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EDITED TRANSCRIPT

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PRESENTATION

James Hall - *Brambles Limited - Director, IR and External Communications*

Good morning everyone and welcome. I'm just going to run through a few housekeeping matters before the presentations start. Firstly, please turn off your mobile phones, they do interfere with microphones. Secondly, in the very unlikely event of any kind of emergency, if you're unable to get down those stairs at the front there are emergency exits at the back of the room here, to the left through the doors as you head out there to the ladies bathroom and there are two to the right, near our dining area. The toilets, ladies, to the left out there, the gents is to the right out the back.

Today's agenda is the first of three very full days. We've got pallets day today, RPCs tomorrow and then we'll focus on the containers business on Thursday. We'll start off today with Tom and Dolph and James, which we'll have a -- after Tom's given a bit of a strategy update we'll have a mostly European focus. In that presentation and all the others you'll notice we're just using a simple dollar sign. To avoid any confusion, that's US dollars. The FX rates are usually 30 June 2011 but if there's any difference that'll be shown in the footnotes.

After the session from Tom and Dolph and James this morning we'll then have a focus on emerging markets. We'll break for lunch. You'll have noticed where the tables are set, we'll be eating lunch out there. We'll then hear from the Americas team this afternoon and finally from our global pallets leaders this afternoon before we finish up.

Dinner's outside of the hotel this evening, we're heading to a restaurant called Divide in the hills. We'll need to leave quite sharply to get there at a good time and get everybody back to get a decent night's sleep. I'll give a bit more detail about that at the end of the day, about where we need to meet, et cetera.

So thanks very much for coming and I'll now hand over to the boss. Tom.

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

Well thanks very much James and good morning and welcome everyone. I hope that those of you that were able to join us last night, it looks like most of you actually were there, I hope you enjoy the evening as well.

Now some of you, this is the first time you're joining us for an investor market briefing and others of you this is your second, third event. For me personally this is the third time that I participated in one of these. I guess it was about three years ago that we were in Madrid and then maybe a year and a half or so ago we were in Southern California.

Historically we have made these meetings really focus on a region. Obviously when we were in the US we focused on the Americas and in Madrid it was a focus on the EMEA business at the time. We're going to make this a bit more a holistic review. We'll be covering all phases of the pooling business over the next three days.

Several people have asked, why are we in Zurich? Why are we here, why are we at this hotel and why are we at this location. I think in addition to the fact that alternating between Europe and the US feels right for us as a company, being in Zurich allows us to show you a few things; two major things that we're going to see over the next couple of days.

First is Zurich happens to be the location of the largest and most sophisticated IFCO Wash Plant and we'll be going there tomorrow. So you'll get to see what the state of the art in wash technology looks like. For this business, as you'll see, it's very important to us, it has great growth potential and it was important for us to be able to show it to you. Secondarily one of our newest and emerging businesses and that is CHEP Aerospace. That business is located here and again, we're going to use this location to be able to show you some of the details around that business.

What are you going to hear from us over the next several days? As I said, it is going to be a focus on pooling solutions. So we'll go through detail of the pallets business -- that really is today's session. Tomorrow is around RPC (technical difficulty) and then we'll cover containers on the third day.

As I mentioned to you last night you'll have 19 different executives presenting, so you will in fact get to see a great deal of our management. Now what you won't hear from us is anything around Recall. This is not a Recall review. As I believe you all know, we announced our intention to sell Recall a few months ago and there are a number of bidders that are still involved in due diligence. And as I'm sure as you also can imagine, we are working to come to a resolution on this transaction as quickly as possible.

Now I know from last night's discussions that many of you want to talk about Recall, but we'd ask you all to respect the fact that we are going to keep our cards close to our chest on this, as we really are towards the end of this process and working hard towards a resolution. So we thank you in advance for respecting that.

Now what is expected of you over the next couple of days -- and I don't think this will come as much of a surprise. First of all, as James already alluded to and I mentioned last night, these are long days, particularly today. So I strongly encourage all of you to do whatever it takes to stay energized. So if you need to stand up, stretch, grab an extra coffee or a Diet Coke, whatever it is, please feel free to do that. I know particularly those of you that have travelled a long distance, it's this day that is often the most difficult day. And again, please feel free, you won't offend anyone on the stage at the time if you just need to stretch and rise to your feet.

The second issue that we get a lot out of is questions. Questions are very important to us. I'm a little hesitant to remind you of this because we got so many questions last night, but that is a big part of us communicating to you and also us understanding better what's on your mind. So there are formal question periods after each segment, please use those, but more importantly during breaks, meals, bus rides to various venues, please take advantage of the opportunity that you have with so much of my management team here.

As I think you're all aware, we as a company put an enormous amount or work into this session, or these sessions. We're pretty excited to share the businesses with you. So with that, let's get started.

There are three main messages that I'd like you to keep in your mind throughout the next couple of days. We're going to really cover three basic themes here. The first is to talk about our diversification strategy. You'll see a lot here in terms of geographic expansion, new products and services and new segments that we want to enter.

We're going to share with you how we're organized to deliver and you'll hear some common themes throughout the couple of days. You'll hear this theme of taking a common business approach to our business. You'll see now the global functions in the pallet business and you'll hear from those global functional leaders. You'll also get a sense of what we're trying to drive in terms of our overall costs and efficiencies in the business.

Third, which is very important to us is we're going to talk about the size of the prize. What this means is that we're going to demonstrate the opportunity that exists in our multiple business opportunities and also we're going to share with you the metrics that we use to evaluate our businesses going forward.

Now to start with, what I'd like to do is to recap for all of you just the journey that we've been on over the last couple of years. Now to start with I'll state the obvious, there's a lot on this slide. So let me walk you around it, but in essence, the message on the slide is really pretty straight forward. Our journey started a number of years ago now. We really focused on building a fact base of our Company, if you want to think of it in terms of interrogating the business. Now from this level of interrogation we built a set of key insights and I don't think any of these insights are going to surprise any of you in the room, but what were those insights.

First of all we concluded that we had a fairly concentrated business. It was really concentrated around the pallet business. We believe that we have a real opportunity to leverage our scale as a global player and we hadn't, up to that point in time, done that. We believe that we have significant growth opportunities in emerging regions and new non-pallet platforms. So we thought -- we still believe strongly we have great opportunities outside of pallets only. We concluded that we really needed to organize our business differently if we were going to support delivery of our strategy.

From this then we launched our strategy. Pretty straightforward and we've talked about this publically, but that is to be a global pooling solutions company. Now we're really in the phase where we're now organizing to deliver that strategy and we very much are now focused on implementation.

Now from this work that we did early on we moved to what we call strategy on a page. Now the next slide is just that. So I'm going to share with you a document that we use internally to communicate to our own people when we're talking about strategy. Again, there's a fair bit on this slide so I will walk you around the page. I think the importance here is you'll get a sense of how we think about our business.

It really starts with an understanding of what our competitive advantage is. Or it's shown on the top of this slide, we refer to it as our distinctive capabilities or what gives us the right to play. But you can think about this again as competitive advantages. For this we've listed again things that I think many of us would cite as real strengths of our business in the pooling side. Number one, a global footprint, very strong brands, solid customer relationships. A very strong financial position. We have the intellectual property around how pooling works and of course, we have a very strong network and a set of systems.

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Now all of this leads to what is really the crux of this page and that is the sweet spot. What we use this for is really to -- again, define the place, the market characteristics where we want to play. Again, I don't think any of this should surprise you but it bears in repeating when we're focusing on pooling solutions.

First of all, pooling is around a common platform that's used by many different parties. It also is a place where assets flow freely. High velocity creates complexity, that complexity is a challenge for our customers and it gives us an opportunity to provide value added. Asset ownership is non-core to the user. So what we mean by that is that our customers are willing and interested in outsourcing. There is a network advantage to pooling and last but not least this sweet spot is a place where superior economic returns are available to the pooler.

So pretty straight forward but again it helps us define the sweet spot where we want to play. Now below that definition are several spots where you can see the markets that we've identified that we want to pursue and then on the right and the left of this slide what we've shown is the key issues, or our vision I should say in terms of how we enter those markets, as you can see, on the left part of the slide and on the right slide it's really what we have to do to stay competitive and to remain in the sector.

So again I would just encourage you to refer back to this strategy page throughout the presentation and you'll see that all of our businesses now are aligning around this simple strategy on a page.

Now looking on the strategy and action, what I'd like to share with you is again a view on the integrated supply chains in which we participate. So the first is probably the most common and you're all familiar with and that's really the pallets supply chain. The key players here are obviously manufacturers and retailers. So the major manufacturers, the P&Gs, Unilevers of the world and the Tescos, Carrefours, Walmarts of the world in terms of retailers. Then when you add to that the RPC supply chain, you can see here that the common point here is with the retailer. Then last but not least, when we move to IBCs, you can see here again the common factor in this integrated supply chain is the manufacturer.

We believe that when you look at these three supply chains we have unique opportunities to leverage our competitive advantage in the areas where we know the key players extremely well. We know the manufacturers, we know the retailers, we know the growers and we know the raw material producers that feed into the manufacturers.

So this is our view of the integrated supply chain of these three key components of one of our parts of our pooling strategy. But in addition to that we've also identified specialty supply chains. Here we're just giving an example of three. We're showing automotive, we're showing refining and we're showing the aerospace or the ULD market.

Now although the players are different, the basic tenets of pooling and therefore our right to play -- so the intellectual property that we possess and our right to play in these sectors, we believe is very clear and it's also extremely consistent with that strategy on a page.

So that's the thought process that we use and when we step back and look at what you might consider our core space, which is really RPCs, IBCs and pallets, we easily extend that to some of these specialty supply chains, because the underlying strength or our ability to play, our right to play in these sectors we think is very clear.

Now as I mentioned earlier we have been driving a very common approach to many aspects of our business. A common approach to strategy is really now the cornerstone of what we believe will drive our future success. In this case there are four themes, all of which you will hear about throughout the presentation over the next three days. Those themes again are pretty straightforward. The first is around diversification. So you're going to see this in terms of how we enter and strengthen our position in new segments, how we diversify our products and service offering and you'll also see how we're leveraging innovation globally in the pallets business to gain real advantage.

Secondly we'll talk to you a bit about cost leadership. Now most of this is going to come down to the presentations on logistics and operations, but what you're going to see is our focus on delivering the lowest cost solution for our customers, we're standardizing processes across our business and really for the first time in our Company getting the real benefits of scale.

We'll then talk to you about how we're going to market. In this case we're really talking about how we improve our overall position, what we're doing to enhance the customer experience and to a certain degree how we're standardizing many of the practices and tools that we use on the sales and marketing side.

Last but not least is around people and leadership. Now as I said, the first three are really going to be brought to life throughout the presentations over the next couple of days. But we thought that the best way to emphasize around people and leadership is to do exactly what this meeting does, and that is to put a large number of our key executives in front of you. So you will get to evaluate our position there when you get a chance to meet our people and hear them talk about their business over the next several days.

Now in addition to talking about the implementation of our strategy you'll also get a good feel for how we're now organized to deliver and to implement against that strategy. Now this slide is one that you've seen before, we've used this in a number of presentations. It's a very simple slide but in reality we believe it does a very good job of depicting the three core segments in the pooling space today, RPCs, pallets and containers. Then you can see from that the underlying customer segments and the foundation across all three of these businesses, which is really our global pooling solutions expertise and our capability to deliver solutions for our customers. So again, a key slide for us when we're communicating how we're organized and how we go to market.

Now I will just mention at this slide, the three blocks are not drawn to scale, it really is just to give you a visual sense of the business segment, the key customer solution and then of course, the foundation underlying this business.

Now in terms of developing our strategy, one of the things that I mentioned of the key findings was that we had a very concentrated business. Now in very simple terms what this slide here shows is it shows the evolution of the diversification strategy and the continued planned diversification out into the near to medium term future.

As you can see from this you don't have to go back very long in our history, just back to FY10 and you'll see that 89% of our pooling revenue actually came from the pallets business. In a few short years, obviously with the acquisition of IFCO being the major move, but we have begun to shift that mix in terms of our overall dependence on pallets. In the not too distant future we see pallets comprising about 70% of our total sales.

Now we will continue to get growth in all three of these segments, without a doubt, but the faster growing RPC and container segment will ultimately drive a better diversity, a better distribution of our overall mix. All businesses will deliver a 20% plus return on capital in the long term. So all three are solid businesses, but clearly we begun the process of diversifying our dependence on pallets only.

Now before I pass on to Dolph and his team, to discuss the EMEA pallets business in a bit more detail, let me come back to one of these concepts that I started with and that is the size of the prize discussion.

So as you can see here from this slide, we believe that we have substantial growth opportunities in all three key sectors. Substantial growth opportunities in the pallets business, substantial growth opportunities in RPCs and substantial growth in containers.

Now globally the addressable market for pallets, as you can see on this slide, is well over $9 billion. We estimate that our share here is only 34%. On the RPC side the addressable market is over $6 billion and here we estimate our share is only 11%. On the container side of the business this is an enormous opportunity at over $18 billion and today we're really only scratching the surface. So the message here is the size of the prize, for us, in all three segments, continues to be very large.

Now there's another concept that you'll hear throughout the next couple of days that's shown on this slide and that is the concept of horizons. Many of you that are familiar with a lot of the growth work that has been done will be familiar with this concept of Horizon 1, 2 and 3. If you want to think about how we look at the concept of the horizon, we really use it to illustrate the development of our business. So our business in the pallet space is well developed. Clearly a lot of upside still in terms of growth, but that's a Horizon 1 business for us. The Horizon 2 business of the RPCs -- that's a relatively newer business for us. It presents a lot of growth opportunity and we characterize that as Horizon 2. Further out are the developing businesses that we'll talk about really on Thursday of this week and that's in the container space.

Now you'll also see this slide when some of the guys present their own business. So when the RPC team presents their own business they think about their growth opportunity in horizons as well. Horizon 1, which would be the better developed European opportunities and then you look way out to Horizon 3 and you're thinking about opportunities in Asia.

So that's a concept that we like to use to keep us focused on the businesses that are here and now, without losing sight on the opportunities that are in the future and our need to continue to invest in these growth opportunities.

So now let me shift gears a little bit from the broad overall strategy framing for you. I'd like to introduce the start of today's specific discussion, which is really around our pallet business. Now our pallet business today is really split into two roughly equal halves. Dolph Westerbos runs EMEA and Asia Pacific and he also has responsibility for the global pallet strategic marketing group. Peter Mackie, who'll present later today, has responsibility for the Americas, as well as having direct responsibility for global pallet logistics and global pallet operations. Dolph has been with us for about two years and Peter joined the Company about 11 years ago.

Now when you look at the opportunity in pallets by region, you can see, just as we showed on the global slide up front, that there is still considerable white space for us to grow in the addressable market in every region. You can also see on this slide our relative market share, obviously relative to our pooling competitors in each of the key regions of the Americas, EMEA and Asia Pacific.

Look that was a very, very brief overview from me in terms of some of the strategic thoughts that we have, how we're organizing to deliver for the future. I think what would be very helpful for you throughout the next couple of days is really to drive into -- on a granular basis and understanding our business, understand the actual actions that we're taking to deliver against that strategy.

So without further ado what I'd like to do now is to invite Dolph to come up to the podium to get us started on a much more granular view of the EMEA business. As I mentioned earlier, Dolph is the Group Vice-President for EMEA and Asia Pac. And it's a pleasure to have him with us today. It's all yours Dolph.

Dolph Westerbos - *Brambles Limited - Group President*

Thank you Tom. Indeed, so good morning every one. It was nice to meet with a number of you and talk already last night, so thanks for your time. This morning I will present my businesses both in EMEA and Asia Pacific to you and highlight the key challenges and opportunities in today's environment. We'll then talk about the key priorities that I and my team have in our working arm with our action plans in our business and there are generally around three areas; (1) is to drive out costs and improve our margins, (2) is to drive growth, both in our emerging markets as well as in our material markets and (3) it's around strengthening our customer relationships and deepening our industry relationships with retailers and logistics service providers.

I hope at the end of today you'll feel convinced that we've got a great leadership team running this business, that we're focused on the right challenges, that we've got the right action plans in place and that we're well positioned to protect, grow and improve our business.

So before we go into the business, just a little bit about myself since this is my first opportunity to meet with all of you. I joined just about two years ago. Before I came to Brambles I was at Dell. Most recently I was VP of Solutions and Services for EMEA and that meant I was responsible for Dells sales and delivery of its enterprise computing business. So that included Dell's services, Dell's software and Dell's hardware business in the data center space. Before that I worked for 12 years at a company called ModusLink, also a NASDAQ listed company. ModusLink provides business process outsourcing services to the high-tech industry. Think of fulfillment services, customer support, those types of solutions. The last couple of roles at that organization I ran both the Asian business for ModusLink and then the EMEA business for ModusLink.

It's been great to be though at Brambles for the last couple of years, now let's move on to the business.

If we take a look at my region, you'll see that it's comprised of five CBUs or customer business units. You will hear that term here repeatedly today. So we're organized in our business around nine CBUs. In that region we have to more mature and established CBUs, namely West Europe and Australia and New Zealand. So in those CBUs you will see that we have generally a higher market share and high profitability, but growth rates in those businesses has been limited the last few years to lower single digits. The focus in those CBUs is really around cost leadership and deepening our relationships with our customers.

I also lead three business units in our emerging markets, namely Middle-East and Africa, Central and East Europe and Asia. Now in those businesses generally we have lower market shares and the growth opportunities are quite sizeable. In those markets we focus on market penetration and modernization. Our business in South Africa is already more established. We have a higher market share and higher profits, but in the other businesses we're still in an earlier stage of market development.

As you are probably aware, the European businesses, we now have organized our business by product line, as Tom talked about. So we have, in our European business, I and my team look after the pallets business only. In the other businesses outside of Europe we also continue to support all of the other pooling business for Brambles, but in today's presentations you'll really only get to - we will only talk about the numbers in the business as it relates to pallets.

So briefly my org. chart, this is the same chart that Tom presented. As I said, I joined two years ago. I first managed our EMEA business. Since October I also look after our Asia and Pacific business. I lead our global strategic marketing organization that you'll hear more about from Toby this afternoon and I lead Brambles emerging markets council and I'll talk about that in a bit.

If I then go and talk about my team specifically and most of those people are in the room here today and you'll hear from today. I am deeply fortunate to work with a number of executives that are as experienced as this team is, both in time with CHEP and Brambles, there is a combined 70 plus years of experience within the CHEP and Brambles family. We've had people working both in our emerging markets, in our mature markets. We've had people working in all of our product lines from automotive container, RPC and pallets and also in our various regions, particular experience in all of our business models. For those of you who have followed our business for a number of years, you know that we have a number of different business models and I'm very fortunate that in our team we've got people that have experience across all of those, whether that is one way trip, transfer hire or shared services et cetera.

But beyond just the experience and deep experience within Brambles and CHEP, my team also brings a lot of relevant industry experience outside of CHEP. So just to give you a couple of examples; James McCarthy brings a strong FMCG background. He worked for a number of years at Unilever and a number of similar companies. If I go to Lars, Lars Amstrup, who joined us recently and is now leading our Asian business. He has a very strong logistics background, both at the East Asiatic Company, very established in Asia and also HAVI Logistics more recently. Another relevant industry for us is of course asset financing. Helen Jesson, who is our CFO, has got a tremendous background in that industry and most recently within Pitney Bowes. So good experience in industry as well.

Then lastly the experienced depth that we have is around regional coverage. A number of people have been managing businesses across multiple regions. So if I look to, for instance, to Toby and Rod Francis, both of them have extensive experience in both Africa and Europe. Lars has been running businesses in Asia for almost 30 years. Helen and I have both lived and worked extensively in Asia and in Europe as well.

So that's about my team, now let's move to the actual business performance. So we'll start here by the EMEA revenue. You can see that in our EMEA revenue the West European business is by far the largest share of the business today. So that means that our current economic environment in Western Europe certainly has an effect on the rest of our business.

In fact, in Western Europe -- and James will give you more information on that, a number of our key markets have seen declining retail sales for a number of years or very flat or very low growth retail sales. Despite that the EMEA region has delivered a resilient 3% growth compound annual over the last few years and also did so in the first half. Now, two-thirds of that growth came from our emerging businesses. So even though these are significantly smaller, two-thirds of all of our growth came out of our Central and East Europe and Middle-East and Africa business.

That business is growing at 20%, whereas our West European business is growing at a mere 1%. In fact, core volumes in Western Europe have actually declined. So the growth that you're seeing in Western Europe is actually a testament to our ability to win net new share, net new gain in the market and also our ability to get some prize from our customers.

If we then move to the margin picture for EMEA. So I think we're all aware that the economic environment in West Europe is pretty challenged. It has put a significant pressure on both our ROCI and profits in the region.

EMEA has actually had a good, strong track record to deliver mid 20s returns over the past few years. However in our most recent half year, our profits declined by 8%, clearly not acceptable. Tom talked a little bit about what was underneath that. A few things. We've experienced higher inflationary pressures than we have experienced in a number of years. We've had declining core volumes in West Europe. We have stepped up our investment in our growth in East Europe. We are in the middle of launching seven new countries in East Europe and so that takes investment and we have continued on our planned program of incremental quality investment, which will end by the end of this year. But the effect of this incremental investment also affected our margins in the first half.

Now clearly this drop in margin is unacceptable for us. So you're going to hear from me and from James later today about both our near term and medium term actions to bring our margins back to historical levels.

If we then move on to Asia Pacific. Asia Pacific has had a solid growth rate for the last number of years, 5% compound annual growth rate. In fact in the first half of the year that was 7% as our Asian business it's continuing to grow. Australia and New Zealand, as you can see on this chart constitute almost 90% of our business. That business at the moment is growing at 3%. Our business in Asia in contrast is growing at around 40%.

If we then look at the margins in Asia Pacific, you'll see that margins in Asia Pacific has been fairly stable for the last three years. In fact, in our H1 results our margins improved by 8% year on year. Now margins are historically lower in our H1 Horizon in Asia Pacific. That is due to higher compensation results from loss equipment that we normally see in the second half of the year.

Our Asia business is on a strong trajectory to profitability. You've heard Tom talk about this earlier. Our China business is projected to be profitable in the fourth quarter of this year. India is further away but is well ahead of our investment plan. When we entered the market and made a decision to enter India, we had a trajectory of when we expect to see profitability and growth and we are tracking well beyond that original investment plan.

Okay, now to move on to the key priorities in the region. That was a highlight of the performance. So what are our key focus areas? Frankly to put it simply there are just three that I and my team are focused on; (1) is to take out costs and improve our margins, (2) is to create growth, again both in our emerging but also in our mature markets and (3) to strengthen our customer relationships and industry engagement.

My number one priority is indeed around cost leadership and you'll hear more on that in a minute and also from James later. In addition, James will also talk about our mitigating actions in the current Eurozone crisis. For me, suffice to say at this moment, that our exposure, both in revenue and assets is actually quite limited in the countries that are deemed at highest risk for default. We're taking real action to reduce that exposure further.

Beyond cost we also have growth opportunities in every one of our markets. In the mature businesses the focuses will be on new and expanded services and also new verticals and in emerging markets the focus is around key account conversions and market education and modernization.

Then our third priority is around strengthening our customer relationships. Historically CHEP would've focused a lot on our manufacturers and the brand companies. But if you look at the supply chain and where the power and the innovation happens in the supply chain it's more often the retailers that are the key stakeholder and in some markets also the logistics service providers. So you'll see a shift, significantly, in our focus to the retailers and the logistic service providers and to find opportunities to create value with and for them.

So rather than seeing the retailer as a mere user of our assets, it's how can we drive value with and for them. We think that actually it helps us in two ways; (1) we think that it opens up new growth opportunities, but (2), perhaps equally or even more important, we think that it'll actually help with the use of our assets, because our assets are often misused in the last mile of the supply chain. So if we can work more closely with our retailers we think we can help cycle time, loss and damage of our assets in that critical last mile.

So those are the three key priorities for us, let's take them one at a time and let's start with cost and margin improvement. Now this is a slide that you will remember. This is a slide that Tom would have presented at the half year results and this merely highlights some of the factors that had an impact on our H1 results.

To recap, we did experience higher inflation, more so than in previous years. $12 million of that $40 million was in direct costs, fuel and timber and another $2 million in our indirect cost inflation.

We also made significant investment in starting up our seven new countries in East Europe. As our customer business is moving eastwards, that actually creates some inefficiencies for us in at least the near term. You can imagine distances are increasing as our customers' products are moving eastward and we do not yet have the scale to serve our customers in the east as we do in our more established markets. So as our business is growing in East Europe, you will see those efficiencies materialize in the future.

Then lastly, we continued with our quality investment program. By the end of this year we will have invested $50 million more in incremental quality spending over the last four years. We believe that that is also then -- we've reached a point that that program can cease and that will become our new baseline. So you will not see this effect in FY13. Our customers are noticing this increase, so this is quite a different situation. Some of you yesterday even mentioned to me, is this like a US situation. Well this is quite different. I think three, four years ago our customers started to raise the issue of quality more and more and then supply chains were getting more and more automated.

We took quite a proactive approach. We did an incremental investment over a number of years and I think it's paid off. I even got from a number of you last night, the feedback that our customers are telling you that our quality has improved. We see that reflected in our latest customer survey, where our customers are saying that quality has greatly improved.

So on the first part of that slide it talks about the cost impact that we had in the region, let's now also talk a little bit about the actions we're taking in the second half, to recover some of the margin lost in the first. So there's a number of action plans that we're driving. They're around driving greater efficiencies in operations, logistics. Driving also reduced costs in overheads and discretionary spending. Taking targeted pricing actions in some cases and also accelerating our revenue and revenue wins in the region.

I can tell you we are tracking well for all of those specific action plans. We are now two and a half months into the second half. We've made a commitment to double our efficiencies from the first half and I think we're well on track to deliver that and you should see a higher margin profile in the second half than we have delivered in the first.

So that's around our near-term actions in the second half. Let's also focus perhaps more importantly around our longer-term approach on margin improvement and on cost reduction.

We are launching a number of programs to reduce our costs structurally over the mid to long term. These are programs beyond the H2 actions I just talked about. We are committing to increase our margin in our underlying profit for the EMEA region by 2 to 3 percentage points by the end of FY14 from what you would have seen in the first half.

Where is that coming from? That's coming from cost reductions. Cost reductions both in direct costs and also overhead costs. As you can see on the right hand side of that slide, we actually have a really strong track record in Europe to drive down our overhead costs. In West Europe alone we reduced our head count over the last three years in overhead by about 240 heads. These two charts reflect that and these are cumulative.

Now at the same time we also invested in our growing businesses in Central and East Europe. But even if you take those two combined, we still reduced in all of Europe, our overheads by a 13 percentage point in head count over the last few years. So that is a strong track record and we will continue to deliver similarly going forward. We will continue to look at technology and process optimization as well as the leverage of our global organization to take costs out structurally.

In addition to cost we will also get smarter about pricing. Now you can imagine in Europe, pricing accurately and customer profitability can be complex because many of our customers are shipping across multiple countries and cost structures are often different in the countries, regulatory environments can be different in the countries and some of our customers have unique quality or service level expectations. So to really price accurately is to some extent an art as well as a science.

Now we're getting a lot more smart around how we price and we're getting a lot more granular about how we price. We're building some tools at the moment that allow us to understand true cost this year across these complex customer profiles, with a much more granular level of detail. We're finishing a pilot of that new tool in Spain this month and if successful the intent would be to roll that out across the region. Once deployed it would give us an opportunity to start pricing much more smartly with our customers and to really capture true cost this year for those customers with more accuracy.

Lastly I think market improvement will come from the growth of our emerging businesses. So we've invested a lot upfront, held the curve in East Europe. (Inaudible) our business is growing to scale, so does the efficiencies in our network and we can expect an improvement in our margins from that shift in mix.

So that was around our first priority, cost and margin improvement. So now let's move on to the second priority in the region which is all around growth. In this chart you can see that in every one of our businesses, the five CBUs, there continues to be good opportunity to grow our business. In blue you'll see CHEP, in grey you'll see our competition and in white you will see the un-served market. So tremendous white spaces if you look at our emerging businesses like in East Europe and in Asia. But even looking at West Europe there is a tremendous remaining un-served market. Now that is caused in great deal by the prevalence still in many countries of white wood exchange services. Particularly in this market, in Switzerland and in Germany, white wood exchange is a prevalent business model.

But as you see, tremendous opportunity in our businesses, but each of those markets are different and require a differentiated go to market approach.

We talked a little bit about West Europe. In West Europe we will continue to target that white wood exchange conversion to a full solution. We're doing that in two ways. We're continuing to drive conversion to our traditional one way trip model and we've been doing that for the last number of years. Consistently over the last number of years we've been achieving about a 2% net new win ratio. That means gaining market share. In addition though to converting to one way trip, we're really broadening our services offering to take on white wood exchange head to head. We are expanding our own exchange solutions. You will hear more about hat from James. But in short, this means that we are now, in some of our markets, offering multiple service offers that give our customers a choice, based on quality, with different quality levels, different service levels but also different price levels. That allows us to compete more effectively with traditional market solutions like exchange.

In West Europe it's not just around converting businesses in FMCG, it's also around new verticals. There's some pretty exciting success stories that James is going to talk around. How we've been able to start penetrating the textile industry, food processing industry. These are all related markets and opportunities for us.

If we move to central and East Europe, there the growth really is around following our existing major customers that have already moved eastward and helping confer their business onto a pooling solution. Part of East Europe we will also continue to analyze new markets for new market entry. Our coverage with those new seven countries will be pretty much across all of the region, with the exception of Russia and Ukraine.

Clearly these are very large markets for us and we need to understand those markets very well. Now we have a standard process within Brambles that takes a rigorous approach to look at each of the new markets before we enter than and I can assure you that in the case of Russia and Ukraine, we definitely need to go through that rigorous process and we will do so over the next year.

Our first priority though in Central and East Europe is to make those seven countries operational, launch them successfully and help our customers there.

If we then move to our South African business. South African business last year had a tremendous success in entering the beverage sector, which is a sector that we haven't participated in before and we gained a very significant anchor customer. So the growth opportunities for that business now is around penetrating that industry much more broadly from that first tenant customer.

Then if we look at the Middle-Eastern business. In that business we spent a fair amount of effort to just educating the markets, the help them understand how modernized supply chains can drive value for all the participants. The team has a done a terrific job to get that foundation in place and is now focusing on converting more and more retailers in that market.

If I look at Australia and New Zealand, there the focus for growth is around development of our last mile solutions. You're going to hear more about that today but basically last mile solutions, or we also call this, retail ready packaging, is around how to help our customers. Because our traditional focus of our business has been into the DC of the retailers. That's where the product would go and that's generally where it would stop. The retailers would then choose to use that product more broadly perhaps, but that was not our focus. But clearly we see an enormous opportunity to help that product move directly onto the shop floor. You will see a greater emphasis on merchandising and in store promotions. That is of benefit for both the manufacturers and the retailers.

We see an opportunity to drive new standards and new product and service solutions in that last mile. That's a key focus for Australia and our New Zealand business. They're working closely with both Coles and Woolworths on things like fractional pallets, beverage trays, to help drive and create that opportunity.

Then if we finally move on to Asia. In Asia our focus is on converting new retailers, new logistics providers and new manufacturers. It's an acquisition strategy, but also in some of our markets an education strategy. Like in the Middle-East in some of those markets we have to spend a considerable amount of effort to help educate the market on the benefits of a modern supply chain.

Now all five of those businesses are pretty exciting, as you can see, from an opportunity point of view. James, Rod, Jurie and John will each talk about those businesses in more detail later today.

So that brings us then to the last of our three key priorities. We spent time talking about cost and margin, we talked about growth and now this is around deeper and strengthening our customer relationships and deeper industry engagement. Because frankly, I do not believe we can grow our margins or create growth if we are not strengthening our customer relationships significantly.

In this area CHEP is changing fundamentally. Over the past two years we have greatly increased our customer and industry engagement. This came up in a discussion I had yesterday. When I joined the Company two years ago I often got to hear from customers, CHEP, you guys are arrogant, you don't listen, you're inflexible, you're very complex to deal with, your attitudes can be one of take it or leave it. Part of that was historical, part of that was not so far in the back. So the last couple of years we've worked very, very hard to change that in fundamental ways.

To give you just a couple of examples of what we have done. First we launched quarterly advisory panels here in Europe. These are where we bring our customers together on a quarterly basis. Manufacturers, retailers, industry bodies like ECR but also the logistic service providers. It's not a day, it's not a day and a half around CHEP, it's really to understand what's going on in their environments, what are some of the challenges that they're facing with and out of that, what can we do? What role can CHEP play to help address some of those needs?

Frankly out of one of our very first customer advisory panels, came the initiative around last mile solutions that we've seen launched in the Company. Next to that we also have now launched our Asian advisory board. So we've now had two meetings with the Asian advisory board, like models on the US advisory board Pete is coordinating in the Americas. We've now had two meetings, it's been quite successful. It's still early on. I think these advisory boards start working when they really get to know you and you get to really know them. So I would say the first two sessions have been more around educating and getting to know each other but some really powerful people with deep, deep connections and business experience throughout the region. That can only be tremendously valuable for us.

Third we have now created a key account structure. So if you look at the European business our top 20 customers represent about a third of our business. In the past we managed those customer relationships on a national basis. Those relationships continue to be very important, but we did not focus on the more regional, or even global, relationships we needed to build to get into a more strategic position with those customers. So that's why we've put together this key account structure for our top accounts. We now are focusing on a more strategic relationship and we back that up for those key accounts with joint business plans. Joint business plans that both our customer and us and us are committing to drive greater value in our relationships. We are now moving that model across the globe.

THOMSON REUTERS

We've complemented this key accounts structure with a solutioning team. Our solutioning team within CHEP is a really very small group of people of deep, deep supply chain experts that have a broad understanding of the issues in the supply chain. We deploy those scares resources on our most important existing and new opportunities. They provide consulting services to our customers and those prospects, to help drive value outside of just purely the use of our assets. It's been quite phenomenal. It's kept us away from just a pure price plan. It really gets us into a much more strategic relationship with our customers. Some recent examples of that are our engagements with DHL in Asia, Pole Star in the UK, as a way to really change the way we engage with our customers.

Another example of customer engagement and how we've changed there is the commercial excellence program that I launched in 2010 here in Europe, which is now going global. Commercial excellence is really around providing standard tools, processes and training for all of our customer facing people and organizations. It's to help to take complexity out of their job, to help to take admin work out of their workload, free of their time to spend more with customers and as a result also reduce cost.

It's a program that I think is starting to pay benefits here in Europe by increased customer visit and face time and it's allowing us to streamline our customer facing organizations. Most profound though in this area is around industry engagement, a broader industry engagement that it related to both the retailers and all the logistic service providers.

Over the last year I've hosted a number of retailer forums in the UK, in Benelux, just last week in Madrid. Where we bring now all of the top retailers together in a certain market. That's not a natural setting. You can just imagine that these people do not sit normally in the same rooms, don't normally like to talk to each other, but it's been received very, very well by them, where we're taking a more proactive approach to understand what's going on specifically in a regional environment and how can we help get ahead of the complexities in their supply chains. We've used them to give us feedback on both our last mile solutions and our managed exchange offers. So it's been a good deepening of those relationships.

So now that I've spent time on our top three priorities in the region I just want to finish my presentation on a broader topic as it relates to emerging markets in general.

As you can see -- and we're using the same framework that Tom has talked about. We look, even in our emerging businesses, into horizons of growth. Now what binds these emerging businesses is that each one of our emerging businesses around the globe has significantly higher growth rates than our mature businesses. But for instance in markets that have already a modern supply chain or a modern retail environment, such as in Latin America or South Africa, those growth opportunities are more near term. Whereas if we look at markets like Asia or some of the businesses in East Europe, those are more further out because there we have to spend more time educating the market.

Now why do we make those investments ahead of perhaps all of the returns? We strongly believe that there is a tremendous benefit for CHEP to be the first mover in a new market. It helps establish the business processes. Pooling doesn't exist as an offer in those markets, so for us to get there and help educate them properly gives us tremendous benefits over the long term.

Okay, so how big is our emerging business today. Our emerging business is 12% of our overall revenue but that is growing. Our emerging businesses as we have communicated are going at plus 15% both this year and next year, so that% will grow over time. In fact, in the first half of the year, all of our emerging businesses grew by 20%.

So what are we doing to support those businesses and help grow them faster and help accelerate those growths. Well one thing, emerging markets, even though we give it a one header, they're not the same. The risks, any opportunities, the market conditions in every one of them is different. Nevertheless there are key themes which run through each of those. So late last year Brambles formed an emerging market council to really help consolidate and support and coordinate around these major things. I lead that council, it is formed of the leaders of our emerging CBUs, Latin America, Asia, Middle-East and Africa, Central and East Europe. And of course, complimented by the key support functions; strategic marketing, HR and IT.

We have quickly homed in on four areas where we're focusing on. One is around best practice sharing. In the past a lot of learning would happen in those individual markets and frankly we haven't always been smart enough to share the learnings. So we're building a library of experiences that will be available for everyone in a new market so we avoid some of the relearning of the same messages.

We are also streamlining our decision making process around our emerging markets. Whether that is around a new market entry or capital allocation processes, we're putting a lot more rigor and a lot more standard processes around that and are now able to compare those opportunities globally, rather than them coming up one at a time.

Lastly we're focusing on HR and talent management. It's a tough business to run emerging markets all over the world. We don't have any brand, as CHEP or as Brambles. So to attract key talent in those markets for a business model that doesn't just exist is not easy. So this is an area where we have to strengthen and support those businesses. At the same time we've got to be better at cross fertilizing people with good experience in mature markets and get them to help in our emerging markets. So that is the fourth area we are focusing on to help facilitate that talent sharing in the region.

Okay, so that's around emerging markets and the second section today after the break will really be around a deep dive into three of those.

So that brings me to the end of my presentation. This last slide highlights our strategic agenda. In the same framework that Tom introduced around our first vocation, cost leadership, go to market and our people and leadership. This strategic agenda outlines all of the key programs we are managing in my region. I presented some of them today and others will present others throughout the day. Some of these programs are indeed regional, but more and more of our programs are becoming global, as CHEP and Brambles are starting to really leverage our global scale at this stage.

One of such global programs is the one in the center column at the bottom. We are engaged in a deep dive interrogation of our current asset management processes and we're doing this in a number of our key markets around the globe. In the US, UK, Spain, France and Australia to name a few. This is another interrogation into our business to understand the current practices that we see in the markets and the aim is to drive improvement of our assets over time, in cycle time, in loss and in damage. Now I haven't spent a lot of time talking about that key initiative but you will hear more from both Kim and Pete later this afternoon.

So to summarize and to recap my presentation today, I hope you've got a clear understanding of the key priorities in my business. There are three folds; margin improvement and cost take out, creating growth in all of our businesses and strengthening our customer relationship and industry engagement. I hope through the presentation today you do walk away feeling convinced that we've got some pretty strong leadership in place to run that business. That we're focused on the right priorities, we've got the action plans to deliver against them and that we're well positioned to protect, improve and grow our business. Thank you.

Now I want to hand it over to James to talk about our West European business.

James McCarthy - *Brambles Limited - President CHEP Western Europe*

Thank you Dolph. Good morning everybody. My name is James McCarthy. I joined CHEP four years ago as the CFO of the EMEA business. Last year for a period of time I also ran the supply chain in addition finance for EMEA and last October I assumed my current position which is President of Western Europe.

Now Western Europe is clearly facing some very difficult economic challenges and that's providing us with some real business challenges and also some opportunities. I really want to focus on four things here. I was to give a bit more detail on the cost pressure it's causing but more importantly what we're doing about it. I'll talk about the Eurozone, the risks we see and what we're planning to do and are actually doing about it. I will revisit quality, a little bit more detail on quality, what the investment has been and I guess what customers have seen in that investment, but I'd also like to talk about some growth opportunities because there's still some growth opportunities in our business and it's very important that we keep adding new customers.

Let me just start by introducing the team. The Western European business is split into four Groups. So we've got UK and Ireland run by Howard Wigham. Ideally with just Spain and Portugal run by Laura Nador, France by Laurent Le Mercier and Mid-Europe by Christophe Loiseau. Mid-Europe for us includes Germany, Italy, Austria, Switzerland, Benelux and Scandinavia, so quite a collection.

There's a fifth name Jochen Behr, who runs our European Key Account organization, which we call EKA. The reason for that is the European Key Accounts, I think the top 20 customers is around one-third of our business. So a pretty significant customer list. Typically these customers operate cross borders, often purchase centrally, so need an additional type of support that a rigid country structure may not give. So that's a fairly important part of our customer facing team.

This is a very experienced team. We have people here like Howard who ran Asia Pacific which is fantastic to have his perspective in Europe. Christophe and Laura over different periods of CHEP ran automotive business and RPC business. So there's something like 45 years of CHEP experience. I'm kind of the baby of the family really. Something like I think five nationalities across the six of those. So quite a diverse bunch with good CHEP experience.

So maybe just to set a bit of the economic background before we get into the performance of the business. What you have here are two graphs. On your left hand side you have a graph of retail sales over the last four years. This is Euro stat data, which is deflated retail sales, which is as close as I can get to retail volume. Now what you see here - this is the major market in my region. What you see here is that the major markets have been around the 1% growth in that band. You see here Spain is the real outlier. So Spain, on a CAGR basis has been declining 3.5% per annum over these four years. So Spain are a real outlier. If you look on the right hand side you see similar data for unemployment. Again, you see in the major markets unemployment is in the range of between say 5% and 10% and it is getting worse pretty much across the Board but it is in that 5% to 10%; 5% being kind of Germany and 10% towards Italy for example.

But here you see Spain in December was 23% and I think it's actually now breached 24%. The reason for picking on Spain if you like, is that Spain are still 25% of my business. So I guess versus a typical European operation you could say we're overweight in Spain but that's the business we have and the Spanish business is a terrific business, but it is - we've been quite exposed to the Spanish economy. If I develop the point further on fuel and timber specifically, because that's something we called out at the half year and Dolph alluded to. What you see here for the last 18 months is Euro price diesel -- or average Euro prices and the price of timber per cubic meter. You see quite a hefty increase here over the last 18 months.

So half on half fuel went up 15% and timber went up 7%. That's roughly $7 million of inflation cost for us in fuel and $3 million in timber. So when we talked about $12 million direct cost inflation in EMEA, here's $10 million of it. So this really is a European fuel and timber story.

That just gives a little bit of context. Let me just talk a little bit about the historic performance. Western Europe is a big chunk of our business. If you look on aggregate from a revenue point of view, we've been growing around 1% per annum. But within different segments, the different country groupings, there's quite a different performance.

So if I start with the UK. The UK has grown around 1.5% per annum over this period, which is pretty steady growth. Frankly quite a lot of that has been price. The UK has, on average, had higher inflation than continental Europe and probably related a little bit to what happened to Sterling versus the Euro, but that's slightly different to what's happened in continental Europe. If we look at Iberia however, if we look over the last two years the business has dropped about 7%, so between 3% to 4% per annum, which is fairly in line with what I showed you on the retail sales decline and again for the half year. A similar level of decline on the half year. The French business sales have been flat over that period.

Then we look at mid-Europe. Mid-Europe has grown an average of about 3.5% over this period. But it's worth nothing that if you look in the last two years, mid-Europe has grown 11%. So it's quite an acceleration of growth in the last two years, as it did at the half year. So also 11% growth at the half year. The engine behind that really is Italy, Benelux and Germany. I'll show some examples later on of how we're growing in Italy and some of the things we've done in Benelux just to bring that to life a little bit.

But key amongst all of this is that we continue to add new customers. As Dolph called out -- and it's a true number for Western Europe as well, around 2% per annum of net new wins, we've been maintaining that and it's key that we keep that. In all economic environments we need to have that type of new wins.

So looking forward to the key challenges. There are five things on the chart and I said I'd talk about four. So that's the first jetlag test that we insert in the presentation. But I'm going to talk about the cost pressure, what we're doing about it, I'm going to talk about the Eurozone, I'm going to talk about quality and the last two items really are about growth, so I bundled those into one discussion. It's about diversification into mature markets and it's about how we grow the markets where we're lowly penetrated.

So if we focused on the cost action first. At the half year we said we would take more aggressive cost action in the second half to counteract inflation. We're not happy at all with how we ended up at the half year. I mean we have a very good track record of offsetting inflation. We had quite a spike at the half year and we didn't cover all of that.

In the second half we are going to add between $5 million and $7 million of additional efficiencies. As Dolph said, we are well on the way to achieving that. So we're very pleased with our progress with that so far. The major part of that will come out of the direct cost area and that's going to come from logistics, where we've implemented a new transport management system in the plant operations environment where we're doing a number of things. We're going to continue a very tight focus on overheads, so a very, very tight control on discretionary spend and adding new head count. We really think this will deliver -- this $5 million to $7 million, which is around 1% of sales or one point of margin in the second half.

If I show you a little bit more detail on this cost savings, the first one is in the logistics area. We have about 800 carriers in Europe, so 800 different transport providers. We do about 1.3 million shipments a year, across 28 countries. So this is a fairly hefty management challenge. The transport management system we implemented is based on LeanLogistics, so thank you Dan. So this comes from our sister company LeanLogistics. What the TMS does in its simplest form, it really takes what was a fairly manual process of communicating with transporters and transacting with transporters and automates that. So it makes it real time and it makes it computerized.

That does a couple of things. It increases communication clearly with transporters; it makes negotiation of tariffs much clearer for us. So we've got a much better auctioning tool, tariff management tool. It gives us much sharper vision of how transporters perform. Clearly the better visibility we have on performance of transporters, the better outcome for us. That's really going to drive around $2 million of the savings that I called out in the second half. That system started implementation last February, it was completed in November, so you see the benefits of that are coming in the second half.

It will also drive some overhead productivity and I call out a figure here of 8%. So this is another example of using technology to try and do the same thing with less overhead input. So that's another important feature of the transport management system.

The next area is in plant operations. Plant operations I guess we focus on three things pretty much all the time. We focus on automation or just better technology to drive productivity. That's investment based. The second thing we focus on is just process improvement, so just doing things better. We use a lot of standard techniques and lean techniques for that. The third thing is the lay outs, how we lay out our facilities. We're continually looking at that, can we get a better outcome.

There's a fourth element here which is timber recovery. When a pallet get to the end of its life eventually and it's scrapped, we can still reclaim some of the elements -- the pieces of timber from that pallet that are undamaged and we use them. Obviously as timber prices go up that becomes a more economically viable thing to do. We're also investing a little bit in this. So we're investing in dedicated reclaim benches, in better sort technology so that we can reclaim more timber. Really putting more aggressive focus on that whole plant operations area. We'll drive $1.5 million of benefit in the second half, which we didn't have in the first half. So they are two of the bigger elements I just wanted to call out to give a little bit of substance to the better cost outcome in the second half.

I'd just like to move on to the Eurozone crisis. Well I always thought a crisis was something that happened quickly and this certainly isn't happening quickly. The Eurozone crisis the danger is it's just ever present. But we've taken a fairly specific view on this and what you see here are some of the key risk countries. The first three really - this includes Greece, which is an emerging European country. It's not strictly in Western Europe but for the Eurozone purposes we look at this together.

What we see here is if we take the top three countries these are really considered the most vulnerable because they are small. So these are the ones that we were focusing on in terms of a default, or probably more catastrophic is an exit from the Euro, what would happen if they lost the currency.

There's a couple of things here why we believe the risk is low. On aggregate, if I take the three smaller countries it's about 5% of the Western European business, so it's quite small. I think it's 1.3% of Brambles revenue, so fairly small businesses. We don't have a lot of employees, so they're not big enterprises, and we don't have a lot of assets. We have own owned CHEP facility across those three countries. So intrinsically the risks are fairly low.

The other thing is if we look at our customer profile, I guess FMCG is about as secure as you can get in economic uncertainty. So we're exposed to basic FMCG. So we don't have governmental customers et cetera and that again intrinsically reduces our risk. So we feel we've got fairly low risk in these smaller countries. That doesn't mean we're not doing anything and we still have taken some specific actions. I've divided the actions here into a couple of different buckets, but the first one, which is about cash. Cash is king at the best of times and clearly when you're looking at things like the potential of a country to leave the currency, cash is even more critical.

What we have done here is that we've really tightened our cash collection process. So our dunning processes and how we chase customers, we've really tightened that up to make sure we've really no outstanding debt in these vulnerable countries. That's the first thing.

The second thing we've learnt is we've ensured that cash ends up in a bank, in an international bank as opposed to a local bank. So again, looking through the lens of if banks were nationalized or if currency changes, where would you like to have your money. So we're trying to sweep that cash on a fairly regular basis. That's really what's happening in the short term.

In the medium term I guess we would look more at not offering credit at all or looking at the financing of those businesses, but we're not really there yet, so at the moment it's really just a short term focus.

The second item is about changes in demand. We saw a little bit of this post Lehman Brothers in 2008 where pretty much everybody just - a big shock to demand happened. I think it's fair to say if a country exited the Euro we would see that in a specific country and the question is how we would react. Here I believe we've got a pretty good track record. We would see pallets coming back from the trade, so we would end up with excess pallets, but we can turn off CapEx pretty instantly. That's pretty positive for us. Also we can rebalance the flows. So we can move pallets to where they're needed. So we feel we could manage that shock reasonably seamlessly.

The other element was pricing. If a country exited the Euro, we would expect to see really high inflation, based on whatever new currency came into play. We wanted to be sure that our pricing could cope with that, so we would move to a replacement pricing basis and pricing in a high inflation environment, because we don't have a lot of experience as a corporation of doing that. So you just wanted to be clear we were ready for that and putting that in place.

Really the last thing is more of a structural point is our network is pretty flexible. We don't own trucks so pretty much all our transport is contracted. I've talked about our subcos. In many cases it's predominantly contracted and that we can't change those contracts in five minutes but we're generally more flexible. We've got a fairly flexible footprint if we see a big change in the Eurozone countries.

Okay, so just moving on to quality. Dolph covered this so just a couple of things maybe to add was this journey started about three and a half years ago. The customers clearly were asking for a higher quality from Europe, so we were being put under pressure in quality. Really the elements that are driving that, certainly automation at manufacturers but also retailers, that's driving the need for higher quality. But also manufacturers have been reducing a primary and secondary packing. So in the drive to take out costs that's also exposing the pallet more to the product. Also the pallet pool is ageing. So we had very, very low CapEx in certainly '09. So it may have also played a factor.

What we really did -- I mean the quality program for us was -- the first thing was to get organized, was to say, can we set up an independent function that can measure quality in a credible and consistent way. That was really the start of it. Then once we were happy with that we started to roll out capability, which was really improving our repair capability across the network. As Dolph said, that's been an investment of nearly $50 million over that period and we feel we've now got it to a decent level. Dolph called out that customers have started to notice. I've seen it back in some of your reports, which was quite pleasing to see that quality has gone down the priority list. We've seen it in our customer surveys and we've also seen it in our levels of complaints. Which isn't an exact science but we've seen something like a 35% drop in complaints.

So I think we've had enough signals from the market, plus a lot of anecdotal. We're with customers quite a lot and that feedback has been quite good. So we feel we've done a reasonably good job there. We don't want to get complacent but we feel we've got it to a good place.

So just to change gear ever so slightly, this project talks to simplifying our business. Dolph showed a little bit how we've been reducing headcount fairly consistently across the Western European business. There's no real big event. There's been lots of small events to drive that and a fairly unshakeable focus to keep driving down our costs. This is a project we're coming to the end of. We started about 18 months ago and it has about three months left to run. I know we called this out at the half year in relation to cash.

Pallet centralization and apologies for the eye test here, but on the left hand side what I tried to represent here was the pallet model that we ran in Europe successfully for many years was pallets were capitalized in the country in which they were purchased. As they crossed border they were then rented to a sister company who had the relationship with the customer and that all worked pretty well.

Overtime however, given the amount of flows and as we added new countries, this network got very complex. So we ended up with about 300 relationships between sender and receiver. Senders could receive, receivers could send and we were operating in something like 23 countries, so this thing got quite complex and we had to really find a way of simplifying this. What you see on the right hand side is we've landed in a place where we've got all the assets are owned by one entity which is based in Belgium. As I said, we're very advanced in terms of selling all on our assets into that company and that will then lease to the individual sister company. So it cuts the relationships from 300 different transactional relationships to 25. So it significantly simplified our business.

What you see and what we mentioned in cash flow terms at the half year is on some of these transactions we're actually fiscally selling a pallet pool. So we're selling a pallet pool from Spain to Belgium. Depending on the VAT timing, some of that cash will sit -- there's temporary funding required. That was what was called out at the half year. But we should get through that process in terms of all the sales in this half and then over -- the cash position will unwind probably over the rest of the calendar year, the major parts of it.

I now want to just switch to a couple of growth examples and the first one really is adding new services to our mature markets. So I'll start with the UK, which is about as mature as it gets in our business. Just to create a little bit of the context here. The UK we've often talked about is an exchange market or a mixed service market, but there's fundamentally two choices a customer can make. You can have an inspected pallet from a CHEP facility or you can take a trade pallet directly from a retailer. The inspected pallet, we call that one way trip and the trade pallet is exchange. Roughly that's 60/40. So 60% one way trip, 40% exchange by that definition.

Now a few years ago we implemented a service called managed recovery. Managed recovery in the UK focused on that portion of the exchange where we said look, we can give you a trade quality pallet but we'll do it on CHEP transport. We will facilitate that. That's been highly successful and probably some of you will remember when that was launched. That's been highly successful so about 75% of all exchange volumes now go on managed recovery. That leaves us with about 10% of overall flows and exchange, if you're keeping up with the mathematics here. So about 10% of total flows still sit in exchange.

That system today is quite paper based. It's a manual system. So customers get a voucher when they drop off pallets, which entitles them to reclaim pallets from that same place. It has limitations of course a as paper based system. What managed exchange is doing is taking that system and first of all making it electronic. So rather than people using individual pieces of paper, CHEP will manage the whole of the exchange electronically. So you will only be able to affect exchange with an electronic order number from CHEP.

The second thing it allows is that manufacturers, whereas previously they typically could only exchange form where they shipped pallets, were now opening that up. So people can redeem pallets from anywhere, which is a huge benefit.

So the two big benefits of this we see is retailers were taking away a lot of the admin hassle, for the manufacturers they get a lot more choice of where they can redeem and also their redemption rates will be higher. Because at the moment I think in the UK feel around 80% successful redemption. We think we can get it up by about 10 points, which is hugely valuable to manufacturers. This launched in the UK on the 5 March, so it's very fresh, but so far, so good. So you may hear of how it's going. We feel this is a really good capability to have.

The next slide here is a bit of a here's one we did earlier. So Benelux is a much smaller market. Managed exchange in Benelux started earlier. We started this back in April 2010. It started with Albert Heijn and started as a specific retail requirement. So Albert Heijn changed their logistics, the inbound and outbound logistics to two different people, which meant exchange wasn't going to work. CHEP provided a solution, managed exchange was borne out of that and that's been incredibly successful. What you see on the graph here is we implemented it in Albert Heijn. As it was successful in Albert Heijn we had a little bit of a domino effect as all the retailers came on. So we now have something like 85% of the flows in Benelux and managed exchange of those exchange flows so it's been very successful there.

That's just really a taste of what's happened and Toby will cover later -- this is a very interesting capability for us, what can we do with this. This offers more choice, this is more professional. Toby will talk a bit later on about the potential to use this a bit more. That's really in some of our more mature markets.

The next example is about sector diversification. Look, I suppose I've given Spain a bit of a kicking in terms of economy but we're still adding new customers and this is an example of a business called Inditex which you may know better as the Zara brand. So we had no history of being in the textile sector in Spain. The textile sector in Spain we thing is around a $10 million sector. Inditex is probably 20% of that, 25% of that. So what was happening here was Inditex moved garments on hangers and they changed that model. They wanted to move garments in cardboard boxes, on pallets. They tried to do it themselves and they did it for a period of time on white pallets. They've got quite a complicated supply chain, quite a lot of exports.

CHEP got involved really in partnership with them to try and help solve the problem. There was a few real issues, they had issues with quality of the white, they had issues with redeeming the white pallets, so getting effective exchange across borders. It became fairly apparent as we worked with them that clearly we are really the pallet people so we could really solve their problems. Really over a 14 month period we convinced them that we could really provide a really good service for them.

That really was a story of partnership over a period of time of brining CHEP experience into a sector that never really had pallets before and really highlighting the true cost of white exchange, the quality issues of white exchange and the burden it puts on a business like Inditex, which is not their core business. So quite a successful story in building a new sector.

Again, the exciting thing about it is we believe the same partnership of going outside FMCG can apply to packaging sectors. So the packaging sector in Spain is a similar size, like about a $10 million sector. We're already talking to some of the key players there to try and build the same partnership approach to show that pallet systems can work outside of FMCG.

Just to finish the growth piece. If we look at -- because I've talked a bit about the mature markets. If we look at the lowly penetrated markets. So on average around 20% penetration. I just really wanted to highlight one example of how we make progress in this market. The example I take here is Italy. I mean we've been in Italy for just about 20 years. If you go back as recently as five years, we had acceptance from about 75% of the retailers in Italy, 75% of the retail volume if we look at it by volume rather than retailers, accepted CHEP. That sounds like a really good number but it's quite limiting to how you grown, because it means that 25% of the volumes have to go on a different solution and for many manufacturers it's just unacceptable to sue two different platforms so it was quite a barrier.

So through a period of fairly intense work with retailers we've managed to pretty much open all of the Italian market and you can see the impact it's had on growth. This is, I guess, it's a bit CHEP 101 but this is still relevant today in these markets where we have a lot of white space.

Retailers are very important to us. We believe we add an awful lot of value to retailers with our solution. We have consistent quality, it's a better cost outcome, we have better availability and it's a more sustainable solution. We would continue to try and sell those values in these markets to demonstrate to retailers the benefits and of course it's good business for us as well.

So just to finish with the strategic context, really just a recap. Western Europe is in a very difficult place economically. That's clearly driving unwelcome increases in costs, which we are stepping up to tackle and I think we're making good progress. But the Eurozone itself we believe we've got a good assessment of the risks as we see them and we're taking appropriate action, but there are still opportunities. We feel we can still grow in our mature business by adding new services and entering new sectors and we still have quite a lot of white space. So these are really the keep points I'd like to leave you with. I think we're going to open for questions now.

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

Thanks very much James and Dolph. What we're going to do now is we're going to take about half an hour of 40 minutes or as much time as you like really to present your questions. I'm just going to really act as the facilitator here. As I said earlier, the real advantage is to have our management team here over the next couple of days. So what I'll do is we'll open for questions. We have folks roaming the floor with microphones and if you wouldn't mind if you want to direct your questions to either Dolph or James, feel free and then they'll answer directly. If you have something specific that's a broader Brambles related question, that's why I'm here and I'll attempt to answer that. Then we also have a number of executives obviously in the audience should we need to call on one of them.

QUESTIONS AND ANSWERS

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

So with that, why don't we open the floor for questions. The lights have been turned up and the Q&A slide is up so therefore we can start. Yes, Anthony if you want to just -- alphabetically Anthony.

Anthony Moulder - *Credit Suisse - Analyst*

Thanks Tom.

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

I think it'll be on just talk into it.

Anthony Moulder - *Credit Suisse - Analyst*

Anthony Moulder, Credit Suisse. Just for both of the gentlemen up on the -- at the table. You talked to 2% net new wins and yet only 1% growth in revenue. Can you talk to the pricing environment that you see in Western Europe, general Europe?

James McCarthy - *Brambles Limited - President CHEP Western Europe*

Sure. So maybe just to square away the map. I mean if we look at core volume now, we're probably heading into the third year of core volume decline. So net new wins is making the revenue outcome better than it would otherwise be. On the pricing I think we'd call out around a 1% price gain over the last couple of years. That's a good number for Western Europe; it's around the 1% price.

Anthony Moulder - *Credit Suisse - Analyst*

Thank you.

Simon Mitchell - *UBS - Analyst*

Simon Mitchell, UBS. Just on the plant cost ratio in Europe, I think from what you're saying it looks like after this additional spend it will probably drop back to about the 25%, 26% level. It just seems over the last decade it's gone like this. It's gone down and then back up and down. Are you confident that that is now the right go-forward level around that 25%, 26% and is that how you think of plant costs?

James McCarthy - *Brambles Limited - President CHEP Western Europe*

I'm happy to take that. I don't think we said it would drop back. I think what we said as it pertains to the quality spend we feel that we've got -- we don't see more incremental quality spend. So I think what I would say is the exit rates as you see them now is probably a good base to project into the future.

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

I think that the way we look at it is really in total, logistics and plant operations costs. So when you really look at the cost of us doing business we look at those two major cost drivers. You will have seen, over time, whether you look at the US business or the European business, that our efficiencies might come from one of the two buckets. The incremental quality spend clearly goes into plant operations, so you see that cost factor go up. James highlighted quite specifically where costs are coming down in logistics. So our focus is on improving margins in total and whether it comes in operations or logistics, we're going to drive the most efficient outcome that we can and the commitment is to get our margins back up to where they should be.

Andrew Gibson - *Goldman Sachs - Analyst*

Hi guys, Sorry, Andrew Gibson from Goldman Sachs. Just a couple of questions around margins, first short term. You're saying that the costs initiatives below about 1% in the second half, do you also expect some margin uplift from pricing? I think Tom at the result you said that you expect to get some recovery on hired timber et cetera in the second half, higher price. I don't know -- if you start off with that?

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

Maybe I'll just give what I commented on and then James can give the specifics. What we said at the half was that you would see the flow through effect of pricing taken in the first half. You'd see the flow through effect in the second half, but just so that James is aware of specifically what I said.

James McCarthy - *Brambles Limited - President CHEP Western Europe*

Okay. Pricing is -- I think this is an EMEA comment and if I just split Africa from Europe they're quite different environments. Africa is a high inflation environment and tends to do prices twice a year, Europe tends to be -- on the main Western Europe is a July event so we tend to index once a year. So we have one major price event a year. So I think the second half benefit you see is Africa driven as part of the EMEA context.

Andrew Gibson - *Goldman Sachs - Analyst*

Then just longer term, so you're suggesting a 2% to 3% margin uplift in Europe over the next few years. Can you just clarify what the basis there is at the first half margin or is that last year's margin?

Dolph Westerbos - *Brambles Limited - Group President*

It's first half.

Andrew Gibson - *Goldman Sachs - Analyst*

First half, so 20% to 22% to 23% over the next few years?

Dolph Westerbos - *Brambles Limited - Group President*

20.3% on the EMEA level.

Andrew Gibson - *Goldman Sachs - Analyst*

Okay, thanks.

Scott Carroll - *JP Morgan - Analyst*

It's Scott Carroll from JP Morgan. Just a question on the addressful markets for pallets, particularly in the US, you're saying now it's about $3.8 billion. It looks like that's in the 48x40 size. Does that mean that where you've previously talked about the opportunity for different size pallet opportunities that's going to be less of a focus now?

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

You know what we should probably do is I think the appropriate time to come back to that is when we talk about the Americas and if you don't mind we can address that with Peter and his team and then you'll also get a sense for what we're doing with the PMS group as well. So maybe if you don't mind Scott we'll come back to that question then. Does that sound right -- fair to you Kim and Peter? So we'll come back, we'll talk about the total addressable size, we'll talk about Americas in total and I think you're also going to hear from Dave Russell. So it'd be good to understand where PMS and where white wood fits into that whole equation. So if you don't mind we'll make sure we come back to it then, is that okay?

Scott Carroll - *JP Morgan - Analyst*

Yes.

Matt Spence - *Merrill Lynch - Analyst*

Hi guys, Matt Spence from Merrill Lynch. Just interested on those customer quality surveys. Can you just give us some more context on how they've sort of -- what sort of returns of answers to the surveys you've seen over the last three years and where you're at now?

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

I might just give a global view on what we're doing and then I think Dolph can clearly address the EMEA. So just so that everyone's aware, we've talked about this publically before but those of you who haven't picked up. We moved a couple of years ago now to a survey that is referred to as NPS or a net promoter score. Many of you would be familiar with the NPS tool from other companies around the globe. The reason that we moved to NPS is it really gets at the point of driving loyalty and really measuring loyalty. When customers are most loyal they tend to then stick with the Company. Satisfaction is a metric that various companies use but if you don't really get at -- if you're a promoter, i.e. if you're loyal to the customer, you can get satisfied customers that are very happy to leave.

At the core of it NPS is quite simple. We really ask people the simple question is, would you repurchase and would you recommend. It comes to that. The metric is those -- it's a one to 10 metric. Those at the top are considered promoters, those at the bottom are considered detractors and those in the middle are sort of neither. You take the promoters and you subtract the detractors and you get a number. We don't share that number publically, nor is it our intent to do that, but internally what we do is we are driving to be in the top quartile in other industrial services providers.

So that's the overarching view and that NPS now has been launched globally in each of the pallet operations. So just in terms of framing it, but I'm sure Dolph can give you a lot more granularity in terms of what we're hearing from customers specifically without getting into the specific score itself.

Dolph Westerbos - *Brambles Limited - Group President*

So if we look at the last score that we did, our last NPS survey that we did, there was a really encouraging response that we got from our customers; 57% of our customers responded saying that they saw a marked improvement in our quality. It's the first time in the last survey that quality has been taken off the top three concerns that customer have raised in the last number of years. I don't know how far back. So clearly our customers are, through those surveys, giving us that feedback.

James talked about how our complaints are down significantly year-on-year but just in all of our customers -- I mean most of the data you get from spending time with your customers. So two years ago my discussions with customers were often around what are you doing around quality and today that just doesn't even come up in a discussion or when we ask it at the end of the meeting. So anything about quality and the kind of answers we get back, hey it looks like you guys are doing a good job, not a whole lot of issues. It feels more like a housekeeping issue now than it's an issue compared to three years ago.

Matt Spence - *Merrill Lynch - Analyst*

Just one more if I can. Asset utilization in Eastern Europe -- you've spent a fair bit in Eastern Europe but it's still a very immature market. Where do you think you're at in terms of asset utilization in Eastern Europe?

Dolph Westerbos - *Brambles Limited - Group President*

Okay so we look very, very tightly at the use of our assets in East Europe. Clearly some of the metrics that we use in our West European business don't always apply pat for pat for our East European business. So what we would use as a flow through ratio in our West European business, we use a derivative of that for all of our emerging businesses globally, called efficiency flow through ratio. Which basically adjusts for the higher growth rates that we're seeing in these markets and that kind of distorts things. Also in these markets you see sometimes one retailer conversion happening and it just becomes a step change in use of your assets. So that can distort it as well.

So we've created a model that price to normalize for that. Our asset utilization is East Europe is actually tracking very well to where we need it to be. It's not yet at the same level as in West Europe, but we expect over the next few years as our business scales up, based on the performance of our business today, that it will be absolutely in line with our West European utilization data.

We've also invested a lot in our asset management infrastructure in those countries. So what we do when we hire people and set up operations in these new countries, we start with our asset management resources. That's the first focus of making sure that that gets established well, these processes before we enter into the market.

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

I think just to reinforce Dolph's point on asset management. I've often talked to many of you about when you're moving to a contiguous location -- you're going to hear a lot of this from Rod later today. But in many ways the incremental fixed cost is quite a bit lower when you move into a market like Turkey, relative to moving into China. Again, you'll hear a lot more on this. But one of the things that we do-do in terms of putting incremental fixed costs on the ground, it is around asset management, asset control and of course, customer care folks. The logistics management, some of the operations management, that gets centralized back in Madrid. But the stuff you need to be close to the customer on are around asset management, asset control and of course, the obvious one around customer care and sales.

Cameron McDonald - *Deutsche Bank - Analyst*

Tom, Cameron McDonald from Deutsche. Just having a look at the growth rates in sales and also then coming back to the margin. You look back at the EMEA slide and the Western Europe slide. The five year CAGR growth rates for the revenue pre this half are exactly the same. So you've had 3% in EMEA for five years growth and then 3% half on half. Your margins have been crunched because of some costs which you're addressing but then you've also spoken a bit about the structural changes you're making within your business to improve the margin on a step change.

So how should we think about the margins going forward once all of these additional changes around the centralized pallet model and the other structural changes you're making and how that'll flow through to the structural change in margin in the longer term in the EMEA business?

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

Yes, look I think what Dolph said earlier is the way that we really look at it in the short term, we're talking about -- in the near term meaning '13, '14, a 2% to 3% margin improvement in the overall business.

Look, I think we've been pretty upfront. Typically what we would want to do in all of our markets and here in Europe as well is we should be driving efficiencies to more than offset the inflationary pressure and then the investments in quality and things like that we should also be able to cover. We haven't been able to do that this year, but we're clearly committed to getting those margins back where we believe they should be and that's 2 to 3 points within the next two years. That's going to come from a mix of a number of activities. What happens beyond that in terms of further structural changes, in terms of price relief -- and look, of course, at some point if we do get organic growth in volume the upside leverages on our fixed costs, which as you can see, have been controlled quite well, that's also going to be positive.

But when we look out, quite honestly in the next two years, we don't see enormous uptick in the organic volume, so our commitment is to deliver the 2 to 3 points of improvement.

Russell Shaw - *Macquarie Securities - Analyst*

Yes, I'm Russell Shaw from Macquarie. Just two questions. The first one on those margin assumptions. What are you thinking about -- is that taking into account an expectation that fuel and timber prices will keep rising as well? Is there a risk that that detracts from that improvement?

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

That is the commitment around margin improvement so it means that incremental inflationary pressures need to be offset. So the commitment here is to get the margins back to where they need to be. The question came in, oh where will it come from. Well there's a big chunk that's going to come from the logistic space. We're going to continue to drive operation efficiencies. You're going to see some stuff from Carmelo later today that specifically exhibits to you what we're doing in terms of automation, the payback on those types of investment.

So I think James really captured it best when talking about just the way we've been able to manage our overheads in Europe. There's no one big silver bullet there. This is really a number of programs that have to deliver in total to continue to drive efficiencies and costs out of our system. But the simple commitment is it's a 2% to 3% improvement in margins. So if there are more severe headwinds in terms of inflation we're going to have to drive more efficiencies.

Russell Shaw - *Macquarie Securities - Analyst*

And just the second thing, you said quality has gone down the pecking order in terms of customers. So what is the chief concern at the moment?

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

Look, I think when you look across NPS in general and -- I think Dolph really covered these, you tend to hear from customers around the process and around -- you hear about process people and the platform. Generally the feedback on our people is very good across the organization, particularly at the coal face. The relationship that people have, the direct sales person with their customer is generally pretty good. If you get criticism -- you will often hear my salesman is good but he doesn't seem to get the support back at home. All politics are local, you love your senator but you hate your president. So there's a little bit of that, it does happen.

When it comes to process I still think ease of doing business services in a number of ways. I think Dolph touched on a number of actions that we're trying to make that easier to do, to handle. Then when it comes to the platform, when you don't get quality issues you tend to get delivery and collection issues. So at the retailer when they want product collected and taken away, if there's any sort of a process breakdown you'll sometimes hear that, that I'm sitting on pallets for quite some time and we're not collecting them as we should. But those are the broad ones, but maybe more specifically anything different that you're seeing in EMEA?

Russell Shaw - *Macquarie Securities - Analyst*

I think you addressed it.

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

I think Anthony has another question.

Anthony Moulder - *Credit Suisse - Analyst*

Can you talk to retailer advocacy in the German market? It doesn't seem like we've had a lot of progress since where we were three years ago in Madrid?

James McCarthy - *Brambles Limited - President CHEP Western Europe*

Yes, I'll give it a shot. Look I think we've made slower progress in Germany than we'd clearly like. We've made some progress across the retail. I mean it's not a secret, Aldi and Lidl will not accept it. We haven't really cracked that. So I don't think it has changed that much if you look from an advocacy point of view in the last couple of years. So clearly not the progress we'd like. We're still actually growing quite well in Germany across the different platforms, but no major change to the retail landscape.

Anthony Moulder - *Credit Suisse - Analyst*

Is that that you still see that they need the benefit of that -- you know, the key benefit from the white pallets? How do you effectively change that to get your greater advocacy into those key retailers?

THOMSON REUTERS

James McCarthy - *Brambles Limited - President CHEP Western Europe*

I mean clearly they believe they do. I believe we can add more value and we certainly haven't given up. So we still feel we can add a lot of value. As the supply chain gets more complex in Germany we feel we're even more relevant. So I guess the update is we haven't given up trying but we're not there yet.

Anthony Moulder - *Credit Suisse - Analyst*

Just a couple of questions of managed exchange. According to one of the key points that you point to is it gives you greater accuracy in charging. Do you have a figure as to how much you think you're missing out as I guess is the transfer fee that would potentially be higher under this exchange?

James McCarthy - *Brambles Limited - President CHEP Western Europe*

Yes. So we have -- all this change is done on a forecast base, so you're relying on customers to kind of self-declare of what they've used and we feel this would really help that. I don't think it's going to be material in the UK. I'd probably rather wait and see, we'll see how it goes. It's very fresh in the UK and just see what it brings. But we're fairly confident it will drive more returns but it's not going to be hugely material.

Anthony Moulder - *Credit Suisse - Analyst*

Last question. It seems like a key benefit would also be to improve the asset control in the UK market. Can you talk to exactly your loss rates that you see through Europe and how they have trended over the last few years?

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

I mean we publish it -- you can talk about control ratios if you want on a European basis. You guys see where we are in terms of our total and broadly speaking across the business entirely our control rations have been relatively constant in the high 90s.

James McCarthy - *Brambles Limited - President CHEP Western Europe*

Yes, I mean I think if you look over the last four or five years you see a massive dip in the middle. So post Lehman we had a -- and you see it in our CapEx and you see it in the flow through ratio, we had a big surge of pallets that came back to us. So there was a kind of coordinated destocking across. I think if we look at loss rates, our leakage of around 4% that seems to be fairly consistent. So if we look at ordered losses which is where the true up is, that's been pretty consistent even though you see quite a wild spike in flow through ratio.

So we don't see any change. On managed exchange specifically, yes, that should improve control. This is, if you like, the last 10% of the flows. So again, to put it in context of the materiality of it, but it should drive a better outcome in asset losses. Again, we're just going to have to wait and see if that proves out, but I mean it should do.

Unidentified Participant

Changing ownership amongst some of your smaller competitors, does that mean a change in strategy on their behalf? Are you seeing anything different there?

James McCarthy - *Brambles Limited - President CHEP Western Europe*

I don't think it's a change in strategy I mean I guess you could say we started it, because -- when Brambles bought IFCO. So I mean we were first I guess. So no, I don't think it changed the strategy at all.

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

Yes, I think most of the market observations that you've seen is exactly as James said, that our market intelligence would indicate that both in the LPR space and IPP, although transactions were quite different, that both were, in essence, a reaction to our move with IFCO and you've now seen a bit of a consolidation of the competitive space in Europe. But they're actually very, very different transactions. I mean the EPS acquisition of LPR-EPS as a cooperative. It largely funds itself from its deposits that it gets on the RPC side. They've now accrued a pallet pooler and you guys are familiar obviously with the amount of capital that it would be required to grow a pallet pooler. So we have some questions in our own mind how they really addressed that.

Then the IPP packing dealer is quite different. Packing is quite a different business; it's really localized within Germany as well. I've talked to some of you about that through the earnings meetings.

Look, I think if there is no change in our strategy I think that we firmly believe that the things that the guys articulated here are the right things for us to be working on. But we'll keep a very close eye in terms of any distinctive change in behaviors that we see.

You might, when the RPC team is here tomorrow, you might want to get their views as well as these guys here because obviously EPS is a primary competitor in Europe for the IFCO brand. But I don't know guys; you have not seen any behavioral issues in the near term?

Dolph Westerbos - *Brambles Limited - Group President*

Not in the near term no. There's not a whole lot of market announcements that they've made around these two businesses for both of those transactions will operate differently going forward. Like James said, I think it validates also our own strategy around really getting the benefit of the pooling businesses across multiple industries and multiple platforms.

But they're both established -- all those transactions are two established players coming together. It's not new entrance. So at the moment we're not seeing anything different. It does mean that -- clearly what was part of our strategy as well, the integration of both our RPC and our pallet business as a joint go to markets. How do we go to our customers jointly, how do we help them with a broader end-to-end solution. That is indeed very important for us to execute against well, because that is how we should expect those two companies to also start operating, but that's very much in line with the work that we've been doing between CHEP and IFCO.

Unidentified Participant

Thanks and can you give us some idea of the difference between margins in Western Europe and in Eastern Europe?

Dolph Westerbos - *Brambles Limited - Group President*

I don't think we share that level of detail within our numbers, so I won't be able to help you with that.

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

I think look -- I think what you can assume though is that what we're really focusing on in all the emerging markets is you want to get the gross margins correct; you want to make sure your pricing is correct. Then as you move up the volume scale and you can leverage your overheads -- and you see this China and John will -- obviously John's commitment to be profitable at the end of this year, that was just a matter of building scale in an emerging market where we have made a significant investment and there's a significant amount of overheads on the ground.

I've said to you publically before than on an incremental basis we get to break even and then profitability in Turkey very quickly and that's because we have the gross margin structure correct and then we have very minimal incremental overheads in Turkey. So if you want to think of the businesses along those lines I think that'll give you a little bit of a sense of how quickly we can actually make an improvement and deliver ongoing, consistent margins, with the more well established businesses.

Any other questions? Well look, if there are no other questions I propose that we break now. The plan has us back at 11.05. So if we can start to -- everyone kind of mill in, coming in around 11 and we'll look to start at between 11.05 and 11.15. So if everybody gets back here at 11 -- hand on, you need to set it out clear because my ability to read your lips is zero James. So say what's on your mind will you?

James McCarthy - *Brambles Limited - President CHEP Western Europe*

Did you want to bring it forward 15 minutes?

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

Okay. Why don't we take a half an hour break and well come back and we'll start live at 11am, okay? Thank you very much.

PRESENTATION

Dolph Westerbos - *Brambles Limited - Group President*

All right. Thanks for being back. This next session will give a deeper dive in some of our emerging markets. We talked about it this morning. Last time you had Arturo talk about our Latin American business in Los Angeles and so for this session, we are having deep dives in our Central and East European business our Middle Eastern business and one of our Asian business and it will be presented by John, as it relates to China.

So without further ado, you are going to hear a lot about -- there is basically three key themes that we will come across this presentation. Through each of those presentations, one of them, of course, is around growth. And the second one, if you see here to the right, it's around good looks and red ties.

So if we start with you Rod that would be great.

Rod Francis - *Brambles Limited - President CHEP Central and Eastern Europe*

Thanks Dolph. Okay, just for those I didn't get a chance to speak to last night. My name is Rod Francis. I look after Europe's emerging markets. I have been working for CHEP for about 21 years now, mostly in the Middle East, Africa business. During that time I have done a lot of different roles; sales, customer service, business development, asset management, general management and so on. I transferred about two and a half years ago, in July 2009, to the Europe business to lead up a newly form region of Central and East Europe. So just for the rest of the presentation I will talk about CEE, just to make it a little bit easier.

So today I would like to talk to you about achieving sustainable growth in CEE, that the business environments in CEE can also support the pallet-pooling concept in the CHEP value proposition. How we can use a collaborative approach with our key customers to win in these markets and why we should continue to invest in CEE as a region.

So I would just like to start off with a brief overview of the region itself. CEE is a mixed bag of countries. They are all at varying levels of maturity and supply chain development. Poland and the four Central Europe countries of Czech Republic, Slovakia, Slovenia, Hungary and Greece, we entered into quite a long time ago. This was really in response to the eastward trend and the changing pattern of production and distribution of our key European customers. So more kind of a roll-out over that period of time. July 2009, we opened business operations in Turkey, which is growing strongly and tracking well according to the business plan.

THOMSON REUTERS

So from a size point of view today, we currently serve about 700 customers across the region; 15 million pallet issues across 16 service centers annually and now we are set to actually continue the roll-out into East Europe by starting operations in seven new Balkan and Baltic countries. These are Romania, Croatia, Serbia, Bulgaria and then the Baltics, Lithuania, Latvia and Estonia. We just recently established a new office in Bucharest and we actually opened for business on 1 March this year in Romania. So things are already starting to happen there. The other six countries will follow during the next quarter but they will be managed from existing offices.

So sales growths in CEE is a relatively good story, with compound annual growth of about 24% and even stronger performance in the first half of FY12. This was really due to Turkey starting to ramp-up and Poland and Central Europe businesses are still the main revenue contributors at about 70% combined of total revenue earned. But you would expect that this mix would change, going forward, as Turkey business would start to accelerate and the entry into the new seven markets. Greece has been remarkably resilient, given the economic conditions over the last three years. In fact has been growing slightly year on year during this time.

As a region in total, CEE is tracking ahead of the plan and we would expect that the first half performance would be replicated in the second half of this year. Now this is quite a complicated chart. It's really a CHEP developed system for understanding new markets. So on the vertical scale we look at the relative attractiveness of a particular market. So here we look at things like size, future growth prospects, GDP per capita, the level of unemployment, retail sales and so on, and just try and shape what that size would look like in a number of different ways.

On the horizontal scale we look at the CHEP ability to win in that particular market and here we really look for the presence and support of our key European customers. We look at the supply chain as it is today. We look at the level of automation. We look at how it's changing, how rapidly it's transforming and how rapidly it's modernizing. Then get some idea of what the pallet pain points in the existing solution are and that gives us an idea of what our ability to win will be. So using this approach, we settled on the seven Baltic and Balkan countries but you will see that there is a circle around those three lumps over there which kind of implies that we see it as a collective opportunity.

So I'll try and explain this but it's because we see this - that is a greater growth opportunity than the expectation from the new markets themselves. So it's a kind of network revenue effect that we can also win and this really relates to existing opportunities in West Europe and in existing East Europe countries that are currently difficult for us to access because we can't actually cover the full extent of their geographic distribution. So can this expansion really unlock their potential is the question that we were looking at when we decided on the collective.

So a customer plant would really reach a volume tipping point and our hope is that the focus on these seven countries as a collective would then allow the plants to reach their tipping points and it would be then sufficient reason fro them to move from white wood pallets onto CHEP pallets. So in this case, if that happens, we can win a much bigger opportunity and the pallet flows that relate only to the new markets. So the idea is that the expansion will also act as a catalyst for growth in the existing markets.

Now the other Balkan countries that I haven't shown on the chart have relatively less developed supply chain environments compared to the other seven and are less powerful role players in this concept of a collective. So they're actually out of scope for now. On Russia, as Dolph mentioned a little bit earlier, our view is that while it is still the single, biggest opportunity for CHEP in Europe, the business environment is complicated and requires further in-depth analysis and therefore it will also be out of scope for this phase of geographic expansion.

So what are our key focus areas in the CEE business today? Well firstly it's to use our first mover advantage. We want to capitalize on the increasing customer brand presence in the existing markets and the new markets. We want to work with them, collaborate with them, to accelerate growth, to share cost efficiencies and facilitate our market entry.

Secondly, a very important key focus area, is the actual market entry process itself. And here, a lot of work has to go into actually preparing the markets for pallet flows, pallet acceptance and then cooperation going forward. Also to work with the service providers to ensure that we can set up operational, logistical capability from the very first day. So that is really where a lot of our energy at the moment and going forward is going. So lastly, very importantly though, is to implement a rigorous asset management capability. I will try and touch on some of those aspects in a later slide.

So why do we think we have a winning proposition in CEE? Well first of all, we have listened to the voice of the customer. The voice of the customer is calling for reduced cost in complexity, put another way, convenience at the right price. So the question is, well can we meet that challenge? I think the answer is yes. By leveraging off existing experienced management teams we have in the CEE business and the shared services teams based in Weybridge and Madrid, we are able to operate cost-effectively in that region.

I think we are also able to obtain cost advantage over time as we can optimize the network as we grow scale in the region. So this should enable us to improve our value proposition to European customers and basically deliver increased customer satisfaction, but also at the same time, to build a differentiator that competitors would find very difficult to replicate.

So what is the size of the prize? Well, this chart that I have shown here actually excludes the network revenue effect that I spoke about earlier. So purely it focuses on the market potential, addressable market potential in CEE as it stands today. So addressable marketing total is about $1.1 billion and this would come from something like 270 million pallet flows per year is how we sized it. Our current market share in total is around 4% and so obviously that leaves a lot of headroom for growth in all of the CEE countries. But we feel that with the growing CHEP customer presence and the evolution in the supply chain in recent years in these countries, that we will position to actually attack those light spaces and achieve rapid growth.

So the next few slides, I would like to just try and talk about how we can actually win in these new markets. So on this slide I would just like to go through a few examples of how we have leveraged existing customer relationships to gain efficiencies and facilitate market entry. So one example is in Turkey, where we share 10 field resources with a large European key account. The customer deploys these resources in the east of Turkey where CHEP finds it very difficult to recruit skilled resources and during retailer visits, these people basically observe and then reinforce the pallet management and control procedures and behaviors. Then this helps us to avoid misuse and abuse of our assets while they are at the retailers there.

They also establish CHEP pallet balances, then you form our central control team who updates all of the data that relates to it and then they would be able to arrange very quickly for appropriate pallet collection. So this has allowed CHEP quicker access into the trade at a much lower cost and also works very well for the customer. In another example, also in Turkey, we are close to finalizing a joint logistics contract with another large European key account and in this case, it will allow us to reduce our pallet collection and re-balancing costs in Turkey by something like 20%. Romania and Greece, we are in discussions with a major beverage supplier who has extensive and very deep, direct-to-store reach in the trade and by working with them, we will be able to collect pallets on our behalf and the idea behind that is that we would be able to reduce our cycle times and aim to reduce our risk of loss if we can work with them.

So in the final example, some regional customers want to send CHEP pallets to adjacent countries that we do not operate in. This is because they want to reduce complexity in their plants. They don't really want to have more than one pallet type running through their system. So it is convenient for them to be able to send the pallets to these areas but in these cases, we then find a way to actually work with the customer and their distributors in those areas and then we jointly actually set up pallet collection engines. This then allows the customer to reduce their cost and complexity and then for CHEP to actually win and land expansion opportunities.

Let's talk about risk management in the new markets and how we can mitigate some of these. So first of all we do have an opportunity to leverage the experience of existing management in the CEE business. The leaders and teams have all been intimately involved in the discovery phase, the analysis phase of the new markets. They were all involved in actually writing up the business cases which eventually allowed us to move into the new markets. So very well experienced. They know the lay of the land and what we're going to do is that Poland will now actually lead and be responsible for the market entry into the three Baltic countries. Central Europe team, mostly based in Prague, will then head up the entry into Romania, Croatia and Serbia and Greece will handle the Bulgarian market entry.

So of course this is still augmented by the Central Shared Services functions. So we don't have to set up any new teams to support the market entries. So we can make use of the Central Asset Management and Protection Services, Operations, Logistics, Central Planning, Finance, Tax, Treasury and Legal. All of those are easily accessible to us in CEE as well. So no need to set up anything new over there. The investment in pallets is in standard European formats that are used today. So there is no new product formats at all. They are easily transferable between the countries, so we can balance supply and demand as we need to and procurement can also be staged according to business growth, so we don't have to make a huge investment in CAPEX up front and then hope that the business takes off. It's easy for us to stage it.

Asset management itself is really just too long and a complex story to try and address in this presentation but roughly speaking, what you would be looking at is to replicate the activities and the processes that are used in the broader European business today. We would introduce the learnings that we found in the Turkey market entry. I think that's significant and I think it really would help us to underpin asset management in the smaller countries where you have less penetration and less scale. So we will be doing that.

Spending a lot of time basically preparing the market adequately for pallet flows and then for the acceptance part and then for the cooperation part, consistently reinforcing our legal title and pallet ownership in the new countries and then just collaborating with customers and with service providers to maximize the opportunity for collection efficiency. So that is really what we will be doing on the asset management side.

I'd just like to talk about the Turkey market entry. So we entered Turkey also two and a half years ago, around July 2009. The first year really focused on setting up the office, recruiting the team which now numbers about 26 people, 13 of those are really involved in the asset management efforts in the country, make sure we get our pallets back. Spent a lot of time creating operations and logistics capability but also as far as the market is concerned, a lot of time with customers in the market in general, in order to educate them on the pallet-pooling concept. So in a new market, before you can actually get to the sell stage, selling is actually educating the market. You can't miss that step. A lot of energy has to go into actually preparing the market in that way. Actual operations really only began about 18 months ago with the Unilever win and from that point, about 800,000 pallets started to flow down the supply chain. Since then we have won 50 customers worth something like $12 million annually, but that's now a run-rate, so that's what people would be looking forward -- going forward as a base.

Those customers, a good mix of European key accounts and medium-to-large Turkish national businesses. From an asset management point of view, we have made good progress with pallet collections from the trade. We are approaching overall European benchmarks. The sales pipeline is full and we would expect continued strong growth going forward in the Turkish business.

Just to get back to the strategic context and I guess everything I have been talking about in the top left block, but just to try and summarize how we see our position in CEE today, is that we have great support structures. We are able to feed of the European mother-ship, we have experienced business teams. We have tried and tested implementation processes. Our customers are willing to collaborate and are keen for us to offer services in the new markets. There is a rapid pace of supply chain transformation, we will be able to support a dynamic CHEP pallet-pooling concept. We have first mover advantage and I think CEE is well positioned to deliver growth and return on investment going forward.

So that's the end of my presentation, so thank you very much and hand over to Jurie.

Jurie Welman - *Brambles Limited - President CHEP Middle East and Africa*

Thanks a lot. Ladies and gentleman, with your permission I won't be using the Brambles podium. In the spirit of cost leadership I am just concerned that Patrick will send me a bill. So I'll just stand here. As Rod has said, my name is Jurie Welman and I have been with the business for 11 years. Tom will tell you for -- I have been working for the business for roughly 50% of that time. Anyway I am based in Durban, South Africa, as you can probably hear from my strong Afrikaans accent, so Tom has asked me to please try my best to speak today in the Queen's best English. So I will oblige.

Profitable growth is an imperative and I guess that's exactly why you guys are here. The question is, how do we achieve this objective if the markets are slowing down and competition is picking up? Now in the next couple of slides I am going to share with you some of the stuff that we are doing in our markets to achieve this objective. But before I jump into the detail, I would just like to share with you some of the background information on our region, so that we are all on the same hymn sheet. Excuse me, I am still trying to get some of the Saudi dust off my voice.

Now I spoke to some of you guys last night and it is quite clear to me that there are a number of people with quite an intimate knowledge of our business, so I don't want to go and repeat the obvious and waste your time here, because I know some of you will be jet-lagged. So I'm going to, with your permission, run through the first couple of slides pretty quickly and then allow for some more time towards the latter part of the presentation so that we can cover the most important slides in more detail.

Okay, so let's start off with the geography. I have picked up there are some Australian accents here. So if we look at Africa first, you will notice there is a town called Durban and that is the venue for the Super 15 match on Saturday between the Queensland Reds and the Sharks. But Tom told me I should not talk rubbish or rugby so I will get back to business.

The South African business was started in 1978. It's a business that spans the whole of Southern Africa. So we have leveraged the South African supply chain into the neighboring countries, into Zimbabwe, Botswana, Namibia and Swaziland and all of the smaller countries. It's a fully integrated business. So we offer the full pallet suite, RPCs, automotive, IBCs, as well as an agriculture business. South African business is a pretty profitable business and one of the things that I need to say is that the people in the region take enormous amount of pride and ownership in this business and the people at Brambles will tell you that if you touch the business, you touch their numbers, they make a lot of noise.

Now if we look at Africa and all the realities of African politics, you will find that it takes its way into the African business. We have a number of peculiarities in our business that we have to solve. So there are a number of challenges and I am talking about stuff like in Zimbabwe we have the indigenization issue that we have to deal with and in South Africa, employment equity and black economic empowerment. So those are unique things.

So moving up north to Dubai, the area in blue, that's the Middle East area. The biggest region there is Saudi, that's where the biggest market is, but we also have a business in the UAE. The business was started in 2006 and I'm glad to say that the business turned profitable in the previous financial year. The supply chain is only now maturing and we now are seeing some level of growth happening. It's a business that is predominantly pallet based.

Okay, so moving over to Africa. I have spoken to some of you guys earlier, asking me about opportunities in North Africa. There are some opportunities, more specifically in Egypt, Morocco, Algeria and Nigeria. But there are significant risks which have to be mitigated first. So for the moment, they are all out of the scope.

So, moving onto the growth history. I quite like that picture. Looking at the graph on the left, despite the downturn, we have managed to achieve a 16% growth rate. You will notice that the majority of the growth came from Africa, the yellow part. But you will also notice a graying-blue line and that is the revenue coming from the Middle East. You will also notice that the numbers there are slightly different to the numbers that Dolph put up, because Dolph's numbers were only pallet numbers and these numbers include RPC and Automotive and other products as well, container business as well.

Moving over to the graph on the right, that is painting the picture by product. You'll notice that it is predominantly pallet based; 77% of it is pallets. A couple of years ago that number was in the high 80s. So you will see, and I will get to the latter part of the presentation, a strong growth in containers and RPCs going forward.

So let's talk a bit about economic contexts. Our business in underpinned by consumer spending, so issues like expected growth is quite important to us; the size of the retail market. So if we look at the areas where our businesses are at this point in time, looking at South Africa, looking at Saudi and looking at the UAE, you will notice on the right-hand side that the expected growth for South Africa and Saudi is pretty strong. In the UAE it is more moderate. Then you look at the size of the retail markets. They are fair. I need to say at this point in time that particularly as far as the Middle East is concerned, that given the culture, the people are spending a disproportionate amount of money on food and beverage, which is good for our business because that is the kind of thing that sits on pallets.

So overall what it tells us, it doesn't guarantee success but it paints a pretty positive picture. So why should we be successful? Everything starts with a customer. So when we speak to our customers, what are our customers saying to us? The first thing, well they use fancy words like value for money. But what they are actually meaning is cut the cost. The second thing that they are telling us is quality. Now, in our customer base we interface with different levels of customers. We interface with the people in the supply chain, people in the plant and then people in the finance side. So quality will always be an issue and it's one of those issues, that despite the fact that a customer may never complain about quality, it's one of those things that you always have to bear in mind. Because the moment it goes out of line, it's so hard to pull back.

So from a customer point of view, our customers don't want a platform that will either damage their products or harm their people. And even in unsophisticated markets like the Middle East, we are now hearing noises about environmental issues. That is encouraging because it is good for our business. We paid the (spoken in Afrikaans), we've paid the school fees. We've made the investment. That's a very important differentiator for us.

The third thing is reliability and availability. The last thing our customers can afford is to have plant stoppages as a result of a stupid thing like a pallet that is not available when they needed it. Going back to one of the questions that Tom raised when he opened this event this morning, have we earned the right to compete in this space? I would like to say yes. So why would I say we have earned the right to compete in this space? Well first of all, we run a fairly balanced pool of equipment and as a result of that, we deliver a substantial amount of pooling efficiencies and that allows us to deliver cost benefits to our customers. That's the first thing that our customers ask from us.

Secondly, if we look at our pooling footprint, locally and globally, we can support our customers everywhere, every day. So from a convenience point of view, CHEP is just around the corner. If I need something, CHEP is there. Thirdly, we have a very proud history and track record as far as quality and service is concerned. We've actually won business just based on that, earning premium rates.

Then in the last instance, something which Rod has touched on and that is the amount of time that we've spent to stay really close to our customers. Listening to our customers and understanding the pain points in our customer's business and finding flexible solutions to solve the issues in the customer environment. I think turning to Mark, why should you give us money? From a shareholder point of view, the last section over there.

First of all, going back to once again, everything begins with a customer, the importance of customers in our business. We have good quality customer relationships. I think the important thing that I want to stress here is that the nature of our customer relationship is collaborative. We have very few vindictive and abusive relationships in our business and later on when I talk about integration of the supply chain, the importance of this point will be very clear. Secondly is the business model. We have a full responsibility transfer business model which I would say in the context of pooling, is best in class.

Let me explain because it's a very dangerous and a wide statement. Every time a piece of asset, a piece of equipment leaves our service center, a customer pays for it until it's returned to our service center. If it's lost, a customer pays for it. If it's damaged, a customer pays for it. We don't have one piece of equipment that is outside of a CHEP service center that is not earning revenue. So from a shareholder point of view, the assets are safe and the revenue stream is safe. Then returning to the third point there, is we have a business that is well established. We have a proven business model, a proven pricing model and if you put all of that together, we have a business which I believe you can give us (inaudible).

So what are we focusing on? So the key focus areas in the business, what are the drivers and how are we responding to it? First of all, starting off in the Middle East, there are two drivers happening in the Middle East. First of all, from a consumer point of view we see two things happening. The consumers and the whole concept of Westernization are taking place. People prefer to move away from the traditional shopping malls -- well not shopping malls, the way that they used to buy their socks and they are starting to buy in shopping malls. As a result of that we see that the multinationals are modernizing the supply chains. Our reaction as a result of that is geographic expansion but on a measured basis. The tempo and the rate in which we expand in the geography, is determined by ability to manage our assets.

Now going back to the early 2000s when we temporarily misplaced the 14 million pallets, that's a very expensive lesson that we learned and we don't want to go there again. Last night someone asked the question about asset management and the leakage rate as far as emerging markets are concerned, is one of the things that we keep on focusing all the time, is making sure that if we are moving to a new business, that our assets are safe. Moving to South Africa, our business in South Africa, the pallet business is in a relative, mature state. So we had to start looking at new streams of revenue and that's where diversification came in. So we're looking at new verticals and new platforms. I will talk a little bit more about that later on.

The $1 million question. As our business is under increased pressure in terms of cost and our customers are putting more cost pressure on us as well because they expect more cost reductions from our side. So how do we grow the business? Maintain our margins? It doesn't hang together. So the way to do that is to integrate the supply chain and collaborate with a wider range of people. This is why relationships are so important. I spend a fair amount of time talking about that. Then the last point on the slide, is about the business model. It's about the risk of losing assets. Now although we have pushed the responsibility down all the way to the customer and our interests are all protected, this is not sustainable in the long run because the customers are not too happy about that.

So we have to create a controlled environment in terms of which the losses of assets are reduced and we need to look after our customers' interests in a better way. There is a whole process underway to increase or improve the control environment for our customers as well.

Okay, so let's look at the size of the prize. You have seen the slide on Rod's presentation. This is just simpler so that I can understand it. The attractiveness of the market is basically determined by two things. First of all, the readiness of the different markets in terms of how quickly we can get going there. In other words, the level of formalization of the supply chains. Then secondly, the level of pooling that can be achieved because the level of pooling drives the profitability. If we can't pool properly, we can't make money. If we can't make money, then there is no real reason for us to go and spend time and effort in launching a new business there. So what we expect as time goes by, that those blue circles in Saudi and UAE will move up to the top right corner.

So let's have a more detailed look at what we did in Saudi. This is quite an interesting story and I would like to spend a little bit more time on this issue. Now these are the supply chain realities of the Middle East a couple of years ago. To some extent, that is still the case. Just picture for a second that this is peak season, the temperature outside is anything between 40 degrees Celsius and 50 degrees Celsius. There's a shamal, a sandstorm blowing on the outside and there is a three mile long queue of trucks trying to deliver goods in our warehouse. In our warehouse there are one or two forklifts and no racking. It takes two or three days to turn a truck around. Are you trying to sell chocolates? It's a nightmare. Now the problem in the Middle East is the lack of supply chain skills. People have a very narrow view on costs and concepts like the time value of money and opportunity costs is not understood at all. Very few people thing along those lines.

So when we got involved in the Middle East, we immediately saw the opportunity but we also realized that this is going to be a hard sell. Rod mentioned in his presentation that before you can get going, there's a lot of education that needs to happen. So we realized that this is a greenfield opportunity. There is no competition going. The concept of palletization at that stage was hardly known. Some of the locations that we visited at the time, we had to take little pallets along so that we could show people what a pallet actually is. So we knew we had one opportunity. If we are successful, we have the opportunity to shape the supply chain, set the standards, set the asset management standard, business model, everything. But if we were unsuccessful, we are going to pay for it for a long, long time.

So we worked on two work-streams. So I'm not going to go through all of that detail. The first one is about standardization to create the platform for pooling and the second one is about asset protection. Asset protection in the Middle East is really complex because we operate in a Sharia legal environment and asset ownership is not as cut and dry as in other regions that we operate in. So coming back to asset standardization, we decided to partner with one of the retailers and use retail advocacy as the vehicle for standardization.

So we selected Panda, the leading retailer as our partner. We immediately realized that this is going to be a very hard sell. Now just to give you some background on it, the situation at the time was that you would deliver or they would get the vendors to deliver one-way pallets into their -- well they were called DCs but they were actually sheds. They would have free access to whatever pallets they would receive and they would then have the right to sell those pallets. So from their point of view they had free access to a pallet and it was actually a source of revenue. Here comes CHEP and CHEP wants them to pay for something which they've got for free and they actually made money from it.

We try and convince them that we are going to give them some supply chain benefits out of it. Well Bedouin traders are never going to buy that. So we packed them in an airplane and we flew them to Europe and we showed them what first world supply chains look like. Once they bought into it, once they could see it, they bought into it and then we hit the second obstacle. They came back and they issued a directive, without speaking to us, that every one of their vendors will supply on CHEP pallets only and for every pallet that they don't supply on CHEP, they will be given a $100 penalty. So we had to go back and say, hey, we can't do that, (a) we don't want hostage customers and (b) it might not be illegal in Saudi, but we operate in other parts of the world where this is illegal. So we worked with Panda and we found a spec which we helped them to specify a specification that would suit the modern supply chain and we assumed the responsibility and the challenge to compete on a level playing field.

Moving over to asset management, we also realized at the time that given the lack of skills and knowledge of supply chain, it's going to be quite an uphill battle. So we had to deconstruct the systems, simplify it and we realized that we had to put our own people in on the major sites and make sure that we ensure compliance and that really works well. We also, in the process, realized the importance of reference in the Middle East. These guys like to do what the leaders are doing. So industry leaders like P&G and Pepsi, the rest of the industry, they are watching what these guys are doing and if they are doing which they like, they likely follow suit. Therefore we went out of our way to establish P&G and Pepsi as reference sites for CHEP.

Now last night one of you asked me the question of how quickly are we going to convert this business. So for the benefit of everybody, I would like to answer the question by saying that at this point in time we have addressed the formal market, which is the smaller size of it. The informal market, which is the traditional market, is the bigger size. That's the bigger one. But we don't have asset management solution for it yet.

So we are, at this point in time, piloting the 30 wholesalers to find a solution. That's really the key to unlock all the benefits to this huge market. But let me share with you the benefits that this retailer got out of this process. Now don't look at the numbers, because if you look at the number of cases picked, here compare that with Tesco, it would be stupid because I don't think Tesco work in an environment where there it is 40 degrees Celsius and that kind of thing. But just look at the improvement that has been achieved. If you look at the top right number of cases picked per man hour improved from 450 to 1100. On-shelf availability improved from 84% to 93%. All of that has been achieved by allowing a customer to move into a first world supply chain and the key to unlock all that value came from a simple pallet.

Getting back to South Africa. Early on I said that the pallet market in South Africa is pretty mature and we have to find new revenue streams. Also someone asked me the question last night, how could we continue growing at 16%? So I'm going to deviate a little bit from the slides so that I can once again give you an answer on this question. If you look at the business in South Africa, you will find that we have established a relationship on the pallet side at every single retailer.

We also have an established pallet relationship at every major manufacturer. Also at all the growers, the farmers, and all the 3PLs and transporters. We have a service internetwork across the whole of South African and wash plants, RPC wash plants, in each one of the major centers. So that puts us in a very strong, competitive position. So first of all, as far as lane expansion is concerned, what we've been doing is because we have people in the DCs, we've identified all the stuff that comes in on platforms other than CHEP, whether it is a pallet or a crate and passed that information on, back to the sales people. The field staff would then convert them back on CHEP. In the process we've identified categories that would normally not be on CHEP. So those would be what Tom would refer to as Horizon 1 kind of opportunities. That process is ongoing.

Moving into the Horizon 2 kind of categories and this is where the acquisition of IFCO is a huge benefit for us. As I mentioned, we have established relationships with all the dairies and with all the retailers. So we don't need to go and introduce ourselves. So the next logical step for us would be to expand that relationship from pallets to include pallets and RPCs. Now through our colleagues at IFCO, we have access to all the equipment, all the technology to make that work. The only thing that's lacking is we need to find the asset management model that will solve the problems at the retail back door. So those are the Horizon 2 kind of opportunities.

Then the Horizon 3 opportunities would be we are already running RPC pools for two of the major four retailers in South Africa. The next step for us would be to convert the other two and then run a national RPC pool for the whole of South Africa. If you then have a national RPC pool and a national pallet pool running off the same infrastructure, I think you have a big presence.

Okay, moving on to the cost challenge. This is a very interesting one. It is one that I really get excited about. It is something that I have to give some of the credit to my friend here, the one with the red tie. Years ago we started off changing the business model in South Africa to introduce the issue fee and our customers were really annoyed with us. So we had to find something to give back to the customer. So Rod came up with the idea of allowing the customers to pass the pallets on between themselves and then by doing that, they can offset the issue fee between themselves. So let me just explain that. The business model in South Africa works like this. When we issue the pallet, we charge an issue fee and then we charge a daily hire rate for the remainder of the period. We also have a transfer fee at the later stage but I'm not going to talk about that because that is just going to confuse you.

So if you can move a pallet across the whole supply chain, it means that you only charge the issue fee once. The people in the latter part of the supply chain then get free use of that pallet, apart from paying the daily hire. So what we've done is we've played around with that and the other guy, Toby Black, I don't see Toby here, he managed to put that into a nice little package for us. So I get the benefit and get to talk about that. But anyway, what this is about is about integrating a whole supply chain. We look at the supply chain from A to Z, convert the whole supply chain to CHEP, identify all the pain points and lean it out. Then we share the cost between all of the participants in the supply chain.

Early on I mentioned the importance of having mature relationships between ourselves and our customers. I think you'll understand why that is necessary. If you have one person in this supply chain with an abusive relationship, then this will not work. If you have one person that says I want to take all the benefits for myself and I am not prepared to share, then this whole concept falls flat. So the most important and the most difficult part in this whole process is to select the anchor customer and get the first customer across the line. The reason for that is you normally, at this point in time, sell a concept. There is not a lot of value on the table, hard value that you can sell to the customer. From a customer's point of view, there is not a lot of compelling reason to move across to CHEP and that's why your track record is fairly important.

In this case, I am just going to talk about an example in the beverage industry where we've selected the market leader, the main bottler in South Africa as the anchor customer. So once we've got the anchor customer across the line, life becomes a lot easier because the anchor customer has a lot of skill in the game, because ever pallet that comes into his organization, he saves the issue fee. So there is a lot of money to be saved. So you get a lot of support from the anchor customer to convert the inbound suppliers to CHEP. From an inbound supplier's point of view, they don't add a lot of cost to the system. It's not a high risk kind of customer. So we are able to put a fairly aggressive price on the table, so we can make it worth his while to covert to CHEP. So they save money. Our anchor customer saves money. From a CHEP point of view, we add three to four weeks cycle time to our revenue without adding much cost. So we find that our margin goes up.

The next step would be to take a staircase and duplicate the staircase to the other role players in this industry. Now going back to the beverage industry, it would mean that you will take it to the rest of the Coke franchises and just duplicate it at the other franchises. Now once again, looking at the inbound suppliers, the benefit that they're getting is they are getting the benefit of scale and from our point of view we are getting the benefit of scale but we are also getting the benefit of efficiency because now we have a bigger pool, so we can optimize the floats. So once again we find that our margins are going up.

But the biggest benefit happens when we go into the last leg, where we move this into the retail -- the outbound logistics. This is normally where the anchor customer experiences the most problems. There is a lot of pallet abuse that happens in the retail and the customer base because they can't recover the pallets. Because we have an existing relationship with the retailers, we have the ability to extract those pallets. So what happens now is you simply transfer the pallet into the retailer, the retailer starts paying because a South Africa retailer is paying, the retailer pays for the pallet. So the anchor customer saves more money. The retailer saves and we get more revenue. So our margin goes up. So just in this specific case study, from the time that we started off with the anchor customer till the time that we completed the loop, we have doubled the margin and the margin is back to our normal CHEP South Africa margin. So there was no dilution and everybody in this supply chain actually saved money. So we have achieved our objective of maintaining our margin, growing the business and reducing our customer's cost.

So the long and short of this story is if you can move a pallet through an entire supply chain from A to Z and you can find an applicable way to share that cost between each and every participant in that supply chain, then you will find that the cost at every point in that supply chain is actually very low. From a competitive point of view, it is very difficult for a competitor then to come in and replace CHEP because he has to convert the whole supply chain. That's nearly impossible.

Now that ladies and gentleman brings me to the end of my presentation. I want to close off with a strategic agenda. Thanks for your time. Thanks for the opportunity to talk to you about how we bring the concepts of diversification and go-to market and cost leadership to life in the Middle East and Africa region. I will now hand over to John Wan, my colleague in China. Thank you.

John Wan - *Brambles Limited - President CHEP China*

Jurie leads a very profitable business in South Africa. That is why he stood at the center of the stage. I have not made any money for Brambles yet, that is why I come back here.

A very short introduction by myself. My name is John Wan. I lead the CHEP China business. I joined CHEP at the end of 2006 to start a business there. By training, actually I am a chemical engineer. Before joining CHEP I spent 12 and a half years with Huntsman, a US chemical company. So today I think is a great opportunity for me to share with you what we have learned and achieved in the past five years and what strategy will take us forward.

So let me start my presentation by showing you our operational footprint in China. CHEP China used to focus a lot along the coast area. So we actually serve the Yangtze Delta area through our Shanghai Office. We serve the Bohai Bay ring area, so that's an area covering Beijing and the Tianjin area through our Beijing office. The we service the Pearl River Delta area which is there, is surrounding Guangzhou, Shenzhen, Hong Kong through our office in Guangzhou. But recently we have started to move inland because a lot of our customers, both the manufacturers and the retailers, they are moving towards the west part of china. So we opened our office in Wuhan about a year and a half ago.

So Shanghai remains our headquarters and all the rest of the offices actually are very small sales offices and these small offices actually enable us to expand geographically in a very fast and cost effective manner. We will continue to follow our customers, stay close to them, stay close to our asset and used that strategy to support our growth.

You will see on the next slide our growth performance in the last five years. China delivers very strong revenue growth because our brand name and our value proposition are now very well known by our customers and the sectors we are serving. But we believe we still have enormous room to grow because currently, what we are serving, is less than 10% of the total addressable market. That total addressable market is still growing very, very fast. Due to the time limitation today, actually my presentation will focus mainly on the FMCG business which was two-thirds of my business last year. You will hear more about automotive arm shortly.

Since we stared our operation at the end of 2006, we have now established a very strong market position and also innovative brand. Now we actually have more than 1000 customer locations in China and we service all these customers through 47 TPMs and over 3 million assets in China. So the scale of our customer base, the scale of our service network and the scale of our pool size are very critical to our profitability and this has always been our focus in China.

So these three slides summarize our journey in China so far. The following slides, I will share with you our strategy going forward to deliver a profitable growth in China. So let me start with some macro economic picture. There are a lot of figures on this page. Let us start from the population column. As you can see, through our four offices in China, we have already covered the areas surrounding Shanghai, the areas surround Beijing, the areas surrounding Guangdong province and through our office in Wuhan, we also covered the areas around the Hubei province. But now we are considering to move further west, trying to serve the Sichuan province and the Chongqing municipality because the combined population there is over 100 million people. Also, when you look at the GDP growth rate, you will find that the GDP growth rate now for the inland provinces are much higher than the GDP rate along the coast because a lot of manufacturing industries now have left Shanghai, Beijing and Guangdong and are now moving inland.

Because of that, the GDP per head and also the income levels are increasing very fast in the inland part of China. If you look at the unemployment rates, you can see that the labor rate and cost continue to increase very fast in China because the employment rate is very, very low. Now the retail industry is actually playing a very important role in the transition of the Chinese economy because the growth of the Chinese economy now relies much less on export and in Government investment and relies much more on private consumption. So the retail industry is growing very fast and a lot of the major retailers, they are actually now battling in the tier 3 and tier 4 cities, trying to establish their market position. Also, they focus a lot on on-shelf availability and they are building a lot of pallets already in the DCs all over China.

So for CHEP, we are now prepared for this shift of gravity. We already have an office in the central part of China and we will consider to probably open another one further west very soon. So what is our value proposition to the FMCG industry? As labor costs and land costs increase, the supply chain efficiency now is becoming a priority. Not only for the normal manufacturers and the retailers, but also now actually become a priority for the central government, who for the first time in history, they put the supply chain efficiency improvement in the twelfth five year plan. So now their whole supply chain landscape is modernizing very, very fast. A lot of new concepts, new processes are being introduced and adopted. So for CHEP, we have been there for five years so we are ready for all of these changes. We have built now a very strong customer base, a very extensive service network, a very capable and stable local team and with global support, also steps or processes to protect our assets and to make sure when the pallets start to flow, we can track them.

Our investments support both our growth objectives and our return expectations and we also believe our return level in China will continue to improve. Because when the pool moves from a static pool to a dynamic pool, we will have much more value to provide to our customers.

I would like to use this page to share with you some of the market drivers and also our strategic response. Let me talk about the pallet standard in China. The China Government actually publish the pallet footprint standard in May 2008, specifying that 1210 and T11 are the two national standards in China with 1210 as the preferred standard. So we have been working with a lot of government authorities and industry associations to promote this standard and over the years, we have seen a lot of customers moving towards the 1210 footprint.

In the FMCG industry we are not too concerned that there is another standard being specified by the customer because the T11 standard are mainly Japanese and Korean based. They do have a lot of manufacturing customers use that footprint in the manufacturing part, but in China there is no single retailer who use a T11 pallet, which means that this pallet is very difficult to flow from end to end. So we believe gradually 1210 will become the key standard in China and we have made our right decision on this one.

So in the next few pages I will explain in more detail how we try to make the palletized flow by working together with our partners along the supply chain. Now this page presents you some of the market realities in China. The top left picture actually shows an [Oshong] DC in Wuhu, which is a tier 3 city in China. This is a typical scene where you go to the backdoor of a DC, [Oshong] is a modern retailer but their receiving dock is every day facing a situation like this. That can give you a feel as to why it is so difficult to make a palletized delivery happen in China. Now the total logistics in China actually account for about 18% of GDP, and that rate doubles the rate for all the developing countries. That is because a lot of the supply chain practice in China is not as efficient as they should be, because labor cost is still relatively low. You can see that overloading is very common on the roads and a lot of people in the supply chain are reluctant to change. That is why, as of today actually, the palletized flow in China is very limited. But as labor costs increase, as land costs increase, as supply chain efficiency became the priority of our customers, we believe that will change and we are helping industry to make this happen.

In the past we believe the key actually is to find the right partner who has the power to influence the whole industry. So we are working together with top retailers and top manufacturers who have the skill to drive for efficiency benefit and we have set up a dedicated team full-time, focused solely to help these key partners to make palletized flow happen.

So this page is just one example. For this dedicated team, they handle many relevant activities to facilitate the flow. One of them actually we call palletized delivery forum. What we do is we will partner with a major retailer and they will invite their top suppliers, normally top 50 or top 30 of their suppliers, we will come together for one day, normally in the morning we will have a site visit. So all the suppliers will go onto a DC with CHEP service center so they can visualize if they try to make a palletized delivery happen, what will be the operational challenges. Then in the afternoon we will have a meeting, a bit like this.

So using Tesco as an example, Jurrien Heynen, the Distribution Director, he actually opened the whole meeting, explaining why palletized delivery is so important for Tesco and how they expect their suppliers to cooperate. Then CHEP team will take over and we will explain operationally where the potential challenges are and how we can facilitate all the suppliers to make that happen. Then we can answer a lot of the questions from the suppliers. After that event, actually, Tesco published their suppliers manual and they handed that over to each and every one of their suppliers. In that particular manual, there are a few pages dedicated to palletized delivery and there is one full page explaining how to use CHEP service.

Now most of you probably remember we successfully ran a trial with P&G and Wal-Mart in (inaudible) in 2010 and demonstrated a lot of the supply chain savings. I am pleased to report that P&G continued that palletized delivery and last year they recorded 30,000 palletized pallet transfer. So this is an ongoing business for us now. So now we are working together with P&G to expand their palletized delivery to guys like Tesco, Wu-Mart, Wal-Mart and China Resources Vanguard.

CHEP China's influence in the FMCG supply chain actually goes beyond the direct participants. We also engage a lot of Government authorities and the industry associations. Just to give you an example, we are an important member of China Federation of Logistic and Purchasing. This organization, their membership is mainly the FMCG manufacturers. We are also an important member of the China Chain-store and Franchise Association. That is mainly a retailer-driven organization. CHEP China also sits on the Board of ECR, Efficient Customer Response, on the China board. This industry association, they link the manufacturers and the retailer together.

So we use all these channels to influence the pallet standard, to promote the benefit of the pooling system and also we demonstrate all our successful showcases to the industry.

Brambles also set up an Asia Advisory Board last year and as you will have heard actually, we have already had two meetings, focusing mainly on China. During the meeting some of the very long term strategic issues in China are being discussed and debated. Leverage in the rich experience of our Advisory Board Members. They accumulate a lot of the business variance in Asia and in China. Tom and Dolph chaired the meeting and made sure the China strategy is fully plugged-in with the global strategy.

You have seen this. That is the strategic agenda under which China is operating. So I will just use the emerging market as an example. China is also part of this emerging market council. So in the council we share a lot of the best practice with all the emerging market leaders and also we use their forum to decide what are the best ways to drive supply chain changes in the emerging market.

So I hope after this presentation you have more confidence that China has a lot of room to grow and we have the right strategy and the global support to grow profitably. We have a very capable and stable team in China who understand our business and who have a very strong track record in the past five years. So I am very confident CHEP China will become profitable in FY13 and we can take CHEP China to new heights. I look forward to reporting our continued success to you in the future. Thank you.

Dolph Westerbos - *Brambles Limited - Group President*

Thanks John and Jurie and Rod for your presentations. Well as you can see, operating in these different markets requires quite a lot if ingenuity, a lot of entrepreneur-ness, deep relationships with customers, deep relationship with government and regulatory bodies. But the size of the prize and when we are able to execute well, as Jurie described, is very, very compelling for us.

So we will now move to some of your questions. Feel free to direct them of course directly to John, Jurie and Rod. For any questions that relate to emerging markets in more general, or some of our Asian business outside of China, I am happy to take them for you. But let's start with questions that you might have.

QUESTIONS AND ANSWERS

Simon Mitchell - *UBS - Analyst*

Just a question for John. You mentioned that the pool is predominantly, if not all, static still. When do you anticipate moving majorly to a dynamic pool and how exactly will you act to protect the assets as well, in terms of, for example, if there is a loss that occurs in retailers' hands, how will that be compensated for?

John Wan - *Brambles Limited - President CHEP China*

In China, first of all, I think I want to clarify at this point in time, as I mentioned, we have very limited flows. So most of the pool are static which means a customer will just hire a pallet and use the pallet within their DC. But when goods go out of their DC actually, the goods are hand bought. So we do not have a lot of flow at this point in time. So first the risk to lose the pallet is small, either we will have to set up our business model in such a way that each customer, including the retailers, if they become a customer, they use our pallet, they are responsible for the asset. So that if they lose it, they will pay a loss compensation. In the past five years actually our loss compensation record in China is very good. So almost all the pallets lost, we received the compensation.

Simon Mitchell - *UBS - Analyst*

And just what timing you would expect for that move to a flow-based model?

John Wan - *Brambles Limited - President CHEP China*

Now that part, I think, a lot of the factors are driving the change. So we believe all these factors are working to push the flow to happen. But currently it is very difficult to pin down a specific time. But we believe probably in the next three or four years' time, things will move -- the flow will start to move because the labor cost increase in China is more than 20% a year, the manual labor. Land cost has also increased very fast and the government is also trying to tackle the overloading issues. So a lot of the factors are moving to the right direction.

Dolph Westerbos - *Brambles Limited - Group President*

If I could just add to that, we focused a lot on some of the international retailers in China. Clearly we have good relationships with and good flowing business models in other parts of the world. But actually, if you look at their presence in China, often they have only one or two or perhaps three very large, very modern DCs. But their actually footprint throughout the country is still fairly limited. So we are now also expanding our strategy to deal with more regionally based local Chinese retailers that we actually think might have more of an influence on driving palletization of these flows. So rather than focusing purely on couple of big players that we know of and think of, but their market presence might not be as key, we are also now focusing on some different retailers to see if we can make that happen with them?

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

Other questions?

Matt Spence - *Merrill Lynch - Analyst*

Yes, one for either Dolph or John. Just with respect to those -- the China business. You spoke earlier about the gross profit within Central and Eastern Europe is broadly comparable to Western Europe. Can you comment on that at all for the Chinese business? Then also in terms of your expectation of moving up towards profitability, are you thinking about it more on a region by region basis as you get up to scale within each region and then once you move into those contiguous states it gets easier, in terms of the ramp up to profitability?

John Wan - *Brambles Limited - President CHEP China*

First, I think, as Tom mentioned, in China the key for us is to when we acquire new business, we need to make sure the margin levels are healthy. If we have those deals and we can accumulate enough customers, we will eventually become profitable and this has been the route we have taken. But in China, this profitability measurement is total China. But as I mentioned, when we expand to the inland to the west, actually we only open a small sales office, so a typical set up is we will have, at the beginning, probably two to three sales guys and maybe after a year or two, it may grow to three or four sales guys plus one or two operational or (inaudible) guys. They just -- we want to make sure they stay close to the customers, stay close to our assets. But the incremental cost to open and run such a small office is actually not that big and that is why we don't believe, by moving inland, it will add a lot of extra cost.

Unidentified Participant

Just while you are talking China, in slide 35 it says the addressable opportunity for China is about $400 million. Is that your current view, whether you see that that potentially goes to?

John Wan - *Brambles Limited - President CHEP China*

Sorry, which number?

Unidentified Participant

It says in the addressable opportunities $400 million, $0.4 billion, you are currently 8% of that. That seems a relatively small number given the size of the opportunity in China I would have thought longer term. Can you talk to what you see is the potential on that?

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

That actually says for Asia on that slide. Thank you.

Unidentified Participant

Right, okay. Which includes China?

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

Yes.

Unidentified Participant

Right, so that's even smaller that I would have thought.

John Wan - *Brambles Limited - President CHEP China*

Yes, I think now in China, to be very honest, I think we do have assessment on what we call addressable market but actually they're part -- if you look at -- let me just talk about the pallet, as I mentioned 1210 is only 30% of the total pallet footprint. You have T11 is 20%. Then actually we have another more than 60 different footprints accounting for the rest. But as the government has already announced the standard, we have seen people migrating from other footprints to 1210. So as of today, I think the addressable market is not massive because you have only 30% of the market on 1210. But we believe that part of the pie is growing very, very fast. Because it's not only our -- the customers or the prospects who currently use 1210 are growing, actually, there are other customers who are migrating to this. Also more and more people are starting to use pallets, so we believe the addressable market is growing very, very fast.

Unidentified Participant

Okay, so it doesn't take into account the general move to more of a 1210 base in China. Question for Rod. Talking about the key accounts, can you talk to how their changing their production base from Western Europe as they expand East -- sorry, Eastern Europe.

Rod Francis - *Brambles Limited - President CHEP Central and Eastern Europe*

Yes, well this is a roll-out that has probably taken many, many years. So the first step in trying to accommodate that change in footprint started with opening the businesses in Poland and I don't remember exactly what year that was, but it was seven or eight years ago. Since then, there has definitely been a continued trend eastwards with the production facilities, to the extent that in the last five years, the exports on CHEP pallets anywhere for eastern Europe into Western Europe has moved from about a million a year to nearly five million a year. At the same time though, they have increased their brand presence in the local markets, so a lot more local and domestic distribution going on in the new countries as well. So it's not just about being a production engine for Western Europe.

Dolph Westerbos - *Brambles Limited - Group President*

Just to add to that, what we've seen with our large customers, they have a very integrated product portfolio. It used to be that they would have in multiple countries, different production facilities. That is moving much more to a single production facility in Europe for that particular product line, but to cover the entire region. So we are starting to move away from having all these integrated manufacturing facilities all over the place to maybe one that serves all of this. This is why -- the point that Rod was taking around networked revenue is quite important.

So just moving into extending further into East Europe does not just open that piece of the market but it actually also then unlocks production that might happen in an established part of our business, that just ships to that market that we haven't yet been able to even service the in-pool kind of solutions. Now we can. So that is why it is quite important for us to extend our current coverage.

Matt Spence - *Merrill Lynch - Analyst*

Jurie, who do you actually compete against in South Africa and is there anyone else that has even started up in Middle East yet?

Jurie Welman - *Brambles Limited - President CHEP Middle East and Africa*

In South Africa there are a number of smaller competitors but the main competitor is a company called TrenStar, who operates mainly in the automotive industry but they are also in FMCG. One of the major 3PLs, the Imperial Group, have now bought into the asset management business. So there are a number of smaller competitors. So the idea that we don't have competition in South Africa, that is not really accurate. We have had competition for quite a while. As far as the Middle East is concerned, the main competitor is basically the white wood one-way pallet.

Matt Spence - *Merrill Lynch - Analyst*

But in South Africa you have still got a vast majority of the market share at the moment, is that correct?

Jurie Welman - *Brambles Limited - President CHEP Middle East and Africa*

Yes, correct.

Scott Carroll - *JP Morgan - Analyst*

Just one for Rod quickly if I could. On slide 62 you've got Poland as strong and profitable in terms of an established base there. I know you don't want to break down returns on a market by market basis, but is that to suggest that returns there are at a reasonable level and upside maybe limited in that market firstly? Also, just on slide 64, that's on the top right-had corner of the chart in terms of being the ideal market in terms of addressable and where you can win share. Can the growth trajectory and the improvement in returns in other markets be as strong as they've been in Poland.

Rod Francis - *Brambles Limited - President CHEP Central and Eastern Europe*

Let's start with the Poland business. Poland is profitable, in fact the whole of the CEE region is profitable today. We would expect that, as a region, within three to four years, that we would be pretty much where the EMEA is today, around the 20% mark. So I answered the first part of your question. Could you just repeat the second part for me please?

Scott Carroll - *JP Morgan - Analyst*

On slide 64, you've got the relative attractiveness of various markets and Poland is at the top right-hand corner of that chart. I guess what I'm suggesting is that you've identified that as a pretty profitable and attractive market. Because the other markets are further down, does that suggest there may be a slower trajectory in terms of actually earning some returns improving in those other markets? Has Poland been the best case scenario, I guess, is what I'm suggesting.

Rod Francis - *Brambles Limited - President CHEP Central and Eastern Europe*

No, I think most of the European markets will move together and it will be a pretty similar trajectory.

Scott Carroll - *JP Morgan - Analyst*

Just one more. Russia is obviously a market that you are not currently in. I would like to understand as to how far behind, from a development perspective, it is from China? You have been in China for five years. You have talked to the benefit of first mover but still not in Russia. I just wanted to understand how long before (a) you enter Russia and (b) the opportunity presents itself?

Dolph Westerbos - *Brambles Limited - Group President*

I'll take that if that's okay. Clearly Russia as you saw is a very large opportunity from a size of the market and in fact Russia, the supply chain in the retail environment in Russia is actually ahead of China. It is more modern. It uses pallets more readily than you see in China and the retail is more developed than in China. So in that sense it looks like, okay, that is a ready market, why are we not yet there? I think the challenges for Russia are clearly quite different than they are in China and that is why we are quite careful. In Russia the market is more opaque, having control of your assets and being able to assert that legal title is tougher to do. The industry has a lot of connections that are still not clear to us. Our ability to get the assets back when they are deployed, to me, they strike as more risky than for instance in the China market, because we are starting actually frankly with a closed loop model, as you pointed out.

So for all those reasons, China, despite the fact that it's an absolutely very large market for us and many of our customers are already there, it does require that we do a very thorough analysis and we are embarking on that analysis. In fact, we have started with the foundation of that. I think we need to get through all that detailed work before we make a real decision and come back to our Board and to the market around where we see our own opportunity. So yes, it's big enough for us to know we have to find an answer and we have to do this analysis, but it certainly has a lot of risks on the service that causes us to want to move quite cautiously.

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

I think if I can just add to that, it's not just a pallet issue as well because there is a fairly large and growing automotive business in Russia. So when we step back and look at Russia as an opportunity from a Brambles perspective, it's really a holistic pooling opportunity. I think Dolph's nailed it. When you look at emerging markets, there is probably three broad buckets of things that we look at. One is we look at infrastructure. Is the infrastructure there? Can it support modern pooling, whether it be automotive, other containers or pallets?

The second one is the level of bureaucracy. So how easy is it to do business in those markets? If you juxtapose, say, India, for example, which has a heavy bureaucratic weight with some of the other emerging markets which aren't quite as bureaucratic, it is easier to win in some of those. But the last and not least is the issue around corruption. That is a big red flag for us in certain markets where Dolph used the term that things are relatively opaque, and we need clarity because we need to be in a position where we can enforce our asset rights. Asset ownership rights are critical to our business model and we would have to make sure that across the Board, we were able to affect those rights appropriately.

It isn't just knowing where the asset is, it's actually having the right to collect that asset and bring it back. So all of those things are important considerations and none more important than when we look at Russia.

Andrew Gibson - *Goldman Sachs - Analyst*

Just regarding price in Africa, it was mentioned earlier that you implement two price rises per annum. Can you just provide a bit of color around the quantum that you are realizing there at the moment.

Jurie Welman - *Brambles Limited - President CHEP Middle East and Africa*

Sorry, I didn't get the question.

Andrew Gibson - *Goldman Sachs - Analyst*

Sorry, price rises being realized in Africa, just how material are they. Are we talking 1% in line with Europe or is it more substantial?

Jurie Welman - *Brambles Limited - President CHEP Middle East and Africa*

You are talking about the price?

Andrew Gibson - *Goldman Sachs - Analyst*

Price of the pallets, yes. Price rises per annum

Jurie Welman - *Brambles Limited - President CHEP Middle East and Africa*

Well inflation in South Africa is running around 6% or 7%. What we are trying to do is we are working with our customers on a basis of recovering the costs that are genuine. But we also like to demonstrate that we are actually bringing some efficiencies to the table. So it's really a process of collaboration with the customer. If we look at the history, we have been successful in the past to at least recover something similar to de-inflation. That is one of the reasons why we have been successful to maintain margins.

Dolph Westerbos - *Brambles Limited - Group President*

Looking at the schedule, we are going to break for lunch now. Thanks a lot for your questions. Of course all of us are around for lunch, the afternoon break and dinner tonight. So any other questions that you haven't yet been able to ask, don't hold back. What time are we meeting back here James?

James Hall - *Brambles Limited - Director, IR and External Communications*

Back in here at 1pm.

Dolph Westerbos - *Brambles Limited - Group President*

1 pm back here. Thanks a lot.

PRESENTATION

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

Well welcome back everyone, this is generally the most challenging session right after lunch, everyone gets a little low on energy. So again I would just encourage you at any point this afternoon if you feel the need to stand up and stretch or step out and grab a cup of coffee and then come back in, please don't hesitate to do that. I'm sure the dynamic threesome to my left however will dazzle you and keep you engaged fully.

So again today is about pallets. I told you the business is really split in halves, so you heard from Dolph and his team this morning, were now going to shift that pretty quickly over to the Americas, so with no further or do let me introduce Peter, who's the Group President for CHEP in the Americas. Peter?

Peter Mackie - *Brambles Limited - Group President, Americas and Global Supply Chain*

Great thanks Tom. Good afternoon everybody. I took some advice from Jurie over lunch, he said put a red tie it'll make you look better. As you can see it didn't work so apologies for that straight after lunch. So as Tom said I'm Peter Mackie, I'm responsible for the Americas business and also the global supply chain. I've been in CHEP now coming up for 11 years, so I was involved almost straight after the de-merger and involved in the -- what was described then as the turnaround of the Europe business.

Now I've actually had the pleasure since then of running the Europe business, running the Asia- Pac. business and now I have the pleasure of running the Americas business as well. Now our objective for this session and actually the session that follows is to give you a really good understanding of the quality of our growth plans and also our margin and ROCI improvement plans as well for the Americas business.

The one thing I'm pretty confident in guaranteeing is that you're going to be impressed by the quality of the people in my team over the course of this session. I'm going to talk quite quickly through the first few slides because I know for a lot of you it's a bit of a recap of the half year. Then I'm going to spend some time from the middle of the material onwards really on the stuff that I think goes to the heart of growth margin and ROCI.

So the first slide here -- that we built a very successful business in the Americas about $2 billion, delivering value to a range of customers from the smallest to the largest. It's built off a unique network across the Americas serving -- or bringing cost savings to the smallest growers in Mexico up to some of the largest global retailers and global manufacturers in the world.

A little bit of -- as Jurie would've shown in his slides, the value that we bring isn't just around the pallet, actually in terms of reducing complexity in the supply chain and improving security of supply in the supply chain. The savings for all of those involved in the supply chain are often quite significantly ahead of the costs of the pallet itself.

Now we built this business in the Americas over three decades and this network is about linking up over 100,000 customer locations, with 400 service centers and TPMs and more than about 230 asset management or asset recovery staff in the field and that's key to the network that we have here across the Americas. So I would describe it as I look at it coming into the Americas, I'd say that there's a mature and embedded capability across the region in making are pallets move faster and us getting them back better than really anybody else can in the region.

In all honesty that's why customers come to us and it's also why customers decide to stay with CHEP as well. I'm very fortunate, I've inherited a business at the end of the Better Everyday program. So what we have is a very, very good business that is now the other end of the quality improvement program and it's a really great platform for us to grow the business off. You will have seen some of that in the improvements in FY11 and also into the second half.

So just very, very quickly on the structure because I know you'll end up seeing this slide a lot today. But when Dolph, Tom and I were talking about the structure, looking at the business plans that we had. Also looking at the old structure. We asked ourselves how do we actually start getting close to the customer. How do we get LeanLogistics and the CHEP logistics closer together, much better integration. How do we start looking at some of the amazing efficiencies that we're driving around the world and making sure that we are driving them everywhere around the world. So that was the main logic behind this structure.

Moving forward it was how do we improve our marketing and commercial capability. So the first change that we made and I mentioned this to a few of you last night, really was 9 customer business units focused on very specific 9 customer markets. That was a key piece to getting closer to the customers. The one change that we made in the Americas was to actually put in place what I would call a clear and present leader in the US business to get much closer to the customers in the US market which is very different when you look at it from an Americas perspective.

The other change was in the supply chain piece with Dan and Carmelo and the real focus for that was to say how do we drive this translation of best practice around the world, how do we get this LeanLogistics and CHEP logistics closer together and drive some of this stuff that customers want us to be doing in that space. Then also how do we just get the benefits from more standardization, more optimization and just some selective centralization in that space.

So more importantly the structure actually is the people. I'll talk first actually about some of the people who aren't here today. Their businesses are performing so well that they got a hall pass for this session. So first of all Arturo, so many of you will have met Arturo on previous IMBs. So Arturo has been in the business for 17 years, so a long time in Latin America. He's built a fast growing and very profitable business. So we have a growth platform there that is incredibly robust. It's no accident that that's happened because he's been in the business for 17 years. But Latin American market is very complex and growing very fast, but in order to do that really well you really have to have somebody who understand the local market and understands pooling. Arturo has that and he also has a team that's developed that over number of years.

Marianne who's now taken over the Canada business. She took over from Mike Dimond again who many of you will know retired last year. Marianne started her life in CHEP in Canada under Mike. She worked in Australia and she also spent the last 3 years in the US driving elements of the Better Everyday program. It's tough taking over a business from Mike, but she's having a really good year. So she's re-energized the pipelining in Canada and she's completed the successful acquisition of Paramount as well, so she's having a very good year.

Scott is here today, but isn't presenting. So Scott's been my -- I would say my left and right arm in this transition and it's why the transition has been so quick and so smooth from my perspective. Scott's been involved I think in probably one of the most challenging times in the US business. So first of all he gets the numbers. But he really gets the drivers behind the pooling business as well which is really important for me coming into the Americas business.

So in terms of the presenters today, so maybe I'll touch on Kim first. So Kim's been with the business 6 years. She's worked in operations for the US business and worked in operations is probably a bit of an understatement, so really worked in operations during all that Better Everyday improvement, so had a significant impact for the business in that space. Then more recently she's run the integration of the IFCO business both in Europe for the RPCs and also in the US on the PMS side.

Dave. I was surprised to see how many people knew Dave actually. Dave's been around a long time, probably longer than he'd care to confess to. But he's been incredibly open and collaborative in the integration of the PMS business and its running so well I think as a consequence of the way that he's managed with Kim and the other way that he's engaging with the integration team as well.

It's hard. It's hard sometimes when you look in on some of these integration meetings to see who are the CHEP people and who are the PMS people in some of the meetings that are going on. Huge credit to Dave.

I think the other important thing here is that bringing Dave into my management team has made a real difference, bringing somebody in with a very different perspective and a very challenging perspective in some of the ways that we think about the business which has been very good.

Now Carmelo has the longest -- 10 years, so he's been here 20 years, something like that. When you look at most of the improvements in supply chain, so both on the plant operation side and also on the logistics around the world, you can see Carmelo's fingerprints all over the really good stuff. Really as a consequence, he's very well respected both internally and externally in supply chain. So perfect for this role, perfect for the role of actually taking best practice and making sure it gets translated around the world.

Then last but not least here is Dan. Now Dan and I have known each other since he started in the business and we've had quite a few conversations about our shared view of what needs to be done with the LeanLogistics business in integration. Now we both have our keys on both the CHEP logistics piece of that and the LeanLogistics piece of that. Dan is now able to just get on with it. Really in the last couple of weeks, there's some real good evidence of what this could look like, is the LeanLogistics business signed up Sara Lee who are now outsourcing their logistics management to this combined Lean and CHEP logistics team.

So if you look really closely at this chart, what you'll see is the effects of the GFC. You'll see the effects of the actions of a competitor whose model in our view unsustainable. You'll actually see the impact of some of the quality challenges we had in the earlier years. My conclusion from all of those impacts on the business is that we have a pretty robust competitive position in the US.

Now the improvement that you see, the half on half improvement that you see here is all around just continued good quality growth in Latin America. Canada is actually getting a little bit of a lift from the economy in Canada, but also Marianne's re-energizing of the pipeline is having a good effect in Canada. I think what I'll say about the US is almost despite the economic situation in the US specifically for FMCG, there's a really good balance here of volume growth and also price in growth as well.

Now I think it's probably important to note on this slide that the Pepsi wind back actually made a very, very small contribution in the first half and the ramp up started in December in a small way and you'll see a lot more of that as we come through into the second half.

So here on the margin and ROCI chart. I think if you start looking at this one on the left hand side first, you'll see really margin and ROCI flatted really by unsustainably low repair costs. Then kind of what you see in the dip down here is a little bit of the effects of the GFC and our irrational competitor, but also the significant investment that went into the pallet quality in the US business.

Really the turnaround that you see in FY11 and FY12 is driven by (1) actually hitting the Better Everyday targets. So hitting them in FY11 we're on target to -- sorry we're on target to do it in FY12 and then we will also close out the final year of Better Everyday moving slightly ahead of target.

I think the other thing in this turnaround is the improvement in customer satisfaction and at the Better Everyday program. I know a few of you will -- you'll talk to our customers in the US and hopefully you'll be hearing the same thing. But our ability to grow and actually our ability to really discuss price is significantly easier with the improvements in quality and the improvements in service in the US business.

Now looking a little bit from the outside having just come into the Americas, I think there's 3 lessons in the history here. The first one is we're not going to go back, so were not going to back to the wrong level of investment, nobody benefits from these sorts of surprises. So there's a very strong will in the management that there is no going back here.

I think that the other thing that we've learned -- and certainly more in recent months is we need to be out there being the leader and engaging with customers and driving some of the new innovation. Then really finally the lesson -- and it's probably the most positive lesson out of all of this, is that I think the US business has demonstrated that it has a capability to deliver really big and complex projects. Because keeping the Better Everyday program was a complex big project and the team in the US have done an incredible job of delivering it.

So a couple of things to take from this slide. The first one is there's some momentum -- in terms of margin improvement now in the US -- there's some good momentum here. Really as were in the middle of our FY13 budget cycle, but we can see our way to 2% margin improvement here, so taking the 21% that you see on this chart up to 23%. And FY13 that's about hitting the last year of the Better everyday program, what we're calling the Dan and Carmelo ramp of some of the global cost projects and of course what will be the increasing synergies from the integration of the PMS business.

On the topline you're going to see some improvements in price, the continued growth that we have seen in the core of the business and really moving forward beyond FY13 -- and I'll talk about it a bit later. The new layers of growth in the US that are really outside of the core and also in Canada and then continued growth in inland America. But I don't think it would be fair to close just on the margin slide, really on the basis that through that network, through our better capability across the US.

We have a good quality business that recovers a decent amount of its assets in the right condition. But when you look at the size of that lever for our business we've actually committed to take a renewed effort or a new look to see whether we can pull that lever any harder than we do today.

THOMSON REUTERS

So over the next few slides I'll talk about some of these areas of price and growth but what I will touch on first is, is the area of asset productivity. Little bit of a walk-in to our world and then a little bit about what we're doing about that moving forward.

So first of all, this is what the marketing brochure says about CHEP, so very simple pooling circuit. The cycle time in this circuit in this circuit is determined pretty much by the product that's on the pallet and also the complexity of the supply chain in which it flows. The damage that happens to the pallet in this circuit is really around the number of touches that is has with a forklift and the degree of automation that there is in the system.

But when you get to loss, life gets a little more complicated. So the risk of loss at this point is really around where and when the pallet becomes free of its original load. Our network and our asset recovery teams are about trying to manage that risk, losing the pallet at the point at which it becomes free of the original load. The consequence for pallets that moved to my little trash can here, the ones that are lost and never move again are simply just the replacement CapEx for that pallet and we work very hard to minimize that.

The picture is this other pool. So pallets that leak out of their system that then actually move. So there's additional cycle time associated with those pallets and those also additional damage associated with those pallets depending on how many times a forklift touches it in this cycle.

So, yes, I think the important thing to point out here is that the supply chain is a little more complex than this picture. So when you look at the retailer, Jurie did quite a good job of this I think in his slides of explaining quite how fragmented that retailer piece is from mom and pop stores all the way up to the major retailers. You need a strong network and a strong asset capability to make sure that you minimize the leakage into this pool.

So what have we been trying to do about this. The first step we've had -- and this has probably taken us around 9 months, is to build a more detailed approximation model of the total pool. So the areas of linkage and also the grey pool that you saw earlier. Wed done that with a large number of field visits, some tracking technologies and then with our own data, quite a lot of data triangulation.

Now there's been I would say -- there's no silver bullet come out of that exercise or no big surprise, but it's made it a lot clearer to us where the priorities for action are. Some we've taken and some were now going to pilot a number of things which Kim will talk about a little bit later on.

I really get a sense that we have a day job in this space in asset management. So Kim's made a number of steps in the US business here. First we've made the line of responsibility clear for asset management and appointing a senior person. We've put some more people into the field that are currently there, some associated with the pilots that we have. Really through the IFCO business, there are a number of recyclers who found it quite hard to do business with us.

So we've made some simple changes to make it a lot easier for them to do business with us and bring our pallets back. But the other important change here is also for those in the grey pool that aren't keen on cooperation, we're taking now a much more structured approach through the process, so starting with a friendly visit. But the key really here is about consistent and rigorous follow up in all the stages in this escalation process.

Then the other change that we've made and were making is to make our pricing much clearer around the channels that are difficult to recover from. What we're finding with that, especially with some of the larger customers, it's encouraging them into collaboration to help -- to work with us on their customer effectively to improve the recovery performance out of that location. So for them it's a win because they reduce their spend and from us it's a significant improvement in the productivity of our assets.

So what I might do is maybe we walk through the same cycle in our competitor's shoes. A new investor in a pallet pooler sees the left hand side of the model and they understand that there is going to be some loss, but they've also understood from the sales pitch that actually that's going to be minimized because they're only going to look at very simple flows. So the cycles will be faster and the loss will be considerably less.

But I take you back to the early reality. So the supply chains were much more complicated than just major retailer. There are very, very few manufacturers in the US or anywhere really that have very simple single or double distribution channels. That complexity is what a new competitor in this market is faced with if they don't have the scale for a network or the scale for the asset management force in that place.

So for the early investor, what they see is, they put the capital in, they see the growth and because a lot of the costs associated with the grey pool don't come back until later on in the cycle -- the P&L seems to support this story -- in fact the P&L looks very encouraging, so more capital goes in. then what you find is, they see well the asset productivity is coming down and some of the costs in that grey pool then start coming back in once new pallets returning back quite badly damaged.

So the P&L starts looking worse, the asset productivity starts looking worse and for the sensible investor they then start constraining their capital and that's when they start constraining the capital, then there's the job of actually going out and dealing with this grey pool without the scale of a network and without the scale of the asset management force in place.

Now all I would say to you is, that all the changes when you increase the value of the material flowing through the circuit, is that cycle just happens faster and the impact here considerably harder.

So I just want to touch on growth for a little while that I mentioned in the earlier slide. Really it's about 4 areas. So in the core US business in the white space in the core US there's still plenty of growth so in the SME growth and certainly in some win backs into the business there's opportunity there.

What were also seeing and I mentioned this to a few people last night, if you look in the retail stores in the US and also in Canada, were seeing a lot more promotional activity, so as manufacturers are struggling for volume, there's a lot more promotional activities in the stores. A lot of ad hoc platform solutions to all of that. So we're engaging now quite heavily with customers around are there some standardized pools that we can bring to the market place in the US especially. Canada already has a half pallet and that's growing very strongly at the moment.

We have a lot of experience in this space, so we have a lot of experience in Australia and a lot of experience in Europe in that space. So when I talk about new layers of growth for the US and Canada, this is one of those areas of new growth for the business.

The other one is in Latin America and I'll talk a bit more about Latin America later on, but Latin America has good solid base, good team in place and it has economic growth. It has modernization growth, it has penetration in existing and new sectors. Then we still have the opportunity for geographic growth in Latin America. So even just in the core platforms in Latin America, there's still plenty of potential for us to grow.

So let me talk a little bit now about pricing. I assumed I'd get a question on pricing at the end so I thought I may as well just stick a slide in on it. So as you all know, the easiest way to get pricing is just to create some new value. A very simple example of that is that customers who increasingly want to ship across borders are needing to heat treat the pallets to various different countries. Especially in North America now with the acquisition of the PMS business and the Paramount business and our own capability -- we have a strong capability in heat treatment across our network. So (1) in terms of the efficiency of that but then also the locality of that to where the customers are.

But probably the most important thing, especially for the US business, is around pricing and the structure of the pricing. So when you're in a network business, putting your pricing out on the average of the network isn't a sensible thing to do. When you structure your pricing around your cost to serve it does a couple of things. One, it makes it very, very clear to the customers where the advantages are in the network that they should be taken advantage of. Also where the pricing is high down particular channels. It actually encourages -- especially some of our major customers, to try and influence their customers to bring down the overall cost to serve.

Now to do that successfully you need a very strong commercial team. Now I think were already -- my view is that were already ahead of the competition in that space, but being able to sell in this way, it's really important that you have a strong commercial team. So a lot of the stuff that you'll hear from Toby later on today on the work that we've been doing in the US is around quality of the people in the teams, the quality of their training, quality of the tools that they have. Probably most importantly out of all of it, the quality of the managers that they have in this space. So for us to be really successful and take full advantage of a network, we have to be much more structured in our approach to pricing which is what we do.

Then the final piece here that we are addressing poor performing contracts and we are trying to get price where we can. The important thing really is that we proactively engage and that what we are attempting to do is just to get a fair share of the value that we created in the pool.

Now in a market where volume is tight and a lot of our customers are focused on how do they take cost out of their supply chain and efficiency in their supply chain. Some of the pricing discussions do end up in a how do we take cost out for both companies. So there's generally a mix between price and taking cost out for both of those. But what I will say is that where we've been unsuccessful we have been prepared to walk away from business. So business that is low price, high cost to serve, really poor asset productivity, were quite happy for our competitors to have that type of business promise.

I might come to the question that came up earlier in the session around these charts. So these charts are probably our most pessimistic view of the market opportunity, so it's very specifically for the core platform. So for the main platform system. The white space here really is what we consider as the addressable market. So the overall market for white wood is considerably bigger than this, but this is what we consider as the real addressable market. Just to give you some idea that for the US business there, the PMS revenue from that 37% you see in the US piece, is about $100 million of the billion dollars in that current space.

So look, maybe the conclusion from this slide is look, still huge potential in Latin America even when you look at it on a very tightly constrained basis. Good potential in the US and Canada, but also a real need to be working on what are the next layers of growth or for both of those markets.

So because Marianne and Arturo aren't here, I thought I'd just give a very brief coverage of both of their businesses. I think the Canada update here really is that it is growing well, it's getting some economic tailwind, it's getting some good growth in the core. What we are seeing here on the promotional pallets or the display pallets that the half pallet we have in Canada is growing at 20% plus in the market in Canada. Now albeit it it's off a small base. But if you are in the US or Canada, look around the retail stores and you'll see the evidence of a need for a standard pooled solution in the retail space.

I think the other piece here is around the Paramount acquisition. So first of all, Paramount is less than a tenth the size of the PMS business. So the real motivation was partly around the synergies but that wasn't the real motivation. So what Paramount brings us in the Canadian business is an access to the portfolio of products and services for that Canada market that enables these new layers of growth. There's a lot of excitement around that. We're in the process of building out marketing plans around that portfolio of choice for customers in Canada.

Then I think the final piece here, there will be -- I'm sure there will be some contribution from the synergies from that business. But the Dan and Carmelo ramp affect is already starting this year in Canada so the more significant savings will be in stuff that's already in execution in Canada and then the plans we've got for further savings, both in operations and logistics.

So just onto a couple of slides on Latin America. The first one I need to explain it doesn't tie back to the slide that you saw a couple of slides ago. This one, what looks like very low share in the markets that we're in today and in the sectors that we're in today represent the fact that the overall opportunity in Latin America also includes flows that are yet to be palletized. But the market in Latin America is modernizing significantly faster than a number of other markets around the world, which is why I say the growth in modernization in that market is also important to us. I think the thing to take from this slide is even in our existing countries, in our existing sectors, as that country continues to modernize there's still lots of opportunity there in Latin America.

So we're in six countries across Latin America. Three of them are in the top -- well the top three of the top GDP per head in the region. Then five of them are in the top 10 GDP per head in the region as well. It shouldn't be a complete surprise to you because we will generally go into markets that are modernizing and the ones that are modernizing are generally in this space.

We use a lot the relationships we have with global accounts from around the world. So just to give you some idea the seven global accounts that we work with in this region represent about 30 -- just over 30% of the revenue out of the region. But I think it's important and Arturo's at pains to explain this to me as well. But it's important to understand that Latin America is different from a number of the other places in which we play. There's far fewer cross border flows than you might see in some countries. That really relates to the level of infrastructure around the challenges of mountains, deserts and jungles across the whole of the region. Then the other piece here is actually a lot of the population lives on the coast.

So if you were to look at one of those satellite pictures at night you'd see all the light in this region is mainly on the coast. That represents some challenges in terms of building the network and it goes to my earlier point around the importance of having somebody like Arturo and his team with real local knowledge who understand pooling to be growing the business in this market.

So just to give you a feel for some of the work that's gone on. Really over the last year the team in Latin America have done quite a bit of work understanding the market in a number of countries that they're not in today, but also in a number of sectors in each of the countries that we are in today. And done a huge amount of interviews, they've even tested some of those sectors with a sales approach to get a good view as to which new sectors in which markets would be the best ones for them to have a go at.

So each of the country general managers now have the existing sectors that they were chasing that they have low penetration. They now have three sectors that they should include in the final to chase that have good marketing plans behind them.

Then the final piece here is that we're at a stage now where we've narrowed it down to a couple of countries that we really want to do a more detailed dive in. Where we understand really what's the cost for the current system in that country and actually what's our ability to service that and make a decent margin by geographic expansion.

So in closing on these slides, I'd just maybe point out that across the Americas I think we have a really good mix of near, medium and long term growth potential in the business. I don't think I've demonstrated this to you yet but by the time you get to the end of Dan and Carmelo's presentations you'll see that we really are on a path to cost leadership in this business.

But the other piece where we really are shifting ourselves is in just playing the leadership role in this industry. We are the market leader and we need to be behaving like that. So that's about getting out with customers. A lot of them now after the Better Everyday are very keen to engage with us on how do you help us get more efficiency in our supply chain. How do you take out all the complexity of all these promotions that we're trying to do in the supply chain. But being the leader here is also about being the leader on price and getting the fair share for the value that we also create in this market.

Okay, with that said I'll hand swiftly over to Kim.

Kim Rumph - *Brambles Limited - President CHEP USA*

Good afternoon. You guys are doing pretty good for the after lunch session so I'll try to make this as entertaining as possible but relevant for you.

As Pete stated, I lead the CHEP USA business and I've been in that role since August of last year, but I've been inside the CHEP USA business for about six years. So I'm going to bring to you today not only the things that we're doing to continue to improve the business but also my perspective of the journey that we've been on, because it really feels like we've been on a journey inside the USA and we're really at a very positive place inside the market regarding continuing to improve our business and really starting to collaborate with our customers.

So what I want to emphasize to you today really are three things. The first one is what we are doing and are going to continue to do to enhance the return on our capital investment. So it's critically important as a business inside the US that we are very focused on increasing that return and we have actions in place to do that.

The next is always an unyielding focus on cost leadership. The USA business has historically done this very well, but I will share with you some of the other actions that we have in place to take it to the next level in terms of cost leadership. Then you'll also hear this afternoon from Carmelo and from Dan regarding their roles now in the global operations and global logistics to help aid in achieving that.

Then last but certainly not least, we really believe inside the US business that there are new opportunities to grow. So not only that space that Pete showed you around pooling the 48 by 40 pallet, which of course we remain incredibly focused on, but we also believe very strongly that there are in fact other layers of growth with our existing customer base. New products and new services that we can bring to bear with those existing customers to continue to grow profitably. I'll talk about how we're interacting with our customers to get those insights so that we can translate that into meaningful value for both the customer and for Brambles.

So what I'd like to do now is take you on the journey that we've been on and many of you have been on it with us, but I'd like to share some perspective about where the CHEP USA business has been and where we're heading.

So what you see here is, is kind of this era that is depicting what we've been doing inside the business since 2009. I think most of you are probably quite, quite versed now in the Better Everyday program but I'd like to start there because the Better Everyday program was very powerful in getting the US business to the place that we are today, which is a very good place that is going to take us forward in a very positive way with our customers.

So back in 2009 as you all know, we made a decision that we needed to significantly invest in the US business to improve both product quality and also ease of doing business. Our customers were telling us that quite loudly and we also had competition that was emerging in the marketplace and we needed to step it up in order to continue to compete and hold our ground insider the US business.

So we made a significant investment and I had the privilege of leading the Better Everyday launch inside the USA business. I can tell you, from our people's perspective it was intense and it was difficult and it was hard work to do what we did in a very short amount of time to raise the quality levels of the pool, to repair more assets to the US plus standard, the higher standard and also to put those processes and controls in place that would allow us to maintain that.

I was with some of you in September of 2010 or August of 2010 back in Los Angeles at the operating review that we did at the IMB and I recall sharing with you, at that time back in 2010, that our customers were acknowledging the difference. So I recall telling you I went through some rigorous charts and some very painful information to show you the process controls that we had put in place. But I also shared with you at that time that our customers could feel it and they were acknowledging that it was making a difference in terms of how they view CHEP and that they saw us as someone who was now delivering on the commitment and raising the bar. Not just in terms of product quality but also in terms of ease of doing business.

But what I remember also sharing with you at that time is that they were waiting. They were waiting to see if we would sustain those levels and if we would continue over the coming years to deliver on our commitment. In particular, during very tough economic times which we are definitely facing inside the US business with very sluggish GDP growth and a very slow economy, they were waiting to see if we would continue to deliver on the commitment.

I'm very proud to stand here today and tell you that we have and at the same time that we continue to invest and we are on target to deliver our Better Everyday guidance that we've set forth to you but we also to continue to improve the business further, whilst still delivering those levels of product quality and that ease of doing business. Our customers are now acknowledging that and it's put us in a new space with them.

So back in 2010 it was, looks good and we'll see and now it's looks good and let's talk about how we can collaborate in a different way now. How we can move our businesses forward as strategic partners. These are very new and powerful conversations for us.

So when I moved into the role back in August I spent a lot of time visiting with our customers because I wanted to hear first-hand how they were viewing us and what the opportunities might be for us to collaborate with them. What they said to me was we're there now. We view you as a strategic partner and we're ready to sit at the table with you and talk about new ways to collaborate to take cost out for both of us, to find new products and services.

In fact, just a couple of weeks ago we hosted a customer forum. At that forum historically -- if we were able to host one of these we might have a few guys from procurement, from maybe our manufacturers and if we're lucky a couple of retailers might participate in that, but in this forum it was quite different I'll describe it to you in a bit but I want to share with you some of the comments.

This forum contains senior supply chain leaders. Not procurement but supply chain leaders from some of the largest manufacturers and retailers in the United States. They attended this forum to collaborate with us and I'll take you through that in a bit. But what I want to share with you is some very senior people within those companies told me personally this is a different business. You guys feel different. CHEP USA is a different business than the business that I was working with two years ago. We view you now as a strategic supplier partner and not everyone gets to make it into that category.

So they are openly acknowledging now that we have our feet at the table and that they're willing to engage with us in different ways. So they used to view us as someone who rented them pallets, now they view us as someone who is present throughout their entire supply chain. So they're recognizing that we have something to bring, some value to bring them, because we are the only ones, if you think about the supply chain that is present through the entire supply chain. Starting with the introduction of raw materials at the manufacturer, down through the distribution center and at times all the way down to the consumer at the retail store.

We're present through that whole journey. So our customers recognize that we have something to offer them in terms of that knowledge and that visibility and now they're inviting us in. I'll take you through that in more detail in just a bit.

But at the same time we also have launched ease of doing business programs. We're beginning to see those bear fruit as well. Just recently you can see here at the end of our journey on 2012, just recently we received an award from the Stevies, which is a very, very well-known global award for customer service. So now our business is with the best of the best, being recognized for our customer resolution and for the way in which we deal with customer issues.

So it's a really, really great day for us to be recognized globally by third parties that the work that we've done on ease of doing business is being reflected by our customers and that they're acknowledging that investment has paid off.

At the same time we've had lots of other exciting things happen. So this investment in Better Everyday and this ease of doing business and this raising the bar on product quality has also resulted in real fruit and you can see that by the return of ConAgra and the return of Pepsi. Which are powerful shots of adrenaline for us and we're proud to see that that has borne fruit and that our efforts are paying off and we're seeing major customers now return back to CHEP USA. Trust me, we have our eyes on those who are not back yet. So I'll talk about that in a little bit as well. But good things happening all around.

So when you couple that with the acquisition of IFCO Systems and in particular the pallet management services business which Dave will take you through in just a bit. It really gives us now a powerful opportunity to create more space inside the USA, as well as to collaborate with our customer in different ways.

We're also very focused on the retailer now. So some lessons that we've learn, I think, throughout the course of the years is that we focus very heavily on the manufacturers, because the manufacturers write the check. What we've realized is the retailers control the supply chain inside the USA business as they do globally and you heard that from our colleagues in Europe and others as well.

So we've started engaging very deeply with the retailers and have done a little bit of reorganizing within our sales team to make sure that we have a very dedicated team, wholly focused on building very deep relationships with the retailers. In addition to that we're quite focused on price.

So Pete talked a bit about price, but we have organized ourselves very rigorously around understanding the true costs to serve by customers and we're starting to break it down lane by lane, to really understand what every customer within our supply chain is really costing us and to make sure that that price journey begins. It is a journey, it's a long multi-year journey. But as that journey begins then we begin to shift price based on the true cost to serve those customers.

So quite a journey that we've been on inside the US and it continues, but we feel that we're well poised to continue to create new value for Brambles. I think the best way to describe that is to talk about sales growth, because I guess the proof is really in the numbers. So we have seen, thankfully, in FY12 now, growth in the first half versus prior year. That growth represents 3% growth. These are the numbers that were shared with you earlier from Tom and Greg back during the earnings release but I'd like to share them with you again because I think it's very powerful to now see that we've started to arise out of the stagnant periods that we've been experiencing as we've gone through Better Everyday and we've worked to recover in the US marketplace. You can now see that that is starting to bear fruit.

There's really three contributors to how we have now been able to generate this growth and the first is in fact new business. So we are growing the business. So despite a very stable economy, very sluggish growth inside the USA, very slow organic growth, we are still winning new business. So it's a powerful testament to that space that's out there that's available to us and we are aggressively focused on getting that space and bringing that business to CHEP.

In addition to that we have some win backs. So you'll see some ConAgra, some of the rollover of ConAgra is reflected in this number and you'll start to see Pepsi slightly phasing in here and it will continue to phase in to the coming half.

Then thirdly, certainly not least, there is some price reflected in here and also the SME space that we talked about. So in 2010 we shared with you that one of our platforms for growth would be moving into that small to medium enterprise market, which we believe to be rich in margin. I'll talk to you about what we found entering that space. But some of the benefits of the SME space are reflected here as well as some subtle beginnings of our price journey. So that's what comprises the 3% growth that you see in the first half of FY12.

Next I'm going to move to our key strategic initiatives for CHEP USA and the first one is about new value creation for our customers. So I mentioned that at the beginning of my role I spent a lot of time out meeting with our customers to hear first-hand what it is that they had to say about CHEP and what it is that they want from CHEP. Out of each of their mouths, almost within minutes, was tell me about innovation. What do you have that's new, what are you bringing to the table. Talk to me about new products, talk to me about new services, because we want you to create new value for us.

We believe very strongly that we can grow in new space with existing customers. So not only are we going to focus on that white space that we don't have yet that Pete talked about, but we're also very focused on unfolding new layers of growth within existing customers. We believe there's some powerful opportunities partnering with LeanLogistics as well as IFCO systems, to find new ways to bring value for customers that we already served today and we're very focused on doing that. We're engaging deeply with them and I'll talk about some of that in a couple of slides.

Next it's about efficiency. So we all know the name of the game is cost out and we stay ever focused on taking cost out and we're very rigorous in the USA business about continuing to do that.

Tom shared with you all back in August our plans for synergies related to the IFCO integration and those are alive and well and we're continuing to pursue that integration of our supply chains within the USA business, between the IFCO pallet business and the CHEP service centers across our network. You'll hear more from Carmelo and Dan about that this afternoon when they talk about the integration and the cost out targets that they're focused on. But we're on track and delivering against those and we continue to stay focused in that area.

One area that is quite important to all of us but extremely important to me and I'm quite passionate about it is asset control. Pete touched on this but we have engaged very deeply inside the CHEP USA business to dive very deep into asset utilization to truly understand what is happening with our assets inside our customer supply chain. From point of entry, to point of exit, we are diving very deep with our customers to understand this.

We have 18 projects underway right now with a team of very organized people who are focused on understanding this deeply and I'm going to take you through some of that in a few slides.

Then balancing our portfolio. We also talked with you back in 2010 about this SME space that I mentioned and we believe very strongly that we need to balance the portfolio and also focus very diligently on the true costs to serve as I mentioned before.

Then last but never least, the competitive landscape is changing for us and I think we all know that for those of you who follow our competition. We are quite mindful of the opportunities that this presents to us. So we're delighted to welcome ConAgra back and we are delighted to welcome Pepsi back to the CHEP family and as I mentioned, we have our sights on those customers who have not yet returned and we remain very focused on making sure that we are well equipped and ready for those customers and we are engaging with them at this point.

So now I want to talk about this customer collaboration because it's sort of a concept and I know you're wondering what do you mean about those other layers of growth, what is it what you're going to do with those customers to help me understand what you mean. It really starts with insights and to be quite candid, we've just gotten to the point where we're invited to join in those conversations. So we're at a point right now where we're collecting insights from our customers, to understand what the supply chain trends are for them and also for the US business to look for ways where we can engage and create new products and services.

We recently launched a forum which is very similar to the forum that Dolph described here earlier for the European business where we have no brought in senior folks from our manufacturers and our retailers and CHEP is hosting them in discussions about supply chain trends and what their challenges are.

We're gaining incredible insights from these conversations because they're sharing with us what their internal goals are. So not just telling us, hey we need to take supply chain cost out, which is what the procurement people tell you. So find a way to lower my price so that I can take supply chain cost out for my partners. Now we're sitting with the supply chain teams and they're saying hey, it's about reducing days on hand of inventory, it's about direct ships to store from a manufacturer to retailers.

So they're giving us the insights that we need to understand what we can do to truly help them to create new products and services that will also drive value for us. These insights are critically important.

You see some key brands here. This is just a few. I could name many that participated and will continue to participate. They view CHEP as a wonderful kind of non-biased third party. So when you want to bring manufacturers and retailers together and retailers sitting in the same room together as Dolph mentioned can be quite complicated. So they welcome us to that because they view us as sort of the non-biased party that travels all the way through the supply chain. So they feel it's very natural for CHEP to host these discussions.

What is also does for us is it allows us to think about setting standards. So anytime you think about introducing certainly another pooling SKU we want to be sure that we're in front of setting the standard versus ending up with multiple SKUs for the same product type. So it's giving us a huge opportunity to be there first and to understand what they need and then work collectively across the retail base to determine what those standards might look like. Fractional pallets is a great example, Pete referenced that.

Today you're starting to see retailers dabble in fractional pallets and they're not sure what they want, so we're starting to test and pilot and trail with them, to try to be in front setting the standards. So if there is going to be a factional pallet in the US, we want to be the one who would create that pool, set that standard and launch that. So it's an example of the types of engagement that we're doing.

Now the insights are not enough. So just sitting in a room in a forum and hearing some guys tell you what they think about the supply chain is not what we're going to rest our laurels on and grow our business on. So we're also diving very deep with our customers to do some end-to-end studies. By end-to-end studies I mean literally putting some very strong people with strong supply chain acumen, tracking and tracing flows through our customers.

We just engaged with a study between P&G and Kroger, where they're actually tracing flows all the way through the supply chain with us. Together we're going to identify all the waste and we're going to find opportunities to take waste out for P&G and waste out for Kroger but also find ways for CHEP to create value that will deliver value for brambles as well as for our customers.

We're also getting deep insights about loss velocity and damage of our pallets. So as we get that opportunity to go inside the supply chain and follow those flows, we get keen visibility into what is happening with our asset inside that supply chain. So we believe it will give us a tremendous opportunity to focus on asset utilization as well.

Then lastly of course we have to deliver something which is of course what you're waiting to hear. So some of these are in the beginning stages but other things are beginning to also bear fruit. So we've already seen results in transportation collaboration with our customers. We already have tremendous logistics expertise inside the CHEP business. So now that we've earned this right to collaborate with our customers, we're now sitting at the table and finding ways to share transportation and to aid in helping them reduce logistics cost as well as ourselves.

A great example is we partnered with Wal-Mart over the past year. Wal-Mart runs their own product fleet and we're now working together with Wal-Mart, suing them as a carrier and finding markets where they may have empty back hauls. So they're returning from delivering goods to their store with their trucks empty and they'll now stop at one of our service centers and deliver pallets for us on their way home. We're paying them at a carrier but at a reduced rate and that gives them an opportunity to utilize their assets better. So it's a win-win for both of us and it's a great example of how we're starting to collaborate with our customers in new ways.

So now I want to focus on costs to serve because I've mentioned this a couple of times and it's very important to ensuring that we improve the profitability of our business. So I want to take you through an example. This is just an example to show you how we're breaking it down lane by lane, customer by customer, to really understand the true costs to serve our customer.

This is an example of a customer that had very high out of network flows. By out of network flows I mean going into retailers that don't participate on the CHEP program today. Now, I want to be very clear that this is not a normal profile for a customer, so please don't start modeling that we have 40% NPD flows; we do not. I've pulled out this example on purpose to exaggerate the point, just to show you how we're working to change the profiles of our customers.

So what you see here is a customer that was fully serviced by CHEP pooling. 60% of their lanes were serviced into retailers that are participating on our program; so participating retailers - PDs as we call them.

Then 40% of their flows were going down to retailers who choose not to participate on our program. So these are the NPDs - non-participating distributors. What happens is the customer gets hit with a very high cost to serve because we send an upcharge to them for every one of those lanes, obviously, that they ship down into an NPD.

It creates a high asset control risk for us. Clearly, we don't have good recovery mechanisms at the end of some of those NPD channels, so it's very undesirable for us for them to ship down that channel, even though we do charge an upcharge. So, in the end, this is an unprofitable account for us, so we broke it down and said this just doesn't make sense and we need to shift this account in some way.

So we came up with a solution to continue to service this customer, but to now leverage our new tool that's in our toolkit with IFCO. So what we did was we continued to service those 60% flows that go to the participating retailer on the CHEP pool pallet and we moved those other 40% of flows to IFCO white wood.

So by doing that it allows us to retain all the business with that customer inside the Brambles family; 60% of it CHEP pooled, 40% of it on IFCO. In the end it results in a lower cost for the customer, they're no longer paying that upcharge to go into that NPD channel; CHEP USA is delighted because we're no longer shipping those 40% of those flows into the NPD channel, and we've now moved revenue to the IFCO business.

So, in the end, shifting this customer and creating a new solution for them has resulted in delivering value for our shareholder and value for our customers. So we've shifted down from a non-profitable account to a profitable customer by taking care of those NPD flows and leveraging IFCO to assist us with that.

It's just an example of how we're starting to break it down, lane by lane, customer by customer. Also, in some cases, we're not always shifting it to IFCO. We also want to convert NPD channels. So we're doing some segmentation work around the NPD channels and looking for those pockets where we would like to grow; and we're aggressively focused on converting those NPDs, getting them on to the CHEP program. So there's a balance here of transitioning flows away from the pool pallet and also on focusing on converting the NPDs so that we can retain them and grow through that channel more deeply.

You guys look stimulated. It's exciting stuff. All right. I love it. I'm excited about it. All right, so let's talk about SMEs. Perhaps that will be exciting.

So we did share with you, back in 2010, that we were going to enter this SME space. So for those of you who weren't there, haven't followed this, that is referring to the small to medium enterprise customer. We define that as customers who ship less than 100,000 issues with CHEP per year. So that's our own segmentation that we did, and we carved them into this less than 100,000 issues.

So back in 2010 what we thought was we're under-penetrated there, so let's go there. It looks like good and new space for us. We also believe that it would be rich in margins; that it would be a good profitable business for us to go into this SME space. We talked about this a great deal with you a few years ago.

So what I'd like to do now is update you on our progress in this area. It has proven to be a good space for us. So we have signed since 2010 more than 3000 SME customers on to the CHEP program. We have also found that it is, in fact, a good gross margin. We've also found that there's a low cost to serve.

We got some questions from you all a couple of years ago about the cost to serve because some speculated that it would be higher instead of lower. What we're finding is that it is actually lower and it's a very good and stable business for us to move into from a cost to serve standpoint.

We're finding, as an example, that some of the customers will do customer pickup; so they're happy to drop to our service center and get their small number of pallets and take them back to their plants; which is an example of how we can lower the cost to serve with those customers.

What is most interesting - we did not realize, back in 2010 - is that not only are we signing these customers, and we like them, but we're also finding that about 15% of them will expand to larger volume tiers. Now, the great thing about this is they enter at a very desirable RPI for us -- revenue per issue -- and then they expand into the higher tier; growing, but entering at that same RPI rate. So it's a very productive way to grow our business, by bringing in these SME customers and then leveraging them into the next volume tier.

The key is some of them stick and some of them don't; so you have to get very deeply ingrained with the SME type customer to find ways to grow with them and to determine that they're one that you can take into the next level; but it is a good space for us, and we're going to continue to focus on it, and we're going to continue to leverage them as an expansion into that next layer -- so above those 100,000 issues -- and to try to keep bringing them in at less than 100, good RPI and then move them into that next space at a very good RPI.

So, next, asset utilization. This will be exciting, I promise. From an asset utilization standpoint I think this is the most powerful thing that we can do. Aside from the fact that we have to grow our Business and be rigorous about cost and price, all of those things are natural. This is the key to improving our Business, in my view; engaging very deeply with the retailers to control our assets better, to leverage their use, to improve cycle time, to reduce the damage, this has to happen. It's critically important and we're extremely organized around it. So we're excited about where we are. We have a long journey to go to get there, but I'm going to take you through the details of how we've organized ourselves to focus on improving asset utilization.

It starts with the distributors, so the ones that we're doing business with today, we want to continue to improve even further. So those distributors today are releasing our pallets out the back end of their supply chain - some more damaged than others - but the key is to understand how they're using our assets; why they are using them the way that they are, and find ways to create other solutions for our retailers that will allow our assets to come out more quickly and less damaged.

The next category of improvement is to focus on the recycler community. Dave will take you through his business in detail, but there are 3000 plus recyclers inside the USA Business or -- excuse me, inside the USA market. They are all affecting our asset utilization. So those recyclers who are at the back end of supply chains are naturally coming into contact with CHEP assets, and many of them are participating on our asset recovery program today. However, we need to engage them in different ways to entice them to participate further - bring back more pallets and bring those pallets back faster. So we're quite focused on that as well.

Then, lastly, there's the segment of NPDs, as I mention when I talk about the customer example and shifting those flows away from those NPDs. Our real desire is to convert those NPDs. So we'd love to keep that business and convert those NPDs and bring them on to the program. So I'll talk in more detail about how we're tackling these three categories to drive improved focus on asset utilization.

This isn't our chart, but it's an important chart because what it describes to you is the rigor that we have in place around this. So I'm not just here to give you a slide and tell you that we think it's important. What I want to tell you is that we're organized around it. We have 18 very detailed projects and experiments going on right now to understand more deeply loss, velocity and damage of our assets inside the supply chain.

So we started with some immediate actions. Those include things like - you know what, let's just cap NPD flows. So let's start there. As we're growing our Business and as we're bringing on new business let's be very mindful about NPD flows and understanding the impact that that has on the profitability of our Business. We are quite focused on that, so that was an immediate action that we have in place now; very rigorous focus on the NPD channel.

We're also doing things like driving metrics and score cards around all retailers, whether they're participating or not. What is the cycle time inside their chain? What is the damage rate coming off the back end of their chain - and really deeply profiling and understanding the true cost to serve each individual retailer? They're all different. We'd like to talk about them in one category, but retailers all behave differently and have their own nuances. So we'll dive in real deep and see the retailer profiling to really understand how they're performing today.

There are many other things going on in the Asset Recovery Group. As an example, we're very focused right now on overhauling the whole team. So we've got a great group of guys out in the field who drive around all day long talking to recyclers and NPDs and PDs to make sure that we're getting our pallets back. We've upgraded that team. We're adding more resources to that team. We're putting very detailed productivity score cards in place for those teams to make sure that we are focusing on driving asset utilization through that group.

We're also very focused on enforcing our ownership rights. Pete talked about that briefly. I believe you mentioned that; but we're taking a hard stand around ownership. We've engaged our legal team. We have a very formal escalation process and we are enforcing heavily anyone who chooses not to interact appropriately with our assets.

It's an interesting market in the US. The words spread. So once you start that and you start engaging with someone who chooses to take advantage of your asset or not follow the rules, the word spreads pretty quickly that CHEP means business and that we're here to enforce our ownership rights. We're already starting to see some behavioral changes based on the fact that we're holding our ground and being very clear that we're going to protect our assets.

Now, the next interesting thing that we're doing is experimenting. So the concept of experiments is hey, you have an idea, let's just go try it. So rather than just waiting for some magical solution to fall out of the sky, let's go test stuff. We have very, very smart people in our Business, and they have lots of ideas about how we might improve asset utilization. So the concept of experiments is fail fast and fail cheap. So you've got an idea; let's roll it out, let's try it. If it works we'll skill it. If it doesn't work we'll kill it. An example is there was a suggestion that our service centers are not open 24/7, so maybe people aren't bringing our pallets back because it's not convenient for them.

So we're running a trial right now to say look, in a certain market, if we leave the facilities open 24/7 will they come back; kind of the, if you build it they will come, concept. If we leave it open will more customers return pallets faster and will more recyclers bring our pallets back. So we're doing a test right now to see if it works. If it works we'll scale it, if it doesn't work we'll kill it -- very cheap, a little bit of overtime for a couple of weekends and we'll figure out if that works or not.

I'm going to take you through an example in the next slide that's a deep dive around one that we found and one that we're going to scale; which is fantastic. So I'll share that with you in just a moment.

Then we have intermediate actions; so these are the step changes. So some of those are immediate things; we'll go do it; we'll drive some incremental improvement, but we're also looking at some long term step changes that we can make around asset utilization.

This end to end study that I talked about earlier with P&G and Kroger, critically important. We're also engaging in some work with Costco to do some deep dives into their supply chain to look at cycle times, to look at turns, to understand what's happening in the Costco supply chain. The beautiful thing about this is our customers are engaging and allowing us to have these conversations with them. Now, the expectation is we will create some value for them along the way as well; that it will be a win-win for all of us.

Then last, but not least, I want to just talk about this NPD reclassification, because the goal here is to convert them. So we're very focused on who do we want to convert, what channels do we wish we could grow in, and we refuse to grow in today because we can't solve and unlock that NPD channel. So we're very focused on understanding those channels and we're going to start targeting those channels.

The other good news is we have some great manufacturing partners now. So through Better Everyday -- through earning that right to sit at the table -- the manufacturers are now telling us we'll help you because we're paying an upcharge into that NPD, so let's sit down together and talk about how we could try to open those channels. So these are all things that we're focusing on, not only to improve asset utilization, but also to grow our Business.

So I'm going to take you through the case study, just to give you an idea of one of these experiments and what it means when you're able to translate it and scale it. So the theory was hey, what if the recyclers are not bringing the pallets back because it's just too far for them to drive to our service center?

So when you think about these 3000 plus recyclers, some of these are very small homegrown businesses, very local; people who started it and built it from scratch, living on very small margins, not making a whole lot of money to support their families. So the concept that they're going to drive the extra mile and expend the fuel charges and all of the things that go along with driving to a CHEP Service Center to return pallets may not be worth it to them, depending on how far they have to travel to bring our assets back.

So the concept was what if we can create a consolidation point? So let's find a player in the market that we trust and that we value - a recycler that's been working with us for some time and let's anoint him as a consolidation point, and let's see, if we give him the right to collect from other recyclers, will more recyclers in a remote local area bring the pallets back to him and then let him return all the pallets back to us. The concept has proven to work quite well. So we tested this in a very remote area of the Chicago area. We found a recycler. We asked that recycler to participate. We promoted it with the other recyclers, letting them know that the option was now available and we saw a 264% increase in returns in that market.

Now, please, don't go extrapolating that in your model; but the point is that we're getting there. So we are finding things that are bearing fruit. We found 11 new recyclers who now have signed up to be on our program. All they were waiting for was an easier way to return our pallets. So now we have a consolidation point, an increase -- a 264% increase -- in returns and 11 new players participating in our program.

So I'll break it down for you, just to show you an illustration of what this looks like. This is the before market. You can see our CHEP facility up here in the corner. Then you can see recyclers. The ones with arrows were returning pallets. The ones without arrows were not. Then the one in the middle is the key recycler partner that we asked to serve as a consolidation point.

Then what you see here is now that they don't all have to drive back to the CHEP Service Center, they're happy to drop their pallets off at the consolidation point, and then he's able to bring back a much larger quantity, optimizing his logistics.

Unidentified Participant

(Inaudible - microphone inaccessible)

Kim Rumph - *Brambles Limited - President CHEP USA*

We track the returns in the market. So we have an asset recovery program and we measure the number of returns based on the number of NPD flows that were issued in that market. Then we can tell if we had an uplift or not; but we normalize it.

Unidentified Participant

(Inaudible - microphone inaccessible)

Kim Rumph - *Brambles Limited - President CHEP USA*

No. It's not an NPD increase. It's an increase in returns.

Unidentified Participant

(Inaudible - microphone inaccessible)

Kim Rumph - *Brambles Limited - President CHEP USA*

Correct. That's right. Okay? So you'll be pleased to know this is my last slide; as have every other presenter ended on this.

So I do want to end with our strategic agenda, because I want to take you back to the key points for our Business and what we're going to be focused on, going forward. I will start by saying we are in a tough economic time within the CHEP USA Business, so I'm proud to see that we continue to grow because it means we're winning new business.

So we're winning new business. We're gaining win-backs from competition. So when the economy does recover, when we do see that uplift in organic growth, we're going to be well positioned between our win-backs and our new customers, and then that organic growth coming to bear.

The second thing I want to leave you with is that Better Everyday worked and it paid off. So that investment was exactly what we needed to get our Business to a place where we can go to new spaces with our customers; so the investment paid off. We're sustaining the improvement and we're beginning to grow our Business, and we're beginning to collaborate with our customers like we never have before.

Lastly, cost leadership. We will not take our eye off the cost leadership ball. As I've said, I believe we've done that well within the USA Business, but we continue to remain diligent about finding ways to take cost down and not just incremental improvements, but now, with our new global organization, looking for step change ways to take cost out of the supply chain.

Then I said last, but I can't end without talking about price. So I will promise you that we are focused on price. Price will be a slow burn for us. We've shared with you that we have very large customers with multi-year contracts, that we are deeply analyzing every one of those customers. We understand the price point and where we might like those price points to be in the future. We're also very focused on win-backs and getting those win-backs at the right price. So we have our eye on price, and we understand it and we know what we want it to look like in the future. It will be a multi-year journey but, over time, you will begin to see incremental improvements around price coming into the USA Business.

So with that I'll close and I'll introduce Dave Russell, our President of Pallet Management Services.

David Russell - *Brambles Limited - President, IFCO Pallet Management Services*

Thank you, Kim. Kim has been a terrific partner of IFCOs' and a leader during the integration process. I really appreciate that and thank her. I'm Dave Russell, the President of Pallet Management Services, or otherwise affectionately known as PMS. I'm here to say that, similar to the Recall Business, we're not going to be taking any questions on PMS margins either. We're not awake.

Let me say I am pleased to be here. I'm pleased enough to have gotten the nice blue tie for the first time, so I'm the ugly guy with the blue tie on. Frankly, I'm probably more pleased that Pete seems pleased that I'm here, regardless of calling me the old man in the Group.

So let me share with you, since this is the first time, I am the relatively new guy at the session. I'll give you a little bit of my background. I've been with IFCO for 12 years, the last 10 of which in my current position, running the Pallet Management Services Business in North America. Prior to that I ran an equipment company with operations in the south-eastern United States, in the Caribbean. Prior to that I spent almost 17 years with a group called Ryder TRS and Ryder System in a variety of management and executive positions in the rental, leasing and logistics businesses.

My objective today is to give you an introduction into and an overview of the Pallet Management Services Business. I'll apologize to some of you that may have more intimate familiarity with the Business that this is going to be relatively informational and educational and, certainly, available for questions afterwards.

What I'd like to share is a very high level summary of our financial performance. I'll go through the PMS business model and our market positioning. I'll give you some of my perspective on the integration to date, and I'll talk about some broad strategic initiatives and focus, going forward. I hope, afterwards, you'll come to see that the PMS Business is a mature, stable and successful business and one that's quite capable of delivering revenue and earnings growth, improvement in ROCI and, more importantly, capable of delivering on the synergies of the PMS in CHEP's Business, going forward.

I'd like to start with a little timeline. This is not a timeline of accomplishments, but one of events over the course of the last 12 years. You can see that this has been a Business that's gone through some tremendous change and some significant events over the course of the last 12 years. From the formation of PalEx back in 1997, which was a roll-up of the highly fragmented pallet industry and the drum reconditioning business, the merger between PalEx and IFCO, the financial restructuring of IFCO in the early 2000s, some subsequent business divestitures, two recessions, the unfortunate immigration events of 2006 and, certainly, the recent acquisition and integration with Brambles.

The purpose of sharing this is really twofold. It's to give you an idea of what impact these events have had on our business development over the course of the last 10 years; but is, importantly to me, is to share with you a business and a group of people that are extremely resilient and have been quite responsive dealing with some extraordinary change and adversity in the Business, so you have confidence that as we continue to face those changes in the Business we can respond and deliver.

I think before I get into some of the financial elements of the Business, I should share with you our business model and exactly how our pallet product flow works. This is our pallet product flow in the most simple form. Our primary sales product today is the Grocery Manufacturers' Association, GMA, 48 x 40, reusable, recycled wood pallet as we refer to it.

What's unique about our Business and important to understand - and it's very fundamental and it's a critical dynamic in our Business is that the raw material for our primary pallet sales comes from within the end of the supply chain. It does not come from a raw material supplier. It comes from retailers and, to a lesser degree, distributors and transporters. So it's extremely important that we heavily concentrate on the retailer in our business model. So the entire product flow, from our standpoint, starts with the retailer. Effectively, a used pallet or a pallet core, as it's referred to in the pallet industry, is freed up under load at the retailer.

We'll retrieve or receive that pallet at one of our PMS plants. We'll either repair the pallet and resell it to a manufacturer, or we may also move pallets - dependent on satisfying customers in different markets - or to rebalance our inventories, whether there's excesses or shortages, to another IFCO pallet plant, or we'll dismantle the pallet down to components to be used in the remanufacture of a GMA pallet or another odd size pallet, as we refer to them. Or, if the materials can't be used, we'll dispose of it in the most ecological manner possible; either as landscaping material or some sort of fuel or some byproduct that can be used without going to landfills for disposition.

So then the process starts again. So who is it we sell to in the supply chain? Our overall sales, folk, is to sell solutions that include pallets and services to access pallets and sell refinished products into the supply chain. We'll deal with all participants in the supply chain, whether it's a raw material supplier, a product manufacture, a logistics provider, a distributor or a retailer.

However, recognizing that we need to deal in a finite supply of the used pallet cores that are in the market we concentrate heavily on the retailer. In many cases the competitors are bidding on price for the pallets coming out of the retailer, and we try to de-commoditize that by not bidding on price, but focusing on value.

We try to deliver customized value added solutions to the retailer. We'll differentiate ourselves from our competitors and, if the opportunity arises, we'll find ways to generate additional revenue streams in the process.

One of the primary business objectives for our Business is in more ordinary times - not extraordinary economic times - is to try to procure and own the larges lowest cost supply of used pallets in the markets that we serve.

So were do our revenues come from - to give you a little bit of an idea before we get into the financials? There's four primary categories. We've delivered a lot of different products and services over the course of time, but we group them into four primary categories. The first is the standard

GMA grocery manufacturers' reusable recycled pallet. The others - and it was touched on earlier - was an interest in the non-standard other size pallets, which we can talk more about.

Approximately 10% of our revenues are generated by other non-standard types of pallets, many of which are remanufactured in our facilities by the use of other components that are fall-off from the dismantling of pallets. In some cases we're selling new pallets out of some of our facilities, but we'll also broker or buy new pallets for sales to our customers where we're not producing new pallets to complete the full array of services to our customers.

Our services revenue is primarily a result of our Warehouse and Logistics Management Services Business -- or WLMS as you'll hear it referred to -- that are on customer on-site locations that are providing a host of pallet management and other labor type services. We also provide reverse logistics services, transportation services and other pallet services out of our existing IFCO plants, which I'll share our network in a minute.

Then, lastly, our custom wood crating services, which are predominantly custom wood crates and packaging materials sold exclusively to a large lawn and garden equipment manufacturer called MTD, here in the States. What's of interest here - though it's a good business in and of itself for us today with MTD - is that it presents an opportunity in the future for returnable container solutions. Similar to companies like John Deere and others out there, MTD is a potential for returnable container solutions.

You'll see on the next slide is our mix of revenues and our development. You can see the majority of our revenue is still generated by the GMA 48 x 40 pallet sale. However, the services revenue is becoming a larger mix of our overall revenue by selling more of the customized value added WLMS and reverse logistics type services.

You can see our trend where the financial crisis has stabilized our revenue, but I think what's of note -- the point that I made about the resilience of the Business and our ability to recover -- you can see, coming out of the 2006 immigration events to its region of peak revenue in 2008. You can see we grew 9% in the first half of 2012. I'd like to say that was all IFCO PMS business. We certainly grew price and organic volume through our core products. We converted a solid pipeline of PMS business, but we also began to convert some of the commercial synergies from the CHEP Business which contributed here as well.

As you likely realize by now, that the PMS Business does not generate margins similar to the rest of the Brambles pooling businesses. However, I think what you'll see is we have a pretty healthy return on capital. The underlying profit margins in this Business have trended, pretty much, in the mid to high single digits. Here, again, you can see the effects of the financial crisis. However, what's worth mentioning here that our margins stabilized and recovered ahead of our revenue, coming out of the crisis.

To do that we were able to take our market leading position and reduce the cost of materials or otherwise push down the cost of used pallets in the marketplace. We also were able to leverage our operational effectiveness and expertise to improve efficiencies, and we exercised some other good cost containment efforts during that period of time.

We continued to see profit improvements in the first half of 2012; and that is our seasonal low period when MTD, effectively, shuts down in July and it's a slow part of their business in the end, and the Pallets Services Business is generally slower in the second half. However, in that period we were able not only to keep managing our costs, but we also have seen some good upward movement in pricing, particularly in the second half of 2011, but also in 2012. Again, our margins are relatively low. However, we're a cash generative, low capital intensive Business with a pretty good return on capital profile.

When you exclude the goodwill and intangible assets related to the acquisition we have a low net operating capital base. So even with a lower profit level we can generate a good return on operating capital. What's really worth mentioning is that we're able to grow our organic business with really relatively little additional capital in the Business.

To the extent we can leverage our existing facility capacity, utilize our other assets, which are typically transportation fleet and small equipment, we can generate a good marginal or incremental return on capital. Of course, if we start to expand the Business we grow into new markets, we grow into new offerings, it will require some capital to do so.

So what makes the PMS Business unique in the market? We operate the largest most unique company controlled and managed network in the United States. We have over 100 PMS managed locations. We have an affiliate network to round out the network where we don't have a presence, particularly for our national customers, of over 100 pallet companies. It's supported by more than 2800 people, a transportation fleet of 5000 and -- not mentioned on the slide -- but a customer base in the vicinity of 3000 customers.

To open up a single pallet plant - as Kim mentioned, these are very small companies, mom and pops, takes very little capital, very little capability. However, to build a network like ours takes significantly more capital and whole lot more capability. In fact, I would suggest that this is our greatest barrier to entry in our Business, and it's really become the platform for the PMS Business being the leading single source provider to national accounts. I think not only has this low cost infrastructure been the key to the PMS's success; I certainly think that it's going to be a valuable asset to the PMS CHEP future and Brambles.

Some of the things you heard Kim mention. I think we can absolutely contribute to asset control efforts. It's going to be a platform to deliver on this combined customer value, and you'll hear from Carmelo and Dan, I think it's going to deliver some real operational logistics, synergies, in combination with the CHEP infrastructure. However, though, we're the largest national provider of pallet management services. There's still competition in the marketplace, both locally and nationally.

We look at our competitors, really, in four primary groups. The first are the thousands of local and regional pallet recyclers that are out there today. They're really our primary, strongest, day to day, toughest competition, particularly in the local markets, but they also service some of the national accounts on a local location basis.

We have the loosely knit affiliates and brokers at a national level. They're typically competing on buying and selling and don't do a whole lot in the services area. Then you have the third party service providers that are typically warehouse and logistic management type companies that are offering WLMS and reverse logistic type services.

However, I don't think it should go without noting that the pallet pooler group, they've never really been head on competition, frankly. There's an occasional infrequent conversion. I could pretty much count on one hand over the course of my 10 years when we've had a competitive conversion on the pallet pooling side and it's really because the economics and the value of the pooling model, particularly in FMCG, is very difficult for white pallet to compete against in the marketplace. As you can see in Pete's slide, he showed in that available white space in FMCG, we only have $100 million of that. So the majority of our revenues are generated outside of FMCG.

One of the interesting dynamics about these competitors that -- within the supply chain -- we're not only competitors, but we're partners at times. We're customers, we're suppliers, so there's a lot of interaction in the supply chain that takes place beyond just the competition, being a competitor. However, we take a strong competitive position. We maintain a strong competitive position. So we have to compete with all of them.

For those at the national level, what we bring our customers, in some cases, and some of the elements, is the value of the integrated network for consistency and the availability of supply, the efficiencies of dealing with a single source provider, streamlined administration, single account management and we're bringing some state of the art systems and reporting for national accounts to better manage their multiple facilities in the supply chain.

On the local level we offer not only the security and value of a national supplier, but we offer a local flexibility because we operate a very decentralized plant profit center network where the general manager organization act and respond to the local needs of either local customers or single facilities of larger regional or national players. To all of our customers we bring customized innovative solutions to meet their individual requirements. That's how we view their business, it is all unique. Then in the comfort of a trusted, compliant, corporate partner in a world made up of all entrepreneurs.

One of the ways we put that to work is with the United States Postal Service. As a case study and example USPS, as they're also referred to and it's an interesting and ironic story, the USPS, that I'll save for another time; but we actually developed our relationship as an outcome of the immigration events with the Government in 2006. But that's for another discussion anyway.

Prior to PMS getting involved with the USPS - they ship bulk publications throughout their supply chain on an own plastic pallet pool. They experienced high system costs. They were buying a more expensive plastic pallet, and they did not have the asset control to assist them in the returns, and they were leaking assets in the system. The requirements were really tough in the USPS business. First of all, they're going through extraordinary financial difficulties, so there's tremendous cost pressure on all of those in the USPS organization. They have extremely high volume in peak periods. They have limited demand, visibility, resulting in very short lead times. They're heavily concentrated in high demand areas. They require transparent reporting and they demand a compliant Government contractor.

So the PMS solution, what did we bring them? It actually started off in assistance in their asset recovery and assisting them in returning pallets -- their own plastic pallets back -- not only through our network, but through other recyclers around us. We delivered an alternative lower cost, lower grade pallet for many of their trips. We actually retrieve and purchase pallets in their supply chain for reuse in the PMS system.

We committed availability by leveraging the network. As you can see in this slide here the high demand areas are being serviced by as many as eight IFCO plants that can provide availability into a market that otherwise would not have the supply to support a customer like the USPS. We gave them a second to none corporate compliance program in the industry. So in this case PMS business was really ideally positioned to deal with the USPS business; and that's on the sale side of the business or what would be also referred to as the manufactures.

So I'll talk a little bit about what do we do on the retail side. As I shared with you, we're very concentrated on the retailer. That's, effectively, our lifeline and bloodline into our business, so we have to constantly look for ways to add value to the retailer to access the used pallets in the market, to feed our system.

In this slide you'll see one example of how we've assisted in improving reverse logistics for a particular retailer. On the left side you'll see the most traditional supply chain flow for retailers. Loaded pallets are shipped for manufacturers, along with other equipment, whether it's pool pallets, RPCs, other returnable packaging, our shift from the manufacturers through the distribution centers to the store.

They're then retrieved from the retailer, brought back to the distribution center, where PMS has an operation at the distribution center. It's PMS employees that sort those assets and prepare them for redistribution back to their owners. Excess white pallets are sent to the PMS facility and poolers assets -- be it pallets, RPCs, that sort of thing -- are shipped to the rightful owner. Pallets are there either reconditioned at our facility or prepared at a poolers' facility and either resold or re-rented back to the manufacturer, and the process starts again.

On the right hand side is a PMS solution provided for the retailer; and there are different iterations of these for different retailers. In this model we eliminate the empty pallets and other equipment returned from the store to the DC. Loaded pallets, again, move from the manufacturer to the DC to the store, but instead of return to the DC they come back to a PMS service center, where the equipment is sorted and either shipped, ready to go to a manufacturer, or it's returned back to the asset owner, where it's prepared and sent back to the manufacturer from there.

The value proposition to the retailer here - productivity and utilization of their transportation fleet. They get higher value backhauls wherein they're not bringing back low value returnable packaging in pallets, but looking for the next nearest backhaul of more valued product into their system. It reduces their transportation cost. It frees up and cleans up some real valuable space at the distribution center. It eliminates non-core labor DC at the DC and allows the retailer, really, to focus on their core business.

Of course, as Kim mentioned as well, we realize that every retailer has a unique supply chain. They have their own unique pain points in the supply chain and they require their own unique solution. So it's the customized innovative solutions like these that we leverage our national network, our industry leading capabilities, our core competencies of managing labor through operations like this, and try to deliver value to the retailer and customer. I think the strategies deliver good value for IFCO and contributed to our growth, and I think it can also contribute to the value of Brambles and the PMS CHEP business in the future - which leads me to the integration.

I'll give you my perspective on the integration. I've been through several integrations on both sides of the transaction, and I have to honestly tell you this one's going quite well and has gone quite well. Of course, you're always going to have frustrations and challenges in any integration, whether it's the different business models, its philosophy, its processes, its business approaches; whatever it may be. You're always going to face those, but I have to say there's been surprisingly more similarities, to me, in this particular integration than differences; not only in the businesses, which maybe you can see throughout some of the presentations, but the biggest one, to me, has been the people.

Our people have had such a tremendous professionalism and respect and ability to work through any of the challenges, and that's on both sides. So one of the biggest differences is the way our people have come through this integration and, when faced with a challenge, worked through it with dignity, with respect for one another, with professionalism and a productive constructiveness to get things done. So I'm proud of all of them, on both sides.

The biggest difference for me in this process. It began when we had some conversations with Tom and Greg. They suggested that they wanted to employ a collaborative approach to this integration and they wanted to engage me and my team in the planning and execution; and, of course, I had a very open and professional thought, ha, sure you do. Just tell me what you want me to do, where you want me to go, and I'll go.

I have to tell you it hasn't been funny; it's been further from the truth. My opinion was totally wrong. I think, from the minute that Kim and I started working together, it's been genuinely collaborative from start to finish. It's been open, honest. We've been engaged together, and I think it's really going to be effective and you're going to see all of the value that we discussed come to fruition. So I thank all Tom, Greg and Kim for your support to that whole process and living up to your commitment. It's been great.

So where are we? Early on this process -- and I don't know if Kim shared much of this, maybe the last session was before the transaction -- but we identified a whole host of potential synergies and integration opportunities, but we really quickly had to get focused on those of the highest value. We grouped the synergies into three buckets. Commercial synergies, supply chain synergies, back office synergies and other than to say that we're making good progress on and delivering against the supply chain synergies, I'll leave that to Carmelo and Dan to share more with you a little bit later, but I'll make a couple of comments on the others.

On the back office side we're looking now to consolidate and centralize certain back office functions that really make sense for the Business. We're already leveraging and sharing functional shared services like legal, IT, HR and finance, and we've started to transfer some of the expertise and knowledge in the Business by transferring some employees between the businesses; so, so far, so good there.

On the commercial side, from my perspective, it's going extraordinarily well; but, of course, as Kim mentioned, we've been the recipient in the PMS business of much of the value there. The key was we quickly got by. I mentioned that the pallet poolers were viewed as somewhat of a competitor. There was a competitive element in the businesses, and we quickly got over that and we quickly began to reconcile our messages. We had a lot of conflicting messages between the Business, and we moved towards reconciling that.

We shared hundreds of leads. Most of them are for single source provider - blue and white pallets - with manufacturers. However, there's a number of retailer leads emerging as well. Sales teams have been collaborating closely to develop and deliver on combined solutions for our customers. I've got to tell you the customer receptivity and anticipation has really been great. We've already had several wins, Kim, of which -- has mentioned one with you already -- and I'm sure we'll share more in the future.

So what are our strategic actions in the PMS Business and where do we go from here? We also face a changing competitive landscape. Our local competitors are getting better. Our national competition's getting stronger, trying to unseat us, and there's new players emerging.

What are we going to do? We're going to actively defend against that and we're going to strategically grow our position by expanding our geographic footprint by going into new markets. We're going to develop more and better innovative products and services. We're going to leverage the combined capabilities and offerings of the PMS and CHEP Business.

What else is driving us on our strategic actions? Our customers' expectations and requirements are increasing, similar to CHEP. Our customers are looking for collaborative partners with solutions to improve their supply chains while meeting their ever demanding quality and service requirements.

We're actually executing and enhancing a quality management system that we've recently delivered, and now CHEP is also assisting us with. We'll continue to grow the product and service offerings and we'll deliver best in class systems and processes to improve our service.

Obviously, we need to improve the margins of the Pallet Management Business, not only as we exist today, but to support the infrastructure and capability build. So we're also looking closely at our pricing. We're looking at our customer profitability. We're deepening our analytics to really understand individual customer profitability and the cost to serve. We're going to improve our pricing process to incorporate that, but also more demand planning to improve our inventory management and margins, and we're implementing the lean manufacturing principles with Carmelo's team's help to improve our operational efficiencies and cost structures.

Lastly, we have to succeed in this PMS and CHEP integration, and it's really quite simple. We just need to deliver on the combined customer value and we have to deliver the targeted synergies.

As part of the Brambles family we too actively engage in the strategic agenda, the Americas Business. As you see from Pete and Kim, these are the Americas' initiatives and I hope you've seen or heard, throughout my presentation, that we're pretty actively engaged in most. More specifically in the development of platforms and services, the improvement in asset management, our own strategic pricing initiatives and, of course, all things synergy related.

So, with that, I'll close by saying I couldn't be more excited about the PMS future. I'm even more excited about the PMS CHEP and Brambles future, and I think I'm more confident than ever that we can deliver on revenue and earnings growth, a solid ROCI and value to Brambles, its shareholders and its stakeholders. Thank you.

Peter Mackie - *Brambles Limited - Group President, Americas and Global Supply Chain*

Thanks a lot, Dave. So are there any questions on cost serve and asset utilization from anybody? So we're up for any questions, either - Simon?

QUESTIONS AND ANSWERS

Simon Mitchell - *UBS - Analyst*

Just a first question on all the focus on asset control and utilization. Are you at the point now where you've actually set internal targets on loss rates, return rates and CapEx savings? I don't know whether you wish to share those with us.

Peter Mackie - *Brambles Limited - Group President, Americas and Global Supply Chain*

We're about to enter into some very interesting budget discussions with Tom and Greg later in the month; so no, we're not at that point.

I think part of the challenge in that asset control piece is you need to make an investment in the P&L, and then the benefits of that actually take some time to be apparent and flow through, so -- which is why we're doing a lot of testing and a lot of piloting rather than trying to throw everything at everything for the time being, because it does require a little bit of an investment in margin to make some progress on ROCI and ROCI and cash in if you're going to get to the long term mark. So, at the moment we're not - we haven't got those points; but I'm sure, as we get to the budget, we'll have those discussions.

Simon Mitchell - *UBS - Analyst*

And just, maybe, a question for Dave. Your pie chart on revenue mix, slide 134, you say services are 13% of revenue. Is that post the transfer of Wal-Mart's back dock clearance to re-logistics or--?

David Russell - *Brambles Limited - President, IFCO Pallet Management Services*

No, that's pre-signing. That's our fiscal year 11; half of which transitioned over; but we're seeing more and more opportunities in converting - not at the scale of a Wal-Mart, but services business that will continue to contribute to that and it's a big focus for us.

Simon Mitchell - *UBS - Analyst*

So is it fair to say that the services you think will outstrip growth in the Pallet Sales Business?

David Russell - *Brambles Limited - President, IFCO Pallet Management Services*

Yes. It has to date, and from this point forward is the baseline. It will grow, it will develop at a greater rate than the actual Pallet Services Business, as a proportional rate of growth.

Anthony Moulder - *Credit Suisse - Analyst*

Given you won't talk to your forecasts for loss rates, cycle times, damage rates, can you say where they are now and where they've come from over the last few years? I know loss rates, in particular, have been a massive focus for this Business. To hear of another 18 programs -- that it's going to extend the delivery of that for another couple of years. I'm just trying to get a sense as to where you're at, where it's going?

Peter Mackie - *Brambles Limited - Group President, Americas and Global Supply Chain*

I mean the loss rates are at around 2% (inaudible). You can see -- I think there was a chart in the results announcements that shows the progress. If you --there's been a lot of volatility, so you've seen the stocking and the de-stocking of the supply chain in the US, the critical -- a lot of volatility in the control ratio numbers, but if you do look at those charts from the half year results you'll see an improving trend there.

What we're really about here is not trying to correct something. We're actually trying to just see if we can get to the next level of improvement in that whole space, just because it's such a good lever for ROCI and cash.

Anthony Moulder - *Credit Suisse - Analyst*

A question for Kim - what level of customer drop points are NPDs in the network currently?

Kim Rumph - *Brambles Limited - President CHEP USA*

That's a good question. I'm not sure that we disclosed that previously, our NPD flows. It's a bit of a competitive advantage for us with other competitors in the marketplace. I'd prefer not to communicate that.

Anthony Moulder - *Credit Suisse - Analyst*

Okay. Another question then for both of you and Dave. Have you had time in which to look at the customer base, what customers ultimately make more sense -- moving off blue on to white -- and, perhaps, a lower proportion moving the other way? Can you comment on whether or not that's a big opportunity for the Business?

Kim Rumph - *Brambles Limited - President CHEP USA*

To convert from blue to white, or white to blue?

Anthony Moulder - *Credit Suisse - Analyst*

Well, probably more from blue to white than the other way.

Kim Rumph - *Brambles Limited - President CHEP USA*

Yes, well, as I mentioned during the cost to serve discussion, I mean we've looked hard at diving deeply into each customer to understand. Of course, we already know each customer's NPD flows. So as we approach discussions with our customers around price or around negotiating contracts again, if their contract is up for renegotiation, we'll look at a couple of things. We'll look at opportunities to convert those NPD channels and have discussions with customers about the fact that those NPD channels inflate their price, so they are paying a higher cost to ship down those lanes.

Then there are options. There are options for them to continue to pay that higher price; assist us in converting that NPD, which would be, really, the greatest outcome. Or we will consider offering white wood as an alternative on those flows, which will help lower their cost. So it's customer by customer, but we do look at it and we engage Dave and his team to understand what those implications would be.

However, when we do it we also do some significant modeling around Brambles value. So before we approach the customer we want to be sure that we understand what the true Brambles value is for that combined solution, if we try to move some of the blue; and we're quite cautious about that.

Anthony Moulder - *Credit Suisse - Analyst*

(Inaudible - microphone inaccessible)

Kim Rumph - *Brambles Limited - President CHEP USA*

No, not at this point. We're still doing the evaluation.

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

Anthony, I just might make one comment, because you asked about - there's 18 projects under way in terms of asset control and asset management. I think there's a couple of things to mention here; one of which is Dolph, in his presentation this morning, deferred to the Americas' team.

Both the pallet sides of the house, so both the Americas and the EMEA Asia-Pac team are working collaboratively to get on this issue of better asset management. Look, I think you're right to observe that if you look at the last number of years and you take out post-Lehman burps and de-stocking and everything else, our control ratio has remained relatively flat. I mean I think that's probably your point. But we also recognize, as a Company, that this is a great opportunity for us to move the needle in terms of our long term return on capital.

So the fact that there's a lot of work under way here should be seen as a positive. I mean you can say that well, now we've got another couple of years to really move the needle, but the fact of the matter is we haven't moved the needle over the last couple of years. We believe we're the best at this than anyone else. I think Peter mentioned that from the stage, but we also recognize that putting the effort in on this side of the Business has the potential to have an enormous payback for us. I think we have done more in the last 12 to 18 months in terms of critically interrogating the Business and really understanding what some of the drivers of the loss -- to use Kim's terms -- of the loss, velocity and damage than we might have before.

We always had the general knowledge in the Company, but I think we've organized it and brought it to the top of the house in a much, much better way. So that's why you're hearing more about it today, but it's difficult to promise anything from the stage or from here, until we really work through that series of initiatives. But the point is we're absolutely committed to attacking this part of the Business because the payback is, potentially, very, very large for us.

Andrew Gibson - *Goldman Sachs - Analyst*

Kim, just a follow-up question on NPDs, and maybe another one that's tough for you to answer; but of the opportunity that you've identified to date how far progressed do you think you are?

Kim Rumph - *Brambles Limited - President CHEP USA*

On converting NPDs?

Andrew Gibson - *Goldman Sachs - Analyst*

Yes.

Kim Rumph - *Brambles Limited - President CHEP USA*

Well, I think at this point, right now, we've really done some segmentation. So the key for us is to focus our efforts where we think we can grow. So I'm not going to communicate a percentage to you, but what I will tell you is we started the segmentation work because the NPDs can be classified in certain categories.

So where we're focusing our efforts to convert them are channels that we think will be profitable growth channels. So we're starting to look at certain segments within the market, segregating those and targeting our efforts, organizing the manufacturers to assist us in that as well.

So a good example would be food service. Food service is a channel that we're very interested in, and we continue to analyze that food service channel to understand how we could unlock it. Asset control is very complicated in the food service channel, but we believe strongly it's a good opportunity for growth for us. So the effort right now is around looking at that channel and understanding how we could get better asset control at the end of that channel, just as an example.

Matt Spence - *Merrill Lynch - Analyst*

Hi. I've just got a question for Kim. Can you give us an idea of the loss rate for NPDs? Or what sort of magnitude difference?

Kim Rumph - *Brambles Limited - President CHEP USA*

That's a very difficult question to answer; so the answer is no - and the reason why - it's not because I'm not going to give it to you. It's because - I mean we monitor flows back into our network through our retailers and through our asset recovery program; so the flows coming in from various places.

So to determine what the contribution of an NPD was specifically is very difficult. Some recyclers also perform return services for our participating distributors; so it's complicated. They return it to a service center. It's not inventoried in a way that would let you trace it back to the origin point at the retailer; so it's very tough to help you with that number, but it's part of our breaking it down at the retailer is to get to that level of scrutiny; and the only way to get there is to get inside the retailer.

So this work that we're doing in the NTN studies to get inside their warehouses rather than waiting for it to fall off the back, is critical to understand the question that you asked.

Unidentified Participant

Peter or Kim, just your perception of where iGPS and PECO are at. PECO still more focused on the high turnover section and iGPS, given management changes, where they are at the moment.

Peter Mackie - *Brambles Limited - Group President, Americas and Global Supply Chain*

Shall I give you a rest?

Kim Rumph - *Brambles Limited - President CHEP USA*

What's that?

Peter Mackie - *Brambles Limited - Group President, Americas and Global Supply Chain*

Shall I give you a rest?

Peter Mackie - *Brambles Limited - Group President, Americas and Global Supply Chain*

As far as iGPS are concerned, because we were -- as we're in the middle of the Pepsi discussions -- they announced, and you would have seen it, they will have announced a campaign to get more pallets of theirs out of the recyclers, so paying a lot more money to try and recover those pallets. Now, with the ramping up of Pepsi that also frees up a lot of pallets that were under load in that supply chain. So iGPS's position at the moment is they actually have more of our assets back than they're used to, I would say. So maybe some of their customers who were a little scared about security of supply are a little more comforted for the time being.

Their challenge is the one I stumbled through earlier, which is the reality of the FMCG supply chain - is a real challenge for such a high value asset. So we expect - whilst there's probably an improvement in the short term situation - that in the long run it will be more challenging.

As far as PECO are concerned I mean my brief observations from the time that I spent here is that they're much more rational. They're going after customers that they think they can serve well and we come across them from time to time. They're not having a major impact on our Business, but they are being rational in looking at customers that they think they can bring some value to.

Unidentified Participant

Thanks.

Russell Shaw - *Macquarie Securities - Analyst*

Kim, just in terms of the converting some of your customers out of the NPD space on to white wood, are you able to keep all of that volume? I mean isn't there an argument that some of IFCO's competitors would have far lower return hurdles and so, from a price competitive standpoint, it would be quite challenging to keep that business?

Kim Rumph - *Brambles Limited - President CHEP USA*

Well, it's a good question. What we're finding is that at least 3000 recyclers that we speak of IFCO is the only one with a national presence, so many of the customers that we do business with are quite national and large in scale. So when we engage in these conversations security of supply is very important to them; and IFCO is able to differentiate themselves in terms of security of supply because of their national reach.

So when you start having conversations with larger customers, some of them are not interested in this local, regional recycling solve because it makes them uncomfortable about supply. So we, typically, from the beginning, introduce IFCO in that conversation and it's a collaborative discussion that we have with the customer, including CHEP and including IFCO, and we talk about a combined solve.

They also like the idea of working with one company, Brambles, so it gives them comfort in knowing that they're dealing with the same company, though it might be white wood from IFCO and pooled from CHEP. They like the idea of facing a single company.

Russell Shaw - *Macquarie Securities - Analyst*

Is that common billing? Or are you still selling them as separate companies?

Kim Rumph - *Brambles Limited - President CHEP USA*

I'm sorry? Billing?

Russell Shaw - *Macquarie Securities - Analyst*

Yes.

Kim Rumph - *Brambles Limited - President CHEP USA*

No, we're not to one invoice yet. That's our vision and our customers would love that. So, eventually, our goal would be to get to a point like that, but we're just not there yet.

Russell Shaw - *Macquarie Securities - Analyst*

Okay. Then, just finally, on the recycler side, you're trying to adopt a more collaborative approach in terms of trying to get your assets back quicker. Yet, on the other side of the scale, you're threatening them with legal action if they don't comply. How do you trade those two off against each other, just given, in the past, I guess, CHEP's reputation has been tarnished by, perhaps, being a little bit overly aggressive on the legal side?

Kim Rumph - *Brambles Limited - President CHEP USA*

Yes. It's a fine balance. The other fine balance -- just to be quite candid -- is that we are now transitioning IFCO pallets over to IFCO, so white wood pallets that are in our network. So there's a lot of dynamics occurring right now with the recyclers. But what we're finding is it's really about the relationship and, as strange as that might sound, it really is about getting very closely embedded with them and building relationship, their local owners, their individual owners that are privately held, and you have to really engage and get the trust with them.

So when we talk about our asset recovery program and expanding that program it's about building very deep relationships with them. Once you establish the trust with them they want to be on our program. It can generate revenue for them. We pay them to return our assets. There's a fee associated with that. So we can have a very viable relationship and there's value creation for them. So it's just about establishing that credibility and building that trust.

Then those who choose to abuse that trust we will enforce legally our ownership rights; and that word, like I said, spreads very quickly, and people realize that we mean business. In fact, that recycler that I talked about that served at the consolidation point, he shared with us that he had been getting calls from other recyclers because they wanted to know if CHEP was serious about enforcing ownership rights. He said absolutely; you better bring the pallets back now. So we're finding that that relationship is starting to work and spread.

Peter Mackie - *Brambles Limited - Group President, Americas and Global Supply Chain*

Okay, alright, if there's no more questions. What time are we due back, James?

James McCarthy - *Brambles Limited - President CHEP Western Europe*

Ten to.

Peter Mackie - *Brambles Limited - Group President, Americas and Global Supply Chain*

Okay, ten to. Great, thanks.

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

Okay. I think most people are making their way back. We'll give everyone a couple more minutes to find their seat and it doesn't look like too many have dropped off, so this is a good sign and another great reason to have it at this hotel. Not too many distractions outside.

50pm in Zurich or it's 1:50am on the east coast of Australia. So for many of you, you'll probably be just making your way home now anyway, so you'd have a lot of energy left. So think of it that way and don't think of it at the end of a long day.

We're now going to shift gears again and this is really the culmination of the day, which is really entitled Organizing to Deliver Globally and we've talked about this a fair bit from a number of people and again, here's the chart that shows how we're organized and now you're going to hear from the three guys that are really in charge of the global pallet functions. So you'll hear from Toby, who's in charge of Strategic Marketing for the pallet business. You'll hear from Carmelo in charge of Operations and you'll hear from Dan in charge of Logistics.

I think the real key message here is since I've been with this Company, when I first joined we were really sort of a loose federation of regional enterprises and at that time, the members of the executive team were each given - we had councils that tried to pull this loose federation together and I remember I worked first with Carmelo, because I had the Ops Council and I also had the Safety Council, I think, when I joined the Company and it was very frustrating because we actually couldn't tell the other parts of the Company what to do and, in my mind, we never really got the benefits of scale. I know in the history of CHEP and Brambles, we've tried to do this on many occasions.

But I think now we have the right strategy. We have the structure now to support that strategy and the last piece that we've talked about repeatedly is the right people in the right structure to support the right strategy. So with that, I'm going to pass it off to these fine gentlemen and we'll start with an overview of strategic marketing and I'll hand it to Toby Black. Thanks.

Toby Black - *Brambles - Senior Vice President Strategic Marketing*

So, good afternoon or good morning, depending on which time zone you are currently operating in. As Tom introduced, my name is Toby Black and I lead the Global Strategic Marketing organization for CHEP. I think Tom eloquently put it, the key challenge we face in the organization as we move forward is how we truly unlock the benefits of scale that are available to us as a global organization and this is something we've never truly been able to do in the past.

So in the next 20 minutes I will share with you how we in the Strategic Marketing organization are going to achieve this. I'll do this by firstly showing you a very different structural and holistic approach we are taking organizationally. Secondly, I'll bring this to life with some very tangible examples that are happening in the business today, so you can see it happening in operation and finally, I'll provide you a bit of visibility of the future. So how we accelerate the delivery of those benefits moving forward as an organization.

As for my background, I've now been with the Brambles organization for eight years. I met a number of you at the investor market briefing we had in Madrid some three years ago. At that time I was running the Logistics organization for the European pallet business. Since then, I moved to South Africa, where working with Jurie I ran the business development function for the Middle East and Africa and following that, I obviously moved back into the role that I'm in currently today.

So the challenge. We're taking a different and holistic approach to how we drive this value creation across our business. So previously, we had a couple of key problems in the business in terms of implementing our strategy.

Firstly, our strategy, our marketing and our commercial process parts of the organization were split into different functions across the business. So you see here on the slide market strategy and marketing, customer solutioning, commercial excellence, the global key accounts. They all existed in different parts of the organization. So obviously, they're very linked in terms of the deployment of strategy. They're very linked in terms of the way we approach customers. But those parts of the function were split across the organization. So it was very difficult for the teams in those parts of the organization to coordinate their activities. Secondly, they were also buried across different countries in our organization at different parts, so it was very hard to drive coordination across the globe in that key process.

So the solution we've implemented is first of all, to align the teams around the functional process you see here on the map, so very integrated process, starting at the top of the funnel on the market strategy and driving that down through the organization. Secondly, we brought all the people in those functional elements together into one structure, so they all now work coordinated across the globe in one organization and that organization is obviously the Strategic Marketing organization.

Thirdly, we are very conscious that we want to make sure that we remain in contact with the local markets and the customers that we serve and also these local CBUs that we support. So the physical location of those people is still in country and in market with the organization's customer and commercial organizations they support.

So a little bit more about the process. Above the funnel you see market strategy. The teams here work on defining our right product and service mix. The geographies that we want to play in and the value that we can expect from deploying those strategies in the organization.

Below the strategy organization you see marketing. The marketing organization is now closely aligned to the strategy execution, so they can make sure that our brand, our value proposition, the presentations that we take to the customer are very closely aligned to the strategy we want to execute. They can also support the strategic execution with detailed segmentation analysis for our customers and help our sales organization by providing qualified leads that allows our sales organization to focus on the right customer segments.

At the bottom of the funnel, we see our key customer processes. So we've got customer solutioning, our commercial excellence program and our global accounts and these are ways that we can very specifically go to market with our customers, again in alignment with our marketing and strategic approach that we've aligned above.

So let me bring this contract to life with specific examples for you. So under diversification, before in the organization we had countries around the world that took very different approaches to the market. So we had some markets which had a very broad range of service and product offers, so for example, Australia, South Africa, which had a wide range. But we also had other markets such as the US business which had effectively a single product and a single service offer.

Now with the new structure, we're truly - the strategy teams are truly able to understand the capability, the applicability and the profit potential of those individual service and product models and they are able to accurately deploy them into the markets in which they sit. So this really allows us to take capable service models into new markets and I'll talk to two examples of that and that is the exchange services rollout which James talked to you a little bit earlier and also the Last Mile Solutions which are becoming a global project to support our retail customers.

Under cost leadership, again to give you another example, we had our marketing spend split amongst different countries and different parts of the organization, so it was very dispersed across the organization. Now with the global structure, we are able to bring that together into one place. So the primary purpose of doing this is to really enhance our marketing capability to move us into a position where we're really a best in class business to business marketing organization. But it also allows us to drive our cost leadership agenda. So we're able to consolidate that spend. We are able to develop materials, systems and tools once and deploy globally and we are, of course, able to use our procurement best practice to make sure we're buying smartly, so a great example of how we can uplift our capability, but at the same time drive the cost leadership agenda.

Time to go to market. Previously, we had different sales processes by country, different trading methodologies, different sales material, even different job descriptions. Now with the new structure we're able to define exactly what the best in class processes are. We are able to implement those best in class processes across the world. We're able to install common metrics and measures to make sure that those processes are delivering for us and this really allows us to leverage our global footprint by deploying common training, common systems, common productivity tools to help us in our go to market strategy.

So let me move onto bringing some specific examples and I'll move from the top to the bottom of the funnel. So first of all we're starting on the market strategy approach. You heard from James earlier how the exchange services has worked and really delivered value in the UK business. I had a number of questions over breakfast and lunch today on the three service offers that we offer currently in the UK and just to clarify exactly what those are.

So the first service offer, which is the typical one-way trip service offer. From a manufacturer's perspective, what that really means is a quality inspected pallet that's delivered to him in his location. The managed recovery service takes a CHEP vehicle which picks up trade quality pallets from a retail location and delivers it directly to the manufacturer. So in that case, the manufacturer gets a price advantage from us, but is able to - but has to then inspect that pallet before used in its operation.

The third service offer, the exchange services offer, from a manufacturer's perspective, he then has not only to inspect the pallet that he wants, but also he now needs to go and collect that pallet in a transportation leg facilitated by CHEP from the retailer. So they're very distinct service offers in the market.

First of all, it's a great example of cooperation between the strategy teams and the marketing teams and the local business teams with our customers, to create a compelling and new service offer. But secondly, from a strategic perspective, it gives us a number of benefits in the organization. Firstly, it provides our customers with a low cost service offer, in particular, in an environment where cost pressures are very high on them, but allows us to deliver equivalent margins. It provides us as a company with a uniquely differentiated service offer, which is incredibly difficult for our competitors to replicate, as you need to have significant volumes of pallets at the retailers for it to work.

Thirdly, there are some extended benefits in terms of asset control, because we're able to put our arms around exchange flows in a much more granular way than we have done in the past, so a great service offer, working well for us in one market at the scale.

What we're able then to do and really the role of us in the Strategic Marketing organization, is to really take that service offer and deploy it across the appropriate markets and here you can see how that service offer which initially started in the UK has then been translated into the Benelux region, to great advocacy of some of the retailers there, such as [Super Uni], Jumbo, Carrefour, [Coalwright] and we're now investigating how that service offer could help us to penetrate customer segments that previously had been difficult for us to access in Spain and Italy. So we now have that operating at scale with more than 30 million flows on managed recovery and 50 million on managed exchange.

My next example which I'll give you around how we can add value and market strategy and you've heard it a few times today, is in the Last Mile Solution space and this is really a great example of how we as an organization can take a leadership role in industry and move our positioning with our customers from beyond just being a simple pallet provider.

For those of you who are not familiar with this space, Last Mile in terms of definition is the flows that happen from the DC to the store and to the consumer shelf and really it's the process by which the retailers look at restocking their shelves in their stores. So it includes the handling of their inventory, the back of store processes and picking processes inside the DC. Typically for this, for us sorry, is represented by the flows of quarter, half and wield units through the supply chain. But many retailers also use things like rolltainers and cages.

There are a number of challenges around this space and we've completed a very detailed analysis with more than 40 retailers across seven countries. We found a great deal of insights from those retailers in terms of the challenges they face, but I wanted to pick out two in particular. The first was around their revenue growth and how they saw that moving forward. One of the areas that they were very keen to drive was around promotional activity. In fact, we saw in most retailers that the level of promotional activity for retailers are grown by more than 15% since 2008 and the promotional activity is primarily done on factional last mile type products. So that was an interesting insight to this part of the - for the organization.

The second insight was around cost and so no surprises here that the retailers are very focused on taking costs out of their supply chain. But the interesting piece here was typically the retailers were experiencing extremely high costs to serve in the last mile of their distribution, so many of the retailers were experiencing up to 60% of their distribution costs really in that last mile piece. So the last mile represents not just a growing part of the retailer's business, but one which is a very high expense burden for them there at the moment. So obviously improvements there would offer them significant advantage.

We also contacted or had interviews with a large number of manufacturers and the manufacturers reported on both those same pieces of retailer. But they had an additional challenge to bear and that was around product proliferation. So while many of our manufacturers in a normal pallet format, so they're big footprint pallets, typically produce onto one format. So here in Europe they'd either produce onto the 12 can or to the 12 weight platform.

But in the Last Mile solution, due to the retailers making different demands from them in terms of a footprint, they have more than 50 different products that the retailers across Europe were using to complete that leg. So at the end of a manufacturer line you would see a very smooth process producing onto the full sized pallets, but total chaos when it came to last mile distribution because they're having to pick onto many different lines. So that was causing a considerable complexity and cost in the manufacture environment.

So this was a really great opportunity for us to reinforce our position as a market leader in a supply chain and really work collaboratively for a number of key industry bodies such as the ECR and the BBL, to add new value to our retail customers and open new avenues of profitable growth for us in the business.

This led, simply put, to two work streams. So firstly, it was around accelerating our use of existing products and you've seen some of them around you on display in the foyer. What that meant for us was that for the customers that we'd spoken to during this course of this extensive work with them, we really understand much better who are the key decision makers in the supply chain, what were the impacts on the retailers, so the value proposition for them and we really knew who the people we needed to go and contact were and have relationships with, to drive the sales of our existing product line.

We were also able to have a much clearer idea of how we could translate this across different markets. So you heard also the opportunities that exist for us in the Canadian and US market, around better deployment of our existing products.

So our existing markets did feel the majority of the needs in terms of Last Mile space. But there are also a number of different areas which didn't have a product available in our portfolio today. In fact, the customers identified more than 37 discreet areas where there wasn't a product or a service available that they needed today. We spent a considerable time in workshops boiling those down to five key focus areas where we could really take an innovative approach to bringing new products to the market, so we were able to provide the retailer and manufacturer customers with a complete suite of products to tackle that challenge in the last mile.

Let me move a little bit further down the funnel and, as I introduced, marketing is another case study. So this is a great example of how we can significantly improve our capability in our B to B marketing space, while at the same time installing cost leadership in everything that we do. In the first step, as we approached this, we did a very detailed analysis of our marketing spend across the globe. So we really went line by line, country by country, understanding how we were spending our money in marketing a day, how we were deploying our resources and our people to do that.

We were then able to benchmark our marketing spend against best in class B to B marketing companies to really understand how the best marketing companies went about deploying their marketing resources. We also aligned the marketing work to the strategy that we had as the organization and spent a considerable amount of time talking to our customers around how they saw us developing as a supply chain for -- partner for them.

So with all of that, we are able to develop a very clear transformation plan over the next few years on how we are going to reinvigorate our marketing organization, to reposition as a strategic solutions provider, to allow us to accurately track the return on investment we have for our marketing spend, so we can really see that the spend we're making is generating real returns for us in the business and we're really able to bring a global coordination to our marketing approach, so we have a consistent brand, consistent sales tools and a consistent approach in our market space.

Again, moving down this time to the bottom of the funnel, I've got three specific examples of how we're transforming our specific customer engagement process. The first one is around customer solutioning and I think Jurie obviously talked earlier how instrumental this had been in terms of tackling the beverage sector, which had been alluded to the very skilled South African team for a number of years. The approach was really to do a detailed analysis of that individual supply chain, really help the customer to understand what is actually there, as is cost space it is and to work through the customer to finding a solution that would allow them to meet their retail customers' needs, but also to save them money.

The method and the approach that was used with Jurie's team in South Africa we then took and developed further into the [Amir] business and that was used to help us, and I've got a couple of examples here of Polestar, a new sector for us in the UK market. But also, we're forward to help develop and grow our business with them.

We've then been deploying and using that same methodology and framework to help us with DHL in Asia and we're looking forward, as we set up the team in the Americas business, to deploy exactly that same approach. For example, Kim mentioned P&G in Kroger in the US business. We're also taking it to new parts of the organization, so really looking - and I've got the example of Carrefour here, how we really use that sales approach to drive that value for our retail customers.

So I'll use this as a specific example, because it's a great way of showing how a capability that was nascent in South Africa, was really driving value for the business and the customers there and very quickly over the last 18 months we've been able to take that from there and really drive it, so that we have a new capability across our global organization that didn't exist in the past.

The next approach really focuses on our general sales teams. So the solutioning technique is really far largest the most complex customers. But the majority of our interactions day to day are run through our general field teams who are out there in the organization. We've heard throughout the day who important it is for us to be able to negotiate with customers in terms of getting price increases, but also to unlock new sources of growth for us.

So we're very focused on driving a global platform to try to improve our sales capability. We started some 12 months ago in Europe looking at exactly what the capability of our sales organization was there and some of the data I share with you on the slide, really points a picture of the 416 sales people that we looked at. They were spending a considerable amount of their time on administrative work and in fact you can see only about 20% of their time was really doing what we consider their key role, which is spending time in customers.

So what we've done with that is we built a very clear framework and process of how we want to engage our customers. So everybody in the sales organizations understand what their role is and the way that they should work. We defined very clear metrics around sale performance. We defined job descriptions and we reduced the number of roles that exist in it. We've revamped the management organization and the leadership roles of people in the organization and we really reapplied our productivity tools and these are primarily systems tools that are best used to help our sales people drive their productivity.

This has really resulted in a significant improvement in our field productivity, so with the same number of sales people out there were really to drive a significant improvement in what we're doing here and for the countries that we started first, so for example, the UK and Iberia, you can see there really has been a very significant uplift of more than 25% productivity in our sales teams. This approach is very much the same framework that we're using in the US business to help the sales teams there improve their approach with customers as well. So again, a great example of a capability redeployed across our globe, allowing us to improve the capability of our teams.

The third example I will give you in terms of upgrading our commercial approach is around our global customers. The global customers, for me, are a great example of how we can really leverage our strength and in building global relationships to advantage us and our customers across the business. So what we've done here and this is a specific example of P&G, is we installed a global structure that matches the P&G organizational structure. So it's aligned with their process and their organization and we have specific people who look after that relationship and a project manager who supports them.

At multiple levels through the organization, so at top to top levels and at operational level, we developed coherent joint business plans which are focused on generating mutual value for both sides. This has allowed us to secure our business with P&G in the European Americas business. But also and perhaps most excitingly, is allowing us to explore new sources of value with them moving forward and I think through the day you've heard a few examples of this coming out.

So John talked about the opportunities with P&G and China. Rod is excited about the opportunities that P&G offer in terms of being a significant growth partner for [Oberne] in central and eastern Europe and they're even helping us in the US business, in terms of understanding new value that we can create in a supply chain. So a really good example of having the right structure, a strategic mindset and the right approach is really helping us leverage this very important global relationship to drive new value for us in the organization.

So to bring it to a close, our focus areas moving forward is firstly we want to complete a strategy refresh for the major pallet countries. So really making sure that all the work we're doing across the globe is consistent and aligned to the highest value return opportunities we have in the organization. We're in the process of installing a global project manager and execution capabilities, so we can really make sure that we deliver a consistent and capable project management and execution capability across the business.

We're working to really transform our brand and our go to market processes across our customer base. So customers really see a different look and feel for the CHEP organization, both in our brand, but also in our commercial organizations across the organization and of all of this that we're doing it driven through a mindset of achieving cost leaderships at the same time, is really building our capability while at the same time delivering this with a cost efficient mindset.

So to summarize and close, I hope you see how we've implemented a holistic approach and organization to ensure that we can gain strategic alignment and an execution and capability across the business. Already today, given that the organization has only been I place for some months now, we're already driving improvements in our capability and growth market approach. I called out solutioning the global clients and commercial excellence as examples of that already coming to life and I hope you see how leveraging our global organization is to drive an efficiency and to support the local business is really coming to life in the organization today.

So, I'm obviously one of three global structures and the other two are sitting here ready to go next to me. I think - Carmelo, are you up next?

Carmelo Alonso - *Brambles - Senior Vice President Operations*

Thank you Toby.

Well, good afternoon everybody. You will immediately know who is the American and who is the Spanish, mainly because of this accent.

[Laughter]

But just in case, I am Carmelo Alonso. I've been with CHEP for 21 years and the Spanish is based in Madrid still, I think, because this global role came with a bit of traveling. I'm in charge of Global Plant Operations and Planning for CHEP. I've been playing different roles within CHEP, always within the supply chain field, from procurement, quality, logistics, plant operations and now this global role.

During the next 30 minutes or so, we are going to explain to you how the new global supply chain organization works. Let me repeat this word of supply chain, because in spite of having the responsibilities within plant operations and Logistics, we are both great believers that our mission here is delivering the total lower supply chain costs and will take decisions whenever they are going to mean we are going to get this total lowest cost, regardless of whether it is going to impact plant operations or logistics.

Also, we are going to explain to you what is different this time from previous experiences that we've tried in CHEP in the past on driving this organization and setting best practices. Also, we are going to share with you some of the plans we have got and projects already in place to deliver the $100 million savings that we have committed to. Although, talking of $100 million, we will see on the slides that we are going to talk about $95 million. It's not because we have applied any discount. It's because the remaining $5 million will be covered tomorrow, during the RPC sessions, because it corresponds to the [eighth co-integration] mainly in Europe with the RPCs.

So for those of you who joined us in Madrid back in 2009, you probably would remember that Tom Gorman called me Mr. 3% to 5%. Thank you for that. So the rumor is that I go to partner today.

[Laughter]

Dan Dershem - *Brambles - Senior Vice President Logistics*

Carmelo is getting more than 3% to 5%, I can assure you, of this journey.

But good afternoon. I'm Dan Dershem, Global Senior Vice President of Logistics and prior to taking this exciting role and joining Carmelo on this journey, I was the founder and CEO of LeanLogistics from 1999 through 2008, when it was acquired by Brambles.

What we're going to go through today is I think a very good summary, as Carmelo went through. But at the risk of getting in trouble, if there is a rare chance my wife is watching this really big camera back here, it's safe to say that Carmelo and I have spent more time and more days together on the road in the last 6 to 9 months than we have with our families. So I think it will be very concise. But please understand there is an awful lot of work by the team in here and an awful lot of this authority into the execution.

So with that said, the other piece that I want to hit on is that Carmelo and I really are linked at the hip here, not just because every other single presenter that went before us, thanks Kim and others, our name came up and it was wait until Carmelo and Dan get up here. But Carmelo has over 20 years of experience in the CHEP business and he truly knows it as well as anybody that I've run into. What I think I bring to this equation is that I've got over 20 years in the business kind of out outside, servicing the companies like CHEP. So we are really taking an outside/in and an inside/out approach as we build the methodology that we're going to take going forward.

So with that said, how are we going to accomplish this? The 3% to 5% is a given and I believe that the business has done a very, very good job. It's not without its challenges. We went through that in Europe today. But the team has really buckled down in challenging times and think that we'll be well pleased to see what they're achieving through the second half the year and then as we look at the $35 million that we've committed to, which, are specifically related to the synergies and the pallet management services business and the $60 million of efficiencies that are in the pallet side of the business. We collectively look at that as $95 million, not $100 million.

We also refer to this as a gift from Tom. Tom will be okay with me saying that, because we use that internally to say look, we're good at going after that 3% to 5% and we have enough analogy. We have a lot of projects, I mean literally hundreds of projects, in each region every year to deliver that number, because 3% to 5% sounds like a small number until you realize that our supply chain is one of $800 million it becomes pretty big quickly.

But the additional $95 million that we're after here is about step changes within the business. So really, truly taking those projects that can go to scale or take that next step towards being a global cost leader. As we move forward in this journey, because it goes out through FY14 for the synergies and FY15 in totality, you are going to see this terminology used quite frequently when we refer to the key four focus areas.

The first on is standardized automated processes, so automation within the plants themselves, plant network optimization, plant operating efficiencies and logistics optimizations. Those are the four key areas that we've broken the $95 million into. So we'll continue to communicate those as two separate buckets externally as we go forward. But as we manage that with our teams, we're bracketing it into each one of those four key areas and we'll have a number of case studies a little bit later in the presentation, including, I believe, some video. We will walk through how these plans are actually moving into execution.

Carmelo Alonso - *Brambles - Senior Vice President Operations*

Okay. So before the new organization was put in place back in August last year, the different operations and systems were fully integrated within the different local regional organizations. They were under responsibility and they were managing the decisions taking in plant operations and logistics.

That was [leading] that despite of having similar challenges in the different regions, we're finding or developing different solutions and that was on one side positive, because now we've got the small pockets of best practices across the globe. But it was more less beneficial because we didn't assert enough best practices. We didn't have enough capacity to standardize our processes and we didn't make the best use of our resources. We have teams in the different regions approaching solutions for the same type of problem.

So in the past also we tried, as I said before, different experiences of trying to standardize in best practices. But you will remember the so called perfect plan. Let me say that probably the name was not the most appropriate. It was something that was not given embrace locally. But let me say that the word value on some of the concepts on that first attempt to drive the standardization.

So today, we kept delivering on those concepts and we kept progressing and we got in some brilliance already. The plan that we will be signing based on those concepts. For instance, in Europe, we got to more than 50 service centers, the layers have been built on those concepts and some of them are today best practices, not only in cost performance, but also in safety, which is really important for us.

So having said that, it was different this time. The other time there were only a small group of people operating globally in a kind of country mold. As Tom described before, they were driving or setting best practices and making recommendations to the regions, but at the end it was the local region who took the decision of what decisions we should be implementing or not. For having different priorities within the different regions, some of the ideas were taken on board, some others were not, some others were even abandoned.

So we took all those learnings and based on that, we put the organization in place, which is very much about centralizing all decisions for plant operations and logistics, accelerating the selling of those best practices that we got in focus in the different regions and driving the standardization across all different processes. Within plant operations and logistics we've got different areas that are today completely global functions, six in operations, four in logistics.

Let me explain a bit on the operations side. We have here six areas. The first one is network planning. Network planning is, as you know, where we take the decisions of where to locate our service centers, what should be the right capacity and when we should open or shut down a service center. So, to take those decisions, it involves having to find solutions for a very complex problem. We are talking about thousands of locations where we are making collections or [additions] to service centers. We 've got hundreds of service centers, so [Stock Norte] in the network. We've got thousands of customers. So finding the optimum solution requires high skills and very sophisticated planning.

In the past we were using JDA. Today we have partnered with a very well-known partner from LeanLogistics which is called Llamasoft. It's a new piece of software that we are using to run these exercises and also to put the highest skilled resources that we had within the organization. We have centralized it in the US. We've got today a network planning central team providing planning network organization analysis globally for all the regions.

The second area is plant operations. This is about running the plants every day, daily and finding efficiencies on the processes. This area is still being kept closer to the regions. Plus it's about also managing third parties of contractors, managing labor relationships. So they need to be closer to the local realities. But their standardization will be a bowl full of them. Also, what we are trying to do there is accelerating the employment of lean manufacturing techniques all across the processes.

The next four areas are again completely global areas. So from process engineering where - is the area where we are developing technology to support our processes and also will provide support to plant operations, technical support. We have got now a global set of process engineering and the local reporting teams are having solid reporting lines to this global set. The same is happening with procurement, where they are looking after the best opportunities in buying raw materials, timber, nails and plant equipment also. They are also driving a standardization of how do we approach the suppliers, how do we select suppliers and also how we develop new partners, mainly in the emerging markets, China, India, Latin America. How we are going to support the growth we've got there.

Quality, I will cover later on with a bit more details of what we are doing in quality. But you have been listening from Kim, from James all the different quality initiatives. So we got different experiences in different parts of the world that we're centralizing those things. We are setting now all we learned. It's applying a better everyday program plus applying the European program. How we can build on that and really make another step change in our quality performance.

Last but not least, safety. Also, safety is about driving our Zero Harm program. Now we have got a central, a global head of safety who is in charge of accelerating and selling best practices across the network and how we can keep reducing the number of incidents that we have got in our operations.

Dan Dershem - *Brambles - Senior Vice President Logistics*

Good. Well moving onto Logistics. A little bit different than Plant Operations. The Logistics team is still going to be tightly embedded within the regions, although directly reporting to myself and my function. So on the operation side, we've really broken that into the three regions, which is a little bit different. In the past we had regional leaders, so we may have had somebody over in the US, somebody in Canada and then somebody in Latin America, as an example in the Americas and we have somebody now that's watching over all the Americas. Somebody is watching over all the EMEA and soon to be somebody as we continue to grow and emerge in the Asia Pacific region. We'll be putting somebody into that region.

They're really accountable for the day to day activity, that last touch before our customer. So when you look at our NPS surveys, this is an area that when we do it really well you never hear about it and if we don't do it well, it moves to the top of the chart really quickly and the team is very good at that.

The Stock Flows and Planning. I think this an area of huge opportunity for the business as we look at inventory management, the new offerings that we are putting in place, all the things that we talked about today. It's an area where we're good. But I think we can continue to get better. LeanLogistics is going to continue on. It reports to me, although Matt Ahearn has taken over the presidency and will go into kind of a core mission, as I seen Lean, a little bit later and then transportation procurement. Carmelo and I worked together on this closely and I think the unique requirements for timber and some of the other materials are so specific in the knowledge set and the requirements on transport are so unique, for at least the time being, we are going to keep the two separate. That's not to say down the road that we don't see it rolling back up together.

But procurement for us needs to be a little bit more about than just going after the lowest price. I think to go to that next step change we really need to start to look at not only alternative modes, but the ability to work much more closely with our suppliers, so that we understand as an example what are their fuel requirements? What are their miles per gallon? What is it that they're doing to manage the utilization of their equipment to help take out some of the volatility that all of us experience with fuel as it continues to go up and down the cycles that seem to be getting steeper and closer together.

Kind of moving on from kind of the four key focus areas that we referred to earlier, the other thing that we're doing here is bringing consistency across our teams and how we approach it. So within each one of the four focus areas, we're going to use the same five techniques as we move forward and you'll - what you'll see is these flow together, that they're very, very tightly linked. They all and up flowing ultimately to the customer and I've spent most of my life actually doing for profit, now which I do, I guess, for budget servicing back into CHEP. I can assure you that it's in our customers' best interests for us to be the low cost provider.

Obviously, it's good for our shareholders. It's good for our constituents. But it's also good for our customers. To do that, we're going to take these five key techniques. We're going to adopt technology. We talked about that a little bit earlier and we have some case studies later. That's going to allow us to centralize. Centralization is going to allow us to leverage our scale in ways that we never had before because we'll have fewer nodes, so to speak, in our own internal network. We are going to share best practices. That's critical and the organization is going to allow that to happen as part of what we do day in and day out verses an event around the council. Then ultimately, it all goes back to standardized operating procedures, SOPs, as we like to refer to them. So everything we do will go back to a consistent methodology across the entire globe within the supply chain.

Carmelo Alonso - *Brambles - Senior Vice President Operations*

Okay. Here we can see how we have ourselves the different savings opportunities per focus area. So let me split the four focus areas in two main groups. The two on the right side, plant network optimization and logistics optimization. I'd like to define them as something outside happening on the transportation arena. It's about evolution of length of haul. It's about implementing technology like the transport management solution from logistics, for the length of haul, for the fleet management and all that stuff and also working with customers and funding transportation synergies.

Plant network optimization - I already explained what this was about - is where we are expecting the biggest chunk of savings. This is because here is reflected the integration of the PMS network in the US with the CHEP network. We are combining our two effective networks and we are expecting big savings there, by reducing distances.

The other two buckets, standardized automation and plant operations efficiencies is very much about what's going on inside our four walls of our operations. In standard automations, we have got different levels of automation within our network. Even we can find differences when compared with regions. But also we are comparing within the same regions or even within the same country. We have got many different levels of automations. So the area where we got the highest level today is in Europe. One of the processes that is diving this level of automation is that there we've got citation process, the inspection process connected with the repair process.

In other regions all those movements are happening with forklift trucks. Just to give you an order of magnitude, every 20 FMTs that we can't remove out of the network equals to approximately $1 million. We have got more than 450 across the globe. Also, we've got different processes on how we presenting equipment into our repair cells, into our repair benches. In most of the cases, still we are bringing the pallets in as stacks, with a forklift truck, also and the operator has to move around to pick up the pallet, put it on the bench, compare it and then take it away again and put in another pallet stack.

In other plants, in other layouts, we've got an direct in-fit and out-fit for automatic conveyors. That trade difference is in productivity of plus/minus 10% and every% or point of productivity improvement we can gain in the network, again represents $1 million savings opportunity. Also, in the last part of the process, we are paying our equipment in blue. We stencil our equipment with our property logos and also because they are different types of technologies. In most of the cases we paint them manually, over spreading sometimes and then we stencil also manually.

In other - in some regions, like in Canada for instance, the best practice that we are going to set across the network, we are painting one by one in single units and we are stenciling with index machines. Also, part of selling the standard layers, which already exist, we are developing new different - new technology to assist the repair the process. We are working there in there different levels.

We are not trying to make completely automated plants, but just approaching those as a specific part of the process, which is more suitable to be able to make it. I said that we are working in three different work streams, depending on the volume of the service centers we are talking about and also the labor costs of the region where we are operating. We have got there the basic stuff. I will show you later in a video which is operating with [BandSource] for low volume, up to 1.5 million pallets capacity throughput and to assist the repair ware it's in [BandSource] mainly in the US and we are translating that experience now mainly into Europe.

For medium sized plants, from 1.5 million to 4 million pallets, we have just implemented a new experience, which is repairing with robotics assistance, that we call internally KLIPPA. We have implemented the first unit in Madrid and this unit, which is a robot using scissors to cut superficial bolts and connecting bolts has improved the cycle times by three.

Then the most sophisticated and capital intensive development that we are doing is for plants above 4 million volume, which is an internal development that we call APERO and it is a new unit that is used in milling concept. It is approaching the units of the superficial bolt through milling, to remove them and then with the robot also is replacing the bolt automatically and reneging it. The first unit has been manufactured in Spain and we are going to deploy that into a new service center in the UK in May.

That's regarding as standard automation. Then we've got plant operations efficiencies. As I said, this is very much about lean manufacturing and if you look at our processes, they are different everywhere. From the very beginning moment where we are unloading our pallets where you are seeing single forklift trucks, double forklift, triple, even quadruple forklifts. So a huge variation there.

Also in the way that we are positioning the tooling around the repair operation. Deploying Yamazumi and making Yamazumi exercises. We have measured that 15% of the time the operator is taking to repair a pallet is not really adding any value to the pallet. It's moving around. It's positioning, tooling, so a big opportunity also there.

So overall, you can see here the buckets. As I said, the main one is around plant network optimization. But then we've got $22 million coming from standard automation, $20 million from plant operations, another $15 million from logistics optimization. This is how the pipeline is looking at right now. As we got a standard methodology as Dan has described it. Every new project will fit into these initiatives.

I'm showing you some of the case studies. This is about something I commented on how we are painting pallets. So you can see here the manual process where we will stencil the pallets. We are painting the stacks and the new global standard we are going to deploy a closer network is painting in single units and use them for the stencil index machines. That's one experience that we've got in color. It's best in class across the network.

Here you can see another type of development. This is very much about customer satisfaction. This is about improving quality and one of the main critical factors for our customers right now is about raised nails, that following all the cost savings initiatives and sustainability initiatives the packages that our customers are using are getting thicker or even they are removing them and they are removing also the labels they used to put between the goods and the pallets, so nails are becoming critical for them because they damaging the goods.

So, as I said before, we try to find different solutions, depending in the region and you'll see there from a very highly over engineered machine, a hydraulic machine that we developed in Australia. The same concept in the US, but pneumatic and then a much more simple unit that we are developing in Europe, which is using [trawler] conveyors, that are really smashing the nails and getting them down again into the timber. So this last has been chosen as the best practice. We have already started to deploy it also in the US and the new plants are coming over next in mainly Latin America in Sao Paulo and in Canada in Moncton are going to be equipped with this type of equipment. Also, to give you an order of magnitude, the first pneumatic and hydraulic press machines were costing about $50,000 each. The roller nailers are costing around $10,000.

Last, but not least, the different - the three war strings to support our war repair process, as I describe it, showing at the bottom you can see the band-saws which is the species that we are massively using in the US and now rolling it out to small plants in Europe. In the middle box you can see the KLIPPA, the robotic assistant, which is just picking up the pallet, positioned into a see-saw unit, replacing timber, the pieces of timber and the reassembling of the ball has been made manually so far. Then on the top side you see there the better machine that you will see later on in a video, is approaching the join of the timber, but by milling and destroying the piece of timber and the removing it.

Dan Dershem - *Brambles - Senior Vice President Logistics*

Good. Now moving from inside the plant, as Carmelo explained it, to outside. Plant network optimization and I know that it's the middle of the morning, so I'm only going to give one test question, just one. Does anybody know what is the lowest cost mile you can possibly drive in a truck? Alright, a gimme on that one. It's the one that you don't run at all. That's really what plan network optimization is about.

So, what we're doing is we're using technology that is becoming world class. I've used several of these since the early '90s. But truly, there is a young company, that actually I know the founders and they've been working with as a partner with Lean for about eight/nine years. It is really emerged as one of the best in the world. We've taken that technology and a global team in Orlando to make this a core competency of what we do. Why are we doing that? I think from Carmelo's slide you saw there is $40 million a year at stake here in doing this right and our networks are pretty dynamic. So anything that we can do to stay out ahead of it, will continue to put us ahead of that curve.

Then within that technology, using that in the team, there is a big chunk of this that is in the synergy. So a big chunk of the $35 million that we are going after in the PMS side is really looking at the synergy of an acquired network with our existing network in re-optimizing both of them at the same time. What I have in front of you here today is just a relatively simple example. This is one that's actually already into execution and that will be consistent, as Carmelo and I are going through our presentation. Much of what we are putting up in front of you is our laid out plan through the years. But we're actually into the execution mode. In Salt Lake City today there was an IFCO location on the southern ring here of the Great Salt Lake that you see. There was a CHEP location and what the analysis came out to do was something that we're going to look to do across the entire network. So we may have IFCO plants that are doing white wood, where we would move in blue. There maybe CHEP plants or service centers today, where they are doing blue, we would move white or we may look at brand new locations. I this case it's a hybrid.

So the recommended solve is ultimately we are going to close the IFCO site. We are going to combine white wood and blue wood into the CHEP site and then we are going to open a new site to the northern region. Again, the two networks independent may have not given that solve. But ultimately bringing the two, the other did and in order of magnitude, if you look at the bottom going back to the first question, we going from roughly 82 miles to 40 miles on the average length of haul. This one small metropolitan area with two plants, we are going to eliminate about $400,000 a year in transport, so a very, very significant impact for the business.

Then moving on what's near and dear to my heart, I already self-admitted how I joined the Brambles family, but on logistics optimization, which is where I really brought up. I view LeanLogistics going forward as having two key missions. The first is becoming that platform to make sure that CHEP globally is the low cost provider and working very, very closely with Lean to make sure that we're always on the cutting edge in everything that we do and James referred to as an example in Europe some exciting things that we had done there recently.

The second part of that is going into doing what we're doing, but doing it for other customers and Peter earlier mentioned a very significant win that we've had recently by looking at combining the best of two. So within that mission how are we going to do this? Three very simple and straight forward ways. The first is any service offering that's driven by technology you have to continue to innovate. The synergy here is we have a built in ready customer in CHEP.

So a recent example that's going live right now is in Australia. We buy a significant amount of our transportation where the fleets are actually dedicated. We call them fleets or dedicated fleets, where in essence we're paying for all miles and we have sole use of the vehicle. Within that fleet component with what we built within Australia, we've recently rolled this out in a pilot example that we're taking 14% to 15% on the miles that those fleets were operating out of the system by better optimizing.

This was done collaboratively with the supplier. But also was kind of a mandate that was driven by us taking that best practice and taking Lean's technology in CHEP and building that together. Now ultimately what we have to do is we have to go pull those assets out. So by running the optimization, we know that we can get 14%, 15% of the trucks out. Now we need to in with the rigor and we will be going forward to eliminate the trucks.

Geographic expansion with CHEP. To me that was one of the key synergies. CHEP's footprint in the supply chain is almost unmatched in terms of scale and regions and countries that they operate. So Europe is a great example where we went into Europe with an existing Lean technology. We brought in, I think, 16 folks over three days and we did something that everybody would have said was impossible. We got 16 folks with different processes, different backgrounds, different countries, different cultures and literally in less than one day had them take their own process, exchange with each other and walk out and say that's a better single process.

Could that be done without technology? Maybe. Could it be executed without technology? Absolutely not. But the combination of the two yielded that. Going forward next year, that's about $4.5 million that will be coming out of the line haul component of the European business. That's a game changer for the business. Then commercial expansion, with our customers, Sara Lee. So learnings that I've had in the last four years. One is how to take an innovative, young and entrepreneurial company and then insert into a well-established and kind of global and slightly complex company at times, and the only answer is to draw the two very, very tightly together.

I think, surprising to many, when Tom asked me to take this role one of the things that Pete and I discussed and Tom was we're going to tightly integrate the two companies. So in January we actually took the services team from LeanLogistics, we took the logistics team from the US and Canada and the Americas and we merged them into one group. Not only are we getting to the benefit faster within CHEP, but actually the Sara Lee contract is almost two times larger than any contract that CHEP has ever signed in terms of an annualized basis and they bought from us because of that merged entity.

Could Lean have competed independently? Possibly. But clearly, we won that opportunity far and away because of the totality of the two networks being combined in what we presented and now the opportunity is to take that and move accelerate it much, much more faster into the remaining CHEP customers.

Carmelo Alonso - *Brambles - Senior Vice President Operations*

Okay. So we heard from Kim and James talking about quality. Here this slide we can see the consolidated picture of both the investments that we made both in the US and in Europe. I know I repeat everything that has been said already, all the good customer feedback that we are receiving, but I'm going to expand on a comment that Kim made about when we implement the better everyday program in the US and after the first year the customers were a bit like see and wait and they were able to maintain the levels we achieve. For me, this is not about maintaining. This is about how we can keep increasing and giving what our customers need, within our current capacities and within our current resources. For that we kicked off a project a few months ago. It's not a very fashion name. We call it CTQs which is used to then define what is critical for our customers today.

So with that we made a very extensive survey globally. We have contacted more than 450 customers -- not the guys doing procurement but the guys really living in the daily basis with our product, with our pallet in their warehouses -- and we asked them what is critical to them. So we got the answers now. Interesting enough, it's very consistent across the globe. What our customers are expecting from us, what is critical to them, regardless the type of platform that we are delivering, it's almost the same. It's about, as I said before, they don't want to show -- to get raised nails because it's damaging the goods. They want integrity in the superficial board because are important for automatic warehouses who are leading the equipment through the automatic headlines. Also they want cleanliness and overall dimensions. So we're going to focus on those four criticalities for customers.

We are right now defining how we need to upgrade our processes to really deliver and guarantee that we can deliver against those criticalities. We are designing also, and you have seen some piece of equipment with the roller conveyors, how we can support from our operations' standpoint, and including automation, that we're going to deliver on those criticalities. We're going to build metrics to guarantee that we've got consistency across the globe in delivering against those criticalities.

With this we're going to show you right now a video which is summarizing a bit everything we have been talking about within plant operations. It's showing the old process which is still in place and then some pieces of the new technology. As you can imagine, we are in operations and we have a low-cost mentality so this is a low-cost production video. So excuse me for that.

So this is the typical inspection process. It's an inspector with a backhaul lift assisting the operation, moving the pallet from one stack and then putting the pallet in another stack. Then we move the pallets with a forklift truck in stacks close to the repair bench for the operator picking it up and repairing. Once it's repaired, it's going to the paint booth, manual again, over-spreading, and then manual stencil, not the best quality in the world.

The new process technology which is already existing. This is a high speed inspection line. This is what we call a G3 600. This is inspecting 600 pallets an hour with two operators. This is the APERO. You see there the milling is removing the piece of board guided with lasers. This is the KLIPPA for the medium sized volume plants. It's a robot with a seesaw removing the Board. It's also able to remove connecting boards.

That's the service centre in Madrid. It's already in operations. This is in-fit and outfit of pallets through conveyors to the bench, so avoiding the movements of the operator picking up the pallet from the stackers. This is the reassembly, also using robot for the APERO. The robot is positioning the timber and now it's re-nailing. You see there it's picking up a piece of board, placing in the correct place and re-nailing. With these units, with the APERO, the cycle time is eight times higher than the normal manual process.

This is the roller conveyors. We don't need to stop the pallet. It's in a constant flow. This is the single-paint unit where the nozzles are focused on the pieces of timber where we need to paint, avoiding that way over-spread and the waste it will produce when it's spreading through the windows of the pallets. That last piece is the automatic stenciling using inkjet. The quality is much better and also it's having a benefit on sustainability because we don't need to dry the blue paint before stenciling.

Dan Dershem - *Brambles - Senior Vice President Logistics*

I think the stenciling was just a great story. I don't know if you want to tell them how we went ran that in Canada and what we had going on in other regions?

Carmelo Alonso - *Brambles - Senior Vice President Operations*

Well yes. We were not even aware that we were using that technology. Dan and myself were visiting the Canadian operations walking through an operation and then we saw it working perfectly. Then we asked what are -- and they said well, yes, we've been using this for the last two years. So that's illustrating the little -- the limited best practice saving that we had before.

Dan Dershem - *Brambles - Senior Vice President Logistics*

I'm not sure we should admit that but we are, because I think some good questions were asked earlier in terms of where you're going, in terms of the step change and how you do that. Some of it exists internally. Then the KLIPPA system was another one where actually that innovation existed on the open market. So we're going to change our mindset, not just in terms of how we collaborate internally but how we collaborate externally as well. That's where we're going to find the step changes.

So moving into the savings here, a little bit in summary. We've gone through the $95 million that we've committed to. This shows what our intentions are in terms of how it's going to roll out. Some of this is planned some of this is already into execution.

We went through the four focus areas that we're going to use to get there. This will become a language that will become very familiar to you as we move forward around standardized automated processes, plant network optimization, plant operations' efficiencies and logistics optimizations. Then, within that, the five key techniques that we're going to use. Notice that we're operations folks here. We've been very consistent in what we're doing. But we're going to use those five techniques across those four focus areas to deliver these results.

From my perspective, as we summarize this, being organized globally was a critical component to this and having joined the family of companies from the outside, watching it from the outside a little bit as we were trying to integrate and now being tightly integrated, to me that's a critical component and gives Carmelo and myself and our teams great confidence that we're going to deliver.

Then my good friend and colleague, Kim Rumph, mentioned earlier that these are all pretty slides, but really the results and the numbers are what counts. So the confidence that I'd like to leave you with today is not only do we have the $12 million -- or, excuse, me, the $15 million that we committed to in FY '12. We know what it is. It's either delivered or well on the path to being delivered. Then as we look out to FY '13, which is the next step change, FY '13 is already into execution mode. So we're going to continue to build along that.

Then in each one of these buckets, it's like managing a sales pipeline. Every time we find the next E CHEP every time we find the next KLIPPA system externally, whatever it is, we'll continue to manage this in. But you'll see a consistent methodology and way of communicating from us moving forward. With that, I'd like to thank you for your attention and staying awake on the last presentation. Thank you.

QUESTIONS AND ANSWERS

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

Well that that is the last presentation. As we said earlier, I'll just serve as the facilitator here as we open for questions. We probably have another 15 or 20 minutes of questioning and we're right on track. So why don't we open up to the floor?

Unidentified Participant

Just in terms of some of those plants' improvements, in the past a lot of it's been a bit of trial and error. Certainly with what we've seen in Australia is you've got some manual processes, you've got some automated processes. Although the machinery is a lot faster, if you factor in the downtime, they're pretty much the same. So how much of some of this proposed technology is -- you've had a decent amount of trial period that you're confident you will get that step improvement?

Carmelo Alonso - *Brambles - Senior Vice President Operations*

Yes. Well something I didn't explain to explain is that whenever we're doing layers now -- and it's a big change from what we were doing in the past -- is that we make simulation. We've got now a piece of software where we are simulating the speed. We can identify very well where the bottlenecks are and we're working to removing them. So before making any investment, we simulate everything to guarantee there is a flow and the efficiency of the installation is above 85%, is the minimum we will require to go for any plant investment.

Unidentified Participant

Then just one for Dan, is, waiting out your cycle to four years for Lean Logistics to get properly integrated into the CHEP framework. What's taken you so long, if you don't mind us asking?

Dan Dershem - *Brambles - Senior Vice President Logistics*

It's a couple of things. Some of it's timing. I think we all remember what was occurring post March 2008. So we just crossed our fourth birthday, so to speak. So clearly there was a lot going on with the global financial crisis and, quite frankly, some challenges within the US business that we've gone through. So I look at that every day, not just as a platform to drive the core businesses, but also that piece was something that's helping us bring them more closely together.

I think the other piece -- we talked about the horizons, Horizon 1, Horizon 2 and Horizon 3. Lean is clearly a Horizon 3 business. At that time, underneath Tom's leadership and Greg's strategic leadership, we were just starting to learn that nomenclature. So I think today we would actually have enough analogy of even thinking about how to integrate where in the past we didn't.

Then, I think, a little bit on the Lean side. We didn't know how to work with the Horizon 1 business here. So, given some of those challenges, I think there was a little bit of a tendency on our part to distance when you ran into those issues versus embracing them and just saying we're going to organize around it and we're going to find the best answer.

But what I don't want to convey is that there hasn't been any momentum. The Lean business is on track and we're then double in terms of revenue in the four years. There's no way, through the financial crisis, we could have done that on our own. It was a small company with a balance sheet servicing very large companies. The intent behind that comment was just how much I see it accelerating and, really, the vision and, to some degree, the dream, that I think we had when we entered into it, to now see, through the tight integration, how much more quickly that's starting to move forward.

Unidentified Participant

Yes. I'm not sure if this is relevant, but I guess my question's to Dan, and probably Toby as well, from a marketing perspective, looking at the savings. So you're talking about network optimization and logistics optimization. Part of that is also, I guess, a carbon footprint pallet reduction as well. From a marketing perspective, how important is that to your customers? Running around talking to retailers in Europe, it seems reasonably important. I'm just interested, from a message perspective, how important is that?

Toby Black - *Brambles - Senior Vice President Strategic Marketing*

I think the sustainability agenda is different by different customers. It's also gone through some waves. So I think probably three years ago sustainability was really at the top of a lot of people's agendas. I think, particularly in the European market with the economic crisis, sustainability has dropped back down the agenda a little bit.

I think now I see much more customers are talking about sustainability again as really a key driver for them, particularly the retailers who have a focus around their proposition to their consumers. So when a particular retailer has, as part of its value proposition, a sustainability agenda, typically the manufacturing customers into that retailer get very energized around it. So I think it's very good news for us. We're very well positioned to provide a sustainable service offering on our core platform. But also we'll be doing work around producing a carbon neutral service offer as well. So we can really offer to our customers for the first time a pallet which has a zero carbon load, as they say to the --

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Dan Dershem - *Brambles - Senior Vice President Logistics*

If I can say, I think this is one of the most frustrating things for me as the Chief Executive, and I think for a lot of us as Brambles employees, we actually have a fantastic sustainability message. We have under-messaged that or under-exploited or under-communicated, however you want to talk to it. We really provide a very recyclable sustainable solution. I think what you'll see tomorrow, if you juxtapose when the IFCO guys present, you'll see a group of guys that really jumped on that messaging and communicated it extremely well.

Obviously Toby didn't cover everything that the strategic marketing group is working on, but a big component of what we're working on is to bring that sustainability position to the market in a more proactive way. Then when you put on top of it -- I am sure you were doing the math. If you look at the CO2 footprint, that improvement just from that Salt Lake City example, that's the type of stuff that we need to start articulating better.

Most of our customers around the world, using the US example, have said being green is important but the green back is more important. That's sort of the message you get. But clearly having the two together, it's got to strengthen our position in being able to win business. So it's something that I think the marketing team has really got to grasp more aggressively.

Unidentified Participant

Just a question on the last-mile solution. You've got two retailers, major retailers like Woolworths, Tesco that runs around a roll cages just down to the store. How easy is it to penetrate into key customers, key retailers that last-mile solution when there has been that large amount of investment into fairly specific solutions?

Toby Black - *Brambles - Senior Vice President Strategic Marketing*

I think the reality is we're better off approaching retailers at the early stages, so when they're developing their supply chain solutions in the beginning. We had the opportunity to do that in many markets where it can really shape what the retailer do in terms of last-mile. I think when retailers -- and we're not there to provide a service and retailers create their own solutions, it is much harder for us to displace those existing solutions in the marketplace.

However I do see in a number of cases of retailers who have a significant difficulty in terms of asset control of those -- the assets they own themselves, they have got a difficulty in terms of repairing and maintaining those fleets of equipment they have in their market. They have difficulty controlling stocks of those assets and at their stores and also their DC locations. So I think we still have a very strong value proposition for retailers who've already got existing solutions in the marketplace. But my priority would be to shape the market in the right way first and then to go after retailers who've already got an existing solution in the market.

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

Well I'll take it that we just beat you down. See the dragging it on does pay. So, look, I want to thank you again on behalf of the whole team. We've worked very hard, as I said, for this day. This is the end of the Pallet Team's presentation. Obviously we'll be with you for dinner tonight, but a heck of a lot of work for the executives that presented. As you all know, even more work for those that support the people that speak. So a heck of a lot of work around our Company.

So with that, I might just turn it over to James, real quickly. He'll share with you some of the housekeeping between now and dinner plans. Again, on behalf of the Pallet Team, thanks very much for the day. It's appreciated.

James McCarthy - *Brambles Limited - President CHEP Western Europe*

Thanks Tom. Just a few more under housekeeping things. So tonight we're getting a bus to a restaurant in the hills which, with it being a clear evening, will hopefully give us a nice view back over the city. If we could meet in the foyer at 6 o'clock that would be great. We want to get everybody loaded on. We've got one double-decker bus, so hopefully our chances of losing any of you are less with fewer buses, but we will need to count you on to the bus and tick you off. It will be a bit like being on a school excursion, but please bear with us and cooperate with Eve and [Herina] from American Express who are helping us with the logistics for this event.

Louise Sellers will have sent you an email about what table you're on tonight. If you haven't got that email for some reason, don't worry too much about it. There will be seating assigned with cards on the tables. If for some reason you're unable to come tonight, please do let us know as soon as you possibly can so that we can make sure that we cross you off the list and don't wait to count you on to that bus.

A couple of other minor things. You might have noticed you've each got a very attractive mini- display pallet on your table. Those are for you to take away if you wish. Likewise there's rather a large amount of Ferrero Rocher out there if anyone needs an easy and cheap gift for their family.

Tomorrow morning we're starting early. We're starting at 8 o'clock in this room. We've got another busy day but we'll moving around and about a bit more, but we'll be kicking off with presentations at 8 o'clock in this room. So if you could try to get here just before 8 o'clock so that we can kick off sharp. Thanks very much.

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PRESENTATION

James Hall - *Brambles Limited - Director, IR and External Communications*

Morning all. If everyone could be seated we'll get things kicked off. Just as yesterday a couple of quick housekeeping issues before we start. Obviously you're going to hear from Karl, Michael and Wolfgang from the IFCO business this morning. We'll have a brief break after Karl's presentations so that you can have a proper look at the product display and then we'll be heading off at 10.45 for site visits.

We'll be out all day. Lunch we'll have at a restaurant in between the two site visits. Then we'll come back here briefly and then we'll take you out for dinner again tonight. So same deal as last night, if everyone could be in the foyer at 10.45, we'll get on the bus and we'll get out to the site visits. Thanks.

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

Well good morning everyone again and thanks for coming back. It looks in fact like most of you did, so I'll take that as a positive. You would have had to have had a very difficult night or have poor eyesight to realize that today is -- not to realize that today is the IFCO day. So not only do we have a fair bit of product demonstration here but there is the classic goody bag as well. I'm personally very excited about this day.

First of all I thank you again for yesterday. It was a very long day, there was a lot of information shared. Many of you obviously were writing reports, or some of you were writing reports overnight. So in addition to sitting through a lot of information you're also obviously doing your jobs as well. But I really want to commend all of you for the focus and attention yesterday.

As I've said repeatedly the presenters put a lot of work into this and it was clear that it was received and understood yesterday and your ability to keep the energy up throughout the day was greatly appreciated. So from all of us at the Brambles team, thanks again for yesterday.

Today however is really about RPCs. You're going to hear from the gentlemen on the stage, Karl, Michael and Wolfgang in a moment, but we're very excited about this day. We've now almost been a year Karl, I think, since the acquisition -- we're approaching a year. I have to say, it's been a great acquisition. It's been a great coming together of two really powerful companies and powerful brands. And we have been able to work very well together over the last year.

Throughout today's presentation however the focus is really going to be on the IFCO brand. So as this slide shows, we run the RPCs unit as a business unit and Karl is in charge of it. But as discussed with you yesterday, particularly in Jurie's discussion and to some degree some of the comments that Dolph made; we still leave the RPC businesses within ANZ, so Australia, New Zealand and South Africa. They still report up into the CHEP structure. You'll hear from Wolfgang and the other guys here on how there's great sharing between the businesses. But in terms of the main focus today it's really going to be about the RPC business in Europe, North America and South America. So if you can just keep that in mind as we go through I'd appreciate it.

Again, just to come back to the concepts that we shared with you yesterday. As I said, we constantly come back to this idea of Horizon 1, Horizon 2 and Horizon 3. That's really in terms of -- again, just a way for us to illustrate how developed each one of those opportunities are. You can see here that the size of the prize in each one of these circles is very large. So even though we might say that the business is more of a Horizon 1 business in Europe, the opportunity is still significant. You can see those data here and you'll get that theme from all three gentlemen as they talk to their business throughout the day.

Just a quick comment on the three. So you can see that they have a very similar wardrobe anyway, so they can select their ties well. But I have to say that all three guys have an enormous amount of experience. They've been together for over a decade as a team. They bring not only that great deal of experience, but there's a level of chemistry and camaraderie that those of us that worked on the acquisition of IFCO, we identified early on from the beginning and we really wanted to keep the team together and we've been fortunate enough to do that.

I think when you look at an acquisition, often times there are things that you're concerned about, but I have to say here that the leadership team at IFCO has been really a pleasure for us to work with. They've been open, they've been very transparent and we've done the same back to them. Thus far, as I said, as we approach a year, all things are very positive from a Brambles perspective.

But the importance of today is not to listen to me, it's to listen to the IFCO team. So with that I'll step off and introduce to all of you Karl Pohler who is the Group President and CEO.

Karl Pohler - *Brambles Limited - Group President of RPCs and CEO of IFCO Systems*

Thank you Tom. Good morning everybody. As Tom said, I mean I've heard that question several times last night; how do you guys feel within Brambles. And I can 100% support what Tom has said, we feel really good about the transaction. We feel really good to be in the Brambles family. I mean the reasons are obvious. Basically I think that this coming together was a perfect match and we as a management team were supporting it from the first day on. Because synergies are on the table and I think for us it is very important now to be in a company which can secure our growth. Because as you will see later on, this Company has huge growth potential and obviously we need capital to drive that growth. So that is really the guarantee for us, for the management in IFCO, that we can even accelerate our growth going forward.

We are happy to be here today to present IFCO basically and I can tell you we are very proud about IFCO. This is only the sign of our ties here, because we spent together for the last 13 years as a team and we developed IFCO from a so-called financially stretched problem child in 2000. Some of you would know that IFCO was in big trouble in 2000 financially. We restructured the Company and we brought them back to the growth path and today we are in fact the leading provider of reusable packaging worldwide. So that's really the story and I can tell you we are really proud about it. So IFCO is somehow -- I call it sometimes our baby and hopefully you will see that during our presentations.

During the day, during the 45 minutes which starts now okay James. Count the watch now. During the 45 minutes I will give you an overview about our business model, our unique infrastructure, our markets, our competitors -- if the lawyers allow me to talk about that. We will see later on. There are no lawyers here in the room? No, good. As well as the strategies going forward.

Let me start however with a very, very short overview glance what IFCO really is. Basically I said it before, we are in fact the worldwide market leader in reusable packaging solutions, focusing on retailers and its producers in the fresh food industry. Today our operations are focusing mainly on fruit and veg, that's really our core market. I would say that 90% of our revenues are coming from this field. But we are now at the stage where we're developing more and more products to tackle more areas in the fresh food arena.

Worldwide we serve more than 125 retailers using our services and approximately 8000 producers are ordering IFCO crates worldwide. We have today a worldwide presence of 36 countries all over the world, in Europe, North America, South America, as well as you heard from Tom, Australia, New Zealand, as well as South Africa.

We operate today 170 million RPCs, generating more than 725 million of so-called trips. I will explain in more detail what a trip really mean to us. Depending from the country these crates come usually up to 10 sizes in order to make sure that the grower has the right product, the right packaging for his product.

You will hear from Wolfgang later on, we have a unique service in center network with more than 70 service centers worldwide, which we control and operate. Most of these service centers are outsourced but are directly controlled by us.

Let me now give you a short overview about our history. At IFCO you know it started in 1992, when IFCO was founded in Europe basically and this is something which is a long time ago. In 2000 the Company went public and at the same time they went into trouble. I already mentioned that. In 2000 we took over the Company, we restructured it within two years. 2002 was the debt restructuring, the operational restructuring was done before.

Since then we were growing the Company. In 2003 Apax bought the shares from the bond holders who agreed to the debt to equity swap and since then I think we did many things. I think very important to mention that in the year 2006 and 2008 we bought two of our competitors. One of them was CHEP in the USA, we bought the assets of CHEP USA to accelerate our growth there. 2008 we acquired a European competitor called STECO, integrated it into IFCO.

As well in 2009, we entered the Brazilian market because there was an opportunity for us to go in there. We implemented our infrastructure there and today we are the market driven market leader in that country. Basically between 2009 and 2011, we established a series of new products for fresh food in order to target new product applications with our pooling services. As you know, 2011, Brambles acquired IFCO. We integrated meanwhile the European CHEP RPC business in our organization. Everything went very smoothly and nice. Customers were quite happy about that integration and basically that's our story. Today we are here to tell you where we are going from there.

The next slide gives you really our business propositions. We have a very, very easy and straightforward message to our customers. What our services do, we reduce cost and we save the environment. That's really the key bullets which we communicate with the market. Basically that's what we do. I mean if you see the studies which have been published by Fraunhofer, the latest one is from 2008 which is obviously updated every time. This clearly says that if you use IFCO compared to with traditional cardboard you can save up to 23% in the supply chain. That's a big number and that's one of the reasons, or that's the main reason retailers are increasingly using reusable packaging, because they also did their same studies and came more or less to the same results here.

The saving's mainly for the retailers. They are in the point of sale as well as in the DCs because our product, due to the structure of the product, creates lower spoilage of the product, so they have less waste at the point of sale, longer shelf time, which means they can sell the products longer in their stores. Obviously there's no repacking of the product in the DCs as well as in the stores. So that are the main saving categories which the retailer has here and if you see the entire supply chain you can save up to 20% or more.

So that's really the cost side. If you look at the environmental side you really reduce waste and that becomes a more and more important issue for the retailer. If you look at the annual reports of the retailers, you see that every retailer is trying to really express very, very highly that they take care about environment, that they do everything possible to be sustainable.

That really helps us now and even accelerates the demand for our DCs because here also you can see studies which are published that reusable packaging is superior compared to cardboard in terms of sustainability. I don't have to read that to you. It is clear just to talk about the waste. Our crates -- breakage rate of a crate is below 1%. So you can use a crate in theory, but that's also why we do up to 100 times. Even if the crate breaks, there is no waste because we can granulate the crate and can build a new one out of it.

So that's really the main advantages and as I said before, that really helps us to sell our services to the retailers because they also market that environmental friendly packaging to their consumers.

The next one's our cycle. I mentioned the trip, 750 million trips and I thought it's a good idea that I show you a short video because I think that a video can tell you more than 1000 words and I would like to start the video please.

(Video playing)

Good. Now I think you've got an idea what a trip is. A trip really means, you know, delivering the crate to the grower, going to the retailer, collect it again and wash and ready for the next trip. I think it's important also to understand how the money flow is, basically who is the customer and who is paying the bills for our services.

Basically the customer's the grower, because he orders the crate from IFCO. So we charge him the one-time trip fee and this authorizes him to use the crate for his product to ship it to the retailer for a one-time purpose. So that's really how it works. Basically obviously he charges then the trip fee to the retailer basically together with his merchandise.

It's also important to mention that we charge a deposit to the grower basically and there are certain ways of doing the deposit system. I think Michael will explain to you later on in more detail how our deposit system works. But basically every crate which we ship has some kind of deposit system with it. In Europe by the way the deposit is EUR1.50, which we charge to the grower every time.

Let's have a look at the value propositions. I think I already mentioned the value propositions for the retailers which are benefitting the most from using RPCs, savings up to 23%, lower spoilage, no repacking, but also the grower has certain advantages. Basically he delivers better and fresher products to the retailer, so their rejections are much smaller in our packaging than in cardboard, which is really money for him. He has products available for every kind of product he's merchandising because of our range of up to 10 products, different crate sizes.

Obviously he has no stocking of packaging material because we do just-in-time delivery so he doesn't have to stock the product. Basically we deliver in 24 hours to him. So that's the major value proposition we have to growers as well as to retailers, huge savings, and environmentally friendly packaging solutions.

The next slide I show you the logos of our most prominent retailers here. In total we serve 125. These are just the logos of the most prominent ones. I think it's very important to understand the structure. Although the growers are our customers paying the trip fee bill, the guys who really decide on the packaging are the retailers. That's why we really focusing our sales efforts mainly on the retailers.

Once we have convinced the retailer to use RPCs, we are in business because basically the retailer will then thereafter order their merchandise in IFCO RPCs. Because that's also, I think a unique and a good thing because we couldn't probably deal with 8000 producers and convince everybody to use RPCs. So I mean the model really calls for succeeding to convince the retailer to use our product here. Obviously we also have a key sales force for the growers in order to make sure that they understand the product that they use it correctly and are in favor of using our services here.

Basically the pricing is public. They are agreed with the retailers, they know our pricing. If you go to the internet you can find our pricing in Europe. You can find the pricing for national markets, for importing or exporting. So they are public to the growers as well as to the retailers. So there is no really dealing about the pricing, it's a part of the package here, which I think is also important so there is no further negotiations on that.

Basically what's also important that retailers really drive also the specification for new applications as the new products, which I will talk later on, are developed together with our retailers. As I said before, I think the commitment to sustainability really drives and accelerates the demand for our product.

But I can tell you many things about our retailers but let's hear what Safeway, one of our retailers in the US -- we started with Safeway two years ago. It was a long journey. It took us nearly three or four years to convince top management to go away from cardboard, especially the buying people. They are used to use cardboard and also on the display arena they have their certain way of displaying products. And it took us a long time but in 2009 they started the first test and today Safeway is a strong believer in IFCO and are converting now their cardboard business into RPCs. But let us hear what they have to say.

(Video playing)

So what a nice pitch huh? He really got it. I think our sales force did a good job on him. But they're really convinced. I mean they are converting, the decision is done and this is a retailer which are using more than 100 million packaging just for fruit and veg every year. 100 million of packaging can be now converted over the years by us I think and that's one of our great opportunities in the United States.

Let me now look at our regions. We are operating, as Tom has said, in four regions today. One of them is -- he said that, Australia, South Africa, as well as New Zealand, which is not managed by us. It is basically consulted by us for best practices. Let me start with our main region, our biggest region so far, Europe. Established in 1992. Basically had a revenue in fiscal year '11 of $455 million. The growth in the first half fiscal year '12 was 16% but I'm very proud to say that the organic growth was in the IFCO operation, was in the first half 21%. So we are seeing strong growth in our European market, strong organic growth, and we are very happy about that development. We operate in Europe 115 million RPCs.

Second market which I want to talk about is North America. That's the market which we really put a lot of effort in and I can tell you it was really hard to get it started. But now we have established a unique infrastructure in the US and as you will see later on, many, many retailers are jumping on our services. Currently our revenues are $119 million in the US. The growth rate in the first half was 17% (sic - see press release). I have to say only 17% because this is really below our expectations. We were facing some kind of delayed conversion of some of the retailers, because we expect in that market a much higher growth rate.

So growth rates up to 30% is something which we really want to see in that market and obviously the market is there. In the first half it didn't materialize but the only reason for that -- and I can really tell you is that the conversion of their packaging, of their cardboard packaging, into RPCs didn't move as fast as we have expected. But this market has huge growth potential ahead of us and if you see the big shots here like Safeway or others, of Kroger, Walmart, they have huge potential and their usage today of packaging in cardboard is so enormous that this is really a market where we are focusing on and we are very confident that this market can develop and also can reach the size of Europe in the future.

The third market which we're also in for many time, for long time, is South America. We have today a leading position in Argentina for many years. As you have seen before, 2009, we went into Brazil because there was an opportunity and today we are by far the dominant and the only -- in fact the only provider of RPCs in Brazil, very fast growing. As you can see here, first half was 19%, although the revenues are still on the small size, $22 million. But starting from scratch I think it's not a bad number.

So that's really the four regions we are operating in. Let's have a look at our historic statistics for a while. Okay, that I think is quite a nice growth over six years. We have a good track record of growing the Company. As you can see here, our CAGR growth for the last six years was 14%, which is, from our point of view, there's not so many companies around in that area who can present these numbers. We almost doubled our revenues in the six years as you can see below.

We increased our customer base by 50% but we also increased our pool efficiency and turn rate. Because you may notice that our pool number only increased by 38%, that's really one of our goals. I think Michael will focus more on that. Increasing the efficiency, increasing our ROCI, increasing the turn rate, that's what we are focusing on every day because basically the more we turn the crate the better the returns are and the better the cash flow of the Company is.

So I think pretty good numbers here and just look at the first half '11. Total Company, we're growing 28%. The organic growth of IFCO in this period was 22.7%. So the Company is continuing its growth path further on.

Let's have a look now at the key characteristics of our RPC models by region. Obviously the underlying fundamentals, which Wolfgang will explain you later on, are the same everywhere. They're all using the same [key] systems, they're all using the same processes, but we have certain market variances and I think it's important for you to understand.

Let's start with Europe first, our main market today. The market itself, the retailer situation is highly consolidated. However, at the grower landscape you have a highly fragmented situation. Many, many small and medium size growers are supplying here the consolidated retailer base.

Our key features here. We have medium to long-term contracts with the retailers in Europe. Usually they are up to three years, sometimes longer, sometimes shorter. But three years is a good average here. We pay the retailers for logistic services, so-called logistics remuneration. They do services for us in the area of collecting the crates, as you have seen, sorting the crate by crate type as well as palletizing them for IFCO. Some of them even transport our products back to our service centers and we pay them for that, that services -- basically this is called logistics remuneration and Michael will focus more on that later on.

The price list by country. Standard pricing for growers, I mentioned that already, that is in the market. We have a cash and a clearing deposit system, again which ensures that if the crate get lost, we have a recovery. Obviously EUR1.50 is not what a crate costs but at least we have a good recovery of our product here. I think it's very important to understand that in Europe all the contracts are exclusive, so the retailer decides that he only wants to work with one pooler. So if you have the retailer he is with you in this contract and he is bound to use -- if he uses RPCs only -- the IFCO crates. So that's really the characteristics of the European markets.

North America is a different market, it's more or less an open market. There's no exclusivity from the retailer. The retailer just commits to RPCs. He declares his willingness to the growers, okay, I want RPCs, I don't want cardboard, please ship RPCs. Then the grower is free to ship an IFCO crate, or in the US, a crate from Georgia-Pacific. So the competition is more at the grower side.

This is also a situation which is basically borne out of the landscape, because what you see also in the United States, there is an absolutely consolidated retail structure, but there's also a consolidated grower structure. Because you find in the United States much more bigger and solid growers having more power against the retailer than basically it is in the European area.

So it's an open market, the retailer just decides for RPCs and then it's a competition at the grower side. Usually we don't have contracts with retailers, we just have some kind of rolling agreements with them to use RPCs. Basically we compete at the grower's side. We usually try to have contracts with the big growers, one year contracts up to two years contracts. Basically we have a standard pricelist for them and based on volume, based on where do they ship their product to, to reflect their better turn rates, we have individual contracts and terms with the growers in the United States. We have a deposit system with the growers, so if the growers lose the crates they have to pay us for that, but we don't have a deposit system with the retailers in the United States but we have very strong commitment from retailers to recover the product and to support us in our asset control activities.

Number three is South America. Here the market gets increasingly consolidated at the retailer side, but it is not -- still there are a lot of small little regional retailers who are serving the market and the grower landscape is also very, very fragmented. We don't have retailer exclusivity but -- we have retailer exclusivity, sorry, in that market, but no logistics remuneration for the service they're offering because we have a different net price system in that area.

We have a standard price list in this countries, Argentina as well as Brazil and we do adjustments for inflation and that is also part of the contracts we have with the retailers and also with the growers. So if the inflation is there we are covered by this agreement. We have full responsibility for asset transfer system. So that's important in this kind of markets where an RPC is really an asset for many people. Our loss rate in these countries are very, very small and if you lose it we have a full recovery because the grower as well as the retailer have to pay for any losses in the system.

Let's now have a look at our market -- our growth potential. I have to say that this is a pretty busy slide here. Basically what it says, in a summary, we have significant growth potential in an underpenetrated market. If you look at the entire packaging market in Europe and Americas you see that it's usually talking about a market of $6.2 billion are spent every year in order to transport fresh fruit and vegetable. So it's an enormous big market which we cover here.

The penetration actually in these three markets I'm talking about here are currently 19%. So 19% out of the $6.2 billion are today covered by RPCs and $5 billion is currently unserved, so that really underlines the huge growth potential we have here because we can grow into that market. We can eat up market share from the existing cardboard industry.

Let's have a look at Europe first. On the right side you see Europe has an overall address of the RPC market of $3.9 billion. The penetration is 26%, so higher than it is in countries or areas which we developed later. 26%, the penetration is more or less shared by us. We have 50% of that and the remaining share is covered by competitor, the biggest one is Euro Pool System, a company based in Holland, owned by cooperatives. They currently have, according to our estimation, 40% of the market and we have also some local competitors in Italy which is CPR, owned by the co-op organization, as well as Polymer Logistics.

So that's the market, we have a pretty good handle in the market, pretty good position here, competing with IPS - I will not say competing but really growing to the huge potential which we have here. Unserved $2.9 billion, so that's the market we can grow in here. Some of that -- a big part of that is also underpenetrated in retailers which have already used RPCs, so there's a huge potential for us also in the European market ahead of us.

If you look at the US, basically $1.8 billion, which we see as a potential to be addressed here. Penetration currently is 9%. Out of that 9% we have 7%. Our competitor in that market is Georgia-Pacific with 2%. But in fact we are really driving the market. As you know, Georgia-Pacific is a cardboard supplier basically and obviously that shows how serious the situation is that they also want to use RPCs offer their product -- offering RPCs also to their customers in case they cannot convince them to use cardboard.

That's the situation there. Basically the market size today covered is $162 million, our market share in that market is 78% and the market, as I said before, is wide open. $1.6 billion currently unserved and we're accelerating our efforts to get into this market every day.

The third market -- smaller than this, is South America, $500 million addressable market. Currently we have a market share of 5% -- out of -- penetration is 9%. Out of this 9% we have 5% and there is some local competition in Chile, which we don't cover today and as Chile has a quite significant market, they have, in the South American market 4% market share. Still a long way to go. Also this market shows us a lot of growth potential in the future and especially in Brazil we are trying to see more customers coming to us and I will address that later on in my presentation.

Page 25 shows you countries like Australia, New Zealand and South Africa, I think pretty mature markets with decent market potential. Obviously Brambles and CHEP are the only providers of RPCs in these markets.

The next slide, it's called competitive advantage but I would call it high barriers to entry, that's really what it is. It shows you what we really need in order to compete with IFCO on a global scale. I think we have an excellent worldwide market position with high barriers to entry. Unique work by the infrastructure and if you really want to compete with IFCO you need basically the crates -- and we have done substantial investment today. We have a $629 million carrying value of RPC pool right now. That is what you really need if you really want to compete with us worldwide. Having more than 150 million crates under our control.

We have a unique geographic network nobody else has, more than 70 service centers, which you also need. We have long lasting relationship with retailers and growers and that's very important. It's a very specific market. You need a lot of know-how about the market, you need access to the retailers, you need access to the growers, so you have to spend a lot of time as well as getting the right people into your infrastructure to understand this kind of need.

We have superior market knowledge in that market because it might sound very easy to you, the trip is very easy. You hand over an RPC washed and you pick it up, collect it and wash it again. But it's a very complex market because we are dealing with fresh fruit and -- fresh food and vegetable. The sourcing of that product is globally. So the retailer today in the world, they source the products all over the world. If you have 10 different sizes of product you really have to know in advance what kind of product, what kind of size, in what kind of volume, at which location the retailer will demand the product.

So that's really a very complicated system because once he's ordering it he wants the product to be delivered next day. That's really one of the knowledge we have built up over the last 20 years. How do we manage our pool, where do we locate our crates, in order to service our customers just-in-time.

That's the knowledge which you have to build up. I think that if somebody really wants to compete with us he can buy crates, he can buy -- maybe also buy infrastructure but the market knowledge, the know-how about how to handle the crate is really [hard] to buy and that's why we say this is really a high barrier to entry for somebody to get in.

Finally, volume plays a very important role, because if you have such a huge infrastructure, the more volume you can pump through the network and the more economy of scale you have, the more fixed cost digression you have. So just imagine 750 million trips, if we can lower our cost in that area, our cost of goods by $0.01, that means $7.5 million more profit. That's what we're doing every day, that's Wolfgang's really main task to get the cost of goods under control, to get them lower every day or at least to keep them at the same level, because that is pure profit which is dropping out of it. So increasing volume and decreasing cost, that means more profit and that's what we are up to.

That's exactly the highest barrier everybody would have to go into it because you have to invest in crates, you have to invest in infrastructure, you have to invest in people. But if you don't have volume to support your infrastructure, I mean you are dead, because I mean the profits -- it's a long way for you to get profits out of an organization with all the investments and low volume.

Let's talk about our growth strategy going forward. Basically we have a three pillar growth strategy which we are implementing. Number one, basically as you have seen in the potential, we are focusing first of all on increasing our customer penetration. As you have seen, huge potential we have here and in our existing retailers -- just to give you an idea, in our existing retailers in Europe, we can double our revenues in Europe without winning one new customer, just converting their currently used cardboard business into RPCs. Because that's basically the lowest hanging fruit, so our sales force is focusing on that very extensively in order to get more and more products within our existing customers, retailers, into RPCs.

But we're also targeting the multi-nationals very much. I think that IFCO is the only provider today who can say that we have customers like the Walmart, not only covered in the US but also covered in Brazil, in Argentina, as well as a part now in the UK. We have Carrefour. We are the main provider for Carrefour in their European organizations, we have REWE, also a multi-national from Germany, which we cover not only in Germany but also in the developing countries in East Europe.

So that's the focus we have here and there's also a new category of retailers now very interested in RPCs, that is the hard discounters, like Aldi and Lidl. You know, they have dominant share in Germany and expanding their services to also other European countries. For them RPC was a no-no for many years, they were using cardboard. But now they're opening up because they're experiencing first of all the need to be more sustainable and secondly they also seen the economic advantages. So we see a big potential here in winning the hard discounters and we have a high focus on that as well.

So pillar number one is increasing penetration, second is geographic expansion. I think we have proven that IFCO can do it very quickly, Brazil is one example. We will continue our expansion in North and South America, Canada. We recently won Loblaws in Canada, so we are expanding our North American organization here quite nicely. We have now quite good presence in East Europe countries which are now developing. We are now represented in six countries in East Europe, expecting future growths because we think that these markets will develop very nicely in the future and we are already there supporting the retailer base.

We are looking also in new markets like China or India. I think China is a very interesting market for RPCs because sustainability is really something which I think the government takes care of very, very seriously, as well as more and more European or global retailers are moving into this organization. Once the grower infrastructure gets more consolidated I think that is a market which we definitely will look into in more details in the future.

Obviously we're also open for further acquisitions but it requires that these acquisitions have to be fit 100% our core business and can be used within our infrastructure because we want to leverage our infrastructure because we know if we put another business on our infrastructure it is much more profitable than before.

The third pillar is product innovation and you see some of the products. I think IFCO is developing itself from a service company which was concentrating mainly or purely on fruit and veg now to a company which are offering to the retailers, reusable packaging solutions for the entire range of fresh produce. You see a meat crate here, you see an egg crate here, we have a bread crate as well. We are developing more and more products, together with our retailers, to cover the entire market -- our market -- the entire market of the retailer.

This is driven by IFCO, but it's also driven, I would say at the same time driven by retailers because they see the advantages of having a uniform packaging in their DCs as well as in their warehouses because the savings are even bigger for them using the same format for all kind of fresh products here.

So that's really the enhancement of our strategy. Not going away from fruit and veg, no accelerating the fruit and veg business, but at the same time bringing new applications into the markets in order to gain more market share as well as in order to increase our services in the supply chain of the retailers.

Just a short look at the diversification as well as the opportunities we have in Europe. On the left side we have a moderate retailer concentration. As you can see here that was much more worse in this three, four years ago. So I think basically yes we have, I would say, three, four, five bigger retailers but I think I would call it a moderate retailer concentration but high potential to increase penetration. This is the adjusted pie of the top 25 retailers we serve in Europe. 55% is covered and 45% of their packaging in fruit and veg is still open.

This is just an example of one of our prominent retailer from Germany. We are developed, together with them, his penetration 2009, he had a penetration of 28%, currently we're targeting 57%. So we're increasing the penetration by 29% and we are targeting together with him 70% and higher over the next two, three years. This again is a retailer with more than $100 million potential and that is just an example how we're developing our retailers in order to get maximum penetration within the organization.

The diversification US is also developing very nicely, as you can see, in 2009 basically we had five retailers in the market which we serve, today we have more than [15] retailers. So we built the retailer base within three years quite nicely here. We decreased the dependence from Walmart. Walmart, as you know, was the first one who moved on our services, but today we have a nice infrastructure of retailers, a nice boutique of retailers using our RPCs. Out of the 15, I would say that 10 are in the early stage. Some of them are in the test phase, some of them are using our crates in the wet room arena, but all of them are committed to use RPCs and it's up to us to develop these retailers in the way we developed Walmart as well as Krogers or also Safeway.

The growth potential, again, pretty good. 90% is covered, 80% is open and we aggressively are working in this market to get the penetrations up. I mentioned Loblaws, that's our entry in Canada. Loblaws also decided to move to RPCs. Loblaws is the leading provider in Canada with a market share of 50%. So I mean with Loblaws we are in Canada represented very well and also we've got a clear commitment from Loblaws that they want to convert, over time, their entire cardboard business into RPCs. That is an example of one of our customers.

In the US, penetration increased from 9% in fiscal year '09 to 30% in fiscal year '12. Again this is a retailer with 140 million of potential, so one of the big shots in the US. We are targeting together with them the penetration of 63% within the next two to three years. So we will more than double our revenues we're seeing in the next two to three years and our market share is also growing in that customer because that is underlying our -- my statement that I made before, that we are really the driving force in this market. GP is a competitor, but they're not really driving it because somehow they want also to protect their cardboard business. So IFCO is really the driving force, driving the penetration forward and getting the message into the market.

Have a look at the retailer, what he has to say, and that's basically the retailer which I was talking about, 140 million trips and then the retailer Kroger, basically, which are committed to RPCs and -- maybe you'll play the video please.

(Video playing)

Unidentified Participant

Since 1996, IFCO Systems has served North America as the leader in reusable packaging management and logistics. Through leadership, perseverance and a commitment to innovation, IFCO has delivered for grower customers and retail partners. Today, we celebrate the 20 billionth pound of produce delivered in IFCO RPCs in North America, 20 billion, what a milestone.

Unidentified Participant

Kroger is a very enthusiastic supporter of RPCs; we have seen the many benefits RPCs provide to our entire supply chain, and especially delivering better quality products to our customers inside our stores. The sustainability portion of RPCs is tremendous also; RPCs can be reused many times.

Unidentified Participant

Kroger is a leader in retail innovation and that's clearly evidenced by their use of environmentally sustainable tools like RPCs. IFCO is honored to be working with Kroger to help them deliver superior quality produce.

Unidentified Participant

Now, we're moving on to our next milestone, that's how IFCO moves.

Karl Pohler - *Brambles Limited - Group President of RPCs and CEO of IFCO Systems*

So that's Kroger and since Kroger is a strong supporter of our ideas, strong supporter of RPCs and they are really now converting their packaging -- their cardboard packaging to IFCO in a very, very accelerated way. You heard that we had a big milestone here and that took us nine years, I think that it will be much faster to double that number, than it took us before. I think we can do it in half of the time next time. The next slide just explains you the geographic expansion here -- sorry, that's Brazil, I mentioned that, we -- that's just an example of how fast we can move here, as we have the underlying structures always the same. We are easy to implement our structure within a new country within six months, that's what we have done in Brazil here, six months from the signature of the contract, we were up and running our organizations.

Today we are the only provider which means we are really the leading force here in RPCs, we won a contract with Spar [Desugar] in Argentina. Today we are in good talks with Walmart to carry them to cover their entire range of needs in packaging in Brazil. Carrefour is also on the list, so we are on our way there to really get into the market and play a very important role in that market. But the message here is very, very important to understand; as we have a system which is operating the same way all over the world, once we see an opportunity, we can easily and very fast implement our structure in any country we want. Because it is -- we have the knowledge and also we have the infrastructure to support that. The same is true for Central Europe here -- Central East Europe where we have now six countries which we are developed, in the mean time this is a growing market in the future for us.

So far, the revenue is not significant, we're talking currently about 15 million to 20 million trips, which we cover here, but important to be there because we expect these markets to grow very rapidly in the future. We have contracts in all that countries, the main countries are Poland, Czech and Hungary, where we are, basically and here we have a very low cost implementation phase. Usually we have a country next to it who is supporting it, so we are not building infrastructure in these countries, huge infrastructure in terms of sanitation or logistics before we have revenues, so we are covering that kind of services out of countries which are already existing. In this case, it is Austria who is supporting these countries.

So that's our investments in future growth markets, our product innovation is a third pillar which I think I mentioned before, very important, this is enhancement of our strategy; become the preferred vendor of EU packaging for fresh food in general, increase the value chain within our retailers and leverage our platform for economy of scale. That's really the name of the game, because all of these products can be run through our existing network, which means we leverage the infrastructure and, at the end of the day, we are more profitable. Some of them -- that's really our first display ready product, the egg RPCs, I think we are very proud about that, that's a very innovative crate which gets shipped directly from the egg producer and up into the retailer, you can open the door in the front and the consumer can take out the eggs here easily, so it's accepted very highly by Kroger.

The breakage of the eggs which is the main problem, in cardboard the breakage rate was around 9%, in our crate it is only 1% so huge savings here for the retailers. So that's really the third pillar; basically pillar 1 is increased penetration, pillar 2 to grow our Company, is increase our geographic expansion and pillar 3 is developing new products in order to target new applications. So I think that -- I hope you agree that IFCO has a highly attractive growth story, we are a global leader in the industry, with strong fundamentals, we are leader in all of the markets we are serving today, with a proven stable business model, same fundamentals in all regions which drives the low cost here.

We are positioned for growth, we have a huge non-penetrated market in all of our markets we serve, we've a well invested platform which is unique, nobody else has, 70 service centers to support our business, we have a track record of sustainable and profitable growth, target growth of 14% over the last six years I think, and we are very confident that that can continue and basically, the reason for that is our three pillar growth strategy, accelerate the realization of that and with Brambles now being our shareholder, I think we also have access to capital in order to accelerate growth, to increase penetration, to accelerate our geographic expansion, as well as to develop more and more products to be more innovative on products to serve markets which we are not in today. With that, I will give it over to Michael --

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James Hall - *Brambles Limited - Director, IR and External Communications*

It's a break.

Karl Pohler - *Brambles Limited - Group President of RPCs and CEO of IFCO Systems*

It's a break? Okay, so that's a break, you are free, you are on a break. Hopefully --

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James Hall - *Brambles Limited - Director, IR and External Communications*

For five minutes, Karl, I think people -- would be good if people could have a quite look at the -- at some of the products.

Karl Pohler - *Brambles Limited - Group President of RPCs and CEO of IFCO Systems*

Yes, it would be great. We are here in order to give you more explanation about the products, if you want, if not I think coffee is served outside, is that correct?

James Hall - *Brambles Limited - Director, IR and External Communications*

Yes, there's coffee outside.

Karl Pohler - *Brambles Limited - Group President of RPCs and CEO of IFCO Systems*

Okay, thank you very much.

Michael Nimtsch - *Brambles Limited - CFO IFCO*

So welcome back everybody. Now this is now supposed to be the dry part; financial metrics. I try to keep it as lively as Karl did, but I promise you won't see no movies any more. So after Karl has provided you with our value proposition with and insight for you how our markets work where we are in, and about -- (inaudible) has talked about our three pillar growth strategy. My target for the next 45 minutes is to make you familiar with the key financial metrics, which is revenues, how it's structured, our deposit system, I think you are keen to understand it a little bit more, key cost elements and their drivers and last, but not least, our CapEx and, as Karl mentioned already, the importance of the improvement in turn rates.

IFCO is on a constant growth path. IFCO has generated, over the last six, seven years, a cumulated average growth rate of 14%. What we can clearly identify, looking at this chart, is that there is no cyclicality in it, we had the Lehman crisis, we have the Euro crisis but you cannot see that here. So our growth is very much supported, as Karl mentioned already, by penetrating the existing customer base, supported by the environmental emphasis, sustainability, geographic expansion and introduction of new products. Top line growth is of high importance to us because it drives our profitability by realization of economies of scale. I will hammer on that argument -- on this argument during my discussion, it is of essence to us.

Please bear in mind, for the further discussion, that our business is a volume business. We pump volume through our existing organization in order to realize fixed cost degression and economies of scale. How is our customer base structured? We service 7500 customers worldwide and, as you can see, there is really no concentration. There is -- we have a diversified customer base, less in Europe compared to the US, the US growers are, compared to the European ones, larger, so higher the diversification. In contrary to that, the retailer market is consolidated all over the world; we service 125 retailers, consolidated market, and as Karl explained already, the retailers are our key sales focus. They drive the market, they have the power in their hands.

Which kind of RPCs do we deliver? As you can see -- doesn't work any more, okay, so here's the right slide -- as you can see, and this is where IFCO came from, 95% of the products shipped in our RPCs is fruit and vegetable. However, two to three years ago, we put a very much higher emphasis on developing new products, as you see some of them here, which is eggs, bakery, meat, banana -- meat I mentioned already -- and others, which will contribute to our future growth. How do we price our services? We charge a round trip fee, so we charge a fee to the customers per trip. In Europe, there is a standard price list available per region and per RPC type. We have different price lists for domestic business and export business because of the distance.

We increased list prices over the last 10 years two times, mainly caused by increase in transportation expenses. In the US, we also have a standard price list, the average of the price, EUR0.93 -- not Euro cents, $0.93 -- is higher than in Europe, because of the low return rate we realize in the US. In the US, we provide sometimes discounts, depending on distance and volume to gross. Very important to us is that prices have to be favorable compared to cardboard; cardboard is our main competitor. So important to know, as a summary, no individual price negotiations with growers, now indexation. When we talk about revenues today, we have to talk about the stable -- their stability in light of the Euro crisis.

So the question is; how and whether the Euro crisis and the actual GDP situation in some of the Southern European countries could affect our revenue stream? And as you can see from the pie chart, our exposure is quite moderate. With Greece we realize 1%, with Portugal 2% of our revenues. Of course, we have significant business in Italy and Spain, but we all read the news and we all watch what's happening, I think these two countries are in a good way overcome the critical situation. Of course, in our organization, the focus on credit collection discussion, especially in these Southern Europe countries has increased. There is more frequent and much closer customer risk discussion, the overall risk awareness in the entire organization in regard of this development, the Euro crisis, has increased.

If you want an example -- for example, we shortened contract lengths in Greece in order to be more flexible, given what may happen in this country. So let me now try to explain to you our deposit system. Every trip fee -- or every trip invoice, is accompanied with a deposit invoice, so when we ship the crate to the grower, we issue a trip fee invoice and a deposit invoice of EUR1.50. We have two models; the cash deposit system which was a traditional one, and a clearing system which is the future. Let me explain to you the cash deposit system; so as I said already, we issue -- we ship the crate to the grower, accompanied by a deposit fee, EUR1.50, and on our T&Cs, the grower has to pay the EUR1.50 to us. The crate travels around the cycle to the retailer, to the outlet, to the DC of the retailer, we collect the RPC from the retailer and refund the deposit to the retailer EUR1.50.

So it's a funding from the grower, refunding to the retailers, it's a balance sheet movement, no P&L effects. The clearance system, in contrary, is a web-based system, an information system. Again we ship the crate to the grower, we invoice the grower with EUR1.50, however, we are now informed by this web-based system, by the retailer that he has received, for example, 10,000 crates from grower Manuel in Valencia. Based on this information, we credit the grower by the EUR1.50 multiplied with the quantity, so the account is settled and clean. The crate travels around the cycle again; retailer, outlet, retailer's DC empty, we collect the crate from the retailer and no refunding takes place because there was no cash involved. The clearing system stands today for 75% of all our deposit system, growing.

This is the state of the art system, we very much support this system because the clearing system provides us an addition that it is an asset protection system deposit, provides us with five data points -- five data information points, we ship the crate to the grower, the grower ships the crate to the retailer, the retailer receives the crate, we collect at the retailer's DC and we have our own stock taking at our depots. So it's a kind of a tracking system, in quantity, we know how much crates are moved to whom and when. This is very important for us because -- I'll come to that later -- improved of the turn of our pool is one of our key management targets in order to increase our returns, and the clearing system provides us here a very nice tools, creates visibility over the cycle.

Well let's leave now revenues and deposit and move over to profitability and returns. Sustainable margin growth, driven by constant and details cost management and leadership is key to us. Realization of economies of scale is one of the key management targets in our business. You can see that we were able to increase margins constantly over the last years. In respect of margin development in the first half compared to the second half, the first half is always weaker by 2% to 3% and the weight all over the year is 48% in first half and 52% in the second half. Overall, our target is to achieve in minimum stable margins, or improve them over time and over the -- and going forward. One of our highest ranked business and management targets is to return -- is to achieve a return of our invested capital, higher or greater than 20%.

You can see that we have achieved in the first half 2012, a return on invested capital of 24%, of course, cleaned up by the amortization on the position of IFCO. We can expect a further increase of this return with our RPC US business developing into higher volume. What drives our returns? Of course, profitability and margins, but even more importantly, the increase of our turn rate, meaning generating more revenues with the same magnitude of assets. Let us now talk about our main cost elements and what drives them. The key cost elements per unit which we have to manage at each trip are transportation -- so the transportation of the crates to the grower, and collecting the crates from the retailer's DC, logistic reimbursement is a payment to the retailers for services they provide to us -- I'll come to that in a minute -- and wash costs -- every crate has to be washed, according to high sanitation standards before it is shipped to the grower, and of course, indirect and SG&A costs.

All of these cost elements are subject -- are volume related and therefore subject to economies of scale. We measure these expenses four digits -- four digits, right, to the comma. Why? Again, this is a volume business. One example; if we would be able to improve our expenses by $0.01, multiplied with 700 million trips, creates a profit improvement of $7 million. Our operational management is clearly incentivized by these% improvements, even by fractions of cents. How did the main cost elements develop and what drives these costs? So let's start with washing expenses. As I said, every crate has to be washed with -- according to high sanitation standards before it is shipped to the grower.

You can see a clear downwards trend here, our washing is mainly outsources in Europe, in the US we have a mixed system of outsourcing and in house management, in no cases, we own the facility. There is a constant reduction of wash expenses, driven by economies of scale, as a result of increased wash volume or increase of shifts from two to three shifts. So again, the same measurement, pump as much volume as you can through your existing network. There are also constant improvements realized by process efficiencies; Wolfgang will talk about that later and in more detail. Transportation expenses are next to washing, the second largest cost category. We talked about transportation to the grower, collection of the RPCs from the retailer. Again, here also is -- everything is outsourced to third party forwarders, we do not own a single truck. The graph might be surprising to you, it is somehow stable, it's flat. Transportation expenses are normally increasing, what has drived this development? We realize the benefits from cheaper back-freight volumes from the retailers, we also try to enter to two to three years contracts with the forwarders and we constantly review our logistic network and improve it. Again, my colleague Wolfgang will talk more about details here, and provide more insight for you. Indirect costs, IFCO is traditionally high focused on indirect cost and SG&A reductions.

Again, volume related, enjoying fixed cost decretion, one example; IFCO's head office in Munich had 60 to 70 people 10 years ago, it has 60 to 70 people today, how do we do that? We improve the processes and are working with state of the art systems in order to drive these cost categories down, in order to improve our profitability on a per unit level. Within our costs elements, there is -- there are a lot of cost elements with downwards trends, but one of them has an increasing trend over the last two to three years, which is logistic remuneration. First, let me explain what that is. It is paid to the retailer for every crate we collect from their DCs, it is their reimbursement as a compensation for services the retailer is providing to us.

We pick up palletized crates from their DCs, we pick up the crates in an aggregated volume status, not to be forced to pick them up on every outlet, this is of benefit to us, and for that services, we pay -- we reimburse the retailer. Logistic reimbursement takes only place in Europe, not in the US and not in South America. The upward trend is caused by significant growth of large retailers like REWE in Germany, and also by competition behavior in the market. I do see one question in your eyes, where is this trending to? The answer is, stabilization. Next question why? Please remember that our European business, where the logistic remuneration takes place, is 75% of our business, the US business is 25% today, there is no logistic remuneration.

The US business is -- has a larger growth -- a higher growth path -- growth rate, compared to the European one, so this part will grow over time, resulting into a flattening of logistic remuneration on a Group level. What we also can expect and feel, is more rationalized behavior, more reasonably behavior of our competitors in that regard. Last important cost element is depreciation of our RPC pool. The method, which we recently a little bit changed, but the method today is 10 years straight line, useful life, down to 40% residual value, the 40% residual value is representing the granulate. These crates are repetitively -- we can granulate them and make new ones out of them. We pay high attention to the CapEx development which in turn reflects the cost element, meaning depreciation. You see a sharp downward trend here in 2009, this is caused by a change in our method where we extended the useful life from eight to ten years.

We expect a flat development because of an increase in our turn rate. Increase of turn rate will result in relative lower Cap expending, resulting in relative lower depreciation, improving the underlying profit of the Company. Now as a summary, how did these key cost elements develop on an aggregated level as a percentage of revenues over the last years? There was a clear reduction in this cost of goods sold over the last years, as I explained, slight increase in logistic remuneration. We expect to improve this pattern going forward, I mentioned already high economies of scale in the US, so very much target of the management is margin sustainability, accompanied with top line growth, improving our turn rate and flatting out of the costs of goods sold as a percentage of revenues. Let me summarize the cost section with a further emphasis on economies of scale, using wash costs as an example.

So again, increased volume, process efficiencies, and depot structure optimization drive costs, per unit basis, down, resulting in reduced cost levels as a percentage of revenues and increased profitability. What you see here, as a peak in 2008, we acquired STECO, a European competitor of ours which, compared with -- compared to us, much higher per unit washing expenses, so this created this peak. We integrated STECO into our organization, realized the synergies and drove costs down. Wolfgang and his team is constantly reviewing and optimizing our washing depot network and, as I said already, we are expecting further economies of scale going forward from higher volumes, realized in the US.

Let us move now from cost elements to capital expenditure and this structure and influencing factors. The RPC business is a capital intensive business; we have to invest in RPCs and earn back invested money over time. CapEx spending and development is under constant review, which enables us to react immediately on operational performance variances. You see here on the table, this is per unit -- or in total units, that we today have a pool in IFCO of 140 million RPCs all over the world. The breakage and shrinkage -- or to replace breakage and shrinkage is necessary in order to keep the pool on the same level and to serve our customers. The breakage rate is 0.9% per trip, and shrinkage rate, by accident, also 0.9% per trip. Shrinkage rate is proven, I explained to you our clearing system which supports us with visibility around the cycle, and also proven by other methodologies in our organization, we are constantly reviewing the shrink rate and it is proven stable at 0.9%.

The shrink rate is financially covered in the period when it occurs. The next slide visualizes to you how our capital expenditures is -- how the breakdown of our capital expenditure looks like, and it shows quite well how large the growth portion is in order to support our top line growth. It also shows to you, if IFCO or the RPC business would stop growing, this Company would turn into a heavy generating business entity -- cash generating entity, sorry. Our clear management target is to lower the growth CapEx relative to top line growth. How will we achieve this target? Of course, constantly improved asset management, but more importantly, increase the turn rate of our pool.

What are the measurements which will lead to a constant turn rate improvement? On this slide, on the left side, you see first how we did develop the turn rate, so for the last five years we were able to increase the turn rate of our entire pool worldwide from 4.3 to 5.3, an increase of 21%. The reasons are extended and improved clearing system resulting in higher reusability of our pool, reduced pipeline stock at retailers and grower levels, the main focus of Wolfgang and his team, together with our sales force on season peaks, you can -- on eliminating season peaks, looking for alternative usage of these seasonal crates and improved asset control and asset management.

I think it's good to use an example to illustrate that to you and emphasize that to you again. So what will happen if we could increase our return rate, let's use the middle of this table, by 0.3 turn points? So, for example, from 5.0 to 5.3. A lower pool is needed in order to generate the same volume of trips, so 13.6 million crates would be needed less, in order to same -- in order to generate the same level of revenues, resulting into lower CapEx needed, $74 million, resulting into relative lower depreciation, finally resulting into an improved underlying profit of $2.2 million. So increase of turn rate of our pool results into higher returns on invested capital and higher profitability, key focus of our entire business organization.

Summarizing what Karl and I presented to you is leading to our, so called, winning cycle. So cost leadership, focus on returns, strategic growth pillars and excellent market positioning, is resulting in constant value creation for Brambles and generates a stronger brand. In a nutshell, and what we want to communicate to you, the return drivers are; top line growth is important to us, resulting in generating of economies of scale, increase our profitability, asset management, asset protection, achieving higher turns of our existing assets, together with Brambles' strengths, lead to sustainable and profitable growth and increased returns. I very much hope that I did meet your expectations in regard of providing useful and comprehensive information to you, thank you for your attention.

Wolfgang Orgeldinger - *Brambles Limited - COO IFCO*

Okay ladies and gentlemen, so Karl informed you about our strategy, about markets, Michael talked about markets and cost drivers, the final part is now that I try to explain you how we actually manage our business from a practical perspective. Let me start with a fundamental organizational principle which we use at IFCO, we really try to combine globally standardized processes and systems with a very flexible local execution and with a very strong local customer interface. Doing this, we really aim to combine the best of both worlds, which means we make sure, by our process standardization, that our business is done in the same efficient ways globally, that we achieve the same service quality and, on the other side, we make sure that we are really in close contact with our customers, that we understand specific requirements of local markets, that we understand the requirements of customers and that we adjust our service offering to those.

Also, we encourage an entrepreneurial culture within our team and we really clearly hold our people accountable for their success and we also incentivize them. This organizational principle is also reflected in our organizational set up. You see on the slides, three layers; we have a local layer, a regional layer, a global layer. The local layer which is on the bottom of the slide, really includes all functions which need close cooperation with the customer, so that is sales, that is customer service, that is credit and collection, asset management and asset control. So these functions are typically performed by our country organizations. So when we come to Switzerland later on, these functions are done in Switzerland.

Then on the global layer, we do all strategic activities, so we define the strategy, the marketing message, we do financial consolidation, do process design, product design, purchasing, IT. Between the global layer and the local layer, we have a regional layer, which we either use when the global strategy requires some local flavor, that's the case for example in terms of marketing, so in the US, you have to go to the market with the same message but you may do it in a slightly different way than you do it in Europe. Or, you also need the regional layer, maybe have a -- the demand for a coordination task to coordinate processes between countries, example for that is in Europe, we have one pool which is used by all countries and we have a regional asset management team which makes sure that the inventories of the pool are shifted around between countries where they are required.

Based on these principles, we also managed the integration of the European CHEP RPC business. You may remember that back one year ago, Brambles acquired IFCO and with the acquisition the decision was taken that IFCO should integrate the European CHEP RPC business within its European organizations, and the map on the slide shows you the market coverage of the two companies prior to the integration. All countries highlighted in blue were countries where only CHEP was represented, all countries highlighted in green show countries where only IFCO was active, and the countries which have blue and green stripes were the countries where both brands were represented. You can see there were 18 IFCO only countries to CHEP only countries and 4 countries where we had an overlap.

Main integration tasks covered consolidation of the service center networks, organizational integration and consolidation IT integration, and in a nutshell, in this fiscal year, both organizations achieved savings of roughly $5 million through synergies. Let me explain in further detail how we managed the consolidation and this is the example for the service center network. On the left side of the side, you see the map with the service center network of CHEP and IFCO prior to the consolidation; blue dots represent CHEP facilities, green dots represent IFCO facilities, you can see that there is a certain overlap, specifically in the countries where both brands were active, like in France, in Spain, in Portugal. On the right side, you see the map after the integration, so what we have done is, we really analyzed the capacities, the costs, the geographic location of the entire network, and as a result, IFCO took over five of the eight CHEP facilities and closed three.

We now have a very good network within Europe which covers all areas, which provides efficient capacities and very good cost. This brings me to the post-integration highlights. First of all, through the integration of the CHEP RPC business, we really gained a better market coverage, we were able to add two countries, we were able to increase our market share in the countries where both brands were active, specifically in the UK, in Portugal, in Spain, we now have a better market position which leads to higher volumes and better costs. IFCO integrated 504 CHEP customers and 15 retailers and we also service now 270 common customers from one source.

Also, we are working to increase the penetration of IFCO growers to use CHEP pallets, and we're working very closely together here, the goal is really that in the near future, all IFCO RPCs will be collected and shipped on CHEP pallets and that, ideally, all our growers also use CHEP pallets to ship their products to the retailers. I must say that the integration went extremely well, it was very smooth, it's not a given that you are acquired by another company and then you integrate a part of your sister company, and this went really extremely well and was very successful. Some words about the collaboration with Australia, New Zealand and South Africa, I think Tom mentioned it before and Karl as well, we didn't integrate this business into IFCO, this wouldn't have made sense because we have no presence in these markets and these markets are managed very well by the CHEP teams, they have the customer relationship, they have the brand, so there was no change here.

However, we have a strong collaboration so we allow our colleagues in these areas to have access to our product portfolio, we are providing them access to our global vendor base and our purchasing contracts and we do some best practice exchange in exchanging, for example, our cost structure, our processes and so on. So that also works very well. Now, after this (inaudible) to the integration, I want to talk about our core operational capabilities, these capabilities are essential for a successful RPC business. These capabilities are specific IT systems, asset management know-how, asset control know-how, sanitation expertise, transportation know-how and of course, know-how in terms of development and procurement of products.

I think Michael really showed you how critical costs are for our success, as are only if you do all these operational areas in the best possible way, you can be successful. So we are really in a cent business, even the second digit behind the comma counts, and we're constantly striving to optimize our processes and to improve our costs. I want now to explain in further detail how we do this. Let's start with the IT platform, this is a pretty busy slide, however, in essence, it's comparably simple. As a backbone of our IT architecture, we use a standard SAP R3 ERP system, and we complement this system with some tools which are specific to our business, which we have developed our own. These tools are the IFCO web clearing system, an electronic ordering module, an EDI engine, and then we have complimentary tools, which customers can use.

There is an IFCO RPC applicator which helps you to choose the best [packard] and the right RPC type. We have a total packaging cost calculation tool which allows retailers, really, to calculate how much they can save when they implement RPCs and we have an environmental impact calculator which allows retailers to calculate how much carbon, oxygen they can save by using RPCs. Now, all these front end systems are accessible via the web and all systems are integrated, so it is a seamless -- seamlessly integrated architecture. Let me then come to asset management, that is actually the core piece of our pooling business.

It is really about deliver the right RPC at the right time to the right place at optimal costs, and at the same time, ensure optimal asset utilization, taking into consideration our seasonal fees. That sounds very easy, but we are in a fresh produce business, which means we have weather impacts, we have changing growing areas throughout the year; a crate which is today rented out in Spain may be rented out tomorrow in Switzerland and then go to Italy, and if it's raining in Spain and our crate is in Spain and the retailers purchase from Sicily, then it wouldn't be good if our crate would be in Spain, right? So, in essence, this is the core piece, main tasks of the team are rental and collection planning and forecasting, pool development and purchasing, pool flows and RPC sourcing, allocation of inventories to orders, taking into account operational cost, transportation costs, wash costs, utilization of capacities and so on.

All these processes are globally standardized and the picture which you see on the slide is an example how we do this, this is a optimization where we allocate recollection points to service centers, based on an optimization of capacity and of transportation costs and distance and we do this constantly. Next capability is asset control, and our objective here is really to have full visibility where our RPCs are. Also, to protect ourselves against asset misuse, black pools and fraud, and very important, Michael mentioned, a couple of times, improve asset utilization. Organization, we have dedicated asset control teams on a regional level and the main task of these guys is to perform field audits, that is physical stock count at customer sites, but also monitoring of customer stock levels and a regular overall pool reconciliation. Again, these processes are globally standardized.

This leads me to sanitation, you see here a map of the world and we believe strongly that Brambles operates the largest RPC service network globally, in total we currently operate 67 service centers worldwide, where 48 facilities are operated by IFCO and 19 by CHEP in Australia, New Zealand and South Africa. How do we run these service centers? We apply three different models; there is fully automated facilities, semi-automated facilities, manual facilities. But independent of these operational models, all these service centers globally are standardized in terms of the processes, the staffing, the machinery and the equipment, performance and cost reporting and quality management. So if you go to the US, all our facilities at the point are operated manually, but they will use the same machines which you see after this presentation in Switzerland.

So same equipment, one time we have robots to feed the machine, in many facilities we have people doing that, and the decision whether we go for automation, semi-automation or manual operation is dependent on availability and cost of blue collar workers in combination with the consistency of the volumes. The higher the consistency of the volume is, the more predictable the consistency of the volume is and the higher the labor costs are, the higher the likelihood that we automate, and vice versa. If we have a lot of volatility, it doesn't make sense to invest in robots which are underutilized half of the year. With manual labor, we are much more flexible, we really can (inaudible), add shifts, take shifts off and so on.

Our service centers are managed on a regional level, so we have a service center director for Europe, and one for the US, one for South America, 30% of our facilities are run by IFCO, 70% are outsourced. We really want to maintain the 30% because the aim is here, really, to maintain cost and process know-how, but whatever we can outsource we will do. We really think it is better to invest in RPCs than in washing machines, but we want to understand the cost and, in doubt, we ask our service providers to visit our facilities, we show them our productivity, we can really go through an open cost comparison and tell them, if we can do it, you can do it, and that's the model here.

Also very important for an efficient operation is an effective transportation network. I think Michael mentioned it, our entire network is fully outsourced, although there are some trucks on the road with an IFCO logo, they're not our trucks. We use a sourcing strategy where we really utilize the excess backhaul capacity and in the fresh products business, this excess backhaul capacity plays a big role, so we kind of try to stay away from the normal transportation cost negotiations. We say, look, you have two choices, you can go back empty, or you can use IFCO to give you some cost recovery. What we do here, is we try to partner up closely with the key forwarders, to create closed loops, so in an ideal world, we ship clean IFCO crates to an IFCO customer, the IFCO customer packs his forwards into the IFCO crates, ships them with the same truck to the retailer, and then truck at the retailer, picks up dirty crates and moves them back.

If you come today to Switzerland, you'll see a perfect example of that, because you will see many trucks of a company named [Zinc], that is the leading forwarder of fresh produce in Switzerland. He runs also the facility for us and he really generates these closed loops and that gives us cost efficiency. That means we try to secure best costs for the main flows but fixing prices over medium and long term periods, but in addition, we use spot market bidding for peak periods and non-standard tasks and the responsibility of transportation is within the asset management teams because the sourcing is heavily dependent on the transportation costs, so this goes hand in hand.

Purchasing management, we have three main purchasing categories; first of all, we purchase a lot of RPCs and other pooling assets, and then we also purchase service center equipment and consumable and also services such as temporary labor or transportation services. Strategy here is clearly, we try to standardize our purchasing as much as possible, so we really have a catalogue of modular service center equipment, so there's a washer, there's a crate opener, there's a dryer and this is like a product catalogue and we negotiate prices for these products, we utilize our global volume, including the volume of our service providers to get the best prices, and then when it comes to the decision that we add a new service center, the regional guys just go to the catalogue and they choose what's applicable. We do this with any purchasing category and doing this, we really get very good terms and very favorable contracts and I want to give you one example of a main supplier which produces RPCs for us. This supplier has an annual production capacity of more than 50 million RPCs, I think this is quite unique, he runs nine manufacturing plants in seven countries around the globe and would we expand our market coverage, he would have to follow us, because for transportation reasons, we really like our RPC producer to produce where we rent out the crates.

This leads me to product development, I think Karl mentioned how important this is for our future success, the approach here is that the typical starting point is a packaging need raised by a customer. So we made the experience that it's better that the customer comes to use with a requirement than we go to the customer and tell him what nice products we have, so typically it works better if the customer comes. If a customer raises a need, then we investigate, really, all aspects of a solution and that includes, of course, all product features, it includes the usage of the packaging throughout the entire supply chain -- so we need to understand, do you customers use automatic handling systems, how do they palletize, what temperature areas are they working in, and we also analyze the business model.

Only, if we can come up with a product solution and a viable business model, we go to the next step, and the next step is then, really, the product design, which we typically do by external partners, but we have our own packaging engineers and we have our own plastic injection engineers, so we have the know-how in house, and then we develop the product and then we implement it, typically in one country first, and then we roll it out.

Okay, that was my presentation about how we actually manage our business, at the end I want to give you some information about the site visits which we will do. Let me first say something about IFCO Switzerland, our subsidiary was founded in 1994, it's a good example of a lean organization, we have seven employees here, which by the way translate into five full time employees.

So with five full time employees, we run our complete business in Switzerland and it's a quite good business, in 2011, these seven people managed a recollection volume of 75 million units and a rental volume of 50 million plus units, and they managed a 20% plus increase over the last five years. You see an interesting -- you see two interesting numbers here, we recollected 75 million, we rented out 50 million, so the difference between the two numbers is import. We had a discussion last night, how comes that you can grow anything in this cold country? You can see you can grow a lot in this country, much more than you would think and it's constantly growing so they have a lot of hot houses and stuff like this. Sales revenue of the Swiss organization was EUR41 million, we have a very high market share here and IFCO is the clear packaging standard, used by all major retailers in Switzerland.

This leads me to the Villmergen service centers where we will go right after my presentation. To our knowledge, this is the largest RPC service center globally, in terms of capacity, the wash/sortation capacity is quite impressive, we can sort and wash 12,000 units per hour, or 276,000 units per day and 71 million units per year. The facility is outsourced, all the investment was done by our service provider, it's fully automated, why? Because first, of course, the volume in Switzerland is very consistent and reliable, and second, wages are very expensive in Switzerland and it's very hard to get blue collar workers, so that's the reason why this is fully automated.

Now, how does this service center compare with other IFCO service centers? First of all, typically our service centers have a capacity of about 36 million, now Switzerland is such a small country that we were able -- and it has a high volume, that we were able to place one service center in the middle of the country and still have optimal transportation costs. Normally, countries are larger, population is more spread out, so typically we have about 50% of that size. In other service centers, you would see the same machines, same dryers, same processes, but typically they are far less automated. So we probably have three service centers which are automated like this, one in England, another on in Norway, all the same picture; high wages, constant volumes. In all other facilities, we typically have either semi-automated processes or purely manual processes.

Safety instructions, we want that you all are not injured, so please take care of this, please wear ear protectors, eye protection goggles, reflective vest. That will all be provided at the service centers. Please always stay close to your tour guide, don't leave the marked footpath and take care of forklift traffic. So that is essential -- it's not dangerous, but we should take care of that.

After the visit of the service center, we will visit a customer, where you can see IFCO RPCs in operation. The name of the customer is Kellermann, it's a leading Swiss packer, specialized in convenience products like packaged bagged salads, they offer 300 different products, and they employ between 180 and 250 employees, depending on the season. It's one of the larger customers of IFCO Switzerland, accounts for about 1.2 million RPCs and what you will see is that the raw material comes in an IFCO crates, he processes the stuff and he ships the vast majority of his products also in IFCO crates.

Okay, with that, I am at the end of the presentation and I think we come to the Q&A, thank you.

QUESTIONS AND ANSWERS

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

Thanks very much guys, and as we've done for all the other sections, we'll open for Q&A and we have about 20 minutes so the plan would be to close off at around 10.30, that'll give us 15 minutes' break before we head out on the tour, and I'll just facilitate this and please direct your questions as appropriate. So John, you have the mic, why don't you start?

Unidentified Audience Member

Yes, hi. My question is about the economics of RPCs relative to the main competition. You said that you're cheaper than cardboard, I understand all the environmental arguments, they seem quite obvious, but can you explain the economics of why RPCs are cheaper? Why they're cheaper to the retailer, why they work for the grower and how that works against cardboard?

Karl Pohler - *Brambles Limited - Group President of RPCs and CEO of IFCO Systems*

I didn't -- I think I didn't say that they are cheaper, I think we are competitive, so we try to price our RPCs competitive to cardboard in our markets. Over the time, as we didn't increase our prices a lot, Michael mentioned that; two times in Europe over the last nine years, cardboard pricing has been increased. The reason for that is higher energy costs, because if you produce and recycle cardboard, that brings a lot of cost with it which we don't have at the same place, which means over the time, our products, our prices got more competitive against cardboard. However, it's very, very hard to compare directly, cardboard with an RPC because of the quality. They are low quality, cardboard, and for the same size cardboard, you can pay sometimes double the price.

So we are constantly reviewing the market but we can say that we are very competitive, in most of the cases even cheaper, than the cardboard price, just compared with the RPC price. On top of that, we have the advantages of bringing supply chain advantages and I mentioned that before, and that is now only proven by Fraunhofer which did the study, but which is also proven by retailers, like Safeway, like Kroger -- they got the pitch and they give you the same statements, but they made their own studies; internal studies before they moved on RPCs so they also found that they have advantages in terms of better products, lower -- much lower spoilage, and that's really what matters to them, and lower shelf time, as well as no repacking. So they could standardize their infrastructure logistics in the DC, which saves them a lot of money, head count, they brought the system spec into the place and that is, really, what makes the savings.

Unidentified Audience Member

So to draw that a bit further, it's really those internal benefits around spoilage and handling for the retailer that drive their desire to use RPCs.

Karl Pohler - *Brambles Limited - Group President of RPCs and CEO of IFCO Systems*

Exactly, that -- and the no repacking, because in a DC, every cardboard is different and if you pick the merchandise for the stores, it is much easier to put our crates one after the other than piling up cardboard, which means higher damages and so that's why they're using it extensively.

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

John, I'll just add one point to that, and you'll see this tomorrow when Marcello presents an automotive; automotive is very similar so when we're replacing disposable packaging, you get direct line side delivery, so if you think of from field to fork, which is what the RPC play is, in automotive it's direct line side, you eliminate all the damage that comes from disposable packaging with subsystems and components in automotive, which we're seeing and then there's no area, no requirement for decanting, which is exactly what you have when you have cardboard. So the system wide benefits are significant in reusable packaging, in multiple sectors, as I showed you yesterday in those related supply chains, they all have similar characteristics in terms of spoilage and reduction of multiple handling.

Karl Pohler - *Brambles Limited - Group President of RPCs and CEO of IFCO Systems*

Another point is the clear trend to sustainability, that really is a key business proposition which we have and retailers more and more are aware of that and they really market using RPCs to their consumers and the consumers' awareness is also increasing in terms of packaging, because they all know that cardboard, finally -- even some of that is recycled, are ending up at the waste.

Unidentified Audience Member

Karl, can I jump in? So this comment about prices and only two increases in the last 10 years, that's basically a function of what the cardboard guys have done, is it? They haven't put up prices -- or only twice in the last 10 years as well, is that right?

Karl Pohler - *Brambles Limited - Group President of RPCs and CEO of IFCO Systems*

I'm not sure if I got the --

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

Yes, I think the question really is competitively, have the cardboard guys put their prices up, is that why you've retained prices low over the nine year period that you referred to?

Karl Pohler - *Brambles Limited - Group President of RPCs and CEO of IFCO Systems*

No that -- the reason -- one of the reason is that we want volume, as Michael clearly explained. We really want to be more competitive against cardboard because we want the volume, we want to make our customers benefit from lower packaging cost, share a part of our synergies to them in order to give us more volume. Because the volume drives our profit, drives our transport, drives our capacity in the (inaudible) area, to get lower cost. That is the reason why we keep our prices, if possible, at the same level. Although maybe we could get a little bit more out of the market if we try to share some of the benefits with our customers.

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

Maybe if I just comment on that from a Brambles perspective, when we were going through the due diligence phase, now over a year ago, one of the things that really attracted us to the business is that it was a business what was very focused on delivering incremental and continual efficiencies and I think you got that from this session. It's not a business that's been built on the back of incremental pricing, so you know that the guys are very competitive, you know that they're focusing on delivering efficiencies and really, to be very direct, they continually build barriers to entry around their business, and that's one of that factors that we -- that really attracted us to how they run their business.

Unidentified Audience Member

Is there and intention to bring indexing in at some point, because fuel costs must be rising at the moment for labor?

Karl Pohler - *Brambles Limited - Group President of RPCs and CEO of IFCO Systems*

We try to maximize our pricing all the time, but if you have seen the cost development, we were able to manage all our increasing fuel and increasing energy costs, we were able to keep it flat. And then our strategy, again, is to get that also down to our customers, because that's what they expect from us. Also the retailer in the US, they expected, we are driving down costs, and that they benefit from the synergies we are enjoying in the market.

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

Anthony, I'll take your question.

Anthony Moulder - *Credit Suisse - Analyst*

Just following on from John's question, effectively, it looks like the value proposition of the RPCs are compelling, why, then, has the penetration been more gradually than -- why haven't we seen step shifts from retailers to convert a greater proportion into RPCs a lot quicker?

Karl Pohler - *Brambles Limited - Group President of RPCs and CEO of IFCO Systems*

Anthony, a good question which I ask myself all the time. Because the reasons are so obvious, and even after the decision has been done by the top executive line of the stage, it takes a long time to get the full conversion. The reason for that is, if they have habits, they are used to -- most of the buying people, most of the growers, most of the display people, they are used to use RPCs for 10 years and longer, and it's really hard to change habits. That's what it is, so it takes much longer for us to get the conversion done as we are expecting, because some of them take very, very systematic approach, especially in the US. They do one grower after the other, one food category after the other, one DC after the other and only if the last one was successful, they do the next one.

So they're very systematic on that, which on the one side is good, because it's a really serious thing which they do, they really convert one after the other, but on the other side, timing is a problem here and you are right, as you have seen -- if you will have seen my examples, it takes sometimes three to four years to get to decent penetration rates.

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

And I think that if you look at process change across many of the initiatives on the container side, it's very similar that even though the strategy is clear and I think the decision maker -- the strategic decision maker gets it right away, there's a whole embedded organization within many companies that have been doing things exactly the same way, and their livelihood, to some degree, depends on that. And changing process, irrespective of the upside, it just takes time to get that through, and I think as the guys have said here, in many cases, it takes multiple years of marketing and communication in establishing a presence to bring that home. But the growth opportunities are still enormous, if you look at the market size.

Anthony Moulder - *Credit Suisse - Analyst*

Just a follow up question, you mention that one of the opportunities is to cross-sell the CHEP pallet into the growers, your customers, what level is that at? Or is it too early days to have done that work?

Karl Pohler - *Brambles Limited - Group President of RPCs and CEO of IFCO Systems*

See Wolfgang explained it, I mean, meanwhile, we ship all our RPCs in Europe on CHEP pallets to our growers, basically some of them are already customers of CHEP, so now there's a huge opportunity to convince the growers by the CHEP organization and also by us, to also ship their merchandise on CHEP pallets to the retailers, because at the retailer side, we could easily collect them and transport them back, so we are looking for the perfect trip, also for the pallets. I think now, with IFCO and CHEP together, I see it as we have set up country by country initiatives now, within our organization, IFCO organization and the CHEP organization, to increase the penetration of CHEP pallets within the grower base. I think we are doing here quite nicely, I think the success is, what I see, is here, but there is a long way to go to convince also the last grower to ship their RPCs, or our RPCs, on CHEP pallets. You asked, we are not as far, but we are working on that as well.

Matt Spence - *Merrill Lynch - Analyst*

Karl, just in terms of your competition in Europe, you're saying EPS is the major competitor which is essentially a grower's cart. When you win share or get access into a retailer, do you win share of you competitor, given you kind of tie them into these exclusivity arrangements? How does that impact your relationship with the growers?

Karl Pohler - *Brambles Limited - Group President of RPCs and CEO of IFCO Systems*

I mean, the situation in Europe is an exclusive situation, which means that if we own the retailer, we own it and then EPS is not shipping any products into the retailer. It's exclusive and, basically, that's the situation, so we're competing with EPS, that's clear, everybody wants to have access to the retailer, and basically, the relationship -- what was the question on the grower side?

Matt Spence - *Merrill Lynch - Analyst*

Well, if the growers are -- essentially have a stake in your competitor, how do you manage that conflict, if you're taking away (inaudible)?

Karl Pohler - *Brambles Limited - Group President of RPCs and CEO of IFCO Systems*

I'm sorry, I didn't get your point. As EPS is owned by the cooperatives, you mean, that is the reason? So that is true, EPS is owned by the cooperatives in Holland, in Belgium as well as in the Netherlands but that -- and in Germany, but the only growers who are involved in this case, but again, the retail demand the RPC, so I think the grower, in these countries, would never reject using RPCs if the retailer would say, okay I want my -- your product in RPCs. So that is not a problem at all.

Matt Spence - *Merrill Lynch - Analyst*

Okay, and just a question for Michael on the cost side. Granular pricing, I imagine would have gone up in line with reasons, so have you just been able to offset that with efficiencies over time? Can you just talk about your unit cost, how that's trended over the last couple of years?

Michael Nimtsch - *Brambles Limited - CFO IFCO*

I mean, of course we are exposed to granular price development, and this is quite volatile. You might think there is a correlation to oil price; there is a kind of a correlation, however not a clear one because this market is driven by just a handful of suppliers all over the world. Due to the fact that we have a quite, let's say, good contract for us in regard of granular pricing with our supplier, so we are not that much exposed to the development, but it plays a role, of course.

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

Did that answer your question?

Unidentified Audience Member

Yes, I'm just looking at slide 20, and just -- not taking into account turns or cost to serve, you look at Australia, you've got $100 million revenue and 10 million RPCs which are like $10 per RPC per annum. You look at the US, it's about $3, in Europe it's about $4 revenue per RPC. Can you just tell me why there's such a big different between Europe, US and Australia? Is the Australian model because you own the market, you can actually price accordingly? Is the UK --

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Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

What I would suggest is that maybe Karl addresses the difference between Europe and the US which is the IFCO responsibility, relative to the differences in Australia, we'll take that offline if that's okay, because these guys don't really oversee the running of the Australian business. Is that okay, Karl?

Karl Pohler - *Brambles Limited - Group President of RPCs and CEO of IFCO Systems*

Yes, sure. Just trying to make the maths here, what you have done.

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

The turns.

Karl Pohler - *Brambles Limited - Group President of RPCs and CEO of IFCO Systems*

It has to do with the turns, basically, and with the pricing. You heard that in US, we have better pricing on the one side, but we have lower turns, which means we are pre-investing in our pool and not having the turns because if you are in a growing phase, like we are in the US, you have to pre-invest, you have to put more crates on stock than you would usually do in a running business like Europe --

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Unidentified Audience Member

So if your time is about 73 days, roughly, if you're looking at 5 turns.

Karl Pohler - *Brambles Limited - Group President of RPCs and CEO of IFCO Systems*

Exactly.

Unidentified Audience Member

Right, so what's the (inaudible) time now in the US? What's the turn time in the US?

Karl Pohler - *Brambles Limited - Group President of RPCs and CEO of IFCO Systems*

Currently, it's below 4 turns.

Unidentified Audience Member

That's mostly because you've having inventory to service the new growing market.

Karl Pohler - *Brambles Limited - Group President of RPCs and CEO of IFCO Systems*

Exactly.

Peter Mackie - *Brambles Limited - Group President, Americas and Global Supply Chain*

Distances play a role as well.

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

I think, as Brambles focus on this, and in the work with Karl and Michael and Wolfgang, clearly improving the turns in the US is a big focus of the team. Ultimately, however, the distances in the US are longer, and you may not get to the same level, but improving is --

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Karl Pohler - *Brambles Limited - Group President of RPCs and CEO of IFCO Systems*

That's right and currently we are carrying too many crates compared to the growth rate, as you can see, as I said before, we are expecting higher growth and we have developed our pool, also, in order to support that higher growth. For the conversion reasons, which I explained, we are -- at this point, and this is the comparison you're doing here, maybe we have too many crates on stock than we should have, compared to the revenue growth.

Unidentified Audience Member

But even in South America, you're making $5 revenue to RPC, despite growing that market.

Karl Pohler - *Brambles Limited - Group President of RPCs and CEO of IFCO Systems*

South America is a turn issue, because we really turn our crates there very, very quick. In the Brazilian market, which we got in recently, we have turn rates there above 10, the reason for that is that we are integrated into the retailer logistics side, so the grower -- we do not do any present transportation, the grower ships it to the retailer, the retailer brings the crate to our washing pool, which is only one mile from his DCs and the grower, on his way back, picks up the crate and brings it to the -- to his site. That is really the ideal situation, we only -- also, in Brazil, have only two kind -- two sizes in the market, which means -- the less sizes you have, the higher the turns you have. We have basically no peaks in Brazil, because there is merchandise available all year long, production there all year long, so we have a nice return scene. That's the reason.

Simon Mitchell - *UBS - Analyst*

Karl, in the past, we've seen retailers change who they choose to use for RPCs, for example Carrefour moving from CHEP to you, prior to the acquisition, if you don't pay money to the retailers, what is the main reason for a retailer changing?

Karl Pohler - *Brambles Limited - Group President of RPCs and CEO of IFCO Systems*

I mean, this is services, it is about -- it's about pricing, sure, if you're more competitive in the market, if you can give them better rental prices and the rental prices of the competitors are different, on average they're the same, it's the number of crate sizes you can offer. We have ten different sizes, so they have more opportunity to ship products which they couldn't ship before, it's a service network which you have, and it's our customer relationship which we have built up over many, many years.

You didn't mention it, but at Carrefour, which we won before Brambles acquired us, we had contact with them for three or four years, really trying to convince them that IFCO was the right partner for them, better partner than CHEP was at this time, because we are more focused, we have a great infrastructure for them to serve, we give them the crates they need, we have a great access to the growers, because we already serve many, many more retailers in France than CHEP did at this time, and cost is also a very important point. What do we pay them for their logistics work which they do for us?

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

I think at the end of the day, what we learned in that experience before the -- before IFCO became a part of Brambles is that the focus on their business, they could be far more cost competitive than we were. The RPC business, tucked within the pallet business, was really in many ways, at times, an afterthought. That's why we've restructured the Company the way we have, so we lost that business -- we being the CHEP brand -- lost that business to IFCO at the time, really based on their superior value equation which we couldn't match.

It's interesting to see however, though, that in Turkey, it was actually the CHEP brand that won Carrefour, so Carrefour made a decision based on what they thought was value in that market, and now that's successfully been transferred over to IFCO, so they have full responsibility and they're growing their relationship with Carrefour, as Karl has mentioned, across the European continent. So it's a matter of focus on the business and you can see now that, within the structure that we've developed, we're going to hone our focus on those three key business areas that we want to grow going forward.

Simon Mitchell - *UBS - Analyst*

Just one for Michael on the deposit system, what's the current balance for the IFCO deposits and do you expect that to decline as the clearance system becomes more prevalent?

Michael Nimtsch - *Brambles Limited - CFO IFCO*

The last number in there is $230 million, $250 million.

Simon Mitchell - *UBS - Analyst*

And do you think that will decline over time or stay about the same?

Michael Nimtsch - *Brambles Limited - CFO IFCO*

No, it will not decline over time because, also, the clearing system sits on this accrual, as long as the credit note is not issued to the grower. So both -- it's irrelevant whether it's cash or it's clearing deposit, it sits on the accrual up to the very moment either it's paid down in cash, meaning refunded to the retailer, or credited to the grower.

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

I suggest we have time for one more question and then, clearly, we'll have plenty of time with these guys throughout the rest of the day so I encourage you to approach them directly -- we had one hand up in the back corner.

Unidentified Audience Member

I noticed, on the map, there's Japan, is green -- if you could make a quick comment on how significant it is or not?

Karl Pohler - *Brambles Limited - Group President of RPCs and CEO of IFCO Systems*

Japan is a joint venture which we have with Mitsubishi, we have a share of 33% in the Japanese market. It's not one of our growth markets because this Company is really dominated by Mitsubishi, currently, and the way they operate is not exactly the standards which we want to see, here. So it's not a key market for us, currently, but we are on the Board there and watching what's happening.

Tom Gorman - *Brambles Limited - CEO and Chairman Executive Leadership Team*

Okay, so given the timing and our site (inaudible) schedule, we might cut it off there, but as I said, we'll have the rest of the day with the guys as we're on buses and travelling to both customers and facilities. So, with that, I'm just going to past back to James and, on behalf of the whole team, thanks very much guys for a great morning, and James will give you the rest of the detail, thank you.

James Hall - *Brambles Limited - Director, IR and External Communications*

Thanks everyone, just a couple of other minor housekeeping things, those goodie bags, you don't have to drag them around with them all day. If you leave them in here then we'll keep them in here so you can take them tomorrow, secondly, speaking of tomorrow morning, I'll try to remind you again this evening, but we're going air side in the airport tomorrow, and you will need your passports with you, we'll be going through a standard airport security clearance and they want us all to have identification. So just in the morning, try to bring your passports with you. Thank you, and 10.45 down in the foyer tomorrow -- sorry, this morning.

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

BXB.AX - Brambles Limited Investment Market Briefing - Day 3

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Tom Gorman *Brambles Limited - CEO*

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Robert Weidmaier *Brambles Limited - CEO Container and Pooling Solutions*

Marcelo Di Benedetto *Brambles Limited - VP CHEP EMEA*

PRESENTATION

James Hall - *Brambles Limited - Director, Investor Relations & External Communications*

Morning everyone and thanks for getting here promptly, we'll get started.

You might have noticed that the schedule today is a little bit disjointed. The reason for that is that the appropriate time for us to access the CargoLogic site on the air side. So we've got a quick presentation here from Ludwig to explain the Aerospace business to you. Then we go out to the site. Then we'll come back here. There is a half hour break so that those of you who need to check out or do any other sort of administration tasks can get that done and then we'll come back for a few more presentations.

We're going to meet downstairs -- immediately after the presentation we'll go downstairs. There's three tour guides from the airport. You've each received an email we're broken into three groups. If you're not sure what group you're with it's okay, I've got a list. Just get with your Group and stay with your Group as we move over to the airport and through security.

Thanks very much and here's Tom.

Tom Gorman - *Brambles Limited - CEO*

Thanks very much James and just good morning again. For all of you that have come back I appreciate it. James, also I think everyone probably remembered, but just passports required for today as well so you should just make sure you have those.

We'll get going real quickly here. So today just to give you a quick sense of the movement that we're making just to frame this a bit. We're now going to talk about containers. Day one was pallets, day two was RPCs and this is about containers. Throughout the morning today you're going to hear from three people. Obviously you'll hear from Ludwig and I'll open that in a moment. You'll also hear from Bob Weidmaier. Many of you met Bob last night. Bob is responsible for the IBC business in the US. Then you'll hear from Marcelo Di Benedetto who runs European containers business for us.

Many of you have met Kevin Shuba before, so in the interest of time and not being too repetitive -- Kevin has talked about the automotive business in the US last time we were together, so we decided we'd just focus on some of the newer businesses and that's why Bob is here. For many of you we really haven't talked about European automotive and European containers as a business segment and Marcelo will bring that to life to us. So that's really how we've organized the day today.

Just to bring you back a little bit to where we started. If you think about the supply chains that we were talking about -- we were talking about this integrated supply chain on day one that brought to life what we're doing in pallets, RPCs and intermediate bulk containers. Then we talked about an adjacent supply chain. You'll see a lot of those adjacencies today. However, the thing to remember here is that the sweet spot characteristics if you will still remain very similar. Common platforms used by multiple parties. So keep that in mind. You would have seen that yesterday in the RPC business and you'll see that as Bob brings to life IBCs clearly from Marcelo and you'll see the same when we talk about the aerospace initiatives.

Assets flow freely. The higher the velocity the more complexity and we bring our skills to bear. Ownership is not a competitive differentiator. So these are all businesses where people are happy to outsource this portion, they don't see it as a core skill. By having the network we can create a competitive advantage and then again last but not least -- and I think Greg will really bring this to life, that it creates superior economic profit for the pooler. You'll hear quite a bit of that later today.

Now just focusing on aerospace solutions. Again, you'll hear from the presenters, which is far more important than I. But simply what is the vision. The vision here is pretty straight forward. We want to be the preferred, outsourced ULD management partner for passenger and cargo aviation, with a 25% plus share of what we believe is a growing opportunity. Then you can see on the far right of this slide all of the drivers that we see over the near to medium term. As I said, it's far more important to listen to the guys that are now responsible for running that business.

So with that it's a real pleasure to introduce to you Ludwig Bertsch. Ludwig is a relatively new member of the Brambles family, joining us really specifically to pull together the CHEP Aerospace business. I'll now hand over to Ludwig, he'll introduce himself and then walk you through this business segment. Thanks.

Ludwig Bertsch - *Brambles Limited - Chairman of Unitpool*

Thank you Tom. Good morning ladies and gentlemen. It's a pleasure to introduce to you the new created CHEP Aerospace Solutions business. What you will see today and what you hear today is maybe you started on Monday with the pallet business, IFCO yesterday. This is a little bit more -- very industry specific solution we are talking about. We are talking about aviation and aviation has a lot of rules and legal restrictions which do not apply to other industries.

The subject matter more or less is this, what we call a ULD, a unit load device. That's the classical -- all frequent fliers have seen it -- that's the classical baggage container which you see on airports. But the big difference to any other assets and we have in Brambles and in CHEP is that a unit load device -- and they're also pallets which are covered under this unit load device, that this is an asset which once it is loaded into an aircraft it is considered a part of the aircraft.

So all legal restrictions which for example would apply for an engine, apply, in effect, to this piece of equipment as well. So that's a very important differentiation and that means that repairs of those ULDs have to adhere to the same strict regulations as the repairs of an engine. That makes it very important. Another thing, when we talk about asset control you have heard about the way asset control is done in IFCO. There are many similarities to how we do it, but there's one specific difference and that is each of those ULDs has a unique number.

So it's the serial number, it's the manufacturers number. What you see here, ZKE is the code of the container, it's an AKE container, which is this so-called baggage container that Z in this case stands for the fact that this is a lightweight container. Then you have a manufacture or the serial number, which is administered by IATA, the industry organization, and then you have the R7, which is the airline code. That's another big difference. It's still under Unitpool but CHEP Aerospace Solutions has their own airline code and that is R7.

So the tracking and tracing of that asset is much easier than let's say the tracking and tracing of an IFCO RPC or a pallet because this thing has a serial number. What is also important, once this container is loaded into an aircraft, the number has to be recorded on what is called the load sheet. You all have seen before takeoff, you have seen somebody -- they are called the red caps because usually they have these red earphones. They walk into the cockpit with a piece of paper. On this piece of paper it's the name of all the passengers, the number of all the loaded ULDs and then the baggage and the weight and so on. But the aircraft is not allowed to leave if the number of the container is not recorded.

That's very important for us because the moment this load sheet is issued, the system of the airline usually sends an EDI message to us which says this container has been loaded and it's on its way to JFK. So that's the big difference in tracking and tracing which I think is unique to the industry.

Before I explain the journey so far just let me recap what has happened in the last 12 months. Brambles acquired Unitpool, the pooling business in August 2010 and we worked on a strategy and developed a strategy. The big part of this strategy was -- of the execution of the strategy was that we need a global network of service centers. Again, very similar to the other businesses within Brambles. We acquired two companies to build this chain of service centers. One was a company in -- or still is a company in New Zealand called JMI Aerospace.

That acquisition was done in June last year. Then the second acquisition we did was a company called Driessen Services, another repair and MRO service center which has mainly activities in the United States but also in Europe and in Asia.

So what we have here now in aerospace is the amalgamation of three companies; Unitpool, JMI Aerospace and Driessen Services, into one. Since November last year the combined entities are trading under CHEP Aerospace Solutions.

If you look at the timeframe, just some highlights. The whole idea of pooling was created here in Zurich, under the Swissair Group in 1999. I was then the CEO of Swissair Cargo and we spun off the pooling or the ULD management activities of Swissair [technical difficulty] legal entity that was the beginning, a company called Globepool which later then was renamed into Unitpool.

It was acquired by Swissport and again I was then in the executive committee of Swissport in charge of the global cargo business and acquired Unitpool into Swissport. Swissport then was sold and the new owners of Swissport has decided to divest Unitpool and then it was taken over by private equity and finally sold to Brambles, as I said in October 2010. Driessen and JMI have a similar history. Both were owned by private equity and then at the end Driessen was owned by a company called Zodiac Aerospace, which is one of the big global aerospace suppliers. But we, as I said, acquired those businesses in 2011.

That gives us now really the market position as the leader in outsourced ULD. And galley cart management -- galley cart I will go into more detail in a moment but that's the second biggest activity we do.

For those of you who cover aviation that's not a new slide. The industry, the aviation industry is still a growing industry despite all those crises over the last 30 years. Four recessions, two financial crises, two Gulf wars, one oil shock. The near pandemic SARS, 9/11 and others to list.

World aviation is still growing with Swiss -- compound annual growth rate of 5%. It's going to continue. If you look at the cargo business which is also a part of global aviation, the cargo business over the same period of time has been growing more in the direction of 6.5% to 7%. So cargo always grows 1% more or less more than the passenger business.

So it is a growing industry and if you look at the forecasts from the manufacturers -- there's the Boeing forecast, the Airbus forecast. Obviously when they forecast they always have in mind that they want to sell aircraft. But the forecast of Boeing is that the world's aircraft fleet is going to double within the next 30 years from now, roughly 20,000 commercial aircraft to 40,000 commercial aircraft. What that means is obviously the number of ULDs will also more or less double. Our estimation is that the world fleet of ULDs currently is between 800,000 and 850,000 and that will grow to certainly above 1.6 million within the next 30 years.

So what does that mean. That's a considerable opportunity. You have seen that slide during the last days several times. What we focus on, obviously, is the pooling business and that's really our estimate. There are no published figures out to size that market, but we assume that currently the pooling potential is in the range of 400,000. Therefore -- sorry $430 million. We have currently a market share of 3% of that market. We have only one competitor, that's a company called Jettainer which is 100% owned by Lufthansa. They have a 6% market share. Obviously they manage their mother company Lufthansa. If you would deduct that and then they are substantially smaller than us. But the main point is 91% of that market is still untapped because those are the ULDs which are still managed in house by the airlines.

On the repair side, on the service center repair side, roughly the market is 50/50. 50% outsourced, 50% in house. We have a share there of 9%. Then another [inaudible] where we are active and it's the so called short-term leasing of ULDs. That's a rather small market, roughly $20 million annual turnover. We have a 2% share and there's one big competitor who has 98%.

The historic sales. Overview of the combined businesses -- it might look a little bit odd to you that currently 67% of our revenue is done in the service centers for ULD repairs and the pooling business is only a few adds to 1% of the short term leasing, is only 33% or one-third. But the explanation is clear. What we were building with acquiring those service centers was the basis to grow the pooling business.

Again, opposite to most CHEP service centers, our service centers have been called an MRO station. MRO in aviation terms stands for maintenance repair and overhaul. Those MRO stations have their own markets. So they do repairs for other airlines. So they contribute revenue. So they are not only a cost center, we treat them as a profit center. They have their own bottom line, they have their own profit targets and obviously they don't need a lot of capital so it's a good balance to the capital intense pooling business.

So how does aviation pooling work. First of all the value proposition starts with us acquiring the pools of the airlines. So the airline, who does it currently in house, has a number of ULDs which they sell to us. We then agree with the airline on a monthly stock level, so the airline can adjust with us their stock every month, and lease those assets back under a monthly lease agreement. The airline then at each, every airport loads the ULDs onto the aircraft, they use them during the flight. They unload the ULD. The ULD then goes back to the pool.

Currently we are active at 300 airports, so we have assets at 300 airports around the world. The assets come back to the pool, they are inspected for damages. Again, as I said, there are strict regulations for damage prevention and the damage ULD is not allowed to be loaded on an aircraft. So we check -- so-called air worthiness checks. Once it's clear that the ULD is air worthy it goes back to the pool and will be loaded by the next customer for the next flight. So that's how the flow works and obviously if a ULD is damaged it is taken out of circulation, it goes into our service center or one of our subcontracted service centers, repaired, signed off by a certified mechanic for airworthiness and put back into the pool.

The solutions we are offering, we have, as mentioned, we have more or less three service offerings to pooling. Obviously the main business where we own the asset, where we pool the asset, where we have different types of ULDs available, where we are in charge of the asset management, where we are in charge of the tracking and tracing the repairs. That meant the whole charging model is based on a monthly fee, a monthly service fee, fully inclusive. So there are no hidden costs, no caps. It's really one amount per month which covers everything and it's done, as I said, under the IATA code, you've seen it here, R7.

Then we do short term leasing, that's more the top up business. If an airline -- classical case is during Christmas peak, if an airline needs additional units they can rent from us on a daily basis or weekly basis or monthly basis, but usually it's daily or weekly. Obviously we are not involved with the asset management, it's all the risk of the airline. If they lose the asset or damage the asset they have to pay the repairs. We have now acquired a second airline code for that, it's called C6. So you can separate the short term leasing assets from the pool. That's, as I said, a business which we start growing but which we have been doing since four or five years already but we never had the assets available to grow really into that area.

Then we do repair only, that's obviously we don't own the asset, the asset is owned by the customer. We do the repairs. We do it either locally or globally and it's a fixed fee per repair or it's time and material. There are various pricing models here and the assets, as it's owned by the customer, has also then the IATA code of the customer.

The platforms we are using, you have those containers. The majority of the containers currently are aluminum but we also have lightweight and this one is a lightweight, that's why it has this set here. That's a lightweight container. There are different other types. So they are mainly containers for freighters. They are -- there's one aircraft in the world, the Boeing 767, which has a dedicated container fleet so you have to have completely separate ULDs for Boeing 767. We have a significant amount of those containers.

Then you have the cargo pallets, the standard pallets, which is more or less loaded into every white-body aircraft. Then you have the so called heavy duty pallets which mainly go onto freight aircraft. A new development which is just introduced on the market and will be certified probably end of the year, so called lightweight pallets. You will later on see one of those and that's again, a big innovation. Then we have the galley carts you've seen and those are the meal carts. The meal carts onboard an aircraft for food and beverages and so far we have not yet developed a solution to pool those but we are very -- we are the biggest repair network in the world for the repair and certification of those galley carts.

The global footprint. We are rather a small business, you have seen the revenue numbers. But we are global business and we -- as mentioned, we have a chain of owned repair stations, currently it's 23. We just opened Copenhagen and Atlanta in the last couple of weeks, so we have now 23 owned -- repair station owned -- not that we own the property but we own the business. With that we have by far the biggest network of -- there's nobody who comes close -- of repair stations. Then we have another 20 stations of subcontractors which are forced to use our IT systems. So from the customer perspective it's not a difference whether it's a subcontractor or owned station.

We have so-called supervised stations. Those are the blue bullets. That's what we call the boots on the ground, every critical airport, New York, Paris, Frankfurt. To facilitate the pooling between various customer airlines it's very critical that you have somebody on the ground who makes sure that the assets really flow. At the airport -- you can imagine an airport like New York it's huge and ULDs are stored everywhere. If you don't make sure that the flow really is happening then the pooling gets difficult.

To that obviously we have here in Zurich, in Kloten that's the foundation of the Company as I said, it's related to Swissair. Then we have a global operation center which more or less does the whole asset management globally and that is located in Bangkok.

The leadership team -- I don't want to go too much into details but you see already from the colors, what we have is an amalgamation of the skills of the three companies which have been put together. On top we have a big exchange of knowledge and knowhow with Brambles and CHEP.

So Mr Everett, in the yellow box, who is in charge of the Service Center Network, he was the owner of JMI Aerospace. He's running now the global network. We have David Harman, who used to be the CEO of Unitpool, he's now in charge of global sales. You see the blue boxes, those are all people who have joined us from within Brambles or CHEP. Charles Drummond, I mentioned he's the Head of our Global Asset Management and Operations in Bangkok. He's a Lean Six Sigma Black Belt who has done a lot of process improvement projects in CHEP Australia and he has really applied now this methodology from CHEP in Unitpool and in the aerospace business and that has made a big difference.

The customers -- you probably have seen all the logos. We have a broad customer base. On the repair side JMI has more or less a monopoly in Australia and New Zealand with Qantas, Air New Zealand, Virgin and Cathay Pacific, V Australia. Then Driessen, as I mentioned, very strong in the US. Biggest customer is United/Continental but also US Airways. KLM in Europe and Continental obviously is now together with United.

Short term leasing, we have a couple of big names already now. Even so, the activity with a full focus started only recently with DHL, Air France, Turkish Airlines and others.

If you look at the pooling side, the recent win which we announced a couple of weeks back was SAS the Scandinavian airlines. We have Gulf Air, we have AirAsia X, the fastest growing airline in Asia, and we have a very, very strong focus on cargo carriers. Cargolux is the biggest independent 747 freight operator based in Luxembourg. It's our biggest customer. And a Russian airline called AirBridgeCargo, probably not well known to you but they also operate in the meantime twelve 747-400 freighters. So another big freighter operator. And cargo is a big part of our business currently.

So what's our value proposition? First the independence. We are, as I mentioned before, the only truly independent ULD pooling service provider. Our competitor Jettainer is owned by Lufthansa.

The efficiency with the pooling. We can more or less guarantee pooling efficiencies of 10% to 15% to our airline customers. If you combine it with other efficiencies on the repair side, usually we aim for a cost saving of 20% to our customers over a contract period of five years.

The sustainability of the pooling model obviously uses less resources and also important with our global network, we do not -- many airlines still fly damaged ULDs back home to their hub for repair. Sounds odd but that's the case. An airline like British Airways does all their repairs in London. So if they have a damaged ULD in Mumbai it will sit there for six weeks damaged until they have space on the aircraft to fly it back for repair into London. We repair obviously where the damage occurs within our network, which creates quite some efficiencies and also fuel savings and so on.

The breadth of our service offering, we have a complete service, repair maintenance, leasing and management. The scale, as I mentioned before, we have the largest network with 23 owned stations. To support our global operations center we really have to follow the sum principle that the assets are tracked 24/7 and we never lose, in a way, sight on the assets when it's clearly circling the globe, because our global operations center is always tracking and tracing.

Simplicity; it's a very simple pricing model, one price per month per ULD. The flexibility of the customer then because as well all know aviation is a very cyclical business. The customer can adjust their monthly stock with us on a monthly basis. So if they have, I don't know, two or three aircraft in a longer maintenance overall then they can reduce their stock with us and obviously if they have chartered additional business they can also increase their stock with us.

Innovation -- and currently we just started it two days ago. We are very much focused on improving the tracking of the assets and we just have launched now a pilot to attach satellite tracking devices onto the asset and then have satellite communication tracking the asset and telling us where it is. We do that as a test with Cargolux. Currently we have only 20 pallets for the time being, but the test started two days ago. With geo-fencing and a lot of technology, we more or less can even say in which warehouse at the airport the pallet is currently located. If this test proves successfully we really will look into using satellite tracking to improve our asset tracking.

The last point is systems. We have a system which is called ACTIS. It's considered the best-in-class system in the industry and the system is even doing for IATA, the industry organization, the so-called [inaudible] systems. So if airlines exchange ULDs among each other, the tracking and tracing of that process is done within our system which also gives us, of course, a good exposure to IATA and to partner airlines there.

The asset lifecycle, that's probably something which is interesting for you. The standard aluminum container, on one side the standard pallet on the other side. The purchase price of a container is around $1000, a pallet is $750. The repairs per annum is 1.5 for a container. So 1.5 times it goes into repair, the cost per repair on average is $200. The typical monthly rental fee is between $50 and $55. It usually does around 125 flights per year. So ten a month more or less.

We lose -- even so we track them very carefully we lose around 1.5% every year. The depreciation is 10% and the scrap value is $75. On the pallet side you have much less repairs, but unfortunately they also do much less turns per year. The reason for that is most of those pallets are leaving the airport to go into a forwarders warehouse and it takes sometimes two weeks until they come back. That of course reduces the velocity. The loss rate is a little bit higher because of that, because they are leaving the airport. Depreciation 14 years and the scrap value of the aluminum is $110. If you do the maths you will see that obviously the pallets have a substantially higher contribution than the containers because they are less damaged and are much easier assets to deal with.

A little case study that's a real case of an airline which has roughly 96 white-body aircraft flying to 40 destinations, of which 15 are overlapping with us, which is unusual. Usually we have a higher overlap. This airline owns 12,500 ULDs, the repair ratio is 1.5, consistent with what I showed you before and they have three people in ULD management, managing that. What we usually do is we look at an NPV model over five years to show the benefits and in this case we took out now the NPV analysis but over five years with CHEP Aerospace, the total spend of the airline would be $25.1 million. They would get a one-time cash benefit of $2.2 million. That's us buying the 12,500 containers.

Without CHEP you see the repair costs, the staff cost and the leasing demurrage costs, because they always have to lease in ULDs for covering peaks, net purchases and the investment overtime, so the total spend is $2.9 million and the total saving in that example, without interest, it $6.3 million, which is 22%. So that's a real example.

What is interesting with this sales approach, in most of the cases the airlines don't even know their own cost. So in order to come up with a calculation like that we need to go into the airline and we call that the so-called cost discovery visit. It's a three day workshop with the airline, maybe together uncover their own cost. Because usually they don't know their own cost, their costs are hidden in different cost centers. They might know how many staff they have obviously, they might know how much CapEx they have, what they pay for repairs, but that's it. So in order to really sell our service offering we need to educate the airline first about their own cost.

The biggest innovation right now is lightweight. A lightweight ULD like this is made out of composite material, Kevlar or something similar and the normal ULD aluminum has a weight of 82 kilograms, lightweight goes to 64 kilograms. There are even now some which are 55 kilograms. So you have a substantial weight saving. I don't want to go too much into the details, but with the number of hours flown per year, the number of ULDs, you come to a reduced fuel rate which is 40,574 kilograms [sic - see press release slide 24] per aircraft per annum. That's a very, very significant number.

So if you talk about one aircraft current fuel prices, you have a fuel saving potential of $46,000 for one aircraft. If you go back to one container you can save up to $3000 -- roughly $3100 in fuel with just one container. So you might now ask why don't the airlines immediately switch away from aluminum to lightweight. The reason for that is that sometimes in airlines the CapEx to -- even if it's a no-brainer business case, to get the CapEx approval is just nearly impossible. The first thing which is capped when the airline goes into the next round of cost cutting, the first thing is no more CapEx. ULD then is the first to be cut. That is the reality of the airline industry. It's a no-brainer business case and still 90% of the cans are aluminum.

So what's our go-to-market approach? The market assessment -- obviously the strong industry goals and what are we doing. Obviously we want to grow and develop the core pooling business. How do we do that? The global expansion; we target key carriers. You've seen the customer names on a previous slide. Obviously a lot of those customers who are currently working with us on the repair side are on our list to approach them for the pooling offering.

The need for the holistic one-stop shopping solution. We insource repairs and entered the repair market. So that's a very important part of it.

The excess stock, because whenever we acquire pools we also acquire the inefficiencies from the customers so we always have too many assets. What are we doing with those, that's why we developed the short term leasing offering. We try to lease them out on the short term basis and retire them over time.

Then obviously the opportunity is much more than just ULDS. I mentioned galley carts. We believe that galley carts is even a bigger market for pooling than the ULDs because there is substantially more galley carts in the industry. The galley carts are very standardized. In reality there are only four different types of those. There's no pooling offering on the market right now. You can do some manufacturer leasing but that's it. As we repair galley carts and repair the largest fleet in the world -- over 190,000 galley carts -- we see that as the next natural development of our pooling offer and that's a big project for the future.

But what's the targeted outcome? We want to have 25% market penetration by fiscal year '16. We want to leverage the scale to grow the margin and we want -- very consistent with the other Brambles businesses, we want to have a 20% plus return on capital invested.

To summarize our strategy, our growth staircase. You see that we started this ULD pooling then we went into ULD repairs. Currently we are developing the short term leasing. The next big step is to set up the lightweight pool to offer the airlines the fuel savings which they cannot achieve themselves, then go into galley carts. Specialty ULDs you can imagine there are other ULD types. Animal transportation, horse boxes, hanging garments ULDs. So there are many different -- cool-containers --, there are many different types. All of that is based on the foundation and that's why the acquisition of Dreissen and JMI was so crucial. It's based on the foundation of our network, the repair network gives us the people, the storage facilities and that is really the basis of the strategy going forward.

Thank you very much.

Maybe I should -- sorry, yes. On the site visit what we want to do now, after the Q&A, is to go to the airport for a site visit. We want to see two things. First of all, the warehouse of CargoLogic. CargoLogic is the biggest cargo handler here in Zurich with roughly 250,000 tonnes of cargo. There we see how the ULDs are loaded -- mainly pallets. It's now a peak time so you'll have to be careful, there will be many forklifts and so on but there should be some activity. Then we have a little exhibition where we want to show you the different types of ULDs. Also this new lightweight pallet and we'll answer questions. We'll also show you some damaged ULDs, because, as I mentioned, ULD damage is one of our biggest cost blocks.

So first the exhibition, then CargoLogic. You have to go through security like you would take a flight, because we will be within the airport. So we have to do the standard clearance. Don't take any weapons, pocket knives, bottles with more than 100 milliliters of water, whatever. Cameras are okay but not taking photos at the police. That's it. Maybe remain with -- stay with your tour guide because it might get dangerous there.

Thank you.

Tom Gorman - *Brambles Limited - CEO*

So no weapon other than your sharp intellect I would say. Look, I think given the timing and we got started a little bit late, we're not going to actually have time for Q&A right now, so we do have a tight schedule through the airport. So what I would propose is that we actually break now and into our Groups and then head toward the airport. I really would encourage all of you to speak to Ludwig throughout the tour and then Ludwig will be with us when we come back as well for the latter part of the morning session.

Of course, he will be in the audience for the presentations. So if there are any questions specifically relating to CHEP Aerospace or the initiatives that Ludwig is championing, please feel free to ask them in the general session at that time. So apologies for that but I think it's important that we stay on the schedule and get through the technical part of the morning. So with that we'll organize and James give us -- [Inaudible].

Well welcome back everyone. Some folks are still kind of making their way in but in an effort to end on time we'll make every effort to start on time. So if you want to just grab a final drink or a cup of coffee and find your seat it'd be greatly appreciated.

We're going to work under the theme of quality, not quantity for this session so why don't we get started.

Okay, so look, this session again is just a -- because of some of the timing and getting us in and out of the airport, we're going to continue with the focus on the containers business and you're going to hear three components now for the next couple of hours or so. Greg is going to present a session on capital and returns.

So if you want to think of this very similarly in the way that Michael Nimtsch walked through the economics of the RPC business. You'll see something very similar here and Greg will walk you through the discipline that we put into building these businesses and then give you some idea of our expected returns and how we apply capital. Then you'll hear from Marcelo. He'll go through automotive and Europe, and then as I said, we'll follow-up and end up with Bob talking about IBCs in the Americas. Then I'll just come up to wrap up and a few thank yous and then we'll be off and on our way.

Just a few comments again to orient you. So now we're still in the container space. We had earlier this morning Ludwig present. There were a number of questions so I would also encourage you, as we wrap up later today, if there are any questions for Ludwig he's in the audience so please feel free to bring those up. But as he said, we'll hear from Bob Weidmaier, who's part of the Americas container group working for Kevin and then Marcelo runs the European containers business.

Just to give you a little idea of our footprint here. You can see on this chart that like many of our businesses these are -- even in our emerging businesses we still have global footprints and network is one of the key advantages, we believe, to our business. So you can see the CHEP locations where we are in North America, the coverage that we have in the emerging markets in Asia. You can see where we are in Western Europe. Of course, IBCs and automotive -- a strong part of what we offer in the ANZ business. You can see Melbourne at the bottom of the page, as well as our business in Port Elizabeth, supporting the automotive sector in South Africa.

So it is a large footprint and as you'll hear throughout the idea of connecting these nodes, in the long run, we believe is also yet another competitive advantage.

I won't focus on this too long because it's quite a long period. It's a 30 year period of what we've been doing in this space. But I think there's just kind of two things that I'd bring to your attention. First of all there's a theme that you would see in the Americas, specifically in the US, of getting in and getting out of things. You would've picked that up yesterday, obviously when the IFCO guys talked about acquiring the CHEP business a number of years ago and then building it from there.

You can see that we've been in different businesses in the Americas. I'm just hawking you back to about two years ago, when we started talking more openly about strategy and juxtaposing our businesses. The US has always been really a single SKU business for us and all the good diversification and growth that we were able to deliver in other markets, we were never really aligned and focused to deliver that in the US.

That is a big change now. Clearly in the organization structure that we have there's a focus on pallets, there's a focus on containers and there's a focus on RPCs. That allows us to drive these initiatives into new geographic sectors. So you'll see now the build out of the US automotive business. They're building on our continued strength in the European automotive business, which frankly we have been in and consistent for a long period of time.

A similar thing you will see when you come to the IBC business. You will see that the EMEA business and ANZ, they developed these businesses as they built out and as they grew their pallet space. As they filled that market share they looked for new and innovative ways to grow. So we've been in those businesses consistently for a long period of time. Maybe haven't supported them as well, clearly, from a North American perspective, but now with the commitment to IBCs -- and you'll hear more from Bob, we are growing that business out once again.

So a long historical context but some common themes that I think you should try to pick up.

I won't steal too much of the thunder of each one of the team. So you have both a page that identifies what our real strategy is and what our vision is in automotive and then you'll see in a moment we have one in IBCs as well.

So coming back to the constant themes that we've been trying to bring about the diversification, implementing our diversification strategy, organizing to deliver -- so you'll see the folks here, and then of course, the size of the prize. I'll just bring you back to this chart and you'll see one on IBCs again, just to orient you how we view the business.

The first chart here is -- it does two things. It shows you the opportunity again, plus we bring back this concept of Horizons. You all know that we've been in the European automotive space for quite some period of time, so we call that a Horizon 1 business. But there's still enormous amount of growth opportunity in that space. When you roll out and look further, whether you're looking into the Americas, clearly looking into Asia and then as well this idea of connecting the nodes on an intercontinental basis, those are really H2 and H3 businesses.

I think Greg will do a great job of bringing to life then how we look at the emergence of those, the application of capital and the returns over time. But it's important to keep this in mind that this is how we view these businesses and this is really how we allocate resources and capital.

The second component of what you'll hear today of course then is around IBCs. Again, I won't walk you through this chart but here again you can see what is the five year vision. So in the near to medium term what are we focusing on. Then the key legs of that vision, which we've articulated out onto the right.

Then just again in terms of parallel construction, we really see the IBC business as an H2 or H3 business today. We don't have a significant footprint. Now yes, we do have a business in Australia that has been -- is a more well-established business for us, but in terms of the absolute size and growth potential, you can see that of all the businesses that we talk about, intermediate bulk containers is the one that we think in the long run really holds the most potential in terms of the size of the market, what we think is our core characteristics or our ability to win and why we should be successful in this space. But in terms of where we are today, these are really H2 and H3 initiatives. We're now structured in a way to deliver, we're manning these businesses appropriately and of course, in addition to the human capital investment, you're also aware of the financial capital that we've been investing in this space and you'll see more of that in a moment.

So the presenters. We have one face that you know very well, so we've not added that. But Greg will be up here and he'll walk through, as I said, the capital and the financial and the metrics that we're using to evaluate these businesses. Then you'll hear from two guys here. Marcelo has been with us about eight or nine years. He's had a number of positions in Europe and he'll introduce himself more fully and then of course, Bob Weidmaier, who joined us with the CAPS acquisition. He's been with us now for just on a year. You'll hear about his background as well as what he's doing in this space.

So with that, let me just turn it over to Greg, and as I said, he'll walk you through capital and returns analysis of the business.

Greg Hayes - *Brambles Limited - CFO*

Thanks Tom. The context for today's presentation, I think if you go back to day one, as Tom said, that's largely an H1 business, pallets. We have some businesses that are growing that might be characterized as H2 and we have some H3 opportunities there. But largely it's an H1 business on a very established formula, one that's been successful.

Day two, I think we'd characterize that as a strong growth business in the RPC space. But that's based on a more recent business model. I mean it's successful and it's proving to be successful, but I think I'd characterize that more as an H2 business. We still have a lot of growth in those businesses and we have a lot of H3 opportunities.

Today is largely an H3 examination. We have some businesses -- and you could maybe characterize European auto as H1, but largely the businesses that we've got are really what I would think would be H2. Because of their size and because of the opportunity that we have to continue to grow them but we have a lot of H3 opportunities.

Now what I really want to try and do today is do three things. The first is to demonstrate the rigor of the analysis that we've undertaken to decide where to target in the container space. Then I'd like to spend a little bit of time trying to demonstrate the rigor that we've put into the process to establish the business plans that we've developed and then I'd like to spend a bit of time trying to demonstrate the return profile that we believe is achievable in this space.

So let me just start by saying that when we embarked on this strategic analysis it was pretty obvious to us that the heavy focus in pallets was not going to properly exploit the real intellectual property that we had in Brambles. That real intellectual property is around pooling and it is a variety of other asset types and services that we can provide where we believe we can put that intellectual property to good use.

We also were facing a pallet growth story, where it was somewhat stunted. We had the iGPS issues in the US et cetera to deal with.

Now Tom put up a chart earlier and it showed where we had the containers businesses established around the world -- and we've had a lot of them, but they haven't had the focus. So I mean in Australia and New Zealand we had auto, RPC, IBC. In the US we had the IBC business. We did even have an RPC business at one stage that we sold to IFCO. We had the CCC business and South Africa auto, IBCs and RPCs. In the UK IBCs and RPCs and in Europe the auto and RPCs. But nonetheless, even though that we had a lot of them established around the world, they still represented a small percentage of our revenue.

Now when we began the shift towards a broader growth agenda, we needed to develop the fact base further. We needed to do that in order to be basing our decisions on the best possible information. We needed to also focus on building our organic growth plans and where possible look at acquisitions and I'll come back to that later. In the post-GFC environment we drove the growth agenda by searching for organic growth opportunities outside traditional pallet markets and across the whole supply chain.

You've already heard on the first day that we have put an increasing emphasis on emerging markets in the pallet space and we will continue to develop that. But we were also looking to move outside of our traditional pallet space.

We conducted a lot of exercises across the Company and outside of the Company. We interviewed customers, we interviewed logistics experts and industry associations. We interviewed supply chain experts, as well as our own employees, for their experience. Marcelo's been involved in these spaces for some time and he was involved in the process. We did that to supplement our extensive desktop studies that we did with real world information. From this we've formulated what we call internally our universe of container opportunities if you like. Out of that we've identified the various categories of platform and of market.

Then after assessing the alignment with Brambles core capabilities, what we did then was to identify the potential value that we might be able to exploit in each of the opportunities. We then landed on five container categories to pursue, as we've identified on this chart.

Now this table here, we've detailed the four container opportunities. I haven't put RPCs on here because that was covered extensively yesterday. What we've done on this chart here is outlined the actions that we believe will be required to be successful. Now for each of the containers categories we've studied the markets in detail and have established our own estimates of the addressable packing spend. By that we mean where a reusable container solution is possible.

So these are not just -- our view of addressable is not just a broad market, it's actually that which we believe is capable of being converted across to a reusable solution. Part of that analysis is identifying what we call internally the headroom, but basically that gap between the true cost to serve for the existing, particularly the one-way disposable and the reusable solution.

We've also estimated from that what percentage of the addressable market is currently being delivered by a pooling solution, in comparison to customer owned containers, long term leases or alternatives, such a one way packaging.

Now we've -- obviously in all of the modeling we've done we've taken into account the time it takes to convert customers and I'm sure that's a question that's on your mind. The other two presenters here will be able to give you, as well as Ludwig, a view on that if you've got questions on that. But it's clearly one of the main things we need to take into account while we're trying to do some modeling.

Clearly one of the most attractive characteristics of each of these segments is the white space, where no other pooler currently operated. That includes intercontinental flows in IBCs and in auto.

Now it's that white space that gives us confidence that growth in containers can follow the models in pallets and RPCs and that CHEP is ideally placed to exploit this.

Now in this chart you can see that we -- I've separated out the IBC market. On the left side what I've done is identified by geography and that includes intercontinental where you'll see a bar for that and on the right by the significant market segments. Now we completed a detailed investigation of these segments using current industry data and supplemented by our own customer information and third party market investigation. Then what we tried to do was identify the most attractive based on growth, alignment with the pooling solutions, ability to win and geographic overlap with our current CHEP footprint.

Now the four targeted prime segments that we've chosen here are materially present in all regional geographies of focus. So that's part of the reason why we want to do it and it's also important because if we are going to enjoy intercontinental flows we want the domestic market to be significant.

Now importantly in the case of IBCs. One of the reasons why we believe it is a significant opportunity as Tom alluded to earlier. The ultimate customer beneficiary of a conversion to IBCs are existing CHEP customers. I mean there are a lot of manufacturers in the -- particularly in the FMCG space who are already CHEP customers. We believe that gives CHEP a distinct advantage in moving into this area in a significant way.

Now from here the next step was to develop strategic plans to start the journey of how we're going to penetrate those segments in our chosen geographies. So we have a process and I'll just go through this in a little bit of detail, but you can see the headings there and I'll just deal with each one of them separately.

The first thing was we were able to get a significant head start here by accessing and harnessing our own experts, our own customer knowledge and our own experience in running similar businesses around the world. So we had a very good start to that. We were able to proof up all of the assumptions that we had by real world experience. We then moved along and did a step-by-step and detailed process to develop what we believe are executable business plans. Now each area of the plan was developed in significant detail and I'll just go through that.

The real challenge that we had was how to ground the high level revenue projections with the reality we've experienced in other markets. So basically, how do we make real that which might otherwise have been theoretical. So we've used a combination of market knowledge, real world sale cycle experience and a consistently structured approach across all of the containers and the businesses. We facilitated workshops with teams of sales peoples and accounts managers, in an endeavor to build realistic revenue projections.

Now these were based on the real cycle time of the buyer's journey that has been experienced in the established businesses. We studied the time to take a customer through the various stages of -- from being generally unaware of the issues, all the way through to being able to engage them in wanting to use Brambles to help them to deliver savings and efficiencies.

Now once the revenue projections were matched against our average deal size and the average velocity through the buyer's journey, we're able to then build the rest of the P&L. So we're able to look at the required activity and the resource that we'll need to be able to generate that revenue. Now this is an interactive process. I mean we're not just going to set this and forget it and have a five year plan. We're going to look at the real experience that we continue to get in the market place and we're having quarterly assessments against these plans. As we go through the budget cycle in the next couple of months we'll actually be going back and revisiting and resting, based on the real experience that we've had.

Importantly each of these container businesses has also developed a detailed operating model. We've used that to provide clarity on operational decisions and cost assumptions. Now this is really important because we wanted to avoid the pitfalls of giving people targets without the support to deliver. So it's not just about putting people in roles, it's actually about giving them the support they need to be successful. So for example, we've made decisions about what channels we'll sell through. We've assessed product services and processes to provide a reliable and consistent delivery across all locations.

We've looked at information technology and organization to leverage the existing CHEP infrastructure and then we've established the physical locations and the phasing to create momentum in our main geographies. Now all of these plans have been cross checked to find synergies and opportunities to leverage each other. Importantly, and it's one of the things I want you to go away from the session today with, importantly we're trying to ensure that we are more process dependent than people dependent. This is a lower risk approach and it's something we are making sure that we do across the business.

Then once we had an organic business plan we sought out growth accelerators to assist in the execution timeline and then this chart, you've seen all this information before. This sets out the acquisitions that we've made in the spaces. Where we've found acquisitions that fitted our acceleration plans. Then we've identified the growth CapEx there. There's two things from the growth CapEx that I want to point out. At the half we indicated that we had spent $160 million of the $250 million that we identified in 2012 and we expect to come in around this $250 million. But also on the containers side here, which is today's subject, you can see the significant growth that we're forecasting there in capital. I'll give you some metrics in a moment to be able to identify what that should mean in terms of revenue.

Now here we've tried to outline for you -- so that you can kind of fill out your models, some information on the -- some data that we think is really worthwhile. It comes from our strategic plans but it's also been proof checked against our existing models, so that we believe there's significant validity to it. What you can see on the left is the approximate ratio of the average capital invested to sales revenue.

So trying to give you an idea of for every dollar that we put in capital what kind of revenue you should be expecting. You can see there that over the five year period that we expect it's about a dollar for dollar. And across all three of the businesses it's about the same. But you can see then as we move into the five to 10 year phase that that reduces. That reduces because the pool starts to age and we get the benefit of a reduced cost in the pool, we also get a better profile over time in the business.

There should be no real surprises here. You can see that the return on the invested capital equaling our capital cost, or in our terminology, inside the Company BVA. You can see that it's around three to four years and that getting to the 20% ROCI and plus is about five years in all cases and in IBC there it's about four.

Now I'm going to give you a graph with no information on the horizontal axis -- on the vertical axis, but I'm about to give you some data points to look there.

So when we look at the businesses, the profile of these businesses is really no different to RPCs and pallets. What you get is the high rate of capital investment at the beginning and relatively it starts to reduce over time. Operating costs lean our through efficiencies, management and capacity utilization and overheads grow significantly slower than revenue, as the new business becomes a smaller proportion of the total revenue.

Now this is a graphical illustration that you see there of a startup using US auto. Now the line -- the horizontal line that you see is effectively the BVA neutral point. So you can see there at around year three that's when we hit our cost of capital at 12% using our BVA analysis.

I'm about to give you some data, which I know is dangerous because you'll remind me of it for the next couple of years but I'm going to give it to you anyway. Just to give a sense from our modeling of what kind of revenue base it might take us from start up to get to BVA neutral, in other words, 12% return. It's about $90 million to $100 million of revenue. That would take around about $100 million of capital. So you see it's around that one figure but maybe just a little bit more but around the one figure that was in the previous slide.

Now to get to 20% plus return on investment about $150 million revenue and the capital would be in the $125 million to $150 million. This is the invested capital at that point so it would be depreciated somewhat by that point.

Cash positive about year six or maybe year seven and gross margin at year three around 25%, moving up to around 32% to 35% by year five. So there's some metrics we just wanted to help with. Again, I say these numbers are dangerous and they are also dependent on many factors. These are startup businesses. So it really depends a lot on growth, on margin that we can get early on, on overheads, how much overhead, how quickly we can start to absorb that overhead. For the cash flow calculation it also depends on our working capital assumptions and whether those working capital assumptions bear fruit. But the reality is these models are built largely on what we've already successfully deployed. So these are not just pie in the sky numbers.

Then this is a chart to give you some of the typical operating metrics that I think will help you understand how to model the business as well. This gives depreciation rates which you're largely familiar with but losses per annum and scraps per annum and turns per annum for each of the air categories. So this gives you something to start thinking about. You'll note there in RPCs that the scraps per annum -- it's a different number than what Michael showed you yesterday because he showed you about 0.9 per turn and a 5 turn. You'll note the asterisk that this is net of the warranties. So that gives you some indication of what the impact of the warranty percentage actually does. So I'll let you back solve for that.

So then this chart here doesn't have any numbers on it and I won't spend a lot of time on it but it does indicate the five levers that all of our guys are fully aware of in terms of how to drive to the right return profile. Four of them relate to earnings and one relates to improved capital profile. You can see cost of overhead, you can see the operational efficiency, utilization of fixed costs, network efficiencies from the pooling -- and that's obviously one of the distinct advantages that pooling has over time.

Then the ageing of the fleet does actually improve the return profile because otherwise we have very significant upfront capital. Once we start getting more assets into the fleet the new component becomes smaller and the overall depreciation cost reduces over time. Look, none of that should be a big surprise to you but these are the levers that all of the people inside our business know that we need to push to improve the returns.

So look, I still want to leave you with the same three thoughts. We've rigorously assessed and determined which areas in the container markets we want to target. We've established robust business plans and those business plans include the process that we are going to undertake in order to be successful. We've satisfied ourselves about the potential return profile for each of these targeted areas. Now we all recognize that largely what we produced here for you, business plans with financial forecasts and that really the job in convincing you in order to deliver those. So we know that that's the task in front of us. But we have a genuine belief in the potential of these areas and the way that we have organized ourselves to be successful.

So I'll now pass over to Marcelo and to Bob but I just want to leave you with one last comment. We have dedicated significant resources to this and we will continue to do that. But we genuinely believe that we can achieve scale here with the return profiles improving to the 20% plus return on investment within a four to five year period.

So thanks very much for listening to me and I'll now hand over to Marcelo.

Marcelo Di Benedetto - *Brambles Limited - VP CHEP EMEA*

Thank you Greg. I had the pleasure to meet many of you last night and some of you during the morning today, but for those of you I haven't met yet, my name is Marcelo Di Benedetto and I have been in CHEP for nearly nine years in a number of different roles, in finance, in supply chain and for the last year and a half I've been heading the containers business in Europe.

So my idea for the next 20 to 25 minutes is to share with you a number of growth opportunities we are facing and realizing and to underline why we are convinced that we are best placed in a market place to materialize these opportunities. Towards the end of the presentation I will share some examples to illustrate how we are winning into this opportunity space.

I will also talk about some of the cost challenges we're facing and how we are responding to them and I hope that by the end of the presentation you will be confident that the automotive business in Europe is a resilient, profitable business, offering outstanding opportunities for growth.

So before getting into that space let me just give you some background of our business and its also recent performance history.

So we have been serving the automotive industry in Europe for nearly 20 years. That -- in simple terms we have seen some of our containers outside. We have been supporting the industry to move components into car manufacturers for nearly 20 years. We have been winning different brands that you probably get very familiar with over that chart. But there are a few things to highlight out of that chart. The first thing is that throughout the different industry cycles we secured very attractive returns and we did so by retaining every single key account and by having always discipline in our capital allocation decisions and our cost control.

The second thing to highlight is that in the last 18 months -- and Greg made reference to the fact based approach and I will give some detail about that. We have also focused in discussions about how to organize ourselves to materialize the amazing growth opportunities we have ahead of us. Now I will expand on these opportunities. But before getting to the opportunity space, we believe that the resilience of this business model is basically based on two main factors. One factor is the sale of our network and the second factor is our customer portfolio. I would like to explain to you the next two slides on each of these points briefly.

When we talk about our network in automotive Europe, essentially CHEP is the largest independent container pooling provider in the industry. We move more than 1 million containers every week and our network expands all over Europe. I talking about not only our head office in Cologne but also we have service centers covering the whole region. This network is essential to deliver the benefits of pooling, which in simple terms is about sharing common platforms and assets and minimizing the transportation of these containers when they are empty.

So in very simple terms you can see here how we develop through this network the capabilities to optimize flows and control our assets. The second aspect is about our customer portfolio. It jumps out of the page that we work here with the largest brands and companies in the industry globally. Now we serve a significant number of car manufacturers and we probably work will all what we call tier-1 suppliers, all the suppliers delivering components into them. So these brands gives us the possibility to have such an extensive network, but more importantly, these are the global brands that are best positioned to navigate during the different industry cycles and working with them gives us that possibility as well.

Finally, having such brands as partners for us represents a spring board for further growth. I'm going to touch about growing within their own supply chains, I'm going to touch about intercontinental. In all cases you will see how relevant it is to be a partner to these global brands.

So let me touch briefly in our financial performance and our revenue progression in the last years. What you can see in this chart is our revenue progression and in the yellow line you can see also the car manufacturing volume in Europe, excluding Russia, over the same time period. Now let me highlight two aspects here. The first aspect is that during that period, as I mentioned before, we secured returns of investment of 20% plus. We have been very mindful to control our capital allocations during the downturn in the industry, but equally mindful about the investments we have to put in place to benefit from the growth opportunities that I'm going to touch on.

The second thing to highlight out of this chart is that in the last two years we have outperformed the average industry group. It has been driven by two factors. One factor possibly is one of our clients, Jaguar and Land Rover, they have outperformed the industry average as they faced outstanding demand from China and Brazil. But even more important that one of our clients have been the new wins that we secured over the industry growth. I'm going to give some few examples about these new wins to illustrate how we are growing within our customer base as well.

So this is about our past and recent performance. I would like now to turn the page and talk a bit more about the future and growth opportunities. Greg mentioned about our fact based approach. I'm not going to make any justice to the amount of work and effort that went into that, but just sharing with you very few slides.

But the first question we asked ourselves is how big is the opportunity out there. So we can see that the opportunity as being the amount of pooling business or the amount of parts that can move within standard containers. You saw our standard containers out there and you can see that not everything can be moved within standard containers. You cannot move bumpers right? Or really engines into these containers. But we are very aware that out there every single car we see has between $150 and $200 of standard packaging we can tap into.

Today we serve about 12% of that space. A quarter of it is served by what we call one-way packaging, which is essentially cardboard boxes and about two-thirds are served by what we call owned pools. In simple terms, these are standard containers. The very large majority are the same containers we pool, but the ownership is either with a car manufacturer, the dealer supplier or an affiliated company of the car manufacturer.

So the first question about is the opportunity big enough out there, our answer is yes. We think the opportunity is huge. Now the question would be, will the prospects we need to change. Do we have better value to offer than these alternatives they have to get in place. Those are the question I would like to answer in the next slide.

In terms of willingness to change we engaged in a number of discussions with many industry players. We know they have a number of interests when they think in terms of change in their current solutions. They look into the environmental aspects, they look into operational efficiencies, but above all, we need to come up with a cost-saving proposition. They will not look into what we have to say or offer if we cannot give at least 5% cost reduction. This is good news, because in all the conversations we engage with our customers and prospects, putting together our customer solutioning team, our team of experts in Lean and Six Sigma with their own teams and running the whole value stream mapping of their supply chain. Without any exception we were able to demonstrate that we can save between 5% and 15% of their cost base.

Let me tell you how. This is the part when I'm going to answer the question of why we have better value than what they have in place. When a company own their own containers - and I will over simplify the equation here, but essentially if you are receiving components from your supplier in one of these boxes you saw out there, once you take the components out and build the car, you need to send the container back, simple like that. This chart here will help me explain where we add value. With the CHEP solution you don't need to send the container back. Essentially we collect the container as soon as it gets empty and we deliver to another supplier nearby that will deliver components to another customer somewhere else, so and so forth.

So the CHEP solution definitely minimizes the cost of [AMT] movements. This place understands that very well. Of course there are other saving opportunities if you owned your own containers and you build cars. Controlling your containers is definitely not your core capability so you end up losing quite a number of them, you need to look after the maintenance and you need to invest cash into these containers. So it's not a surprise that we're engaged in a number of conversations with companies that in the past made the decision to buy these containers that today they are really, re-evaluating them.

What about cardboard? We think that we're also best placed against cardboard for a number of reasons. The most obvious reason if that you probably know that when a cardboard box is packed with components inside, very seldom you can stack them. So that means the cardboard box is very cheap but you can't utilize the whole truck space. Our containers are stackable, you can put your parts in and optimize the truck space. So that's the most obvious benefit.

In addition to that there is the waste disposal, there is the safety [inaudible], there is the damage to the components when a cardboard box gets exposed to humidity et cetera. So I'm making a long story short because I'm really passionate about this. But in essence the message is we are really best placed than these alternatives and I will share a few examples of recent wins.

So the question would be now, we understand the opportunities, we are best placed, what do we do about it? So our go-to-market strategy has fundamentally four building blocks. Before I delve into each building block let me tell you, probably going back to Greg's presentation we went through the full fact base methodology, the funnel math and each of these building blocks has its own set of marketing and sales tactics. We know exactly how many leads we have to have at each stage in the sales funnel at every point in time. So we have the commercial rigor to really go for it, measure how much we are succeeding and succeed of course.

So the first building block, that's what we call portfolio momentum. In simple terms means we are pursuing the regions where the industry is growing faster. That's the reason why in the last two years we developed commercial capabilities in Turkey, in Central and Eastern Europe and also developed our supply chain capabilities. The main reason is not only that the industry grows faster there but the local suppliers operate with cardboard boxes. For those suppliers that need to support these Eastern European factories from Western Europe with their own containers, the cost of sending them back empty is even bigger. So our value proposition in this growing market is even higher than in Western Europe.

The second building block is what we call lane expansion. In very simple terms this means growing within our customer base, growing upstream in the supply chain. Tapping into the inbound flows of the tier-1 suppliers. I won't expand on this now because I have a very good example later on to explain why this opportunity is here today and wasn't there probably 10 years ago.

The third is about going for new customers. Those newcomers, those high growth brands that haven't made their decision about a packaging solution yet. They don't want to reinvent the wheel .They want to understand what the best practices are and if possible they want to tap into existing pool of containers rather than trying to put capital outlay they need for other purposes.

The last one is about intercontinental movement of components. Again, I will give some context later on to explain why this intercontinental movement of components is becoming an opportunity now and it wasn't there five years ago.

So let me summarize. The opportunity is large. We think the opportunity for gain share is enormous. We are convinced we are best placed against the competitive options and we have a plan under execution. I will share some examples of how we're executing this plan around these four building blocks shortly. But before I do that I would like to talk about some of the cost challenges we are facing and how we are responding to them.

In essence we are facing three cost challenges, transportation cost, container losses and container damages. In terms of how we're responding to these challenges -- when it comes to transportation cost, we have unique capabilities in network optimization. We are permanently working inside our business to identify where we may need weekly and flexibly a new hub, a new distribution point, a new inspection point to minimize transportation of empty containers. This is a permanent exercise in our business. Moreover, we operate a number of inspection points within our customer premises already, which simply put, eliminated the need for empty container transportation from that customer to the inspection point.

In terms of container losses -- and it's true that a customer, which ever position they have in a supply chain, when the container gets lost they have to pay for it. But the more important part of it is that we have developed, over the last few years, a set of tools we call Zero Loss program. With this program in place and with the clients that want to be part of this, with our support and their dedication we manage to minimize losses to zero. You will see in the next slide our loss ratio and how efficient we are.

The third element is about container damages. Once more, every player in the industry is responsible for paying for their damages, but what is even more important is that we can identify which container gets damaged from, we can work together with our clients to identify root causes and fix those root causes that more often than not are related to mishandling of these containers.

So again, we have a good understanding of our cost challenges. We believe that is based on these unique capabilities in network optimization and in asset control and in partnering with our customers to look for solutions that we respond to these challenges the best we can.

You may have a question about how attractive an investment it is to buy containers then for automotive Europe. Let me try to answer that question by giving you some metrics. We have essentially two families of containers and you can see them out there. I'm trying to represent here the main indicators of these containers. But there are three aspects that are very instinctive that I would like to emphasize. The first one is the number of cycles, the cycles per year, the number of turns per year. As we operate a very dense network in Europe we manage to turn these assets very fast.

The second aspect is about the revenue we generate per turn. You can make your numbers, what proportion of that versus the container cost and you will see how attractive an investment that is. But what is important is that there are three components of our price per cycle. There is what we call the issue fee, there is the daily hire, and there is the return fee. It's a very safe way of pricing, in my view, because in times of downturns when the cycles are probably lower than six and they can get to 5.5 or 5, we increase our revenue on daily hire as well. So in essence it's a pretty safe investment equation there.

The third element is about asset control. I know that in Greg's you saw the average asset losses between 1% and 3% and when you see how we can manage in mature -- or a more mature automotive business, you see that our container losses are significantly below 1%. And again, this is the result of a Zero Loss program that we developed and we applied together with our clients.

So these three aspects combined with our strict process for capital allocation, in our view, makes automotive Europe a pretty sound investment.

So before closing I would like to share with you three case studies to illustrate some of the wins in this opportunity space. The first one, I talked about lane expansion before I talked about growing within the supply chain of the tier suppliers. But let me give you some context of what has been going on in the current industry.

Car manufacturers used to have a huge number of tier-1 suppliers delivering components into them and they were assembling every car from the component itself. In the last years in the sporting of looking for efficiencies, car manufacturers consolidated their supply base and outsourced a number of subassembly operation to tier-1 suppliers. As a result of that there are many components today moving between tier-2 into tier-1 and between tier-3 and tier-2 suppliers than ever before. These components are suitable to be transported by standard packaging.

So what's the value proposition for a tier-1. I'm going to use the example of Lear Corporation because it's a very relevant brand in the industry and it's a brand with whom we are in transition seven of their European plans at the moment.

Well Lear Corporation was receiving components from their suppliers in cardboard boxes. They were taking those components out and they were then using the CHEP crates to deliver to [inaudible] auto. We went to Lear and we said Mr Lear, why don't you think about asking your suppliers to use the CHEP containers to deliver components inside. You completely streamline your operations. You use the same containers to deliver to the car manufacturers, with two obvious benefits. The first you don't need to pay for the cardboard box anymore and secondly you don't have to pay an issue fee to CHEP.

Of course, in exchange we issue many more containers to their suppliers that are paying much more in issue fees and that's why I know this equation. So we put the teams to work together. We did the value stream mapping and the benefit was quite obvious. This is just one illustration of how we're growing upstream within the supply chain. You could argue, so when are you going to Lear's suppliers and telling them the same story, right. So that's how we see a significant opportunity going forward to go upstream in the supply chain.

The second opportunity is about intercontinental movement of components. Again, I would like to give you some context about why this opportunity is here now but is growing massively in the future. There have been two main changes in the industry in the last very few years.

One is about standard platforms, A standard platform means that the same car being produced with the same components everywhere. The same Ford Focus being produced with the same components and the same characteristics everywhere. It makes much more economic sense to produce those components in one place and ship them over. Because investment in the production line of a component is quite huge. So these global platforms that are going to grow about 90% between 2010 and 2016 according to Automotive News. These platforms are going to be a massive driver of intercontinental movement of components.

The second fact is driven by developing economies. Economies like China is a good illustration of the massive growth in demand and how car manufacturers responded to that demand. Initially they sent cars over and they paid taxes for it, quite a significant burden in terms of import taxes. Soon after they localized basic assembly lines without [inaudible], without high capabilities in assembly or technical capabilities and they sent over what we called knock-down.

Knock-downs are essentially bolt-packed kits. It's like splitting a car in 8 to 10 parts. It gets on the other end without paying the customs and the taxes of a car and with basic assembly operations they put the 10 parts together. And excuse me of oversimplifying the picture here, it's much more than that but that paints a picture quite well.

Now these bolt parts cannot be moved in standard containers, they need bespoke packaging, they need a lot of damage around -- there's no pooling opportunity there. But over the last few years these car manufacturers invested in acquiring full production capabilities in these developing economies. Many of them are not moving these knock-downs as much as they did before. They are moving components and they're assembling cars in China as they do it in Germany or in America.

Once more, this is driving a huge increase in intercontinental movement of parts. We believe that we are best placed, given our know-how in pooling containers globally and given our global footprint, to really tap into this opportunity in the future.

Let me tell you about the last of the three case studies. We primarily serve the automotive industry but there are many other complex assembly sectors following the automotive industry, following the best practices developed in the automotive environment. Moreover, many industries hiring executives out of automotive to bring their know how and best-practices into these other industries. They are putting attention into packaging solutions as well. Not only they go in terms of streamlining the assembly lines but to streamline the assembly line

You need the right packaging in each workstation. So we have looked into these sectors, following the same discipline of the fact based approach. We have already secured a number of wins in agricultural equipment and in the white goods space.

Now these companies want to tap into the existing network of containers for automotive because they want to use the same containers, they want to work in the way that the automotive industry works. So for us, this means a higher utilization of our investment an increasingly more dense network and ultimately you could argue in the long run, also help smooth the impact of the industry cycles in the automotive industry.

So to conclude, I would like to probably underline three distinctive aspects of this business that at least makes us, in our Company, very passionate about. The first, as I mentioned, is its resilience. Its ability to go through the different industry cycles and remain profitable, offering attractive returns. The second one is that we have enormous opportunities ahead of us and we have a competitive advantage versus the other options. The third one is that we have the unique knowhow and determination to go for these opportunities.

So thank you very much for your attention. I will leave you with Bob now on IBC. Thank you.

Robert Weidmaier - *Brambles Limited - CEO Container and Pooling Solutions*

Thank you Marcelo. Well we're almost home here folks. Last one and I'm sure everybody's a bit anxious to want to conclude though from everything I've heard it's been just a spectacular last two and a half days and hopefully we can conclude on a note where there's a lot of energy. We're the newest member of the Brambles family, so I'm very pleased to be here.

Before we start I thought I'd give you just a little background about myself. I've been CEO of CAPS now for eight years. Previous to that position I was with Ryder Logistics. I led their transportation and logistics management group for about eight years. All told I've been in the business about 35 years, supply chain management distribution.

My objective today is to really give you a brief overview and understanding about what CAPS is, how we fit into the scheme and really our role in the overall container strategy. I'm going to talk about five things briefly, our Company origin, I a little genesis of our IBC platform, what your operating footprint is, talk a little bit about our growth and our activity in the IBC field, talk a little bit about our value proposition, our asset lifecycle, our execution model.

There's a lot of similarities from an overall execution perspective. But again, we do things just a little bit differently. I have a brief case study with one of our dairy clients. We'll then conclude with what we feel the IBC market is. We've done a pretty extensive top down and bottom up market scan and really conclude then with what our go-to-market strategy is.

A little bit about our history. Like IFCO, CAPS was the genesis and really was formed by Schoeller Arca Systems back in 1998. The intent was really to provide a standard pooling entity that used some -- back then some pretty cool technology where every asset had a 3 of barcode attached and then with some overarching technology, capped CAPS Track that allowed for web enabling kind of asset tracking. Early on into this venture, Schoeller Arca looked for some investors and Lazard Alternative Investments got involved. Ultimately after a couple of years they were sole ownership.

I was recruited in 2004 basically to take the Company -- and then the organization was primarily focused on tiered suppliers in the automotive space. My mission was to diversify the Company, grow the Company and really position it. In 2004 we secured our first liquid customer -- and by the way we still do business with that customer. I had the fortunate opportunity to bring Tom to dinner with our good friends from Darifair and we had a wonderful time. But that was the first piece of liquid business we secured.

We had a pretty hectic growth through '05. We secured one of the major liquid ingredient providers. Provides all the flavoring and ingredient solutions for all the energy drinks. If you remember back in 2005, 2006, the Monster Energy Drink, this stuff was just going bonkers. We bought a couple of thousand containers to be able to service that.

So we've learned this business. I think we've had a wonderful, wonderful growth leading up to this and in January of 2011 Brambles acquired us.

Now just a little bit about what we've done from a growth perspective -- and this is primarily in our IBC business, both liquid, which is predominantly our business, but also the dry business. From our initial liquid IBC client in the mid-2004, we have continued to penetrate new markets. You can see the growth that we've had. Our growth FY '10 over FY '11 we generated about a 45% growth. Our compound annual growth rate through this time period is a little over 17%.

From an overall sales cycle perspective the liquid business in particular is a complex sales cycle. We have a very extensive customer relationship management tool we use to record data and really to make sure that all throughout the sales cycle we understand the different touch points. Our average sale cycle is about 11.6 months. We believe we can compress that but that's where we are right now. Some of our notable wins, the last year, year and a half we've secured Unilever. We have the largest liquid egg manufacturer that we're in the midst of launching, Dr Pepper, Snapple Group were handling all their ingredients, their flavoring bases. We'll be handling that out of two plants here. We've secured some additional Kroger cream and margarine related business.

So we've got a very strong portfolio of business, we have a wonderful reputation in the industry. We have never lost a piece of business, not one. As I said, Darifair was our first client in 2004. They're a significant piece of business with us now. You'll see in the case study we're doing some wonderfully differentiating things with them and frankly they're forcing us into a direction from an overall food science and from a sanitation perspective with regard to this liquid food business, where we're going to connect our CAPS Track inventory management system to some global food safety and HACCP kinds of things that will allow us to track containers like no-one else in the business.

So a little bit about our footprint. We currently have 10 service centers. We have two types. We have CAPS leased facilities and we also have contract facilities. We're in the midst now of rationalizing these service centers. Really given our new business launch and given where the IFCO service center and certain CHEP locations, we felt there's a wonderful opportunity for us to rationalize this network to be able to optimize an IFCO wash facility, for example, that we're looking at in Portland, Oregon, that we feel will fit and we might be able to co-mingle there.

We're looking at a former CHEP warehouse that's still under contract in northern California that has drains that we think we can use. So aside from rationalizing our network we're looking at how we can leverage and utilize synergy effects.

We are opening up a facility in Harrisburg. As I said, this new piece of liquid egg business will allow us to position ourselves and penetrate into the Mid-East -- into the North-East Mid-Atlantic area.

Each of these facilities by the way all have a capability of scanning. Everything we do with our containers, whether it's a liquid, whether it's a dry, is scanned. So all of our service centers contract and CAPS operated have our scanning technology. They also are equipped, trained and perform container repairs. The contract facilities do minor repair. They'll -- we provide them with welders and the plastic welding rods so they'll fix holes, they'll fix areas as where -- there's harborage points. The CAPS owned facilities, CAPS operated facilities, have more extensive refurbished and repair capability.

A little bit about the things that have happened since we've been acquired. I have to tell you, a lot's happened in 15 months. We began the transition around June. There was a small piece of CHEP IBC business, a couple of million dollars. One service center, they had a small team that we immediately integrated. That process started in -- as I said, in around the June timeframe. I can tell you that as of last week -- and there were about nine specific pieces of business that we also transition.

As of last week we've completed that integration. We've got the people, the processes. We've now barcoded all the different types of CHEP assets. They had used a metal Unicon IBC container, 275 gallon. Our standard asset, as you'll see here in a little bit, is a 300 gallon and a 315 gallon plastic asset. So we've got two types that we're integrating now but we've barcoded. We now have integrated CAPS Track and all the customer processes. Some other things that really have occurred as the result of the integration. We now have access to and ability to leverage this wonderful client base that CHEP has.

One of the fellas that we've brought over from the CHEP IBC team, Brian Walters now is leading all our integration and facilitation efforts to leverage the CHEP relationships with the P&Gs, with the Unilevers, with the Krogers. So we have an opportunity really to step in, to present our value proposition and at least to get to some of those key decision makers quickly and early on in the process. Again, I've committed to Tom and Greg both that we're going to take advantage of this. We had a joint P&G meeting here a couple of weeks ago. From a dry food perspective there's a lot of opportunity. So we're going to leverage this in a large way.

As I stated on my last slide, the ability to penetrate new customers is really in direct proportion to our ability to launch and to in service new containers. You can see that we, in the last 15 months, have bought a little over 9200 IBC liquid containers and about 7000 dry containers for one particular application. This is wonderful. I mean for me, with the previous ownership, really I was capital starved. I didn't have the opportunity to go after big deals, to go after big deals in an aggressive manner, like we are now. Assets and having the ability to service those assets is really everything.

So I feel very good about the integration, the teams feel very good. I've had an opportunity over the last four or five months to interact with Kim Rumph, Dave Russell. I knew Dan Dershem in another life. I've had an opportunity to interact with Carmelo. So my knowledge of the CHEP and the IFCO and what we're doing for a global logistics optimization, what we're doing from a global service center operation, is only going to help us and further allow us to penetrate from an operational and from an execution perspective.

What is our value proposition. Well we're migrating to a very focused and disciplined pooling model, as opposed to one that was really a managed services model. Tom will tell you that really the concepts and the precepts of what we do is to have a fungible, interchangeable asset within the various verticals that we're doing business in. We're looking for high cycle times, three, four, five turns per year. We're looking for those common operating practices, those repeatable, replicable kinds of processes and certainly from a minimum financial metrics perspective we're looking at no less than 20% ROCIs and some very, very high margin rates. I have to tell you that our value prop and our business model gives us that.

Our ability to be the low cost high quality producer of this is really paramount. I think Marcelo said that our customers really won't even consider a look unless there's a 5% plus migration of price from either one way packaging or owned fleet. I can tell you that the ability, from a transportation perspective, is certainly there. Really our minimum savings is around 10% to 12%. But our ability to be greener, our ability to be leaner, particularly to manage the fleet and to have the kind of very robust metrics in place to do that, having really the right containers in the right quantities at the right times is really paramount.

Particularly from a food perspective, safe -- and food sanitation. And again, I'll talk a little bit about some initiatives that are underway now both at the Federal Government and really from a global food safety perspective. Last year President Obama signed into law the Food Safety Modernization Act. It really dictated those folks that process or are involved in the food chain, whether it's fresh, or in our case we're a non-food contact provider. All the liquids and the food stuffs that we handle, goes into an aseptic liner.

Our container certainly has to be clean and we go through a very rigorous and robust cleaning and sanitation process. We swab, we clean, we're held to very specific standards based upon any number of global certification agencies. But this food safety modernization act really is going to ratchet this up to the next level. It really says that there's got to be improved capacity and detection within that supply chain and the ability to have risk based preventive controls and hazard analysis and we're doing just that.

The AIB that we're currently certified -- we're going to move to what's called an SQF which is a Safe Quality Food certification, as driven by the Food Marketing Institute. We're also going to integrate HACCP, hazard analysis and critical controlled point processes into our inventory management system [inaudible].

So we feel that our value proposition certainly is differentiated out there. We're incorporating very rigid disciplined processes to allow us to become differentiated.

I'll talk a little bit about the asset lifecycle as Marcelo did. You know, we have basically two types of liquid containers, they're showing there. We do have a third that we've acquired with the integration of CHEP, a metal Unicon. But these are the two primary assets that are in our fleet. One is a 315 gallon. The 10 is a polypropylene food grade container. The other one is a 280 gallon, the same, a polypropylene, it's just a little different color. Both made by Schoeller Arca. Purchase price between $350 and $700.

The higher end is the Unicon, the metal container. Turns per year, we're looking at 4.5, loss rate per year is really under 2%. We have a very aggressive bill-back and loss equipment notification. A lean -- not unlike the pallet folks. We really have that capability because of our CAPS Track charge-back accountability.

Useful life. I have containers that were put in service in 1998 that maintained properly -- and as I said, we have the capability to perform repairs, to do some refurbishing. At some point certainly, the base, which is really the crux of this container when you pull of the side walls and the access doors, the base is really crucial. As long as we can maintain structural integrity with that base, by welds and repairs replacing feet and doing those kinds of things, this asset really can last indefinitely.

Ultimately though, when we reach the end of our lifecycle it's got regrind and recycle capability. Based on what the price of resin reground is going for you're looking at anywhere between a 12% to 15% residual, which allows us a $45 to $15. So I think that given what we can do at our service centers, the ability to maintain these assets is pretty remarkable.

Briefly how our pooling model works. We receive an order -- and as I said, every one of our containers is scanned out. We have many intermediate scan points along the supply chain, if in fact our customers agree and mostly we have about 70% that will in fact scan out to their particular end user. It could be a copacker, it could be a warehouse before it goes on to a copacker. But basically the cycle is really kind if simple.

We receive an order. We receive orders via fax, online, via the phone. An order is processed, documents are created. We then, through a central operation, will send a particular pull fulfillment order to warehouse. They'll then pull that order. They'll scan those containers out, they'll then send them to that particular customer of ours, we call them fillers.

The filler will then fill the material in that particular container. They will then send to their customer and that particular transportation component is on their dime. The end user will decant or empty that particular container. We'll then receive a call from that end user, at which time, based upon the particular relationship we have with the filler and space requirements, warehousing, those kinds of things, we'll pick them up mostly in full truck load quantities. Bring them back to a strategically positioned warehouse, where we scan them in, we inspect them. If there's damage they'll go to one side. We'll process clean and basically that continuous trip will end. Again, we can manage every container in the process because they're scanned in and scanned out.

We go through a pretty rigorous asset management dashboard with each of our clients on a monthly and/or quarterly basis.

Okay, a little bit about Darifair and really what we've been able to do here. I think this does represent -- it represents a good example on the value that we can bring within the particular dairy and liquid market.

Darifair had been a returnable container provider previous to CAPS being involved with them. In late 2003 TNT Logistics, now CEVA Logistics, decided to get out of the liquid returnable container market in late 2003 as I said. I don't know why they felt that given their automotive business and some of the other markets they were penetrating, this was just a market that they didn't want to stay in. CAPR, really at that time as I said, had no experience at all in the liquid business. But we got a call through one of the manufacturers. It basically said look, there's an opportunity here, would you like to manage these assets. I said sure, let's take a look at it. The short of it is we had an opportunity to put together a liquid returnable container solution for them.

Darifair is a bit unique but again, they are common in that more and more of these major dairy and liquid customers are migrating to copackers. And that's exactly what Darifair does. Darifair has got proprietary recipes for various dairy blends, various margarine based products that they'll go to a particular copacker. The copacker could be a brewer. Darifair will provide the ingredients, the margarines and all the various flavorings to that particular copacker, in our containers. That copacker then will make that particular product. They'll ship it off to an end user.

The end user could be a distributer, could be a mashed potato for Boston's market. That's one of their end user clients, at which time we'll get the call to bring these back in. What's allowed Darifair to become very competitive in the market place is the certainty of our trip price and the fact that we have the flexibility, because really our trip solution is variable and the responsibility is really on us.

We also, as I said, have a very, very exclusive and I believe one of the best relationships I've had in the 35 years I've been in the business. We're developing some of this food safety HACCP and CAPS Track integration. We're to beta test this with one of their copackers. And again, it's going to allow them to understand at a much greater degree, where a particular product is in the lifecycle and the ability to look at temperatures. How long -- some of this stuff has very, very short shelf life. So again, we're going to beta test, we're going to pilot test some of these food safety and HACCP things with our technology. I believe frankly it will be a game changer and a differentiator in our business.

So what do we think the opportunity is. Well, I can tell you that size of the prize is pretty dog-gone big. We've done a couple of things. We've had a top down analysis done by a corporate center, by the marketing folks and again, looking at various statistical marketing analyses, the Fredonia Rigid IBC study says it's a huge market. It's just an unbelievable market. It could be, as Greg alluded to, $14 billion, $15 billion. We have also taken this top down and we've identified this at about a little under $4 billion.

So we've taken this top down approach and we've married it with a bottom up. As Tom likes to call it, a very specific market scan. This is based upon our experience and our ability to validate with current customers that we're doing business with, those that are currently prospects and certainly future customers.

So we feel very, very good about the size of the prize. I think that our ability to further validate these different markets -- and you'll see that we have different segments, the dairy, the beverage, non-alcoholic, sauces, condiments, dressings and ingredients. It's kind of a catch-all. I mean we haul and handle mayonnaise, pizza sauce, all kinds of different flavorings as I said. It's a pretty wide, diverse market. Liquid egg. We're handling now the number one and the number two producers of liquid egg in North America. The largest we're in launch mode, the number two we've been handling their business now for about 15 months.

Dry food we have a little bit of presence. Bulk meat we're starting. Dry non-food we have a little bit of business and there's a whole component out there called non-hazardous chemicals, surfactants, inks, lubricants, things that are currently being handled in one way packaging, bottle in a cage, that I've just given the approval to do a very extensive deep-dive market analyses because this is a particular asset -- or pardon me, a particular market, that we feel our existing liquid assets -- platform that is, would work wonderfully in.

So we think we have certainly a wonderful prize. So what's our go-to-market approach. Well from a tactical perspective we said we want to expand our core, dairy, beverage, condiments, et cetera, liquid egg. We want to expand those adjacent and aligned markets -- again, non-haz chemical, we're doing a little bit of business with meat preservatives. We're doing business with the second largest private label shampoo. The little shampoos that are in the hotels. We provide containers to that firm and we're looking to penetrate the largest, but that's a big market, enter new markets. Really this is where the prize and the reality of us penetrating is significant.

You know, when you talk about liquid IBC in the dairy and the liquid egg business if you will, just to take two. The reason it's called intermediate bulk container is because if there's the volume to migrate it to a tanker it's going to go there. Certainly that's the more efficient and less costly approach. So the liquid business really had a certain limitation to it. Our ability to grow, and our ability to grow big, is really to enter these new markets. And these new markets are protein bulk meat. Cheese. We're on the cusp of approving and having validation with a 640 pound cheese

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container. The cheese business -- the bulk cheese business, interestingly is really dominated by one provider that's been in the business for 40 years and it's a wooden crate. Wonderful opportunity.

Some of the dry food -- dry, pardon me, non-food, resins, caps and closures. Some of the stuff that we're looking at now in some of these related. We feel there's big, big opportunity. So expand our core, expand the adjacent markets, enter new markets -- and again we have a very, very aggressive plan to develop new platforms. I've just recently hired a new product application person that will work with our manufacturers, that will focus exclusively on really accelerating this new product development process, vis-a-vis the platform.

Lastly -- and as Marcelo mentioned, the ability to penetrate this intercontinental marker is significant. We have four current initiatives underway within the intercontinental. US into China, with one of the major orange juice producers. Interestingly the Chinese love their orange juice with a very thick pulp. What was previously pulp that was really sold to cattle ranchers for feed is now being sent to China in millions of gallons. It's unbelievable. You wouldn't think, right? So we're looking at some of these things. There's significant juice coming from China into the Americas.

So the intercontinental activity is one that we're taking a hard look at. We had a session a couple of months ago. Automotive gets the first crack at continental. It will allow us to demonstrate domestic, but I've got some assurances from these guys that soon I'll have intercontinental capability.

So our mission objective is to continue to execute against our planning budget and to build the infrastructure and the foundation to grow.

So I'll leave you with this. In 1970 Apollo 13 had some issues -- if you're any kind of a history buff. The flight director Gene Kranz basically said, you know what, we've got to bring this crippled bird home, failure is not an option. I have to tell you, that's the attitude that we're bringing to this. We're not going to fail. Thank you.

Tom Gorman - *Brambles Limited - CEO*

Well thanks very much Greg and Bob and Marcelo. I think both Bob and Marcelo talked him in to a much higher for next year. But anyway Bob, just to repeat a great speaker, that was really a wonderful presentation so thanks very much.

QUESTIONS AND ANSWERS

TRANSCRIPT

Editor

Look, we're just about five or 10 minutes behind schedule but I think it would be worth the time to open for Q&A now and then I'll make a few wrap up comments. So as I've done throughout the last couple of days I'll just moderate. So please, questions fire away and do remember that Ludwig is here as well.

Unidentified Participant

Just a question for Greg on - I think it was slide 53 where you had the loss rates. Could you maybe just touch on the compensation that you received to offset some of those losses? For example the deposits in RBCs and also the charging mechanisms in pallets in some of the countries and how you see the net loss rate.

Greg Hayes - *Brambles Limited - CFO*

Ah you mean net of compensations. Well the deposit system as you saw was EUR1.50 in Europe and to the extent that that's track then that's allocated against -- this is a gross number, I actually don't have that net number at my disposal. Likewise, trying to do it on the 6% to 8%, I don't have any of that kind of level of specificity. I mean you know the models, -- the compensations are available. Obviously the transfer hire model gives us better compensations, so out of South Africa and Australia and New Zealand we certainly get a better compensation rate. But I mean I couldn't give you any statistics of this.

Unidentified Participant

So we're just assume then roughly $100 million a year is the go forward rate on the sale -- the proceeds from sale of assets each year. If part of that obviously is the compensation that comes through?

Greg Hayes - *Brambles Limited - CFO*

Yes.

Unidentified Participant

Okay, all right.

Greg Hayes - *Brambles Limited - CFO*

Yes, I mean the deposit system -- that's specifically a pallet number you're talking about there, yes. The deposit system doesn't come through in that same way.

Unidentified Participant

All right. And maybe just a question on competition in both the auto and IBC areas. I think on slide 60 there was a chart showing market shares between you and other pooling operators and then the non-pooled market in auto. Maybe if you could just go into what the competition landscape is in the pooled area and also the same in IBCs please?

Marcelo Di Benedetto - *Brambles Limited - VP CHEP EMEA*

Yes, I will take the auto part of course. As you could see in the chart competition is mainly driven by companies owning their own pools. You could argue it's not strictly that they're going out and trying to chase the same customers we are trying to chase. But essentially we are competing against their current solution. So our largest competitor by far is the solution that is in place and it's their belief that that is more effective than joining an open pool like CHEP.

Unidentified Participant

Okay so who are the -- I think it's 34% shown in your chart on other pooling operators, so who are those pooling operators. I assume TNT is the largest one or CEVA.

Marcelo Di Benedetto - *Brambles Limited - VP CHEP EMEA*

the large majority of that market is covered by what I called affiliated companies. These companies are affiliated to car manufacturers. So to illustrate, Volkswagen has a container -- a Volkswagen Logistics Container Management Solution. Volvo operate with Volvo Emballage, BCA operates with

CHEP Box. So these are companies that are part of the Group or part of the corporation. They serve the corporation with their own containers. Specifically there's some tier suppliers that own a number of containers themselves.

Robert Weidmaier - *Brambles Limited - CEO Container and Pooling Solutions*

From an IBC perspective the poolers that we compete against primarily Goodpack, based in Singapore I believe. We do have some dispirit competitors; Arena Packaging does a little bit in the dairy space. Rehrig Penn does a little bit in the meat space, but really there isn't a pooler that offers the kind of services and has the kind of capability that we do. We compete with the one-way packaging folks, Spacecraft which is part of IP and some of the other manufacturers. But you know that really aside from those manufacturers, the one way guys, Arena, there really isn't any. It's ownership and it's the ability to convert from those own pools.

Tom Gorman - *Brambles Limited - CEO*

I think we have a question in the middle.

Unidentified Participant

Thanks. Just a question on -- you know, we've heard yesterday obviously from the IFCO guys and then again today about just the opportunity to penetrate further into markets. Just interested in -- from your perspective both Greg and Tom, about the allocation of capital to these businesses and how you make that decision, particularly with the size of the prize relative to the reasonably low organic growth rates you're achieving out of the core pallet businesses that you -- the legacy businesses. Could you bring forward those Horizon timeframes for that growth if you allocated more capital to these businesses? Just given that you've had those three staged Horizons and -- particularly in the stuff today, it's more second and third tier Horizons.

Tom Gorman - *Brambles Limited - CEO*

Look - I think me and you will both take a shot at this but I think one of the reasons that Greg showed the data that he showed is number one to show that there's a very rigorous plan that was put in place. As you would imagine and there are clear milestones along that plan. So our willingness to continue to fund these initiatives really depends where we are along those milestones. So are we seeing the growth, are we seeing the returns, are we seeing the margins that we set out on our plans.

So as Greg commented earlier, we go back to those on a quarterly basis and we review where we are. So that becomes a fundamental building block. The other thing I think you have to remember here is that we said that the gestation period on these are quite long. That is not because there isn't the capital available but it really is that you're changing prosthesises with our major customers and it does take time to do that. If that gets accelerated we clearly have the capability to provide and put more capital into those businesses.

But thus far what we're seeing is that in our estimation on the time to build out these new initiatives is taking that long. It's not anything but -- it takes time to get change at the customer level. I think you hear that yesterday pretty loud and clear with the likes of Kroger and Safeway. Clear willingness on the customers part but they got about it in a methodical way and there's no difference here.

So this is not about just throwing capital at the initiatives, whether it be geographic expansion or whether it be these new initiatives, it's about doing it in a managed and responsible way.

You guys know our business. We don't just put assets in place and then hope somebody uses them, we build the customer relationships, we built the customer, then we put the capital in place. The only thing that we're doing differently here is that we're putting operating expense in place. So with Bob's team we funded more -- more -- say a larger and better developed sales force. So we're willing to invest in that upfront. The US automotive team is on the ground in front of delivering revenue. You've seen that in India and China. You put a group of people on the ground to build out the concept and to develop the relationships, but the capital isn't going to come until you have the opportunity. So I don't know, Greg anything else you want to add to that?

Greg Hayes - *Brambles Limited - CFO*

Yes, I think the first thing to say is that we are trying to accelerate. I mean that's exactly what we're trying to do but we can't capture all of that market without having the process in place, without having the people in place to be able to deliver it, because obviously we need to deliver. So we are setting out to achieve what we think are pretty aggressive targets in our five year plans already. What we are doing though is getting the iterative information that comes in and making decisions as we go. I mean the budget process is a pretty clear one, where we mark out our ground.

Last year we reduced capital going into certain areas because we weren't satisfied the return profile was good enough or the risk to achieve that return profile was too high. We will do the same through this next budget cycle. I mean we aggressively want to grow but we don't want to grow at any cost. A lot of this conversion can happen a lot more quickly if you see ground during the process.

So if you take on a risk profile that's different than the one you'd like perhaps, of you have a lower margin. It's -- you know, it's a lot easier to convert people when you pass more of the benefit across to them. Part of the skill in the process here is for us to retain enough of that headroom that I talked about before so that while we're offering that 10% to the customer, we're still retaining enough of the margin that we're going to get the appropriate return.

I mean China's a perfect example. We could today put $100s of millions more into China if we wanted to. There'd be no question that we could get the retailers and manufacturers to -- they would love us to allow the pallets to flow more freely in that market, but we're not satisfied about the risk that that would represent to us. So we're still on static hire in that market and until such time as we're satisfied about the risk we won't be accelerating.

So I think it's a balance -- the answer is it needs to be balanced. I think internally we'll have more competition for capital than the Company's ever had. Because I think now as we start to accelerate these programs we'll have substantial businesses that will require capital and we'll readily be able to compare we're putting our capital dollar and making sure that that allocation is as optimum as we can make it.

Today we're going to be seeding a lot of these businesses and seeing how that development goes. I mean we won't be investing in front of opportunities but we will be encouraging those opportunities. Then we'll see where we -- as we reflect against the plans that we've outlined we'll reflect against that and if they are meeting the hurdles then we'll continue to fund them.

Tom Gorman - *Brambles Limited - CEO*

I think there was another question at the back.

Unidentified Participant

Yes, I've just got a question for you Bob on your asset lifecycle slide on slide 74. Just wondering what the revenue per cycle is for liquid versus dry containers?

Robert Weidmaier - *Brambles Limited - CEO Container and Pooling Solutions*

I'm sorry, what --

Unidentified Participant

The revenue per cycle?

Robert Weidmaier - *Brambles Limited - CEO Container and Pooling Solutions*

revenue per cycle. Our average revenue per cycle is $88.

Unidentified Participant

For dry?

Robert Weidmaier - *Brambles Limited - CEO Container and Pooling Solutions*

Oh I'm sorry, did you say for dry?

Unidentified Participant

For dry and liquid.

Robert Weidmaier - *Brambles Limited - CEO Container and Pooling Solutions*

For dry it's about $14.

Tom Gorman - *Brambles Limited - CEO*

Anyone else?

Unidentified Participant

Yes, just a question for Marcelo. Just -- I appreciate it probably differs market to market, but if you look at the domestic flow of parts versus the imported floor of parts for automotive manufacturing and can you give an idea of the rough split there? I'm just trying to get a sense of how much you can actually centralize within a domestic framework versus what's coming in from overseas like probably China and Korea and things?

Marcelo Di Benedetto - *Brambles Limited - VP CHEP EMEA*

Yes. Bear in mind things are changing very rapidly here, right. But our estimations indicate that intercontinental flows are roughly between 8% to 12% and they plan to be growing, driven by standard platforms. So we think that it's going to be quite significant but still we're talking about the business would be predominantly a regional business.

Unidentified Participant

And within those intercontinental flows I mean are you comfortable there's going to be enough two way flow in terms of making the economics works versus one way packaging?

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Marcelo Di Benedetto - *Brambles Limited - VP CHEP EMEA*

Exactly. I think the intercontinental picture is exactly to make pooling work as we do in the region, minimizing any movement of empty containers around the globe.

Tom Gorman - *Brambles Limited - CEO*

Look, I think that one of the key building blocks of that strategy, and that's why we're trying to build the business in the US, is we felt that we really have to have a beach head in the major automotive sectors of the world if you're going to be able to connect the dots on the flows. Obviously not having a North American automotive business stands out as a weakness there and that's why we're progressively trying to build out that.

We think that when you get to the point where you have a sustainable business in all of the major automotive centers around the world, then connecting the dots becomes that much more easy because you can manage and get the back flow successfully.

Unidentified Participant

Does that imply you might think about going into Korea? Starting up in Korea? And if so, does that leverage into pallets in that market?

Tom Gorman - *Brambles Limited - CEO*

Look, there's no plan whatsoever in terms of the pallet side of the market in Korea today. But I think when you look at automotive centers, as you look down the road Korea clearly is a major automotive center, as is Japan. We do have some flows -- we have small, very small presence in Japan and we have some flows that are outbound but I think that that's a later part of connecting the dots. I mean the focus now is to continue to grow in Europe, to build out the business in North America. The emerging market growth that we're getting in China and India, but clearly at some point down the road Anthony, although to make a commitment on that today would be irresponsible.

Unidentified Participant

Just finally slide 61 you talked to your percentage of the market. Where has that growth come from? Is it all on the one way or is it a combination of taking out a one way but also in house?

Marcelo Di Benedetto - *Brambles Limited - VP CHEP EMEA*

Just to be clear, are you referring to the growth that we experienced in the last 18 months or are you talking about the planned growth ahead of us?

Unidentified Participant

The previous growth.

Marcelo Di Benedetto - *Brambles Limited - VP CHEP EMEA*

The previous growth, yes. Well the previous growth was predominantly a replacement of one way packaging. The sales cycle of -- as was commented before and I trust yesterday as well. The sales cycle to replace existing solutions in the standard packaging is a bit longer and although we have some opportunities in our pipeline, the past growth in the last 18 months comes by predominantly by a displacement of one way packaging.

Tom Gorman - *Brambles Limited - CEO*

We'll probably have time just for one more question then we'll try to -- I know a number of folks have flights and so forth. Are there any more questions? No.

Well look, on that let me just wrap up real quickly. Let me thank the three guys up here. They've probably had enough time sitting in front of you so you guys if you want to step down feel free to do that.

Look, let me just start with a thank you. There's a ton of people that have worked very, very hard to bring the last three days to you. Some of them are here. I think you all know -- at least you all know Louise's voice, now you know her as well but Louise Sellers has done a phenomenal job. The finance team in general that has been supported, I mean Patrick is here, but [Sapaetha] not present in the room but she's done a ton of work and then the capital markets group, obviously let by [Cathy] but a lot the heavy lifting by James over the last couple of months. Often the presenter kind of gets the glory but the work of a lot of unseen people behind them so thank you to everyone that's worked so hard to do that.

Then particularly the organization here on the ground. The help that we've had from [AMEX] and then of course again the capital markets and investor relations group that have managed this very, very seamlessly. So from that perspective when the logistics go well that obviously then allows you to focus on the content of the meeting. So Cathy, James, Louise, Patrick, all of you thanks very much. Great. Well done.

Look just to come back to the first slide, what we were really trying to deliver over the last couple of days, which I think we've done successfully is first of all walking you through the implementation of the diversification strategy. We have said a lot of things over the last 18 to 24 months and now we're showing you how we're delivering on that. Delivering on geographic expansion, delivering on the build out of more products and services and of course, delivering on the build out of new segments.

Second was really how we're organized to deliver. There's some fundamental shifts in how our business is organized. Really from now October of last year. But focusing on the three segments of our business. Yes, there's work to be done. Particularly the H2, H3 businesses. But clear view on pallets, clear view on RPCs, clear view on other containers. Then across the pallets business, which is still the build of our business, how we're really trying to get the benefits of scale by pulling together global marketing, global operations and global logistics and we wanted to present that to you today.

Then of course, the commitments that we've made around cost to deliver against that. Again, largely in the pallets business but we've made some very big commitments and I hope you saw on day one that here's real work behind that, there's real commitment from the team to deliver.

The last but not least is the exciting future that we have as a company and that really comes to the size of the prize. The amount of white space that we have in every sector is impressive. Our plans, the detailed plans that the team has been working on over the last couple of years, the rigor -- the analytical rigor, the structure that exists today that didn't exist two years ago has now put us on a much better footing to deliver on those opportunities and that's where the focus will be from here out for the team at Brambles.

So on behalf of not just the presenters here today but all of the Brambles team in 54 countries around the world, 17,000 of us, I think that's the number [Naz] but nevertheless, it's really been a pleasure of ours. It's been a long three days for us on the Brambles side, I know it's been a long three days for you. It's been exciting for us and I'm sure it's been informative and exciting for you. We wish you all safe travels and again, thank you for your commitment to the Company, thanks for your commitment to be here and your ongoing interest in Brambles. Safe travels and have a good one.