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M Ihlein: Good morning everyone and welcome to the Brambles interim results presentation. My name is Mike Ihlein and a lot of you know me of course, but I'd just like to firstly do a few quick introductions for some new people. On my left here are Liz Doherty, the Brambles new CFO who joined us from Tesco in December, and Liz will be speaking to you shortly about the detail of the results. We also have today Kevin Shuba, who is the group president for CHEP in the Americas joining us from the USA, and there's Kevin there. Hi Kevin, welcome.

K Shuba: Good morning. Hi Mike, good morning.

M Ihlein: We also have with us today, even though he hasn't actually finished up his current responsibilities as president of Ford Australia, we have Tom Gorman, who is the new group president for CHEP Europe, Middle-East and Africa. So Tom knows lots about our business. You can ask him lots of questions later, and Tom starts with us on the 1st of March. We also have with us Craig van der Laan, who's the group president for CHEP Asia-Pacific, Nick Smith, who's the senior vice-president of HR, who also joined us towards the end of last year.

I'll be updating you on the performance in the first half, and a number of comments around what we have been doing on growth. Liz will then take you through the financials and the detailed causal analysis, and I will come back and have a talk to you about outlook at the end, before we do the more interesting part, which is questions and answers.

It's certainly been a very busy last six months. We've been busy on customers, we've been busy in expanding our markets, and we've been busy on the people front. But overall, we've had a very successful performance on the half, and I'm particularly pleased with that. We've also had good progress on growth initiatives, and I think particularly good is the CHEP performance, both sales and profit, and in particular the key to the performance in CHEP in the half, has been organic growth. Recall has also done well in the half, but we do have some work to do in Recall in North America, and I'll address that in more detail shortly.

We've made good progress on a number of our growth initiatives, and I'll take you through some of that detail. And in particular, I think it's pleasing today to be able to announce that we are commencing operations shortly with CHEP in India. Recall is already in India, but this will be CHEP's next most important country.

The new growth initiatives that I've talked about are all going to require substantial investment over the next three years, and we plan to be investing up to $750 million US in those growth initiatives over that period. But we're also listening to our customers, and we plan to invest in quality and innovation, particularly in CHEP USA, and again, we'll talk more about that shortly.

In the half we spent quite a lot of time looking at how do we make the company easier to do business with for our customers. We're doing work on simplified invoicing in CHEP, we've started trialling on single fee with a number of our European customers, but most importantly, with the basic principles of activity based pricing still underpinning the way that we trial single fee.

As I said, customer needs are changing and particularly in the areas of increased automation in production and distribution, which is requiring a tighter pallet specification for some of our customers. And the major investment programme associated with that for CHEP USA, will amount to approximately $100 million US over the next two years.

But most importantly, because we've been busy on people, we have a new team in place. And that's not just the executive leadership team, many of whom I introduced to you today, but it's also new leadership teams and new sales resources that we are putting in place in a number of our emerging markets; Germany, Poland and India to name three.

Let's have a look first at the performance in the half, and the results in that half are very good, especially for CHEP as I've said. I think it demonstrates that we have strong foundations for our business. We've seen in this half record first half sales for all CHEP regions, and also for Recall in total. And I think what that does, is it demonstrates the strength of our underlying business model, particularly in CHEP. Operating profit is up a very strong 19% to a little over $500 million US, and most importantly, we've seen an improvement in margins led by CHEP, so group EBIT margins are now at 24%, up nearly 2 percentage points.

The improvement in profit and the significant effort we've put into capital management initiatives over the last 12 months, have also been a big driver to earnings per share growth, and EPS in the period is up 25%. Major focus on shareholder returns has meant that we have also improved, yet again, our Brambles value added, so our return above our cost of capital up to $248 million in the half.

The emphasis on cash returns for shareholders also means that we've declared a dividend of 17 Australian cents, and that's an effective increase of 26% over the prior interim period.

But I think the performance that I think is very gratifying is that in CHEP Americas, and I think the numbers speak for themselves. And I know Kevin is very pleased about these. Pallet volume growth has been very good right through the Americas. We've seen growth of 6% – that's in volume – delivering sales revenue growth of 11%. And as I said, margins are up, so across the Americas margins are now 29%. USA volume – and I think this is a very good news story – is up 6% in volume terms. And of course it's been a more challenging consumer environment in the United States, and I think to deliver 6% volume growth in that environment is a very pleasing outcome.

We've seen in our business in the United States solid demand for grocery products, and of course, 75% of our business in the United States is in the area of grocery products. But we've also seen growth in some new segments or some expanding segments; growth in produce, and also in pallet issues for raw material supplies has also been up strongly in the half.

 

And I think one of the most credible aspects of the performance in the half – and you'll see this actually in the Americas, in Europe and also even in Recall – is new customers. In the United States we've gained more than 200 new customers in the half, and in addition to that, we've had lane expansion, so expanding our business with our existing customers. That equates to approximately $50 million of annualised sales, so that's not the contribution to the half, but on an ongoing basis, on an annualised basis, that would deliver $50 million in revenue. That's 3 percentage points of sales growth in a full year.

Customer satisfaction across the Americas, and in particular in the United States, continues to improve. And like in Europe, there's a major emphasis on the ease of doing business, and of course, supported by the continued roll out of distributor total pallet management operations, and now also ETPMs. And a significant focus around quality to deliver on our customers requirements.

And Europe, it's been a tough period in Europe over the last few years, and I think the performance in this most recent half is very strong. We've seen pallet volumes last year – this is full year 2007 – were up 3%, and that was the first time that we had seen pallet volume growth in that business for some years. We've now followed up with that with pallet volume growth in the half of 4%. Most importantly, that growth is across all platforms. It's across 12/10s in the UK, 12/08 pallets in continental Europe plus display pallets and the sales pipeline in Europe is now the strongest that it has been in a very long time.

The growth in display pallets, as I said, has been very good. We have a very strong business in display pallets in Germany and there is certainly a broader opportunity for growing a business with display pallets across Europe including in the UK. And similar to the United States we are winning new business.

In Europe we've seen over a thousand new customer contracts in the half, equating to annualised sales revenue on an ongoing basis of approximately $30 million, again a significant component of our future growth.

Not only have we seen growth across pallet platforms, we've also seen growth across many segments. We've seen it in beverages, we've seen it in food, we've seen it in transport and we've seen it in DIY right across the European business.

One of the things that we've talked to you before about is what is actually happening with the cost of white wood exchange in Europe which is the most significant piece of the competitive landscape in Europe.

Transporters right across a number of European companies are continuing to pass on costs of white exchange, particularly as lumber costs have been increased and that will continue to benefit the CHEP offering as we talk to our customers.

Best of all is the smaller part of our business. I've got Craig smiling down here but it's going to become a lot bigger isn't it Craig? But again it has been a premium performer. It has again delivered very good performance, both sales and profit. I think what is encouraging is that we're seeing that growth in emerging markets and in Australia.

We've announced recently that we have won a new reusable plastic crates contract with Woolworths here in Australia, Australia's largest fresh food retailer, and that is going to add very significant growth to our business in Australia over the next six years of that contract, adding in aggregate terms approximately $90 million in sales over that period.

Of course, you know I think this the particularly exciting part of Asia. It is small but we are expanding there. We're continuing our investment. I'll talk more about China in a minute but we are there and we're investing.

We're investing in information systems in Australia and in New Zealand to support our growth there and of course we are looking at other countries and I think the Indian announcement today is a case in point.

In Recall, while we still have some work to do in North America, we've seen very strong organic sales growth in Recall and you're seeing a very similar theme here. Across CHEP it's been good in all regions, across Recall it's also been good sales growth across all regions and again customer wins are what are underpinning sales growth.

Carton volume growth across all of the countries we operate in is up 5% in the half and in the United States that's with the Bank of America volume still to come and we would expect – we've been doing a lot of investment in getting ready for the Bank of America contract and we estimate that we will have approximately one million of their cartons transferred into Recall's facilities by June of this year so again adding to our growth.

All regions in Recall have been doing well on the profit front with one exception with Recall in North America. So we do have some work to do in North America. In act their sales performance is I think very pleasing, the profit performance disappointing.

We've seen higher costs both in temporary labour, fuel and occupancy. Now some of these costs are ones that we need to build our business for future growth but there will be a major focus around costs in the North American Recall business over the next 12 months.

To help us do that Mikael Norin, who some of you have met, who has been up until now the President of our Recall European business, will be moving to run the Recall Americas business including North America and South America effective 1 March.

Mikael has been instrumental in the significant improvement in the performance of our European business in Recall on a sustainable basis over the last three years.

I think the most pleasing aspect of the overall result is that the results in the first half have been driven by organic sales growth. When I talked to the market back in August, I did say to you that it was most important that we expect to deliver the majority of our growth out of organic growth and it's actually true organic growth that has actually delivered the results in this half.

But we have commenced development of growth in new segments which I referred to as organic plus. We've already seen significant new wins in beverages in the United States, both in alcoholic and non-alcoholic segments, with more to come.

Value chain analysis where we support existing and potential customers to help them understand what their true supply chain costs are is an important element in our prospecting for new business. In fact, we're applying that same principle to our European business as well.

We have a major opportunity in food service in the United States and we are very well advanced on a significant new opportunity there which you will hear more about in the new term. There are so many opportunities, we are also seeing early successes coming in a number of other new segments, such as Private Label in the United States.

What has kept us very busy, I think, in the last six months, is the progress in geographic expansion, core expansion, in particular in Germany and Poland. What is good news is that we're winning new business in both of those markets, especially in food and grocery. That's happening across both markets.

As I said, like the USA value chain analysis is an important element to how we support our customers, and that's so that we can demonstrate to prospective new customers what the true cost is of the underlying white wood exchange that they engage in. Transporters across Europe, as I said, are starting to pass on those costs, sometimes as much as one to two Euros per exchange. So in the context of the cost to a customer of renting pallets from CHEP, that is a very significant incremental benefit that's provided in our positioning for new business.

One the people front in our emerging markets, in our new markets we've also been very busy, so not only do we have the executive leadership team in place, but we have a new team that we're putting in place in both Germany and in Poland. We have a new country manager, we've created a country manager position in Germany, a country manger role in Poland, both of those have been filled, and we are adding resources to both of those markets so that we can catch incremental growth.

Elsewhere in geographic expansion we're not taking it easy either; there are new markets like Central America for export of produce into the United States. That is small but will also be a significant piece of business for us in the longer term.

I can't even talk about China as being our newest business now I guess in CHEP, it's now going to be India, but I think the message in China is that customer wins are accelerating. China was always going to be a challenge to get started because supply chain in that country is not very well developed. We've had a number of new customer wins in the half, including some very well known names; Tsing Tao Breweries, Asia Pacific Breweries.

I think one that's very important, albeit small today, is Nestle Waters. And the reason Nestle Waters is important in the China business is that they are the first customer to be commencing a shipment of pallets downstream from the emitter, Nestle the emitter, to distributors. For those of you where we've talked about the challenges in China before, the flow through of pallets through the supply chain is going to be a critical component to our success in that market in the longer term. This is a very important development, albeit small today.

In China Craig assures me that this is going to be a very significant growth focus over the next 12 months for he and his team, right through Asia Pacific.

India, as I mentioned before, this is the first major announcement of a new move into a new country since our announcement on China. India is a country of 1.2 billion people, have had strong economic growth and we've spent quite a few months researching this opportunity and we believe that now is the right time for us to be focusing on two growth sectors in particular, firstly, automotive, and I'm sure Tom Gorman will have some perspectives on that for us; but also in pallets in fast moving consumer goods. Both of those sectors are growing very strongly already and are predicted to continue to grow strongly for the next 10 years. It is early days yet but we would expect India to be for Brambles, $100 million sales revenue opportunity in the next five years or so.

I think the point to make about India is that we're following our customers, they're highly engaged with us, our existing customers in other countries want us in India, to help them deliver supply chain efficiencies. And even though we haven't announced the head of that business yet, it will be shortly, we are already doing trials with a number of customers in India. And the focus there will be around automotive containers, where we see a significant opportunity and in the pallet area, the entry there will be the standard timber pallet, which will be the 12/10 size, that's the same size that we use in the UK. Now, that's quite different to the approach we've adopted in China, which is the plastic pallet. Only one reason for that – we're meeting our customers requirements.

In China, the particular requirement from our customers, was for a plastic pallet offering. In the case of India, the requirement and the request from our customers was for the standard timber pallet. And I think overall, India is a great opportunity for us to be standing in a very significant Asian market.

We have many, many prospects for growth, and I think for Brambles, having come through all the restructure and divestments, this is a very exciting phase I think we'll see in the next two to three years for our growth. We've talked about Germany. We've talked about Central and Eastern Europe, particularly in Poland. We've talked about USA beverages, and now India. But of course all of those and more, are going to require investment over the next three years.

Our plan today is that we will be spending up to $750 million US in investment in growth initiatives, these growth initiatives, over that period. And once those investments are complete, we expect that that is likely to deliver potential annualised sales of the order of $600 million US. So that's not today, but that's over the three years, once we complete on an annualised basis an exit run rate of about $600 million, provided we can capitalise on all the opportunities.

But of course, there's been a lot of talk around capital management, and I think one of the things that's very important for Brambles is to make sure that we maintain this balance between investment for growth, and what we do on the capital management front with shareholders. I've talked about the investment that we're doing in new growth opportunities. Remember that we're also investing in our current organic business. And since November 2005, when we announced the plan to unify the DLC, we've implemented capital management initiatives totalling $3.5 billion US, and we'll be looking at how we maintain that balance going forward. And I'll talk more about that shortly.

Through all these growth initiatives, money is required, research is required, and a significant focus on people and talent development. And the organisation structure that we have in place today, particularly with the three group presidents for the Americas, Europe, Middle-East and Africa and Asia-Pacific, together with Recall, is designed to facilitate the development of people and our talent.

And on the quality and innovation front, in the United States we are planning significant investment over the next two years. CHEP has been and is the leader in innovation and technology in the area of pallet development and logistics. We plan to invest $100 million US over the next two years, and that is in response to our customer needs.

Automation in production and distribution for our major customers, so this is both manufacturers and retailers, are increasing. And that means that for some customers, a requirement for a tighter pallet spec so that they can deliver further supply chain savings to their own business. We'll be investing this $100 million in quality and innovation over the next two years, purely to support our customer requirements. Now that $100 million will be a combination of capital expenditure and operating cost.

In the capital expenditure, it's the launch of the Blue Step pallet, which we actually talked to any of those of you who were at the operations review in New York recently, we'll be launching this year. We're accelerating the roll out of automated digital pallet inspection, that will deliver an improved consistency in repair of our pallets.

And on the operating expense side, we'll be increasing the number of plant quality representatives that are located at our service centres that inspect, repair and reissue pallets. And I think what this will do in the United States, where we already have very good growth, I think it will provide a framework for us to be able to win even greater levels of new business in the future.

That's the wrap up on the headlines of performance and growth, and let me pass you over now to Liz to take you through the detailed financials.

L Doherty: Thanks Mike. Good morning everyone. I'm delighted to announce the interim results for Brambles. As Mike mentioned earlier, our continuing operations CHEP and Recall, delivered strong growth in operating profit and earnings per share in the first half of the 2008 financial year. Sales of actual exchange rates rose 13%, and operating profits 19%, largely driven by volume growth. Profit before tax though fell marginally, because of higher net finance costs of $71 million, compared to $8 million in the prior corresponding period. This reflects a finalisation of the restructuring of Brambles, and in particular, the impact of the [casual furniture] paid as part of unification in December 2006, and the buy-backs in the second half of 2007.

Profit after tax was up slightly, benefiting from reductions in statutory tax rates in both Germany and Italy. Earnings per share has increased strongly, both in actual terms, 25%, and in constant currency, 17%.

 

This is a product of excellent profit growth combined with our capital management initiatives. The weighted average number of shares we used to derive the EPS calculation has fallen by over 200 million shares, or 13% from the prior corresponding period.

Let's look at some of the detail behind these numbers. Total sales for the six month period were $2.1 billion, an increase of 6% in constant currency. Within this, overall CHEP sales were up by 6%, and Recall sales by 8%. These represent record sales in any half year, both for Recall and for all regions within CHEP. CHEP Americas performance was very strong, with sales up 9% to $772 million. CHEP USA was again the main driver of this improved performance, but Latin America and Canada performed well with both delivering growth of 12%.

A 4% growth in pallet issue volumes contributed to CHEP Europe's improved performance. The full benefit of the increased volume, however, was offset by the adverse impact of our decision to withdraw from a significant but unprofitable RPC contract, which we disclosed to you last year. As a consequence, sales growth was slightly lower, up 2% to $741 million. CHEP rest of the world delivered another year of solid sales growth, with excellent growth in South Africa of 15%. All regions of Recall delivered good sales growth, and I'll discuss Recall's regional performance a little later. There was no revenue from discontinued operations in the current period.

Turning to profitability. Operating profit for continuing businesses was $500 million, an increase of 12% in constant currency. CHEP, which grew by 14%, was the main driver of this, with the Americas and Europe performing particularly well. I'll go into a bit more detail on the factors contributing to these regions performance in the next Q5. But continuing on.

CHEP rest of the world's comparable operating profit increased to 3% in constant currency. Excluding the impact of investment for growth, that is, start up costs in China and India, and the implementation of new information systems in Australia and New Zealand, CHEP rest of the world's profit increased by 9%. Within the region, the most notable performer was South Africa. By contrast, the Recall performance was disappointing, with operating profit of $55 million, up just 1% in constant currency. North America's profitability was impacted by business restructuring and higher costs, specifically temporary labour, occupancy and fuel. This largely offset strong performances in all other regions.

In CHEP Americas, you can see that volume price mix was the main contributor to the improved profit performance. CHEP USA won over 200 new accounts in the six month period, contributing to a 6% growth in volume. Pricing, which was in the order of 2.4%, also contributed.

Transportation costs have been stable, with the fuel surcharge largely offsetting this increase in fuel prices. Plant costs increased by $11 million, equivalent to a 1.1% increase in the plant cost ratio. This was largely due to investment in a range of quality initiatives. CHEP USA, for example, is increasing the number of plant quality representatives located at each service centre, to inspect, repair and reissue pallets. They are there to support our customer requirements for increasing levels of higher specification pallets, needed for automated production and distribution.

Other costs include the benefit of a $5 million reduction in the irrecoverable pooling equity expense. This is a reflection of the improvements in asset management demonstrated by the increase in the control ratio to 99%.

In Europe, the 4% improvement in pallet issue volumes was the result of continued customer wins across all major pallet types, including managed recovery issues and display pallets. This did not directly translate to a more favourable volume mix, because of the decision to withdraw from the significant but unprofitable RPC contract I've just mentioned.

Transportation costs were $15 million lower than last year. This is partly due to the one off impacts of non-recurring additional transport costs in the prior corresponding period, arising from the closure of the Brentwood Service Centre in the UK. This was also highlighted at the year end. However, cost deficiencies have also played a part. These have been achieved through continued plant network optimisation and ongoing improvements to transport planning.

Plant costs have remained stable with a new increase in lumber costs being offset by plant efficiency. Irrecoverable pruning equipment provision expense is broadly in line with the prior corresponding period. Adjusting the control ratio of 94% for volume growth, this represents a good performance and highlights the continued focus on asset management.

If you were to exclude the impact of Brentwood and the loss of the RPC contracts, CHEP Europe's underlying profit would be slightly lower at 13% which nevertheless remains a strong improvement compared with last year.

Let's now look at Recall's regional performance. There was very good growth in all regions with Americas up 7%, Europe up 11% and Rest of World up 8%.

In Americas, good progress was made in the Document Management Solution sector. There was also double digit sales growth in Secure Destruction Services with a trend towards consumer identity sec protection providing significant growth opportunities.

In Europe, double digit growth was achieved through our success in finding new accounts in the UK and Sweden. Growth in Rest of World was driven by the expansion of the outsourcing of Document Management Solutions with key customers and new customers in Australia, New Zealand and Asia.

Except for North America who I have already spoken about the issues, all Recall regions delivered strong improvement in profitability with Australia, New Zealand, Europe and South America delivering double digit increases. There will be a major focus on cost efficiency and business excellence in the North American business over the next 12 months.

Cash flow from operations remains strong at $266 million although it was $45 million lower than the prior corresponding period principally due to the increased capital expenditure. Capital expenditure was up $139 million with currency movements contributing $27 million to the increase.

Throughout the six month period we continued to invest in our business buying new pallets to support CHEP's growth, particularly in Europe and also expanding further our Perfect Plant, Total Pallet Management and Managed Recovery initiatives.

Proceeds from asset disposals were higher due to increased pallet compensations. The irrecoverable pruning equipment charge of $45 million was also lower than the prior year reflecting improving trends in the control ratio in the USA.

The movement in working capital was negative $75 million compared to the prior corresponding period. This was predominantly because of a non-recurring decrease in CHEP Europe's creditors as a result of bringing credited days down to a more sustainable level. Creditors for the rest of the business were in line with expectations and debtors grew significantly less than sales.

The cash flow of special items of $91 million in the first half of last year was mainly due to the restructuring of Brambles and Unification. There has therefore been a significant reduction this year as the restructuring has come to an end.

Now, going into a bit more detail on capex, you can see from this slide that the bulk of the increased capital expenditure is attributable to Europe. CHEP Europe's capex increased $105 million to $194 million reflecting the purchase of new pallets to support growth together with the adverse impacts of higher lumber costs.

CHEP Americas' capital expenditure increased marginally to $180 million while CHEP Rest of World rose from $30 million to $52 million mainly due to investment for growth. This includes establishment of the China pallet pool, initial investment for the Woolworths' contract and IT investment in Australia and New Zealand. Recall's capital expenditure was slack at $23 million.

If we look at Europe, the increase in capex in Europe was primarily driven by the purchase of approximately nine million pallets, bringing the total pallet pool in Europe to 128 million. The additional purchases support both the current issue growth and expected future developments as we expand across Europe.

The cost of pallets has increased by 8% on last year, reflecting the increase in lumber costs. There has also been non pallet capital expenditure which increased by $22 million mainly reflecting the investment in new standardised RPC on automated component pools.

These standardised pools will help to further improve transport efficiency and foreign exchange of $17 million – that's translation, not transaction – accounts for the balance of the increase.

Brambles Value Added, the measure that ensures we remain focussed on creating value for shareholders, was up $41 million for $248 million with CHEP Americas and CHEP Europe both driving the improvements.

In quantum terms, CHEP Americas has made the largest contribution but CHEP Europe is also becoming a more significant contributor. This reflects the ongoing growth in profitability and asset efficiency across our two major CHEP regions. ROCI in CHEP Americas and CHEP Europe now stands at 31% and 23% respectively.

Our effective tax rate for continuing operations for the six months was 30.9%, down from 34.5% due to the benefit of adjustments to defer tax from lower statutory corporate rates in Germany and Italy. After adjusting for these one off benefits, the underlying rate is 32.8%. The underlying tax rate for the full year is expected to be at or below this rate.

Finally, before I hand back to Mike a word about some key financial ratios. Brambles net debt at the 31st December 2007 is $2.1 billion up from $2 billion at the 30 June 2007.

The majority of the increase is due to the acquisition of 10.7 million Brambles share at a cost of $111 million to the on market share buy back.

Next finance cost of $71 million compared with $8 million for the prior corresponding period due to higher average debt levels. Average net debt in the first half of 2008, was $2 billion compared to $63 million for the same period last year. This is primarily due to the restructuring of Brambles and in particular, the $1 billion impact of the cash alternative paid in December 2006, as part of the unifications. The fact that the $1.5 billion spent on share buy backs is actually strongly weighted to the second half of last year.

Our key financial coverage ratios confirm the strength of our balance sheet with net debt to EBITDA multiples of 1.5 compared with 0.7 for the prior corresponding period.

Gearing is at 57.6% broadly in line with the position at the 30th of June 2007. Now back to Mike for the outlook.

M Ihlein: Thanks Liz, wasn't too bad was it? You're kidding you didn't mention Tesco once.

I have to say it's obviously a big help to me that we now actually have a CFO in place. A very well qualified one at that.

What a six months, growth in sales, growth in operating profit, margin expansion, including CHEP Europe. Good progress on new growth initiatives and a plan to continue to invest in our business over the next two to three years for growth and to meet our customer's needs. I guess if the next six months is anything like that I'm going to need a holiday after that.

That's important in terms of what we have achieved in the last six months because what it says to us about the confidence in the outlook.

For Brambles the outlook for 2008 remains positive. We continue to expect to deliver solid sales and profit growth for the year. CHEP is expected to perform well across all regions. In CHEP Americas, the sales pipeline should underpin the volume growth in that region and the USA. business in particular, has had a very strong capability in developing new business.

We're seeing that now at an accelerating rate in Europe for CHEP. That business is well placed to grow volume given the rate of acquisition of new customers. Some are more difficult to get than others, some markets will take a little longer but I think that the fact that the pipeline is the strongest it's been in a long time is very encouraging.

Recall, we would expect to continue to grow sales and profits should improve in the second half, as we focus on costs in North America.

Most importantly investment across many areas of our business will continue in the second half, both organic and business. But also we'll continue beyond as I've talked today. It is important that we get the balance right between growth and capital management for our shareholders.

As opportunities arise, we also plan to continue to undertake share buy backs, under the current approval that we have from shareholders.

Now of course uncertainty in the global economy, and there's been lots of that in recent months, can of course impact further on consumer sentiment. But Brambles is particularly well positioned. We have a great business model in CHEP. We have a very high quality customer base. In the case of CHEP, the largest part of our business, the majority of our sales are grocery related and overall grocery demand is expected to remain solid. There will be periods of de-stocking, I'm sure in an uncertain consumer environment, but overall grocery demand I think should remain solid.

Over the next two to three years, with the growth of investments that are planned, my objective remains as I've talked before to deliver double digit sustainable revenue growth over the medium to long term.

I think that's enough of us talking at you, I think it's much more interesting to deal with the Q&A. It has been a great half and we'd be delighted to sort of take some questions now. Just a reminder that we have Kevin Schubert in the US and of course Kevin's got extensive experience in the CHEP business, having run USA. business for some time. So Kevin has volunteered to help us out, obviously to deal with questions that might relate particularly to the Americas and especially the United States.

We'll take questions firstly from the floor.

Question: ([Unclear], Macquarie) I just wanted to get an update on the Perfect Plant rollout and the target of $100 million savings over probably the next two, three years. I think you gave guidance of four Perfect Plants over the full year '08, so if you could just give some idea in terms of Europe and US and rest of the world?

M Ihlein: The plan on Perfect Plant is really unchanged. That target was to deliver $100 million in savings over a period of three to five years, with a plan that we would do approximately 15 to 20 facilities a year and we are very much on track to do that. We'll continue to do Perfect Plant augmentations in Europe and the United States.

But one interesting thing that's happening is that the configuration of how we deliver our service is changing. We've done a lot on distributor TPM operations in the last few years, and now a significant rollout on emitter TPM operations. In the United States we now have emitter TPM operations in – I'll probably get the number wrong, Kevin – 17 sites I think. We're also rolling that out in Europe so that's also going to deliver not only more transport savings to us, but also most particularly to our customers. I think we're focused not only on Perfect Plants, I think we're very much on track for that over the next five years, or over the next now three and a half years, but also on transport savings.

Question: (David Cook, ABN Amro) Mike, could you quantify in this result the uplift you got in sales and profit from the new contract wins you talked about and annualised, in fact. I would imagine that the impact this half would have been relatively small, if you can talk about that. Also can you give us an indication please, as to the total investment that you're talking about in India, China and the new markets, split that between capex and operating costs going forward. Is it more heavily weighted towards capex or is it more heavily weighted towards operating costs?

M Ihlein: I'll mail you a copy of the business plan. Firstly, maybe if I can just deal with the growth. No, we haven't split down the investment required specifically in India and China. Part of that is I don't think we precisely know exactly the amount, we've done some estimates of course. In China today investments so far is $25 million. That's about half between capex, and we have around 350,000 pallets now on the ground in China. And the balance has been the investment, it's operating costs but still investment nonetheless, as we've been building our team. So on the case of China it's about 50/50 so far. I suspect we'll see a similar process in India for the first two years, I would think.

The more significant investments of course are what we might do in Germany, Poland, beverages in the US. If we have the opportunity to acquire a beverage pool in the US, that would be quite significant capex. The 750 million we are talking about is capital, over the three years, through all sorts of initiatives, so that's all capital. Through that period, of course, we will have of course operating expense, but we'll manage that like we are doing in China.

The other question; in new contract – it's always a little difficult to be too precise but we've talked in the past in the United States, for example, that of our growth, around a third, a third, a third is coming from organic growth, lane expansion and then new business. It's probably slightly higher weighed, and I'll let Kevin respond to this in a minute, to new business in the United States in this last half. It's broadly similar to that split in the European business. So I think we are getting organic growth, plus new business, in an equal basis in Europe.

Kevin, do you want to make a comment around the US new customers?

K Shuba: Yes, Mike. In the first half of this year it was slightly higher, closer to about 40% of our growth came from acquisition and new customers.

Question: ([Unclear], CommSec) Can I ask two questions, the first one is one rest of world. Can you just elaborate on profit margin, why that went down? And the second question is really related to the capex question, so there's 750 million in new capex, is that 100 million that you stated for the US on top of that 750 million?

M Ihlein: Yes, I'll do the last one first, the quickest one, the 100 million is incremental to the 750. Remember the 750 is investment in capital over the next three years or so. The $100 million we're talking about investing in the US, is a combination of capex and operating expense but incremental. In rest of world, it's really around new investment. There are two pieces to that. China was the first one. We have higher levels of costs that we've incurred in China in this full six month period, as compared to the prior corresponding period. We've also invested several million dollars in new information systems in Australia and New Zealand, to support growth.

We have been a big user of SAP through our US and European business, and we've been going through a process in the last 12 months now to roll that out to the smaller countries of Australia, New Zealand and soon to be South Africa, so that's also contributed to higher costs in the period.

So if you actually adjust for those, our underlying growth is actually 9%, so the underlying profit margin would be an improvement on what we saw last year.

Question: I have one coming through the webcast, Mike, which is from Neil Allen, who asks how the Australian dollar currency – well, it's effect on the 2008 figures is the question. How is currency affecting the numbers?

M Ihlein: Liz, do you want to deal with that. Thanks Neil. I'll give that straight to Liz.

L Doherty: Basically Brambles revenue and everything is actually diversified. We're kind of weighted towards the US. We've got weighting towards Europe and we have weighting towards Australia. Most of our debt is actually in US dollars, and lots of that is actually, so it also hedges our profit after tax figure in the US. Our profit after tax figure in the US is about 30%. So most of our debt is in dollars, and that is actually principally hedged and hedges against most of our US earnings. So to that extent, the strength of the Aussie dollar doesn't really impact us particularly significantly.

M Ihlein: The only added point to make is that obviously strength of the Aussie, particularly only against the US, would have an impact on that, but it is only 30% of our total after tax earnings. But importantly, if we see stability in the Aussie dollar against the European currencies, now remember we've got a large pool of earnings that are actually outside Australia that are not US dollars. And that's the point that I think provides a lot of cushion. Obviously we're an A dollar stock, so when you look at the Aussie dollar EPS when you convert our US earnings, that does have an impact. But in terms of our true cash impact, it's pretty small.

Question: (Anthony Mulder, Credit Suisse) Just a few questions if I may. If I start on control ratios. Looking at the control ratio on Europe that fell, albeit only 1 percentage point but on the back of 4% growth of volumes. I contrast that to North America, where control ratio rose quite sharply on the back of 6% growth in volumes. I'm just wondering why the difference. I know you've said that you're happy that the control ratio declined in Europe, given the increase in volume. But what lessons could you learn from what Kevin has achieved in North America, and apply those into the European market? Or are we expecting a period of longer growth or higher growth in Europe, and that control ratio to start to fall again?

L Doherty: I think there are two things here. I think you cannot deny the excellent performance that's actually been done in the US. But against that, you have to argue that the complexity in the US is less than that that there has been in Europe. In Europe, one of the things that we are working towards that we don't have to the same extent that we do in the US, is we don't always have people taking – the distributors don't always take responsibility.

One of the reasons why we say it's a good performance is that we've got volume growth going up in Europe now, and adjusting to that, actually the control ratio is stable. The fact is that the US have done an excellent job and parts in your organisation will be – to share the learnings from one part of the business into the other.

M Ihlein: The other point, and I know you've got some other questions Anthony, but the other added point to remember too, is that the control ratio is a measure over a period. Obviously this was a measure over a six month period. And what is important is that you looked at the trend and the control ratio over the longer period. Because what can happen is that if you get a particular month where sales volume might be lower with our customers, let's say the manufacturers. And hence they return a lot of empty pallets to us, as happens for example in the month of January after the Christmas period, you'll actually get a lot of pallets coming back in. So that will tend to push up the control ratio, so that's why it's most important I think that you look at the trends over the longer term. And I think they're both improving in both the US and Europe. Kevin, do you want to make a comment about the US, because 99 looks exceptionally good.

K Shuba: Well, it's primarily been driven by improvements in the asset recovery programme that we put in place. And Mike, as you've mentioned, and part of it's a trend issue. We saw in the month of December returns from the retailers start to come back a little earlier, so those were two of the components. And as you mentioned, it is important to look at it over the long-term.

Question: If I can follow up on that last comment by Kevin, is that suggesting that the retailers have already started to de-stock in the US in a significant way?

K Shuba: No, not in a significant way. We just saw returns come back about a week earlier in the US than we traditionally did.

Question: Expectations for de-stocking in the US with the second half?

K Shuba: I'm sorry, I didn't hear that question Mike.

M Ihlein: I think it was a question, implications for de-stocking in the second half, I think, which gets into the area of forecasting and also forecasting what our manufacturing customer and a retailer might do, which frankly is quite difficult for us to second guess. I think what you have is in periods of weaker consumer sentiment, in grocery you will get occasional periods where retailers will run down inventories, and I guess Liz can comment about retailer inventories.

And that of course will tend to have a temporary impact on lower pallet issues. But given it's grocery, I think they typically tend to return to more normal levels fairly shortly thereafter.

Question: Just two questions on Recall if I may. The first is, I think about four years ago you gave a target on return on investment capital for Recall in 2008 of 16%. We're still a long way from that. I wondered how long you were prepared to give Recall going forward, before you look at deploying that tonne of capital back into the higher margin, higher return basis of CHEP?

M Ihlein: I think the first point, Anthony, is that the investment in Recall and the focus on Recall is not an impediment today, nor for the next two to three years around us continuing our investment in CHEP. That's the first important message. Secondly, are we happy with the Recall performance where it is? No, but there are quite a few parts of the Recall business that we are very pleased with. I think we've seen an improvement in sales growth across all of the regions, including North

America, so we're very pleased with that progress. New customer wins are going well.

It's the North America profit performance in the half that is disappointing. As Liz said, some of that is restructuring to put the business on the right track. I think the other one is we have had higher costs in that business that we need to more closely manage over the next 6-12 months. Recall remains a core part of our business. I made that point to the market when I became the CEO, that the intention here is to continue to focus on how do we improve the returns in Recall, and that is still our current intention.

Question: (Paul) The rumour is running around the market that all is not well at Brambles at the moment, and that seems to be having a bit of an impact on the share price. Could you comment on that please?

M Ihlein: Well, it's not for me to comment on market rumours. I think we should let the results speak for themselves. In an environment where everybody talks about more challenging retail environment or weaker consumer – whatever you like to call it – we have delivered, I think, a very strong set of results. We have a new management team in place that I think – Tom will be in place from the 1st of March – which I think will provide the stability and the process for us to be able to grow our business and deliver even further improvements in profitability. I think the results say it all, to be honest Paul.

Question: ([Unclear], Macquarie) Just in relation to capex in Europe, you've mentioned that you're allocating $750 million US. Any plans to put anything towards Europe to improve pallet quality there; to have maybe quality service representatives in the plants?

M Ihlein: The model in Europe is somewhat different. We've got two models in Europe. We have an exchange model, that's the 12/10's in the UK, where the pallets get exchanged frequently between the emitter and the distributor, and we only get the pallet back when it's beyond able to be used by the retailer or the manufacturer. So that's quite different. And they exchange pallets – are a lower level of quality –

but that's why also they're 20% cheaper, in terms of the overall cost. And that suits a large proportion of users of pallets in the UK.

Of course, we now have another service offering in the UK in particular, and that's around managed recovery. Still exchange quality pallets, but it is a more efficient way for some retailers to manage things, like [unclear] pricing, and we do get to see and touch our pallets more often in that environment. In the UK now we have 160 emitters that have converted to managed recovery, so we're very pleased with how that's going.

In Continental Europe it's more similar to the US. It's a one way trip pool, and pallet quality hasn't been – in terms of pallet specification, levels of automation – has not been the same in terms of progression in Europe, as it has been in the United States. So frankly this is all around meeting customer needs. If over the next year or two we start to see that in Europe, if we need to deliver tighter specifications on pallets for some customers we will obviously look to do that, but today's announcement is really around, focused around the United States. That's where our customers are asking for help.

Are their any other questions on the phone while we're waiting for the microphone?

Question: (S Mitchell, UBS) Hi Mike, there's just a comment in the media awhile ago that you were targeting double digit revenue growth in fiscal 09. I just sort of wonder if that's accurate and how your sort of target is now sort of playing out given out the deal on global growth?

M Ihlein: Well Simon the only comments that I've made and I'll continue to make is that double digit growth is not this year's target. Beyond that we're not giving [unclear] for a particular year.

There's no doubt that the investment that we are talking about and the opportunities that we see. I firmly believe we will be delivering double digit growth, of course what we have to do is actually put the investments in place.

Now its one thing for us to say, oh we're going to invest in Germany, were going to invest in Poland. But that requires people and hard work and I think that process has started but depending on the pace of that we'll obviously get the stronger growth rate earlier. But no we've not put out any statement around growth rates in 2009.

Question: Just a follow up for Kevin if I could, our bank debt has already been touched on by Anthony, in terms of the US growth outlook, given the weak outlook from Wal-Mart in particular, are you confident that any drop in the system growth rate, that is the furthest of your volume growth can be offset by growth's from these new initiatives? Or do you expect your sort of average gross rate to taper off a bit?

M Ihlein: Kevin?

K Shuba: I think as Mike mentioned earlier one of the benefits of our business is that people have to buy consumer products, so we're going to continue to see demand in those products.

The other part is a big portion of the US growth over the last couple of years has been from adding new customers and expanding new lengths. So we'll continue to move down the path in both of those areas.

Question: About $100 million dollars that's been spent in the US over the next couple of years in topex and capex is that an extra cost for doing business in the market or do you look to recover that? Or is that going to impact margins over the next couple of years?

M Ihlein: I'd be delighted if it was as simple as if we incur costs in our business it's always easy to pass it on, I think Kevin would be delighted. But I think this is a cost of delivering quality service to our customers with it being ease of doing business or around the actual platform itself.

We don't see this as being a concern from the point of view that therefore we are going to see deterioration in margins. I think it's something that's necessary for us to be continuing to invest in our business. Of course the United States, in particular, has been very, very good at delivering savings in other areas out of its business over the last few years. You've heard a lot about perfect trip and six sigma and so on. That focus will continue.

This isn't cost, we're not about to go to our customers and say because we're now planning to do this to meet your requirements we're now going to charge you a premium, that will not be the case.

Kevin did you want to make any comment on that>

K Shuba: No I think that you said it Mike, you know this is something that we have to make an investment in the business. Our customer's requirements are increasing and we need to market demands and provide that level of service to them.

M Ihlein: Are there any other questions in the room?

Question: (David Cook, ABN) This one's probably for Liz. Can you give us an indication please of your refinancing schedule of your $80 million of net debt, what's due in the next 12 months and what your uncommitted facilities?

L Doherty: We actually have approximately $1.7 billion of head room at the moment and we have no major refinancing requirements before 2010. To be specific we do have about $500 million that will require refinancing by the end of this year but actually we don't need to so we will let them expire.

You only get one. (laughing)

Question: (David Cook, ABN) Just a follow on for that allowing that to expire does that mean that the prospect of fulfilling the capital management puts you into the market in November is reduced?

L Doherty: We will continue to buy back shares as appropriate. As Mike said earlier, we're interested in sort of giving back the maximum return on money for shareholders. So we will always continue to sort of balance up investment to growth and share buy backs.

M Ihlein: The answer is no.

L Doherty: Alright then no.

Question: (Paul Ryan, Goldman Sachs) Hi Mike, good day guys. I've got a question if I may, one on Europe. Firstly pricing; if you could give us an insight, you've said, pallet volumes up four, steady currency revenue up two, and you've highlighted the RPC contract loss as a driver of that, are you saying that was effectively about 15 million loss of revenue, in which case your pricing was flat, or was your pricing actually down in the half?

M Ihlein: Broadly flat. We haven't seen much price change in Europe in the last six to nine months and where we are in the stage of growth in that business, I have to say, I'm delighted to see the volume returning. I think over the longer term the plan is, if we can recover pricing broadly in line with inflation, whether it be in the US or South Africa or Europe, that will be our plan. But there will always be period when we won't get there.

I mean, fuel costs go up in Europe and when fuel costs go up in Europe we have to negotiate with customers. We don't have that issues, of course, in the US where we have a fuel surcharge. But in the half, no, for pallet pricing it's broadly flat in the half.

Question: Are you saying that you expect you'll have to put pricing up, that you will be able to put pricing up to recover fuel costs in Europe going forward, or that's unlikely in the short term?

M Ihlein: No, look I think we will have some success there. But it's not as binary as we see in the United States, where we actually have a fuel surcharge and that's what's expected. So probably over the last 12 to 18 months where we have seen fuel prices rising overall, we have been able to renegotiate with customers. But of course you can't do that when you're in the middle of a contract period either. We've actually seen in the period, I'll get this number right I think, $12 million or $11 million improvements in transport costs in the European business.

So we're continuing to see what we can do also in our own business in terms of improving efficiencies in transport to mitigate some of that impact that gives us more room to go back to customers to negotiate. But I think we will get some of that, but you have to do it customer by customer in Europe, it just takes longer.

Question: Sure. Just one follow up on the 750 million investment for growth figure, can you just clarify, does that include or exclude the significant capex you intimated around acquiring a beverages pool in the US? And second, are you saying that will be sufficient investment to get you to your double digit growth target in terms of top line?

M Ihlein: One, it does include investment in beverages in the US, in whatever form that might take. I think you guys will have to do your own numbers as to whether that gets us to double digit growth, but I think if you do the numbers mathematically, if we can deliver on all these over the next three years, I think we can be pretty much there.

Question: (Phil Campbell, Citigroup) Hi Mike and Liz. I'm just wanting to touch on the, once again, the 750 million of new investment, I've just got a couple of questions around that to the extent you're able to make it. Just clarifying the previous question; looking on page 15 of the presentation it says that that number doesn't include acquisitions, I just wanted to check on that.

The second question is if you can give us some feel for the extent to which that capex number is demand led and to the extent to which [interference] is the second part to that question.

The third part is just really also trying to get a feel for the BVA contribution from those numbers. Because if I'm looking at [interference] we're looking at potential 600 million increase in revenues, we put that on a 30% margin after tax, we're looking on return on capital of around 16, 17%. I would imagine that's going to take a while to get to that 30% margin. So I would expect some sort of return on capital dilution in the short term from that. And again, just how you offset that against deciding whether or not to allocate capital to the buyback, because obviously you expect a return on your current share price at the moment depending on your view on valuation. There's obviously a potential opportunity there as well.

Sorry there's a few questions there –

M Ihlein: That's a great one for Liz. I can't even remember all the questions.

Question: The first question is does that include acquisitions or not?

L Doherty: The first question I think you asked for does that include –

Question: Acquisitions.

L Doherty: - and the answer is no, it doesn't include any acquisitions.

Question: The second part was, to the extent to which it's customer led and the extent to which it's front or back end loaded?

M Ihlein: Well, I think there'll be some pull and some push, if you want to think about it in terms of where the demand is. In the case of beverages in the US, obviously we're approaching it from the perspective of we think there needs to be a push because we think there's a major opportunity there, we've had some good progress so far. But I think you get to a point when once you do the analysis with the customers, the customers see what value is involved here and we've seen that in Germany and Poland now, in terms of negotiations with customers. Then they quickly get it, they understand that they can make a lot of money out of moving off. In the case of Europe, white wood exchange to a CHEP offering, so it becomes pull. I think you actually end up in a bit of a mix here, to be honest.

In terms of the return on capital point, it's not for me to tell you what return on capital you should assume. Of course this investment is going to be spread across Europe, the Americas, Asia, all of which have varying returns on capital today. I think in CHEP overall we're in the mid to high 20s, obviously the US is delivering the highest return on capital and our focus is not on making investments that will dilute the margins or returns but if we can deliver – make an investment that will deliver a return that exceeds our cost to capital and that's incremental business for us, I think that's likely to be a pretty attractive thing for us to do.

Even if in the short term that might mean some reduction in overall returns or maybe even margins. I think this is about getting the balance right and balance is also relevant in this capital management point that you raised.

It won't be as simple as one dollar of incremental capital investment, therefore that's one dollar less on share buy backs. I think it will be a question of where is the best opportunity to deliver the best returns for the shareholders in that particular six month period or that particular month when we're looking at the investment.

I have to say I want to see this business grow and grow profitably but we've very cognisant that we are generating cash, we will continue to generate cash and therefore we need to get this balance right. You don't want to do everything all in investment or everything all in capital management.

Question: Sorry Mike, just a quick follow-up so I completely understand. Again, the $750 million, I'm assuming that's a net number rather than a gross number.

So if I'm looking at a capex forecast for Brambles in '09 of say US$700 million are we actually implying – say its a third, its been a third, are we looking at another $250 million of capex on that number or has already some of that number been included with say the market's expectation of capex going forward?

M Ihlein: I'd be surprised if this – well I mean maybe the market has included some of it but we're not giving a forecast of that $750 million, how much will be in '09 or '08 or '09 or 10 simply because these investment opportunities take a lot of work.

But we've made great progress I think in the last six months and with the full team in place, the objective here will be to accelerate these in a sensible way. To be honest, if we could spend the $750 million much quicker and get the investments in place delivering those returns, we'll do that.

Question: Sorry, just one very quick follow-up. Just on Europe I noticed the working capital got impacted due to the days of creditors, I was wondering if Liz could just give us a bit more detail in terms of explanation of that. I'm assuming it's a one off.

L Doherty: Yes. I mean what they – it's really about listening to what some of our buyers are actually telling us and deciding that the creditor days that we had all the creditor payments terms that were under were unsustainable going forward. We bought them – those decisions – a proactive management decision to bring them back to reasonable levels.

It's a one off effect and from hereon in you shouldn't see any change other than the normal change you would expect from business growth.

Question: Phil Wensley, who has apologised for being a bit late. He just asks for clarification on the driver behind the $39 million benefit in volume price and mix in the South America slide which – just reiterating…

L Doherty: Well sort of principally coming from volume growth and within that principally the US 6% volume growth but there was also some pricing in the US. I think pricing was around 2.4% so there is a bit of mix in there as well.

So principally volumes, some price and a tad of mix.

M Ihlein: Thank you very much for your attendance today and to those people on the web obviously an extremely busy day for reporting season today so thank you very much.

We'll see an awful lot of you, Liz and I will, over the next few weeks whether in Sydney, Melbourne or Europe or the US as we visit shareholders. So we look forward to catching up with each of you then and thanks very much everybody and all the best.

**End of Transcript**