



20 February 2017

The Manager - Listings
Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Via electronic lodgement

Dear Sir / Madam

Brambles reports results for the half-year ended 31 December 2016

Attached is a release to the Exchange from Brambles Limited on its financial report for the half-year ended 31 December 2016.

Yours faithfully
Brambles Limited

Robert Gerrard
Group Company Secretary

Brambles' 1H17 result and outlook

- **Sales revenue up 5%** at constant currency¹, reflecting solid growth with new and existing customers in Pallets Europe and Pallets Latin America, continued expansion in RPCs and Containers, and modest growth in Pallets North America.
- **Statutory operating profit down 26%** at constant currency, reflecting Significant Items of US\$138.5 million which included a US\$120 million non-cash impairment of the Group's investment in the Hoover Ferguson Group (HFG) joint venture. Excluding the impact of the HFG impairment, operating profit increased 1%.
- **Underlying Profit² up 3%** at constant currency, reflecting strong profit growth in both RPCs and Containers and the impact of the profit decline in Pallets North America.
- **Pallets North America** performance impacted by lower sales revenue growth and direct cost challenges:
 - Increased competitive pressure resulted in lower-than-expected pricing and lower net new business growth in the pooled pallet businesses, and a revenue decline in the recycled pallet operations;
 - Ongoing direct cost pressures associated with the network, partially offset by supply-chain efficiencies; and
 - Customer destocking reduced like-for-like volume growth in the second quarter and drove additional transport, repair and storage costs associated with increased levels of pallet returns.
- **Cash Flow from Operations down US\$26 million** reflecting higher capital expenditure in Pallets Europe, Pallets Latin America and RPCs, which more than offset a reduction in Pallets North America.
- **Return on Capital Invested (ROCI)³ down 1.3pp** at constant currency, due to higher growth in Average Capital Invested, particularly in Pallets EMEA and Pallets Americas, and lower Underlying Profit margins.
- **Interim dividend unchanged** at 14.5 Australian cents per share, with franking of 25%.
- **Revised FY17 guidance** at constant-currency:
 - Sales revenue growth expected to be in line with 1H17
 - Underlying Profit expected to be flat to FY16
 - FY17 growth capex expected to be approximately US\$350 million
- **FY19 targets withdrawn.** Going forward, the Group will not provide medium-term targets. Management will seek to deliver ROCI outcomes which strike a sustainable balance between financial returns and growth.

Results Highlights

Continuing operations	1H17 result	Growth vs. 1H16	
	(Actual FX)	(Actual FX)	(Constant FX)
Statutory basis			
Sales revenue	US\$2,744.7m	4%	5%
Operating profit	US\$330.4m	(27)%	(26)%
Profit after tax	US\$162.3m	(44)%	(42)%
Basic earnings per share	US10.2¢	(45)%	(43)%
Interim dividend per share	AU14.5¢	-	-
Non-statutory basis			
Underlying Profit	US\$468.9m	1%	3%
Cash Flow from Operations	US\$225.0m	(25.6)	
Underlying Profit after tax	US\$295.3m	-	2%
Underlying earnings per share	US18.6¢	(1)%	1%
Previous Return on Capital Invested (ROCI) ⁴	14.8%	(1.3)pp	(1.3)pp
Updated Return on Capital Invested (ROCI) ³	15.9%	(1.4)pp	(1.3)pp

¹ Constant currency is calculated by translating reported period results into US dollars at the actual monthly FX rates applicable in the prior corresponding period.

² A non-statutory measure that represents profit from continuing operations before finance costs and tax and excludes Significant Items. At 30 June 2016 FX rates, 1H17 Underlying Profit translates to US\$472 million.

³ Underlying Profit, annualised, and divided by a six-month average of capital invested: capital invested is calculated as net assets before tax balances, cash and borrowings, but after adjustment for actuarial gains or losses and net equity adjustments for equity-settled share-based payments.

⁴ Underlying Profit, annualised, and divided by a six-month average of capital invested: capital invested is calculated as net assets before tax balances, cash and borrowings, but after adjustment for accumulated pre-tax Significant Items, actuarial gains or losses and net equity adjustments for equity-settled share-based payments.

Brambles generated sales revenue of US\$2,744.7 million in the six months ended 31 December 2016 (1H17), up 4% on the previous corresponding period. Constant-currency growth of 5% reflects: solid like-for-like volume growth and higher levels of net new business wins in Pallets Europe; strong growth with new and existing customers in both RPCs and Containers; and ongoing expansion in emerging market Pallets businesses, particularly in Latin America. Growth in Pallets North America was modest, reflecting competitive pressures which resulted in lower-than-expected customer conversions to pooling and muted pricing growth. In addition, customer destocking adversely impacted like-for-like volume growth, particularly in the second quarter.

Operating profit from continuing operations was US\$330.4 million, down 27% (down 26% in constant currency) primarily reflecting Significant Items of US\$138.5 million which included a US\$120 million impairment of Brambles' investment in the HFG joint venture. The remaining Significant Items primarily related to the One Better Program.

Underlying Profit, a non-statutory measure which excludes the impact of Significant Items, was US\$468.9 million, up 1%. On a constant-currency basis, Underlying Profit growth was up 3% reflecting: strong profit growth in RPCs and Containers; pricing and direct costs pressures in Pallets North America; the impact of specific pricing actions on margins in Pallets Europe; and higher depreciation costs across the Group.

Dividend

The Board has declared an interim dividend of 14.5 Australian cents per share which is in line with both the 2016 interim and final dividends. The 2017 interim dividend is franked at 25% and payable on Thursday 13 April 2017 to shareholders on Brambles' register at 5pm on Thursday 9 March 2017. The non-underwritten Dividend Reinvestment Plan (DRP) will remain in place for this dividend and will attract a zero discount. Brambles will continue to neutralise any dilutive impact on earnings per share of the DRP through the transfer of existing shares to participating shareholders, via on-market purchases.

CEO Commentary

Brambles' CEO Tom Gorman said: "While performance in the first half was below our expectations, our team delivered revenue growth in every operating segment and Underlying Profit growth across the Group, with the exception of our Pallets North America business.

"Our RPCs and Containers business units delivered solid revenue growth and robust profit leverage. Our portfolio of pallets businesses outside North America, continued to perform well. In our European Pallets business, specific pricing initiatives and our ongoing delivery of efficiencies have helped to strengthen our competitive position and deliver sustained growth. In the emerging market Pallets businesses, specifically Latin America, we continued to deliver strong growth.

"Our first-half performance in Pallets North America was disappointing. We came into this financial year with good momentum in North America and set our expectations high for continued growth. Unfortunately, a combination of market-driven cost factors, and increased competition have resulted in overall performance well below our expectations.

"Notwithstanding the challenges in Pallets North America, our portfolio of businesses remains in a strong position, both operationally and strategically. In addition, the seeds for future growth, driven by technology innovation and new market entries, have been planted and position us well to continue to grow and deliver for our customers.

"I am proud of the progress Brambles has made over the seven and a half years I have been CEO and the transition to new leadership has gone well. I wish Graham and the entire Brambles' team all the best for continued success."

Outlook

Brambles expects FY17 constant-currency sales revenue growth to be in line with the first-half performance and FY17 Underlying Profit to be flat to the prior year, at constant currency.

Brambles' FY17 guidance assumes the Pallets North America business will continue to face cost and competitive pressures in the second-half of the year, although a modest improvement in net new business wins is expected. The guidance also assumes no substantive change to the key underlying economies in which the Group operates.

The Group's previously articulated FY19 ROCI target has been withdrawn. Going forward the Group will not provide medium-term targets. ROCI remains an important performance metric and management will seek to deliver ROCI outcomes which strike a sustainable balance between financial returns and growth.

CEO transition

Brambles' Chairman, Stephen Johns said: "The CEO transition from Tom Gorman to Graham Chipchase has gone smoothly. Graham commenced on 1 January as CEO Designate and will take up the role of CEO and Executive Director from today.

"On behalf of the Board, I would once again like to thank Tom for his unwavering commitment to Brambles' success over the past seven and a half years. He leaves Brambles in a position of strategic and financial strength and we have every confidence that Graham will successfully lead the Group through its next phase of growth and development."

Further Information

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Brambles Limited (ASX:BXB) is a supply-chain logistics company operating primarily through the CHEP and IFCO brands. Brambles enhances performance for customers by helping them transport goods through their supply chains more efficiently, sustainably and safely. The Group's primary activity is the provision of reusable unit-load equipment such as pallets, crates and containers for shared use by multiple participants throughout the supply chain, under a model known as "pooling". Brambles primarily serves the fast-moving consumer goods (e.g. dry food, grocery, and health and personal care), fresh produce, beverage, retail and general manufacturing industries, counting many of the world's best-known brands among its customers. The Group also operates specialist container logistics business serving the automotive sector. Brambles has its headquarters in Sydney, Australia, but operates in more than 60 countries, with its largest operations in North America and Western Europe. Brambles employs more than 14,500 people and owns more than 550 million pallets, crates and containers through a network of more than 850 service centres. For further information, please visit www.brambles.com.

Forward-Looking Statements

Certain statements made in this release are "forward-looking statements" – that is, statements related to future, not past, events. Words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", and similar expressions are intended to identify forward-looking statements. These forward-looking statements are not historical facts, but rather are based on Brambles' current beliefs, assumptions, expectations, estimates and projections. Forward-looking statements are not guarantees of future performance, as they address matters that are uncertain and subject to known and unknown risks, uncertainties and other factors that are beyond the control of Brambles, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Brambles cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements, which reflect the views of Brambles only as of the date of this release. The forward-looking statements made in this release relate only to events as of the date on which the statements are made – Brambles will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or events occurring after the date of this release, except as may be required by law or by any appropriate regulatory authority.

Summary of Key Metrics

US\$m (Continuing operations)			Change	
	1H17	1H16	Actual FX	Constant FX ¹
Sales revenue	2,744.7	2,646.5	4%	5%
Underlying Profit ²	468.9	464.0	1%	3%
Significant Items ³	(138.5)	(9.5)		
Operating profit	330.4	454.5	(27)%	(26)%
Net finance costs	(50.3)	(54.1)	7%	7%
Tax expense	(117.8)	(110.4)	(7)%	(9)%
Profit after tax	162.3	290.0	(44)%	(42)%
Average Capital Invested ⁴	5,885.8	5,353.8	10%	11%
Return on Capital Invested ⁵	15.9%	17.3%	(1.4)pts	(1.3)pts
Brambles Value Added ⁶	96.1	122.2		(26.1)
Cash Flow from Operations ⁷	225.0	250.6	(25.6)	
Weighted average number of shares (M)	1,587.5	1,573.0		
Basic earnings per share (US cents)	10.2	18.4	(45)%	(43)%

Note: Commencing with the 1H17 result, Brambles' Return on Capital Invested (ROCI) methodology will no longer make adjustments to Average Capital Invested for cumulative Significant Items. This decision has been made to provide a less complex and more transparent ROCI metric. ROCI figures and commentary in this document are based on this new methodology. For ROCI information based on Brambles' previous methodology, refer to page 9 of this release.

Sales revenue from continuing operations was US\$2,744.7 million, up 4%. At constant currency, sales revenue was up 5% primarily reflecting: modest growth in Pallets North America; a return to higher levels of volume growth in Pallets Europe; ongoing expansion in the emerging market Pallets businesses; and strong growth in both RPCs and Containers. The modest growth in Pallets North America reflects the impact of competitive pressures and customer destocking, which resulted in lower volume and pricing growth in the pooled pallet businesses and revenue declines in the recycled pallet operations.

Underlying Profit, which excludes the impact of Significant Items, was US\$468.9 million, up 1%. Constant-currency growth of 3% reflects: strong profit growth in RPCs and Containers; pricing and direct cost pressures in Pallets North America due to competitive pressures, changing network costs, and customer destocking; specific price actions in Pallets Europe to defend and expand market share; and higher depreciation costs across the Group.

Operating profit of US\$330.4 million was down 27% (down 26% at constant currency) reflecting Significant Items of US\$138.5 million which included the US\$120 million impairment of the investment in the HFG joint venture and other costs primarily associated with the One Better program. The year-on-year increase in Significant Items also reflects the revaluation gain on our investment in IFCO Japan recognised in the prior corresponding period.

Net finance costs of US\$50.3 million decreased 7%, primarily due to interest income received from the shareholder loan granted to the HFG joint venture.

Tax expense was US\$117.8 million, up 7% (up 9% at constant currency) largely reflecting geographic mix of profits. The effective tax rate on Underlying Profit from continuing operations was 29.5%, in line with the Group's FY17 guidance.

As a result of the increase in tax expense, profit after tax was down 44% (down 42% at constant currency) to US\$162.3 million. Underlying Profit after tax and finance costs was US\$295.3 million, flat in actual-currency terms and up 2% at constant currency.

Basic earnings per share was 10.2 US cents, down 45% (down 43% at constant currency) reflecting the same trends as for profit after tax. Underlying earnings per share was down 1%, but up 1% on a constant-currency basis.

Average Capital Invested was US\$5,885.8 million, up 10%. Constant-currency growth of 11% was largely driven by higher average capital invested in Pallets Americas and Pallets EMEA. In addition, the increase in Average Capital Invested also reflects the Group's investment in the HFG joint venture. Average Capital Invested in 1H16 has been restated to reflect the recognition of the Aerospace and Oil & Gas businesses in discontinued operations.

Return on Capital Invested was 15.9%, down 1.4 percentage points, in part due to lower Underlying Profit growth and higher growth in Average Capital Invested, particularly in the Pallets EMEA and Pallets Americas segments.

Dividend

The Board has declared an interim dividend for 2017 of 14.5 Australian cents per share, with franking of 25%. The unfranked component of the interim dividend is conduit foreign income. Consequently, shareholders not resident in Australia will not pay Australian dividend withholding tax on this dividend.

The 2017 interim dividend is payable on Thursday, 13 April 2017 to shareholders on the Brambles register at 5pm on Thursday 9 March 2017. The ex-dividend date is Wednesday 8 March, 2017. In line with the 2016 final dividend, Brambles' non-underwritten Dividend Reinvestment Plan (DRP) will remain in place for the 2017 interim dividend. Shares issued under the DRP will not attract a discount and any dilutive impact on earnings per share of DRP-issued shares will be neutralised through the transfer of existing shares to participating shareholders, via on-market purchases.

¹ Calculated by translating reported period results into US dollars at the actual monthly exchange rates applicable in the prior corresponding period.

² A non-statutory measure that represents profit from continuing operations before finance costs and tax and excludes Significant Items.

³ Items of income or expense which are, either individually or in aggregate, material to Brambles or to the relevant business segment and: outside the ordinary course of business; or part of the ordinary activities of the business but unusual because of their size and nature.

⁴ A six-month average of capital invested. Capital invested is calculated as net assets before tax balances, cash and borrowings, but after adjustment for

actuarial gains or losses and net equity adjustments for equity-settled share-based payments.

⁵ Underlying Profit, annualised, and divided by Average Capital Invested.

⁶ Represents the value generated over and above the cost of the capital used to generate that value. Calculated at 30 June 2016 foreign exchange rates as: Underlying Profit; plus Significant Items that are part of the ordinary activities of the business; less Average Capital Invested adjusted for accumulated pre-tax Significant Items that are part of the ordinary activities of the business and multiplied by 12%.

⁷ Cash flow generated after net capital expenditure but excluding Significant Items that are outside the ordinary course of business.

Cash Flow Reconciliation

US\$m	1H17	1H16	Change
Underlying Profit	468.9	464.0	4.9
Depreciation and amortisation	266.7	252.5	14.2
Underlying EBITDA ⁸	735.6	716.5	19.1
Capital expenditure (cash basis)	(557.3)	(532.8)	(24.5)
Proceeds from sale of PP&E	49.8	47.1	2.7
Working capital movement	(16.7)	(13.7)	(3.0)
IPEP expense	44.8	40.4	4.4
Other	(31.2)	(6.9)	(24.3)
Cash Flow from Operations	225.0	250.6	(25.6)
Significant Items	(18.8)	(17.4)	(1.4)
Discontinued operations	(9.1)	7.4	(16.5)
Financing costs	(32.1)	(27.9)	(4.2)
Tax expense	(107.1)	(88.9)	(18.2)
Free Cash Flow ⁹	57.9	123.8	(65.9)
Dividends paid	(176.6)	(87.0)	(89.6)
Free Cash Flow after dividends	(118.7)	36.8	(155.5)

Cash Flow from Operations of US\$225.0 million, decreased US\$25.6 million, reflecting timing of capital expenditure, an earn-out relating to a prior acquisition and employee-related payments. On an accruals basis, capital expenditure was broadly flat to 1H16 as higher capital investment in RPCs, Pallets Europe and Pallets Latin America was offset by lower capital investment in Pallets North America. Free Cash Flow after dividends was a negative US\$118.7 million, reflecting higher dividends paid due to a lower DRP participation rate for the 2016 final dividend and the impact of the neutralisation of the DRP.

Net Debt & Key Ratios

US\$m	Dec 2016	Jun 2016	Change
Current debt	97.6	201.7	(104.1)
Non-current debt	2,581.4	2,576.2	5.2
Gross debt	2,679.0	2,777.9	(98.9)
Less cash	(203.4)	(156.1)	(47.3)
Net debt	2,475.6	2,621.8	(146.2)
Key ratios	1H17	1H16	
Net debt to EBITDA	1.68x	1.78x	
EBITDA interest cover	14.6x	13.7x	

Net debt was US\$2,475.6 million at 31 December 2016, down US\$146.2 million from 30 June 2016. The net proceeds from the creation of the HFG joint venture and divestment of the Aerospace business, together with the impacts of a stronger US dollar, more than offset the negative Free Cash Flow after dividends and delivered an overall reduction in net debt. Consistent with the reduction in net debt during the period, the ratio of net debt to EBITDA improved from 1.78 times to 1.68 times. Net interest cover improved from 13.7 times to 14.6 times, primarily due to lower net finance costs. Undrawn committed facilities were US\$1.3 billion at 31 December 2016.

⁸ Earnings before interest, tax, depreciation and amortisation: calculated as Underlying Profit after adding back depreciation and amortisation.

Segment Analysis

Pallets Americas

US\$m			Change	
	1H17	1H16	Actual FX	Constant FX
Sales revenue	1,221.1	1,197.4	2%	3%
Operating profit	181.8	198.0	(8)%	(7)%
Significant Items	(4.8)	(6.9)		
Underlying Profit	186.6	204.9	(9)%	(8)%
Average Capital Invested	2,224.8	2,028.5	10%	11%
Return on Capital Invested	16.8%	20.2%	(3.4)pp	(3.4)pp
Brambles Value Added	43.9	73.1		(29.2)

Sales

Sales revenue in Pallets Americas was US\$1,221.1 million, up 2%. Constant-currency growth was 3% as strong growth in Latin America and modest growth in the North America pooled pallet businesses were partly offset by revenue declines in the recycled pallet business.

North America sales revenue was US\$1,093.8 million, up 1% (up 1% at constant currency). Within North America:

- USA pooled pallet sales revenue was US\$750.0 million, up 3%, reflecting broadly equal contributions from price/mix, like-for-like volume and net new business wins growth. Customer destocking weighed on like-for-like volume growth while increased competitive pressure, including lower recycled pallet prices, resulted in muted pricing growth and lower-than-expected new customer conversions.
- North America recycled pallet sales revenue was US\$221.2 million, down 6%, reflecting both pricing pressures and the rollover impact of contract losses since the prior corresponding period.
- Canada sales revenue was US\$122.6 million, up 3% (up 2% at constant currency), reflecting solid like-for-like volume and pricing growth which were partly offset by the impact of contract losses in the 2016 fiscal year.

Latin America sales revenue was US\$127.3 million, up 10%, reflecting the strength of the US dollar relative to currencies in the region. At constant currency, sales revenue was up 21%, reflecting strong growth with new and existing customers, particularly in Mexico, and inflation-related price increases.

Profit

Underlying Profit was US\$186.6 million, down 9%. Constant-currency decline of 8% largely reflects direct cost pressures in North America and a modest increase in indirect costs.

In constant-currency terms:

- Net plant costs increased US\$13 million, largely due to additional repair and storage costs associated with higher pallet inventory balances in the USA. In addition, cost inflation in Latin America and higher repair volumes in Canada also contributed to plant cost increases in the period.
- Net transport costs increased US\$15 million due to customer destocking and additional increases associated with changing network costs and competitive pressure.
- Depreciation costs increased US\$11 million, reflecting investment to support growth in the USA and Latin America.

⁹ Cash Flow generated after net capital expenditure, finance costs and tax, but excluding the net cost of acquisitions and proceeds from business disposals.

Operating profit was US\$181.8 million, down 8% (down 7% at constant currency). Significant Items of US\$4.8 million primarily related to the rollout of the CHEP Pallets brand refresh program in the USA and the One Better program.

Return on Capital

Return on Capital Invested was 16.8%, down 3.4 percentage points reflecting lower profitability and higher Average Capital Invested resulting from growth in the US and Latin American pallet pools.

Pallets EMEA

US\$m			Change	
	1H17	1H16	Actual FX	Constant FX
Sales revenue	676.3	677.1	-	4%
Operating profit	171.0	175.6	(3)%	-
Significant Items	(0.8)	(0.2)		
Underlying Profit	171.8	175.8	(2)%	1%
Average Capital Invested	1,286.4	1,184.6	9%	10%
Return on Capital Invested	26.7%	29.7%	(3.0)pp	(2.5)pp
Brambles Value Added	91.7	98.2		(6.5)

Sales

Sales revenue in Pallets EMEA was US\$676.3 million, in line with prior year. Constant-currency growth of 4% largely reflects strong volume growth in Europe.

Europe sales revenue was US\$597.1 million, in line with prior year. At constant currency, sales revenue was up 5%, comprising:

- Like-for-like volume growth of 2%, largely reflecting solid underlying consumer demand particularly in the beverage and fresh produce sectors;
- Net new business growth of 4%, driven by new contract wins across the region and contribution from contracts won during the prior year; and
- Price declines reflecting lower levels of inflation-related price indexation and specific pricing actions in the region.

Within Europe:

- Mid Europe¹⁰ sales revenue was US\$187.1 million, up 4% (up 4% at constant currency);
- UK & Ireland sales revenue was US\$156.5 million, down 11% (up 5% at constant currency);
- Iberia sales revenue was US\$115.4 million, up 3% (up 3% at constant currency);
- France sales revenue was US\$77.6 million, up 3% (up 3% at constant currency); and
- Central & Eastern Europe sales revenue was US\$60.5 million, up 12% (up 15% at constant currency).

Africa, India & Middle East sales revenue was US\$79.2 million, down 1%. Constant-currency decline of 1% reflects a correction in the classification of intercompany revenue in the prior corresponding period. Excluding the impact of this correction, which has no effect on profit, growth was 7%, reflecting pricing gains and solid like-for-like volume growth.

Profit

Underlying Profit was US\$171.8 million, down 2%. Constant-currency growth of 1% reflected lower Underlying Profit margins in line with

specific pricing actions, higher transport costs associated with asset recovery activities, and increased depreciation costs. Operating profit was US\$171.0 million, down 3% (flat at constant currency), and included Significant Items of US\$0.8 million primarily relating to the One Better program.

Return on Capital

Return on Capital Invested was 26.7%, down 3.0 percentage points (down 2.5 percentage points at constant currency) reflecting lower Underlying Profit margins and higher Average Capital Invested resulting from ongoing investment to support growth.

Pallets Asia-Pacific

US\$m			Change	
	1H17	1H16	Actual FX	Constant FX
Sales revenue	166.8	158.3	5%	1%
Operating profit	35.1	32.1	9%	3%
Significant Items	-	(0.1)		
Underlying Profit	35.1	32.2	9%	3%
Average Capital Invested	317.4	308.6	3%	1%
Return on Capital Invested	22.1%	20.9%	1.2pp	0.4pp
Brambles Value Added	15.3	14.3		1.0

Sales

Sales revenue in Pallets Asia-Pacific was US\$166.8 million, up 5% and up 1% at constant currency, primarily reflecting modest pricing gains and like-for-like volume growth in Australia & New Zealand. Growth in Australia & New Zealand was partially offset by lower revenues in China resulting from the ongoing reduction in plastic pallet volumes and some competitive pressure in the region.

Within Asia-Pacific:

- Australia & New Zealand sales revenue was US\$145.8 million, up 7% (up 2% at constant currency); and
- Asia sales revenue was US\$21.0 million, down 6% (down 3% at constant currency).

Profit

Operating profit and Underlying Profit were both US\$35.1 million, up 9%. Constant-currency growth of 3% reflected price and sales mix benefits as well as plant cost efficiencies.

Return on Capital

Return on Capital Invested was 22.1%, up 1.2 percentage points (up 0.4 percentage points at constant currency), reflecting Underlying Profit growth and minimal growth in Average Capital Invested.

¹⁰ Mid Europe comprises Germany, Italy, the Benelux region, Scandinavia, Switzerland and Austria.

RPCs

US\$m			Change	
	1H17	1H16	Actual FX	Constant FX
Sales revenue	538.3	482.1	12%	12%
Operating profit	76.1	62.5	22%	21%
Significant Items	(0.4)	4.2		
Underlying Profit	76.5	58.3	31%	31%
Average Capital Invested	1,633.7	1,552.8	5%	5%
Return on Capital Invested	9.4%	7.5%	1.9pp	1.9pp
Brambles Value Added	(24.1)	(37.6)		13.5

Sales

Sales revenue in RPCs was US\$538.3 million, up 12%, reflecting continued expansion of RPC programs with existing retail partners in all regions.

Europe sales revenue was US\$333.2 million, up 10%. Constant-currency growth of 13% reflected robust volume growth with most retail partners. Contract wins during the last fiscal year with large retailers, including Intermarché in France, also contributed strongly to growth during the half.

North America sales revenue of US\$107.7 million was up 9%, reflecting improved pricing and solid growth with key retail partners including Walmart and Kroger.

Sales revenue in other regions of US\$97.4 million was up 19% (up 15% at constant currency) and included contributions from the IFCO Japan and Empacotecnia (Colombia) acquisitions. Excluding acquisitions, constant-currency growth of 7% reflected volume growth and modest pricing gains in Australia, South Africa and Brazil.

Profit

Underlying Profit of US\$76.5 million was up 31% reflecting strong results in all regions. In Europe, strong sales revenue growth and scale-related network and transport efficiencies were partially offset by higher depreciation which increased in line with growth investment in the pool. Following headwinds in the prior corresponding period related to the loss of volume with Safeway, the North American business delivered improved volume growth and transportation efficiencies.

Operating profit was US\$76.1 million, up 22% (up 21% at constant currency). Significant Items in the current period related to the IFCO brand refresh project, while Significant Items in the prior corresponding period largely reflected the fair value gain on the acquisition of IFCO Japan.

Return on Capital

Return on Capital Invested was 9.4%, up 1.9 percentage points, driven by strong profit growth and limited growth in Average Capital Invested.

Containers

US\$m			Change	
	1H17	1H16	Actual FX	Constant FX
Sales revenue	142.2	131.6	8%	10%
Operating profit	(100.0)	13.5		
Significant Items	(120.3)	(0.3)		
Underlying Profit	20.3	13.8	47%	47%
Average Capital Invested	350.8	334.3	5%	7%
Return on Capital Invested	11.6%	8.3%	3.3pp	3.0pp
Brambles Value Added	(2.1)	(6.1)		4.0

Strategic actions

On 21 October 2016, Brambles completed the transaction to combine its Oil & Gas businesses with Hoover Container Solutions to create an independent 50:50 joint venture company, Hoover Ferguson Group (HFG). The results of Brambles' Oil & Gas businesses up to the date of the completion of the HFG joint venture have been reported in discontinued operations. Post completion, Brambles' 50% share of HFG's equity-accounted earnings to 31 December 2016 (a loss of US\$3.0 million) has been recognised in Underlying Profit.

On 30 November 2016, Brambles completed the sale of its Aerospace business to EQT Infrastructure. The results of the Aerospace business up to the date of disposal, and the pre-tax gain on sale of US\$20.1 million, have been reported in discontinued operations.

Sales

Sales revenue in Containers was US\$142.2 million, up 8%. At constant currency, sales revenue was up 10%, reflecting growth in both the Intermediate Bulk Containers and Automotive businesses.

Automotive sales revenue was US\$74.8 million, up 9%. Constant-currency growth of 13% primarily reflected customer and product mix benefits and strong like-for-like growth with Original Equipment Manufacturers (OEMs) in Europe.

Intermediate Bulk Containers sales revenue was US\$67.4 million, up 7%. At constant currency, sales revenue of 7% reflected solid growth in Asia Pacific and the North America regions.

Profit

Underlying Profit was US\$20.3 million, up 47%, as sales revenue growth was more than sufficient to offset modest direct cost increases and a US\$3.0 million equity-accounted loss associated with the HFG joint venture.

The operating loss of US\$100.0 million includes the impact of the US\$120 million impairment of the investment in the HFG joint venture and other Significant Items primarily relating to the One Better program.

Return on Capital

Return on Capital Invested was 11.6%, up 3.3 percentage points (up 3.0 percentage points at constant currency) as strong profit growth more than offset an increase in Average Capital Invested.

Background Information

(US\$m)	1H17	1H16	2H16	FY16
Sales revenue				
Pallets Americas	1,221.1	1,197.4	1,230.4	2,427.8
Pallets EMEA	676.3	677.1	667.3	1,344.4
Pallets Asia-Pacific	166.8	158.3	159.4	317.7
Pallets	2,064.2	2,032.8	2,057.1	4,089.9
RPCs	538.3	482.1	509.7	991.8
Containers	142.2	131.6	146.1	277.7
Continuing operations	2,744.7	2,646.5	2,712.9	5,359.4
Underlying EBITDA				
Pallets Americas	303.7	311.8	335.4	647.2
Pallets EMEA	231.5	233.6	237.4	471.0
Pallets Asia-Pacific	53.9	50.4	52.2	102.6
Pallets	589.1	595.8	625.0	1,220.8
RPCs	131.0	110.9	125.4	236.3
Containers	36.5	30.2	38.6	68.8
Continuing operations (Including Corporate)	735.6	716.5	771.5	1,488.0
Depreciation of property, plant and equipment				
Pallets Americas	110.7	100.2	105.3	205.5
Pallets EMEA	59.4	57.5	59.5	117.0
Pallets Asia-Pacific	18.7	18.0	17.8	35.8
Pallets	188.8	175.7	182.6	358.3
RPCs	47.7	43.2	43.9	87.1
Containers	14.9	15.0	14.2	29.2
Continuing operations (Including Corporate)	251.5	234.3	241.0	475.3
Amortisation of intangibles				
Pallets Americas	6.4	6.7	6.9	13.6
Pallets EMEA	0.3	0.3	0.4	0.7
Pallets Asia-Pacific	0.1	0.2	0.3	0.5
Total Pallets	6.8	7.2	7.6	14.8
RPCs	6.8	9.4	8.4	17.8
Containers	1.3	1.4	1.4	2.8
Continuing operations (Including Corporate)	15.2	18.2	17.7	35.9
Underlying Profit				
Pallets Americas	186.6	204.9	223.2	428.1
Pallets EMEA	171.8	175.8	177.5	353.3
Pallets Asia-Pacific	35.1	32.2	34.1	66.3
Total Pallets	393.5	412.9	434.8	847.7
RPCs	76.5	58.3	73.1	131.4
Containers	20.3	13.8	23.0	36.8
Continuing operations (Including Corporate)	468.9	464.0	512.8	976.8
Operating profit				
Pallets Americas	181.8	198.0	217.5	415.5
Pallets EMEA	171.0	175.6	175.0	350.6
Pallets Asia-Pacific	35.1	32.1	34.1	66.2
Total Pallets	387.9	405.7	426.6	832.3
RPCs	76.1	62.5	71.9	134.4
Containers	(100.0)	13.5	21.6	35.1
Continuing operations (Including Corporate)	330.4	454.5	483.3	937.8

(US\$m)	1H17	1H16	2H16	FY16
Capital expenditure on property plant and equipment (accruals basis)				
Pallets Americas	209.8	225.8	224.0	449.8
Pallets EMEA	143.2	141.2	141.9	283.1
Pallets Asia-Pacific	21.5	21.1	27.9	49.0
Pallets	374.5	388.1	393.8	781.9
RPCs	131.9	115.4	115.6	231.0
Containers	21.9	27.0	25.2	52.2
Continuing operations (Including Corporate)	528.3	530.5	534.8	1,065.3
Cash Flow from Operations				
Pallets Americas	98.2	98.7	81.0	179.7
Pallets EMEA	90.1	122.0	97.6	219.6
Pallets Asia-Pacific	25.4	30.7	28.4	59.1
Pallets	213.7	251.4	207.0	458.4
RPCs	33.1	21.3	32.7	54.0
Containers	11.0	5.2	14.2	19.4
Continuing operations (Including Corporate)	225.0	250.6	247.6	498.2
Average Capital Invested (Excluding cumulative Significant Items)				
Pallets Americas	2,224.8	2,028.5	2,119.3	2,073.9
Pallets EMEA	1,286.4	1,184.6	1,232.0	1,208.3
Pallets Asia-Pacific	317.4	308.6	308.0	308.3
Pallets	3,828.6	3,521.7	3,659.3	3,590.5
RPCs	1,633.7	1,552.8	1,627.8	1,590.3
Containers	350.8	334.3	343.3	338.8
Continuing operations (Including Corporate)	5,885.8	5,353.8	5,562.2	5,458.0
Return on Capital Invested (Excluding cumulative Significant items)				
Pallets Americas	16.8%	20.2%	21.1%	20.6%
Pallets EMEA	26.7%	29.7%	28.8%	29.2%
Pallets Asia-Pacific	22.1%	20.9%	22.1%	21.5%
Pallets	20.6%	23.4%	23.8%	23.6%
RPCs	9.4%	7.5%	9.0%	8.3%
Containers	11.6%	8.3%	13.4%	10.9%
Continuing operations (including Corporate)	15.9%	17.3%	18.4%	17.9%
Return on Capital Invested (Including cumulative Significant items)				
Pallets – Americas	14.7%	17.6%	18.5%	18.1%
Pallets - EMEA	25.7%	28.5%	27.7%	28.1%
Pallets - Asia-Pacific	21.7%	20.5%	21.7%	21.1%
Pallets	18.8%	21.3%	21.7%	21.5%
RPCs	9.2%	7.4%	8.8%	8.1%
Containers	10.9%	8.2%	13.4%	10.8%
Total	14.8%	16.1%	17.1%	16.6%
Brambles Value Added¹⁵				
Pallets – Americas	43.9	73.1	85.9	159.0
Pallets - EMEA	91.7	98.2	99.6	197.8
Pallets - Asia-Pacific	15.3	14.3	15.5	29.8
Pallets	150.9	185.6	201.0	386.6
RPCs	(24.1)	(37.6)	(26.8)	(64.4)
Containers	(2.1)	(6.1)	2.5	(3.6)
Total	96.1	122.2	158.7	280.9

¹⁵ At 30 June 2016 exchange rates

	1H17	1H16	2H16	FY16
Number of pallets, RPCs and containers – gross, before Irrecoverable Pooling Equipment Provision (millions of units)				
Pallets - Americas	143	130		136
Pallets - EMEA	125	123		120
Pallets - Asia-Pacific	22	22		22
Pallets	290	275		278
RPCs	285	259		274
Containers	15	14		15
Total	590	548		567
Number of pallets, RPCs and containers – net, after Irrecoverable Pooling Equipment Provision (millions of units)				
Pallets - Americas	134	125		130
Pallets - EMEA	119	112		115
Pallets - Asia-Pacific	22	22		22
Pallets	275	259		267
RPCs	285	259		274
Containers	15	14		15
Total	575	532		556
Number of pooling equipment purchases (millions of units)				
Pallets - Americas	11	11	10	21
Pallets - EMEA	13	13	12	25
Pallets - Asia-Pacific	1	1	1	2
Pallets	25	25	23	48
RPCs	25	23	24	47
Containers	1	1	1	2
Total	51	49	48	97