Chairman's address

Stephen Johns, Chairman

Ladies and gentlemen, it is a great privilege to address you today as Brambles' Chairman.

I would like to start my address with an overview of where our company is today and the environment in which we operate.

Brambles is the world's leading provider of logistics solutions through the provision of reusable platforms – such as pallets, crates and containers - for shared use by a wide range of participants in supply chains globally. In terms of numbers, we own and manage approximately 590 million pallets, crates and containers, which service customers in more than 60 countries. Our operations are supported by Brambles' 14,000 employees and our network of over 850 service centres.

Our operating model is underpinned by our superior network advantage and industry-leading logistics expertise and we play an integral role in enhancing the safety, efficiency and sustainability of our customers' supply chains.

Today, we operate in a challenging environment characterised by increasing competitive intensity, ongoing macroeconomic uncertainty and a customer base navigating the challenges of a rapidly evolving retail landscape and changing consumer behaviour.

In this context, I will now address our performance in FY17 which was a very challenging year for Brambles.

Operating challenges and withdrawal of the FY19 targets

We entered FY17 with confidence and strong momentum following a very successful FY16. Unfortunately, unexpected challenges in our largest business, US pallets, developed towards the end of the 2016 calendar year. These impacted our overall financial performance and led to the lowering of the company's FY17 guidance in February 2017. Our CEO, Graham Chipchase, will discuss the FY17 financial performance in more detail in his address.

The flow on effects of these issues on the Group's projections for FY18 and FY19, coupled with the need for greater financial flexibility to enable our businesses to meet the evolving needs of customers and maintain our network advantage, were the principal reasons for the Board's decision to withdraw the FY19 financial targets, which we originally announced to the market in December 2013. This decision, which was not taken lightly, also recognised the reality of the changing operating conditions and increasingly competitive landscape in our major markets.

The Board declared total dividends for the year of 29.0 Australian cents per share, in line with 2016. Franking on the final dividend increased to 30%, from 25% for the 2017 interim dividend, reflecting a change in the portion of offshore earnings.

Strategy

As we move forward, we have reason to be confident. The fundamentals of all of our businesses remain strong and our strategy is to focus on the core drivers of value. As a result, Brambles is well-positioned to face challenges and capitalise on opportunities.

We are committed to leveraging our global scale and industry-leading expertise as we collaborate with customers to build the supply chains of the future. We seek to deliver growth and operational excellence in our core pallet, RPC and container pooling businesses by focusing on our five core drivers of value which are: strengthening our network advantage; delivering operational and organisational efficiencies; driving disciplined capital allocation and improved cash generation; innovating to create new value; and developing world-class talent.

Graham Chipchase will discuss our strategic priorities in greater depth in his address.

Management and corporate actions

FY17 was also a year of transition and renewal. We welcomed Graham Chipchase and Nessa O'Sullivan to Brambles, with Graham taking over as CEO on 20 February and Nessa becoming CFO on 17 November 2016.

Since joining Brambles Graham, with the Board's full support, has restructured the executive leadership team and outlined the strategic priorities I have previously mentioned.

The new executive leadership team reflects a flatter organisational structure, the global nature of our company and a greater balance between operational and functional leadership. This team brings together executives combining decades of experience at Brambles and fresh perspectives.

In accordance with our more focused strategy Graham, in August 2017, announced the intention to divest our North American non-pooling pallets business, CHEP Recycled. This sale process is now underway and we expect it to be completed within the current fiscal year.

Previously, we had also divested the Aerospace business in November 2016 and finalised our Oil and Gas joint venture, Hoover Ferguson Group, in October 2016.

Sustainability

We are very proud of our Sustainability achievements during the year and our solid progress towards our 2020 sustainability goals.

Starting with safety, the professionalism of our people and deeply-embedded safety culture have helped us to continue to reduce workplace injuries, down 32% over the prior year, with no fatalities in our operations during the year.

We continue to leverage our industry-leading expertise to help customers reduce costs and deliver on their own sustainability commitments. During the year, the use of our share and reuse business model coupled with over 200 customer collaboration initiatives saved 1.6 million trees and eliminated more than 2.5 million tonnes of CO_2 and 1.4 million tonnes of waste from supply chains around the world.

Looking to our own supply chain, we are pleased with our progress towards our 2020 target of 100% of global timber coming from certified sources. In FY17, the percentage of timber procured from certified sources increased by 2.1 percentage points to 99.1%.

Our talent management and learning programs gained great momentum, with a 78% increase in training days per employee for the year. In keeping with Brambles' strong commitment to inclusion and diversity, our leadership development programmes included activities that focused on understanding the impact of non-inclusive behaviours and unconscious bias in the workplace.

Brambles' business model, sustainability program and strong approach to corporate governance are consistently recognised as best practice by leading ratings institutions that benchmark our performance in these areas against other globally listed companies. Most notably, Brambles was recently ranked the top performing company by the Dow Jones Sustainability Index in our industry category for 2017.

Further information on our performance against our 2020 Sustainability Goals is available on Brambles' website and in Brambles' 2017 Sustainability Review which was published on the 27th of September. Copies of this Review are available in the foyer.

Board

Before addressing Board changes and actions during the year, I would like to acknowledge shareholders' disappointment with the Company's FY17 performance. This disappointment is reflected in the lower level of shareholder support for some of this year's resolutions to be considered at today's Meeting.

I want you to understand that the Board also shares your disappointment and is united in overseeing the effective management of the Company on behalf of you, our shareholders.

In light of the FY17 financial and share price performance, the Board exercised its discretion in determining executive remuneration for the year. Specifically, the Board made the decision to not pay any FY17 Short-Term Incentive cash award to the former CEO and the former Group President of CHEP Pallets and to reduce the FY17 cash award for the former Chief Financial Officer. The Board has also approved a number of changes that strengthen Brambles' Remuneration Policy to further align it with the Company's strategy and the interests of shareholders. These changes will be explained in more detail by the Chairman of our Remuneration Committee, Tony Froggatt, when he addresses you shortly.

We are fortunate to have a very strong and stable board of directors that represents a balance of industry, logistics, finance and international expertise. In addition, we have had an appropriate level of Board renewal with half of our non-executive directors having been appointed during the last four years.

Following the CEO transition, Graham Chipchase was appointed to the Board on 20 February 2017 and Nessa O'Sullivan was appointed to the Board, on 24 April 2017, in her capacity as CFO. More recently, we announced Christine Cross's retirement as a non-executive director, effective 31 August 2017. Christine, who resides in the UK, decided to reduce her travel commitments and focus on her European directorships and consultancy business. On behalf of the Board, I thank her for her valuable contribution over the past three and a half years.

As I mentioned earlier, Tahira Hassan, Brian Long and I are standing for re-election. In addition, Nessa O'Sullivan, who was appointed to the Board in April this year, is standing for election to the Board. Each of us will address the meeting prior to our respective resolutions being put to a vote.

Conclusion

To conclude, I would like to reiterate that the Board takes its responsibilities and fiduciary duties towards shareholders and their interests very seriously. I would also like to assure you that your Board holds itself accountable for providing appropriate stewardship for the company.

I would also like to thank all of our employees for their efforts over the past year, and you, our shareholders, for your attendance at this year's AGM and for your ongoing support for Brambles.

CEO's address

Graham Chipchase, CEO

Good morning ladies and gentlemen.

As this is my first time addressing you at a Brambles' AGM, I want to take this opportunity to outline my vision for Brambles and the strategic priorities we have identified as the core drivers of value for you our shareholders, for our customers and for our employees.

But before I do, I would like to take you through our FY17 financial performance and our FY18 first-quarter trading update which was announced to the market this morning.

FY17 financial performance and 1Q18 trading update

Starting with our FY17 performance: Constant-currency sales revenue growth of 6% reflected growth across all of our operating segments with particularly strong contributions from our IFCO RPC businesses and pallet businesses in Europe and Latin America.

While sales revenue growth was solid, Underlying Profit was broadly flat as competitive and direct cost pressures in the US pallets business more than offset earnings growth across our other businesses. These challenges in US pallets also impacted our Return on Capital Invested metric, which declined 2.3 percentage points to 17%.

Profit after tax declined 23% at constant currency, largely due to the US$120 million non-cash impairment of our investment in the HFG joint venture. This impairment reflects the challenging operating conditions in the global Oil & Gas sector which continue to adversely impact the financial performance of this business.

The US$262 million loss in discontinued operations primarily related to the US$243.8 million non-cash impairment of CHEP Recycled, following the announcement of our intention to divest this business during the 2018 fiscal year.

Our balance sheet remains strong, as reflected in our two key financial ratios - net debt to EBITDA of 1.73 times and EBITDA interest cover of 15.0 times for the year. Both metrics remain within the Company's policy and well within the levels required by our banking covenants.

We continue to have significant headroom in our undrawn credit facilities and maintain our solid investment-grade rating of BBB+ from Standard & Poor's and Baa1 from Moody's. Our recent successful €500 million European medium-term note issue in September 2017 highlights our ability to access capital markets and issue long-term debt at attractive interest rates to high quality investors.

Turning to our trading performance in the first quarter of the 2018 fiscal year, constant-currency sales revenue growth of 6% was solid and in line with our expectation for mid-single digit revenue growth through the cycle.

Our pallet and RPC businesses in Europe are expanding strongly and we continue to make good progress in emerging markets such as Latin America. It is also pleasing to see the momentum established in our US pallets business during the last quarter of FY17 continued into the first quarter.

That said, we continue to operate in a challenging operating and competitive environment, with cost pressures across our portfolio, particularly in our US pallets business. In this context, we are focused on leveraging our global expertise to mitigate network cost inflation and strengthen our competitive advantage.

Our vision and strategy
Our vision remains largely unchanged. We continue to aspire to be the world-leading provider of supply chain logistics solutions, enabling our customers to make supply chains more efficient, safe and sustainable.

While we recognize that our customers' primary requirement is for high quality platforms to be where they need them and when they need them, when we refer to supply-chain solutions, I believe it is about using our unique market insights and logistics expertise to deliver value-enhancing services and products that meet the rapidly evolving needs of our customers.

Strategically, we have become more focused on our core pallet, RPC and container pooling businesses, as evidenced by the corporate actions Stephen mentioned earlier. This includes the recent announcement of our intention to divest the CHEP Recycled business which is non-core to our business model.

Investor value proposition
Brambles generates value through a virtuous circle that leverages its network advantage of scale, density and expertise to achieve superior operational efficiencies. These operational efficiencies in turn generate cash flow that can be either returned to shareholders or reinvested in the business to fund growth, innovation and the development of our people.

By providing customers with supply chain solutions in over 60 countries, Brambles offers shareholders exposure to geographically diversified earnings streams primarily from the global consumer staples sectors. For you as our shareholders, this offers an investment that displays both inherent defensive qualities and real opportunities for growth.

By focussing on our core drivers of value, which I will outline shortly, we expect to deliver sustainable growth and returns well in excess of the cost of capital. This includes delivering through the cycle:
- Sales revenue growth in the mid-single digits;
- Underlying Profit growth in excess of sales revenue growth;
- Return on Capital Invested in the mid-teens; and
- Strong cash generation to fund growth, innovation and shareholder returns.

Operating and competitive landscape
Before addressing our strategic priorities in detail, I think it is important to set out the operating and competitive landscape in which Brambles operates today.

With a predominant exposure to the consumer staples sectors, we operate in the global retail industry which is experiencing a rapidly accelerating pace of change. The emergence of e-commerce, omni-channel formats and hard discount retailers has challenged established retail business models and placed Brambles' manufacturing and retailing customers under increasing margin and cost pressures. In turn, our customers are seeking to recoup costs from their suppliers, including CHEP and IFCO.

From a competitive perspective, in every major market in which we operate we face well-funded, viable pooling competitors attracted to the industry by healthy returns. Simultaneously, we also continue to face competition from single-use alternatives such as cardboard in the RPC businesses and non-proprietary white wood recycled pallets in our global pallets businesses.

In this operating context, our businesses are facing increasing competition and in some regions, structurally higher network costs. We need to actively address these challenges through investment in innovation, a differentiated service offering, superior asset quality and the delivery of additional organisational and operational efficiencies.

Focus on the core drivers of value
It is with this operating and competitive context in mind, that we have identified five core drivers of value which we believe will ensure we maintain our competitive advantage and continue delivering superior value for our customers, employees and our shareholders.

Now looking at each driver in turn: Our network advantage, which comprises the scale and density of our customer and service centre network, is critical to our value proposition for both customers and investors. We are committed to **growing and strengthening our network advantage** by investing in platform quality and innovative, value-enhancing solutions to drive the ongoing conversion of customers to our pooled solutions.

Within a challenging competitive and operating landscape it is imperative that we focus on **delivering operational and organisational efficiencies** to offset competitive and structural cost pressures. In addition to our ongoing efforts to deliver supply-chain efficiencies and optimising our network for changing customer dynamics, we have identified a number of opportunities to leverage our global scale and share best practice throughout the Group to deliver cost savings across our operations.

Consistent with our more focused strategy, we will **drive disciplined capital allocation** by directing our investment towards our core pallet, RPC and container pooling businesses as well as innovation. **Improving our cash flow generation** is a key strategic objective for Brambles. Through our increased focus on improving asset utilisation, reducing equipment loss and lowering equipment damage rates we will seek to generate sufficient cash to fully fund both dividends and reinvestment in the business.

In a world of rapidly accelerating change, **innovating to create new value** for our customers is core to the sustainability of our business model and competitive advantage. Faced with the expansion of e-commerce and omni-channel retail formats, we need to develop new customer solutions which increase sales, provide greater market insights and improve operational efficiencies for our customers. In the omni-channel space, we have a number of last mile solutions which encompass a range of fractional pallets that facilitate promotional display and faster replenishment in smaller store formats. In e-commerce we are in active conversations with key retailers to identify the key opportunity gaps in their supply chains and develop standardised solutions which will improve the efficiency of inbound and outbound product movements. As always, we also continue to assess new developments in material science so that we remain at the forefront of delivering the highest quality and most durable platforms to our customers.

Our investment in technology includes our commitment to allocate US$17 million in FY18 to our **BXB Digital** business. BXB Digital is applying technology to collect and transform data into services that track goods, optimise operations and improve supply chain efficiency. As an example, we placed digitised devices in banana crates in South Africa which allowed a customer to monitor for environmental factors such as air flow and temperature and to gauge the impact on banana quality. This trial proved that the use of a banana crate, in comparison with cardboard packaging, reduced product damage in transit, improved product quality and increased sales.

Lastly, successfully attracting and **developing world-class talent** is integral to Brambles' ongoing success. Our key priorities for our employees are safety, engagement and capability. We have a strong commitment to a Zero Harm working environment and fostering an inclusive and diverse organisation.

We are also committed to encouraging a culture of agility and innovation where employees can grow their skills and capabilities through comprehensive, world-class development programs.

In particular, it is fundamental to our business model that our people develop their supply chain logistics expertise. We support this by ensuring that we have programs in place that leverage the Group's historic knowledge and technical know-how which has been developed over the past 70 years.

I firmly believe that if we can ensure our people have the right skills and operate within the right culture our customers will win and in turn so will our shareholders.

Conclusion

In conclusion, Brambles is a strong business with an inherently sustainable business model that offers shareholders the opportunity for both growth and long-term attractive returns.

We have market-leading positions, a clear network advantage and a high-performance culture with a clear focus on delivering value for our customers.

Looking forward, we are focused on delivering our commitments to operational excellence, growth and innovation within the context of disciplined capital allocation.

We expect our focus on our core drivers of value to deliver sustainable growth at returns well in excess of the cost of capital and improved cash generation to fund growth, innovation and shareholder returns.