

## LETTER FROM THE CHAIRMAN & THE CEO



Brambles' Chairman Graham Kraehe AO and CEO Tom Gorman

9 September 2011

**In the 2011 financial year Brambles focused on three key areas: delivering our near-term objectives, making ongoing investments in our future and implementing our long-term strategic plan. We are pleased to say that we made solid progress against each of these targets.**

We delivered a strong increase in sales revenue and profit. All our business units reported increased sales as they continued to win new customers, despite challenging economic conditions in our major countries of operation. Our quality and service improvement program in CHEP USA, Better Everyday, continued to deliver for our customers.

We invested substantially in our future. We invested in business development and innovation opportunities throughout the company, and we made a series of acquisitions to complement our organic growth strategy, including IFCO.

We finalised and began to implement an exciting long-term growth strategy. In line with this strategy, we will focus on building our global equipment pooling solutions business by expanding into more customer segments, diversifying our range of products and services and growing geographically, including in emerging markets.

The IFCO acquisition has positioned Brambles as the leading global provider of reusable plastic crates (RPCs) to the fresh produce sector, complementing our position as the global leader in pallet pooling. We are particularly well placed to expand the RPC business in the USA, Europe and emerging markets.

We have developed sufficient growth opportunities in the pooling business to support a single focus for Brambles, so we intend to divest our information management business, Recall, as and when financial market conditions support an appropriate outcome for shareholders. When we receive proceeds from the Recall sale, it will enable us to fund additional growth in pooling, in which we are confident the organic growth opportunities present a long-term return profile in line with our existing pallet pooling business. We will also use those proceeds to reduce debt in line with our net debt to EBITDA target and our commitment to maintaining our BBB+/Baa1 credit ratings. We will consider capital management initiatives should there be funds surplus to our growth needs.

To assist with the delivery of our strategy, we announced a new management and reporting structure effective 1 October 2011. This is based on our three product categories: Pallets, RPCs, and other Containers, such as those used in the automotive, aviation, bulk goods and chemicals sectors.

We have identified incremental organic capital investments of US\$550 million to expand our RPCs, Containers and emerging markets Pallets businesses further over the 2012 and 2013 financial years. Since our 2010 annual report, we have announced three small acquisitions in the containers sector, acquiring Unitpool and JMI Aerospace – to establish a global presence in aviation container pooling – and Container and Pooling Solutions (CAPS), a provider of intermediate bulk containers to the food, automotive and general industrial sectors in the USA.

The new reporting structure will facilitate greater efficiencies in the global Pallets business as we apply best practice standards worldwide. We have identified US\$60 million of annual cost efficiencies in the global Pallets business that we can deliver by the end of the 2015 financial year. These savings will be in addition to US\$40 million of annual synergies we expect to achieve by the 2014 financial year from the integration of IFCO.

## LETTER FROM THE CHAIRMAN & THE CEO – CONTINUED

### STRATEGY SCORECARD & SHAREHOLDER MICRO-SITE

To help explain our strategy and provide shareholders with additional information about our direction, we have developed the Strategy Scorecard on page 3 as well as an extensive shareholder micro-site to enhance our investor communications.

We encourage shareholders to visit the Brambles website at [www.brambles.com](http://www.brambles.com) to review this content in detail, including case studies and other information highlighting the progress we are making in pursuing our growth strategy across the group.

### FINANCIAL YEAR 2011 RESULT

Brambles' result in the 2011 financial year was pleasing, and in line with our expectations. Sales revenue was up 13%, including a three-month contribution from IFCO and a strong rate of new business growth. Operating profit was up 12%, including Significant items, most of which were associated with the acquisition and integration of IFCO. Underlying profit, which excludes these Significant items, was up 17%.

In constant currency terms, after adjusting for the positive translation impact on our non-US dollar earnings during the period, Underlying profit was up 12%.

### DIVIDEND

The Board has declared a final dividend of 13.0 Australian cents, up 0.5 cents on the 2010 final dividend, 20% franked and payable on 13 October. This took total dividends for the 2011 financial year to 26.0 Australian cents, up 1.0 Australian cent on the prior year. We have suspended the Dividend Reinvestment Plan.

### BOARD & CORPORATE GOVERNANCE

The Board reviews best practice in corporate governance on an ongoing basis. More details are available in the Corporate Governance Statement on pages 27 to 39.

Brambles is currently undertaking an international search for a new Non-executive Director with substantial international business experience and/or knowledge of the transport and logistics industry to join the Board.

This follows the retirement in 2010 of David Gosnell and the resignation in February 2011 of John Mullen, who accepted an executive position at another company. John joined the Brambles board in November 2009 and made a valuable contribution.

During the 2011 financial year the Board adopted a diversity policy, which deals with diversity across a range of issues including gender. Pursuant to that policy, the Board adopted a measurable objective for women to represent 30% of its Board and senior management team by 30 June 2015. Full details are set out in sections 3.2 and 3.3 of the Corporate Governance Statement on page 31.

### SUSTAINABILITY

Our commitment to sustainability continues to progress, and our acquisition of IFCO has further enhanced our credentials in the reusable equipment sector, which benefits the environment by removing non-reusable packaging from the supply chain.

During the 2011 financial year, we reviewed our sustainability strategy, introducing a focus on the customer, alongside our pre-existing themes of people, environment and community.

We have reintegrated our Sustainability Report into our Annual Report for 2011, and developed the Key Sustainability Topics matrix to assist us in reporting against our strategy. Please refer to pages 14 to 23 for full details.

### SAFETY

During the 2011 financial year, we continued to roll out our three-year strategy for further improving our overall safety performance. This strategy is focused on the following three areas: the development of leadership and general employee safety capability; the evaluation and improvement of plant, equipment and facilities; and the development of appropriate systems and solutions for managing the risk of our operations and those of our third-party business partners.

Brambles' safety performance exceeded our 15% improvement target during the year. The 12-month rolling Brambles Injury Frequency Rate (a combined measure of lost-time injuries, modified duties and medical treatments) was 15.0 events per million man hours at 30 June 2011, compared with 21.9 events per million man hours at 30 June 2010. There were no employee or contractor fatalities during the period. Brambles remains committed to its goal of Zero Harm.

### OUTLOOK

In the 2012 financial year, subject to unforeseen circumstances and no further deterioration in global economic conditions, Brambles expects to deliver Underlying profit – prior to Significant items – of between US\$1,040 million and US\$1,100 million, at 30 June 2011 foreign exchange rates. This guidance includes a full 12-month contribution from both IFCO and Recall.

Brambles is in a strong position to deliver its strategy of creating a global pallet and container pooling business across a wider range of customer segments as we diversify our range of products and services and expand into emerging markets.



Graham Kraehe AO  
Chairman



Tom Gorman  
CEO