovers, we’ll see more growth come out of that as well.

We also have in automotive containers a business in Australia and in South Africa, smaller than in Europe, but still important. And as you know we also have an emerging presence in automotive containers in both China and in India. And I think in terms of exciting growth prospects there's some significant opportunities in both of those markets over the coming years.

In RPCs we have 39 million RPCs around the world. Again, I think Europe is trying to get the prize here, but Europe is also the largest pool of reusable plastic containers out of the Brambles network. But we do also have a significant and indeed growing business in Australia and New Zealand, particularly, in our relationship with Woolworths in Australia and New Zealand.

RPCs, why do people use them; they reduce pallet damage. Particularly mainly used in the fruit and vegetable sector and they also avoid the double handling of produce in that sector and hence, eliminating waste. It is also a significant opportunity, and you see it here in Europe more so than anywhere else, to a lesser extent in Australia, is that it eliminates the use of cardboard packaging.

Many of you would know that we had a small RPC business in the United States many years ago, but the use of cardboard in the US is still quite significant. Here in Europe you've seen a major reduction in the use of cardboard and a significant increase in RPCs over the last few years.

In intermediate bulk containers, that's semi bulk packaging use for transportation of liquid and dry products in the food, the chemical and pharmaceutical industries. And the one that I find particularly interesting is Catalyst and Chemical Containers. We don't talk a lot about the business. I was in Houston the other day where the global headquarters for CCC is and it's a fascinating business. It's high margin, still growing, mainly in the US, big opportunities to expand in Europe and also elsewhere in countries around the globe. And it's predominantly in the petro-refining, gas processing, petrochemical industries around spent catalysts.

And the interesting thing there is you're seeing a lot of volatility in oil prices, but for refineries to keep operating they still need catalyst. And when the catalyst is used, it has to be disposed of. So even though you're seeing volatility in oil prices, both up and down, the business that we have in CCC is still growing. I think it's a significant opportunity for us, albeit a small part of our business.

Of course to the star of the day, Recall; around the storage, retrieval and destruction of physical and digital information across the world. And Elton’s team will talk a lot about that. About 5,000 employees across the globe. S a very significant part of the business.

The leadership team, and there is a few of us here today, obviously Liz Doherty our CFO on my left. We also have in the room, but I'm not sure where you're sitting now, Tom Gorman, the Group President for CHEP Europe, Middle East and Africa. Elton Potts of course, the Group President for Recall. And we have four groups basically, in addition to those two. We also have Asia-Pacific and we have the Americas.

Those four group presidents, together with Liz and I, the head of Human Resources and Strategic Development are what make up our senior executive leadership team. And I think it's very encouraging. Use the time while you're here to get as much time as you can with Tom and Elton, particularly on the operational side of the business to understand what's driving our strategy and what's important to them about the future.

I will actually just go back and make one other point. There's a good mix here of home grown and external talent and since I became the CEO we've tried to get the right balance. There has been a number of changes. This team has now been in place since February of last year and we’re continuing to add to our whole senior leadership team, not just at the ELT level and a recent example of that is the announcement a few days ago, which some of you may have seen, of the appointment of Jim Ritchie to be president of our CHEP US business. Jim Ritchie comes to us previously was the CEO of YRC Logistics and has operated in the US logistics businesses, including 24 years of [unclear] so about 30 years. And he's also been involved extensively in taking the YRC proposition to markets in Asia, Europe and Latin America and Jim is a welcome addition to the senior management team in the US. And Jim will start with us on the 1st of June. But he's already very actively engaged, I know in talking to our folks in the US.

As you know, solid sales and revenue are profit growth. Over a period of year's consistent cash flows, strong operating margins and return on capital invested. There's been some impact on that in this current year. As we invest in pallet quality in the US, and I will talk a little more about that shortly. Just across the various regions, CHEP America is comprising eight countries of which the USA is the largest, makes up more than 70 per cent of revenue in the CHEP Americas.

In Europe, Middle East and Africa, CHEP Europe makes up 23 countries and comprises about 90 per cent of the revenue of the EMEA group and the UK, which a lot of you would be familiar with, makes up about a third of Europe's revenue. In Asia-Pacific, eight countries, so still very geographically diverse, with Australia comprising more than 85 per cent of revenue in the Asia-Pac group.

And Recall as I said, over about 23 countries now, most significant of course USA, Europe, which you'll hear a lot about today, and Australia, are comprising more than 80 per cent of revenue. But don't forget about Asia, Elton will talk a little bit about Asia. You will see some interesting stats on Asia. Small business, profitable, growing both margin and in top line growth. And of course as you know CHEP America and CHEP Europe make up the largest part of Brambles total global profit.

A couple of interesting messages I guess out of our historical group performance. The first message is that over a long period of time we've been able to deliver strong double digit growth in revenue and also in profit. But of course as you all know, we have the prospect of the [unclear] dealing in the global recession this year and that's an impact in first half '09 versus first half '08. And I think one of the key messages you should take away from the presentations in the next couple of days is that the way which we're building the business for the future will position us well to recover as the economies recover. And the thing that you really should pay attention to, is around the extent of new business wins.

I know there's been a lot talked about over new business wins and more importantly around business losses, particularly in the United States in the last few weeks, but I think the interesting message out of here is that we do continue to wind new business across all of our countries across all of our businesses, across all regions around the world. And that's going to be very important as we recover or as the economies recover in the future.

Just a few words on our strategic themes; as I said our objective is to deliver the worlds best supply chain solutions and information management services and the strategic themes that we've concentrated on are the same, whether it be for CHEP or for Recall. It's the same whether it's CHEP America's or CHEP Europe. And those three themes are customer satisfaction and quality, operational excellence and sustainability and growth. I guess growth is a bit harder to come by given what's happening with the global economies, but our new business wins are still underpinning our growth. As I said, I think you'll see some interesting stats, even from Recall, the smaller part of our business that shows that in terms of the core parts of their business we are still seeing quite good levels of growth.

Now all of those three themes are underpinned by focus on systems and people. And the way we bring that together is, and you'll see this reflected in the discussions that Recall and CHEP have is in the strategy house. And I will talk a little more about that.

Firstly around customer satisfaction and quality, and you'll hear, how do we measure this, what rate of progress we're making on this out of both CHEP and recall over the next few days.

In the case of customer satisfaction and quality, we're getting it directly from the customer. I spent all of last week in the United States meeting with a number of major manufacturing, so emitter, and retailer or distributor customers, to hear what they are seeing (1) in their own business in terms of organic growth, what new business initiatives their looking for, what they're expecting out of us and I have to say, it was a very instructive week that I spent in the US last week.

I've done something similar with Tom in Europe and South Africa, about a month ago. So it's certainly been a very busy time. But it's a very common theme for us to make sure that - you'll hear the listening and responding message from Tom, how we listen to our customers and then respond to what they need.

We're also doing annual surveys as you know, something that we commonly refer to as TRIM surveys. And I think TRIM surveys enable us to identify those areas whether it be pallet quality, service levels, pricing, ease of doing business, are we actually up to scratch and where do we need to improve. And they vary across the world. But I think the general recognition from most customers, whether it be in Europe or the US, is that we're making a lot of progress in the right areas. But as is usually the case, they always want more progress at a much faster rate.

In the case of operational excellence and sustainability, it's around successful execution of plans. Six sigma and lean is a common theme right across all of our businesses and they are embedded now in both Recall and in CHEP and you'll hear more about that over the next couple of days.

And rates of continuous improvement are critical to fund and fuel growth. We're doing a lot around overheads, as you know, it's a difficult environment, but we are restructuring to take our overheads down. We’re focused around transportation savings, efficiencies and plant costs. Efficiencies in how we manage activity in document management within Recall. And again, you’ll hear a lot about that from Elton.

In growth, there really is no change from the trajectories that I talked about before and a few common themes around that. In the Americas, and I first talked to the market about these back in August of ’07, in the Americas it's food service, it's beverages, it's new business channels and it's lane expansion. We've had success in all of those. Notwithstanding the recent talk about QTG in the US. We are improving our service offering in beverages in the US and winning some significant new business.

In Europe, Middle East, Africa, it's been predominantly around geographic expansion. I talked back in August 2007 around Poland and Germany, and you’ll hear a lot of specifics today, Laurent Le Mercier who runs the Polish business is here somewhere. And Nigel Branch who is running Germany is here as well. And you hear directly from them tomorrow. Pretty interesting what we've done and there's been a change of management structure, I think to get ourselves closer to the customer, closer to the business and I think it's certainly showing up in results in the European business.

Asia-Pacific, a lot of talk around China and India and we are now starting to see some significant improvement in rates of top line growth in China and India. We’re still not making money there, but we didn’t plan to make money for some three years or so. But big opportunities, notwithstanding the slowdown that we've seen in the Chinese economy, but we’re still winning new business in that market.

Recall has been principally organic, but they're also doing some interesting things around winning new customers in certain segments and you’ll hear from us around what verticals are important to us, how the recession is impacting, what's happening in certain verticals and how we're responding to that as a company.

But the overriding theme is that net new business continues to grow. And you say that in our trading update today. So that's wins, less losses, continue to improve and to underpin and make up for the shortfall in organic growth that we are seeing.

Big focus around sustainability as well, and were doing a lot more in this space, both in Recall and in CHEP and you'll her more from the guys about that over the next few days.

In people, as I said, we have a new structure in Europe, new management structure that Tom we'll talk to or maybe it's Peter Mackie actually. Where's Peter – Peter runs our European business for CHEP and he will be talking about that tomorrow. Jim Ritchie whose now joined us the USA president. We're investing in our senior leadership development programs. I think one of the messages, we're being prudent on what we do on cost, but we're still making sure that we invest in our people. We're improving our bench strength and focusing on succession planning.

And at the end of the day, we need some systems to make all this work and in the case of CHEP, it's the focus around Linguistics, SAP and Siebel and you'll hear a lot from the European team around what are they doing with those systems to improve, what I call the ease of doing business. So if you think about the comments that we get from our customers in our TRIM surveys, in Europe what do they want, they want us to be easier to do business with, and the guys will talk about that tomorrow.

In the case of Recall, PeopleSoft is a core part of that. Recall's also developed over a long period of time their own home grown system and Recall is about to embark on some significant improvements and upgrades to those systems over the next couple of years.

But just to bring us back to reality for a moment, this is a chart showing consumer confidence in Australia, Europe and the USA.

And I think the chart tells the whole story. There's been some volatility in consumer confidence over a long period of time, but I think it's this major drop that we've seen in the last 12 months that's really been a feature of every company doing business globally.

And how have we responded to that: Firstly, the first implication of this is our organic growth rates are down. So on a pure like-for-like basis, whether it be in the US or Europe, our organic business is down three to four per cent or thereabouts, maybe a little more in our core pallet business.

But the way we've responded to that is to continue to focus on winning new business and hence why that's leaving us with year to date revenue growth for our total business. That's across all regions, both in CHEP and in Recall. In the case of Recall, paper is a big issue. Elton will talk about this, I think, do you get the pleasure of talking about paper Elton?

Elton Potts: Yeah, mate.

Mike Ihlein: But think about the underlying fundamentals of the core DMS retention business, so these documents, physical documents stored in cartons, of which we have 83 million now, I think. Trace has got a few of those here in your field to talk to you about. But it's really the core of that business that's still showing, I think, quite solid levels of growth. It's just interesting how different parts of our business are responding to what's happening in the global recession.

I think in terms of economic performance these consumer confidence charts would suggest a few things (1) there's been some slowing in Australia, and of course quite a lot of people here from Australia, but Australia is now technically in a recession. We're still seeing growth in our business, but Australia is slowing.

Europe I think it would appear from the consumer confidence indicis to have some way to go still. I think the US appears to be bumping along the bottom, but not to the point where we've seen, what we colloquially refer to as ‘green shoots’. I think there's a better sense of optimism in equity markets. But in terms of what's happening in the underlying economy, the green shoots are not there yet. But I think what is encouraging in the US is that we haven't seen any further sharp declines.

What does that say about the US: It's probably flattening, but it may still be some months before we start to see some uptick. And the way I think I look at this, and we talked about this at our half year results release, is that all means we’re all – not just Brambles, not just CHEP and Recall, but all companies are operating in, what can only be described as a pretty volatile environment. And I think the thing that is encouraging about our, at least top line results today that we’ve announced, that we’re still delivering some growth.

On the growth front, this is the trading update that we released to comply with the London Stock Exchange requirements this morning, firstly sales revenue for the 10 months to the 2nd of May is up two per cent, that’s in constant currency terms.

Excluding automotive and as you know automotive, whether it's Europe, Australia or indeed now South Africa, is down significantly. And while it's quite a small part of our business, the percentage of decline in that sector does have an impact on the total growth rates. So before that, sales revenue was up three per cent. So think about that in terms of core pallet volumes and predominantly RPC volumes.

Sales revenue in the four months to the 2nd of May was broadly in line with the prior year. But as we said, growth in both CHEP and in Recall, of course Brambles overall, Americas – CHEP America’s up three per cent. These are revenue numbers in constant currency. CHEP EMEA up one per cent, remember that’s with the significant decline in automotive. CHEP Asia-Pacific up two, and again that’s with the significant decline in automotive. Recall, you don’t have an automotive business?

Male: Not that I know of.

Mike Ihlein: Up two per cent. but their automotive issue is the paper price. and we'll talk a little more about that through Elton's presentation. and both EMEA and Asia-Pacific, therefore would have been a little better pre the declines in automotive.

I think what is encouraging as I said are the new business wins. net new business, so this after losses that have impacted the – so wins and losses that have impacted our sales revenue for the 10 months to the 2nd of May, total about $60 million. It's about evenly split the USA and Europe. And at the half year, those numbers were about 20 million in each of the USA and Europe. So they've gone up from 20 to 30. A little lower in the rate of improvement. But a lot of that depends on the time when the new customers come on. But the important thing is that it's up and it's continuing to grow.

We're also making good progress on the issues that we announced at the half year results release. the investment in quality in the United States, the scrapping of seven million excess pallets in the US and the rationalisation of facilities and operations around the world that will result in 750 people coming out of our total workforce over the next 12 months or so.

The review - CHEP USA review, I will talk more about that shortly, that is now planned to be finalised earlier than we previously indicated. We'd indicated a date of December, we now plan to have that finalised by September and I will address that specifically in a separate slide and encouragingly our balance sheet is still in good shape, but the conditions are challenging and they're volatile.

So the actions that we're taking to address those are the ones that I've just outlined. and just a reminder for the analysts covering the stock and also for the buy side, remember that you'll see in our second half results further costs associated with quality, rationalisation of facilities - so basically a reduction of people and facilities, the remaining impact of Wal-Mart in this period and the scrapping of pellets in the second half.

You might remember that depending on which one of those that you looked at, it was a relatively small impact in the first half. So they'll continue through the second half. But in line with the guidance that we gave to the market at the first half. So no change. We're on track with timing and on track with amounts.

Major focus on cash and Liz will talk a little more about this and how do we improve cash. We've historically been a strong cash generator and the challenge that we've had is that we've spent too much capex. That's been predominantly in the United States and we flagged at the half year that we were undertaking a major program to focus on cash, particularly in the US. But there's been a big focus on cash generation right across the world to make sure that our capital expenditure is in line with economic activity.

In the case of the US in terms of reducing some of the new pallet commitments to some of our customers, or reduction of imports, both of which drove a significant increase in capex, we are making very good progress on those. We're not finished yet, but we have made significant progress, both with our customers and also the imports. And as I said, everywhere else, Recall and CHEP were focused on improving our overall cash outcomes over the course of the next 12 to 18 months.

A very topical USA review. in February we announced or I announced that we would be undertaking this review in the US and that review was around the focus on determining what the right mix of service offerings are to be able to meet our customers current and their future needs. So no surprise that we're spending a lot of time talking to our customers about this and making sure that we do understand what they would like to see different, because of how they're managing their business for the long term.

We are in particular addressing quality levels and what is going to be required by our customers going forward. We're going to make sure that we've got an optimised way in which we can deliver that in the most efficient cost effective way. The key here is to make sure that we determine the right customer value proposition and make sure that's sustainable and also look at how we can afford to pay for it, and that's around optimising operations. So we're looking at this from a cost and a revenue and a service offering perspective where there is a lot of activity already underway, both people internally, and interestingly, we're getting a lot of support for the US business from elsewhere in the Brambles system, from CHEP Europe, from CHEP Asia-Pacific, from Recall and also from a firm of external advisors to help us on making sure we deliver the best outcome.

And as I said, engaging with our current and potential customers to find out what are they looking for so that we can use this to grow our business for the future. As I said we did target December, we're now doing that a lot earlier and you should expect to hear from us more about that around the end of September or shortly thereafter or earlier if we can.

Before I close and hand over to Liz it's instructive – these are quotes out of recent newspaper articles and you see all these results that are being announced from a number of customers operating in similar segments that we are. And not to concentrate on the specifics of the detail, but notwithstanding the fact that a lot of companies in the sectors that we're operating in are seeing revenues or volumes on a constant currency basis, down versus prior year. Brambles overall are still delivering revenue growth. And I think that's a great outcome. Would we like more, of course we would, we would always like more revenue growth. But we're making up for the shortfalls in organic growth with new business wins.

And most importantly, we've seen year to date sales growth in all regions, and I think that really demonstrate the underlying resilience and health of the business that we're delivering. And you can talk to Elton about that in any one of his regions in Recall, you can talk to Tom about that here in Europe and why is that happening. I think we're much closer to our customers now than we ever were. it doesn't mean that we're delivering everything customers want today, but I have to tell you, boy are we focused on making sure that we do.

And the fact that we are winning new business to more than offset the – to largely offset the declines in organic revenue, I think that's going to position us very well for when the economies recover. When they recover, I guess is anybodies guess. but when they do, and I think the general consensus is it's sometimes in the relatively near future, you're going to see the organic growth rates go back from being minus three or minus four to a plus one or plus two, plus three or plus four. You can sort of take your own view about how quickly these economies will recover. And the fact that we've been winning a lot of new business in the interim will leave us with a larger revenue base on which to grow this business.

But we're not just relying on the business already won to date, and you'll hear a lot from Tom's group and from Elton's group on what are we doing around making sure that this is profitable growth that we deliver and how do we continue to win new business for the long term.

With that, I'll stop talking and handover to Liz and then Liz and I will have a short break at the end and be back for a Q & A before we let Elton loose on you. Thanks everybody.

Liz Doherty: Good afternoon everyone. Mike's been talking to you about sales and the initiatives we're undertaking in order to underpin the future performance of the business. I'm now going to focus briefly on cash returns and the balance sheet and what we're doing on those fronts.

Brambles continues to generate good operational cash flow. Over the last five years the business has produced more than $3.3 billion of cash primarily driven growths in EBITDA. Improvement in underlying operating margins which have grown from 18 per cent to 23 percent over this period, have been the key factor and other results of growth scales and operational efficiency.

However, when looking at free cash flow, it's clear that there's more than we can do. While it continues to be positive before dividends, it turned slightly negative after dividends in 2008 in contrast with previous years, 2007 was a bit of an exception in that we paid a special dividend that year. We need to reverse the 2008 trend and get back to a position where we generate sufficient cash after dividends to fund our normal growth opportunities.

Apart from EBITDA, the two most significant items are capex and financing costs and tax. Financing costs and tax have remained relatively flat over the last five years, which is a good performance given how much profit has increased over the same period. Capex however has been grown over this time and FY08 grew at a faster rate than EBITDA.

So what are we doing; well as Mike said we are going to be targeting reductions in capex and especially pallet capex. Given it's the biggest opportunity, I will cover it in a bit more detail in the next slide.

However, it's worth mentioning here that we are making some difficult choices, in particular, the trade off between profit and loss and cash. We have for example taken a decision to relocate more pallets in Europe rather than purchase new ones and have accepted, that’s whilst it's positive from a cash outlook, it has actually got a negative impact on profit.

In terms of new opportunities, we are taking an even more cautious approach, not only in what we invest, but also the rate at which we invest. Having said that capex will be a key focus for us, we are of course looking at many other opportunities. And in common with virtually every other company, and yours included I guess, we are cutting back on discretionary costs, either postponing activities until such time as conditions improve or cancelling them altogether. Although the restructuring initiatives that we announced at the half year will actually give rise to a cash outflow in the short term, they will generate savings, cash savings of approximately 40 to $50 million per annum once they're fully implemented.

Networking capital is a relatively small number for us, but nevertheless we continue to manage it carefully. Better days were 46 at March 2009 down from 48 days in December. and bad debts written off to date, have really been very limited, which is a pretty good performance in the circumstances.

With creditors we are striving to find an appropriate balance between Brambles interests and that of our suppliers. Creditor's stays standing at 62 days are pretty much in line with the half year.

We're also looking at non operational areas of which tax is one. The capital repatriation project is an example of good tax management. It solved the business issue and in the process gave rise to a non taxable benefit.

And finally capital management initiatives. Although neither dividend reinvestment plan or the continued suspension of the share buyback can strictly be classified as cash generating, they have avoided cash outflow and in doing so have further mitigated against any refinancing risk.

So looking at capex in a bit more detail, and remember that the figures on this slide are actually book capex and not cash capex which is what you saw in the cash flow. As we said in our 'Understanding CHEP' session in January, even in a zero growth environment, we need to replace approximately eight to 10 per cent of pallets each year as a result of scraps and pallets which are deemed irrecoverable or losses for short. Eight to 10 per cent of the pallet pool is approximately 20 to 25 million pallets which at about $20 a pallet comes to somewhere between 400 and $500 million.

Looking at it another way, maintenance capex is roughly for pallets, is roughly equivalent to one times depreciation, plus the IPEP provision, plus the net book value of the assets written off. There will of course still continue to be some growth capex in pallets, but this will be limited to those markets, the market sectors which are growing, for example in China, in India, Latin America.

And as Mike said earlier, we've also made good headway on dealing with the imports in new pallet commitments in the USA. Though the main benefit of this will be seen in full year 2010. All other thing being equal, full resolution of these issues will result in capex or benefit to capex of approximately seven million pallets or around $140 million, all other things being equal.

Other capex will be adjusted to reflect the economic activity. As you will remember from the half-one results and has Mike has kind of commented, we've already started to make progress on reducing capex primarily due to CHEP Europe, Middle East and Africa. And it would be fair to say that you should expect a further reduction in capex overall in H2.

Brambles has not only increased profits in cash over the last five years but it's also increased returns and delivered more than $1.8 billion of value over and above our pre tax cost of capital. These are trends that we want to see continue which is why we are careful about the sorts of investment we make. For example, investments in other pallet platforms. Which brings me conveniently to the topic of wood versus other material.

This is a topic which has been the subject of much discussion recently. So we thought it would be useful for you to understand how we evaluate alternatives to wood. There isn’t a lot of time today so necessarily it's going to be pretty high level, but it should give you a rough idea.

First of all I should point out that we are actually pretty agnostic as to the pallet material. We are simply looking for the lowest cost supply chain solution which meets all the participants needs. In a one way model of which this is an example, there are six key variables you probably need to consider; capital cost, revenue per issue, number of turns per year, scraps, losses and of course operating costs. You can make your own assumptions about these, but in doing so, you need to ask yourself, with the type of material that the pallet is made from actually have any impact on these assumptions. In many cases, it won't.

So, turning to the example above, this is, and I must make it quite clear, it is really a very simplified model to make it easier to understand. We've not included for example, compensations that you might receive for lost pallets or residual value of scraps or tax. The numbers have been rounded, to make, again the sums easier to understand.

So for the figure that you can see there, they're numbers that you will have seen before. This is kind of broadly reflective of CHEP in aggregate. So capital costs are around $20 per pallet. Revenue per issue, about five. Terms, if you take the US, is probably just over 3.2 so we've rounded it to 3.5. Losses per issue, two per cent. Losses over percentage of issues, two percent and scraps is one percent and then you've got the operating costs.

Now as you can see from that you will actually have a profit margin of about 27 per cent a ROCI of 23 – 23 per cent and payback of about 4.2 years. The ROCI is actually again simplified, it's actually over the gross capital costs. And the payback you take the EBITDA and then you need to deduct from that the current replacement costs of any losses and scraps.

Now if we take a look, for example, at a non wood alternative. So in this case, we've just again put some examples in to show you. So if you take capital costs of $75. You then take revenue per issue at five. Now it's possible with a different type of pallet you might get a higher revenue, but all the evidence today suggests that while customers might like a different type of pallet in certain conditions, they're not prepared to pay for it.

If you're actually in a wide pool equivalent to the USA or for Europe for example, there's no reason to suppose that your turns would be any different. Now there maybe some marginal differences round the fact that if you don't have to repair a pallet then they don't have to come back and be repaired. But in reality we only hold about seven to 10 day stock. And in any event, you will always have to hold some stock in order to meet natural volatility stock in order to actually have stock ahead of things like the Christmas season.

So you will never get away without having any stock at all, you will need some facilities to manage that. We've just taken simplified assumptions in this case. Transport, we've actually put 15 per cent, compared with what we experience about 19 per cent that suggests that you will make some savings if you don't have to bring certain pallets back.

But again, as I said, you will always need to consolidate loads before sending them on to customers. We've assumed that plant costs are about 10 per cent, assuming for example that you don't actually have to repair them, but you will need to inspect them and you will need to store them. Then overheads in this case, 10 per cent. Pick a number. This happens to be just broadly, just slightly equivalent to what we might have in CHEP USA. But in this case, you can now see what whilst you have a profit margin of 21 peer cent, looks pretty good. The ROCI is only five per cent and you'd actually take a payback of 21.4 years. So that would be on something similar to that.

Now, one of the things that you will find actually if you do modelling like this and you can change assumptions yourself, it is incredibly sensitive to the changes in one or more of these assumptions. So let me give you an example. Let's assume that instead of $75 we've actually got a capital cost of $65. We will leave the revenue per issue the same. But now let's assume that for some reason you can actually get six turns per year and not three and a half. Let's assume that your asset recovery is fantastic and you actually halve the rate of losses that we've experienced, and you get one percent. Let’s assume that your scraps are only 0.1 per cent. I've left for convenience sake the operating costs the same. But in this case you can actually see that you have a profit margin of 51 per cent. A ROCI now at 23 per cent and a payback of 4.3 years. So with very little change on those assumptions you can take what looked particularly unattractive in the middle column, the other one and suddenly make it look pretty attractive on other two. so we’re not really trying to say much here other than these are the sort of things that we are actually trying to evaluate and trying to work out how sensitive they are to these very small chances. You can do the math yourself.

So turning now back to the balance sheet. Our balance sheet is in good shape. Our covenant limits are net debt to EBITDA of less than three times and EBITDA interest coverage of more than three times. With ratios of 1.6 times and 10 times respectively, we are well within these limits and our ratios are consistent with a solid investment creed investment rating.

Net debt has remained relatively constant over the period underlining the point that we have been able to fund growth from cash generation. The blips in FY06 and FY07 are the outcome of the disposal program and the cash alternative rather than operational performance.

And whilst gearing in the convention sense looks quite high, the alternative, and in my opinion the slightly more appropriate measure, that is debt over enterprise value shows a much more modest picture. That’s the green line.

We did anticipate a tightening of credit markets although nothing like what’s happened post Lehman’s and began a program of conserving cash and refinancing debt ahead of time as far back as the middle of 2008. We have made good progress to date. $1b of debt, mostly with five year maturities was refinanced by the end of December 2008. The dividend investment plan had a take up of 35 per cent and thereby conserved $63m of cash.

We have also continued to diversity funding sources by raising $110m on the US private placement debt market. The remainder of our refinancing program continues on track. There is no major refinancing due before November 2010 and we maintain significant headroom in terms of cash and undrawn committed credit facilities.

So in summary before I hand over to Elton and his team, and as Mike said, we have growth despite challenging conditions, driven largely by net new business wins, initiatives to underpin the future performance of the business are on track, our balance sheet is in good shape and we have a strong business model. And taking all these together they position us well for when the economy finally recovers.

And as Mike again said, what you will be hearing over the next three or so days with Elton's team and Tom's team is a recurrence of these themes throughout their presentation. Thank you very much.

Michael Ihlein: Before we go to a short break, I just want to take the opportunity to have Q&A basically. We don't want to steal any thunder from Tom and Elton so if there's anything that you want to pass on that's in the presentation I'll defer until they present but anything else is fair game. First question?

Question: (Simon Mitchell, UBS) Simon Mitchell from UBS. Just on those slides, Liz, regarding wood and other platforms, I mean I thought another major part is scale and how large you're assuming the other alternatives are and how they can spread overheads and lower unit variable costs. So that's what you're assuming there?

Liz Doherty: There I've actually assumed that it's a wide pool because you'd never get, I mean the problem with a very small pool is you don't get the transport leverage and you don't get the plank cost efficiency and in fact we've actually altered it a little bit because in an early pool, I mean we benefit a little bit by having an older pool so our net book value depresses our denominator in the return of capital investment and clearly our losses and things like that in terms of P&L are actually, they benefit from having a reasonable level of depreciation.

In a brand new one we've actually adjusted for that in there to make it a bit fairer comparison. In fact, if you started off with the new pallet, your losses and your P&L hit of losses and stuff will actually be a lot higher because you would not have actually depreciated them. So we just kind of modelled it broadly in order to give a wide pool.

The third example of course I gave you were the fixed term. We can't see how in a wide pool you'd ever get fixed term so the honest truth is if you're fiddling with it you'd probably say you'd been a bit too optimistic on your operating costs. But it was just really simple and really only there to show you just how sensitive it is to various moves.

Michael Ihlein: I think just to add to that Simon is that's all it's intended to do because we're going through our own more detailed review of this anyway. But to make sure that everybody understands the extent to which assumptions can drive what the preliminary model might look like.

The ones that are most sensitive here are, well not as much capital cost but certainly damage rates and loss rates are two very important drivers to what this might look like and then terms of course I think the real challenge of alternative pools is that if you are going to have a pool that would compete directly with CHEP you are going to need to be prepared for average turns of the grocery industry. Is that better? Okay, right. I'll never be a singer. Who said that? Next?

Question: (Simon Mitchell, UBS) Just one other if that's alright. I don't want to pre-empt Tom's presentation, but you talked about movements of pallets in Europe. I understand there's obviously usually repatriations from the UK to the continents.

Michael Ihlein: Yep.

Question: (Simon Mitchell, UBS) What's changed that?

Michael Ihlein: There's just been, with the slowdown there's been more relocations from the UK back to continental Europe, that's all. And in looking at what the various tradeoffs are you can minimise those relocations that would cost about five bucks I guess for a relocation, $5?

Liz Doherty: Ten.

Michael Ihlein: Ten.

Liz Doherty: About 10.

Michael Ihlein: Relocation from the UK.

Male: The basic issue for us is we're just balancing flows between markets and I think as you all know we have a different pallet type on the continent than we do in the UK so what we've seen this fiscal year is a shift in that business a little bit so we have been relocating more from the UK to the continent and then they come back fully loaded to the continent.

So we've done that in lieu of buying new pallets on the continent. So as Liz pointed out, the model is working. We're generating a ton of cash and we're trading off extra cap ex to some degree but we'll go through the specific numbers with you tomorrow.

Michael Ihlein: And it is an interesting thing to see the amount of cash that Europe's now generated as a consequence of what's happening in the slowdown. Yes, Anthony?

Question: (Anthony Moulder, Credit Suisse) Anthony Moulder from Credit Suisse. Just on that, the alternative pools question, does that mean that you've ruled that out, it's not a platform as far as the operational view is concerned?

Michael Ihlein: We haven't completed the review yet so we're looking at what our customers want in terms of service offerings. As I said in the review one of the points of focus around that is the service element, the way in which we deliver the pallets to customers and collect them and repair them but also in terms of the pallet platform itself.

That's not trying to send any signal that we will or will not do something alternative. We just felt that it was important to understand the extent to which the sensitivity of financial returns are quite impacted very heavily by a few basic assumptions, frankly whether it's wood or plastic or some other alternative.

So no, we haven't ruled anything in or out but I'm not trying to send a signal that we're about to go spend a ton of money on plastic either.

Question: (Anthony Moulder, Credit Suisse) I guess what it does highlight is that it is a risky proposition to potentially go for plastic?

Michael Ihlein: Yes it is. I think the question to address is that irrespective of what material it is, how do you control losses. I think that's one of the big things. Because if you choose to embark on an alternative material with a particular customer or a particular channel, whether it be in the US or Europe for that matter, how do you make sure that those pallets will come back to the network, whether it's us or someone else frankly, it doesn't really matter, to make sure that they can then get inspected and then reissued and don't disappear into the broader supply chain which makes it much more difficult to recover them.

So I think this is a challenge that any pool operator, whether it's us or anybody else, faces and hence why I think the extent to which you've got a service centre network is going to be very important because frankly if you've only got one, I'll use the extreme example, you've got one service centre or maybe none, how do you recover what those new pallets are from the marketplace to get them back to consolidate them, to reissue them.

If you've got a broader service network you've obviously got more money invested in it but you've got a greater chance of limiting the extent of losses whether that be a wood pallet or some alternative.

Question: (Anthony Moulder, Credit Suisse) And secondly, if I can, the trading update. It looked interesting in the sense that it had I think one per cent constant currency growth but I think negative three per cent on actual revenue growth. Just the volatility that you're experiencing down in South America in that business please?

Michael Ihlein: The Americas growth, what's Americas growth? In terms of the exchange rate volatility, look there is volatility in exchanges obviously, Canada and South America. South America, that's Mexico predominantly?

Question: (Anthony Moulder, Credit Suisse) Yep.

Michael Ihlein: Against the US dollar, Mexican peso against the US dollar, it has been volatile. It's gone from, I forget my peso conversions now, but it's gone from 10 to 13 or something I think from memory in the last six months.

Liz Doherty: That's all it is, that's what changed it. It's just like America and Canada. The dollar strengthened against both of those countries.

Michael Ihlein: So Americas in total was three per cent higher.

Question: (Anthony Moulder, Credit Suisse) It just seemed quite a big move against the Group given how relatively small those divisions were, CHEP in the Americas.

Michael Ihlein: Well they're still significant businesses. I mean Canada and Mexico have got significant total revenues. That's been the case, Mexico's growing, has been growing at double digit rates. Canada not, Canada's lower. But it's been doing that for the last couple of years.

Question: (Kevin O'Connor, Merrill Lynch) Thanks. Kevin O'Connor from Merrill Lynch. Mike you just referred to the improvement in operating or cash flows coming out of Europe. Are you able to give us some numbers or tell us when we will be able to see that showing up in the reported numbers?

Michael Ihlein: No, and August.

Question: (Kevin O'Connor, Merrill Lynch) Okay.

Michael Ihlein: No, one thing I can see is that you've started to see it at the first half already and I can't remember, you guys might remember what the actual cash flow number was, CHEP [EMEA] in the first half was a significant improvement on the previous year. You'll see the remaining good story about, around that time at the full year results, on 24 August.

Question: (Cameron McDonald, Deutsche) Mike, Cameron McDonald from Deutsche. Are you seeing as part of the review any changes in the supply chain demand? I mean your opening comments were that the pallets were still a primary driver of moving goods, but with the proliferation of skews and home branded products in the recessionary environment, are you seeing any impact on the overall demand for pallets actually declining? And also is that flowing through into warehouse design and whether or not you're seeing warehouses being redesigned for lower issues, lower stock out flows?

Michael Ihlein: Not really, the fact that there are, I think in terms of the organic declines that's coming from two things. One firstly the fact that consumers are spending less money, we see that in the consumer confidence numbers. And also they're either trading down to private label, this is a general comment that applies to Europe also, trading down to private label or trading down to lower brands but still within a portfolio.

All of those are still being shipped on pallets. In some cases in the US that's on white but I was in Baltimore a couple of days ago and I went to Baltimore to see the largest grocery facility in the world run by a company called C&S Wholesale and they've got a subsidiary called ES3 and this facility today does about 200,000, it's got about 200,000 pallets in it. We'll eventually have 400,000.

It is huge. It's automated and it's all designed around consolidating pallet demands or requirements from manufacturers and then eventually on to retailers. That's all pallets. It's not slip sheet, it's not roll cages, it's all pallets. I think retailers are doing more work, depending on where you are in the world, around things like roll cages but that doesn't change the requirement for the emitter to have a pallet to be able to produce the product and get it shipped to the retailer warehouse.

Liz Doherty: And the other thing I think that you asked is whether or not destocking actually affected [inaudible] you will tend to find that I think the stock you're not issuing, but once you get back down to minimal levels you just continue to ship, all things being equal you ship exactly the same number of pallets, they just go, they do need to replenish. So that wouldn't make a difference. It's only a temporary issue of destocking.

Question: (Russell Shaw, Macquarie) Thanks. Just a quick one. Russell Shaw from Macquarie. Mike, can you give us some commentary on the run rate for net new business wins? I mean from what I can remember in the first half it was 20 million in the US and Europe so it looks like it's slowed slightly.

Michael Ihlein: Yeah as I said in my remarks I think it was a little bit slower. You're right, it's about 20 million we announced in the half year results. So 20 goes to 30. You'd say well why isn't that 20, why isn't the increment 40 and not 30? It is a little bit slower but a lot of that does depend on the phasing of once you win a customer and then they start to deliver the product. That varies from customer to customer.

We haven't seen any dramatic change but it is in mathematical terms, yeah, it's a little bit slower but not significantly. But you got the numbers right. One last question?

Question: (Phil Campbell) Hi Mike, it's Phil Campbell ...

Michael Ihlein: You're not quick enough Anthony.

Question: (Phil Campbell) Sorry. Just some feedback probably from some of your, you know the trip you've done to Europe and the US meeting the customers. It just seems to me as though the demand for high quality pallets is increasing. It seems to be driven by partly this automation of warehousing and stuff like that so I was just wondering if you could give us a bit of a feel for the rate of change on that because again some of the anecdotal feedback seems to be that maybe that's going to put some pressure on the plant costs in terms of the repair and maintenance costs in terms of getting to the tolerances that may be required by those automated warehouses.

Michael Ihlein: Look, the European team can comment on what's happening in Europe tomorrow. It is an interesting question. I don't think there's been any fundamental change. Is there automation in all of the markets we operate in? Absolutely. Do certain automated facilities have higher requirements for pallet quality specs? Yes, and some of them are dealing with them in different ways.

Some of them use slow [boards], some of them don't. Some of them adjust the tolerances on the high bay warehouses. Some of them, this one that I saw in Baltimore does a lot of pallet testing and deflection tests before the pallet actually gets into the warehouse to make sure that the pallet will be absolutely of the standard it needs.

So look it depends customer by customer. There's been no dramatic change but it's something that we have to be attuned to. In the case of the US it's slightly different. We made a conscious decision as you know starting February last year to invest now 160 million over a two year period improving overall pallet quality. That's a conscious decision to step up the quality of that pool.

That is in response to higher automation needs of customers but I think we've had some catch up to do to deal with that. But no major change I don't think. We'll have to keep a close eye on it obviously. If it's a very quick question, Anthony, you can ask one very quick one. Yeah, we'll catch up.

Michael Ihlein: Yeah, we'll catch up.

Question: (Anthony Moulder, Credit Suisse) Just about Lean Logistics, how that's going and what's the roll out plan of that? Obviously the latest hire into the US business coming out of [Rider], heavily logistics focus, where is Lean and where does it go to from here?

Michael Ihlein: Lean is continuing to see significant increases in revenue from, since we bought that business. It has a significant additional offering called trade optimisation service which it is selling to a number of manufacturing customers to optimise transportation movements across manufacturing customers and it's getting some good traction on that. You'll see in the full year results, we'll talk a little bit about what's happening in the revenue but up significantly.

Not making a lot of money yet. I mean it wasn't very, it was a small business at the profit line when we acquired it but revenue's up substantially and we can talk offline, answer questions with anybody about where we're going with that.

And if we don't stop now I'm going to be in big trouble. How long have we got a break for? Ten minutes. And through the next couple of days, don't worry that I haven't answered your questions now. Lots of opportunities, we've got drinks tonight, we've got dinner tomorrow and that sort of thing and we've available. We'll be back after the break with Elton and the Recall team.

Elton Potts: Good afternoon everyone. I'll just turn this down a little bit. I scared myself. Good afternoon. My name is Elton Potts. Down a little bit more please. And I have the distinct honour of running the Recall business for Brambles globally and we're going to start with a question. Do you know what this is? This is, it is cap ex well put to use is what this is, okay?

This is our information centre in Hamburg, Germany which is a mega centre and it is by our standards probably how we automate it, we have just a few of these around the world and Trace will tell you about another one that we'll be rolling out in the next couple of months in London as well.

We will not get to see a facility quite this sophisticated today, but what we'll see today is a facility with very solid returns. I think you'll enjoy it.

So in addition to myself giving you a bit of an overview about Recall, Trace Norton who is the president of Recall Europe will come up and spent a bit of time talking to you about that business and also going through our initiative in business excellence in some detail.

And then after him Christian Coenen will come up and he will speak about profitable growth and he will do so not just from a European standpoint but from a global standpoint for Recall as well and then I'll come back at the end with a couple of summary slides and all three of us will be available then for a Q&A session.

I think Brambles is quite well known for the CHEP business and I'm sure that you understand what CHEP does. Let me take just a minute though and tell you about Recall and about what we do, and I've put this into an example that you may have experienced in your life.

Let's say that you want to buy a house or a car. Now to do that some people could just pay cash, others will go to some sort of financial institution and ask to borrow money. Now if you've ever done that, it's quite an involved process. You will share with the financial institution your banking account information and account numbers, you'll share your retirement plans and the amount of money that you have put away there and what the account numbers are, your credit card numbers.

You'll share all the information that makes up your identity and you're doing this so that they will loan you money. Okay? Now it's really important to you that that financial institution does not mismanage your identity otherwise you're susceptible to identity theft.

So what those financial institutions will do is they will accumulate and build this file on you up to a point where they make a decision are you credit worthy, is the collateral sufficient, etc, and then they will choose to loan you the money.

At that point, as long as you're paying your monthly payment, they don't need that file of information about you. They have to keep it and they have to keep it secure to protect them and to protect you. But they don't look at that on a regular basis. They'll keep some pieces digitally and we'll help them with that but that hard copy file, they'll hand off to us and say please keep this very secure but keep it in a place where if we need it we can have it back very quickly.

Now as you well know many financial institutions have very nice offices that cost a lot from a real estate standpoint so one of the benefits that we bring to them in addition to being able to efficiently manage their information, which in this case is your information, we also can reduce their cost by outsourcing to us.

The other wonderful thing that we can do for them is when we file things, we know where to find them later. Not everyone considers filing and retrieving their core confidences. Okay? We do. This allows those financial institutions to focus in on what they do best.

Now over the life of your loan with them they probably won't pull your information hardly at all. If they sell the loan they'll pull your information, if you don't pay they will pull your information, trust me. When you have settled the loan, paid it in full, they'll pull your information one more time.

Now during this time we will have kept it for them digitally, physically and supported them with their disaster recovery and tape backup plans as well. At the point that you've paid off that loan, your identity becomes a liability to them. They no longer have it to produce revenue. It's simply a liability.

So in that case they ask us to securely destroy your information so that no one else can ever access it. And that in a nutshell is what

Recall does. Now we do this through three service lines. Recall Document Management Solutions. Now you'll hear us today talk about DMS, we're terrible with acronyms, I will apologise in advance for my cohorts and myself. When we say DMS we're talking about the digital and the physical management of documents, of information. We also will talk about Secure Destruction Services which we will call SDS and this is purely destroying either paper documents, electronic media or other things that we get involved in destroying as well. There's some fun stories along those lines.

And then finally the Data Protection line which we call DPS and this is disaster recovery business continuity type programs to help with tape backups and that sort of thing, to keep tapes of your extensive information system at a secure, very secure, third party site.

Now one other thing is you will not hear the Recall team talk very much about specific customer names. There's probably less than five customers that we will name who they are out of all the customers we have. And the reason is we're in the security business. We keep their information secure, including who they are. The only time we mention their name is if they have approved that we use their name in talking with you or anyone else.

So when you hear the CHEP team tomorrow talk about wins and customers and partners, they're going to tell you who those people are and be quite proud of them. We're very proud of ours, we just can't tell you who they are. And I can tell you that some of you are customers and we appreciate the business.

So Recall operates as a global business and we do this across five continents in 23 countries and we have roughly 300 dedicated facilities and about 4,500 team members around the world. Our revenue sources are quite diversified. Our largest business is what we call DMS, Document Management Solutions, but we also have nice sized businesses in data protection and secure destruction.

One of the nice things about our business is how it is spread around the globe. And as you look at this, the Americas makes up about 45 per cent of the revenue, within Europe and ANZ are roughly 25 per cent each, and Mike mentioned Asia. It shows here at three per cent. But it's a very quickly growing and a very important three per cent. It's very strategic for us, and in addition to that, we are profitable in every single country we are in in Asia, except one, and that's China.

We just got our wholly owned foreign enterprise licence approved, and we've opened up a facility in Shanghai. I was there about four weeks ago, and we just signed our first customer, so we're not profitable yet, but we're working on it. A great opportunity for growth, and we look forward to what we can do with that business.

I want to spend a minute on how Recall makes money. Because I think you've taken some good studies into the CHEP business and analysed it, but let's talk about how Recall makes money. Our business broadly falls into two categories. They're roughly about 50 per cent of our business each. Those are annuity businesses and transactional businesses.

So what do I call an annuity business? The physical storage of documents, the actual storage on a shelf, that's an annuity business. The customer gives us their information, we put it on a shelf, and it stays there for a long period of time until they need it back. The same thing with digital storage, and the storage of tape backups. Those are annuities. They also come at pretty nice margins.

The other half of our business is what we call transactional business. These are the activity sides. So the activity of picking up from a customer, a carton of information or a tape, bringing it back to our facility, putting it away, later retrieving it, those are activities. That's transactional, and that's all based upon the customer's level of activity and the things that they need.

The same thing with digital, it's the first scanning of an item, the plucking of data fields off it for their use. Things like that are activity based, based upon their level of needs.

Our secure destruction business which is the destruction of cartons of information or picking up shredding bins out of their offices is also a transactional business.

These businesses tend not to be as good for us margin wise, and are much more volatile in an economy like this.

We have been impacted by the global economic crisis. There's no doubt about that. But let's start with the customer. The financial institutions which do make up a portion of our customer set, they have fewer transactions going on. They're not loaning as much money as they used to be. So they're processing fewer loans.

At the same time as governments are getting involved in the banking institutions, they're increasing regulatory oversights. So they want to know more about what's going on. We hear about stress tests and things like that. Many organisations globally, in this economic downturn have had a staff reduction. They've made people redundant, to adjust their cost structure. They didn't spend a lot of time taking out the work, but they did adjust the workforce. That's an area where we come in to help them, and I'll talk about that in just a minute.

They also have been a bit slower to decide to launch a new project. So they move through the analysis, the negotiation, but they're a little slower to pull the trigger, because they're not sure what the economy's going to do.

And finally they are much more cost focussed in their decision making, just like we all are.

Now what does that mean for Recall? The retention, the annuity side of our business has stayed very strong, and I'll show you that in just a minute. The activity side has tailed off a little bit based upon what our customers are doing. We have seen more discussions and more opportunities for us. We talk to our customers about workflow and how we can help them in taking some of those staff reductions without work reductions, and make them more efficient, so they can focus on their core competencies.

Other things we've seen, and Mike talked about this. When we shred documents, we take that recycled paper, compress it into a bale – a bale weighs roughly a ton each, and we take this, and we sell it to a paper broker or recycler. And it becomes products that you and I use every day. As the demand for those products have gone down, the demand for recycled paper has come down, and the price of that commodity has been cut in half.

Finally just like every other company, we focus quite a bit on cost reduction during this time as well, to make sure that we are absolutely as efficient as we can be.

This is for Europe, what we get for a ton of paper. It changed. And we started to see changes in September/October timeframe in terms of noise in the marketplace. But I'll tell you, when you have a business that's focussed on the long term, and we are a long term business. We make a decision on a facility, it tends to be a 20 plus year decision. And when we pick up a customer, we tend to have those customers for a long time.

In our business, that is sudden. It's a bit of a challenge to overnight change your cost structure to match this. So this is one of the economic impacts that we're dealing with.

What are we doing about it? Well we've had a reduction in our workforce of roughly five per cent since June. Like Liz said, we've also cut back on discretionary spending, and done quite a bit that way in terms of what was nice to have and not necessary, what can be delayed, how can we do things more efficiently going forward.

The other thing that we've done is we relooked at our plans for capital investments this year, and found a way to take out about $15 million of that, and not spend the cash right now. Now luckily we started about 18 months ago in really beefing up how we look at capacity utilisation and capacity planning. So we were in a good position to go do this.

Through the efforts we've done from a capacity planning standpoint, we're able to make those decisions with a bit more planning, a bit more foresight, to know what's coming down the line.

So we have done quite a bit of work to take costs out of our business, mainly to offset the reduction on the activity side, and clearly the reduction we've seen in paper revenues.

Let's talk about service line growth for a second. Now on the right hand side of this chart, you'll see our FY08 revenue and our constant currency growth year on year of seven per cent. And you'll see it broken out by service line.

On this side, these are actual dollars posted for the first half of FY09, and the constant currency. If you look at it, take a look at what changed. Document management solutions grew, and grew faster, both physical and digital. Data protection grew faster. Secure destruction, a transactional business with a change in paper price, declined.

In the management update that was published earlier today, we said Recall is growing two per cent for the first 10 months, constant currency. This is for the first six months. So what's happened? Well that graph I showed you of paper price, it fell off after December. So we've seen more pressure in what we call paper revenue.

The other segments of our business remain strong. We are seeing companies still focussed on the level of activity they have, with the annuities piece of our business remaining very strong, and we're very happy about that.

I'll spend a minute on overall snapshot of Recall. It's a strong business, a profitable business. It's stable. Diversity in terms of the revenue streams and where we get it from allows us to maintain and grow even in times like this. Not nearly as easy, but we do it. And we remain relatively resilient to the economy. And we produce positive cash flow. A cash flow that is broadly in line, so our cash flow from operations is broadly in line with our management operation profit. So we're able to fund our growth and our needs.

We also take a very disciplined approach to how we manage the business, and we manage it globally. We want Recall to be the same, to look and feel the same to a customer, no matter where in the world you are, whether it's in Spain or China or anywhere in between.

Our workforce is focussed on, and our culture is one of security and efficiency, which are the two main values we deliver to our customers. It is a long term business, and we're focussed on profitable growth over the long term.

Now Mike showed you the strategy house a few minutes ago. Now I will tell you that the Recall strategy house, we moved a couple of bedrooms around. The house is all still there, and it's all core and fundamental. We're built on sustainability. Financial strength and environmental sustainability. We have operating systems that are very good in our industry, and do wonderful things for our customers to allow them to manage their information. But as Mike said, we're going to work on making those even better. And it all is about the people that we have and the experienced team.

Now we look at the three pillars of our strategic plan as follows. Business excellence. There is one best way to do everything that we do in Recall, and our goal is determine the one best way. Use six sigma and LEAN and other tools like that to help us, as well as best practice sharing and our belief in continuous improvement, and put the best way in place around the globe. This drives efficiency for the customer, it drives efficiency for us, but it drives safety and security for us, our people, and our customers as well.

The second pillar is profitable growth. It is a huge unvended market, and I'll talk about it more in a minute, that we have to go access. So the chance profitably is outstanding. Chris John will take quite a bit of time to talk through profitable growth and how we approach it.

And finally, expand the offering. Add more innovative solutions and add more services in our menu for our customers.

We believe if we do these things and do them well, we'll continue profitable growth, and we'll continue to deliver long term stakeholder value.

Now we operate in a very attractive market space. We estimate that the total market exceeds US$12 billion. Roughly two thirds of that is not serviced by any supplier. So if it's $12 billion or $13 billion or $20 billion, it's a big number. It's a big opportunity. The key thing here is to go after the unvended portion of the market, and educate them on the value that we bring, and help them to focus on their core competencies.

The trends, and you'll hear more about the trends in a bit, are in our favour. They're moving to where more people are interested in outsourcing to companies like Recall. We're well positioned for growth. We're first or second in 90 per cent of the markets that we do business in. Our customers value the service we provide to them, and you'll hear more about these things as well. We have significant cross selling opportunity.

Now at the bottom here, you'll notice that this very simple graph, and they keep it that way so that I understand it, is broken into two categories. The focus on business excellence which was one of the three strategic pillars, and the focus on profitable growth. Another one of them. This graph is over time, from our fiscal 07 out to fiscal 13. In 07 and in 08, much more of our focus was on business excellence. But as we progress in those ways, we'll spend more and more of our time on profitable growth, so that we can grow, and grow faster, and do it with very nice return.

Business excellence doesn't ever go away, but as you become more solid at it, it allows you to focus on other things.

With that, Trace come up and talk to us about Europe.

Trace Norton: Thank you Elton. Good afternoon to you everybody, and on behalf of Recall US, I'd like to extend my welcome to all of you here in Spain, and also to thank you for your time.

I'm in quite a privileged situation in many respects. I've been with the group for nearly 11 years now. I spent almost 10 years with the CHEP organisation, principally in Europe, and I know that over the next couple of days you're going to hear a lot about a very exciting business which is CHEP.

But I'm also aware that many of you know a little bit less about Recall, and I'm going to spend the next 20 or 25 minutes or so giving you some more detail about our business here in Europe, and also to take the opportunity to share with you, some of the specific initiatives we're running in terms of business excellence around the world, and some examples of those initiatives from here in Europe.

I have to say that probably 20, 25 minutes is not going to give me enough time, but I do hope during the course of this afternoon when we take you on a facility tour of our unit at [Rubata Hara], during the cocktail session later on today, that if you've got more questions, please take the opportunity to talk to me, and I'll be certainly looking forward to that opportunity.

So what do I want to tell you about? Well this is the Recall European Business today. We operate in nine countries, and our business today is pretty much run organisationally on a profit and loss responsibility and accountability basis, held down within the local market. And that's because we believe that being closer to our markets, being closer to our customers, and therefore being able to take the appropriate decisions with our customers, is really important at the local level.

We service about 21,000 customers across Europe. We have around 1,100 or so team members that provide those services to our customers, and we have 59 dedicated facilities. And as Elton mentioned a little earlier on, we're constantly looking to upgrade our facilities time after time in many ways, and I'm going to share with you some of the rationale behind that in a moment. And certainly the one you're going to see this afternoon is a very, very well run and efficient unit and I look forward to taking you around that facility later on.

One of the key takeaways from this slide, Elton mentioned about the opportunity we have here in Europe and globally. In fact globally it was around about $12 billion give or take, and certainly there's a huge proportion of that here in Europe. But the key thing is, that was purely for the DMS physical business. And we're going to get on to talk about our Digital and DPS and SPS business in a moment. That's purely in the physical business. And there's a large proportion of that available to us here in Europe. You can see that geographically, there are still areas of Europe that we haven't even got close to. Big opportunities for us.

I will also talk in a moment about where we've got existing opportunity within current boundaries as well, and again I just want to make sure that the message that we give over the course of today, and during the tour later on, really emphasises the fact that whilst we're doing some great things, and I'll show you some of that in Europe in a moment, there's still fantastic opportunity for us for the future.

So in terms of the competitive landscape that we operate in today here in Europe, this again is concentrating on the physical market. It's our estimated market position in each of our territories, and it's based upon surveys that we run internally, local market knowledge, and by and large, it's an analysis that we feel pretty comfortable with.

What we try to do in terms of our focus is how do we leverage those markets where today we are seen as being the leader, and we actually leverage those strengths to grow our business. And in terms of where we're not the leader today, how do we improve upon that position in everything we do?

The key take away from this is, we do focus on the unvended markets. Why? Well the best opportunities for us in terms of generating the returns we think are appropriate for our business, lie in the unvended markets where customers are yet to decide that outsourcing is the right thing for them.

Now it doesn't mean that we don't concentrate on customers and opportunities with businesses who are already outsourced to other organisations, and indeed we've got some fantastic examples, particularly in the UK where very recently we've won some major pieces of business against our competition.

But our primary focus is in the unvended market. We believe that by making sure that our customers get the tailored, designed needs that meet their requirements, that we execute flawlessly, and that's where the business excellence pieces comes in, that we will be able to generate and continue to generate the strong cash returns and financial returns that we get today.

So what do we have? Here in Europe today on the left hand side, our revenues are generated roughly 29 per cent in France and 19 per cent in the UK, 10 here in Spain, and the rest, 42 per cent around the other six countries.

The chart on the right hand side is slightly different from the global perspective that Elton shared with you in so far as our DMSP proportion is around 73 per cent. If you recall it was about 66 per cent or so for the global business.

It does further illustrate that even here in Europe, we have a diverse service offering where we provide all four service lines to our customers.

Let's talk about the physical piece first of all, and this is pretty important. It provides a foundation for our business. Why? Well Elton if you recall mentioned the Annuity piece, that versus the transactional piece, and that the annuity element of our business is more long term. Once we have cartons on the shelf, by and large that business stays for a very long time. And it's predominantly resistant to volatility within the economy.

Our business here today in Europe has about 50 per cent of its revenues generated through annuity parts of our physical business. That gives us some robustness in terms of flexing our business to meet the volatile nature of the economy today.

But we've still got a compound annual growth of 15 per cent. It's still a good growth performance for the business.

But the other key point here about our physical business is, for years, even before I joined this business, people talked about the paperless office. Ten years ago there was a guarantee that within 10 years, the paperless office would be here. Elton's already mentioned that $12 billion globally, and a large slug of that's here in Europe available to us.

Our growth rates are still demonstrating that the physical storage of information is still a requirement of our customers. You noticed previously that we've still got opportunities in other territories in Europe that we're not in today.

Physical provides a great foundation for this business, but it's still got a significant growth opportunity for it too.

Let's talk about digital. Five, six years ago, I think certainly from my understanding, and certainly from a lot of other people that I talk to, the digital side of the business was really about scanning. Scanned invoices, it was easier to save on a hard drive than it was to put in a carton. And certainly there's a big proportion of digital business that is fundamentally scanning material. But there are huge varied, many different solutions that you can bring to the customer through a digitised format.

I want to share with you some examples of what we do here in Europe today that brings value for our customers. We have a European car rental company that we have a contract with today. We scan every one of the rental agreements that you take when you take out a hire car. All those digitised images are stored on a hosted server at Recall.

Our customer can go online to Recall's review system and access every single one of those images. In order to be able to make a change for you as a client, to be able to cancel the agreement, to be able to extend it, and they can do that in four seconds. That customer tells us that that four second timeline gives them value and competitive edge against other players in the car rental industry. Real value to the customer in what we've done.

We operate a service for a national rail company whose basic terms and conditions provides for any unused tickets to be refunded. That customer today uses all returned tickets to a post box that actually comes to Recall. We scan those tickets, and after we scan them, we run the data from those scanned images through the customer's local database. We cross check the ticket references. The reason we do that is we check whether the ticket was ever issued in the first place, we check whether it has been used, and we check whether anyone has already had a refund for their ticket. And providing the answers are okay for the customer, tick it's okay to pay the refund.

That saves that client hundreds of thousands of dollars every year in what was previously a high level of fraudulent claims tickets. Again, digitised solutions, we're providing value for the customer.

A final one, a national government taxation authority. We receive every formalised tax return and submission, be it keyed in online or whether it be handwritten. We scan those images and validate for completeness, accuracy and reliability, and the information individuals are giving to their government. We scan those and validate them to 99.99 per cent accuracy. That government trusts Recall to validate the information on their taxation returns. Real value for them.

Just three examples digitised solutions that Recall does, and it's not just a scanning business. There are many, many more applications of digitised solutions. Chris John's going to touch upon a few both in his next presentation, and also when we talk about integrated solutions at the visit at [Rubata Hara].

Please take the opportunity just to investigate that a little bit more. It's a little bit more than people used to say, it's just a scanning facility. It's not.

Nineteen per cent growth. It's one of our high growth vehicles, and with advocacy like governmental institutions, national rail institutions, big value customers, we believe there's a lot of runway for digital solutions.

Data Protection Services or DPS. This is a very small proportion of our business today. It's 29 per cent compound growth over the period, most of it's been in the last two years or so. It's a small proportion of our business today. But we have proven in one country, it's the UK, that with a focus go to market model that the UK have developed, that we can grow this business fast.

This picture on the left hand side here incidentally is of our UK facility. It's in the centre of London, literally in the centre of London, but it's a long way down. It's in a series of tunnels that were used by Eisenhower during the Second World War, as his European operational centre. Trust me, it's secure. Very secure. Once you're down there, it's very difficult to find your way back.

But it's something that our customers value. They value it very highly. Again this is another thing where some years ago, many businesses were saying we don't need tape backup. It's not necessary anymore. We have e-vaulting, we have other sorts of data storage systems that say tapes aren't necessary. We talk to CIOs every day, all around the world. Big companies, and they say this is not going away. I'll tell you why, they say look, our systems are fantastic. We designed them. We love them. But I still want the comfort from a business crisis planning perspective, a crisis planning perspective, I want to be able to go and touch a tape, so that I can reboot all that information.

These things are here to stay.

So our task, our focus right now is replicating the success of the UK business over all our territories, and we've got a specific initiative right now that's driving that across all the other countries in our portfolio here in Europe. Another big growth opportunity.

I want to talk about France specifically just for a moment, for a very good reason. Now France, 13 per cent compound annual growth over the last four or five years. Even today, tough times, real tough times, but even today France will deliver around about 10 per cent new organic physical growth this year. On days like today, 10 per cent. It's a fantastic growth business.

On the right hand side you'll see photographs of something we call active file management. It's a little bit different to just the cartons, and again in [Rubata Hara] later on, you'll see another example of what active file management is, and the value that brings to a customer. Please take your time and opportunity to ask one of our team members why this does bring value to clients.

France is a big exponent. It's got the full range of services with a big exponent of active farm management. Why do I put this on? Well, France today operates across the whole of the country for Recall. Roubaix in the north through Paris, Strasburg to the east down into Toulouse and Marseille. It's got full geographic coverage.

Fourteen cities in total with 24 facilities around the country. You remember the graph I showed you which said we've got opportunities to expand into other countries. France is the one country today where we've got full geographic coverage within its boundary. The other eight countries we're still developing.

But what it tells us is that replicating that same model that we have in France today to other countries means that we've got gross opportunity within our existing countries, not only in expansion. Okay. I'm going to switch gears for a moment and talk about business excellence.

Elton mentioned is one of the three strategic pillars of the Recall strategy and you remember the other two were profitable growth and expanding our offering. I want to talk about business excellence and these are things that apply for Recall across the globe but I'm going to draw on some examples from Europe just to give you some illustration of what we're doing within these areas.

The first one is customer satisfaction. Any business leader will tell you that high levels of customer satisfaction are crucial to the tension growing business that you've got today and providing the foundation for further growth with new clients. In our annual surveys, using the external independent service provider to take those surveys, they provided us data in our latest survey that said Recall globally and Europe that Recall in total is within the top third of all business to business service organisations that they surveyed, over 450,000 organisations, the top third.

Here's an example. In the European survey, 82 per cent of all respondents, they said using Recall gives them a competitive advantage in their business. They told us that. They said 87 per cent of them said we will recommend Recall to other users. You imagine the power of customer testimony when they tell you how good you are.

Where does that come from? There's a lot of things that we do in terms of customer satisfaction. I'll just give you one example. We have an internal KPI internal measurement system called Perfect Order. It measures every single work order we receive by every customer by every facility.

We measure it for quality, timeliness, reliability every single day. We not only do that for ourselves, we share that data with our clients. We tell them what their Perfect Order score is. The reason we tell them is because we believe it demonstrates our professionalism, our transparency.

But it also means that we engage them in the process of demonstrating that we're trying to get better. Now, our scores happen to be pretty good and at [Rubata Hara] this afternoon you'll see some good pretty scores for that facility and you'll get some more explanation about how we actually measure Perfect Order.

But our clients that it's one of the indications of professionalism, service quality that they value when working with this organisation. Second, in terms of business excellence, security, security of our customers information and other vital aspects lies at the very core of our value proposition. It's the one thing we just have to get right.

Our customers tell us that we get this right more than most. We believe we set the bar in the industry for security, whether that's from brand new facilities where we ensure we have biometric access controls, either retinal or fingerprints, all the way down to navigational systems to track our vehicles. We believe it's critical.

Our focus quarterly on security is huge. We have a measurement system where we collect data where we've not done such a good job on security. We do something called security breach or security incident reporting. What it means is that whenever there is a possibility a customer's information has gone outside of our control, whether that's the case or not, we record it.

We record it so that we can do a full failure analysis on it and rectify it. Those reports from whatever facility has to go to me within one day. I have to know about them. I have to tell Elton about them within one day and at our global leadership meetings we go through what have been the breaches and incidents, that we make sure we've constantly got the focus on rectifying potential errors.

It's critical to us that cultural focus, both in terms of physical security and data and electronic security, and Christian will share with you some things around confidentiality and privacy in a moment. They light the core of our value proposition and that's why we take it so seriously and that's why we continue to drive improvement.

Both Mike and Elton mentioned Six Sigma. We drive this real hard, whether it's from improving cash collection processes to improving productivity facilities. We drive it real hard. We've got a great example of the power of Six Sigma within our organisation. It actually refers to the DPS facility I showed you underground in the UK.

I made a visit there some six months or so ago. It's a great facility. It appears to be well run. The manager of that facility told me she runs the perfect facility. It cannot be improved. I have to say to me it looked pretty good but we challenged her and said: look, instead of just telling us why don't you get yourself trained in Six Sigma and demonstrate through data that you've got the best facility in the whole of Europe.

She took the challenge on. She delivered a 40 per cent improvement in productivity in that facility within eight weeks. That lady today demanding I want more projects and I will go to any facility 'cause I want to show everyone else how good this can be. People like that are littered throughout our organisation around the world and we share our successes around the world to make sure we can translate improvements.

Just one example about why this is so important to us and why we're continually looking to improve. The RFID picture you've got here and you'll see some of these tags later on in the facility tour, and again please take the opportunity to speak to the experts down in [Rubata Hara]. This is a great story behind this started by the development.

But this is good for two reasons. There's no doubt that operation for us is good. It increases efficiency, it increases accuracy and speed. For our client it's good. They value the same things that we do in terms of management information control. Our two biggest wins in Europe within the last year have all been won with this being seen by our clients as a big element of the success of Recall.

This is something we're leading the industry on which our clients is telling us is excellent and we know is of value to us. Sustainability and Mike touched upon this earlier on. I've just got a couple of examples up here about the type of things we do all the time in terms of thinking about the environment and the impact of our decisions on the environment.

You know, when we make our investment decisions around capacity expansion, they're pretty big decisions. They cost a lot of money and they're going to be there for a long time. Some of these facilities are going to be around for 20 years or so and they're big facilities. They have a huge impact both operationally but also in terms of the environment.

The London mega centre has been operational for about six weeks or so now. It's a fantastic facility. If any of you ever have the opportunity to spend some time in London to go see this facility, I'd encourage you to do so and I'd be more than happy to arrange that for you. It's a super facility.

But a couple of things on it. They're the type of things we think about when we talk about sustainability. The UK Government assesses all buildings in terms of carbon emission controls. We happen to have a rating of B31. It means nothing to a lot of people, even me sometimes.

But B31 is actually better than what the UK Government designates for carbon emission controls in new buildings of this type. It's well ahead of the game. In terms of the existing stock within the UK, it's a huge advance. Recall leads the way in terms of designing and making sure that we protect the environment and of course make sure it's efficient for our operations too.

Modular design of our facilities is all about making sure that we don't invest and prepare our facilities until we need them in terms of our growth. This afternoon when you go to [Rubata Hara] you will see that we've actually got some construction work at the facility. What we're doing there is we're putting on a further module of our facility because we're growing.

We didn't do it five years ago so it just sat there empty unused. We see this as part of a planned process and modular design to meet the demands of our growth pattern. We're growing today. At Rubata Harda you'll see an example of what we do as a result of that afterwards.

In terms of things like our carton supplies, we buy a lot of cartons every year. We insist that all that material is recyclable. They're the only cartons we will use. We even request, to the delight of the CHEP gentlemen in this room, we even request that those cartons are supplied on CHEP pallets as opposed to a one way [trip] disposable pallets.

They're only little things but they're all indications and illustrations of what we try to do in our business to ensure that we're always thinking about sustainability and the environment in everything we do. And finally just to talk about people very quickly. We invest a lot of time, a lot of effort, in making sure that our team members are engaged and motivated and are well trained.

But one other thing we do is we also make sure we've got diversity within our team members. We certainly make sure we've got diversity within the senior leadership and this is a snapshot proportionally of the nationalities we've got within the senior leadership team around the globe.

Why is that important? We believe that making sure that you are as effective as possible in local markets, making sure that you know you can do business as efficiently as possible. Understanding the local nuances is very important. We make sure that our global leadership team around the world reflects the needs of the local markets.

My leadership team in Europe is about nine people, seven different nationalities; seven nationalities, nine people. Even on the stage today with Elton, Christian and myself, there are three nationalities. It's something we proactively take good care of to ensure that we've got great coverage of our markets around the world.

So in summary, Recall Europe, a very robust service model, delivering growth, making sure that we tailor the needs of our customers to the things we can do, providing innovative solutions but with great growth opportunity, both within our existing boundaries but also in new territories outside the boundaries that we operate in today.

Our focus is absolutely on delivering growth, continue and accelerated growth for the long term. To continue that theme of growth, I'd like to invite Christian to the stage and as I said, please take the opportunity later on to ask any questions you may have regarding the European business. Thanks for you time.

Christian Coenen: Good afternoon to everybody. Someone told me that I will be very impressed in front of you and this is the case. This person told me also that a very good advice, he told me please, apologise for your stupid action and for your bad English. So please accept my apologise for that.

After a prediction about Recall Europe, I'm here in front of you to speak about all we are acting with our customer and all we are acting on the market all across the world. So we are coming back to the global piece.

I would like to start and to speak about the market. We are working in a very dynamic market. This market is showing changes and moves on the regular basis. We are looking to be very aligned in terms of business focus with all these different changes.

We want to be sure that Recall will have the right balance between consistency and agility to be able to on-serve all of the top markets. For that, we have many programs. Trace spoke about just on a satisfaction survey – we have a strong and solid accounts management program. We started to have some marketing intelligent species and also we initiated some [unclear].

At the end of this slide, I will speak about the [unclear] market itself. We are listening to the market, we are listening to our customer to be sure that we will have the right leverages to growth. What are the three pillar of our growth? Organic growth, new business and business solution.

Organic growth, we have a unique platform with unique opportunity to grow 80,000 customer. How many are using the Swiss service line?. Your business, Elton mentioned before, the unwanted market I will comment on this later. You will see it's a large part of the market. We need to understand where we could invest the right first time for the best result.

So we want to select where we want to go and business solution; our customer are looking for their efficiency, they're looking for compliancy or can we breach paper and digital as Trace explained before. So we drove during the last 12 months a market research. The idea was to assess the size of the market, the size of the wanted market and the size of the unwanted one and to translate all this information into a concrete sized plan where our [unclear] and where we can help them on the right self strategy.

This market research was rerun in five continents, several cities, and this market research just confirmed the fact that the market trend and the business focus of Recall are very well aligned. So industry trend. Very difficult for me as a simple person to speak about legislation and [unclear].

So to tell you or to share with you, sorry, what is the impact of this regulation on our business. Let me share with you one discussion that I had in a very nice state in the US, in California, with the Global Recall manager of a very … we were speaking about … and the impact of this new regulation on this business.

He told me, you know, stocks is very simple for me. I looked at the integrity of my information which means that I want to be sure that the integrity will be protected during all the storage period of my information. But integrity means also I need to produce sometimes the original security of the information which is increasing the importance of security storage of his original document paper.

Then he said self [unclear]. I need to produce a recourse where I can show who manipulated my different information or the different information. Of course, I need to implement the right process to be sure that all this information will be secure and the confidentiality will be 100 per cent also protected.

So he said I'm looking for a close look process to show to my auditor, internal or external, that we can protect the integrity, we can track and we can keep the privacy and the confidentiality of all this information. He said this [unclear] is for me. So when I left him – remember I was in the tube – is there a tube in – yes, sorry, the tube. I was in the tube and I said okay, finally also the solution for him, it's not only cost optimisation, it's also bringing expert value in his own organisation by providing the right solution for finally protect himself.

He cannot survive without me and we signed the contract. Then he came back to me later on, he said how can I improve the usage because it's one thing to store a document or the information, it's another one to be able to retrieve it. We started to work on his process or something of document management also which is a very important need today in our market.

I will come up on this later during this presentation and of course during the [Rubata Hara] visit I will have the chance to show four times the activity solution presentation to all of you. Activity solution means to build a bridge between paper and digital.

So based on that, we are facing two external factors. The beauty of these factors, they are consistent all across the world, at the local level, at the regional level or at the global level. The other beauty of this factor is based on the fact that all the different economic factor are interacting together.

So what is working for one company in one country would work also at the international level. This is the model that we wanted to implement. Recall is providing the right balance between flexibility or agility and consistency. It means that today we have three service lines. We provide the same menu of service everywhere in the world.

But when one customer is looking for a new solution, we are looking to double up the solution in a very sustainable way to then be able to replicate all across the world. We can do that. Why? Because we have a very disciplined management process, because we think that or expect it is based on this best practice is sharing and we have the right and also stability to be able to do that.

So where are the global opportunities? In fact as a salesperson, I could spend probably several hours just to speak about that. So I will try to be very brief. First, international customer, international companies. I had the chance to manage myself 20 global companies – 20 global contracts all across the world. I can see the value of providing consistent operation all across the world by dealing with them.

They asked us to follow them in new geography. They asked us to also extend our solution or services to them based on menu of service. They are looking for us and they are looking at us, sorry. Recently I had the chance to attend to two business reviews with two international companies who just managed one of the process of the Recall operation all across the world.

They said wow, it's constant; what we saw in one location we can see in another one. So now it's time to think about the nest step. You have the right foundation to help us to implement our own Recall management policies. So we will elaborate on you and you will become our ambassador for helping our people to be confident with our own internal policy.

So [unclear] across selling programs, just one question behind that. Eighty thousand customers. How many of them are using the Swiss service line? How many of the MSP customer are using DPS as the [unclear] services? A huge opportunity. And wanted markets. As mentioned by Trace before, our sales team is targeting the priority number one, the unwanted market.

This is where we think that we could bring the right piece for all sales people to be successful. Competition will be lower if we target the right vertical, if we know where we want to focus, we will provide to them the right training and they will be perceived as vertical in business expert and the success rate will be better and there will be more of it.

Flexibility through innovation. I met one customer in Asia very recently and I asked him what are the main flexibility for you? He told me flexibility to find a partner who can help me to understand my problem, to anticipate my special need and also who could benchmark the solution that you already implemented somewhere else in the world.

Let's imagine what are the main flexibility for us; three service lines, more than one … different services … in a consistent way all across the world. Flexibility means that we can pick up one of several of these services from all the service lines … and produce unique solutions for the customer.

So best practice in anticipation and duplication is really critical for us to then replicate any success story that we have with one vertical or one customer in one part of the world to replicate that as well. So what were the different outcomes of the last market research?

We tried to understand or we understood, sorry, the reason for outsourcing, base constraints, internal resources issue because our customer told us to store in a secure manner all the front information it requires a lot of investment. But we need also to have the right expertise in order to which have the information in a proper manner.

The third is tracking and the security needs is demanding a lot of investment. So we are really looking for on top to be compliant, we are really looking to have a partner who can help us to improve all different processes. We want to be sure that when we select a vendor, this one will be able to answer to the four questions, four critical questions.

If I will outsource some documents with you, what will be your capability to manage their retrieval or a lot of retrieval per day? Some of our customers are asking more than 2000 retrieval every day. The second question he asked me can you retrieve my information in several seconds, 10 minutes, 2 hours, one day or one week?

Top question. If I will need my information, can you retrieve the original document? Can you send to me only an image or a copy? And the last one, who can be my user? I think about implementing a [unique desk] or for some application or some need. Potentially 50 people look at it in 50 different cities could ask for the same information in the meantime.

The beauty of the menu of service that we are offering to the market is we can answer all these questions whatever we are. Of course, more close to this corner we will be more digital we would speak and on the other side of the square, we speak about secure distribution. All customers are looking for a close solution to manage their information to protect security, to protect compliancy and to protect themselves.

Very good. What is the size of the market? What is the market? If you look on the left part of this slide, you can see that Recall select the right colour, blue. Sixty per cent of this total market is unfounded. It's enormous. We want to target this market because a small component of it is relative to some documents that are still kept in-house by some customer while using some – the MSP supplier.

Some of our customers are still using in-house services. But the majority of this un … market don't know our industry and don't know what kind of service we can deliver to them and they need us. They are very demanding in terms of, as I said, security, compliancy and efficiency.

So we think that we are in a very good situation – one-third of this amount. Look at the right side of the slide. You see the Recall position for our country. In 90 per cent of our country, where we are approaching today, we are number one or number two of the market. Here's a huge picture for us to show that we are a real global company.

We can provide services in a consistent manner everywhere in the world because we are market – we are well positioned, sorry, on several – on all the different countries [unclear] sorry for that. So how are we reaching this market? We have a very clear self process. Sixty per cent of $US12 billion is very [large]. Where do we have to focus? I'm not French, but in France there is a very interesting expression. If we want to be everywhere, at the end we will be nowhere and this is exactly what we do not want to do. We want to select the right area of focus in the [unclear] market. That's why we have a clear [unclear] process.

Coming from the total available market, we select where we want to act and the market research and all the different issues that I mentioned at the beginning of the presentation are very useful for us. To identify where we want to act. We test the vertical and we work there and we push off those people who then focus only on this segment.

So to be sure we are doing what we are looking for, we are managing their activity. We measure globally with the same measurement what our sales people are doing. Very difficult for me to say - because cold call means how do they manage their prospecting activities for us to be sure that the selective available market will generate some new leads, some new opportunities.

We then measure what they are doing in [front] of the customer when a business opportunity is open and with a very clear sales cycle definition. Prospects means just a minute, I'll just confirm that, you will take a decision for [accessing] within a period of 12 months. Qualification means we investigated the need, we asked the right questions to cover a perfect understanding of their needs, operational, functional, technical, financial one.

The proposal is, when we will be in front of a customer who formally introduce or offer functional ones, technical ones and then economic ones, then we're answering to the negotiation steps, means we are in the process of this service level that we want, then the conclusion.

I started off [unclear], sure that's we'll have the best way that's possible. We also train our sales people and we are using a common sales methodology all across the world. For each opportunity, each sales individual will have to report decision making process where we started to establish relationship, what could be the need, where do we have red flags, where do we have green flags and what are the pieces which are not covered by the sales activity or the sales process.

This is the methodology which could help them to improve their relationship with the customer, of course, but also the way we can handle the customer needs. This sales process is mobile. Every month I receive a set of metrics which is consistent at the sales individual level, sales team level, country level and regional level so that we can benchmark different sale productivity and the sales, the difference sales individual or team. We can also share best practices and it's a very important component for us to improve sales productivity.

So now our customer; with who are we working? If we look at the verticals, we can see that we are here a large part of the market, supposed to be very large. But in principle, we are operating with all the customer who are producing information. But if you look at the [unclear] we are producing critical information, they need [us], they cannot mitigate the risk, they cannot optimise their process without working with us.

Of course the market is very large, the footprint is very different, we need to be very agile in terms of those organisations to be able to provide the right sales competencies to cover complex satisfaction, long satisfaction, short satisfaction and we need also to have the right [piece] in terms of business computing [unclear] to be able to develop partnership in the long way.

We spoke about Europe. I tried to share with you what we are doing today in terms of profitable growth at the global level, so it's a pleasure for me to share with you the success story in an emerging market, India.

As you know, India is very important for, very open company, many companies are outsourcing offshore [unclear] for example. So we went into India because some of our European customers asked us to go there. We implemented in a consistent manner all different [unclear], all different processes, all different procedure and this allow us to develop our business with them, but also to open the local market.

I received a last minute note from Elton about India. He asked me to mention also that this country is very profitable. So we believe, really, on the fact that we have a very huge role for profitability in India.

So, in conclusion, we think that we are a company with the right balance between consistency and agility. We think we are following the different trends in the market place and we think we have the right key to growth. I would like to share with you as a conclusion when, sorry that we just closed several weeks ago with one of our customers. This customer is a [inaudible] one of our customer in Sweden for many years.

We store for them invoices. In Finland you need to store the physical invoices during three months and then you can destroy it. In Sweden, it's more than three months, it's several years and we learnt that this organisation was completely reorganised. They decided to set a global finance share services and we said, wait a minute, we can do something for them.

We met them and we said, we are storing invoices for you, are we speaking about accounts payable? We think we can do something better. You are looking for efficiency, consistency, that must come with a proposal. And we said to them, we will manage [unclear] welcome for all the invoice [unclear] of your supplier in this country. We could open the envelope, take the invoice, then we can it, all the electronic file will go then to our centre of excellence in Sweden who will process the image. Country by country we will extract the required field, that then will be exported to your PC then.

We can do that immediately. They said, wow, very good. But we said, on top of that, what we can do is also automatically store your paper invoices and we will follow the local legislation about the storage duration and it will be confirmed for you. And on top of that, we can also develop in an automatic way your [VAT] balance. We can also check by our system an automatic way, the stocks compliancy of the invoices coming from your supplier and if they are not, we can reject it and we can send automatically a letter to the supplier to explain why they are not compliant.

This customer said, but you are a small supplier for us and we became a big partner as we closed a global contract with them and we are in a process to roll over this solution in several countries. And this is the beauty of Recall. I joined recall 10 years ago. Trust me, the company was not the same as it is today and I'm sure if we have the chance and the privilege to be there in five years, the company will be very different [entirely]. And this is the market who is feeling that.

Thank you very much.

Elton Potts: Thank you Christian, appreciate that.

Hopefully now you've had a chance to learn a bit more about Recall. I just want to wrap it with a couple of summary slides and then we'll be happy to take some questions.

Recall is a solid company; solid profits, cash and cash flow, even in tough economic times. We take, as you heard, a disciplined approach to our fiscal management. We use common processes and we remain flexible for our customers' needs. And we produce cash to more than fund our needs for growth.

We believe Recall's a strong business. We're very proud of it and what it does. We think we do take a very disciplined approach, we like our growth to date and our prospects for the future and we see this as a very long term business with great opportunities through multiple sources to grow very profitable.

If you two gentlemen will join me, we'll take a few questions.

Question: (Tony Edwards) Just margins and the Recall business have been - it's been a while since you've actually posted an increase in margin and we're looking at the mix of the business today, you've got transactional business and recurring business and you've actually got a positive margin mix there at the moment. So is it likely that some time over the next few periods we see that stabilise and start to go the other way or is the cost base in the transactional business doesn't allow for that?

Elton Potts: I guess from my standpoint, margins have stayed fairly solid and it's a huge growth opportunity and we can be profitable at these margins. At the same time, we're doing a lot of work to offset things like paper price and the impact that it has on us. Gosh, it'll impact us something like $US15 million this year which is pure profit.

So we're doing a lot of things to try and offset that and I think over time we can see margins improve, but I'm not going to tell you it's going to happen this year or in the relative short term.

Question: (Tony Edwards) More of a stabilisation in the near term, is it? What about the KPIs in the business. What are they, are they sales and margin based or are they cash flow or are they return on invested capital?

Elton Potts: Well the KPIs that we use are a variety of things and frankly I spend more time on the operational KPIs than just the financial ones. We'll use the same KPIs that you'll hear from Brambles and that you'll hear from CHEP, but operationally it's what is cart and growth, okay, with activities per employee. It's our capacity utilisation. We look at a variety of metrics like that to tell us the underlying health and progress of the business.

Trace, you want to comment on that?

Trace Norton: Yeah and I guess the other one that I'd say is really important, I mentioned it earlier, is something around the perfect audit, which is one of our key rising internally in terms of metric performance, simply because you'd have a direct impact on the customer. So the operational KPIs, capacity utilisation is a key element for us, but if the customer wants to do something, we focus on real hard.

Elton Potts: Christian?

Christian Coenen: I spoke about the [unclear] metrics before and we are measuring activity. We have a clear idea for the pipeline and maturity, return on [unclear].

Question: (Simon Mitchell, UBS) You touched on utilisation rates in the facilities and how that's sitting relative to history, whether you're particularly full at the moment or light on.

Elton Potts: So I'll answer your question, but I want to explain it in a bit of detail first so that you understand. Take as an example the facility that we're going to visit shortly. The first section was built 12 years ago. We built it, it's empty, your cash realisation is zero and unless you're moving and consolidating other things in, you start at zero and you work your way up. So in any given market, it's a step function right?

You go from high capacity utilisation 'til you add the next piece and suddenly your capacity utilisation, while your capacity goes up, the utilisation falls and you've taken on the cost of all that space, right? In total, which is how we look at the business, from my standpoint, but we look at it specifically by market and about those decisions and the timing of those decisions, about how it is a great story from that standpoint, we're seeing our capacity utilisation increase over time. But there'll always be that, this facility is getting full but we're going to add another one.

Question: (Simon Mitchell, UBS) Okay and just a second one on returns, just following from what Tony mentioned, return on capital in Recall is reasonably low, I mean I think they're hovering around 12 to 14% over recent years. Why is that if this is such a good business? I mean is the pricing too low in the industry or are there particular issues, legacy issues that sit within Recall?

Elton Potts: You know, for a lot of businesses, 12 or 14 is not too bad and I'd put us up against others in this industry any day of the week. Compared to CHEP, yeah, they do awfully darn well, okay? I think you're always in our business going to have that as long as you have the physical piece of the business, you're going to have those investments over time. But I like our odds in the long term.

Liz Doherty: [Inaudible] the real way to get the profitability up in Recall is actually to focus on its North American businesses where we have some work to do because the Europeans and Australians and the rest are actually delivering very good returns by…

Question: (Unidentified) Just following on from the margin question again, I think in the first half result you talked about the underlying margin going from 15% down to 14 and one of the reasons put forward was that there was an investment in market research, which I think you talked about today, so just wondering if you can maybe give us a bit more colour in terms of the actual cost of project.

I suspect as we go into the second half, obviously we won't have that cost and I suspect the paper price coming down probably, I'm not sure whether that will have an equal and offsetting effect on that or maybe if you can give us some comments on what the paper price is going to the margins as well would be good.

Elton Potts: Thank you, you did see my chart and recognise it on paper price, I appreciate that. A couple of things are involved there. The market segmentation, from our standpoint, is a significant investment, but it's not, you know, overly so and it's our job to see paybacks and returns from that and we're in the process of analysing that data now and Christian shared some high level. And the goal was to take that study and turn it into sales wins in particular markets.

Question: (Cameron McDonald, Deutsche Bank) Just interested in the comments about China and then flowing into the capital question someone asked before, so can you explain why you've gone into China? Is that just to open the facility and see who comes? Or was it a contracted client that wanted you to go there that underpinned that investment?

Secondly, do you own all these facilities outright? Are they all sitting on your balance sheet and if so, why?

Elton Potts: I'll take the second one first and then come back to the first one. We own, I'm going to say, 10%, maybe less of our facilities. We lease the bulk of them. But in the end, it's a financial decision, right, of what's the best thing for you long term.

In terms of China, why China? Huge growth market. I was there in 2000 and saw a lot of bicycles. I visited in 2001 and saw half as many bicycles and much more modern transportation. When I was there four weeks ago, the one bicycle I saw almost hit me. So that country, I think Shanghai feels like it's growing overnight. And that market, even in today, China's down to what, a 6% GDP and complaining about that?

The global companies that do business there have the same expectations, Sarbanes-Oxley, their own internal expectations, in China, as they do anywhere else. And it's a huge growth opportunity for us. So it's a matter of those customers that we do business with that are global saying, we need you there. But we certainly did not ask any one of them to underwrite us being there.

Question: (Andrew Gibson, Goldman Sachs) Can you just clarify something for me? Your comments on paper prices suggest you have no contractual pricing arrangements in place, therefore subject to [spot] is that right?

Elton Potts: This is not pure paper in terms of what recyclers do, but this is a very specific product. We do put in place some contracts when you can, where you can but those things, they vary and in a volatile period, a contract has to work for both parties.

Question: (Andrew Gibson, Goldman Sachs) Okay, so it's not as if you've got 30% locked in for two years or anything like that?

Elton Potts: Expenses varies around the globe. We've done better than some others in this market because we have had some floors in place with our contract. We've seen folks pay to get rid of their paper in the short term.

Question: (Antony Mulder, Credit Suisse) You put up a slide showing the proportion of the un-vendored space at 66%. If I recall correctly it's been at that level for quite some time. How do you accelerate the conversation of that un-vendored market?

Elton Potts: I spend a lot of time with Christian. It has been there because the global means are causing it to grow, right? We believe the market's growing and we believe that piece is growing and our trick is grow faster than the market growth. So things like the marketing segment station studies that we've done, the metrics that we do from a sales efficiency standpoint, all those things and customer education type items are designed to help grow faster.

Question: (Antony Mulder) And are these relatively new so that we will see a step up in that conversion rate?

Elton Potts: You know, in this economy, that's a great question if we'll see a step up in the conversion rate. These things are relatively new. They've been largely in the past 12/18 months.

Question: (Russell Shaw, Macquarie) Just two questions. Firstly, you guys have spoken about replicating your business model pretty much across the globe, can you maybe then give us some more detail about some of the cost [bouts] on the North American side and why that was specific to that market?

Then secondly, your competitor in the space is pretty thin I guess as well as slightly divergent strategies here in terms of growing by acquisition, whereas Recall seems to be focussed more on organic growth. I mean if this is a scale argument, is there that opportunity to grow more by acquisition in the future?

Elton Potts: Yes, you can grow by acquisition, but you have to be able to integrate it and do it well and do it in a way that it's additive and positive to your customers. The market certainly was commanding very high prices for acquisitions and so the question becomes, are you getting a return on that versus what you can do by growing on your own, growing organically.

For that reason - for both those reasons, making sure you can integrate it well and the relative price that you pay. We spent more time focussed on doing it ourselves than doing a lot of acquisition.

Now North America; a couple of things there. We've been more impacted by paper in North America than anywhere else, largely because the financial institution issues are hit there hard and hit there early and are still maintaining there. And we've also given the geographic spread, it's been a bit more of a challenge for us in making sure we get the right disciplines and local management in place. We've taken some time with that but we've made some very good progress and I like where we're headed.

Question: [Inaudible].

Elton Potts: So in North America we spent some time, gosh a little over a year ago, making sure that any legacy issues were all cleaned up, that we were solid there from that standpoint. We have also worked on doing as better a job of controlling our direct costs. Those were not being controlled [inaudible] they should have been. Whether it was labour, which we've made great progress on, transportation, I'll call it good progress, repairs and maintenance - first it was spend more to make sure we're repairing and maintaining properly and then it's controlling. And then the last piece of that is making sure that the capacity utilisation and the facilities are what they should be.

So we've spent a lot of time and effort upgrading from that standpoint.

End of Transcript