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PRESENTATION

Tom Gorman *- Brambles Limited - CEO*

Well good morning everyone, and thank you very much for joining us. I'm Tom Gorman and it's my pleasure to present to you Brambles' half year results for 2014.

Please note that all references that we make to dollars in today's discussion will refer to US dollars unless we say otherwise.

So let's get started. Today we are presenting a strong sales and profit result which reflects moderately improving economic conditions in key regions of operations such as North America, and to lesser degree, western Europe, after a long period of economic downturn.

The improvement in organic conditions is supporting our ability to drive asset efficiency and return on capital in the pallets business, because it is enabling us to be more selective as we approach our growth initiatives in the pallet business.

A continued strong volume growth performance in RPCs was insufficient to offset some cost pressures, and we are disappointed with current growth rates in North America. Mitigating actions are however under way to address these challenges and we remain very optimistic about the long term opportunity for the RPC business in the North American continent.

The Pallecon acquisition has made a strong contribution to growth and returns in the container segment, which also benefited from stronger organic growth in the period.

We are today confirming our guidance for underlying profit in the range of $930 million to $965 million, and just to remind you, this is at 30 June 2013 foreign exchange rates.

As we have communicated previously, second half growth will not be as strong as first half growth because of the impact in the first half of strong new business wins and the Pallecon acquisition, as well as the cost headwinds we are facing, and the severe and ongoing weather patterns that we're experiencing, particularly in the northern hemisphere.

We are also today making a multi-year commitment to reduce our overheads by $100 million from the levels they are at today, and we see additional opportunity to manage future increases. Our CFO Zlatko Todorcevski will discuss this in a little more depth shortly.

Now in line with our usual practice, we are including a scorecard in relation to our key objectives. We said at our investor day in December of last year that our five year plan targeted annual constant currency percentage growth in the high single digits for sales revenue. This financial year, we expect to achieve sales revenue growth of approximately 7%.

We also said in December that we were targeting consistent, incremental improvement in Group return on capital invested or ROCI. Today's results reflect that, and we are on track to deliver our FY14 profit guidance as I have already mentioned.

Now one area in which there is a slight change in phasing in relation to our targets, is the delivery of our final efficiency in the global pallets and IFCO integration synergies program. Having delivered $41 million of the total $100 million at the end of FY13, our target was to deliver a further $39 million this financial year, and the final $20 million in FY15.

We have delivered $13 million in the first half of this year and we expect to deliver about $30 million for the full FY14 year. We remain committed to the total, and the final $30 million will be delivered in FY15.

Finally, the Recall demerger was successfully completed in December.

Now as you can from the table on slide 6, the key financial outcomes for the period reflected a very solid group result. Please note that this presentation focuses on continuing operations, and that is, all the data exclude Recall.

Also, we're showing both actual and constant foreign exchange growth, but I'm going to refer to constant currency growth in my presentation. As you will see when we cover the business units in a bit more detail, there was a translation impact from currency during the period, in relation in particular to the Euro, the Aussie dollar and the South African rand.

Sales revenue was just under $2.7 billion, and this represents an increase of 8%. Now I will discuss the key drivers of sales revenue shortly, in particular the role played by organic pricing or sales mix growth, as I indicated earlier, economic conditions are improving.

Operating profit of $453 million represents an 11% increase. That's efficiency improvements in the pallet business; in particular the EMEA region drove margin improvement. Combined with ongoing capital efficiency improvements, this enabled a 30 basis point in return on capital invested to 15.7% and a solid increase in cash flow from operations.

Our interim dividend of AUD0.135 per share is as we stated in the Recall demerger scheme book last year.

Now let's look at sales revenue growth in a bit more detail. This chart on the left highlights that the improving economic and operating conditions are in fact enabling pricing and organic growth in the pallets business to drive growth to a greater degree than we have seen for some time.

The pie chart on the right shows our ongoing progress in delivering diversification of our revenue streams, with developed market pallet operations now accounting for just under two-thirds of our total business.

Within the developed markets pallets operation, sales revenue growth was 7% in North America and 3% in both western Europe and Australia/New Zealand. Emerging market growth, however, was 15%, with the 23% growth in central and eastern Europe really the standout contributor.

Moving on to slide 8 -- and here, the chart on the left of this slide shows the increasing contribution to sales revenue growth from organic volume, price and mix improvements compared with the contribution of net new business wins over the past five financial halves.

Now I want to stress that against the improving economic backdrop, we have consciously chosen not to pursue new business or business renewals in some countries -- and in particular, countries in Europe -- when that has enabled us to improve our asset utilisation.

As the chart on the right hand side shows, this has resulted in an impact to net new business wins from EMEA. Net new business wins in EMEA during the period -- that is, as opposed to the rollover impact from the prior year -- were in fact flat. Now that is despite gross wins in the period of about $5 million from [lane] expansion with brands including Nestle, SGA and Hayat Kimya in Turkey.

In the Americas, the contribution to net new business of wins during the period was also relatively low at about $6 million. Now gross wins in the Americas were actually $19 million in the period, and this included lane expansion with major brands such as Monster Energy Drinks, Kimberly-Clark and General Mills. This however was offset partially by the loss of the US Postal Service in the IFCO PMS sector and, to a smaller extent, some Kraft volumes in CHEP USA.

Now let's look a little more closely at the Americas region; I'll take you through a bit more detail.

As I have said, organic and price growth have improved to maintain the strong sales -- strong rates of sales revenue growth in the region. Total North America sales revenue exceeded $1 billion in the period, and this is up 7% versus prior year.

Now within this region, CHEP USA sales revenue was up 6%, Canada was up 9%, and this reflects the strong new wins, pricing and organic growth we're experiencing in that market. And the IFCO PMS business was up 7%, and this is reflecting continued price growth. Latin America was up a strong 14%, resulting from organic growth and strong new business wins.

Our operating profit growth in the Americas reflected margin improvement as pricing and mix gains, which came mostly in the US, the delivery of efficiencies under the global pallets and IFCO synergies program, and some reductions in indirect costs, more than offset an increase in direct costs that we're experiencing.

Now the increase in direct costs really primarily reflected an increase of about $13 million in pallet repair costs in the period, including lumber cost increases of about $3 million. Now this number was somewhat lower than we expected at the start of the year in terms of an inflationary increase. The increase in repair costs reflects our ongoing commitment to pallet quality, as well as the gradual aging of our pool, particularly in the US, as we reduce our reliance on new pallets to drive growth.

Elsewhere in direct costs, we experienced about a $9 million increase in transportation costs, which is consistent with our asset recovery efforts, a greater number of relocations to facilitate, turn rates, and somewhat higher freight costs in the US. There was also a $4 million increase in depreciation costs, and of course this is reflecting the fact that we did buy some new pallets to fund the growth.

The 60 basis point improvement in return on capital reflects the asset efficiency initiatives that I have already mentioned.

Let's move on to EMEA, where the result in the pallets business was very pleasing, and in fact quite strong.

You can see the impact of foreign exchange; in this case, the stronger Euro and the weaker Rand to which I referred at the beginning of my presentation. But on a constant currency basis, sales revenue in Europe was $646 million which is up 4% from the prior year. This reflected growth of 8% in the mid-Europe region, and that includes Germany and Italy. We had 1% growth in the UK and Ireland, 3% growth in France, and as I indicated earlier, 23% growth in central and eastern Europe.

We did however experience a decline of about 2% in the Iberia region, Spain and Portugal, and there the economic downturn, as you all know, has been the most severe.

Now in addition to the improving organic conditions that we are seeing, our penetration in Germany continues as advocacy for the CHEP solution increases among a few key retailers. Our standalone growth in Germany was a very strong 12% in the period. In Middle East and Africa, our business there, we delivered growth of 13%.

Now profit growth of 16% was very positive, as net costs were held broadly flat across the region, reflecting efficiencies as our volumes grew. The underlying profit margin in the EMEA of 22% is in line with the improvement targets that we established two years ago, and the very strong 230 basis point growth in ROCI reflected how the selective approach to business wins and renewals is driving more efficient asset deployment across the EMEA region.

So let's move on to Asia-Pacific, and here we delivered a sound result despite relatively muted conditions. Sales revenue was up 4% to $186 million. Again, the impact of foreign exchange is apparent, reflecting the weaker Aussie dollar.

The continued very strong growth of the display pallet offering contributed to growth of 3% in Australia and New Zealand, while our growth in Asia of 11% reflects the continued moderation of expansion in that region as we focus our strategy on truly driving dynamic pooling, rather than just growing a static hire business.

We increased dynamic flows in China in the period by approximately twentyfold, to more than half a million flows, and this is well ahead of the planned growth that we had in dynamic pooling for the half. And I must add that the China pallets operations were profitable in the period. Also contributing to the improved profit in the period was pricing in Australia.

Moving on to slide 12, what I'd like to show you on this slide is that we continue to drive improvements in the financial performance of our pallets business. The aggregate improvement in capital efficiency in the pallets business is in fact shown on this slide. The ratio of sales revenue to average capital invested, which is shown on the left hand side of the chart, continues to improve as we use our pool more efficiently.

The right hand chart shows that the ratio of maintenance CapEx to sales revenue represented by DIN, which is the sum of depreciation IPEP and the net book value of compensated assets and scraps, continues to decline. The reduction in the relative level of maintenance CapEx frees capital for us to invest in growth.

On slide 13 I'll walk you through the RPC result. This result, in which short term cost pressures and the slower than planned rate of growth in North America -- that has in fact clouded what was otherwise a relatively strong performance for the RPC team. Sales revenue increased about 8% to $441 million, with particularly strong growth continuing in ANZ and South Africa as retailer penetration continues to grow.

South America returned to strong growth after overcoming challenges with some retailers in FY13.

I will discuss North America in more detail on the next slide.

Now as communicated last August, we had expected a flat profit result in RPCs this financial year because of the higher depreciation costs after buying ahead to support expansion in North America, and higher marketing costs in the IFCO branded businesses.

However, the decline in profit in the period of 14% to $58 million reflected a few additional factors. Pricing and sales mix impacts in North America, as well as several one-off items that we took within ordinary profit. Now the most notable of these one-off items were the accelerated depreciation of some assets in South America and the retirement costs of the IFCO CEO and CFO, which both left IFCO in the first half of this financial year.

Now as I said, I'd like to go through the detail in the North American RPC a bit more, and this is shown on slide 14. The North American RPC business continues to represent a great opportunity for our Company. We are very confident that our rejuvenated management team and the mitigating actions that are under way to drive stronger growth and more successful execution will, in fact, deliver improved growth and financial performance going forward.

This chart shows that volume growth in the period was 9% which, while not as high as the average rate over the past five years, continues to represent a solid rate of penetration versus the cardboard alternative. However, pricing pressures have emerged as the market becomes more competitive, and as cardboard suppliers seek to protect their market share. While the expansion of our business into smaller crate sizes, which is exactly in line with our strategy to diversify by commodity, this has had somewhat of a negative mix impact.

We expect volume growth in the second half to be broadly in line with the first half. We are confident that we can address the adverse price and mix trend, and we expect second half sales revenue growth to be broadly in line with the volume growth in the half.

I will now finally touch on the containers business before handing over to Zlatko.

Sales revenue of $186 million in the containers business represents an improvement of 37%, or 13% if you excluded the impact of the Pallecon acquisition. Encouragingly, there was a return to organic growth in all other business units, which was more than adequate to offset the impact of the ongoing decline of the Australian automotive sector, which all of you would be well familiar with.

The growth enabled us to leverage indirect costs more effectively within this business unit, and drove a very strong increase in profit to $18 million, and this represented growth of 137%. There was also, as you can see, a very positive aggregate effect on return on capital.

So with that, it's my pleasure to hand it over to Zlatko to walk you through a bit more detail.

Zlatko Todorcevski - *Brambles Limited - CFO*

Thanks very much, Tom. If I start with my first slide, slide 16. The key points I'd like to touch on this morning are the strength of our first half profit in the context of the cost headwinds we're facing, the progress we're making in line with many of our key initiatives -- not least, capital efficiency, cash flow performance, and the confirmation this morning that we are targeting at least $100 million of overhead reduction over the period FY15 to FY19 -- and finally, the ongoing strength of our balance sheet.

I'll begin by reviewing our 11% increase in group operating profit in more detail. The detail reconciliations per business unit are available in the appendices to the presentation. We can of course answer any questions on those.

Tom has covered the key drivers of the $79 million increase from improved volume, price, and mix, the major contributors being the continued improved performance in the USA and western Europe pallets businesses. There was also a $6 million contribution from the Pallecon acquisition.

The key point I'd like to make is that our ability to generate such consistently strong growth from multiple sources and the improving organic pricing and sales mix conditions in our biggest pallets businesses has enabled us to more than offset cost headwinds in the half. However, as our outlook for slower second half growths suggest, we need to do more.

We delivered $13 million of benefit under the operating efficiencies and IFCO integration synergies program in the pallets business, predominantly from plant network optimisation. However, this was insufficient on its own to offset the direct cost increases. The direct cost impact of $44 million was a result largely of a $27 million increase in Pallets Americas, and a $9 million increase in RPCs.

Tom has touched on some of this, but the key driver has been the higher repair, transport, and asset recovery cost in CHEP USA, reflecting our commitment to pallet quality, and improved asset utilisation. This is supporting higher return on capital invested, as I'll come to shortly on the next couple of slides.

The majority of the increase in RPCs was the higher depreciation charge of $5 million. Other cost growth during the period was minimal in aggregate and largely reflected the issues in the RPCs business that Tom has already discussed. However, the general trend for overhead increases needs to be reversed as I'll discuss shortly.

On slide 18, this slide shows a trend in direct costs in our pallets business, which as you can see from the black line on each of the line charts, has ticked up slightly on aggregate in the half, in particular in the area of plant costs in the USA.

However, there are two key points I wish to make. We are committed to continuing to invest in pallet quality and asset efficiency. In addition to pursuing operational efficiencies, we need to pursue step change in overheads.

The ongoing investment in asset management is creating a direct benefit in terms of capital efficiency, as the next slide shows. The return on capital improvement in pallets continues, and for FY14 will improve further as we increase efficiency. We are committed to the objective communicated at the investor day in December, to achieve 20% return on capital at the Group level by FY19.

A number of the challenges in the RPCs business are short-term, and even after the profit decline in the first half return on capital invested remained at 19% when adjusting for the impacts of intangibles. The improvement in containers reflects the timing of the Pallecon acquisition last year and the profit improvement in the containers business more generally.

Like RPCs, after adjusting for intangibles, the rate of return in the containers business is 19%. Group return on capital, excluding intangibles, is about 22%, as shown by the larger yellow circle to the top-right of the chart.

The acquisitions we have made since FY09 have been essential to diversifying our risk. We diversified that risk while opening substantial growth channels at comparable rates of incremental return and investing as necessary to ensure our business is sustainable. The overheads program I'll now discuss in more detail will help us build on that.

We are committed to reducing overheads by $100 million from their levels today. In addition, there will be opportunity to partly mitigate future planned increases while continuing to support our growth aspirations and our asset efficiency initiatives.

We are planning to deliver the program over the five year period to FY19. There will be three core areas of focus -- leveraging our global scale more efficiently to achieve savings in indirect procurement, reducing complexity by enhancing the use of technology in our transactions with customers, and generating internal efficiencies from leveraging our scale and global best practices.

Detailed planning will be part of our FY15 budget process. We will provide more detail about the phasing of delivery at our full year results in August, including any CapEx or other expense that we expect to incur to deliver the program. Important to note that a smaller share of savings will be anticipated in FY15, but early wins are available. Savings generated in this program will support return on capital improvement and investment elsewhere in the business.

I'll next make some comments on cash flow. I won't take you through the cash flow statement line by line. The highlight is the solid $81 million increase in cash flow from operations.

This improvement reflected improved EBITDA as well as target working capital management in the pallets and RPCs operations in Europe. Free cash flow was impacted by discontinued operations, reflecting recall transaction costs, as well as increases in recalls working capital and CapEx in the period.

Appendix 7 to this presentation shows our key balance sheet ratios. Net debt was down $322 million over the six months to 31 December 2013. This reflected net demerger proceeds of $501 million offset by impacts from the acquisition of total control of Recall Singapore, a negative foreign exchange translation, and the negative free cash flow after dividends of $16 million.

Excluding significant items and discontinued operations, free cash flow after dividends was positive $27 million, up $106 million in the prior year. I'll now hand you back to Tom to close out today's presentation.

Tom Gorman - *Brambles Limited - CEO*

Well thank you very much Zlatko. So we expect FY14 constant currencies sales revenues growth to be approximately 7% this year. Our underlying profit guidance is unchanged at between $930 million and $965 million, and again that is at 30 June 2013 foreign exchange rates.

We are confident we will deliver profits in this range. That's notwithstanding the relatively tentative state of recovery in our key markets, the ongoing cost headwinds that we're facing, and the potential impact of ongoing severe weather in the northern hemisphere that we've experienced since the start of this calendar year. As we have stated previously, growth will be slower in the second half than it was in the first, largely because of the timing of the Pallecon acquisition and the strong rollover benefit from net new business wins we enjoyed in the first half.

Now post the completion of the Recall demerger, we are also now able to provide guidance for interest and tax. We expect net finance cost to be about $110 million and again that is at 30 June 2013 foreign exchange rates. We expect an effective underlying tax rate after financing costs of approximately 29%.

We expect to declare a final dividend of at least AUD0.135. Again this is in line with the commentary that we provided in the Recall demerger scheme book presented last year.

All our guidance is of course subject to the usual disclaimer, and this disclaimer is included in the appendices of this presentation. I'd like to thank you very much for your time this morning. We believe as a team and as a company we have delivered a strong result for the period and we are on track to deliver our guidance for the full financial year.

We are committed to the growth strategies and the efficiency initiatives that are in fact driving our performance. We are also committed to improving our cost base so that we can continue to innovate for our customers whilst strengthening our cost competitiveness globally.

Now we expect to provide a lot more detail on the phasing of the overheads reduction and the mitigation program in August of this year. It's our pleasure now to take any questions you may have, thank you very much.

QUESTIONS AND ANSWERS

James Hall - *Brambles Limited - Senior Director, IR & Corporate Affairs*

Thank you Tom. This is James Hall from Brambles Investor Relations speaking. The first question on the line comes from Simon Mitchell at UBS.

Tom Gorman - *Brambles Limited - CEO*

Morning Simon, how are you?

Simon Mitchell - *UBS - Analyst*

Just a first question around the $100 million in savings that you've targeted. Can we just clarify off what base of overhead cost that is and also if you can just confirm that that is included within the target view presented in December, so that is the 20% return target?

Zlatko Todorcevski - *Brambles Limited - CFO*

Yeah sure Simon. It's Zlatko Todorcevski. Simon, the $100 million is off the base of overheads we have today which is broadly $800 million. As we said at the investor market briefing in December we haven't assumed any benefit from the reduction in overheads in the return on capital targets we shared then.

Simon Mitchell - *UBS - Analyst*

Right okay. Just secondly on the guidance, Tom if we take the mid-point of your guidance for this year, so say 6% growth in profit, and the 10% you reported in the first half implies around 2% in the second half. Is that how you view underlying conditions in the market at the moment for you or is there something unusual in that second half which is deflating your go forward growth rate?

Tom Gorman - *Brambles Limited - CEO*

Yeah, I think, look you know Simon, we look at growth a number of different ways. We look at it on the year-on-year basis. We look on a half-to-half basis. There are some -- there were some anomalies in the second half of last year.

There's some real strength in the second half of last year that's not going to repeat itself, you know, the net new wins that we on boarded in the second half which we got the rollover benefit in the first half. Obviously the comp is much more favourable for us in the first half vis-a-vis Pallecon so I think you have to recognize that.

I think there's another small issue here in terms of now ex-Recall. There are -- there's a small amount of money in the first half of our billing to Recall and that goes away in the second half. Now it's not a huge number but it does go to overheads that don't get allocated to that business which now have to be spread across the broader business.

Also I think the other thing that we did indicate is that we're absolutely committed to our operating efficiencies of $100 million but we're coming up a little bit short this year and that's having an adverse impact on the second half itself.

Simon Mitchell - *UBS - Analyst*

Sure, okay. Just lastly on the RPCs business, it just looks like in North America the turn rate is much lower than the Group average, and particularly lower than Europe. I think it's about three times versus five times for Europe. Is that something which you think is right, or is it more that you've purchased RPCs ahead of actual demand and that should improve over time?

Tom Gorman - *Brambles Limited - CEO*

Yeah, I mean I think there's -- you're correct on both -- on all the points you've made. Fundamentally at steady state the US RPC business will have turn rates that are some -- that are a bit lower than the European business. If the European business can deliver close to a six turn we don't expect that we'll be seeing that level of asset efficiency in the US. It has to do with distances travelled, it has to do with sort of the fundamental business dynamics between growers and retailers.

So we don't anticipate getting to where the European business is. But having said that we want to be significantly better from where we are today.

What's impacting us today is the program that we initiated last year which was really to make sure that we were well-positioned to support the customer growth. Remember last year we delivered 19% growth in the North American business, but we did buy ahead.

So in essence you have some idle assets in the US. The team is working very hard to put those to work and our CapEx this year versus last year is appropriately down in North America. But fundamentally we will be improving our turns in the US but they will not get to the same levels that we experience in Europe.

Simon Mitchell - *UBS - Analyst*

Okay, thank you.

James Hall - *Brambles Limited - Senior Director, IR & Corporate Affairs*

Thank you Simon. Our next question comes from Anthony Moulder from Citi.

Anthony Moulder - *Citigroup - Analyst*

Good morning all. A few questions if I could. Just following on from one of Simon's on RPCs if I look at the growth rates your reported in the first quarter around 11% and they seem to have slowed to around 5% in the second quarter.

That goes to, I guess, some of the issues you talked to as far as the conversion rate. But is that -- have you accelerated that conversion rate or have you see some aversion by customers to take it up as they start to see increased volumes?

Tom Gorman - *Brambles Limited - CEO*

No I think you're accurate in terms of quarter over quarter but the growth rates are accelerating since that point and -- look I think that what's happening in the US, if you look at how the business has progressed, the big lumpy growth has come as we've added new retailers. So if you look at from Wal-Mart to Kroger to Safeway to Loblaw's, those are big lumpy amounts of growth that you get. The work that then comes after you have the retailer is further penetrating across a wider produce set within those retailers. That's really what the team is working on.

So we have a plan by retailer, by produce type, and then of course, by crate size for us, what that means in terms of our growth opportunity. So we plan to see broadly speaking total second half growth broadly in line with the 9% or 10% growth that you've seen in the first half.

But we will -- we do believe we can mitigate some of the adverse mix effect so the revenue growth will be a bit stronger in the second half. But in total it'll be about the same so a little bit stronger than you saw in the second quarter.

Anthony Moulder - *Citigroup - Analyst*

Alright perfect. Just following on from some of the comments you make around the economic conditions, modest, tentative, typically you're fairly conservative on calling some improvement in economic conditions unless they're -- you've seen them on a more sustainable basis. Can you comment as to what you are seeing on a sustainable basis and what are the key markets that seem more so than others?

Tom Gorman - *Brambles Limited - CEO*

Yeah, I mean, look, we -- I'll read from -- well it's not yours -- but I'll read from one of the reports this morning. It says it's been a while since BXB has made positive comments on the economic backdrop in key countries.

So I think that you guys know us pretty well. We try not to try to get out ahead of ourselves at all as a company. The fact of the matter is we are seeing some improvement.

Now, we did see some improvement in the fourth quarter, Anthony, in both obviously the US market and a number of European markets. The challenge that we have, if you just understand, is that -- and we're not trying to give you a weather report -- but the weather conditions, particularly in the North American market, in the beginning of this calendar year, so throughout January and into February, they're clearly temporary impacts, but they have impacted business flows and they have impacted the movement of product and produce across the country. So that's the only thing that gives us a little bit of caution in our statements today.

I think in general recoveries can be fragile. I think we're on the front-end of that recovery and most of the external information is positive and we are seeing some of that. I think we're just remaining cautious as it's really only a couple of months that we've seen that level of improvement.

Anthony Moulder - *Citigroup - Analyst*

Understood, thank you.

James Hall - *Brambles Limited - Senior Director, IR & Corporate Affairs*

Thanks Anthony. The next question comes from Matt Spence from Merrill Lynch.

Matt Spence - *Merrill Lynch - Analyst*

Hi Tom. I think that was mine, so I hope it's accurate. Just a couple of questions on Europe. You mentioned that you're giving up some business in Europe. What's the competitive dynamic? Who are you giving that business up to and is it a rational pricing?

Then just secondly, Germany, very strong and I think that's probably two halves of really strong Germany. Is there more to go there or are you pretty much penetrated on the retailer advocacy side?

Tom Gorman - *Brambles Limited - CEO*

So I'll take your second question first if that's okay. We're quite pleased with the performance in Germany and we think that there's continued opportunity for us in Germany. We have been working for a long time with a number of retailers in the German market and as we progress we think that not only gives us an opportunity to grow the business with that particular retailer, but it also leads us to other opportunities across the German market. So the 12% number was very strong in the half, but we still see Germany as in a way for us the standout of the European market excluding CEE obviously which is much stronger growth.

In terms of the competitive dynamic you've asked a number of questions. Our strategy is not to pursue business that's value destructive, in simple terms. I think that the team that runs both our European -- runs all of our businesses -- they're quite capable businessmen and women and what we're trying to do is to get the balance right here.

Our inventories are in a very good position across the pallets business and all of our markets. Our focus has been to increase value. So if we have opportunities either on the renewal front or a net new win position, and we cannot get the economics to be value accretive for us, we're not in a position where we have idle assets and therefore would pursue those opportunities as we may have in the past.

We've managed our business quite well. What you can see now is that the business that we are winning and the growth that we are achieving is in fact value accretive. That's going to continue to be our focus in our well-established pallet markets.

Matt Spence - *Merrill Lynch - Analyst*

Thanks, and just one more. Just bullet point for me the mitigating issues that you can implement in RPCs. You said right at the start that that's what you can do. You've talked a fair bit on RPCs but just bullet point for me what can you really do in RPCs to improve that over the next six to twelve months?

Tom Gorman - *Brambles Limited - CEO*

Look, I think there's some fundamental things. The guys that built the RPC business in the US did a heck of a job. We had a $200 million business there that started from zero, so they built that business quite well. But as I indicated to Anthony, the business was really built on the strength of adding retailers.

Now in essence the work ahead, there's still more retailers that can come on the program for sure, but it's really now extending incremental lanes into each of those retailers. For us that's a couple of things in terms of the mitigants, really understanding our cost to serve in each one of those segments is very important to us, and even how we go to market. Our focus has been very much on the retailer and we are starting to shift that focus a bit to really building competency within each one of the produce verticals and then aligning much more with the grower community and how we can drive growth there going forward.

So they seem like subtle and nuanced changes from a distance, but they really go to the core of the way we're organised in the North American market. There's no question that there's an enormous amount of untapped potential.

We just want to make sure that we're organised and positioned correctly with the right knowledge to pursue that business profitably. And that's the changes that are underway and Wolfgang obviously as the president of the business unit, and Dan Walsh as the president of the North American business, is obviously pushing aggressively in that direction.

Matt Spence - *Merrill Lynch - Analyst*

Thanks Tom.

James Hall - *Brambles Limited - Senior Director, IR & Corporate Affairs*

Thank you Matt. Our next question comes from Cameron McDonald from Deutsche Bank. Cameron, please go ahead.

Cameron McDonald - *Deutsche Bank - Analyst*

Yeah hi guys.

Tom Gorman - *Brambles Limited - CEO*

Hi Cam.

Cameron McDonald - *Deutsche Bank - Analyst*

Just wanted to try and get -- I suppose circle back on some of the questions around growth and just get a little more granularity if we can around where you are actually seeing the growth. I mean given that in December at the investor market briefing you were pretty reluctant to highlight that you were seeing anything at that stage.

You've also given an interview in the paper more recently saying that you weren't seeing a lot in the US and now you're openly sort of talking about early stages, but you know there is a significant change in the tone. And then noting that you've got, you know, net new wins I think you were saying of only $6 million in the Americans and yet you've seen actual revenue growth in North America of 6%.

So just trying to see where you're seeing that growth, given -- and particularly also I think -- Walmart actually ended up downgrading more recently as well.

Zlatko Todorcevski - *Brambles Limited - CFO*

Why don't I take the organic growth one and Tom can talk about net new business in particular in the US? Look, I think we have been tentative to date to talk about what we're seeing organically because as Tom said it has been a little bit patchy. But there has been now a quarter or two where we have seen reasonably consistent albeit still fairly neutered organic improvements in most of these particularly Western economies.

But we've generally spoken about 1% to 2% organic growth in the US, something of that order in western Europe, and a similar kind of experience in Australia and New Zealand. We continue to see that but I think we've now seen a pattern over a couple of quarters where it has consistently been of that magnitude.

The one difference is probably in western Europe. This is the first quarter in probably the last three where we have seen positive growth, despite the fact, as Tom mentioned that Iberia continues to be a negative. We have seen improved conditions for our business in those western European economies. So I think that's starting to give us the confidence to talk about improving conditions, although we're still anxious to see it be a little bit more robust than it is at the moment.

Tom Gorman - *Brambles Limited - CEO*

Look, the only other thing I would add which we've talked about in the past is that in an improving organic environment it's not as big as oftentimes you guys would like to see but there also is a bit more positive pricing environment as well. You're getting both the kicker of pricing and organic.

In terms of the net new wins I think I'd just go back to my commentary in North America. The gross amount of wins were actually -- was quite substantial in the period. I do think that we're talking about the total group and one of the issues there to just keep an eye on is what was happening in the IFCO PMS business. So the US postal business was in fact a negative -- a drain on that net new play.

The other thing is that the rollover is very strong in the half so we continue to view that there's plenty of growth opportunity for us in the US. You guys know what we're doing in terms of new initiatives with display pallets. All that stuff is underway. So there are many positive opportunities in the US but we can in fact be a bit more selective now. Many of the issues we've had over the last several years in terms of inventory balances and our pallet balances are well and truly in very good nick at the moment.

Cameron McDonald - *Deutsche Bank - Analyst*

Okay, thanks guys.

James Hall - *Brambles Limited - Senior Director, IR & Corporate Affairs*

Thanks Cameron. Next up is Andrew Gibson from Goldman Sachs. Hi Andrew.

Andrew Gibson - *Goldman Sachs - Analyst*

Hi guys. Just to follow-up on pricing. It sounds like you've been having some success there and in particularly in the US where I suspect you probably had some adverse mix as you commit new users to white wood. But you've previously guided to around 1% per annum price increase. Are you still holding to that or are you doing a bit better at the moment?

Tom Gorman - *Brambles Limited - CEO*

Yeah look, I mean we've always said sort of 1% to 2%. Typically we would guide you to the bottom end of that range. I think we're closer -- and if you look at the Americas -- I'd say we're closer to the top end of that range. So I think that is a positive and I think that's just something for us to build on.

The European pricing environment isn't quite as robust as the US. Some of that is -- we do have indexing in Europe and some of that becomes a commercial issue as we continue to battle competitive forces there. But the US is tracking closer to the 2%.

Andrew Gibson - *Goldman Sachs - Analyst*

Thanks.

James Hall - *Brambles Limited - Senior Director, IR & Corporate Affairs*

Final question listed at the moment is from Scott Ryall at CLSA. Thank you Scott.

Scott Ryall - *CLSA - Analyst*

Thank you. Two questions if I may. Tom and Zlatko, maybe if you can look back a year and think about what conditions were like at the start of 2013, have you changed your thoughts in terms of capital allocation on -- just purely on emerging markets? Which emerging markets look more interesting for the next 12 months maybe relative to 12 months ago?

Tom Gorman - *Brambles Limited - CEO*

That's an interesting question but we talk about that quite a bit and we get that question a lot from outside analysts. We really haven't. I think the reason for us is that our play in emerging markets is not a GDP-driven play.

So the growth that we're getting is not based on organic growth. Really what it is, is continuing to convert one way disposable solutions to a pool solution, whether it's in the IBC space or the pallet space or the RPC space. So it really is not tied to the underlying economic performance in those countries.

So when people talk about China slowed a bit or India slowed a bit or Brazil and all of the BRICS, they are not running at the same rate, our business continues to improve because we're extending the pooled service as opposed to one way disposable solutions. As I look at our penetration in the emerging markets I think that's going be the case for some period of time.

I mean even in Poland. I mean we delivered very strong growth in Poland, and we've been achieving strong double digit growth in that country now for a number of years. It's because our penetration as a pooler is still relatively low, and that gives us great opportunities to convert one way disposable solutions.

Scott Ryall - *CLSA - Analyst*

Yes. So that was exactly my question, was -- maybe I'll ask it a bit more bluntly. Are there any changes in penetration opportunities that you observe in your emerging markets now, versus 12 months ago? Have any markets accelerated? Have any decelerated? Have any surprised in terms of quick speed of change of utilisation of pooled services?

Tom Gorman - *Brambles Limited - CEO*

Yeah. Look, I don't think this is a big change because we had identified this a while ago. Our approach in China has been focused on delivering dynamic flows. So we have been very open about reducing the growth of just putting pallets up there for static hire, but that really hasn't changed. Now, I will say though that with the better than expected performance in the first half, that could lead to an additional allocation of assets to China in the second half. But I don't think that it would be material in terms of our total business that you would really pick it up as a trend differential.

CEE continues to be strong, but we expected that coming into the year. Latin America is slightly ahead of our plans, but only slightly. We did have a robust expectation for them. We think there's a little bit more upside from them in the second half of the year. So I'd like to tell you something different, but it is turning out the way we had anticipated it, sort of 8 or 12 months ago.

Scott Ryall - *CLSA - Analyst*

That's fine. That's a perfectly acceptable answer. Then I just want a bit more granularity, I guess, in terms of the western European comment. Obviously, the constant currency numbers you give on Iberia, France, UK -- which are the big three in western Europe for you guys. How much -- the pallets EMEA business is a pretty stellar margin increase. How much of the margin increase is to do with those big scale markets actually looking a bit better -- particularly the UK and France -- and how much is it to do with the other things that you've spoken about?

Tom Gorman - *Brambles Limited - CEO*

Well, look, I'll just give you a little bit of a sense. I mean middle-eastern Africa -- that business, for us, is really a South African business, as I think you know. That business is extremely well run. We have very high levels of customer satisfaction, and we continue to grow that business. As we've indicated in the RPC segment, they're also getting great growth out of their RPC business, so South African total -- whether it be in the pallets business or the RPC business -- continues to remain very positive. I will have to say that they're also working very collaboratively with the Containers group and now focusing on intercontinental flows out of South Africa into western Europe, particularly to support Automotive.

So there's a lot of good stuff going on in South Africa, but take that aside and look at what's happening across the rest of Europe and -- look, broadly speaking, I would say it's a pretty good story for us. In the UK and Ireland -- is still the vast majority of the region. It's over 27% of the region, and we didn't -- as we said, we got sort of 1% growth there. So when you take the weighted average of that, that holds the region back, but the rest of the region has really stepped up. When you look at the growth we're getting in Germany, when you look at the growth we're getting in the Benelux, when you look at the growth that we're getting across Europe -- not including even CEE -- I mean the middle European group, as we said, grew at 8% of the business, and that in itself is about a quarter.

So one quarter's growing at one, one quarter's growing at eight -- and I'll let you do the math -- and then the rest of it is really powered by CEE and the middle-east African markets. So I think we have really good portfolio business there. You can't throw a blanket over them entirely and say each one is dealing with the same opportunities and challenges, but what I can tell you is that portfolio in total is in pretty good nick, and the decisions we're making on new business wins or renewals is with a keen focus on return on capital and efficient asset utilisation, without losing focus on the power of our network, and that's going to continue in this market.

Scott Ryall - *CLSA - Analyst*

Okay. That's all I had. Thank you.

James Hall - *Brambles Limited - Senior Director, IR & Corporate Affairs*

Thanks, Scott. We have a couple of more questions now. The next is from Paul Ryan at Evans and Partners. Hi, Paul.

Paul Ryan - *Evans and Partners - Analyst*

Morning, James. Morning, guys. Just in the US pallets, how do we think about a couple of the growth and issues? You called out new products, so display or half pallets, and also new verticals. Any update on progress there, and over what time frame could they make a contribution to what sounds like a pretty good environment for organic and pricing growth in full size pallets?

Tom Gorman - *Brambles Limited - CEO*

We have nothing really to disclose to you today, Paul, other than what we have talked about, really, back in the investor market briefing, which was just a couple of months ago. So the things we identified then we're in execution mode on now. We do want to pursue new verticals, and I think the team went through all of that in the investor briefing. We've identified where we're working on, and Kim and her team in the Americas are clearly focused on that.

The roll-out of display pallets is under way, but it's small at the moment. I mean you have to step back and realise that the 4840 pallet -- I don't know -- we do 250 million, 270 million issues a year in the US. To fundamentally shift the mix of that is going to take some time, but I can absolutely tell you the team is driving that. As we look at new verticals, those new verticals are going to be on a 4840 platform, so you're not going to see diversification in terms of platform, but you will see it in terms of the customer base. Really, it's been three months since we spoke to the market. There's not much new to say, other than the team is aggressively executing across those initiatives.

Paul Ryan - *Evans and Partners - Analyst*

Thank you.

James Hall - *Brambles Limited - Senior Director, IR & Corporate Affairs*

Thanks, Paul. (Operator instructions). We do have a question from Scott Kelly at Morgan Stanley. Please go ahead, Scott.

Scott Kelly - *Morgan Stanley - Analyst*

Good morning. Just a quick question regarding acquisitions, specifically in the great businesses of Containers and RPCs. Just wondering if there is -- that is still a priority for you, that you're comfortable with the state of the balance sheet in terms of being able to fund those, and whether there's anything on the horizon.

Tom Gorman - *Brambles Limited - CEO*

Look, I'll just make a comment, I think, that everyone can obviously -- obviously knows. Look, our balance sheet is strong, and that does allow us an amount of fire power to attack opportunities, both organic and acquisitive. I think you saw the Pallecon acquisition, for example -- I think it was $188 million in total. We were able to execute on that quite quickly. It's been integrated brilliantly into our Company, and it's now delivering the value that we expected it to deliver.

I think if you look over the last four years we have shown an ability as a company to make good acquisitions and to integrate them relatively successfully, and they become part of the fabric of the Brambles pooling businesses. We've done that with large acquisitions -- a la IFCO -- and much smaller acquisitions -- and I'd probably pick CAPS as the example in the US. That business is now twice as large as when we bought it, and it's begun, really, to be the platform for our IBC growth in the North American continent.

So I think we've shown that ability, but we've also shown ability, I think, to be disciplined, and it has to fit with what we want to do strategically. It has to make economic sense. We have to understand how we can drive value to the business. That's going to remain unchanged. So we continue to look at opportunities, as I'm sure you would expect. We walk away from a lot more than we actually execute on, and I think we have the right filter in front of us.

I'm a very fortunate CEO, and I think, as a business, we're quite fortunate. We have a strong balance sheet, so if an opportunity presents itself we're in a position to take advantage of that, but only if it makes strategic sense and we can see long term value for our shareholders.

Scott Kelly - *Morgan Stanley - Analyst*

Okay. Thank you.

James Hall - *Brambles Limited - Senior Director, IR & Corporate Affairs*

There are no further questions.

Tom Gorman - *Brambles Limited - CEO*

Okay. Well, look, I'd like to thank you all. I know it's a very busy day today with a number of companies releasing. It's a very busy season, but we greatly appreciate your support, and we always enjoy hearing from you. So look forward to catching up with many of you over the next week and a half or so. All the best. Thank you.