Annual Report 2010

IFCO SYSTEMS N.V.

Annual Report
2010

WORLD WIDE RESPONSIBILITY

IFCO SYSTEMS N.V.

Content

IFCO moves us

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North America

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Chief Executive Officer

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Chief Financial Officer
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Chief Operating Officer

Key Figures

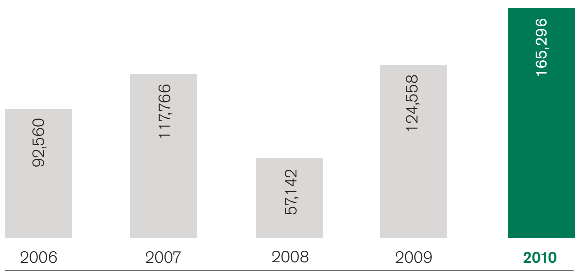
US $ in thousands (except per share data)	2006	2007	2008	2009	2010	% Change
Revenues	647,236	692,548	735,888	735,926	785,430	6.7%
Gross profit	108,966	122,606	128,026	151,140	177,484	17.4%
Gross profit margin	16.8%	17.7%	17.4%	20.5%	22.6%	
EBITDA	96,274	107,090	109,569	129,010	149,665	16.0%
EBITDA margin	14.9%	15.5%	14.9%	17.5%	19.1%	
EBIT	62,289	66,535	66,320	88,146	105,751	20.0%
EBIT margin	9.6%	9.6%	9.0%	12.0%	13.5%	
Profit from continuing operations before taxes	44,437	38,263	371	30,451	51,004	67.5%
Net profit (loss)	37,287	27,107	(11,584)	19,954	34,752	74.2%
Profit (loss) per share from continuing operations - basic	0.71	0.52	(0.24)	0.41	0.68	66.1%
Operating cash flows from continuing operations*	92,560	117,766	57,142	124,558	165,296	32.7%
Capital expenditures from continuing operations, including cash paid for acquisitions	101,300	77,499	88,953	58,075	122,055	110.2%
Return on capital employed (ROCE)**	18.4%	17.2%	14.4%	19.0%	23.3%	
Shareholders' equity	233,858	254,626	222,756	222,999	257,552	15.5%
Total assets	698,341	806,237	887,709	996,465	1,052,939	5.7%
Headcount of continuing operations (as of the respective financial position dates)	4,054	4,141	4,255	3,877	3,849	(0.7%)

* Operating cash flows presented above as calculated under IFRS are prior to interest and income tax payments. The Company reclassified the Cash Flow Statement of 2006 relating to income taxes paid of US $0.9 million and interest received of US $0.6 million. Income taxes paid was reclassified from cash generated from continuing operations before income tax payments to cash generated from continuing operating activities. Interest received was reclassified from operating cash flow to financing cash flow.

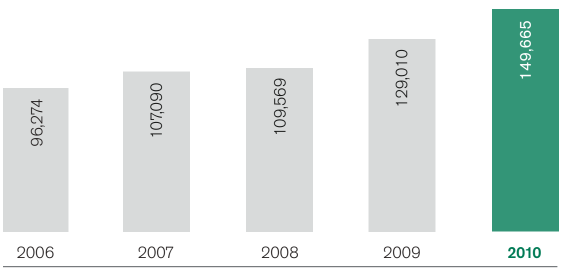
** See Financial Reporting – Group Financial Highlights for explanation of this item.

Revenues US $ in thousands

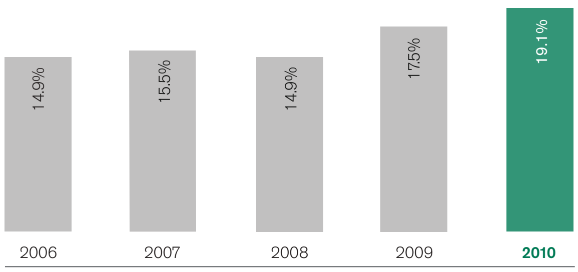
Operating Cash Flows US $ in thousands



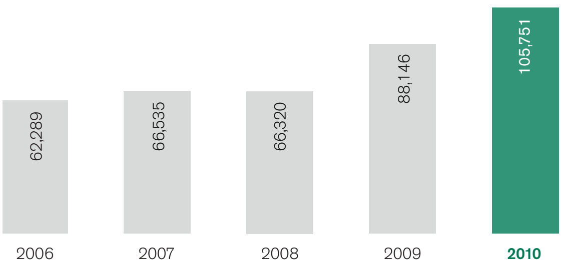
EBITDA US $ in thousands



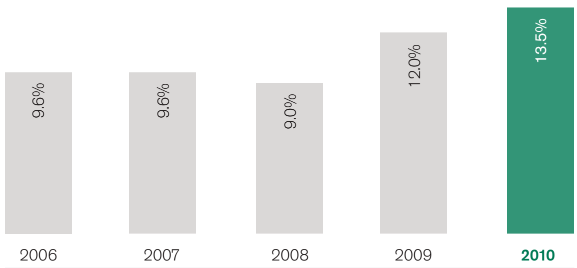
EBITDA margin



EBIT US $ in thousands

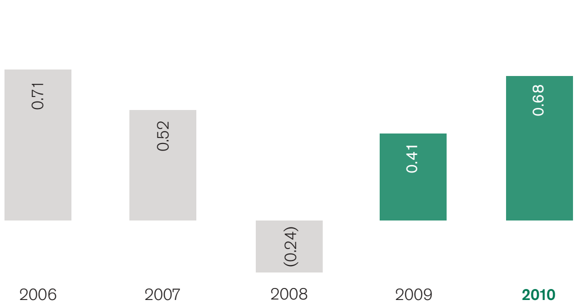


EBIT margin



ROCE

EPS – continuing operations US $



Think global, act local

Facts and figures – corporate

39

IFCO operates in 39 countries worldwide

210

IFCO has more than 210 locations worldwide

Facts and figures – business segments

550,000,000

IFCO processed 550 million RPC trips in 2010 and almost 4.5 billion since IFCO‘s foundation in 1992

116,000,000

IFCO operates a global pool of over 116 million RPCs

24

IFCO offers 24 different types of RPCs worldwide

50

IFCO operates 50 RPC service centers and delivery depots worldwide

8,700

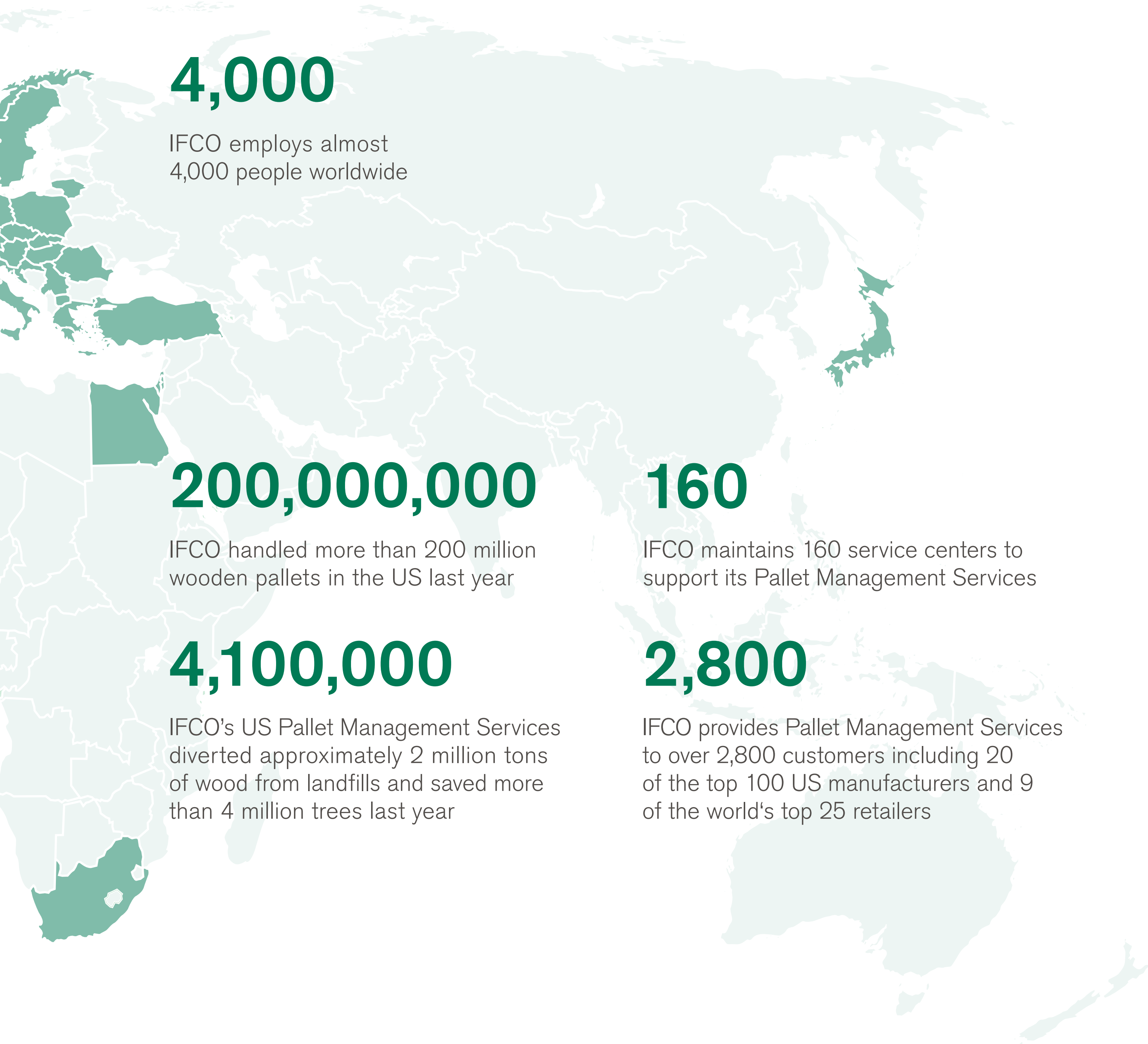
More than 8,700 producers and more than 90 retailers trust IFCO’s unique RPC Management Services

100 %

IFCO RPCs are 100% recyclable

23 %

Total cost saving of 23% compared with cardboard (Fraunhofer study)



4,000

IFCO employs almost
4,000 people worldwide

200,000,000

IFCO handled more than 200 million
wooden pallets in the US last year

160

IFCO maintains 160 service centers to
support its Pallet Management Services

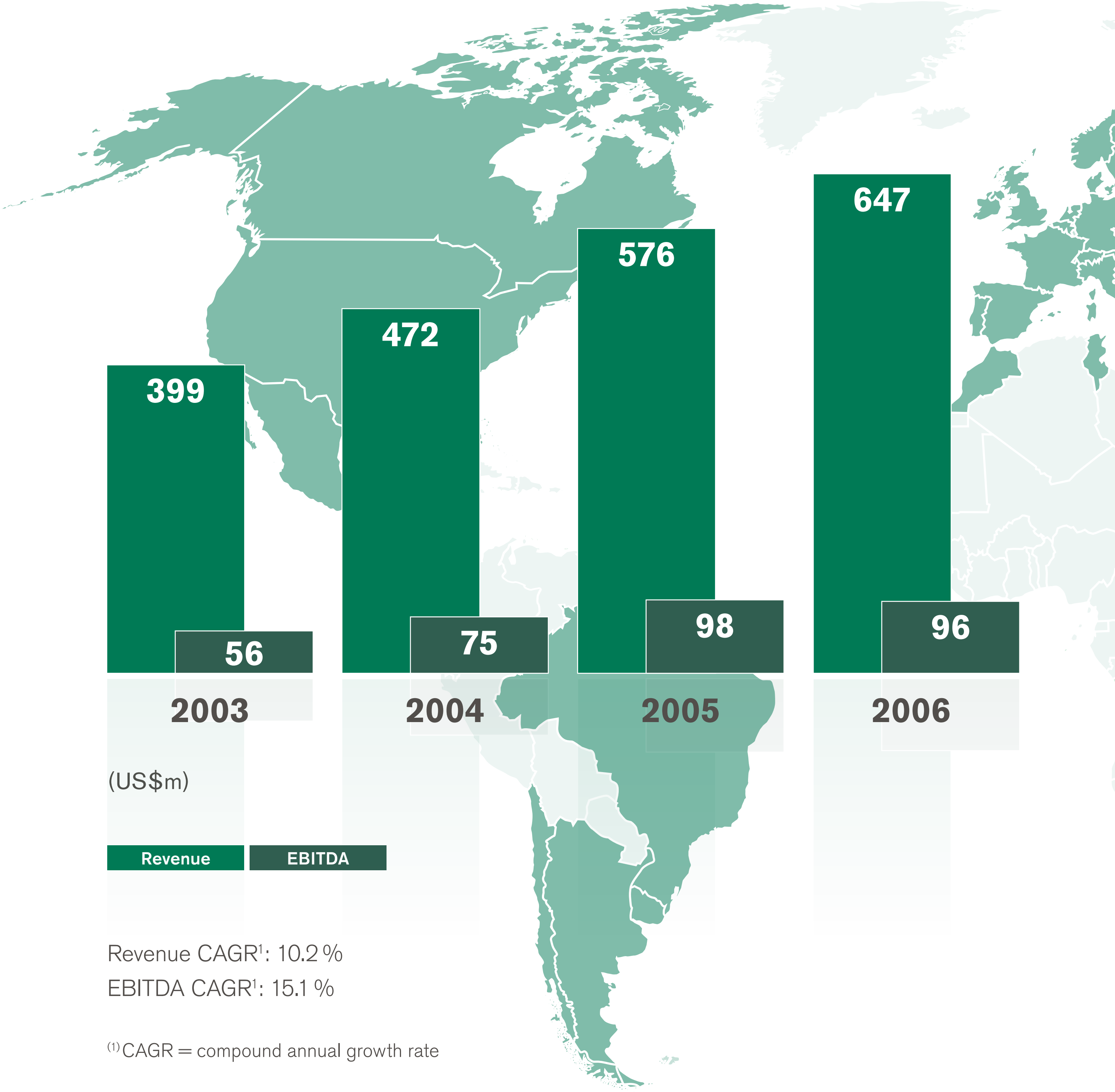
4,100,000

IFCO's US Pallet Management Services
diverted approximately 2 million tons
of wood from landfills and saved more
than 4 million trees last year

2,800

IFCO provides Pallet Management Services
to over 2,800 customers including 20
of the top 100 US manufacturers and 9
of the world's top 25 retailers

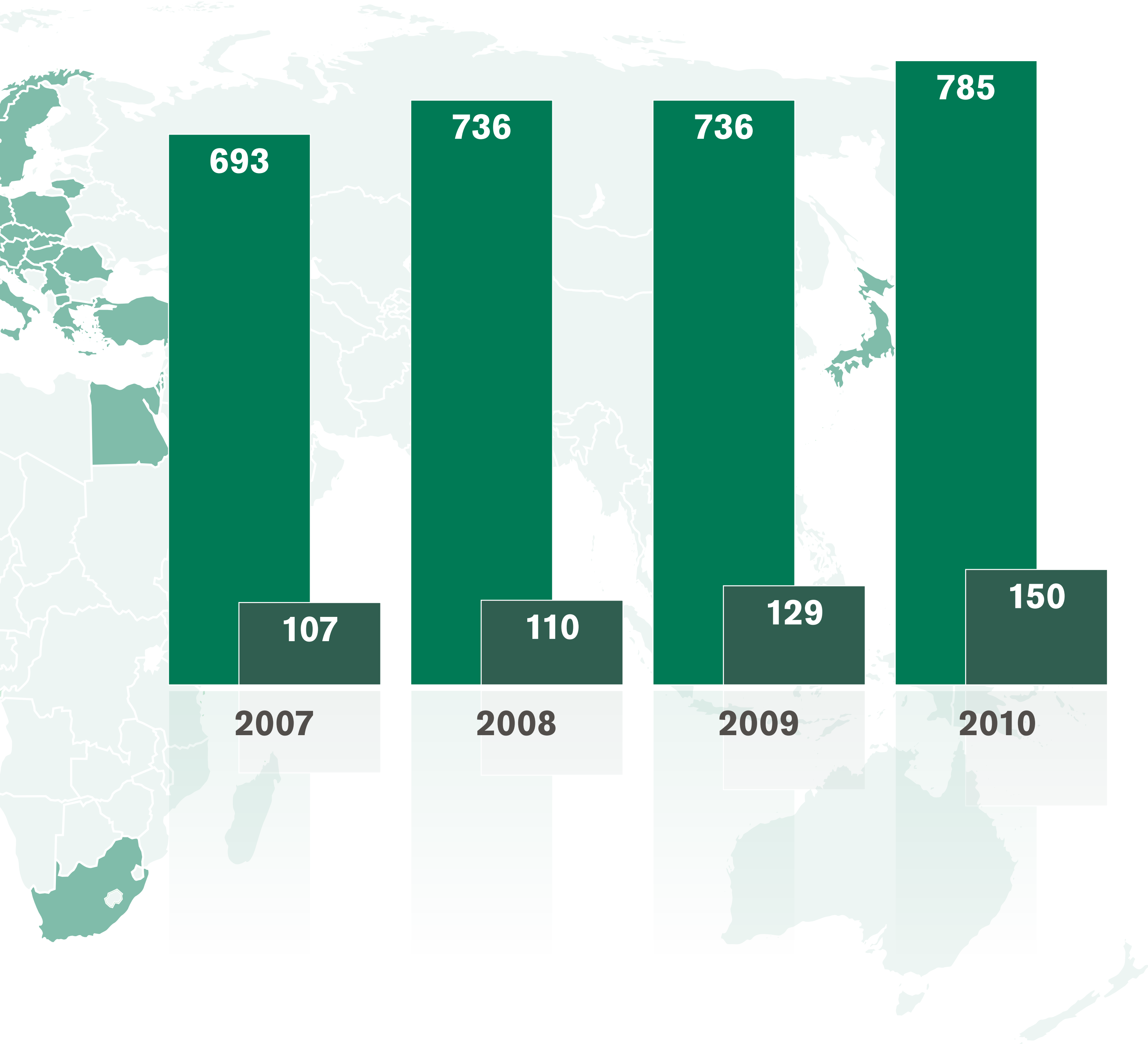
Revenue and EBITDA nearly



Revenue CAGR[1]: 10.2 %
EBITDA CAGR[1]: 15.1 %

(1) CAGR = compound annual growth rate

doubled in the last 7 years



Letter to Shareholders

Despite an economic environment that continued to create challenges in most of our markets, we are proud that our Company remained on a sustainable and profitable growth path in 2010. Key performance indicators such as revenues, operational profit and operating cash flows all reached record levels in 2010.

During 2010, our worldwide revenues grew by 9.1% to US $785.4 million, and we achieved a significant and over-proportional growth in EBITDA of 20.1% to a level of US $149.7 million. We are very proud of our efforts to improve our asset efficiency, which resulted in gains in Return on Capital Employed (ROCE) to 23.3%. This achievement is the result of continuing improvements in our asset management controls, as well as a greater focus to dedicate our available capital to the most efficient investments.

Retailers worldwide are strengthening their emphasis in reusable packaging solutions to lower the environmental impact and improve their supply chain efficiency. As a result, our RPC business has enjoyed strong demand for our reusable packaging solutions.

In our reusable packaging business, each of our key regions, Europe, North America and South America, delivered strong revenue growth. Our RPC business' profitability levels also grew over-proportionally to its revenue growth. These favorable trends are the result of our accelerated sales efforts to increase the penetration with our existing customer base, winning new retailers and introducing new innovative reusable packaging solutions.

In West Europe, we convinced leading retailers such as Carrefour in France and Greece and Spar in Austria of the superiority of IFCO's services. These new partnerships have further strengthened our core European market position. Our efforts to develop the Central Eastern Europe market have resulted in the foundation of 6 new country organizations and established IFCO as the most complete service provider in these fast growing markets. Retailers such as Mercator in Slovenia and Croatia and Penny in Czech Republic and Hungary have started using our services.

Our North American RPC Management Services business realized significant top-line and operational gains in 2010. We grew our already dominant market share and are the driving force in helping our retail and grower customers realize the benefits of transitioning from one-way to reusable packaging solutions. As a result we are realizing a steady flow of new retailers such as Kroger, Whole Foods, Roundy's, Raley's and others testing and adopting the RPC model. This also includes our first entrance into the Canadian market where we have started promising first tests with Loblaw's and another leading retailer. We believe the North American market is increasingly open to our service offerings and we will continue to aggressively address the tremendous potential for reusable packaging solutions in the North American market.

In South America, we were able to further expand our market share and the business performed in line with our high expectations. The completion of our unique infrastructure rollout in Brazil has enabled and will enable us to further penetrate this important market by adding new retailer customers to our unique network and demonstrate our market leadership.

We are constantly researching and developing new and innovative reusable packaging product applications as a result of our collaboration with customers and understanding of their unique supply chains. Our new RPC applications, such as RPCs for bananas, eggs, meat and berries, are specifically designed to improve product quality attributes, on top of other supply chain advantages inherent in our reusable packaging model.

IFCO today is the most complete worldwide provider of reusable packaging solutions with a global pool of more than 116 million reusable containers, generating more than 550 million trips and a worldwide infrastructure of 210 depots and sanitation centers. These physical assets, together with our employees' intangible pool management expertise, effectively serve the increasing demand for reusable packaging solutions.

Our development of new markets, services, and product lines clearly positions IFCO as a key global provider for all reusable packaging needs, an important strategic positioning objective. The combination of international reach and local presence enables us to meet the needs of our customers and retail partners. Increasingly, many of our retail partners are seeking cost-effective, environmentally sustainable packaging solutions that are customer and product friendly and contribute to their own supply chain optimization and outsourcing strategies.

Pallet Management Services' revenues were largely flat in what remained a difficult environment in the US pallet market in 2010. Certain industries of our customer base and certain geographic regions remained weak and extended the challenging demand and pricing environment. We are, however, excited about the promising growth rates in our warehouse and logistics management services business. With a recovering US economy in 2011, we are very well positioned to capture improving market demand and expect to grow above the overall market development. We also remain confident that the key competitive advantages of our Pallet Management Services business – the breadth of our service offerings, our national network and our value proposition at a national and local level – will continue to allow our Pallet Management Services segment to outpace the general market development going forward.

In 2009, we launched our WORLDWIDE RESPONSIBILITY project and have enhanced our vision to reflect our strong commitment to our business values. Our vision is to achieve and maintain global market leadership and profitability in all of our businesses without sacrificing or compromising our moral responsibility towards all the people with whom we deal and to the ecological system from which we draw our resources. We are using this initiative as a platform to communicate our activities and projects targeted to make our world a better place to live, and are excited at how it has become such a vital element of our Company. For IFCO, it also means actively initiating projects that meet our high standards and sustainably improve our business world in the interests of humankind and the environment. We invite you to visit our web page www.worldwide-responsibility.com and learn more about these exciting initiatives. One such initiative is our social engagement in that regard is focused on supporting the various global Food Bank organizations, in their honorable effort to provide food to the needy. Besides providing Food Banks with Reusable Plastic Containers, IFCO has co-financed 19 delivery vehicles for German Food Banks to ensure product delivery of fresh goods within the Food Banks network.

On November 14, 2010, Island LP and other sellers have signed a contract on the sale of their shares in IFCO SYSTEMS N.V. to Brambles Investment Limited, a subsidiary of Brambles Limited. Island LP and other sellers hold 95.9% of the shares in IFCO SYSTEMS N.V.. The sale and transfer of the shares is still subject to certain approval requirements and conditions, inter alia the approval by the cartel authorities. In light of the goals and intentions of Brambles, the Board of Managing Directors and Supervisory Board are of the opinion that the participation of Brambles is in the best interest of the Company and its stakeholders, including its shareholders, employees and customers. The Company will have the opportunity to continue its successful growth strategy together with a new strong partner as majority shareholder, while retaining its key structures.

We would like to express our special thanks to our great employees, whose continuing commitment to IFCO was the basis for our success again in 2010. Our thanks also go out to our customers, suppliers and other business partners, who continued to place their trust in us. Finally, we would like to thank our shareholders, who maintained their faith in our Company's capabilities and opportunities, and supported us and our strategic decisions to further increase IFCO's value.

Our focus will remain on new and innovative products and markets where we can achieve profitable growth, as well as continuing to deliver on our ongoing responsibility to our global environment. We are very excited about our business opportunities and look forward to another year of growth in 2011.

Karl Pohler
Chief Executive Officer

Mission

Our RPC and pallet solutions are state-of-the-art and are designed to provide optimal environmental protection. IFCO's mission is to take into account social and environmental considerations in the process of constantly improving our solutions so that they provide the most cost-efficient and environmentally friendly ways to support our clients.

www.ifco.com

Vision

IFCO's vision is to achieve and maintain global market leadership and profitability in all of our businesses without sacrificing or compromising our moral responsibility toward all the people with whom we deal and to the ecological system from which we draw our resources.

www.worldwide-responsibility.com

Corporate Social Responsibility

IFCO has set itself the basic operating principal of acting responsible in all matters. With the WORLDWIDE RESPONSIBILITY initiative, IFCO will not only continue to assume its social and environmental responsibility but, working with strong partners, will expand its sphere of responsible activities.

Corporate Culture

Our corporate culture is the basis for the continuous success of IFCO. We are convinced that the corporate culture and a positive work environment contribute significantly to employee motivation and the long-term success of our Company.

IFCO's corporate culture is characterized by flat organization structures, ensuring open and solution oriented communication across all levels. Our management style is target and results oriented, while providing a degree of entrepreneurial freedom to every employee. Our open door and open information policy directly involve our people in IFCO's activities.

As a global corporation, it is necessary to think and communicate across language and geographical barriers, and to orient our strategies accordingly. However, as we endeavor to succeed in each of our markets, we aim to be flexible enough to adapt our global strategy to the local market conditions. Our business model calls for close relationships with our customers and a focus on local market conditions. To reflect this, we think global and act local. Therefore, our operational staff is usually recruited from the individual countries and regions in which we operate. Due to their close contacts with our customers, they are highly familiar with individual client needs and concerns, and are conversant with the different cultures characterizing the various individual markets. This close interaction with our customers and the environment in which they operate is vital for our long term success.

As a service provider, the motivation, entrepreneurial attitude and qualifications of our staff is the foundation for the present and future success of our corporation. As our managers participate in our successes via performance based cash and performance based incentive programs, we are creating an incentive for our staff to take initiative and assume responsibility.

Constantly striving to maintain and improve our group performance is an essential part of our corporate culture. Ongoing staff training forms the core of our human resources policy, with individual training requirements determined and implemented through regular evaluation and development reviews.

IFCO's established procedures and standards go above and beyond current regulations and mandates. IFCO's employees are central to its success. The Company's businesses have thrived by offering a workplace environment free of discrimination and providing a competitive level of compensation and benefits for our employees.

Corporate Social Responsibility

IFCO is a sustainable enterprise from a commercial, social and environmental perspective. We firmly believe that corporate activity and social responsibility are not mutually exclusive, but rather depend on one another. For IFCO, social responsibility is a very important component of its corporate identity. Our values, quality, transparency, respect and trust, drive the way we interact with our employees, stakeholders, the environment and society.

We are aware of the importance of maintaining the trust and confidence of our employees, our customers, our shareholders and other stakeholders of IFCO. We achieve this by acting honestly, fairly and reasonably among each other and among all of these groups. This is the basis for the success of our business and the protection of our reputation.

Our experience has taught us that our success is contingent upon our ability to have the flexibility to respond to our customers' changing needs and expectations. Our ability to do so is due to our respect for and response to the wants of our employees, the men and women who make IFCO what it is. We recognize that the same respect is due to all those with whom IFCO deals; from the laborer in a warehouse to our client's CEOs. We can only be treated fairly ourselves if we treat others the same; thus we have a responsibility to be fair and open to all with whom we do business.

We stay committed to continually improving our Corporate Social Responsibility performance.

Our Business


IFCO

Introduction

IFCO is engaged in two main business segments. We operate a worldwide RPC Management Services business and a Pallet Management Services business in North America.

Increasing market dynamics and globalization in commerce are placing increasing demands and complexity on logistics providers. Today, products have to be transported intelligently, efficiently, safely and above all, rapidly. At the same time, the protection of our global environment is becoming more and more important. While these requirements place high demands on logistics management and reusable transport containers, we believe they also create significant growth opportunities for well-positioned logistics service providers.

We have market leading positions in multi-billion US Dollar markets which we believe offer significant future growth potential in our proven RPC Management Services business and our Pallet Management Services business. Our broad range of solutions and continued improvements to our products and services allow us to meet our customers' requirements in an individual and client focused manner.

Barriers to entry in both businesses are very high in light of the large financial investments necessary for a comparable RPC pool and the development of a geographic network infrastructure which would be required to compete with both of our key businesses. In addition, we possess extensive market knowledge and unique pool management expertise, and are proud to employ quality and talented management, who possess a great deal of in-depth industry experience.

We believe our innovative system solutions optimize the flow of goods through our clients' supply chains, providing them with sustained cost reductions and enhancing their competitive strength. Our products support IFCO's ecological responsibility and contribute to climate protection.

How does IFCO move?


IFCO
MOVES

Environment

WORLDWIDE RESPONSIBILITY

How does IFCO move? Water Recycling

“IFCO has installed continuous water recycling equipment in its Atlanta, GA service center and we are planning to expand this to our other service centers. The goal of the system is to recover as much used water as possible while maintaining IFCO’s high standards for cleanliness. In fact, the reused water with which IFCO now washes its RPCs is clean enough to drink.”

Salim Baltagi – Vice President of Operations of IFCO’s RPC Management Services Division, Tampa, Florida, USA

WORLDWIDE RESPONSIBILITY


IFCO

How does IFCO move? Environmental Protection

"IFCO's crates are, for us, the optimal way to do our job. We are most pleased to have found in IFCO a long-term supporter of the Food Bank whose 'green crates' help us make an important contribution to environmental protection. I'm afraid we will need even more for all the 300 organizations and the 45 distribution points we serve – the Reusable Plastic Containers are so easy to fold and transport!"

Sabine Werth – Chairperson of Berliner Tafel e.V., Berlin, Germany


IFCO
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How does IFCO move? Sustainability

“Much of our waste comes from packaging materials used in shipping. Our Packaging Network works with suppliers to reduce their packaging and ensure that the packaging they do use can be recycled or reused. Reduced packaging creates savings for our suppliers, our business and most important - for our customers.”

Nidhi Munjal – Sustainability Director for Walmart, Fayetteville, Arkansas, USA

Large image: **Michelle Obama** praises the healthy food campaign initiated by IFCO’s customer Walmart

WORLDWIDE RESPONSIBILITY

Walmart


IFCO
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IFCO's Environmental Responsibility

Economic development and environmental protection have always been a sound pairing. Sensible environmental management of our own and our stakeholder's supply chains is regarded as a core component of IFCO's business model to promote our Company's products and services, while improving our corporate standing. We see no contradiction between environmental protection, economic recovery and development, and healthy business growth. However, ongoing reductions in the environmental impact of our operations are vital in the move to a more resource efficient economy.

A key component of IFCO's mission is to provide for the health and safety of all our planet's inhabitants through a cleaner environment. We will continue to partner with individuals, organizations, governments and businesses to prevent pollution and restore our natural resources. IFCO's initiative WORLDWIDE RESPONSIBILITY is a first remarkable step in that direction.

IFCO will strive to combine environmental responsibility with increased profitability by:

- Using resources such as energy, water and raw materials, more efficiently
- Developing environmentally friendly product, service and technology offerings to meet the growing consumer demand for greener products and services

Businesses can and should play a major role in protecting the environment. The move to a sustainable and resource efficient future also offers economic growth opportunities. IFCO's aim is to protect and improve the environment while integrating environmental goals into our organizational policies. Actions to protect the environment include improved energy efficiency and reduced water usage at our depots, the use of wood grinding units at our pallet plants to reduce landfill additions, social progress through action to combat energy overuse, and economic growth through more efficient use of resources.

Our RPCs make prudent and sparing use of natural resources and represent an efficient contribution to the protection of the environment. In opting for IFCO's products and services, our customers are also making a valuable contribution to environmental protection by using efficient and environmentally responsible distribution methods and at the same time eliminating disposal costs. IFCO helps its customers to achieve a higher level of environmental sustainability through our corporation's sense of responsibility.

The use of IFCO's RPCs reduces environmental impact:

- It is a reusable packaging system
- Our RPCs are 100% recyclable
- The system reduces waste and associated disposal costs

The recent study, “The sustainability of packaging systems for fruit and vegetable transport in Europe based on life-cycle-analysis Update 2009”, published in February 2009 by Stiftung Initiative Mehrweg, highlighted various environmental advantages in using RPCs in comparison to cardboard:

- 53% lower greenhouse emissions potential
- 38% lower ozone depletion potential
- 51% lower summer smog potential
- 72% lower acidification potential (contribution to acid rain)
- 81% lower eutrophication (contribution to over-fertilization)

Another recent study entitled ”Life Cycle Inventory of Reusable Plastic Containers and Display-Ready Corrugated Containers Used for Fresh Produce Applications”, was conducted by Franklin Associates, a recognized global leader in the development of LCI (life cycle inventory) data.

Key Findings:

- Reduce solid waste by 95%
- Require 39% less total energy

IFCO is addressing environmental responsibility on a number of fronts:

Water Recycling in Service Centers

As part of our ongoing sustainability initiatives, IFCO’s US RPC Management Services division is investigating ways to reduce water usage at our service centers. IFCO partnered with Clean Water Technology, Inc. to create a customized water filtration system that would treat and purify water to IFCO’s exacting food safety and quality standards and store the water to be reused by washing machines that clean our RPCs. A pilot system was installed in IFCO’s Atlanta, GA service center in 2009. We continue to test the system to ensure complete compliance with our stringent standards, although initial test results have been very promising. When fully implemented, it is expected that these systems will reduce water usage at the service centers by up to 75%, while at the same time reducing IFCO’s water costs. We look forward to expanding this system into other service centers in 2011. In 2010 similar activities were launched by IFCO’s European RPC Management Services division. As a result of these activities IFCO is planning to implement the first pilot water recycling system in Europe in 2011.

Furthermore IFCO continued to implement centrifugal drying devices both in Europe and the US. Centrifugal drying devices save up to 90 % of the energy consumption of conventional drying systems (hot air blowers). They also improve the drying quality significantly. In the meantime the majority of US and European washing machines are equipped with centrifugal devices and it is planned to implement further devices in 2011.

Fuel Reductions

In 2010, IFCO's Pallet Management Services division implemented further changes to its fleet to continue the efforts already in place to reduce fuel consumption and increase fleet efficiency. Following our 2009 conversions from tandem to single axle tractors, speed and idle-time governance controls, and best practices training programs for Company drivers, this year IFCO also reduced its tractor fleet by nearly 6%.

The effects of the changes implemented by IFCO are already having significant impact. This year, IFCO's fleet consumed nearly 125,000 fewer gallons of fuel – even while total mileage increased. This was a result of a significant improvement in fuel efficiency over prior year.

IFCO also continues its membership of the Environmental Protection Agency's SmartwaySM Transport Partnership. The SmartWaySM initiative is an innovative collaboration between the US Environmental Protection Agency (EPA) and the transportation industry designed to increase energy efficiency while significantly reducing greenhouse gases and air pollution. The partnership's goals are to reduce emissions of 33 to 66 million metric tons of carbon dioxide and up to 200,000 tons of nitrogen oxide per year by 2012.

Office Programs

Various IFCO offices around the globe implemented and expanded their recycling and reuse programs last year. Programs are now in place in many locations to recycle materials such as paper, aluminum cans, plastics, and printer toner cartridges.

In addition, all of IFCO's brochures, holiday cards, and other printed items are now printed on recycled and Forest Stewardship Council certified paper with soy-based ink.

Associations

IFCO is actively involved in trade associations dedicated to environmental sustainability, including:

Walmart Sustainable Value Network (Member since 2005)
Sustainable Packaging Coalition (Member since 2007)
Reusable Packaging Association (Member since 1999)
National Environmental Education Foundation (Member since 2009)
Stiftung Initiative Mehrweg (member since 2000)

Solutions

WORLDWIDE RESPONSIBILITY

How does IFCO move?
Quality

"In comparison to corrugated cartons, the integrated cold chain is managed better with RPCs. From coast to coast, the retail customers we serve are extremely happy with the products we produce and ship to them in RPCs."

Frank Ratto – Vice President for Marketing, Ratto Bros., Modesto, California, USA

WORLDWIDE RESPONSIBILITY


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How does IFCO move? Innovation

“IFCO works with our customers to develop innovative reusable packaging solutions, improving in areas such as handling, product protection, cooling performance of perishable items, transportation efficiency, and retail display. IFCO RPCs are designed to deliver higher quality products to market while saving money and reducing environmental impacts.”

Tim Debus – Vice President of Industry & Product Development of IFCO’s RPC Management Services Division, Tampa, Florida, USA

WORLDWIDE RESPONSIBILITY


IFCO

How does IFCO move? Service

"For me as a grower, IFCO is the number one service provider. Their services not only improve distribution – IFCO takes perfect care of our particular needs and their Reusable Plastic Containers notably improve the fresh produce supply chain."

Quico Peiró Cañamás – Cañamás Hermanos, S.A., Valencia, Spain

WORLDWIDE RESPONSIBILITY

Grupo CAÑAMÁS HNOS. S.A.U.


IFCO
MO

How does IFCO move?
Distribution

"We've worked with IFCO for five years with great satisfaction. IFCO responds to our needs and shares our commitment to speed up our retailers' distribution. They've also studied the demands of our convenience products and have developed a tailor-made system for them."

Giuseppe Battagliola – President of La Linea Verde Società Agricola SpA, Manerbio, Italy

LA LINEA VERDE
Insalate pronte


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How does IFCO move? Efficiency

"The environmentally friendly packaging system of IFCO enables MERCATOR to achieve cost savings and efficiency improvements over the entire supply chain. In particular, IFCO's strong engagement in the CEE region as well as their comprehensive European network has convinced us."

Alenka Krafogel – Director Category Management Fruit & Vegetables Market Program of Mercator, Ljubljana, Slovenia

Mercator


IFCO
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How does IFCO move? Logistics

"IFCO provides pallet management services to the top retailers, manufacturers, and logistics providers in the US. We offer nationwide coverage, real-time pallet tracking through our PalTrax™ system, consolidated invoicing, JIT delivery, and many other services no other pallet company can match."

Dan Martin – Vice President of Sales of IFCO's Pallet Management Services Division, Houston, Texas, USA

WORLDWIDE RESPONSIBILITY


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RPC Management Services

RPC Management Services Overview

- IFCO is a leading logistical services provider of Reusable Packaging Solutions.
- We operate a global pool of over 116 million RPCs.
- More than 4.7 million tons of fruit and vegetables were packed and transported in our RPCs annually.
- More than 90 retailers and 8,700 producers in 39 countries trust our unique RPC Management Services.
- We processed more than 550 million RPC trips in 2010 and almost 4.5 billion since our foundation in 1992.
- We operate 50 service centers and delivery depots in our worldwide RPC business.
- Fruit and vegetables are displayed in our RPCs in more than 44,000 sales outlets worldwide.
- Total cost savings of 23% compared with cardboard (Fraunhofer study).

Our RPC Management Services business segment offers high quality reusable packaging, transport and service solutions across a number of industries, providing our customers with efficient tailor-made solutions for all their packaging needs. With our worldwide network in 39 countries, high quality products and significant pool management expertise, we effectively manage millions of shipments of our customers' products with the highest standards of reliability and security.

By using reusable packaging instead of disposable packaging, our customers achieve significant cost and handling efficiencies throughout the entire supply chain while at the same time minimizing their ecological footprint.

We believe we are the leading independent provider of collapsible RPCs in Europe, in particular with respect to reusable packaging solutions for fruit and vegetables. IFCO is broadening its product range to meet its customers' growing requirements for innovative reusable packaging solutions for other fresh products such as meat and eggs and also other solutions such as beverage RPCs, bulk containers and plastic pallets. IFCO is constantly developing innovative products offering an integrated, one-stop reusable packaging solution.

Our logistics and pool management competence in the food industry represents an excellent foundation to expand into other industries.

Our service offerings support the growing outsourcing trend in industry and allow companies to focus on their core competencies while benefiting from the expertise of a specialized service provider for reusable packaging solutions. The service portfolio of IFCO covers all aspects of pool management and supports the full supply chain. Simultaneously, all participants in IFCO's RPC cycle contribute to environmental protection by using reusable packaging instead of one-way packaging. We advise our customers on the selection of the optimal reusable packaging product and then ensure that the products are always provided at the right place and time.

Line of Goods

Reusable Plastic Containers (RPC) for Fruit and Vegetables

Supporting the produce market has been, historically, the primarily focus of IFCO's RPC Management Services segment. Since its foundation in 1992, IFCO has managed the delivery of almost 4.5 billion containers worldwide and made RPCs the most efficient and ecological packaging method for fruit and vegetables.

In our core markets, Europe, South America and the United States, some 390 million tons of fruit and vegetables are produced annually. These products must make their way quickly and without damage from producers to consumers – and often across country borders. In many instances, the period between harvest and consumption is no more than a few days.

Consequently, retailers and producers are calling for flexible, effective, cost-efficient, environmentally friendly and state-of-the-art product distribution solutions. This puts stringent demands on transport containers and their utilization from producers through retailers to consumers. IFCO's 24 different RPC models are well equipped to meet these demands.

We believe our core competence is the efficient management of a worldwide rental pool of over 116 million RPCs used to transport fruit and vegetables.

The Cycle

In order to prepare the RPCs for shipment to the producers, IFCO, often in cooperation with its retailer partners, transports the empty, folded containers from the retailers' central warehouses to the IFCO service centers following their last use. A quality inspection is then performed and each container is carefully sanitized and cleaned according to stringent food hygiene requirements, such as the HACCP Standard (Hazard Analysis and Critical Control Points) in Europe and the AIB (American Institute of Baking) in the United States. The RPCs are now ready for shipment to the producer.

The cycle then continues with the producers of fruit and vegetables, who order the required number and model type of RPCs from IFCO to be shipped to specific locations. Our services require that we providing the producers with RPCs for their products at the right time and place and in the right type and quantity. To fulfill these requirements, IFCO has developed a logistics network encompassing 50 service centers and delivery depots worldwide at strategic locations in our key markets.

The delivery of RPCs from the IFCO service centers to our customers, which are coordinated by our personnel and systems, is performed by third party transport companies. Once the producers have filled the RPCs with their goods, the containers are transported to retailers' central warehouses. The products then enter the retail distribution chain and are shipped from the retailers' central warehouses to the respective retail stores where the goods are sold to consumers.

One complete pass for a RPC through this cycle is referred to as a trip. In order to ensure the prompt return of the empty RPCs and to safeguard our assets, we have introduced a deposit system in Europe and a clearing system in the United States with our producer base. Every day, IFCO coordinates the outbound and inbound movement of more than 475 third party truckloads of RPCs. IFCO's RPCs were used to transport goods with a total weight of more than 4.7 million tons in its RPC Management Services business segment during 2010.

IFCO's RPCs – High Quality Combined with Low Costs

In close cooperation with the manufacturers of our RPCs, as well as our customers, we are continuously optimizing the technical characteristics, stability and design of our RPCs. This ensures constant quality enhancements and advances the development of new applications. Examples are the latest RPC generation launched in Europe, the "IFCO Green Plus" line, as well as the state-of-the-art generation of RPCs in use in the US market, whose design further improves the perishability and damage rates of produce and markedly reduces the container damage rate. The lower folded height of our RPCs increases their volume per pallet significantly, further reducing our transport costs and providing labor savings for our business partners.

Our logistics management expertise and RPC design guarantee that the high quality of our customers' goods is retained, while reducing costs throughout the entire supply chain. We provide support for the efficient organization of goods and product cycles, thereby creating further cost advantages for our customers.

The practical value to everyone lies in the benefits of the global supply chain and the satisfaction of the customer.

Our RPCs make prudent and sparing use of natural resources and represent an efficient contribution to the protection of the environment. In opting for our products, customers are also making a valuable contribution to environmental protection and use efficient and environmentally responsible ways to distribute their products, while at the same time eliminating disposal costs. IFCO helps its customers to achieve a higher level of environmental sustainability through our corporation's sense of responsibility.

Below are some of the advantages which make our Reusable Plastic Containers superior to traditional packaging:

Advantages to the Producer:

Economic Advantages
- One-off rental fee per use
- Just-in-time delivery
- Low provision of stock, short-term ordering as required
- Significant reduction of damage to goods in storage and transportation

Application Advantages
- Standard packaging of Europe's leading retailers
- 24 different RPC types (10 in Europe, 14 in the US), covering the entire range of fruit and vegetables
- Efficient storage (105 to 624 crates per pallet, depending on the type of RPC)
- Simple manual or mechanical set-up
- Easy and safe stacking
- Branding with advertising inlays or inserts possible

Advantages for Goods
- Open side and base structure means reduced energy for cooling and guarantees freshness in storage and transportation
- Optimum protection of products in transportation by means of stable structure and rounded inner edges
- Hygienic packaging through our sanitation process following each trip

Advantages for Retail:

Advantages in Goods Procurement
- Optimum transport packaging that guarantees maximum freshness and quality of the goods across all stages of the supply chain
- Significant reduction of damage to goods in transportation and storage
- Availability throughout Europe/US
- 24 different RPC types (10 in Europe, 14 in the US), covering the entire range of fruit and vegetables

Advantages in Goods Logistics
- Standard packaging with the basic dimensions 60 x 40 cm and 40 x 30 cm
- Compatible with all primary pallet types (Europallets and ISO pallets in Europe, GMA pallets in the US)
- All RPC types are mutually compatible
- Optimum stacking properties for segregated and mixed dispatch units
- Highly suited to the use of jaw loaders, as well as the use of materials handling technology and automatic storage systems
- High level of transportation safety in loader and truck transportation
- Practical ergonomics for manual handling (handles on all four sides, stability)

Advantages in Sales
- Enhances sales through outstanding display properties
- Increased merchandising attractiveness through standardized containers
- Usable for chilled and humidified display counters
- Effect exchange of empty RPCs in produce departments takes less time and reduces labor costs
- Branding with advertising inlays or inserts possible

Advantages in Removal
- Fast, space-saving removal through simple folding of the empty RPCs, no waste disposal required
- Protection of the environment and natural resources through multiple reuse

Economic Advantages
- Significant reduction of damage to goods in storage and transportation
- Reduction of labor costs through improved handling
- Reduced costs for warehousing
- No costs for waste disposal
- Total cost savings of 23% compared with cardboard (Fraunhofer study)

Product Innovation

Based on our strategy to broaden our product line, we have developed new reusable packaging products, which are designed to address our customers' needs and carry all advantages and benefits of our fruit and vegetable RPCs.

EGG RPC

IFCO's new crate for fresh eggs advances RPC technology to improve protection and handling of a highly fragile commodity and offers an innovative feature in display-ready, one-touch merchandising at retail stores. The result is a transport packaging system that delivers a better quality egg to stores, reduces shrink and unsaleable eggs, and eases store labor in merchandising activities.

Advantages of the IFCO EGG RPC

- ☑ **Strong protection of eggs reduces product damage**
- ☑ **Superior cooling performance for egg quality and freshness**
- ☑ **Ergonomic design for improved handling**
- ☑ **Stable pallets during transportation**
- ☑ **Enables supply chain automation**
- ☑ **Saves time and labor at retail stores**
- ☑ **Folding side wall offers easy and attractive display of eggs to shoppers**
- ☑ **Efficient folding of crate for return and reuse**

Product Innovation

BANANA RPC

The banana crate is a breakthrough RPC that offers a sustainable packaging solution for fresh bananas in a global supply chain. From Latin American production to sourcing from the Winward Islands, IFCO's banana RPC has demonstrated its effectiveness and value for both North American and European markets. The RPC has been designed and tested to deliver a high quality banana to retail and to improve the handling and distribution of bananas.

Advantages of the IFCO BANANA RPC

- ☑ Saves time and costs at packing stations
- ☑ Durable protection of bananas from farm to store
- ☑ Eliminates corrugated box failures and compression damage
- ☑ Better pallet stability for shipments and handling
- ☑ Improved cooling and temperature management for fresher product
- ☑ Achieves ripening performance with airflow and temperature consistency
- ☑ Easy to handle at store level; saves time and labor
- ☑ Desired appearance and marketability of bananas on display

Product Innovation

BERRY RPC

IFCO's new RPC for fresh berries was designed to improve product quality and to offer supply chain savings with a more efficient transport packaging system. Strawberries are a highly perishable product and require effective protection and cooling through the supply chain. The crate has been proven to deliver on both objectives.

Advantages of the BERRY RPC

- ☑ Easy assembly and use in field-packed fruit
- ☑ Offers maximum pack and cube capacities
- ☑ Builds strong pallet foundation for distribution, including cross-stack patterns
- ☑ Reduces packaging costs and materials
- ☑ Facilitates the quick pre-cooling of berries and temperature management
- ☑ Delivers high-quality berries to market
- ☑ Folding efficiency reduces storage and transportation costs


IFCO

Product Innovation

MEAT BOX

The IFCO Meat Box was designed to suit the requirements for packed meat products and to ensure safe packaging, transport and good product display. They will eventually be available in 3 sizes, the first 2 of which shall be ready for the market during the first quarter of 2011.

Advantages of the IFCO MEAT BOX

- ☑ Excellent hygiene
- ☑ Optimized protection of the packaged products
- ☑ Alternative solution to one-way containers
- ☑ Very low folded height
- ☑ Suitable for sub-zero storage temperatures
- ☑ Holds up to 1 litre of liquid in case of seepage
- ☑ Easy to clean due to smooth surfaces
- ☑ Positive latching mechanism which is simple to operate
- ☑ Equipped with two-dimensional barcode and/or RFID chip
- ☑ 100% recyclable

Product Innovation

BEVERAGE TRAYS

Changing demographics and consumer behavior have impacted the beverage industry in recent years. The continuing trend in single person households and smaller families has led to rising demand for smaller packaging units with greater variety. As an example, the beverage industry has adjusted its product offerings with more small-sized beverage packages such as six-packs, multipacks and single bottles, instead of larger, heavier beverage crates.

Previously six-packs, multipacks and single bottles were transported either on disposable display pallets or with special multipack crates. They were then either sold directly from these pallets / out of the crates or repacked onto the retailers' shelves. Neither of these methods is ideal, as they either require significant labor, waste valuable storage space or are not appealing to the consumer. In case of the disposable display pallets there is in addition no possibility to return empties, typically empty beverage crates have to be shipped together with the display pallet.

IFCO has developed, in close collaboration with Delbrouck, an innovative system for the distribution, merchandising and return of small-sized beverage packaging. We believe this system offers economic and supply chain advantages for the beverage industry, retailers and beverage wholesalers, as compared to the distribution of small-sized beverage packages in traditional plastic crates or cardboard displays. The "IFCO-Dual-Tray-System" offers double the benefit as a result of its two-sided utilization, with one side offering space for single bottles, and the other side accommodating diverse multipacks. The products remain on the dual tray throughout the whole supply chain and can be merchandised directly at the point of sale (POS). After the product has been sold, the empty tray is available for the collection of empty containers, saving retailers valuable stock space as no crates for empties have to be stored.

This open pool system can support virtually all existing beverage distribution channels. IFCO's extensive network of service partners also offers a complete and customized range of cost-efficient services to both industry and retail distribution cycles. As the IFCO beverage trays are provided as a pooling system, industry benefits from no investment risk and just-in-time deliveries.

The Fraunhofer Institute confirmed the above findings that IFCO's beverage trays reduce costs. Their 2008 beer distribution study compared the cost-effectiveness of various packaging solutions and found that IFCO's beverage tray pool offers the following benefits:

- 30% savings vs. one-way displays
- 12.5% more bottles transported per comparable loading unit than in conventional distribution
- 80% reduction in handling costs at the retail store as compared to traditional shelf display


Schöfferhofer


RFID


IFCO
FRUIT &
VEGETABLES
IFCO
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Tracking and Tracing

Tracking and Tracing technologies are becoming more and more important to our customers. Especially in the food sector, the ability to trace goods movements has gained increasing significance due to heightened legislative requirements. Additionally, Tracking and Tracing technologies also play a key role in the automation and optimization of logistics processes throughout the entire supply chain.

Based on these requirements, IFCO has developed a high performance Tracking and Tracing solution. The core of this system is based on a web-based Tracking and Tracing software application that is capable of processing data from a wide range of different identification technologies, including one- and two-dimensional barcode, color code (optical image recognition) or transponders (RFID). The identification devices can be attached to individual transport containers and enable the complete Tracking and Tracing of products within the supply chain. The choice of identification technology depends on individual company requirements and applications.

Our Plastic Pallet as well as all our large containers (Magnum Boxes, Industrial FLCs) provide Tracking and Tracing capabilities via an integrated RFID chip and 2D barcode.

We anticipate that RFID (Radio Frequency Identification) technology will become the leading auto identification technology in the future. Although the costs of RFID technology continues to decline, the costs for RFID are still high or the technology is not yet suitable for implementation in certain applications. In these situations, the IFCO solution is open for the deployment of various technologies and at the same time supports the parallel utilization of different auto identification devices or a conversion at a later date. This open system solution provides the ability to implement a solution today that may be based on one- and two-dimensional barcode or color code and transition to RFID at some time in the future.

Via several joint pilot projects with customers as well as internal projects IFCO has gathered a lot of technical and operational Tracking and Tracing know-how: We are therefore very well prepared to implement such technologies as soon as the market demands them.

Pallet Management Services

Pallet Management Services Overview

- IFCO is North America's leading Pallet Management Services company and we believe IFCO offers the only true single-source, national solution to pallets needs.
- IFCO is uniquely positioned with the only nationwide network competing in a highly fragmented market.
- We handled more than 200 million wooden pallets in the US last year.
- Our US Pallet Management Service business diverted approximately 2 million tons of wood from landfills through the teardown and reuse of used wooden pallets and related components and saved more than 4 million trees last year through its pallet repair operations.
- Approximately 44 million tons of products were moved on our pallets last year.
- IFCO's Pallet Management Services business segment is supported by more than 3,000 employees at 160 service centers. These locations include 53 which are our primary pallet recycling centers and 107 other operating and satellite locations - many of which are located at or near our customers' retail distribution centers.
- Retailers such as Walmart, Kmart, Home Depot and Target; food producers such as Kellogg's, PepsiCo, Purina Mills, Del Monte, Tyson Foods and JBS USA; manufacturers such as Black & Decker, Cardinal Health, Georgia Pacific and Newell Rubbermaid; and technology leaders such as LG Electronics and Dell are all utilizing one or more of IFCO's services.

IFCO is North America's leading Pallet Management Services company, specializing in environmentally sustainable pallet programs throughout the supply chain. IFCO programs include the procurement, reconditioning and distribution of wood pallets to and from the manufacturing, distribution and retail sectors. Pallets are used in virtually all industries to transport products.

In 2010, we believe the US pallet market size was approximately US $6.8 billion. While the overall pallet market size declined during 2009 as a result of lower volumes and pricing pressure resulting from the recent economic recession, we believe this market size should continue to grow over the long-term as overall industrial activity develops.


40X48

Dominant Leader in the United States

The US pallet market consists of the sale of new pallets, the leasing or "pooling" of pallets, and the reconditioning or "recycling" of used pallets. IFCO focuses on pallet recycling and the surrounding supply chain logistics services – including pallet retrieval, procurement, handling, repair, transportation and tracking solutions – to provide comprehensive, 360-degree Pallet Management Services. Today, more than 40% of all US pallet sales are of reconditioned pallets – creating a market of close to US $3.0 billion.

IFCO's Pallet Management Services business segment generated US $333.1 million revenues in 2010 and remains the market leader for recycled pallets. We believe the total recycled pallet market size, measured in USD, remained largely flat in 2010, and we believe our national market share remained largely flat at approximately 13%. By comparison, IFCO believes the second largest provider accounts for less than 1% of the national market. Although we believe the 2009 recession also reduced the total number of competitors, the US pallet market remains heavily fragmented with approximately 2,600 predominantly local providers. IFCO is supported by 160 total locations, including 53 which are our primary pallet recycling centers and 107 other operating and satellite locations - many of which are located at or near our customers' retail distribution centers. IFCO also has 147 affiliate companies that help complete our geographical coverage.

Long-term growth opportunities in the US pallet market are equally as compelling as those in the RPC sector. IFCO remains uniquely positioned with the only nationwide network competing in a highly fragmented market. This gives IFCO decisive competitive advantages and enables us to provide single-source pallet management solutions to large manufacturers and retailers across a diverse range of industries and geography. Retailers such as Walmart, Kmart, Home Depot and Target; food producers such as Kellogg's, PepsiCo, Purina Mills, Del Monte, Tyson Foods and Pilgrim's Pride; manufacturers such as Black & Decker, Cardinal Health, Georgia Pacific and Newell Rubbermaid; and technology leaders such as LG Electronics and Dell are all utilizing one or several of IFCO's Pallet Management Services offerings. IFCO customers can optimize their logistics processes, achieve supply chain efficiencies and cost savings. We believe that our unique position and value added service offerings in the Pallet Management Services market will allow us to continue to profitably expand our leading market position.

IFCO Pallets

As in our RPC Management Services business, our Pallet Management Services operations combine high-value products with innovative and individual solutions for our customers. Our core business consists of acquiring used pallets, reconditioning the pallets and returning them to the supply chain. Pallets that cannot be repaired to our standards are dismantled into individual parts for use in the repair of other pallets or converted into useable byproducts like landscape mulch and bio-fuel, providing a very environmentally responsible product cycle.

IFCO offers a broad selection of pallets in different sizes – at a far lower price than new pallets. Our comprehensive evaluation process allows IFCO to offer customized and cost-efficient solutions to meet our customers' individual needs. With a transportation fleet of over 5,000 units and a nationwide service center network, we are also able to guarantee the on-time availability of the required pallets. IFCO sorted, repaired and reissued more than 200 million pallets in its Pallet Management Services business segment in the USA during 2010.

Pallet Management Services Solutions

To support the core business of pallet procurement and distribution, IFCO's scalable Pallet Management Services model enables us to offer a variety of value-added solutions to companies in a wide range of industries. Our solutions offer advantages for retailers, food producers and industrial companies alike. By outsourcing pallet management to IFCO, customers can concentrate on their core business instead of pallet-related issues.

In more detail, IFCO offers the following portfolio of logistics and management services:

- **Pallet Sort and Repair:** This individualized service entails sorting customer pallets, repairing damaged units and returning them to the customer's pallet distribution cycle. We make this service available at customer locations or at one of our IFCO service centers.

- **Warehouse Management and Logistics Services:** With Warehouse Management and Logistics Services, we provide comprehensive and individual Pallet Management Services solutions that include all aspects of pallet handling, sorting and tracking, as well as the handling of other returnables and disposal of waste items like cardboard and shrink-wrap.

- **Pallet Retrieval:** Pallet retrieval services allow our customers to recover value from used pallets. Pallets can be retrieved from the customers' distribution centers or their stores – whichever best fits their business. Our customers may earn credit towards future IFCO pallet purchases or choose to receive cash back for pallets retrieved.

- **Buy-Sell Programs:** This service is ideal for customers who have received pallets from third-parties that do not meet their specifications. IFCO will purchase these pallets, providing credit to the customer towards the purchase of IFCO pallets of the correct specification.

Additionally, our InXchange™ program allows IFCO's customers to deposit surplus pallets in one location and withdraw ready-to-use pallets in another – anywhere in our nationwide network. Customers can track all of their activity on our web-based PalTrax™ System – 24 hours a day.

As a packaging specialist, IFCO also offers custom wood crates and other packaging material to customers in the lawn and garden, heating and cooling and the personal recreation vehicle industries, to name a few. These cost-effective packaging solutions help reduce product damage as well as improve logistics and handling.

Due to our stringent quality standards, robust service network and sophisticated logistics management systems, IFCO customers in North America can rely on having the right number of highest grade pallets available and on time.

People

WORLDWIDE RESPONSIBILITY

How does IFCO move?
Motivating Employees

"On the fifth anniversary of Hurricane Katrina, IFCO's WLMS team painted, planted, put down 200 bags of mulch, donated a basketball goal, and partially gutted a hurricane-damaged historic home on an elementary school property which will eventually be used as a community center."

Tony Zinna – Vice President of Warehouse & Logistics Management Services of IFCO's Pallet Management Services Division, Houston, Texas, USA

WORLDWIDE **RESPONSIBILITY**


WORLD WIDE RESPONSIBILITY
TEAM IFCO
IFCO
MOV

How does IFCO move?
People

“We are very pleased that IFCO will support the Tafel‘s work for another four years. IFCO‘s support in the acquisition of refrigerated vehicles and their provision of reusable containers is a great help for the Tafel.”

Gerd Häuser – Chairman of Bundesverband Deutsche Tafel e.V., Berlin, Germany

Large image: **CEO Karl Pohler** symbolically hands over the keys to three delivery vehicles to Sabine Werth, Chairperson of Berliner Tafel e.V.

WORLDWIDE **RESPONSIBILITY**

DIE TAFELN
Essen, wo es hingehört


IFCO
ERLINER Taf
THANK
IFCO
M O

How does IFCO move?
Food Banks

"Providing the healthiest food possible to our state's hungry is job number one for the California food banks, and the support of companies like IFCO is critical to helping us achieve our goals."

Sue Sigler – Executive Director of the California Association of Food Banks, Oakland, California, USA

WORLDWIDE **RESPONSIBILITY**

California Association of Food Banks


IFCO
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Food Bank Goes Green

WORLDWIDE RESPONSIBILITY involves looking beyond economic objectives and assuming moral and environmental accountability on a global scale. For IFCO, it also means actively initiating projects that meet our high standards and sustainably improve our business world in the interests of humankind and the environment.

Within the WORLDWIDE RESPONSIBILITY initiative, IFCO does not only assume environmental and social responsibility as it has done in the past. We are taking our social responsibility a step further by launching new projects that set an example.

For many years, our standard has been to maintain close proximity to our customers and thus, to transported goods. Food Banks play an important role when it comes to food logistics for the needy. We became aware of how cost-intensive and problematic it is for these non-profit organizations to dispose of used, non-returnable packaging.

Our vision is to supply Food Banks worldwide with reusable containers and integrate these organizations into the efficient and environment-friendly cycle of reusable packaging. This is being achieved by co-financing delivery vehicles and providing reusable packaging solutions.

Under WORLDWIDE RESPONSIBILITY, IFCO furthers the changeover to reusable transport solutions and thus helps the Food Banks to reduce their waste disposal costs. In comparison to conventional corrugated packaging, IFCO's reusable "green crates" have considerable environmental advantages including reducing the greenhouse gas emissions potential by as much as 53% and ozone depletion by as much as 38%.

Sabine Werth, the founder of the German Food Bank movement and chairperson of the Berlin Food Bank: "We are most pleased to have found in IFCO a long-term supporter of the Food Bank whose 'green crates' help us make an important contribution to environmental protection."

Besides providing Food Banks with Reusable Plastic Containers, IFCO has co-financed 19 delivery vehicles for German Food Banks to ensure product delivery of fresh goods within the Food Banks network.

For this engagement, IFCO received the Food Bank Award 2010 at the 4th German Food Bank Day in Berlin. The award was made by the Food Banks' patroness and Federal Minister for Family Affairs, Dr. Kristina Schröder, and the chairman of the German Food Bank Association, Gerd Häuser.

"IFCO highly appreciates receiving this award and is looking to further cooperation with the Food Banks, thus facilitating the Food Banks' day-to-day business and directly contribute to environmental protection", said CEO Karl Pohler.

Worldwide Food Bank Support

During the 16th German Food Banks Conference, IFCO demonstrated the versatility of its Reusable Plastic Containers in a remarkably different way. A 200-meter long dinner table was set up on June 5, 2010, at which Berlin's needy as well as more than 800 volunteers from across Germany were invited for a joint meal. This table was built entirely from IFCO Reusable Plastic Containers. IFCO supplied more than 2,500 "green crates" to the Berlin Food Bank for this project. Since the conference, the environmentally friendly containers have been in use for the hygienic transport of food to benefit the needy.

IFCO strongly supports projects all over the world that focus on improving the Food Banks' environmental sustainability. IFCO has thus far equipped Food Banks in **Germany**, the **UK**, Brazil and Argentina with over 14,000 environmentally friendly reusable containers and in the **USA** provides them for the transport of fruit and vegetables directly from growers to the tables of the needy.

In **Brazil**, major Food Banks in the Sao Paolo region have received donations of IFCO's Reusable Plastic Containers to facilitate the transportation from donors. Patricia Rocha Veras, nutritionist at the Santo André Food Bank: "IFCO's donation of 'green crates' for the Food Bank is a great help. With this we can increase our donations, as it improves our way to transport food."

In **Argentina**, IFCO has established a contract with the Argentinian Food Bank organization which currently has a network of twelve Food Banks. IFCO supports the Argentinian Food Banks in two ways: By providing them with Reusable Plastic Containers in order to improve the transportation of fresh produce and also by making synergies between our customers and the Food Bank network to increase donation and naturally perform services with IFCO's environmentally friendly reusable containers.

At Fruit Logistica 2011, Karl Pohler, CEO of IFCO, symbolically presented Sabine Werth, the chairperson of the Berlin Food Bank, with the keys to three refrigerated vans. In the presence of **Ilse Aigner, the Federal Minister of Food, Agriculture and Consumer Protection**, the Berlin Food Bank also received 3,000 reusable containers for transporting the fresh produce displayed at the fair to Berlin's needy.

"For us, sustainable social responsibility as part of the WORLDWIDE RESPONSIBILITY initiative is a matter of great concern. We will continue to support the Food Banks with Reusable Plastic Containers and the co-financing of transport vehicles in the coming years", said Karl Pohler. "The job of the Food Banks – logistically optimized transport from producer to end-user – is the same as our original business field. IFCO and the Food Banks are perfect partners."

Young helpers of the Berlin Food Bank collecting fruit and vegetables for Berlin´s needy at Fruit Logistica trade fair

☑ 350 Food Bank helpers

☑ 150 tons of fruit and vegetables

☑ 3,000 RPCs free of charge

Business

WORLDWIDE RESPONSIBILITY

How does IFCO move?
Customers

"The environmentally friendly packaging system of IFCO enables CARREFOUR to further comply with its commitment to offer high quality and hygiene standards to its customers and to achieve cost savings and efficiency improvements over the entire supply chain of the Fruit & Vegetables Market."

Theodosios Staikopoulos – Supply Chain Director of CARREFOUR, Athens, Greece


Carrefour
IFCO

How does IFCO move? Customers

“The environmentally friendly packaging system of IFCO enables SPAR to achieve cost savings and efficiency improvements over the entire supply chain. IFCO’s European wide and national infrastructure and service competence were the determining factor for our decision in regard to this long lasting partnership.”

Dietmar Steiner – Business Process Manager Fruit & Vegetables of SPAR, Salzburg, Austria


SPAR
IFCO

How does IFCO move? Customers

“We at GADISA are highly satisfied with the service provided by IFCO. They have been an efficient partner for many years.”

Adolfo Díaz – Logistics Manager of GADISA, Betanzos, Spain


GADISA
IFCO

How does IFCO move? Customers

"El Árbol has always held IFCO to be an efficient partner which provides a high quality of service. We have an excellent relationship. The use of IFCO containers is a meaningful improvement to our picking and transport systems and makes them more profitable."

Miguel Ángel Lagunas – Logistics Manager of Grupo El Árbol, Valladolid, Spain


elárbol
supermercados
IFCO

How does IFCO move?
Customers

“DinoSol has worked with IFCO for many years. IFCO has always been an efficient partner and is a dynamic and flexible company.”

Fernando Caballero – Logistics Manager of DinoSol Supermercados, S.A., Madrid, Spain


GRUPO
DinoSo
IFCO
MO

How does IFCO move? Forward

“IFCO’s vision is to achieve, maintain, and drive global market leadership and profitability in all of our businesses. This target does not allow for complacence. It forces us to continuously challenge our strategies, extend our geographic boundaries as well as the scope of our offerings, address the specific demands of our customers, motivate our valuable employees, think beyond the edge and, finally, to scrutinize our previous decisions. We like to move IFCO and to be moved by IFCO.”

Dr. Michael W. Nimtsch – Chief Financial Officer of IFCO


IFCO

Management

IFCO's Board of Managing Directors and the Executive Management are dedicated to promoting our worldwide market leadership and enhancing the Company's value. Our management style is target and result oriented and provides scope for entrepreneurial action to every employee. We are all ultimately responsible for our own actions, but all of us are reliant upon guidelines which help us direct our daily activities. The main charge of IFCO's management is to set those guidelines. At the very core of IFCO's corporate guidelines lies the word responsibility: the duty to answer, the need to be responsible.

Ethics

We are aware of the importance of maintaining the trust and confidence of our employees, our customers, our shareholders and other stakeholders of IFCO. We achieve this by acting honestly, fairly and reasonably with each other and among all of these groups. This is the basis for the success of our businesses and the protection of our reputation.

Our Strengths

We believe the following key strengths have been primary drivers in our past success and will continue to contribute to our growth in the future:

Global Market Leader

We are the largest independent provider of reusable packaging solutions in the world and also the leading provider of Pallet Management Services in the United States.

We have leading market positions in our European, United States and South American RPC business, as measured by total number of RPC trips per annum with an estimated 41% market share in the European, an estimated 75% market share in the United States and an estimated 44% market share in the fast growing South American market.

In recent years, we have consolidated our market positions in our RPC business segment through a combination of targeting organic growth and taking advantage of strategic opportunities, as evidenced by our acquisitions of STECO in April 2008 and CHEP's US RPC activities in March 2006. We continue to see attractive growth potential across all our geographic markets, in particular, in the United States and South America, where market penetration of RPC usage still significantly lags Europe.

The combination of international reach and local presence enables us to meet the needs of our customers and retail partners, and to benefit from scale and scope relative to smaller operators. In particular, many of our retail partners are increasingly seeking cost effective, environmentally sustainable packaging solutions that are both customer and product friendly, and contribute to their own supply chain improvement and outsourcing strategy. Against this industry backdrop, the practical benefits of our RPC solutions and the reach of our global network provide us with an advantage relative to our competitors who primarily comprise smaller RPC packaging service providers and cardboard packaging manufacturers.

In Pallet Management Services, we are the largest nationwide single-source solutions provider in the United States with a share of 12.6% of the recycled pallet market. The United States PMS market was estimated at US $6.81 billion in 2010, not having grown during the last two years due to the worldwide recession. The market we operate in is characterized by a high degree of fragmentation with a large majority of the providers being small, local operators without the scale and capabilities required to compete for regional and national customers who are increasingly seeking solutions on a regional or nationwide scale.

Strong Industry Fundamentals

The global RPC industry has shown positive trends and offers attractive opportunities to grow. As the market leader, we believe we are well positioned to take advantage of these opportunities. At the end of 2010, based on RPC usage potential by retailers already using RPCs, the market potential in fruit and vegetables in our core markets was estimated to be approximately 11.1 billion trips per annum, with Europe accounting for 7.5 billion trips, the United States accounting for 2.6 billion trips and South America accounting for 1.01 billion trips, respectively. Of this market potential, only approximately 22% in Europe and 17% in the United States is currently being addressed by third-party pooled providers of RPC Management Services, underlining the significant degree of underpenetration of RPC usage. Furthermore, retailers who do not currently use RPC packaging for fruit and vegetables are estimated to represent additional market potential of 3.4 billion trips per annum, further emphasizing the structural growth potential of the RPC management industry. The RPC market represents a global opportunity as several markets structurally move away from traditional packaging solutions.

In addition to market underpenetration, there are several other fundamental drivers for the RPC market in fruit and vegetables: (i) food retail and consumption growth which historically has shown limited cyclicality and volatility; (ii) increased outsourcing of packaging solutions by retailers and producers in order to focus on their core competencies; (iii) increasing degree of supply chain improvement which minimizes cost and complexity for the retailers and maximizes efficiency of the “field-to-shop” product cycle; (iv) awareness of the ecological impact brought about by the modern economy, with the focus on increasing reusability and recyclability; (v) ever more stringent food safety and environmental regulations; and (vi) growing awareness of diet and desire for healthier living amongst the general population. Over and above the fruit and vegetable RPC market, we see opportunities in other applications for reusable packaging in products such as meat and eggs, where we have started addressing.

At the end of 2010, the United States pallet market was valued at US $6.81 billion, with US $2.65 billion, or approximately 40% of the market, represented by recycled pallets. Historically, long term growth rates in the overall pallet market have been in line with general economic growth, whilst the recycled pallet market segment has grown faster due to the increased share of the recycled segment relative to the entire market over time. Several of the above-mentioned structural growth drivers for the RPC market also apply to the recycled pallet market, the most prominent of which are increased outsourcing and improvements to supply chain management, and the ability to reduce ecological footprint. We continue to see growth opportunities to grow both organically and through acquisitions in this market.

Advertisement in English

Well-Invested Platform

In both RPC and PMS, our scale platform is the key to maintaining our competitive advantage and sustaining the high barriers that make it difficult for current and future competitors to replicate our successful business model.

- **Well-Invested Infrastructure:** As of December 31, 2010, we operated a worldwide pool of over 116 million RPCs from 210 locations across 39 countries, including 50 service centers and delivery depots. In our PMS activities, with 160 locations and over 5,000 transport units, we have established ourselves as the only true single-source and nationwide provider of pallet services across the United States. As a result, PMS has built strong partnerships with most of the top retailers in the US.

- **In-Depth Market Knowledge and Service Solutions:** During the course of 2010, we served worldwide more than 90 retailers and over 8,700 producers, offering a range of 24 different RPC solutions. Similarly in PMS, we served more than 2,800 customers. As a result, our market knowledge and capabilities are significant.

- **Pool Management Expertise:** By efficiently utilizing our global RPC pool, we managed more than 550 million RPC trips in 2010. Co-ordinating the movement of around 475 third-party truckloads of RPCs every day, our RPCs transported goods with a total weight of more than 4.7 million tons.

- **Operational Excellence:** In order to improve the RPC turn efficiency and achieve the high standards we have set, each component in our operations has been designed and tuned to a high quality. By way of example, each commercial decision is taken based on rigorous internal analysis of key indicators; cost of sales per trip is measured in three decimals; and an asset control function is dedicated to safeguard our assets and enhance the control efficiency.

Our nationwide PMS network in the United States provides for a synergistic combination with our RPC business, with the key benefits being: (i) cross-selling opportunities from PMS into RPC given the significant overlap of PMS customers and retailers particularly targeted by RPC; (ii) ability to leverage PMS' exceptional network capabilities in handling the transport of RPCs; (iii) shared back-office, administration and other overhead functions between PMS and RPC; and (iv) financial advantages of utilizing cash generation by PMS to help drive our RPC market penetration in the United States.

Attractive Business Model

We believe our business model positions us to take advantage of industry growth trends while building in a demonstrable measure of resiliency, with our success in operational execution ensuring the conversion of the business model to profitable growth.

- **Supply Chain Cost and Handling Efficiency:** By adopting RPC, both producers and retailers benefit from material operational and economic advantages such as, the usage of RPC substantially removes the need for any additional handling between the produce leaving the grower and arriving on display at the retailers, thereby reducing the cost associated with logistics and preserving the quality and freshness of the produce facing the consumer. For retail, the total cost savings from using RPC to replace cardboard is estimated to be 23% (Source: Fraunhofer study, 2006). In becoming a customer of PMS, retailers enjoy a similar set of supply chain enhancement benefits. For a major retailer, it would typically enjoy cost savings using our Pallet Management Services compared to the traditional pallet rental model.

- **Environmental Benefits:** Both RPC and PMS businesses provide inherent environmental benefits. Being 100% reusable and recyclable, our RPC solutions are ecologically superior to traditional one-way packaging solutions as they are characterized by lower ozone depletion potential of up to 38%, lower summer smog potential of up to 51% and lower greenhouse effect potential of up to 53%. In addition, given our expertise in reconditioned pallets, our PMS business diverted approximately 2 million tons of wood from landfills and saved 4.1 million trees in 2010 (Source: Company information).

- **Extensive Geographic Coverage:** With RPC operations in 39 countries and a PMS network across the entire United States, our diverse geographic business mix provides us with the ability to achieve economies of scale while at the same time protecting us against economic fluctuations in specific regions, within each of our two business segments. With our global presence we believe we are well positioned to take advantage of opportunities in fast growing countries, for example, by growing with our customers and retail partners who are seeking to reduce complexity and costs on a global basis by reducing the number of companies with whom they conduct business.

- **Comprehensive Product and Service Offering:** Across our global RPC pool, we offer 24 different types of RPC solutions, which is more than our competitors. We believe our comprehensive offering of RPC solutions, speed and flexibility of delivery allow us to capitalize on growth opportunities in attractive customer groups. Our RPC product line, which continues to evolve, also enables us to deepen the established relationships with our retail partners and increase the organizational and financial hurdles to their switching to alternative RPC service suppliers. Equally, for our PMS activities we provide a comprehensive solution to our clients ranging from The Home Depot to Tyson Foods.

- **Diverse End-Market Exposure:** Serving over 90 of the world's largest retailers and 8,700 of growers and producers across 39 countries, our RPC business' customer base is highly diversified. Similarly, the end-market diversity in the PMS segment is driven by a combination of its blue chip customer base and the industry sectors it serves which range from agriculture to food to paper.

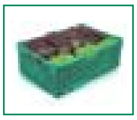
- **Discipline in Commercial Decision Making:** The key terms of each contract in RPC is subject to internal analysis of key indicators, including a break-even analysis. Moreover, all RPC contracts that are due to expire within 12 months receive special sales focus, with the result that a majority of our contracts are renewed in advance of their expiry.

- **Cost and Asset Control:** With over 550 million RPC trips per annum, we measure our cost of sales per trip in three decimals and closely monitor this development. We have a dedicated asset control function operating across RPC and PMS, facilitated sophisticated asset tracking and management systems. This enables us to not only safeguard our assets but also achieve further efficiencies in our pool management.

Advertisement in German

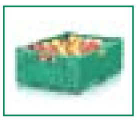
IFCO

Ein Bild sagt mehr als tausend Worte

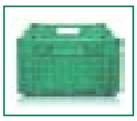


✓ Frische

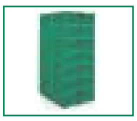
✓ Displayeigenschaften



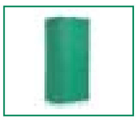
✓ Hygiene



✓ Nässeschutz



✓ Transportsicherheit



✓ Wiederverwendbarkeit

IFCOs Mehrwegbehälter schonen die Umwelt und reduzieren Kosten.

WORLD WIDE RESPONSIBILITY

www.ifco.com
www.worldwide-responsibility.com

Positioned for Strong Growth

Leveraging the strengths of our global network and the value-add services we bring to our customers, we believe we are well-positioned to capture the opportunities our market offers and drive our growth to become the most trusted global provider of RPC and PMS services.

- **Increase Penetration of Current Markets:** Increasing the rate of penetration with existing customers and in currently active markets is a key element for RPC to drive future growth. As evidenced above, there is to date significant underpenetration across all of RPC's markets, particularly in the segment of hard discounters in Europe and regional and national retailers in the United States. For PMS, further penetration will be achieved by increasingly targeting national accounts.

- **New Market Expansion:** Outside Europe and the United States, we continuously monitor opportunities to enter into new markets that we believe are ready for adopting RPC solutions at a scale that makes business and financial sense to us. Eastern Europe represents an apt example of such a market given its total population of 330 million inhabitants, which we believe could translate into a net RPC market potential of almost 1.4 billion trips per annum. Brazil represents another example in which we replaced the former RPC provider for one of the country's leading food retailers and we are already in advanced discussions to provide our services to several other leading retailers in Brazil.

- **Product and Service Innovation:** We have continuously been developing our products and services in close co-operation with our customers and retail partners. By way of example, RPC US together with its main customers has developed specialized RPCs for bananas, berrys and eggs. RPC Europe has been working closely with its retail partners in developing a beverage tray solution to better suit the consumer trend towards increasing multipacks. Market potential in Germany alone is estimated to be approximately 200 million trips per annum (30% of annual volume of beer, water and non-alcoholic drinks sold to retail stores). In PMS, the scope for innovation is primarily in expanding existing services and providing additional value-add services, such as for example reverse logistics which has been comprehensively adopted by one of our largest customers. Over and above increasing the market potential of our businesses, we believe that continuous product and service innovation is key to deepening our customer and partner relationships and further enhancing our competitive position.

- **Leveraging Existing Platform:** Through our extensive depot network we enhance efficiency for us and our customers and retail partners and we increase the utilization of our RPC pool. We are constantly reviewing and adjusting our logistic structure in order to optimize our depot network.

- **Continued Industry Consolidation:** Further consolidation of the industries we are in, will support our growth. We will leverage our previous experience in successfully integrating businesses.

Advertisement in Italian

Track Record of Profitable Growth

Since our restructuring in 2002 we have a track record of profitable and robust growth. Revenues increased organically by making use of growth potential in our existing customer base, new customer wins, new products and service offerings, through geographic expansion and through acquisitions. We have increased margins through economies of scale effects and by implementing various cost control measures aimed at improving the efficiency of our operations in both our RPC and pallet businesses. Because of the capital intensity of our RPC business segment, one of our key goals in the RPC business has been to improve the efficiency of our pool utilization to increase our returns on invested capital. Our Pallet Management Services business requires low levels of capital expenditures and is therefore highly cash generative. Our capital requirements for our organic growth are funded by our own cash generation.

Highly Experienced Management Team

We have developed an entrepreneurial and highly motivated management culture throughout our organization. The profitability- and returns-driven management orientation is based in our corporate culture and reflected in our compensation system, which holds local management accountable and incentivizes them to achieve individually established Key Performance Indicators (KPIs). Rather than focusing solely on volume or sales, our incentive compensation system takes into account a broad range of KPIs including revenue, profitability, returns on invested capital, customer wins compared to prior year and working capital management.

Our Management Board consists of experienced senior managers who combine almost 40 years of experience in IFCO. Karl Pohler, our Chief Executive Officer, joined IFCO in 2001; Dr. Michael W. Nimtsch, our Chief Financial Officer, joined in 2000 and has over 25 years of experience in finance and audit positions. Wolfgang Orgeldinger, our Chief Operating Officer, also joined IFCO in 2000; and David Russell, our President for North America, joined IFCO in 2000 and has close to 30 years of experience in the North American equipment rental industry. Together, these individuals lead a management team that is highly experienced in the industry, characterized by strong commitments to profitable growth and safety, with strong track records and project management skills.

Our Strategies

Our main objective is to be the preferred RPC and PMS provider for our customers globally and to lead the industry in growth, profitability and returns. To achieve this objective we have adopted a strategy that we seek to implement through a combination of global and regional initiatives focused on:

Increase Market Share of our European RPC Business

Developing Businesses with Existing Customers: We believe that the relatively low level of RPC penetration in the fruit and vegetable packaging industry in Europe offers significant potential for continued growth. We intend to increase our penetration into our existing retailer base by expanding the products for which these retailers use our RPCs and gain new national and regional retailers in other countries and regions. Based on our experience, we believe that regional users are attractive as well as their narrow geographic distribution often means that RPCs travel shorter distances and make more frequent trips.

New Geographic Focus: We have over the past two years focused on increasing our presence in the Eastern European RPC market, a process that was accelerated by the acquisition of STECO in 2008, and intend to continue to do so.

New Applications: We also plan to continue to broaden our product line by developing new reusable packaging products, which are designed to address our customers' needs in a variety of situations. We believe our extensive market knowledge, know-how in RPC pool management and long-standing relationships with retailers make us well positioned to benefit from the increasing penetration of RPCs in Europe.

Expand RPC Business in the United States, South America and the Rest of the World

Growing Infrastructure: We intend to continue to expand our growing RPC business in the United States making use of the investments that have been made to our RPC pool, including as a result of the acquisition of CHEP USA's RPCs and related washing infrastructure in 2006. We plan to continue making significant investments in our RPC infrastructure to meet growth potential in the US RPC market and to continue developing our relationship with existing retailers such as Kroger, Walmart and Stater Bros., as well as targeting new retailers.

Product and Customer Relationship Development: We will seek to draw upon our European RPC expertise and client contacts to further penetrate our existing client base and win new customers. In addition, we have developed and have launched new products in the United States including an RPC for bananas and for storage and transportation of eggs.

Regional Expansion: We also plan to continue expanding our presence in South America by focusing on large rural regions, which offer comparatively high turns of our RPC pool and generate above average profitability. We believe that the Brazilian market in particular offers significant potential for growth.

Expansion in the Rest of the World: We are also preparing our market entry in India and China by continuously screening market entry opportunities with local presences already established.

Drive Broader Industry Trends in Expanding the RPC Application to Segments such as Bananas, Eggs, Meat and Beverages

We intend to drive the introduction of customized RPCs for related products to further gain market share within the packaging demand of existing and new customers. These products could gain in importance for our overall solution offering based on the inherent advantages of our RPC solutions. Although the introduction of new products requires a lead-time of several years, the additional costs borne by us remain fairly moderate. We are preparing the necessary adoption processes by our customers by continuously marketing the advantages of our innovative solutions.

Advertisement in Spanish

Increase Margins through Strong Volume Growth and Ongoing Cost Reductions

Operational Efficiency: A key target of our management is to improve the efficiency of our RPC pool utilization in order to increase returns on our invested capital. We constantly review the pipeline of RPCs at growers' and retailers' depots in order to improve the length of a cycle. These initiatives have impressively shown the worth for all participants in the IFCO cycle.

Cost Control: We believe we have a flexible cost structure with a substantial portion of our cost base consisting of variable costs, which gives flexibility in expanding or contracting our cost base. We believe there is potential for additional cost reductions from economies of scale and efficiency gains, and intend to continue implementing programs to improve RPC pool utilization.

Higher Quality Asset Base: In 2006, we completed a significant upgrading of our RPC pool which we believe has improved RPC loss rates, reduced RPC breakage rate and reduced the average RPC fleet age.

Further Increase Leading Market Share of our US Pallet Management Services Division

Increase Geographic Coverage: The US pallet services market is highly fragmented, estimated to have approximately 2,600 local providers. We intend to use our position as the only nationwide provider of Pallet Management Services, with a total of 160 service centers and a transportation fleet of over 5,000 units, to further expand our geographical coverage by adding new locations to our network through our national network development program.

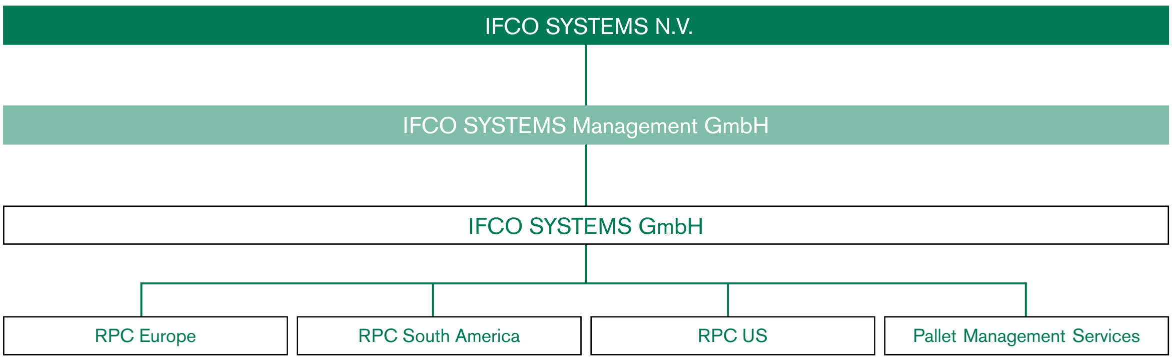
National Sales Program: In order to serve our customers that require nationwide pallet services, we intend to enhance our national sales program. We believe that most of our competitors in pallet services are small, privately held companies that operate in only one location. By developing a national sales program and expanding our national sales accounts, we will seek to be a leading national player in this growing US market and increase our market share

Corporate

Corporate and operating structure

Corporate information

Our registered name is IFCO SYSTEMS N.V. We were incorporated under the laws of the Netherlands on March 31, 1999. Our registered seat is in Amsterdam, the Netherlands, where our offices are located at Evert van de Beekstraat 310, 1118 CX Schiphol Centrum, the Netherlands. We also maintain operational headquarters in Pullach, Germany, and in Houston, Texas in the United States.



IFCO SYSTEMS N.V. is a holding company with a number of operating subsidiaries, which are shown above. This chart does not reflect the exact and entire legal structure of IFCO. Our significant subsidiaries are described in the following table along with our principal indirect subsidiaries:

Subsidiary	Jurisdiction of Organization	Percentage Ownership	Direct or Indirect Ownership by IFCO SYSTEMS N.V.
IFCO SYSTEMS Management GmbH (1)	Germany	100.0%	Indirect
IFCO SYSTEMS GmbH (2)	Germany	100.0%	Indirect
IFCO SYSTEMS North America, Inc. (3)	Delaware (US)	100.0%	Indirect
Reusable Container Company LLC (4)	Delaware (US)	100.0%	Indirect

(1) This subsidiary is also a holding company and owns all of the capital stock of IFCO SYSTEMS GmbH (direct), IFCO SYSTEMS North America, Inc. (indirect) and Reusable Container Company LLC (indirect). The business address of IFCO SYSTEMS Management GmbH is Zugspitzstrasse 7, 82049 Pullach, Germany. Its registered seat is Munich.

(2) IFCO SYSTEMS GmbH operates in Germany and has operating subsidiaries in other countries mainly in Europe but also in North and South America. Its percentage ownership in the European and North and South American subsidiaries is always greater than 99%. IFCO SYSTEMS GmbH also has a 99.0% interest in a Hong Kong subsidiary and a 33.3% interest in a Japanese joint venture. The business address of IFCO SYSTEMS GmbH is Zugspitzstrasse 7, 82049 Pullach, Germany. Its registered seat is Munich.

(3) We conduct our Pallet Management Services operations through indirect wholly owned subsidiaries of IFCO SYSTEMS North America, Inc. The registered address for IFCO SYSTEMS North America, Inc. is 13100 Northwest Freeway, Suite 625, Houston, Texas 77040, US.

(4) The shareholder of Reusable Container Company LLC is IFCO SYSTEMS North America, Inc. The registered address of Reusable Container Company LLC, the legal entity in which we conduct our RPC related operations in the United States, is 4343 Anchor Plaza Parkway, Suite 230, Tampa, Florida 33634, US.

Report of the Supervisory Board

The Board of Managing Directors has authorized the financial statements for 2010 and submitted such statements to the Audit Committee for review. Based on the recommendation of the Audit Committee, the Supervisory Board approved the financial statements 2010. Ernst & Young Accountants LLP have audited the financial statements 2010 and approved them without qualification.

This Annual Report contains the Report of the Board of Managing Directors and the Consolidated Financial Statements. This Annual Report together with the Separate Financial Statements and the Other Information, which have been issued separately in the Separate Financial Statements, form the statutory annual report.

Board Structure

Supervisory Board

According to the Articles of Association:

The Company has a Supervisory Board, consisting of at least three (3) natural persons, the precise number of whom is determined by the General Meeting of Shareholders. Presently the Supervisory Board consists of eight (8) natural persons.

The Supervisory Board members are appointed by the General Meeting of Shareholders for a maximum term of four (4) years, provided that, unless a Supervisory Board member retires earlier, his appointment term expires on the day of the next General Meeting of Shareholders to be held in the fourth year after the year of his appointment. At expiration of this term a Supervisory Board member can be reappointed with due observance of the provisions in the previous sentence, provided always that a Supervisory Board member may not serve more than three (3) consecutive four-year terms. A Supervisory Board member may at any time be suspended and dismissed by the General Meeting of Shareholders.

The duty of the Supervisory Board is to supervise the policies of the Board of Managing Directors and the general course of affairs of the Company and its affiliated business. It shall give advice to the Board of Managing Directors. The Supervisory Board can give instructions to the Board of Managing Directors outlining the Company's general financial, social, economic, investment, staffing and environmental policy.

The Supervisory Board has established an Audit Committee, a Remuneration Committee and a Selection and Appointment Committee whose duties, responsibilities and processes are set out in separate charters (see below).

The Supervisory Board shall meet as often as a Supervisory Board member or the Board of Managing Directors may deem necessary. In the meeting of the Supervisory Board each Supervisory member has a right to cast one (1) vote. All resolutions by the Supervisory Board shall be adopted by an absolute majority of the votes cast.

Members of the Supervisory Board

Name	Age	Position	Nationality
Dr. Bernd Malmström	69	Chairman	German
Michael Phillips	49	Vice Chairman I	Canadian
Christoph Schoeller	53	Vice Chairman II	Swiss
Hervé Defforey	60		French
Ralf Gruss	38		German
Korbinian Knoblach	33		German
Jürgen Rauen (from April 13, 2010)	64		German
Peter M. Schmid (from April 13, 2010)	61		German

On April 13, 2010 the extraordinary General Meeting of Shareholders appointed Mr. Jürgen Rauen and Mr. Peter M. Schmid as members of the Supervisory Board.

The Supervisory Board aims for an appropriate combination of knowledge and experience amongst its members:

Dr. Bernd Malmström became member of the Supervisory Board of the Company in December 2005. He was elected as Chairman of the Supervisory Board of the Company on September 26, 2006. Mr. Malmström was initially appointed for a period of four (4) years and was reappointed for another period of four (4) years on March 27, 2009. Mr. Malmström studied law at the universities of Kiel and Freiburg (Germany) and holds a PhD in law. Mr. Malmström works as a lawyer. Prior to that, he has held various management positions at Deutsche Bahn AG, Stinnes AG, Schenker-Rhenus-Group and VEBA AG. Mr. Malmström also serves as a member of the Board of the following companies: BLG Logistics Group AG & Co. KG (Advisory Board), Deutsche Afrika-Linien GmbH & Co. KG (Advisory Board), time:matters GmbH (Chairman of the Advisory Board), HHLA Intermodal GmbH (Supervisory Board), K+S AG (Supervisory Board), VTG AG (Supervisory Board), Lehnkering GmbH (Chairman of the Supervisory Board) and Schweizer Bundesbahn SBB AG (Board of Administration).

Michael Phillips was Director C in the Board of Directors of the Company since December 2003. He resigned as member of the Board of Directors in August 2005, and became member and first vice chairman of the Supervisory Board of the Company in August 2005. Mr. Phillips was initially appointed for a period of four (4) years and was reappointed for another period of four (4) years on March 27, 2009. He is a graduate in engineering chemistry from Queen‘s University in Kingston, Canada, and also holds an MBA from INSEAD, where he graduated with distinction. Upon graduating from University, Mr. Phillips worked at Ciba Geigy Canada Ltd. as a manager in the plastics additives division. He then spent three years at OTTO Waste Management Ltd. in Cologne. Mr. Phillips currently works for and is a director of Apax Partners Beteiligungsberatung GmbH and Apax Partners LLP. He is also a Director of Capio Healthcare Group, Mueller Brot GmbH, and Anker Brot AG.

Christoph Schoeller was Chairman of the Board of Directors of the Company since December 2002, and a Director B as of March 2000. He resigned as member of the Board of Directors in August 2005, and became member and second vice chairman of the Supervisory Board of the Company in August 2005. Mr. Schoeller was initially appointed for a period of four (4) years and was reappointed for another period of four (4) years on March 27, 2009. He graduated in mechanical engineering from the Swiss University ETH Zurich in 1982. In 1992, he co-founded IFCO SYSTEMS GmbH and MTS with his brother, Martin Schoeller. Mr. Schoeller was responsible for advancing both IFCO SYSTEMS Europe's and MTS's market and product development and logistics network. In 1982, Mr. Schoeller joined the Schoeller group of companies and presently serves as one of its Managing Directors. Mr. Schoeller was a member of the Supervisory Board of Trans-o-flex Schnell-Lieferdienst AG, a logistics company, and was formerly a member of the Supervisory Board of Danzas Holding AG, a logistics company, until its merger with Deutsche Post AG. Mr. Schoeller is also a member of the Advisory Board of Syntek Capital AG. On January 18, 2008, Mr. Schoeller became a Supervisory Board member of Schoeller Arca Systems N.V..

Hervé Defforey became member of the Supervisory Board of the Company in August 2005. Mr. Defforey was initially appointed for a period of four (4) years and was reappointed for another period of four (4) years on March 27, 2009. Mr. Defforey holds a degree in Business Administration/Economics from the University of St. Gallen Switzerland. Mr. Defforey is an operating partner of GRP Ventures, USA. Prior to joining GRP Ventures, USA he held various management positions at Carrefour S.A., Azucarrera EBRO S.A., BMW AG, Chase Manhattan Bank N.A. and Nestlé. He also serves on the Boards of Kyriba Sas, Ulta, Inc. and X5 Retail Group (chairman of the Supervisory Board).

Ralf Gruss was a Director C of the Board of Directors of the Company since December 2003. He resigned as member of the Board of Directors, and became member of the Supervisory Board of the Company in August 2005. Mr. Gruss was initially appointed for a period of four (4) years and was reappointed for another period of four (4) years on March 27, 2009. He holds a degree with distinction in financial economics and industrial engineering from the University of Karlsruhe and studied financial economics as well as business administration at the London School of Economics and the University of Massachusetts (Boston). Upon graduating, Mr. Gruss worked as a project manager for Arthur D. Little International Inc.. Mr. Gruss had been with Apax Partners Beteiligungsberatung GmbH from 2000 until 2009 and with Apax Partners Hong Kong Limited from 2009 until 2010. In 2010, Mr. Gruss has rejoined Apax Partners Beteiligungsberatung GmbH, further focusing on leveraged transactions, financial services and business services companies. He also serves on the Supervisory Board of LR Global Holding GmbH.

Korbinian Knoblach became member of the Supervisory Board of the Company in March 2009. Mr. Knoblach was appointed for a period of four (4) years. He attended the University of Regensburg (Germany), Tulane University in New Orleans (USA) and holds a degree with distinction in business administration from Leipzig Graduate School of Management (HHL). Mr. Knoblach is currently employed by Apax Partners Beteiligungsberatung GmbH, he joined Apax Partners in 2002 focusing on leveraged transactions in the financial services and business services space.

Jürgen Rauen became member of the Supervisory Board of the Company in April 2010. Mr. Rauen was appointed for a period of four (4) years. He holds a degree of economics and marketing from the Technische Akademie Wuppertal and business administration from the International Institute for Management Development, Geneva. Mr. Rauen is Managing Director of Rauen Consult GmbH, Kitzbühel/Austria. Until his retirement he has been President and CEO of Veolia Environment Central Europe. Prior to that he held several CEO and management positions in SULO GmbH, Ernstmeier-Beteiligungs GmbH and the paper industry. He also serves as a Chairman of the Supervisory Board of Dorma KGaA and as a member of the Advisory Board of Plastic Omnium Auto Components GmbH.

Peter M. Schmid became member of the Supervisory Board of the Company in April 2010. Mr. Schmid was appointed for a period of four (4) years. He is a certified public accountant (Wirtschaftsprüfer) and tax advisor (Steuerberater). He studied at the Technical University of Berlin and holds a degree in business administration. Subsequently he was for more than 20 years with Arthur Andersen and became a Partner in 1991. He joined Ernst & Young in September 2002 as a result of the Ernst & Young - Arthur Andersen merger in Germany. Until his retirement he was in charge of the Munich Tax Transaction Support Practice. His focus is on consulting for international clients particularly for corporate finance and merger & acquisition.

Mr. Knoblach has been employed by Apax Partners Beteiligungsberatung GmbH ("Apax Partners") since 2002, and was employed by Apax Partners L.P. ("Apax Partners US") from 2007 to 2009. Mr. Gruss had been with Apax Partners Beteiligungsberatung GmbH from 2000 until 2009 and with Apax Partners Hong Kong Limited from 2009 until 2010. In 2010, Mr. Gruss has rejoined Apax Partners Beteiligungsberatung GmbH. Mr. Phillips has been employed by Apax Partners since 1992.

Mr. Gruss has been a director of Apax Partners between 2006 and 2009, he resigned as director of Apax Investment (Shanghai) Company Ltd in March 2010 and was reappointed as a director of Apax Partners in April 2010. He currently also serves as a director of Apax Partners Hong Kong.

Mr. Phillips is a director of Apax Partners, Apax Partners Holdings Ltd. ("Apax Partners Holdings"), Apax Partners Worldwide Holdings Ltd ("Apax Partners Worldwide Holdings"), Apax Partners US Holdings Ltd ("Apax Partners US Holdings"), Apax Investment (Shanghai) Company Ltd (Apax Partners Shanghai) and Apax Partners Hong Kong, and he is a partner and member of the executive committee of Apax Partners LLP ("Apax LLP").

Apax Partners Beteiligungsberatung GmbH, Apax Partners LP, Apax Partners Hong Kong Ltd, Apax Investment Management (Shanghai) Company Ltd, and Apax Partners Holdings Ltd have each entered into sub-investment advisory agreements with Apax Partners LLP. Apax Partners Worldwide Holdings Ltd, Apax Partners US Holdings Ltd, Apax Partners LP, Apax Partners Hong Kong Ltd, and Apax Investment Management (Shanghai) Company Ltd are members of the Apax Partners LLP group of companies. Apax Partners LLP is investment advisor to Apax Partners Europe Managers Ltd ("Apax Europe"). Apax Europe is the discretionary investment manager and custodian of the limited partnerships which collectively constitute the Apax Europe V Fund ("AEV"). AEV is the beneficial owner of Cortese N.V. and Island International Investment Limited Partnership ("Island LP"). Cortese N.V. is the managing general partner of Island LP, the majority shareholder of the Company. Neither Mr. Knoblach, Mr. Gruss nor Mr. Phillips are employed by, or are directors of, Apax Europe, AEV, Cortese N.V. or Island LP.

Conflict of interest of members of the Supervisory Board

The Supervisory Board was informed about a potential conflict of interest at the level of the Board of Managing Directors relating to the voluntary public takeover offer made by Brambles Investment Limited for all issued ordinary shares in the capital of the Company (please refer to paragraph "Conflict of interest of members of the Board of Managing Directors" of this annual report for further information). Supervisory Board members Mr. Schoeller, Mr. Gruss, Mr. Knoblach and Mr. Phillips may have or have a potential conflict of interest with respect to the assessment of the conflict of interest at the level of the Board of Managing Directors. Consequently, Mr. Schoeller, Mr. Gruss, Mr. Knoblach and Mr. Phillips did not participate in the discussion and abstained from voting in the decision-making with respect to the assessment of the conflict of interest at the level of the Board of Managing Directors. The Company has complied with BPP III.6.1 up to and including BPP III.6.3 of the Dutch Corporate Governance Code in this respect.

Independence of the members of the Supervisory Board

Mr. Schoeller indirectly owns 19.2% in capital stock of the Company. Mr. Schoeller and some of his family members directly hold 2.4% in capital stock of the Company. Mr. Malmström directly holds 0.06% in capital stock of the Company. Mr. Schoeller and Mr. Malmström can therefore not be regarded as independent when applying the criteria listed in BPP III. 2.2. of the Corporate Governance Code. The other members of the Supervisory Board are independent. The Supervisory Board members who have been members of the Board of Managing Directors in the past, were non-executives and not responsible for the management of the Company at that time. Accordingly, in the opinion of the Supervisory Board the Company complied with BPP III.2.1 of the Corporate Governance Code (Independency of Supervisory Board members).

Board of Managing Directors

According to the Articles of Association:

The Board of Managing Directors is in charge of managing the Company. It shall consist of one or more Managing Directors. The precise numbers of Managing Directors shall be determined by the General Meeting of Shareholders.

The Managing Directors are appointed by the General Meeting of Shareholders. They are appointed for a maximum period of four (4) years, provided that, unless a Managing Director resigns at an earlier date, his appointment term ends on the day of the next General Meeting of Shareholders to be held in the fourth year after the year of his appointment. A Managing Director can be reappointed for consecutive periods of not more than four (4) years and with due observance of the provisions in the preceding sentence. Mr. Pohler became a member of the Board of Managing Directors before the four year appointment period was included in the Articles of Association and therefore, the four year term does not apply to him.

The Board of Managing Directors meets frequently and as often as a Managing Director requests a meeting. In the meeting of the Board of Managing Directors each Managing Director has a right to cast one (1) vote. All resolutions by the Board of Managing Directors shall be adopted by an absolute majority of the votes cast. The Board of Managing Directors visits the subsidiaries of the Company on a regular basis. Periodically, the Board of Managing Directors receives detailed management reports of the subsidiaries of the Company.

The Board of Managing Directors shall timely provide the Supervisory Board with any such information as may be necessary for the Supervisory Board to perform its duties.

Members of the Board of Managing Directors

Name	Age	Position
Karl Pohler	57	Managing Director (Chief Executive Officer)
Dr. Michael W. Nimtsch	53	Managing Director (Chief Financial Officer)
Wolfgang Orgeldinger	53	Managing Director (Chief Operating Officer)
David S. Russell	51	Managing Director (President IFCO SYSTEMS North America)
Robert J. Verdonk	62	Managing Director

Karl Pohler was Director A of the Company since December 2000. On August 29, 2005 he became Chief Executive Officer of the Board of Managing Directors. Prior to joining IFCO, Mr. Pohler was the chairman of the Board of Management of Computer 2000 AG, Munich and, at the same time, European president of Computer 2000/Tech Data Corp.. From 1997 to 1999, he served as CEO of Sony Deutschland GmbH, Cologne. From 1993 to 1996, Mr. Pohler chaired the Board of Management of Computer 2000 Deutschland GmbH, Munich. From 1980 to 1992, he was active in executive management functions for Digital Equipment GmbH, Munich.

Dr. Michael W. Nimtsch became Chief Financial Officer of the Company in October 2000 and member of the Board of Managing Directors effective April 1, 2008. Dr. Nimtsch also became a Managing Director of IFCO SYSTEMS GmbH and IFCO SYSTEMS Management GmbH in September 2000. He is also serving as Managing Director and Supervisory Board member in subsidiaries of the Company. Before joining the Company, Dr. Nimtsch served as Chief Financial Officer of Hagemeyer Deutschland GmbH, an electrical infrastructure materials supplier, and was responsible for finance, purchasing, foreign subsidiaries, retail and human resources. Prior to Hagemeyer Deutschland GmbH, Dr. Nimtsch served as a Tax Advisor (Steuerberater) and Public Chartered Accountant (Wirtschaftsprüfer) for Deloitte & Touche and PricewaterhouseCoopers. He holds a degree in business economics from the University of Munich.

Wolfgang Orgeldinger became Chief Operating Officer of the company in January 2002 and member of the Board of Managing Directors effective April 1, 2008 and previously served as Chief Information Officer of IFCO with responsibility for e-logistics and IT since December 2000. Mr. Orgeldinger also became a Managing Director of IFCO SYSTEMS GmbH and IFCO SYSTEMS Management GmbH in February 2001 and is serving as Managing Director and Supervisory Board member in subsidiaries of the Company. Before joining IFCO Mr. Orgeldinger was a member of the Executive Board of Computer 2000 AG, Europe's leading IT distributor, where he was responsible for the company's European logistics, IT, technical services, and configuration and assembly operations. From 1997 to 1999, Mr. Orgeldinger served as Managing Director of the Computer 2000 Deutschland GmbH, prior to that he worked there for 3 years as Director IT & Logistics. Before joining Computer 2000, Mr. Orgeldinger worked for nine years for Digital Equipment in various management positions in the area of marketing, sales, consulting, IT and operations.

David S. Russell became President of IFCO SYSTEMS North America Inc. (Pallet Management Services and RPC US) in January 2002 and member of the Board of Managing Directors effective April 1, 2008. He joined IFCO SYSTEMS North America in May 2000 as Senior Vice President with responsibility for sales and marketing and as General Manager for the US RPC business. Prior to joining IFCO, he served, beginning in March 1999, as a Director and President and Chief Executive Officer of General Rental, Inc., a privately held equipment rental company in Pompano Beach, Florida. From October 1996 to August 1998, Mr. Russell was Vice President/General Manager of Ryder TRS, Inc., a privately held company with publicly traded bond debt in Denver, Colorado. Beginning in 1982, Mr. Russell also served in various management positions, including as an Officer, at Ryder System, Inc., a publicly traded company, until the sale of its Consumer Truck Rental Division in October 1996.

Robert J. Verdonk became member of the Board of Managing Directors on March 27, 2009 and was appointed for a period of four (4) years. He graduated in business economics at the Free Reformed University of Amsterdam and obtained a doctoral degree in tax economics at the University of Amsterdam. He joined Arthur Andersen & Co as tax consultant in 1973 and was admitted as International tax partner in 1984. In 1994, he became Head of Tax with NV Koninklijke Bijenkorf Beheer KBB, where he worked until 2001. Presently, Mr. Verdonk holds a number of Director functions in the Netherlands and Luxembourg.

Conflict of interest of members of the Board of Managing Directors

In connection with the voluntary public takeover offer made by Brambles Investment Limited for all issued ordinary shares in the capital of the Company and the transactions contemplated thereby the Board of Managing Directors had to make certain statements with regard to the assessment of the offer in a position statement as required in accordance with article 18 paragraph 2 and Annex G of the Public Offers Decree (Besluit Openbare Biedingen Wft). Please refer to chapter “The IFCO share” under heading “Shareholding” of this annual report for further information. Given their indirect financial interest in the Company, there was a potential conflict of interest between the Company and the members of the Board of Managing Directors forming the Executive Management Committee (see below). This potential conflict of interest was reported to the Supervisory Board which decided that all members of the Board of Managing Directors could participate in the discussion and decision-making process with regard to the assessment of the offer, as there was no conflict of interest between the members of the Board of Managing Directors and the Company. The Company has complied with BPP II.3.2 up to and including II.3.4 of the Dutch Corporate Governance Code in this respect.

Executive Management Commitee

The Board of Managing Directors together with the Selection and Appointment Committee has appointed Executive Managers (together forming the Executive Management Committee) to execute managerial responsibilities of the Company’s business. The Executive Managers promote the interest of the Company and enhance the Company’s value. They are also responsible for achieving the Company’s aims, strategy, policy and results. The Executive Management Committee directs the preparation of the Company’s quarterly and annual financial statements. The Executive Management Committee also informs the Board of Managing Directors and the Supervisory Board regularly, promptly and comprehensively regarding all issues related to Company’s strategy implementation, business operational and financial budgeting and development, the structure and operation of the internal risk management and control systems, compliance with legislation and regulations and emerging risks inherent in the Company’s business activities. Major decisions of the Executive Management Committee require the prior approval of the Board of Managing Directors or the Supervisory Board respectively.

The current members of the Executive Management Committee, bound to IFCO by an employment agreement, are:

Name	Age	Position
Karl Pohler	57	Chief Executive Officer
Dr. Michael W. Nimtsch	53	Chief Financial Officer
Wolfgang Orgeldinger	53	Chief Operating Officer
David S. Russell	51	President, IFCO SYSTEMS North America

Activities of the Supervisory Board

In 2010, the Supervisory Board held six (6) meetings together with the Board of Managing Directors.

The items discussed included a number of recurring subjects, such as the approval of financial statements, the Company's corporate strategy, acquisitions, the financial and operational performance of the Company in 2010, the risks of the business, the business plan 2011, stock option issues, the share buy back program, corporate governance issues and the activities initiated by the mayor shareholder Island International Investment Limited Partnership to sell its shares in the Company. The Supervisory Board delegated the discussions with regard to the assessment made by the Board of Managing Directors and the Executive Management Committee with respect to the design and effectiveness of the internal risk management and control systems to the Audit Committee.

Furthermore, the Supervisory Board has published a position statement with respect to the voluntary public takeover offer made by Brambles Investment Limited. Please refer to chapter "The IFCO share" under heading "Shareholding" of this annual report for further information.

On March 2, 2011, the Supervisory Board conducted a meeting with the external accountants of the Company and discussed the consolidated and separate financial statements for the year 2010. Following that discussion the Supervisory Board approved the consolidated and separate financial statements for the year 2010.

The Supervisory Board is acting in accordance with the Company's Supervisory Board Charter, which was amended lastly on February 25, 2009.

The Supervisory Board, the Board of Managing Directors and Executive Management Committee are acting in accordance with the Company's Code of Ethics.

The Supervisory Board discussed on its own, without the Board of Managing Directors or the Executive Management Committee being present, its own functioning, the functioning of its individual members and the functioning of its committees as well as the competence and the composition of the Supervisory Board. The functioning of the Board of Managing Directors, the Executive Management Committee and its individual members has been assessed through a review of the responsibilities and the compliance with strategic, financial and operational targets of the Company. The competence and the composition of the

Supervisory Board is an important factor for the Company's corporate governance. Each of the members of the Supervisory Board has specific competencies, which ensure adequate and timely supervision of and advice to the Board of Managing Directors and the Executive Management Committee. The Supervisory Board reviews its composition in light of these targets.

Supervisory Board Committees

In order to fulfill the requirements of the Dutch Corporate Governance Code and comply with the rules of the Frankfurt Stock Exchange, the Supervisory Board has established committees whose duties, responsibilities and processes are set out in separate charters.

Audit Committee

Effective September 6, 2005 the Supervisory Board adopted a charter of the Audit Committee. This charter was amended on November 20, 2006.

Pursuant to the charter, the Audit Committee is composed of at least three Supervisory Board members. All members of the Audit Committee are required to be financially literate and at least one member shall be a financial expert as defined in BPP III.3.2. of the Dutch Corporate Governance Code.

The Audit Committee is currently composed of Peter M. Schmid (Chairman since August 10, 2010), Ralf Gruss (Chairman until August 10, 2010), Hervé Defforey and Korbinian Knoblach. All of them are financially literate and Mr. Schmid and Mr. Defforey are qualified as the financial experts.

According to the charter, the Audit Committee shall meet as often as it determines necessary, but not less frequently than quarterly.

The Audit Committee met four (4) times in 2010. The main items discussed in these meetings were: annual and interim financial statements, earnings releases, audit findings, audit fees, external audit planning, internal audit planning and results, internal control, risk management system, tax planning and tax structure. The Audit Committee has reported its findings to the Supervisory Board.

According to the charter the responsibilities of the Audit Committee are the following:

Purpose

The Committee shall provide assistance to the Supervisory Board in fulfilling its oversight responsibility to the Company and its stakeholders as appropriate under Dutch corporate law, relating to the integrity of the Company's financial statements; the financial reporting process; the systems of internal accounting and financial controls; the performance of the Company's independent auditors; the independent auditor's qualifications and independence; the operation of the internal risk management and control systems; the system of internal auditing; the supply of financial information by the Company; compliance with recommendations by external auditors; the Company's tax planning policy; the financing of the Company; information and communication technology systems; and the Company's compliance with ethics policies, codes of conduct and legal and regulatory requirements.

Duties and Responsibilities

- The primary responsibility of the Committee is to oversee the Company's financial reporting process on behalf of the Supervisory Board and report the results of the activities of the Committee to the Supervisory Board.
- The Committee should take appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behavior.
- Amongst others, the following shall be the principal duties and responsibilities of the Committee:

- **Independent auditors**
  The Committee shall be directly responsible for the recommendation(s) regarding the appointment, termination, and replacement (subject to shareholder appointment and/or ratification), the compensation, and the oversight of the work of the independent auditors, including resolution of disagreements between the Board of Managing Directors and the auditor regarding financial reporting. The Committee shall pre-approve all audit and non-audit services provided by the independent auditors.

- **Plan of audit**
  The Committee shall discuss with the internal auditors and the independent auditors the overall scope and plans for their respective audits, including the adequacy of staffing and compensation.

- **Internal controls**
  The Committee shall discuss with the Board of Managing Directors and the independent auditors the adequacy and effectiveness of the accounting and financial controls, including the Company's policies and procedures to assess, monitor, and manage business risk and legal and ethical compliance programs. The Committee shall meet separately periodically with the Board of Managing Directors and the independent auditors to discuss issues and concerns warranting Committee attention. The Committee shall provide sufficient opportunity for the independent auditors to meet privately with the members of the Committee. The Committee shall review with the independent auditor any audit problems or difficulties and the response of the Board of Managing Directors.

  The Committee shall review the assertion of the Board of Managing Directors on its assessment of the effectiveness of internal controls as of the end of the most recent fiscal year and the independent auditors' report on such assertion.

  The Committee shall meet with internal audit or invite internal audit in the Audit Committee Meeting to discuss the adequacy and effectiveness of the internal accounting and financial controls and the management of business risks.

- **Review of quarterly and annual reports**
  The Committee shall review the interim financial statements and disclosures with the Board of Managing Directors and the independent auditors and approve them prior to the filing of each of the Company's quarterly reports.

  The Committee shall review (but not approve) the financial statements and disclosures to be included in the Company's annual financial statements and any annual report together with the Board of Managing Directors and the independent auditors, and make a recommendation to the Supervisory Board of the Company, including a judgment about the quality, not just the acceptability, of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements.

- **Earnings releases**
  The Committee shall review and discuss quarterly and annual earnings press releases.

- **Regulatory and accounting initiatives**
  The Committee shall discuss with the Board of Managing Directors and the independent auditors the effect on the Company of regulatory and accounting initiatives, as well as off-balance sheet (statement of financial position) structures, if any, reflected in the Company's financial statements or affecting its financial condition or results of operations.

- **Risk Assessment and Management**
  The Committee shall discuss with the Board of Managing Directors the Company's major financial risk exposures and the steps the Board of Managing Directors has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

- **Reports**
  The Committee shall review with the Board of Managing Directors and the independent auditors any disclosure by the Company with respect to the Committee's policies and procedures and/or the fees paid by the Company for audit and non-audit services to the independent auditors.

Remuneration Committee

Effective September 6, 2005 the Supervisory Board adopted a charter of the Remuneration Committee. This charter was amended on November 20, 2006 and further amended on February 25, 2009.

The Remuneration Committee is composed of Michael Phillips (Chairman), Ralf Gruss, Korbinian Knoblach and Dr. Bernd Malmström.

The Remuneration Committee advises the Supervisory Board and provides guidance to the Supervisory Board with respect to the Supervisory Board's responsibility for the remuneration policy for the Company, including remuneration of the Company's Executive Management Committee, and participates in other actions related to remuneration as directed by the Supervisory Board, including the annual performance evaluation of the Executive Management Committee.

The Remuneration Committee met twice (2) in 2010. The Committee discussed and approved as main items the variable compensation of the Executive Management Committee for 2009 and the prolongation of the Management Service Agreements.

According to the charter, the responsibilities of the Remuneration Committee include the following:

Remuneration Policy

- The Remuneration Committee shall review the objectives, structure, cost and administration of all remuneration policies and programs within the Company.

Stock Option Plans

- The Remuneration Committee shall review and make recommendations to the Supervisory Board with respect to the Company's policy and plans with respect to the grant of stock options or other stock awards.
- The Remuneration Committee shall review any proposals from the Board of Managing Directors for the grant of stock awards.
- Grant of stock options by the Board of Managing Directors should require the prior approval of the Remuneration Committee, though the Remuneration Committee should have the discretion to pre-approve certain types and quantities of option issuances.

Board of Managing Directors

- The Remuneration Committee shall be responsible for negotiating and approving any employment agreements, amendments to employments, or other agreements for remuneration to be entered into between the Company and any member of the Company's Executive Management Committee.
- The Remuneration Committee shall monitor the appropriateness of the remuneration of the Executive Management Committee, including base salaries, incentive compensation, stock options, stock awards and other forms of compensation, including direct and indirect incentives and benefits.

Performance Evaluations

- The Remuneration Committee shall evaluate the performance of the Executive Management Committee and communicate such evaluation to the respective members of the Executive Management Committee.

Selection and Appointment Committee

Effective September 6, 2005 the Supervisory Board adopted a charter of the Selection and Appointment Committee. This charter was amended on November 20, 2006 and further amended on February 25, 2009.

The Selection and Appointment Committee is composed of Michael Phillips (Chairman), Hervé Defforey, Ralf Gruss, Korbinian Knoblach, Dr. Bernd Malmström and Christoph Schoeller.

The Selection and Appointment Committee did not meet in 2010.

The Selection and Appointment Committee provides assistance to and oversight of the Supervisory Board in connection with the Supervisory Board fulfilling its responsibility to the shareholders, other stakeholders and the investment community with respect to selection and appointment of Managing Directors, other members of the Executive Management Committee and members of the Supervisory Board for the Company.

The responsibilities of the Selection and Appointment Committee shall include management succession planning and review of management development.

Remuneration

Summary Remuneration Policy

The amount and structure of the remuneration which the members of the Board of Managing Directors and the Executive Management Committee receive from the Company for their work is such that the Company can retain its highly qualified and expert managers. The remuneration of the Company's Managing Directors consists of a fixed and a variable part. The variable part is linked to previously-determined, measurable and influenceable targets, which must be achieved partly in the short term and partly in the long term. The variable part of the remuneration is designed to strengthen the Managing Directors' commitment to the Company and its objectives. The remuneration structure is composed in a way that it promotes the interests of the Company in the medium and long term, does not encourage members of the Board of Managing Directors and the Executive Management Committee to act in their own interests and neglect the interests of the Company and does not 'reward' failing Managing Directors upon termination of their employment. The level and structure of remuneration is determined in the light of the financial results relevant to the Company.

It is expected that the remuneration policy will remain unchanged during 2011.

In deviation from best practice provision II.2.12 of the Dutch Corporate Governance Code, the Company does not draw up a separate remuneration report as the relevant information regarding the remuneration of the individual members of the Board of Managing Directors and other key components have been reflected in the annual accounts of the Company.

Remuneration of members of the Board of Managing Directors

The Board of Managing Directors received in 2010 a total compensation of Euro 5.0 million or US $6.6 million.

No loans from the Company or pension schemes are provided to members of the Board of Managing Directors.

Employment agreements with the Members of the Board of Managing Directors / Executive Management Committee

The members of the Board of Managing Directors / Executive Management Committee are bound by the terms of an employment agreement. The employment agreements provide for a comprehensive remuneration plan that includes base salary and executive bonus.

Mr. Verdonk is compensated in accordance with a service agreement dated March 27, 2009.

Remuneration of the members of the Supervisory Board

On April 13, 2010, the General Meeting of Shareholders resolved to replace the remuneration policy for the members of the Supervisory Board as adopted by the General Meeting of Shareholders on August 18, 2005. The former remuneration policy provided that no remuneration was paid to any member of the Supervisory Board. Each member did however receive a reimbursement for travel expenses reasonably incurred in connection with meetings of the Supervisory Board, meetings of any committee of the Supervisory Board, or otherwise in connection with actual Supervisory Board service. In deviation of the remuneration policy in place as of August 18, 2005, Mr. Bernd Malmström as chairman of the Supervisory Board was entitled to an annual remuneration of EUR 160,000 or USD 212,288.

According to the new remuneration policy for the members of the Supervisory Board in place as of April 13, 2010, an annual remuneration of EUR 60,000 or USD 79,608 is granted to each member of the Supervisory Board. This remuneration shall cover all duties performed by the members of the Supervisory Board, also in their capacity as member of any committee of the Supervisory Board. On top of the aforementioned amounts, each member of the Supervisory Board shall be reimbursed for travel expenses reasonably incurred in connection with meetings of the Supervisory Board, meetings of any committee of the Supervisory Board, or otherwise in connection with actual Supervisory Board service. In deviation of the remuneration policy in place as of April 13, 2010, Mr. Malmström as chairman of the Supervisory Board is entitled to an annual remuneration of EUR 180,000 or USD 238,824.

For 2010, the Supervisory Board received the following gross compensation (respective taxes were withheld by the Company):

Name	Remuneration in USD	Out of pocket expenses in USD
Dr. Bernd Malmström	231,305	7,371
Michael Phillips	57,052	2,333
Christoph Schoeller	57,052	–
Hervé Defforey	57,052	–
Ralf Gruss	57,052	–
Korbinian Knoblach	57,052	5,240
Jürgen Rauen (from April 13, 2010)	57,052	2,607
Peter M. Schmid (from April 13, 2010)	57,052	–
Total	630,669	17,551

The total gross compensation of US $0.6 million consists of US $0.2 million paid in 2010 and US $0.3 million paid in January 2011 to the members of the Supervisory Board. US $0.1 million withholding tax was paid to the Netherlands tax authorities.

No stock options or loans from the Company or pension schemes are provided to the members of the Supervisory Board.

It is expected that the remuneration policy will remain unchanged during 2011.

Appreciation

The Supervisory Board would like to express its thanks to the Board of Managing Directors and all the employees of the Company for their continued contribution and commitment in 2010.

Amsterdam, March 2, 2011

The Supervisory Board

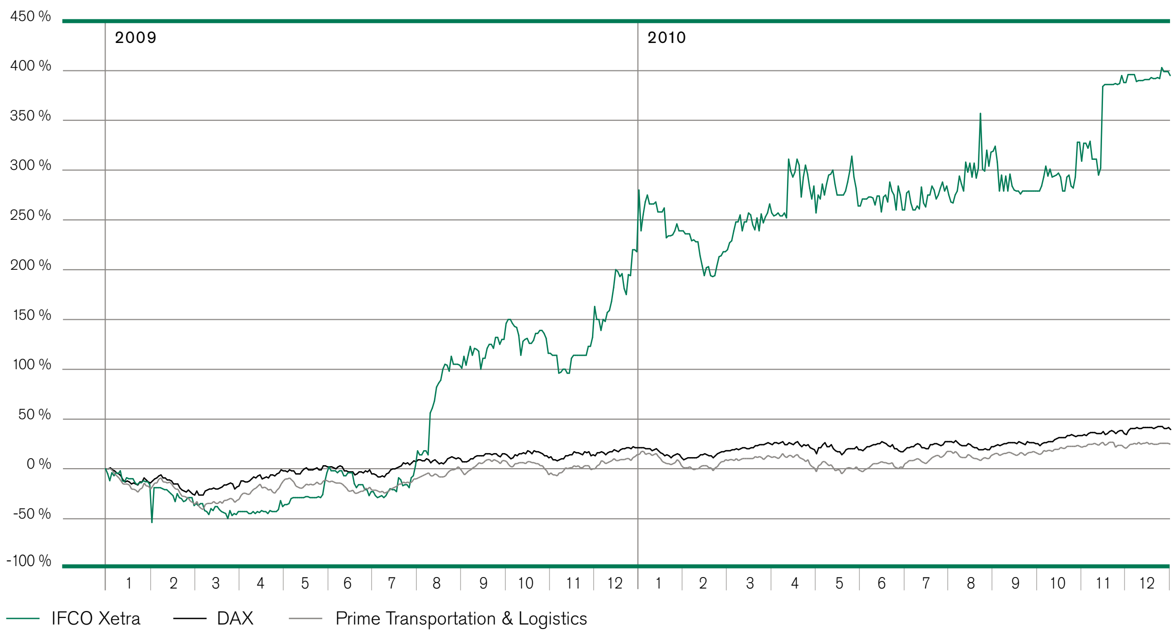
The IFCO share

Share price development

The shares of IFCO SYSTEMS N.V. are listed on the Prime Standard Germany as well as the industry sub index "Transportation & Logistics". Our share price (ticker symbol: IFE1) increased 68.3% during 2010. On December 30, 2010, the IFCO share closed at €13.87 on Xetra. On February 25, 2011, our shares closed at €13.99 per share (final Xetra quotations).

The following tables list the historic sales prices (in €) for our ordinary shares on Xetra for the periods indicated.

IFCO Share Xetra	High	Low	Close
First Quarter 2009	2.85	1.28	1.50
Second Quarter 2009	2.85	1.45	2.20
Third Quarter 2009	6.90	1.87	6.90
Fourth Quarter 2009	8.48	5.50	8.24
First Quarter 2010	11.15	7.62	9.72
Second Quarter 2010	11.59	9.70	10.50
Third Quarter 2010	12.99	10.09	10.63
Fourth Quarter 2010	14.00	10.52	13.87



During 2010 the German Stock Index (DAX) increased by 16.1% and the "Transportation & Logistics" index increased by 14.4%.

Authorized and issued share capital

The authorized share capital of the Company amounts to €1,400,000 and is divided into 140,000,000 shares consisting of 70,000,000 ordinary shares and 70,000,000 preference shares, each with a nominal value of €0.01 per share.

The issued share capital of the Company amounts to €515,722.14 and is divided into 51,572,214 ordinary bearer shares. No preference shares have been issued.

Reduction of the issued share capital

On March 24, 2010, the General Meeting of Shareholders resolved to reduce the issued share capital of the Company by means of a cancelation of 2,650,000 ordinary fully paid-up shares which were held by the Company in its own capital. The Company filed the resolution of the General Meeting of Shareholders with the Dutch Chamber of Commerce and published a notice in a Dutch newspaper on March 29, 2010. No opposition was filed by creditors within two months after such publication and the cancelation of shares became effective as from May 29, 2010. The number of fully paid-up shares since May 29, 2010 has therefore been reduced from 54,222,214 to 51,572,214.

Ordinary shares and general meetings of shareholders

Approximately 51.44 million ordinary bearer shares are outstanding on our German share register and approximately 0.13 million registered ordinary shares are outstanding on our New York share register. The Securities Identification Number of our shares is 157 670.

Our ordinary share confers the right to cast one vote in the general meeting. Save where the Articles of Association or the law prescribe a greater majority, all resolutions are passed by an absolute majority of the votes cast. Resolutions of the general meeting to amend the Articles of Association may only be taken at the proposal of the Supervisory Board. The General Meeting of Shareholders may resolve to amend the Articles of Association, provided that such a resolution will be taken with a majority of more than 80% of the votes validly cast at a meeting at which at least 80% of the issued capital is present or represented. If said quorum is not met, a second meeting shall be called, at which second meeting no such quorum shall be required and a simple majority shall suffice.

The Board of Managing Directors and/or the Supervisory Board can convene general meetings of shareholders by means of a publication of an invitation including the agenda for the meeting in a national daily news paper. The convocation shall be no later than on the forty-second day before the day of the meeting.

All members of the Board of Managing Directors and Supervisory Board, shareholders and other parties with meeting rights shall be entitled to attend the general meeting and, insofar as they have voting rights, to cast their vote thereat. In order to exercise the voting rights, holders of ordinary registered shares must express their desire to do so to the Company in writing, such no later than at the time and place mentioned in the convocation notice.

Shareholders and other parties with meeting rights may have themselves represented by written proxy.

General Meetings of Shareholders took place on March 24, 2010 and April 13, 2010. The minutes of the General Meeting of Shareholders were sent to the shareholders who attended the meeting before adoption thereof.

Issuance of shares

The General Meeting of Shareholders, or another corporate body if designated thereto by the General Meeting of Shareholders, has the power to issue shares and to limit or exclude pre-emptive rights of shareholders.

On March 24, 2010, the General Meeting of Shareholders has authorized the Board of Managing Directors for a period of 18 months, i.e. until and including September 23, 2011, to adopt resolutions to issue new shares and to grant subscription rights to acquire new shares. This authorization relates to a maximum of 10% of the Company's issued and outstanding share capital at the time the resolution to issue new shares or to grant subscription rights is adopted, which maximum percentage may be increased with a further 10% in case of a merger or acquisition by the Company. Furthermore, the General Meeting of Shareholders has authorized the Board of Managing Directors for a period of 18 months, i.e. until and including September 23, 2011, to adopt resolutions to restrict or exclude the pre-emptive rights of the Company's shareholders in respect of the issuance of new shares and the granting of subscription rights.

The Board of Managing Directors did not make use of this authorization in 2010.

Share buyback

The Company may acquire fully paid up shares in its own capital subject to and in accordance with the limits prescribed by Dutch law. An acquisition of own shares for value can only be effected if the General Meeting of Shareholders has so authorized the Board of Managing Directors, which authorization shall remain valid for a maximum period of eighteen months and must specify the number of shares which may be acquired, the manner in which they may be acquired and the limits within which the price must be set.

The Board of Managing Directors resolved on November 14, 2006 to make use of the authorization granted by the General Meeting of Shareholders on October 24, 2006, to repurchase up to 1,606,336 shares of the Company either through the Stock Exchange or from one or more individual shareholders through private transactions (Program 1). The acquisition price should not be lower than EUR 0.01 and should not exceed the average stock exchange price at the Frankfurt Stock Exchange during five stock exchange days prior to the day of the acquisition by more than 10%. The repurchased shares should be used exclusively to serve the options of the 2000 Stock Option Plan of the Company dated March 7, 2000. The authorization for the repurchase was given until April 24, 2008.

The Board of Managing Directors resolved on April 25, 2008 to make use of the authorization granted by the General Meeting of Shareholders on March 19, 2008, to repurchase further 2,000,000 shares of the Company either through the Stock Exchange or from one or more individual shareholders through private transactions (Program 2). The acquisition price should not be lower than EUR 0.01 and should not exceed the average stock exchange price at the Frankfurt Stock Exchange during five stock exchange days prior to the day of the acquisition by more than 10%. The share buyback started on April 25, 2008 subsequent to the expiry of the old share buyback program on April 24, 2008. The authorization for the repurchase was given until September 18, 2009.

The Board of Managing Directors resolved on August 10, 2009 to make use of the authorization granted by the General Meeting of Shareholders on March 27, 2009, to repurchase up to 2,000,000 shares of the Company either through the Stock Exchange or from one or more individual shareholders through private transactions (Program 3). The share buy-back program started on August 12, 2009. The acquisition price should not be lower than EUR 0.01 and should not exceed the average stock exchange price at the Frankfurt Stock Exchange during five stock exchange days prior to the day of the acquisition by more than 10%. The authorization for the repurchase was given until September 26, 2010.

The Board of Managing Directors resolved on November 30, 2009 to make use of the authorization granted by the General Meeting of Shareholders on November 30, 2009, to repurchase up to 2,000,000 shares of the Company either through the Stock Exchange or from one or more individual shareholders through private transactions (Program 4). The share buyback program started on December 1, 2009. The acquisition price shall not be lower than EUR 0.01 and shall not exceed the average stock exchange price at the Frankfurt Stock Exchange during five stock exchange days prior to the day of the acquisition by more than 10%. The authorization for the repurchase is given until May 29, 2011.

Bayerische Hypo- und Vereinsbank AG, Munich has been authorized to carry out the purchases from the stock market and independently and without any influence by IFCO SYSTEMS N.V. decide upon the amount of shares to be purchased as well as the price and time of purchase.

The development of treasury shares until December 31, 2010 has been as follows:

	Program 1	Program 2	Program 3	Program 4	Total
Repurchase through the stock exchange	459,791	66,846	165,693	21,237	713,567
Repurchase through private transactions	367,136	743,382	1,798,616	324,835	3,233,969
Transfer of shares to employees to serve the 2000 Stock Option Plan	(763,336)	–	(158,128)	(35,539)	(957,003)
Sale of shares	–	(30,000)	–	–	(30,000)
Reduction of issued share capital by cancelation of treasury shares	(63,591)	(780,228)	(1,806,181)	–	(2,650,000)
Treasury shares as of December 31, 2010	–	–	–	**310,533**	**310,533**

On March 24, 2010 the General Meeting of Shareholders granted the Board of Managing Directors authorization for the acquisition of fully paid-up shares in the Company's own capital, either through the Frankfurt Stock Exchange or otherwise, provided that the acquisition price for the shares shall not be lower than EUR 0.01 and shall not exceed the average stock exchange price at the Frankfurt Stock Exchange during five stock exchange days prior to the day of the acquisition by more than 10% and the number of shares that may be acquired is limited by the maximum number of shares that the Company is allowed to repurchase and hold at any moment in accordance with current or future Dutch legislation and the Articles of Association. The authorization for the repurchase is given until September 23, 2011.

As of February 25, 2011, the Company records a total of 310,533 shares as treasury shares.

Shareholding

As of February 25, 2011, 93.4% of the ordinary shares in the capital of the Company are held by Island LP with Cortese N.V. (a company registered in the Netherlands Antilles) as the managing general partner of Island LP. A majority of Island LP/Cortese N.V. is beneficially owned by the limited partnerships which collectively make up AEV. AEV acts through its general partner Apax Europe V GP LP, which in turn acts through it general partner, the ultimate general partner of AEV, Apax Europe V GP Co Limited. Apax Europe V GP Co Limited is a company registered in Guernsey.

The members of the Executive Management Committee of the Company indirectly own 8.8% of the share capital of the Company.

On November 14, 2010, Island LP and other sellers have signed a contract on the sale of their shares in IFCO SYSTEMS N.V. to Brambles Investment Limited, a subsidiary of Brambles Limited. Island LP and the other sellers hold 95.9% of the shares in IFCO SYSTEMS N.V.. IFCO SYSTEMS N.V. is not a party to the sale purchase contract.

The sale and transfer of the shares (closing) is still subject to certain approval requirements and conditions, inter alia the approval by the cartel authorities.

Furthermore, Brambles Investment Limited has announced a voluntary public takeover offer to the shareholders of IFCO SYSTEMS N.V. for the acquisition of their shares in IFCO SYSTEMS N.V. for a cash consideration of EUR 13.50 per share, which amount is to be increased by 12% p.a. as from and including November 1, 2010 until and including the settlement of the offer. The acceptance period will be from December 23, 2010 to March 3, 2011, 24.00 hours (Central European Time). The offer document setting out the conditions and the structure of the offer was made available on December 23, 2010 and can be found on www.brambles.com.

In accordance with the Dutch Public Takeover Decree (Besluit openbare biedingen Wft) the Board of Managing Directors and the Supervisory Board of the Company have published a position statement with respect to the offer, which can be found on www.ifco.com.

As set out in the position statement, the Board of Managing Directors and the Supervisory Board have extensively considered the offer and the conditions thereof and have after discussion and consideration recommended the offer. The Board of Managing Directors and Supervisory Board are of the opinion that a successful completion of the offer and the resulting participation of the offeror in the Company are in the best interest of the Company and its stakeholders, including its shareholders, employees and customers.

Financial Reporting

Management's discussion and analysis

Basis of presentation

To help the stakeholders of IFCO SYSTEMS N.V. (IFCO or the Company) to understand and follow the progress of our group and to comply with all International Financial Reporting Standards (IFRS) as adopted by the European Union, we present our financial results both on a group level and in business segments which match our operational structure. Our primary business segments, whose financial results are described in greater detail below, are:

- RPC Management Services – our reusable plastic container (RPC) services business in Europe and North and South America.
- Pallet Management Services – our pallet management, repair and recycling services business in North America.
- Corporate – provides various management, financial, tax, internal audit and organizational services to the operating segments.

The Management's Discussion and Analysis that follows sets the context for fiscal 2010 with a summary of highlights for the year and in comparison to 2009. We also discuss important operational topics including asset utilization, cash flows, liquidity and capital resources and risk management. The discussion concludes with our outlook for 2011.

In addition to measuring key group and segment level cash flow metrics, we determine the profitability of our segments through the use of operating EBITDA and EBIT measures. Our management uses EBITDA and EBIT as key operating indicators because they determine operating profits before certain non-operating items, such as ICE related expenses, net financing costs, foreign currency gains and losses, discontinued operations, stock-based compensation expense and income taxes. We believe that the exclusion of these items from segment measurement is appropriate because (1) these items are managed centrally, not by segment members (see analysis of corporate items below), (2) these items are not necessarily indicative of the operating results of our businesses and (3) operating results excluding these items allow investors to see our businesses as they are measured by management. Other companies may use different measures or calculate these measures differently, and their figures may not be comparable to ours. See "Financial reconciliations" herein for further details on our calculation of EBITDA and EBIT.

The functional currency of the North American operations is the US Dollar, functional currency of the South American operations is the individual local currency and the primary functional currency of IFCO SYSTEMS N.V. and for most of the European operations is the Euro, the currency of their primary economic environment in which they operate. Those functional currencies reflect the respective regional currency influence on sales prices for goods and services, influences on labor, material and other costs and the currency in which funds from financing activities are generated.

The Company's presentation currency is the US Dollar, because the main portion of the revenues and associated expenses do occur in US Dollar. Therefore, our assets, liabilities, revenues and expenses are subject to exchange rate fluctuations between the US Dollar, which is our group level presentation / reporting currency, and the Euro. Exchange rate fluctuations also occur, as a result of certain European and South American subsidiaries operating in other countries and using other functional currencies.

Exchange rate volatility has existed from 2009 to 2010 between the Euro and the US Dollar. Accordingly, we have described certain comparative information below as currency adjusted information, whereby 2009 income statement and financial position figures have been translated to US Dollars using applicable 2010 currency exchange rates. The comparison of currency adjusted figures provides the real operational development.

Unless otherwise noted, no 2009 figures in tabular form are currency adjusted.

Beginning in 2008, the Company made a classification change of its income statement by reclassifying the costs relating to the ICE investigation (see Notes – Litigation) from general and administrative expenses to a separate line below operating result, due to the magnitude and the non recurring character of these expenses. The Company also made reclassifications within the cash flow statement by separating the cash flows related to the ICE investigation from other operating activities.

On June 12, 2009, IFCO successfully refinanced its debt structure by placing a new Senior Secured Notes with institutional investors at an aggregate principal amount of EUR 200 million at 10.00% p.a. at a price of 95.75% with a maturity on June 30, 2016 and by extending its Revolving Credit Facility ("RCF") at an amount of EUR 65 million for another three years until May 29, 2012 (see Notes to the Company's financial statements for more information). The successful refinancing of IFCO's debt has significantly extended our debt maturity profile and has also significantly increased the Company's liquidity position. For further information we refer to the Offering Memorandum for the EUR 200 million Senior Secured Notes available on our web page.

Group financial highlights – fiscal 2010 compared to fiscal 2009

Operations data

US $ in thousands, except per share amounts	2010	2009	% Change
Revenues	785,430	735,926	6.7%
Gross profit	177,484	151,140	17.4%
Gross profit margin	22.6%	20.5%	
Selling, general and administrative expenses	76,635	77,832	(1.5%)
Selling, general and administrative expenses as a percentage of revenues	9.8%	10.6%	
EBITDA	149,665	129,010	16.0%
EBITDA margin	19.1%	17.5%	
EBIT	105,751	88,146	20.0%
EBIT margin	13.5%	12.0%	
Profit from continuing operations before taxes	51,004	30,451	67.5%
Net profit	34,752	19,954	74.2%
Profit per share from continuing operations – basic	0.68	0.41	66.1%
Profit per share from continuing operations – diluted	0.68	0.41	66.5%
Net profit per share – basic	0.68	0.38	79.1%
Net profit per share – diluted	0.68	0.38	79.7%
Operating cash flows from continuing operations excluding ICE [1]	181,435	135,342	34.1%
Operating cash flows from continuing operations including ICE [1]	165,296	124,558	32.7%
Capital expenditures from continuing operations	122,055	58,075	110.2%
Return on capital employed (ROCE)	23.3%	19.0%	
Currency Adjusted:			
Revenues	785,430	719,936	9.1%
Gross profit	177,484	146,875	20.8%
EBITDA	149,665	124,608	20.1%
EBIT	105,751	84,892	24.6%

[1] Operating cash flows presented above are prior to interest and income tax payments.

Financial position data

US $ in thousands	December 31, 2010	December 31, 2009	% Change
Cash and cash equivalents	59,392	73,042	(18.7%)
Property, plant and equipment	528,832	467,484	13.1%
Total debt [1]	322,269	338,615	(4.8%)
Net debt [2]	262,877	265,573	(1.0%)
Net debt currency adjusted	262,877	245,838	6.9%
Liquidity	120,351	138,206	(12.9%)
Liquidity currency adjusted	120,351	129,503	(7.1%)
Shareholders' equity	257,552	222,999	15.5%
Headcount of continuing operations (as of the respective financial position dates)	3,849	3,877	(0.7%)

(1) Total debt includes all interest bearing debt and current and non-current finance lease obligations.
(2) Net debt includes cash and cash equivalents, all interest bearing debt and current and non-current finance lease obligations.

Cash flows

US $ in thousands	2010	2009
Cash and cash equivalents, beginning of period	73,042	31,506
Operating cash flows:		
Cash generated from continuing operations, excluding the cash flow effect of changes in working capital and income tax payments and excluding ICE	145,239	121,260
Cash flow effect of changes in working capital	36,196	14,082
Operating cash flows of continuing operations, prior to income tax payments and excluding ICE	**181,435**	**135,342**
Cash used for ICE [1]	(16,139)	(10,784)
Operating cash flows of continuing operations, prior to income tax payments and including ICE	**165,296**	**124,558**
Income taxes paid	(3,023)	(6,122)
Operating cash flows of continuing operations	**162,273**	**118,436**
Operating cash flows of discontinued operations	(211)	75
	162,062	**118,511**
Investing cash flows:	**(121,697)**	(57,788)
Financing cash flows:	**(49,683)**	(21,150)
Effect of exchange rate changes on cash and cash equivalents	(4,332)	1,963
Cash and cash equivalents, end of period	**59,392**	73,042

(1) In January 2010, the Company paid the second annual installment payment (US $6.1 million) due under the ICE non-prosecution agreement signed in December 2008. In January 2009, the Company had paid the first annual installment (US $2.6 million) of the ICE non-prosecution agreement. Other ICE costs are primarily related to legal defense costs paid by the Company on behalf of certain employees.

Operations

IFCO's currency adjusted group revenues and operational profitability both continued to grow in 2010 as compared to 2009. RPC Management Services delivered significant gains in currency adjusted revenues, gross profit and EBITDA in 2010 as compared to 2009. 2010 revenues in the Pallet Management Services business segment declined slightly while gross profit and EBITDA grew compared to 2009.

- Revenues developed as follows:

US $ in thousands	2010	2009	% Change
RPC Management Services	452,358	398,471	13.5%
Pallet Management Services	333,072	337,455	(1.3%)
Total	**785,430**	735,926	6.7%

Currency adjusted revenues developed as follows:

US $ in thousands	2010	2009	% Change
RPC Management Services	452,358	382,481	18.3%
Pallet Management Services	333,072	337,455	(1.3%)
Total	**785,430**	719,936	9.1%

RPC Management Services' delivered consistent currency adjusted revenue growth during 2010 (Q1 2010 17.3%, Q2 2010 18.3%, Q3 2010 20.5% and Q4 2010 17.0%), resulting from a combination of organic volume growth in our European RPC business as well as strong and sustainable growth in our RPC US business. Our European business benefited from higher usage and increased penetration of our current customer base as well as new retailer wins in certain markets, such as Spar in Austria during 2010 and Carrefour in France and Greece, which commenced in late 2010, but which will roll out during 2011. Also, our efforts to develop our East European business showed good progress, evidenced by our Q4 2010 agreement signed with MERCATOR in Slovenia, and supported the overall positive volume development in Europe. Growth in our RPC US business continued due to increasing RPC penetration in our existing customer base and a steady flow of new North American retailers adopting the RPC model, including divisions of Safeway, Loblaws, Food Lion, and Whole Foods. Higher growth rates during the first 3 quarters of 2010 in our RPC US business were tempered in Q4 2010 by unfavorable weather conditions. RPC South America's growth momentum continued to develop.

Revenues in Pallet Management Services as compared to 2009 were nearly unchanged during the first 3 quarters of 2010, although slowed in Q4 2010 due to the impact of inclement weather across several regions. Although full year average pricing levels in 2010 remained below comparable 2009 levels, average pricing during Q4 2010 surpassed the comparable prior year quarter for the first time in ten quarters. Pallet sales volumes were flat compared to prior year, while service related revenues showed a good growth momentum and continued to increase as a percentage of total revenues.

Group revenues by country, based on the location of the customer, are as follows:

US $ in thousands	2010	2009
Spain	98,200	95,426
Italy	59,752	53,194
Switzerland	44,358	40,050
Germany	42,476	42,490
Other	76,536	64,904
Europe	**321,322**	**296,064**
South America	17,299	12,709
United States	446,809	427,153
Total	**785,430**	**735,926**

- Gross profit margin on a group level increased in 2010 by 2.1 percentage points to 22.6%. RPC Management Services' gross profit margin grew by 2.2 percentage points from 26.4% in 2009 to 28.6% in 2010. Gross profit margin in our European RPC business benefited from higher per trip revenues because of changes in the mixture of rented RPCs, under proportional growth of per unit cost of goods sold and relative lower depreciation. Gross profit margin in the RPC US business decreased as a result of marginally lower prices, as well as higher freight costs resulting from higher fuel prices, a higher rate of expedited RPC pool movements in order to meet the increasing customer demand and general cost increases in the US truckload and intermodal carrier market. All regions continue to benefit from the scale effects of the growing business on fixed costs. Gross profit margin in the Pallet Management Services business increased by 0.7 percentage points to 14.4% from 13.7% in 2009. Gains related to the lower overall average cost of pallet cores, greater direct labor productivity, and improved fixed cost leverage were partly offset by the effect of lower customer prices, higher common carrier spend to move inventories between locations to meet customer demand, higher year-over-year fuel prices, and lower margins in our Custom Crating division.

The major components of Cost of Sales are as follows:

US $ in thousands	2010	2009
Transportation	138,595	126,621
Direct material	131,912	133,415
Personnel expenses	113,770	115,514
Washing	62,836	56,458
Depreciation	40,240	37,354
Occupancy	14,813	16,599
Other	105,780	98,825
Total	**607,946**	**584,786**

- Selling, general and administrative expenses (SG&A) decreased by US $1.2 million, or 1.5%, to US $76.6 million. SG&A as a percentage of revenues improved from 10.6% in 2009 to 9.8% in 2010. The decrease is primarily the result of lower variable personnel expenses accruals.

The major components of SG&A are as follows:

US $ in thousands	2010	2009
Personnel expenses	45,271	47,188
Legal & professional fees	6,951	7,481
IT & communication	4,961	4,599
Occupancy	2,715	3,044
Depreciation	2,334	2,263
Other	14,403	13,257
Total	**76,635**	77,832

- Group EBITDA and EBITDA margin developed as follows:

US $ in thousands	2010	2009	% Change
EBITDA	149,665	129,010	16.0%
EBITDA currency adjusted	149,665	124,608	20.1%
EBITDA margin	19.1%	17.5%	

RPC Management Services‘ EBITDA and EBITDA margin developed as follows:

US $ in thousands	2010	2009	% Change
EBITDA	134,714	116,943	15.2%
EBITDA currency adjusted	134,714	111,875	20.4%
EBITDA margin	29.8%	29.3%	

Pallet Management Services‘ EBITDA and EBITDA margin developed as follows:

US $ in thousands	2010	2009	% Change
EBITDA	25,357	22,988	10.3%
EBITDA margin	7.6%	6.8%	

Corporate EBITDA and EBITDA margin developed as follows:

US $ in thousands	2010	2009	% Change
EBITDA	(10,406)	(10,921)	(4.7%)
EBITDA currency adjusted	(10,406)	(10,255)	1.5%
EBITDA margin	(1.4%)	(1.3%)	

- Currency adjusted EBIT significantly increased by US $20.9 million, or 24.6%, to US $105.8 million. EBIT margin reached a level of 13.5% in 2010 compared to 12.0% in 2009.

- Net profit increased from US $20.0 million in 2009 to US $34.8 million in 2010. The net operational improvements described above and lower finance activities were partially offset by a significantly higher deferred income tax provision. Reported interest expenses decreased in 2010 as a result of the one-time costs recognized in Q2 2009 in connection with the Company's 2009 refinancing.

- Excluding the effect of discontinued operations, basic profit per ordinary share increased from US $0.41 in 2009 to US $0.68 in 2010.

Liquidity and Cash Flows

- IFCO's cash flow from continuing operations, excluding the cash flow effect of income tax payments and ICE related payments, increased significantly by 34.1% to US $181.4 million in 2010 from US $135.3 million in 2009 as a result of higher profit levels and improved working capital development. Working capital significantly improved through lower inventory levels, reduced accounts receivable day sales outstanding and increased refundable deposits as our RPC Management Services business continues to grow.

- IFCO managed its working capital very successfully during 2010, resulting in US $36.2 million net working capital related cash inflows. Our working capital component reporting tools were further improved in order to provide the best possible decision support information. The Cash to Cash cycle was reduced from 12.7 days in 2009 to 8.1 days in 2010.

- Our capital expenditure levels significantly increased by US $64.0 million, or 110.2%, to US $122.1 million during 2010. The realization of the planned growth in Europe and the US and new retailer wins have led to continued investments in our RPC pools in 2010.

- Cash funds decreased to US $59.4 million at December 31, 2010 compared to December 31, 2009 with US $73.0 million. This decrease is primarily the result of the STECO seller note payment, the 2009 dividend payment made during 2010, and scheduled ICE related payments.

- As a result of the above mentioned activities, net debt decreased by US $2.7 million to US $262.9 million as of December 31, 2010 compared to December 31, 2009. Net debt on a currency adjusted basis grew by US $17.0 million.

- Our sources of liquidity currently include cash from operations, cash and cash equivalents on hand, amounts available under our RCF and certain factoring agreements. As of December 31, 2010, our liquidity declined by 12.9% (currency adjusted by 7.1%) to US $120.4 million compared to US $138.2 million (currency adjusted US $129.5 million) as of December 31, 2009. Despite the growth driven increases in RPC pool capex, ICE related payments, the dividend payment made during Q2 2010 and the STECO seller note payment, the Company's currency adjusted liquidity decreased only 7.1%, which is the result of higher operational profitability and better working capital management. We believe that these sources of liquidity are sufficient to finance our future capital and operational requirements in accordance with our business plans.

- As of December 31, 2010, IFCO's shareholders' equity amounted to US $257.6 million, or 24.5% of total assets, as compared to US $223.0 million, or 22.4% of total assets, as of December 31, 2009.

Return on Capital Employed

- We measure the return on invested capital of our business segments based on Return on Capital Employed (ROCE). We calculate ROCE by dividing the last twelve months' reported EBIT by the total average book value of the capital employed which would be required to fund the measured business unit during this measurement period. We only consider our continuing operations' EBIT and average book value to calculate ROCE.

- ROCE from continuing operations increased to a level of 23.3% in 2010 after 19.0% in 2009. This positive development is the result of the Company's increased profitability and further RPC pool utilization gains, which led to comparatively lower capital expenditure requirements. During 2010, we continued to increase our efforts and resources to improve our RPC asset management and control capabilities.

Segment information

RPC Management Services

US $ in thousands, except RPC data	2010	2009	% Change
Revenues	452,358	398,471	13.5%
Gross profit	129,409	105,006	23.2%
Gross profit margin	28.6%	26.4%	
EBITDA	134,714	116,943	15.2%
EBITDA margin	29.8%	29.3%	
EBIT	97,712	82,856	17.9%
EBIT margin	21.6%	20.8%	
Operating cash flows	153,133	116,722	31.2%
Capital expenditures			
- RPCs	114,913	50,123	129.3%
- Other	3,376	4,915	(31.3%)
	118,289	**55,038**	**114.9%**
Property, plant and equipment			
- RPCs	482,837	421,411	14.6%
- Other	25,642	24,003	6.8%
	508,479	**445,414**	**14.2%**
Total RPC trips (in millions)	550.8	476.6	15.6%
RPC pool size (end of period, in millions)	116.1	102.3	13.5%
Average RPC annualized turns	5.05	4.80	5.2%
# of service centers and delivery depots	50	57	(12.3%)
Headcount, end of year	786	750	4.8%
Currency Adjusted:			
Revenues	452,358	382,481	18.3%
Gross profit	129,409	100,741	28.5%
EBITDA	134,714	111,875	20.4%
EBIT	97,712	78,936	23.8%

Revenues

RPC Management Services' currency adjusted revenues showed continuous growth in 2010 (Q1 2010 17.3%, Q2 2010 18.3%, Q3 2010 20.5% and Q4 2010 17.0%), resulting from a combination of organic volume growth in our European RPC business as well as strong and sustainable growth in our RPC US business. Our European business benefited from higher usage and increased penetration of our current customer base as well as winning new retailers in certain markets, like Spar in Austria during 2010 and Carrefour in France and Greece, which commenced in late 2010, but which will roll out during 2011. Also our efforts to develop our East European business showed good progress, evidenced by our Q4 2010 agreement signed with MERCATOR in Slovenia, and supported the overall positive volume development in Europe. Growth in our RPC US business continued due to increasing RPC penetration in our existing customer base and a steady flow of new North American retailers adopting the RPC model, including divisions of Safeway, Loblaws, Food Lion, and Whole Foods. Higher growth rates during the first 3 quarters of 2010 in our RPC US business were tempered in Q4 2010 by unfavorable weather conditions. RPC South America's growth momentum continued to develop.

RPC Management Services' revenues by country, based on the location of the customer, are as follows:

US $ in thousands	2010	2009
Spain	98,200	95,426
Italy	59,752	53,194
Switzerland	44,358	40,050
Germany	42,476	42,490
France	23,137	19,401
Norway	16,303	15,463
United Kingdom	12,225	11,022
Other	24,871	19,018
Europe	**321,322**	**296,064**
South America	17,299	12,709
United States	113,737	89,698
Total	**452,358**	**398,471**

- Total trips increased by 74.3 million, or 15.6%, to 550.8 million in 2010, as a result of:
  - In Europe, trip volumes increased by 12.6% compared to prior year. Our traditionally strong markets in Spain, Italy and Switzerland continued to perform in line with expectations. Development in new markets such as Hungary, Slovakia and Austria also contributed to our European growth.
  - Trip development in the United States increased by 28.7% during 2010, resulting in further gains of our RPC US services market leadership position.
  - The Company's South American trip volume increased by 7.4% as a result of increased trip volume in Brazil.

- Our worldwide average per trip pricing levels increased mainly due to structural changes in the size mix of the rented RPCs.

- The annualized turns of our global RPC pool increased to 5.05 turns during 2010 compared to 4.80 in 2009. This is the result of significantly improved overall pool management and RPC pool utilization in Europe and the US, as well as faster turns realized in our South American business.

- Our reported pool size as of December 31, 2010 was 116.1 million units. The 13.5% growth in the RPC pool during 2010 was focused in the US and Europe and is consistent with the continued growth of these businesses.

Operational expenses and profitability

- RPC Management Services' currency adjusted gross profit increased significantly by 28.5% to US $129.4 million in 2010. Gross profit margin grew by 2.2 percentage points to 28.6% in 2010. Gross profit margin in our European RPC business benefited from slightly higher per trip revenues, slightly lower per unit cost of goods sold and relative lower depreciation. Gross profit margin in the RPC US business decreased as a result of slightly lower prices, as well as higher freight costs resulting from higher fuel prices, a higher rate of expedited RPC pool movements in order to meet the increasing customer demand and general cost increases in the US truckload and intermodal carrier market. Gross profit margin in our RPC South American business remained flat compared to prior year levels. All regions continue to benefit from the scale effects of the growing business on fixed costs.

The major components of RPC Management Services' Cost of Sales are as follows:

US $ in thousands	2010	2009
Transportation	100,155	87,889
Washing	62,836	56,458
Depreciation	34,368	31,557
Personnel expenses	29,299	26,737
Occupancy	7,238	9,098
Other	89,053	81,726
Total	**322,949**	**293,465**

- SG&A expenses were flat in 2010 compared to 2009, resulting in a significant reduction in SG&A as a percentage of revenues from 8.6% in 2009 to 7.6% in 2010.

The major components of RPC Management Services' SG&A are as follows:

US $ in thousands	2010	2009
Personnel expenses	18,682	17,493
Legal & professional fees	3,022	4,298
IT & communication	2,568	2,279
Occupancy	2,255	2,489
Depreciation	1,022	1,100
Other	6,943	6,654
Total	**34,492**	**34,313**

- As a result of the items discussed above, our currency adjusted RPC Management Services EBITDA grew significantly by US $22.8 million, or 20.4%, to US $134.7 million in 2010.

- As a result of our EBITDA gains and improved leverage on our depreciation expenses, our currency adjusted RPC Management Services EBIT increased by US $18.8 million, or 23.8%, to US $97.7 million in 2010.

Liquidity and Cash Flows

- Our RPC Management Services segment operating cash flows, excluding income tax payments, increased significantly by US $36.4 million to US $153.1 million, as a result of both increased operational earnings in RPC Europe and RPC US and more efficient working capital management in RPC Europe.

- Our capital expenditure levels significantly increased by 114.9% to US $118.3 million during 2010. The realization of the planned growth in Europe and the US and new retailer wins have led to continued investments in our RPC pools in 2010.

- We believe that our future RPC Management Services operating cash flows will be adequate to fund the capital expenditures required to support this segments' growth plans. The Company has a number of initiatives to closely correlate its RPC capital expenditures with current and planned trip volume development in order to generate higher returns on its invested capital.

Pallet Management Services

US $ in thousands	2010	2009	% Change
Revenues	333,072	337,455	(1.3%)
Gross profit	48,075	46,134	4.2%
Gross profit margin	14.4%	13.7%	
EBITDA	25,357	22,988	10.3%
EBITDA margin	7.6%	6.8%	
EBIT	18,445	16,211	13.8%
EBIT margin	5.5%	4.8%	
Operating cash flows excluding ICE	31,701	29,063	9.1%
Operating cash flows including ICE	15,562	18,279	(14.9%)
Capital expenditures	2,575	1,989	29.5%
Property, plant and equipment	16,237	18,400	(11.8%)
# of service centers	160	157	1.9%
Headcount, end of year	3,054	3,118	(2.1%)

Revenues

Our Pallet Management Services segment revenues decreased slightly by 1.3% compared to 2009, with 2010 revenues of US $333.1 million. Although the economic recession in the US that existed during 2009 has technically ended, certain industries of our customer base and certain geographic regions remained weak, extended the challenging demand and pricing environment. Although average full year pallet pricing remained lower in 2010 compared to 2009, average pricing during Q4 2010 surpassed the comparable prior year quarter for the first time in ten quarters. We saw pallet volumes rebound somewhat in the second half of 2010 and exceed 2009 levels. Service related revenues increased in absolute terms and as a percentage of total revenues. Revenues in our Custom Crating division grew moderately in 2010.

In spite of the challenging market that existed in 2010, the Company believes that the key business drivers which have resulted in our Pallet Management Services segment outpacing the general market development in recent years have not changed during 2010. These key growth drivers are listed as follows:

- Growth of our National Sales accounts, which provide us with both pallet core supply and new sales opportunities. Our extensive geographic network and industry expertise uniquely allow IFCO to provide value-added offerings to certain of our customers and business partners.

- Development of our national network to provide growth opportunities in new markets. We opened a number of new service locations during 2010, bringing our total number of customer service locations to 160, as we also have added new reverse logistics operations at or near certain of our retail partners' distribution centers.

- Increase the breadth of our service offerings. We believe our deep industry knowledge and geographic network positions us to take advantage of new customer and market requirements in a timely and thorough manner. The rapid development of our Warehouse Logistics and Management services division is a testament to our ability to provide value-added solutions for our customers.

Operational expenses and profitability

- Gross profit margin in our Pallet Management Services division increased by 0.7 percentage points to 14.4% in 2010. Gains related to the continued lower cost of pallet cores, greater direct labor productivity, and improved fixed cost leverage were offset by the effect of lower customer prices, higher common carrier spend to move inventories between locations to meet customer demand, higher year-over-year fuel prices, and lower margins in our Custom Crating division.

The major components of Pallet Management Services' Cost of Sales are as follows:

US $ in thousands	2010	2009
Direct material	131,912	133,415
Personnel expenses	84,471	88,777
Transportation	38,440	38,732
Occupancy	7,575	7,501
Depreciation	5,872	5,797
Other	16,727	17,099
Total	**284,997**	**291,321**

- Total SG&A expenses were 1.7% higher during 2010 compared to 2009. These increases were primarily the result of increases in professional fees and travel expenses.

The major components of Pallet Management Services' SG&A are as follows:

US $ in thousands	2010	2009
Personnel expenses	20,693	20,656
IT & communication	2,393	2,293
Legal & professional fees	1,895	1,339
Occupancy	460	555
Depreciation	237	242
Other	4,184	4,282
Total	**29,862**	**29,367**

- As a result of the items discussed above, our Pallet Management Services EBITDA increased by 10.3% to US $25.4 million in 2010.

- EBIT grew by 13.8% to US $18.4 million in 2010.

Liquidity and Cash Flows

- Pallet Management Services segment operating cash flows excluding ICE effects increased by US $2.6 million, or 9.1%, to US $31.7 million in 2010. Operating results were higher in 2010 and cash flows attributable to changes in working capital, excluding ICE effects, generated US $6.9 million during 2010 compared to US $6.1 million in 2009, due primarily to lower inventory and accounts receivable levels.

- Pallet Management Services segment operating cash flows including ICE effects decreased by US $2.7 million, or 14.9%, to US $15.6 million in 2010. The ICE investigation led to total expenses of US $11.3 million in 2010 (2009, US $8.7 million), a decrease in working capital changes by US $4.8 million (2009, decrease by US $2.1 million) in other current and non-current liabilities (settlement payments) as well as provisions (legal expenses). As a result, cash outflows from the ICE investigation totaled US $16.1 million in 2010, compared to US $10.8 million in 2009.

- As in prior years, we believe this business segment will continue to be able to operate effectively in the future with relatively modest capital expenditure requirements.

Corporate

US $ in thousands	2010	2009	% Change
EBITDA	(10,406)	(10,921)	(4.7%)
EBIT	(10,406)	(10,921)	(4.7%)
Net finance costs	36,840	44,031	(16.3%)
Foreign currency (loss) gain, net	(2,409)	2,292	
Income tax provision	16,049	8,798	82.4%
Loss from discontinued operations	(203)	(1,699)	(88.1%)

EBIT

Our corporate EBIT charges decreased by US $0.5 million in 2010. The decrease is primarily the result of lower variable compensation accruals.

Net finance costs

Our net finance costs consist of recurring costs and interest items affected by the refinancing in June 2009 as follows:

US $ in thousands	2010	2009	% Change
Recurring interest items	36,840	35,612	3.4%
Interest items affected by refinancing	–	8,419	(100.0%)
Net finance costs	**36,840**	**44,031**	**(16.3%)**

The increase in our recurring net borrowing costs is primarily due to our increased debt levels following the issuance of a EUR 200 million bond in June 2009.

Foreign currency (loss) gain, net

Our foreign currency non cash gains and losses are the result of exchange rate fluctuations between the Euro and other local European currencies and the Euro and the US Dollar.

Income taxes

Our income tax provision in 2010 consists of a deferred income tax provision of US $8.5 million (2009, US $4.6 million) and US $7.5 million of current income tax provision accruals (2009, US $4.2 million). See Note 11 to the consolidated financial statements for further description and analysis of income taxes.

Discontinued operations

During Q3 2003, the Company, certain of its subsidiaries and other third parties were named as defendants in two lawsuits, based upon alleged discharges of toxic substances from a Chicago drum reconditioning facility we operated prior to February 2002, when that business was sold. In Q2 2010, the Company reached settlement with the plaintiffs for US $9.5 million, resolving any claims by plaintiffs and other parties named in the lawsuits. The Company incurred legal costs and other costs related to the lawsuits and related settlements of US $1.7 million in 2010. The Company has obtained agreements from its insurers for reimbursement totaling US $11.0 million, and is engaged in further negotiations with its insurers regarding additional reimbursements of defense costs and other expenses related to this matter.

The actual and estimated legal costs and other costs incurred in defending these lawsuits were US $2.6 million in 2009. In 2009, these costs were offset by the recognition of US $0.9 million in estimated amounts due to the Company under insurance policies which require reimbursement of eligible legal defense costs.

Financial reconciliations

In addition to measuring key group and segment level cash flow metrics, we measure the profitability of our segments through the use of operating EBITDA and EBIT measures (see reconciliation of our IFRS net profit to our EBITDA and EBIT below). Our management uses EBITDA and EBIT as key operating measures because they measure operating profits before certain non-operating items, such as ICE related expenses, net financing costs, foreign currency gains and losses, discontinued operations, stock-based compensation expense (income) and income taxes. We believe that the exclusion of these items from segment measurement is appropriate because (1) these items are managed centrally, not by segment members (see analysis of corporate items above), (2) these items are not necessarily indicative of the operating results of our businesses and (3) operating results excluding these items allow investors to see our businesses as they are measured by management. Other companies may use different measures or calculate these measures differently, and their figures may not be comparable to ours.

Reconciliation of Net profit to EBITDA:

US $ in thousands	2010	2009
Net profit	34,752	19,954
Net finance costs	36,840	44,031
Income tax provision	16,049	8,798
Depreciation expense	42,578	39,617
Amortization of other assets	1,336	1,247
Stock-based compensation expense (income)	398	(31)
Foreign currency loss (gain)	2,409	(2,292)
Nonrecurring items [1]	15,100	15,987
Loss from discontinued operations	203	1,699
EBITDA	**149,665**	129,010

Reconciliation of EBITDA to EBIT:

US $ in thousands	2010	2009
EBITDA	149,665	129,010
Depreciation expense	(42,578)	(39,617)
Amortization of other assets	(1,336)	(1,247)
EBIT	**105,751**	88,146

[1] 2009 nonrecurring items consist primarily of "ICE related expenses" (US $8.7 million), the operating result of ILD Logistik + Transport GmbH and severance accruals. 2010 nonrecurring items consist primarily of "ICE related expenses" (US $11.3 million), one time legal expenses and restructuring costs. ICE related expenses consist of legal expenses, salaries for employees on leave and the interest accrued on the present value of the ICE settlement obligation.

Summary information by continuing business segment

US $ in thousands	2010	2009	% Change
Revenues:			
RPC Management Services	452,358	398,471	13.5%
Pallet Management Services	333,072	337,455	(1.3%)
	785,430	**735,926**	**6.7%**
Gross profit:			
RPC Management Services	129,409	105,006	23.2%
Pallet Management Services	48,075	46,134	4.2%
	177,484	**151,140**	**17.4%**
EBITDA:			
RPC Management Services	134,714	116,943	15.2%
Pallet Management Services	25,357	22,988	10.3%
Operations subtotal	**160,071**	**139,931**	**14.4%**
Corporate	(10,406)	(10,921)	(4.7%)
	149,665	**129,010**	**16.0%**
EBIT:			
RPC Management Services	97,712	82,856	17.9%
Pallet Management Services	18,445	16,211	13.8%
Operations subtotal	**116,157**	**99,067**	**17.3%**
Corporate	(10,406)	(10,921)	(4.7%)
	105,751	**88,146**	**20.0%**
Operating cash flows:			
RPC Management Services	153,133	116,722	31.2%
Pallet Management Services	15,562	18,279	(14.9%)
Operations subtotal	**168,695**	**135,001**	**25.0%**
Corporate	(3,399)	(10,443)	(67.5%)
	165,296	**124,558**	**32.7%**
Capital expenditures:			
RPC Management Services	118,289	55,038	114.9%
Pallet Management Services	2,575	1,989	29.5%
Operations subtotal	**120,864**	**57,027**	**111.9%**
Corporate	1,191	1,048	13.6%
	122,055	**58,075**	**110.2%**
	December 31, 2010	December 31, 2009	
Personnel:			
RPC Management Services	786	750	4.8%
Pallet Management Services	3,054	3,118	(2.1%)
Operations subtotal	**3,840**	**3,868**	**(0.7%)**
Corporate	9	9	0.0%
	3,849	**3,877**	**(0.7%)**

2006 – 2010 Financial summary

US $ in thousands	2006	2007	2008	2009	2010
Income statement data:					
Revenues	647,236	692,548	735,888	735,926	785,430
Cost of sales	538,270	569,942	607,862	584,786	607,946
Gross profit	**108,966**	**122,606**	**128,026**	**151,140**	**177,484**
Selling, general and administrative expenses	49,921	59,950	73,757	77,832	76,635
Other operating income, net	(73)	(2,407)	(3,383)	(7,792)	(314)
Profit from operating activities	**59,118**	**65,063**	**57,652**	**81,100**	**101,163**
Net gain of RPC pool adjustment	11,396	–	–	–	–
ICE related expenses	(7,079)	(5,944)	(25,826)	(8,723)	(11,301)
Foreign currency (loss) gain, net	(2)	899	(3,585)	2,292	(2,409)
Income (loss) from equity entities	265	446	(220)	(220)	445
Other (expense) income, net	(140)	(342)	271	33	(54)
Net interest costs	(18,682)	(21,239)	(26,867)	(43,413)	(36,175)
Factoring charges	(439)	(620)	(1,054)	(618)	(665)
Profit from continuing operations before taxes	**44,437**	**38,263**	**371**	**30,451**	**51,004**
Income tax provision	(6,485)	(10,229)	(13,107)	(8,798)	(16,049)
Profit (loss) before discontinued operations	**37,952**	**28,034**	**(12,736)**	**21,653**	**34,955**
(Loss) income from discontinued operations	(665)	(927)	1,152	(1,699)	(203)
Net profit (loss)	**37,287**	**27,107**	**(11,584)**	**19,954**	**34,752**
Other financial data:					
Capital expenditures from continuing operations, including cash paid for acquisitions	101,300	77,499	88,953	58,075	122,055
Total debt, including finance lease obligations	177,499	199,317	291,494	338,615	322,269
Net debt	150,162	163,806	259,988	265,573	262,877
Total assets	698,341	806,237	887,709	996,465	1,052,939
Shareholders' equity	233,858	254,626	222,756	222,999	257,552

Liquidity and capital resources

The following table summarizes our commitments under interest-bearing debt agreements as of December 31, 2010, as well as our cash and cash equivalents and net debt as of that date.

US $ in thousands			Payments due within		Total
	1 year	2-3 years	4-5 years	5+ years	
Senior Secured Notes, net of deferred financing costs	–	–	–	246,134	246,134
Present value of finance lease obligations	24,493	33,352	12,482	–	70,327
Revolving credit facility, net of deferred financing costs	(1,316)	–	–	–	(1,316)
Other	6,191	801	132	–	7,124
Total					**322,269**
Cash and cash equivalents					59,392
Net debt					**262,877**

See Notes to the consolidated financial statements for further discussion of our debt agreements and sources of liquidity.

Other contractual obligations and commercial commitments

The following table summarizes our commitments for future expenditures related to operating leases as of December 31, 2010.

US $ in thousands			Payments due within		Total
	1 year	2-3 years	4-5 years	5+ years	
Operating lease commitments	20,894	24,397	9,192	1,507	**55,990**

See Notes to the consolidated financial statements for further discussion of this item.

Liquidity prospects

Our sources of liquidity currently include cash from operations, cash and cash equivalents on hand and amounts available under the revolving credit facility and certain factoring agreements. As of December 31, 2010, our liquidity was US $120.4 million. We believe that these sources of liquidity in combination with our operating cash flow generation are sufficient to finance our future capital and operational requirements in accordance with our business plans.

Risk management

Our internal risk management policies are integral parts of how we plan and execute our business strategies. We use a comprehensive set of internal risk management and control systems to anticipate, measure, monitor and manage our exposure to risk. The most important of these are our enterprise-wide processes for strategic planning, management reporting and internal audit. The Board of Managing Directors can assess, that as regard to financial reporting risks, the internal risk management and control systems provide a reasonable assurance that the financial reporting does not contain any errors of material importance and that the risk management and control systems worked properly in the year 2010. The coordination of these processes and procedures are intended to ensure that our Board of Managing Directors, Executive Management Committee and Supervisory Board are informed about material risks on a timely basis.

The Company has adequate control systems in place which address internal and external business risks. The Company is constantly working on improving these systems. In order to address these potential risks, the Company is emphasizing the internal audit function which covers both its European and USA business activities. Additionally, a compliance officer function is installed to oversee the Company's corporate compliance programs.

Our focus is to be in compliance with applicable external regulations and with our internal charters, guidelines and understanding of business ethics. We are strongly geared to manage our organization and processes to mitigate significant business risks.

Below we describe the major categories of risks that could materially affect our business, our strategies, our financial condition and our results of operations. The risks we describe here are not necessarily the only ones we face. Additional risks not known to us, or that we now consider less significant, could also adversely affect our business.

Competition

We face competition in all industry sectors in which we operate. We expect aggressive competition from other reusable container providers and from the traditional packaging companies, in particular producers of cardboard boxes. In addition, there are relatively few barriers that prevent entry on a local or regional level into the traditional packaging and pallet industries. The effect of this competition could limit our ability to grow, increase pricing pressure on our products and otherwise affect our financial results.

The market for pallet recycling services is highly fragmented and competitive, resulting in intense pricing competition. Other pallet systems may include pallets fabricated from non-wooden components like plastic as cost-effective, durable alternatives to wooden pallets. Increased competition from pallet pooling companies or providers of other alternatives to wooden pallets could make it more difficult for us to attract and retain customers and may force us to reduce prices, which may decrease our profitability.

Retail relationships

Our RPC Management Services business segment is dependent on our relationships with a relatively small number of large retailers. Our inability to maintain these relationships or cultivate new relationships on similar terms will impair our ability to remain competitive in the markets in which we operate.

Our Pallet Management Services business segment sources the majority of our pallets for reconstruction from businesses that use pallets, including large and small retailers.

The loss of one or more of these retail relationships would have a material negative impact on our revenues, profitability and cash flows.

RPC Management Services' pool risks

Despite our experience with container pooling and transport, and the relative durability and reliability of RPCs, our pool of RPCs is subject to shrinkage due to unforeseen loss and damage during transport in the product distribution cycle. Increased loss of or damage to RPCs may increase our costs in maintaining our current RPC Management Services' pool, thus requiring additional capital investments, which could limit our profitability. We have implemented operational, logistic and analytical tools in order to reduce and minimize those risks. Additionally our depreciation policy considers these risks.

Supplier risk

We procure our green RPCs used in our RPC Management Services' business exclusively from two suppliers under separate contracts for our European and US businesses. Our RPC Management Services' operations depend upon obtaining deliveries of RPCs on a timely basis and on commercially reasonable terms. We have maintained long-term relationships with these suppliers. If these suppliers ever become unwilling or unable to supply us with RPCs at all or on conditions acceptable to us, we may be unable to find alternative suppliers on a timely or cost-effective basis. This would limit our ability to supply our customers with RPCs on a timely basis and, thus, adversely affect our results of operations. However, if these contracts were terminated, IFCO has the right to use the RPC production moulds and has access to the mould's design drawings.

Both contracts are currently under renegotiation with our supplier.

Credit risk

We provide certain of our customers customary financing for our sales to them. We face a number of general risks in providing this financing, including delayed payments from customers or difficulties in the collection of receivables. We manage these credit risks using defined processes for assessing customer creditworthiness and through our group emphasis on collecting receivables fully and timely.

Environmental risk

Our operations are subject to various environmental laws and regulations, including those dealing with the handling and disposal of waste products, fuel storage and air quality. Failure to comply with such laws and regulations can have serious consequences, including civil and criminal fines and penalties, and orders to limit or shut down operations. We manage these risks with strict internal procedures and through our internal management reporting tools.

Foreign currency risk

Foreign currency risk is the risk that we will incur economic losses due to adverse changes in foreign currency exchange rates.

Non cash foreign currency risk

As currency exchange rates change, translation of the financial statements of our international businesses into US Dollars and Euros affects year-to-year comparability of our results of operations. Appreciation of the US Dollar, our presentation currency, against the Euro decreases our revenues and costs as reported in our financial statements for those operations that have a functional currency other than the US Dollar. Conversely, depreciation of the US Dollar against the Euro increases our revenues and costs. The appreciation or depreciation of the US Dollar against the Euro, therefore, impacts our reported results.

Aside from the US Dollar, our reporting currency, the Euro is our other primary functional currency. The following table summarizes the value of the Euro relative to the US Dollar.

	As of December 31		Average for Fiscal Year	
	2010	2009	2010	2009
US Dollar relative to 1 Euro	1.3362	1.4406	1.3268	1.3935

Cash foreign currency risk

Our operating subsidiaries in countries other than those countries participating in the European Monetary Union and adopting the Euro as their national currency use their local currency as their functional currency. Transactions between those European countries which do not use the Euro as their national currency and countries which do use the Euro as their national currency might result in a cash foreign currency risk.

We incur currency transaction risk whenever one of our operating subsidiaries enters into either a purchase or sales transaction using a currency other than its functional currency. Our currency risk arises from foreign currency receivables as well as from firm commitments to purchase services and supplies in the future in currencies other than the subsidiary's functional currency. Additionally, the intercompany financing between IFCO SYSTEMS N.V. and IFCO SYSTEMS North America Inc. is subject to currency transaction risk.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates is limited and relates only to the revolving credit facility. The majority of the Company's interest bearing debt (Senior Secured Notes) has fixed interest rates.

The sensitivity of the financial results with regard to interest rate risk, foreign currency risk and credit risk are further explained in the notes on financial risk management objectives and policies.

Commodity price risk

We are subject to market risk with respect to certain commodities. Plastic granulate is a significant component of cost of goods sold for our RPCs, used pallets are the principal raw material cost in our Pallet Management Services business segment, and energy, particularly diesel fuel, represents a significant cost in each of our key business segments. To the extent that we purchase new RPCs made from new, virgin material instead of recycled RPCs, any increase in the cost of new granulate will increase cost of goods sold resulting in decreased profitability unless there is a corresponding increase in the prices we charge our customers. Similarly, increases in energy costs or in the cost of used pallets could create pressure on our gross margin if we do not increase customer prices. We may be limited in the scope and timing of cost increases, if any, that we are able to pass along to customers. In addition, price increases could reduce revenues if lower volumes result.

We do not enter into futures contracts on commodity markets to hedge our exposure to the commodities described above.

Internal control over financial reporting

Our internal controls over financial reporting are designed to provide reasonable, but no absolute, assurance regarding the reliability of management and financial reporting in accordance with IFRS. Our procedures include the maintenance of an accounting manual that is designed to enable it to conform to IFRS and controls that ensure that:

- Commitments and expenditures are appropriately authorized by management;
- Records are maintained which accurately and fairly reflect transactions;
- Any unauthorized acquisition, use or disposal of the Company's assets that could have a material effect on the Financial Statements should be detected on a timely basis;
- Transactions are recorded as required to permit the preparation of financial statements;

During the year we monitored the proper functioning of the above mentioned controls. Due to inherent limitations however internal controls over financial reporting may not prevent or detect misstatements.

Risk management and control systems provide therefore reasonable assurance that the financial reporting does not contain any material inaccuracies. No material weaknesses were identified during the year.

Based on this we are of the opinion that the internal risk management and control systems provide a reasonable assurance that the financial reporting does not contain any errors of material importance and that the risk management and control systems worked properly in the year under review.

Research and development

We are engaged in ongoing product improvement efforts with our RPC Management Services' suppliers and customers to make our RPCs more durable and handling-efficient with a lower cost per trip and to develop new products. These research and development efforts are conducted by the supplier pursuant to the terms of the applicable supply agreements and do not involve separate research and development expenditures.

We are developing tracking and tracing applications to use technology to track the location and the content of our RPCs, pallets and other conveyances. We believe that such a tracking technology can improve supply chain planning and asset utilization, automate warehousing and logistics processes and provide more current information on new pricing strategies and implementation. With respect to any technology selected for testing and possible implementation, we will consider various factors, including field effectiveness, ease of use and cost.

As of December 31, 2010 we have capitalized US $5.6 million in hardware and associated research and development. We started to implement this technology in the RPC US business in October 2005.

Given the nature of the Pallet Management Services operations, we do not have any material product research and development expenditures.

Legal proceedings

See Note 13 to the consolidated financial statements for discussion of these items.

Corporate governance

Sound corporate governance is a high priority to IFCO. The confidence of our stakeholders is essential if their cooperation in and with the Company shall be effective. The guidelines on which our corporate governance rests are good entrepreneurship, enterprise continuity, operational and corporate control maintenance and enhancement, and decision making integrity and transparency of our Executive Management and supervision thereof. The Executive Management, the Board of Managing Directors and the Supervisory Board have overall responsibility for weighing up the interests, generally with a view to ensuring the continuity of the enterprise. In doing so, the Company endeavors to create long-term shareholder value.

The Company has implemented a code of ethics to act in accordance with the highest standards of honesty, integrity and fairness and expect the same in their relationships with others while maintaining a work and business climate fostering such standards. The code of ethics is specifically intended to provide for a number of implementing requirements in the area of avoidance of conflicts of interest by the Supervisory Board, the Board of Managing Directors, the Executive Management Committee and employees of the Company. The Company has also established arrangements in regard of a whistleblower function.

As a Dutch public limited company, we apply principles and best practice provisions of the amended Dutch Corporate Governance Code which came into effect as from January 1, 2009 (Code Frijns). To the extent we do not comply with a principle or best practice provision of the Corporate Governance Code, this deviation is expressly explained in this annual report. The Corporate Governance Code can be found on www.commissiecorporategovernance.nl. The principles and best practice provisions of the Corporate Governance Code are also reflected in the Company's Articles of Association.

The Board of Managing Directors and the Supervisory Board are responsible for the corporate governance structure of the Company and the compliance with the Corporate Governance Code. They are accountable for this to the General Meeting of Shareholders.

The main features of the internal risk management and control systems in relation to the Company's financial reporting process are discussed in chapter "Risk management" of this annual report.

The functioning of the General Meeting of Shareholders, the rights of shareholders and how such rights are exercised are discussed in chapter "The IFCO share" of this annual report.

The composition and functioning of the Board of Managing Directors, the Supervisory Board and the Supervisory Board Committees are discussed in chapter "The Report of the Supervisory Board" of this annual report.

The Company does not have any existing or potential anti-takeover measures in place.

Outlook

As the recent financial crisis continued to impact the worldwide economy during 2010, challenging economic climates remained in many of our markets. While the economy in the United States remained in a weak but slightly improved condition during 2010, the European economy experienced an impressive recovery during 2010.

Accordingly, our European RPC Management Services business will continue to leverage our leadership position and market experience to meet or exceed overall market development. We plan to increase our sales initiatives and to continue to expand our geographic presence in Western Europe, Central Eastern Europe (CEE) and South America. Recent wins of new retailers, like Carrefour in France, Spar in Austria and MERCATOR in Slovenia support our expectations. In the United States, we realized increases in the overall RPC penetration among grocery food retailers and plan to grow in excess of this market development. Based on our solid RPC business model, we expect that the RPC Management Services businesses will continue to grow in 2011. Our investments to support this growth will be carefully aligned with our business development and are targeted to continually increase the return on our invested capital.

Our focus will remain on new and innovative products and markets where we can achieve profitable growth, as well as continuing to deliver on our ongoing responsibility to our global environment.

Our Pallet Management Services business continued to feel the negative impact of the recent economic downturn, primarily as a result of pressure on prices from weak market demand. Nevertheless, we remain confident that the key competitive advantages of the Pallet Management Services business – the breadth of service offerings, the national network and the value proposition at a national and local level – have not changed and should allow our Pallet Management Services segment to grow revenues and increase profitability in 2011.

We believe that our current assessment of the markets and our business development as described above should result in overall significant gains in both revenues and operational profitability in 2011 as compared to 2010.

Financially, we expect to be able to fund our capital, operational and debt service requirements through our own operating cash flows.

Our employees and their commitment to our Company will be the basis for our future growth. We do not expect any changes to our workforce.

Subsequent events

No subsequent events occurred between December 31, 2010 and the authorization date of our 2010 annual report which the Company believes would have a material effect on the consolidated financial statements or footnotes herein.

Statement of the Board of Managing Directors

The Board of Managing Directors of IFCO SYSTEMS N.V. hereby declares that, to the best of its knowledge:

- the Annual Financial Statements for the period ended December 31, 2010 give a true and fair view of the assets, liabilities, financial position and profits or losses of IFCO SYSTEMS N.V. and undertakings included in the consolidation taken as a whole; and

- this Annual Board Report gives a true and fair view of the position as per the balance sheet date, and of the development and performance during the 2010 financial year, together with the principal risks and uncertainties that IFCO SYSTEMS N.V. faces.

Independent auditors' report

To: The Supervisory Board and Shareholders of IFCO SYSTEMS N.V., Amsterdam

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements 2010 which are part of the financial statements of IFCO SYSTEMS N.V., Amsterdam, and comprise the consolidated statements of financial position as at December 31, 2010, the consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management's discussion and analysis in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of IFCO SYSTEMS N.V. as at December 31, 2010 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management's discussion and analysis, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management's discussion and analysis, to the extent we can assess, is consistent with the consolidated financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Eindhoven, March 2, 2011

Ernst & Young Accountants LLP

Signed by P.J.A. Gabriëls

IFCO SYSTEMS N.V. and subsidiaries consolidated statements of financial position

US $ in thousands	Notes	December 31, 2010	December 31, 2009
Assets			
Non-current assets:			
Goodwill	(3, 6)	204,443	210,367
Intangible assets	(6)	3,340	2,417
Property, plant and equipment, net	(5)	528,832	467,484
Investment in an associate	(4)	2,615	2,318
Deferred tax asset	(11)	1,540	2,587
Other assets		555	654
Total non-current assets		**741,325**	**685,827**
Current assets:			
Receivables, net	(6)	218,083	203,831
Inventories	(6)	10,440	12,899
Other current assets	(6)	23,699	20,866
Cash and cash equivalents	(6)	59,392	73,042
Total current assets		**311,614**	**310,638**
Total assets		**1,052,939**	**996,465**
Equity and liabilities			
Equity attributable to equity holders of the parent:			
Ordinary share capital, €0.01 par value, 140,000,000 shares authorized; 51,572,214 issued and outstanding as of 2010 (54,222,214 issued and outstanding as of 2009)	(6)	555	583
Treasury shares	(6)	(4,801)	(23,433)
Paid in capital	(6)	497,742	518,927
Other reserves	(6)	3,755	(6,833)
Retained earnings		(239,699)	(266,245)
Total equity		**257,552**	**222,999**
Non-current liabilities:			
Interest bearing loans and borrowings, net of current maturities	(10)	247,067	264,381
Finance lease obligations, net of current maturities	(10)	45,834	41,167
Deferred tax liability	(11)	16,380	8,124
Other liabilities	(6, 13)	5,505	10,555
Total non-current liabilities		314,786	**324,227**
Current liabilities:			
Current maturities of interest bearing loans and borrowings	(10)	4,875	9,222
Current maturities of finance lease obligations	(10)	24,493	23,845
Provisions	(6, 13)	38,911	40,931
Refundable deposits	(6)	178,972	170,765
Trade and other payables	(6)	158,014	137,312
Income tax payable		4,547	1,862
Other liabilities	(6, 13)	70,789	65,302
Total current liabilities		**480,601**	**449,239**
Total liabilities		**795,387**	**773,466**
Total equity and liabilities		**1,052,939**	**996,465**

IFCO SYSTEMS N.V. and subsidiaries consolidated income statements

US $ in thousands, except share and per share amounts	Notes	Year ended December 31, 2010	Year ended December 31, 2009
Revenues:			
RPC Management Services		452,358	398,471
Pallet Management Services		333,072	337,455
Total revenues		**785,430**	**735,926**
Cost of sales:	(7)		
RPC Management Services		322,949	293,465
Pallet Management Services		284,997	291,321
Total cost of sales		**607,946**	**584,786**
Gross profit:			
RPC Management Services		129,409	105,006
Pallet Management Services		48,075	46,134
Total gross profit		**177,484**	**151,140**
Selling expenses	(7)	21,915	20,520
General and administrative expenses	(7)	54,720	57,312
Other operating income		(848)	(8,137)
Other operating expense		534	345
Profit from operating activities		**101,163**	**81,100**
ICE related expenses		(11,301)	(8,723)
Foreign currency gain		1,318	2,555
Foreign currency loss		(3,727)	(263)
Income (loss) from equity entity	(4)	445	(220)
Other income		936	245
Other expense		(990)	(212)
		(13,319)	**(6,618)**
Interest expense	(7)	(36,499)	(44,484)
Interest income	(7)	324	1,071
Factoring charges	(10)	(665)	(618)
Result of finance activities		**(36,840)**	**(44,031)**
Profit from continuing operations before taxes		**51,004**	**30,451**
Current income tax provision	(11)	(7,462)	(4,172)
Deferred income tax provision	(11)	(8,587)	(4,626)
Income tax provision	(11)	(16,049)	(8,798)
Profit before discontinued operations		**34,955**	**21,653**
Loss from discontinued operations	(8)	(203)	(1,699)
Net profit		**34,752**	**19,954**
Profit per share from continuing operations – basic		0.68	0.41
Profit per share from continuing operations – diluted		0.68	0.41
Loss per share from discontinuing operations – basic		(0.00)	(0.03)
Loss per share from discontinuing operations – diluted		(0.00)	(0.03)
Net profit per share – basic		0.68	0.38
Net profit per share – diluted		0.68	0.38
Shares on which net profit is calculated:	(9)		
Basic [1]		51,251,098	52,719,166
Effect of dilutive stock options		6,299	154,561
Diluted		**51,257,397**	**52,873,727**

[1] Average outstanding shares during the period.

IFCO SYSTEMS N.V. and subsidiaries consolidated statements of comprehensive income

US $ in thousands	2010	2009
Net profit	34,752	19,954
Currency translation differences	12,258	(2,724)
Income tax effect	(1,670)	–
Other comprehensive income for the period	**10,588**	(2,724)
Total comprehensive income for the period	**45,340**	17,230

IFCO SYSTEMS N.V. and subsidiaries consolidated statements of changes in equity

US $ in thousands, except share amounts	Ordinary Shares Shares	Treasury Shares Shares	Ordinary Shares Amount	Treasury Shares Amount	Paid in Capital	Retained earnings	Other reserves	Total Equity
Balance at December 31, 2008 – Restated	54,222,214	749,039	583	(8,150)	521,966	(287,534)	(4,109)	222,756
Stock-based compensation income	–	–	–	–	(207)	–	–	(207)
Buyback of treasury shares	–	2,389,348	–	(19,028)	–	–	–	(19,028)
Exercise of stock options funded by treasury shares	–	(169,668)	–	3,745	(3,046)	–	–	699
Current and future tax deduction from stock option exercise	–	–	–	–	214	–	–	214
Tax effect on restatement	–	–	–	–	–	1,335	–	1,335
Net profit	–	–	–	–	–	19,954	–	19,954
Other comprehensive income	–	–	–	–	–	–	(2,724)	(2,724)
Total comprehensive income	–	–	–	–	–	19,954	(2,724)	17,230
Balance at December 31, 2009	54,222,214	2,968,719	583	(23,433)	518,927	(266,245)	(6,833)	222,999
Stock-based compensation expense	–	–	–	–	24	–	–	24
Buyback of treasury shares	–	269,815	–	(4,334)	–	–	–	(4,334)
Exercise of stock options funded by treasury shares	–	(278,001)	–	2,773	(1,622)	–	–	1,151
Dividend	–	–	–	–	–	(8,206)	–	(8,206)
Reduction of issued share capital by cancelation of treasury shares	(2,650,000)	(2,650,000)	(28)	20,193	(20,165)	–	–	–
Current and future tax deduction from stock option exercise	–	–	–	–	578	–	–	578
Net profit	–	–	–	–	–	34,752	–	34,752
Other comprehensive income	–	–	–	–	–	–	10,588	10,588
Total comprehensive income	–	–	–	–	–	34,752	10,588	45,340
Balance at December 31, 2010	**51,572,214**	**310,533**	**555**	**(4,801)**	**497,742**	**(239,699)**	**3,755**	**257,552**

IFCO SYSTEMS N.V. and subsidiaries consolidated cash flow statements

US $ in thousands	Notes	Year ended December 31, 2010	2009
Cash flows from continuing operating activities:			
Net profit		34,752	19,954
ICE related expenses		11,301	8,723
Adjustments for:			
Depreciation and amortization expense of property, plant and equipment	(7)	42,578	39,617
Amortization of other assets		1,336	1,247
Stock-based compensation expense (income)	(14)	398	(31)
Foreign currency loss (gain), net		2,409	(2,292)
Current income tax provision	(11)	7,462	4,172
Deferred income tax provision	(11)	8,587	4,626
(Income) loss from equity entity	(4)	(445)	220
Income on sale of property, plant and equipment		(182)	(139)
Interest expense	(7)	36,499	44,484
Interest income	(7)	(324)	(1,071)
Factoring charges	(10)	665	618
Other income		–	(567)
Loss from discontinued operations	(8)	203	1,699
Cash generated from continuing operations, excluding the cash flow effect of changes in working capital and excluding ICE		**145,239**	**121,260**
Changes in working capital of continuing operations:			
Receivables		(25,447)	(39,733)
Inventories		2,457	4,638
Trade and other payables		27,570	5,444
Refundable deposits		20,438	31,983
Other assets and liabilities		11,178	11,750
Cash flow effect of changes in operating assets and liabilities of continuing operations		**36,196**	**14,082**
Cash generated from continuing operations before income tax payments and excluding ICE		**181,435**	**135,342**
Cash used for ICE		(16,139)	(10,784)
Cash generated from continuing operations before income tax payments and including ICE		**165,296**	**124,558**
Income taxes paid		(3,023)	(6,122)
Cash generated from continuing operating activities		**162,273**	**118,436**
Cash (used in) generated from discontinued operations		(211)	75
Net cash generated from operating activities		**162,062**	**118,511**
Cash flows from investing activities:			
Purchase of RPCs		(114,913)	(50,123)
Purchase of property, plant and equipment		(7,142)	(7,952)
Total capital expenditures		(122,055)	(58,075)
Proceeds from sale of property, plant and equipment		358	287
Net cash used in investing activities		(121,697)	(57,788)
Cash flows from financing activities:			
Principal proceeds of long-term debt		–	125,081
Payback of sellers' note		(8,949)	(12,253)
Interest paid		(33,521)	(56,684)
Interest received		335	1,024
Proceeds from exercise of stock options		1,151	699
Principal payments of finance lease obligations		(24,463)	(22,719)
Proceeds from sale-leaseback transactions		28,304	25,945
Net payments for payback of revolving credit facility	(10)	–	(63,215)
Payments for treasury share buyback		(4,334)	(19,028)
Dividend paid	(6)	(8,206)	–
Net cash used in financing activities		**(49,683)**	**(21,150)**
Effect of exchange rate changes on cash and cash equivalents		(4,332)	1,963
Net (decrease) increase in cash and cash equivalents		**(13,650)**	**41,536**
Cash and cash equivalents, beginning of period		73,042	31,506
Cash and cash equivalents, end of period		**59,392**	**73,042**

Notes to consolidated financial statements

(US $ in thousands, except per share amounts or unless otherwise stated)

1. Business, organization and basis of presentation

The consolidated financial statements of IFCO SYSTEMS N.V. (IFCO or the Company) for the year ended December 31, 2010 were authorized by the Board of Managing Directors on February 25, 2011.

IFCO SYSTEMS N.V. is a Netherlands holding company for the following operating companies: IFCO SYSTEMS GmbH and its subsidiaries in Europe and South America, IFCO SYSTEMS North America, Inc. and its subsidiaries. The Company's headquarter is located in Amsterdam, Evert van de Beekstraat 310, 1118 CX Schiphol Centrum, the Netherlands. Its European operations headquarters are in Pullach, Germany, and its North American operations headquarters are in Houston, Texas.

In Europe, North America and South America, IFCO is involved in the organization and administration of the rental, distribution and purchase of reusable plastic containers (RPC) and offers a comprehensive RPC Management Services system. After the Company has collected, sanitized and cleaned the RPCs, they are rented primarily to producers of fresh fruit and vegetables in exchange for a one-time usage fee. The producers' goods are transported in the RPCs to various intermediaries and ultimately to retailers for sale to consumers. IFCO delivers the empty RPCs to customers' bulk warehouses and collects the empty RPCs from regional service points again.

Aside from the RPC Management Services business in the United States, IFCO SYSTEMS North America principally offers Pallet Management Services. The wide range of Pallet Management Services offerings range from consultancy services and comprehensive pallet services programs including, on or off site sort/repair of pallets, reverse logistics services to web-based tracking/data management services.

The functional currency of the North American operations is the US Dollar, functional currency of the South American operations is the individual local currency and the primary functional currency of IFCO SYSTEMS N.V. and for most of the European operations is the Euro, the currency of their primary economic environment in which they operate. Those functional currencies reflect the respective regional currency influence on sales prices for goods and services, influences on labor, material and other costs and the currency in which funds from financing activities are generated.

The Company's presentation currency is the US Dollar, because the main portion of the revenues and associated expenses do occur in US Dollar. Therefore, the Company's assets, liabilities, revenues and expenses are subject to exchange rate fluctuations between the US Dollar, which is the Company's group level presentation currency, and the Euro. Exchange rate fluctuations occur, to a lesser extent, as a result of certain subsidiaries operating in other countries and using other functional currencies.

In the income statement, the Company used a subtotal "Profit from operating activities" that is a non-GAAP measure and not as such defined by IFRS. The subtotal excludes all costs relating to the ICE investigation (see Notes – Litigation), which is classified outside the operating result due to the magnitude and the non recurring character of these expenses. ICE related expenses consist of legal expenses, salaries for employees on leave and the interest accrued on the present value of the ICE settlement obligation.

On November 14, 2010, Island LP and other sellers have signed a contract on the sale of their shares in IFCO SYSTEMS N.V. to Brambles Investment Limited, a subsidiary of Brambles Limited. Island LP and other sellers hold 95.9% of the shares in IFCO SYSTEMS N.V..

The sale and transfer of the shares (closing) is still subject to certain approval requirements and conditions, inter alia the approval by the cartel authorities.

Furthermore, Brambles Investment Limited has announced a voluntary public takeover offer to the shareholders of IFCO SYSTEMS N.V. for the acquisition of their shares in IFCO SYSTEMS N.V. for a cash consideration of EUR 13.50 per share, which amount is to be increased by 12% p.a. as from and including November 1, 2010 until and including the settlement of the offer. The acceptance period will be from December 23, 2010 to March 3, 2011, 24.00 hours (Central European Time).

The financial impacts of this transaction as far as the Company is concerned are considered in the financial statements 2010.

2. Summary of significant accounting policies

Statement of compliance

The consolidated financial statements of the Company and all its subsidiaries have been prepared in accordance with all International Financial Reporting Standards (IFRS) as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Company has adopted the following new and revised IFRS and IFRIC interpretations as of January 1, 2010.

- IAS 39 Financial Instruments - Recognition and Measurement – Eligible Hedged Items
- IFRS 2 Share-based Payment – Amendments relating to group cash-settled share-based payment transactions
- IFRIC 17 Distributions of Non-cash Assets to Owners
- Improvements to IFRSs (April 2009)

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements of performance of the Company, its impact is described below:

- IAS 39 Financial Instruments – Recognition and Measurement - Eligible Hedged Items
  The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The amendment did not have any impact on the financial position or performance of the Company, as the Company has not entered into any such hedges.

- IFRS 2 Share-based Payment – Amendments relating to group cash-settled share-based payment transactions
  The amendments clarify the scope of IFRS 2. An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments clarify the interaction of IFRS 2 and other standards. The Board clarified that in IFRS 2 a 'group' has the same meaning as in IAS 27 Consolidated and Separate Financial Statements, that is, it includes only a parent and its subsidiaries. This amendment did not have any impact on the financial position or performance of the Company.

- IFRIC 17 Distributions of Non-cash Assets to Owners
  The interpretation is to be applied prospectively. The interpretation clarifies that a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity. Furthermore it clarifies that an entity should measure the dividend payable at the fair value of the net assets to be distributed, and that an entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. The interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. IFRIC 17 applies to pro rata distributions of non-cash assets except for common control transactions. IFRIC 17 did not have any impact on the financial position or performance of the Company, as the Company does not pay pro rata distributions of non-cash assets to owners.

Improvements to IFRSs
In April 2009 the IASB issued a collection of amendments to twelve IFRSs. The following amendments did not have any material effect on the financial statements.

- IFRS 2 Share-based Payment
  Scope of IFRS 2 and revised IFRS 3
  Clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of IFRS 2.

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations Disclosures
  Clarifies that the disclosures required in respect of non-current assets, disposal groups classified as held for sale, or discontinued operations are only those set out in IFRS 5.

- IFRS 8 Operating Segments
  Disclosure of information about segment assets
  Segment assets need only be reported when those assets are included in measures used by the chief operating decision maker.

- IAS 1 Presentation of Financial Statements
  Current/non-current classification of convertible instruments
  The terms of a liability that could at anytime result in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

- IAS 7 Statement of Cash Flows
  Classification of expenditures on unrecognized assets
  Only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.

- IAS 17 Leases
  Classification of land and buildings
  The specific guidance on classifying land as a lease has been removed so that only the general guidance remains.

- IAS 18 Revenue
  Determining whether an entity is acting as principal or agent
  The Board has added guidance to determine whether an entity is acting as a principal or as an agent.

- IAS 36 Impairment of Assets
  Unit of accounting for goodwill impairment testing
  The largest unit permitted for allocating goodwill acquired in a business combination is the operating segment defined in IFRS 8 before aggregation for reporting purposes.

- IAS 38 Intangible Assets
  Consequential amendments arising from revised IFRS 3
  If an intangible acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangibles as a single asset provided the individual assets have similar useful lives.

  Measuring fair value
  The valuation techniques presented for determining the fair value of intangible assets acquired in a business combination are only examples and are not restrictive on the methods that can be used.

- IAS 39 Financial Instruments: Recognition and Measurement
  Assessment of loan prepayment penalties as embedded derivatives
  A prepayment option is considered closely related to the host contract when the exercise price reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.

  Scope exemption for business combination contracts
  The scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, not derivative contracts where further actions are still to be taken.

  Cash flow hedge accounting
  Gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges or recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

- IFRIC 9 Reassessment of Embedded Derivatives
  Scope of IFRIC 9 and revised IFRS 3
  IFRIC 9 does not apply to possible reassessment at the date of acquisition to embedded derivatives in contracts acquired in a combination between entities of businesses under common control of the formation or a joint venture.

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
  Amendment of the restriction on the entity that can hold hedging instruments
  Qualifying hedging instruments may be held by any entity within the group, provided the designation, documentation and effectiveness requirements of IAS 39 are met.

Future changes in accounting policies

- IAS 12 Income Taxes – Amendments set out in Deferred Tax: Recovery of Underlying Assets (not yet endorsed by EU)
  These amendments to IAS 12 were issued in December 2010 and become effective for financial years beginning on or after January 1, 2012. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, be through sale.

  As a result of the amendments, SIC-21 Income Taxes — Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn. The Company expects that these amendments will have no impact on the financial position of performance of the Company.

- IAS 24 Related Party Disclosures – Revised definition of related parties
  The revised IAS 24 was issued in November 2009 and becomes effective for financial years beginning on or after January 1, 2011, with earlier application permitted. The revised version of IAS 24 "Related Party Disclosures" simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The revised standard will probably not have any impact on the consolidated financial statements and the disclosures made on related parties.

- IAS 32 Financial Instruments: Presentation – Amendments relating to Classification of Rights Issues
  These amendments to IAS 32 were issued in October 2009 and become effective for financial years beginning on or after February 1, 2010. For rights issues offered for a fixed amount of foreign currency current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to an entity's all existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The Company expects that this amendment will have no impact on the financial position or performance of the Company.

- Amendments to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets (not yet endorsed by EU)
  The amendments to the IFRS Standard were issued in October 2010 and become effective for financial years beginning on or after July 1, 2011. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The Company expects that these amendments will have no impact on the financial position of performance of the Company.

- IFRS 9 Financial Instruments – Classification and Measurement (not yet endorsed by EU)
  The new standard was issued in November 2009 and becomes effective for annual periods beginning on or after January 1, 2013. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39. Thus IFRS 9 improves comparability and makes financial statements easier to understand for investors and other users. This new standard will have no material impact on the financial position or performance of the Company.

- IFRS 9 Financial Instruments – Classification and Measurement (not yet endorsed by EU)
  The new standard was issued in October 2010 and becomes effective for annual periods beginning on or after January 1, 2013. The IASB has issued requirements on the accounting for financial liabilities. These requirements will be added to IFRS 9 Financial Instruments and complete the classification and measurement phase of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. They follow the IASB's November 2009 issue of IFRS 9, which prescribed the classification and measurement of financial assets. The new requirements address the problem of volatility in profit or

loss (P&L) arising from an issuer choosing to measure its own debt at fair value. This is often referred to as the 'own credit' problem. The IASB decided to maintain the existing amortized cost measurement for most liabilities, limiting change to that required to address the own credit problem. With the new requirements, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income section of the income statement, rather than within P&L. This new standard will have no material impact on the financial position or performance of the Company.

- Amendment to IFRIC 14 IAS 19 – Prepayments of a Minimum Funding Requirement
  The amendment to the IFRIC Interpretation was issued in November 2009 and becomes effective for financial years beginning on or after January 1, 2011. The amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset. The Company has currently no defined benefit schemes and, therefore, this interpretation will have no impact on the financial position or performance of the Company.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
  IFRIC 19 was issued in November 2009 and becomes effective for annual periods beginning on or after July 1, 2010. IFRIC 19 clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies that the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability. IFRIC 19 clarifies that the equity instruments issued are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. IFRIC 19 clarifies that the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the entity's profit or loss for the period. The Company expects that this IFRIC will have no impact on the financial position of performance of the Company.

Improvements to IFRSs (not yet endorsed by EU)
In May 2010 the IASB issued improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after January 1, 2011. The amendments listed below, are considered to have a reasonable possible impact on the Company:

- IFRS 3 Business Combinations
  Measurement of non-controlling interests
  Specifies that the option to measure non-controlling interests either at fair value or at the proportionate share of the acquiree's net identifiable assets at the acquisition date under IFRS 3 (2008) applies only to non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. All other components of non-controlling interests should be measured at their acquisition date fair value, unless another measurement basis is required by IFRSs.

Effective for annual periods beginning on or after July 1, 2010
Un-replaced and voluntary replaced sharebased payment awards
Specifies that the current requirement to measure awards of the acquirer that replace acquiree share-based payment transactions in accordance with IFRS 2 at the acquisition date ('market-based measure') applies also to share-based payment transactions of the acquiree that are not replaced. Specifies that the current requirement to allocate the market-based measure of replacement awards between the consideration transferred for the business combination and post-combination remuneration applies to all replacement awards regardless of whether the acquirer is obliged to replace the awards or does so voluntarily. Effective for annual periods beginning on or after July 1, 2010.

Transitional requirements for contingent consideration from a business combination that occurred before the effective date of IFRS 3 (2008)
Clarifies that IAS 32 Financial Instruments: Presentation, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures do not apply to contingent consideration that arose from business combinations whose acquisition dates preceded the application of IFRS 3 (2008). Effective for annual periods beginning on or after July 1, 2010.

- IFRS 7 Financial Instruments: Disclosures
  Clarifications of disclosures
  Encourages qualitative disclosures in the context of the quantitative disclosure required to help users to form an overall picture of the nature and extent of risks arising from financial instruments. Clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated loans. Effective for annual periods beginning on or after January 1, 2011.

- IAS 1 Presentation of Financial Statements
  Clarification of statement of changes in equity
  Clarifies that an entity may present the analysis of other comprehensive income by item either in the statement of changes in equity or in the notes to the financial statements. Effective for annual periods beginning on or after January 1, 2011.

- IAS 27 Consolidated and Separate Financial Statements
  Transitional requirements for consequential amendments as a result of IAS 27 (2008)
  Clarifies that the amendments made to IAS 21 The Effects of Changes in Foreign Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures as a result of IAS 27(2008) should be applied prospectively (with the exception of paragraph 35 of IAS 28 and paragraph 46 of IAS 31, which should be applied retrospectively). Effective for annual periods beginning on or after July 1, 2010.

- IFRIC 13 Customer Loyalty Programmes
  Fair value of award credit
  Clarifies that the 'fair value' of award credits should take into account:
  - the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale; and
  - any expected forfeitures.

  Effective for annual periods beginning on or after January 1, 2011.

The Company will not apply any of the above listed standards or interpretations before their effective dates.

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis except for derivatives that are measured at fair value.

Basis of consolidation

Basis of consolidation from January 1, 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2010.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances, transactions, unrealized gains and losses resulting from intercompany transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an entity transaction.

If the Company loses control over a subsidiary, it:

- Derecognizes the asset (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to January 1, 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to January 1, 2010, were accounted for using parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognized in goodwill.
- Losses incurred by the Company were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these.
- Upon loss of control, the Company accounted for the investment retained at its proportionate share of net asset value at the date control was lost.

Accounting principles

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the Company's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

Investment in an associate

The Company's investment in its associate is accounted for using the equity method. An associate is an entity in which the Company has significant influence.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The income statement reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes and discloses this, when applicable, in the statement of other comprehensive income or in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The share of profit of associates is shown on the face of the income statement. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associates.

The financial statements of the associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on the Company's investment in its associates. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in "Income (loss) from equity entity" in the income statement.

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal are recognized in profit or loss.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated income statement of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from income and expenses from continuing activities, down to the level of profit after taxes, even when the Company retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the income statement.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

Foreign currency translation

The consolidated financial statements are presented in USD, which is the Company's presentation currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company entities at their respective functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the income statement with the exception of all monetary items that provide an effective hedge for a net investment in a foreign operation. These are recognized in other comprehensive income until the disposal of the net investment in a foreign operation, at which time they are recognized in the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Company subsidiaries

The functional currency for most of the European subsidiaries is the EUR. The functional currency of the South American subsidiaries is the individual local currency. The assets and liabilities of foreign operations are translated into the presentation currency of the Company at the rate of exchange prevailing at the reporting date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

	As of December 31		Average for Fiscal Year	
	2010	2009	2010	2009
Euro relative to 1 CHF	1.2504	1.4836	1.3795	1.5100
Euro relative to 1 GBP	0.8607	0.8881	0.8576	0.8909
BRL relative to 1 US Dollar	1.6631	1.7412	1.7601	1.9948
US Dollar relative to 1 Euro	1.3362	1.4406	1.3268	1.3935

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Rental income / Rendering of services

Revenues resulting from RPC related service fees are recognized once they can be measured reliably, the economic benefits associated with the transaction will flow to the Company, the stage of completion of the transaction at the reporting date can be measured reliably and the services related to prepare the RPC for a trip are complete and the RPC has been delivered to the producer.

Revenues resulting from RPC asset rental fees are recognized on a straight line basis over the average rental term of 30 calendar days per RPC. The contractual agreement is providing a one time use of the RPCs by the customer.

Sale of goods

Revenue from the sale of goods and recycled pallets is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Interest income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- where the sales tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Share-based payment transactions

Employees of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (“equity-settled transactions”). Employees are granted performance units to receive either cash in Euro or shares currently existing or created by the Company (“cash settled transactions”).

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment transaction and the fair value of any identifiable goods or services received at the grant date. This is then capitalized or expensed as appropriate.

Equity-settled transactions

The cost of equity-settled transactions with employees for awards granted after November 7, 2002, is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transactions are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at fair value at the grant date using an appropriate pricing model. This fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized in employee benefits expense.

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchase or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits, trade and other receivables and loan and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

- **Financial assets at fair value through profit or loss**
  Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance cost in the income statement.

  The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

- **Loans and receivables**
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in general and administrative expenses.

- **Held-to-maturity investments**
  Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs. The Company did not have any held-to-maturity investments during the years ended December 31, 2010 and December 31, 2009.

- **Available-for-sale financial investments**
  Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

  After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is recognized in the income statement in finance costs and removed from the available-for-sale reserve.

  For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired then the amount recorded in equity is reclassified to the income statement.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired

- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset.

In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognized in the income statement.

Available-for-sale financial investments

For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. ‚Significant' is to be evaluated against the original cost of the investment and ‚prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from other comprehensive income and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, bank overdraft, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

- **Financial liabilities at fair value through profit or loss**
  Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

  Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

  Gains or losses on liabilities held for trading are recognized in the income statement.

  The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

- **Loans and borrowings**
  After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized

cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the income statement.

- **Financial guarantee contracts**
  Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration is recognized in other capital reserves.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Included in property, plant and equipment are the Company's Reusable Plastic Container (RPC) pools. The Company takes historical information into consideration in determining an appropriate useful life for depreciating the RPC rental pools such as technical useful life, shrinkage, commercial useful life and market acceptance of crates. The limited factor for the determination is the commercial useful life and market acceptance of crates. Therefore, the Company depreciates its own RPCs of the pool for fruit and vegetables to their residual value using the straight-line method over 10 years, however other RPC pools and the acquired CHEP RPC assets over periods ranging from 3 to 10 years.

The Company reviews its RPC pool residual value estimates at each year end based on the development of the value of granulated RPCs.

Expenditures for maintenance and repairs are charged to expense as incurred. Additions and replacements or betterments that increase capacity or extend useful lives are added to the cost of the asset. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in other (expense) income, net, in the accompanying consolidated income statements.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to January 1, 2005, the date of inception is deemed to be January 1, 2005 in accordance with the transitional requirements of IFRIC 4.

Group as a lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortized, but tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether indefinite life continues to be supportable. If not, the change in the useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Inventories

Inventories are valued at the lower of cost or net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

Goodwill is tested for impairment annually (as at October 1) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash generating unit (or group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in the future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at December 31 either individually or at the cash generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Deferred financing costs

According to IAS 39 'Financial Instruments: Recognition and Measurement', the Company nets deferred financing costs related to the issuance of the Company's debt obligations against those obligations on the Company's consolidated statement of financial position.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Refundable deposits

The Company receives deposits from certain non United States and South America customers upon RPC delivery that are classified as refundable deposits in the accompanying consolidated statement of financial position. These deposits are refunded by the Company when the RPCs are returned.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of Non-financial Assets

The Company's impairment test for goodwill is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units are further explained in Note 3.

Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Further details on deferred taxes are disclosed in Note 11.

RPC / Refundable deposits / Residual value

Significant estimates made by management include useful lives and impairment rates for RPCs, the service obligation period of the RPC revenue cycle and the amount of deposit to be refunded (see accounting policies to property, plant and equipment). The refundable deposit for RPCs is calculated under the assumption that all RPCs in circulation have to be refunded or credited.

Accounts Receivables

The Company estimates the fair value of its accounts receivables considering the historical experience, the economic environment, the specific industry development, information provided by credit agencies and individual cognition of IFCO's credit and collection procedures.

3. Impairment testing of goodwill

Goodwill acquired has been allocated to three cash generating units:

- RPC Management Services Europe
- RPC Management Services United States
- Pallet Management Services

	RPC Management Services Europe		RPC Management Services United States		Pallet Management Services		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Carrying amount of goodwill as of December 31	75,832	81,756	9,785	9,785	118,826	118,826	**204,443**	210,367

RPC Management Services Europe

The recoverable amount of this cash generating unit has been determined based on the value in use calculation using cash flow projections from financial budgets approved by Executive Management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 10.5% (2009: 11.2%) and cash flows beyond the five-year period are extrapolated using a 1.0% (2009: 1.0%) growth rate.

RPC Management Services United States

The recoverable amount of this cash generating unit has been determined based on the value in use calculation using cash flow projections from financial budgets approved by Executive Management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 12.5% (2009: 13.4%) and cash flows beyond the five-year period are extrapolated using a 1.0% (2009: 1.0%) growth rate.

Pallet Management Services

The recoverable amount of this cash generating unit has been determined based on the value in use calculation using cash flow projections from financial budgets approved by Executive Management covering a five-year period. The pre-tax discount rate applied to cash flow projections is 11.7% (2009: 10.3%) and cash flows beyond the five-year period are extrapolated using a 1.0% (2009: 1.0%) growth rate.

Key assumptions used for value in use calculation for October 1, 2010 and 2009

The Company projected the cash flows for the five-year period based on detailed assumptions for every cash generating unit and its specific markets. The model used is the same the Company used in prior years providing a profit and loss account, financial position and cash flow statement as well as assumptions for key performance indicators.

The calculation of value in use is sensitive to the assumptions for

- Market share – as well as using industry data for growth rates, management assesses how the position of the three cash generating units, relative to its competitors, might change over the budget period.

- Gross margins – key elements for all three cash generating units are logistic costs (e.g. transportation, washing, labor) and material price development for Pallet Management Services. Based on average values achieved in prior periods, these costs are projected by including anticipated efficiency improvements and cost developments related to portfolio changes.

- Future investment needs in the RPC pool to replace broken and lost crates (shrinkage).

Management has assessed these factors and their possible future impacts very carefully to develop the projection.

The Company used rates on European sovereign bonds and BB-rated Euro industrial bonds as the risk free interest rate baseline. In order to cover the additional risks appropriate public market equity risk premiums and estimated risk premiums in relationship with the actual rating of the Company's shares were used. The beta factor and the capital structure are based on a peer group analysis.

The Company's fourth quarter 2010 and 2009 annual testing indicated that there was no impairment of recorded goodwill.

4. Investment in an associate

The Company owns 33.3% of a Japanese RPC systems operation (IFCO Japan). The business processes of this operation are generally similar to the Company's other RPC Management Services businesses. The following tables list the total combined financial data of IFCO Japan of the RPC Management Services segment. During 2010 and 2009, the Company recognized US $0.4 million of income and US $0.2 million of loss in the Company's consolidated income statements related to its contractually defined portion of the respective net result of this entity. IFCO Japan's fiscal year ended on December 31, 2010.

US $ in thousands	As of December 31, 2010	As of December 31, 2009
Total assets	56,481	50,203
Total liabilities	46,990	43,120
Total equity	9,491	7,083

US $ in thousands	Year ended December 31, 2010	Year ended December 31, 2009
Revenue	36,427	30,512
Gross profit	14,360	11,348
Income from operations	3,987	458
Net income (loss)	1,341	(626)

5. Property, plant and equipment

Property, plant and equipment consist of the following:

US $ in thousands	Estimated Useful Lives in Years	2010	As of December 31, 2009
Land		832	832
Buildings and improvements	15-40	9,989	10,021
RPCs	3-10	714,437	636,727
Machinery and equipment	4-10	81,086	83,453
Furniture and fixtures	4-10	7,807	7,164
Tractors and trailers	5-6	30,450	29,395
		844,601	**767,592**
Less: Accumulated depreciation, amortization and impairment		(315,769)	(300,108)
		528,832	**467,484**

The movement in the Company's property, plant and equipment during 2010 is as follows:

US $ in thousands	Land	Buildings	RPCs	Machinery and Equipment	Furniture and Fixtures	Tractors and Trailers	Total
Net book value, January 1, 2010	832	3,012	421,411	28,674	2,213	11,342	467,484
Currency translation gain (loss)	–	183	(17,332)	(452)	(542)	–	(18,143)
Additions	–	745	108,926	9,058	933	2,014	121,676
Retirements	–	(292)	(26)	(73)	(14)	(70)	(475)
Depreciation and shrinkage	–	(716)	(30,142)	(5,342)	(705)	(4,805)	(41,710)
Net book value, December 31, 2010	**832**	**2,932**	**482,837**	**31,865**	**1,885**	**8,481**	**528,832**
Historical cost	832	9,989	714,437	81,086	7,807	30,450	844,601
Accumulated depreciation, amortization and impairment	–	(7,057)	(231,600)	(49,221)	(5,922)	(21,969)	(315,769)
Net book value, December 31, 2010	**832**	**2,932**	**482,837**	**31,865**	**1,885**	**8,481**	**528,832**

The movement in the Company's property, plant and equipment during 2009 is as follows:

US $ in thousands	Land	Buildings	RPCs	Machinery and Equipment	Furniture and Fixtures	Tractors and Trailers	Total
Net book value, January 1, 2009	832	3,362	386,456	31,639	2,079	11,323	435,691
Currency translation gain (loss)	–	1	10,554	454	(16)	–	10,993
Additions	–	423	53,671	3,859	1,354	4,718	64,025
Retirements	–	(33)	–	(56)	(3)	(57)	(149)
Depreciation and shrinkage	–	(741)	(29,270)	(7,222)	(1,201)	(4,642)	(43,076)
Net book value, December 31, 2009	832	3,012	421,411	28,674	2,213	11,342	467,484
Historical cost	832	10,021	636,727	83,453	7,164	29,395	767,592
Accumulated depreciation, amortization and impairment	–	(7,009)	(215,316)	(54,779)	(4,951)	(18,053)	(300,108)
Net book value, December 31, 2009	**832**	**3,012**	**421,411**	**28,674**	**2,213**	**11,342**	**467,484**

Of the RPCs above, cost of US $94.1 million and US $92.4 million and accumulated amortization of US $14.7 million and US $20.7 million are held under finance leases as of December 31, 2010 and 2009, respectively.

Of the tractors and trailers above, cost of US $24.5 million and US $23.2 million and accumulated amortization of US $17.1 million and US $13.0 million are held under finance leases as of December 31, 2010 and 2009, respectively.

Of the machinery and equipment above, cost of US $4.9 million and US $1.1 million and accumulated amortization of US $0.5 million and US $0.3 million are held under finance leases as of December 31, 2010 and 2009, respectively.

6. Detail of certain statement of financial position accounts

Goodwill

The changes in the carrying amount of goodwill are as follows for 2010 and 2009:

US $ in thousands	2010	2009
Beginning balance	210,367	205,317
(Decrease) increase due to foreign exchange translation	(5,924)	2,761
Additions from business combinations	–	2,289
Ending balance	**204,443**	**210,367**

Intangible assets

US $ in thousands	2010	2009
Net book value, January 1	2,417	3,488
Increase due to foreign exchange translation	891	17
Additions	1,135	1,106
Depreciation	(1,103)	(2,194)
Net book value, December 31	**3,340**	**2,417**
Historical cost	15,592	14,209
Accumulated amortization and impairment	(12,252)	(11,792)
Net book value, December 31	**3,340**	**2,417**

The useful lives of the remaining intangible assets are between two and three years.

Receivables

The major components of receivables are as follows:

US $ in thousands	As of December 31, 2010	As of December 31, 2009
Trade receivables	222,508	208,261
Less: Allowance for doubtful accounts	(4,425)	(4,430)
	218,083	**203,831**

Trade receivables are non-interest bearing and are generally on 30 to 90 day terms.

The Company's allowance for doubtful accounts, which the Company reserves for and updates based on its best estimates of potentially uncollectible accounts, consists of the following:

US $ in thousands	As of December 31, 2010	As of December 31, 2009
Beginning balance	4,430	4,926
Write-offs	(1,132)	(2,138)
Additional provisions	1,355	1,497
(Decrease) increase due to foreign exchange translation	(228)	145
Ending balance	4,425	4,430

As of December 31, 2010 and December 31, 2009 the aging of past due trade receivables is as follows:

US $ in thousands	Total	Neither past due nor impaired	Past due but not impaired			
			< 30 days	30-60 days	60-90 days	> 90 days
2010	**218,083**	142,657	53,823	15,770	3,368	2,465
2009	203,831	113,860	65,771	15,759	3,856	4,585

As of December 31, 2010 and December 31, 2009, there were trade receivables from related parties in the amount of US $2.7 million (2009: US $2.1 million). For terms and conditions relating to related parties, please see Note 12.

Inventories

The major components of Pallet Management Services inventories are as follows:

US $ in thousands	As of December 31, 2010	As of December 31, 2009
Finished goods (at cost)	8,934	10,422
Raw materials (at cost)	1,506	2,477
Total inventories	10,440	12,899

Other current assets

The major component of other current assets is European value-added tax receivables, which have a balance of US $9.5 million (2009: US $5.2 million). Due to the short maturity of these assets, their book value approximates their fair value.

Cash and cash equivalents

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

The cash position as of December 31, 2009 included US $8.2 million in escrowed funds, representing the present value of the sellers' note due in June 2010. The final sellers' note payment of US $8.9 million was in June 2010.

Equity

The authorized share capital of the Company amounts to €1,400,000 and is divided into 140,000,000 shares consisting of 70,000,000 ordinary shares and 70,000,000 preference shares, each with a nominal value of €0.01 per share.

The Articles provide that the Company may issue up to 70,000,000 preference shares. Preference shares entitle a holder to full voting rights at a general meeting of shareholders and to a preferential right to dividends and distributions upon liquidation. Holders of shares have no pre-emption rights relating to the issue of preference shares and holders of preference shares have no pre-emption rights if we issue shares. Upon issue of preference shares at least 25% of their nominal value must be paid-up, with the remainder only being due upon a call from the Company for further payment. Preference shares could thus be used to protect the Company against hostile takeovers and thereby constitute an anti-takeover measure. The Company has, however, currently no intention to use the preference shares for such purpose. Furthermore, the Company has neither established a foundation for purposes of anti-takeover protection nor granted any option to acquire preference shares.

The issued share capital of the Company amounts to €515,722.14 and is divided into 51,572,214 ordinary bearer shares. No preference shares have been issued.

Reduction of the issued share capital
On March 24, 2010, the General Meeting of Shareholders resolved to reduce the issued share capital of the Company by means of a cancelation of 2,650,000 ordinary fully paid-up shares which were held by the Company in its own capital. The Company filed the resolution of the General Meeting of Shareholders with the Dutch Chamber of Commerce and published a notice in a Dutch newspaper on March 29, 2010. No opposition was filed by creditors within two months after such publication and the cancelation of shares became effective as from May 29, 2010. The number of fully paid-up shares since May 29, 2010 has therefore been reduced from 54,222,214 to 51,572,214. The ordinary share capital was reduced by US $28 thousands (see statement of changes in equity).

Paid in capital mainly includes capital surplus from the issuance of stock. There are no restrictions on the use of the paid in capital.

Dividend proposed and paid
On March 24, 2010, the General Meeting of Shareholders of IFCO SYSTEMS N.V. has resolved to adopt the financial statements relating to the year 2009 and to approve the proposal of the Board of Managing Directors and the Supervisory Board to pay to the shareholders a dividend of EUR 0.12 per ordinary share in respect of the financial year 2009. The dividend in the amount of US $8.2 million was paid in April 2010.

As of December 31, 2010 the Company recorded 310,533 treasury shares. 18,701 of these treasury shares are reserved for possible stock option exercises.

Other reserves

Other reserves as outlined in the statement of changes in equity relate to currency related differences.

Other non-current liabilities

The Company recorded a non-current liability of US $5.5 million for the payments due in 2012 resulting from the ICE settlement (2009: US $10.6 million) (see Notes – Litigation).

Provisions

US $ in thousands	Employee bonus	Self-insurance reserves	Discontinued operations	Restructuring	Professional fees	RPC recollection	Total
Beginning balance	8,192	11,221	1,455	984	1,638	17,441	40,931
Arising during the year	7,671	15,800	203	481	11,482	16,802	52,439
Utilized	(8,821)	(14,700)	(1,475)	(459)	(11,038)	(16,050)	(52,543)
Unused amounts reversed	(20)	–	–	(297)	–	–	(317)
Exchange adjustments	(278)	–	–	(63)	–	(1,258)	(1,599)
Ending Balance	**6,744**	**12,321**	**183**	**646**	**2,082**	**16,935**	**38,911**

The employee bonus for 2010 will be paid during March and April 2011.

A provision of US $0.5 million is recognized for Pallet Management Services plant closures and US $0.1 million for restructuring in the acquired STECO group.

See Notes to commitments and contingencies for a brief description of provisions for insurance and discontinued operations.

The Company accrued the expenses associated with the ultimate collection of its RPCs currently in circulation with the Company's business partners as of the financial position date.

Refundable deposit

For the majority of European RPCs in circulation the Company accrues Euro 1.50. The carrying amount of the refundable deposit is US $179.0 million as of December 31, 2010 (US $170.8 million as of December 31, 2009) and is based on the assumption that all RPCs in circulation will be recollected.

Trade and other payables

Trade and other payables are US $158.0 million at December 31, 2010 (2009: US $137.3 million). Trade payables are non-interest bearing and are normally settled on 30 to 60 day terms.

As of December 31, 2010 and December 31, 2009, there were trade and other payables from related parties in the amount of US $35.4 million (2009: US $19.0 million). For terms and conditions relating to related parties, please see Note 12.

Other current liabilities

The major components of other current liabilities are as follows:

US $ in thousands	As of December 31, 2010	As of December 31, 2009
Logistic remuneration	19,965	13,176
Interest payable	13,357	15,844
ICE settlement payment	6,000	6,132
Other	31,467	30,150
	70,789	**65,302**

Due to their short term maturity, the book value of the other current liabilities and trade and other payables approximates fair value.

Interest on the majority of the Company's debt is normally funded semi-annually. Other payables are non-interest bearing and have an average term of six months.

7. Detail of certain income statement accounts

The following table contains a breakdown of certain income statement accounts:

US $ in thousands	Year ended December 31, 2010	Year ended December 31, 2009
Included in cost of sales:		
Depreciation	40,240	37,354
Employee benefits expense	113,770	115,514
Costs of inventories recognized as an expense	131,912	133,415
Included in selling expenses:		
Employee benefits expense	14,135	13,394
Included in general and administrative expenses:		
Depreciation	2,338	2,263
Employee benefits expense	31,136	33,794

The major components of interest expense (on a historical cost basis) are as follows:

US $ in thousands	Year ended December 31, 2010	Year ended December 31, 2009
10% Senior Secured Notes	26,536	15,945
Amortization of capitalized debt issuance costs (post-refinancing)	2,975	2,494
Finance leases	3,660	3,130
Revolving credit facility	1,518	2,561
Interest on sellers' note	1,223	3,129
Fees for bank guarantees	117	156
Interest on tax payments	50	33
10 3/8% Senior Secured Notes	–	8,168
Amortization of capitalized debt issuance costs (pre-refinancing)	–	4,434
Redemption premium on 10 3/8% Senior Secured Notes	–	3,985
Other interest	420	449
	36,499	**44,484**

The total interest expenses for financial liabilities that are not at fair value through profit or loss amount to US $35.9 million in 2010 and US $43.8 million in 2009.

The major components of interest income (on a historical cost basis) are as follows:

US $ in thousands	Year ended December 31, 2010	Year ended December 31, 2009
Interest on bank accounts	249	224
Interest on tax payments	46	816
Other interest	29	31
	324	**1,071**

8. Discontinued operations

In Q2 2010, the Company reached settlement with the plaintiffs for US $9.5 million, resolving any claims by plaintiffs and other parties named in the lawsuits (see Notes – Litigation). The Company incurred legal costs and other costs related to the lawsuits and related settlements of US $1.7 million in 2010. The Company has obtained agreements from its insurers for reimbursement totaling US $11.0 million, and is engaged in further negotiations with its insurers regarding additional reimbursements of defense costs and other expenses related to this matter. During 2009, the Company accrued net charges of US $2.6 million, respectively, primarily based on actual and estimated legal costs and other costs which may be required in defending certain claims relating to the Acme barrel facility in Chicago, Illinois. In 2009, these costs were offset by the recognition of US $0.9 million in estimated amounts due to the Company under insurance policies which require reimbursement of eligible legal defense costs.

9. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding adjusted by the number of shares bought back during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding adjusted by the number of shares bought back during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

US $ in thousands	Year ended December 31, 2010	Year ended December 31, 2009
Net profit attributable to ordinary equity holders of the parent from continuing operations	34,955	21,653
Loss attributable to ordinary equity holders of the parent from discontinued operations	(203)	(1,699)
Net profit attributable to ordinary equity holders of the parent	**34,752**	19,954

US $ in thousands	As of December 31, 2010	As of December 31, 2009
Weighted average number of ordinary shares for basic earnings per share	51,251,098	52,719,166
Effect of dilution:		
Stock options	6,299	154,561
Weighted average number of ordinary shares adjusted for the effect of dilution	**51,257,397**	52,873,727

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the authorization date of the Company's consolidated financial statements.

10. Debt

Senior Secured Notes

10 3/8% Guaranteed Senior Secured Notes

On October 10, 2003, the Company issued 10 3/8% Guaranteed Senior Secured Notes in the principal amount of €110.0 million in a private placement with a maturity on October 15, 2010. The Senior Secured Notes became redeemable on October 15, 2006 with a redemption price equal to the principal amount thereof plus accrued and unpaid interest and a redemption premium (initially 110.4%) and certain additional amounts. The redemption price declined to 102.6% on October 15, 2008. The Company redeemed the Senior Secured Notes effective July 13, 2009.

10% Guaranteed Senior Secured Notes

On June 12, 2009, the Company issued 10% Guaranteed Senior Secured Notes (the "Senior Secured Notes") in the principal amount of €200.0 million in a private placement. The Senior Secured Notes mature on June 30, 2016, and are senior secured obligations of the Company ranking equally with other existing or future senior secured indebtedness in right of payment. Interest on the Senior Secured Notes accrues at the rate of 10% per annum and is payable semi annually in arrears on each June 30 and December 31.

The Senior Secured Notes are guaranteed by certain subsidiaries of the Company, including the Company's U.S. operating subsidiaries and IFCO SYSTEMS GmbH, the Company's principal German operating subsidiary. The Senior Secured Notes are secured by a first priority lien on substantially all of the assets of the Company and the guarantors, except for the assets of IFCO SYSTEMS GmbH and its subsidiaries and subject to certain exclusions for real property located in the United States. The Senior Secured Notes are also secured by a second priority lien on the capital stock of certain subsidiaries of IFCO SYSTEMS GmbH. The carrying amount of assets pledged is US $211.9 million as of December 31, 2010 (December 31, 2009, US $194.9 million).

On and after June 30, 2013, the Senior Secured Notes may be redeemed at the option of the Company at a redemption price equal to the principal amount thereof plus accrued and unpaid interest and a redemption premium that is initially 105.0% of the principal amount of and certain additional amounts. The redemption price will decline to 102.5% if the redemption occurs on or after June 30, 2014 but before June 30, 2015 and to 100.0% if the redemption occurs on June 30, 2015 or thereafter until maturity.

The indenture governing the Senior Secured Notes contains a number of restrictive covenants that, among other things, limit the Company and its subsidiaries' ability to incur additional debt, make dividends and certain other restricted payments, create certain liens, dispose of assets and capital stock of its subsidiaries, merge or consolidate with another entity, issue guarantees, and otherwise restrict certain corporate activities. The Senior Secured Notes also contain customary events of default, including non-payment of principal, interest or fees when due, breach of covenants contained in the indenture, cross-default to certain other debt, certain events of bankruptcy and insolvency, material judgments and a change of control in certain circumstances.

Upon a "change of control" under the indenture (which includes, among other things, if a person or group acquires over 50% of the voting stock in the Company), each holder of the Senior Secured Notes may require the Company to purchase its Senior Secured Notes at a purchase price in cash equal to 101.0% of the principal amount of the Senior Secured Notes plus accrued and unpaid interest and additional amounts, if any, to the date of purchase.

The Senior Secured Notes are listed on the Euro MTF market of the Luxembourg Stock Exchange. The fair value of the Senior Secured Notes is based on a price quotation of 112% of the nominal value at the reporting date.

Revolving Credit Facility

Since Q1 2004, one of the Company's indirect European subsidiaries has been a party to a €44.0 million credit facility (the Facility). The purpose of the Facility was to provide a mechanism to secure certain letters of credit which the Company had issued and to provide for liquidity as necessary for capital or working capital requirements.

On July 27, 2007, the Facility was renewed and the maturity date was extended until July 2010.

On January 28, 2008 the Facility was amended so that the cash line was increased from €24.0 million to €33.0 million and the letters of credit line was reduced from €20.0 million to €11.0 million.

On June 23, 2008, the Facility was increased to €65.0 million, with a cash line of €54.0 million and up to €11.0 million in issued letters of credit.

On November 10, 2008 the Facility was amended so that the cash line was reduced from €54.0 million to €52.5 million, and the letters of credit line was increased from €11.0 million to €12.5 million.

On February 17, 2009 the Facility was amended in regard of covenants in order to provide higher headroom to the Company in an uncertain economic environment.

On May 29, 2009, the Company extended its Facility (€65 million) with the existing banking consortium for another three years until May 29, 2012. The Facility was amended so that the cash line was reduced from €52.5 million to €45.0 million, and the letters of credit line was increased from €12.5 million to €20.0 million.

Outstanding cash borrowings, which are limited to €45.0 million (US $60.1 million based on exchange rates as of December 31, 2010), accrue interest at a variable rate of interest based on the Euro Inter Bank Offered Rate (EURIBOR), with interest payable quarterly. Due to the variability of this interest rate basis, the Company is exposed to interest rate fluctuations in that respect.

The carrying amount of assets of the Company's European operations pledged under the Facility is US $125.3 million as of December 31, 2010 (December 31, 2009, US $117.4 million). The latest repayment date for the secured Facility is May 2012.

If a change of control of greater than 50.0% of the Company's voting stock occurs, the lender is entitled to decide on the continuance of the Facility. The change of control event was waived by the lender in regard of the sale of the IFCO shares held by Island LP to Brambles Investment Limited.

The revolving credit facility agreement contains financial covenants as EBITDA leverage, interest coverage, CAPEX limitations and magnitude of EBITDA and refundable deposit levels. The Company is in compliance with all these covenants.

As of December 31, 2010, there were no outstanding cash borrowings and approximately US $17.5 million in outstanding letters of credit under the Facility.

Maturities of debt

Long-term debt consists of the following:

US $ in thousands	As of December 31, 2010	As of December 31, 2009
Senior Secured Notes	267,240	288,118
Other	933	1,245
	268,173	289,363
Less: deferred financing costs	(21,106)	(24,982)
	247,067	**264,381**

The maturities of long-term debt are as follows as of December 31, 2010 and December 31, 2009:

US $ in thousands	Amount 2010	Amount 2009
2011	–	772
2012	678	473
2013	123	–
2014	132	–
2015	–	–
Thereafter	267,240	288,118
	268,173	**289,363**

Receivable factoring

Subsidiaries of IFCO Europe entered into recourse and non-recourse factoring agreements under which these European subsidiaries may offer all of their trade receivables to third-party factoring companies. Under the factoring agreements, the sales price is the nominal value of the receivable less a factoring fee. The third-party factoring companies have the right to collect the receivables and bear the collection risk. Under these agreements, there is a factoring fee ranging from 0.20% to 0.50% of the nominal value of the factored receivables and the interest rate on cash advances relating to factored receivables at rates ranging from 2.11% to 3.99% as of December 31, 2010. The Company's European subsidiaries incurred factoring charges and factoring-related interest charges of US $0.7 million and US $0.6 million during 2010 and 2009, respectively, which are shown as factoring charges in the accompanying consolidated statements of income.

Finance lease obligations

The Company has entered into leases with unaffiliated third parties principally for RPCs in Europe that are accounted for as finance leases. The RPC finance leases are part of sale-leaseback transactions in which the Company has sold the RPCs to third parties, which then leases them back to the Company. The RPC finance leases cover approximately 21.5 million RPCs as of December 31, 2010 (17.6 million RPCs as of December 31, 2009). Upon termination of certain of these leases, the Company has the option to repurchase the RPCs. All of these lease agreements require the Company to repurchase the leased RPCs on the lessor's demand.

The Company has also entered in finance leases covering certain operating equipment. These contracts have bargain purchase options at the end of the lease period, which the Company intends to exercise.

The present value of minimum lease payments was as follows as of December 31, 2010:

US $ in thousands	1 year	2-3 years	4-5 years	5+ years	Total
Total future minimum lease payments	27,821	36,443	12,984	–	77,248
Less amounts representing interest at 3.85%-11.74%	(3,328)	(3,091)	(502)	–	(6,921)
	24,493	**33,352**	**12,482**	–	**70,327**

The present value of minimum lease payments was as follows as of December 31, 2009:

US $ in thousands	1 year	2-3 years	4-5 years	5+ years	Total
Total future minimum lease payments	27,155	32,895	11,800	–	71,850
Less amounts representing interest at 4.43%-8.90%	(3,310)	(3,003)	(525)	–	(6,838)
	23,845	29,892	11,275	–	65,012

Financial risk management objectives and policies

The Company's principal liabilities, other than derivatives, comprise Senior Secured Notes, a revolving credit facility and finance leases. The main purpose of these financial liabilities is to fund the Company's operations. The Company has various other financial assets and liabilities such as trade receivables, cash and short-term deposits, refundable deposit and trade payables, which arise directly from its operations.

The main risk arising from the Company's financial instruments are as follows. There are no significant concentrations of credit risk within the Company.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates is limited and relates only to the revolving credit facility. The majority of the Company's interest bearing debt (Senior Secured Notes) has fixed interest rates. Due to the "interest fix" debt structure, the Company is not engaged in any interest risk hedging agreements. The Company does monitor the interest rate development of the capital markets and does assess its options under the existing debt structure.

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax. There is no impact on the Company's equity.

US $ in thousands	Increase /decrease in basis points	Effect on profit before tax
2010		
EURIBOR	+20	7
EURIBOR	−20	(7)
2009		
EURIBOR	+20	68
EURIBOR	−20	(68)

Foreign currency risk

Foreign currency risk is the risk that the Company will incur economic losses due to adverse changes in foreign currency exchange rates.

Aside from the US Dollar, the Company's reporting currency, the Euro is the Company's other primary functional currency. The following table summarizes the value of the Euro relative to the US Dollar.

	As of December 31		Average for Fiscal Year	
	2010	2009	2010	2009
US Dollar relative to 1 Euro	1.3362	1.4406	1.3268	1.3935

Non monetary foreign currency risk

As currency exchange rates change, translation of the financial statements of the Company's international businesses into US Dollars and Euros affects year-to-year comparability of the Company's results of operations. Appreciation of the US Dollar, the Company's presentation currency, against the Euro decreases the Company's revenues and costs as reported in the Company's financial statements for those operations that have a functional currency other than the US Dollar. Conversely, depreciation of the US Dollar against the Euro increases the Company's revenues and costs. The appreciation or depreciation of the US Dollar against the Euro, therefore, impacts the Company's reported results.

Monetary foreign currency risk

The Company incurs currency transaction risk whenever one of the Company's operating subsidiaries enters into either a purchase or sales transaction using a currency other than its functional currency. The Company's currency risk arises from foreign currency receivables as well as from firm commitments to purchase services and supplies in the future in currencies other than the subsidiary's functional currency. Additionally, the intercompany financing between IFCO SYSTEMS N.V. and IFCO SYSTEMS North America is subject to currency transaction risk. The Company's operating subsidiaries in countries other than those countries participating in the European Monetary Union and adopting the Euro as their national currency use their local currency as their functional currency.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in several currencies exchange rate, with all other variables held constant, of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives). The Company's exposure to foreign currency changes for all other currencies is not material.

US $ in thousands	Change in F/X-rate by	NOK	CHF	GBP	DKK	USD
2010	5%	(2,556)	(1,105)	(59)	302	550
	-5%	2,556	1,105	59	(302)	(550)
2009	5%	2,877	(553)	(12)	2,314	386
	-5%	(2,877)	553	12	(2,314)	(386)

Credit risk

The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in Note 6. For transactions that do not occur in the country of the relevant operating unit, the Company does not offer credit terms without the approval of the Head of Credit Control. Where applicable the Company uses third party credit insurance to limit its exposure to credit risk. There are no significant concentrations of credit risk within the Company.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The Company monitors its risk to a shortage of funds using a 12 month forward looking weekly recurring liquidity planning tool. This tool considers the maturity of both its financial investments (capital expenditure), financial liabilities (refundable deposit, trade payables, other financial liabilities) and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of the revolving credit facility and finance leases. The Company's policy is to provide sufficient financial headroom in order to run its operations and to fund its capital expenditure in a safe financial environment. The Company monitors the maturity of its financial debt and secures prolongation or substitution in due time.

The table below summarizes the aging of the Company's financial liabilities at December 31, 2010 and December 31, 2009 based on contractual undiscounted payments including debt service or interest payments.

US $ in thousands	Less than 1 year	2 to 3 years	4 to 5 years	5+ years	Total
Year ended December 31, 2010					
Interest bearing loans and borrowings:					
Senior Secured Notes	26,724	53,448	53,448	280,602	414,222
Others	6,191	801	132	–	7,124
Finance lease obligations	27,821	36,443	12,984	–	77,248
Other non-current liability	–	6,000	–	–	6,000
Refundable deposits	178,972	–	–	–	178,972
Trade and other payables	158,014	–	–	–	158,014
Other current liabilities	70,789	–	–	–	70,789
Year ended December 31, 2009					
Interest bearing loans and borrowings:					
Senior Secured Notes	28,812	57,624	57,624	331,338	475,398
Sellers' note	9,796	–	–	–	9,796
Others	3,367	1,245	–	–	4,612
Finance lease obligations	27,155	32,895	11,800	–	71,850
Other non-current liability	–	12,000	–	–	12,000
Refundable deposits	170,765	–	–	–	170,765
Trade and other payables	137,312	–	–	–	137,312
Other current liabilities	65,302	–	–	–	65,302

Upon a “change of control” under the indenture of the Senior Secured Notes, each holder of the Senior Secured Notes may require the Company to purchase its Senior Secured Notes at a purchase price in cash equal to 101.0% of the principal amount of the Senior Secured Notes plus accrued and unpaid interest and additional amounts, if any, to the date of purchase. The Company together with its new shareholder will be prepared to fund the possible liquidity requirement with alternative financing instruments.

Tax risk

The Company is exposed to general tax risks under those tax jurisdictions in which it or its subsidiaries are established. The Company is not aware of any specific tax risk that is material to the financial position of the Company.

Capital Management

The primary objective of the Company‘s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processing during the years 2010 and 2009.

The Company uses a Value Based Management tool in order assess the return of its planned investments.

The Company monitors capital using Return on Capital Employed (ROCE). The Company's target is to reach a ROCE level of 25% at least. The Company calculates ROCE by dividing the last twelve months' reported EBIT by the total average book value of the capital employed which would be required to fund the measured business unit during this measurement period. The Company only considers its continuing operations' EBIT and average book value to calculate ROCE.

The Company measures the profitability of its segments through the use of operating EBITDA and EBIT measures. The Company uses EBITDA and EBIT as key operating measures because it measures operating profits before certain non-operating items, such as net financing costs, foreign currency gains and losses, discontinued operations, stock-based compensation expense and income taxes.

US $ in thousands	2010	2009
Average book value of the capital employed	454,570	463,583
EBIT	105,751	88,146
ROCE	23.3%	19.0%

Financial Instruments

Set out below is a comparison by class of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements:

US $ in thousands	Carrying amount 2010	Carrying amount 2009	Fair Value 2010	Fair Value 2009
Financial assets				
Cash	59,392	73,042	59,392	73,042
Receivables, net	218,083	203,831	218,083	203,831
Financial liabilities				
Interest bearing loans and borrowings:				
Senior Secured Notes	246,134	263,136	278,203	297,712
Revolving credit facility	(1,316)	(2,368)	(1,316)	(2,368)
Sellers' note	–	8,223	–	8,223
Others	7,124	4,612	7,124	4,612
Finance lease obligations	70,327	65,012	70,327	65,012
Other non-current liability	5,505	10,555	5,505	10,555
Refundable deposits	178,972	170,765	178,972	170,765
Trade and other payables	158,014	137,312	158,014	137,312
Other current liabilities	70,789	65,302	70,789	65,302

See Notes – Debt Senior Secured Notes for more information on the determination of the fair value of these financial instruments.

11. Income taxes

The major components of the Company's income tax provision for the years ended December 31, 2010 and 2009 are:

US $ in thousands	Year ended December 31, 2010	Year ended December 31, 2009
Current income tax provision:		
Germany:		
Current income tax charge	2,558	2,159
Adjustments in respect of current income tax of previous years	(564)	(917)
	1,994	1,242
Foreign:		
Current income tax charge	5,396	3,117
Adjustments in respect of current income tax of previous years	72	(187)
	5,468	2,930
Net current income tax provision	**7,462**	4,172
Net deferred income tax provision	**8,587**	4,626
Income tax provision reported in the consolidated income statement	**16,049**	8,798

The differences in income taxes provided and the amounts determined by applying the appropriate group tax rates to income from continuing operations before income taxes result from the following:

US $ in thousands	Year ended December 31, 2010	Year ended December 31, 2009
Net profit before tax from continuing operations	51,004	30,451
Tax provision at group rate (27% for 2010 and 28% for 2009)	13,771	8,526
Increase (decrease) resulting from:		
Use of unrecognized tax losses in prior years	(391)	(2,027)
First time recognition of tax losses	(7,145)	(7,277)
Unrecognized tax losses	7,846	6,581
Unrecognized temporary differences	527	–
Tax rate changes for deferred tax calculation	(2,279)	321
Differences between group tax rates and local statutory tax rates	1,373	(3,378)
Non-income based taxes	338	789
Non-deductible expenses / tax-exempt income	1,369	3,715
Tax adjustments from prior years	(492)	(3,210)
Taxes from discontinued operations	(76)	(654)
Other	1,208	5,412
Income tax provision reported in the consolidated income statement	**16,049**	8,798

The decrease of the tax rate from 28% in 2009 to 27% in 2010 is based on the reduction of the effective tax rate in Germany. The decrease has affected the deferred taxes for 2010 and the tax rate reconciliation.

The loss from discontinued operations amounts to US $0.2 million in 2010 (loss of US $1.7 million in 2009). The corresponding income tax benefit amounts to US $0.1 million in 2010 (US $0.7 million in 2009).

Components of the Company's net deferred tax assets and liabilities are as follows:

US $ in thousands	2010	2009
Deferred income tax assets:		
Carryforward losses	81,262	92,093
Capitalized RPC cost	16,719	15,188
Stock option deductions	10	223
Loss from discontinued operations	69	487
Allowance for doubtful accounts	475	382
Inventory basis differences	387	310
Other accruals and reserves	16,489	8,915
Other	1,773	2,063
Subtotal deferred income tax assets	**117,184**	**119,661**
Netted with deferred income tax liabilities	(115,644)	(117,074)
Total deferred income tax assets	**1,540**	**2,587**
Deferred income tax liabilities:		
Accelerated depreciation	128,483	121,327
Goodwill	–	167
Other	3,541	3,704
Subtotal deferred income tax liabilities	**132,024**	**125,198**
Netted with deferred income tax assets	(115,644)	(117,074)
Total deferred income tax liabilities	**16,380**	**8,124**
Deferred income tax liability, net	**14,840**	**5,537**

The amount of US $2.3 million of deferred taxes relates to items recognized outside of profit or loss such as stock options and the deferred taxes on currency effects. The additional recognition of DTA is based on forecasted taxable profit. The stock option deductions (US $1.9 million) and the relating effects to net operating losses (US $1.9 million) had been recorded to equity (US $0.8 million) as well as the foreign currency adjustments. All other changes are recorded in income.

A deferred tax benefit from previously unrecognized tax loss carry forwards of IFCO SYSTEMS France S.A.S. in the amount of US $0.4 million was newly recorded. This is supported by the projection of sufficient taxable profit over the next three years.

At December 31, 2010, the Company has net corporate tax loss carryforwards available as follows:

US $ in thousands	Amount
Germany	202,392
United States	145,033
Other European countries	208,103
Total	**555,528**

The corporate tax loss carryforwards attributable to German operations, together with additional trade tax carryforwards (approximately US $141.1 million available as of December 31, 2010) and interest carryforwards (approximately US $19.4 million available as of December 31, 2010), do not expire. The tax loss carryforwards attributable to United States operations expire between 2022 and 2030. In the United States tax loss carryforwards expire generally after 20 years. The tax loss carryforwards attributable to other European countries' operations expire as follows: approximately US $51.3 million expire between 2012 and 2015, approximately US $81.4 million expire between 2016 and 2019 and the remainder does not expire. All tax loss carryforwards are available to offset future taxable income in their respective tax jurisdiction; however, tax loss carryforwards attributable to the United States are subject to a limitation of use under Internal Revenue Code Section 382, tax loss carryforwards attributable to Germany are subject to a limitation under German Income Tax Code Section 10d and German Corporate Tax Code Section 8c and tax loss carryforwards attributable to Austria are subject to a limitation under Austrian Corporate Tax Code Section 8 and Austrian Income Tax Code Section 2. The Company has developed certain tax planning strategies to reduce the effects of loss carryforward limitations in future years. All tax loss carryforwards still require final validation from the respective local tax authorities and may be adjusted upon further review.

During 2009 and 2010, the Company capitalized certain deferred tax assets in the United States, Germany and Austria, as the Company's operating results have increased the likelihood that these deferred tax assets will be utilized over the next three (2009: three) years. The Company has a capitalized deferred tax assets based on the projected use of loss carry forwards over the next years in the amount of US $35 million in the United States, US $37 million in Germany, US $5 million in Austria and US $0.4 in France. These deferred tax assets are all supported by the reversal of existing taxable temporary differences in future and projected positive taxable income over the next three years. Positive taxable income is probable due to positive operating results already achieved in 2010 in the United States, Austria and Germany, increase of business resulting in future taxable profits in the respective jurisdictions and the tax planning strategy in regard of the depreciation volume for RPCs in Germany. No deferred tax assets are capitalized for tax loss carry forwards in the total amount of US $277 million, thereof approximately US $48 million in Germany, approximately US $50 million in the United States, and approximately US $179 million in the European countries.

No deferred tax assets are capitalized for temporary differences with a deferred tax effect of US $1 million.

At December 31, 2010, there was no recognized deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries or the associate. The Company has determined that undistributed profits of its subsidiaries or associate will not be distributed in the foreseeable future. The temporary differences associated with investments in subsidiaries and associates, for which a deferred tax liability has not been recognized, aggregate to US $134 million.

12. Related parties

Due to the relationship between Mr. Schoeller, one of the Company's Supervisory Board members, and Schoeller Arca Systems (SAS), the main supplier of the Company's RPCs, the Company considers SAS to be a related party.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year (see Note 6 for information regarding outstanding balances at December 31, 2010 and December 31, 2009):

US $ in thousands	Sales and services to related parties	Purchases from related parties	Amounts owed by related parties *	Amounts owed to related parties *
Entity with significant influence over the Company				
2010	2,713	108,985	2,732	35,322
2009	867	53,185	2,081	18,953

* Amounts are classified as receivables, net / trade and other payables respectively.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended December 31, 2010 and 2009, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year trough examining the financial position of the related party and the market in which the related party operates.

Shareholders

As of February 25, 2011, 93.4% of the ordinary shares in the capital of the Company are held by Island LP with Cortese N.V. (a company registered in the Netherlands Antilles) as the managing general partner of Island LP. A majority of Island LP/Cortese N.V. is beneficially owned by the limited partnerships which collectively make up Apax Europe V Fund ("AEV"). AEV acts through its general partner Apax Europe V GP LP, which in turn acts through it general partner, the ultimate general partner of AEV, Apax Europe V GP Co Limited. Apax Europe V GP Co Limited is a company registered in Guernsey.

The members of the Executive Management Committee of the Company indirectly own 8.8% of the share capital of the Company.

On November 14, 2010, Island LP and other sellers have signed a contract on the sale of their shares in IFCO SYSTEMS N.V. to Brambles Investment Limited, a subsidiary of Brambles Limited. Island LP and the other sellers hold 95.9% of the shares in IFCO SYSTEMS N.V.. IFCO SYSTEMS N.V. is not a party to the sale purchase contract.

The sale and transfer of the shares (closing) is still subject to certain approval requirements and conditions, inter alia the approval by the cartel authorities.

Furthermore, Brambles Investment Limited has announced a voluntary public takeover offer to the shareholders of IFCO SYSTEMS N.V. for the acquisition of their shares in IFCO SYSTEMS N.V. for a cash consideration of EUR 13.50 per share, which amount is to be increased by 12% p.a. as from and including November 1, 2010 until and including the settlement of the offer. The acceptance period will be from December 23, 2010 to March 3, 2011, 24.00 hours (Central European Time). The offer document setting out the conditions and the structure of the offer was made available on December 23, 2010 and can be found on www.brambles.com.

In accordance with the Dutch Public Takeover Decree (Besluit openbare biedingen Wft) the Board of Managing Directors and the Supervisory Board of the Company have published a position statement with respect to the offer, which can be found on www.ifco.com.

As set out in the position statement, the Board of Managing Directors and the Supervisory Board have extensively considered the offer and the conditions thereof and have after discussion and consideration recommended the offer. The Board of Managing Directors and Supervisory Board are of the opinion that a successful completion of the offer and the resulting participation of the offeror in the Company are in the best interest of the Company and its stakeholders, including its shareholders, employees and customers.

In connection with the steps Island LP took during 2010 to sell their shares in IFCO SYSTEMS N.V., the Company incurred expenses in the amount of US $4.2 million which will be reimbursed by Island LP. As of December 31, 2010, the Company has recorded a receivable of US $1.6 million due from Island LP.

Supervisory Board

On April 13, 2010, the General Meeting of Shareholders resolved to replace the remuneration policy for the members of the Supervisory Board as adopted by the General Meeting of Shareholders on August 18, 2005. The former remuneration policy provided that no remuneration was paid to any member of the Supervisory Board. Each member did however receive a reimbursement for travel expenses reasonably incurred in connection with meetings of the Supervisory Board, meetings of any committee of the Supervisory Board, or otherwise in connection with actual Supervisory Board service. In deviation of the remuneration policy in place as of August 18, 2005, Mr. Bernd Malmström as chairman of the Supervisory Board was entitled to an annual remuneration of EUR 160,000 or USD 212,288.

According to the new remuneration policy for the members of the Supervisory Board in place as of April 13, 2010, an annual remuneration of EUR 60,000 or USD 79,608 is granted to each member of the Supervisory Board. This remuneration shall cover all duties performed by the members of the Supervisory Board, also in their capacity as member of any committee of the Supervisory Board. On top of the aforementioned amounts, each member of the Supervisory Board shall be reimbursed for travel expenses reasonably incurred in connection with meetings of the Supervisory Board, meetings of any committee of the Supervisory Board, or otherwise in connection with actual Supervisory Board service. In deviation of the remuneration policy in place as of April 13, 2010, Mr. Malmström as chairman of the Supervisory Board is entitled to an annual remuneration of EUR 180,000 or USD 238,824.

For 2010, the Supervisory Board received the following gross compensation (respective taxes were withheld by the Company):

Name	Remuneration in USD	Out of pocket expenses in USD
Dr. Bernd Malmström	231,305	7,371
Michael Phillips	57,052	2,333
Christoph Schoeller	57,052	–
Hervé Defforey	57,052	–
Ralf Gruss	57,052	–
Korbinian Knoblach	57,052	5,240
Jürgen Rauen (from April 13, 2010)	57,052	2,607
Peter M. Schmid (from April 13, 2010)	57,052	–
Total	**630,669**	**17,551**

The total gross compensation in 2010 of US $0.6 million consists of US $0.2 million paid to the members of the Supervisory Board, US $0.3 million payments made in January 2011 to the members of the Supervisory Board and US $0.1 million withholding tax.

No stock options or loans from the Company or pension schemes are provided to the members of the Supervisory Board.

Board of Managing Directors / Executive Management Committee

Name	Position
Karl Pohler	Managing Director (Chief Executive Officer)
Dr. Michael W. Nimtsch	Managing Director (Chief Financial Officer)
Wolfgang Orgeldinger	Managing Director (Chief Operating Officer)
David S. Russell	Managing Director (President IFCO SYSTEMS North America)
Robert J. Verdonk	Managing Director

2010 total expensed compensation for the Company's Board of Managing Directors was US $6.6 million (US $8.0 million in 2009), consisting of US $3.5 million (US $4.1 million in 2009) in base salaries and US $3.1 million in accrued cash incentives for 2010 (US $3.9 million in 2009). Mr. Hoerz was dismissed as Managing Director in June 2009. During 2009, the Company additionally expensed US $1.1 million for future base salary commitments until expiration of his contract of employment. Total expensed compensation in 2010 for the Company's Board of Managing Directors was US $6.6 million (US $9.1 million in 2009).

Employment agreements

The Company has entered into employment agreements with the members of the Board of Managing Directors. Effective April 23, 2010, the members of the Board of Managing Directors entered into new employment agreements that extend for 4 additional years, up to June 30, 2014. The base salary commitment for the Board of Managing Directors under the terms of these agreements is payable as follows:

US $ in thousands	Amount
2011	3,496
2012	3,496
2013	3,496
2014	1,748
Total	12,236

Relationships between parent and subsidiaries

All of the following investments are 100% interests unless otherwise stated and all entities are incorporated in their respective countries:

IFCO SYSTEMS N.V. (Netherlands)

- IFCO SYSTEMS Netherlands B.V. (Netherlands)
- IFCO SYSTEMS Luxembourg S.ár.l (Luxembourg)
  - IFCO SYSTEMS Hungary Kft. (Hungary)
    - IFCO PS Management Holding, Inc. (USA)
  - IFCO SYSTEMS Management GmbH (Germany)
    - IFCO SYSTEMS GmbH (Germany)
      - IFCO SYSTEMS Skandinavien A/S (Denmark)
      - IFCO SYSTEMS UK Ltd. (Great Britain)
      - IFCO SYSTEMS France S.A.S. (France)
      - IFCO SYSTEMS (Schweiz) GmbH (Switzerland)
      - IFCO SYSTEMS Italia S.r.l. (Italy)
      - IFCO SYSTEMS España Srl. (Spain)
      - IFCO SYSTEMS Hellas Ltd (Greece)
      - IFCO SYSTEMS Poland Sp. z o.o. (Poland)
      - IFCO Lojistik Sistemleri Tic.Ltd.Sti (Turkey)
      - IFCO SYSTEMS Croatia d.o.o. (Croatia)
      - IFCO SYSTEMS Austria GmbH (Austria)
        - IFCO SYSTEMS Portugal Lda (Portugal)
        - IFCO SYSTEMS Slovakia s.r.o. (Slovakia)
        - STECO France S.a.r.l. (France)
        - IFCO SYSTEMS Packaging Services Kft. (Hungary)
        - STECO Uluslararasi Plastik Ambalaj Lojistik LTD STI (Turkey)
      - ILD Logistik + Transport GmbH (Germany)
      - IFCO SYSTEMS Asia Ltd. (Hong Kong)
      - IFCO Japan Inc. (33.3%) (Japan)
      - IFCO SYSTEMS Argentina S.A. (Argentina)

- IFCO Chile S.A. (Chile)
- IFCO Uruguay S.A. (Uruguay)
- IFCO SYSTEMS do Brasil Servicos de Embalagem LTDA (Brazil)
- IFCO do Brasil LTDA (Brazil)

- IFCO SYSTEMS North America Holding GmbH (Germany)
  - IFCO SYSTEMS North America, Inc. (USA)
    - IFCO N.A. Finance Co. (USA)
    - Reusable Container Company, LLC (USA)
    - Pallet Companies, Inc. (USA)
      - Pallet Subs, Inc. (USA)
      - Texas Pallet de Mexico S.A. de C.V. (Mexico)
    - Drum Holding Company, Inc. (USA)
      - Drum Subs, Inc. (USA)
      - Illinois Drum, Inc. (USA)
      - Zellwood Drum, Inc. (USA)
      - Chicago Drum, Inc. (USA)
      - DSF Realty I, Inc. (USA)
      - DSF Realty II, Inc. (USA)

- IFCO SYSTEMS Canada, Inc. (Canada)

13. Commitments and contingencies

Litigation

ACME

During Q3 2003, the Company, certain of its subsidiaries and other third parties were named as defendants in two lawsuits, based upon alleged discharges of toxic substances from a Chicago drum reconditioning facility we operated prior to February 2002, when that business was sold. In Q2 2010, the Company reached settlement with the plaintiffs for US $9.5 million, resolving any claims by plaintiffs and other parties named in the lawsuits. The Company incurred legal costs and other costs related to the lawsuits and related settlements of US $1.7 million in 2010. The Company has obtained agreements from its insurers for reimbursement totaling US $11.0 million, and is engaged in further negotiations with its insurers regarding additional reimbursements of defense costs and other expenses related to this matter.

ICE

In 2006, facilities at certain U.S. subsidiaries of the Company ("the U.S. Subsidiaries") were searched by agents from U.S. Immigration and Customs Enforcement ("ICE"), in connection with allegations of the hiring of illegal aliens not eligible for U.S. employment. On December 19, 2008, the U.S. Subsidiaries entered into a "non-prosecution" agreement with the investigating U.S. Attorney's Office ("U.S. Attorney"), in which the U.S. Attorney agreed it would not criminally prosecute the U.S. Subsidiaries for offenses related to this investigation. The U.S. Subsidiaries agreed to undertake certain compliance and cooperation obligations and to pay approximately US $20.7 million with approximately US $2.6 million paid in Q1 2009, US $6.1 million paid in Q1 2010, then US $6.0 million due in each of January 2011 and January 2012. The Company has agreed to guarantee the making of these payments by the U.S. Subsidiaries. Five employee-defendants await trial in Houston, Texas, where the case was recently transferred.

As of December 31, 2010 a provision of US $1.6 million (2009: US $1.3 million) was recorded for future estimable legal defense costs. As of December 31, 2010 a current liability of US $6.0 million was recorded for the payment January 15, 2011 (2009: US $6.1 million for the payment January 15, 2010) and a non-current liability of US $5.5 million was recorded for the payment in 2012 (2009: US $10.6 million for the payments in 2011 and 2012).

The Company is a defendant in various other legal matters arising in the normal course of business. In the opinion of management, after consultation with legal counsel, the ultimate resolution of these matters is not expected to have a material effect on the accompanying consolidated financial statements.

Insurance

The Company carries a broad range of insurance, including general and business auto liability, directors and officers, commercial property, business interruption and a general umbrella policy.

IFCO SYSTEMS North America is self-insured for certain medical claims up to US $0.1 million per person per year and is self-insured for workers compensation claims up to US $0.3 million per incident per year. Provisions for expected future payments are accrued based on IFCO SYSTEMS North America's estimate of its aggregate liability for all open and unreported claims. Management has accrued US $12.3 million and US $11.2 million as of December 31, 2010 and 2009, respectively, and believes this amount is adequate to cover known and unreported medical and workers compensation claims.

Leasing arrangements

The Company leases certain facilities and machinery under noncancelable operating leases. Lease payments are expensed on a straight-line basis over the term of the lease. Minimum future rental payments under these leases as of December 31, 2010 and 2009 are as follows:

US $ in thousands	Amount 2010	Amount 2009
2010	–	20,824
2011	20,894	15,576
2012	15,120	10,767
2013	9,277	6,150
2014	5,886	3,559
2015	3,306	–
Thereafter	1,507	2,248
	55,990	**59,124**

Expenses under operating leases were US $23.6 million and US $24.3 million for 2010 and 2009, respectively.

14. Employee benefit plans

Stock option plan

In March 2000, the Company's Board of Directors (the Board) approved the 2000 Stock Option Plan, (the Stock Option Plan). The Stock Option Plan provided for the granting of stock options to directors, executive officers and other employees of the Company and terminated in March 2010. In general, the terms of the option awards were established by the Board.

During 2003, the Board granted options to purchase an aggregate of approximately 1.5 million ordinary shares of the Company to certain managers and members of the Board. The exercise price for each of these options was equal to the value of the Company's ordinary shares on the date of issuance. The options expire between 3 and 5 years from the date of their vesting.

During 2004, the Board granted options to purchase an aggregate of approximately 0.8 million ordinary shares of the Company to certain managers. The exercise price for each of these options was equal to the value of the Company's ordinary shares on the date of issuance. The options expire 5 years from the date of their vesting, which is contingent upon certain defined operational targets being met during each of 2004, 2005 and 2006.

During 2005, the Board of Managing Directors granted options to purchase an aggregate of approximately 0.04 million ordinary shares of the Company to certain managers. The exercise price for each of these options was equal to the value of the Company's ordinary shares on the date of issuance. The options expire 5 years from the date of their vesting, which is contingent upon certain defined operational targets being met during each of 2005 through 2009.

During 2006, the Board of Managing Directors granted options to purchase an aggregate of approximately 0.1 million ordinary shares of the Company to certain managers. The exercise price for each of these options was equal to the value of the Company's ordinary shares on the date of issuance. The options expire 5 years from the date of their vesting, which is contingent upon certain defined operational targets being met during each of 2007, 2008 and 2009.

During 2008, the Board of Managing Directors granted options to purchase an aggregate of approximately 0.4 million ordinary shares of the Company to certain managers and with the permission of the remuneration committee to a member of the Board of Managing Directors. The exercise price for each of these options was equal to the value of the Company's ordinary shares on the date of issuance. The options expire 5 years from the date of their vesting, which is contingent upon certain defined operational targets being met during each of 2008, 2009 and 2010. The stock options of the member of the Board of Managing Directors terminated in 2009.

During 2010, the Company recorded total stock based compensation expense of US $0.4 million (2009, stock based compensation income of US $0.03 million). The portion of that expense arising from equity-settled share-based payment transactions was US $0.02 million in 2010 (US $0.2 million income in 2009).

US $, except number of options	Year ended December 31, 2010			Year ended December 31, 2009		
	Number of Options	Exercise Price Range	Weighted Average Exercise Price	Number of Options	Exercise Price Range	Weighted Average Exercise Price
Outstanding, beginning of period	326,707	2.28 – 14.42	5.46	968,871	2.20 – 13.93	7.83
Exercised	(278,001)[2]	1.99 – 13.23	4.15	(169,668)[1]	2.30 – 5.26	4.12
Expired	(3,334)	2.12 – 2.12	2.12	(21,664)	2.09 – 2.09	2.09
Forfeited	(26,671)	1.99 – 12.22	11.15	(450,832)	4.75 – 14.03	11.28
Outstanding, end of period	18,701	2.11 – 9.61	8.47	326,707	2.28 – 14.42	5.46
Options exercisable at end of year	12,033		7.83	288,367		4.45
Weighted average remaining contractual life of options, outstanding at end of period			3.43			1.69

[1] The weighted average share price at the date of exercise for the options exercised is US $9.57.
[2] The weighted average share price at the date of exercise for the options exercised is US $16.33.

Performance units program

In March 2008, the Company's Remuneration Committee approved the IFCO SYSTEMS N.V. Performance Units Program 2008, (the Performance Units Program). The Performance Units Program provided for the granting of performance units to employees of the Company or its subsidiaries in the United States, Europe and other countries and terminated December 31, 2010. In general, the terms of the performance unit awards were established by the Board of Managing Directors.

During 2008, the Board of Managing Directors granted approximately 0.4 million performance units to receive either cash in Euro or shares currently existing or created by the Company to certain managers. The performance target for each of these performance units was equal to the value of the Company's ordinary shares on the date of issuance. The performance units expired December 31, 2010, which were contingent upon certain defined operational targets being met during each of 2008, 2009 and 2010.

The Company measured the fair value of the liability of these share based payment transactions with cash alternatives at each reporting date during 2009 and 2010, with any changes in fair value recognized in profit or loss for the period. For 2010 the Company recorded US $0.4 million stock based compensation expense for the performance units (2009, US $0.2 million). The carrying amount of the liability as of December 31, 2010 is US $0.6 million (December 31, 2009, US $0.2 million).

According to the terms of the Performance Units Program the fair value has to be calculated by the average stock price (daily final quotation) of one share traded in Xetra during a 10 trading days period until and including, and a 10 trading days period starting after the official publication date of the 2010 annual results of the Company. The Company presumed that the fair value will be equal to the Brambles Investment Limited Voluntary Public Takeover Offer of a cash consideration of EUR 13.50 per share, which amount is increased by 12% p.a. as from and including 1 November 2010 until the end of the acceptance period on March 3, 2011, which is equal to the preliminary publication date of the 2010 annual results of the Company.

The fair value of the performance units was remeasured at December 31, 2009 using the Black-Scholes option-pricing model using the following assumptions:

	December 31, 2009
Risk free interest rate	0.78%
Dividend yield	3.00%
Volatility factor	58.3%
Weighted average expected life	1.00 year

Employee benefit plan

IFCO SYSTEMS North America sponsors a defined contribution profit-sharing plan (the Plan). Eligible employees may contribute up to the maximum amount permitted under Internal Revenue Service regulations to their account. The Company matches the contributions of participating employees on the basis of the percentages specified in the Plan. The employee and Company matching contributions are invested at the direction of the individual employee. Employer contributions to the plan were US $1.7 million and US $1.3 million during 2010 and 2009.

German annuity assurance

The Company has paid and expensed US $0.7 million during 2010 and US $0.8 million during 2009 for German annuity assurance.

15. Business segments

The Company is organized based on the products and services that it offers. Under this organization structure, the Company's continuing operations includes two primary business segments: the RPC Management Services operations (RPC Management Services) and the Pallet Management Services operations (Pallet Management Services). The RPC Management Services segment rent RPCs primarily for use in agricultural markets. The Pallet Management Services segment recycles wooden pallets in the United States. The Corporate column contains corporate related items not allocated to reportable segments. The Pallet Pooling segment, which leased pallets in Canada primarily for use in agricultural and industrial markets, is shown as a discontinued operation, as it was sold during 2005.

The accounting policies for the segments are the same as those described in Notes-Summary of significant accounting policies.

US $ in thousands						Year ended December 31, 2010
	Continuing Operations			Total	Discontinued Operation	Total Operations
	RPC Management Services	Pallet Management Services	Corporate		Pallet Pooling	
Third party revenues	452,358	333,072	–	785,430	–	785,430
EBITDA	134,714	25,357	(10,406)	149,665	–	149,665
Net finance costs			(36,840)	(36,840)		(36,840)
Depreciation expense			(42,578)	(42,578)		(42,578)
Amortization of other assets			(1,336)	(1,336)		(1,336)
Stock-based compensation expense			(398)	(398)		(398)
Foreign currency loss, net			(2,409)	(2,409)		(2,409)
Nonrecurring items			(15,100)	(15,100)		(15,100)
Profit from continuing operations before taxes						51,004
Assets and liabilities						
Total assets	837,703	181,198	34,037	1,052,938	1	1,052,939
Total liabilities	443,810	52,000	299,577	795,387	–	795,387
Goodwill	85,617	118,826	–	204,443	–	204,443
Other segment information						
Capital expenditures	(118,289)	(2,575)	(1,191)	(122,055)	–	(122,055)
Operating cash flows[1]	153,133	15,562	(3,399)	165,296	–	165,296
Investing cash flows	(118,289)	(2,217)	(1,191)	(121,697)	–	(121,697)
Financing cash flows	(35,517)	(13,267)	(899)	(49,683)	–	(49,683)

US $ in thousands						Year ended December 31, 2009
	Continuing Operations			Total	Discontinued Operation	Total Operations
	RPC Management Services	Pallet Management Services	Corporate		Pallet Pooling	
Third party revenues	398,471	337,455	–	735,926	–	735,926
EBITDA	116,943	22,988	(10,921)	129,010	–	129,010
Net finance costs			(44,031)	(44,031)		(44,031)
Depreciation expense			(39,617)	(39,617)		(39,617)
Amortization of other assets			(1,247)	(1,247)		(1,247)
Stock-based compensation income			31	31		31
Foreign currency gain, net			2,292	2,292		2,292
Nonrecurring items			(15,987)	(15,987)		(15,987)
Profit from continuing operations before taxes						30,451
Assets and liabilities						
Total assets	762,900	191,018	42,546	996,464	1	996,465
Total liabilities	401,160	59,172	313,134	773,466	–	773,466
Goodwill	91,541	118,826	–	210,367	–	210,367
Other segment information						
Capital expenditures	(55,038)	(1,989)	(1,048)	(58,075)	–	(58,075)
Operating cash flows[1]	116,722	18,279	(10,443)	124,558	–	124,558
Investing cash flows	(55,030)	(1,710)	(1,048)	(57,788)	–	(57,788)
Financing cash flows	(37,655)	(16,528)	33,033	(21,150)	–	(21,150)

[1] Operating cash flows presented above are prior to interest and income tax payments.

The Company's revenue by country, based on the location of the customer, is as follows:

US $ in thousands	Year ended December 31, 2010	Year ended December 31, 2009
Spain	98,200	95,426
Italy	59,752	53,194
Switzerland	44,358	40,050
Germany	42,476	42,490
France	23,137	19,401
South America	17,299	12,709
Norway	16,303	15,463
United Kingdom	12,225	11,022
Netherlands	6,676	4,794
Other	18,195	14,224
Europe and rest of world	**338,621**	308,773
United States	446,809	427,153
Total	**785,430**	735,926

The Company's total assets by geographical segments are as follows:

US $ in thousands	As of December 31, 2010	As of December 31, 2009
Europe and rest of world	712,475	672,998
United States	340,463	323,466
Canada	1	1
Total	**1,052,939**	996,465

The Company's capital expenditures from continuing operations by geographical segment are as follows:

US $ in thousands	2010	2009
Europe and rest of world	71,510	26,662
United States	50,545	31,413
Total	**122,055**	58,075

Amsterdam, February 25, 2011

Karl Pohler
Chief Executive Officer

Dr. Michael W. Nimtsch
Chief Financial Officer

Annex

Cautionary note

Cautionary note regarding forward looking statements

Some of the statements contained in this report discuss future expectations, contain projections of results of operations or financial condition of IFCO, or state other forward-looking information. These statements may include financial information and/or statements for periods following the period covered by this report. You can find many of these statements by looking for words like believes, expects, anticipates, estimates, or similar expressions used in this report.

These forward-looking statements may be affected by known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from those contemplated by the statements. The forward-looking information is based on various factors and was derived using numerous assumptions that we believe to be reasonable. Risks and uncertainties are included in a separate section of this report.

Important factors that could cause our actual results to be materially different from the forward-looking statements are also discussed throughout this report.

Address register

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Financial calendar*

March 2011	Press and analyst's conference on annual results
April 2011	General meeting of shareholders for the fiscal year 2010
May 2011	Publication of the 1st quarterly report
August 2011	Publication of the 2nd quarterly report
November 2011	Publication of the 3rd quarterly report
March 2012	Publication of the 2011 annual report
	* Preliminary dates. You will find the exact dates at:
	http://www.ifcosystems.de or http://www.ifcosystems.com

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In addition to an annual report at the end of each fiscal year, IFCO SYSTEMS N.V. publishes quarterly reports, supplemented by press releases. A press conference as well as an annual analysts´ conference give the journalists and analysts additional opportunities to review developments of our business. The annual report as well as quarterly reports are filed with Frankfurt Stock Exchange and the Netherlands Authority for the Financial Markets. All of these financial reports are available on the Internet at:
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IFCO MOVES	Patricia Poetis, CCO of POWERGROUP GmbH, is the originator of all works of applied art (graphical elements/layout) and written composition (text) used in conjunction with the "IFCO MOVES" project.
WORLDWIDE RESPONSIBILITY	Dr. Pantelis Christian Poetis, CEO of POWERGROUP GmbH, is the originator of all works of applied art (graphical elements/layout) and written composition (text) used in conjunction with the "WORLDWIDE RESPONSIBILITY" project.

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