

# Brambles

INDUSTRIAL SERVICES

A\$ millions	Year ended 30 June 2003	Year ended 30 June 2002	Change %
Sales	766	756	1
Comparable operating profit <sup>1</sup>	78	85	(8)

<sup>1</sup> Comparable operating profit is defined on page 81.

# Brambles Industrial Services

**Brambles Industrial Services completed another year of solid performance. Ongoing cash flow continued to improve, largely due to tight management of working capital and prudent levels of capital expenditure.**

The refocusing of this business – a process initiated several years ago to concentrate Brambles Industrial Services on selected industries and key customers – resulted in a number of further divestments during the year. They included the sale of Heavy Contracting and a number of smaller maintenance and cranes operations.

## Australia

The Australian business again performed well, with strong earnings growth and an improvement in gross margins of 2.5 percentage points. A key challenge for the year was the need to renew a large number of major contracts. Not only were each of the contracts successfully renegotiated – to the value of A\$96.7 million annual revenue and under improved terms – a number of new contracts were also won.

The first full year of operation of the pulverised coal injection plant in Port Kembla, New South Wales was an outright success,

both operationally and financially, leading to strong levels of customer satisfaction.

## Northern Hemisphere

In the Northern Hemisphere, the business is focused solely on steel services activities, and predominantly in Europe where it works with two key customers – the Anglo-Dutch group, Corus, and the world's biggest steel maker, Arcelor. Each relationship is characterised by stable, long-term contractual arrangements.

Reported profit from the Northern Hemisphere was lower than the previous year due to reduced volumes from the Corus site at Port Talbot in Wales and the write-off of assets following a customer bankruptcy. Ongoing cash flow increased by 22% for the year, due primarily to improved working capital management.

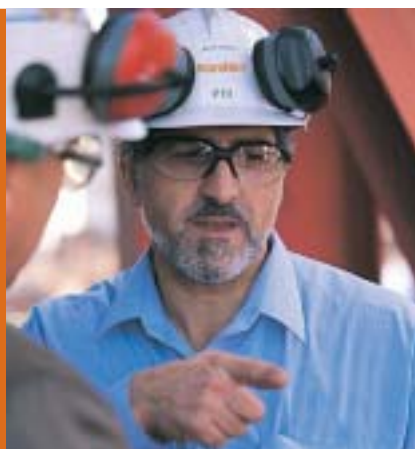
Despite the difficulties Corus experienced during the year, it announced restructuring

plans that indicate the competitiveness and promising future of the Port Talbot site, which is the key UK site for Brambles Industrial Services. Corus' UK activities will be consolidated at Port Talbot and capacity increased from 3.5 million tonnes up to 4.7 million tonnes per annum. A new blast furnace began operating at the site in early 2003, which will help to cater to this capacity increase.

To reduce operational overheads, integration of the UK and Netherlands operations under a single commercial and support structure was initiated during the year and was complete by July 2003. Ijmuiden – where Brambles Industrial Services provides coil carrying and haulage services – is regarded as the key Corus site in the Netherlands.

At Arcelor's Dunkirk site in France, Brambles Industrial Services had won three major contracts in the previous financial year, including scrap yard and briquetting

Wollongong, Australia



Port Talbot, Wales



“The value that Brambles Industrial Services brings to its customers is a potent combination of capital, operating efficiencies and extensive knowledge of our tasks. As our tasks are intrinsic to the production processes undertaken by our customers, we operate in a seamless manner with them on-site.”

**Jean-Louis Laurent**  
Chief Executive Officer,  
Brambles Industrial Services

activities. This has significantly increased Brambles Industrial Services' presence on this key site. Although implementation of the contracts is progressing well and some benefit did flow in the 2002/03 financial year, the long lead times for these contracts mean that the full impact will be derived over the next two years.

The small steel-related operations in the USA had a mixed year, which included a major customer, National Steel, filing for Chapter 11.

During the year, substantial improvements were recorded in Brambles Industrial Services' overall safety performance – not only arising from the change in the business mix but also resulting from a concerted effort on safety campaigns within continuing businesses.

The focus for Brambles Industrial Services will continue to be on achieving further operational excellence. ○



## Customer focus

### Arcelor, France

Arcelor is the world's largest steel producer. At its Dunkirk site in France, Arcelor produces flat carbon steels, from raw materials to finished products such as hot coils, cold coils and coated steel sheets.

At the Dunkirk site, Brambles Industrial Services manages a number of specific tasks for Arcelor, such as cast iron breaking, steel plant cleaning, slag and metal recovery, scrap yard management and oxycutting. It is critical that these services are undertaken in a way that is seamless with Arcelor's main steel-making activities. This operational integration has been the cornerstone to Brambles

Industrial Services' long-term and mutually beneficial relationship with Arcelor.

On-site safety is a priority for both partners. Brambles Industrial Services is certified to the French safety standard, M.A.S.E. Through the daily application of this prevention system, which is managed in close collaboration with Arcelor and includes elements such as team awareness, prevention programs, work organisation, treatment of incidents and personalised training plans, Brambles Industrial Services helps to reduce risk on site.