Start of Transcript

Mike Ihlein: Well good afternoon everyone and welcome to this beautiful city of Madrid where both CHEP Europe and Recoil Europe have significant operations and you'll obviously hear a lot more about both those businesses over the coming days. I think there's no greater place to come and do this in Europe. The Americans probably say the opposite. But I think it's wonderful to actually come to Europe, see something of the culture and the history of the place, but also the fact that the businesses here have been established a very long time as well. And you'll see some of that strength in their business presentations that you'll hear from the team over the next couple of days.

The operations review is exactly that. It's going to be focused on operations. You'll have the opportunity to see and touch, hopefully don't touch too many things, at the actual site visits themselves, including a visit to one of CHEPs customers also this week, over the next couple of days. And most importantly, I think you're going to have time to meet of course, and to spend time with our senior management here. There's quite a few of them here. So you're going to see a lot of both of both CHEP and Recall folks and get to know them and see what their histories are, where they come from, the fact that they've been instrumental in building what I think are two highly successful businesses here in Europe.

What I will be doing though, and just for the benefit of those on the web cast, because I think pretty much everyone in this room is very familiar with Brambles, but I will also touch on a brief overview of Brambles as well, and as you all know you've been provided I think a copy of our trading update that was released this morning and I will touch on the key aspects of that also.

Now that trading update is normally done around this time of the year and it's required by the London Stock Exchange because of the secondary listing that Brambles retains here in Europe. As a consequence of the trading update, the interim management statement that's called by the LSE, that will take the place of the normal June trading update and you will see that effectively it follows a very similar format to what we've done June in previous years. So therefore the next update for us on results, after these next couple of days will be the full year's results presentation in August.

As I said today, the next of couple of days around Recall and CHEP, today is the Recall day. So Liz and I won't take too much of Elton's time. He has assured me he wants to spend as much time as he possibly can presenting all the exciting things that are actually happening in their business, both globally, but with a particular focus on Europe where you'll hear from Trace Norton and in a global sense from Christian Coenen.

Then on Tuesday, Wednesday that's the CHEP day. I think we need Tuesday, Wednesday because Tom's got so many people presenting. I think we need every minute of every one of those days to be able to cover that. Plus the site visits and the customer visit as well.

If I just talk firstly about an overview of Brambles; as you know our objective is to be the leading global provider for supply chain solutions and information management solutions. So both CHEP and Recall. But in fact there's actually quite a lot of similia in terms of the information and the data that we have out of both of those businesses that we are increasingly using in managing our businesses. The fact that we have such high visibility of movements through the supply chain, in the case of CHEP, whether it be here in Europe or in the United States, we're finding that that is providing us with a significant strategic advantage in how we will manage our businesses for the future.

Two businesses as you know, CHEP and Recall, 45 countries, well over 45 now. In Europe here for CHEP we're in 23 countries. So it's a very geographically dispersed business here. And in Recall's case nine countries here in Europe, out of a total of 23 across the globe.

Over 12,000 employees across Brambles; 2700 of those are here in CHEP Europe. So this is a very, very significant part of our total business. And Recall Europe, not quite as many as CHEP, I think Elton's trying to get as many as he can, but 1,100 people here in recall in Europe. Total assets across the group, about $5 billion. Thirty five per cent of those assets are CHEP Europe and five per cent Recall Europe.

So Elton's got a lot of people 1,100 but is running a pretty efficient operation in terms of the level of capital that's deployed here. And both CHEP Europe and Recall Europe will talk a lot about how they're utilising those assets to deliver improved returns for the longer term.

Whether it be CHEP or whether it be Recall, both of these businesses are at the heart of what happens in modern business today. In the case of CHEP, the pallet is still the most common platform for moving goods through the supply chain. Nobody has been able to find a better mouse trap yet. And we'll talk a little about different platforms and how you might get returns out of different platforms, but at the end of the day, the pallet is still the way you move goods through the supply chain.

Even in recession, whether it be in the US or Europe, people are still moving goods and you've seen that in some of our trading update numbers today, that we're still delivering growth in all of our businesses across the world. Why is that, pretty simple; the value proposition around CHEP is still there. The fact that there's been a global slowdown in the economies does not change the overall value proposition.

In the case of Recall, all businesses need to retain and manage documents and information. And the requirements to do that, whether it be driven by legislation or privacy, or just general good business sense, that doesn't change either in a recession. And Elton will show you some pretty interesting numbers about what's happening to a number of core parts of the business in Recall that

I think give me quite a lot of confidence about the future for that business for the long term.

This slide here, slide six, just looks at the Brambles sales revenue by service line. Just going from clockwise around the chart, from the top right down, firstly in the case of pallets, this is mainly FMCG and it's in regions and with customers that have highly developed distribution and retailing infrastructures. We have about 250 million pallets around the world. And if you think about the CHEP business, it's a unique combination of reliable high quality products, and frankly whether it's pallets, or automotive containers or RPCs or IBCs, it is an unusual but high quality combination. Very sophisticated control systems, but all driven around delivering solutions to customers. And that applies in every one of the products that we have on offer.

To service all of that we have a very expensive international network and one of the keys to delivering performance out of pooling, whether it be pallets or containers, is the expensive networks so that you can get these supply chain advantages and synergies. Overall 7,000 people in Recall [E] and CHEP across the world to be able to manage these pools of assets.

In automotive containers that’s used by parts suppliers to ship parts to assembly lines, thereby avoiding doubling handling of parts, we have about 11 million containers and the reason it's very relative to talk about that is that the largest pool of automotive containers we have is actually here in Europe. Now the automotive sector is very weak as most people would know. And we will talk about the impact that that has been having on the group.

But notwithstanding the weakness in the automotive sector, the European business and brambles overall is still delivering growth, even though we’re seeing significant reductions in automotive. But it's a good margin, very strong part of our business and when that sector recovers, we’ll see more growth come out of that as well.

We also have in automotive containers a business in Australia and in South Africa, smaller than in Europe, but still important. And as you know we also have an emerging presence in automotive containers in both China and in India. And I think in terms of exciting growth prospects there's some significant opportunities in both of those markets over the coming years.

In RPCs we have 39 million RPCs around the world. Again, I think Europe is trying to get the prize here, but Europe is also the largest pool of reusable plastic containers out of the Brambles network. But we do also have a significant and indeed growing business in Australia and New Zealand, particularly, in our relationship with Woolworths in Australia and New Zealand.

RPCs, why do people use them; they reduce pallet damage. Particularly mainly used in the fruit and vegetable sector and they also avoid the double handling of produce in that sector and hence, eliminating waste. It is also a significant opportunity, and you see it here in Europe more so than anywhere else, to a lesser extent in Australia, is that it eliminates the use of cardboard packaging.

Many of you would know that we had a small RPC business in the United States many years ago, but the use of cardboard in the US is still quite significant. Here in Europe you've seen a major reduction in the use of cardboard and a significant increase in RPCs over the last few years.

In intermediate bulk containers, that's semi bulk packaging use for transportation of liquid and dry products in the food, the chemical and pharmaceutical industries. And the one that I find particularly interesting is Catalyst and Chemical Containers. We don't talk a lot about the business. I was in Houston the other day where the global headquarters for CCC is and it's a fascinating business. It's high margin, still growing, mainly in the US, big opportunities to expand in Europe and also elsewhere in countries around the globe. And it's predominantly in the petro-refining, gas processing, petrochemical industries around spent catalysts.

And the interesting thing there is you're seeing a lot of volatility in oil prices, but for refineries to keep operating they still need catalyst. And when the catalyst is used, it has to be disposed of. So even though you're seeing volatility in oil prices, both up and down, the business that we have in CCC is still growing. I think it's a significant opportunity for us, albeit a small part of our business.

Of course to the star of the day, Recall; around the storage, retrieval and destruction of physical and digital information across the world. And Elton's team will talk a lot about that. About 5,000 employees across the globe. S a very significant part of the business.

The leadership team, and there is a few of us here today, obviously Liz Doherty our CFO on my left. We also have in the room, but I'm not sure where you're sitting now, Tom Gorman, the Group President for CHEP Europe, Middle East and Africa. Elton Potts of course, the Group President for Recall. And we have four groups basically, in addition to those two. We also have Asia-Pacific and we have the Americas.

Those four group presidents, together with Liz and I, the head of Human Resources and Strategic Development are what make up our senior executive leadership team. And I think it's very encouraging. Use the time while you're here to get as much time as you can with Tom and Elton, particularly on the operational side of the business to understand what's driving our strategy and what's important to them about the future.

I will actually just go back and make one other point. There's a good mix here of home grown and external talent and since I became the CEO we've tried to get the right balance. There has been a number of changes. This team has now been in place since February of last year and we're continuing to add to our whole senior leadership team, not just at the ELT level and a recent example of that is the announcement a few days ago, which some of you may have seen, of the appointment of Jim Ritchie to be president of our CHEP US business. Jim Ritchie comes to us previously was the CEO of YRC Logistics and has operated in the US logistics businesses, including 24 years of [unclear] so about 30 years. And he’s also been involved extensively in taking the YRC proposition to markets in Asia, Europe and Latin America and Jim is a welcome addition to the senior management team in the US. And Jim will start with us on the 1st of June. But he's already very actively engaged, I know in talking to our folks in the US.

As you know, solid sales and revenue are profit growth. Over a period of year’s consistent cash flows, strong operating margins and return on capital invested. There's been some impact on that in this current year. As we invest in pallet quality in the US, and I will talk a little more about that shortly. Just across the various regions, CHEP America is comprising eight countries of which the USA is the largest, makes up more than 70 per cent of revenue in the CHEP Americas.

In Europe, Middle East and Africa, CHEP Europe makes up 23 countries and comprises about 90 per cent of the revenue of the EMEA group and the UK, which a lot of you would be familiar with, makes up about a third of Europe’s revenue. In Asia-Pacific, eight countries, so still very geographically diverse, with Australia comprising more than 85 per cent of revenue in the Asia-Pac group.

And Recall as I said, over about 23 countries now, most significant of course USA, Europe, which you’ll hear a lot about today, and Australia, are comprising more than 80 per cent of revenue. But don’t forget about Asia, Elton will talk a little bit about Asia. You will see some interesting stats on Asia. Small business, profitable, growing both margin and in top line growth. And of course as you know CHEP America and CHEP Europe make up the largest part of Brambles total global profit.

A couple of interesting messages I guess out of our historical group performance. The first message is that over a long period of time we’ve been able to deliver strong double digit growth in revenue and also in profit. But of course as you all know, we have the prospect of the [unclear] dealing in the global recession this year and that's an impact in first half '09 versus first half '08. And I think one of the key messages you should take away from the presentations in the next couple of days is that the way which we're building the business for the future will position us well to recover as the economies recover. And the thing that you really should pay attention to, is around the extent of new business wins.

I know there's been a lot talked about over new business wins and more importantly around business losses, particularly in the United States in the last few weeks, but I think the interesting message out of here is that we do continue to wind new business across all of our countries across all of our businesses, across all regions around the world. And that's going to be very important as we recover or as the economies recover in the future.

Just a few words on our strategic themes; as I said our objective is to deliver the worlds best supply chain solutions and information management services and the strategic themes that we've concentrated on are the same, whether it be for CHEP or for Recall. It's the same whether it's CHEP America's or CHEP Europe. And those three themes are customer satisfaction and quality, operational excellence and sustainability and growth. I guess growth is a bit harder to come by given what's happening with the global economies, but our new business wins are still underpinning our growth. As I said, I think you'll see some interesting stats, even from Recall, the smaller part of our business that shows that in terms of the core parts of their business we are still seeing quite good levels of growth.

Now all of those three themes are underpinned by focus on systems and people. And the way we bring that together is, and you'll see this reflected in the discussions that Recall and CHEP have is in the strategy house. And I will talk a little more about that.

Firstly around customer satisfaction and quality, and you'll hear, how do we measure this, what rate of progress we're making on this out of both CHEP and recall over the next few days.

In the case of customer satisfaction and quality, we're getting it directly from the customer. I spent all of last week in the United States meeting with a number of major manufacturing, so emitter, and retailer or distributor customers, to hear what they are seeing (1) in their own business in terms of organic growth, what new business initiatives their looking for, what they're expecting out of us and I have to say, it was a very instructive week that I spent in the US last week.

I've done something similar with Tom in Europe and South Africa, about a month ago. So it's certainly been a very busy time. But it's a very common theme for us to make sure that - you'll hear the listening and responding message from Tom, how we listen to our customers and then respond to what they need.

We're also doing annual surveys as you know, something that we commonly refer to as TRIM surveys. And I think TRIM surveys enable us to identify those areas whether it be pallet quality, service levels, pricing, ease of doing business, are we actually up to scratch and where do we need to improve. And they vary across the world. But I think the general recognition from most customers, whether it be in Europe or the US, is that we're making a lot of progress in the right areas. But as is usually the case, they always want more progress at a much faster rate.

In the case of operational excellence and sustainability, it's around successful execution of plans. Six sigma and lean is a common theme right across all of our businesses and they are embedded now in both Recall and in CHEP and you'll hear more about that over the next couple of days.

And rates of continuous improvement are critical to fund and fuel growth. We're doing a lot around overheads, as you know, it's a difficult environment, but we are restructuring to take our overheads down. We're focused around transportation savings, efficiencies and plant costs. Efficiencies in how we manage activity in document management within Recall. And again, you'll hear a lot about that from Elton.

In growth, there really is no change from the trajectories that I talked about before and a few common themes around that. In the Americas, and I first talked to the market about these back in August of '07, in the Americas it's food service, it's beverages, it's new business channels and it's lane expansion. We've had success in all of those. Notwithstanding the recent talk about QTG in the US. We are improving our service offering in beverages in the US and winning some significant new business.

In Europe, Middle East, Africa, it's been predominantly around geographic expansion. I talked back in August 2007 around Poland and Germany, and you'll hear a lot of specifics today, Laurent Le Mercier who runs the Polish business is here somewhere. And Nigel Branch who is running Germany is here as well. And you hear directly from them tomorrow. Pretty interesting what we've done and there's been a change of management structure, I think to get ourselves closer to the customer, closer to the business and I think it's certainly showing up in results in the European business.

Asia-Pacific, a lot of talk around China and India and we are now starting to see some significant improvement in rates of top line growth in China and India. We're still not making money there, but we didn't plan to make money for some three years or so. But big opportunities, notwithstanding the slowdown that we've seen in the Chinese economy, but we're still winning new business in that market.

Recall has been principally organic, but they're also doing some interesting things around winning new customers in certain segments and you'll hear from us around what verticals are important to us, how the recession is impacting, what's happening in certain verticals and how we're responding to that as a company.

But the overriding theme is that net new business continues to grow. And you say that in our trading update today. So that's wins, less losses, continue to improve and to underpin and make up for the shortfall in organic growth that we are seeing.

Big focus around sustainability as well, and were doing a lot more in this space, both in Recall and in CHEP and you'll her more from the guys about that over the next few days.

In people, as I said, we have a new structure in Europe, new management structure that Tom we'll talk to or maybe it's Peter Mackie actually. Where's Peter – Peter runs our European business for CHEP and he will be talking about that tomorrow. Jim Ritchie whose now joined us the USA president. We're investing in our senior leadership development programs. I think one of the messages, we're being prudent on what we do on cost, but we're still making sure that we invest in our people. We're improving our bench strength and focusing on succession planning.

And at the end of the day, we need some systems to make all this work and in the case of CHEP, it's the focus around Linguistics, SAP and Siebel and you'll hear a lot from the European team around what are they doing with those systems to improve, what I call the ease of doing business. So if you think about the comments that we get from our customers in our TRIM surveys, in Europe what do they want, they want us to be easier to do business with, and the guys will talk about that tomorrow.

In the case of Recall, PeopleSoft is a core part of that. Recall's also developed over a long period of time their own home grown system and Recall is about to embark on some significant improvements and upgrades to those systems over the next couple of years.

But just to bring us back to reality for a moment, this is a chart showing consumer confidence in Australia, Europe and the USA.

And I think the chart tells the whole story. There's been some volatility in consumer confidence over a long period of time, but I think it's this major drop that we've seen in the last 12 months that's really been a feature of every company doing business globally.

And how have we responded to that: Firstly, the first implication of this is our organic growth rates are down. So on a pure like-for-like basis, whether it be in the US or Europe, our organic business is down three to four per cent or thereabouts, maybe a little more in our core pallet business.

But the way we've responded to that is to continue to focus on winning new business and hence why that's leaving us with year to date revenue growth for our total business. That's across all regions, both in CHEP and in Recall. In the case of Recall, paper is a big issue. Elton will talk about this, I think, do you get the pleasure of talking about paper Elton?

Elton Potts: Yeah, mate.

Mike Ihlein: But think about the underlying fundamentals of the core DMS retention business, so these documents, physical documents stored in cartons, of which we have 83 million now, I think. Trace has got a few of those here in your field to talk to you about. But it's really the core of that business that's still showing, I think, quite solid levels of growth. It's just interesting how different parts of our business are responding to what's happening in the global recession.

I think in terms of economic performance these consumer confidence charts would suggest a few things (1) there's been some slowing in Australia, and of course quite a lot of people here from Australia, but Australia is now technically in a recession. We're still seeing growth in our business, but Australia is slowing.

Europe I think it would appear from the consumer confidence indicis to have some way to go still. I think the US appears to be bumping along the bottom, but not to the point where we've seen, what we colloquially refer to as ‘green shoots’. I think there's a better sense of optimism in equity markets. But in terms of what's happening in the underlying economy, the green shoots are not there yet. But I think what is encouraging in the US is that we haven't seen any further sharp declines.

What does that say about the US: It's probably flattening, but it may still be some months before we start to see some uptick. And the way I think I look at this, and we talked about this at our half year results release, is that all means we’re all – not just Brambles, not just CHEP and Recall, but all companies are operating in, what can only be described as a pretty volatile environment. And I think the thing that is encouraging about our, at least top line results today that we’ve announced, that we’re still delivering some growth.

On the growth front, this is the trading update that we released to comply with the London Stock Exchange requirements this morning, firstly sales revenue for the 10 months to the 2nd of May is up two per cent, that’s in constant currency terms.

Excluding automotive and as you know automotive, whether it's Europe, Australia or indeed now South Africa, is down significantly. And while it's quite a small part of our business, the percentage of decline in that sector does have an impact on the total growth rates. So before that, sales revenue was up three per cent. So think about that in terms of core pallet volumes and predominantly RPC volumes.

Sales revenue in the four months to the 2nd of May was broadly in line with the prior year. But as we said, growth in both CHEP and in Recall, of course Brambles overall, Americas – CHEP America’s up three per cent. These are revenue numbers in constant currency. CHEP EMEA up one per cent, remember that’s with the significant decline in automotive. CHEP Asia-Pacific up two, and again that’s with the significant decline in automotive. Recall, you don’t have an automotive business?

Male: Not that I know of.

Mike Ihlein: Up two per cent. but their automotive issue is the paper price. and we'll talk a little more about that through Elton's presentation. and both EMEA and Asia-Pacific, therefore would have been a little better pre the declines in automotive.

I think what is encouraging as I said are the new business wins. net new business, so this after losses that have impacted the – so wins and losses that have impacted our sales revenue for the 10 months to the 2nd of May, total about $60 million. It's about evenly split the USA and Europe. And at the half year, those numbers were about 20 million in each of the USA and Europe. So they've gone up from 20 to 30. A little lower in the rate of improvement. But a lot of that depends on the time when the new customers come on. But the important thing is that it's up and it's continuing to grow.

We're also making good progress on the issues that we announced at the half year results release. the investment in quality in the United States, the scrapping of seven million excess pallets in the US and the rationalisation of facilities and operations around the world that will result in 750 people coming out of our total workforce over the next 12 months or so.

The review - CHEP USA review, I will talk more about that shortly, that is now planned to be finalised earlier than we previously indicated. We'd indicated a date of December, we now plan to have that finalised by September and I will address that specifically in a separate slide and encouragingly our balance sheet is still in good shape, but the conditions are challenging and they're volatile.

So the actions that we're taking to address those are the ones that I've just outlined. and just a reminder for the analysts covering the stock and also for the buy side, remember that you'll see in our second half results further costs associated with quality, rationalisation of facilities - so basically a reduction of people and facilities, the remaining impact of Wal-Mart in this period and the scrapping of pellets in the second half.

You might remember that depending on which one of those that you looked at, it was a relatively small impact in the first half. So they'll continue through the second half. But in line with the guidance that we gave to the market at the first half. So no change. We're on track with timing and on track with amounts.

Major focus on cash and Liz will talk a little more about this and how do we improve cash. We've historically been a strong cash generator and the challenge that we've had is that we've spent too much capex. That's been predominantly in the United States and we flagged at the half year that we were undertaking a major program to focus on cash, particularly in the US. But there's been a big focus on cash generation right across the world to make sure that our capital expenditure is in line with economic activity.

In the case of the US in terms of reducing some of the new pallet commitments to some of our customers, or reduction of imports, both of which drove a significant increase in capex, we are making very good progress on those. We're not finished yet, but we have made significant progress, both with our customers and also the imports. And as I said, everywhere else, Recall and CHEP were focused on improving our overall cash outcomes over the course of the next 12 to 18 months.

A very topical USA review. in February we announced or I announced that we would be undertaking this review in the US and that review was around the focus on determining what the right mix of service offerings are to be able to meet our customers current and their future needs. So no surprise that we're spending a lot of time talking to our customers about this and making sure that we do understand what they would like to see different, because of how they're managing their business for the long term.

We are in particular addressing quality levels and what is going to be required by our customers going forward. We're going to make sure that we've got an optimised way in which we can deliver that in the most efficient cost effective way. The key here is to make sure that we determine the right customer value proposition and make sure that's sustainable and also look at how we can afford to pay for it, and that's around optimising operations. So we're looking at this from a cost and a revenue and a service offering perspective where there is a lot of activity already underway, both people internally, and interestingly, we're getting a lot of support for the US business from elsewhere in the Brambles system, from CHEP Europe, from CHEP Asia-Pacific, from Recall and also from a firm of external advisors to help us on making sure we deliver the best outcome.

And as I said, engaging with our current and potential customers to find out what are they looking for so that we can use this to grow our business for the future. As I said we did target December, we're now doing that a lot earlier and you should expect to hear from us more about that around the end of September or shortly thereafter or earlier if we can.

Before I close and hand over to Liz it's instructive – these are quotes out of recent newspaper articles and you see all these results that are being announced from a number of customers operating in similar segments that we are. And not to concentrate on the specifics of the detail, but notwithstanding the fact that a lot of companies in the sectors that we're operating in are seeing revenues or volumes on a constant currency basis, down versus prior year. Brambles overall are still delivering revenue growth. And I think that's a great outcome. Would we like more, of course we would, we would always like more revenue growth. But we're making up for the shortfalls in organic growth with new business wins.

And most importantly, we've seen year to date sales growth in all regions, and I think that really demonstrate the underlying resilience and health of the business that we're delivering. And you can talk to Elton about that in any one of his regions in Recall, you can talk to Tom about that here in Europe and why is that happening. I think we're much closer to our customers now than we ever were. it doesn't mean that we're delivering everything customers want today, but I have to tell you, boy are we focused on making sure that we do.

And the fact that we are winning new business to more than offset the – to largely offset the declines in organic revenue, I think that's going to position us very well for when the economies recover. When they recover, I guess is anybodies guess. but when they do, and I think the general consensus is it's sometimes in the relatively near future, you're going to see the organic growth rates go back from being minus three or minus four to a plus one or plus two, plus three or plus four. You can sort of take your own view about how quickly these economies will recover. And the fact that we've been winning a lot of new business in the interim will leave us with a larger revenue base on which to grow this business.

But we're not just relying on the business already won to date, and you'll hear a lot from Tom's group and from Elton's group on what are we doing around making sure that this is profitable growth that we deliver and how do we continue to win new business for the long term.

With that, I'll stop talking and handover to Liz and then Liz and I will have a short break at the end and be back for a Q & A before we let Elton loose on you. Thanks everybody.

Liz Doherty: Good afternoon everyone. Mike's been talking to you about sales and the initiatives we're undertaking in order to underpin the future performance of the business. I'm now going to focus briefly on cash returns and the balance sheet and what we're doing on those fronts.

Brambles continues to generate good operational cash flow. Over the last five years the business has produced more than $3.3 billion of cash primarily driven growths in EBITDA. Improvement in underlying operating margins which have grown from 18 per cent to 23 percent over this period, have been the key factor and other results of growth scales and operational efficiency.

However, when looking at free cash flow, it's clear that there's more than we can do. While it continues to be positive before dividends, it turned slightly negative after dividends in 2008 in contrast with previous years, 2007 was a bit of an exception in that we paid a special dividend that year. We need to reverse the 2008 trend and get back to a position where we generate sufficient cash after dividends to fund our normal growth opportunities.

Apart from EBITDA, the two most significant items are capex and financing costs and tax. Financing costs and tax have remained relatively flat over the last five years, which is a good performance given how much profit has increased over the same period. Capex however has been grown over this time and FY08 grew at a faster rate than EBITDA.

So what are we doing; well as Mike said we are going to be targeting reductions in capex and especially pallet capex. Given it's the biggest opportunity, I will cover it in a bit more detail in the next slide.

However, it's worth mentioning here that we are making some difficult choices, in particular, the trade off between profit and loss and cash. We have for example taken a decision to relocate more pallets in Europe rather than purchase new ones and have accepted, that's whilst it's positive from a cash outlook, it has actually got a negative impact on profit.

In terms of new opportunities, we are taking an even more cautious approach, not only in what we invest, but also the rate at which we invest. Having said that capex will be a key focus for us, we are of course looking at many other opportunities. And in common with virtually every other company, and yours included I guess, we are cutting back on discretionary costs, either postponing activities until such time as conditions improve or cancelling them altogether. Although the restructuring initiatives that we announced at the half year will actually give rise to a cash outflow in the short term, they will generate savings, cash savings of approximately 40 to $50 million per annum once they're fully implemented.

Networking capital is a relatively small number for us, but nevertheless we continue to manage it carefully. Better days were 46 at March 2009 down from 48 days in December. and bad debts written off to date, have really been very limited, which is a pretty good performance in the circumstances.

With creditors we are striving to find an appropriate balance between Brambles interests and that of our suppliers. Creditor's stays standing at 62 days are pretty much in line with the half year.

We're also looking at non operational areas of which tax is one. The capital repatriation project is an example of good tax management. It solved the business issue and in the process gave rise to a non taxable benefit.

And finally capital management initiatives. Although neither dividend reinvestment plan or the continued suspension of the share buyback can strictly be classified as cash generating, they have avoided cash outflow and in doing so have further mitigated against any refinancing risk.

So looking at capex in a bit more detail, and remember that the figures on this slide are actually book capex and not cash capex which is what you saw in the cash flow. As we said in our 'Understanding CHEP' session in January, even in a zero growth environment, we need to replace approximately eight to 10 per cent of pallets each year as a result of scraps and pallets which are deemed irrecoverable or losses for short. Eight to 10 per cent of the pallet pool is approximately 20 to 25 million pallets which at about $20 a pallet comes to somewhere between 400 and $500 million.

Looking at it another way, maintenance capex is roughly for pallets, is roughly equivalent to one times depreciation, plus the IPEP provision, plus the net book value of the assets written off. There will of course still continue to be some growth capex in pallets, but this will be limited to those markets, the market sectors which are growing, for example in China, in India, Latin America.

And as Mike said earlier, we've also made good headway on dealing with the imports in new pallet commitments in the USA. Though the main benefit of this will be seen in full year 2010. All other thing being equal, full resolution of these issues will result in capex or benefit to capex of approximately seven million pallets or around $140 million, all other things being equal.

Other capex will be adjusted to reflect the economic activity. As you will remember from the half-one results and has Mike has kind of commented, we've already started to make progress on reducing capex primarily due to CHEP Europe, Middle East and Africa. And it would be fair to say that you should expect a further reduction in capex overall in H2.

Brambles has not only increased profits in cash over the last five years but it's also increased returns and delivered more than $1.8 billion of value over and above our pre tax cost of capital. These are trends that we want to see continue which is why we are careful about the sorts of investment we make. For example, investments in other pallet platforms. Which brings me conveniently to the topic of wood versus other material.

This is a topic which has been the subject of much discussion recently. So we thought it would be useful for you to understand how we evaluate alternatives to wood. There isn’t a lot of time today so necessarily it's going to be pretty high level, but it should give you a rough idea.

First of all I should point out that we are actually pretty agnostic as to the pallet material. We are simply looking for the lowest cost supply chain solution which meets all the participants needs. In a one way model of which this is an example, there are six key variables you probably need to consider; capital cost, revenue per issue, number of turns per year, scraps, losses and of course operating costs. You can make your own assumptions about these, but in doing so, you need to ask yourself, with the type of material that the pallet is made from actually have any impact on these assumptions. In many cases, it won't.

So, turning to the example above, this is, and I must make it quite clear, it is really a very simplified model to make it easier to understand. We've not included for example, compensations that you might receive for lost pallets or residual value of scraps or tax. The numbers have been rounded, to make, again the sums easier to understand.

So for the figure that you can see there, they're numbers that you will have seen before. This is kind of broadly reflective of CHEP in aggregate. So capital costs are around $20 per pallet. Revenue per issue, about five. Terms, if you take the US, is probably just over 3.2 so we've rounded it to 3.5. Losses per issue, two per cent. Losses over percentage of issues, two percent and scraps is one percent and then you've got the operating costs.

Now as you can see from that you will actually have a profit margin of about 27 per cent a ROCI of 23 – 23 per cent and payback of about 4.2 years. The ROCI is actually again simplified, it's actually over the gross capital costs. And the payback you take the EBITDA and then you need to deduct from that the current replacement costs of any losses and scraps.

Now if we take a look, for example, at a non wood alternative. So in this case, we've just again put some examples in to show you. So if you take capital costs of $75. You then take revenue per issue at five. Now it's possible with a different type of pallet you might get a higher revenue, but all the evidence today suggests that while customers might like a different type of pallet in certain conditions, they're not prepared to pay for it.

If you're actually in a wide pool equivalent to the USA or for Europe for example, there's no reason to suppose that your turns would be any different. Now there maybe some marginal differences round the fact that if you don't have to repair a pallet then they don't have to come back and be repaired. But in reality we only hold about seven to 10 day stock. And in any event, you will always have to hold some stock in order to meet natural volatility stock in order to actually have stock ahead of things like the Christmas season.

So you will never get away without having any stock at all, you will need some facilities to manage that. We've just taken simplified assumptions in this case. Transport, we've actually put 15 per cent, compared with what we experience about 19 per cent that suggests that you will make some savings if you don't have to bring certain pallets back.

But again, as I said, you will always need to consolidate loads before sending them on to customers. We've assumed that plant costs are about 10 per cent, assuming for example that you don't actually have to repair them, but you will need to inspect them and you will need to store them. Then overheads in this case, 10 per cent. Pick a number. This happens to be just broadly, just slightly equivalent to what we might have in CHEP USA. But in this case, you can now see what whilst you have a profit margin of 21 peer cent, looks pretty good. The ROCI is only five per cent and you'd actually take a payback of 21.4 years. So that would be on something similar to that.

Now, one of the things that you will find actually if you do modelling like this and you can change assumptions yourself, it is incredibly sensitive to the changes in one or more of these assumptions. So let me give you an example. Let's assume that instead of $75 we've actually got a capital cost of $65. We will leave the revenue per issue the same. But now let's assume that for some reason you can actually get six turns per year and not three and a half. Let's assume that your asset recovery is fantastic and you actually halve the rate of losses that we've experienced, and you get one percent. Let's assume that your scraps are only 0.1 per cent. I've left for convenience sake the operating costs the same. But in this case you can actually see that you have a profit margin of 51 per cent. A ROCI now at 23 per cent and a payback of 4.3 years. So with very little change on those assumptions you can take what looked particularly unattractive in the middle column, the other one and suddenly make it look pretty attractive on other two. so we're not really trying to say much here other than these are the sort of things that we are actually trying to evaluate and trying to work out how sensitive they are to these very small chances. You can do the math yourself.

So turning now back to the balance sheet. Our balance sheet is in good shape. Our covenant limits are net debt to EBITDA of less than three times and EBITDA interest coverage of more than three times. With ratios of 1.6 times and 10 times respectively, we are well within these limits and our ratios are consistent with a solid investment creed investment rating.

Net debt has remained relatively constant over the period underlining the point that we have been able to fund growth from cash generation. The blips in FY06 and FY07 are the outcome of the disposal program and the cash alternative rather than operational performance.

And whilst gearing in the convention sense looks quite high, the alternative, and in my opinion the slightly more appropriate measure, that is debt over enterprise value shows a much more modest picture. That's the green line.

We did anticipate a tightening of credit markets although nothing like what's happened post Lehman's and began a program of conserving cash and refinancing debt ahead of time as far back as the middle of 2008. We have made good progress to date. $1b of debt, mostly with five year maturities was refinanced by the end of December 2008. The dividend investment plan had a take up of 35 per cent and thereby conserved $63m of cash.

We have also continued to diversity funding sources by raising $110m on the US private placement debt market. The remainder of our refinancing program continues on track. There is no major refinancing due before November 2010 and we maintain significant headroom in terms of cash and undrawn committed credit facilities.

So in summary before I hand over to Elton and his team, and as Mike said, we have growth despite challenging conditions, driven largely by net new business wins, initiatives to underpin the future performance of the business are on track, our balance sheet is in good shape and we have a strong business model. And taking all these together they position us well for when the economy finally recovers.

And as Mike again said, what you will be hearing over the next three or so days with Elton's team and Tom's team is a recurrence of these themes throughout their presentation. Thank you very much.

Michael Ihlein: Before we go to a short break, I just want to take the opportunity to have Q&A basically. We don't want to steal any thunder from Tom and Elton so if there's anything that you want to pass on that's in the presentation I'll defer until they present but anything else is fair game. First question?

Question: (Simon Mitchell, UBS) Simon Mitchell from UBS. Just on those slides, Liz, regarding wood and other platforms, I mean I thought another major part is scale and how large you're assuming the other alternatives are and how they can spread overheads and lower unit variable costs. So that's what you're assuming there?

Liz Doherty: There I've actually assumed that it's a wide pool because you'd never get, I mean the problem with a very small pool is you don't get the transport leverage and you don't get the plank cost efficiency and in fact we've actually altered it a little bit because in an early pool, I mean we benefit a little bit by having an older pool so our net book value depresses our denominator in the return of capital investment and clearly our losses and things like that in terms of P&L are actually, they benefit from having a reasonable level of depreciation.

In a brand new one we've actually adjusted for that in there to make it a bit fairer comparison. In fact, if you started off with the new pallet, your losses and your P&L hit of losses and stuff will actually be a lot higher because you would not have actually depreciated them. So we just kind of modelled it broadly in order to give a wide pool.

The third example of course I gave you were the fixed term. We can't see how in a wide pool you'd ever get fixed term so the honest truth is if you're fiddling with it you'd probably say you'd been a bit too optimistic on your operating costs. But it was just really simple and really only there to show you just how sensitive it is to various moves.

Michael Ihlein: I think just to add to that Simon is that's all it's intended to do because we're going through our own more detailed review of this anyway. But to make sure that everybody understands the extent to which assumptions can drive what the preliminary model might look like.

The ones that are most sensitive here are, well not as much capital cost but certainly damage rates and loss rates are two very important drivers to what this might look like and then terms of course I think the real challenge of alternative pools is that if you are going to have a pool that would compete directly with CHEP you are going to need to be prepared for average turns of the grocery industry. Is that better? Okay, right. I'll never be a singer. Who said that? Next?

Question: (Simon Mitchell, UBS) Just one other if that's alright. I don't want to pre-empt Tom's presentation, but you talked about movements of pallets in Europe. I understand there's obviously usually repatriations from the UK to the continents.

Michael Ihlein: Yep.

Question: (Simon Mitchell, UBS) What's changed that?

Michael Ihlein: There's just been, with the slowdown there's been more relocations from the UK back to continental Europe, that's all. And in looking at what the various tradeoffs are you can minimise those relocations that would cost about five bucks I guess for a relocation, $5?

Liz Doherty: Ten.

Michael Ihlein: Ten.

Liz Doherty: About 10.

Michael Ihlein: Relocation from the UK.

Male: The basic issue for us is we're just balancing flows between markets and I think as you all know we have a different pallet type on the continent than we do in the UK so what we've seen this fiscal year is a shift in that business a little bit so we have been relocating more from the UK to the continent and then they come back fully loaded to the continent.

So we've done that in lieu of buying new pallets on the continent. So as Liz pointed out, the model is working. We're generating a ton of cash and we're trading off extra cap ex to some degree but we'll go through the specific numbers with you tomorrow.

Michael Ihlein: And it is an interesting thing to see the amount of cash that Europe's now generated as a consequence of what's happening in the slowdown. Yes, Anthony?

Question: (Anthony Moulder, Credit Suisse) Anthony Moulder from Credit Suisse. Just on that, the alternative pools question, does that mean that you've ruled that out, it's not a platform as far as the operational view is concerned?

Michael Ihlein: We haven't completed the review yet so we're looking at what our customers want in terms of service offerings. As I said in the review one of the points of focus around that is the service element, the way in which we deliver the pallets to customers and collect them and repair them but also in terms of the pallet platform itself.

That's not trying to send any signal that we will or will not do something alternative. We just felt that it was important to understand the extent to which the sensitivity of financial returns are quite impacted very heavily by a few basic assumptions, frankly whether it's wood or plastic or some other alternative.

So no, we haven't ruled anything in or out but I'm not trying to send a signal that we're about to go spend a ton of money on plastic either.

Question: (Anthony Moulder, Credit Suisse) I guess what it does highlight is that it is a risky proposition to potentially go for plastic?

Michael Ihlein: Yes it is. I think the question to address is that irrespective of what material it is, how do you control losses. I think that's one of the big things. Because if you choose to embark on an alternative material with a particular customer or a particular channel, whether it be in the US or Europe for that matter, how do you make sure that those pallets will come back to the network, whether it's us or someone else frankly, it doesn't really matter, to make sure that they can then get inspected and then reissued and don't disappear into the broader supply chain which makes it much more difficult to recover them.

So I think this is a challenge that any pool operator, whether it's us or anybody else, faces and hence why I think the extent to which you've got a service centre network is going to be very important because frankly if you've only got one, I'll use the extreme example, you've got one service centre or maybe none, how do you recover what those new pallets are from the marketplace to get them back to consolidate them, to reissue them.

If you've got a broader service network you've obviously got more money invested in it but you've got a greater chance of limiting the extent of losses whether that be a wood pallet or some alternative.

Question: (Anthony Moulder, Credit Suisse) And secondly, if I can, the trading update. It looked interesting in the sense that it had I think one per cent constant currency growth but I think negative three per cent on actual revenue growth. Just the volatility that you're experiencing down in South America in that business please?

Michael Ihlein: The Americas growth, what's Americas growth? In terms of the exchange rate volatility, look there is volatility in exchanges obviously, Canada and South America. South America, that's Mexico predominantly?

Question: (Anthony Moulder, Credit Suisse) Yep.

Michael Ihlein: Against the US dollar, Mexican peso against the US dollar, it has been volatile. It's gone from, I forget my peso conversions now, but it's gone from 10 to 13 or something I think from memory in the last six months.

Liz Doherty: That's all it is, that's what changed it. It's just like America and Canada. The dollar strengthened against both of those countries.

Michael Ihlein: So Americas in total was three per cent higher.

Question: (Anthony Moulder, Credit Suisse) It just seemed quite a big move against the Group given how relatively small those divisions were, CHEP in the Americas.

Michael Ihlein: Well they're still significant businesses. I mean Canada and Mexico have got significant total revenues. That's been the case, Mexico's growing, has been growing at double digit rates. Canada not, Canada's lower. But it's been doing that for the last couple of years.

Question: (Kevin O'Connor, Merrill Lynch) Thanks. Kevin O'Connor from Merrill Lynch. Mike you just referred to the improvement in operating or cash flows coming out of Europe. Are you able to give us some numbers or tell us when we will be able to see that showing up in the reported numbers?

Michael Ihlein: No, and August.

Question: (Kevin O'Connor, Merrill Lynch) Okay.

Michael Ihlein: No, one thing I can see is that you've started to see it at the first half already and I can't remember, you guys might remember what the actual cash flow number was, CHEP [EMEA] in the first half was a significant improvement on the previous year. You'll see the remaining good story about, around that time at the full year results, on 24 August.

Question: (Cameron McDonald, Deutsche) Mike, Cameron McDonald from Deutsche. Are you seeing as part of the review any changes in the supply chain demand? I mean your opening comments were that the pallets were still a primary driver of moving goods, but with the proliferation of skews and home branded products in the recessionary environment, are you seeing any impact on the overall demand for pallets actually declining? And also is that flowing through into warehouse design and whether or not you're seeing warehouses being redesigned for lower issues, lower stock out flows?

Michael Ihlein: Not really, the fact that there are, I think in terms of the organic declines that's coming from two things. One firstly the fact that consumers are spending less money, we see that in the consumer confidence numbers. And also they're either trading down to private label, this is a general comment that applies to Europe also, trading down to private label or trading down to lower brands but still within a portfolio.

All of those are still being shipped on pallets. In some cases in the US that's on white but I was in Baltimore a couple of days ago and I went to Baltimore to see the largest grocery facility in the world run by a company called C&S Wholesale and they've got a subsidiary called ES3 and this facility today does about 200,000, it's got about 200,000 pallets in it. We'll eventually have 400,000.

It is huge. It's automated and it's all designed around consolidating pallet demands or requirements from manufacturers and then eventually on to retailers. That's all pallets. It's not slip sheet, it's not roll cages, it's all pallets. I think retailers are doing more work, depending on where you are in the world, around things like roll cages but that doesn't change the requirement for the emitter to have a pallet to be able to produce the product and get it shipped to the retailer warehouse.

Liz Doherty: And the other thing I think that you asked is whether or not destocking actually affected [inaudible] you will tend to find that I think the stock you're not issuing, but once you get back down to minimal levels you just continue to ship, all things being equal you ship exactly the same number of pallets, they just go, they do need to replenish. So that wouldn't make a difference. It's only a temporary issue of destocking.

Question: (Russell Shaw, Macquarie) Thanks. Just a quick one. Russell Shaw from Macquarie. Mike, can you give us some commentary on the run rate for net new business wins? I mean from what I can remember in the first half it was 20 million in the US and Europe so it looks like it's slowed slightly.

Michael Ihlein: Yeah as I said in my remarks I think it was a little bit slower. You're right, it's about 20 million we announced in the half year results. So 20 goes to 30. You'd say well why isn't that 20, why isn't the increment 40 and not 30? It is a little bit slower but a lot of that does depend on the phasing of once you win a customer and then they start to deliver the product. That varies from customer to customer.

We haven't seen any dramatic change but it is in mathematical terms, yeah, it's a little bit slower but not significantly. But you got the numbers right. One last question?

Question: (Phil Campbell) Hi Mike, it's Phil Campbell ...

Michael Ihlein: You're not quick enough Anthony.

Question: (Phil Campbell) Sorry. Just some feedback probably from some of your, you know the trip you've done to Europe and the US meeting the customers. It just seems to me as though the demand for high quality pallets is increasing. It seems to be driven by partly this automation of warehousing and stuff like that so I was just wondering if you could give us a bit of a feel for the rate of change on that because again some of the anecdotal feedback seems to be that maybe that's going to put some pressure on the plant costs in terms of the repair and maintenance costs in terms of getting to the tolerances that may be required by those automated warehouses.

Michael Ihlein: Look, the European team can comment on what's happening in Europe tomorrow. It is an interesting question. I don't think there's been any fundamental change. Is there automation in all of the markets we operate in? Absolutely. Do certain automated facilities have higher requirements for pallet quality specs? Yes, and some of them are dealing with them in different ways.

Some of them use slow [boards], some of them don't. Some of them adjust the tolerances on the high bay warehouses. Some of them, this one that I saw in Baltimore does a lot of pallet testing and deflection tests before the pallet actually gets into the warehouse to make sure that the pallet will be absolutely of the standard it needs.

So look it depends customer by customer. There's been no dramatic change but it's something that we have to be attuned to. In the case of the US it's slightly different. We made a conscious decision as you know starting February last year to invest now 160 million over a two year period improving overall pallet quality. That's a conscious decision to step up the quality of that pool.

That is in response to higher automation needs of customers but I think we've had some catch up to do to deal with that. But no major change I don't think. We'll have to keep a close eye on it obviously. If it's a very quick question, Anthony, you can ask one very quick one. Yeah, we'll catch up.

Michael Ihlein: Yeah, we'll catch up.

Question: (Anthony Moulder, Credit Suisse) Just about Lean Logistics, how that's going and what's the roll out plan of that? Obviously the latest hire into the US business coming out of [Rider], heavily logistics focus, where is Lean and where does it go to from here?

Michael Ihlein: Lean is continuing to see significant increases in revenue from, since we bought that business. It has a significant additional offering called trade optimisation service which it is selling to a number of manufacturing customers to optimise transportation movements across manufacturing customers and it's getting some good traction on that. You'll see in the full year results, we'll talk a little bit about what's happening in the revenue but up significantly.

Not making a lot of money yet. I mean it wasn't very, it was a small business at the profit line when we acquired it but revenue's up substantially and we can talk offline, answer questions with anybody about where we're going with that.

And if we don't stop now I'm going to be in big trouble. How long have we got a break for? Ten minutes. And through the next couple of days, don't worry that I haven't answered your questions now. Lots of opportunities, we've got drinks tonight, we've got dinner tomorrow and that sort of thing and we've available. We'll be back after the break with Elton and the Recall team.

Elton Potts: Good afternoon everyone. I'll just turn this down a little bit. I scared myself. Good afternoon. My name is Elton Potts. Down a little bit more please. And I have the distinct honour of running the Recall business for Brambles globally and we're going to start with a question. Do you know what this is? This is, it is cap ex well put to use is what this is, okay?

This is our information centre in Hamburg, Germany which is a mega centre and it is by our standards probably how we automate it, we have just a few of these around the world and Trace will tell you about another one that we'll be rolling out in the next couple of months in London as well.

We will not get to see a facility quite this sophisticated today, but what we'll see today is a facility with very solid returns. I think you'll enjoy it.

So in addition to myself giving you a bit of an overview about Recall, Trace Norton who is the president of Recall Europe will come up and spent a bit of time talking to you about that business and also going through our initiative in business excellence in some detail.

And then after him Christian Coenen will come up and he will speak about profitable growth and he will do so not just from a European standpoint but from a global standpoint for Recall as well and then I'll come back at the end with a couple of summary slides and all three of us will be available then for a Q&A session.

I think Brambles is quite well known for the CHEP business and I'm sure that you understand what CHEP does. Let me take just a minute though and tell you about Recall and about what we do, and I've put this into an example that you may have experienced in your life.

Let's say that you want to buy a house or a car. Now to do that some people could just pay cash, others will go to some sort of financial institution and ask to borrow money. Now if you've ever done that, it's quite an involved process. You will share with the financial institution your banking account information and account numbers, you'll share your retirement plans and the amount of money that you have put away there and what the account numbers are, your credit card numbers.

You'll share all the information that makes up your identity and you're doing this so that they will loan you money. Okay? Now it's really important to you that that financial institution does not mismanage your identity otherwise you're susceptible to identity theft.

So what those financial institutions will do is they will accumulate and build this file on you up to a point where they make a decision are you credit worthy, is the collateral sufficient, etc, and then they will choose to loan you the money.

At that point, as long as you're paying your monthly payment, they don't need that file of information about you. They have to keep it and they have to keep it secure to protect them and to protect you. But they don't look at that on a regular basis. They'll keep some pieces digitally and we'll help them with that but that hard copy file, they'll hand off to us and say please keep this very secure but keep it in a place where if we need it we can have it back very quickly.

Now as you well know many financial institutions have very nice offices that cost a lot from a real estate standpoint so one of the benefits that we bring to them in addition to being able to efficiently manage their information, which in this case is your information, we also can reduce their cost by outsourcing to us.

The other wonderful thing that we can do for them is when we file things, we know where to find them later. Not everyone considers filing and retrieving their core confidences. Okay? We do. This allows those financial institutions to focus in on what they do best.

Now over the life of your loan with them they probably won't pull your information hardly at all. If they sell the loan they'll pull your information, if you don't pay they will pull your information, trust me. When you have settled the loan, paid it in full, they'll pull your information one more time.

Now during this time we will have kept it for them digitally, physically and supported them with their disaster recovery and tape backup plans as well. At the point that you've paid off that loan, your identity becomes a liability to them. They no longer have it to produce revenue. It's simply a liability.

So in that case they ask us to securely destroy your information so that no one else can ever access it. And that in a nutshell is what

Recall does. Now we do this through three service lines. Recall Document Management Solutions. Now you'll hear us today talk about DMS, we're terrible with acronyms, I will apologise in advance for my cohorts and myself. When we say DMS we're talking about the digital and the physical management of documents, of information. We also will talk about Secure Destruction Services which we will call SDS and this is purely destroying either paper documents, electronic media or other things that we get involved in destroying as well. There's some fun stories along those lines.

And then finally the Data Protection line which we call DPS and this is disaster recovery business continuity type programs to help with tape backups and that sort of thing, to keep tapes of your extensive information system at a secure, very secure, third party site.

Now one other thing is you will not hear the Recall team talk very much about specific customer names. There's probably less than five customers that we will name who they are out of all the customers we have. And the reason is we're in the security business. We keep their information secure, including who they are. The only time we mention their name is if they have approved that we use their name in talking with you or anyone else.

So when you hear the CHEP team tomorrow talk about wins and customers and partners, they're going to tell you who those people are and be quite proud of them. We're very proud of ours, we just can't tell you who they are. And I can tell you that some of you are customers and we appreciate the business.

So Recall operates as a global business and we do this across five continents in 23 countries and we have roughly 300 dedicated facilities and about 4,500 team members around the world. Our revenue sources are quite diversified. Our largest business is what we call DMS, Document Management Solutions, but we also have nice sized businesses in data protection and secure destruction.

One of the nice things about our business is how it is spread around the globe. And as you look at this, the Americas makes up about 45 per cent of the revenue, within Europe and ANZ are roughly 25 per cent each, and Mike mentioned Asia. It shows here at three per cent. But it's a very quickly growing and a very important three per cent. It's very strategic for us, and in addition to that, we are profitable in every single country we are in in Asia, except one, and that's China.

We just got our wholly owned foreign enterprise licence approved, and we've opened up a facility in Shanghai. I was there about four weeks ago, and we just signed our first customer, so we're not profitable yet, but we're working on it. A great opportunity for growth, and we look forward to what we can do with that business.

I want to spend a minute on how Recall makes money. Because I think you've taken some good studies into the CHEP business and analysed it, but let's talk about how Recall makes money. Our business broadly falls into two categories. They're roughly about 50 per cent of our business each. Those are annuity businesses and transactional businesses.

So what do I call an annuity business? The physical storage of documents, the actual storage on a shelf, that's an annuity business. The customer gives us their information, we put it on a shelf, and it stays there for a long period of time until they need it back. The same thing with digital storage, and the storage of tape backups. Those are annuities. They also come at pretty nice margins.

The other half of our business is what we call transactional business. These are the activity sides. So the activity of picking up from a customer, a carton of information or a tape, bringing it back to our facility, putting it away, later retrieving it, those are activities. That's transactional, and that's all based upon the customer's level of activity and the things that they need.

The same thing with digital, it's the first scanning of an item, the plucking of data fields off it for their use. Things like that are activity based, based upon their level of needs.

Our secure destruction business which is the destruction of cartons of information or picking up shredding bins out of their offices is also a transactional business.

These businesses tend not to be as good for us margin wise, and are much more volatile in an economy like this.

We have been impacted by the global economic crisis. There's no doubt about that. But let's start with the customer. The financial institutions which do make up a portion of our customer set, they have fewer transactions going on. They're not loaning as much money as they used to be. So they're processing fewer loans.

At the same time as governments are getting involved in the banking institutions, they're increasing regulatory oversights. So they want to know more about what's going on. We hear about stress tests and things like that. Many organisations globally, in this economic downturn have had a staff reduction. They've made people redundant, to adjust their cost structure. They didn't spend a lot of time taking out the work, but they did adjust the workforce. That's an area where we come in to help them, and I'll talk about that in just a minute.

They also have been a bit slower to decide to launch a new project. So they move through the analysis, the negotiation, but they're a little slower to pull the trigger, because they're not sure what the economy's going to do.

And finally they are much more cost focussed in their decision making, just like we all are.

Now what does that mean for Recall? The retention, the annuity side of our business has stayed very strong, and I'll show you that in just a minute. The activity side has tailed off a little bit based upon what our customers are doing. We have seen more discussions and more opportunities for us. We talk to our customers about workflow and how we can help them in taking some of those staff reductions without work reductions, and make them more efficient, so they can focus on their core competencies.

Other things we've seen, and Mike talked about this. When we shred documents, we take that recycled paper, compress it into a bale – a bale weighs roughly a ton each, and we take this, and we sell it to a paper broker or recycler. And it becomes products that you and I use every day. As the demand for those products have gone down, the demand for recycled paper has come down, and the price of that commodity has been cut in half.

Finally just like every other company, we focus quite a bit on cost reduction during this time as well, to make sure that we are absolutely as efficient as we can be.

This is for Europe, what we get for a ton of paper. It changed. And we started to see changes in September/October timeframe in terms of noise in the marketplace. But I'll tell you, when you have a business that's focussed on the long term, and we are a long term business. We make a decision on a facility, it tends to be a 20 plus year decision. And when we pick up a customer, we tend to have those customers for a long time.

In our business, that is sudden. It's a bit of a challenge to overnight change your cost structure to match this. So this is one of the economic impacts that we're dealing with.

What are we doing about it? Well we've had a reduction in our workforce of roughly five per cent since June. Like Liz said, we've also cut back on discretionary spending, and done quite a bit that way in terms of what was nice to have and not necessary, what can be delayed, how can we do things more efficiently going forward.

The other thing that we've done is we relooked at our plans for capital investments this year, and found a way to take out about $15 million of that, and not spend the cash right now. Now luckily we started about 18 months ago in really beefing up how we look at capacity utilisation and capacity planning. So we were in a good position to go do this.

Through the efforts we've done from a capacity planning standpoint, we're able to make those decisions with a bit more planning, a bit more foresight, to know what's coming down the line.

So we have done quite a bit of work to take costs out of our business, mainly to offset the reduction on the activity side, and clearly the reduction we've seen in paper revenues.

Let's talk about service line growth for a second. Now on the right hand side of this chart, you'll see our FY08 revenue and our constant currency growth year on year of seven per cent. And you'll see it broken out by service line.

On this side, these are actual dollars posted for the first half of FY09, and the constant currency. If you look at it, take a look at what changed. Document management solutions grew, and grew faster, both physical and digital. Data protection grew faster. Secure destruction, a transactional business with a change in paper price, declined.

In the management update that was published earlier today, we said Recall is growing two per cent for the first 10 months, constant currency. This is for the first six months. So what's happened? Well that graph I showed you of paper price, it fell off after December. So we've seen more pressure in what we call paper revenue.

The other segments of our business remain strong. We are seeing companies still focussed on the level of activity they have, with the annuities piece of our business remaining very strong, and we're very happy about that.

I'll spend a minute on overall snapshot of Recall. It's a strong business, a profitable business. It's stable. Diversity in terms of the revenue streams and where we get it from allows us to maintain and grow even in times like this. Not nearly as easy, but we do it. And we remain relatively resilient to the economy. And we produce positive cash flow. A cash flow that is broadly in line, so our cash flow from operations is broadly in line with our management operation profit. So we're able to fund our growth and our needs.

We also take a very disciplined approach to how we manage the business, and we manage it globally. We want Recall to be the same, to look and feel the same to a customer, no matter where in the world you are, whether it's in Spain or China or anywhere in between.

Our workforce is focussed on, and our culture is one of security and efficiency, which are the two main values we deliver to our customers. It is a long term business, and we're focussed on profitable growth over the long term.

Now Mike showed you the strategy house a few minutes ago. Now I will tell you that the Recall strategy house, we moved a couple of bedrooms around. The house is all still there, and it's all core and fundamental. We're built on sustainability. Financial strength and environmental sustainability. We have operating systems that are very good in our industry, and do wonderful things for our customers to allow them to manage their information. But as Mike said, we're going to work on making those even better. And it all is about the people that we have and the experienced team.

Now we look at the three pillars of our strategic plan as follows. Business excellence. There is one best way to do everything that we do in Recall, and our goal is determine the one best way. Use six sigma and LEAN and other tools like that to help us, as well as best practice sharing and our belief in continuous improvement, and put the best way in place around the globe. This drives efficiency for the customer, it drives efficiency for us, but it drives safety and security for us, our people, and our customers as well.

The second pillar is profitable growth. It is a huge unvended market, and I'll talk about it more in a minute, that we have to go access. So the chance profitably is outstanding. Chris John will take quite a bit of time to talk through profitable growth and how we approach it.

And finally, expand the offering. Add more innovative solutions and add more services in our menu for our customers.

We believe if we do these things and do them well, we'll continue profitable growth, and we'll continue to deliver long term stakeholder value.

Now we operate in a very attractive market space. We estimate that the total market exceeds US$12 billion. Roughly two thirds of that is not serviced by any supplier. So if it's $12 billion or $13 billion or $20 billion, it's a big number. It's a big opportunity. The key thing here is to go after the unvended portion of the market, and educate them on the value that we bring, and help them to focus on their core competencies.

The trends, and you'll hear more about the trends in a bit, are in our favour. They're moving to where more people are interested in outsourcing to companies like Recall. We're well positioned for growth. We're first or second in 90 per cent of the markets that we do business in. Our customers value the service we provide to them, and you'll hear more about these things as well. We have significant cross selling opportunity.

Now at the bottom here, you'll notice that this very simple graph, and they keep it that way so that I understand it, is broken into two categories. The focus on business excellence which was one of the three strategic pillars, and the focus on profitable growth. Another one of them. This graph is over time, from our fiscal 07 out to fiscal 13. In 07 and in 08, much more of our focus was on business excellence. But as we progress in those ways, we'll spend more and more of our time on profitable growth, so that we can grow, and grow faster, and do it with very nice return.

Business excellence doesn't ever go away, but as you become more solid at it, it allows you to focus on other things.

With that, Trace come up and talk to us about Europe.

Trace Norton: Thank you Elton. Good afternoon to you everybody, and on behalf of Recall US, I'd like to extend my welcome to all of you here in Spain, and also to thank you for your time.

I'm in quite a privileged situation in many respects. I've been with the group for nearly 11 years now. I spent almost 10 years with the CHEP organisation, principally in Europe, and I know that over the next couple of days you're going to hear a lot about a very exciting business which is CHEP.

But I'm also aware that many of you know a little bit less about Recall, and I'm going to spend the next 20 or 25 minutes or so giving you some more detail about our business here in Europe, and also to take the opportunity to share with you, some of the specific initiatives we're running in terms of business excellence around the world, and some examples of those initiatives from here in Europe.

I have to say that probably 20, 25 minutes is not going to give me enough time, but I do hope during the course of this afternoon when we take you on a facility tour of our unit at [Rubata Hara], during the cocktail session later on today, that if you've got more questions, please take the opportunity to talk to me, and I'll be certainly looking forward to that opportunity.

So what do I want to tell you about? Well this is the Recall European Business today. We operate in nine countries, and our business today is pretty much run organisationally on a profit and loss responsibility and accountability basis, held down within the local market. And that's because we believe that being closer to our markets, being closer to our customers, and therefore being able to take the appropriate decisions with our customers, is really important at the local level.

We service about 21,000 customers across Europe. We have around 1,100 or so team members that provide those services to our customers, and we have 59 dedicated facilities. And as Elton mentioned a little earlier on, we're constantly looking to upgrade our facilities time after time in many ways, and I'm going to share with you some of the rationale behind that in a moment. And certainly the one you're going to see this afternoon is a very, very well run and efficient unit and I look forward to taking you around that facility later on.

One of the key takeaways from this slide, Elton mentioned about the opportunity we have here in Europe and globally. In fact globally it was around about $12 billion give or take, and certainly there's a huge proportion of that here in Europe. But the key thing is, that was purely for the DMS physical business. And we're going to get on to talk about our Digital and DPS and SPS business in a moment. That's purely in the physical business. And there's a large proportion of that available to us here in Europe. You can see that geographically, there are still areas of Europe that we haven't even got close to. Big opportunities for us.

I will also talk in a moment about where we've got existing opportunity within current boundaries as well, and again I just want to make sure that the message that we give over the course of today, and during the tour later on, really emphasises the fact that whilst we're doing some great things, and I'll show you some of that in Europe in a moment, there's still fantastic opportunity for us for the future.

So in terms of the competitive landscape that we operate in today here in Europe, this again is concentrating on the physical market. It's our estimated market position in each of our territories, and it's based upon surveys that we run internally, local market knowledge, and by and large, it's an analysis that we feel pretty comfortable with.

What we try to do in terms of our focus is how do we leverage those markets where today we are seen as being the leader, and we actually leverage those strengths to grow our business. And in terms of where we're not the leader today, how do we improve upon that position in everything we do?

The key take away from this is, we do focus on the unvended markets. Why? Well the best opportunities for us in terms of generating the returns we think are appropriate for our business, lie in the unvended markets where customers are yet to decide that outsourcing is the right thing for them.

Now it doesn't mean that we don't concentrate on customers and opportunities with businesses who are already outsourced to other organisations, and indeed we've got some fantastic examples, particularly in the UK where very recently we've won some major pieces of business against our competition.

But our primary focus is in the unvended market. We believe that by making sure that our customers get the tailored, designed needs that meet their requirements, that we execute flawlessly, and that's where the business excellence pieces comes in, that we will be able to generate and continue to generate the strong cash returns and financial returns that we get today.

So what do we have? Here in Europe today on the left hand side, our revenues are generated roughly 29 per cent in France and 19 per cent in the UK, 10 here in Spain, and the rest, 42 per cent around the other six countries.

The chart on the right hand side is slightly different from the global perspective that Elton shared with you in so far as our DMSP proportion is around 73 per cent. If you recall it was about 66 per cent or so for the global business.

It does further illustrate that even here in Europe, we have a diverse service offering where we provide all four service lines to our customers.

Let's talk about the physical piece first of all, and this is pretty important. It provides a foundation for our business. Why? Well Elton if you recall mentioned the Annuity piece, that versus the transactional piece, and that the annuity element of our business is more long term. Once we have cartons on the shelf, by and large that business stays for a very long time. And it's predominantly resistant to volatility within the economy.

Our business here today in Europe has about 50 per cent of its revenues generated through annuity parts of our physical business. That gives us some robustness in terms of flexing our business to meet the volatile nature of the economy today.

But we've still got a compound annual growth of 15 per cent. It's still a good growth performance for the business.

But the other key point here about our physical business is, for years, even before I joined this business, people talked about the paperless office. Ten years ago there was a guarantee that within 10 years, the paperless office would be here. Elton's already mentioned that $12 billion globally, and a large slug of that's here in Europe available to us.

Our growth rates are still demonstrating that the physical storage of information is still a requirement of our customers. You noticed previously that we've still got opportunities in other territories in Europe that we're not in today.

Physical provides a great foundation for this business, but it's still got a significant growth opportunity for it too.

Let's talk about digital. Five, six years ago, I think certainly from my understanding, and certainly from a lot of other people that I talk to, the digital side of the business was really about scanning. Scanned invoices, it was easier to save on a hard drive than it was to put in a carton. And certainly there's a big proportion of digital business that is fundamentally scanning material. But there are huge varied, many different solutions that you can bring to the customer through a digitised format.

I want to share with you some examples of what we do here in Europe today that brings value for our customers. We have a European car rental company that we have a contract with today. We scan every one of the rental agreements that you take when you take out a hire car. All those digitised images are stored on a hosted server at Recall.

Our customer can go online to Recall's review system and access every single one of those images. In order to be able to make a change for you as a client, to be able to cancel the agreement, to be able to extend it, and they can do that in four seconds. That customer tells us that that four second timeline gives them value and competitive edge against other players in the car rental industry. Real value to the customer in what we've done.

We operate a service for a national rail company whose basic terms and conditions provides for any unused tickets to be refunded. That customer today uses all returned tickets to a post box that actually comes to Recall. We scan those tickets, and after we scan them, we run the data from those scanned images through the customer's local database. We cross check the ticket references. The reason we do that is we check whether the ticket was ever issued in the first place, we check whether it has been used, and we check whether anyone has already had a refund for their ticket. And providing the answers are okay for the customer, tick it's okay to pay the refund.

That saves that client hundreds of thousands of dollars every year in what was previously a high level of fraudulent claims tickets. Again, digitised solutions, we're providing value for the customer.

A final one, a national government taxation authority. We receive every formalised tax return and submission, be it keyed in online or whether it be handwritten. We scan those images and validate for completeness, accuracy and reliability, and the information individuals are giving to their government. We scan those and validate them to 99.99 per cent accuracy. That government trusts Recall to validate the information on their taxation returns. Real value for them.

Just three examples digitised solutions that Recall does, and it's not just a scanning business. There are many, many more applications of digitised solutions. Chris John's going to touch upon a few both in his next presentation, and also when we talk about integrated solutions at the visit at [Rubata Hara].

Please take the opportunity just to investigate that a little bit more. It's a little bit more than people used to say, it's just a scanning facility. It's not.

Nineteen per cent growth. It's one of our high growth vehicles, and with advocacy like governmental institutions, national rail institutions, big value customers, we believe there's a lot of runway for digital solutions.

Data Protection Services or DPS. This is a very small proportion of our business today. It's 29 per cent compound growth over the period, most of it's been in the last two years or so. It's a small proportion of our business today. But we have proven in one country, it's the UK, that with a focus go to market model that the UK have developed, that we can grow this business fast.

This picture on the left hand side here incidentally is of our UK facility. It's in the centre of London, literally in the centre of London, but it's a long way down. It's in a series of tunnels that were used by Eisenhower during the Second World War, as his European operational centre. Trust me, it's secure. Very secure. Once you're down there, it's very difficult to find your way back.

But it's something that our customers value. They value it very highly. Again this is another thing where some years ago, many businesses were saying we don't need tape backup. It's not necessary anymore. We have e-vaulting, we have other sorts of data storage systems that say tapes aren't necessary. We talk to CIOs every day, all around the world. Big companies, and they say this is not going away. I'll tell you why, they say look, our systems are fantastic. We designed them. We love them. But I still want the comfort from a business crisis planning perspective, a crisis planning perspective, I want to be able to go and touch a tape, so that I can reboot all that information.

These things are here to stay.

So our task, our focus right now is replicating the success of the UK business over all our territories, and we've got a specific initiative right now that's driving that across all the other countries in our portfolio here in Europe. Another big growth opportunity.

I want to talk about France specifically just for a moment, for a very good reason. Now France, 13 per cent compound annual growth over the last four or five years. Even today, tough times, real tough times, but even today France will deliver around about 10 per cent new organic physical growth this year. On days like today, 10 per cent. It's a fantastic growth business.

On the right hand side you'll see photographs of something we call active file management. It's a little bit different to just the cartons, and again in [Rubata Hara] later on, you'll see another example of what active file management is, and the value that brings to a customer. Please take your time and opportunity to ask one of our team members why this does bring value to clients.

France is a big exponent. It's got the full range of services with a big exponent of active farm management. Why do I put this on? Well, France today operates across the whole of the country for Recall. Roubaix in the north through Paris, Strasburg to the east down into Toulouse and Marseille. It's got full geographic coverage.

Fourteen cities in total with 24 facilities around the country. You remember the graph I showed you which said we've got opportunities to expand into other countries. France is the one country today where we've got full geographic coverage within its boundary. The other eight countries we're still developing.

But what it tells us is that replicating that same model that we have in France today to other countries means that we've got gross opportunity within our existing countries, not only in expansion. Okay. I'm going to switch gears for a moment and talk about business excellence.

Elton mentioned is one of the three strategic pillars of the Recall strategy and you remember the other two were profitable growth and expanding our offering. I want to talk about business excellence and these are things that apply for Recall across the globe but I'm going to draw on some examples from Europe just to give you some illustration of what we're doing within these areas.

The first one is customer satisfaction. Any business leader will tell you that high levels of customer satisfaction are crucial to the tension growing business that you've got today and providing the foundation for further growth with new clients. In our annual surveys, using the external independent service provider to take those surveys, they provided us data in our latest survey that said Recall globally and Europe that Recall in total is within the top third of all business to business service organisations that they surveyed, over 450,000 organisations, the top third.

Here's an example. In the European survey, 82 per cent of all respondents, they said using Recall gives them a competitive advantage in their business. They told us that. They said 87 per cent of them said we will recommend Recall to other users. You imagine the power of customer testimony when they tell you how good you are.

Where does that come from? There's a lot of things that we do in terms of customer satisfaction. I'll just give you one example. We have an internal KPI internal measurement system called Perfect Order. It measures every single work order we receive by every customer by every facility.

We measure it for quality, timeliness, reliability every single day. We not only do that for ourselves, we share that data with our clients. We tell them what their Perfect Order score is. The reason we tell them is because we believe it demonstrates our professionalism, our transparency.

But it also means that we engage them in the process of demonstrating that we're trying to get better. Now, our scores happen to be pretty good and at [Rubata Hara] this afternoon you'll see some good pretty scores for that facility and you'll get some more explanation about how we actually measure Perfect Order.

But our clients that it's one of the indications of professionalism, service quality that they value when working with this organisation. Second, in terms of business excellence, security, security of our customers information and other vital aspects lies at the very core of our value proposition. It's the one thing we just have to get right.

Our customers tell us that we get this right more than most. We believe we set the bar in the industry for security, whether that's from brand new facilities where we ensure we have biometric access controls, either retinal or fingerprints, all the way down to navigational systems to track our vehicles. We believe it's critical.

Our focus quarterly on security is huge. We have a measurement system where we collect data where we've not done such a good job on security. We do something called security breach or security incident reporting. What it means is that whenever there is a possibility a customer's information has gone outside of our control, whether that's the case or not, we record it.

We record it so that we can do a full failure analysis on it and rectify it. Those reports from whatever facility has to go to me within one day. I have to know about them. I have to tell Elton about them within one day and at our global leadership meetings we go through what have been the breaches and incidents, that we make sure we've constantly got the focus on rectifying potential errors.

It's critical to us that cultural focus, both in terms of physical security and data and electronic security, and Christian will share with you some things around confidentiality and privacy in a moment. They light the core of our value proposition and that's why we take it so seriously and that's why we continue to drive improvement.

Both Mike and Elton mentioned Six Sigma. We drive this real hard, whether it's from improving cash collection processes to improving productivity facilities. We drive it real hard. We've got a great example of the power of Six Sigma within our organisation. It actually refers to the DPS facility I showed you underground in the UK.

I made a visit there some six months or so ago. It's a great facility. It appears to be well run. The manager of that facility told me she runs the perfect facility. It cannot be improved. I have to say to me it looked pretty good but we challenged her and said: look, instead of just telling us why don't you get yourself trained in Six Sigma and demonstrate through data that you've got the best facility in the whole of Europe.

She took the challenge on. She delivered a 40 per cent improvement in productivity in that facility within eight weeks. That lady today demanding I want more projects and I will go to any facility 'cause I want to show everyone else how good this can be. People like that are littered throughout our organisation around the world and we share our successes around the world to make sure we can translate improvements.

Just one example about why this is so important to us and why we're continually looking to improve. The RFID picture you've got here and you'll see some of these tags later on in the facility tour, and again please take the opportunity to speak to the experts down in [Rubata Hara]. This is a great story behind this started by the development.

But this is good for two reasons. There's no doubt that operation for us is good. It increases efficiency, it increases accuracy and speed. For our client it's good. They value the same things that we do in terms of management information control. Our two biggest wins in Europe within the last year have all been won with this being seen by our clients as a big element of the success of Recall.

This is something we're leading the industry on which our clients is telling us is excellent and we know is of value to us. Sustainability and Mike touched upon this earlier on. I've just got a couple of examples up here about the type of things we do all the time in terms of thinking about the environment and the impact of our decisions on the environment.

You know, when we make our investment decisions around capacity expansion, they're pretty big decisions. They cost a lot of money and they're going to be there for a long time. Some of these facilities are going to be around for 20 years or so and they're big facilities. They have a huge impact both operationally but also in terms of the environment.

The London mega centre has been operational for about six weeks or so now. It's a fantastic facility. If any of you ever have the opportunity to spend some time in London to go see this facility, I'd encourage you to do so and I'd be more than happy to arrange that for you. It's a super facility.

But a couple of things on it. They're the type of things we think about when we talk about sustainability. The UK Government assesses all buildings in terms of carbon emission controls. We happen to have a rating of B31. It means nothing to a lot of people, even me sometimes.

But B31 is actually better than what the UK Government designates for carbon emission controls in new buildings of this type. It's well ahead of the game. In terms of the existing stock within the UK, it's a huge advance. Recall leads the way in terms of designing and making sure that we protect the environment and of course make sure it's efficient for our operations too.

Modular design of our facilities is all about making sure that we don't invest and prepare our facilities until we need them in terms of our growth. This afternoon when you go to [Rubata Hara] you will see that we've actually got some construction work at the facility. What we're doing there is we're putting on a further module of our facility because we're growing.

We didn't do it five years ago so it just sat there empty unused. We see this as part of a planned process and modular design to meet the demands of our growth pattern. We're growing today. At Rubata Harda you'll see an example of what we do as a result of that afterwards.

In terms of things like our carton supplies, we buy a lot of cartons every year. We insist that all that material is recyclable. They're the only cartons we will use. We even request, to the delight of the CHEP gentlemen in this room, we even request that those cartons are supplied on CHEP pallets as opposed to a one way [trip] disposable pallets.

They're only little things but they're all indications and illustrations of what we try to do in our business to ensure that we're always thinking about sustainability and the environment in everything we do. And finally just to talk about people very quickly. We invest a lot of time, a lot of effort, in making sure that our team members are engaged and motivated and are well trained.

But one other thing we do is we also make sure we've got diversity within our team members. We certainly make sure we've got diversity within the senior leadership and this is a snapshot proportionally of the nationalities we've got within the senior leadership team around the globe.

Why is that important? We believe that making sure that you are as effective as possible in local markets, making sure that you know you can do business as efficiently as possible. Understanding the local nuances is very important. We make sure that our global leadership team around the world reflects the needs of the local markets.

My leadership team in Europe is about nine people, seven different nationalities; seven nationalities, nine people. Even on the stage today with Elton, Christian and myself, there are three nationalities. It's something we proactively take good care of to ensure that we've got great coverage of our markets around the world.

So in summary, Recall Europe, a very robust service model, delivering growth, making sure that we tailor the needs of our customers to the things we can do, providing innovative solutions but with great growth opportunity, both within our existing boundaries but also in new territories outside the boundaries that we operate in today.

Our focus is absolutely on delivering growth, continue and accelerated growth for the long term. To continue that theme of growth, I'd like to invite Christian to the stage and as I said, please take the opportunity later on to ask any questions you may have regarding the European business. Thanks for you time.

Christian Coenen: Good afternoon to everybody. Someone told me that I will be very impressed in front of you and this is the case. This person told me also that a very good advice, he told me please, apologise for your stupid action and for your bad English. So please accept my apologise for that.

After a prediction about Recall Europe, I'm here in front of you to speak about all we are acting with our customer and all we are acting on the market all across the world. So we are coming back to the global piece.

I would like to start and to speak about the market. We are working in a very dynamic market. This market is showing changes and moves on the regular basis. We are looking to be very aligned in terms of business focus with all these different changes.

We want to be sure that Recall will have the right balance between consistency and agility to be able to on-serve all of the top markets. For that, we have many programs. Trace spoke about just on a satisfaction survey – we have a strong and solid accounts management program. We started to have some marketing intelligent species and also we initiated some [unclear].

At the end of this slide, I will speak about the [unclear] market itself. We are listening to the market, we are listening to our customer to be sure that we will have the right leverages to growth. What are the three pillar of our growth? Organic growth, new business and business solution.

Organic growth, we have a unique platform with unique opportunity to grow 80,000 customer. How many are using the Swiss service line?. Your business, Elton mentioned before, the unwanted market I will comment on this later. You will see it's a large part of the market. We need to understand where we could invest the right first time for the best result.

So we want to select where we want to go and business solution; our customer are looking for their efficiency, they're looking for compliancy or can we breach paper and digital as Trace explained before. So we drove during the last 12 months a market research. The idea was to assess the size of the market, the size of the wanted market and the size of the unwanted one and to translate all this information into a concrete sized plan where our [unclear] and where we can help them on the right self strategy.

This market research was rerun in five continents, several cities, and this market research just confirmed the fact that the market trend and the business focus of Recall are very well aligned. So industry trend. Very difficult for me as a simple person to speak about legislation and [unclear].

So to tell you or to share with you, sorry, what is the impact of this regulation on our business. Let me share with you one discussion that I had in a very nice state in the US, in California, with the Global Recall manager of a very … we were speaking about … and the impact of this new regulation on this business.

He told me, you know, stocks is very simple for me. I looked at the integrity of my information which means that I want to be sure that the integrity will be protected during all the storage period of my information. But integrity means also I need to produce sometimes the original security of the information which is increasing the importance of security storage of his original document paper.

Then he said self [unclear]. I need to produce a recourse where I can show who manipulated my different information or the different information. Of course, I need to implement the right process to be sure that all this information will be secure and the confidentiality will be 100 per cent also protected.

So he said I'm looking for a close look process to show to my auditor, internal or external, that we can protect the integrity, we can track and we can keep the privacy and the confidentiality of all this information. He said this [unclear] is for me. So when I left him – remember I was in the tube – is there a tube in – yes, sorry, the tube. I was in the tube and I said okay, finally also the solution for him, it's not only cost optimisation, it's also bringing expert value in his own organisation by providing the right solution for finally protect himself.

He cannot survive without me and we signed the contract. Then he came back to me later on, he said how can I improve the usage because it's one thing to store a document or the information, it's another one to be able to retrieve it. We started to work on his process or something of document management also which is a very important need today in our market.

I will come up on this later during this presentation and of course during the [Rubata Hara] visit I will have the chance to show four times the activity solution presentation to all of you. Activity solution means to build a bridge between paper and digital.

So based on that, we are facing two external factors. The beauty of these factors, they are consistent all across the world, at the local level, at the regional level or at the global level. The other beauty of this factor is based on the fact that all the different economic factor are interacting together.

So what is working for one company in one country would work also at the international level. This is the model that we wanted to implement. Recall is providing the right balance between flexibility or agility and consistency. It means that today we have three service lines. We provide the same menu of service everywhere in the world.

But when one customer is looking for a new solution, we are looking to double up the solution in a very sustainable way to then be able to replicate all across the world. We can do that. Why? Because we have a very disciplined management process, because we think that or expect it is based on this best practice is sharing and we have the right and also stability to be able to do that.

So where are the global opportunities? In fact as a salesperson, I could spend probably several hours just to speak about that. So I will try to be very brief. First, international customer, international companies. I had the chance to manage myself 20 global companies – 20 global contracts all across the world. I can see the value of providing consistent operation all across the world by dealing with them.

They asked us to follow them in new geography. They asked us to also extend our solution or services to them based on menu of service. They are looking for us and they are looking at us, sorry. Recently I had the chance to attend to two business reviews with two international companies who just managed one of the process of the Recall operation all across the world.

They said wow, it's constant; what we saw in one location we can see in another one. So now it's time to think about the nest step. You have the right foundation to help us to implement our own Recall management policies. So we will elaborate on you and you will become our ambassador for helping our people to be confident with our own internal policy.

So [unclear] across selling programs, just one question behind that. Eighty thousand customers. How many of them are using the Swiss service line? How many of the MSP customer are using DPS as the [unclear] services? A huge opportunity. And wanted markets. As mentioned by Trace before, our sales team is targeting the priority number one, the unwanted market.

This is where we think that we could bring the right piece for all sales people to be successful. Competition will be lower if we target the right vertical, if we know where we want to focus, we will provide to them the right training and they will be perceived as vertical in business expert and the success rate will be better and there will be more of it.

Flexibility through innovation. I met one customer in Asia very recently and I asked him what are the main flexibility for you? He told me flexibility to find a partner who can help me to understand my problem, to anticipate my special need and also who could benchmark the solution that you already implemented somewhere else in the world.

Let's imagine what are the main flexibility for us; three service lines, more than one … different services … in a consistent way all across the world. Flexibility means that we can pick up one of several of these services from all the service lines … and produce unique solutions for the customer.

So best practice in anticipation and duplication is really critical for us to then replicate any success story that we have with one vertical or one customer in one part of the world to replicate that as well. So what were the different outcomes of the last market research?

We tried to understand or we understood, sorry, the reason for outsourcing, base constraints, internal resources issue because our customer told us to store in a secure manner all the front information it requires a lot of investment. But we need also to have the right expertise in order to which have the information in a proper manner.

The third is tracking and the security needs is demanding a lot of investment. So we are really looking for on top to be compliant, we are really looking to have a partner who can help us to improve all different processes. We want to be sure that when we select a vendor, this one will be able to answer to the four questions, four critical questions.

If I will outsource some documents with you, what will be your capability to manage their retrieval or a lot of retrieval per day? Some of our customers are asking more than 2000 retrieval every day. The second question he asked me can you retrieve my information in several seconds, 10 minutes, 2 hours, one day or one week?

Top question. If I will need my information, can you retrieve the original document? Can you send to me only an image or a copy? And the last one, who can be my user? I think about implementing a [unique desk] or for some application or some need. Potentially 50 people look at it in 50 different cities could ask for the same information in the meantime.

The beauty of the menu of service that we are offering to the market is we can answer all these questions whatever we are. Of course, more close to this corner we will be more digital we would speak and on the other side of the square, we speak about secure distribution. All customers are looking for a close solution to manage their information to protect security, to protect compliancy and to protect themselves.

Very good. What is the size of the market? What is the market? If you look on the left part of this slide, you can see that Recall select the right colour, blue. Sixty per cent of this total market is unfounded. It's enormous. We want to target this market because a small component of it is relative to some documents that are still kept in-house by some customer while using some – the MSP supplier.

Some of our customers are still using in-house services. But the majority of this un … market don't know our industry and don't know what kind of service we can deliver to them and they need us. They are very demanding in terms of, as I said, security, compliancy and efficiency.

So we think that we are in a very good situation – one-third of this amount. Look at the right side of the slide. You see the Recall position for our country. In 90 per cent of our country, where we are approaching today, we are number one or number two of the market. Here's a huge picture for us to show that we are a real global company.

We can provide services in a consistent manner everywhere in the world because we are market – we are well positioned, sorry, on several – on all the different countries [unclear] sorry for that. So how are we reaching this market? We have a very clear self process. Sixty per cent of $US12 billion is very [large]. Where do we have to focus? I'm not French, but in France there is a very interesting expression. If we want to be everywhere, at the end we will be nowhere and this is exactly what we do not want to do. We want to select the right area of focus in the [unclear] market. That's why we have a clear [unclear] process.

Coming from the total available market, we select where we want to act and the market research and all the different issues that I mentioned at the beginning of the presentation are very useful for us. To identify where we want to act. We test the vertical and we work there and we push off those people who then focus only on this segment.

So to be sure we are doing what we are looking for, we are managing their activity. We measure globally with the same measurement what our sales people are doing. Very difficult for me to say - because cold call means how do they manage their prospecting activities for us to be sure that the selective available market will generate some new leads, some new opportunities.

We then measure what they are doing in [front] of the customer when a business opportunity is open and with a very clear sales cycle definition. Prospects means just a minute, I'll just confirm that, you will take a decision for [accessing] within a period of 12 months. Qualification means we investigated the need, we asked the right questions to cover a perfect understanding of their needs, operational, functional, technical, financial one.

The proposal is, when we will be in front of a customer who formally introduce or offer functional ones, technical ones and then economic ones, then we're answering to the negotiation steps, means we are in the process of this service level that we want, then the conclusion.

I started off [unclear], sure that's we'll have the best way that's possible. We also train our sales people and we are using a common sales methodology all across the world. For each opportunity, each sales individual will have to report decision making process where we started to establish relationship, what could be the need, where do we have red flags, where do we have green flags and what are the pieces which are not covered by the sales activity or the sales process.

This is the methodology which could help them to improve their relationship with the customer, of course, but also the way we can handle the customer needs. This sales process is mobile. Every month I receive a set of metrics which is consistent at the sales individual level, sales team level, country level and regional level so that we can benchmark different sale productivity and the sales, the difference sales individual or team. We can also share best practices and it's a very important component for us to improve sales productivity.

So now our customer; with who are we working? If we look at the verticals, we can see that we are here a large part of the market, supposed to be very large. But in principle, we are operating with all the customer who are producing information. But if you look at the [unclear] we are producing critical information, they need [us], they cannot mitigate the risk, they cannot optimise their process without working with us.

Of course the market is very large, the footprint is very different, we need to be very agile in terms of those organisations to be able to provide the right sales competencies to cover complex satisfaction, long satisfaction, short satisfaction and we need also to have the right [piece] in terms of business computing [unclear] to be able to develop partnership in the long way.

We spoke about Europe. I tried to share with you what we are doing today in terms of profitable growth at the global level, so it's a pleasure for me to share with you the success story in an emerging market, India.

As you know, India is very important for, very open company, many companies are outsourcing offshore [unclear] for example. So we went into India because some of our European customers asked us to go there. We implemented in a consistent manner all different [unclear], all different processes, all different procedure and this allow us to develop our business with them, but also to open the local market.

I received a last minute note from Elton about India. He asked me to mention also that this country is very profitable. So we believe, really, on the fact that we have a very huge role for profitability in India.

So, in conclusion, we think that we are a company with the right balance between consistency and agility. We think we are following the different trends in the market place and we think we have the right key to growth. I would like to share with you as a conclusion when, sorry that we just closed several weeks ago with one of our customers. This customer is a [inaudible] one of our customer in Sweden for many years.

We store for them invoices. In Finland you need to store the physical invoices during three months and then you can destroy it. In Sweden, it's more than three months, it's several years and we learnt that this organisation was completely reorganised. They decided to set a global finance share services and we said, wait a minute, we can do something for them.

We met them and we said, we are storing invoices for you, are we speaking about accounts payable? We think we can do something better. You are looking for efficiency, consistency, that must come with a proposal. And we said to them, we will manage [unclear] welcome for all the invoice [unclear] of your supplier in this country. We could open the envelope, take the invoice, then we can it, all the electronic file will go then to our centre of excellence in Sweden who will process the image. Country by country we will extract the required field, that then will be exported to your PC then.

We can do that immediately. They said, wow, very good. But we said, on top of that, what we can do is also automatically store your paper invoices and we will follow the local legislation about the storage duration and it will be confirmed for you. And on top of that, we can also develop in an automatic way your [VAT] balance. We can also check by our system an automatic way, the stocks compliancy of the invoices coming from your supplier and if they are not, we can reject it and we can send automatically a letter to the supplier to explain why they are not compliant.

This customer said, but you are a small supplier for us and we became a big partner as we closed a global contract with them and we are in a process to roll over this solution in several countries. And this is the beauty of Recall. I joined recall 10 years ago. Trust me, the company was not the same as it is today and I'm sure if we have the chance and the privilege to be there in five years, the company will be very different [entirely]. And this is the market who is feeling that.

Thank you very much.

Elton Potts: Thank you Christian, appreciate that.

Hopefully now you've had a chance to learn a bit more about Recall. I just want to wrap it with a couple of summary slides and then we'll be happy to take some questions.

Recall is a solid company; solid profits, cash and cash flow, even in tough economic times. We take, as you heard, a disciplined approach to our fiscal management. We use common processes and we remain flexible for our customers' needs. And we produce cash to more than fund our needs for growth.

We believe Recall's a strong business. We're very proud of it and what it does. We think we do take a very disciplined approach, we like our growth to date and our prospects for the future and we see this as a very long term business with great opportunities through multiple sources to grow very profitable.

If you two gentlemen will join me, we'll take a few questions.

Question: (Tony Edwards) Just margins and the Recall business have been - it's been a while since you've actually posted an increase in margin and we're looking at the mix of the business today, you've got transactional business and recurring business and you've actually got a positive margin mix there at the moment. So is it likely that some time over the next few periods we see that stabilise and start to go the other way or is the cost base in the transactional business doesn't allow for that?

Elton Potts: I guess from my standpoint, margins have stayed fairly solid and it's a huge growth opportunity and we can be profitable at these margins. At the same time, we're doing a lot of work to offset things like paper price and the impact that it has on us. Gosh, it'll impact us something like $US15 million this year which is pure profit.

So we're doing a lot of things to try and offset that and I think over time we can see margins improve, but I'm not going to tell you it's going to happen this year or in the relative short term.

Question: (Tony Edwards) More of a stabilisation in the near term, is it? What about the KPIs in the business. What are they, are they sales and margin based or are they cash flow or are they return on invested capital?

Elton Potts: Well the KPIs that we use are a variety of things and frankly I spend more time on the operational KPIs than just the financial ones. We'll use the same KPIs that you'll hear from Brambles and that you'll hear from CHEP, but operationally it's what is cart and growth, okay, with activities per employee. It's our capacity utilisation. We look at a variety of metrics like that to tell us the underlying health and progress of the business.

Trace, you want to comment on that?

Trace Norton: Yeah and I guess the other one that I'd say is really important, I mentioned it earlier, is something around the perfect audit, which is one of our key rising internally in terms of metric performance, simply because you'd have a direct impact on the customer. So the operational KPIs, capacity utilisation is a key element for us, but if the customer wants to do something, we focus on real hard.

Elton Potts: Christian?

Christian Coenen: I spoke about the [unclear] metrics before and we are measuring activity. We have a clear idea for the pipeline and maturity, return on [unclear].

Question: (Simon Mitchell, UBS) You touched on utilisation rates in the facilities and how that's sitting relative to history, whether you're particularly full at the moment or light on.

Elton Potts: So I'll answer your question, but I want to explain it in a bit of detail first so that you understand. Take as an example the facility that we're going to visit shortly. The first section was built 12 years ago. We built it, it's empty, your cash realisation is zero and unless you're moving and consolidating other things in, you start at zero and you work your way up. So in any given market, it's a step function right?

You go from high capacity utilisation 'til you add the next piece and suddenly your capacity utilisation, while your capacity goes up, the utilisation falls and you've taken on the cost of all that space, right? In total, which is how we look at the business, from my standpoint, but we look at it specifically by market and about those decisions and the timing of those decisions, about how it is a great story from that standpoint, we're seeing our capacity utilisation increase over time. But there'll always be that, this facility is getting full but we're going to add another one.

Question: (Simon Mitchell, UBS) Okay and just a second one on returns, just following from what Tony mentioned, return on capital in Recall is reasonably low, I mean I think they're hovering around 12 to 14% over recent years. Why is that if this is such a good business? I mean is the pricing too low in the industry or are there particular issues, legacy issues that sit within Recall?

Elton Potts: You know, for a lot of businesses, 12 or 14 is not too bad and I'd put us up against others in this industry any day of the week. Compared to CHEP, yeah, they do awfully darn well, okay? I think you're always in our business going to have that as long as you have the physical piece of the business, you're going to have those investments over time. But I like our odds in the long term.

Liz Doherty: [Inaudible] the real way to get the profitability up in Recall is actually to focus on its North American businesses where we have some work to do because the Europeans and Australians and the rest are actually delivering very good returns by…

Question: (Unidentified) Just following on from the margin question again, I think in the first half result you talked about the underlying margin going from 15% down to 14 and one of the reasons put forward was that there was an investment in market research, which I think you talked about today, so just wondering if you can maybe give us a bit more colour in terms of the actual cost of project.

I suspect as we go into the second half, obviously we won't have that cost and I suspect the paper price coming down probably, I'm not sure whether that will have an equal and offsetting effect on that or maybe if you can give us some comments on what the paper price is going to the margins as well would be good.

Elton Potts: Thank you, you did see my chart and recognise it on paper price, I appreciate that. A couple of things are involved there. The market segmentation, from our standpoint, is a significant investment, but it's not, you know, overly so and it's our job to see paybacks and returns from that and we're in the process of analysing that data now and Christian shared some high level. And the goal was to take that study and turn it into sales wins in particular markets.

Question: (Cameron McDonald, Deutsche Bank) Just interested in the comments about China and then flowing into the capital question someone asked before, so can you explain why you've gone into China? Is that just to open the facility and see who comes? Or was it a contracted client that wanted you to go there that underpinned that investment?

Secondly, do you own all these facilities outright? Are they all sitting on your balance sheet and if so, why?

Elton Potts: I'll take the second one first and then come back to the first one. We own, I'm going to say, 10%, maybe less of our facilities. We lease the bulk of them. But in the end, it's a financial decision, right, of what's the best thing for you long term.

In terms of China, why China? Huge growth market. I was there in 2000 and saw a lot of bicycles. I visited in 2001 and saw half as many bicycles and much more modern transportation. When I was there four weeks ago, the one bicycle I saw almost hit me. So that country, I think Shanghai feels like it's growing overnight. And that market, even in today, China's down to what, a 6% GDP and complaining about that?

The global companies that do business there have the same expectations, Sarbanes-Oxley, their own internal expectations, in China, as they do anywhere else. And it's a huge growth

	opportunity for us. So it's a matter of those customers that we do business with that are global saying, we need you there. But we certainly did not ask any one of them to underwrite us being there.
Question:	(Andrew Gibson, Goldman Sachs) Can you just clarify something for me? Your comments on paper prices suggest you have no contractual pricing arrangements in place, therefore subject to [spot] is that right?
Elton Potts:	This is not pure paper in terms of what recyclers do, but this is a very specific product. We do put in place some contracts when you can, where you can but those things, they vary and in a volatile period, a contract has to work for both parties.
Question:	(Andrew Gibson, Goldman Sachs) Okay, so it's not as if you've got 30% locked in for two years or anything like that?
Elton Potts:	Expenses varies around the globe. We've done better than some others in this market because we have had some floors in place with our contract. We've seen folks pay to get rid of their paper in the short term.
Question:	(Antony Mulder, Credit Suisse) You put up a slide showing the proportion of the un-vendored space at 66%. If I recall correctly it's been at that level for quite some time. How do you accelerate the conversation of that un-vendored market?
Elton Potts:	I spend a lot of time with Christian. It has been there because the global means are causing it to grow, right? We believe the market's growing and we believe that piece is growing and our trick is grow faster than the market growth. So things like the marketing segment station studies that we've done, the metrics that we do from a sales efficiency standpoint, all those things and customer education type items are designed to help grow faster.
Question:	(Antony Mulder) And are these relatively new so that we will see a step up in that conversion rate?

Elton Potts: You know, in this economy, that's a great question if we'll see a step up in the conversion rate. These things are relatively new. They've been largely in the past 12/18 months.

Question: (Russell Shaw, Macquarie) Just two questions. Firstly, you guys have spoken about replicating your business model pretty much across the globe, can you maybe then give us some more detail about some of the cost [bouts] on the North American side and why that was specific to that market?

Then secondly, your competitor in the space is pretty thin I guess as well as slightly divergent strategies here in terms of growing by acquisition, whereas Recall seems to be focussed more on organic growth. I mean if this is a scale argument, is there that opportunity to grow more by acquisition in the future?

Elton Potts: Yes, you can grow by acquisition, but you have to be able to integrate it and do it well and do it in a way that it's additive and positive to your customers. The market certainly was commanding very high prices for acquisitions and so the question becomes, are you getting a return on that versus what you can do by growing on your own, growing organically.

For that reason - for both those reasons, making sure you can integrate it well and the relative price that you pay. We spent more time focussed on doing it ourselves than doing a lot of acquisition.

Now North America; a couple of things there. We've been more impacted by paper in North America than anywhere else, largely because the financial institution issues are hit there hard and hit there early and are still maintaining there. And we've also given the geographic spread, it's been a bit more of a challenge for us in making sure we get the right disciplines and local management in place. We've taken some time with that but we've made some very good progress and I like where we're headed.

Question: [Inaudible].

Elton Potts: So in North America we spent some time, gosh a little over a year ago, making sure that any legacy issues were all cleaned up, that we were solid there from that standpoint. We have also worked on doing as better a job of controlling our direct costs. Those were not being controlled [inaudible] they should have been. Whether it was labour, which we've made great progress on, transportation, I'll call it good progress, repairs and maintenance - first it was spend more to make sure we're repairing and maintaining properly and then it's controlling. And then the last piece of that is making sure that the capacity utilisation and the facilities are what they should be.

So we've spent a lot of time and effort upgrading from that standpoint.

End of Transcript

Start of Transcript

Tom Gorman: Well good morning everyone. I think we're okay for the webcast. So we're good to go? Is that okay? Thumbs up; I think that's a good sign in any language. Well good morning everyone and thank you very much. Maybe we can just turn that down just a little bit? I appreciate that.

Number one: thank you for coming back after a long day yesterday. I know many of you had a long travel in, whether it's coming from Australia or elsewhere in Europe or North America. So I greatly appreciate you making the time for us today. In many ways, this is a big day for me personally because in some ways it is sort of my coming out to you.

I've now been with Brambles in CHEP for just a shade over a year. And it's a very important day for me to able to share with you a business that I'm very excited about. Also, more importantly, it's really to showcase what I think is a really good team running a really good little business inside the Brambles empire.

Hopefully over the next seven hours – and yes, I did say seven – we will at least keep you engaged in the business; and give you an opportunity to hear from the executives that run the European team, run the European business; and share with you our passion, our excitement, for the business that we're in; and then also to answer your questions throughout the day.

I might just start with a couple of things just first up, because Zero Harm and safety is very important to us. In the event of an emergency – I'm sure that we won't have any today – you can see there is really only one exit door here. So we'll go out that door, immediately to your right, leave the hotel, and we'll be in the front of the hotel. Then the hotel staff will take care of us from there.

In terms of restrooms, I think everyone found them yesterday, but again they're out to the right. One of our guys didn't know between senores and senoras, but we clarified that for him last night. ES is the men; AS is the female. We'll just leave it at that.

I apologise if any women in the crowd bump into James in the lady's room. We'll just leave it at that.

So I think in terms of general housekeeping, that's really it. Just as we're starting, I would just like to introduce my entire team. We have 11 different presenters today. Partly the reason we wanted to do that is to keep it lively for you and to see all of the different folks, and they'll talk about their specific parts of the business.

Obviously I'm Tom Gorman. James McCarthy is here. James will be speaking next, but James is the CFO of EMEA. So James is – I'll introduce all these guys a little more specifically later. Peter Mackie – it was pointed out yesterday that Pete runs Europe for us. James Dinsdale – not withstanding his lack of Spanish capabilities, James is in charge of strategy for us.

Christophe Loiseau, who will be presenting on growth, runs essentially Western Europe and strategic marketing. Carmelo Alonso is responsible for all our operations. So everything that has to do with plant, logistics, quality, purchasing, Carmelo is responsible there. John Riley is the Vice President of Strategic Marketing within the European team.

Nigel Branch runs Germany. Nigel is with us. Laurent Le Mercier runs Poland. So we'll talk about Germany and Poland because those are the two growth markets that we highlight fairly frequently. Toby Black is our Vice President of Logistics. Enrique Garcia is here also. He's the Director of Central Planning. He'll take you through how we plan our network, which is a fascinating review.

And Laura Nador – you're not going to hear from Laura today, but she is really our host. Laura runs Iberia for us. She knows the most about this marketplace, so please spend some time with Laura. And then last but not least from the EMEA team is Rob Hutchison. Rob is the Director of Communications for us and he looks after a lot of the presentations that we do.

You'll notice that we're kind of crowded on this side of the room. We did that deliberately so that we can actually talk to you a lot more easily from this side of the stage. That's my team. I thought I would also just start with a little bit of the purpose of the day and what we would like to accomplish.

First of all, we want to be as transparent as we can in discussing our business with you and presenting our business. But in addition, in responding to your questions, the only thing that I would ask you to respect within that is there's a difference between what is transparent and then what's proprietary information for us. We take that very seriously.

The reason we take it so seriously is that we have both competitors and customers in the marketplace that obviously read all the stuff that you guys produce. And we have to strike the right balance of being as open as we can to the investment community, but at the same time not giving an advantage to any of our competitors.

You'll see this specifically later when we go through growth and we talk about geographic expansion in Europe. It might seem a tad duplicitous that we're going to show you we want to expand, but then we're not going to name the countries. And you're going to – I think there might be some frustration there. But the real message that we're trying to deliver is the process that we bring and the discipline that we bring to geographic expansion.

It's my view personally – and I think the team's view – that by showing our cards as to where we want to go, I think that creates some unique opportunities for our competitors, and we would rather not do that right now. As soon as we're in markets and we're up and running, obviously we'll share that with you. We have a good bunch of people here. I think you'll get that sense.

We have a good mix of folks that have a lot of corporate experience outside of Brambles. And then you'll see some guys that have been around for sort of 18 or 19 years with the

Brambles CHEP team. So you get a good mix of both relatively new folks – myself probably one of the newest – and then guys that have been around for quite some period of time.

There will be some challenges over the next seven hours, one of which is language diversity. We're all going to speak English. It may not sound that way to you. Everyone is fluent in English but we all speak with different accents.

So obviously you'll hear an American accent, you'll hear a British accent, you'll hear French, you'll hear Spanish, and you'll hear Irish. I guess we can call that an accent, James. I'm not sure what James says, to be honest with you. Mostly he speaks in numbers, and I think that's a universal language, so we'll leave it at that.

We also have quite a few acronyms. We have given you these little cards that we've printed them so small that they're actually of little value to you now. But if you can read them, what you'll find is that we really didn't define them; we just told you what the letters stand for.

So it's the challenge for the team – we want to speak in our language. And the reason we want to do that is because that's how we run our business. The more we can get you familiar with our own language, I think the more you will learn about our business. So we've sort of defined what they are, but we haven't explained them.

So through the course of the day, we will explain all of the acronyms that we use; and there are quite a few on that small piece of paper. Because it is a very long day, I would really encourage you to move around. We have quite a few breaks planned in the day.

But if at any point in time you feel the need to stand up and stretch and do whatever it is you need to do, we won't be offended; please do that. If you need a comfort break, please just get up and leave. You have hard copies of all the material. If there's something that you think you missed while you were out, we can cover it in the Q&A later or individually.

So it really is to make sure you keep your energy up. It's our job to keep you interested in what we're talking about. But it is a long day. The lighting is – there's sort of mood lighting in here. I think it's just important that you stay engaged. Whatever you need to do, please – no-one on the stage will be offended, and we'll understand that directly.

The last point I would like to make is just the difference between EMEA – which is Europe, Middle East and Africa – and Europe. This really is a European day. I'm the Group President for EMEA. And James is the CFO for EMEA. So just James and I will talk on EMEA in total. So that's the only time we're going to talk about the entire group.

The fundamental difference in the group is really South Africa is a fairly sizable business. So that moves the numbers somewhat within a total EMEA perspective. But the rest of the day is really going to focus on Europe only. So we'll try to make that as clear as we can. And there are a few slides that James has where you'll see EMEA overall and then we give some European details. That confusion should go away pretty quickly because the vast majority of the day is focusing only on Europe.

So with that introduction, I'll just get going here. How we're going to run the day is I'll just do a few touch points on how we run EMEA; so that's for me. Then James will come up with a metrics review. So he's actually going to explain to you how our business is organised, what the key drivers are.

Yesterday there were quite a few questions around KPIs. So we're going to talk to you about our KPIs and what we use on a daily, weekly, monthly, quarterly, annually basis to keep an eye on how our business is tracking. Then we're going to take the first break of the day. As I said, we're going to have quite a few breaks.

Then Peter will come up really and start the European flow. Pete will do a good overview on what's going on in Europe, and then we'll shift right into growth. And we have numerous presenters on growth. And I've introduced them all to you. They'll reintroduce themselves.

And then probably in that growth section, because it's about two hours, we'll probably take a break midway through. We'll judge on how the energy level is. Then at the end of growth we'll break for lunch. Immediately after that, we'll focus on customer satisfaction. And John will walk us through all of the work that we're doing on what we refer to as listening and responding; so understanding what our customers want and how we deliver that.

A short break after that; then we'll move into cost performance. Carmelo and his team will go through the basic building blocks of our operation: so plant costs, logistics costs, our plant network optimisation. All that will be covered there. Then I will come back at the end of the day and we'll wrap up.

After each presenter, we've allowed time for Q&A. So if you're not comfortable just sort of interrupting in the midst, after every presenter there will be Q&A time. We'll try to keep that disciplined. And then at the end of the day obviously it can be a free for all. So we'll go from there.

Again, I'll just start similar to what Elton did yesterday; just give you an overview of how the team is organised. I've sort of introduced the guys already. It's a classic group structure. Obviously I'm the Group President. We have really two major operating heads. So Peter runs Europe.

Jurie Welman, who is not here today, runs the Middle East and Africa. You know, but the European piece is the vast majority of EMEA. We have a nice little business in South Africa and an emerging business in the Middle East. I'm sure we'll get to talk about that at some point in the future.

And then we have four, if you will, functional heads underneath. They all report to me. So we have Andy Suddons, who worries about HR. James is the CFO. James Dinsdale, who is here, who is the Senior Vice President for Strategic Planning. Then we have a lawyer as well.

There's one additional individual that is not shown here, and Mike alluded to this yesterday. But I also have Brambles or CHEP Global responsibility for product and process technology. So Matt Phelps – some of you might know Matt. He resides in Orlando. He oversees all product and process throughout the CHEP world, and he also reports to me.

In total there are eight of us within the EMEA leadership structure. We refer to ourselves as the G8. I guess we're hoping to get invited to Davos some year. But nevertheless that's our team. A quick introduction – I think probably some of you know my background. I've only been now at Brambles for one year – it has been a great year – after about almost 21 years at Ford.

I'm an American. I've lived and worked in Europe. This is my second tour of duty in Europe. I've lived and worked in Australia. Obviously I've lived and worked in North America, and have lived and worked in South America as well. So I've been around a bit. Peter will introduce himself later. In general, I would say in the leadership team we're 46, plus or minus 2 or 3. Age-wise you'll see that – I guess I'm middle-aged if I ask my son – we're all sort of in our mid-40s.

The rest of the team: James McCarthy you'll hear from today. James Dinsdale you'll hear from today. The two guys at the bottom we didn't bring along. People is very important for us. I'll talk about people at the end of the day. But Andy Suddons is in charge of all of our HR function within EMEA. Giuseppe, ex-GE guy, has been with us for about five years. He oversees all of our legal involvement in the EMEA group.

When I first arrived here a year ago, one of the things that I wanted to do was just to try to set some priorities for the team and get ourselves organised. Whenever you come into a new environment, I think it's really important that you take an assessment early on. And I tried to do that really within the first three months, the first hundred days.

At the end of that period, Mike invited me to come to the Board of Directors and sort of give my view on a quick assessment of my take on the business, particularly in Europe but EMEA-wide. There are a couple of things that I've tried to emphasise. And I thought I would just share them with you so you can get a sense of how I approach business.

I think that as a team we're pretty well-aligned around this. None of this is going to come as a surprise to you. It's really just away for me to introduce myself to you. There are four things that I tend to think are critically important. Again, this is sort of business 101.

First and foremost, we wanted to define the priorities. As you'll see later, this dovetails in very nicely with the strategy house that Brambles has. It coordinates well; it supports well what Brambles wants to achieve. And in the same way that Elton spoke yesterday, we went off and defined these priorities when I arrived.

Again, these wouldn't and shouldn't surprise you. Customer satisfaction and quality is a big one for us. Being cost-competitive, growing the business, and looking after people. So the first thing we did was to define the priorities. The second thing we did was really to organise ourselves to deliver against those priorities. And I'll talk about the organisational change that we instituted soon after I arrived.

The third bit, which is maybe a little bit unique, because of my background I'm a strong believer in rhythm in a business. A business has to have a pulse; it has to have a cadence; it needs to have a rhythm. I think what we've done over the last nine months is really instituted – with Peter's great leadership, I have to say, in Europe – a very disciplined business rhythm now.

So there's a monthly rhythm of market reviews. There's a monthly rhythm of our operations. There's a monthly rhythm of reviews with Mike. And obviously quarterly we do things in sort of a higher level wrap-up. So there's a rhythm to the business today.

I'm very proud of what we've done on that. That's a key to understanding and making sure we can see the warning signs when they're in front of us or the opportunities when they're in front of us. I think we've done a fairly good job of that over the last nine months of so.

Then the last bit is really to get the right metrics in place. I think those of you that have been following CHEP for a while will know that CHEP is a data-rich organisation. We are incredibly data-rich. I think the challenge for leadership is to take that data and put it into information.

I think, again, I'm pretty proud of what we've done over the last six to nine months in really taking all that data and making it information that allows management to drive the business more aggressively. So what I would like to do now is I'll just walk you through a little bit of these and give you a sense of what each of these really means.

So this is what we did organisationally. And I've seen some of your write-ups talking about the organisational change in Europe. I think I'll just cover this off quite simply. We really moved from a very functional orientation. So if you can look at this chart – you can probably see it better on the papers in front of you.

You will see that there were quite a few individuals that really had customer responsibility, but I would argue in some ways were quite removed from the customer. So you had a Senior Vice President for Customer Service. You had a Senior Vice President for D Sales. You had a Senior Vice President for Containers. And we had a Senior Vice President for Asset Management. So we had all of these people at a very senior level.

To my view – and I think to the team's view as well – we really weren't close enough to the customer. So what we did was really, again, very simple. We went from a functional orientation to very much a market orientation. So the things that need to remain centralised are still centralised. So HR is still centralised, finance is still centralised, all of the supply chain stuff is centralised.

So in Laura's case – she runs Iberia – she doesn't tell the team what to do with our plants and our logistics. That is still run centrally by Carmelo. So we've centralised the back shop, if you will, and we've decentralised getting as close to the customer as we possibly can.

Again, this isn't brain surgery here; this is basic. You have choices on how you organise your business. Given where we are in our own growth as an enterprise, it's better for us to be closer to the customer today. I think, as you all know, organisations are sort of living, breathing things, and they change with time.

But we've had this structure now for a year. I think it has done a very, very good job in terms of getting us closer to the customer. We'll probably make minor tweaks in it as we go forward. But we've put a great team of people in place. And now what we have is a common set of functions at the top that remain central within Europe.

And we now have Country General Managers. That's what CGM is. And we have CGMs in each of our countries today. As I said, Christophe really looks after Western Europe. And then our two biggest markets, which are Iberia, the UK and Ireland, report directly to the President, in this case which is Peter.

And then we treat the automotive business as a separate enterprise because of the unique characteristics of that business. And those three businesses then report directly to Peter. But all of the other countries, if you will, report to Christophe. So that's the change we made.

I also saw in some write-ups that there was some concern about the new structure adding to the fixed cost in Europe. Really, that isn't entirely accurate. We have put some more people in the market. If you take Poland for example, we've tripled the number of people in Poland. So we gone from – I think we had nine. Now we have 30, directionally. So we put more people there. But from a leadership standpoint, all of those senior vice president jobs have been eliminated.

So what we tried to do is destructure ourselves so the cost of the organisation from the senior level – there are no more senior people within EMEA than there were a year ago, but we have rearranged the jobs. And we have put more people in certain markets, at the same time as taking people out of other areas and trying to fund our growth. So that's what we've done organisationally.

Then the second thing is really to get the priorities straight. These, again, are pretty obvious, but I'll just cover them off very quickly. Profitable growth is all about creating value for existing and new customers. It's pretty basic stuff. Growth is still very important to us.

And I recognise that in the present economic environment talking about growth is not popular anymore. But what I want you to understand is that this isn't growth at any cost. This is meant to be profitable growth for us, and it's one of the four key priorities that we have as a business.

In any time period, in any year, in any number of years, things get emphasised in different ways. So clearly today, in a more challenging economic environment, while we're still feeding growth – and you'll hear a lot about it today – cost is critically important to us as well, and I'll talk about that in a second.

The second priority really is around customer satisfaction and quality. What this is all about is delivering value for money in a collaborative way with our customers. And you'll hear from Carmelo today about product quality. You'll hear from John today about the service interface and the ease of doing business, listening and responding. So we'll talk to you quite a bit about that today.

Cost competitiveness is very, very important to us. Obviously with my automotive background I am aware that cost drives success in a lot of businesses. You'll hear from Carmelo all the great work that he does to drive efficiency year in and year out. And for me, that's not unlike my automotive experience.

Every year Carmelo is tasked to find between 3% and 5% of efficiencies against his total cost base. And what do we do with that? Well, you take those efficiencies. That helps offset inflationary pressure. It helps offset improvements in your business to further meet customer demands as they increase over time. And again, Carmelo will walk you through that later today.

And then last but not least is people. The best thing I can do for you on the people front today is to show you the people. So that's why we're going to have so many speakers and you'll get a chance to ask your questions both today, later this afternoon, tomorrow on the site visit, whenever you get a chance.

I will tell you that people, again, is about attracting, retaining and motivating good people. I think we have a really strong team here and I think you'll see that throughout the day. Then that brings me back to the last slide, which I think really closes the loop here, which is we are entirely consistent with the Brambles strategy.

In fact, I had the honour of being part of Mike's ELT. And when we came together as an ELT really very early on in my tenure here, we talked about what the priorities should be. And again, as Elton showed yesterday and I showed today, the specific priorities that we have within our region – we might emphasise things slightly differently, but we're entirely consistent.

It is about customer satisfaction and quality. It is about operational excellence, driving costs out of the business, meeting our customer requirements. It is about growth. And it is underpinned with people and good systems. You'll hear more about systems today, I think, when John Riley talks to you about what we're doing to e-enable our business.

So with that, that's what I wanted to say in terms of an introduction. I don't know if there are any questions now, but we said we would stop at every presenter. So if you have any specific questions, I'm happy to take them now. If not, we'll jump into the metrics review. I'll take the silence to mean that we're okay to proceed.

With that, I would like to introduce our next presenter, which is James McCarthy. James has the responsibility as CFO of EMEA, which also includes looking after the financial responsibilities within Europe.

James McCarthy: Good morning everybody again and welcome. Thank you, Tom, for the introduction. You'll have seen on the chart that I'm relatively new to CHEP. I've only been here just a year. I'm still learning my way into the business. Hopefully I also have a bit of an external perspective.

So I'm all for the one-on-ones. As we chat outside, maybe I can give you some perspectives as a fairly fresh pair of eyes. I've come from the last 20 years with Unilever and ICI, so I know a little bit more about the customer base. For the last 20 years, I worked in the UK, Netherlands and then Switzerland. Apparently I've still got a hint of an Irish accent, so bear with the accent.

I would like to cover a couple of things with you in the next 20 minutes or so. I would just like to set a quick context for CHEP India within the overall Brambles group; just covering the relative size, where we do business, and the products and customers. The main part really to take is some of the key metrics; what are we looking at on a monthly basis. And finally, just to cover some of the overall performance trends.

This is a slide you have probably seen before. I think we used it in our Understanding CHEP series. If we look at CHEP EMEA in the middle here, we're 45% of sales of the total CHEP business, 42% of operating profit, and 41% of cash flow based on the Full Year 2008 numbers. If you look in terms of the total Brambles group as a reference, CHEP EMEA is about 38% of the total group.

EMEA operates in around 40 countries. There's a very broad geographic base. Here we see how the revenue splits across the major countries in the region. The UK and Ireland is the largest country grouping. We run that as one country, politics aside for a second. It has got 28% of total revenue; followed by Iberia, with Spain and Portugal, which is 23%. France is 14% of the business. Germany is 8%. South Africa is 7% total revenue.

The other countries here are the 20%. There are some sizeable chunks in there. The Benelux, for example, is a big business for us at 7% of total revenue. We've got Italy, which is 5% of total revenue. Contained in there also would be the emerging markets – so Poland for example – some of the really fast-growing businesses, which we will talk about later.

In addition to a fairly broad geographic scope, EMEA has a broad number of different product offerings. Some of this was covered yesterday in Mike's presentation. But you see here, if we look on a percentage basis, the 1208 pallet, the Euro pallet, is 35% of the business. That's the bigger grouping. And the 1210 is at 33%.

Now, we've included South Africa in here because it's the same size; it's not exactly the same style of pallet, but it's just to give you an indication here. The automotive business of EMEA is pretty much the automotive business for the whole of Brambles. It's 9%, so a major part of it. The RPC business is 7%. And the other segment here includes things like display pallets, half pallets. We've got bits of [IBC] business [inaudible]…

We have a very, very large customer base. It's staggering as a new person to come in really. The numbers are quite impressive. We deal with a whole range of customers, from the who's who of the FCMG world and the who's who of the auto manufacturing world, right down to small local businesses. It's a massive range of customers.

So the portfolio is very fragmented. No individual customer accounts for more than 4% of total sales. As you see from the data arranged here, even if you take the top 20, you get to 26%; in the top 100 the number is 50% of total revenue. So the 80/20 rule doesn't always work where there's a very, very broad customer base.

So moving on to the key measures, this summary P&L structure, you see it in our investor's pack. This kind of captures the main elements of our business. So for each of the major PNL lines, I just wanted to talk you through the kinds of things we're looking at when we look at the KPIs in the business.

If we start with revenue, the objective here is to continue to add new customers in a sustainable and profitable way. For this, we look at some of the key measures as follows, starting with new business. We use a standard software tool across the whole business to manage the new business pipeline. You will have seen some of this yesterday in the Recall presentation. You saw some slides on the funnel. This is a standard Miller Heiman approach which we use across our business.

What we're looking for really is the shape of the funnel. So really, what's the size of the business you have at a universe stage? How many opportunities are you looking at? That can be up to 20% to 30% of annual revenue. All the way through to what's called best few, which is business that's signed. We manage all of that on a monthly basis by country. We've started a regular review.

Then we have a pricing model, which is also a standard tool we use across all our businesses. And this is very, very important for us for evaluating opportunities because it gives us a very clear understanding of cost. And this is a conversation we can take to our customers, so we can ensure we're creating the right solutions and the right value for customers and for CHEP.

The [unclear] item is net wins. This is a number that is mentioned in our results. Mike mentioned it yesterday for the $40 million figure for Europe that we talked about yesterday. This refers to the value of new wins invoiced in the period. We monitor this for 12 months. So we monitor the life of the win for 12 months, and after 12 months it becomes part of organic. So it's a pretty simple metric. Again, we follow this on a regular basis.

Organic volume is really the bit that's left when you strip out the impact of wins and losses. Broadly speaking, I would say the organic volume in the pallet business is kind of a GDP business; and an RPC, which is a smaller business but still a GDP-type business.

That has been pretty much our experience, although GDP is a fairly volatile number at the moment, as you can imagine. Of course, we have an automotive business which is very sector-specific. That has been a very challenging business over the last six months or so.

And finally, revenue per issue – revenue per issue really is our headline measure of price. It's really more meaningful if you look within homogenous business models. So you really need to look at it say within an exchange system like the UK, or look within a one-way trip model.

It's obviously less relevant when you start aggregating at a total business level. If you add RPCs, for example, into pallets, it becomes less meaningful. Also, within this measure are the number of issues, which is our closest proxy to volume measure of the number of pallet issues.

Moving on to the cost lines, so starting with transport costs. The objective in transport really is to minimise the distance travelled, while offering customers excellent service at the lowest possible cost. The key measures here include the unit cost of delivery and the unit cost of collection. So this is very simply the cost per pallet of each collection and each delivery. And we have that on a standard basis right across the whole network, in fact globally across the network.

The relocation cost – we focus here on the number of relocations we need to make as a percentage of issues. This is plant to plant relocation, which for us is something we are trying to avoid. We like to take pallets and issue them directly to customers, not from one of our plants to another. So this is a measure of, if you like, network efficiency.

And then we – the fourth bullet point is transportation ratios. This measures what percentage of collection we are making on CHEP-managed transport. In general, we favour using CHEP-managed transport because we believe it gives us more control over deliveries – and that includes asset control – and it improves customer service.

And this is a metric that's around the mid 80s. So around mid 80% of collections were done on CHEP-managed transport. And this has come up from somewhere around the 60% in the last few years. So there has been substantial progress here in getting much more of the transport under CHEP control. I think we're starting to see the benefit of that in our control ratio, which I'll show you some numbers on later on.

Sorry, I skipped the last one on customer service. We have a fairly extensive suite of customer service metrics. Two of the main ones are typically on-time and full type measures in terms of issues to customers, and in terms of collection from customers. Are we collecting in line with the promise, the agreed collection time? Are we issuing in line with the agreed delivery time? And these are consistently in the high 90s. These metrics have been consistent for a good period of time.

Just finally on the graph, this is the total transport costs. This is for Europe. You see the data points here over history. The last data point here is the first half of FY09. And here you see a little bit of an increase in costs, about 1.5%. We talked about this at the half year. The main driver of this was extra relocation costs, from the UK predominantly.

We talked yesterday about the trade-off between capex and opex; the fact that we're relocating pallets rather than buying new pallets. This is really where you see it in action for the first half of the year. This $12 million of extra opex is around 2 million pallets relocated. I mean if you buy $2 million 12x10s it's around $40 million of capex, so you get a sense of the trade-off we're making here.

Moving on to plant costs, the primary objective here is to run the most efficient inspection and repair operation that we can. And we'll see more of this later from Carmelo. Really, we look at things like the damage ratio, which you probably are familiar with.

Across the European network, these have been stable over a long period of time. You have really two different pools here. The exchange pool is around the 40% damage ratio. The [unclear] are under 25% damage ratio. That's consistent over a period of time.

If we look at the cost per inspection, which is simply the total inspection cost divided by the number of pallets coming into the service centre; and we look at the cost per repair, which is the total cost per repair divided by the total number of pallets to be repaired. The cost for inspection is in the order of around 50 cents. Repair is in the order of $2.50 to $3.00, just to give you an idea of magnitude.

Plant stock coverage is just really what it says. It just really is a measure of how much [unclear] stock; so how much repair pallets we have as a percentage of days' demands, so we look at it in terms of days. And customer complaints is really just the measure of complaints we get from customers as a percentage of total issues. And Carmelo will get into that in a little bit more detail later on.

If we look at the plant trend costs over the last few years, you see it has been stable to improving. I think that's a pretty impressive performance really. That's just really the cumulative effect of just a continued efficiency program over that period of time.

And the main driver of depreciation, not surprisingly in our business, is the depreciation of hire stock purchase. As you will have seen in the Understanding CHEP series, we're now looking at capex really split between growth capex and replacement capex. This really enables us to monitor if we're buying efficiently and if we're buying to our plan. So this is the key way of looking at how we buy capex.

Of course, it follows that the price of timber for pallets and plastic for RPCs are key drivers. We also monitor cycle times. I think in the example Liz used yesterday on some of the modelling, the cycle time is obviously very, very sensitive to the value of this business. It also has an impact in terms of our purchase requirements.

And I've repeated here pallet stock cover because that's also a part of the equation in terms of buying pallets in the short term going forward. And in summary from the data, the box you see, which is the new equipment ratio – really following on from what I said about some of the opex trade-off, you see how the new capital purchase ratio fell in the first half of FY09.

Our friend IPEP. IPEP really stands for the Irrecoverable Pooling Equipment Provision. We did quite a lot of work in January in the Understanding CHEP series on IPEP, and I don't plan to go into the theory of it here. But it suffices to say that it reflects the cost to CHEP of pallets deemed irrecoverable.

Our primary focus in this area is to improve our asset control and minimise the cost to CHEP. To achieve this, we're looking at a number of things. We're looking at the control ratio, which is very simply the number of pallets returned as a percentage of the number of pallets issued. So in other words, how many we get back versus how many we've sent out in the first place.

This is affected by growth or de-stocking, which is what we've seen in some recent months. So we also have a growth-adjusted version of this. We also look at a version of the control ratio with growth effects taken out. Then we derive from that a leakage ratio, which estimates the number of pallets that have leaked from the pool in any given period.

And really overarching this is a fairly extensive audit program, at both initials and distributors. That helps us to reconcile account balances, keep accounts up-to-date, and really deal with any losses as they arise. If you look at the control ratio chart here, we see significant progress and clear directional change.

Some of this will be a slowing down in activity, of that I'm sure. But also, I think there was a lot of good work coming through here in the control ratio; through better control, better audit coverage, and I think better transport management. So we see this going through in the control ratio.

I just wanted to give you a quick summary here of the key metrics for CHEP Global compared with CHEP EMEA. I guess, not surprisingly, they're broadly in line, given that CHEP EMEA is 45% of the total business. The key difference really is on the operating expense line, where CHEP is 3 points higher than the average. That's mainly driven by overhead costs within that opex line. That really is the difference that flows through at the margin level.

I guess the main reason structurally is EMEA is a more complex business in that it covers so many different countries, and obviously languages et cetera. But we've put a hell of a lot of focus on this area, and particularly in the different trading environment we're in at the moment.

CHEP is a fairly considerable piece of the Brambles restructure that was announced. We're very advanced in that program, so we're making very good progress. I think it's very important for us to keep attacking costs. We've also made some very substantial in-roads into our discretionary costs in the last six months. So there's a very, very high cost focus.

And I think, on average over time, EMEA should be able to hit overhead levels which are at the average of the group. That should be within our reach over a number of years. Just finally, to leave you with a summary of the underlying profit and cash flow trends over the last number of years, I think it really shows that this is a robust business, delivering decent profit but consistent profit, and also consistent cash flow.

There was $1.3 billion of cumulative cash flow over the last four years. We haven't seen it here on the chart, but in the second half we had a $72 million lower capex, so again just underlying the fact that we're making capex/opex trade-offs. It is coming through in a higher cash number, and a lot of that you saw in the first half of FY09. I think it's just a really good way to end the piece; you know, it's a really consistent performance.

Tom Gorman: I think what we'll probably do here, if there are any questions, between James and I we'll probably just answer them on this section. So if are there any questions specifically relating to EMEA or to metrics or to the business, we'll do our best to [inaudible].

Question: (Phil Campbell, Citigroup) Just a quick question for James on the overhead costs on the slide you just showed. I'm just wondering, when you do your benchmarking, if you're looking at some of maybe your smaller competitors, do you have any feel for what their kind of overhead costs are as a percentage of sales? Because obviously you're trying to get to the 16%, but is the 16% a good number or could that actually be lower?

James McCarthy: I think we've done a couple of things. We've got a lot of debt ourselves. So with the new structure particularly going into country mode, we've done a lot of benchmarking within CHEP, just to see where there are opportunities. On the competitor side, I think we don't know enough truthfully. I don't think we have a very, very good view on the real cost base of some of our competitors to benchmark with. I think it's certainly something that we need to spend more time on.

Tom Gorman: I think there are probably a couple of things to be said there. The benchmarking thing is really important to us. If you look at the US overheads, they're significantly lower than EMEA. But the complexity of the business there is quite different. They're really one product in one country.

You know, those that don't work in Europe can sometimes simplify Europe to be the United States of Europe; well it's not that. And those that have spent their whole life in Europe overcomplicate it. So in between the two extremes lies the truth. And what I think we're trying to get to is what is a level that can be much more efficient than where we are today.

And there are two pieces to that decline. One is the restructuring that we're in the midst of. And when it all settles and we've communicated with all of our people, you'll see that that's going to take some percentage of that [unclear] in and of itself.

So the first step is take costs out and drive your overheads down. That will be accomplished. The second bit then is to get growth without adding to the overhead. So we can see ourselves – you know, when normal levels of growth return for us, if we're disciplined about keeping our overheads down, I think that 15% to 16% is clearly within the line of sight within the next couple of years.

The restructuring is the first step. It's a difficult, challenging step, but we're committed to it; and as James said, we're well on our way to completion. And then the next bit is the discipline to get the growth without adding to the overhead. And I think, personally, 15% to 16% is about where we should be.

The US, again, is still lower than that, but it's a one-product business. If you look at our South African numbers, they're a little bit higher than that on the base of the business that he has. But he also has a complex business with multiple product offerings.

Question: (Cameron McDonald, Deutsche Bank) Just Tom, just going back to the start, you outlined the business priorities and what you are managing the business to. When you first got the role, can you talk about the areas that you reviewed and where the business sat relative to those priorities that you've outlined? How much of a gap is there between where you're at now relative to where you want to be? And how long is it going to be to actually close that gap, and how are you going to do that?

Tom Gorman: I understand your question. I think it would be important first to say that when I first arrived, I actually found a business that was well-run and in pretty good shape. I think that there was a little bit of a public feel on the European business specifically that it probably had a lot of challenges in it. And I think some of that comes from years old worth of baggage.

You know, you can go back in history and find quite a few things that you could point your finger at and say well that was a sign of poor management, this, that or the other thing. But frankly, that's quite some time ago. And I think if you go back to some of those charts that James showed from 2002, you can see that in that period of 2, 3, 4 and 5 that the business really was in the process of doing some heavy lifting to fix itself; whether it was introducing new pricing methodologies or putting better controls in place.

A lot of the hard work, frankly, that a lot of these guys had done, they probably didn't get the credit that they deserved for that effort. And then I showed up and I sort of benefited from all that hard work. So the business, I thought, was in better shape than I might have been led to believe just by reading sort of the publicly available information.

I think what we lacked at the time, and I think what we have now, is we just really weren't organised properly for the tasks that we wanted to complete. We said that we wanted to grow the business but we weren't organised to grow. And look, I'm not Einstein here. The guys knew that. Then I was able to work with them to get the proper structure in place.

So the single biggest thing was getting a simple number of objectives, of which we have four that we're going to chase; and then align the business to deliver those objectives. I think probably, if I were to be critical of when I arrived, we had a lot of initiatives underway; and we've simplified that.

I think with my friend here we do a better job of saying no to things. He does a really good job of saying no. But I think that we have to stay focused on the key things that we want to get done. Virtually everybody in this room has a new job in the last year. So the organisation, even though some guys have been around for a long time, is a relatively young organisation. And I think we're still finding how to work with each other.

But I'll tell you what I told Mike. There are no red flags organisationally from my point of view. There is not one single person in a leadership role in EMEA that I would say is a red flag, meaning we have to move that person or they require some remedial help immediately. I don't think that's the case.

So I think we do have a good, solid team of people that are committed. We just had to organise them better and maybe get them focused on a couple of key things. I don't know – Peter do you want to opine on that, or do you have a point of view?

Peter Mackie: The most significant change we've seen in the last – well really since July – was the change in structure. I think the previous structure, the functional structure, actually served us extremely well during the period that some of you all know has fixed. The structure helped us put a number of standard processes in and get a lot of discipline into the business.

But we had sort of reached a period – I think just before Tom had arrived – where it was clear if we wanted to grow at the pace we wanted to grow at, then we needed to get closer to the market, as I think Tom mentioned earlier. I remember – I mean I was back in the business in 2002 when we changed to a functional structure. And it was a tough challenge putting it through.

This change now into a country structure has gone extremely smoothly, and we've put very high quality Country General Managers in place. That means we got off to a flying start. I think really the biggest challenge for us moving forward is keeping that momentum going on the growth, and especially on the focus on customer satisfaction and on cost.

Tom Gorman: When you look at people – and retention is one of the key things – you look at a metric called regretted quits. I mean every business does this. There are quits that you thank god they quit because you were going to have to fire them anyway. And then there are real regretted quits with people that were core to your business. And I would say that in the year that I've been here, we have not had one regretted quit at a leadership level that drives the business.

I think that that's a real credit to all the guys on this side of the room that we could go through so much turmoil – not turmoil, but so much change and churn – keep the business trajectory in the right direction, deal with a major downsizing and restructuring of our business, still satisfying customers and focusing on a couple of things.

I'm really pretty proud of what the team was able to accomplish. And now we're one year into it. That first year was about change. I think this year and the next year – so FY10 and FY11 for us – has to be about stability and delivery. I think we've done a great job getting to where we are, but from here on out it's really delivery. We have a question.

Unidentified Speaker: I have a question, just a clarification. Tom has mentioned the word restructuring a few times. What he's referring to there is the European piece. And we haven't quantified that because obviously some of Tom's people have not been advised of this yet. But it's the European or EMEA piece of the rationalisation and restructure of operations that we announced at the half year results...

Tom Gorman: Does that answer your question? I think there's another question.

Question: (Owen Mitchell, UBS) Just a quick question on the plant cost ratio. If you look at that slide where it has been coming down, how much of that do you think is as a result of that damage ratio dropping versus efficiency? What's the current trending of that?

James McCarthy: We haven't seen the damage ratio dropping. The damage ratio has been pretty stable over that period of time. So it's pretty much all efficiency, as I think you can see. I mean it's reasonably stable if you look at it over a period of time.

I think Tom mentioned that it's a lot of work just to stand still. You've got labour, inflation, timber price increases which we had just after the year [inaudible]. So really keeping that flat even is a fair achievement over that period of time. But it's not a damage ratio issue.

Tom Gorman: No, I mean we look at all of the – we call them the ABC metrics. We go through that. There's a book of metrics data that I get every month. We crawl through not every one of them to be honest, but there are probably ten key drivers. I think, like any set of data, trends are as important as any given absolute in a month.

So you want to look at the trends of plant costs. You want to look at the trends of damage ratio. And if you are seeing uptakes or reductions, you've got to dive into why that is. So if you're seeing a reduction, what are we fundamentally doing? If you're seeing an increase, where is that increase coming from? Is there a certain group of customers that are actually causing more damage on our pallets? Why are they doing that? Then you go back and work with them. So I think that the trends are very important.

In Carmelo's business, which he'll explain to you later, to me that feels like the automotive business because it feels like a plant op environment. Every year, Carmelo steps up to taking somewhere between 3% and 5%, depending on how good we are negotiating with him – sometimes it's 3%, sometimes it's 5%. But he steps up to that.

As James said, you've got to drive that cost out every year because there are inflationary pressures with labour, timber, fuel. Whatever the inflationary pressures might come, you've got to offset those. And that's his task. My experience is that we really have one of the best guys in the business doing that for us. So that's why it's able to stay stable [inaudible]. You know, there are a lot of things that you don't see that are offset just to keep us there.

Question: (Phil Campbell) Just focusing in on the plant costs, one thing I suppose I struggle with a little bit is that when I talk to a few of your competitors, or even a couple of the customers – and obviously the sample size is very small – the kind of pallet quality issue always seems to come up.

We have the kind of customer surveys that we talked about yesterday. They always seem to come back with 90% plus type satisfaction levels. I suppose when I look at what happened in the US, the plant cost ratio has gone up over 30% because of the pallet quality issue. I'm just wondering if there is a risk that we could see that happening in the European business.

Tom Gorman: Well look, I think that the businesses are quite different between Europe and the US. And probably it's better for us throughout the day to focus on the European business and try to draw a comparison. And I know that's important to you, so I think that if we explain the European business well you can then make your conclusions as you see fit.

Look, we're not ducking the fact that our customers are demanding more and more every year, from a service level standpoint and from a product quality standpoint. And we'll show you the data. If you flip ahead in the package, we're actually going to show you the TRIM data.

We're going to show you the Pareto from our customers. And it is the case in Europe that when you look at that Pareto, product quality, the quality of the pallet, is fairly low down in terms of customer issues that they raise with us, from both an E and a D perspective. And so we're happy to show you that data. That's why the vast majority of our energy is around the ease of doing business and listening and responding.

But I'll also tell you – and I think you would know this – as we fix those other issues, when you send a survey to a customer, the customer wants to give you feedback. I mean, think of yourself when you take a survey; you want to tell somebody what's wrong. So over time you may see a shift in those priorities from our customers.

But as we stand here today, we don't believe we have anywhere near the issue around product quality that we might have seen in some of the other markets around the world. I think Carmelo will get into that a little bit more in terms of how we – you'll see how we devise our pallet quality standards, what we do to keep an eye on our quality standards, how we track our damage ratios over time, and the feedback that we take from our customers.

So Carmelo is going to show you how we segment, and there's a whole series of things that we're going to talk to you about today. So maybe what I'll do is let's go through that, and then we'll see if that brings you a little bit closer to the answer that you're looking for by the end of the day. Is that fair Carmelo, do you think, to cover it that way?

Question: (Anthony Moulder, Credit Suisse) Just a question on transport. You mentioned that the proportion of CHEP-managed transport had increased from 60% to 80%. Given the focus by customers to reduce empty running, environmental sustainability, how is that working for the customers to reduce that empty running cost of their transport?

Tom Gorman: Well look, I mean we'll talk more about that in a lot more detail when the [unclear]. But a simple answer is that it absolutely moves in the right direction because prior to it, if the customer is responsible for their own transport, they didn't have as an efficient a view as we have.

I mean, the number of movements that we oversee on a daily basis, and our ability to see those flows and manage those flows, is really one of our core competitive advantages. And we'll explain that to you throughout the day. But I think the simple message is if you can move the take rate, if you will, from 60% to 80%, you must be delivering value to the customer or they wouldn't come to you.

I think that that's the easiest take-away: our ability to get more and more on CHEP-managed transport means that we're really driving a value story for the customer. Carmelo will also talk to you later today about what we're doing in sort of joint and collaborative efforts with certain customers.

We can touch on some of the things, although we won't share with you the name of the customers because they would want to keep it as a proprietary issue for themselves. We can tell you how we jointly work with customers now to resolve some of their transport issues as well. So I think it's a very positive sign.

Carmelo, do you agree with that assessment? Again, we'll go through it. Between Toby and Carmelo we'll cover that. Anything else? Well look, we're actually right on schedule. As I said, we were going to plan multiple breaks. We were going to take just a very short break now.

What we'll do is you can just grab your refreshment and your coffee. As I said, it's a short break. We'll come back and then we'll hand it to Peter. Then we'll really focus much more on the European effort for the balance of the day. So why don't we call it we'll be back in 15 minutes. It's now 9:30am, so at 9:45am we'll give it a go. Thank you.

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Christophe Loiseau: ...they probably spend little. In reality, they have a lot of indirect costs, but they don't see or don't recognise, but the question is how do you reveal that cost to them and how can you make them understand the real costs of what they are doing.

In another country like Poland, when you are studying from a wide page of paper you've got many, many companies you can talk to - you've got several thousand. How do you segment them? You are going to address first is the priority so Nigel will present on what we have been doing, [unclear] following Germany, Laurent will explain how we've been segmenting the customers in Poland. If you combine the two approaches together you've got a fairly clear view of what we've been changing on the market and how we've been progressing over the last year or year and a half.

One of the key elements for us to convert customers is to try to understand with them and come to an agreed view on what their costs are so that we can demonstrate the value we bring. So we've been developing a process which is called the value chain study and we have a team which is dedicated onto this.

That team has been centralised for use I think - has been decentralised into the market when we changed the organisation last year once the process has been established. The value chain is something which is very simple in theory. It's an assessment of the full costs associated with wide pallet exchange, but we are trying to assure the customer all the activities they do, directly or all the activities that are performed by their subcontractors and come to an agreed figure on what that costs because people don't always recognise the costs and don't always know. At the end of the day we can introduce the people – their real cost - with some sensitivity analysis; what happens if including [unclear] if you exchange from one year to another, but we can give them with their debtor and with the debtor of their transporter, a very strong view of what the costs are.

In the meantime what we do is we do what we call the network value map which is a very sophisticated software that we have developed over the last two years. So for a given customer we would start by defining whether they send pallets to or whether they've got pallets from, how does that work, who does what and we have a sort of sophisticated presentation and we can show the flows, the quantity, the activity and of course this is fitting the model, and seeing how much it costs and we can send the report in any way we want the customer. We can run scenario 1, or scenario 2 or scenario 3 and we can change [unclear]. What happens if you use another transporter? What happens if you make [unclear] in one plant and not in the other and so on and so forth.

So at the end of the day we can show the real person how to convert it.

So now I'm going to turn to Nigel who is going to show what we've been doing to our German customers, the better ways and what we've been doing after Nigel will hand over the Laurent, who will show how we've been segmenting Poland and both of them will present [unclear] I think they can be very proud of because we are growing in double digits in those two countries.

Nigel Branch: Thanks very much Christophe.

Good morning everybody. Most people have started off with a short introduction of themselves. I'd like to come to that in just a moment and you'll see as I go along I'll explain why.

Christophe has been talking in detail about white exchange and let me put of little bit of context on that particularly for Germany. EPAL has been mentioned on many occasions and EPAL of course is the key white exchange provider in Europe. I know from discussions with a few of you last evening and people were saying what is EPAL? Let's get our hands around it - what actually is this white exchange pool that's operating? So EPAL is without doubt our key competitor in Germany. This is a system in Germany which is not giving the best cost options for customers in Germany as you'll see potential customers and so is a key competitor for us where we can take market share on EPAL given the right circumstances.

EPAL actually was - it goes right back to the 1960s when the German railways in about 1968 set a standard UIC definition for pallets in Germany and then in the mid-1980s they actually sold the trademark that we see on the traditional euro pallet to EPAL. What EPAL is in effect is a trade organisation which actually has branches in 11 countries and the role of EPAL across Europe is to define specifications for an EPAL pallet and define how an exchange process should work and enforce that on a country by country basis.

EPAL is funded basically by membership fees and the fact that anybody that wants to manufacture a pallet to an EPAL standard has to pay a licensing fee to EPAL.

So it's a type of trade organisation, because of some of the good disciplines etc. over the years in Germany, that has been highly effective particularly in the German market.

So to put a little bit of context there on the white exchange that Christophe was talking about, this is what we're talking about that exists in the German market and the key competitor for us in the German marketplace.

Now when we talk about the 1208 German market what are we talking about? What actually is in for CHEP in terms of its expansion? If we look at the FMCG market the 1208 market in Germany is around about 140 million trips per annum. That's the potential in the FMCG market, so a clearly addressable market for CHEP. CHEP has about 7% of that market okay, so the opportunity for us is enormous. At the moment we're sitting on about 7% of about 140 million potential which is part of that 3.5 billion which Christophe mentioned in his presentation.

So coming back to myself very briefly, I've been, as some of you have probably read, 22 years with CHEP and I've moved around many countries in that time and I can tell you when I moved back to the UK a few years ago, I promised my family okay we've moved six times already, we don't move again. Then somebody came along and said hey you're a salesman, are you interested in a 129 million pallet opportunity? Who could say no? So I ended up here in Germany and delighted to do so because I'd like to talk through with you now a little bit about how we're beginning to convert the market in Germany and how we're building on what's been achieved in prior years in Germany.

Let me start that by just talking a little bit about the structure in Germany because it is a different structure - it is an unusual structure in the supply chain compared to other European markets.

First of all the transportation sector is very, very fragmented. There's about 40,000 to 60,000 separate transporters in Germany. Many of them one and two truck operations and family-owned. This is very different, in fact, from what we see in many of the other developed European countries. As you saw on the chart that Christophe put up earlier, the pallet problem in Germany to a large extent has fallen into the lap of the transporter and this is absolutely fundamental as we look to grow our business in Germany. How do we approach a market where many of the costs are being carried by the transporter and how do we actually sell the CHEP service into that market? That's what I'm going to talk about over the next 10 minutes or so.

There are, of course, in any country three PLs - logistic service providers - in Germany. Again, the market is somewhat more fragmented than in many countries. If you actually draw up a list of the top 20 LSP by about number three or four you're down to a business of less than 100 million euro. So it is more fragmented than it is in many other countries. You have DHL, you have [unclear] and some of the big names, but once you get down below those levels it tends to be a more fragmented and a more domestically run industry. What the LSPs are doing as they are in many countries is subcontracting the transporters, the 40,000 to 60,000 transports, and passing on the pallet and cost problems of the transporter.

The manufacturer in Germany, again is a little bit different from some of the other European countries because they really can define the rules of how they want pallets to operate to their LSP or their transporter. So they're passing off the responsibility if you like and this is pretty much how the system works. In Germany they're pretty satisfied with the quality of the EPAL pallet. I'm honest about what EPAL are doing well and what they're doing not so well and their quality is okay. There's not a huge opportunity for CHEP to come in on a quality basis because I would say both CHEP and EPAL are providing a reasonable quality of pallet with Germany.

The retailer in Germany is really in the position of retailers in most of Europe where you like where there's an existing viable white pallet exchange pool. Again the retail sector in Germany is a little bit fragmented. The top five retailers in Germany account for only 57% of the market. That's a little bit different from what we see with the high domination of some retailers in some European countries so they do have power, but perhaps not to the extent that they have power in other countries. They can certainly block if they don't want a particular type of pallet coming into their system. They can potentially benefit from the white exchange system if they outsource good quality pallets and use them for their own purposes downstream. So, if you like, these are the peculiarities and the special factors there in the German market.

We're aware of this issue in the German market where the transporters are really picking up a lot of the problems and responsibility of operating the exchange pool. What we've recognised some years ago was that we needed to really look closely at this and understand how are the costs distributed in the supply chain because traditionally our approach would be to go and sell value and sell a cost benefit to the player in the supply chain that's got the value and cost problem. Clearly we have to do that in Germany and what we identified for a study we did with market consultants is that if you look at this chart the costs in the supply chain are very heavily borne of the transporter end.

We've broken the costs into indirect and direct. A direct cost is one that you would essentially get an invoice for like repairing a pallet, the cost of a new pallet and the indirect cost is one like transportation, getting back to the exchange, waiting time of the vehicle, fuel costs and things of that sort. What you can see is that the costs weigh very, very heavily on the transporter - 70% of the costs picked up by the transporter and then quite a low percentage picked up further down the supply chain. Now we're not saying here that that is who actually pays, that's where the cost actually falls. So when we're providing a value and cost argument to the market, we need to be conscious that a lot of the costs and value that CHEP can bring will actually fall in the transporter sector and we have to tailor our approach accordingly and I'll discuss with you in a little while how we've done that.

If we then look at this in terms of the total average pallet cost which we found was about somewhere between three and four Euros for the average white exchange cost, you can see where those costs actually sit in terms of actual activity in the supply chain - the direct costs on quality, on recovery, on administration and on other areas.

Generally speaking, one of the issues we had in Germany was that when we approached manufacturers the manufacturer would feel they had a very, very low cost and it was absolutely our need to educate the manufacturer that much of that cost was passed to the transporter and that the transporter was the one bearing the costs that somehow they were invoicing back to the manufacturer either as a bundled transport fee or in the case of some transporters, just absorbing it and not actually recovering the money that they were spending and providing the service to the transporter.

So this has been absolutely critical in getting an understanding of where we are in the German supply chain, where the costs fall and when we actually go and sell a cost and value benefit, who is really going to see the cost and value benefit? So it's a different approach if you like, that we would perhaps take in other markets where the cost very clearly falls with and is being paid for by the emitter. So it was key for us to identify in the German supply chain that the costs were distributed in this way.

So this activity that we undertook over a period of two to three months we're now selling very, very strongly into the German market to deliver clearly the message there's direct and indirect costs where those costs are actually being borne in the marketplace.

So what are the activities that we're actually undertaking to do that? Well first of all we need to promote an awareness and we are promoting an awareness in the German market of this cost distribution in the supply chain. I mean it may be surprising to people, but what we find is when we go to manufacturers and when we go to transporters there is not an awareness of where the costs are sitting in the supply chain or pallet handling and pallet exchange. It's absolutely critical that those costs have to be understood by the relevant parties before we can actually sell a value and a costs case.

So this market study that we've undertaken we're engaging very strongly with the market to sell the outcomes of this study at trade association level, in publications in journals, through marketing activities and also building on what already is a feeling in the German market that there's significant problems with the while pallet exchange. Transporters know that they've got a problem. To some extent when we go and involve transporters we're knocking at an open door. What we often see when a customer is prepared to move from the white exchange option and take away those costs from the transporter to CHEP, the transporter is often prepared to offer something like $0.40 or $0.50 to the emitter because that's the costs that they're actually picking up in operating on a per trip basis - the white exchange pool. This is part, if you like, of the overall supply chain approach that we're taking.

The second area comes back really to what Christophe was talking about and the whole area of value trade. We're in a market in Germany where many of the key players readily acknowledge when we approach them that they cannot split out their pallet costs from their transportation costs. So we in the market have positioned ourselves as we are at experts in undertaking that analysis. We use what we call the value chain study and we offer that, if you like, as a free consultancy to substantial prospects in the market to enable them to really bring out their element of the pallet costs in the white exchange pool, how much is falling with the manufacturers and how much is falling with the transporters. We find that this service is highly valued in the German marketplace. We're undertaking a large number of value chain studies with significant manufacturers in the market and the outcomes are varied. If you go back to Christophe's [fan] what we find is there are some winners and there are some losers and the purpose of the value chain analysis, if you like, is that we have an independent value chain team that can very frankly give those results to the manufacturer. What we have to sell, in any selling process, is value and cost benefit. This is not a value and cost benefit because it's a white pallet winner. We give that information to the manufacturer and if there is value and benefits to sell then that comes out as part of the process and demonstrates that the prospect is a white pallet loser. We find that the value of these value chain analyses to the manufacturers is very well regarded in the German market. The professionalism of the approach that we use particularly in Germany is appreciated and if you like we're using as an absolutely key tool to drive forward our progress in the German market and really sell the values, benefits and cost benefit of CHEP in the German market.

So I think this whole approach of engaging the entire supply chain, if you like, has been highly effective. Organisationally as well in line with the other changes that were mentioned about a year or so ago. We also increased our team by about a net 14 people in Germany and what we actually did was we created what we call the LSP team with the very purpose of promoting these findings and promoting in the German market this real split of costs across the supply chain. We hired externally from a highly experienced LSP director obviously from an LSP in Germany with some 20 years experience in that sector and also we've engaged now a team of field people who are actually going out an actively visiting LSPs and transporters to engage them in selling process.

As Christophe mentioned we've also got in country a value chain team that is able to go out, undertake these value chains and sell them into the German market.

So, if you like, the understanding of the way costs are really distributed in the supply chain, the understanding of how we can open the door and reveal those costs to emitters, to manufacturers, LSPs and transporters alike, has all taken us a huge step forward in the German market. The effect has been that if we actually look at our year to date position on the domestic market 1208 pallets in Germany we're actually seeing year on year issues are up in the mid 20% compared to where they were a year ago. I think this is clear indication that the message is being understood in the German market about the real costs of white pallets in the supply chain and also we're effectively opening the door and driving business both through the 1208 business by sharing this information with the marketplace and providing this type of value chain analysis to our customers.

So this summarises the position in Germany. I think I'm to take some questions at this point - am I right? So if anybody has questions I'd be happy to take them.

Question: (Simon Mitchell, UBS). You mentioned the retailers being a problem and understand for example all these are quite problematic, how are you addressing that? You talked about the transporters, but how are you addressing the retailer issue because I understand a few of them do make quite a bit of money out of the EPAL system?

Nigel Branch: I'll let Christophe also say something about [unclear] because he's been heavily involved in that over a period of time. We're in discussions and long going negotiations with [unclear] to open up the market. I think there is a growing recognition in the German market right across all sectors that probably white pallet exchange is not the most effective and cost effective medium for pallet supply in the German market and retailers are no different. So I think that what we say is we would see a much more positive position than we saw previously in retailers being prepared to discuss that position with us, whereas probably the door was closed before. So there is some progress.

We include retailers obviously in the findings that we've had irrespective of whether they're retailers who currently accept CHEP or not so that they're also in the picture and we found a very, very open door I think to discuss some of the issues that I've just been presenting. I don't know whether you'll add something on that Christophe?

Christophe Loiseau: [Inaudible] have been looking country by country what is exported to Germany. If we go to Spain as an example – the Spanish grow fruit and vegetable; quite a lot of fruit and vegetables into Germany. It's a very long distance. They do it on EPAL because repatriation is huge so they tend to either sell the goods with the pallet costs included or they just develop the recovery.

There is a permanent influx of cheap EPAL getting into Germany which is sort of upsetting the costs of the distributor. He doesn't realise he's losing any because [unclear] million pallets from Spain that nobody ever really collects and therefore he saying well I'm not losing any, even if I sell 50,000 or 100,000 a year. So he doesn't [unclear] that he paid six, seven or eight Euros for this and he's spent $4 million so his losses are so much bigger. We've been focusing on the export because the fruit and vegetable grower who is sending these into Germany and doesn't get them back. He's spending four, five, six or seven Euros so he's typically a white loser. So we've converted them and therefore the number of [unclear] pallets running into Germany is diminishing year on year. We're been running it from Spain, we've been doing it from France, or from Poland as well. So all the trading partners which are sending these free pallets inside Germany have been obviously [unclear] and therefore people start to be surprised because they see some shortage of pallets and they don't realise that they were losing half a million a year on year because if the influx stops, the guy starts to say well over the last years I've had no problem with pallets and for a couple of years I'll start to buy more and the prices of course start to go. So the retailers are probably much more open than they used to and the retailer [unclear] has been engaging at least for one into very slow negotiations showing a lot of interest.

Question: (Simon Mitchell, UBS). What's your recovery arrangements with Aldi and Lidl? I mean I imagine Metro's is easier but the others...

Christophe Loiseau: Well we do some trading with Lidl essentially where a number of our customers have got an agreement to ship. We recover pallets without a problem. It's the normal agreement we send truck and we load the pallets there and there's no financial transaction associated with it.

Question: (Antony Moulder, Credit Suisse). You talked about effectively starving off the inbound to kill of the high quality that's been pumped into Germany and then effectively help convert the outbound. Who are the major customers that you're targeting on that outbound volume initially?

Nigel Branch: On the outbound volume? Yes export volume we have many of the major multi-nationals are existing customers in Germany. We have some areas of their business where there's clearly opportunities still for us to expand further. So these are the customers that we're looking at. We have part of their business but not fully converted to other late business. We're looking very much to actually convert them onto blue.

The other factor is that both domestically as well - you know the faster that white converts to blue the greater becomes the starvation of a good quality white within the German market because the whole EPAL system relies on, if you like, the manufacturers and the transporters being good citizens undertaking and paying for repair and replacement. So if you like it's a type of domino effect, both as pallets coming into Germany are replaced by blue and we get now some of the key domestic German businesses which have a very, very high profile in the market, like for example Haribo - you may have seen an announcement – Haribo has a very, very high profile in the German market which is converted to CHEP - big funders of new EPAL white pallets into the market and the conversion of these types of customers really start to speed up, if you like, the degradation of the white pool and the opportunities for CHEP.

Tom Gorman: [inaudible]...maybe what's not so obvious here is that I think what the guys are doing brilliantly is it's really a multiple prong approach - I mean there's a big intellectual component here which was the market study that Nigel just went through very briefly. So that's the underpinning of the cost analysis third party verified so it's not sort of a CHEP sales pitch if you will. There's a lot of intellectual rigour to that. So that's kind of step one. Step two is the effort that the team has underway with the Aldis and Lidls specifically and that is plodding along and we're making progress and nothing to report today, but plodding along and it's just a very, very long sales process.

Then the third piece of the equation is this starving the white wood coming in which is yet another front to take the attack to and then the last piece - Haribo is the best example - but it's outboard. So I think what you have to understand is that there are multiple building blocks to the approach and this thing just takes a very, very long time because there are entrenched practises. It takes a long time to get someone to admit they're wrong so part of the value chain is you actually have to admit you're wrong. So what you've been doing for x number of years, oh my gosh the light goes off, there aren't many of us in this room would then run into their boss and say I've got a great idea because I've been losing money for the last 20 years, why don't you adopt this. So I think there's a process of education and bringing people along.

The results this year specifically on 1208 domestic has been phenomenal for Nigel and his team, but we got there because the guys have been doing a lot of work for a long number of years.

Question: (Antony Moulder, Credit Suisse). It goes on to the point that you've been in Germany for quite some time and it may be unfair to you because you're probably a lot newer than I guess the announcement that you were going into Germany in a lot bigger way, but does that indicate that we shouldn't expect even after new pools are announced anything to make a significance for the business inside five years?

Nigel Branch: In Germany?

Question: (Antony Moulder, Credit Suisse). In new pools?

Tom Gorman: [Inaudible] more about geographic expansion I think when James comes back and talks about H2 and H3, but I think each market has a specific set of dynamics and my observation is Germany is the most complicated because it's the place where EPAL was the strongest so it had the most discipline around it. It was an entrenched system, it started in Germany and just because of the German culture the discipline worked better. I think when you come to Poland you'll see that there were some unique market opportunities in Poland relative to EPAL and sort of the use of counterfeit pallets and things of that nature that opened up a window where I think the acceleration in Poland is probably a little bit quicker than you would have seen on a percentage basis than the acceleration in Germany.

We're looking at other markets - as I said today we're not actually name them - but the other markets that we're looking at I would say that the acceleration there is going to be a little bit quicker because each time we do a market entry we learn something and so there's a template for us now for market entry. I mean we learn from India, we learn from China, we learn from Guatemala, we learn from Poland, we learn from Germany and we think that we have the beginning of the components for market entry which should allow us to accelerate.

So I don't think it takes forever, but five years to get a significant business - I mean for us 25 million plus for a market is kind of enough to pay attention to it. You go through the math of it, yes you can support a number of people in the market, you can support the overheads, you get a decent gross margin and that market can be profitable - those are the kinds of things that we think about and to be there in a three to five year period...you want to be profitable throwing off cash in that period and then sort of cumulative BBA positive in the three to five year range. If we can do that then I think we have legitimate businesses.

Male Speaker: Tom if I can just add something to that. What we've talked about here today in Germany is really [unclear]. Our approach to 1208 and this has been in the last 12 months really where we've accelerated the investment in people, approach and discussions with customers. Now we have been in Germany a long time and we have a fabulous business in Germany but it's been built historically around the display pallets and so that's very large, in a relative sense, for our display business so right across Europe and very profitable, but it's the 1208 piece that's really been under-represented and so the market share numbers that Nigel's talked about has really been around 1208 and this is where our focus has been.

So I think in Germany to start to see these sorts of growth rates and the progress that we're making, without advocacy yet from either of the two big retailers and to see these growth rates in a period of 12 months by adopting an organisation structure which is country led and a different approach around value chain analysis, I have to say I think is phenomenal in a market that historically has been a really tough nut to crack.

Now we're not there yet, we've got a long way to go. I might have to say I think we're all going to be disappointed if we're sitting here in five years time and say well we have a little business still in Germany in 1208s.

Tom Gorman: [inaudible].

Male Speaker: I won't be sitting here no. You might not be either Tom.

Think about when you're contrasted with Poland - it's also 1208s. Also we've been in Poland a long time and we'll talk about that, but there's not been much of a focus around Poland either until the last 12 months or so. I think to get the sort of acceleration that we're seeing in these emerging markets is very, very good.

I'll just stress we have not talked today really around the display business in Germany and you guys can elaborate on the size of that business and what it actually means for you in Germany if people are interested. We can either do it at the Q&A session at the end or now.

Question: (Matt Crow, JPMorgan). Does it make sense in this market to make the transport provider an actual paying customer seeing as they are the one who's bearing the majority of the direct costs of the existing system and sort of forcing them to pass that on? Is that something you're actually doing or how does that work?

Nigel Branch: It's not something we're doing, but it is something we're looking at. Clearly, as I said earlier when I was speaking that the beneficiary of the value on cost is always the best party to take the selling approach too.

So we've got a situation though where I guess over the years we have from time to time engaged with transporters in these types of arrangements and our experience has been that the best relationship we can have where our value is most appreciated in the long term is usually with the manufacturer because they love you to be a stable, longer term partner and you're not going to lose traction when contracts move from one place to another.

So although it's something we don't completely rule out, at the moment our strategy in Germany is not to enter into commercial relationships with the transporters, but rather, if you like, to engage in bringing together the manufacturer, the LSP and the transporter which is usually the problem. With manufacturers in Germany that doesn't happen - you know they dictate to the transporter this is what's going to happen irrespective of the cost profile. So we often find when we've undertaken value chain studies that creates us the opportunity, if you like, to get the parties talking around the table and that's how we've been able to establish that transporters are very often prepared to give up a certain percentage of their contracted trip fee if they don't actually have to bear the white pallet costs but it wouldn't be in our strategy at the moment.

Male Speaker: What we're seeing across - Christophe you could probably...

Christophe Loiseau: The [unclear] is across Europe; the transporter, realising the importance of the pallet cost in their P&L - I mean when the fuel price has been rising a lot of transporters were on the verge of being bankrupt and they started to see where can I save money and they realised how much they were spending on pallets. So in Denmark, for example, the Transporter Association sent guidelines to all their members and all their customers saying you guys have to pay one euro for every pallet exchange that we do domestically and two Euros for every pallet exchange that we do outside of Denmark on your behalf.

The main transporter in Italy - the main unions of transporters have been doing exactly the same. There is a [unclear] flow in

Italy which is about the pallet cost being separated on the invoice bill. The French transporters have been doing the same. So because the transporter industry's struggling they want to push out of the P&L as much costs as they can and make it transparent and becoming clearer.

What we have as well you see is we have to deal with a number of new purchasers within our customers and they are because they see the fuel costs rising if they want to reoptimise and redespatch and they organise their network and for these they need to have transparent meeting process for the transporter and because pallets are somewhere blurred into the cost, if you can [unclear] it's helping dramatically.

So there's a push from the transporter to make this cost visible. They either push from the [unclear] to make it visible as well and so there is a strong push in trying to make these two happen. So it's especially true in Germany, but it's very much true as well in your market and we are supporting the transporter as much as we can to make it more visible.

Question: (Matt Crow, JPMorgan). A couple of other questions if I can. Does the fact that there is an incumbent provider already in Germany and there's an extra low complexity mean that the margin in this business is likely to be a bit lower than what we've expected from European business where you're going really into an empty market or a market where the incumbent's not as organised as this one? Secondly, are there any sort of parallels with the experience in Canada years ago and I know with your people here where there was also an incumbent in the Canada Pallet Council and they faced a similar problem there?

Nigel Branch: I'll probably take the first part Christophe because I don't think anyone's more up to speed with the Canadian situation than me - Mike probably.

In term of margins, no. I mean we don't see a particular risk of having to win business at lower margins I don't think. The key issue is to demonstrate the value on cost benefit we bring. It's very clear from the work that's been done and the growing recognition in the market that where's there's a white pallet [unclear] the benefit of actually operating on CHEP is a clear value and cost benefit and customers are prepared to pay for and buy the service on that basis.

Christophe Loiseau: If you go back to the bell curve and the winner and loser, if you attack the loser on the right hand it's a needy sell and it's a very strong margin because the guy is spending a fortune and because these guys are giving up on fair trading, the [unclear] differs is pushed back. If you are planning to address people in the middle, the margin is probably [unclear] but if you address it in the right order of priority you can predict the margin because you still have that way of course that you are pushing further into the [unclear].

Nigel Branch: The value chain analysis delivers that information for the customer.

Christophe Loiseau: We did some work, for example, a year ago when - I can't remember off the top of my head how many [unclear] sold into Germany - it was an enormous number, probably tens of millions - we started to ask to prospect an existing customer. Who's buying new products because you would think you would get it. Nobody in Germany - if you talk to the industry - nobody is buying any new pallets but still the industry produces I think it's 40 or 50 million new pallets a year but nobody buys them. So they simply don't know that when you find them you've got to huge [unclear] of margin. So it's not the [unclear] I mean it's very positive [inaudible] when you come to the very end of the market but it would have to be a bit more challenging. The beginning of the margins are very confident.

Male Speaker: Just on Canada - the Canadian Pallet Council - which still exists in Canada today, but it's a tiny, tiny fraction of what it used to be. There are really only two significant users of the CPC pool remaining in Canada. There's quite a few little ones - two major users - and we would expect our target is to get them converted as well. There was a significant beverage company last year that converted from CPC to CHEP and that's a company that's associated with one that's been quite widely talked about recently about us having a loss of business with. They converted last year from CPC to CHEP. Coke in Canada is still a user of the CPC pool, but they're not anywhere else in the Americas.

A similar approach has been adopted really, not as structured as the approach that's been adopted in Germany, but the same process and same concept around selling the value offering to all the various users through the CPC chain and in effect CPC is a tiny fraction. It's taken quite a few years to get there and I don't think we're not under any misapprehension - EPAL is going to be around for a long, long time to come. I think there's a place for EPAL - a wide exchange - for certain customers, but there's a massive opportunity and certainly we would expect to be targeting to get a significant share of that over the long, long term because of the sheer size of the market. You saw that graph that Christophe put up in terms of where are our biggest opportunities in the 3.5 billion - I mean Germany is the biggest one and also more complex, but complexity hasn't worried us in the past in terms of winning.

Question: (Will Colbert, Concord). Can you just expand on this point about how the retailer is making a bit of money out the white wood pool and maybe how lucrative that is and will that prevent...?

Nigel Branch: Okay. First of all how is it happening? The way that it happens is that the retail structure in Germany tends to be with a number of retailers where a sort of managing director runs their own distribution centre and they're responsible for the P&L of the individual distribution centre. This is the way some retailers are structured. If they have a need for using pallets for order picking to take product downstream to store, it could be in their interests to take out the better quality white pallets and use the poorer quality white pallets as exchange.

This is not, I have to day, a practice that's recommended by any retailer to people within that business, but very obviously if there's a need for white pallets for order picking downstream and there's an immediate requirement, this can happen. This was what was meant I think in the slide that this is in some way in which the retailer could benefit.

Having said that what we find now in all our discussions with retailers is that there is a growing understanding and recognition with all the retailers that although that could be a benefit, there are many costs also associated with the retailer and the operating of the exchange of the white pool, administrative costs and conscious management time in actually managing balances and the type of discussions they had to have with suppliers when balances are not satisfied and balances are owed. Also potential costs to the retailer, whether the retailer's operating as a transporter and having to undertake some pallet return and exchange. So although there could be some benefit I think there's also a very, very strong recognition in the retail sector of the benefits [unclear] pooling solution brings.

Christophe Loiseau: Sometimes it's very good for a retailer to understand what their costs are. We had a discussion with a retailer which was explaining – they have an international network out of Germany and they were explaining that for a number of products purchased in Germany and then they export to their subsidiaries, the guy was explaining that they export a number of aggregation centres in Germany where they meet the four international businesses are delivering to Germany, then they mix the loads and they deliver to the market. The guy said that is saving a lot of costs and we are doing very [unclear].

We said so how does the pallet exchange work? The guy said well the [unclear] are bringing goods to the aggregation centre. We exchange one for one, reload and we send to the [unclear] I said okay so who is paying for the wood to come back from the country back into Germany to be exchanged again and the guy looked at us and said what do you mean? I said well the pallets are going to Spain, you need to exchange next week because you will need goods again, so who is paying for the wood to come back from Spain? The guy said well we don't know.

They don't know in the P&L what it is so he is now looking into it and he started to realise that he has a lot of associated costs but it wasn't clear in the discussions. That happens very often because you may have different P&Ls in different industries or in different regions and you can have sort of exchanges between regions. It's very difficult for them to look at it in detail, but when you start to educate they are always very surprised. So there is a perception.

Question: (Bill Campbell, Citigroup). Just a quick point of clarification - in terms of the opportunity of white wood conversion on FMCG, it's around US$3.5 billion I think from your presentation. Obviously there's winners and losers within that, so is your true opportunity the conversion of the losers or does that $3.5 billion actually include just losers?

Christophe Loiseau: No the $3.5 billion is the value of what they spend on pallets so far so we could potentially supply their services. It is important to see that the winner and loser concept is dynamic so it's a moving target. The more losers you're converting to CHEP the less winners there are because the pallets that are brought by people who [unclear] are sponsoring the benefit of the others and you know, it's a moving feast.

Question: (Bill Campbell, Citigroup). Of the $3.5 billion you're going to have...

Christophe Loiseau: Statistically half of them are winners and half of them are losers, but the more losers you convert the more losers there are to convert because the number of winners reduces. That's what happened in the UK and that's what happened in Spain where - as Nigel says - it's a domino effect. If you remove everybody which are buying new pallets, after a while you just have no [unclear] pallets are valuable and somebody else has to look to buy new pallets and he becomes the loser.

Tom Gorman: Look I think what we might do here is I think we might just take a quick break here and then we'll come back with Poland and we're going to wrap up with James Dinsdale.

To keep us right on track, why don't we say we'll come back around quarter of 12 with an objective to end at 12.30 for lunch. So we're going to have lunch just a little bit ahead of schedule creating the half hour and then we'll wrap up with questions before lunch. So if a couple of guys didn't get a shot at Nigel or Christophe, we'll bring them back up okay?

Nigel Branch: And once you're back again could you turn off your mobile phones please. We are getting some interference.

[break]

Nigel Branch: ...of the discussion so I think Christophe did a great job sort of framing the business. I think Pete really started with the overall complexity of the business and I'll come back in my wrap-up comments about the complexity within Europe and maybe share with you just a few more data points in terms of number of Es and Ds of just pure customers. I think you'll get a read of the complexity that does exist in Europe and that that's why you saw some of those higher overhead numbers earlier on. There is a complexity here that just is a fact of doing business.

So we're going to wrap up the growth section over the next 45 minutes or so and it's really a pleasure of mine to introduce Laurent Le Mercier. Laurent has been in Poland for a year and a half-ish and has really done nothing short of a fantastic job. He is one of the real strong parts of CHEP. When you look at Laurent then I would also throw Laura into that bin. They're a couple of really talented young leaders that we have, that I'm extremely proud of and I know the whole European team is.

So Laurent will walk you through in the same way that Nigel did in Germany. He'll walk you through the situation in Poland, how we're getting the growth, where the growth is coming from and more importantly we've asked Laurent really to focus on his market attack plan so you get a sense of when we're in an emerging growth market intellectually how we segment and then the attack the market place and frankly, no one's done it better than the team in Poland. So, with that I'll hand it over to Laurent.

Laurent Le Mercier: Thank you very much. Good morning to you all. What I will do today is to share with you the situation in Poland from our hands-on approach towards the market. Before that, I joined CHEP five years ago in a series of different roles such as customer service and sales and actually I was influential almost during three and a half years in a row of European account director managing major accounts throughout Europe.

I've arrived in Poland January 2008 and when I arrived the team was the size of eight, nine guys and today it's around 28-30. What has changed actually is that we invested heavily in first people, first yourself, then to manage people, to manage customers in terms of customer satisfaction and last but not least, and most importantly, in asset control in order to make sure that we have sustainable profitable growth.

The situation actually was okay. We invest in people is one thing but most importantly, what was missing, because we started in CHEP in Poland in 1999. So it was only eight years people saw us in the market but say okay fine. We didn't see much. So the thing that has changed and what we worked heavily last year is explaining our business model because one takes as a given that of course we should know CHEP, but they didn't.

So we spent a huge amount of time in PR activities, in conference, trade shows, in going back to the basics and this has paid off as we can see that today we are viable alternative to the current solution that is essentially white exchange. That's the first point.

The second one that we see in the market today you've got two key takeaways, is that the white exchange is broken and that as you focus on a set of design targets, then you get the right focus to do one thing that is essential as a market leader. As a market leader it is our responsibility to shape the market.

I would like to cover this with you today through an example which is the segmentation we have done. You will see there's nothing rocket science. However, the discipline behind allows us to go proactively and get the customer we want to get. In order to have our marketers ambassadors and in order to have our footprint in the market.

To start with this, as you can see here, nothing rocket science. We took four segments' criteria but we overweight some of them, being volume and modern trade for a very simple reason. We wanted to build scale very quickly. However, we didn't want to miss any nice or growing opportunities in terms of categories that were consolidating or categories that would blossom in the coming years.

We were more concerning those as I would say quick wins. However, main trade was modern trade at volume. So looking at this, what we did and sorry because there's – I mean the key takeaway that you get is the analysis was done in a very rational and structured way and we took away what? A set of targets. What we call the design targets.

To summarise, we have 23 segments as defined by Brambles segments and within those segments we took 12. Those 12 segments corresponds to 46 categories. Alright. The market potential in Poland is 70 million pallets issued. Alright.

The size of the pie is big. We need to be focused in order to get the prime target in and the prime targets are those that we have circled here. To give you an example for instance, beverage alcoholic, beverage non-alcoholic, cleaning products, confectionary, canned foods, dry foods.

So once we know what are the segments we want to get in, what do we do? We fill in with data and information all the categories we want in order to make sure that we're getting the main players. Nothing rocket science again. Alright so, what are the 20% of customers that make 80% of the volume and that's what we've been doing.

In a hands-on approach, first of all we went retail visiting. Internet and press provides you a lot of information, but also went to some expert in customers in order to share with them the approach that we took in the segmentation. Most importantly the [Orbis] database that we use on a regular basis to fill in our database with information.

Today we have something like 4000 company names in our database that we have segmented, not only by segments but also by categories with a weight with targets behind. So what it means – I have an example here just to give you a sketch of what it is. [Unclear] goes into dry food. Dry food you have, for instance, rice, you have pasta, you have tea, you have coffee et cetera, et cetera.

This segment of dry food is a very important one for us. What we want to understand is what are the categories in this segment that we want to go for first and who are the main players that we want to capture as a second step. And here where you can see, actually, is on this slide, a certain number of companies and what we do now is that we are able to track them. We are able to see our performance on a category basis and when you see the CHEP slice of the pie it's just to show that actually this is in-house.

So what is left to be done. Provide us with insight of how do we replicate the value proposition with the others in order to gain them. Alright.

To summarise on this part, market of 70 million pallets, issues movement, whatever you call them because we're talking only about one way trip. Within those 70 million we have a certain number of segments, 12, being 46 categories representing circa 46 million pallets immediately.

The second step that we did to close on the first aspect of the quantitative approach of the market in order to understand what is the size of the pie, we wanted to understand also from a qualitative standpoint what was the market. The best thing to do in that case is not to start sitting in offices and thinking out loud.

What we did with the local support that we gained from a consulting firm specialising in supply chain in Poland was to interview a certain set of stakeholders of the supply chain in order to ask them directly what are the problems you're facing, what are the opportunities you see in order to get their insights for one reason. We wanted to match this with our valuable position.

So what we've been doing is that we took a sample of manufacturers, transporters, distributors and associations. It was important that the sample to be actually quite solid on the basis of yes, our sample is pretty random, it should give us a good picture of the market.

We presented those findings on 1 October 2008 in Poland at the Hyatt Hotel and you can find this if you Google and there were 200 persons that attended this meeting just on pallets, which I will have to say very surprising for one reason. We were talking only about pallets. We got business leaders of, I would say GMs, CEOs of retailers of FMCGs only there to talk about this which was a bit of a surprise on that day.

The impact that we got actually was that a lot of verbiage interchange and we started the presentation with those. I'll give you a second to read those but there is one takeaway here is the new change in regulation. It's called the Industrial Property Act and it came into force in 2 June 2007 and this changed the equilibrium of the market, transforming the market into a huge opportunity for us.

The principle of the Industrial Property Act is very simple. It is you can't use counterfeited products and everyone, as a rumour, as a common understanding in Poland acknowledge the fact that 70% of the pallets in Poland are fake, fake pallets; 70%.

Consequently, when you look at this, it looks messy but first it's illegal. Second, it's [affecting] the health and safety of people and whatever the size of the business. So there is a big problem and it's here to last for long because no one wants to invest in replacing 70% of the pool.

Of course if you look at some of the examples, there's [unclear], scrapping more and more pallets because you have counterfeited products you need to scrap them, so you need to pay for them. On top of this the price of the pallets moved from 15 zloty in 2004 up to 30 zloty. And last but not least, businesses are beginning to realise that pallets cost money.

You know why those GMs were in this meeting room with us? For one reason. They were buying more and more and more pallets and they saw on the P&L a line called pallets and they thought wow, why am I paying so much for this and this is the only reason why they were there.

So summary of the findings, just to highlight here of generally speaking they didn't know where they lost pallets. They didn't know how many they lost. They didn't know actually if they were buying a lot from suppliers and what they knew actually that they were going to buy more and more pallets.

I have to say it seems to be a simple business case but it's actually the truth reality that we face only by interviewing 75 persons belonging to a bit more 60 organisations.

Then the common problems and misconceptions that were there was first, they didn't know how many pallets they had in their warehouse. Linked with this, they didn't know how many pallets were transported in, out for CHEP. So no information. As you can see, no knowledge of processes, limited knowledge about cost and when you ask them how you measure the performance of your pallet system, the answer was pretty clear. We don't.

It is not one or two companies who said that. It's a vast majority. What we've been discussing during that conference are those results and I can tell you no one raised their hand to say it's not true. All of them recognised that there was a huge problem.

So what were the main conclusions? The first one is that they don't know the volumes that are going through their system. The second one is that they don't know their cost. The fourth one is that not only they don't have processes in place, but there's no single ownership. At least you can live with the principle that you don't have processes as long as you believe that there's one guy who's in charge of making it happen. It's a bit of a simple solution but at least it can work.

Last but not least, and that's an important part here, is that it gives rise to multiple procedures not shared to multiple disputes. Retailers, LSBs and FMCGs are just pushing the bill to each other. At the end of the day there's always in general the same one paying for this and this one paying for this one that change is what is going on in Poland today.

Before when you were facing this, the solution was very simple. We were saying okay, fine, we lost a pallet. Some of them were getting pallets for free. But you know, there's no free lunch in this damn world, right. What happened is that now they realise okay, we need to pay for something.

So what is the alternative to the current situation? The alternative is CHEP because we provide a set of solutions through our value proposition that matches this and most importantly, it allows them to gain control. Because as much as they negotiated on pallet prices, where they will make more savings is on the control of their supply chain process because when they go through the throughput, it is far higher than their negotiation on pricing of the pallet. So the solution today is not to buy pallets; it's to convert to CHEP pooling.

The situation in the market in Poland is such it has reached a stage here between all the participants that there is an important need to find another solution than the current one. We have seen for the last year, year and a half, a growth first of our 1208 which is the heart of the market, more than triple digit on national accounts.

Overall our business is growing 30%+ and we don't see this limiting our expansion at least beyond for the next five years at least because when you see that 70 million – this is the size of the addressable market – prime segments being 46 million. Today we are around [3-4]% market share so there's a lot to [unclear].

You have questions.

Question: (Simon Mitchell) Just on control – obviously Poland's a very different place to Germany in terms of asset control. How do you deal with that?

Laurent Le Mercier: Well first we put people in the field. It's absolutely true that when you look at the infrastructure in Poland there're two drivers. First the infrastructure is extremely poor. However you have lots of trucks because it's a production hub for the rest of Europe. The second point is that the density of the population is such that one would suppose that it is very highly concentrated on five to 10 cities. And actually for 40 million inhabitants in Poland, 16% reside in the 10 first cities, so it's nothing.

So it means that with a widespread population all over Poland and we need to have the proper coverage in terms of people. So that's why as much as we've been exposing our people on the sales side, we've been heavily recruiting on the asset control and we have been doubling the size of the Polish team to date and we're looking forward to recruit more people.

Question: [Unclear] in terms of them helping with asset control.

Laurent Le Mercier: Yes. Maybe just to find out one of your questions that you've said today, to give you a highlight is because we have put more people on the control on the asset side, we are turning more revenue with less stock today than a year ago. So it means that maybe we have recovered some of the pallets from the past, fine, but we are very vigilant in ensuring that we recover our pallets as soon as possible.

Now in terms of asset control, what we do with our customers is if we go back to this point to share with you it's very hands-on but this. What we do every Monday morning with the team – actually Monday is the day of coordination. First with the sales team we have behind this – we spoke about the sales funnel yesterday and [unclear]. We have behind all the main targets by company name, we have blue sheets and we have names naming the sales team person in charge of ensuring that this happens, this being converted onto blue pallets. So that we can review that on a regular basis with them.

Conversely what we do with asset control team, we make sure that the customer service representative with the asset control leader will meet the customer, the first to understand how the system works and then when we have new points to open to get the engagement and commitment of the FMCG in order to open the point. So that's it's beneficial only for the FMCGs but also to the retailer and at the end of the day to us in order that we gain pallets.

Contrary that what was done five to six years ago where we did when we open new points, is that we go and open new points when we know that in a week, two weeks, three weeks, a month, there will be CHEP pallets flowing in. So that actually a word converts into a reality and this has worked very well.

Other questions?

Peter Mackie: Okay if there's no other questions I might just make a point on behalf of Laurent here, 'cause we've changed a lot in Poland. I mean we've been there since 1999 and in a lot of cases in these sort of markets that we enter, the export business comes first.

There's a very compelling value proposition for the export business so we grew the export business out of Poland.

But really there's a couple things that changed in Poland so one, we changed the leadership in Poland and two, we increased the team as Laurent talked about. But really also the other major change is that there was a change in the market, so as Laurent talked about this breakdown of the fake pallets which was effectively subsidising the whole market, came to a head with the change in legislation which has really given us the in into Poland.

In a sort of tee up to James's session, when we look at markets it's not just about what we can do, it's also spotting what's changing in the market and when there's an opportunity for us to enter at the right moment. That's really, we stayed in Poland since '99 building an export business, struggling with a market that looked very efficient because it was living off fake pallets and then as soon as the legislation changed, it gave us the opportunity to put a team in and some additional resource to take advantage of that change in the market.

Laurent Le Mercier: Just one last point. A year ago our business model was essentially driven by Industrial UK pallets processed [unclear], exporting most of them into the UK. Today the business model is essentially driven by revenue [unclear].

Question: Sorry, just one quick question. The growth that you've portrayed in Poland, has any of that been at the expense of business you've had in say Western Europe? So you've had manufacturers shifting from Western Europe into Poland to get their cost base down and you've gone with them, so is that partly responsible for the strong growth you've had there?

Laurent Le Mercier: I don't think so actually because given the size that we had as a business in Poland, we have a lot of space well before we start capturing this. So I don't think at all [unclear] taking business out. I think more we've been gaining more business.

Question: [unclear]

Laurent Le Mercier: The economy downturn in Poland led to a sharp collapse of exports out of Poland of circa 25%, so at the same time we grew the business by 30%+. It's a good question, but to date we didn't see this movement at all.

Male Speaker: ... a number of FMCG players have been moving their factories in Poland but that was in the early '90s, [unclear] and whatever and they have been exporting that the business we started with but over the last 12 months when we look at month by month, which are the new customers we've been converting. We've been converting [unclear] companies. And a number of [unclear] accounts which we have previously using this to feed back to Western Europe are now using us to distribute their product locally in Poland.

There is no, in the recent 12 months – I don't have any example of one of the open key account that has decided to shift [unclear] back there and even more with the [unclear] because people are being reconsidering both options on shipping on long distances. So it's purely domestic, British company; I can't pronounce most of the names of the customers. There is many of these sort of customers we are converting. A number are very big. We've been converting a number of 200,000, 300,000, 400,000 movements but we've been converting as well a significant number of midsize players – 30,000, 40,000 movements of domestic distribution for a product which we are producing [unclear]. So it's not a switch from elsewhere onto [British] business; it's typically something that was [on line] before and they could not [unclear].

Laurent Le Mercier: One of the characteristics of the Polish market is you have some very well known Polish brands that are top of the shelf when you go into any retailers and therefore those that were not in business before are now getting in and we have much more to gain.

Male Speaker: Okay, right, so that's what we'd term a story on our Horizon 1 growth. Now I'm going to give you a little bit of insight on what we call Horizon 2 and 3. Although as Tom said earlier, primarily what I'm going to share now is more of a structure and processes of how we've thought about Horizon 2 and 3, rather than some of the specific details.

So back in July last year when we embarked on this journey, we started over the first couple of months running a number of workshops were we got the top hundred or so senior managers and executives from across the business and collected their ideas of what Horizon 2 and 3 might look like.

We found ourselves with about 300+ ideas which may be of no surprise but it's a pretty big number. So we needed to group them, not just for administration purposes, but so that we could find a suitable categorisation that enabled us to drive our thinking about growth, Horizon 2 and 3 growth, but also to establish the processes to support it. This is the categorisation.

So the geography, this is really about translating what we do to other sectors, translating to new geographies or doing things slightly differently to meet customers unmet needs. Really they're the ones that are closer to earth, the ones that we understand a little bit more and the ones that are likely, at least at this stage, to give us the greatest input to growth for the future.

The second one, products. While new product development, as Peter mentioned earlier, is a theme, we are going to be cautious about proliferation and over-engineering when there's no market need or no customer call for it. Because at the end of the day, our real value-add is about pooling products that may be out there already in the market that are suitable rather than about just adding potential design features to specific products. Having said that, there are areas where it may be appropriate for us to design new products.

And then services. This is where we needed to make a real effort to plant seeds for the future. Our network, which we've talked about, and the information we can capture by virtue of our position in the supply chain, two privileged assets which pretty much nobody else has. But it's where we find the most unknowns where we look at Horizon 2 and 3 businesses, potentially longer lead times for uncertain times, the choppy waters in the picture and so really, invariably, the ones that without this kind of focus perhaps would've fallen by the wayside in the past.

And then the final one we've bucketed as the game changers, these are really the big ticket items, once that may fall outside the space that we currently operate in today. So we've talked a lot about the market and the fact that the market's very big, but we have talked about a specific market place and this is talking potentially about a market place which has synergies to what we do but is not necessarily exactly the same.

So now we had all these ideas. There was kind of another challenge. We'd categorised them but we needed now to effectively prioritise and filter them. So we've rolled out a methodology called Navigate to Stage gate process which allows systematic prioritisation of ideas and, importantly, effective filtering through of the initiatives via gate reviews.

This is being rolled out across our organisation. I'm not going to talk through the pretty pictures. Somebody told me it was Willy Wonka's chocolate factory. This is a pictorial for the organisation.

Having screened and grouped the ideas, we're moving on in the process and established any dependencies on how things might evolve for the future, we've been able to construct what we see as our growth staircase for the future.

Now, looking down the left hand side, for orientation, the platform is either geographical or the physical product. The network is our service centres or logistics network and data to value is about our ability to use our valuable information that I talked about. On the X-axis obviously it's time. So from when we started in Europe through to currently to around about today.

To establish this growth staircase we first looked back at our business and said how do we leverage various parts of these strategic themes. So we started 35 years ago in the UK, for example, as a geographic stream with 1210s and we introduced RSCs, or regional service centres, in 2000.

But importantly, we've marked our view of the future staircase. Each one of the stair steps shown, although there is no detail there, I appreciate that, is now known. Clearly though, it's an iterative process, but I will talk more specifically in a couple of slides time about the geographic step.

The piece on the right hand side really is a further categorisation of the strategic themes on the left. Again importantly, this has acted as a useful representation to our people, to our leadership team but also to our people, about how we're really thinking about the future and that there really is a very structured way forward.

So not only are we working on the region's strategic growth initiatives, but I'm going to digress a little, but we're also helping the business units, and in the parlance of the new organisation that's the countries, think in a more structured way about the future.

We're currently rolling out what we've named the Bramble Strategy Cycle. The cycle's broken down, as you can see, into a number of stages and we've developed materials collateral to enable the business units to effectively run through this cycle. Really what it's doing is helping build a mindset and competency that helps the individual business units think about the future.

I talked earlier about geography, so we're now going to go into it a little bit more, a little bit more detail. The market attractiveness there on the Y-axis is driven by factors such as size, growth prospects, whether the fundamentals for pooling exist. For example whether the demand for standard pallets which we've talked about a number of times today, willingness to pay obviously very important and multiple Es and Ds.

The ability to win on the X-axis is driven by whether there are established relationships with the Es and Ds from any other geography, whether there's a market need for pooling today, what the competitive intensity is and some of the regulatory issues that we might face.

It also takes into consideration a number of other factors which Christophe talked about earlier and Laurent and Nigel mentioned. The kind of relationship and the leverage between the Es, the Ts and the Ds. So you can see from this that the blue ones really are there for comparison to establish how we would've thought about those markets had we used this methodology at that point and then the purple ones are about those markets that we're thinking about.

But now taking a deep dive to unearth the levers and red flags and it may be worthwhile looking at your papers for this. I don't know what the colours have come out like on this, but really this shows some of the more detailed parameters that we're taking into account to establish readiness of a market and inform our entry strategy. I've had a number of questions on how do you know if a market is ready and this is how we're assessing it.

The colours are red meaning good through yellow, particularly on your sheets although I know yellow's not great up there, through green meaning good. I'm going to walk through how we think about this.

For the first one, land mass. Is there such a thing as an optimal size for us? We think that there is. Too small and the economics of exchange stack up very well and it may be quite challenging if the market currently exists in exchange. And too large and the economics of re-use may fall apart. This is about the very large distances in some potential geographies in the region.

Distribution – is it primarily urban and concentrated, which plays well to what we're good at which is the modern distribution channels.

Consumption – this essentially is a reflection of the size of the FMCG market as we've assessed it. BPEUs, I don't know whether it's on your little sheet, but it's based pallet equivalent unit, but it's a measure that we use from external statistical data to convert into the number of movements that we think are likely to be in place in a particular market. So really here the bigger the number the better it is.

Modern trade – this references the level to which the supply chain has got centralised distribution. Again, very important the way in which we think.

The top 10 Es and top 5 Ds – this is a reflection of whether or not we have relationships with these customers elsewhere in our business. On the emitter side it's important if we do have those relationships there's a potentially easier to leverage those relationships in a new market. Equally with the Ds, our experience is the greater the leverage we've got with the Ds the better it is for a good market entry.

The next two but non-food share of grocery is a percentage of the shopping basket which is non-food. It's a good indicator of wealth and also it's a very good indicator for our business because our key European key account customers dominate this market space across Europe in what we call non-food. So if we've got a good relationship with them, which we have with many of the biggest customers, then that's a good indicator that the market may be ready. And food share of spend, again, is another indicator of wealth.

Finally, international trade. This is a little bit more complicated. It's kind of how relevant is international trade to this country, which way does it go net, i.e. do they get free pallets. We've talked quite a bit about getting free pallets in from a marketplace. What's the out of pool exposure, so do the pallets from these markets go to places that we currently don't serve today or do they actually go into markets that we do have presence and coverage in.

Because ideally we want a very open market which is a net exporter and mainly deals with countries that we currently operate in.

The key to this is not about any point in isolation, it's about accumulation of the point and there are a number of other factors that we take in here and there's a number of weightings that we use here.

Just as a kind of a case study example, if we take Slovenia which we've got down here on the right hand side and in the previous graph you'll spot Slovenia, apart from the fact that it's not very big, it doesn't look like it would've been in a most attractive position.

We opened this market a few years ago. We opened it because there was a lot of pressure from some of our major European key account suppliers to open the market which you'd see from the green showed in non-food share of grocery. And there was a number of other factors you can see here which would've said yes you can understand why it opened.

But the reality of it is this is a market which is not ideal for us. Most of the movements are going out of pool, so the movements from that market typically move to countries that we don't operate in. the major retailer in that marketplace has more than 50% in terms of market penetration. We had no relationship with them. We'd never spoken to them before.

So really this is saying that had we been using this methodology, yes we would've opened this marketplace but we would've just collected imports which is what we're now doing as a business.

On the other hand, Market A, which you see up here, has got many of the right characteristics that we need for a very strong market and the point that somebody asked earlier about how fast can you open a market. It's very dependent upon a number of these criteria and, as I said, Market A which we won't go into but Market A we think is a very attractive proposition.

So it's a very quick snapshot of some things that we're looking at in Horizon 2 and 3. To take a bit of a summary here and this obviously is a key takeaway that we'd think about from the last – this whole growth piece.

So from a Horizon 1 point of view, we've made good progress in identifying the winners which Christophe talked about. We've got a strong pipeline of growth and with those opportunities we've got high conversion rates.

Nigel talked about Germany. We've had extensive conversations about the real traction that we're gaining now in the 1208 domestic market which is the biggest volume opportunity in the German market and clearly now growing very fast.

In Poland the segmentation approach that Laurent's walked us through is working very well and leading to growth rates in excess of 30% in the Polish marketplace.

Finally, for Horizon 2 and 3 we've built our staircase and we've now got a defined path of what we think of the next five years. So, thank you. I guess we'll have one more break for whether or not there's any questions for any of the sessions you've seen, including this final one.

Question: (Matt Crow, JP Morgan) Thanks. Can you just explain why on the slide on page 38, the one before, Country A seems to stack up better than Slovenia. Is that because you've entered them in the opposite order? Is that because Slovenia's sort of not turned out as well as you thought or was there some other reason that you did them in that order?

Male Speaker: Sorry, you're saying Slovenia would stack up better than Country A, yeah?

Question: (Matt Crow, JP Morgan) No, Country A looks to have fewer reds and as many greens as Slovenia, yet you…

Male Speaker: Absolutely right and this is the point I was making. Before this group was put in place the rigor and methodologies were less and had we known and had we understood what we know now and applied the methodologies that we're now using we would've gone in a different order. So your point is absolutely right but we are there now and we...

Question: (Matt Crow, JP Morgan) Are there many other countries like Slovenia that you would've done in different order if you had...?

Male Speaker: Well we actually have – obviously this is just a snapshot and what we've done is we've actually mapped the entire European business, every single country, and we know the answer to that and really pretty much the only one there that we'd take a materially different approach, I guess, with Slovenia. Clearly a number of the other ones...

Tom Gorman: ... I think there clearly are countries that we're in today that I think had we taken more rigorous approach you might have ordered the attack plan in a different way. I think that the tradition had been for us that we looked at size, we looked at where our customers were and we had very much a follow-the-customer strategy in many cases here.

What we've tried to do in the last year or so is to put a little bit more analytical and intellectual rigor around this so that we can actually predict our success a little bit better. I think look, we're in Slovenia today, as I think James very candidly said it's a market that we're in today, we don't have any plans of pulling out of that market, but in a world of limited resources if you were going to order your process, you probably wouldn't have gone there when we did.

There are one or two other smaller markets that I think are in the same category but in markets that we're in we have no intention to pull out because we're serving customers today and the real driver is to reduce our overheads, reduce our cost of serving in those countries while still being able to satisfy our customers.

Question: [unclear]

Tom Gorman:	There aren't many people in Slovenia, so I guess that's the added comment.
Question:	(Phil Campbell, Citigroup) Just on the slide before, I think it's slide 75. Just curious, Germany doesn't seem to be on that slide. I was just wondering if that's...?
Male Speaker:	It's no more than we've taken a number of examples here and trying to make the slide look relatively straightforward and comparison for what we'd say are the most recent market entries in Europe. So it's a fair point, though. I mean Germany could quite legitimately be on that slide and the reality of it is that it would feature in the top right quadrant. You just wouldn't have been able to see exactly.
Question:	(Russel Shaw, Macquarie) Just two questions, anyone's free to answer them. If we just go back to Germany, at the moment around 8% of your revenues – what a sort of rough split between the display pallets and the 1208s? Then the second question would be on I think you guys mentioned a plastic pallet business. Can you just give us a bit more colour in terms of who the customers are there and what kind of opinions you're hoping to get?
Peter Mackie:	The split very roughly – we've got the 600x400 plastic display pallet, we've got the 1208 and then we've got everything else including the 800x600 and it's roughly split a third, a third, a third in issues terms.
Question:	(Unidentified) A follow up question [unclear].
Peter Mackie:	Okay. As I sort of intimated we have a very small plastic pallet business. You'll see with the thing that Liz presented yesterday that there's some key things - one is how many do you lose and the other one how fast these things turn because they're much more expensive than a wooden pallet. Now generally what it means is that customers first of all pay a premium for plastic pallets because of the price and the economics against those things in the current pool.

The customers who look to pay a premium are those who kind of have them for specific hygienic reasons, so they're using them in a very high hygiene area in production first of all. Now some of those are closed loop applications so the loss of the pallet doesn't come into account, but the value added from CHEP is fairly limited in those environments. But sometimes where they ship them between - in a lot of cases it's not really retail, so they may ship from one E to another E so it may well be ingredients into another manufacturer. In the circumstances where we have those both Es have signed up so they just transfer the pallet between the two accounts and the second E takes responsibility for the pallet. Although if any are lost they're clearly the responsibility of who's covered. The supply chains are relatively simple so it's not that they're being shipped all across Europe so there's not a lot of complexity. But really it's around specific customers wanting them for high hygiene applications. Their supply chains are very controllable.

Question: (Unidentified) [inaudible].

Peter Mackie: They're everywhere, but it's a very, very small part of the business in most of the markets. I would say probably our biggest business is in the Benelux - in 1208.

Question: (Unidentified) Is that a high growth market or pretty niche?

Peter Mackie: No it's very, very niche at the moment. The reason I'm struggling to answer the question a bit is we don't have a heavy focus on it. Where those customers specifically want it then if the economics work we make it available but it isn't something we're pursuing with growth intent.

Tom Gorman: [Inaudible] identified, but not that it's a threat but the analysis that Liz shared with you yesterday from a strategic perspective the MEA team is plugged into what's going on in the US. So part of the US study that Mike has articulated looking at a whole range of strategic issues, we're really just going to piggy back off of that because the economics will be the same and the dynamics will be the same. It comes down to do you lose them, do you damage them and the cycle and on top of that the purchase price, but the purchase price is pretty well known through the innovation centre and through process and product technology. We've designed plastic pallets so we know the cost of it and we know the inputs of it. So we have a good handle on the costs in terms of the capital expenditure. It's really around damage loss and cycle.

Peter Mackie: I'll just answer that actually. I may have been a little complacent in my answer to you.

In the seven and a half years that I've been here, every year we've looked at different materials and different constructions of pallets through Matt in the innovations centre, so it's not that we're ignoring it, we sort of constantly look at are there new materials out there that we think are going to surface. We've seen some dollies, roller pallets and other things sort of enter into the market and our observation of those is that we can't make the economics - we can't make the economics fly. So it's not that we're ignoring it - I mean I think every year we take a very close look at it and we take a look at everything that enters into the market, but from our perspective at the moment, the most sensible thing in the long run is these niche businesses for plastic. That may well change, but at the moment for Europe we don't see a compelling case, but as Tom said we'll stay close to the US work.

Tom Gorman: I'll maybe just mention one other thing that James didn't mention though - to take credit for - a lot of companies talk about strategic initiatives and growth and you hear that from many companies. They say yes we're really committed to it and then you say to the senior executives show me your calendar and how much time do you spend on strategy and growth?

Generally people will say oh I should spend about 20% of their time and if you remember HI, H2, H3 James said 80% of our resources or 85% of our resources are really at H1. So as a leadership team we said if we're really going to commit to 15 to 20% of our time on strategic issues like alternate technologies, like geographic growth, like game changes, we're really going to commit to do that. So we have this little bit of a silly thing, but we call it strategic Monday so every Monday the EMA leadership team gets together in London and commits the entire day.

So actually it's three Mondays out of four per month James controls that agenda and that's where we go through issues like you've seen here. Then the rest of Peter's team will join as appropriate. So if there's an issue on Private Label for example, we have a lot of work underway on Private Label. That's a major strategic issue.

I'd say Christophe is really pushing that and that becomes then one of the strategic Monday topics. So we're trying to do our best to put structure, process and discipline around things that people talk about but then don't really spend the effort doing it. I think again that's a real credit to Pete to take his time away with his team from the challenges of running this business on a day to day and still committing to thinking about the future.

Peter Mackie: What I was going to say is we've actually got a strategic Monday this Friday on Private Label.

Question: (Unidentified) Just a quick question on the competitive landscape in Europe - a big part of your sales strategy is educating your new customers on the relative attractions of white wood exchange versus pooling. I'm just wondering what you've seen and what are your expectations you'll see from EPAL in terms of a competitive response?

Peter Mackie: Christophe? Nigel?

Christophe Loiseau: EPAL is not a pooling organisation. EPAL is a group of producers so it is very difficult for them. They don't have common interests. They can't really give I think a common message against CHEP. I don't think they are set to expansion to be honest.

Question: (Unidentified) So they're happy to give up the Poland market and country A and country B on your list?

Christophe Loiseau: I don't think they're happy but you have thousands and thousands of distributors which are exchanging pallets and the problem is not in the pallet design, the problem is in managing the wolves and that's where CHEP is putting a common standard in terms of managing the pool which is where we get the discipline and where we get the execution on it and EPAL is not into this execution. You can't visit thousands and thousands of customers every day.

Michael Ihlein: It's probably worth commenting here in terms of this whole competitive question without going into too many specifics, but we do have two other pooling competitors here in Europe, LPR and IPP. As to what approach they generally take, I wouldn't single one out versus the other in too much detail, but it's worth a comment on that because frankly they're the pooling ones that we run into when we're pitching for business in terms of are we successful on winning business back from those guys and are we unsuccessful in losing business to them?

Peter Mackie: Thanks Mike. Our main focus is the wide exchange and I have to say if I think back to 2003 and 2004 there was an opportunity then for both those poolers to enter some of our key markets and they took some business off us during that period. It was actually a challenge for us to try and win that business back. We lost the business because customers were frustrated with what we were doing during that period and I would say in the last two years that's begun to change. In those key markets we're now winning business back from both of those poolers.

I sort of dropped in at the beginning of my presentation that we won six times as much business so far this year as we've lost. If I look specifically at the poolers, we're almost winning twice as much as we're losing to the other poolers. So the customers have tried the alternative and we're now I would say when we go back to rebid on contracts we're in a much better position than we were a few years ago when I don't think we would have been allowed back in the door.

So I would say in terms of how they're behaving in the market, it's a tough market environment at the moment with the decline in core volume and especially for some of them who are heavily involved in water which is also a struggling part as well. We're seeing them as quite aggressive and quite aggressive chasing for volume in a number of the markets. But we've learnt how to compete better I would say over the last two or three years with these guys. It's made us a better business as a consequence. So we certainly don't take them for granted and we're finding them in most of our key markets.

Question: (Unidentified) [inaudible].

Peter Mackie: Oh yes I think you'll notice on the retention slide that I showed price didn't appear on the list of things we're doing. You are going to hear this afternoon about what we're doing on improving the service delivery, but most of what we do in a situation when we come up against them is really looking at what can we do with logistic synergies? How do we leverage the network we've got with the network our customers have got to actually bring some value that neither of those competitors can? That also involves the use of TMN and TPM in some of these circumstances, where again we can use our network and availability of large quantities of pallets at major Ds to offer onsite services for some of these customers as well.

I don't know Christophe whether you want to add anything on market [unclear]?

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Tom Gorman: If you want to grab a last cup of coffee or if you feel as if you're low on energy, those little chocolate things. I don't know, that was like speed on a stick, not that I've ever inhaled but – so I strongly recommend six of those and you'll be fine.

I think there's just one or two more folks so we'll go from there.

So as you find your seat, just to orient you to where we are today, as I said earlier in my opening comments we really have four strategic areas of focus, or four pillars that we as an EMEA team try to focus on. I think we spent a big chunk of the morning around growth so you heard both on the sort of the how do we win on white wood, which I congratulate the team again on bringing that to life, as well as sort of the geographic expansion touching on specifically Poland and Germany and then probably more broadly in the methodology that James Dinsdale walked you through in terms of how we think about growth geographically.

Then to me also, more importantly, is that stair step that we showed, and I realise we didn't kind of fill in every step for you, but at least you get a sense of the growth methodology that we're applying and the attempt at rigour, rhythm and discipline that we're trying to put in place.

So next we're going to focus on the second – these are not in any particular order, but a second of our four pillars, if you will, and this is really around customer satisfaction and quality. We're first going to start on the customer satisfaction portion, and John will walk you through that, and it has a lot to do with our interface with our customers, what they're telling us and how we're responding to that. So not surprisingly, we call it Listening and Responding, it was very creating. Then immediately, we're going to see how the energy in the room does. We might take a break after John to get a quick fire up on coffee or if we're okay we'll press through and then we'll move into the cost portion of the day.

We're in good shape in terms of time. We plan to finish a little bit ahead of schedule so we'll have more time for Mike and Q&A at the end of the day.

So with that, I'll introduce John. John plays a real pivotal role for us. How many years, John?

John Riley: Twenty-four.

Tom Gorman: Twenty-four years at CHEP and I would say quite simply he's forgotten more than I'll ever know. He's an invaluable resource in terms of knowledge about the business, knowledge about the customers and on top of that I have to say that he's just really a hell of a nice guy and a real pleasure to work with. So with that I'll hand over to John and we'll attack customer satisfaction.

John Riley: Thank you very much indeed, Tom.

Well, good afternoon ladies and gentlemen. Yes, those chocolates really are good. As Tom said, I've been in CHEP for 24 years in a number of roles in the CHEP business: customer facing on a national and European basis as well as running a couple of the small businesses, such as [Fishbok], and then moving in to support the shared use centres based in Madrid as well as SAP Go Live and some other stuff.

In September I was asked to lead the European strategic marketing team and I've just share with you what we do here. So customer satisfaction is one of our strategic priorities and indices. Customer satisfaction and quality, and that's a lot of what we're going to talk about over the next few hours.

People, growth and costs. Okay, so what is strategic marketing in Europe? Right, we have the product marketing teams who are under Michael, and this is where we look at pallet design products, new RPC, we're the RPC product manager for Europe, and work very, very closely with James and James Dinsdale's team, so that our products – H1 products – feed in to his strategy.

In trading and transactional data management, if you remember a little while ago, Pete showed that map of Europe with the flows moving across, right around Europe. Well, the data has to flow in exactly the same way as the equipment the customers declare to us, then transaction. When they ship for themselves in Madrid to Tescos or Mercadona we receive, through EDI predominantly, that declaration.

We receive about 32 million transactions a year, and that's increasing at the moment about 7% a year. In trading that's all about providing web tools to our customers so they can declare, if they don't do EDI or look at their balances, so if you think about some of the stuff I guess you all do with your online banking systems, that's what we try to provide to customers through Portfolio.

Process improvement team: this is where I have a small group of LEAN and six sigma experts who support the whole of the business as well as some European projects.

Communications team: you heard both Nigel and Laurent talk about some of the things that they do about getting our message out, organising the sessions in the Warsaw conference and so on, but that's all about getting our message and these keys stories about value out into the marketplace, as well as internally as well.

Then I have the growth and commercial support team. This is a team of sales and customer service experts. It's a really small team who are there to support the smaller countries. They fly in and they have support in Germany. They've supported Poland as well, as well as Scandinavia. They go in to provide sales and value chain expertise where perhaps it hasn't entered there locally, and known colloquially as the Flying Squad for obvious reasons; they fly in and provide support.

A number of you have come up and we've talked about how data driven CHEP is, and yes we're no different in strategic marketing and in charge of the process improvement team, I guess you'd expect us to be data driven.

So we use voice of the customer, voice of the business and process and analytical tools, focusing on the H1 program.

Earlier today, somebody asked us about the TR*M survey. These are the TR*M results that we're seeing. TNS is the company in London that carries out our annual customer service, and this is where we get our voice of the customer. As you can see they want us to focus on collection invoicing, balance and tracking, deliveries and contact with CHEP. Those are really key areas for us and that's what I'm going to talk about and that's what Carmelo and his team will also talk about on selections and delivery areas.

Let's move into some of the projects that come under listening and responding. There's declaration excellence. As I said to you, declarations are vital to our business. We need to know where our equipment has gone, so therefore helping our customers declare to us in a timely and accurate manner where that equipment has gone. FOCUS: this isn't an acronym. It's got three letters but it's nearly there; it's first class optimisation of customer service. The BlueZone project, that's upgrading our web tools and invoice simplification. We're going to look at some of these in detail and some as an overview.

Each of these initiatives include what we've been told is our listening and responding process. Process, nothing rocket science. It's fairly logical and that's exactly what it should be. None of you would expect it to be anything different, I would think. It's about listening to our customers through TR*M, through face-to-face, in country meetings, listening to the voice of the business, taking the venture from our contact management systems, from SAP, from all of our tools and resources. Having those together, using that analytics, using data, analysis leads, six sigma tools; coming up and understanding what are the specific needs for our customers.

We then come up with solution development and go back to our customers. Someone was talking to me yesterday about our invoice and you saw that's a key concern for our customers, and what we're doing is we've actually been back and validated it against our solution, against our customers. Then obviously, the communication program comes in to really drive things out into the marketplace and make sure they get used.

FOCUS, first class optimisation and customer service, exactly as Tom and everybody has said, this is about how our customers interact with us. Now, our customer service officers are based in every country and they receive telephone calls principally from our customers saying, hello, I need some help, I need some support, or that could come in through an email or even through fax. So they bring this data in and they answer those questions for the customer. That is a very important part of customer support. If you've got an issue, you want it sorted quickly, efficiently and correctly.

We'll be looking at the structure. The structure of our CSOs have now slipped into a front office, which take those telephone calls and deal with the simply solved problems rapidly and accurately, and a back office structure where more difficult and more complex problems are passed to them so that those can be fully investigated and the errors put right or the issue that's arisen corrected.

There's about 15 key processes in our customer service operation, and what we're doing is we're using LEAN. It's a super tool. It's one that we find very exciting, very accessible to our staff. The great thing there is that we can actually find benefit. Some of them are quite marginal - about five, ten minutes in every process – and others have been as much 10, 15 days out of processes and rework.

The contact management system, we use Siebel. We're also looking at new telephony tools and so on and so forth, so that our customers have a better interaction with us on a day-by-day basis.

We're very keen to reduce our hand-offs and to make our processes much leaner and therefore much more cost effective.

Declaration excellence: as I said earlier, we have this complex supply chain, a lot of movements coming in. We have to track all those pallets and have to get the declarations from our customers in. In that process errors occur, and so what we've been doing is we've run a six sigma perfect trip project on understanding why do those errors come into the process. We now have a better understanding of that and we now take any actions to remove those errors, and therefore remove costs for us and for our customers. Then all those errors are reworked.

The next two are about reducing complexity. You've seen that map with all those flows everywhere. It's a complex business with a lot of data and a lot of potential information. So what we're doing is we're investing in some new technology, new systems to underpin and to help us deal with that complexity.

Translation tables are exactly what they say but perhaps some of our customers don't think of Tescos in the same way. They have their own account number for Tescos when they deliver to it, and we have or global ID. So we have to have a translation table that connects those two things together and sometimes a customer changes his code without telling us and you can get mis-posting. So translation tables are a key thing. We've got about 7 million translations in our translation tables today and we're working to remove those and reduce them all the time.

One of the things we're doing is we're moving to a global standard, and this is what is very important to us, is moving to global standards and using GLN, global location numbers. If you look on the side of most cans, or any products, you have a bar code and that bar code basically tells everybody in the scanning world what that product is. Global location numbers are exactly the same thing but for physical sites, and we're going to use those and that goes live at the moment.

Sherlock: this is a tool that we use in data and vector management to help us understand where customer's declared. Many declarations come in with the number of pallets and the address that they have delivered to. We take that address and we match it against our master data and we post the equipment to the right place. The new tool we're investing in at the moment will help us reduce the number of people involved and therefore reduce the cost, increase access and increase turnaround time for our processing.

So as you can see we're touching on the pillars by touching customer satisfaction, reducing errors and so on. We're also addressing the costs.

BlueZone. BlueZone programs - and this is updating Portfolio Plus – if you go onto the web, and I'm sure you all do internet banking yourself, Portfolio Plus is our internet banking facility, if you like, for our customers. The program is a global program. We're working very closely with our colleagues in America. The portfolio is the online service for customers and also our staff. I think that's very important that our customer facing staff can interact with this tool and so see exactly the same information as our customers. The vision is for the customer to do everything at once online.

How do we find out what they need? Again, through looking at TR*M, customer facing satisfaction and so on and so forth. So again, using the same processes that we've taken on all of the other things. Looking at the data, what do we need, what do our customers need and then delivering the process.

What I'm going to now is share a few screens with you. So these are the screens the customers can see today, and I'll just walk you through so you can see what they can see. This is where they land and what you have is direct links to data entry, so they can transact and move equipment from their account off or onto their account, they can look at their stock balances and they can enter orders. They can actually say to Toby, please deliver pallets or please collects on my site. So starting for them to be able to do everything they want.

We're actually going to look at the dashboards now, and so they go in, they select the account. I've blanked out the account. This is real data, this is a real customer and this is what they can see. They'll select what product they're interested in, whether they want to do it invoice currency or euros and what fiscal period they want, and here you are, you're now looking at this account spend month by month. You've got underneath – and all of this is exportable to Excel, so again exactly as you do online with your bank account, looking at your balance, how much you've spent, they do exactly the same thing.

You then go on to the closing balance, which is the next thing down. Once you know how much you've spent you now want to know where is my equipment, how much I got, where is it sitting? They can see very quickly what is their equipment balance. Then this gives a manager the ability to view their account and understand what's going on and bring control. You've heard that control in these areas is key.

We then can go to another of detail and this allows them to see summarised data of their movements on and off for the last 12 months. This is reading directly into our SAP system and they can get the details of the account. Well, let's say we actually look at that 135 pallets at the top at return there; perhaps we don't recognise it or we want to drill down, you literally click on it and you go down to the next level.

So there you are, you're now able to see right the way through pallet balance, your stock and so on. We're giving customers the ability to do the things they want to do online first time and all the time.

Last year we surveyed our customers and asked them what is it they wanted from the portfolio system. These are the items they can up with saying they were interested in doing. First of all, transaction listing. I've just shown you that. That's live and that [inaudible]. You then go through and this is very like online banking, as I say. You want to see what's coming on and off your account, you want to be able reconciled your balance, reconcile your transactions, do corrections online. Wealth count capture, this is where our customers do a physical count of their stocks and they want to report back to us, so they can do that.

What we did, when then surveyed them this year and I'm delighted to say that we're actually delivering all the things they've asked for. The transaction listing is already live. It's been live now for five moths. A couple of the next things go live in May and October. Corrections goes live in the next 10, 15 days. We have got some things that we're delivering through alternative processes, one of which is AIM, and this is an exciting tool. We run diagnostics on our systems all the time looking for accounts that have changed their behaviour or not behaving as we would expect, as they would expect, and then we can contact that customer and say something's going wrong. So it's a diagnostic tool to give early warning to protect our customers and us from unexpected surprises. Support requests: so they don't have to ring us up they don't have to send us an email, they can do that online as well.

All of those are being worked on or have been delivered at the moment. Two of them are under investigation. The online paying of invoices. We were very surprised that was so high on their customer's requirement, but a number of our smaller customers said they want to actually pay on our portfolio as well.

Additional dashboards: you've seen some of the dashboards with the graphs, we're enhancing those and by the end of the year you'll be able to see year on year history and so on and so forth and that's right up to minute, up to yesterday, later in the year right up to 20 minutes ago.

So what are the customers saying? I'm delighted to say that the customers are receiving the upgrades we're making to Portfolio extremely efficiently, I won't read those. But in the survey we just completed we've seen that the customer satisfaction is where they have given us an approval rating of very good and good, has moved up to 96% and 85% last year. So what we're seeing is customers are using the tools. Twenty-five thousand customers now have access to Portfolio. They are using it more and more and it is starting to find some real traction in the way ahead from being perhaps a transactional tool historically.

One of the key areas that came out in the customer satisfaction survey was our invoice. It reflects the complexity that Pete put up and a number of you are aware of. So what are we doing around our invoice? There's a number of programs going on. There's the step change invoice which I'll talk to you about in more detail. This is a project that is very much under way at the moment, with delivery towards the end of the year.

Portfolio Plus, you've actually seen, has gone live and is delivering. The step change invoice is coming in the future, and we wanted to share something with you that's actually coming in the future.

Digital signature, TransAct, TransMatch are things already in the marketplace. Digital signature, as I'm sure you're all aware, is allowing customers to receive a pdf format invoice which the authorities recognise as a legal invoice. It can be paid and used in that format. We're rolling that our across Europe. Many, many customers, we're now up to about 5000 customers already accepting digital invoicing and that's moving ahead. Digital signature invoicing plus the TransAct and TransMatch, which are Excel-based tools based on an Excel version of our invoice, have allowed us remove a million pieces of paper from our invoice relationship with our customers.

So again, taking costs out of our relationship, making their lives easier by giving them tools that they can actually review their invoice via Excel, they can check it as well, and digital signature invoice allowing them actually pay the invoice and receive it legally through the web.

The step change invoice is a project that has gone through exactly the same process as all the other processes we've talked about. It's really driving through, using the data to find out what's wrong, and a couple of you have spoken to me about the invoice. What we've seen we can make it simpler. That's what we're about. We're wanting to help our customers have a simpler interaction with us, a more efficient one, a leaner one.

step change invoice, they're actually starting to code that at the moment and the great news is that we've actually been back to our customers for validation and what our customers said about the original invoice is there's complexity. Yes, we recognise we have a complex business. We recognise that we have a lot of information that we need to impart to them. The great news is that through redesigning our invoice, redesigning this document that is crucial in our relationship we've been able to address their key concerns.

So on the left-hand side you can see their concerns, on the right what we've done to address them. We've actually been back out to our customers and a number of customers have said to us this is exactly what we wanted. We're feeling very, very positive about it. So that helps us know what we're tabling is absolutely right, and that will be available towards the end of this year.

So all I and my team are about is making CHEP simpler and easier to do business with, so that is the telephone contact that you make reporting a correction, whether that's looking at the cause of the correction, whether it's looking at how you declare your EDI or other declaration. We focused on the strategic priorities of customer satisfaction and quality, people, growth and costs, and we're actually touching on every single one of those areas. I'm delighted to say I've shared with you some things that are live now today – Portfolio Plus - and moving on to the step change invoice, which I know a number of you have spoken about and our customers have clearly registered it's an area we needed to focus on.

Any questions?

Question: (Unidentified) Just on that TRM survey, given the pricing with the – lower the priority, what is policy now on pricing. Maybe a question for…

John Riley: Well, I think some of the issue on pricing was actually how we showed it to our invoice. When you actually spoke to some of our customers they said we don't understand. But when you actually looked at how we were displaying our price on our invoice pre-discount, using codes instead of actual prices, it was no wonder they sometimes found it baffling to get into.

A number of our customers have actually come back to us and talked about ABPA and actually they don't want to move to any other system now, as they like the ABPA system, they like the methodology and the way we do it. There may be price level discussions, which is perhaps a different conversation.

Question: (Unidentified) In terms of those issues of the pricing discussions, I mean, is it still the belief that you should be keeping pricing low and driving for penetration or are you thinking now that there's the ability to push through more pricing?

Male: We're not intending to change our current pricing policy that we really put in place I would say, what, three years ago, four years ago so there was a change in price required in the market. But now we have contracts with indexation in them, so the element of price we discuss with customers is indexation on an annual basis.

But other than that there's no intended change to the pricing policy.

Question: (Unidentified) …I don't know if it showed on all the detail in TR*M but you go back and you look at where this price shaped out in terms of one of the issues that the customer has with us and I think it's one of the earlier slides – sorry John – and you can see that it's well down the list. It's also well down in the page. But if you look at pricing in terms of where the customers are complaining, or giving us feedback, I think that that differs around the world. If I look at the TR*M results from markets around the world that issue of pricing changes.

There's also another survey question which says do we bring – do we give you a competitive advantage in the marketplace? I think that's the other thing that you want to look at, is that the customer feels if we're adding value.

So I think all of the difficult period through the institution of activity based pricing, all of that hard work is behind us. Customers have long memories so not everybody is so perfectly happy with how it was done or how it was implemented but we benefit from it today, in that we have a really stable business and a profitable business but there's no intent on our part to be overly aggressive in the marketplace. We still use ABPA.

As James mentioned, we have a disciplined pricing methodology when we go to the market with new customers. I think Christophe took you through sort of value and how we assess the value that we're driving to our customers, so to my knowledge there's no major issue around us at the moment.

Question: (Unidentified) In terms of the step change invoice, is that across the one-way trip in Europe, recovery and exchange in the UK?

John Riley: It will be across all of our customers, the intention, absolutely, because the building blocks of our price links are the same and therefore we can use the same invoice so the intention is yes.

Question: (Unidentified) And you still have the extra additional layers of complexity in terms of the reconciliations on the exchange model?

John Riley: The reconciliation of an exchange invoice or a one-way trip invoice are exactly the same. You have to do the same things. Your book, versus ours. All you need to do for managing the exchange pool is add the balance management, and we're looking at adding balance management to our Portfolio tools for the future. But reconciliation of the invoice would be in Portfolio by the end of the year and that's one of the things that we're really excited about and, yeah, the step change invoice will be available to all customers.

Question: (Unidentified) That's to roll out by the end of the year then?

John Riley: Yes.

Michael Ihlein: John, I just wondered would it be worth commenting on exactly what you do or will be doing with TransAct and TransMatch just to give them some understanding of that. What does that mean for a customer in terms of how they interact with CHEP, to use a specific example?

John Riley: Yes. TransMatch, TransAct are very simple tools. The simple ones are always the good ones. We send out to a customer and Excel version of their transaction listing, the invoice detail if you like. You then use TransAct to run a macro against that and it gives you a graphical view of your invoice. That graphical view of your invoice allows you to say very quickly does that look like my world, does my world look right? If it is then don't do any more.

Yep, I trade with Tescos, I received some pallets in from my packaging, the volumes look right. Stop, don't do any more. A number of customers are using that tool very effectively just to check their invoice at a graphical level.

TransMatch goes another level down, where the customer takes their view of the world, if you like your cheque book stubs, and checks that against our view of the world, your bank statements. It's exactly doing that. Has every movement come on that should, has every movement come off? Should it 0:31:02.6 as well. That's what TransMatch and TransAct does. Portfolio Plus by the end of the year will see both of those things online.

Question: (Unidentified) Just the linkage between pallet quality on the TR*M feedback here and then your decision to switch of cap ex and incur more op ex. What's to say in three years time that that pallet quality issue isn't replicated in Europe from what we've seen in the

United States, and what's the key differences on the TR*M survey from Europe to the US? Would we see pallet quality in the US on the US TR*M survey?

Tom Gorman: Maybe I'll take that. I think on the second question we don't have the US TR*M data here, so I don't know, it's probably not appropriate for us to comment and draw comparisons. As I mentioned in some of my earlier comments the risk of doing that is that the pallets are quite a different design so there are different systems and there are different ways to go to market.

So I think I'll just leave that question, if that's okay Mike, in terms of the TR*M results for the US or…

Michael Ihlein: We're going to have a Q&A session at the end so I'm happy to talk about, you know – you'll hear from Carmelo's group what they're doing around how they think about pallet, the quality of the platform. So if I could ask you just to hold that so we don't steal their thunder and then I'm happy to draw some observations as to why is the US - or Europe different from the US. We can do that in the Q&A session.

So I think you'll get a better value comment out of that once you see what Carmelo's group's going to present, I think.

Tom Gorman: We'll come back to that one. On your first question, however, relative to the overall pool quality and does [unclear] I think my implication you're saying that if you're not putting new pallets into the system does your overall pool quality come down with time. So I think that's your question.

So just to be clear on that, what's happening, I think that you have to really look at the mix between 1210s and 1208s. So a full-size pallet, the 1208 business is growing still so we are continuing to put new 1208s into the system. Our view of the future is that that will continue to grow and that's a continental pool and I would say there's no real change in the dynamics of that pool. Fair enough?

I think with the 1210 issue that we've talked about in our first half results and we've touched on a couple of times today we have the ability when the market slows as it has for us in 1210 that we can shut off our purchase of new. And again, we might have drawn the comparison to the US on that because we don't have any commitment to deliver new power to any of our customers as a standing commitment. When volume declines if you don't need the new ones you don't buy them, so it's more or less that simple.

So one of the benefits that we have is that cap ex has come down significantly and I think James touched directionally a sort of a 40 million number in terms of movement.

To respond to the quality issue, we haven't changed our standard at all in terms of reconditioning to a standard on 1210. So even though there are fewer new pallets coming into the system all the 1210s that are coming back and then being readmitted back into the system, are being repaired to a standard that meets our customer requirement. So I think broadly speaking in the near term, you wouldn't anticipate to see any change in the quality of our line.

[Inaudible question]

Yeah, I guess the second issue I would just make is that the US - again just to juxtapose with the US – the US has really two issues in terms of pallet volume and their stock levels. One is that the new commitments they have, and I think we've quoted the number at 7 million of new and then, secondly, they have a lot of pallets that are coming into the US from outside the US, either from Latin America or in some cases coming in from Europe. We don't have that situation here in Europe, so there are no negative flows or imbalances from outside of Europe into our market here. So in some ways we don't have either one of those to wrestle with.

Again, on pallet quality I think as long as we continue to repair to the standard that our customers are demanding, I think in the short to medium-term you wouldn't see any major impact on the overall quality of the platform. Do you accept that?

Question: (Unidentified) Just a question, if I can, on value change study. If I take the earlier slides you're quantifying the indirect and direct costs of the alternative, the white pallets, how does the simplification process that you're going through increase the cost of the CHEP pallet pool on a 0:36:01.7 basis on a comparison?

John Riley: What, does it increase them?

Question: (Unidentified) Well, it's an indirect cost. The complexity of your invoicing systems I would say is an indirect cost to the customer. How big is that, relative to…

John Riley: That's a very good question. Some of the things we did was we actually looked at how much time our staff spent explaining our invoice and what benefits that will give us. We do believe that by simplifying our invoice it does take cost out for our customers, it does take cost out for us as well, because we don't to spend so much time explaining some of these things, or perhaps reworking things which didn't need reworking but weren't displayed in a way that people found useful.

Question: (Unidentified) But it was quantifying as far as the value study analysis? What I'm trying to understand is of the total issue cost on the CHEP one-way trip, how much of that was that complexity that added to the overall cost?

John Riley: We didn't go into huge amounts of detail to establish exactly how much it was. They knew it was a cost we knew from TR*M, it was an area of dissatisfaction, and so we focused on doing it and solving the problem, and we knew that we'd take cost out for our customer and for ourselves. Rather than spend huge amount of time establishing what that cost was, we said let's get it right because we have a one chance to get this invoice looking correct for our customers.

Michael Ihlein: There's two things I would add to that. In the very early stages of the development TransMatch we gave – because we knew there was invoice reconciliation was the thing that was taking customers most time, and I can't remember all of it, John. You might be able to remember better than me, but we took some of our largest customers, who were spending days to reconciliate the invoice down to minutes, so we made it…

John Riley: Translates to 80% of the time to check an invoice.

Michael Ihlein: So that might give you some idea. I mean, I think the other thing to say here is that if you do the comparison versus white exchange there is a lot of administration in white exchange. The administration of tracking all your outstanding balances with your LSPs or your [unclear]. You know a customer who moves from white exchange to CHEP pooling loses quite a lot of the administration that they have to do on the white exchange pallet. But we're trying to move to the world where we're significantly better than we were.

Question: (Unidentified) …the average cost in Germany of administration and [unclear] is 70 cents per trip, so you know invoicing is one thing on CHEP and many, many administrative things have to be undertaken on the import pool as well.

Michael Ihlein: The other thing I'd add is on the value chain analysis remember what it is, is comparing an existing CHEP offering, not saying whether we can do it cheaper or not but just taking where we sit today versus the alternative and so we're really looking at if somebody's using white exchange what do we estimate their cost to them of doing white exchange is, and how does that compare to what they could get today from CHEP.

Now clearly, if we can reduce our complexity and reduce our costs then that means that they wouldn't have to have half a person or two hours a day or one hour a day or whatever, reconciling invoicing that would improve the value offering to that customer. So this is not about trying to take a view as to whether or not – are we too complex in a business word, yes, we are, and that's why we're doing all this.

Question: (Unidentified) No, there's my question along the lines of trying to understand how much of a benefit this gives you in trying to convert more of those customers away from white.

Tom Gorman: I understand exactly what you're pressing for and I think that most of it is anecdotal at the moment, because you know they go from a couple of days to a couple of minutes, but that's not something that we sat down and quantified. I think when the team goes with the sales presentation, the sales offering, it's really the value that we're going to drive relative to where you are today.

I think you have to take it as given that, as Mike said, we are a complex organisation and there's a lot of good things around that. There's complete transparency in our pricing methodology with our customers but the more we can drive in the direction that John's articulated we're just going to become that more valuable to our customers today. So if they're satisfied today with where we are, it's less than perfect, as we continue to improve it I would say satisfaction will go up immeasurably.

I think we're just going to continue to move on and then we'll just judge from there when we need the next break. So with that, what I might do it just move on to cost performance, and we've introduced Carmelo broadly, but as he worked his way up here. Carmelo's been with us 17 years?

Carmelo Alonso-Bernoala: Seventeen years.

Tom Gorman: So another great veteran. Based on my long history with automotive I've seen a lot of manufacturing guys in my career and Carmelo has all of the positive traits of a manufacturing guy, excluding that he's never thrown anything at me, which I think is one of his better traits. But incredibly disciplined, incredibly responsible, understands his business and he takes every year to a very difficult task of driving efficiency.

So he now has full responsibility for logistics, plant operation, quality, purchasing, it all sits under Carmelo, so a huge responsibility to run the CHEP business in Europe. So with that I'll hand over.

Carmelo Alonso-Bernoala: Thank you Tom. Good afternoon everybody. My name is Carmelo Alonso. I'm Spanish based here in Madrid working with CHEP since 1992. Here with me we've got two members of my team. Let me introduce you to Enrique Garcia who is the world director for the Central Planning and Toby Black our right-person for logistics. Within the tree and in the next half hour I'll show, we'll take you to our main processes and activities. We are taking [unclear] right now to keep delivering efficiencies in our direct cost line up to 3-5% [unclear].

We'll cover different points we'll touch today before going to the [unclear]. I will start talking about how are we are organising the supply chain and why. We're having listening that we are moving to a more functional organisation in Europe to a more in-country organisation, then how the European organisation supply chain is interacting within the more country focused organisations now.

This is how we are organised right now. We've got six different areas with different levels of organisation. One side we've got the three typical operational areas like plant operation, logistics and quality and sourcing, which are very much focused on the execution this, so they are much more integrated within the in-country organisations. In fact, we've got our people fitted in the in-country management teams who'll be closer to the market. Because the nature of these areas is made for what we call the Central Planning team.

The Central Planning is where we take the key strategical and tactical decisions about where we do locate our service centre, how many of them do we need in the different areas where we're operating. What type of different capacity do we need to build in the different service centres, when we do we need to buy new equipment, how many, where, all of those are strategical decisions and are taken centrally. They are taken at the full European optimisation problem with not having any border in between. They're just looking at Europe like a whole.

So how do we do this? Of course you can imagine that to manage such a complex problem you have to use advanced and sophisticated tools. In this case, we are using the JDA solution or the [unclear] solution, and there you can see the different modules we're using and later we'll develop more – but everything's starting with doing a proper forecasting so that we use the module that we call demand planning. Then based on an activity forecasting we will reach the strategical decision on mainly how we do we balance the pools, how do we open long distance place to make the balancing of the pools and how do we take the...for allocating our services...

From the strategical decisions that we use for the model that we call network strategy we move into a tactical decision. We've...and which service centres are going to serve that, from which country to which country and we are...collections...we are moving into which service centres and then how do we produce the optimal solution on that.

On top of that we've got another two areas. One is asset management, which is quite new in the supply chain organisation. You saw before that we used to have in the function organisation the asset management...what we did within the organisation was taking the pieces that were more repetitive in the asset management function and integrate it mainly with logistics and you will see later on from Toby a clear example of how we are putting both pieces together for asset management logistics to improve collection. You have seen in the TR*M index that collection performance is the top priority now for our customers.

You will see a clear example of how we are improving customer satisfaction putting these two areas together at the same time that making the process more efficient. I'm always asking Toby that we need to collect cheaper but don't show how we can improve more equipment, how we can reduce the cap ex expense because we improve the asset…

Then the last but not least area we've got is to…because they are the people who are taking care of the safety, not only of employees working in the supply chain organisation but for all the employees across the field. But I will say that the real glue that is keeping everything together in supply chain is this equation, and Toby is giving the answer on…listening during the sessions and the presentations about the trade offs between op ex and cap ex. We always the…based on this equation: the total expense of transportation plus the total expense in plant operations plus the total cap ex…we put everything together with it and we look at the minimal…to give you a taste of the…so Peter has been telling us that having such a large network is giving…I look at this from a slightly different angle…the complexity of…you listen this morning that they will go 300,000…35,000…we're touching every week more than 50,000 locations…we are operating every day 6000 freighters across Europe. We make than 4500 telephone calls to the…mainly to arrange collections for our…we operate a network or 190 service centres across 23 different countries…

Our service performance today is quite good. We are about four sigma performance in the main processes, delivery performance, collection performance and…

Apart from the complexity I will assume that such a large network is also giving us…delivering…with a 3%, 5%…like $25 million that we have been able to deliver year…so with this, I'm handing over to Enrique who is taking us through a bit more about the planning decisions about how we optimise this…

Enrique Garcia: Good afternoon everyone. So as Carmelo was saying, I'm responsible for the Central Planning team. I'm been with CHEP for six years now. When I joined I was made responsible for the creation of this team, so there was not a proper centralised planning team. So we put that in place. We created all the processes and we implemented the…and I will explain later how that really works.

So what I'm going to try today to explain what - really Central Planning team does. For that I will go to two main…planning…some planning steps and…and those two concepts are linked together. You don't understand one without the other.

So we've seen some of this data before, but just to give you an idea of the complexity of the problem we're facing. We're talking about 300,000 points from where we collect, 35,000 points where we issue more than 190 plants. It means no…because every customer can be linked to any of those plants. As you can imagine that leads to almost an infinite number of solutions and only a small subset of those solutions can be considered optimal. So that means that this kind of problem cannot be solved optimally by…it will lead to conflict. So that's why we need…that's the reason why we have implemented manugistics.

We do require the best…but…without the best people and in this case I think it's particularly important because in the end the so-called intelligent systems are not so intelligent. They just do what human minds do but only faster and they don't get tired of repeating and…so that means if we want to have the system what we need is to have the people who have expertise in supply chain and model this system.

So we have a mix of people from different backgrounds. We have a good mix of…theoretical knowledge, also supply chain knowledge and also a good…and that makes it I think very powerful.

We are also a very diverse team, as you can see. We are different nationalities…good diversity. For our diversity's not only…well, we already hear this morning how it's a little bit complex. We have many different languages, we have many different cultures. We need to have people who are able to talk directly to people inside the local offices and local markets…because they give us a very diverse way of thinking, they give us a very diverse way of…

So how do we understand planning? As Carmelo was saying, planning is about getting the best optimal use of our resources, using our resources and assets in the best way so we can deliver our customers optimally…some problem we have for the company, we…in our case we consider…some of them are…certain circumstances can be broken, as for example a packaging service centre is…the system will choose the capacities over time, et cetera, because of that. But there are others that cannot be broken. Those are hard constraints. For us a typical hard constraint is customer demand. This is a must for us. We need to deliver what the customer ordered when he ordered it.

Another important component is viable. So that means where are the things that…to move from that country to this country. What is the out we are going to require for a certain service centre, so how much we will need from the manufacturer. Those are the things that are in our control. But this is always limited by a third component that is cost. This model has inside all the possible unit costs of everything we can do. So it has a huge matrix of cost from every region to every region. Everything can be considered as a possibility and then we will…and the…companies…that can be maximised or minimised, depending on the type of…minimisation problem, that is…what we want to do is to find a solution that minimises that and that is related to what we were saying this morning about the balance within cap ex and op ex.

This solution will always choose the one that minimised the additional…if we have the choice…balancing them, we always…

So let's have a look at how we articulate this problem. We articulate it in two main dimensions. One is functional and the other is time. The functional one means that…like this by parts. I mean, we cannot optimise for example the production plan and pretending that solution is also good or that it is a solution plan. That will never work. We need to find a holistic way of…we're going optimise the whole problem and from there we've stacked the different components. So we have a single solution that is global and from that solution we've stacked all the components that you see in the…of the network optimisation parts or where our service centres are located; the sourcing optimisation, where are the manufacturers that we're going to use and the quantity; the transport optimisation, where are the lanes that we're going to put in place, how many trucks are going to move from one region to another; and the plant capacity optimisation. Everything's optimised as a whole in a synchronised way.

The other way to articulate the communication is by time. We have a hierarchical view in this column. We go from the highest level to the lowest one. The highest level as Carmelo explained before is about this strategy. We are looking…these type of problem is solved once a year or ad hoc when it's needed and the kind of question that we need to ask and get an answer is, is our service centre in the right place? Do they have the right capacity? Are our manufacturers located where we need them to be?

The next level is the tactical one, and here we decide what is the right…for our goods to roll out a supply chain. It's typically done mostly, and the double question we ask here is how many pallets do we need to relocate on a particular month or how many purchases do I need to do?

The lower level is operational. That is the one that goes just before the execution and this is about scheduling and rescheduling. The thing is we need to have the optimal solution that is consistent with industry levels, and we are going to see how we do that and what is this level indicates.

The first level is the strategy. We said already that we use a tool called JDA strategy. This was formerly called manugistics. This tool is used for planning usage…time. We're able to decide where our service centres should be ideally. At the end we have a model that we produce the whole supply chain of CHEP, including our customers and all the costs I think through there. So we can use that as a kind of sample. We can play with it with no harm. That means we can – what will happen if, those sort of…if we open a new service centre or what happens if this new market…were growing? Where our service centres should be when we are going to grow at this speed…this is the type of problem we'll be solving here.

The value or the difference of this solution compared to all of… previous, is we also have this… that is a stochastic meaning. Stochastic means that we don't have a deterministic problem. Sorry for the word but there's only one I know for deterministic. Deterministic is when you know exactly everything that is going and you need to find the right solution. It might be for example, you know…what is the demand that you're going to have in this customer in the next year. That will give you a perfect solution…clues of what customers are going to order but we don't know exactly…and this is what a stochastic optimisation is about. It's about finding a solution that is solid enough to be good for a range of possibilities. That means we have a range of possible demands in different markets and our solution is good for a range of those possibilities.

Let's have a look at an example of how we use this. This is a question that we got from the business asking we know we have a potential of hiring…having a small service centre or planning centre for our customers. UK is a mature market where we think we have possibilities but which are the ones that we shall look at first with our priorities. We have asked the system to look at that and we have the system tell us where they are…where we had a small planning site expecting it will give us a better benefit. That is the...we've got here. The yellow dots are the highest priority ones. Those are the ones we are…now and some of them are even a reality. The blue ones are the ones that should go on a second… so that proves what is the value of this tool. It's not only something that we use for let's say the daily planning but it's something used to form business decisions…

The next level is the tactical one. The tactical one is the one I was saying before…the flow of materials in the supply chain. The main difference to the previous one is the fear the…we don't ask any more if the plants are in the right place. That was answered before. Here we have the places, we have the network that we have. What is the best way to use it? That's the intention of this type of planning. We used two main tools here, [unclear] planning. That is a tool that the [unclear] are focused, an automatic focus based on historical trend and event management that results in an automatic [unclear] then is combined with market information so we can arrived to a consensus quota. That is an important [unclear] because an automatic focus would only consider trends. We need to talk with the people who are on the field to know the things that are happening and combine that to get to the right forecast.

The other tool that we use here is a strategy again. But not the strategy in the use of [unclear] in the supply but [unclear] in the notes or the network but to tell us what is the right way or the right kind of flows that we will be doing. Let's have a look at how this has resulted in reality. This is graph that I particularly like. [unclear] a typical, it's a typical metric that we use in everything metric. It represents the person's [unclear] relocation plan, the plan we do for every issue we do to customers. We spoke this morning, we said this morning, there are regions that are imbalanced by nature. There are regions where we collect more than what we issue and the opposite

So we need to be rebalancing. Rebalancing can be done two ways. It can be done moving from plan A to plan B in the other region that is invested in and then doing a local delivery, or doing a direct delivery from the region that is in surplus to the region that is invested in. Of course, the second way is the most optimal way. So this is our graph that we want to see going down. There is a minimal plateau that you can see here related with capacity constraint. We said there are TPM's inside our customers that, by definition, because we don't have the space, we don't repair. So that means that we inspect but the [unclear] needs to be repaired, I relocate it. That is a must. That is a constraint of the network. So we will always have a plateau.

But there is another percentage that can be reduced through better visibility, a centralised [view] and a tool like this that is optimising that and finding the optimal flow. We went live with [unclear] in June 2004, so it is nearly five years now. Since then we have seen how this percentage has gone down to a level I would consider very close to that minimal that is [unclear] with these constraints.

The lower level is operational planning. Operational planning is the way we schedule what is happening in the daily life of our supply chain. When we go from a higher scale we can see notes and links and things like that. Then we're going to focus down on like a telescopic view, like we're looking at maps and looking at what is really happening on the field. That is this truck is going to move from this service centre to that particular customer. The service scheduling what is done here in there, in the master planning level.

I think the main point here to take is that everything is consistent. It means that these smaller scale flows are the same that we have seen from the highest level. I think one of the main outcomes to take from here is that the way our systems are implemented, our process has been designed and this organisation has put in place ensure that every decision that we take, in terms of supply chain, is optimum. We optimise every day. I really believe that this optimisation culture is something that is now deeply embedded inside the CHEP culture and is something that we really live in our daily life in other projects.

Now we're going to see more examples of this there with Toby. He's going to explain now how we are looking to optimise, for example, the collection process by going to our [unclear] collection process or how we are going to get optimised [unclear] by using [unclear]. Thank you.

Christophe Loiseau: Is there any question for Enrique or for myself before moving on to Toby's?

Question: (Unidentified) The slide 116, the one we're looking at, I think it's a couple back, it flattened out a bit in '08. Is that because most of the benefits have been captured or is that to do with the slowdown that that sort of caused a temporary increase in relocations? Because, you know, you would think that that's a sort of permanent feature of the business model and the network. As it gets more dense it should continue to lower. What happened there?

Enrique Garcia: There is a minimum that is given by our network and that is related with the TPM's especially. There is a [unclear] returns that don't go through our plant, it goes through [unclear], our small plant [unclear]. Those plants don't repair so that's obliged to do a relocation 'cause we need to move the [unclear] stocks from those service centres to our plants to be repaired and then delivered to customers. That level is around the same range that you see there.

Once we got to the level, we cannot go deeper than that but still we got savings from TPM because we save one leg of transport every day. We save the collection or the delivery. But we need to do the relocation for the [unclear]. The part that is damaged is to be relocated and that is the percentage you tend to see here.

Toby Black: Okay, so as kindly introduced by Enrique, my name's Toby Black and I'm responsible for logistics in Europe. My role is really, first of all, two fold. First of all, showing a service delivery to our customers. We mentioned the 35,000 [unclear] locations that we need to service during the course of a year. My job is to make sure that we deliver our pallets effectively to those locations. We also mentioned the 300,000 [D] locations that we need to go and collect on. My job is to run those 600,000 trucks that we have on the road to make sure that they meet those service requirements and, of course, to do it in the most cost effective way that we can do possibly.

We also heard from Tom at the very beginning, how important it is for us to be cost competitive. Later on we heard a bit from Carmelo on the 25 million that we show year on year improvements in terms of our cost efficiency.

What I wanted to take you through in the next session is some examples to give you some really tangible ideas of how we are going to achieve those, we are achieving those cost efficiencies and the logistics. So, specific examples and how, while we're doing that, we enhance our customer satisfaction, and also relationships with our suppliers at the same time.

So those are the two pieces I'm going to take you through. The lean collection engine, the rates entitlement piece and finally the area which I'm really most excited about for the future is how we use some of these tools and systems that we developed internally to really create value for our customers. So we're really building up a core competency here and for us that's really something that we can, we believe we can add value for our customers in the future.

The first piece, the first initiative I'm going to talk about is around the collection engine. Obviously it's absolutely critical for our business model that we get our assets back from our customers. We collect more than 400 million pieces of equipment back from our customer base across Europe in a year. We need to do that obviously to make sure that we have our assets available to issue on the other side. We've been very successful in terms of doing that collection process over the last years but we wanted to go for another step change improvements in terms of how we do that. Here are some of the objectives that we set ourselves.

As you saw from the [unclear] results that John presented, one of the major areas of it coming back from our customers, in terms of concern, was the collection performance so we wanted to improve our satisfaction at the D's. The second bullet there was around control ratio and clearly for us to have a good control ratio we need to have a very effective mechanism for pulling our assets back from the marketplace. This collection engine was designed to do that.

Thirdly, we spend a significant amount of our cost base and logistics on executing that process so we wanted to find a way during the course of this project to find some cost savings. Finally, was around building an organisation at the end of it that really could sustain this process and continue to improve it.

So what I propose to do is just take you through some of the things that we've changed as we've gone through this process. The first thing is, and the context this slide is, is very much aligning our process to our customer needs and also making best use of the data that we have in our systems. The first point is that we're calling everyday around four and a half thousand D locations. What we're trying to arrange with those locations is to schedule a vehicle to go and pick up pallets in those locations. Previously the way we did that, we simply ring the location and ask them how many vehicles they would like or how many pallets they had [unclear] schedule.

What we've been moving towards now is a much more intelligent system where we can use some of the data we have in our system and some of the tools, such as JDA system to really predict how individual locations are going to behave. In some cases, because for many of our customers the pallets are not the thing that's most forefront in their mind, we're able to predict better than the customers know themselves how the pallets are going to flow through any one of those 300,000 locations. That means that when we ring the location we're able to have a much richer conversation with that customer. For example, we're able to identify that he potentially has a seasonal variation and potentially next week, typically every year, he has a higher volume of pallets going through his location so we're able to bring that up with him and help him to make sure that we book the right number of vehicles for his location. So we have a much richer conversation with the customer, a much more accurate conversation, which means we're much more effectively able to book vehicles for him to collect.

Down in the bottom is also around how we ensure we're going to these locations at the right frequency. On the bottom left hand side, what we're trying to achieve is to get it just right. If we go to a location or call the location too often then, on our side of it, we're clearly wasting resources. That might be a truck or one of our service agents visits the location, or it might be us making a call. So that costs us money. On the other side of it, we'll risk irritating a customer if we're like a nasty call centre. If we're calling them too often it sort of irritates them as well so we don't want to call them too often. On the other side of it, if we don't visit them or call them frequently enough, then we risk having our assets stored in an unsecure way and potential leakages.

So we really want to get to this point here on the green line where we're getting it just right. We're getting to the locations at exactly the right frequency. Over here, by this mess as you can see, we're moving our locations on to that green line, which is clearly much better for the customers 'cause we're visiting in the right way and in a predictable manner, and obviously it's much better for us in terms of optimising our cost and reducing the amount of losses at that location.

The next area is around how we tackle some of the critical issues that we face in logistics. Clearly distance is a huge driver of logistics cost so how can we reduce distance? Variation, again variation creates excesses of capacity and truck capacity at standing idle. So how do we reduce variation? Complexity, as well, generates extra cost for us. On this top graph, in the before world we treated all the demand from a customer as it came almost through the door. What that meant is there was a core level of volume coming through a customer location but the process you had would introduce a level of variation and complexity on top of that. What we've been doing, by sitting down with the customers and using some of the tools I described, is really identifying what the core volume of flow through a customer location is. We find typically that actually about 80% of their volume is actually very stable, in terms of what we're collecting from them.

With that stable volume, we're really able to lock down a plan with the customer and with the transporter and with ourselves in a three-way agreement and put milk runs in place, stable transport legs and that gives us a much better cost base. It gives the customer a much more reliable process. On top of that, we then manage the 20% remaining in a flexible process on top of it. So we've really made sure that much, much more of our process is more stable.

The second area is around geographical optimisation. Beforehand we had no real structured ways of clustering locations. What I mean by clustering them, with what we're trying to get is locations that we're collecting from geographically close together and in a reasonable time order. What we want is three locations, they're near each other that we can go and collect from at 10 o'clock, 11 o'clock and 12 o'clock. What we've done now is by some of the tools is we've changed from the left where we had very little of that geographical optimisation and time optimisation's going on, over to the right where the locations are in the correct order and the truck can easily go from the plant, the emitter location, and he has a nice stable route back into the plant. Again, it's a good example of it's good for us, it's good for our costs and it's also very good for the customer 'cause the collections are much more reliable.

I think the third area really speaks for itself. Inside of all of this we build very standard processes, of course, for European business. The process is in a very transparent way that we can share, not only internally inside our own business, but also we can share with our providers. We have more than 180 transporters working in [unclear] us so we can share it with them. Also, our customers get to have a simple process that they can understand.

The final piece to the puzzle is around setting up the organisation. We've heard a few times through the day how we've restructured the organisation and I think this is a really good example of how restructuring the right way can really support the business in achieving its aim. What we're simply trying to do here is we're trying to get this pallet at the retailer distributor location, back to us in CHEP. What we had previously before the restructuring, we had many different functions in the organisation who were responsible for parts of the process. Each piece had its own objective. There were many [unclear] and obviously it could be somewhat bureaucratic.

What we've really done now is we've listened to what our customers really want, we've listened to understand what the business really wants. We designed the process first and then we've engineered the organisation to run that process. What I really like about it is, not only does it set the process up in the right way, but the organisation can now improve that process by itself, 'cause they have the ability from end to end, and they have the freedom to open it. So we anticipate that the organisation can learn by itself and continue to improve, even after we've made the changes that I highlighted.

It's relatively early days and we've been in the process of rolling out across Europe so by the end of the year we'll have more than 70% of the volume covered by it. But already we've seen some preliminary results that are very encouraging. In the last weeks we got some of the customer satisfaction surveys back from the major D's. At the moment we've got results from the UK and Italy and clearly there are many actions that affect this but so far the signs are encouraging. We've seen in the UK a 12% increase in customer satisfaction at the D locations and in Italy we've seen a similar number as well. So we're hopeful that that will carry through into other countries as well.

In terms of the performance, this is our sort of internal metric of are we collecting as we agreed with the customer? We can see really here that the headline figure is the number of failures that we've had for the customers this year compared to the previous year, has dropped by half. So we're failing half as often when we promised to collect from customers.

Finally, in the cost piece, we set a target of around $3 million for improvement for this financial year and we're well on track to achieving that as well. Really for me, it's a great example of one initiative that really tackle three of the critical pillars that we are looking for in the organisation to improve.

The second initiative that I wanted to talk about was around our flows. I've talked a lot about the collection and this is really more on the delivery side of it. The top of the slide says challenging economic conditions. I think that's really the challenging economic conditions that many people – transporters and 3PL's – are finding in the marketplace at the moment. So, if you went back a year ago, there was a perceived scarcity of transport to here in Europe and due to the economic condition that's really changed around. There's many, many transporters who are short of work to do. They've got vehicles, they've got costs on their vehicles and they're really looking to best utilise those. The question we present, we ask ourselves, is how do we take best advantage of these conditions? What do we do with this? How do we manage that?

There are really one or two things which we want to achieve. One is, wanted to get a step change performance in our cost where we possibly could. The second thing was to really ensure that we have a long-term advantage that we build up inside the network. To do that we split our flows into two parts that we're working on. Here is what we called our strategic flows. These are generally short distance flows in or around one of our 190 service centres that we have operating. When Pete talked a little bit earlier about one of the critical things for our customers is making sure they have a secure supply of pallets in their local area. For us, that's absolutely important that we have locked down. So that represents about 80% of our flows that are happening inside this area here. I'll talk a bit about what we're doing in that area to improve.

The other set of our flows is a longer distance flows. These were ones where we felt we could easily go into the market and negotiate quite aggressive on price to give us a short-term advantage in terms of cost. We have more flexible delivery conditions, for example, and we believe there was a commodity purchase and that's where we used some of our purchasing techniques which I'll explain in a moment. These commodity flows, and these represent about 20% of our flows and probably about 30% of our cost structure, a long distance one. This is when we're really trying to make sure that we have best in class rates on those flows that we're running.

By a flow, I mean a number of vehicles. So, for example, 10 trucks per day from Birmingham in the UK to Madrid, is what we describe a flow. What we're doing is we're identifying with some of the output from Enrique's tools. The flow that we're going to need to make over the upcoming time horizon, so the next three months, the next six months, next 12 months, what we're doing with those flows is we're sharing those on a great visibility to a large group of transporters across Europe.

We have currently more than 400 transporters on an E system across Europe. We're inviting them to come and tender on those flows. This is an example of one of the tenders that we did. I think it was a couple of weeks ago. We're generally running two or three of these per week and each one of those we run, we probably have up to 40 lanes that we're running in each one of the tenders. So we're doing this very expensively. What you see here, for those of you who are not familiar with the sort of reverse auction tools, is we have, on this axis we have time, so our auction lasts officially for 12 minutes. On this axis and the Y axis is cost. The transporters come into the system, they place a bid, they're told where they come in positionally, so if they're coming third, fourth, fifth, and then they have the opportunity to lower their prices as they go through the process.

You can see how, you know, people come into it. They bid down. Then here at this point is the 12 minute point. Normally that's where it ends but if there's a transporter that bids in the last minute, then it's extended by another minute. So you can see it goes on and on and on and on, down to here. What we get at the end result is, I mean, this is a very typical example, we get two or three transporters who are normally very, very closely grouped in terms of price and we will make sure we always use, probably the first one we use about 80% of his transport then we will keep the other 20% for the other two. We have a very good price now in terms of the flows that we're running.

It's really been very productive in terms of taking advantage of the current market conditions. I think there are a number of elements in there. One is there's more capacity in the marketplace at the moment. The second is reduction in fuel prices that happened since December. The third thing, I think, is tools, really brings a very competitive platform to really negotiate on these commodity lanes that we're running. We saved, for this year so far, between four and five million dollars by using this process, in terms of negotiating our lane. We also here use it as a mechanism for ensuring our service performance as well.

One of the things that we can do is, if a transporter is not performing very well, so when there is potentially a lane that doesn't meet our performance requirement, then we're immediately able to remove him from the system. It basically means if you can't bid or win on any of the lanes that are running in Europe. Previously you might have had a poor performance in one country but worked for us in others but now he will lose access to all of our European business if he doesn't [unclear]. So there's quite a stiff penalty for him if he doesn't meet the service commitments he's set up in this process.

The fourth point on here which I think is a bit of a more subtle one but, for me, it's really one of the most important, is that the transport market is not a transparent market. Everybody you ask will give you a different price for the same lane. There's no real market or forum for understanding where really the prices are. So people are negotiating contracts over different time periods. There's different things bundled into it. It's very hard to really understand where the market is and especially in these volatile times, the market is moving very, very fast. So we really need to understand where the market is in terms of transportation.

What we're doing is, this tool really tells us, at a point in time, this is the market rate so we translate it as a rate per kilometre for this flow that we're doing. What we're able to do is translate that market rate to all the other flows that we're doing. For example, last week we ran some auctions on flows from the UK to France, and typically we run maybe 20% through the tender process. That tells us how the market is performing and if the market rate, is it did in this case, has dropped a long way, then we will use those rates on all the other lanes that are running. So I think we really have an unparallel visibility of what the transport market is doing and we're really able to take advantage of that in the short term, as I described, but also over the longer term we see that there's fluctuations through the year, in terms of transport rates, and we're able to time our flows and our activities according to when it's best priced to do that.

I mean, that's the sort of commodity flows which we've got the [unclear] process around on the auction process. I talked a bit about the strategic flows. These are the transporter that we're using that typically work around our 180 service centres and for us that's kind of the core of our business and this is the piece that we really want to optimise for the long-term. One of the things we've been able to do in this market condition is we've been able to bring our new transporters in to work for us, who maybe previously wouldn't have been engaged with us.

We've also been able to use it as a mechanism for encouraging the people who do work for us at the moment, to maybe improve a little bit faster by setting up new benchmarking. We're doing that by integrating much more closely with them as well. We're really sharing with them some of our best practices where they're learned across Europe, we're using some of the tools that have been very successful for us internally in terms of Lean and Six Sigma and we're supporting them in terms of learning to use those tools.

Really, at the bottom here, is what we're trying to get at the end is what we want is a long term improvement in terms of cost advantage and we want to take out some of the fluctuations that can be caused by fuel price peaks, and things like that. So we have a long-term trend of stable improvement that everybody in our network is signed up for delivering.

I think this key point and the graphic kind of explains it is over the last two or three years we've had a lot of opportunities internally to reduce cost but to continue to generate this 25 million of efficiencies year on year, we need to get a much wider arc of integration. We need to integrate much better with our suppliers here, over on the slide, in terms of helping them improve.

Similarly, also we need to look much more closely at the links we have with our customers 'cause clearly there's waste there at those interfaces that we can take off that. As I promised, one of the things that I think is most exciting about this is we built an expertise of managing rates and really getting the best out of our transporters. One of the things we've been doing more and more recently is using those skills and the data we have to get an advantage for our customers. This is a really good example of our many of those tools and skills can come together.

So what we're doing in the beginning, John talked about the 35 million lines of data that we have in the system, and Pete talked a little about the physical network of service centres we have. But overlaid on that physical network is the data network, a hugely rich source of data from us. One of the key things for me in logistics of that data gives us visibility of, is when customers have empty vehicles, so when they're running empty miles.

What we're able to do now is basically very easily match those empty running miles of our customers with slows that we are doing. The ideal for us is customers going from, in this case he's a Spanish grower here. He's running his fruit and vegetables from Spain on his truck all the way into the UK, to one of the measure retailers in the UK. We're able to match that we have an opposite flow going all the way of our pallets back from Dunstable in the UK to Murcia in Spain.

So we now have a closed loop, which is something that anybody any logistics would be very envious of. In this case on the left hand side, the one way tender, what we do is we go to that customer, that Spanish grower, and we say that we can close the loop with you. Would your transporter be willing to participate in our tender process? Very often they're very keen to do that. So they provide us the transporter, the transporter bids in the auction process and we get, in this case, a good rate reduction, because we've closed the route with reducing empty running miles. The customer's very happy because his transporter is fully utilised and he has a closed loop. The transporter's happy as well because he's running a closed loop and he has a stable flow.

I think, apart from most importantly in the long term, there's clearly a huge environmental benefit of doing that as well because we're taking trucks off the road. Over here is taking that whole process one step further. That's basically doing a similar process. Again, we identify where the customer's running empty miles, we matched up with our own flows but in this case what we're saying to the customer is, well, let us negotiate the lane for you as well. So we're putting both his lane and our lane in the tender process at the same time and the transporters – the 3PL's – are able to bid on both lanes so they close loop at the same time. Could be different requirements for us from our customers but in this example you can see that the customer in this case has achieved a significant reduction in his rate for his flows into the UK and we've got a reduction as well.

Typically, these customers it works best for are customers whose core business is not running and booking and running transport where we can really add some expertise in terms of how to negotiate our transport network and this critical component of identifying where the matched lanes.

To kind of summarise, I think it's a good program from our internal optimisation at the beginning to really learning some skills and building up a network to really how we can add value for our customers in the longer term. Here on the slide we've got some of the examples of ways in which we're really adding value for our customers. The TEM onsite operations or the TPM site where we're practically outsourcing, or the customer's outsourcing pallet management to us which enables us to reduce the logistics cost you're probably more familiar with. The transport sharing, this is when we, again, identify empty running miles of our customers and filling his empty miles with our pallets, which obviously gives him benefit in terms of reducing his cost but also us too.

The final piece, which is the area we've just covered, is around this collaborative tendering where we're bundling our work and our customer's work together into one bundle and we're able to give them significant cost advantage in their logistics, aside from anything that we're going to do with our pallets. For me, I mean, this area is really moving into the longer term where we go in terms of getting sustainable improvements in terms of cost, further integration with our customers, the new technology and tools, and building up on network in terms of transporters. So I think it's time for a break after this but I can take any questions.

Facilitator: Yeah, I think what we might do, Toby, is just, we are going to take a break now and then we'll come back and wrap up. But maybe if you want to take questions, either any to Enrique, to Carmelo or to Toby at this point in time, and then we'll just have a couple of sections and we'll be right on schedule. With that, maybe we'll just open for questions.

Question: (Unidentified) Looking at slide 129, how long have you been doing this for?

Toby Black: Well, we have had the data in our system for a long time. With the Lean logistics we've had some people from Europe going over to Lean Logistics and they had some expertise and the tools for helping us to match the lanes. We're using that expertise to really drive the improvement. So I would say it's relative recent so really it's been done on sort of a small scale up to now and in the last six months it's really taken up to speed in terms of doing that.

Question: (Unidentified) Actually, just while I've got the microphone, slide 122, you show the optimal position for how often you visit a customer, et cetera, those optimal collections et cetera, is that static or dynamic?

Toby Black: The best way we found of doing it is taking the customer's view of his storage capacity. So we say to our customer, tell us how much you can store securely. He says, I can store 100 pallets. If I have 101 pallets, then the 101st one's going out on the street. So we take that as the sort of baseline. Then, to be honest, we've found that customers are somewhat unreliable about knowing the flows of pallets through their locations, it's not the first thing on their front of mind. That's when we use some of the tools, so JDA the [unclear] system, to predict the flows going through the customer location and to confirm that with the customer.

So that piece is dynamic and that is the bit we're using to trigger the collection frequencies we have. As we get better over time at it, it becomes more reliable. It's kind of self-fulfilling. As we get better at collecting, we get better data, which means the next [unclear] is a better improvement than we had beforehand.

Question: (Unidentified) Can I just look at slide 127, the [Dutch] auction? You mentioned you could get a pretty good time series of what's happening at the market price. What have you seen over the last

12 months? How bad has it been for service providers in terms of the price they're receiving?

Toby Black: I think it's different by different sectors. So if you take a transporter or a 3PL that's working in the automotive sector, I mean, it's pretty dramatically bad, more than double digit reductions in their prices. In some of the other sectors, I think, [unclear] becoming more that way as well. We're seeing each time we're doing it we're finding double digit savings in terms of lanes. So it's very competitive out there. I think a lot of people are just after cash. I don't even think it's about profitability anymore. They just want to keep their fleets running. I think it's pretty bad for them at the moment in the market condition.

Question: (Unidentified) Given you've got a pretty good tool for forcing transport providers to reveal their costs, why do you have so much in-house provision? Why don't you just do all transport through this auction system and get rid of all internally provided transport services?

Toby Black: I'm sorry, I'm not sure what you mean by internally?

Question: (Unidentified) Well, I think you mentioned earlier that you sort of contract out about 20% of these collections and the rest are done yourselves. Is this only affecting the 20%?

Toby Black: Sorry, I probably wasn't very clear on that. All of our transport is contracted out. We don't have any of our own vehicles. But what we've done is we segmented out the two parts. So about 80% of our flows, again, subcontracted out, are what we consider the strategic players, and those are the ones that we really to make sure we have long-term advantage in.

Question: (Unidentified) So the Dutch auction doesn't apply?

Toby Black: We don't use a Dutch auction, only in extreme cases. But generally in those ones we don't use the Dutch auction at all. What we use the Dutch auction for is these commodity lane flows, the longer distance ones, where basically there's a large market for us to go and buy in. We don't believe that we need to have a long-term dedicated route to run those. So everything's subcontracted but we approach the two different parts in very different ways.

Question: (Unidentified) Thanks for clarifying that.

Facilitator: Also, not to confuse you, 'cause we've thrown a lot of numbers around today, when we talked earlier about the 60 to 80% that we're bringing at that movement, so what we've seen is that more and more of our customers are coming to us to provide the logistic solution, all of which is outsourced. But we manage the outsource.

Question: (Unidentified) Under that auction process, it's only six months old, when the market actually turns, do you think that that will still work in your advantage? Is that because you think, in particular, the European trucking market, or transport market, is so highly fragmented?

Toby Black: Yeah, I think it's been particularly effective in these market conditions but I still think that, sorry, we started using the tool back in March last year, and that was in the period where it was completely the other way around. The oil prices were going through the roof basically. Even in that market condition, we were finding we were getting cost advantage just by using the tool itself.

In the longer term, what it does do is it very accurately gives you the price of the market. So if the market moves up, then we will see some of that price increase coming through when the market does turn. But we believe that we will be getting the absolute best price when we go after the tender. What we've been very successfully able to do is bring more and more transporters into that forum, 'cause it's basically zero costs for them. They don't need any sales rep, they don't need to visit us, they just log onto the online tool. It's a couple of hours on a Friday morning, and they can, a Polish transporter can very easily win business in the UK because he happens to have trucks there. He doesn't even need to really speak English. So it's a very accessible way for them to access the market. It works very well.

Question: (Unidentified) The planning that you undertake to get to these TPM's, there's obviously a lot of benefit to you to take cost out of the system, how do you sell this to the customer?

Christophe Loiseau: When we are [unclear] there are two type of TPM's: DTPM's and ETPM's. The DTPM is whereby in, say Metro in Germany we're going to say to Metro we'll take over all your sortation operation, so every single empty pallet, whether it's a white pallet or a CHEP pallet, will come to us. We'll have a third party operating on our behalf and the guy will separate white from blue. While he's separating the blue he will have a look if the pallet is broken or not broken, and we will have two piles. The pile of broken CHEP and a pile of good CHEP. The good CHEP are issued directly to our customers and the broken ones are sent to a service centre.

So we save a significant leg of going back to factory with every single unsorted pallet because we transport, if we have 25% damage ratio we transport 75% of pallet to do nothing, because they are in good condition. The way we send it to the distributor, is we say, we're going to repair these. For every CHEP pallet which is coming in, we won't charge you anything. Normally you do the [unclear] and the sortation yourself. It costs you 20 cents or 30 cents. We're going to do it on [unclear] white pallet free of charge because we save the transportation probably a similar amount of money. So, free for you. For white we're going to charge you 30 cents, which is what you currently spend. So if your market [unclear] 50% by contracting TPM to us you save 50% of your sortation cost. Of course if your market share is growing, you're going to save more. It's a good way to stimulate them and not get jammed into the processes. That's how we send it to a distributor.

Now, to an emitter, what we would do is we would say, we'll collect [unclear] from a customer, from a distributor, we're going to bring back the wood directly to you. You get a space, we put a third party in that will make the sortation. The good pallet will be used for you in your facility. From time to time, we're going to issue, if we have an excess, to somebody else and the broken will be returned to the plant. There will be a savings because we don't need to bring back everything to the plant, make the sortation, send it back to you. There will be a saving. This will be reflected in your price and you will get a cheaper price.

Question: (Unidentified) So it's passed on in price and you don't pay for space that you're renting at the emitters or distributors?

Christophe Loiseau: No, at the emitter we don't pay, the principle is you give us some space. If you don't give us the space we do it in your plant and you will be paying for the space. If we do it on your premises, you won't have to pay. Normally this applies as well with the [unclear]. I.e., if we need some compressed air, electricity and so on. In the distributor, normally we are asking that we don't pay for this facility. If there is anywhere we can charge them on the cost of white. Normally it's done without paying.

Tom Gorman: Any other questions? Okay, well look I think, again, we're right on track. So what we'll do now is just take another 15, 20 minute break so why don't we say we're back here around half past the hour. Then we only really have two more sections that we want to cover. Carmelo will go through pallet quality so we will touch on that topic. Then we're going to talk about operating efficiencies in the plant and, again, focusing on cost and quality will be the last leg of this.

Then I'll make a few wrap up comments then we'll be done. I think, at that point in time, Mike and I are going to stick around, or Mike's going to stick around, and we can do some follow up questions. But we're right on time and we're well placed to finish on time. We'll see you back at half past the hour.

[Break in presentation]

Carmelo Alonso-Bernoala: Right, then we are going to start then. We will cover now the last two pieces of the cost performance, one will be talking about pallet quality in Europe where we are, and what are the market trends and the last piece will be we deploy Lean within our service centres' operations. So let us start talking about quality. And here you can see our strategical approach to quality, what we call our Zero Defect approach which is represented in the parameter of success where the foundations are around strong quality visions and commitment to our customers and hopefully you will see later on during the [unclear] quality talk but also again you have seen our strong commitment to a presentation that John has delivered on easy to do business with. And this is creating the foundations to create the behaviours and conditions upon which we can build strong quality management systems that can guarantee 100% conformance and process capability to deliver what our customers need.

How does this translate into reality? Here you can see what our customers are telling us in terms of complaints over the total issues we do with shipping to the market. We have a relatively small number of complaints, you know 3% over the total issues we have with our customers. We are below the average industry level for the packaging industry but of course this is not a justification for complacency.

So what else are we doing? The first thing we are doing is - is this really giving us the full picture on total quality performance of CHEP in Europe? So we are deploying very strong quality systems to really ensure that we are listening to the voice of the customer. That we are not losing customer complaints. Then not only are we working in how we can ensure that our customer complaints, all the voice of the customer but also how we respond to our customers. We keep in the mode of listening and responding, how we can speed up our response to the customers. That is I would say from an internal point of view. But what else are we doing - we have been talking about automation. Our customers are becoming more and more sophisticated so how can we improve the way we interact with our customers. How can we improve the technical conversations we are having with our customers. How can we help them in developing and implementing automation and how we can convince them that our pallets are perfectly fit for use and working in those automatic environments.

We've got a team of engineers working in Europe close to the customers developing all these technical materials and we have got today customers even asking us to engage with them when they are thinking and building the automation, which is a bigger step and move forward for us.

The last piece is also how we can train our customer facing people in these technical issues. How can we provide our customer service people with the right level of skills to provide the right level of answers when our customers are questioning us about our performance with our proof of quality.

You have seen this slide which is coming from the team results, where today pallet quality in Europe is not a top priority for our customers, which matches with the level of complaints we have got.

Why is this? What are the key elements that have support in this quality situation for CHEP in Europe? The first one is around the pallet quality standard we have got here, what we call the PQS. We have got the Robust Pallet Quality Standard that has been developed to comply with our customer needs. The second one is around having strict procurement processes around raw materials. Somebody made as a question how can you guarantee that if you are cutting your risk of capex you will maintain the same level of quality. One of the issues is around properly preparing our equipment but also it is around how do we control the timber we put there, how we amalgamate the sawmills that are working for us, how we ensure we are using the right species the strongest species we can use in our pallets, but it is not only around timber. It is also around fasteners, how we ensure we ensure we are using the right level of nail, materials, resistance, nail patterns. You will see tomorrow when visiting the service centre that we are also using composite blocks. How do we check and measure and improve the performance of those composite blocks? How do we guarantee the right level of density with the right level of glue going into those composite blocks. So it is a mix of different elements that we put in to improve the performance of our equipment.

The third element is a close quality control on the defects that we have when we process our equipment in our service centres.

But of course there is a market trend which is emerging and more emitters and distributors are becoming more and more automated. What does that mean for us? There are new requirements there in the market as more automation is being implemented, for instance one requirement is that the baseboard of the pallet has to be completed because most of these installations are guiding the pallets through the flow in the installation using some of the baseboards as the key element to guide the equipment there, which is not a common practice so there are different types of installations requiring different types of performance. That is some indication of how the market trends can affect our performance and our equipment.

Another factor affecting our equipment is driven by environmental awareness. Today the packaging is being reduced to avoid generating waste and that is creating a circumstance where more and more goods are coming closer and closer to the timber. So that is driving two issues. Full top boards for our pallets are becoming more and more important to avoid the product being destabilised when it is being loaded in the pallet and also moisture content below certain levels is becoming more important. I think Christophe already touched on this for instance if you are a sugar company producer and you put your sugar on top of a wet pallet your product will be completely contaminated.

So those issues are driving different quality needs from the market.

I mentioned that our PQS is one of the pillars of the quality situation we have got in Europe. How do we create this PQS with pallet quality standard? We involve our most demanding customers in working with us in defining what are the needs from a pulling pallet perspective. Then we took that set of requirements from our customers and we had them tested by independent laboratories. In this case we used one which is based in Holland which is TNO and we validated the performance eof our pallets against the ISO standards. In this case it is the ISO 8611 which can guarantee that the pallet is strong enough to support a load up to 1500 kg.

Then we work on consistency. It is extremely important in these times of more automation that we only have one proven standard. We are a pulling company. If we really want to get all the optimal solutions that Enrique has been talking about we need to be consistent in delivering one standard.

The last piece here, I have already mentioned about the sourcing rigour we apply when buying our raw materials.

And the last pillar I mentioned already is how do we control the defects of our equipment when going through the plants? Here you can see an example of one specific plant where we are tracking all the different types of defects by number of defects, by type of defects, what is critical, what is not critical for our customers.

We can't be talking about as more automation is being rolled out over Europe you could be affected in your damage ratios, in your elemental usage, it does not have to be the right answer. If you look at the type of defects we have got you see that quite a big proportion of the defects we have got right now is around nails. [unclear] nails, or loose nails which is not about missing timber or other type of defects, not affecting automatic installations. We are tracking these types of defects to at the level of employee, worker in every single bench in our service centres so we can drive our efforts in reducing these critical defects on how we are delivering to all our customers.

So that is the way we are approaching quality in Europe. The situation we have got, how we are working through our strong and solid quality standard to deliver what the market requires from us.

Then we move into the last piece which is how do we apply Lean. How do we keep generating efficiencies to keep meeting the increasing customer demands. This is the mission of how we have defined Lean in our service centres so as to maximise productivity and quality in every process every time.

The target we set ourselves was about how we build the foundations that can guarantee continuous improvement. This is not about the sort of benefits this is about sustainability in improving productivity which is cost and quality in our service centres' operations.

The principles on which we are supporting our Lean initiative - first one of course is data driven. We are conducting entitlement analysis to identify opportunities within our processes in productivity in safety and quality. It is about continuous improvement. How do we achieve continuous improvement, we do it through Kaizen events, which is PDCA Plan- Do-Check-Adjust. But to do that we are moving into one of the key messages here which is how do we set up standards?

We need to have standardised processes and for us the standard has to be the best in class in each single process we do. Then it has to be sustainable, as I said and finally it has to be something we embed in our employees and our workforce, in our services centres in their DNA. So if we do not have everybody with the same cultural mindset in our service centres we will never be able to drive this cultural change through continuous improvement.

What is the approach we are taking? We have defined the critical activities we are undertaking in our service centres. Repair, inspect, store, yard activities, service administration and maintenance. What we do is on these processes setting the standards as I said, the best in class then establishing the entitlement and the third element is what we call the OPEX Gap Audit Assessment tool, which is something in a way we are replicating from the experience we had the Zero Harm approach where we got what we called the Gap Audit to Zero Harm which is about identifying what are the critical factors to success to become best in class. We apply this assessment tool to our standard processes and then we define the road map to get to the level we want.

We could not have two alternatives to deploy LEAN in our service centres, one is - well why not take one service centre, deploy all the concepts of OPEX and get short term benefits and make a big impact. We evaluated that as a concept of making a big impact was very attractive, but we decided that probably the other service centres would be in a mode of just wait and see what happens.

So we evaluated the other option which was making a wide penetration through OPEX in our entire network of service centres which is the one we chose because we thought that in this case we could calibrate much better the performance within the different service centres.

Having decided to make this wide penetration what are the different work streams we are working on? We have got four here, the one I already described the OPEX assessment tool, defining these critical success factors and auditing how our processes are performing against those critical factors. Then of course we need to define metrics. I said that this is very much data driven and this is not about the standard KPIs we use in the ABC matrix, this is about the real, planned, balanced score card, something that at the planned level we can compare across the network, not only in Europe but this is also something we are setting across the globe.

The third element we will have to work with is in providing our people with the optimisation tool kit. We have done this in two phases. The first one is a simple approach on training our guys in how to develop and implement Kaizen events and then in phase two we will give them more sophisticated tools as the VSM and poka-yoke and all that stuff.

Finally, something I already mentioned is how to involve people around this process which is driving the standardisation within the organisation in the service centres.

This is an example of some of the KPIs some of the metrics we are using, as I said different from the standard KPIs we use in the ABC matrix, like Employee per million c gen per plant, inspections per man hour, all those things that we are following with different frequency in the different networks. From daily to weekly to yearly so we can compare and set the right entitlements.

And last but not least, something I would like to say before finishing, which is predictability is key in our productivity, in cost and quality. To get there we need to have the standard processes to drive this continuous improvement.

So standardisation in our processes is the key if we want to guarantee productivity. With this comes - yes well we are taking people, mainly coming from Toyota, we have got people based, mainly in the UK but they are bringing this experience in Lean deployment within shop floors with the Lean techniques coming from Toyota as I said. It’s a team of two persons, one is working in the plant operations’ organisation for the UK and the second one is working or reporting directly to the VP for plan operations so he is having a European involvement that will spread the best practices we are implementing in the UK network across all the other service centres we’ve got in Continental Europe. That is the approach we are taking to this.

So, as a summary of the supply chain presentation, I think we have been touching on planning aspects. Enrique took us over how do we take the planning decisions, the optimisation decisions. I think we have seen also examples of the benefits that this is bringing like producing the relocation ratios. The plan to plan relocations. We have touched also on logistics and Toby took us through how we improve customer satisfaction plus asset productivity plus cost combining different elements of the supply chain. How do we use technology to get the best rates we can in our transportation environment and how do we collaborate with customers to reduce merely empty miles and get closed loops to get the best rates we could.

And finally in plant operations I touched slightly on how we plan to deploy a Lean transformation and get this environment where we can guarantee continuous improvement. Putting all this together, hopefully we will be able to keep delivering the 3 to 5% efficiency improvement year on year.

So, happy to take any questions you have.

Question: (Unidentified) What's happened to the Perfect Plan programme, is that still ongoing?

Carmelo Alonso-Bernoala: Well it is still ongoing. There are pieces of value in the Perfect Plan. You know the Perfect Plan was about getting different pieces of technology from different service centres around the globe. The plans we keep deploying here in Europe is still following the model of the Perfect Plan. So we don't plan to re-invent the wheel. If there is something which is working we keep deploying it.

The examples we have got of the Perfect Plan implementation we did in Europe, so far we have got 14. They are performing as expected and delivering the benefits we were expecting.

Question: (Unidentified) And what about PPMs. I mean is there some sort of measure of how many volumes now, how much of your volume you've got going through PPMs and going through perfect plans?

Carmelo Alonso-Bernoala: Yes. Today 15% of the volume is going through the PPM. If you talk about the volume we are talking - to reach a specific PPM to make it viable we always put the mark of half a million pallets per year to implement a PPM.

Question: (Unidentified) You made a comment about the increased automation of emitters and distributors. Can you just talk about how quickly that's changing if it's across both small emitters and large emitters and small distributors and large distributors? And if you've noticed any changes in their demands for pallet quality?

Carmelo Alonso-Bernoala: Well the guys going for more automation are the biggest ones. What we have got here the European key accounts are those are I would say [unclear] and also the biggest distributors the Tescos of this world or the Carrefours are those who are moving faster also because of the level of investment that this kind of these [unclear] require, these are probably in the first position to afford these investments. In terms of quality requirements, as I said we involved these guys, when we made our pallet quality standard. So we have not seen any major change in the requirements it is still almost the same. What they are asking from us is [unclear] and consistency in the output of what we are delivering to them. But the requirements are almost the same, I would say. There are no major changes.

Tom Gorman: With that no more questions for Carmelo or Toby or Enrique? I think we've worn them out. But we thank you very much, Carmelo.

Carmelo Alonso-Bernoala: Thank you.

Tom Gorman: So what I might do now is I will just make a few wrap up comments and I just might add one or two things to what Carmelo did say. It relates really to the Perfect Plan question. Another thing that we still have very active within the CHEP Group is there are global councils that work on best practice sharing. So actually Fernando who works for Carmelo, who you will meet Fernando tomorrow when we go on the plant visit. Fernando is actually the chair of the Global Ops Council. So within that council he is driving standardisation of KPIs around the CHEP world. So there is still that best practice. We share each other's quality plans through that so we are working very close with the US in terms of what they're doing in developing their quality plans going forward.

We also have a Safety Council which does the same thing, so all the Zero Harm work. What Mike has done is with all of the global councils we've sort of the parched them out to each of the group presidents. It just so happens that I'm responsible for Audit, I'm responsible for Global Ops and I'm responsible for Safety and then Kevin and Craig have their own responsibilities as well. So it's a way that we try to drive consistency, not just within Europe and EMEA but also as tool to manage across CHEP.

Well look, I want to thank you very much for putting up with a very long day. I hope that for all of you it was insightful. I hope you got to learn more about our business specifically within Europe. I hope you got a chance to see the team in action, at least presenting what they are working on, and I hope you feel as if you were able to ask your questions and did get fair and honest answers.

I wanted to just wrap up with a few summary comments and then as I said, we'll probably break there and then I think Mike will come up and we will stick around for some additional questions. But it will really signal the end of the EMEA session.

I think the wrap up comments that I'd just like to share with you are - I mean it is a sound business with significant opportunities for growth. I think if you were to leave here today I would like you to leave with that understanding that that is where we are.

Look there's a lot of challenges in the near term, medium term, long term, always, but it is a sound business and we do have really good opportunities for growth.

I think what I've tried to show you on the people side and I'm really proud of the team today is that what you see is a really strong team with a good mix of CHEP and non-CHEP experience. And that non-CHEP experience brings a fresh point of view and the long term CHEP guys are very open to being challenged, which I think really adds to the successful mix of the team that we have.

I also think that we do have a very clear focus and the correct structures in place and we are putting the right processes in place and not all of this, by the way, has occurred in the last 12 to 15 months. The building blocks for success have been underway in Europe for quite some time and a lot of the guys sitting on that side of the room have been toiling away on this for years. You're starting to see the fruits of their labour, clearly within the last 12 to 15 months.

I think we are making a realistic assessment of the market challenges and I think we are trying as our best to respond proactively. If I were to evaluate my own performance in the last year I would tell you that we were slow responding to the market downturn. Maybe we missed that by - I don't know, James, you and I would probably say we missed it by two or three months. The year started off in a very robust fashion and when the decline came, I think like a lot of executives around the world, we were hoping that it wasn't going to affect us. Once we got real we stepped up and we took real actions particularly on driving cost out of our business.

I think that we are maintaining business and we're winning new business in core segments. I mean Peter quoted quite a few statistics and sort of net wins. We're winning six times more than we're losing. We're net wins from LPR and IPP and we are maintaining business. We do lose business and we do lose customers, sometimes customers you've never heard of, sometimes high profile customers. The real game for us is to make sure we win more than we lose, we hang onto our most valuable customers and when we lose a customer, we understand why we lost them and we put in place proactive plans to bring them back into the family and I think we've gotten good proof of having been able to do that with losses to LPR and IPP in the past.

We are continuing to pursue opportunities for growth, whether it is new verticals as Pete touched on very briefly in terms of the building sector or pharmaceuticals in Iberia, or whether it's looking at Horizon 2 and 3 and building a stair step for growth, I'd like you to see - hopefully you've seen that there is a process in place and there is a certain amount of discipline working on growth as a key initiative.

We also have a lot of things now in place to drive customer satisfaction particularly with the focus on ease of doing business. We were not an easy company to do business with and I think under John's leadership and the initiatives that we have sort of quickly demonstrated to you today that is starting to change. And when I go out and visit customers what they'll tell you is that you guys aren't perfect but there is definitely a change afoot with the CHEP team in Europe, you know in terms of understanding our issues, proactively working to resolve our issues, investing in those solutions. You know new systems cost money we have to allocate financial resources and human resources to drive that improvement and I believe we are doing that.

We are focusing on innovations to drive operational efficiency. So this just isn't, you know working harder and shouting louder. That is not what this is. I think what you, hopefully, would take away from today is a level of intellectual rigour and sophistication around our operations. What we are doing to drive logistics costs out is quite sophisticated. What we are doing in terms of plant network optimisation and managing a very, very complex system is very sophisticated.

I mean globally we are one of the largest users of SAP and we bring an enormous amount of intellectual rigour which is really based here in Madrid in driving efficiencies into our system.

I think when it's all said and done, one of the things, hopefully, you've seen because we haven't shown you a bunch of statistics on hires and regretted quits and the numbers of masters and PhDs and tenures and didn't show you all those data that obviously like ours would have, what we tried to do it by live - you know one mouth, two feet, two arms and explaining their business to you. So hopefully you got a sense of the quality of the team as well.

I will just make a couple of summary comments on top of that and then if there are any more questions I'd be happy to take them or we'll just call it at that.

This is a really complex little business. It's funny to say little and then we throw numbers around like 300,000 you know delocations and 35,000 elocations, but when you step back and look at the revenue, look we're a billion and a half or when you add up totally EMEA we are 1.6 billion, 1.7billionbusiness. Not the biggest business in the world but it's a complex little business and it requires an enormous amount discipline to run that complexity successfully.

We threw a lot of numbers around today in terms of elocations and delocations but just so you understand the actual number of customers that that means. Of the total elocations there are about 15,000 individual customers. Meaning that some customers obviously have multiple elocations. But in terms of unique relationships it's about 15,000 and on the D side, although there was some disagreement about this, directionally we would say there are probably 200,000 unique D customers. So some have several thousand locations, others have one. But it is a big complex business that we're running.

With that complexity I think there are two things to take away, one is that there is an enormous amount of challenge in that complexity. So hanging onto our assets, knowing where they are, successfully collecting them, repairing them to meet customer requirements at the lowest possible cost, all of that is quite challenging. So that is one way to look at it. I would argue that the team that I get the pleasure of working with looks at is as an opportunity.

All of this is about erecting barriers and sustainable barriers that we can continue to satisfy our customers with and give us a competitive advantage in the marketplace. None of our competitors can do what we do. That's just a fact. None of them have the intellectual rigour, the intellectual capability and the horsepower that we can bring to the market.

The art in the leadership team is how do we turn that into long term sustainable growth but clearly we have the capability and we take that complexity and I believe we are working very, very hard to turn that from a challenge into an opportunity and ultimately to a sustainable competitive advantage for us.

One of the questions earlier to me was quite a personal question, it was sort of, what's the year been like for me and if you'll allow me to personalise this just a little bit more, inclosing. I think there are a couple of things that I would say about my first year here and some of the things that I have seen that I'm proud of and some of the things that I might have contributed to.

We are more disciplined today than we might have been when I walked in. And for me to take credit for any of this is unrealistic, this is a team here but we are a disciplined team and we are gong to continue to be disciplined and we're going to focus on a few things and we're going to try to do those things well.

So it's fewer initiatives, do them well, say what you are going to do, do what you said you're going to do and don't be afraid to stand up and be measured against it.

I think that we are a realistic group of people. And I think that what that means is that look not every day is perfect. I can guarantee you that something will go wrong in the business. I can tell you quite have already but I'm not going to share that with you. But clearly things will wrong. Something will go wrong this afternoon after this meeting is over, something will go wrong tomorrow, that's what business is, that's why I think all of us love being in business in general and love particularly in the CHEP business.

The art and the skill and the discipline that we have is how proactively we can anticipate those problems and therefore eliminate them before they occur but when those problems inevitably occur as they will it's how we react to that. Do we overreact, do we react professionally do we react with experience and then do we quickly go to fix the problems that are in front of us.

I would argue that the team we have in place really in fact can do that and will do it in a responsible and a professional and a disciplined manner.

I think what you've seen, you know, whether it's guys that have been with CHEP for 20 + years or guys that have just sort of walked in the door like myself. There are quite a few people on the team here that have an enormous amount of business acumen and most of us have seen challenges around the world in different locations in different businesses and I think we know how to manage those things properly and that's what we will continue to try to do.

I also, not surprisingly, believe strongly in under promising and over delivering, and maybe just a personal comment on this in terms of one my findings.

You asked about Perfect Plan and I think Carmelo might have hesitated just for a moment because I really don't like the word perfect, as a personal bias. Nothing is perfect, clearly nothing is. What life is about and what business is about is a constant process to be better than you were yesterday. That's all we're really trying to do here. I think we do it quite well. Our competitors aren't sitting and waiting, they're attacking us, LPR, IPP they're coming after us. There is somebody else out there that we don't even know of yet that will want to be in our space.

Whenever you're in a business with great margins and growth potential others will come, that's just Businesss101 and that will happen to us. I think it's how we respond to those challenges and how we continually try to make ourselves better in the years to come will really separate us I think as a team and as a group of business people, hopefully for many, many years to come.

So with that I'll stop the lecture, as my wife would say, or my sons would say. I do really appreciate the level of energy that you've kept up for the last whatever it's been, six or seven hours.

The quality of the questions I thought was really outstanding and I think we learned a lot from being here with you and hopefully you leave with a better understanding of the CHEP EMEA business and a better understanding of the quality of the team.

So with that, I will say thank you very much and if there are any more questions I'd be happy to take them at this time.

But if not, I am happy to [unclear]

Male: Well I think we're just going to, Mike, I will just check. Shall we will take a break for five minutes or so. Just 5 or ten minutes and then we'll just come back for the final Q&A which is on any topic you like, because you've got the CEO here and Tom and the team are still around if there are some continuing questions there. So let's just take a 5 to 10 minute break. Let's be back here at say 20 past, it's just after 10 past now, so let's be back in just under 10 minutes. Thanks.

[Break in presentation]

Mike Ihlein: Right, everything is on. I've had the easy day today, I think you guys have had the hardest bit, so I guess I've got to sing for my supper now and deal with any of the other Q &A that anybody might have. To the extent that there might be pieces that Tom can deal with that might relate to his broader role within CHEP we can cover those if you want to talk about innovation and that sort of thing - so happy to do that also.

Michael, could you get me some water as well, thanks very much. So ...

Tom Gorman: Are you getting me a rum and coke.

Mike Ihlein: Maybe take it down a bit. Questions, on anything? Yeah Phil.

Question: (Phil) Maybe just on the European business. When you put up the trim report with the customer priorities and so forth. I'm just wondering if there's any difference between 1210s versus 1208s in terms of those responses. Because I must say I'm still a little bit surprised that the pallet quality is kind as far down as what it is on that list of priorities.

Tom Gorman: Well first as you can imagine the results differ from between E and D. So the Ds tend to talk a lot about picking up on time delivering on time those sorts of things and the Es tend to talk about relationship because the Es are really our customers. So that's where it's ease of doing business that's what their key focus is on. But between 1208s and 1210s I don't think there is a big difference to be honest with you between the paredo. You will see a difference between Es and Ds those are different but if you look at Es on 1208s and 1210s versus - I don't think you'd see much of a difference.

The data, just so you also know on Trim, because I think Toby referred to the results for FY09. The Trim data are out now so we go out to our customers in this time period. We have got the Italian data and the UK data so we showed you some of the FY09 and by the end of May, the end of this month all of the countries have been surveyed and then we pull that Trim data together and then we do the year over year analysis versus FY08. But no difference.

Mike Ihlein: And then depending on the results with that that might guide us as to what we might focus on in the next 12 months, which might be different country by country and 1210s by 1208s.

Question: (Ben Murphy) Mike. Can you elaborate then on the survey results in North America and then secondly, just on the potential or the implications for pallet storage costs in Europe given the progressive nature of the slowdown.

Mike Ihlein: Yeah. We don't have the Trim data they're on a slightly different cycle so we don't have North American results yet and we do them also by country. So that's Canada, US, Latin America, so they will be later on in the year when we do that, so there's nothing really to comment on there.

Obvious point - maybe you can turn that down just a little bit. Obvious question - feedback is going to come out of that and the US is around pallet quality, the physical platform. So that will be much higher up obviously in the scale in terms of response from customers as compared to Europe.

Ease of doing business, I would be surprised if once customers are happy with pallet quality in the US, I know what will happen, ease of doing business focus will come back onto the agenda. It is there already but I think the bigger issue at the moment is what we need to do around addressing the quality of the physical platform.

Tom Gorman: Yeah I think the benefit in the US is that all the portfolio plus stuff is a common initiative as John pointed out so a lot of the benefits that we're getting in terms e-enabling the business that flows through to the US at the same time. So I think when they get their hands around pallet quality you should see the overall satisfaction improve significantly.

Question: (Karl) In Europe, sorry.

Tom Gorman: It's interesting again I think you have to look at our business in 1210s and 1208s so on a 1208 basis, I don't think there is any issue. Our stock levels are in line with where we expect them to be and as I said, you know, our view on 1208 growth is that there is volume growth in our future and we are continuing to - our capex next year, or in FY 10 in our budget plans is largely dedicated to 1208s because that's where the growth is. On the 1210 side we have effectively turned off the capex by all intents and purposes, so we've shut that off. So now what we're doing is instead of - we're relocating those pallets to the Continent and shipping them back. So it's not per se a very large storage cost associated with hit, what it really is is the relocation cost to get them back to the Continent and as I said in the first half of the year we've talked about that. But even with 1210s we see ourselves working through this problem in the very near future this sort of excess level that we're at of inventories and where we're relocating. Because the natural you know, as I think Liz touched on yesterday there is a natural leakage in our total portfolio and we replace that over time with new pallets. So this will work itself out. We don't really have any major concerns with it.

Mike Ihlein: And I can't remember the precise numbers. The storage costs also on average in Europe are much higher than what we experience in the US as well. You know, if you'd need to store pallets, in the Continent they're much lower.

Tom Gorman: Yeah.

Question: (Male) Tom, I was just wondering given your automotive experience I wonder if you could just give us your kind of views on the outlook for the automotive sector over the next 12 months because obviously it's been pretty bad in the second and third quarter? Can it actually get any worse or ...

Mike Ihlein: That's a good question.

Tom Gorman: Yeah it is yeah. Well maybe I will give you a broader answer, because there are a lot of strategic issues relating to us and our business here and there is also the practical reality of where is the bottom. I mean I'll be honest, we thought we, we had sighted the bottom a couple of months ago and we've gone right through that.

Look, I think there is a lot of consolidation that is going to occur. Within the next month we are going to find out who gets Volvo. I think within the next month you are going to find out who gets Vauxhall and Opel. I think the Jag thing is dicey still, I think if you read closely what's happening there there's - we know, obviously Jag was sold some time ago by Ford but that's I think in a difficult space in and of itself.

Saab has been - well it's gone into administration but there are people hunting for assets with Saab as well. I think you're going to see the Chinese see this as a great opportunity to get into this market and oddly enough, or maybe oddly enough to you, we actually see that as an opportunity. We have a relationship with Tata really through JLR and if you know, let's say Chery or Geely were to come in here and take a European asset, in some ways if we can work our way into that relationship here or hang onto the relationship that we have it may well work as an advantage for Craig back into China.

So I mean trying to be forward thinking o this, but strategically there is a possible play for us. Through all of the turmoil I will say that we have had no issues at all with Saab for example in payment, so we have some exposure to Saab but that payment has gone off just perfectly fine. We haven't had any bad debt experience relative to Saab.

So I think that's it going to be a rocky period of consolidation particularly in Europe. I don't know that Fiat is going to be the guy to pick up all the toys to be honest with you if you read the popular press I think there is now people thinking that Fiat is really trying to bite off too much if they really go after Chrysler and try to do Opel Vauxhall at the same time.

So I think we're going to watch this space. We have very good credit controls in place. We know where we are in terms of our receivables. So I think James and his team are managing that in a very, very disciplined way.

You know, again, it sounds funny to stand in front of you and say we like the automotive business. We do like it, it's a huge business, we think we bring a lot of value to the marketplace. They understand outsourcing. There's more outsourcing to be accomplished. We have quite a few irons in the fire with the automotive sector and as you can imagine now, they are all just, they have bigger fish to fry than worrying about some of their logistic solutions. I think when this all settles, we'll have a lot more opportunity to grow our automotive business. I wouldn't think that our exposure would ever get beyond, I don't know, maybe 15% sounds about right to me.

It's a highly cyclical segment but if we look at our portfolio businesses in Europe and if we went from - we're at kindly speaking we're at nine now but we are probably closer to seven or eight, but if we doubled the size of that business and went to 15% of our total, that seems like it would be manageable for me with very good margins and good strategic links to other parts of the world.

Michael Ihlein: I think the interesting business about the automotive business is that container losses are not a bit feature in this business because you've got a relatively contained group of parts suppliers shipping to a relatively, certainly a contained group of assemblers and then back to the suppliers again. So we're not going out into the broader supply chain like you, have to deal with pallets.

Tom Gorman: And automotive also serves for us it's sort of the thin edge of the wedge into emerging markets because automotive is a very disciplined system so if you take some of the Eastern European markets where automotive is today, they come with a disciplined system and we can participate in that and they're out customers so we tend to follow them there in a more secure environment. And then if we want to bring a pallet proposal with us we already have some knowledge of the local market. So another reason to like automotive.

Michael Ihlein: And of course in China and India that's exactly what we're doing. It's concentration of FMCG and automotive. They're both small at this stage but focus on that.

Question: (Maurice, BBA) Hello, good afternoon. I'm Maurice from BBA. As we have the meeting here in the beautiful city of Madrid, I would like to have a word about the opportunities and the strategy of the Group in Spain if it's possible, a couple of words.

Tom Gorman: How perfect that is. Why don't you just pass the microphone over to the beautiful Laura [Nador]. Laura's going to tell you everything you wanted to know about Spain. It was nice of your cousin to come along and ask you a question Laura.

Laura: I just met him yesterday.

Tom Gorman: So just tell him about your strategy and what you're doing here.

Laura: I wasn't expecting to speak today, just tomorrow, but anyway thank you for the chance. It's been mentioned several times today that Spain, in particular Iberia and the region that I am in charge of. It's a more mature market similar to the UK where we have a significant portion of the FMCG sector in particular which is our core business and continues to be.

But we know, we believe that the opportunities are a lot larger than that and looking forward we're concentrating obviously first on protecting the business that we have and in this case we have been actually quite successful. If I was talking about ratios of wins to losses in the order of six to one and this is exactly what we are seeing in the case of Spain.

In Spain in particular you know that we have, the company is very active both [APR and APT], to a lesser extent the exchange in the core sectors but still it's a pressure that we continuously fight against and we continue to have this five to one or six to one ratio of protection which is the basis for us to protect both. Can you hear? We continue to stay in that big base.

Then what we are looking at, and this is a big part of our growth strategy for the future, is that opening up into new sectors so outside of the normal FMCG and so core business, we are looking at other areas like pharmaceuticals and this is a specific case where we have made significant inroads this year. In the past four months we have found one of the, well actually the largest customer that we can find in the pharmaceutical sector and this is fantastic news for us. It's a showcase that we are using to learn everything that we need to learn to operate in the most efficient way in a sector that we weren't present in before and translating that into our markets if at all possible.

We're also looking at other sectors like building. This is another one that, well the UK is starting first on but we are looking at two or three opportunities for Iberia as well.

So this is the horizons that we are looking at. Each one is continuing to protect and grow in the space that we know very well, FMCG, and secondly what we call secondary markets like packaging for example, electronics for example, electronics, packaging cardboard, packaging metal etc, and going forward into the longer term sectors like building for example.

Michael Ihlein: Okay, thanks Laura. We'll come back to you. Go on Will. Will, I think you first. Sorry, Anthony.

Question: (Will) I was just going to, one thing I've been interested in Mike is, does some of your emerging market, countries, Poland for example, you have been there for nine years already and you've got three per cent of the market I think. In terms of emerging markets in Asia, is it going to take that kind of 10 years to have a meaningful interest there? Because I was under the impression it was kind of a two to three year breakeven point.

Michael Ihlein: I don't know whether China and India, in the case of China we've been there for about three years now, two and a half years, and so we're still not making money in China yet and India's is nine months. So I think sort of three to five years probably.

The interesting thing about Poland is we have been there nine years and shame on us we didn't do anything about it I think is part of the problem. There was no focus on that business at all and really not until the last 12 to 18 months and so the improvements you're seeing that this is both in terms of the quality of people in the organisation, the number of new customer wins, the growth that we're getting, that's all come through the efforts in the last 12 to 18 months.

So I think the sort of cycle time I think for growth of a new market, you should be expecting to see some pretty significant improvement in a relatively well developed economy, which Poland is, or other markets in Europe within about two years. You really should see that and Tom's talked about you need to be getting sort of $25m of revenue effectively to be able to afford to put people on the ground.

It's unfortunate that we didn't concentrate on Poland earlier. I think where would we be now had we don't it much earlier. It's sort of, it's really hard to know because the whole economy has changed a lot in Poland as well. But even when I was working there in '95, '96, '97 a lot of the FMCG manufacturers were already there but we didn't pay any attention to it.

With the structure that we've talked about today that James, where's James, that James talked about today, I think we've got a more disciplined approach. One to make sure that we identify the right opportunities and secondly, once you do that, make sure that we actually execute them in a shorter time frame.

Tom Gorman: I think you know, even within EMEA I think we can give you two really good examples. We've also been in the Middle East for a long time and I think one of the things about the Middle East is we kind of went to the, we sent essentially a man and his dog to the Middle East and said go build a business. That really isn't the way to build a business.

The way to build a business I think is to do your analysis off site, to get your act together, to identify your customers, to have customer discussion, understand what, you can do all this remotely. You can do a network optimisation, you can work on flows, you can do all that remotely. With a smaller team of people that's really what James's responsibility is, to work on these H2, H3 ideas and then make them into H1 and hand them off to an operating team. And that's what we're trying to do with some of these emerging markets.

As I said earlier we've learned a lot from China and India. We've learned a lot from Poland, a ton from Poland, we've learned a lot from the Middle East experience. The Middle East is a nice little business now. It's starting to grow rapidly, but it's been years where they were just trying to figure out who was in the market, who were the major players. That work should have been done with an investment outside before they jumped in and we just kind of did it in a reverse way.

The results are going to be fine but there are better ways to do this and I think we've learned a lot just in the last two or three years looking around the CHEP work.

Michael Ihlein: Anthony?

Question: (Anthony) Thanks very much. Moving into new channels is one of the growth strategies you have in this part of the world. How do the economics of these new channels stack up against FMCG if you're still restricted by the same ABPA in the sense that I think the average price per day is still a fairly low rate?

Tom Gorman: Well I think you know, when you look at the stair step that we're on, I mean to be blunt the single biggest opportunity that we have in the short term is geographic expansion so taking what we know, and I think Christophe Loiseau articulated that extremely well. Take what we know and implement it in a new market. And from that perspective we don't see any, we don't anticipate any margin erosion whatsoever because we're going into markets that we think are going drive an enormous amount of value for that set of customers that are either using one way packaging that doesn't make any sense or they're using an exchange system that doesn't work perfectly.

So we don't see margin erosion there. I think the key for us, and I'll give you some specifics there, we take a $25m business, make up some numbers, let's say you have a 40% gross margin, that means you've got $10m to play with. What are you going to do with that $10m? Well, what you'd like to do is put it all in the shareholders' pocket. That's not realistic. You have to put some people on the ground. You have to put salespeople on the ground.

You have to put asset recovery people on the ground. So you have to have some fixed costs locally.

But what you want to do then is go leverage Enrique and leverage Toby and not do any of that stuff, right? Because that's just adding one more node to their big computer and it should be almost three, okay three. So it should be three. So really all you're going to do is you're going to have some customer facing people and some asset management. We outsource to third parties all the plant operation so that works its way into your gross margin.

So if you can get yourself some good gross margin stability in these new operations you can be, I think you can be in a contribution mode very, very quickly if you're disciplined about your fixed cost. If you go in there and put a bunch of foreign service people in and you dump in 100 people, you won't make any money. You need to leverage what is the core in Europe.

And if you look at what we're doing, we're really moving contiguously, right? This is a geographic expansion that we're going to be able to leverage back into the base in Madrid and in the UK. If we do that successfully I think we can actually make money.

Question: (Anthony) So expansion of the new channels, the building materials of the world, is that a lower priority?

Tom Gorman: No, no, no, okay, sorry. I was thinking more H2, H3. Now if you come back to Iberia and the UK where they're looking at new areas of building and pharmaceuticals, we don't see significant erosion in margins in those segments. Yeah, Pete, do you want, why don't you respond, Pete, about the UK in particular.

Peter Mackie: We've taken a look at a business case for both the building sector and pharmaceutical in Spain and what you find is if you just look at the way the white pool works in those sectors, it's nowhere near as efficient as in the FMCG sector. So you've got smaller volumes, much more difficult locations, so the white exchange is particularly inefficient in a number of those sectors.

Now that means our costs are higher as well. But when you look at the business case actually we offer significantly more value in some of these pools outside of FMCG just because the white exchange that we're competing with there is really not very efficient at all.

Tom Gorman: But we do need to be, Anthony, we do need to be very disciplined about this and so we need to take, I don't mean baby steps, but we need to walk before we run I guess is the better analogy. So we're going to get into some of these new verticals and we're going to learn some things about the dynamics of recovery, about the dynamics of damage. The team did a hell of a lot of work before we went here but you're always going to learn something from it.

So if you discover that damage is higher than we anticipated or losses are greater than we anticipated and the model doesn't work, you have two choices. You either exit or you take your prices up so that it still works for us. I think we're going to be, well I don't think, we're going to be very disciplined around margin maintenance in these new verticals and I don't think you'd get any disagreement from any of the Europeans here.

Michael Ihlein: Why don't you comment on what sort of materials you're talking about in the building sector?

Peter Mackie: Yeah, I mean if you look at the bags of sand that you might see in some of the DIY stores or bags of cement, it's those sort of goods that are going down and at the moment specifically if you look at the UK, there's a lot of DIY warehouses, sheds, that those go into that have similar characteristics to the stores in terms of our ability to collect from those locations.

And if you look at the sell by date on cement, I mean I think it only lasts something like 30 days, 60 days. So actually the cycle time is quite fast as well. But the challenge is around some of the locations outside of those major DIY sheds so it's a bit like our NCD and LVDs that we experience today.

And in pharmaceutical, although the environment for the pallet is a lot kinder, actually trying to collect from hospitals and some of the smaller pharmaceutical locations, pharmacies, is more challenging. But they are, Mike will tell you, they've gone through hoops to prove to us that they can manage the collection engine with some pilots and also the damage rate and collection in the building sector.

Question: (Anthony) Just lastly on that, is there channel pricing for new these new verticals?

Peter Mackie: We're not doing exactly the same as channel pricing because the costs are different. So it is going to be priced, the channels are going to be priced to reflect the cost so we've, if I look back to 2002, 2003 we do have some companies that were with us in the building sector and actually in the pharmaceutical sector and when we applied ABPA they left the pool and went back to white.

Some of the ones that have now come back to us say okay now we understand the costs of those locations, but they actually understand the cost of going back to white and they still now want to come back to blue. So the value proposition is extremely compelling. So we're not going to find we're doing this at slim margins. The thing here is there is an opportunity to add significant value, just not at the same kind of volumes as FMCG, but they're still healthy ones.

Question: (Russell) Russell, again. You guys haven't spoken too much about manage recovery in the UK. I mean can you just give us a progress update there in terms of the roll out and where that's going to end up?

Tom Gorman: Strangely enough we might have anticipated this question. That's why James [unclear] right away.

James McCarthy: We perhaps anticipated it a little earlier on in the day. I mean I spoke back in, I think 18 months ago about manage recovery at the last one of these sessions in Europe.

I think progress has gone very, very well. Customer uptake has been very good. Customers are still enjoying the benefits and it's done a lot for both customer satisfaction and protect agenda.

In terms of where we are in the roll out we have, I think last time we spoke we were about 20% of the way through our target market. We're probably now about two thirds of the way through. The big volume which was in a particular segment called temperature control consolidation which was the area where we believed the greatest challenge would be, we've now gone through that very successfully. The market has accepted it very well and the customers.

In terms of what that means so far, I think from a, I'll just touch on the gross margin because we talked about that last time. We said gross margin was going to be neutral, that was part of the plan. It has been and it continues to be broadly neutral as a service. But it was all about customer satisfaction and control.

In terms of control, looking at control ratio, it's still a little bit early to tell for certain whether or not the level of the impact it had on the control ratio, but what is certain is that control ratio, as you've seen in the graphs earlier from, I don't know who it was, Toby or James, has improved dramatically in the 12 10 pool and certainly part of that will be to do with the leverage effect of manage recovery.

And James, the percentage of our volume that may go through manage recovery?

James McCarthy: In terms of the specific percentages we've got, and interestingly we've talked a lot about exchange, the exchange book, one point is that the UK pool now the greater percentage of it is non exchange than exchange and a little bit more than 20% of our business now goes through manage recovery in the UK.

James McCarthy: [inaudible] to identify customers as either one way trip, exchange or manage recovery. Because the reality of what customers have chosen to do with those three services is to certain locations they'll do one way trip because it makes sense for them. In other locations, the major retailers, they'll do manage recovery and for some other locations actually exchange works for them because they can bring the pallets back on the vehicles that they're sending out.

So we find it very difficult to categorise customers as taking either one of those services because we built the pricing structure in such a way that they can choose what they want and effectively a lot of customers have now got a mix of those services.

Michael Ihlein: Peta?

Question: (Peta) Thank you. Just on the theme of the US, I was just wondering if you could provide a bit of context I suppose particularly on the logistics side, how, what you're doing over here compares to processes in the US, I suppose in Asia as well, and if there is a gap and if that reflects potential upside and I suppose what the differences are in other markets compared to what you're doing here.

Tom Gorman: Toby is actually the chair of the logistics council so I don't know if you, Toby?

Yeah, I'll make one brief comment first. I mean the basic principles are the same. We're using I guess we've got to start saying JDA but we're using main logistics in both places. The United States is a one way trip market, it's got a higher proportion of TPM than here in Europe, probably about 40% of our flows are going through TPM locations, including Wal-Mart. But the basic principles around network optimisation and logistics, those are basically the same.

The structure of the carriers are quite different, but the auction process that you saw really started here and I think they've done some great work in Europe. We're not yet doing that reverse option in the US and to the extent that there may well be in an opportunity to be able to do that in the US. Toby, you're on.

Toby Black: So we have the global logistics council and we meet once a month and that's really the forum for sharing these best practices across the globe so we have representatives in Europe, we have representatives in Asia Pacific, in India and China and Canada, all logistics professionals who focus in this space and also thanks to the ABC metrics we have a standard way of measuring so it's very easy for us to benchmark across the global business and we're very active in sharing our best practice so we even have members of our team in Europe going, for example, to help out last year in Brazil with some of the optimisation studies and we're getting better and better at sharing our best practices across the globe.

Michael Ihlein: The thing that's different in Australia is that Australia's an exchange and transfer hire model so how do you generate your revenues in Australia is really with the pallets sitting out in the marketplace and that's quite different than what would drive the revenues in the US, is trying to do more issues and rental is a part of that sort of driving issues is a much more important piece of that as it is here in continental Europe with the UK exchange.

Question: (Unidentified) I didn't want to leave it to the last one, but I guess what we've heard today is a business in Europe that seems incredibly well run, it's proactive, it's proactive in addressing the issues associated with pallet quality, identifying new opportunities, addressing competitive threats. I'm interested to understand how you contrast that with the US market which appears a lot more reactive, and the fact it's going through this review at the current time that will now take until September, which is three months off.

Michael Ihlein: Look we are at a different stage I think in the US as compared to Europe. There's some specific challenges in the US market as you well know. We've got two competitors in the US, we have two here in Europe. In the US it's IGPS and PECO. IGPS obviously a different platform but I think that has generated a lot of discussion and debate around, later to some extent around pallet quality and around the possibility of that as an alternative platform.

I think in terms of the US it's doing very similar things in terms of account management, sales channels and so on, very much similar to what we're doing here in Europe, using [unclear] exactly the same.

As you know we've only just appointed the new president of the US business and that role's been temporarily filled by Kevin Shuba who most of your know, who's the group president of the Americas and also ran the US business. I think by necessity that's probably meant that that team has been more stretched than we would have liked, but Tim Ritchie will start with us on 1 June.

We are sharing a lot of best practice and I guess if you look at the challenges we've had in the last year around the Wal-Mart relationship, IGPS and so on, I think probably what it does say to us is that this whole question of listening and responding that Tom has talked about, in Europe a few years I don't think we were listening and responding to customers as well as we might.

I think going back a few years, it was the same thing in the US and I think we're learning to do that a lot better but we've obviously got a lot to do. We've got a lot on our plate in the US and I think here is a very well run business but I don't think we're underestimating the sorts of challenges that we still face. We talked about the years of doing business, we're going to face all those in, we are facing all those in the US. We're going to pick up what's been done here flavoured around portfolio plus and account reconciliation and so on as well and that's all to be done, still to be done.

We haven't implemented everything here in Europe either so we've just got to do all that. I think the US probably does from the outside in look like it's more reactive. I have to say we've spent a lot more time personally with customers in the last six months or so as obviously Kevin does, Kevin Shuba does. I think for us to get close to the customers to figure out how do we make sure that we deliver what they want, we probably, from a Brambles perspective we didn't do enough of that in the past and I think we're doing a lot more of that now and that'll pay big dividends I think.

We've still got to deliver, that's the thing. It's fine to go listen to customers and hear what they want us to do, but we better figure out a way to go do it whether it's around pallet quality, ways of doing business or whatever and I think that we'll learn a lot obviously from the European business. I think we will get there but we've obviously got quite a lot of work to do.

The US review, just to put that in context and we are doing that earlier now than we had originally indicated, is really around this whole question of service offering to customers and doing it on a sustainable basis. I can't tell you what the outcomes of that are yet because we haven't concluded on what they are. I mean the second we have done that we'll be communicating with our customers and with the market and exactly what they will look like, I can't say just yet. But it is very important that we do it and I think that will put us on a platform that will be a lot more sustainable over the long term.

What does that mean for competition? Is PECO going to go away or is IGPS going to go away? No, they're still going to be there and whether we believe the plastic model in the US, the IGPS model is sustainable or not, it doesn't really matter. I think IGPS are there, they're a competitor of ours, they're targeting certain customers of ours and I'm assuming they'll be there tomorrow, they're going to be there in six months, they're going to be there in 12 months.

Whether they make any money or not, I don't think they will, but that doesn't really matter. What we've got to do is figure out if our customers want something different from us in terms of how we service them or the physical platform, we at least need to listen to that, come to a view as to whether or not is that something for a customer or a particular channel that we could make good money out of, and we're not in the business of trying to target margin erosion as Tom said. We've got to figure that out, make a conscious decision what we will do and be clear in our communication with customers and shareholders, and obviously analysts, as to what we should expect to see in the US business sustainable over the long term.

And that's the objective of the US review. It's a lot of work because if you think about the US business as one platform, it's a good platform, the most significant change we've seen was read around 2:00pm and that was a big change of service offering. But beyond that there's really not been a fundamental change and I think, so we're looking at whether if customers requirements have changed, what do we need to do differently both around service offering and also the platform, if indeed that's part of the solution, which we don't know yet. But we will, we will come to that over the next few months.

Tom Gorman: I might just add, Mike, that one of the benefits of the US review is that there are three guys in this room that are participating in it so James Dinsdale plays a role in one of the groups, Peter Mackie is involved and Carmelo's involved. What Mike has done in structuring this effort is to get not just the US team focused on it but get resources from around the world and I'd say they're three of the best guys, so they're involved.

So any of the learnings that we can perhaps contribute, I think that should be happening and from a selfish standpoint any of the learnings that come out of the US study that we can steal with pride if you will to implement here, we'll definitely do that as well.

And even though I greatly appreciate your compliment on the state of our business, I think you do have to recognise what Mike said is that we have our own things to say, there's enough to keep us occupied here, but we don't have some of the problems that the US is facing which can be very, very distracting. I mean we have, relative to the US we have calmer waters here. We don't have the Wal-Mart issue, we don't have the quality challenges, we don't have some of the structural things, we've committed new pallets so you've got to stock it, imbalance issues and we clearly don't have what I would say is an irrational competitor in IGPS that doesn't appear to be going away.

We've got our own stuff to worry about but I think it would be unfair if you left here and tried to juxtapose this team here with the US team. I don't think that's fair. I think the guys in the US are just as high quality, just as capable as the team that we've presented here, we've just had the luxury of seven hours of your time to kind of, to take the show pony out for a walk. That's all we've done. They're just as good as we are, they just have a different set of dynamics.

I couldn't tell you how we would respond to those dynamics. I'd like to think we would respond really well but fortunately we don't have to worry about that. We've got our own issues.

Michael Ihlein: The only other comments I'd make, we've also got people from Asia Pac participating in the US review and also interestingly from Recall. So we stole someone from Recall to participate. I think we will be able to share the learnings.

The other thing is in the US, and we talked about Wal-Mart and Wal-Mart was a pretty painful experience I can say personally, and also from a shareholder's perspective, and speaking from me also as a shareholder as well as a number of people in this room and people listening to the webcast.

We learnt a lot out of that and I think one thing that I am pleased about is that we found a way to develop a solution with Wal-Mart that puts us back on a footing that really doesn't cost us anything and delivers to Wal-Mart what they were looking for. I think as a consequence of that we've ended up in a much better place in terms of our relationship with Wal-Mart because frankly they are a very, very important part of the business. They're not a customer, they don't pay us anything, but they are a very, very important part of the US supply chain and it's very important that we can work within their requirements, their system, their networks.

So we've responded to that, found a solution to that. It took longer than we wanted but we did find a solution.

On the other challenges we've got in the US around new pallet commitments for some customers and imports, exacerbated by the fact that we've seen the slowdown in the US. If we were still growing five, six or seven per cent in the US, nobody would be talking about new pallet commitments for customers or imports. But we've taken action on that already. The total of those two was 49 pallets and we've already taken down some of the new pallet commitments on a proactive engaged basis with customers, our engineers working with their engineers to find solutions in their facilities.

As I said in previous discussions with shareholders, we will not take that down to zero. We don't need to. Our leakage in the US pool is around six or seven million pallets a year, so we just need to get the pool back into balance and making a decision around doing that has been painful because you lose gross margin on the imports and you've got to make sure you maintain your customer relationship. But it's certainly an important thing for us to have done to get that system back in balance.

If I think about, well I can criticise what we did in the past, but I don't think that's helpful at all because we had a business that was growing five, six, seven or eight per cent and had significant requirements for new pallets, so therefore you direct them, where do you want them to go? I think the mistake we made at that time, many years ago, was contractually committing to customers to do that.

The thing that we don't do in Europe is we don't have any of those and that's what does put the European business, on that particular dynamic, different to the US and that's where we're going to get back to in the US.

Question: (Unidentified) Yeah, Mike, you've just said that you weren't close enough to your customers in the US and you'd previously had that problem Europe. Do you still think it's appropriate for the management team to be based in Sydney when you've got so much of the customer base in the US and over here in Europe?

Michael Ihlein: My comment there is about Brambles. I don't want it to be taken that, I think the CHEP folks in the US, as they are here in Europe, have spent a lot of time with customers and always have done and still do. Really my comment was around a Brambles perspective and certainly from my objective one of the things that I agreed with with our board, and it's in all of the group presidents' objectives as well, including Tom, is that we have targets or number of major customer direct interface with senior level in customers right across all of our businesses, Recall, Asia Pac, Americas and EMEA.

Frankly, I don't think it matters because if we were based, if Brambles was based in the US I've got 35 per cent of my business over in Europe, I'm going to be travelling there anyway. And you've got emerging businesses in Asia Pacific and you've got Recall spread across 23 countries. I think the dynamic of a business that's operating in 46 countries is that no matter where you're based, you're going to be spending a lot of time travelling.

These guys have to do the same. We've got 23 countries in Europe, they're all travelling. It's just the way it is. And you can manage that. You have to be careful about obviously family and all that sort of thing because the personal component of your life and careers is just as important to manage but I think you can get that balance right. It just means it's a dynamic organisation and I don't think it matters where you're based frankly. You just have to travel, and the analysts do the same thing.

Tom Gorman: I also think I mentioned earlier, I mean the structure that Mike put in place a year and a half ago I think by having the three groups within CHEP and then Elton running Recall, I think that, I mean Pete and I have talked about this for a while I think, in the old model when you really had one guy running all of Europe plus interfacing back and trying to have a leadership role within Brambles, I think that's a lot to ask of one person.

So I get the benefit of Pete really worrying, 80% of his energy goes into the day to day operations of Europe with a really solid group of guys here, then I'm allowed to go and be part of Mike's ELT knowing that the day to day stuff is really in fantastic hands.

I think that structure allows us to do some things that before it wouldn't have been able to do and I think that that's a benefit that probably isn't as visible yet and I think as Mike talked about, when Jim comes on board in the US and Kevin can step back a little bit and get a grip on some of the bigger strategic issues, I think you're going to see a benefit in the Americas as well. I've had the luxury of that that he hasn't had.

Question: (Unidentified) Just on the US review, clearly you're looking at external influences so you're looking at what is the sustainability of the offering and what's the appropriate platform, etc. Is that review also encompassing an internal review looking at the culture of the US organisation and whether or not there's been any failings in that?

Michael Ihlein: No, not really. This is really looking at it from a customer perspective, what do our customers want, what are they looking for and how do we operationally best deliver that? That will involve us by necessity doing some things internally. If we're going to look at our service centre network we may conclude, we haven't decided to do this yet, but we may conclude we're better off to have more points in our service centre network.

So we'll do the things internally, but it's not a cultural issue around that, not even through looking at what our customers want, and I spent all of last week travelling around the US seeing a number of large emitter and distributor customers, very large ones, so that I could hear directly from them what they're saying. The feedback was very instructive for me in terms of some very supportive, some critical to be honest, but we need to do more.

But all of them, with no exception, all recognised that there's been a fundamental improvement over the last six to 12 months, but as always they always want to do more. So no, it's not about the culture in the US, it's around what do we do operationally to deliver what the customer's looking for.

We heard a similar message frankly out of a major customer that Tom and I visited in France about a month or six weeks ago. Similar message, seen a major improvement, and this wasn't around pallet quality it was around ease of doing business, and they've seen a bit shift in mind set in how we're getting closer to customers and also seen a big improvement on the way we're interfacing with them. But they still said you've got to make it easier for us, Christophe was there, and you've got to make it easier and that's what we're focused on. Gavin?

Question: (Gavin) Mike, [inaudible] five years time they'd be higher than we've seen perhaps in the last financial year?

Michael Ihlein: I don't think I can give you a five year forecast, probably can't give you a one year forecast, that would be inappropriate. If we're talking about the CHEP business firstly, this is a business that needs to be delivering in the 20s, EBIT margins in their 20s, return on capital, EBIT return on capital.

We're not there in every part of our business so you've got at the far end of the spectrum China and India that are still losing money. You've got at the high end of the spectrum, you've probably got markets that we've been in for 30 or 40 years, I won't mention them because Tom will probably kick me, but he's got a couple of businesses that are delivering way above that and so the average ends up in the 20s.

Our objective is to obviously grow that if we can but at a minimum if we can maintain those sorts of margins and those sorts of returns on capital and grow the top line, we're going to have a much better business. I think there were questions yesterday around Recall and back in, before I joined, back in 2003 or 2004 and we had a set of objectives that the company put out and I think the target at that time over five years, if I remember, was 16 to 18% return on capital I think, yeah 2004, for Recall.

We're obviously not there. We're about cost of capital 12% or so, maybe 13 if we're lucky. I think there is a major process to get that up. I think we've had some headwinds this year certainly in paper prices in the US but I'm confident that we will see certainly over that timeframe a much better improvement in Recall over that period because that's exactly what Elton's focus is as well.

In the CHEP business I think it depends on how fast we grow and in which markets and which segments. Obviously if we're expanding our H3 and lower than three, they're going to be lower returns for the near term. If we're expanding in horizon one, you should expect making some margins and hence improved returns as you leverage the sort of fixed infrastructure that you've got.

I can't give you a specific forecast Gavin.

Question: (Gavin) I think you spoke Mike when you made your opening remarks you gave us a little bit of a feel for the outlook for the economies, I just wondered if you could give us a bit more of an update on that in terms of Australia and US and Europe?

Michael Ihlein: I don't think there's much in 24 hours but look they are I think at various stages. I'll let Tom comment as well about Europe. My sense around Europe when I see what's happening here in Europe is that Europe is still pretty challenging in terms of the economy. There are different pockets I think if you're looking at UK or Iberia as well as what's happening here in Spain and you go to, right to the east and you go to Poland, one of the emerging markets, I mean Poland's doing very well but the economy is going to have some challenges in the next six months or so.

We've got a little business in Hungary but that economy's not doing at all well. I think in the US we haven't seen any further deterioration I think is the point. Whether or not we're likely to see any uptick in the next six months, I don't know. We haven't seen that in terms of our pallet demands, but no further sharp deterioration.

I think in Australia we certainly have seen slowing in the broader economy. Australia's technically in recession now and I think you probably will see some further slowing in Australia in terms of the economy, but nowhere near as dramatic, would be my guess, as compared to what you've see in the US or Europe. And you'll probably also see Australia recover I think reasonably well. My sense is you'll see the US recover ahead of Europe, I would think, when that recovery comes and it will probably be a little more rapid.

I think the big challenge for the world though in the longer term is that all the fiscal stimulus packages that all the governments around the world are doling out, our children and grandchildren are going to have to deal with that. So what does that mean? That probably means in the long term higher inflation I guess. Someone's going to have to pay for this but we've managed, as a company we've managed in higher inflationary environments in the past and we'll be able to mange through that again obviously.

I think we've still got a global recession on our hands and it's going to take a while.

Tom Gorman: From a European perspective I think you can break it up in a couple of component pieces. I think those economies that really were built on real estate and a development boom, we're sitting in one of them, so I think Spain is going to struggle. I mean Laura and I were talking last night unemployment's approaching 20% in Spain so that's not going to work its way out, even if you're at the bottom it's a U not a V, so we're going to be at the bottom even if we've found it.

I think the same in the UK. I think if you look at job losses in the UK I don't think that's really worked its way through the system.

So two of our biggest markets I think are going to have a tough road to hoe over the next 12 months and one of the business units you guys asked questions on earlier is automotive and we don't really see that bouncing back any time soon. Even with the government incentives that are in place in terms of scrappage programs and things like that, what that seems to have done initially is just taken the excess inventory out of the system and it hasn't really driven to additional production.

One thing I can tell you though is that as we go through FY10, the comparables get easier because you can only shut a plant once. So the comps in the second half of FY10 will be easier for us than the comps in the first half. When you look at our business in the first six months of FY10, so July to December of calendar year '09, I think you're going to see that's a difficult comp period for us. Whereas when you get to the backend I think it gets a little bit easier.

Michael Ihlein: I think the world is also seeing some destocking as well, significant destocking in the last six to nine months as well, particularly in the US and Europe and I think my sense is that you can't destock beyond pretty minimal levels, and there will be some restocking benefits I think as the economy starts to settle down. I don't think we're quite there yet but that destocking impact I don't think is continuing to be dramatic. That might explain why we're seeing in the US [unclear] on the bottom, but then unemployment rates in the US you saw, was it last Friday, 8.9% unemployment rate there.

That's a challenge, they lost another 500,000 jobs in the month. That's a smaller number than they lost in the previous month, but it's still an extra 500,000 jobs. I think the world is still challenged I think in economy.

The interesting thing in our business though is that we've, through all that really difficult period, big drops in retail sales, big drops in GDP and hence lower organic volumes both in Europe and in the

US, we're still winning business to offset that. That's why we're leaving us [unclear] flat, go up a bit in revenue terms. Yes, Paul.

Question: (Paul) Just one thing that I'm struggling with a little bit is we have, we talked about growth today and you have your gross trilogy that's still kicking a bit but on the other hand you're scrapping pallets in the States and replacing cap ex with op ex here for the UK. So that kind of indicates to me that you're [unclear] over a longer period than I would have thought. Like you've scrapped seven million pallets in the States and it is quite a big hit and then I suppose leading into that how long can you hold back the cap ex with the UK situation as well?

Michael Ihlein: Well in terms of the US, in terms of scrapping the pallets, yes it was a big hit. It was a big decision for us to take. We'd never done it before. It's not about us trying to send a signal as to how long or how difficult the US economy will be. It's about adjusting the business and including dealing with new pallet commitments and also imports to get the flexibility back in the business such that if there is zero growth in the US, that we can still manage effectively through that.

If tomorrow we were magically to see growth rates in the US turn back on, what would we do? We'd just slow down the pallet scrapping program and you'd end up spending less. So this is around taking the decision to make sure we've got flexibility over this next year or so. We're not trying to send any signals that we think the US is going to be difficult for one year or two years or three years. It's really trying to get the business back onto an even keel, that we should have done, I think, a few years ago before growth started to slow down.

In terms of the growth strategy, I think the key objectives around growth in food service in the US or geographic expansion, China and India, are all still absolutely applicable, but I think with where the global economy is, that's probably going to take a little longer to get to the levels that we had originally expected.

We're still focused, you heard a lot today from what the European team is doing, we're still investing in China, we're going to invest more in India. We might do it at a more cautious approach, cautious pace. We're still targeting food service in the US, we're still targeting beverages in the US, notwithstanding the QTG decision to move their business to IGPS.

And in Europe here, Germany, Poland, it was exactly what we talked about in August 2007 and we've been executing on that. I don't think any of that changes. I think in a difficult global economy, you always have to sit back then and say well how fast do you go, particularly if it's going to absorb cap ex.

Tom Gorman: I guess the only thing I would mention specifically about the UK is that you're correct that we have been able to turn off the capital expenditure faucet here as the growth in the UK has slowed a little bit, but there's no question that it is our biggest business and although we didn't really highlight it today, believe me Peter knows that that's the way you can fix your value challenges the most, the quickest.

Because the moment you can start growing in the UK, you can avoid all those relocation costs, yes you'll turn the capital expenditure faucet on again, but that's a good piece of cap ex then because you'll be shipping fully laden pallets into the UK which then you can absorb and use in the business. So I think there are a lot of good things that will happen if we can get focused on that.

The beauty of the business here is that we are, we do have the flexibility to turn that capital expenditure off so our cash flow is really quite robust, even though we're absorbing a little bit of extra operating expense.

Speaker 1: Let's not be confused about cap ex here. This is all about adjusting it to where the economy's going. Remember we have our, in understanding CHEP we have our base cap ex, replacing pallets that are deemed irrecoverable and then there was a growth component. As growth in the economy comes back, all we're saying is we're adjusting our cap ex to come back. We're not stopping cap ex. We're keeping it in line with our business.

Michael Ihlein: There's no doubt as a company we're not happy with our cash flow. Big focus on cap ex. Europe's done a great job but they did spend a lot of money on cap ex two years ago so now they're getting the benefit of that but obviously there needs to be a continuing very strong focus around capital all around the world.

I think in what are, there are tough credit markets. I think credit markets generally, we're in pretty good shape in terms of our refinancing plans and everything, but I think credit markets generally are going to stay tough for quite a while. I haven't seen them ease up yet so we'd better stay focused on cash I think for a while.

Question: (Unidentified) It seems that maybe it's more growth cap ex that you're pulling back on there because it seems from the numbers that we talked about earlier on with the UK, there's actually returns deluded as well in the near term. That might be a strategy to preserve cash in the near term, just on the back of that with the cap ex number that Liz gave for the second half there, is there other areas that we should be aware of where a similar thing is happening on the continent in terms of op ex for cap ex type adjustments?

Tom Gorman: Absolutely not, no. The only imbalance that we have is the flow because we have two different products and the 12 10 is a UK product, we have an imbalance there and we're addressing that flow by moving pallets. In terms of what we're doing on the continent, you always are balancing flows as I think the guys tried to show you today. But we still are buying new pallets in 12 08 and we anticipate that we will continue to do that to support the growth that we're anticipating in FY10.

And the other things I, this is just good basic discipline, in addition the pallet stock that we buy as part of our capital expenditure, we also spend money on other initiatives whether it be client innovations or product development, things of that nature. Believe me, in an environment like this, what you want the leadership team to do is really fly spec every dollar spent and we've done a good job of that. With the leadership of James and Peter in Europe and Uri running his business tightly in the Middle East and Africa, so what you're seeing is a reduction in cap ex for the reasons as said there. That's on pallet stock but on the non pallet stock we're also driving cost out of our business elsewhere, all in the effort to generate more cash, which is I think what you want to do in the present environment.

Question: (Unidentified) You want to do it but you want to do it while growing your returns as well.

Michael Ihlein: Yes, yes you do. So I don't think this is just a single minded focus on we are going to slash our cap ex no matter what. I think it is trying to get the right balance.

Tom Gorman: I absolutely agree with you and that brings us back then to Carmelo, he has to continue to find efficiency so if you're going to have to absorb some medium term relocation costs, then the operating team has to drive more efficiencies to offset that. That's why we love him so much. How's that for a back hander.

Michael Ihlein: I'm conscious of the time as well. I just want to make a few closing remarks. Is there any other really urgent questions that people feel that they wanted to raise in a big group? Obviously a lot more opportunity both tonight and obviously tomorrow as well to cover off any other remaining points.

But just in terms of closing, it's been a very long session today and it's been, I think for you guys, probably pretty intense. I've found it pretty interesting because I learnt a few things today as well. I think every time you listen to the management team you do learn an awful lot.

Yesterday when I spoke I made the comment that this is focused on operation. It was about Recall, particularly focused on Europe, and CHEP EMEA, but particularly focused on Europe and that you get to drive to understand what's driving our business in Europe and also in particular I think the most important thing is to meet the management team.

I have to say I think the quality of the presentations from the management team hopefully will have delivered to you guys a better understanding as to their skills, their experience, their capability and their ability to actually deal with challenges but still figure out how to grow the business. I think most importantly the management team and you'll see more of them obviously tonight and also tomorrow.

The other key message was around focus on strategy. We had three elements of strategy, customer satisfaction and quality, operational excellence and sustainability and growth. What we've tried to do in both Recall and EMEA to make sure that you heard enough about each of those three that in effect the strategy house that we showed you is relevant right across our business.

The same principle applies to Asia Pacific, the Americas, if you want to get down to the country level, in Brazil. So that same principle you heard from Laurent in Poland, they're following exactly the same principle. So hopefully you heard that as a message all underpinned by people and systems. You've heard a bit about what we're doing on the systems front. We've got more to do on how do we take the systems that we've already got and leverage those to make life a bit easier for our customers.

I think I've met enough customers in CHEP over the last 12 months or so to know that we are still not where we need to be around ease of doing business. Getting a 90 page invoice is not a helpful thing. We heard from one of major food customers in Europe that it's so big, so large, how am I supposed to know what's right and what's not. So that comes back to the quality of the declaration process, how do we make it easier for them to tell us where the pallets go and once you do that, if it gets into a transaction listing, how do we make sure that we give the customer a tool that they can reconcile that easily and take the pain away. And that's really a lot of what's the major focus here in Europe.

So we will invest more in systems. We're certainly investing in our people and hiring more people. We're also though trying to right size the organisation for the clearly difficult global economic times and they're painful decisions. When you talk about reducing our headcount by 750 people across the globe, that's five to six per cent of the total, they're people in Europe, they're people in the Americas, people in Australia, people in our headquarters who have been impacted by that. And that's always quite a painful decision. It's the right one for the long term provided that what we do is adjust our organisation so that it will be flexible enough that when growth does recover, does come back, when the economies recover, that we can do more with less.

That's really what the focus has been around ease of doing business as well. There's obviously a lot going on in the initiatives front, both around restructuring [unclear] facilities, the USA review is a major piece of work that we're doing and you'll hear more about that over the coming months. We're well progressed on new pallet commitments in the US and imports in the US.

But we are realistic about the challenges that the world faces but I think the great news is, and you've heard enough about that from both Recall and CHEP EMEA that notwithstanding the declines in organic performance we are winning business and that hasn't changed. The disciplined approach to how we win a customer and now a much bigger focus on having won customers how do you retain them effectively and still maintain your margins, I think will stand us in great stead when the economies recover.

Because the three or four per cent decline in organic growth that we have seen, depending on where you are in the world, that will go away. That will stabilise and then it will start to grow and it will go back to being a plus one or a plus two or plus three, depending on what your view is on how quickly, the companies are going to grow.

Then provided we've continued to win business in that intervening period, and that we don't slow down that focus on winning new customers and do an appropriate level of geographical expansion, although I'm glad I'm in this business and not in many others, automotive is tough and I think that's really affected our growth rates. But I have to say I'm glad we're in automotive because it's a great margin business, it will recover, we might have to adjust how we deal with consolidation, but it's great margin and it will return to growth. I think it will take longer than the general pallet business or the RPC business by all accounts but it will be a great business to be in.

Tomorrow I think you're going to enjoy. Michael will talk about the logistics tonight and tomorrow but I think the thing that will be interesting tomorrow is that we're going first to see a customer, so it's going to see Coke. I haven't been to this facility so it will be good for me to go and see. It'll be great to get back in the beverage business and I've seen quite a few beverage plants over the last 12 months and I think you'll all find that very interesting, very enjoyable.

You're also going to Fuenlabrada and some of you who have been following Brambles over a long period of time may have actually, anybody who came to the Madrid ops review, I forget if it was called ops review back in 2003, may have actually visited Fuenlabrada at that time. So it will be interesting for those who have already seen it to get your perspectives on what are you seeing different and what are people saying.

Laura's got a great team here. She also ran our containers business for a period of time as I mentioned yesterday so she's also got a lot of knowledge in areas outside of Iberia.

So I'd encourage you to, don't keep them up too late tonight, but I encourage you to get as much contact with the rest of the management team here as you can and what will happen tomorrow is I guess once we do the site visits, people are going to start dispersing to every corner of the world and over dinner tonight it will be more difficult to make any comments.

So I think from my perspective I just want to say it's been a pleasure to host everyone here in Madrid for the Brambles ops review. We're not finished yet, so there's a lot to happen tomorrow, but it will be the last time it will be easy to get in a large group and hopefully it's given you a much better insight and I think some of the comments that I've heard is that I think there's been a high level of detail, specifics, more discussion around our strategy, how do we think we're going to go to market and how are we going to capitalise on the opportunities and I hope everybody takes that away.

We're trying to do that, there's a disciplined approach in every part of the business around the world. Still some challenges, but I'm absolutely confident we'll be up to the challenges, particularly with the sort of quality management teams that we've got across all of our businesses and you've seen them firsthand today.

Thank you everyone.

End of Transcript