OPERATING & FINANCIAL REVIEW

1. ABOUT BRAMBLES

1.1. OVERVIEW OF OPERATIONS

Brambles Limited is a supply-chain logistics company operating in more than 50 countries, primarily through the CHEP and IFCO brands. Brambles is listed on the Australian Securities Exchange (ASX) and has its headquarters in Sydney, Australia.

The Group specialises in the pooling of unit-load equipment and the provision of associated services, focussing on the outsourced management of returnable pallets, crates and containers. Brambles predominantly serves the consumer goods, dry grocery, fresh food, retail and general manufacturing industries. In addition, the Group has specialist businesses serving the automotive manufacturing, aerospace and refining sectors.

At 30 June 2014, the Group employed more than 14,000 people and owned approximately 470 million pallets, crates and containers through a network of approximately 850 service centres.

The Group is managed through three operating segments:

- Pallets, primarily serving the fast-moving consumer goods, grocery, food and general manufacturing industries and sub-divided into three regions: Americas (comprising the CHEP pallet-pooling operations in that region, the IFCO Pallet Management Services business in the USA and the global LeanLogistics business); Europe, Middle East & Africa (comprising the CHEP pallet-pooling operations in those regions); and Asia-Pacific (comprising the CHEP pallet-pooling operations in that regions);
- Reusable Produce Crates (RPCs), serving the fresh produce industry and comprising the IFCO RPC pooling business worldwide and the CHEP RPC pooling businesses in Australian, New Zealand and South Africa; and
- Containers, comprising four business units: CHEP Pallecon Solutions, primarily serving customers transporting raw materials in the food and general manufacturing industries; CHEP Automotive Solutions, serving the automotive manufacturing industry; CHEP Aerospace Solutions, which rents containers and pallets for the transportation of baggage and cargo to airlines, as well as maintaining these and other equipment; and CHEP Catalyst & Chemical Containers, which rents containers and provides associated services in the refining sector.

Commentary on the performance of Brambles operating segments during the Year, is included in Section 7.2 of this Operating & Financial Review.

1.2. OPERATING MODEL

Brambles enhances supply chain performance for customers by helping them transport goods through their supply chains more efficiently, sustainably and safely.

Brambles provides standardised reusable pallets, crates and containers to customers from its service centres, as and when customers require. Customers use that equipment to transport goods through their supply chains, then either arrange for its return to Brambles or transfer it to another participant in the network for that participant to use.

Customers eliminate the need to purchase and manage their own pallets, crates and/or containers by participating in Brambles' pooling system. Customers benefit from the scale efficiencies generated by Brambles' network and systems, as well as the Group's asset management knowledge and continuous development of innovative solutions.

Brambles retains ownership of its equipment at all times, inspecting and repairing it as required to maintain consistent levels of quality. Brambles generates sales revenue predominantly from the rental and other service fees that customers pay based on their usage of the Group's equipment.

1.3. SHARED VALUES

Brambles' shared values are articulated in Brambles' Code of Conduct and are a core component of the Group's culture:

- All things begin with the customer;
- We have a passion for success;
- We are committed to safety, diversity, people and teamwork;
- We believe in a culture of innovation; and
- We always act with integrity and respect for the communities in which we operate and the environment.

1.4. STRATEGIC FOCUS AND THEMES

Brambles' intention is to create superior and sustainable value for its customers, shareholders and employees.

The Group implements its strategy under four key themes:

- **Diversification**: expanding into more customer segments, broadening the range of products and services and growing geographically;
- **Cost leadership**: delivering a low-cost business model that leverages its global scale to create sustainable competitive advantage;
- **Go to market**: strengthening its brand position and enhancing the customer experience through continuously improving the quality of its products and services; and
- **People and leadership**: attracting, developing and retaining the right individuals and teams that can enhance its culture and bring the required capability for sustainable success.

1.5. SHAREHOLDER VALUE

The service and value Brambles provides its customers, the quality of its relationships and the scale of its networks and invested capital base create the foundation of sustainable competitive advantage that supports the Group's value proposition to investors.

As a result of this value proposition, over the five years to 30 June 2014, Brambles consistently delivered profitable growth comprising superior rates of sales revenue growth and high levels of return on capital relative to the benchmark Australian share index, the S&P/ASX200 Index. Based on data published by Bloomberg for the five years ended 31 December 2013: Brambles' compound average growth rate in sales revenue was 9%, compared with (2)% for the S&P/ASX200 Index; Brambles' five-year average post-tax return on capital was 14%, compared with 5% for the ASX200.The Group has delivered superior total shareholder return over a one-year, three-year and five-year period compared with both the benchmark index and the relevant sector index, the S&P/ASX200 Industrials Index[1].

1.6. BUSINESS STRATEGIES & FUTURE PROSPECTS

In December 2013, Brambles communicated the following five-year objectives, reflecting the Group's objective for the sustained delivery of its value proposition to investors through continued profitable growth:

- Annual percentage sales revenue growth in the high single digits (i.e. on average, between 7% and 9%), at constant currency[2]; and
- Consistent incremental improvement in Return on Capital Invested to at least 20% by the end of FY19.

The Group is committed to continuing to focus on and invest in the aspects of its business that underpin its fundamental proposition to all stakeholders, including product service and quality and the efficient management and control of its assets.

In addition, as a result of the under-penetrated nature of equipment pooling in many sectors and regions of the global economy, the Group has access to a broad range of opportunities to continue to

[1] Based on Bloomberg data, Brambles' total shareholder return to 30 June 2014 (including the contribution of Recall Holdings Limited shares since the demerger in December 2013) was: 24% over one year (compared with 20% for the ASX200 and 19% for the ASX200 Industrials); 68% over three years (35% for the ASX200; 28% for the ASX200 Industrials); and 122% over five years (73% for the ASX200; 65% for the ASX200 Industrials).

[2] Calculated by translating reported period results into US dollars at the actual monthly exchange rates applicable in the prior corresponding period.

pursue profitable growth through applying its intellectual property to additional supply chains.

These opportunities include: increasing penetration with the Group's core products and services in existing markets; diversifying the range of equipment pooling products and services; entering new and adjacent parts of the supply chain in which asset pooling can be applied; and expanding into new geographies.

The principal factors that define growth opportunities within which the Group can create value for customers while supporting its investment proposition for shareholders are:

- Multiple parties use a common asset (i.e. a pallet, crate or container) to transport goods throughout the supply chain;
- Assets flow freely and at high velocity throughout the supply chain, creating complexity that Brambles can manage more effectively through a pooled environment than customers could alone;
- Ownership of assets is not a source of competitive differentiation to the asset user; and
- Pooling of assets can create a benefit in which all supply-chain participants can share.

Brambles has identified the key external factors that influence its assumptions and targets and create areas of opportunity and risk as:

- The macro-economic environment, with expectations for global growth remaining challenging in the foreseeable future;
- Industry trends, in particular in the context of a dynamically changing retailing landscape and the ongoing globalisation of many supply chains; and
- Customer demand for sustainable outsourced supply-chain solutions amid an intensifying competitive environment.

The Strategy Scorecard on Page 14 sets out the Group's progress in relation to delivering its business strategy in the context of its objectives. This scorecard highlights short-term focus areas as well as execution risks and associated mitigating actions. Further details of Brambles' risk management framework are provided under Significant Risk & Uncertainties in Section 4.0 of this Operating & Financial Review. Details in relation to how the Group uses its Remuneration Policy to incentivise the Company's leadership to deliver profitable growth in the context of these factors are in the Remuneration Report on Pages 33 to 50.

2. PERFORMANCE DRIVERS & METRICS

The Group monitors performance and value creation through non-financial metrics (such as customer loyalty, safety performance and employee engagement and enablement) and through financial metrics (such as those covering sales revenue, profitability, return on capital and shareholder returns).

There are three key drivers of Brambles' sales revenue growth:

- General increases in sales volumes in line with economic or industry trends (a relatively stable variable because the majority of Brambles' sales revenue comes from customers in the consumer staples sector);
- The rate at which the group expands the penetration of its operations (often described as "net new business wins[3]"); and
- Movements in pricing.

Brambles' key profit metric is Underlying Profit[4], which is adjusted from statutory operating profit by removing Significant Items[5]. The main drivers of Underlying Profit are:

- Transport, logistics and asset management costs (including external factors such as fuel and freight prices, as well as labour costs);
- Plant operations costs in relation to management of service centre networks and the inspection and repair of assets (including labour costs and raw materials costs);
- Other operational expenses (primarily overheads such as selling, general and administrative expenses); and
- Depreciation, as well as provisioning for irrecoverable equipment.

Brambles calculates Return on Capital Invested[6] by dividing Underlying Profit by Average Capital Invested[7]. The main driver of Average Capital Invested is capital expenditure on pooling equipment. The main drivers of capital expenditure are the rate of sales growth as well as asset efficiency factors: i.e. the amount of pooling equipment not recoverable or repairable each year (and therefore requiring replacement) and the frequency with which customers return or exchange pooling equipment. Brambles' main capital cost exposures are for raw materials, primarily lumber and plastic resin.

The Group also monitors Brambles Value Added, which measures value generated over and above the cost of capital used to generate that value. Brambles Value Added is calculated by subtracting from Underlying Profit the product of Average Capital Invested multiplied by 12% (a notional representation of pre-tax cost of capital).Details of the Group's performance relative to these metrics are included in Section 7.0 of this Operating & Financial Review.

3. FINANCIAL POSITION

3.1. CAPITAL STRUCTURE

Brambles manages its capital structure to maintain a solid investment grade credit rating. During the financial year ended 30 June 2014, Brambles held investment-grade credit ratings of BBB+ from Standard & Poor's and Baa1 from Moody's Investors Service.

In determining its capital structure, Brambles considers the robustness of future cash flows, potential funding requirements for growth opportunities and acquisitions, the cost of capital, and ease of access to funding sources. Initiatives available to Brambles to achieve its desired capital structure include adjusting the amount of dividends paid to shareholders, returning capital to shareholders, buying back share capital, issuing new shares, selling assets to reduce debt, varying the maturity profile of borrowings and managing discretionary expenses.

3.2. TREASURY POLICIES

Brambles' treasury function is responsible for the management of certain financial risks within Brambles. Key treasury activities include liquidity management, interest rate and foreign exchange risk management, and securing access to short and long-term sources of debt finance at competitive rates. These activities are conducted on a centralised basis in accordance with Board policies and guidelines, through standard operating procedures and delegated authorities.

These policies provide the framework for the treasury function to arrange and implement lines of credit from financiers, select and deal in approved financial derivatives for hedging purposes, and generally execute Brambles' financing strategy.

Brambles' policies with respect to interest and exchange rate risks and appropriate hedging instruments are described below. Further information is contained in Note 30 of the Financial Report on Pages

[3] The change in sales revenue in the reporting period resulting from business won or lost in that period and the previous financial year. The revenue impact of net new business wins is included across reporting periods for a total of 12 months from the date of the win or loss and calculated on a constant-currency basis.

[4] Profit from continuing operations before finance costs, tax and Significant Items.

[5] Items of income or expense that are (either individually or in aggregate) material to Brambles or to the relevant business segment and either outside the ordinary course of business or part of the ordinary activities of the business but unusual in size and nature.

[6] Underlying Profit divided by Average Capital Invested.

[7] A 12-month average of capital invested, calculated as net assets before tax balances, cash and borrowings but after adjustment for accumulated pre-tax Significant Items, actuarial gains and losses and net equity adjustments for equity-settled share-based payments.

101 to 110, including a sensitivity analysis (Page 105) with respect to these financial instruments.

The Group uses standard financial derivatives to manage financial exposures in the normal course of business. It does not use derivatives for speculative purposes and only transacts derivatives with relationship banks. Individual credit limits are assigned to those relationship banks, thereby limiting exposure to credit-related losses in the event of non-performance by any counterparty.

3.3. FUNDING & LIQUIDITY

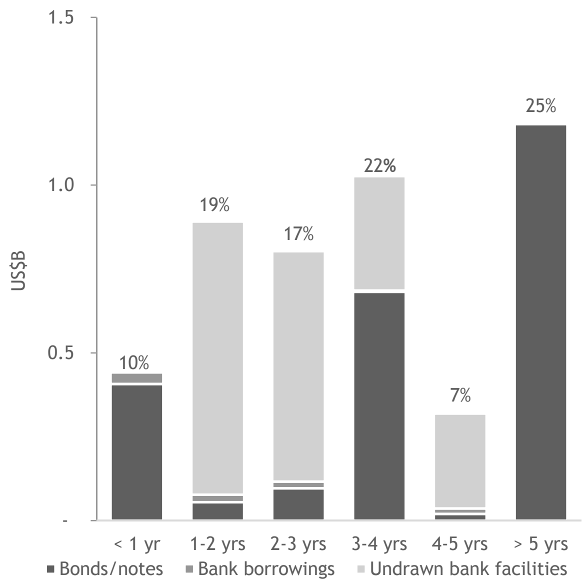
Brambles funded its operations during the 2014 financial year primarily through retained cash flow and borrowings, with some funding from employee share schemes. Brambles generally sources borrowings from relationship banks and debt capital market investors on a medium-to-long-term basis.

During the Year, Brambles continued to diversify and lengthen its funding profile by issuing a new €500 million European medium-term note at a coupon of 2.375% with a maturity of 10 years. The proceeds were received in June 2014 and used to repay bank indebtedness. The balance was retained as cash to pre-fund an upcoming US private placement maturity.

Bank borrowing facilities were maintained and portions renewed throughout the Year. These facilities are generally structured on a multi-currency, revolving basis with maturities ranging to December 2018. Borrowings under the facilities are floating-rate, unsecured obligations with covenants and undertakings typical for these types of arrangements.

The table below shows the maturity profile of the Group's committed borrowing facilities and outstanding bonds, including the percentage due in each 12-month maturity period.

Maturity Profile of Committed Borrowing Facilities & Outstanding Bonds (% of total committed credit facilities)



Brambles' liquidity policy requires, among other things, that no more than 25% of total committed credit facilities mature in any rolling 12-month period. At 30 June 2014, the Group was in compliance with the policy.

Net Debt & Key Ratios

US$M	June 2014	June 2013	Change
Current debt	497.8	156.9	340.9
Non-current debt	2,086.2	2,686.4	(600.2)
Gross debt	**2,584.0**	**2,843.3**	**(259.3)**
Less cash	(222.3)	(128.9)	(93.4)
Net debt	**2,361.7**	**2,714.4**	**(352.7)**
KEY RATIOS	FY14[8]	FY13[9]	
Net debt to EBITDA	1.59x	1.68x	
EBITDA interest cover	13.2x	14.6x	

Brambles' financial policy is to target a net debt to EBITDA ratio of less than 1.75 times. Key financial ratios continue to reflect the Group's strong balance sheet position and remain well within the financial covenants included in Brambles' major financing agreements, with net debt to EBITDA at 1.59 times (2013: 1.68 times) and EBITDA interest cover at 13.2 times (2013: 14.6 times). Net debt was US$2,361.7 million at 30 June 2014, down US$352.7 million from 30 June 2013, reflecting the net proceeds from the Recall demerger.

At 30 June 2014, Brambles had committed credit facilities including bonds and notes totalling US$4,665.2 million. Undrawn committed borrowing capacity totalled US$2,125.2 million, an increase of US$901.0 million from June 2013, as bank borrowings were repaid from proceeds of the Recall demerger and the European medium-term note issue. The average term to maturity of Brambles' committed credit facilities at 30 June 2014 was 4.1 years (2013: 3.6 years). In addition to these facilities, Brambles enters into operating leases for office and operational locations and certain plant and equipment to achieve flexibility in the use of certain assets. The rental periods vary according to business requirements.

3.4. DIVIDEND POLICY & PAYMENT

Brambles has a progressive dividend policy. Under this policy, the Group seeks to maintain or increase dividends per share each year, in Australian cents, subject to its financial performance and cash requirements. The Board has declared a final dividend for 2014 of 13.5 Australian cents per share, in line with the previous interim and final dividends. The 2014 final dividend is payable on 9 October 2014 to shareholders on the Brambles register at 5pm on 12 September 2014. The final dividend is 30% franked. The ex-dividend date is 10 September 2014. The unfranked component of the final dividend is conduit foreign income. Consequently, shareholders not resident in Australia will not pay Australian dividend withholding tax on this dividend. Total dividends for the Year were 27.0 Australian cents per share, reflecting the Board's commitment not to decrease the dividend following the demerger of the Recall business in December 2013. Brambles paid an interim dividend of 13.5 Australian cents per share on 10 April 2014, franked at 30%.

3.5. INTEREST RATE RISK

Brambles' interest rate risk policy is designed to reduce volatility in funding costs through prudent selection of hedging instruments. This policy includes maintaining a mix of fixed and floating-rate instruments within a target band, over a certain time horizon, sometimes using interest rate derivatives. The policy requires the level of fixed-rate debt to be within 40% to 70% of total forecast debt arising over the immediate 12-month period, decreasing to a range of: 20% to 60% for debt maturities of one to two years; 10% to 50% for debt maturities of two to three years; and 0% to 50% for debt maturities extending beyond three years. At 30 June 2014,

[8] For FY14, based on continuing operations only.

[9] For prior year comparatives, based on continuing and discontinued operations.

Brambles had 50% of its weighted average interest-bearing debt over the next 12 months at fixed interest rates (2013: 50%). Beyond 12 months, the proportion of fixed rate debt in the range of one to two years was 54% (2013: 47%), 50% for two to three years (2013: 48%) and 40% for three to four years (2013: 46%). The weighted average maturity period was 3.9 years (2013: 4.4 years). The fair value of all interest rate swap instruments was US$13.8 million net gain (2013: US$19.0 million net gain).

3.6. FOREIGN EXCHANGE RISK

Brambles manages its foreign exchange exposures from the perspective of reducing volatility in the value of foreign currency cash flows and assets. Exposures generally arise in either:

- Transaction exposures affecting the value of transactions translated back to the functional currency of the subsidiary; and
- Translation exposures affecting the value of assets and liabilities of overseas subsidiaries when translated into US dollars.

Under Brambles' foreign exchange policy, foreign exchange hedging is mainly confined to the hedging of transaction exposures where such exposures exceed a certain threshold, and as soon as a defined exposure arises. Within Brambles, exposures may arise with external parties or, alternatively, by way of cross-border intercompany transactions. Forward foreign exchange contracts are primarily used for these purposes. Given that Brambles both generates income and incurs expenses in its local currencies of operation, these exposures are not significant. Brambles generally mitigates translation exposures by raising debt in currencies where there are matching assets. During the Year, Brambles maintained net investment hedge borrowings in euro of €350.5 million, broadly to match its euro-denominated assets. At the end of the Year, the fair value of foreign exchange instruments was US$0.2 million net loss (2013: US$8.3 million net loss).

4. SIGNIFICANT RISKS & UNCERTAINTIES

Brambles has adopted a risk management framework that sets out the processes for the identification and management of risk throughout the Group. Full details of the objectives of the framework and the strategies and processes applied to manage these risks are described under Principle 7 of the Corporate Governance Statement on Pages 27 and 28.

The risk management framework provides for a biannual production of a Group risk matrix, which sets out the top 10 "net" risks facing the Group and the steps being taken to mitigate those risks. The top 10 "net" risks are rated on the basis of their potential impact on the Group after taking into account current mitigating actions.

Listed below are the top 10 net risks on the risk matrix for the Year. Investors should be aware that there are other risks associated with an investment in Brambles.

- **Business model**: changing supply chain dynamics and customer needs could render Brambles' existing service offerings and business models out of date. Current market issues that, in combination or separately, could support competitive service offerings include: differing segmental needs, attributes of wood versus alternative materials, use of track-and-trace technology, increasing fuel costs, changes in retailer behaviour and the embedded cost of asset losses in the current model. These issues could, over time, have an impact on revenue, cost base, economies of scale and the value of Brambles' existing assets.
- **Competition and retention of major customers**: Brambles operates in a competitive environment. Many of the markets in which Brambles operates are served by numerous competitors and are subject to the threat of new entrants. In addition, the concentration of distributors in certain areas could lead to shifts in market structure, bargaining position and intensity of competition. The above risks could have an impact on market penetration, revenue, profitability, economies of scale and the value of existing assets.
- **Strategy and execution**: Brambles is subject to the risk of not having effective strategies in place to guide the Group's performance and to drive sales and profit growth, enable innovation, safety improvements and improve customer and employee satisfaction. Further, it is subject to the risk of not being able to execute effectively against agreed strategies resulting in loss of market and investor confidence and reduced share performance.
- **Innovation:** Brambles is subject to the risk of not being able to optimise innovations in its services, products, processes and commercial solutions, including capturing the full value of any innovations that support its growth opportunities. This could have an impact on revenue, profitability, economies of scale and the value of existing assets.
- **Equipment losses**: Brambles is subject to the risk of a lack of control of Pooling Solutions equipment. This could impact financial performance and lead to a reduction in customer satisfaction.
- **Equipment quality**: satisfaction of Brambles' customers may fluctuate with the customers' perceived views of equipment quality which, in turn, is influenced by the effectiveness of the quality standards that Brambles employs in its equipment pools. Brambles is subject to the risk that it may not optimise these standards, thereby adversely affecting customer satisfaction with its service offering and/or the operating and capital costs of the equipment pools.
- **Mergers and acquisitions:** Brambles is subject to the risk of failing to successfully execute acquisitions and disposals, as well as the risk of failing to successfully integrate acquisitions. If the integration of newly acquired businesses is not effective, this could result in the failure to realise the anticipated benefits and synergies.
- **People capability**: Brambles is subject to the risk of not attracting, developing and retaining high-performing individuals. Furthermore, succession planning may not be managed effectively, so that talented individuals are able to be developed and promoted within the Group, rather than sourced externally. This could result in Brambles not having sufficient quality and quantity of people to meet its growth and business objectives.
- **Systems and technology**: Brambles relies on the continuing operation of its information technology and communications systems, including those in Brambles' global data centre. Interruption, compromise or failure of these systems could impair Brambles' ability to provide its services effectively. This could damage its reputation and, in turn, have an adverse effect on its ability to attract and retain customers.
- **Zero Harm:** Brambles is subject to inherent operational risks, including industrial hazards, road traffic or transportation accidents that could potentially result in serious injury or fatality of employees, contractors or members of the public. There is also a risk of prosecution of its Officers and Directors due to wilful or negligent breaches of safety regulations.

5. SAFETY

Brambles' Zero Harm Charter states that everyone has the right to be safe at work and to return home as healthy as when they started the day. Each person is expected to think first of Zero Harm. Brambles seeks to apply best practice in occupational health, safety and environment for employees, contractors, customers and the communities in which it operates.

Brambles Injury Frequency Rate (BIFR) is the primary measure of safety performance across the Group. BIFR is recorded at a rate per million hours worked and provides a comprehensive view of employee safety. It includes:

- Work-related fatalities;
- Loss of a full work shift due to injury;
- Modified duties for a full work shift following an injury; and
- Incidents that require external medical treatment.

During the Year, Brambles[10] continued to focus on improving segregation of pedestrians from vehicles and machinery, which is Brambles' greatest risk for potentially fatal or life changing injuries. A pedestrian segregation assessment tool was created and rolled out across Pallets and shared with the RPCs and Containers segments. In addition, the Pallets segment focused on the development of global safety standards in machinery and forklifts. The machinery safety standards will enable standardisation and improved procurement of new machinery. For forklifts, minimum safety standards have been established for legacy and temporary hire equipment and requirements for new purchase and leases have been expanded.

During FY14, Brambles' business units[10] conducted an awareness campaign on the importance of reporting near misses[11] and very minor injuries. The information provided by this type of reporting helps minimise the risk of serious injuries materialising. Better reporting of minor first-aid injuries will provide a baseline for the introduction of a total injury frequency rate metric in some business units in FY16.

The FY14 BIFR result of 15.6[12,15] is a 19% improvement on the previous year. Brambles is committed to continue to target year-on-year improvements, after taking into account the impact of any acquisitions.

Brambles Injury Frequency Rate

	FY14	FY13	Change	Reasons for change
Pallets - Americas	31.8	38.9	18%	Improved safety focus in IFCO PMS and CHEP Canada
Pallets - EMEA	3.1	3.8	18%	Improved safety engagement in Middle East & Africa
Pallets - Asia-Pacific	6.4	10.0	36%	Implementation of robust safety management system in Asia
Pallets[13]	**16.6**	**20.5**	**19%**	
RPCs	7.7	11.0	30%	Improvements in safety in relation to wash machines and better investigations
Containers[14]	13.6	17.7	23%	Implementation of Containers Safety Council and near miss reporting
Brambles[15]	**15.6**	**19.3**	**19%**	

A detailed report on Brambles' safety performance will be available in the 2014 Sustainability Review, which will be published on Brambles' website in October 2014.

6. SUSTAINABILITY

Building sustainable business practices is fundamentally important to the future of Brambles and to the communities in which it operates. Brambles' approach to Sustainability is consistent with its strategy and Shared Values and is designed to enhance, among other things:

- Efficiency and productivity in Brambles' use of finite resources;
- Value creation for customers and shareholders;
- Employee engagement;
- Clarity of communication with customers and other stakeholders; and
- Brambles' ability to grow over the long term without causing harm to the environment or the health and safety of its employees.

The fundamental principles on which Brambles' business is built are inherently sustainable. The Group is committed to being the global leader in responsible and sustainable pooling solutions in the supply chains it serves. It is focused on building a long-term, sustainable business that serves its customers, employees and shareholders and the communities in which they live.

Brambles is applying best-practice standards throughout its operations, and is continuously vigilant in reducing asset losses, cycle times and damage to generate more sustainable use of physical and financial resources. Fundamental to these efficiency efforts are the principles of recover, reuse, reduce and recycle.

The repeated use of higher quality equipment such as those Brambles provides compared with alternative disposable or limited-use platforms reduces material and energy requirements. Brambles retains ownership of its assets at all times, enabling the company to control end-of-life management and improve continuously its recovery, reuse, reduction and recycling efforts.

6.1. SUSTAINABILITY STRATEGY

Since 2009, Brambles' Sustainability Committee has been responsible for the strategies and activities adopted by Brambles with regard to the environment, its employees, ethics and the community, consistent with the Group's Shared Values.

In 2010, Brambles launched its sustainability strategy and outlined its strategic objectives and initiatives to 2015. Brambles set a number of targets to measure efforts to improve continuously, demonstrate the inherent sustainability value in the business model for Brambles and its stakeholders and deliver more efficient, safer and environmentally sustainable supply chains. The strategy and targets were grouped into four areas: Customer, Environment, People and Community.

In 2014, to reflect recent developments in the regulatory reporting framework and the demerger of Recall, the Sustainability Committee developed a new framework to focus its efforts across the Group. Brambles efforts to address sustainability risks and opportunities will be reported in three areas:

1. **Better Planet:** We minimise our impact on the environment, by continuous improvement in our everyday activities and throughout our supply chains. Within this area are the individual aspects of emissions, materials sourcing, waste and water.
2. **Better Business:** Sustainable practices and commercial success go hand in hand. We provide safe, efficient and sustainable solutions for our customers' supply chains, based on the principles of the circular economy – recover, reuse and reduce – while we take advantage of the benefits of recycling. We focus on the pooling business model and its inherently sustainable characteristics, supply chain collaboration with our customers

[10] Acquisitions made and new operations started in FY14 were not included in the safety results for the Year but will be incorporated in FY15.

[11] A near miss is an event that did not result in injury, illness or damage but had the potential to do so.

[12] BIFR may be subject to minor adjustments as investigations on a number of incidents were not closed at the time of publication. The final number will be published in the 2014 Sustainability Review in October.

[13] For the purpose of safety reporting, the Pallets segment includes the CHEP RPCs and Containers operations in Asia-Pacific (excluding CHEP Pallecon Solutions, CHEP Aerospace Solutions and CHEP Catalyst & Chemical Containers operations) and South Africa.

[14] For the purposes of safety reporting, the Containers segment includes the CHEP Automotive & Industrial Solutions operations in Europe and the Americas, CHEP Pallecon Solutions in the Americas, CHEP Aerospace Solutions and CHEP Catalyst & Chemical Containers

[15] Brambles BIFR shown from continuing operations only, excluding Recall.

and suppliers, and providing our people with an engaging, safe, tolerant and diverse work environment. This will help us attract and retain employees capable of delivering exceptional value to customers and appropriate returns to investors.

3. **Better Communities:** We contribute positively to the communities in which we work, both as a corporation (through investing in environment, education and food waste initiatives) and by our individual employees (through participation in local community initiatives).

Targets and details on progress to date are included in the table on this page. A full update on the targets will be provided in the Sustainability Review to be published on Brambles' website in October 2014.

Brambles is aware that it must have the right risk and governance foundations and appropriate structures in place and lists its governance commitments in the Sustainability section of its website.

6.2. KEY SUSTAINABILITY TOPICS

In FY11, Brambles established a process to determine key sustainability topics it considers important to its stakeholders. A third-party provider conducted the analysis using the AccountAbility Principles Standards AA1000 five-part test as a guide.

In FY14, Brambles conducted a review of its current approach and commissioned an independent review of its sustainability issues in determining material exposure to sustainability risks in recognition of:

- The ASX Corporate Governance Principles and Recommendations, particularly Recommendation 7.4 concerning the disclosure of any material exposure to economic, environmental and social sustainability risks and, if any, how these risks are managed; and
- The Global Reporting Initiative's G4 reporting framework for delivering content and quality.

The results and recommendations from this review will be published in the 2014 Sustainability Review on Brambles' website in October 2014.

6.3. KEY SUSTAINABILITY ACTIVITIES DURING THE YEAR

Brambles undertook the following key sustainability activities during the Year:

- Reviewed and developed a new framework to articulate the inherent sustainability value within the equipment pooling model to its stakeholders;
- Expanded and updated its anti-corruption and bribery policy; and
- Completed the first stage of a global supplier policy rollout.

Progress against Sustainability Targets

Measure	Target	Progress
Better Planet		
Lumber sourcing	Chain of custody certification by 2015	●
Greenhouse gas emissions	20% reduction on 2010 levels by 2015	●
Lumber waste	Zero lumber waste to landfill by 2015	●
Solid waste	Year-on-year recycling improvements	●
Water management	Target to be set in 2014	●
Better Business		
Employee diversity	30% female representation on Board and Executive Leadership Team by 2015 and within all management positions by 2018	●
Safety	25% reduction in BIFR on 2012 levels by 2017 with year-on-year improvement on BIFR	✓
Employee engagement survey	Brambles Employee Survey participation at minimum of 90% by 2015	✓
Employee engagement score	Brambles Employee Survey target of 73% by 2015	●
Education, training and development	25% increase in education, training and development days on 2012 levels by 2015	●
Supplier policy	Develop and introduce global policy by end of 2013	✓
Customer loyalty	Introduction of Net Promoter Score in every country and year-on-year improvements	●
Customer engagement	Increased participation in industry forums and customer advocacy panels	✓
Better Communities		
Volunteer time for employees	At least one volunteer hour per employee during working hours by 2015	●
"Give as you earn" policies	Introduced in all businesses where allowed by legislation by 2015	●

✓ Target achieved
● Progressing

7. FINANCIAL REVIEW

7.1. GROUP OVERVIEW

7.1.1. Summary: key metrics

US$M			Change	
(Continuing operations)	FY14	FY13	Actual FX	Constant FX
Sales revenue	**5,404.5**	**5,082.9**	**6%**	**7%**
Operating profit	929.5	887.1	5%	5%
Significant Items	30.6	25.9		
Underlying Profit	**960.1**	**913.0**	**5%**	**6%**
Underlying Profit margin	**17.8%**	**18.0%**	**(0.2)pts**	**(0.2)pts**
Average Capital Invested	5,889.6	5,576.9	6%	
Return on Capital Invested	**16.3%**	**16.4%**	**(0.1)pts**	**-**
Brambles Value Added[16]	**266.5**	**246.8**		**19.7**
Cash Flow from Operations	**828.2**	**697.3**	**130.9**	

Brambles' Group financial results from continuing operations in the 12 months ended 30 June 2014 reflected solid sales revenue growth from continued execution of the Group's growth strategy coupled with improved underlying economic conditions.

There was a slight decline in the Underlying Profit margin, primarily reflecting higher direct costs in the Pallets and RPCs segments, as well as some one-off costs in the RPCs segment.

The broadly flat Return on Capital Invested compared with FY13 reflected the decline in RPCs profitability, although there were improvements in Pallets and Containers. Brambles Value Added, the Group's principal metric for measuring economic profit, increased by US$19.7 million.

The increase in Cash Flow from Operations reflected higher earnings and a positive working capital movement.

The remainder of Section 7.1 of this Operating & Financial Review provides a more detailed analysis of these key drivers. Detailed segmental and business unit commentary is provided in Section 7.2.

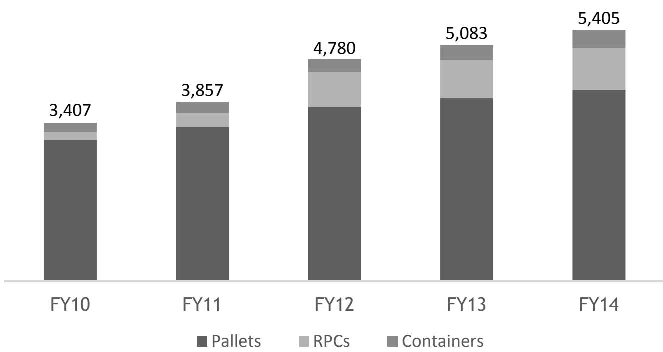
[16] Calculated at 30 June 2013 FX rates.

7.1.2. Group sales revenue

US$M			Change	
	FY14	FY13	Actual FX	Constant FX
Pallets – Americas	2,301.9	2,205.8	4%	6%
Pallets – EMEA	1,447.3	1,346.8	7%	5%
Pallets – Asia-Pacific	374.2	391.8	(4)%	4%
Total Pallets	**4,123.4**	**3,944.4**	**5%**	**5%**
RPCs	895.8	812.8	10%	9%
Containers	385.3	325.7	18%	19%
Total continuing operations	**5,404.5**	**5,082.9**	**6%**	**7%**

Sales revenue from continuing operations was US$5,404.5 million, up 6% (7% at constant currency). The principal contributors to sales revenue growth in FY14 were: organic volumes, price and new business growth in the Americas and Europe Middle East & Africa regions of the Pallets segment; continued expansion in the RPCs segment; and the Pallecon acquisition in Containers.

Five-year trend: group sales revenue[17] (US$M)



7.1.3. Group operating profit

US$M			Change	
	FY14	FY13	Actual FX	Constant FX
Pallets – Americas	419.0	414.6	1%	3%
Pallets – EMEA	330.1	268.2	23%	21%
Pallets – Asia-Pacific	73.0	77.2	(5)%	3%
Total Pallets	**822.1**	**760.0**	**8%**	**9%**
RPCs	124.3	138.4	(10)%	(10)%
Containers	35.9	28.0	28%	34%
Corporate	(52.8)	(39.3)	(34)%	(64)%
Total continuing operations	**929.5**	**887.1**	**5%**	**5%**

Operating profit from continuing operations was US$929.5 million, up 5%. The result reflected sales growth, efficiency gains in Pallets and improved margins in Containers, as well as the negative impact of higher direct costs in Pallets and RPCs and some one-off costs in RPCs. The increase in Corporate costs predominantly reflected higher restructuring costs recognised as Significant Items (see Section 7.1.5).

[17] Data shown excludes the contribution of the Recall business demerged in December 2013.

7.1.4. Profit after tax

US$M			Change	
	FY14	FY13	Actual FX	Constant FX
Operating profit from continuing operations	**929.5**	**887.1**	**5%**	**5%**
Net finance costs	(113.0)	(110.8)	(2)%	(2)%
Tax expense	(232.0)	(220.0)	(5)%	(8)%
Profit after tax from continuing operations	**584.5**	**556.3**	**5%**	**4%**
Profit after tax from discontinued operations	683.2	84.3		
Profit after tax	**1,267.7**	**640.6**	**98%**	**114%**
Weighted average number of shares (M)	1,560.7	1,555.7		
Basic EPS (US cents)	**81.2**	**41.2**	**97%**	**113%**
Basic EPS from continuing operations (US cents)	**37.5**	**35.8**	**5%**	**4%**

Profit after tax from continuing operations was US$584.5 million, up 5% (4% at constant currency), reflecting the higher operating profit, a modest increase in net finance costs and a proportionate increase in tax expense.

Net finance costs were US$113.0 million, up 2%, as a reduction in net debt following the Recall demerger offset the impacts of higher average interest rates in emerging markets and higher debt associated with acquisitions. Tax expense was US$232.0 million, up 5%. The effective tax rate on operating profit was 28%, the same as the prior year.

Basic earnings per share of 81.2 US cents reflected the contribution to profit after tax of profit from discontinued operations. This profit, of US$683.2 million, comprised the contribution of the Recall business until the demerger of that business in December 2013, and the accounting profit on the demerger. Basic earnings per share from continuing operations of 37.5 US cents was up 5% (4% at constant currency).

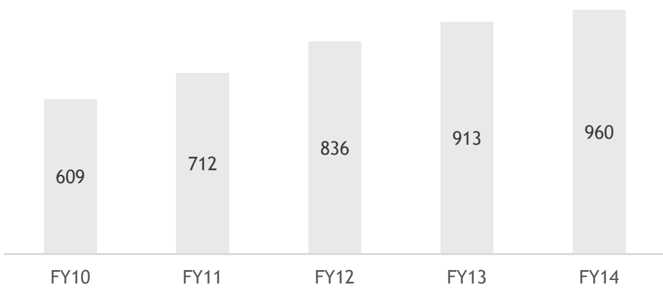
7.1.5. Group Underlying Profit (reconciliation to operating profit from continuing operations)

US$M			Change	
	FY14	FY13	Actual FX	Constant FX
UNDERLYING PROFIT				
Pallets – Americas	435.0	419.1	4%	6%
Pallets – EMEA	328.9	282.4	16%	14%
Pallets – Asia-Pacific	73.6	78.8	(7)%	2%
Total Pallets	**837.5**	**780.3**	**7%**	**9%**
RPCs	124.3	138.7	(10)%	(10)%
Containers	38.0	28.4	34%	39%
Corporate	(39.7)	(34.4)	(15)%	(32)%
Total Underlying Profit	**960.1**	**913.0**	**5%**	**6%**
SIGNIFICANT ITEMS				
Acquisition-related costs	(1.0)	(4.6)		
Restructuring & integration costs	(29.6)	(21.3)		
Total Significant Items	**(30.6)**	**(25.9)**		
Operating profit	**929.5**	**887.1**	**5%**	**5%**

Underlying Profit, which excludes Significant Items, was US$960.1 million, up 5% (6% at constant currency), reflecting the same trends as for operating profit.

Significant Items were US$(30.6) million, up from US$(25.9) million, reflecting increased restructuring and integration costs, including the rollout of the Global Finance Services project, the integration of acquired businesses and evaluation costs for the One Better overheads reduction project. Acquisition-related costs incurred in the Year were for the Transpac and Airworld acquisitions.

Five-year trend: Underlying Profit[17] (US$M)

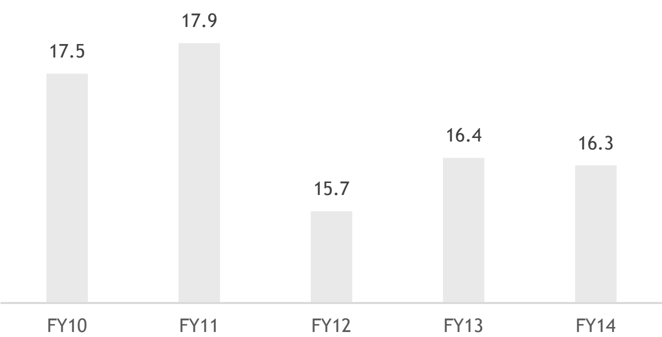


7.1.6. Return on Capital Invested

			Change	
	FY14	**FY13**	**Actual FX**	**Constant FX**
Pallets – Americas	19.3%	19.2%	0.1pts	0.2pts
Pallets – EMEA	25.3%	22.8%	2.5pts	2.4pts
Pallets – Asia-Pacific	18.2%	18.8%	(0.6)pts	(0.2)pts
Total Pallets	**21.2%**	**20.4%**	**0.8pts**	**0.8pts**
RPCs	7.9%	9.5%	(1.6)pts	(1.4)pts
Containers	8.8%	8.3%	0.5pts	0.9pts
Total continuing operations (inc. Corporate)	**16.3%**	**16.4%**	**(0.1)pts**	-

Return on Capital Invested was down 0.1 percentage points to 16.3% (flat at constant currency), compared with the Group's FY19 target of at least 20%. Although there was an improvement in the rate of Underlying Profit growth relative to growth in Average Capital Invested in the Americas and EMEA regions of the Pallets segment and the Containers segment, these were not sufficient to offset the impact in the Year of lower Underlying Profit in RPCs.

Five-year trend: Return on Capital Invested[17] (%)



7.1.7. Brambles Value Added

US$M, fixed June 2013 FX	FY14	FY13	Change
Pallets – Americas	183.4	171.4	12.0
Pallets – EMEA	165.1	128.7	36.4
Pallets – Asia-Pacific	24.3	24.5	(0.2)
Total Pallets	**372.8**	**324.6**	**48.2**
RPCs	(62.9)	(39.5)	(23.4)
Containers	(12.1)	(13.6)	1.5
Corporate	(31.3)	(24.7)	(6.6)
Total continuing operations	**266.5**	**246.8**	**19.7**

Brambles Value Added was US$266.5 million, up US$19.7 million, as the improved profit and capital efficiency in the Pallets segment more than offset the decline in RPCs and Corporate.

7.1.8. Capital expenditure on property, plant and equipment (accruals basis)

US$M	FY14	FY13	Change
Pallets – Americas	343.6	330.1	13.5
Pallets – EMEA	262.7	233.7	29.0
Pallets – Asia-Pacific	67.0	72.5	(5.5)
Total Pallets	**673.3**	**636.3**	**37.0**
RPCs	180.4	196.0	(15.6)
Containers	54.1	32.2	21.9
Corporate	0.2	1.2	(1.0)
Total continuing operations	**908.0**	**865.7**	**42.3**

Capital expenditure on property, plant and equipment (accruals basis) from continuing operations was US$908.0 million, up US$42.3 million, as the Group invested to support growth. The largest increases were to support expansion in Pallets with new customers and to support growth in the Automotive and CHEP Catalyst & Chemical Containers business units in Containers. This was offset to some degree by a reduced need for new crates in the European region of the RPCs operation. The proportion of capital expenditure on pooling equipment to replace irrecoverable assets and scraps, as opposed to investing in growth, was approximately 70%, broadly consistent with FY13, compared with the target of 60% by FY19.

7.1.9. Reconciliation of cash flow

US$M	FY14	FY13	Change
Underlying Profit	960.1	913.0	47.1
Depreciation and amortisation	528.3	495.7	32.6
EBITDA	**1,488.4**	**1,408.7**	**79.7**
Capital expenditure (cash basis)	(854.3)	(846.0)	(8.3)
Proceeds from sale of PP&E	77.6	99.7	(22.1)
Working capital movement	10.6	(49.4)	60.0
IPEP expense	88.3	101.5	(13.2)
Other	17.6	(17.2)	34.8
Cash Flow from Operations	**828.2**	**697.3**	**130.9**
Significant Items	(20.9)	(42.0)	21.1
Discontinued operations	(46.0)	160.1	(206.1)
Financing costs and tax	(330.4)	(306.8)	(23.6)
Free Cash Flow	**430.9**	**508.6**	**(77.7)**
Dividends paid	(394.2)	(425.5)	31.3
Free Cash Flow after dividends	**36.7**	**83.1**	**(46.4)**

Cash Flow from Operations was US$828.2 million, up US$130.9 million, primarily reflecting increased earnings and a positive working capital movement. The reduction in the Irrecoverable Pooling Equipment Provision expense and proceeds from disposals primarily reflected tighter asset control. Free Cash Flow after dividends was US$36.7 million, down US$46.4 million, primarily reflecting the impact, in discontinued operations, of the Recall demerger in December 2013.

7.2. SEGMENT ANALYSIS

7.2.1. Pallets

US$M			Change	
	FY14	FY13	Actual FX	Constant FX
Sales revenue	**4,123.4**	**3,944.4**	**5%**	**5%**
Operating profit	**822.1**	**760.0**	**8%**	**9%**
Significant Items	15.4	20.3		
Underlying Profit	**837.5**	**780.3**	**7%**	**9%**
Average Capital Invested	3,953.3	3,833.6	3%	
Return on Capital Invested	**21.2%**	**20.4%**	**0.8pts**	**0.8pts**

Sales revenue in the Pallets segment was US$4,123.4 million, up 5%, driven primarily by new business wins and improved underlying conditions in the Americas and EMEA regions. Net new business wins across the segment were US$72 million, contributing constant-currency sales revenue growth of 2%. Sales revenue from the emerging markets regions (Asia, Central & Eastern Europe, Latin America and Middle East & Africa) of the Pallets segment was US$557.2 million, up 6% (14% at constant currency).

Operating profit in the Pallets segment was US$822.1 million, up 8% (9% at constant currency). Underlying Profit was US$837.5 million, up 7% (9% at constant currency).The Pallets segment delivered an additional US$25 million in savings from Pallet Management Services integration and global operations and logistics efficiencies. Combined with pricing and sales mix improvements, these efficiencies were sufficient to offset the impact of higher direct costs and drive an improved profit margin in the segment.

The 0.8 percentage point improvement in Return on Capital Invested to 21.2% was driven mainly by the EMEA region (see Section 7.2.3).

7.2.2. Pallets – Americas

US$M			Change	
	FY14	FY13	Actual FX	Constant FX
Sales revenue	**2,301.9**	**2,205.8**	**4%**	**6%**
Operating profit	**419.0**	**414.6**	**1%**	**3%**
Significant Items	16.0	4.5		
Underlying Profit	**435.0**	**419.1**	**4%**	**6%**
Average Capital Invested	2,251.1	2,177.7	3%	
Return on Capital Invested	**19.3%**	**19.2%**	**0.1pts**	**0.2pts**

Sales revenue in Pallets Americas was US$2,301.9 million, up 4%, (6% at constant currency), reflecting broadly equal contributions from pricing and mix growth, improved organic volumes and net new business wins. The contribution from net new business wins was US$53 million.

- North America sales revenue was US$2,008.9 million, up 4% (5% at constant currency), with the greatest contribution coming from the rollover benefit of net new business won in FY13 in CHEP USA and CHEP Canada, as well as pricing improvements and net new business wins during FY14. Following a severely weather-affected third quarter, there was a solid return to growth in organic volumes in the fourth quarter.
- Latin America sales revenue was US$270.9 million, up 5% (13% at constant currency), with a strong contribution from organic volume increases with existing customers as well as net new business and pricing gains.
- LeanLogistics sales revenue was US$22.1 million, up 2%, reflecting new business growth.

Operating profit was US$419.0 million, up 1% (3% at constant currency), reflecting the impact of US$16.0 million of Significant Items. Underlying Profit was US$435.0 million, up 4% (6% at constant currency), in line with sales revenue growth. Pricing and mix improvements, operational efficiencies and a reduction in the Irrecoverable Pooling Equipment Provision expense (due to higher asset recoveries) offset higher direct costs. These higher costs were primarily related to the impact on pallet repair intensity and transport costs of higher asset recoveries.

Return on Capital Invested was 19.3%, up 0.1 percentage points (0.2 percentage points at constant currency), reflecting a modest benefit from capital efficiencies.

7.2.3. Pallets – EMEA

US$M			Change	
	FY14	FY13	Actual FX	Constant FX
Sales revenue	**1,447.3**	**1,346.8**	**7%**	**5%**
Operating profit	**330.1**	**268.2**	**23%**	**21%**
Significant Items	(1.2)	14.2		
Underlying Profit	**328.9**	**282.4**	**16%**	**14%**
Average Capital Invested	1,298.4	1,237.4	5%	
Return on Capital Invested	**25.3%**	**22.8%**	**2.5pts**	**2.4pts**

Sales revenue in Pallets EMEA was US$1,447.3 million, up 7% (5% at constant currency), reflecting: an improvement in pricing and volume in key European markets and continued expansion of the CHEP system with under-penetrated German retailers; strong growth in Central & Eastern Europe; and the continued strength of the Middle East & Africa operations. Net new business wins were US$20 million, as the stronger operating conditions continued to enable a more selective approach to the pursuit of business wins and renewals and to drive the more efficient deployment of pallets, in particular in the UK.

- Europe sales revenue was US$1,313.2 million, up 9% (4% at constant currency), within which: Mid Europe (comprising Germany, Italy, Benelux, Scandinavia, Switzerland and Austria) was US$406.4 million , up 11% (6% at constant currency); UK & Ireland was US$376.3 million, up 5% (flat at constant currency); Iberia was US$256.1 million, up 6% (1% at constant currency); France was US$176.9 million, up 8% (3% at constant currency); and Central & Eastern Europe was US$97.5 million, up 24%.
- Middle East & Africa sales revenue was US$134.1 million, down 2% (up 12% at constant currency), with organic volume growth in South Africa the greatest driver.

Operating profit was US$330.1 million, up 23% (21% at constant currency). Underlying Profit was US$328.9 million, up 16% (14% at constant currency), reflecting improvements in pricing and mix from more selective asset deployment, as well as operational efficiencies.

Return on Capital Invested was 25.3%, up 2.5 percentage points (2.4 percentage points at constant currency), reflecting the strong profit growth and asset efficiency programs.

7.2.4. Pallets – Asia-Pacific

US$M			Change	
	FY14	FY13	Actual FX	Constant FX
Sales revenue	**374.2**	**391.8**	**(4)%**	**4%**
Operating profit	**73.0**	**77.2**	**(5)%**	**3%**
Significant Items	0.6	1.6		
Underlying Profit	**73.6**	**78.8**	**(7)%**	**2%**
Average Capital Invested	403.8	418.5	(4)%	
Return on Capital Invested	**18.2%**	**18.8%**	**(0.6)pts**	**(0.2)pts**

Sales revenue in Pallets Asia-Pacific was US$374.2 million, down 4%. Constant-currency sales revenue was up 4%, reflecting modest pricing gains in Australia and organic volume growth in all countries. Net new business wins were flat.

- Australia & New Zealand sales revenue was US$319.5 million, down 6% (up 4% at constant currency).
- Asia sales revenue was US$54.7 million, up 6% (10% at constant currency).

Operating profit was US$73.0 million, down 5%. Constant-currency growth of 3% reflected sales revenue growth as pricing, mix and efficiency improvements were sufficient to offset a modest increase in direct costs. Underlying Profit was US$73.6 million, down 7% (up 2% at constant currency).

Return on Capital Invested was 18.2%, down 0.6 percentage points (0.2 percentage points at constant currency), primarily reflecting the reduction in Underlying Profit.

7.2.5. RPCs

US$M			Change	
	FY14	FY13	Actual FX	Constant FX
Sales revenue	**895.8**	**812.8**	**10%**	**9%**
Operating profit	**124.3**	**138.4**	**(10)%**	**(10)%**
Significant Items	-	0.3		
Underlying Profit	**124.3**	**138.7**	**(10)%**	**(10)%**
Average Capital Invested	1,573.2	1,465.5	7%	
Return on Capital Invested	**7.9%**	**9.5%**	**(1.6)pts**	**(1.4)pts**

Sales revenue in RPCs was US$895.8 million, up 10% (9% at constant currency), primarily reflecting solid organic volume growth, continued penetration with existing retail partners in Europe and Australia and improved second-half growth momentum in North America.

- Europe sales revenue was US$581.4 million, up 14% (9% at constant currency). Retail partners extending the use of RPCs in their supply chains and a strong summer growing season were the primary contributors to the growth;
- North America sales revenue was US$173.8 million, up 7%, reflecting an improved second-half performance and continued development of RPC volumes at major retail partners following the implementation of an improved marketing strategy;
- Australia, New Zealand and South Africa sales revenue was US$118.7 million, up 1% (12% at constant currency), mostly reflecting continued penetration increases in Australia; and
- South America sales revenue was flat at US$21.9 million (up 23% at constant currency). Constant-currency growth primarily reflected expansion with Walmart in Brazil and the impact of higher prices, in line with inflation.

Both operating profit and Underlying Profit were down 10% to U$124.3 million. The profit decline reflected the impact of higher depreciation and marketing costs, and pricing and mix impacts in North America. One-off costs in the first half associated with the retirement of former members of IFCO's executive team and the impairment of some equipment in South America were not repeated in the second half.

Return on Capital Invested of 7.9%, down 1.6 percentage points (1.4 percentage points at constant currency), reflected the reduction in profit.

7.2.6. Containers

US$M			Change	
	FY14	FY13	Actual FX	Constant FX
Sales revenue	**385.3**	**325.7**	**18%**	**19%**
Operating profit	**35.9**	**28.0**	**28%**	**34%**
Significant Items	2.1	0.4		
Underlying Profit	**38.0**	**28.4**	**34%**	**39%**
Average Capital Invested	431.2	341.8	26%	
Return on Capital Invested	**8.8%**	**8.3%**	**0.5pts**	**0.9pts**

Sales revenue in the Containers segment was US$385.3 million, up 18% (19% at constant currency), reflecting the first full-year contribution of the Pallecon operations acquired in December 2012. Excluding acquisitions, constant-currency sales revenue growth was 7%. This primarily reflected growth in the Automotive operations in Europe and in CHEP Catalyst & Chemical Containers.

By business line, Containers' sales revenue was as follows:

- Automotive sales revenue was US$162.3 million, up 8%, as improved organic volumes in Europe and new business growth in Europe and China more than offset the ongoing impact of the decline in automotive manufacturing on Australian volumes.
- CHEP Pallecon Solutions sales revenue was US$116.2 million, up 48% (52% at constant currency), reflecting a full-year contribution from the Pallecon business acquired in December 2012 and continued new business growth in North America;
- CHEP Aerospace Solutions sales revenue was US$65.4 million, up 10% (9% at constant currency), as the acquisition in February 2014 of Airworld, a business carrying out maintenance at UK airports, and modest new business wins in the maintenance and repair operations offset reduced volumes in existing customers due to cost pressures and the introduction of new equipment requiring fewer near-term repairs; and
- CHEP Catalyst & Chemical Containers sales revenue was US$41.4 million up 9% (up 11% at constant currency), driven by stronger customer rental activity.

Operating profit was US$35.9 million, up 28% (34% at constant currency). Underlying Profit was US$38.0 million, up 34% (39% at constant currency), as overheads increased less than sales revenue throughout the segment.

The improved profit drove a 0.5 percentage point (0.9 percentage points at constant currency) increase in Return on Capital Invested to 8.8%, offset in part by continued investment in growth.