Q2 2010 Report

IFCO SYSTEMS N.V.

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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 financial, tax, internal audit and organizational services to the operating segments.

Our assets, liabilities, revenues and expenses are subject to exchange rate fluctuations between the US Dollar, which is our group presentation / reporting currency and the primary functional currency of the North American operations and the Euro, the primary functional currency of IFCO SYSTEMS N.V. and the European operations. 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 Q1 2009 to Q2 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. Unless otherwise noted, no 2009 figures in tabular form are currency adjusted.

The Company has made changes according to IAS 8 leading to restated 2008 and H1 2009 Financial Statements. For further details see Notes of the accompanied unaudited condensed interim consolidated Financial Statements. The following explanations and discussions will highlight references to changed prior year numbers.

Corporate developments

Reduction of the issued share capital

On March 24, 2010, the General Meeting of Shareholders adopted the proposed reduction of the issued share capital of the Company by means of a cancelation of 2,650,000 ordinary fully paid-up shares which are held by the Company in its own capital. The Company filed this resolution with the Dutch Chamber of Commerce and published a notice in a Dutch newspaper on March 29, 2010. Within two months after such publication, any creditor may, by filing a petition with the competent District Court, oppose the resolution to reduce the issued share capital. No opposition has been made during the two month period, which means that the cancelation of shares has become effective as from May 29, 2010. The number of fully paid-up shares as of June 30, 2010 is 51,572,214.

Group consolidated financial highlights – 2010 vs. 2009

Operations data

US $ in thousands, except per share amounts	Q2 2010	Q2 2009 [1]	% Change	H1 2010	H1 2009 [1]	% Change	LTM Q2 2010
Revenues	195,225	184,877	5.6%	383,628	354,733	8.1%	764,821
Gross profit	44,484	36,934	20.4%	83,512	68,412	22.1%	166,240
Gross profit margin	22.8%	20.0%		21.8%	19.3%		21.7%
Selling, general and administrative expenses	19,915	19,665	1.3%	39,067	38,144	2.4%	78,755
Selling, general and administrative expenses as a percentage of revenues	10.2%	10.6%		10.2%	10.8%		10.3%
EBITDA	36,078	29,446	22.5%	67,905	54,071	25.6%	142,844
EBITDA margin	18.5%	15.9%		17.7%	15.2%		18.7%
EBIT	26,093	19,381	34.6%	47,242	34,559	36.7%	100,829
EBIT margin	13.4%	10.5%		12.3%	9.7%		13.2%
Profit (loss) from continuing operations before taxes	11,128	(1,537)		16,280	4,691	247.0%	42,040
Net profit (loss)	6,110	(5,441)		7,050	(2,668)		29,672
Profit (loss) per share from continuing operations – basic	0.11	(0.10)		0.15	(0.04)		0.60
Profit (loss) per share from continuing operations – diluted	0.11	(0.10)		0.15	(0.04)		0.60
Net profit (loss) per share – basic	0.12	(0.10)		0.14	(0.05)		0.57
Net profit (loss) per share – diluted	0.12	(0.10)		0.14	(0.05)		0.57
Operating cash flows from continuing operations [2]	40,138	21,565	86.1%	52,737	25,828	104.2%	151,467
Capital expenditures from continuing operations	27,972	13,356	109.4%	52,883	24,829	113.0%	86,129
Return on capital employed (ROCE) [3]	21.9%	16.0%					
Currency Adjusted:							
Revenues	195,225	179,864	8.5%	383,628	353,816	8.4%	738,227
Gross profit	44,484	35,630	24.8%	83,512	67,946	22.9%	159,387
EBITDA	36,078	28,320	27.4%	67,905	53,663	26.5%	135,834
EBIT	26,093	18,664	39.8%	47,242	34,218	38.1%	95,701

[1] Certain Q2 2009 and H1 2009 numbers shown here reflect changes according to IAS 8 made as detailed in the Notes of the accompanied Financial Statements. The changes decreased previously reported Q2 2009 (H1 2009) gross profit, EBITDA, EBIT, loss from continuing operations before taxes and net loss by US $1.0 million (US $0.6 million).

[2] Operating cash flows presented above as calculated under IFRS are prior to interest and income tax payments.

[3] 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.

Financial position data

US $ in thousands	June 30, 2010	December 31, 2009	% Change
Cash and cash equivalents	30,567	73,042	(58.2%)
Property, plant and equipment	452,298	467,484	(3.2%)
Total debt, including finance lease obligations	289,778	338,615	(14.4%)
Net debt [1]	259,211	265,573	(2.4%)
Net debt currency adjusted	259,211	225,215	15.1%
Liquidity	78,549	138,206	(43.2%)
Shareholders equity	231,949	222,999	4.0%
Headcount of continuing operations (as of the respective financial position dates)	3,877	3,877	0.0%

Cash flows

US $ in thousands	H1 2010	H1 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	65,356	47,887
Cash flow effect of changes in working capital	(779)	(16,648)
Operating cash flows of continuing operations, prior to income tax payments and excluding ICE	**64,577**	31,239
Cash used for ICE [2]	(11,840)	(5,411)
Operating cash flows of continuing operations, prior to income tax payments and including ICE	**52,737**	25,828
Income taxes paid	(2,035)	(3,100)
Operating cash flows of continuing operations	**50,702**	22,728
Operating cash flows of discontinued operations	(509)	1,038
	50,193	**23,766**
Investing cash flows	**(52,652)**	**(24,728)**
Financing cash flows	**(33,236)**	**10,555**
Effect of exchange rate changes on cash and cash equivalents	(6,780)	969
Cash and cash equivalents, end of period	**30,567**	**42,068**

[1] Net debt includes cash and cash equivalents, all interest bearing debt and current and non-current finance lease obligations.

[2] 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.

IFCO's currency adjusted group revenues and operational profitability both continued to grow significantly in Q2 2010 and H1 2010 as compared to Q2 2009 and H1 2009. RPC Management Services delivered strong gains in both revenues and EBITDA. EBITDA in the Pallet Management Services business segment grew significantly while revenues declined slightly.

- Group **revenues** developed as follows:

US $ in thousands	Q2 2010	Q2 2009	% Change	H1 2010	H1 2009	% Change
Group revenues	195,225	184,877	5.6%	383,628	354,733	8.1%
Group revenues currency adjusted	195,225	179,864	8.5%	383,628	353,816	8.4%

RPC Management Services' revenues developed as follows:

US $ in thousands	Q2 2010	Q2 2009	% Change	H1 2010	H1 2009	% Change
RPC Management Services revenues	106,046	94,634	12.1%	209,548	178,757	17.2%
RPC Management Services revenues currency adjusted	106,046	89,621	18.3%	209,548	177,840	17.8%

The sources of RPC Management Services' revenue gains have held steady in recent quarters, 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. Also our efforts to develop the business in East Europe showed good progress and supported the overall positive volume development in Europe. Growth in our RPC US business has accelerated even further due to increasing RPC penetration in our existing customer base and a steady flow of new retailers adopting the RPC model. RPC South America's growth momentum continued to develop.

Pallet Management Services' revenues developed as follows:

US $ in thousands	Q2 2010	Q2 2009	% Change	H1 2010	H1 2009	% Change
Pallet Management Services revenues	89,179	90,243	(1.2%)	174,080	175,976	(1.1%)

Revenues in Pallet Management Services came in close to previous year levels for Q2 and H1 2010. Although the market pricing environment remained below 2009 levels, the negative sequential trends flattened out, with Q2 2010 average pallet pricing at the same average levels as Q1 2010. Volumes in certain regions of the US have experienced a rebound from 2009 levels, while other regions remain in a depressed state. Service related revenues showed a good growth momentum and continued to increase as a percentage of total revenues.

- **Gross profit margin** on a group level increased in Q2 2010 by 2.8 percentage points to 22.8% (H1 2010, grew 2.5 percentage points to 21.8%). RPC Management Services' gross profit margin grew from 27.1% in Q2 2009 to 28.7% in Q2 2010. Gross profit margin in our European RPC business benefited from slightly higher per trip revenues, constant per unit cost of goods sold and relative lower depreciation. Gross profit margin in the RPC US business decreased slightly as a result of slightly lower prices, as well as higher freight costs resulting from higher fuel prices and a higher rate of expedited RPC pool movements in order to meet the increasing customer demand. 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 grew to 15.8% from 12.5% in Q2 2009, with the effects of lower year-over-year customer prices and higher fuel prices now more than offset by significantly lower raw materials costs, improved labor productivity, a more efficient transportation cost structure, and a higher mix of profitable service revenues.

- Q2 2010 **selling**, **general and administrative expenses** (SG&A) increased by 1.3% to US $19.9 million (H1 2010 increased by 2.4% to US $39.1 million). SG&A as a percentage of revenues decreased in Q2 2010 to 10.2% compared to 10.6% in Q2 2009.

- Group **EBITDA** and **EBITDA margin** improved significantly and developed as follows, and is explained in greater detail in the respective business segment sections of this report:

US $ in thousands	Q2 2010	Q2 2009	% Change	H1 2010	H1 2009	% Change
Group EBITDA	36,078	29,446	22.5%	67,905	54,071	25.6%
Group EBITDA currency adjusted	36,078	28,320	27.4%	67,905	53,663	26.5%
Group EBITDA margin	18.5%	15.9%		17.7%	15.2%	

LTM Q2 2010 EBITDA reached a record level of US $142.8 million.

- Group **EBIT** and **EBIT margin** developed as follows, and is explained in greater detail in the respective business segment sections of this report:

US $ in thousands	Q2 2010	Q2 2009	% Change	H1 2010	H1 2009	% Change
Group EBIT	26,093	19,381	34.6%	47,242	34,559	36.7%
Group EBIT currency adjusted	26,093	18,664	39.8%	47,242	34,218	38.1%
Group EBIT margin	13.4%	10.5%		12.3%	9.7%	

LTM Q2 2010 EBIT reached a record level of US $100.8 million.

- **Net result** improved from a net loss of US $5.4 million in Q2 2009 to a net profit of US $6.1 million in Q2 2010 (H1 2010 from a net loss of US $2.7 million to a net profit of US $7.0 million). The significant net operational improvements discussed above were partially offset by higher ICE related expenses and a higher deferred tax provision. Net finance costs decreased in both Q2 2010 and H1 2010 as a result of the one-time costs recognized in Q2 2009 in connection with the Company's 2009 refinancing.

- As a result of the above, **basic profit per ordinary share** from continuing operations increased from a loss of US $0.10 in Q2 2009 to a profit of US $0.11 in Q2 2010 (H1 2010 increased from a loss of US $0.04 to a profit of US $0.15).

- IFCO's **cash flow from continuing operations**, excluding the cash flow effect of income tax payments and ICE related payments, more than doubled to US $64.6 million in H1 2010 from US $31.2 million in H1 2009 as a result of higher profit levels and improved working capital development.

- Our **capital expenditure** levels increased by US $14.6 million, or 109.4%, to US $28.0 million during Q2 2010 (H1 2010, by 113.0% to US $52.9 million). The realization of the planned growth in Europe and the US has led to continued investments in our RPC pools in 2010.

- **ROCE** from continuing operations, on a LTM basis, increased to 21.9% as of June 30, 2010, compared to 19.0% as of year-end 2009 and compared to 16.0% as of June 30, 2009. This positive development is the result of the Company's increased profitability and continuous improved utilization of the RPC pool leading to relative lower capex spending.

- IFCO's **cash** position as of June 30, 2010 of US $30.6 million was 58.2% lower than the cash position as of December 31, 2009.

- **Net debt** decreased by US $6.4 million to US $259.2 million as of June 30, 2010 compared to December 31, 2009, however, increased on a currency adjusted basis by US $34.0 million. This increase is mainly the result of the US $8.8 million STECO vendor note payment in June 2010 and expected ICE related payments.

- 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 June 30, 2010, our liquidity declined to US $78.5 million compared to US $138.2 million as of December 31, 2009 and compared to US $100.1 million as of June 30, 2009. The decline is caused by the growth driven capex in our RPC pools, ICE related payments, the dividend payment and the STECO vendor note payment. We believe that these sources of liquidity are sufficient to finance our future capital and operational requirements in accordance with our business plans.

Segment information

RPC Management Services

US $ in thousands, except RPC data	Q2 2010	Q2 2009	% Change	H1 2010	H1 2009	% Change	LTM Q2 2010
Revenues	106,046	94,634	12.1%	209,548	178,757	17.2%	429,262
Gross profit	30,411	25,623	18.7%	56,635	44,820	26.4%	116,821
Gross profit margin	28.7%	27.1%		27.0%	25.1%		27.2%
EBITDA	30,590	26,133	17.1%	58,027	46,105	25.9%	128,865
EBITDA margin	28.8%	27.6%		27.7%	25.8%		30.0%
EBIT	22,368	17,750	26.0%	40,915	29,954	36.6%	93,817
EBIT margin	21.1%	18.8%		19.5%	16.8%		21.9%
Total RPC trips (in thousands)	136,996	117,618	16.5%	259,807	222,930	16.5%	513,441
RPC pool size (end of period)	107,934	98,716	9.3%	107,934	98,716	9.3%	107,934
Average RPC annualized turns	5.14	4.81	6.8%	4.94	4.57	8.2%	4.97
Currency Adjusted:							
Revenues	106,046	89,621	18.3%	209,548	177,840	17.8%	402,668
Gross profit	30,411	24,319	25.1%	56,635	44,354	27.7%	109,968
EBITDA	30,590	24,835	23.2%	58,027	45,638	27.1%	120,780
EBIT	22,368	16,861	32.7%	40,915	29,554	38.4%	87,614

Revenues

- Currency adjusted revenues grew in our main geographic regions as follows:

US $ in thousands	Q2 2010	Q2 2009	% Change	H1 2010	H1 2009	% Change
RPC Europe	72,804	65,444	11.2%	147,673	132,130	11.8%
RPC US	29,432	21,404	37.5%	54,265	40,076	35.4%
RPC South America	3,810	2,773	37.4%	7,610	5,634	35.1%

- RPC Management Services' revenues in Q2 2010 increased by US $11.4 million or 12.1% (currency adjusted by 18.3%), compared to Q2 2009 (H1 2010 by 17.2%; H1 2010 currency adjusted by 17.8%). These gains resulted from organic growth in our core business in RPC Europe, an increase of our RPC South American business and continued strong retailer and market share expansion in our RPC US business.

- Total trips increased by 16.5% to 137.0 million in Q2 2010 (H1 2010 by 16.5% to 259.8 million).

- Compared to Q2 2009, our overall average per trip pricing increased due to structural changes in the mixture of the rented RPCs.

- The annualized turns of our global RPC pool increased to 4.97 turns during LTM Q2 2010 compared to 4.80 at year end 2009 and compared to 4.53 in LTM Q2 2009, as a result of significantly better overall pool utilization in Europe and the US, as well as faster turns realized in our South American business.

Operational expenses and profitability

- RPC Management Services' gross profit increased by 18.7% to US $30.4 million in Q2 2010 (H1 2010, 26.4% to US $56.6 million). Gross profit margin grew by 1.6 percentage points to 28.7% in Q2 2010. Gross profit margin in our European RPC business benefited from slightly higher per trip revenues, constant per unit cost of goods sold and relative lower depreciation. Gross profit margin in the RPC US business decreased slightly as a result of slightly lower prices, as well as higher freight costs resulting from higher fuel prices and a higher rate of expedited RPC pool movements in order to meet the increasing customer demand. All regions continue to benefit from the scale effects of the growing business on fixed costs.

- SG&A increased in Q2 2010 by approximately 3.4% compared to Q2 2009 (H1 2010 decreased by 1.5%), resulting in a significant reduction in SG&A as a percentage of revenues from 9.1% in Q2 2009 to 8.4% in Q2 2010 (H1 2010 fell from 9.9% to 8.3%).

- As a result of the items discussed above, our RPC Management Services EBITDA and EBITDA margin improved as follows:

US $ in thousands	Q2 2010	Q2 2009	% Change	H1 2010	H1 2009	% Change
EBITDA	30,590	26,133	17.1%	58,027	46,105	25.9%
EBITDA currency adjusted	30,590	24,835	23.2%	58,027	45,638	27.1%
EBITDA margin	28.8%	27.6%		27.7%	25.8%	

- As a result of the items discussed above, our RPC Management Services EBIT and EBIT margin grew as follows:

US $ in thousands	Q2 2010	Q2 2009	% Change	H1 2010	H1 2009	% Change
EBIT	22,368	17,750	26.0%	40,915	29,954	36.6%
EBIT currency adjusted	22,368	16,861	32.7%	40,915	29,554	38.4%
EBIT margin	21.1%	18.8%		19.5%	16.8%	

Pallet Management Services

US $ in thousands	Q2 2010	Q2 2009	% Change	H1 2010	H1 2009	% Change	LTM Q2 2010
Revenues	89,179	90,243	(1.2%)	174,080	175,976	(1.1%)	335,559
Gross profit	14,073	11,311	24.4%	26,877	23,592	13.9%	49,419
Gross profit margin	15.8%	12.5%		15.4%	13.4%		14.7%
EBITDA	7,976	5,607	42.3%	14,894	12,123	22.9%	25,759
EBITDA margin	8.9%	6.2%		8.6%	6.9%		7.7%
EBIT	6,213	3,925	58.3%	11,343	8,762	29.5%	18,792
EBIT margin	7.0%	4.3%		6.5%	5.0%		5.6%

Revenues

- Revenues decreased by US $1.1 million, or 1.2%, to US $89.2 million in Q2 2010 (H1 2010, 1.1% to US $174.1 million).

- The economic recession in the US that existed during 2009 has continued to create a challenging market environment. Pallet pricing remained at historically low levels, although the rate of decline flattened during Q2 2010. We have seen market demand rebound in some of our regions from 2009 levels, but demand remained weak in other regions as the economy continues to recover. Service related revenues increased as a percentage of total revenues. Revenues in our Custom Crating division were higher in Q2 2010 than in Q2 2009.

Operational expenses and profitability

- Gross profit margin in our Pallet Management Services division increased by 3.3 percentage points to 15.8% in Q2 2010. The gross profit margin increase is most significantly due to the effects of lower material costs, as we are paying significantly less for a used pallet on average in Q2 2010 than in Q2 2009. We have also seen increased labor productivity as our workforce turnover has reduced, and have succeeded in reducing costs in our transportation infrastructure. Fuel costs continue to be considerably higher in 2010 as compared to the historically low levels experienced in early 2009.

- Total SG&A expenses were 6.6% higher during Q2 2010 compared to Q2 2009. These increases were primarily the result of increases in personnel costs related to our sales organization (H1 2010 increased by 6.4%).

- As a result of the items discussed above, our Pallet Management Services EBITDA, EBITDA margin, EBIT and EBIT margin improved and developed as follows:

US $ in thousands	Q2 2010	Q2 2009	% Change	H1 2010	H1 2009	% Change
EBITDA	7,976	5,607	42.3%	14,894	12,123	22.9%
EBITDA margin	8.9%	6.2%		8.6%	6.9%	
EBIT	6,213	3,925	58.3%	11,343	8,762	29.5%
EBIT margin	7.0%	4.3%		6.5%	5.0%	

Corporate

US $ in thousands	Q2 2010	Q2 2009	% Change	H1 2010	H1 2009	% Change	LTM Q2 2010
EBITDA	(2,488)	(2,294)	8.5%	(5,016)	(4,157)	20.7%	(11,780)
EBIT	(2,488)	(2,294)	8.5%	(5,016)	(4,157)	20.7%	(11,780)
Net finance costs	9,544	17,405	(45.2%)	19,828	23,647	(16.2%)	40,212
Foreign currency (loss) gain, net	(1,113)	697		(1,568)	1,843		(1,119)
Income tax provision	5,277	3,671	43.7%	8,589	6,991	22.9%	10,396
Income (loss) from discontinued operations	259	(233)		(641)	(368)	74.2%	(1,972)

EBIT

Our corporate EBIT charges increased by US $0.2 million in Q2 2010 (H1 2010, US $0.9 million). The increase is primarily the result of higher 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	Q2 2010	Q2 2009	% Change	H1 2010	H1 2009	% Change
Recurring interest items	9,544	8,986	6.2%	19,828	15,228	30.2%
Interest items affected by refinancing	–	8,419	N/A	–	8,419	N/A
Net finance costs	**9,544**	**17,405**	**(45.2%)**	**19,828**	**23,647**	**(16.2%)**

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 tax provision

Our income tax provision in Q2 2010 consists of a deferred income tax provision of approximately US $4.8 million (Q2 2009, US $2.8 million) and approximately US $0.5 million of current income tax provision accruals (Q2 2009, US $0.9 million). Our income tax provision in H1 2010 consists of a deferred income tax provision of approximately US $6.3 million (H1 2009, US $5.4 million) and approximately US $2.3 million of current income tax provision accruals (H1 2009, US $1.6 million).

Discontinued operations

In February 2002, we completed the sale of a majority of the assets of our industrial container services operations to Industrial Container Services, Inc. (ICS).

During Q3 2003, two lawsuits were filed, naming as defendants the Company and certain of its subsidiaries as well as a number of the customers, ICS and certain affiliates of ICS, based upon alleged discharges of contaminants, toxic substances and chemicals from one of our drum facilities in Chicago on or before mid-2001. In the beginning of Q2 2007, the class action allegations were dismissed from one of the cases and a group of unnamed class members filed a separate lawsuit patterned after the other two against certain subsidiaries of the Company. IFCO SYSTEMS N.V. itself was not named a party in this separate lawsuit.

On April 20, 2010, the Company reached settlement with the plaintiffs for US $9.5 million which has resolved any claims by plaintiffs and customer defendants. The Company also obtained agreements from its insurers for reimbursement totaling US $10.4 million, and is engaged in further negotiations with its insurers regarding additional reimbursements of defense costs and other expenses related to this matter.

Investigation by U.S. Immigration and Customs Enforcement

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.

Litigation

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.

Outlook

As the financial crisis that unfolded in 2008 spread to the worldwide economy up to today, we experienced challenging economic climates in many of our markets. While the economy in the United States remained in a weak but slightly improved condition during Q2 2010, it is expected that the European economy will recover during 2010.

Accordingly, the 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. 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 2010. 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 Pallet Management Services business has significantly been negatively affected by the overall economic decline in the United States in 2009, primarily as a result of pressure on prices from lower 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 stabilize revenues and increase profitability in 2010. Q2 2010 has shown nearly flat revenue development as a first slight sign of recovery.

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 2010 as compared to 2009.

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

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 (loss) 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 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 (loss) to EBITDA

US $ in thousands	Q2 2010	Q2 2009	H1 2010	H1 2009
Net profit (loss)	6,110	(5,441)	7,050	(2,668)
Net finance costs	9,544	17,405	19,828	23,647
Income tax provision	5,277	3,671	8,589	6,991
Depreciation expense	9,660	9,747	20,015	18,910
Amortization of other assets	325	318	648	602
Stock-based compensation expense (income)	355	(349)	366	(229)
Foreign currency loss (gain)	1,113	(697)	1,568	(1,843)
Nonrecurring items [1]	3,953	4,559	9,200	8,293
(Income) loss from discontinued operations	(259)	233	641	368
EBITDA	**36,078**	29,446	**67,905**	54,071

Reconciliation of EBITDA to EBIT

US $ in thousands	Q2 2010	Q2 2009	H1 2010	H1 2009
EBITDA	36,078	29,446	67,905	54,071
Depreciation expense	(9,660)	(9,747)	(20,015)	(18,910)
Amortization of other assets	(325)	(318)	(648)	(602)
EBIT	**26,093**	19,381	**47,242**	34,559

[1] 2009 nonrecurring items consist of “ICE related expenses”, the operating result of ILD Logistik + Transport GmbH, which was a part of the STECO acquisition, but will be liquidated, and severance accruals. 2010 nonrecurring items consist primarily of “ICE related expenses”, non deductible VAT, severance payments, one time legal expenses and Pallet Management Services plant 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	Q2 2010	Q2 2009	% Change	H1 2010	H1 2009	% Change	LTM Q2 2010
Revenues:							
RPC Management Services	106,046	94,634	12.1%	209,548	178,757	17.2%	429,262
Pallet Management Services	89,179	90,243	(1.2%)	174,080	175,976	(1.1%)	335,559
	195,225	**184,877**	**5.6%**	**383,628**	**354,733**	**8.1%**	**764,821**
Gross profit:							
RPC Management Services	30,411	25,623	18.7%	56,635	44,820	26.4%	116,821
Pallet Management Services	14,073	11,311	24.4%	26,877	23,592	13.9%	49,419
	44,484	**36,934**	**20.4%**	**83,512**	**68,412**	**22.1%**	**166,240**
EBITDA:							
RPC Management Services	30,590	26,133	17.1%	58,027	46,105	25.9%	128,865
Pallet Management Services	7,976	5,607	42.3%	14,894	12,123	22.9%	25,759
Operations subtotal	**38,566**	**31,740**	**21.5%**	**72,921**	**58,228**	**25.2%**	**154,624**
Corporate	(2,488)	(2,294)	8.5%	(5,016)	(4,157)	20.7%	(11,780)
	36,078	**29,446**	**22.5%**	**67,905**	**54,071**	**25.6%**	**142,844**
EBIT:							
RPC Management Services	22,368	17,750	26.0%	40,915	29,954	36.6%	93,817
Pallet Management Services	6,213	3,925	58.3%	11,343	8,762	29.5%	18,792
Operations subtotal	**28,581**	**21,675**	**31.9%**	**52,258**	**38,716**	**35.0%**	**112,609**
Corporate	(2,488)	(2,294)	8.5%	(5,016)	(4,157)	20.7%	(11,780)
	26,093	**19,381**	**34.6%**	**47,242**	**34,559**	**36.7%**	**100,829**
Operating cash flows:							
RPC Management Services	35,147	20,675	70.0%	56,543	26,690	111.9%	146,575
Pallet Management Services	10,396	6,508	59.7%	1,478	4,733	(68.8%)	15,024
Operations subtotal	**45,543**	**27,183**	**67.5%**	**58,021**	**31,423**	**84.6%**	**161,599**
Corporate	(5,405)	(5,618)	(3.8%)	(5,284)	(5,595)	(5.6%)	(10,132)
	40,138	**21,565**	**86.1%**	**52,737**	**25,828**	**104.2%**	**151,467**
Capital expenditures:							
RPC Management Services	27,206	12,833	112.0%	51,500	23,597	118.2%	82,941
Pallet Management Services	479	400	19.8%	1,013	937	8.1%	2,065
Operations subtotal	**27,685**	**13,233**	**109.2%**	**52,513**	**24,534**	**114.0%**	**85,006**
Corporate	287	123	133.3%	370	295	25.4%	1,123
	27,972	**13,356**	**109.4%**	**52,883**	**24,829**	**113.0%**	**86,129**
			June 30, 2010			December 31, 2009	
Personnel:							
RPC Management Services			754			750	
Pallet Management Services			3,114			3,118	
Operations subtotal			**3,868**			**3,868**	
Corporate			9			9	
			3,877			**3,877**	

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

US $ in thousands	June 30, 2010	December 31, 2009
Assets		
Non-current assets:		
Goodwill	198,251	210,367
Property, plant and equipment, net	452,298	467,484
Other assets	4,360	7,976
Total non-current assets	**654,909**	**685,827**
Current assets:		
Receivables, net	193,418	203,831
Inventories	10,692	12,899
Other current assets	17,739	20,866
Cash and cash equivalents	30,567	73,042
Total current assets	**252,416**	**310,638**
Total assets	**907,325**	**996,465**
Equity and liabilities		
Equity attributable to equity holders of the parent:		
Ordinary share capital	555	583
Treasury shares	(3,583)	(23,433)
Paid in capital	498,169	518,927
Other reserves	4,209	(6,833)
Retained earnings	(267,401)	(266,245)
Total equity	**231,949**	**222,999**
Non-current liabilities:		
Interest bearing loans and borrowings, net of current maturities	226,867	264,381
Finance lease obligations, net of current maturities	31,682	41,167
Other liabilities	15,729	18,679
Total non-current liabilities	**274,278**	**324,227**
Current liabilities:		
Current maturities of interest bearing loans and borrowings	10,078	9,222
Current maturities of finance lease obligations	21,151	23,845
Provisions	32,395	40,931
Refundable deposits	149,093	170,765
Trade and other payables	125,180	137,312
Other liabilities	63,201	67,164
Total current liabilities	**401,098**	**449,239**
Total liabilities	**675,376**	**773,466**
Total equity and liabilities	**907,325**	**996,465**

IFCO SYSTEMS N.V. and subsidiaries unaudited condensed interim consolidated income statements

US $ in thousands, except share and per share amounts	Q2 2010	Q2 2009 Restated [1]	H1 2010	H1 2009 Restated [1]
Revenues	195,225	184,877	383,628	354,733
Cost of sales	150,741	147,943	300,116	286,321
Gross profit	**44,484**	36,934	**83,512**	68,412
Selling expenses	5,474	4,553	10,806	9,597
General and administrative expenses	14,441	15,112	28,261	28,547
Other income, net	(258)	(41)	(282)	(243)
Profit from operating activities	**24,827**	17,310	**44,727**	30,511
ICE related expenses [2]	(2,758)	(2,138)	(6,832)	(3,989)
Foreign currency (loss) gain, net	(1,113)	697	(1,568)	1,843
Other loss, net	(284)	(1)	(219)	(27)
Net finance costs	(9,544)	(17,405)	(19,828)	(23,647)
Profit (loss) from continuing operations before taxes	**11,128**	(1,537)	**16,280**	4,691
Current income tax provision	(467)	(853)	(2,267)	(1,596)
Deferred income tax provision	(4,810)	(2,818)	(6,322)	(5,395)
Income tax provision	**(5,277)**	(3,671)	**(8,589)**	(6,991)
Profit (loss) before discontinued operations	**5,851**	(5,208)	**7,691**	(2,300)
Income (loss) from discontinued operations	259	(233)	(641)	(368)
Net profit (loss)	**6,110**	(5,441)	**7,050**	(2,668)
Profit (loss) per share from continuing operations – basic	0.11	(0.10)	0.15	(0.04)
Profit (loss) per share from continuing operations – diluted	0.11	(0.10)	0.15	(0.04)
Net profit (loss) per share – basic	0.12	(0.10)	0.14	(0.05)
Net profit (loss) per share – diluted	0.12	(0.10)	0.14	(0.05)
Shares on which net profit is calculated:				
Basic [3]	51,256,022	53,473,175	51,251,765	53,473,175
Effect of dilutive stock options	117,542	–	131,803	–
Diluted	**51,373,564**	53,473,175	**51,383,568**	53,473,175

[1] Certain numbers shown here do not correspond to the Q2 2009 and H1 2009 financial statements and reflect adjustments made as detailed in the Notes.
[2] ICE related expenses consist of legal expenses, salaries for employees on leave and the interest accrued on the present value ICE settlement obligation.
[3] Average outstanding shares during the period.

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

US $ in thousands	H1 2010	H1 2009 Restated (1)
Net profit (loss)	7,050	(2,668)
Currency translation differences	11,042	(2,111)
Other comprehensive income for the period	**11,042**	**(2,111)**
Total comprehensive income for the period	**18,092**	**(4,779)**

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

US $ in thousands, except share amounts	Ordinary Shares	Treasury Shares	Ordinary Shares	Treasury Shares	Paid in Capital	Retained Earnings	Other Reserves	Total Equity
	Shares	Shares	Amount	Amount				
Balance at December 31, 2008 – Restated (1)	54,222,214	749,039	583	(8,150)	521,966	(287,534)	(4,109)	222,756
Stock-based compensation income	–	–	–	–	(229)	–	–	(229)
Net loss	–	–	–	–	–	(2,668)	–	(2,668)
Other comprehensive income	–	–	–	–	–	–	(2,111)	(2,111)
Total comprehensive income	–	–	–	–	–	(2,668)	(2,111)	(4,779)
Balance at June 30, 2009 – Restated (1)	54,222,214	749,039	583	(8,150)	521,737	(290,202)	(6,220)	217,748
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	–	–	–	–	22	–	–	22
Buyback of treasury shares	–	99,148	–	(1,288)	–	–	–	(1,288)
Exercise of stock options funded by treasury shares	–	(84,334)	–	945	(615)	–	–	330
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)	–	–	–
Net profit	–	–	–	–	–	7,050	–	7,050
Other comprehensive income	–	–	–	–	–	–	11,042	11,042
Total comprehensive income	–	–	–	–	–	7,050	11,042	18,092
Balance at June 30, 2010	**51,572,214**	**333,533**	**555**	**(3,583)**	**498,169**	**(267,401)**	**4,209**	**231,949**

(1) Certain numbers shown here do not correspond to the 2008 and H1 2009 financial statements and reflect adjustments made as detailed in the Notes.

IFCO SYSTEMS N.V. and subsidiaries unaudited condensed interim consolidated cash flow statements

US $ in thousands	H1 2010	H1 2009 Restated [1]
Cash flows from continuing operating activities:		
Net profit (loss)	7,050	(2,668)
ICE related expenses	6,832	2,138
Adjustments for:		
Depreciation and amortization expense of property, plant and equipment	20,015	18,910
Amortization of other assets	648	602
Stock-based compensation expense (income)	366	(229)
Foreign currency loss (gain), net	1,568	(1,843)
Income tax provision	8,589	6,991
Gain on sale of property, plant and equipment	(181)	(29)
Net finance costs	19,828	23,647
Loss from discontinued operations	641	368
Cash generated from continuing operations, excluding the cash flow effect of changes in working capital and excluding ICE	**65,356**	**47,887**
Changes in working capital of continuing operations:		
Receivables	(13,738)	(19,650)
Inventories	2,199	2,542
Trade and other payables	2,525	(12,158)
Refundable deposits	3,936	8,405
Other assets and liabilities	4,299	4,213
Cash flow effect of changes in operating assets and liabilities of continuing operations	**(779)**	**(16,648)**
Cash generated from continuing operations before income tax payments and excluding ICE	**64,577**	**31,239**
Cash used for ICE	(11,840)	(5,411)
Cash generated from continuing operations before income tax payments and including ICE	**52,737**	**25,828**
Income taxes paid	(2,035)	(3,100)
Cash generated from continuing operating activities	**50,702**	**22,728**
Cash (used in) generated from discontinued operations	(509)	1,038
Net cash generated from operating activities	**50,193**	**23,766**
Cash flows from investing activities:		
Purchase of RPCs	(50,241)	(21,782)
Purchase of property, plant and equipment	(2,642)	(3,047)
Total capital expenditures	**(52,883)**	**(24,829)**
Proceeds from sale of property, plant and equipment	231	101
Net cash used in investing activities	**(52,652)**	**(24,728)**
Cash flows from financing activities:		
Principal payments of long-term debt	–	119,916
Payback of sellers' note	(8,850)	–
Interest paid [2]	(17,563)	(48,296)
Interest received	151	59
Proceeds from exercise of stock options	330	–
Net payments of finance lease obligations	(5,905)	(453)
Net proceeds from use (payments for payback) of revolving credit facility	8,095	(60,671)
Payments for treasury share buyback	(1,288)	–
Dividend paid	(8,206)	–
Net cash (used in) generated from financing activities	**(33,236)**	**10,555**
Effect of exchange rate changes on cash and cash equivalents	(6,780)	969
Net (decrease) increase in cash and cash equivalents	**(42,475)**	**10,562**
Cash and cash equivalents, beginning of period	73,042	31,506
Cash and cash equivalents, end of period	**30,567**	**42,068**

[1] Certain numbers shown here do not correspond to the H1 2009 financial statements and reflect adjustments made as detailed in the Notes.
[2] 2009 interest paid includes interest paid affected by refinancing of US $27.9 million.

Selected explanatory notes to unaudited consolidated interim financial statements

Basis of preparation of the second quarter condensed consolidated financial report

This second quarter condensed consolidated financial report has been prepared in accordance with IAS 34 and therefore does not include all notes of the type normally included within the annual consolidated financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements.

This second quarter condensed interim consolidated financial report should also be read in conjunction with the annual consolidated financial statements of IFCO SYSTEMS N.V. as of December 31, 2009.

The accounting policies adopted in the preparation of the second quarter condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2009, except for the adoption of the new Standards and Interpretations as of January 1, 2010, noted 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 and liabilities need only be reported when those assets and liabilities 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.

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, which therefore were reclassified from general and administrative expenses to a separate line 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.

Changes according to IAS 8

In 2009, the Deutsche Prüfstelle für Rechnungslegung (DPR) selected IFCO on a random basis and reviewed the Company's consolidated 2007 financial statements. As a result of this review, the DPR suggested that the Company correct the following errors:

- The Company's contractual obligations with its retail partners can be interpreted in a way that the Company should accrue the expenses associated with the ultimate collection of its RPCs currently in circulation with the Company's business partners as of each financial position date. Previously, these costs were recognized as they were incurred.
- Due to the relationship between Mr. Christoph Schoeller, one of the Company's Supervisory Board members, and Schoeller Arca Systems (SAS), the main supplier of the Company's RPCs, the Company will now consider SAS to be a related party in the Company's financial statements. Previously, SAS was not considered to be a related party.

Additionally, the Company has corrected its accounting policies and changed its method of calculating required reserves related to the self-insurance provisions of its North American workers compensation programs, which will now be based upon periodic actuarial reviews. Previously, this accounting determination was made based solely upon the periodic loss runs provided by the Company's workers compensation insurance carriers.

As required by IAS 8 and in order to ensure the comparability of its financial statements, the Company has restated its opening balances January 1, 2008 and 2008 financial statements for these changes (see annual consolidated financial statements of IFCO SYSTEMS N.V. as of December 31, 2009 for the detailed effects).

Consequently, the Company had to restate the Q2 2009 and H1 2009 financial statements. The restatement relates to RPC recollections and led to an increase of US $1.0 million in our cost of sales from US $146.9 million to US $147.9 million in Q2 2009 (H1 2009, by US $0.6 million from US $285.7 million to US $286.3 million).

Dividend

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.

Business segments

The following tables present revenue, EBITDA and total assets information regarding the Company‘s operating segments for H1 2010 and H1 2009, respectively.

US $ in thousands						H1 2010
	Continuing Operations		Total	Unallocated	Discontinued Operation	Total Operations
	RPC Management Service	Pallet Management Service		Corporate	Pallet Pooling	
Third party revenues	209,548	174,080	383,628	–	–	383,628
EBITDA	58,027	14,894	72,921	(5,016)	–	67,905
Net finance costs				(19,828)		(19,828)
Depreciation expense				(20,015)		(20,015)
Amortization of other assets				(648)		(648)
Stock-based compensation expense				(366)		(366)
Foreign currency loss				(1,568)		(1,568)
Nonrecurring items				(9,200)		(9,200)
Profit from continuing operations before taxes						16,280
Total assets	693,447	188,723	882,170	25,154	1	907,325

US $ in thousands						H1 2009
	Continuing Operations		Total	Unallocated	Discontinued Operation	Total Operations
	RPC Management Service	Pallet Management Service		Corporate	Pallet Pooling	
Third party revenues	178,757	175,976	354,733	–	–	354,733
EBITDA	46,105	12,123	58,228	(4,157)	–	54,071
Net finance costs				(23,647)	–	(23,647)
Depreciation expense				(18,910)	–	(18,910)
Amortization of other assets				(602)	–	(602)
Stock-based compensation income				229	–	229
Foreign currency gain				1,843	–	1,843
Nonrecurring items				(8,293)	–	(8,293)
Profit from continuing operations before taxes						4,691
Total assets	695,949	194,270	890,219	31,326	1	921,546

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 in H1 2010 and H1 2009, respectively:

US $ in thousands	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Entity with significant influence over the Company				
H1 2010	–	47,922	–	24,257
H1 2009	–	21,705	–	12,067

As of June 30, 2010 and June 30, 2009, there were no trade receivables from related parties. As of June 30, 2010 and June 30, 2009, there were trade and other payables from related parties in the amount of US $24.3 million and US $12.1 million.

In Q2 2010, Mr. Schoeller received a Supervisory Board remuneration in the amount of US $0.02 million.

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 quarter-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.

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 Semi-Annual Financial Statements for the period ended June, 30 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 Semi-Annual Board Report (which includes the press release issued on August, 12 2010) gives a true and fair view of the position as per the balance sheet date, and of the development and performance during the first half of the 2010 financial year and expected course of events of IFCO SYSTEMS N.V. and undertakings included in the consolidation taken as a whole. This Semi-Annual Board Report has paid special attention to investments and circumstances upon which the development of revenues and profitability is dependent, as these have been described herein.

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.

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