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PRESENTATION

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

Good morning everyone. I am Tom Gorman, CEO of Brambles. Let me thank you all for joining us for this morning's presentation.

I would like to start by giving you a general business update. Then I will take you through some of the highlights of our first half performance. As we do traditionally with these announcements, our CFO, Greg Hayes, will then cover a more detailed analysis of the results, and he will also make some comments on our outlook. I will then close with an update on the implementation of our strategy for growth in our Pooling Solutions business.

So, first, to the business update and results highlights. At the 2011 full year result last August we communicated plans to reorganise Brambles into dedicated pallets, RPC and Container segments. That was all aimed at facilitating our strategy of expanding and strengthening our global Pooling Solution operations.

That reorganisation has progressed as planned, including the integration of the IFCO Business acquired in March 2011. I am pleased to say that we are delivering the growth and efficiency programs that we communicated to you last August.

We are tightening the underlying profit guidance within the range we provided at that time. Our guidance now is within the range of $1.05 billion to $1.08 billion. That is at 30 June 2011 exchange rates. We expect an outcome to the divestment process for our Recall Information Management Business by the end of March of this year.

Highlights for the first half result included continued turnaround in our largest single country operation, and that is CHEP USA. We delivered further efficiencies in that business during the first half, at the same time as we were able to win back key customers, as well as adding new business.

In Europe conditions are more challenging, but our sales volume remains resilient in the face of a tough economic backdrop, and we are taking aggressive actions to address some of the cost pressures we are experiencing the Pallets operations. Our RPC, Container and emerging market Pallet operations are all growing in line with the forecast that we provided back in August. Indeed, all of our segments delivered net new business wins and sales growth.

Now, let me provide a more detailed business update. We outlined three key initiatives at the 2011 results in August. Sales growth in our RPC, Containers and emerging Pallets operations -- a $550 million capital expenditure program over the 2012 and 2013 financial years to support growth, and $100 million of synergies and efficiencies to be delivered in stages between now and the 2015 financial year. I am pleased to say that we are delivering what we said we would on all three fronts. I will talk in more detail about these initiatives a little later on.

In addition to the key initiatives in the pooling business we have also announced our intention to divest Recall. During the half Recall continued to deliver growth and a robust operating performance. It delivered a strong first half result, mostly because of the continued growth in its Document Management Solutions service line.

On an annualised basis the value of the net new business Recall won in the period was $45 million. Recall is on track to deliver the $180 million to $195 million underlying profit that we have forecast for the full year. The divestment process is continuing as expected. We have had strong bidder interest and we now have a shortlist in place. We expect to report the outcome of this process by 31 March this year.

I would now like to touch on some of the highlights of our first half results. The corporate activity that we have been undertaking over the past 12 months has made this financial result a little more complex than usual. Recall is now part of discontinued operations, so will not be included in the headline numbers that I am about to present.

The headline numbers are also impacted by the contribution of IFCO and other smaller acquisitions we have made since the 2011 first half. For that reason, where appropriate, we will also comment on pro forma growth. In this case pro forma growth is growth calculated with a basis of comparison as if we had owned the acquired business during the prior corresponding period. All the numbers that I will present are in US dollars with growth on an actual currency basis. Let's get started.

Sales revenue from continuing operations was almost $2.4 billion. That is up 34%, reflecting the IFCO acquisition, the strong sales growth in RPCs, Containers and emerging markets, and net new business wins that we have been able to achieve in all of our segments.

Operating profit, which is after significant items, was $372 million, and that is up 21%. Underlying profit, which excludes the impact of significant items, was $385 million. That, in fact, is up 23%. This was a solid result in ongoing challenging conditions as we started to deliver on our growth strategy.

On a pro forma basis -- and, again, that is assuming that we owned IFCO and the other acquired businesses for the comparable period -- sales revenue was up 9% and underlying profit was up 8%.

Our basic earnings per share from continuing operations was $0.142, up 14% and, as you have now seen, we have declared a dividend of AUD0.13. That is in line with the 2011 interim and final dividends.

Our ability to win new business by increasing our penetration and entering new segments and sectors really remains central to our overall strategy. In the half, net new business wins in our three Pooling Solutions segments were $56 million, while the annualised value of that net new business won in the period was $105 million, which is about equivalent to our 2011 financial year new business win run rate on a pro forma basis.

The contribution from the America's Pallets business was particularly strong in the period, reflecting the very positive momentum in CHEP USA, where we are winning back key customers.

In RPCs the relatively low annualised value of business won in the period, relative to the net new business, reflects the strong rate of growth in the prior year and the focus on driving sales in Europe by increasing penetration with our existing retail partners.

Now, giving a bit more detail and an overview of our Pallets segment result I will start with the Americas region, where I am very pleased to say we are seeing the benefits of our turnaround program. In addition to the integration of the IFCO Pallet Management Services operation this has enabled us to offer a broader range of services to existing and potential customers in the USA, and the acquisition in November of Paramount Pallet in Canada provides the same benefits for our Canadian customers.

Sales revenue in the half was $984 million, which is up 28%, or 6% on a pro forma basis. New business wins drove growth in all regions, with the key customer, Pepsi, returning to CHEP in the USA, as we have announced, back in November.

We continue to increase our penetration with small to medium sized enterprises, adding more than 600 smaller customers to our books in the first half. Other key customer wins included Pepsi in Brazil, the Food company La Costena in Mexico and Unilever in Chile.

Underlying profit in the Americas region was $158 million, which is up 28%,29% or 23% on a pro-forma basis. There were additional efficiencies in the delivery of our Better Everyday business improvement program in CHEP USA, as well as benefits from our improved customer mix and some modest pricing benefits.

Now, moving on to Europe, Middle East and Africa regions of the Pallets business, sales revenue remained very resilient in the period, rising 5% to $673 million. As weakness in our larger markets of Spain, France and the UK was more than offset by continuing penetration in the rest of western Europe and expansion in Middle East and Africa and central and eastern European regions. We do anticipate continued sales growth in the second half of 2012 compared with the 2011 second half.

To support our customers' continued geographic expansion we announced back in November our intention to expand into the Balkan and Baltic regions and we have recently opened an office in Bucharest to support those initiatives.

Key customer wins in the period included the cheese company Garcia Baquero in Spain and, as we support major customers as they expand outside of Western Europe, we have also won business with Danone Waters in Poland, Nestle Waters and Kimberly-Clark in Turkey.

Underlying profit in EMEA was $136 million, which is down 8%. In Western Europe, while we generated pricing growth and efficiencies, they were not sufficient to offset cost pressures. In addition, our strong sales growth in Central and Eastern Europe has led to some up front costs. Nonetheless, the profit result is below our expectations. We are taking actions to address these cost pressures, about which I will now talk in more detail.

Our European operations have, until recently, performed well, despite the economic instability in this part of the world, maintaining sales growth and solid margins, while we have invested in quality and new market expansion. However, the economic and competitive pressures have now reached a point that we have been unable to offset rising costs with pricing and efficiencies, and we will need to take more aggressive measures to attack these costs.

The cost pressures in the period fell into three main categories; higher inflation, in particular for fuel and lumber; development costs and sales mix impacts from growing our eastern European business and incremental investments in net quality spending.

As previously communicated we expect incremental quality investment to be $10 million for the full year, half of which we incurred in the first half. We anticipate that neither the inflationary nor the other pressures, or the economic or competitive situation, will improve materially in the short term.

Now, we have identified plant and logistics efficiencies incremental to those we have already announced under our global Pallet efficiencies program, and we have already started taking targeted actions to reduce overheads. In addition, we do expect some improved pricing initiatives to flow through in the coming months. We are targeting improvement in the second half versus the six months ended December 2011.

Notwithstanding these pressures, increased quality spending has been the right thing to do, and we remain committed to supporting our customers by investing in expanding our Business eastward, reflecting the structural shift in the European supply chain.

We will go into much more detail about our cost actions at the investment market briefing in Zurich next month.

Now, moving on to the Asia-Pacific region of the Pallets business, this area continues to perform solidly. Sales revenue was $187 million in the first half, which is up 15%. Sales volume rose in Australia and New Zealand and there was continued strong new business growth in Asia.

Key customer wins included major brands such as Colgate-Palmolive, Murray-Goulburn and Pacific Brands in Australia, Danone Waters and the appliance maker Midea in China, and major FMCG group Reckitt Benckiser, Reliance Retail and the manufacturer ITC in India.

Underlying profit was up 17% to $36 million, reflecting sales growth and improved profitability in Asia. We have previously stated that CHEP China, including the Pallets operations reported here and the Automotive operations which is now reported in the Containers group. We had indicated that this Group would break even on a run rate basis in the second half, and that remains the case. However, the Pallet operations, on a standalone basis, were, in fact, already profitable in China in the first half of the year.

Now let us move to the RPC segment, for which I will talk only about pro forma numbers, as this is the most meaningful way to present, given the impact of the IFCO acquisition. The RPC operations are performing strongly, having taken over control of the CHEP Europe RPC operation in October, enabling us to deliver pro forma sales revenue growth of 18%, to $387 million.

We delivered growth in all regions from increasing penetration with existing customers, new business growth from expanding with new retailers, in particular in the Americas region, and the roll-out of new products such as our banana, egg and berry crates.

Key retailer wins in the period included Loblaw's in Canada, Brookshire's in the USA, Cencosud in Argentina and Sonda in Brazil. On a pro forma basis, which includes an adjustment for acquisition amortisation costs and the alignment of IFCO's depreciation policy with the rest of Brambles, underlying profit was up 10% to $54 million. This includes the impact of set up costs on new sales initiatives. The RPC business has a strong outlook and will continue to deliver incremental returns on capital at least as good as those in the Pallet segment.

Our Container segment also has a bright outlook. The segment contains our pre-existing operation in the Catalyst and Chemical Containers group, European Automotive and Australian Automotive and Bulk Containers sector, as well as our start up, or new acquired operations, in the US and emerging market Automotive sectors, in US Bulk Containers and, of course, in CHEP Aerospace Solutions.

In the first half sales revenue was up 30% to $135 million. This is reflecting new business wins in all sectors. Key wins included Brilliance and Changan Ford Mazda Automotive in the Chinese auto sector, Continental, Valeo and Cummins in the Indian Automotive sector, Unilever Food Solutions, Dr Pepper Snapple and Kroger in US Bulk Containers, and Scandinavian Airlines in CHEP Aerospace.

Underlying profit was $16 million, which is up 4%. There was profitable growth in the Catalyst and Chemical Containers group and European Automotive operations. This profit offset the cost of progressing our expansion plans in US Auto and Bulk Containers and, of course, launching CHEP Aerospace Solutions.

Over the long term we are confident the Container segment can deliver return on capital in excess of 20% as our start up operations mature.

Again, we will discuss these operations in more detail at the investment market briefing in Zurich.

Finally, I will review Recall, which we are required to report as a discontinued operation because of our intention to sell the Business. Recall sales revenue was up 9% in the first half, to $418 million. This reflected continued robust growth, particularly in the Document Management Solutions service line, which has now reached total global carton volumes of more than 100 million.

Operating profit, excluding significant items from restructuring and the divestment process, was up 21%, to $71 million, as the restructuring has been delivering greater efficiency.

It is my pleasure now to hand over to Greg. He will take us through a more detailed analysis of the results.

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

Thanks Tom and welcome, everyone. I will start by taking you through the Group result at a high level in order to reconcile some of the complicating factors of this result related to our recent corporate activity.

Reading from the left of this slide operating profit from continuing operations was $372 million for the half. This included $13 million of significant items which were primarily related to the integration of IFCO and costs associated with the reorganisation of our Pooling Solutions businesses into three new segments. We also incurred a $6 million cost because of the accounting outcome of a change to the South African pension scheme from a defined benefit to a defined contribution plan.

There is a slide in the appendices to this presentation detailing significant items.

So, excluding significant items, underlying profit from continuing operations were $385 million. In discontinued operations, profit before tax and significant items was $67 million. Recall was $71 million of this, with a small balance related to costs associated with other previously discontinued operations.

You will note that in our balance sheet all of Recall's assets and liabilities are disclosed within current assets and liabilities. A separate balance sheet for discontinued operations is shown in note 6 of our appendix 4D disclosure for this result.

If we had not shown Recall as discontinued in these results our Group underlying profit would have been $453 million at actual exchange rates. For completeness I have shown the FX impact if we were to convert this number back to 30 June 2011 rates, as those are the rates we previously used to give guidance for this financial year.

Now, let us focus on our continuing Pooling Solutions business. Unless otherwise stated I will be using constant currency comparisons to explain the growth year-on-year. Our sales revenue from continuing operations for the half was up 32%, mostly as a result of acquisitions. On a pro forma basis, assuming we owned these businesses in the prior corresponding period, sales revenue was up 7%.

The three regions of the Pallets segment all delivered increased sales. It is pleasing to report that a large part of our continuing operations sales growth was from the $56 million of net new business wins that Tom previously mentioned. These contributed 2.5% of sales growth. This shows our continued ability to win new customers even in uncertain economic times.

Organic sales grew strongly in the RPCs and Containers segments, but was relatively low across the Pallets businesses. Underlying profit, excluding significant items, was up 22%, or 8% on a pro forma basis.

The profit outcome reflects the contribution of higher sales across all businesses. Significant margin improvements in the CHEP Pallets operations in the Americas reflected the continued reduction of net costs associated with the Better Everyday Program which, at the Group level, more than offset inflationary pressures in Europe and the cost of investing in future growth in emerging markets, RPCs and Containers.

Profit before tax increased 14%. Our interest expense was $27 million higher, principally because of funding costs for the IFCO acquisition and a one-off payment to settle a court outcome relating to a tax dispute in Spain.

Profit after tax from continuing operations increased 18%. The effective tax rate of 26% was lower than the prior corresponding period because of the recoupment of prior year tax losses in CHEP China and a further step up in the Australian cost base. The effective tax rate for continuing operations underlying profit was 28%.

The waterfall chart on slide 21 shows that continuing operations sales revenue grew 32% on a constant currency basis, from $1.76 billion to $2.33 billion. On this slide we are showing $417 million of pro forma sales revenue in the prior corresponding half to make it easier to illustrate the elements that make up our 7% pro forma constant currency sales growth.

Growth of 3% was, largely, organic, particularly in the IFCO RPCs business, which has been expanding with existing customers in both the US and Europe. Organic growth in our largest Pallets markets of the US and Western Europe was flat because of the subdued economic conditions.

Net new business wins contributed 2.5% of our pro forma sales growth, with all segments and regions contributing. Pricing in mix rose a little more than 1%, impacted by the continued subdued conditions in our mature markets. Of this, the price represents 1%, which is an improvement on what we have seen in recent periods.

Pallet sales increased 16% on the prior comparable period. Not surprisingly, the inclusion of IFCO Pallet Management Services in the USA contributed 11% of this growth. On a pro forma basis America's sales grew 6%.

CHEP USA delivered 3% growth. Canada delivered 6% and Latin America delivered a very strong 18% growth. Organic volume was up 2%, driven by the growth in PMS, Canada and Latin America.

In EMEA sales were up 3%. Within this result Western Europe was up 1%. Central and Eastern Europe was up 33% and Middle East and Africa was up 14%. Organic volumes were flat as volume growth in Africa, several developed European countries and emerging regions was offset by declines in volumes in Spain in particular.

In the Asia-Pacific Pallets business sales were up 7%, mainly as a result of growth in the fast moving consumer goods sector in our emerging Asian operations.

I will now move to explain the profitability of each of the Pallets regions. To assist comparability I have included the EBIT reported by IFCO in the first half of the 2011 financial year, adjusted for the amortisation we have incurred as a result of acquired intangible assets, which was $1.5 million for Pallet Management Services for the half in the US.

In the Americas operating profit increased 20% on a pro forma basis. Operating profit margins, excluding Pallet Management Services, improved from 16% to 18%. Volume price and mix contributed $32 million of additional profit, while the Better Everyday Program delivered $24 million of efficiencies, in line with our expectations.

Although storage costs came down, direct costs increased $20 million, principally related to higher transportation costs, in addition to which there were higher costs for lumber, asset recovery, retailer reimbursements and depreciation. Other costs increased $7 million, reflecting inflationary pressures and head count growth in Latin America, as well as continued investment in lean logistics.

In EMEA our operating profit from Pallets fell compared with the first half of the 2011 financial year, despite an increase in sales, which had driven $13 million of volume, price and mix benefit. As we have previously communicated, we continue to invest in the quality of the Pallet pool, spending an additional $5 million in the period, a level of incremental investment we expect to maintain in the second half.

As Tom has discussed EMEA business faced a number of inflationary pressures which it was not able to offset through efficiencies or pass on to customers in pricing amid a challenging, economic and competitive environment. The $14 million of cost inflation included $12 million for lumber and fuel, and there was also $2 million of indirect salary inflation.

During the period we continued to invest in Central and Eastern Europe. The $4 million of expansion costs shown here includes the impact of lower gross margins in this region as we set up the Business, and also the indirect costs required to establish growth.

In the Asia-Pacific region 7% sales growth contributed $7 million of growth in volume, price and mix. There was a $2 million increase in direct costs, mainly for increased depreciation in Asia, in line with growth in that region.

The $3 million of other costs related to lower compensations compared with the first half of the 2011 financial year, when there were several one-off receipts and other small inflationary increases. The region continues its profitable growth.

Now, turning to the RPC segment, in which sales revenue increased by $84 million to $377 million, mainly because of the contribution from IFCO. On a pro forma basis, including results for IFCO in the corresponding period, sales rose a solid 15%, in line with our previous guidance.

The Americas region continues to lead this growth, as IFCO increases its penetration with existing customers, converts new retailers from disposable solutions to RPCs and introduces new products.

The Europe region grew sales 16% in the period on strong organic growth and continued net new business wins.

The ANZ and South Africa businesses also continued to grow healthily. Underlying profit on a pro forma basis increased 5%, hence comparable margins fell one percentage point, which I shall analyse more on the next slide.

On slide 27 we show a pro forma profit comparison for RPCs. Operating profit in the first half of the 2011 financial year, prior to the acquisition of IFCO, was $13 million. The pro forma addition includes $36 million of IFCO EBIT from that period, which we have adjusted for the $10.5 million amortisation expense we are now incurring, as well as the $5 million of additional depreciation we are incurring following the alignment of IFCO's depreciation policy with CHEPS. The 15% sales growth contributed $10 million.

Under indirect costs there was a $2 million increase in transport costs in the US as minor short term inefficiencies occurred as the Business expands rapidly. In Europe we incurred $3 million of additional logistics reimbursement costs.

Now, moving to containers, sales revenue grew 26% compared with the comparable period last financial year. Growth in the Automotive sector reflected strong organic growth in Europe, in particular Germany and the UK, and also the ramp up of contracts in the USA.

The Catalyst and Chemicals Containers business experienced increased activity with its existing customer base. CAPS, the newly acquired intermediate bulk Containers business in the US, and our new Aerospace Solutions operations, are starting to contribute significant sales revenue. Operating profit in the Containers segment was up 4%. The slower rate of growth for the sales reflecting the development stage of the Business and the investments we are making in long term growth.

Looking at operating profit in Containers more closely, on slide 29, sales growth delivered $5 million of additional volume, price and mix. This was partially offset by additional direct costs incurred in relation to fuel increases and the increased relocations in Europe.

The remaining cost increases are primarily for investments for future growth and expansion in this sector, specifically the Aerospace Solutions business and the Automotive business in the US.

Finally, now, to Recall, which, as I explained earlier, is included in discontinued operations in the appendix 4D. Recall achieved 5% sales growth, with improvement in all regions, reflecting ongoing growth in the storage of physical and digital information. Carton volumes grew 4% with expansions from new business wins in organic growth in the Americas and Europe. Cartons now exceed 100 million units, as Tom has already mentioned.

Growth in Recalls rest of world region, which is predominantly Asia-Pacific, was low as it was impacted by a reduction in Document Management Solutions activity in Australia. Underlying profit improved 15% because of sales growth and cost savings resulting from restructuring activities that occurred in the half. The underlying profit margin improved two percentage points to 17%. Significant items include the restructuring activity and also costs associated with the divestment process.

Slide 31 is a waterfall chart showing the components of Recall's operating profit, which was primarily due to the aforementioned significant items. Volume, price and mix more than offset increased property expenses appearing in direct costs. Other costs fell $1 million as savings from the restructuring more than offset inflationary cost increases and costs to support investments in IT.

Now I turn to cash and financing. I will go through slide 33 on cash flow, noting that it is actual foreign exchange rates. Operating cash flow at $132 million was $144 million lower than the first half of 2011, principally because of a $173 million increase in capital expenditure and increased working capital, which more than offset the increase in EBITDA.

In line with our previous guidance capital expenditure increased to support growth. CHEPS Pallet CapEx increase was mainly to support growth in emerging markets, as well as the continued roll-out of new pallets and platforms. RPCs CapEx increased $119 million as IFCO continued to invest for future growth. CapEx also increased in Containers to support future growth.

Working capital increased $76 million in the period. This was an increase of $70 million compared with the first half of 2011, when there was little movement in working capital balances. The majority of the increased working capital was in the CHEP Pallets business, including $20 million of additional VAT debtors in Spain as a result of the timing of transfers of Pallets as part of our Pallet Centralisation Program.

The remainder of the working capital increase was due to lower creditor days outstanding, in response to the tough economic conditions for our suppliers. We have not seen any significant increase in bad debts in the period.

Tax paid increased due to the profit increase and the timing of tax installments were interest increased in line with the increased interest expense to fund the IFCO acquisition.

Dividends paid increased on the prior year because of the suspension of the DRP, which was in place in the prior corresponding period. There was also an increase in the 2011 final dividend and an impact from the higher -- stronger Australian dollar.

Now, looking at capital expenditure on an accruals basis, on slide 34, and excluding the timing of payments, we can see that CapEx for the continuing Pooling Solutions operations grew by $146 million, compared with the first half of 2011. As previously discussed, this was predominantly because of the IFCO and Containers acquisitions and our capital needs to support future growth.

I have also included the element of CapEx that we have identified for growth in emerging markets, RPCs and Containers on this chart. We incurred $160 million of CapEx in these areas in this period, which is in line with our previous guidance of $250 million for the full year.

Growth CapEx is expected to be lower in the second half because of seasonality impacts, particularly in emerging markets, where Christmas and the Chinese New Year have an impact and result in higher first half CapEx. We expect total second half CapEx to be broadly equivalent to the first half.

On slide 35 we look at our financial metrics, where net debt at 31 December 2011 was $3.2 billion, up $200 million from June 2011, mainly because of negative free cash flow, partially offset by the weaker Euro, which reduced our net debt in that currency. Net debt to EBITDA, which includes discontinued operations, was 2.2 times, up from 1.4 times in the first half of last year, reflecting higher debt because of the IFCO acquisition.

EBITDA interest cover fell to 8.8 times, largely because of the increase in interest expense. Exposure to interest rate movements is limited as about 50% of Group debt is at fixed rates. The total committed credit facility stood at $4.1 billion at 31 December 2011, with $870 million undrawn. The duration of debt portfolio was 4.2 years at 31 December.

I will now turn to our outlook for the remainder of the 2012 financial year. Consistently, our guidance remains subject to unforeseen circumstances and economic uncertainty. Yet, despite this, we continue to expect constant currency sales revenue growth for all business units. We are tightening our Group underlying profit guidance to a range of $1.05 billion to $1.08 billion compared with the August 2011 range of $1.04 billion to $1.1 billion, and note that these are still at 30 June 2011 foreign exchange rates.

This tightening reflects the impacts of the anticipated full year performance of the European Palace operations on group profit. Now, our guidance is for the whole Brambles group, including recall for a full year, where we continue to expect underlying profit of $180 million to $195 million. We expect net finance costs for the full year to be $170 million at 30 June 2011 FX rates, $10 million higher than our previous guidance, relating to interest payable on the settlement of court disputes in Spain and Australia. We continue to expect an effective tax rate on underlying profit of 29%.

Now, I thank for listening and I'll now hand back to Tom.

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

Well, thanks very much, Greg. I'd like to now close by providing an update on the implementation of some of the strategic initiatives that we outlined at the 2011 full year result. As I mentioned at the start, we outlined three key initiatives at the full year result in August 2011, against of which we are making progress as anticipated and we remain confident of delivering within our guidance for the full year.

We are delivering our growth targets in RPCs, containers and emerging markets. We are investing to support our growth and our $100 million synergy and efficiency program is, in fact, on track. The IFCO integration has gone well. In RPCs the CHEP Europe operations have been successfully transferred under the leadership of IFCO in Germany. The IFCO Pallet Management Service operations are performing strongly and they are now reporting into the CHEP team in the America's region, enabling additional commercial opportunities for our business and giving our customers access to a broader range of services.

In August we forecast that we would deliver $5 million from rationalising the European RPC Network this financial year and we remain on track to deliver against that objective. In Pallets we are on track to deliver the first $5 million this financial year of a total $35 million of annualised synergies, which we expect to achieve in full in the 2014 financial year. We are also on track with achieving the first $10 million of our 2015 financial year target of $60 million of annualised global operations and logistics efficiencies.

We are also delivering our sales targets in the growth areas of emerging pallets, and markets for emerging pallets, RPCs and containers. In the emerging markets pallets operation the first half constant currency sales revenue was $225 million. This is in line with our forecast in August 2011, a growth of at least 15%. Emerging markets currently account for 12% of total pallet sales. In RPCs constant currency sales growth was 15%, again in line with our target and we are on track to deliver the same rate of growth for the full year.

In containers we forecast sales in the growth areas of US Automotive, US Bulk Containers and Aerospace Solutions would double in each of the 2012 and 2013 financial years to more than $100 million. The first half performance was well ahead of this rate, reflecting the impact of acquisitions and it may moderate slightly in the months to come. But the $100 million target remains appropriate for the 2013 financial year.

Finally, we gave CapEx guidance for $550 million of capital expenditure over the 2012 and 2013 financial year again, this was at 30 June 2011 foreign exchange rate. This expenditure was to support our expansion in RPCs, the three growth areas in the containers business and emerging market's pallets operations.

As Greg has already explained, our CapEx for this financial year is somewhat weighted to the first half, but that does not affect our forecast for the full year, or for 2013 financial year. We remain committed to these growth plans, all of which are for a long term return on capital profile of at least 20%, in line with our developed markets operations in the pallets segment. We will talk more about some of these opportunities again at the Investment Market Briefing in Zurich next month.

I'd now like to close with some remarks before we open up to questions. As we've discussed, we have undertaken or reorganisation successfully. We are on track to deliver our growth and efficiency programs. We've tightened our underlying profit guidance range and we continue to expect an outcome to the recall divestment process by the end of March.

Our first half results demonstrated that our growth programs are, in fact, delivering as forecast, that we have continued sales momentum throughout the business and at that the CHEP USA turnaround has, in fact, delivered results, with the both the economy and competitive situation improving in the US.

In Europe the situation is more challenging on both the economic and the competitive front, but we are taking offsetting actions and we will neither back away from delivering improved quality for our customers, nor will we back away from investing and expanding into the emerging geographies of central and eastern Europe. Thank you very much for your attention. We'd now like to open for questions.

QUESTION AND ANSWER

James Hall - ***Brambles Limited - Manager IR and Corporate Affairs***

Thanks, Tom. It's James Hall from Brambles Investor Relations speaking here. The first question on the line comes from Simon Mitchell of UBS.

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

Good morning.

James Hall - ***Brambles Limited - Manager IR and Corporate Affairs***

Simon.

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

I just had some questions on the European Pallets business, firstly on the quality costs. You've flagged $10 million extra this year on top of the $22 million I think it was last year, why are you spending this money? Is their feedback coming your way from customers that the quality has slipped to a level that's unacceptable and how can we be sure that we're not heading into any repeat of the US program?

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

Well, thank you very much for the question. First a comment on quality in Europe. It's absolutely in line with all of the guidance we're given in terms of our continued investment in quality to support customer expectations. The feedback that we receive comes in multiple ways. Obviously, we have internal metrics where we look at rejections. We also have a net promoter score system, where we look at customer satisfaction, but ultimately the best metric that one can look at is our ability to grow the business. What we've proved, that even in very difficult economic times, we are continuing to add new customers and this comes because of the quality of our products and services.

Again, these investments are in line and we have no plans to back away. Now, these normalise as we go forward through FY12. In no way, as I've said repeatedly in the past, is this a catch up program, the way the Better Everyday Program was in the US. This is really about ongoing support of quality requirements, in fact, in Europe. As we've indicated there will be another $5 million in the second half, but we do not anticipate any incremental increase in FY13 or beyond. Thank you.

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

Okay. Just a second question on Europe, you mentioned competitive pressures and also the difficulty in passing on increased costs. Can you just expand a bit on the competitive situation, both in the proprietary pooling market, plus the trade whitewood system?

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

Look, I think we've seen a couple of activity -- we've seen quite a bit of activity in Europe just in the last couple of months on the competitive front and quite honestly, a lot of that is in response to the strategic action we've taken along with IFCO. But if you look at what's happened with LPR and EPS and more recently IPP and [Packy] combining, clearly there's activity competitively. Look, when you look at the western European markets, if those markets contract, the competitive pressure naturally increases. We're very pleased with our businesses in those countries and we continue to defend our business and as we've proven, we continue to grow our business. Particularly if you look at the initiatives that we started some years ago, they are truly bearing fruit when you look at the 33% growth that we're achieving in central and eastern Europe. So we've continuing to drive positive growth in that business.

As we've always said before, our objective is to have our operating efficiency, so improvement in plan operations and logistics, they should be able to offset the inflationary pressures. We were not able to do that in the half, as we saw a particular increase in lumber prices and in fact, fuel prices. We have in place in the second half a significant increase in operating efficiencies and as I've indicated, we'll also be attacking overhead costs and those plans are in place. But there is work to be done and we'll continue to stay focused on this and we'll talk more about it when we're together in Zurich.

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

Thank you.

James Hall - ***Brambles Limited - Manager IR and Corporate Affairs***

The next question comes from Matt Spence of Merrill Lynch.

Matt Spence - ***Merrill Lynch - Research Analyst***

Hi, guys. Thanks for that.

James Hall - ***Brambles Limited - Manager IR and Corporate Affairs***

Hi, Matt.

Matt Spence - ***Merrill Lynch - Research Analyst***

Slide 33, I just wanted to focus on the increase in the working capital movement there. You mentioned trade debtors, is there any particular region that's responsible for the trade debtors' increase?

James Hall - ***Brambles Limited - Manager IR and Corporate Affairs***

Matt, two things there to note. The first is we've been undergoing a program of pallet centralisation in Europe, because of the complexity of operating/ownership in separate countries was getting too difficult for us and we've also got a favourable tax result of that Belgium. In so doing we have moving the ownership of pallets around Europe through to Belgium and there's about a $20 million VAT amount that's now owing to us out of Spain in relation to that and that's one of the factors that's driven up the working capital.

The other part of the working capital was not in fact debtors, it was creditors. When we analysed the impact that we were having on our supply chain, we made a decision that we would not try to extract the maximum we could from all of our supplies. We have released that to some extent and so the number of creditor days has come down slightly, but across the broad range of our supply base, that results in the large movement there. So it's not a debtor's issue, we haven't had any change in our bad debts and what you can expect is that this is a one off movement here and it's a bit of a realignment and it's a deliberate thing that we've done.

Matt Spence - ***Merrill Lynch - Research Analyst***

Great, thanks. Does that come through in the second half, does it?

James Hall - ***Brambles Limited - Manager IR and Corporate Affairs***

Well, it should come through as part of the total working capital movement for the full year, but you won't see an increase off the first half.

Matt Spence - ***Merrill Lynch - Research Analyst***

Thanks. Then, Tom, just on the recall sales, you said post the FY11 result that you were looking for a price north of $2 billion. Does that still hold, given what you've seen of the process so far?

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

Yes, Matt, we appreciate the question. As you can imagine we're really in the midst really, in the guts of the commercial portion of this divestiture and we're not really going to address any of those expectations, as we're really down to the -- as we've indicated -- we have a short list of bidders and we're really in the heart of that process now.

Matt Spence - ***Merrill Lynch - Research Analyst***

Thanks.

James Hall - ***Brambles Limited - Manager IR and Corporate Affairs***

Thanks, Matt. The next question comes from Cameron McDonald from Deutsche Bank. Cameron, please go ahead.

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

Good morning, guys. Just a couple of quick questions if I can. The better every day costs of $24 million that you had the benefit from and I appreciate it's under the old structure, I think we were previously looking for $30 million for the full year. Is that still correct and is it just skewed to the first half?

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

Yes, absolutely. The Better Everyday Program, Cameron, is absolutely in line with our earlier expectations and when we come to the end of the year it will be in line with what we indicated now some two years ago, so the team has been delivering against that. To be clear, this is in line with expectations, it's by no way reducing our commitment to a quality output, it's really that the efficiencies are now flowing through over the last two years.

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

Just another question, if I can. Just on the RPC margin decline, which effectively looks mainly due to the depreciation of that $5 million, presumably that is a permanent movement now, so it will be $5 million higher in every period, so $10 million for the full year?

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

Cameron, let me just explain the background to that as well. The previous way that the RPC business calculated depreciation was to have a residual value linked to a granulate -- our regrind prices and this is particularly relevant for Europe where the business is much larger. The problem with that, from our perspective, was that there was a volatility element to it, so what we decided to do was to align the depreciation methodology for the IFCO business, RPC business, consistent with what we use across the rest of our businesses in the pooling space and have a fixed residual value.

In so doing, that actually pulled the residual value down and yes, you can expect that $5 million or thereabouts will be doubled in the second half. It depends on the growth in the business and it depends on the capital, but on a basis of a consistent capital profile you would expect it to double. Obviously from our perspective that's disappointment at the operating profit line, but clearly at the EBITDA line there's no change in the underlying value of the business.

Matt Spence - ***Merrill Lynch - Research Analyst***

Great, thanks.

James Hall - ***Brambles Limited - Manager IR and Corporate Affairs***

The next question is from Anthony Moulder from Credit Suisse.

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

Just that question, I appreciate that IFCOs really only been integrated since October last year, but I just want to understand as to what traction you're seeing as far as advocacy from key retailers and places like central and eastern Europe for the pallet pool in particular.

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

Well, first of all let me say thanks for the question, Anthony. Look, I think when you talk about central and eastern Europe it's quite interesting how that's been integrated really seamlessly. Just around the time that we were completing the acquisition under the CHEP brand, we were able to win some RPC business in Turkey, a fairly large piece of business for us. That transferred seamlessly, along with our employee who won the business and created the sales opportunity. He has transitioned directly to the IFCO team and that's been completely seamless. They've picked up what were the CHEP operating facilities and they've absorbed those very smoothly. The technology that IFCO brings is really being deployed now, not just in western and eastern Europe, but frankly we're availing ourselves of those opportunities globally.

The other big opportunity is that IFCO has quite a powerful product development pipeline and we are now in a position where we can bring those products and spread them globally. One of the other strengths, in addition to their product development capability, is their very strong retailer relationships. Those relationships continue to be very strong and along with (inaudible) and the IFCO team, we continue to coordinate efforts back into those retailers. Now, we're not always calling on exactly the same people within that retailer structure, but the cooperation thus far has been quite good.

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

Thank you.

James Hall - ***Brambles Limited - Manager IR and Corporate Affairs***

Thanks, Anthony. Next we've got Matt Crowe from Commonwealth Bank. Matt, please go ahead.

Matt Crowe - ***CBA Equities - Analyst***

Good morning, Tom and Greg. Can you just comment on the extent to which the growth of emerging markets is dampening or limiting margin expansion across the pallet business? It seems that whenever you push on the CapEx spending in those markets, there's a pretty hefty OpEx spend that comes with it. Then I guess a related question is, if that CapEx thing has been front loaded, it slows in the second half. Would you expect a bit of a margin improvement also, because the full year guidance seems to suggest quite an improvement in the second half.

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

I thank you again for your question. I just might take a step back and talk a little bit about emerging markets and how we look at emerging markets and in a way there are no two created equal. So when we look at central and Eastern Europe to start with, those are really contiguous to our core business in Western Europe. So as we grow eastward in Europe, we really are in a position where we can leverage overheads very effectively, so we build business out. But you really use all of the core logistics knowledge and capability and the plan operations knowledge and capacity and you leverage that quite effectively.

So in very short order on an incremental basis, you can achieve profitability in those new markets. When you look at other markets, like India and China for example and take the take the specific case of China where we're targeting profitability on a run rate basis by the end of this year, it took us a number of years to get there,

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because not only do you have the operating expense, the direct operating expense, but we really had to build the overheads and build the capability from scratch. We didn't have a contiguous operation, if you will, that we could draw from. So there's no question that from a central and eastern European situation you leverage overheads more quickly.

What you are seeing in Europe, however, is you're seeing a shift of our business eastward. As part of that we had well established business in the UK, clearly well established in Iberia, which is Spain and Portugal. Those businesses at the moment are struggling in terms of underlying economic conditions. The businesses are actually still very good from our perspective, but we're not getting that organic growth.

So as we shift that pipeline eastward, you are naturally moving into slightly less efficient operations, because we're still building our networks and still building to scale. You kind of get a positive effect from overhead leveraging, but you do get an effect as you build our scale from an operating standpoint, that they're not quite as efficient as we are in the western part of Europe.

I think the positive message that we see, however, is that our ability to grow that business, our ability to get the support of our major customers and the operating profit, or I should say the gross profit levels that we're achieving in those markets, all indicate to us that they're going to be very, very sound businesses for us as they continue to grow.

James Hall - ***Brambles Limited - Manager IR and Corporate Affairs***

Thanks. Next up Andrew Gibson from Goldman Sachs, Andrew please go ahead with your question.

Andrew Gibson - ***Goldman Sachs - Analyst***

Hi, guys, just a few questions. First of all, this relates to both the P&L and the cash flow. I first note the provisions, this other line, there is a step up there in the cash flow -- this is slide 33 -- just at the cash flow reconciliation at EBITDA, which I suspect ties into the step up in other costs in the P&L as well. Now, I assume they're largely related to the new businesses, if acquired, is there anything else of significance in there that we need to know about?

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

The one thing in there -- Andrew, it's Greg here -- is the cash flow related to the Bunning's settlement, which came through in December, so that specifically has come through to cash flow line. That's a bit over $10 million.

Andrew Gibson - ***Goldman Sachs - Analyst***

Just a couple of other questions, if I may. Just on pricing, first of all in Europe, was part of the issue there that the pricing mechanisms you had around the likes of lumber, fuel, etcetera, was there a lag there that you might recoup in the second half? Then just also in the Americas, or more specifically the US, you are still targeting margins there of around the mid-20% by fiscal 13 and just if you can provide us a little bit of an update as to how the pricing environment is looking in the US at the moment?

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

So let me cover and I'd like to do them in the reverse order, if I may. The US market, we've never given guidance on US performance, we've given guidance on the Americas performance and we're still targeting mid-20s and we're confident that we're going to get there. You've seen good performance out of the US in particular, but also very sound growth continuing in Canada and Latin America. Those are both very strong businesses for us, so in a way we're confirming that our objective, to get to mid-20s.

I might come to your first question now. The pricing situation, you've really hit the nail on the head. You know that our pricing methodology in Europe really is an index system and that index system does in fact -- it is really set by country. So the three prime components of it are lumber, fuel and labor, but it is done on a local or country basis and its set annually. To a degree it is, in fact, a lag effect but it takes -- it looks at the matrices at that point in time. So we did get some pricing in Europe and as I indicated, we're going to see a flow through of those pricing actions taken, that were taken in the first half and they'll flow through to the second half.

The challenge that we have now, if you look at particularly some of the key drivers, if you look at where fuel costs are, they're up significantly year on year and not all of that was recovered in the pricing index and lumber costs are up significantly as well. I think you also understand conversely to that, when wood prices go up, that also drives whitewood costs up and that often works to our benefit as we're presenting pooling as a more efficient and more cost effective alternative. So you have two; you have an offsetting cost increase, but then you also are seeing opportunities vis-a-vis a whitewood competitor.

The US, I think we've instituted quite a number of actions with the US team, not only is their underlying business improving, but there has been a renewed focus there in terms of effective return on capital, return on our investment in that business and we were able to get some favourable pricing and mix in the first half and that will flow through to the second half as well.

James Hall - ***Brambles Limited - Manager IR and Corporate Affairs***

Now, the next question is from Russell Shaw from Macquarie. Russell, please go ahead.

Russell Shaw - ***Macquarie - Analyst***

Thanks, good morning guys, just a couple of questions. On slide 40 you talk about the synergies and efficiencies, you've got a target of $20 million for this year. How are you actually tracking? Can you say how much you believe you've accomplished in the first half versus your expectations for second half?

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

Yes look, we're on track to deliver on a full year basis. We're just slightly less than half in the first half of the year. Look, the teams have come together, the new organisational structure took effect on 1 October, but there's great energy and we have very solid work plans. But in simple terms, we're committed to delivering it this year and just slightly less than half in the first half.

Russell Shaw - ***Macquarie - Analyst***

I was just wondering, given your European operations, would you be expecting some of that to flow through in the second half, together with those price rises you spoke about earlier?

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

Yes, I think we're very confident that our operational efficiencies in the second half are going to exceed what we delivered in the first half. We're also confident that our overhead costs will come out to a better -- to a larger extent in the second than the first. However, having said that the inflationary pressures continue, so our performance against those costs will be better in the second half but net/net, you're still going to see cost pressures continuing in the second half. I mentioned this in my earlier comments, but those synergies that we talked about, those are really in addition to the efficiencies that we plan on delivering in Europe in the second half.

Look, there's good focus, the team knows what they need to get done and there's a lot of work underway in what remains, as we've said very openly, was it going to continue to remain a very challenging environment, particularly in our largest markets today of the UK, France and Spain.

Russell Shaw - ***Macquarie - Analyst***

Thanks. So then, just with respect to the depreciation, or the extra depreciation, Greg, you mentioned relating to the IFCO. The IFCO RPC business showing $5 million extra in the half, likely doubling of that in the second half, should call it $15 million to $20 million on an annualised run rate. Did you know about that when you gave the guidance back in August last year?

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

The first, Russell, is that -- maybe I didn't explain myself very well -- in saying it's going to double, that's just the full year number --

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Russell Shaw - ***Macquarie - Analyst***

(inaudible)

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

-- so you can assume its $10 million and maybe a bit extra, $1 million or $2 million extra, given the growth that we expect in the business and the depreciable asset base. No, we didn't. Look, we certainly during the due diligence we spent a lot of time analysing how the business operates. We also spent a lot of time on understanding how depreciation was calculated. It'd fair to say that from a valuation perspective we focused much more on EBITDA than we did on EBIT, but nonetheless we were fully aware of how the depreciation was calculated.

It's actually been the volatility in the granulate price that's really changed and we've been looking at this and if you are continually adjusting your residual value on the basis of a commodity, such as granulate, which is a -- it's one of those traded markets that can move around very significantly. We were just finding that that was going to create more volatility in our P&L than we were really prepared to accept. So we made this decision, it's unfortunate that it's got a negative impact in the P&L, but we think it's the best outcome for us internally in managing the business and the best outcome for us to be able to explain the business externally.

Russell Shaw - ***Macquarie - Analyst***

I guess it's like that. Are you still pretty comfortable with an implied 45-50 split of earnings, given your revised guidance?

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

Yes, we are. Look, when you have at that revised -- when you have a look at that, the Recall number is pretty self-evident.

Russell Shaw - ***Macquarie - Analyst***

Yes.

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

If you use the guidance that we've given you, you can see that that's a fairly strong second half compared to first half. Look, part of that is because the cost outs, they're fazed and there's about a $5 million improvement in the cost out second half to first out in Recall. The RPC business itself is going to have a better second half than first half. Our pallet business is in that normal 47 first half thereabouts, 53 second half. So yes, the split's there and we know the works in front of us, but all of the forecasting that we'd previously done was indicating that this would be the split.

James Hall - ***Brambles Limited - Manager IR and Corporate Affairs***

The next question is from Scott Carroll from JP Morgan. Scott, if you would like to ask your question, please.

Scott Carroll - ***JP Morgan - Analyst***

Hi, Tom. Previously you mentioned cost savings and efficiency gains in the European pallet network, I was just wondering if there's any potential upside for RPCs there that could come through in the second half? Just also on RPCs, whether the economic -- macro conditions in Europe, which is the key market, having an impact on growth?

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

Yes well, I'll take the second question first. No, the difficult conditions that we're seeing in Europe from a macro economic standpoint are really are not affecting the growth in our RPC business. Our European business continues to grow very strongly and as -- in particular as I indicated earlier, some of the opportunities in central and eastern Europe are also adding to that, so the IFCO team is really doing a hell of a job in Europe.

In terms of efficiencies, the vast majority of the synergies that you're going to see, as we've always indicated, are really going to be in the US. The process in Europe on the RPC side was really quite straightforward. Essentially from 1 October the IFCO took over the operations of what had been the CHEP RPC business, so that has been absorbed. There are some synergies that will come from that and we've identified $5 million and we'll deliver that on a full year basis.

When you then look at what's happening in the US, none of that is RPC related, because as you know, we didn't have an RPC business there, so that was always IFCO run. The opportunities there, the $35 million over the next couple of years, really comes primarily from network optimising what is the IFCO PMS or the whitewood footprint that they have and combining that footprint with the CHEP footprint and that work is well and truly underway. We remain very confident that the $35 million is achievable on that front.

James Hall - ***Brambles Limited - Manager IR and Corporate Affairs***

We have a final question from Scott Ryall from CLSA. Scott, would you like to go ahead, please?

Scott Ryall - ***CLSA - Analyst***

Sure, thank you. Greg, the slide 19 was very helpful. Thank you for the FX adjustment to reconcile with your constantly 30 June exchange rate forecast. Can I just clarify, if we used -- I don't know if you've got this number in your mind though, you want to come back, but given where exchange rates, the euro against the US, that's it low for the six months and those sorts of things. If we look at your guidance as at 30 June exchange rate, if you used -- I don't know -- average exchange rates over the first half, or exchange rates at the end of the first half, am I right to suggest you'd take off about $45 million, a little more than double what the impact was in the first half, because where the directional--

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

I think, Scott, it's a good point. Last year we had the benefit of exchange rates going in a different way and we ended up with a significant increase. If you take the first half and then you extrapolate out using December change rates, for example, you're in the ball park that you're talking about, maybe a little bit higher than that. But again, we try not to speculate, because we don't know what will happen with the exchange. But for the purposes of forecasting forward, the number you quoted or maybe just a bit higher would be where we would calculate it out.

Scott Ryall - ***CLSA - Analyst***

No, if you knew that I'd say you were in the wrong job. In terms of Recall, now I take Tom's point about the sale process ongoing and those sorts of things, can I maybe ask that question in a slightly different way?

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

You can try.

Scott Ryall - ***CLSA - Analyst***

Based on the bids, indicative bids that you got in the final process ongoing and the fact that you've taken the action that you have in moving Recall around the P&L, well, down the bottom, does that mean you're 100% sure of the sale process going ahead?

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

Actually the accounting requirement is that if we have the business effectively up for sale and we have an organised process in the way we have, then we are automatically obligated to do this. There's no amount of discretion that we have in that regard, so it's not a -- unfortunately for those of you trying to model all this, it's not an affirmation of our position at all, other than the fact that we've put the business up for sale.

In terms of where we're at, look, we've indicated as much as we're prepared to indicate. We've got a short list in place; we've run a very tight process here. The business is performing well and on that basis we'll run into the final stage of this and we'll get the best outcome we can. We're not going to say any more than that at this stage.

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

But I think, Greg, we would both recognise that, Scott, you definitely asked the question in a different way.

Scott Ryall - ***CLSA - Analyst***

Thank you.

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

Well done.

Scott Ryall - ***CLSA - Analyst***

All right, that's all I had, thanks.

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

Thank you. Thank you all very much for joining us today. All the best.