ANNUAL REPORT **2007**

IFCO

RPC | PALLET | SYSTEMS

Key figures IFCO SYSTEMS

US $ in thousands (except per share data)	US GAAP		IFRS				
	2002	2003	2004	2005	2006	2007	% Change
Revenues	360,990	399,154	471,859	576,274	647,236	692,548	7.0%
Gross profit	50,542	61,793	84,227	116,209	108,966	122,606	12.5%
Gross profit margin	14.0%	15.5%	17.9%	20.2%	16.8%	17.7%	
EBITDA	45,955	55,816	74,897	98,407	96,274	107,090	11.2%
EBITDA margin	12.7%	14.0%	15.9%	17.1%	14.9%	15.5%	
EBIT	16,333	25,915	43,137	70,495	62,289	66,535	6.8%
EBIT margin	4.5%	6.5%	9.1%	12.2%	9.6%	9.6%	
Profit from continuing operations before taxes	20,689	9,609	28,921	46,562	44,437	38,263	(13.9%)
Net (loss) profit	(35,575)	10,821	32,137	40,905	37,287	27,107	(27.3%)
Profit per share from continuing operations - basic*	0.45	0.27	0.65	0.98	0.71	0.52	(27.3%)
Operating cash flows from continuing operations**	26,719	51,141	88,764	95,344	92,560	117,766	27.2%
Capital expenditures from continuing operations, including cash paid for acquisitions	20,691	32,699	66,068	83,947	101,300	77,499	(23.5%)
Return on capital employed (ROCE)***	8.0%	14.4%	20.4%	27.2%	18.4%	17.2%	
Shareholders' equity	110,103	119,828	154,917	201,469	233,858	254,626	8.9%
Total assets	445,526	517,791	610,933	630,481	698,341	806,237	15.5%
Headcount of continuing operations (as of the respective balance sheet dates)	2,979	2,922	3,082	4,074	4,054	4,141	2.1%

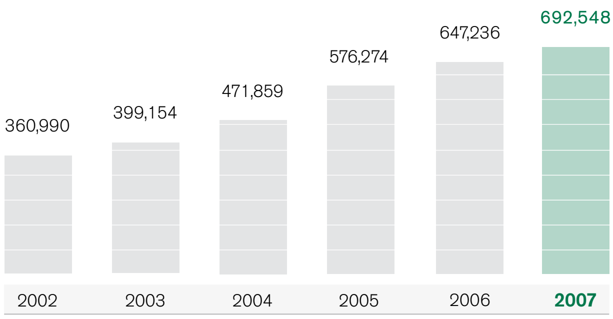
* For comparison purposes, the weighted average outstanding shares for 2002 used in the calculation of earnings per share have been restated in order to reverse the effect of (1) the 1-for-10 share consolidation and (2) the ordinary shares issues in connection with the related restructuring, both completed during 2002.

** 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.

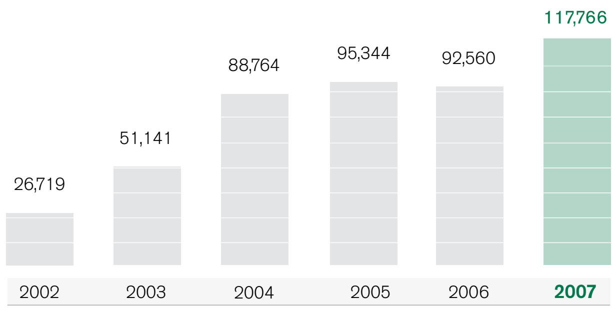
*** See Financial Reporting – Group Financial Highlights for explanation of this item.

IFCO SYSTEMS prepared its consolidated financial information in accordance with generally accepted accounting principles of the United States (US-GAAP) through 2004. Beginning Q1 2005, the Company adopted International Financial Reporting Standards (IFRS) as its group accounting standard and retroactively applied those standards to January 1, 2004. Consequently, the financial information included herein for the years 2002 and 2003 is based on US-GAAP, while the data for the years 2004 to 2007 is in compliance with IFRS.

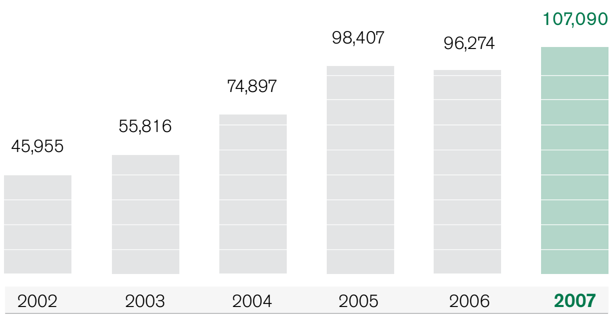
Revenues — US $ in thousands



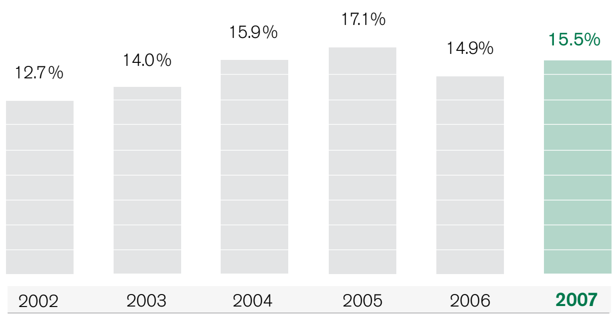
Operating cash flows — US $ in thousands



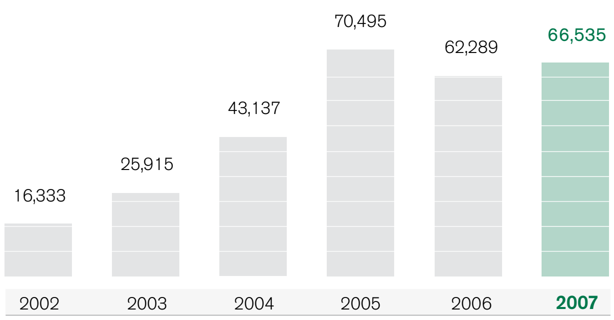
EBITDA — US $ in thousands



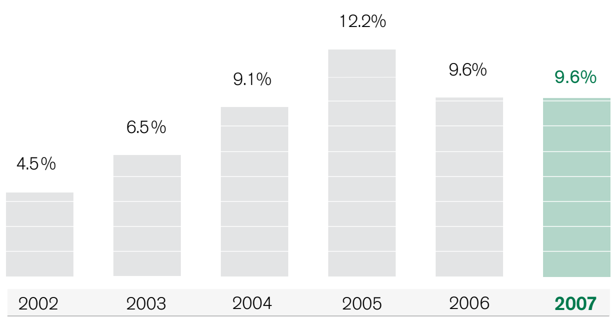
EBITDA margin



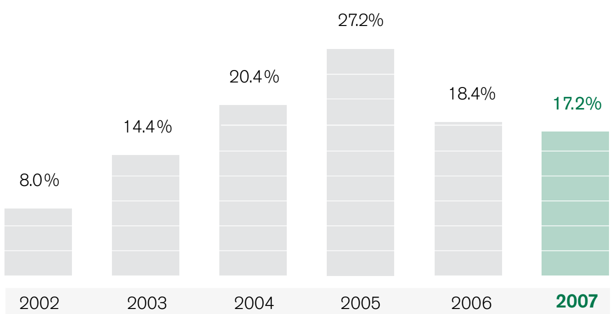
EBIT — US $ in thousands



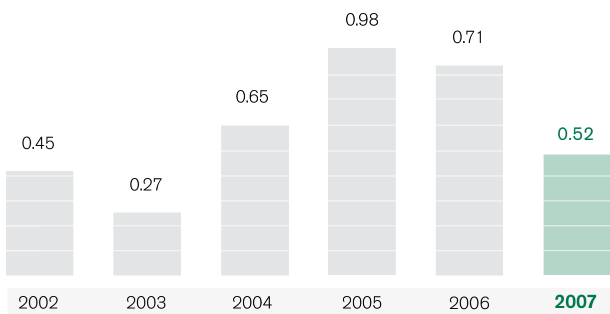
EBIT margin



ROCE



EPS – continuing operations — US $



Letter to shareholders

2007 was a successful year for IFCO SYSTEMS. Following a challenging 2006, we grew our RPC Management Services business and recovered the profitability of our Pallet Management Services business segment.

We continue to be pleased with the development of our RPC Management Services business. In our European RPC Management Services division, each of our geographic regions contributed to our revenue growth. Prospects for further RPC penetration of our existing retailer base and promising new retailer prospects give us confidence in 2008 that we will be able to at least partially cover the volume shortfall resulting from the 2007 termination of one of our largest retailer contracts.

The successful acquisition of the RPC assets of a US competitor in 2006, together with the completed rollout of our new market leading container, led to another year of growth in US RPC revenues during 2007. This growth has strengthened IFCO SYSTEMS' market leadership and positions us as the driving force in the United States RPC market. We are excited about the tremendous RPC market potential and are committed to aggressively growing the penetration of RPCs in the United States grocery retail market.

We have increased our reusable packaging business development initiatives not only in existing markets, products and services, but additionally in new product lines and new global markets. This geographic and product line expansion is intended to position IFCO SYSTEMS as a global provider for all reusable packaging needs, which we believe will enhance IFCO SYSTEMS' leadership and strategic positioning.

Pallet Management Services' productivity and profitability improved during 2007. Although the ICE investigation temporarily slowed our overall business development during H2 2006 and early 2007, we believe that our key competitive advantages – our national sales offerings, national network and breadth of service offerings - which have resulted in our Pallet Management Services segment outpacing the general market development in recent years, have not changed during 2007.

Even though our 2007 overall results were still negatively impacted by the continuing recovery from the 2006 ICE investigation, we grew our consolidated revenues by 7.0% (3.6% currency adjusted) compared to 2006, with EBITDA increasing by 11.2% (4.9% currency adjusted).

2007 investments of US $77.5 million, funded entirely by our operating cash flows, provide an excellent base for business growth in 2008.

We would like to express our special thanks to our employees, whose continuing commitment to IFCO SYSTEMS was the basis for our success again in 2007. 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 SYSTEMS' value.

We are very excited about our opportunities and look forward to another year of growth in 2008.

Karl Pohler

Chief Executive Officer

Management

Karl Pohler
Chief Executive Officer

Michael W. Nimtsch
Chief Financial Officer

Wolfgang Orgeldinger
Chief Operating Officer

David S. Russell
President, IFCO SYSTEMS North America

→ *IFCO SYSTEMS' Executive Management and the Board of Managing Directors are dedicated to promote our worldwide market leadership and to enhance the Company's value. Our management style is target and result oriented and awards scope for entrepreneurial action to every employee.*

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 SYSTEMS. 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.*

TRUST
HONESTY
QUALITY
TRANSPARENCY
CONFIDENCE

RESPECT

Corporate culture

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

IFCO SYSTEMS' 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. Moreover, our open door and open information policy directly involve our people in IFCO SYSTEMS' 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 the local market conditions. To reflect this, we think globally and act locally. 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 equity incentive programs, we are creating an incentive for our staff to take initiative and assume responsibility.

Our constant striving for maintaining and improving our joint performance is an essential part of our corporate culture. Ongoing staff training form the core of our human resources policy: individual training requirements are determined and implemented through regular evaluation and development reviews.

CORPORATE SOCIAL RESPONSIBILITY

IFCO SYSTEMS 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 SYSTEMS social responsibility is therefore a very important component of its corporate identity. Our values, quality, transparency, respect and trust, drive the way we manage the impact on 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 SYSTEMS. 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.

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

Vision

→ *To be the most trusted global provider of Reusable Packaging Management and Pallet Management Services.*

Mission

→ *IFCO SYSTEMS is the worldwide leading logistics services provider of Reusable Packaging Management and Pallet Management Services. Thanks to our economical and environmentally friendly solutions, we are setting worldwide standards in connection with our geographically comprehensive network.*

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.

Argentina/Chile/Uruguay IFCO SYSTEMS Argentinia S.A.
Austria IFCO SYSTEMS Österreich GmbH
Belgium IFCO SYSTEMS Benelux
Brazil IFCO SYSTEMS do Brazil Servico de Embalagem Ltda.
Denmark/Norway IFCO SYSTEMS Skandinavien A/S
France IFCO SYSTEMS France S.A.S
Germany/Austria/Benelux IFCO SYSTEMS GmbH
Greece IFCO SYSTEMS Hellas EPE
Italy IFCO SYSTEMS Italia Sr. l.

Japan IFCO Japan inc
Netherlands (Headquarter) IFCO SYSTEMS N.V.
Norway IFCO SYSTEMS Norway
Poland IFCO SYSTEMS Poland sp. z o.o.
Spain IFCO SYSTEMS España Srl.
Switzerland IFCO SYSTEMS (Schweiz) GmbH
United Kingdom/South Africa IFCO SYSTEMS UK Ltd.
USA IFCO SYSTEMS North America, inc.

Our business

IFCO SYSTEMS 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 on logistics providers. Today, products have to be transported intelligently, efficiently and above all, rapidly. At the same time, the protection of the environment is becoming more and more important. While these requirements place high demands on logistics management and reusable transport containers, this market shift also creates significant growth opportunities for well-positioned logistics service providers.

We have market leading positions in multi-billion US Dollar markets and offer significant future growth potential in our proven global RPC Management Services business and our Pallet Management Services business in North America. Thanks to our broad range of solutions and the continuous improvement of our products and services we are able to meet virtually all customer requirements in an individual, 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 our worldwide RPC businesses, as well as our Pallet Management Services business in North America. In addition, we possess extensive market knowledge and unique pool management expertise, and are proud to employ well qualified managers with in-depth industry experience.

RPC Management Services

IFCO SYSTEMS IS THE LEADING GLOBAL PROVIDER OF REUSABLE PACKAGING MANAGEMENT SERVICES.

In our RPC Management Services business segment, we offer superior reusable packaging and transport solutions across all industries, providing our customers with efficient tailor-made solutions for all their packaging needs. With our worldwide network, superior products and significant pool management expertise, we effectively manage millions of shipments with the highest standards of reliability and security for our customers' products.

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

Being the leading global provider of reusable packaging solutions for fruit and vegetables, IFCO SYSTEMS is broadening its product range to meet its customers growing requirements for new reusable packaging solutions, including reusable packaging solutions for fresh products such as meat and fish, and also solutions for beverages, bulk containers and plastic pallets. Based on this demand, IFCO SYSTEMS is developing innovative products offering an integrated one-stop solution for reusable packaging.

Our logistics and pool management competence in the food industry represents an excellent foundation to provide our services to other industries.

Our service offering supports the growing outsourcing trend in industrial companies and allows 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 SYSTEMS covers all aspects of pool management and supports the full supply chain. We advise our customers on the selection of the optimal reusable packaging product and we ensure that the required reusable packaging products are always provided in time and at the right place.

Line of Goods

Reusable Plastic Containers (RPC) for Fruits & Vegetables

The market for fruits & vegetables is the main area of IFCO SYSTEMS. Since its foundation in 1992, IFCO SYSTEMS has managed the delivery of more than 3 billion containers worldwide and made RPCs the most efficient and ecological packaging method for fruits and vegetables.

In our core markets, Europe and the United States, some 180 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 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 SYSTEMS' container and service systems are well equipped to meet these demands.

IFCO SYSTEMS' core competence is the efficient management of a worldwide rental pool of over 85 million RPCs used to transport fruit and vegetables. Offering a total of 21 different models, our RPCs address the packaging and transportation requirements of various types of fruit and vegetables.

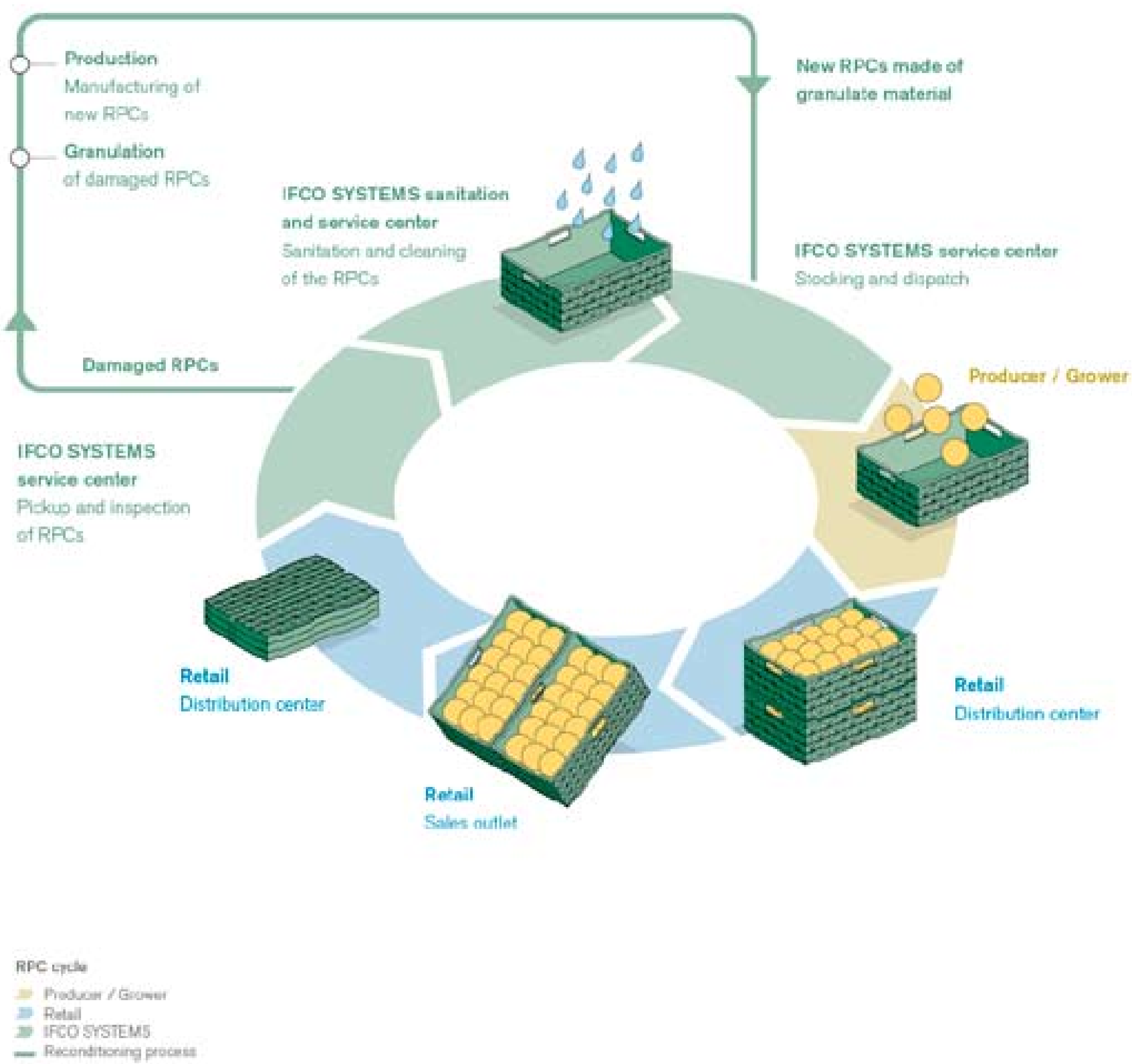
The Cycle

In order to prepare the RPCs for shipment to the producers, IFCO SYSTEMS, in cooperation with retailers, handles the return transport of the empty and folded containers from the retailer's central warehouses to the IFCO SYSTEMS service centers. A quality inspection is then performed and each container is carefully sanitized and cleaned according to stringent food hygiene requirements. The RPCs are now ready for shipment to the producer.

The cycle then continues with the producers of fruits and vegetables, who order the required number of RPCs from IFCO SYSTEMS. Our services consist of 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 SYSTEMS has developed a logistics network in place that encompasses 43 service centers worldwide at strategic locations in our key markets.

The delivery of RPCs from the IFCO SYSTEMS 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 goods, the containers are transported to retailers' central warehouses. The products then enter the retail distribution chain and are shipped from the central warehouses to the respective retail outlets where the goods are sold to consumers.

One complete pass for an 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 covering the entire goods cycle from producers to the individual retailers. Every day, IFCO SYSTEMS coordinates the outbound and inbound movement of approximately 360 third party truckloads of RPCs. IFCO SYSTEMS transported goods with a total weight of more than 5 million tons in its RPC Management Services business segment during 2007.


Production
Manufacturing of new RPCs
Granulation
of damaged RPCs
New RPCs made of granulate material
IFCO SYSTEMS sanitation and service center
Sanitation and cleaning of the RPCs
IFCO SYSTEMS service center
Stocking and dispatch
Damaged RPCs
Producer / Grower
IFCO SYSTEMS service center
Pickup and inspection of RPCs
Retail
Distribution center
Retail
Distribution center
Retail
Sales outlet
RPC cycle
Producer / Grower
Retail
IFCO SYSTEMS
Reconditioning process

IFCO SYSTEMS' 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 our RPCs in terms of their technical characteristics, stability and design. This ensures constant quality enhancement, as well as advancing 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 which has been rolled out in the US market. The design of the new IFCO SYSTEMS RPC generations further improve the perishability and damage rates of produce through their enhanced design and markedly reduces the container damage rate. The lower folded height of the new units 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 clients' 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 our environment. In opting for our products, customers are also making a valuable contribution to environmental protection, while at the same time eliminating disposal costs.

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
- Low capital tie-up, no investment risk
- Significant reduction of damage to goods in storage and transportation

Application advantages
- Standard packaging of Europe's leading retailers
- 21 different RPC types (10 in Europe, 11 in the US), covering the entire range of fruit and vegetables
- Efficient storage (105 to 512 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 cleaning after each use

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
- 21 different RPC types (10 in Europe, 11 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 30 x 40 cm
- Compatible with all current pallets (Europallets, ISO pallets)
- 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
- 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 18% compared with cardboard (Fraunhofer study)

Advantages for the Environment
- Reusable packaging system
- 100% recyclability of RPCs
- No waste disposal at retailer

The recent study, “The sustainability of packaging systems for fruit and vegetable transport in Europe based on life-cycle-analysis”, published in January 2007 by Stiftung Initiative Mehrweg, highlighted various environmental advantages in using RPCs in comparison to cardboard.

New Products

Based on our strategy to broaden our product line, we have developed new reusable packaging products, which are designed to cope with our customers needs and carry all advantages and benefits of our RPCs, proven in the fruit and vegetable business.

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 big and heavy beverage crates.

Previously six-packs, multipacks and single bottles were transported on pallets, and then either sold directly from pallets or repacked onto the retailers´ displays. Neither of these methods is ideal, as they either require significant labor, waste valuable storage space or are not appealing to the consumer.

IFCO SYSTEMS has developed, in close collaboration with Delbrouck, an innovative system for the distribution, merchandising and return of small-sized beverage packaging. 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 SYSTEMS' 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 SYSTEMS beverage trays are provided as a pooling system, industry benefits from no investment risk and just-in-time deliveries.

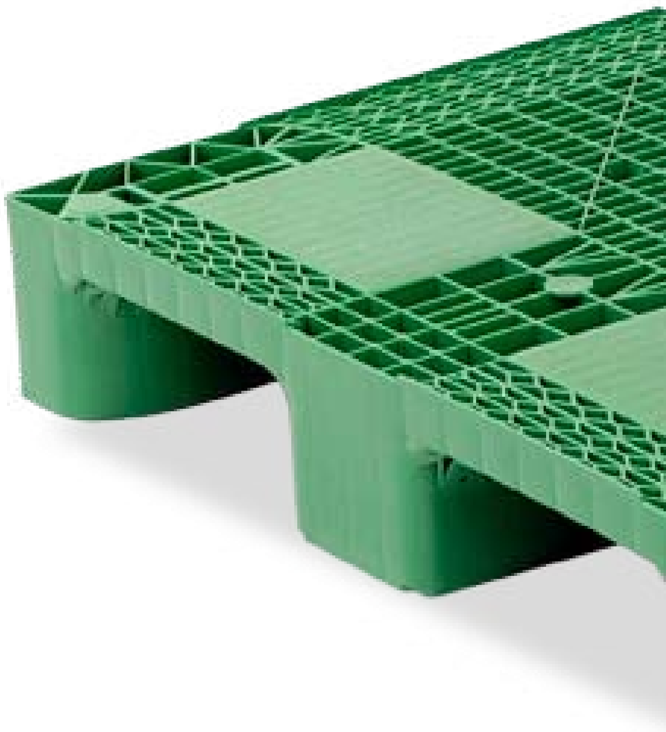

VELTINS
VELTINS

IFCO Magnum-Box

The IFCO SYSTEMS Magnum-Box was designed to ensure safe packaging and transport for large and heavy fruits and vegetables not suitable for regular RPCs due to their size and weight, such as melons, pumpkins, and sacks of onions and potatoes. Despite its larger measurements, the IFCO Magnum-Box works well with our existing IFCO Green Plus crates and offers an efficient, alternative solution to one-way containers.

Advantages of the IFCO Magnum-Box:

- Excellent hygiene
- Optimized perforation/ventilation
- Alternative solution to one-way containers
- Non-sequential folding for easy handling.
- Unique four-way entry pallet designed for all types of handling equipment.
- Easy replacement of all container components.
- Easy to clean due to smooth surfaces
- Very low folded height
- 100% recyclable

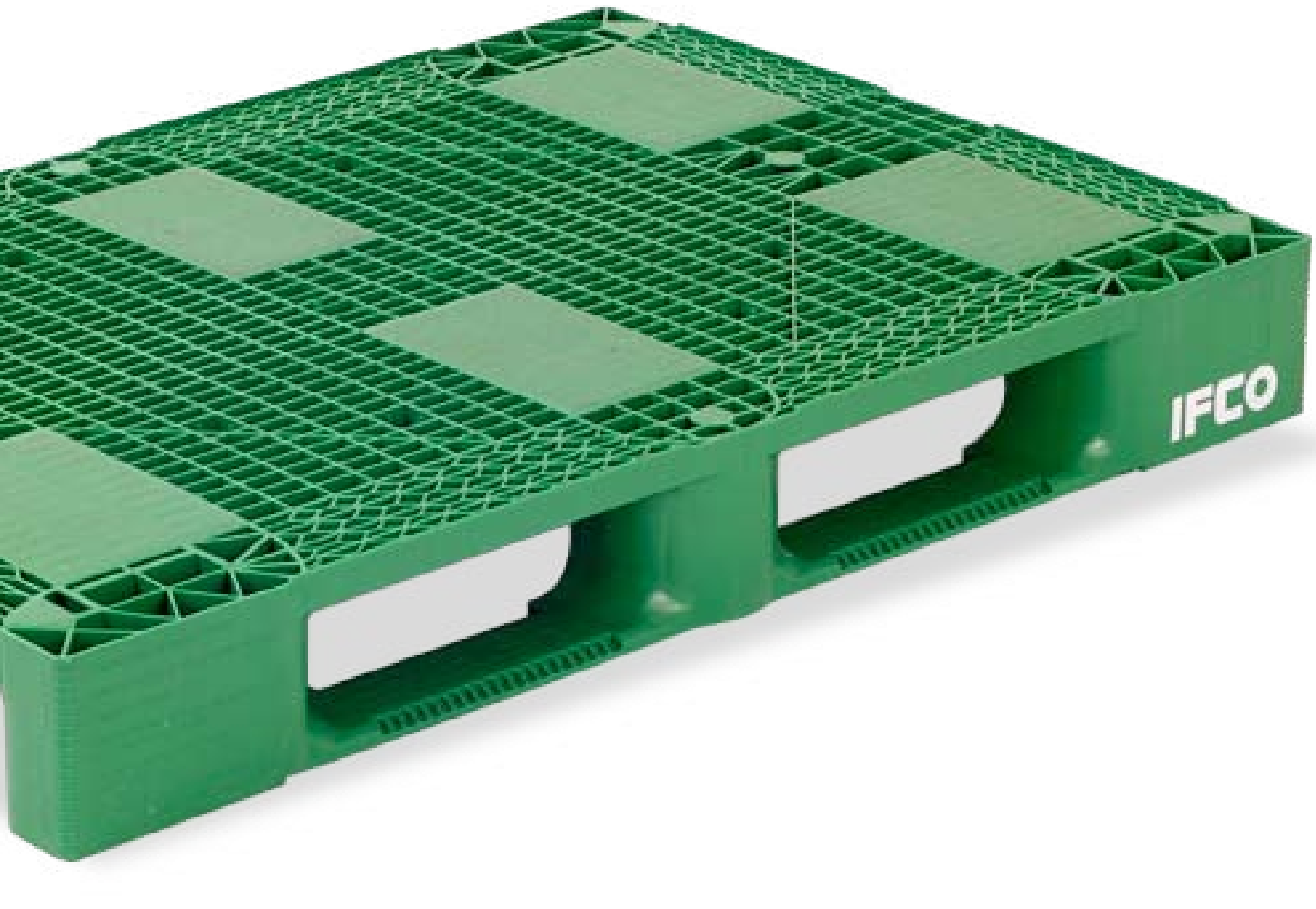


IFCO Plastic Pallet

At the request of our customers, IFCO SYSTEMS has brought the IFCO Plastic Pallet to market. The IFCO Plastic Pallet measures 1200 x 800 millimeter and is manufactured of durable plastic. The green colored and attractively designed pallet meets industry's construction, design, durability and fabrication requirements and is suited for both transportation and display.

The IFCO Plastic Pallet provides additional value through tracking & tracing capabilities via an integrated RFID chip and 2D-Barcode that delivers 100% readability at speeds up to 20 kilometers per hour. Its multiple reuse capabilities make this plastic pallet the most cost-efficient load carrier on the market today.

Durable, hygiene-friendly construction
Produced from high quality plastic using a seamless, single mould injection process, the pallet will not rust or rot and inhibits mould development. The pallet is robustly constructed for heavy loading and has a very long durability.
Safety-conscious design
Impervious to water, fire resistant, offers antislip panels on the load platform and is nail-free
Operational effectiveness
Innovative 3 skid base design offers improved self-storage capabilities, while rounded edges facilitate easy handling by forklift trucks and power jacks
Operational stability
Wide temperature range from -20°C up to +60°C, with washing temperatures of up to 80°C possible
Multiple use
The green colored pallet is equally suited to POS display and transport


IFCO

RPCs for the Automotive Industry – Industry Solutions

Within the automotive industry, IFCO SYSTEMS' pool management services have devised VDA standard containers in the area of small and heavy load carriers. In the automotive supplier industry, we operate an RPC pool for heavy load carriers, which are used in internal transportation and by external suppliers for plant deliveries. We are already active in supply chain areas such as downstream goods distribution logistics and spare parts distribution.

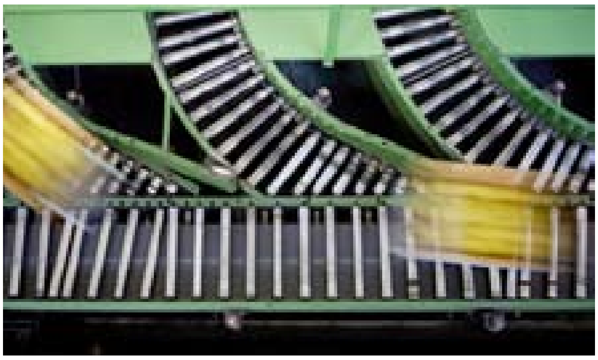
Major growth opportunities

Our RPC rental business is the market leader in Europe with an estimated market share of almost 40% of foldable RPCs. According to our estimates based on available market data, European retailers conduct 4.9 billion fruit and vegetable packaging units annually, with approximately 3.0 billion packaging units addressable with our RPCs. However, we estimate that European pool operators only conducted approximately 800 million annual trips with foldable RPCs. IFCO SYSTEMS global RPC Management Services business segment generated US $330.9 million revenues in 2007. Through increasing the penetration of RPCs with our large existing customer base by bringing new food wholesalers and retailers into the system and broadening our product line, we will continue to develop this market potential. Today in Europe, some 6,000 fruit and vegetable producers, as well as more than 45 retailers such as Rewe and Metro in Germany, COOP and Migros in Switzerland, Système U and ATAC in France, SMA SPA and Eurospin in Italy, Carrefour, Consum and El Arbol in Spain, BAMA and COOP in Norway and Waitrose in Great Britain already place their trust in our logistics services.

The significant growth opportunities for RPCs are even more pronounced in the US market. With an estimated annual volume of 2.6 billion packaging units for fruit and vegetables, it is one of the world's largest individual markets. IFCO SYSTEMS is the dominant market leader in the US, with an estimated market share of approximately 60%. The US RPC poolers continued to pursue market development during 2007. Wal-Mart, the world's largest retailer, as well regional grocers Stater Bros Markets and HEB have adopted the RPC system in their grocery businesses and have selected IFCO SYSTEMS as one of their system providers. Finally, The Kroger Co. commenced a RPC rollout late in 2007 into their Supermarkets after a successful RPC pilot project at one of its divisions. We are excited about the development of the RPC model within new retailers, both regional and national. We are convinced, particularly in light of the strong supply chain focus of the US retail sector, that this market will experience strong RPC penetration in the future.

In order to leverage our geographic spread, we opened offices in Warsaw (Poland) and Sao Paolo (Brazil) and are active to explore the Central Eastern European, South American and Asian market. Our strategy is to expand our network and our service offerings in these emerging markets.

The significant investments we have committed to our RPC pool and to our logistics infrastructure, our new products along with our increased marketing and sales activities, have created a strong foundation for continued growth in 2008.



Tracking & Tracing

With more than 380 million RPC trips during 2007, IFCO SYSTEMS ranks as one of the world's leading providers of RPCs. Consequently, the stringent controlling and monitoring of our pool and the assurance of optimal pool utilization and capacity utilization are of key strategic importance to us. As a result, we place significant emphasis and focus on "asset control" and the ability to track and trace our RPCs. Today, we already have control and monitoring systems in place which are constantly being enhanced and automated by the deployment of new Tracking & Tracing technologies.

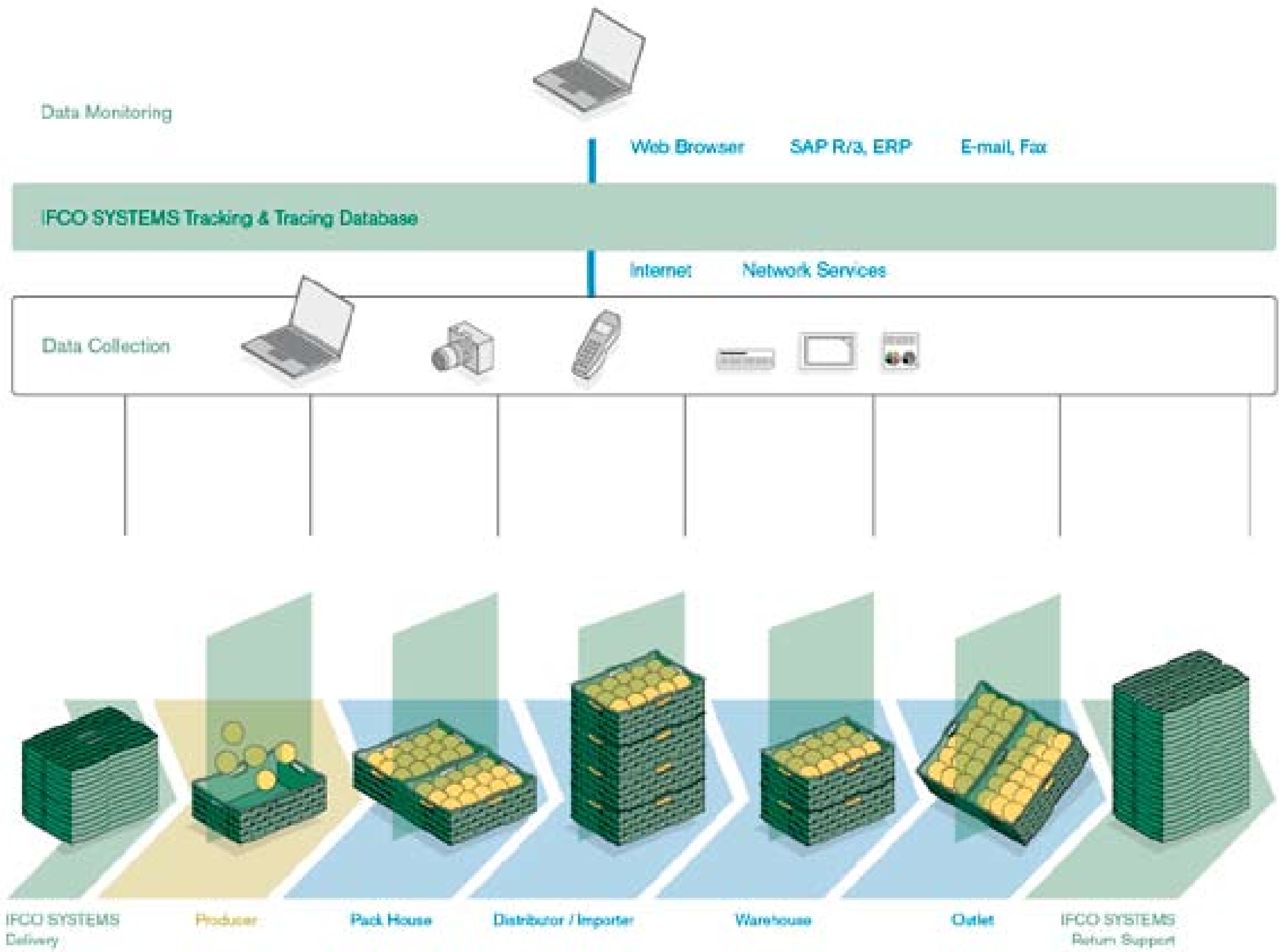
Tracking & Tracing technologies are becoming more important to our customers. Especially in the food sector, the ability to trace goods movements has gained increasing significance due to heightened legislative requirements. Additionally, Tracking & Tracing technologies also play a key role in the automation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

Based on these internal and external requirements, IFCO SYSTEMS developed high performance Tracking & Tracing solutions. The core of this system is based on a Web-based Tracking & 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 are attached to individual transport containers and enable the complete Tracking & Tracing of products within the supply chain. The choice of identification technology depends on individual Company requirements and applications.

Our new developed plastic pallet provides tracking & tracing capabilities via an integrated RFID chip and 2D-Barcode that ensure 100% readability with speeds up to 20 kilometers per hour.

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 SYSTEMS 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.

IFCO SYSTEMS has implemented its Tracking and Tracing System in our US RPC operations. All new IFCO SYSTEMS US containers are tagged with combined color code and barcode labels, allowing each RPC to be tracked individually and our US service centers are now equipped with required RPC reading equipment to support this program. IFCO SYSTEMS is now tracking inbound and outbound movements of our RPCs, improving our asset control capabilities and enhancing the management and utilization of our RPCs. The system may be utilized by our customers on request. We are currently evaluating the implementation of the system for the larger European RPC operation.


Data Monitoring
Web Browser
SAP R/3, ERP
E-mail, Fax
IFCO SYSTEMS Tracking & Tracing Database
Internet
Network Services
Data Collection
IFCO SYSTEMS Delivery
Producer
Pack House
Distributor / Importer
Warehouse
Outlet
IFCO SYSTEMS Return Support

Pallet Management Services


IFCO

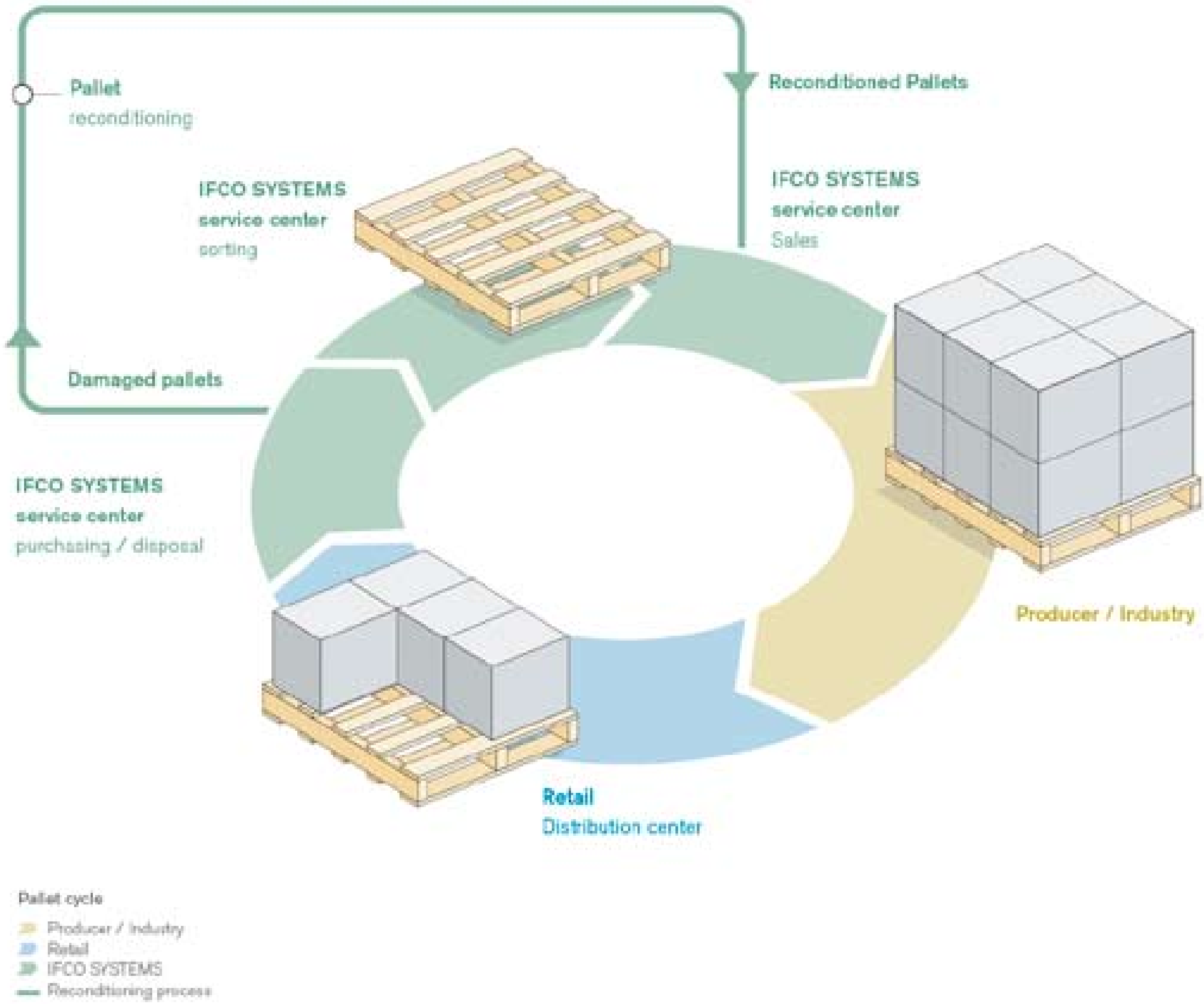
IFCO SYSTEMS is North America's leading pallet management services company, specializing in environmentally sustainable pallet programs throughout the supply chain. IFCO SYSTEMS offers the only true single-source and national solution to pallet needs. IFCO SYSTEMS programs include the procurement, reconditioning and distribution of wood pallets to and from the manufacturing, distribution and retail sectors. Pallets are used in virtually all industries to transport products. We estimate that approximately 2.1 billion wooden pallets are in circulation in the United States every year. In 2007, the US pallet market volume was approximately US $7.7 billion, which should continue to increase with overall industrial development.

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 SYSTEMS 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 approximately US $3.0 billion.

IFCO SYSTEMS' Pallet Management Services business segment generated US $361.6 million revenues in 2007 and remains the market leader for recycled pallets by a wide margin with over 11% national market share. By comparison, IFCO SYSTEMS believes the second largest provider accounts for less than 1% of the national market. The U.S. pallet market is heavily fragmented with over 3,000 predominantly local providers. IFCO SYSTEMS is supported by 144 total locations. These locations include 55 which are our primary pallet recycling centers and 89 other operating and satellite locations – many of which are located at or near our customers' retail distribution centers. IFCO SYSTEMS also has 118 affiliate companies that help complete our geographical coverage. The North American headquarters in Houston, Texas operates as the principal back office for this business segment.

Growth opportunities in the US pallet market are equally as compelling as those in the RPC sector. IFCO SYSTEMS is uniquely positioned with the only nationwide network competing in a highly fragmented market. This gives IFCO SYSTEMS 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 Wal-Mart, Kmart, Home Depot and Target; food producers such as Nestle, PepsiCo, Purina Mills, Del Monte, Tyson Foods and Pilgrims Pride; manufacturers such as General Electric, Black & Decker, Georgia Pacific and Newell Rubbermaid; and technology leader Dell are all utilizing one or several of IFCO SYSTEMS' pallet management services offerings. IFCO SYSTEMS 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.


Pallet
reconditioning
Reconditioned Pallets
IFCO SYSTEMS
service center
sorting
IFCO SYSTEMS
service center
Sales
Damaged pallets
IFCO SYSTEMS
service center
purchasing / disposal
Producer / Industry
Retail
Distribution center
Pallet cycle
Producer / Industry
Retail
IFCO SYSTEMS
Reconditioning process

IFCO SYSTEMS Pallets

As in our RPC 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, completing the most ecologically responsible wood product cycle.

IFCO SYSTEMS offers a broad selection of pallets in different sizes – at a far lower price than new pallets. Our comprehensive evaluation process allows IFCO SYSTEMS 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 SYSTEMS sorted, repaired and reissued more than 100 million pallets in its Pallet Management Services business segment in the USA during the year 2007.

Pallet Management Services Solutions

To support the core business of pallet procurement and distribution, IFCO SYSTEMS' 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 SYSTEMS, customers can concentrate on their core business instead of pallet-related issues.

In more detail, IFCO SYSTEMS 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 SYSTEMS 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 corrugate and shrink-wrap.
- Pallet Retrieval: Pallet retrieval services allow our customers to recover value from used pallets. Pallets can be retrieved from the customer's distribution centers or their stores – whichever best fits their business. Our customers may earn credit towards future IFCO SYSTEMS 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 SYSTEMS will purchase these pallets, providing credit to the customer towards the purchase of IFCO SYSTEMS pallets of the correct specification.

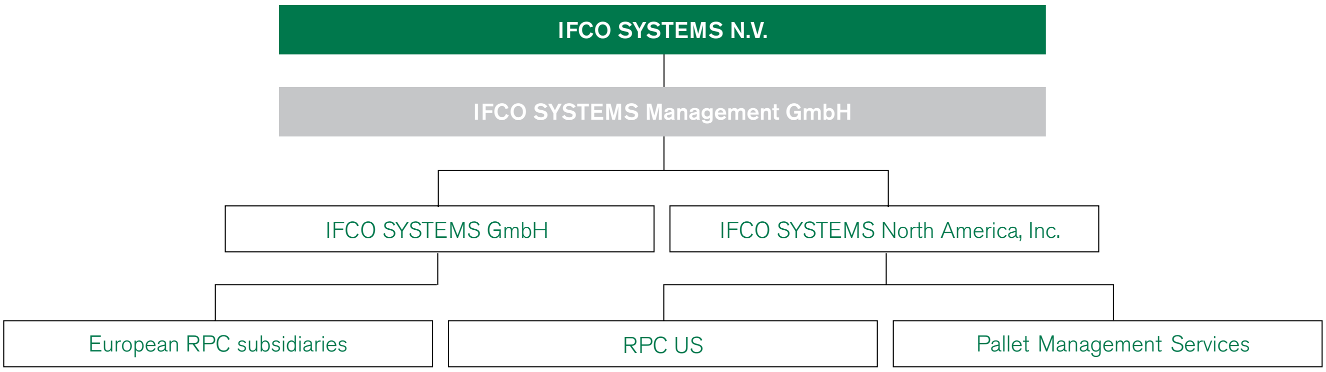
Additionally, our InXchange™ program allows IFCO SYSTEMS' customers to deposit surplus pallets in one location and withdraw ready-to-use pallets in another – anywhere in our nationwide network. Customers can track all of their activity on our Web based PalTrax™ System – 24 hours a day.

As a packaging specialist, IFCO SYSTEMS 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 SYSTEMS customers in North America can rely on having the right number of highest grade pallets available and on time.

Corporate

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, at our principal executive offices located at Strawinskylaan 3051, 1077 ZX Amsterdam, the Netherlands. We also maintain operations headquarters in Pullach, Germany, and in Houston, Texas in the United States.

We are 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 SYSTEMS. 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 (indirect), IFCO SYSTEMS North America, Inc. (direct) and IFCO SYSTEMS Canada Inc. (direct). The business address of IFCO SYSTEMS Management GmbH is Zugspitzstrasse 7, 82049 Pullach, Germany. Its registered seat is Munich.

(2) IFCO SYSTEMS GmbH has operating subsidiaries in Germany and in other countries mainly in Europe. Its percentage ownership in the European subsidiaries ranges from 98.0% to 100.0%. IFCO SYSTEMS GmbH also has a 99.0% interest in a Hong Kong subsidiary, a 95.0% interest in an Argentinean company (the remaining 5.0% are held by IFCO SYSTEMS Holding GmbH) 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 direct and 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 together with the Executive Management Committee have authorized the consolidated financial statements for 2007 and submitted to the Audit Committee for review. Based on the recommendation of the Audit Committee, the Supervisory Board approved the consolidated financial statements 2007. Ernst & Young Accountants have audited the consolidated financial statements.

CORPORATE GOVERNANCE

Sound corporate governance is a high priority to IFCO SYSTEMS. The confidence of our stakeholders is essential if they are to cooperate effectively within and with the Company. 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 Company, we follow the principles and best practice statements of the Dutch Corporate Governance Code, which came into effect on January 1, 2004.

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 Dutch Corporate Governance Code is also reflected in the Company's articles of association.

BOARD STRUCTURE

Articles of association

In order to comply with the Corporate Governance Code as well as with new provisions of the Dutch Civil Code with respect to public limited liability companies, on August 18, 2005, the General Meeting of Shareholders amended the Company's articles of association. The members of the Supervisory Board were elected on August 18, 2005 and came into effect on August 29, 2005.

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 six (6) 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.

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 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	66	Chairman (since September 26, 2006)	German
Michael Phillips	46	Vice Chairman I	Canadian
Christoph Schoeller	50	Vice Chairman II	Swiss
Hervé Defforey	57		French
Ralf Gruss	35		German
Dr. Philipp Gusinde	37	Chairman (up to September 26, 2006)	German

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 IFCO SYSTEMS on September 26, 2006. Mr. Malmström studied law at the universities of Kiel and Freiburg (Germany) and holds a PhD in law. Mr. Malmström works as a lawyer and consultant for Deutsche Bahn AG. 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), Petrotec AG (Chairman of the Supervisory Board), Fraport AG (Advisory Board), HHLA Intermodal GmbH (Supervisory Board), K+S AG (Supervisory Board), VTG AG (Supervisory Board), Lehnkering GmbH (Supervisory Board) and Stinnes Corporation, New York (Chairman of the Supervisory Board). Mr. Malmström was appointed for a period of four (4) years.

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 IFCO SYSTEMS in August 2005. 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 Holding Ltd. in Cologne, one of Germany's largest waste management companies, as the General Manager of an operations subsidiary. Mr. Phillips currently works for and is a director of Apax Partners. He is also a Director of Xerium Technologies Inc, Tommy Hilfiger Sarl, Mueller Brot AG, Elmira Sarl and Anker Brot AG. Mr. Phillips was appointed for a period of four (4) years.

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. 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 Vice-Chairman of the Supervisory Board of Syntek Capital AG. Mr. Schoeller is also Vice-Chairman of the Board of Trailer International GmbH, the holding company for the trailer manufacturing companies Kögel Fahrzeugwerke GmbH and Chereau S.A.S. Mr. Schoeller was appointed for a period of four (4) years.

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. 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). Mr. Gruss is currently employed by and is a director of Apax Partners, focusing on leveraged transactions, financial services and business services companies. Prior to joining Apax Partners, Mr. Gruss worked as project manager for Arthur D. Little International Inc.. He also serves on the Supervisory Boards of LR Health & Beauty Systems GmbH. Mr. Gruss was appointed for a period of four (4) years.

Hervé Defforey became member of the Supervisory Board of the Company in August 2005. 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). Mr. Defforey was appointed for a period of four (4) years.

Dr. Philipp Gusinde was a 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 Chairman of the Supervisory Board of the Company in

August 2005. He resigned as Chairman on September 26, 2006. He studied economics at the University of St. Gallen (Switzerland) and Indiana University (USA), graduating with a first class degree in accounting and controlling, after having successfully completed a trainee program at Deutsche Bank. He wrote his doctoral thesis on IFRS accounting issues working as a research assistant at the University of St. Gallen. Dr. Gusinde joined Apax Partners in 2000 as a member of the Leveraged Transactions team. He is focusing on opportunities in the Business Services sector. Dr. Gusinde was appointed for a period of four (4) years.

Mr. Gusinde and **Mr. Gruss** have been employed by Apax Partners Beteiligungsberatung GmbH ("Apax Partners") since 2000. Mr. Phillips has been employed by Apax Partners since 1999. Previously, between 1992 and 1999, Mr. Philips was employed by Apax Partners & Co Beteiligungsberatung AG. Mr. Phillips and Mr. Gruss (since July 13, 2006) are Managing Directors of Apax Partners. Mr. Phillips is also a partner and member of the executive committee of Apax Partners Worldwide LLP ("Apax Worldwide"), with whom Apax Partners has a sub-investment advisory agreement. Apax Worldwide is investment advisor to Apax Partners Europe Managers Limited ("Apax Europe"). Apax Europe is the discretionary investment manager of the assets of the Apax Europe V Fund, which is the beneficial owner of Cortese N.V.. Neither Mr. Gusinde nor Mr. Gruss nor Mr. Phillips are employed by, or are directors of, Apax Europe, the Apax Europe V Fund or Cortese N.V..

Conflict of interest of members of the Supervisory Board

On January 18, 2008, Mr. Schoeller became a Supervisory Board member of Schoeller Arca Systems N.V., the supplier of RPCs to the Company. Mr. Schoeller does not take part in any discussion and/or decision of the Supervisory Board regarding the relationship of the Company with Schoeller Arca Systems N.V.. In the opinion of the Board of Managing Directors the individual agreements entered into with Schoeller Arca Systems N.V. during 2007 are not of such a material nature that they require approval by the Supervisory Board. In the opinion of the Supervisory Board, only Mr. Schoeller has a conflict of interest (and only as described above), and the Company has complied with BPP III.6 of the Dutch Corporate Governance Code dealing with that subject.

Independence of the members of the Supervisory Board

During August 2005, Schoeller Logistic Systems GmbH sold its shares in the Company to Island LP and used the proceeds from this transaction to acquire an indirect investment in Island LP. As a result of this transaction and other holdings Mr. Schoeller indirectly owns 18.2% in capital stock of the Company. Mr. Schoeller and some of his family members directly hold 0.7% in capital stock of the Company. Mr. Schoeller can therefore not be regarded as independent in application of the criteria listed in BPP III. 2.2. of the Corporate Governance Code.

In the opinion of the Supervisory Board the Company complied with the 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 out of one or more Managing Directors. Presently, the Board of Managing Directors consists of two Managing Directors.

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 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. The Supervisory Board can draw up a rotation schedule for the Managing Directors.

The Board of Managing Directors meets 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 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	54	Managing Director
Douwe Terpstra	49	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 for a period of four (4) years since that date.

Karl Pohler has also the main following functions:
- Chief Executive Officer of the Company since December 2000;
- Managing Director of IFCO SYSTEMS GmbH since September 2000;
- Director of IFCO SYSTEMS North America since January 2002.

Prior to joining IFCO SYSTEMS, 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.

Douwe HJ Terpstra became member of the Board of Managing Directors on August 29, 2005 and was appointed for a period of four (4) years. Mr. Terpstra has a well established experience in international corporate structuring and management. Mr. Terpstra is an employee of Fortis Intertrust since 1993. Fortis Intertrust is a World Leader in Trust & Corporate services for private and corporate clients and is the result of the merger in 2002 of MeesPierson Trust and Intertrust Group. Within Fortis Intertrust, Mr. Terpstra is an Executive Director and member of the Management Team.

EXECUTIVE MANAGEMENT COMMITTEE

The Board of Managing Directors together with the Selection and Appointment Committee has appointed Executive Managers (Executive Management Committee) to execute the management 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 SYSTEMS by an employment agreement, are:

Name	Age	Position
Karl Pohler	54	Chief Executive Officer
Michael W. Nimtsch	50	Chief Financial Officer
Wolfgang Orgeldinger	50	Chief Operating Officer
David S. Russell	48	President, IFCO SYSTEMS North America

Karl Pohler (see above).

Michael W. Nimtsch became Chief Financial Officer of the Company in October 2000. Mr. 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, Mr. 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, Mr. Nimtsch served as a Tax Advisor and Public Chartered Accountant 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 previously served as Chief Information Officer of IFCO SYSTEMS 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 SYSTEMS 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. 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 SYSTEMS, 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.

ACTIVITIES OF THE SUPERVISORY BOARD

The Supervisory Board held six (6) meetings in 2007; all were held together with both the Executive Management Committee and the Board of Managing Directors.

The items discussed included a number of recurring subjects, such as Company's strategy, the financial performance of the Company in 2007, business plan 2008, stock option issues, share buy back program and corporate governance issues. The Supervisory Board put special emphasis on and discussed frequently the ongoing ICE investigation and consulted with Baker & McKenzie, one of the Company's law firms.

On February 19, 2008, the Supervisory Board conducted a meeting with the accountants and discussed the consolidated and separate financial statements. Following that discussion the Supervisory Board approved the consolidated and separate financial statements 2007.

The Supervisory Board is acting in accordance with the Company's Supervisory Board Charter.

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 has established committees whose duties, responsibilities and processes are set out in separate charters (see below).

The Supervisory Board discussed on its own, without the Board of Managing Directors or the Executive Management Committee being present, both their functioning and that of their individual members as well as the competence and the composition of the Supervisory Board.

The Supervisory Board discussed the corporate strategy, the financial performance and the business plan of the Company as well as the risks of the business. The discussion with the Board of Managing Directors and the Executive Management Committee regarding the structure and operation of internal risk management and internal control systems was delegated to the Audit Committee.

SUPERVISORY BOARD COMMITTEES

In order to fulfill the requirements of the Dutch Corporate Governance Code and 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 its charter, the Audit Committee is to be 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 Ralf Gruss (Chairman), Hervé Defforey and Dr. Philipp Gusinde. All of them are financially literate and Mr. Defforey is qualified as the financial expert.

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 six (6) times in 2007. 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.

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 their activities 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 management 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 management 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 management 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 management's response.

  The Committee shall review management's assertion 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 management's 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 management 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 management 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 management and the independent auditors the effect on the Company of regulatory and accounting initiatives, as well as off-balance sheet 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 management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.

Reports

- The Committee shall review with management 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.

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

The Remuneration Committee shall advise the Supervisory Board and counsel and provide guidance to the Supervisory Board in the Supervisory Board's responsibility with respect to remuneration policy for the Company, including remuneration of the Company's Executive Management Committee, and shall participate 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 once in 2007. The Committee discussed as main items the prolongation of the contracts of the Executive Management and appropriateness of Executive Management Committee remuneration.

The responsibilities of the Remuneration Committee shall include the following:

Remuneration Policy

- The Remuneration Committee shall review the objectives, structure, cost and administration of all remuneration policies and programs regarding the Company's remuneration policy and with respect to the Company's Executive Management Committee.

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.

Executive Management

- 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.
- 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

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

The Selection and Appointment Committee met once in 2007.

The Selection and Appointment Committee shall provide 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 Report

The amount and structure of the remuneration which the members of the Board of Managing Directors and the Executive Management receive from the Company for their work is as such that the Company can retain its highly qualified and expert managers. The remuneration of the Company's management 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 management's commitment to the Company and its objectives. The remuneration structure is such that it promotes the interests of the Company in the medium and long term, does not encourage management members to act in their own interests and neglect the interests of the Company and does not 'reward' failing management members upon termination of their employment. The level and structure of remuneration is determined in the light of, among other things, the results, the share price performance and other developments relevant to the Company.

Remuneration of members of the Board of Managing Directors

The Board of Managing Directors received in 2007 a total compensation of Euro 0.6 million or US $0.8 million.

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

It is expected that the remuneration policy will remain unchanged during 2008.

Employment agreement with Mr. Karl Pohler

Karl Pohler is bound by an employment agreement which provides that he will serve as the Company's Chief Executive Officer and a member of the Executive Management Committee. His employment agreement provides for a comprehensive remuneration plan that includes base salary and executive bonus. If his employment is terminated without cause, he is entitled to receive one discounted installment of his remaining base salary for the remainder of the employment term.

Service agreement with Mr. Douwe Terpstra

Mr. Terpstra is compensated in accordance with a service agreement dated September 1, 2005.

Remuneration of the members of the Supervisory Board

The General Meeting of Shareholders approved on August 18, 2005 an amendment to the remuneration of the Directors of the Supervisory Board.

Effective as of the date of such General Meeting of Shareholders, no remuneration shall (and has) be(en) paid to any then appointed member of the Supervisory Board. Each member shall however 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.

On a General Meeting of Shareholders held on December 15, 2005, Mr. Bernd Malmström was appointed as a member of the Supervisory Board. Mr. Malmström is entitled to an annual remuneration of 80,000 Euro. Since his appointment as chairman to the Supervisory Board he is entitled to an annual remuneration of 160,000 Euro or USD 219,328. The remuneration policy for all other members of the Supervisory Board as approved by the General Meeting of Shareholders on August 18, 2005 continues to apply.

For 2007, the Supervisory Board received the following compensation:

Name	Remuneration in USD	Out of pocket expenses in USD
Dr. Bernd Malmström	219,328	7,680
Michael Phillips	–	–
Christoph Schoeller	–	1,450
Hervé Defforey	–	–
Ralf Gruss	–	–
Dr. Philipp Gusinde	–	–
Total	219,328	9,130

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 2008.

APPRECIATION

The Supervisory Board would like to express its thanks to the Board of Managing Directors, the Executive Management Committee and all the employees of the Company for their continued contribution and commitment in 2007.

Amsterdam, February 19, 2008

The Supervisory Board

The IFCO SYSTEMS share

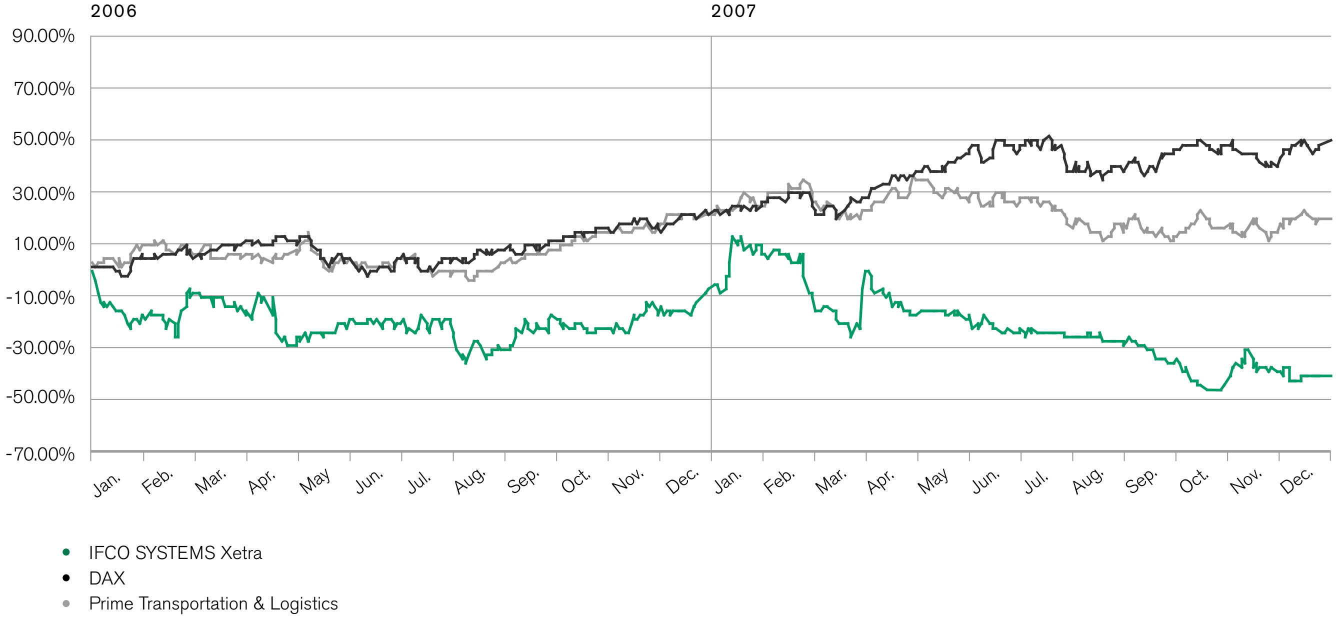
SHARE PRICE DEVELOPMENT

The shares of IFCO SYSTEMS are listed on the Prime Standard Germany as well as the industry subindex "Transportation & Logistics". Our share price (ticker symbol: IFE1) decreased 36.4% during 2007 after a decrease of 8.3% in 2006 and a gain of 104.8% in 2005. On December 28, 2007, the IFCO SYSTEMS share closed at €7.00 at the Xetra Stock Exchange. On February 15, 2008, our shares closed at €7.90 per share.

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

IFCO Share Xetra	High	Low	Close
First Quarter 2006	€12.25	€8.45	€10.15
Second Quarter 2006	€10.70	€7.99	€9.50
Third Quarter 2006	€10.10	€7.38	€9.73
Fourth Quarter 2006	€11.60	€8.75	€11.00
First Quarter 2007	€13.25	€8.70	€11.67
Second Quarter 2007	€11.90	€8.88	€9.20
Third Quarter 2007	€9.19	€7.66	€7.90
Fourth Quarter 2007	€8.52	€6.10	€7.00

During 2007 the German Stock Index (DAX) rose by 22.3% and the "Transportation & Logistics" index decreased by 0.6%.



ORDINARY SHARES

Our ordinary share, which confers the right to cast one vote in the general meeting, has a nominal value of €0.01 per ordinary bearer share. As of December 31, 2007 and December 31, 2006 we had 54,222,214 ordinary bearer shares outstanding (see Consolidated Statements of Shareholders' Equity). We had approximately 54.0 million ordinary bearer shares outstanding on our German share register and approximately 0.2 million registered ordinary shares outstanding on our New York share register. The Securities Identification Number of our shares is 157 670.

SHARE BUYBACK

The Board of Managing Directors resolved on November 14, 2006 to make use of the authorization of the Extraordinary Shareholders' Meeting, held 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. The authorization for the repurchase is given until April, 24 2008. 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 repurchased shares shall be used exclusively to serve the options of the 2000 Stock Option Plan of the Company dated March 7, 2000. As the shares will be transferred to employees of the Company, the free float will not be reduced.

Bayerische Hypo- und Vereinsbank AG, Munich has been authorized to carry out the purchases from the stock market and will 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.

As of February 14, 2008 IFCO SYSTEMS had repurchased 754,628 shares of the Company and records 314,627 shares as treasury shares.

WARRANTS

During 2002, 4,393,095 warrants were issued to certain investors to acquire additional ordinary shares of the Company.

Pursuant to Sec. 6 of the Terms and Conditions of the 4,393,095 warrants, each carrying the right to subscribe to new bearer ordinary shares in IFCO SYSTEMS N.V. (hereinafter referred to as "Warrants"), the Board of Managing Directors as well as the Supervisory Board of IFCO SYSTEMS N.V. determined the exchange ratio for the Warrants on December 20, 2005. The determination was based on the daily weighted average ordinary share prices of IFCO SYSTEMS N.V. during the Valuation Period from September 19, 2005 to December 12, 2005. The exchange ratio determined this way for the Warrants is 1.9231 common shares per Warrant, i.e. each Warrant – considering the rounding rules set forth – entitles to the subscription to 1.9231 ordinary shares of IFCO SYSTEMS N.V.. The exercise period for exchanging the warrants into ordinary shares of IFCO SYSTEMS N.V. started on January 9, 2006 and ended on February 7, 2006.

The warrant exchange resulted in an issuance of 8,121,517 ordinary shares of IFCO SYSTEMS N.V..

SHAREHOLDER STRUCTURE

There were no major changes to the Company's shareholder structure in 2007.

As of February 18, 2008, 88.9% of IFCO SYSTEMS ordinary shares continue to be held by Island International Investment Limited Partnership (Island LP) with Cortese N.V. (a Netherlands Antilles company) as the Managing General Partner of Island LP. Cortese N.V. is beneficially owned by the limited partnerships which collectively make up the Apax Europe V Fund. The ultimate controlling party of these limited partnerships is considered to be Apax Europe V GP Co. Limited, the General Partner of Apax Europe V GP L.P., the General Partner of the limited partnerships. Apax Europe V GP Co. Limited is a company registered in Guernsey.

Executive Management of IFCO SYSTEMS continues indirectly to own 8.4% of the share capital of IFCO SYSTEMS.

Financial reporting

Financial reporting

MANAGEMENT'S DISCUSSION AND ANALYSIS

Basis of presentation

To help the stakeholders of IFCO SYSTEMS N.V. (IFCO SYSTEMS or the Company) 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.

The Management's Discussion and Analysis that follows sets the context for fiscal 2007 with a summary of highlights for the year and in comparison to 2006. We also discuss important operational topics including cash flows, liquidity and capital resources and risk management. The discussion concludes with our outlook for 2008.

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. Our management uses EBITDA and EBIT as key operating measures because they measure 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. 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 "Other financial reconciliations" herein for further details on our calculation of EBITDA and EBIT.

The primary functional currency of the North American operations is the US Dollar 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 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.

Exchange rate volatility has existed from 2006 to 2007 between the Euro and the US Dollar. This exchange rate volatility has affected balance sheet and cash flow, however to a significantly lesser extent the income statement. Accordingly, we have described certain comparative information below as currency adjusted information, whereby 2006 income statement and balance sheet figures have been translated to US Dollars using applicable 2007 currency exchange rates. Unless otherwise noted, no 2006 figures in tabular form are currency adjusted.

Group financial highlights – fiscal 2007 compared to fiscal 2006

Operations data

US $ in thousands, except per share amounts	2007	2006	% Change
Revenues	692,548	647,236	7.0%
Gross profit	122,606	108,966	12.5%
Gross profit margin	17.7%	16.8%	
Selling, general and administrative expenses	64,991	56,054	15.9%
Selling, general and administrative expenses as a percentage of revenues	9.4%	8.7%	
EBITDA	107,090	96,274	11.2%
EBITDA margin	15.5%	14.9%	
EBIT	66,535	62,289	6.8%
EBIT margin	9.6%	9.6%	
Profit from continuing operations before taxes	38,263	44,437	(13.9%)
Net profit	27,107	37,287	(27.3%)
Profit per share from continuing operations – basic	0.52	0.71	(27.3%)
Profit per share from continuing operations – diluted	0.51	0.70	(26.7%)
Net profit per share – basic	0.50	0.70	(28.5%)
Net profit per share – diluted	0.50	0.69	(27.9%)
Operating cash flows from continuing operations (1)	117,766	92,560	27.2%
Capital expenditures from continuing operations	77,499	101,300	(23.5%)
Return on capital employed (ROCE)	17.2%	18.4%	

Balance sheet data

US $ in thousands	December 31, 2007	December 31, 2006	% Change
Cash and cash equivalents	35,511	27,337	29.9%
Property, plant and equipment	392,179	325,359	20.5%
Total debt (2)	199,317	177,499	12.3%
Net debt (3)	163,806	150,162	9.1%
Net debt currency adjusted	163,806	165,490	(1.0%)
Shareholders equity	254,626	233,858	8.9%
Headcount of continuing operations (as of the respective balance sheet dates)	4,141	4,054	2.1%

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

Cash flows

US $ in thousands	2007	2006
Cash and cash equivalents, beginning of period	27,337	60,968
Operating cash flows:		
Cash generated from continuing operations, excluding the cash flow effect of changes in working capital and income tax payments	100,087	86,694
Cash flow effect of changes in working capital	17,679	5,866
Operating cash flows of continuing operations, prior to income tax payments	**117,766**	**92,560**
Income taxes paid	(6,905)	(4,018)
Operating cash flows of continuing operations	**110,861**	**88,542**
Operating cash flows of discontinued operations	(1,756)	(1,422)
	109,105	**87,120**
Investing cash flows:	**(77,436)**	(101,300)
Financing cash flows:	**(25,749)**	(21,905)
Effect of exchange rate changes on cash and cash equivalents	2,254	2,454
Cash and cash equivalents, end of period	**35,511**	27,337

Operations

- Revenues grew by US $45.3 million, or 7.0%, to US $692.5 million in 2007. Revenues in our RPC Management Services business grew by 16.1%, whereas revenues in our Pallet Management Services business segment were overall flat as compared to 2006. However, the year-over-year revenue development of the Pallet Management Services segment has improved in recent quarters as a result of the Company's focus on volume growth after recovering its full production capacity following the ICE investigation in Q2 2006. See Notes – Litigation for further discussion of this event.
- Gross profit increased by US $13.6 million, or 12.5%, to US $122.6 million, following absolute gains in both business segments. RPC Management Services' gross profit margin dropped from 24.8% to 23.2% in 2007. Gross profit margin in RPC Europe was overall flat. RPC Europe generated higher volumes in more profitable countries and realized further positive economies of scale. This positive development however was offset by an accrual in the amount of US $3.3 million for logistic costs related to recollection of crates used by EDEKA until December 2007 (contract terminated following the end of 2007). RPC US gross profit margin dropped primarily due to higher depreciation charges and the one-time capitalization of certain costs incurred in 2006 to clean and transport the CHEP USA RPCs acquired in Q1 2006, partially offset by a more efficient operational cost structure. Eliminating the CHEP accounting effects, RPC Management Services' overall gross profit margin would have declined only by 0.1 percentage points in 2007. Pallet Management Services' gross profit margin improved by 2.0 percentage points to 12.6% in 2007, as this segment continues to recover following the ICE investigation.
- Selling, general and administrative expenses (SG&A) increased by US $8.9 million, or 15.9%, to US $65.0 million. SG&A as a percentage of revenues increased from 8.7% in 2006 to 9.4% in 2007, largely as a result of increased sales and marketing initiatives, lower marketing allowances from SAS and the first time consolidation of IFCO South America (IFCO SYSTEMS Argentina S.A. and subsidiaries), partially offset by decreases in nonrecurring legal costs associated with the ICE investigation and lower bad debt accruals in North America.
- EBITDA increased by US $10.8 million, or 11.2%, to US $107.1 million during 2007, and EBITDA margin grew to 15.5% in 2007 from 14.9% in 2006.
- EBIT increased by US $4.2 million, or 6.8%, to US $66.5 million. The smaller increase in EBIT as compared to EBITDA was primarily the result of the accelerated depreciation of the CHEP USA RPC assets acquired during 2006.
- Net profit decreased by US $10.2 million, or 27.3%, to US $27.1 million in 2007. The reduction is primarily caused by non operating items such as higher 2007 deferred income tax provision and the non-recurring 2006 gain resulting from the RPC pool adjustment following the phase out of the old generation RPC pool (see Segment Information RPC Management Services).
- Excluding the effect of discontinued operations, basic profit per ordinary share decreased by 27.3% to US $0.52 in 2007 from US $0.71 in 2006.

Liquidity and Cash Flows

- Operating cash flows from continuing operations before income tax payments increased by US $25.2 million, or 27.2%, to US $117.8 million in 2007, as a result of higher operating profit levels and improved working capital performance. The improved working capital was the result of increased trade payables and refundable deposit levels, partially offset by higher accounts receivables.
- Our capital expenditures decreased by US $23.8 million, or 23.5%, to US $77.5 million, largely due to the acquisition of the CHEP USA RPC assets in Q1 2006. Excluding both the CHEP USA RPC asset acquisition in Q1 2006 and the Q3 2007 acquisition of the shares in IFCO SYSTEMS Argentina S.A., capital expenditure levels decreased by US $2.2 million, or 2.9% as compared to 2006.
- Cash funds increased by US $8.2 million, or 29.9%, to US $35.5 million at December 31, 2007.
- As a result of the above factors, net debt on a currency adjusted basis decreased by US $1.7 million, or 1.0%, to US $163.8 million at the end of 2007 compared to the end of 2006.
- As of December 31, 2007, IFCO SYSTEMS' shareholders' equity amounted to US $254.6 million, or 31.6% of total assets, as compared to US $233.9 million, or 33.5% of total assets, as of December 31, 2006.

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 decreased to a level of 17.2% in 2007 after 18.4% in 2006. ROCE was positively affected by the improved operational performance in 2007. However, our Capital Employed increased significantly, primarily as the result of the continuing investments in our RPC pool.

Segment information

RPC Management Services

US $ in thousands, except RPC data	2007	2006	% Change
Revenues	330,904	285,113	16.1%
Gross profit	76,880	70,762	8.6%
Gross profit margin	23.2%	24.8%	
EBITDA	88,632	83,791	5.8%
EBITDA margin	26.8%	29.4%	
EBIT	53,656	54,789	(2.1%)
EBIT margin	16.2%	19.2%	
Operating cash flows	108,577	91,946	18.1%
Capital expenditures			
- RPCs	66,515	70,981	(6.3%)
- Other	7,864	28,254	(72.2%)
	74,379	**99,235**	**(25.0%)**
Property, plant and equipment, net			
- RPCs	348,035	288,105	20.8%
- Other	22,969	17,145	34.0%
	371,004	**305,250**	**21.5%**
Total RPC trips (in millions, pro forma for 2006)	383.0	357.2	7.2%
RPC pool size (end of period, in millions, pro forma for 2006)	85.1	79.1	7.6%
Average RPC annualized turns (pro forma for 2006)	4.66	4.93	(5.5%)
# of sanitation and service centers	43	44	(2.3%)
Headcount, end of year	566	505	12.1%
Currency Adjusted:			
Revenues	330,904	306,379	8.0%
Gross profit	76,880	76,243	0.8%
EBITDA	88,632	90,024	(1.5%)
EBIT	53,656	59,202	(9.4%)

Revenues

RPC Management Services' revenues in 2007 grew by US $45.8 million, or 16.1%, to US $330.9 million compared to 2006. Revenues on a pro forma basis including IFCO South America in 2006 increased by US $42.9 million, or 14.9%, to US $330.9 million in 2007. Currency adjusted, revenues grew by US $24.5 million, or 8.0%, to US $330.9 million, pro forma by US $16.5 million, or 5.3%, to US $330.9 million.

- Total trips on a pro forma basis including IFCO South America in 2006 increased by 25.8 million, or 7.2%, to 383.0 million in 2007, as a result of:
  - In Europe, our traditionally strong markets in Germany, Switzerland, Italy, Spain and Great Britain continued to perform in line with expectations.
  - Although somewhat behind our internal expectations, trip development in the United States increased during 2007, resulting in further gains of our US RPC services market leadership position.
- Our worldwide average per trip pricing levels decreased slightly during 2007, as a result of the acquisition of the shares of IFCO South America, where per trip prices are significantly lower as compared to those in Europe and the US, which remained flat year over year.
- On a pro forma basis, the annualized turns of our global RPC pool were 4.66 turns during 2007 compared to 4.93 in 2006. We report the pool size for 2006 and turn rates for 2006 on a pro forma basis including IFCO South America in 2006.

Operational expenses and profitability

- RPC Management Services' gross profit increased by US $6.1 million, or 8.6%, to US $76.9 million in 2007. On a currency adjusted basis RPC Management Services' gross profit increased by US $0.6 million, or 0.8%. Gross profit margin in RPC Europe was overall flat. RPC Europe generated higher trip volumes in more profitable countries and realized further positive economies of scale. This positive development was offset by an accrual in the amount of US $3.3 million for logistic costs related to recollection of crates used by EDEKA until December 2007 (contract terminated following the end of 2007). RPC US gross profit margin dropped primarily due to higher depreciation charges and the one-time capitalization of certain costs incurred in 2006 to clean and transport the CHEP USA RPCs acquired in Q1 2006, partially offset by a more efficient operational cost structure. Eliminating these CHEP accounting effects, RPC Management Services' gross profit would have grown by US $10.4 million, or 15.6%, in 2007.
- This segments' SG&A costs increased on a currency adjusted basis by US $6.7 million or 36.5%, primarily as a result of reduced marketing allowances, the first time consolidation of IFCO South America's SG&A expenses and higher sales and marketing activities in worldwide RPC markets. Currency adjusted SG&A expenses as a percentage of revenues increased to 7.5% in 2007 from 6.0% in 2006.
- As a result of the items discussed above, our RPC Management Services EBITDA increased by US $4.8 million, or 5.8%, to US $88.6 million in 2007. However, on a currency adjusted basis EBITDA declined by US $1.4 million, or 1.5%, primarily due to the significantly increased sales and marketing initiatives described above. Executive Management believes these increased sales initiatives will result in increased revenues in existing and new markets. Eliminating the CHEP accounting effects described above, RPC Management Services' currency adjusted EBITDA would have grown by US $2.9 million, or 3.4%, in 2007.
- Our RPC Management Services EBIT decreased by US $1.1 million, or 2.1%, to US $53.7 million in 2007. Currency adjusted EBIT decreased by US $5.5 million, or 9.4%. The lower EBIT levels were mainly caused by the accelerated depreciation of the CHEP USA RPC assets acquired during 2006. Eliminating the CHEP accounting effects described above, RPC Management Services' currency adjusted EBIT would have declined only by US $1.3 million, or 2.3%, in 2007.

Liquidity and Cash Flows

- Our RPC Management Services segment operating cash flows increased by US $16.6 million, or 18.1%, to US $108.6 million in 2007, as a result of higher operating profit levels and a significantly improved working capital performance.
- Our capital expenditures decreased by US $24.9 million, or 25.0%, to US $74.4 million, due to the cash paid for the acquisition of the CHEP USA RPC assets in Q1 2006. Excluding both the CHEP USA RPC asset acquisition in Q1 2006 and the Q3 2007 acquisition of the shares in IFCO SYSTEMS Argentina S.A., capital expenditure levels decreased by US $3.3 million, or 4.3%, as compared to 2006.
- 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.

RPC pool adjustment 2006

After completing the RPC pool upgrade program and the rollout of the new IFCO Green Plus RPC generation in Europe, the Company asked all European customers and retail partners to return all old RPCs to IFCO prior to May 19, 2006. IFCO SYSTEMS informed these parties that RPCs returned subsequent to May 19, 2006 will not be refunded by deposit.

The results of this initiative resulted in a financial adjustment of the European RPC pool and to the Company's recorded RPC deposit liability for the old RPCs which were not returned. Due to the change of the crate type demand of our customers, we do not offer services for the yellow crate pool anymore. Based on IAS 36 we have impaired the net book value of this pool.

The income statement effects related to the RPC pool adjustments are as follows (in thousands of US dollars):

Reduction of RPC pool	(12,765)
Impairment of yellow pool	(1,477)
Reversal of deposit	25,638
Net gain before taxes of RPC pool adjustment	**11,396**
Income tax provision	(4,776)
Net gain of RPC pool adjustment	**6,620**

The net RPC pool adjustment is classified as a nonrecurring item for purposes of our calculation of EBITDA, is presented outside of operating income in the income statement, and is presented in a separate line in the accompanying cash flow statement.

As a further outcome of the RPC pool adjustment and in order to calculate more accurate pool turn rates, the Company has started reducing the size of its RPC pool by a shrinkage estimate on a periodical basis.

Based on further analysis during Q2 in connection with the RPC pool adjustment the Company is now able to more accurately calculate the average useful life of a purchased RPC, including breakage, pool shrinkage and commercial aspects. The RPC pool adjustment resulted in a historical per trip shrinkage rate which was in line with the Company's previous estimates, the established useful life of a purchased RPC continues to be 8 years.

Pallet Management Services

US $ in thousands	2007	2006	% Change
Revenues	361,644	362,123	(0.1%)
Gross profit	45,726	38,204	19.7%
Gross profit margin	12.6%	10.6%	
EBITDA	23,282	16,976	37.1%
EBITDA margin	6.4%	4.7%	
EBIT	17,703	11,970	47.9%
EBIT margin	4.9%	3.3%	
Operating cash flows	24,757	10,026	146.9%
Capital expenditures	2,105	1,636	28.7%
Property, plant and equipment	19,646	19,203	2.3%
# of service centers	144	137	5.1%
Headcount, end of year	3,567	3,545	0.6%

Revenues

Our Pallet Management Services segment revenues are flat as compared to 2006, with revenues of US $361.6 million in 2007. Excluding our Crating Management Services division, revenues in our Pallet Management Services division increased by 4.8% as a result of the Company's focus on volume growth after recovering its full production capacity following the ICE investigation in Q2 2006.

In the Company's Crating Management Services division, Executive Management closed an unprofitable facility during 2007, which together with lower demand from the division's largest customer resulted in revenues which were 34.3% lower than in 2006. The goal of this facility reduction to deliver higher margins in relative and absolute terms did occur in 2007.

As illustrated in the following table, the year-over-year revenue development of the combined Pallet Management Services segment has improved in recent quarters as a result of the Company's focus on volume growth after recovering its full production capacity following the ICE investigation in Q2 2006.

Period	Relative revenue development over prior year quarter
Q2 2006	12.7%
Q3 2006	1.7%
Q4 2006	(14.5%)
Q1 2007	(14.4%)
Q2 2007	(0.7%)
Q3 2007	8.8%
Q4 2007	9.9%

Our past experience has shown us that the development of the total pallet market is closely linked to the inflation adjusted development of the US gross domestic product (GDP), which has grown at an average rate of approximately 2.5% during the last 2 years. Although the ICE investigation temporarily slowed our overall business development during H2 2006 and early 2007, 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 2007. 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 SYSTEMS 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 7 new service locations during 2007, bringing our total number of customer service locations to 144 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.
- Our average pricing levels have remained largely flat in 2007 as compared to 2006.

Operational expenses and profitability

- Gross profit margin of the Pallet Management Services business segment increased by 2.0 percentage points to 12.6% in 2007. As illustrated in the following table, the sequential operational recovery from the effects of the ICE investigation is largely due to improvements in labor productivity, raw material utilization and transportation efficiencies. Additionally, gross profit in our least profitable service locations, many of which were most severely affected by the ICE investigation, improved considerably in 2007, and our Warehouse and Logistics Management Services offerings were more cost efficient during 2007.

Period	Gross profit margin
Q2 2006	7.6%
Q3 2006	5.8%
Q4 2006	8.4%
Q1 2007	11.7%
Q2 2007	12.0%
Q3 2007	12.5%
Q4 2007	14.4%

Although the gross profit margin of this segment has improved each quarter since Q3 2006, it has not yet fully rebounded to pre-ICE levels.

- Total SG&A expenses increased during 2007 by US $1.3 million, or 3.9%, primarily as a result of implementing a new regional director structure for this segment in Q3 2006 and higher post-ICE human resource and payroll administration expenses, partly offset by lower legal costs associated with the ICE investigation and lower bad debt accruals. Excluding the nonrecurring ICE related legal defense costs, SG&A expenses increased by US $2.4 million, or 9.4%, in 2007 compared to 2006 levels and increased as a percentage of revenue from 7.0% in 2006 to 7.7% in 2007.
- As a result of the items discussed above, our Pallet Management Services EBITDA increased significantly by US $6.3 million, or 37.1%, to US $23.3 million in 2007. The ICE investigation, which commenced on April 19, 2006, resulted in sharply lower operating profits in the Pallet Management Services business segment beginning Q2 2006 as compared to the historically high profitability levels achieved during Q1 2006. Pallet Management Services EBITDA margin levels have since rebounded from mid-2006 levels, as summarized in the table below.

Period	EBITDA Margin
Q2 2006	3.1%
Q3 2006	(0.5%)
Q4 2006	1.8%
Q1 2007	5.0%
Q2 2007	5.7%
Q3 2007	6.9%
Q4 2007	8.1%

- EBIT grew by US $5.7 million, or 47.9%, to US $17.7 million in 2007.

Liquidity and Cash Flows

- Due to its improved profitability, the Pallet Management Services segment operating cash flows before working capital consideration significantly increased by US $7.0 million, or 67.6%, to US $17.5 million in 2007. Cash flows attributable to changes in working capital generated US $7.3 million during 2007 (usage of US $0.4 million in 2006). As a result total operating cash flows of Pallet Management Services increased in 2007 by US $14.7 million over 2006 to US $24.8 million.
- The Pallet Management Services segment has continued to acquire certain operating equipment which had previously been leased, some through a finance leasing program, continued during 2007. We believe these investments provide better long-term economic return relative to operating leases.
- 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	2007	2006	% Change
Selling, general and administrative expenses	4,824	4,470	7.9%
Net finance costs	21,859	19,121	14.3%
Foreign currency gain (loss), net	899	(2)	
Income tax provision	10,229	6,485	57.7%
Loss from discontinued operations	(927)	(665)	39.4%

Selling, general and administrative expenses

Our corporate general and administrative expenses increased by US $0.4 million in 2007, mainly because of a stronger Euro as the majority of these corporate expenses are Euro denominated.

Net finance costs

Our net borrowing costs increased, primarily as the result of the periodic usage of our working capital facility and a stronger Euro on average during 2007 as compared to 2006. The majority of these finance costs are Euro denominated.

Foreign currency gain (loss), net

Our foreign currency gain recorded during 2007 is the result of exchange rate fluctuations between the Euro and other local European currencies, whereas our foreign currency loss recorded in 2006 was principally the result of the periodic non-cash revaluation of a foreign currency hedge agreement we entered into in Q4 2003. This agreement expired at December 31, 2006.

Income taxes

During 2007 and 2006, our recorded consolidated income tax provision differs from the amount which would be calculated by applying statutory rates to our profit before income taxes. This is principally a result of our legal entities in the local tax jurisdictions in which we operate being allowed to recognize certain deductions for tax purposes, principally depreciation of our RPCs at a faster rate, and amortization of goodwill than we recognize these items in our IFRS consolidated financial statements. We believe that these accelerated income tax deductions, together with other items, will result in reporting taxable losses in 2007 in many of our principal tax jurisdictions, and in minimal taxable income in other jurisdictions. Additionally, as of December 31, 2007, our European and United States operations had substantial net operating loss carryforwards.

Approximately US $4.8 million of current income tax provision was accrued during 2006 as a result of the accounting gain resulting from the RPC pool adjustment in Q2 2006. The deferred tax expenses in 2007 are mainly caused by the changes of the German tax law effective January 1, 2008, which resulted in a lower deferred tax asset. See Notes to consolidated financial statements for further description and analysis of income taxes.

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. At this stage, the Company cannot accurately assess the potential merit or consequences of these claims. The Company intends to defend these claims vigorously. However, if these claims have a negative outcome to the Company or to parties to whom the Company owes indemnities, such claims could have a material adverse effect on the Company's business, liquidity, results of operation and financial condition. The uninsured legal costs and other costs which may be required in defending these lawsuits were accrued based on management's best estimate. The Company also accrued the estimated demolition costs of the Chicago drum facility as had been requested by the city of Chicago. During 2007, the facility demolition was completed, the costs were funded, and the city of Chicago dismissed its complaint against the Company.

Summary information by continuing business segment

US $ in thousand	2007	2006	% Change
Revenues:			
RPC Management Services	330,904	285,113	16.1%
Pallet Management Services	361,644	362,123	(0.1%)
	692,548	**647,236**	**7.0%**
Gross profit:			
RPC Management Services	76,880	70,762	8.6%
Pallet Management Services	45,726	38,204	19.7%
	122,606	**108,966**	**12.5%**
EBITDA:			
RPC Management Services	88,632	83,791	5.8%
Pallet Management Services	23,282	16,976	37.1%
Operations subtotal	**111,914**	**100,767**	**11.1%**
Corporate	(4,824)	(4,493)	7.4%
	107,090	**96,274**	**11.2%**
EBIT:			
RPC Management Services	53,656	54,789	(2.1%)
Pallet Management Services	17,703	11,970	47.9%
Operations subtotal	**71,359**	**66,759**	**6.9%**
Corporate	(4,824)	(4,470)	7.9%
	66,535	**62,289**	**6.8%**
Operating cash flows: (1)			
RPC Management Services	108,577	91,946	18.1%
Pallet Management Services	24,757	10,026	146.9%
Operations subtotal	**133,334**	**101,972**	**30.8%**
Corporate	(15,568)	(9,412)	65.4%
	117,766	**92,560**	**27.2%**
Capital expenditures:			
RPC Management Services	74,379	99,235	(25.0%)
Pallet Management Services	2,105	1,636	28.7%
Operations subtotal	**76,484**	**100,871**	**(24.2%)**
Corporate	1,015	429	136.6%
	77,499	**101,300**	**(23.5%)**
	December 31, 2007	December 31, 2006	
Personnel:			
RPC Management Services	566	505	12.1%
Pallet Management Services	3,567	3,545	0.6%
Operations subtotal	**4,133**	**4,050**	**2.0%**
Corporate	8	4	100.0%
	4,141	**4,054**	**2.1%**

(1) Operating cash flows presented above are prior to interest and income tax payments.

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 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 to EBITDA:

US $ in thousands	2007	2006
Net profit	27,107	37,287
Net finance costs	21,859	19,121
Income tax provision	10,229	6,485
Depreciation expense	39,991	33,706
Amortization of other assets	564	279
Stock-based compensation expense	339	667
Foreign currency (gain) loss	(899)	2
Nonrecurring items [(1)]	6,973	(1,938)
Loss from discontinued operations	927	665
EBITDA	**107,090**	**96,274**

Reconciliation of EBITDA to EBIT:

US $ in thousands	2007	2006
EBITDA	107,090	96,274
Depreciation expense	(39,991)	(33,706)
Amortization of other assets	(564)	(279)
EBIT	**66,535**	**62,289**

[(1)] 2006 nonrecurring items consist primarily of the RPC pool adjustment, partially offset by legal costs associated with the ICE investigation. 2007 nonrecurring items consist primarily of the legal costs associated with the ICE investigation and restructuring costs for depots in RPC Europe, partially offset by the gain associated with the closure of the seafood business in RPC Europe and the reversal of a recorded accrual for the litigation issue with Asto Consulting Innovative Marketing S.A..

Liquidity and capital resources

The following table summarizes our commitments under interest-bearing debt agreements as of December 31, 2007, as well as our cash and cash equivalents and net debt as of that date.

US $ in thousands	Payments due within				
	1 year	2-3 years	4-5 years	5+ years	**Total**
Senior Secured Notes, net of deferred financing costs	–	156,893	–	–	156,893
Present value of finance lease obligations	17,456	20,369	1,246	–	39,071
Working capital facility, net of deferred financing costs	3,233		–	–	3,233
Other, net of deferred financing costs	191	(71)	–	–	120
Total					**199,317**
Cash and cash equivalents					35,511
Net debt					**163,806**

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, 2007. There are no minimum purchase obligations under our European RPC supply agreements.

US $ in thousands	Payments due within				
	1 year	2-3 years	4-5 years	5+ years	**Total**
Operating lease commitments	21,260	25,042	11,056	1,960	59,318

See Notes to the consolidated financial statements for further discussion of these items.

Future liquidity prospects

Our sources of liquidity currently include cash from operations, cash and cash equivalents on hand and amounts available under the working capital facility and certain factoring agreements. As of February 15, 2008, our liquidity was US $42.9 million. We believe that these sources 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 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. We assess the installed control systems as adequate and effective. The coordination of these processes and procedures to ensure that our Board of Managing Directors, Executive Management Committee and Supervisory Board are informed about material risks on a timely basis.

In 2007, the Company extended its internal audit function to cover both its European and USA business activities. Additionally, a compliance officer function was installed to oversee the Company's corporate compliance programs.

Below we describe the major categories of risks that could materially affect our business, 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 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 SYSTEMS has the right to use the RPC production moulds and has access to the mould's design drawings.

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.

See Notes to the consolidated financial statements for further discussion of existing environmental matters.

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	
	2007	2006	2007	2006
1 US Dollar relative to 1 Euro	1.4603	1.3197	1.3708	1.2560

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.

During 2003, we entered into a forward exchange contract in order to offset the cash flow variability related to changes in exchange rates on certain intercompany transactions. The forward exchange contract expired at December 31, 2006.

Interest rate risk

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

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.

Acquisitions and dispositions

The Company owned 49.0% of an Argentine RPC systems operation. IFCO SYSTEMS GmbH together with IFCO SYSTEMS Holding GmbH acquired 51.0% of the shares of IFCO SYSTEMS Argentina S.A.. As a result, the indirect subsidiaries of the Company now own 100.0% of the share capital of IFCO SYSTEMS Argentina S.A.. IFCO SYSTEMS Argentina S.A. also owns a majority interest in IFCO SYSTEMS Uruguay and IFCO SYSTEMS Chile. These companies in South America are consolidated in the financial statements for the entire year.

During March 2006, a US subsidiary of IFCO SYSTEMS completed the purchase of certain assets (RPCs and related washing service center equipment) of the RPC Management Services Business of CHEP USA.

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 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, 2007 we have capitalized US $4.8 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 Notes to the consolidated financial statements for discussion of these items.

Outlook

Our RPC Management Services business has developed in a manner which is largely consistent with our plans and expectations. This development is principally the result of us being able to take advantage of strengths and opportunities in our RPC businesses and markets, while managing corresponding risks. Accordingly, in our RPC Management Services business, in Europe we will leverage our leadership position and strong market experience to continue to realize our market development plans. We will increase our sales initiatives to expand our geographic presence. In the United States, we continue to expect an increase in the overall RPC penetration in the market and expect IFCO SYSTEMS to grow in line with or in excess of the RPC penetration development during 2007.

The strong demand for our RPC services and the positive market responses we receive on our new RPC pool give us confidence to continue to invest in our RPC pool during 2008. This growth will continue to result in substantial investment.

Our Pallet Management Services business was significantly affected by the consequences of the ICE investigation in 2006. Although the 2007 recovery of this segment resulted in acceptable profitability levels, we anticipate continuing year-over-year gains in 2008, as the business continues to recover from the effects of the ICE investigation.

We believe that the continued development of our National Sales program and our increasing range of value-added services will sustain our existing leadership position within this segment.

We do not anticipate significant changes in our overall strategies in the near term and expect that the business development which has existed in recent years to remain in place during 2008.

We anticipate that the economies in Western Europe will soften in 2008 as compared to 2007. Although we see significant short-term risk in the United States economy, we expect to outpace overall economic growth in 2008.

We believe that the above trends will result in increased revenues and operating profits during 2008 as compared to 2007.

Financially, we are in a sound position and plan our businesses so that we are able to fund our capital, operational and debt service requirements through our own operational cash flows.

Subsequent events

No subsequent events occurred between December 31, 2007 and the authorization date of our 2007 annual report which the Company believes would have a material effect on the consolidated financial statements or footnotes herein.

Responsibility Statement

To the best of our knowledge, and in accordance with all International Financial Reporting Standards (IFRS) as adopted by the European Union, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the Company's management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

2002 – 2007 Financial summary

US $ in thousands	US GAAP		IFRS			
	2002	2003	2004	2005	2006	2007
Statement of income data:						
Revenue	360,990	399,154	471,859	576,274	647,236	692,548
Cost of sales	310,448	337,361	387,632	460,065	538,270	569,942
Gross profit	50,542	61,793	84,227	116,209	108,966	122,606
Selling, general and administrative expenses	40,662	36,371	39,561	48,938	56,054	64,991
Stock-based compensation expense	–	–	1,857	1,545	667	339
Amortization of goodwill and other intangible assets	1,143	950	246	179	279	564
Other operating expense (income), net	1,023	1,101	550	(681)	(73)	(2,407)
Income from operations	7,714	23,371	42,013	66,228	52,039	59,119
Net gain of RPC pool adjustment	–	–	–	–	11,396	–
Net interest cost	(33,132)	(14,783)	(16,116)	(17,561)	(18,682)	(21,239)
Factoring charges	(447)	(372)	(232)	(320)	(439)	(620)
Gain on debt extinguishment	91,408	1,050	–	–	–	–
Foreign currency (loss) gain	(45,032)	(556)	2,638	(2,488)	(2)	899
Income (loss) from equity entities, net	(9)	914	386	977	265	446
Other income (expense), net	187	(15)	232	(274)	(140)	(342)
Net income from continuing operations before income taxes and cumulative effect of changes in accounting principle	20,689	9,609	28,921	46,562	44,437	38,263
Income tax (provision) benefit	(1,294)	2,157	(37)	(2,006)	(6,485)	(10,229)
Net income from continuing operations before cumulative effect of changes in accounting principle	19,395	11,766	28,884	44,556	37,952	28,034
Net (loss) income from discontinued operations	(15,113)	(945)	3,253	(3,651)	(665)	(927)
Cumulative effect of change in accounting principle	(39,857)	–	–	–	–	–
Net (loss) income	(35,575)	10,821	32,137	40,905	37,287	27,107
Other financial data:						
Capital expenditures from continuing operations, including cash paid for acquisitions	20,691	32,699	66,068	83,947	101,300	77,499
Total debt, including finance lease obligations	124,410	162,092	172,499	153,881	177,499	199,317
Net debt	104,751	105,303	108,134	92,913	150,162	163,806
Total assets	445,526	517,791	610,933	630,481	698,341	806,237
Shareholders' equity	110,103	119,828	154,917	201,469	233,858	254,626

IFCO SYSTEMS prepared its consolidated financial information in accordance with generally accepted accounting principles of the United States (US-GAAP) through 2004. Beginning Q1 2005, the Company adopted International Financial Reporting Standards (IFRS) as its group accounting standard and retroactively applied those standards to January 1, 2004. Consequently, the financial information included herein for the years 2002 and 2003 is based on US-GAAP, while the data for the years 2004 to 2007 is in compliance with IFRS.

AUDITORS' REPORT

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements 2007 which are part of the financial statements of IFCO SYSTEMS N.V., Amsterdam, which comprise the consolidated balance sheet as at December 31, 2007, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility
Management is responsible for the preparation and fair presentation of the 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 Netherlands Civil Code, and for the preparation of the management's discussion and analysis in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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
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, 2007, 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 Netherlands Civil Code.

Report on other legal and regulatory requirements
Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management's discussion and analysis is consistent with the consolidated financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Eindhoven, February 19, 2008

for Ernst & Young Accountants
P.J.A. Gabriëls

IFCO SYSTEMS N.V. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

US $ in thousands	Notes	December 31, 2007	December 31, 2006
Assets			
Non-current assets:			
Goodwill	(5)	159,458	155,699
Intangible assets	(5)	714	591
Property, plant and equipment, net	(4)	392,179	325,359
Investment in an associate	(14)	2,899	3,312
Deferred tax asset	(9)	11,593	10,653
Other assets		406	414
Total non-current assets		**567,249**	**496,028**
Current assets:			
Receivables, net	(5)	166,387	145,635
Inventories	(5)	11,710	13,694
Other current assets	(5)	25,380	15,647
Cash and cash equivalents		35,511	27,337
Total current assets		**238,988**	**202,313**
Total assets		**806,237**	**698,341**
Equity and liabilities			
Equity attributable to equity holders of the parent:			
Ordinary share capital, €0.01 par value, 100,000,000 shares authorized; 54,222,214 issued and outstanding as of 2007 and 2006, respectively		583	583
Treasury shares		(3,205)	(1,798)
Paid in capital		522,545	525,016
Other reserves	(5)	(4,821)	(2,360)
Retained earnings		(260,476)	(287,583)
Total equity	(5)	**254,626**	**233,858**
Non-current liabilities:			
Interest bearing loans and borrowings, net of current maturities	(8)	156,822	140,170
Finance lease obligations, net of current maturities	(8)	21,615	19,256
Deferred tax liability	(9)	11,209	4,455
Total non-current liabilities		**189,646**	**163,881**
Current liabilities:			
Current maturities of interest bearing loans and borrowings	(8)	3,424	3,545
Current maturities of finance lease obligations	(8)	17,456	14,528
Provisions	(5, 11)	11,694	9,946
Refundable deposits	(5)	140,183	117,436
Trade and other payables	(5)	142,170	118,245
Income tax payable		3,401	5,714
Other liabilities	(5)	43,637	31,188
Total current liabilities		**361,965**	**300,602**
Total liabilities		**551,611**	**464,483**
Total equity and liabilities		**806,237**	**698,341**

IFCO SYSTEMS N.V. AND SUBSIDIARIES CONSOLIDATED INCOME STATEMENTS

US $ in thousands, except share and per share amounts	Notes	Year ended December 31, 2007	2006
Revenues:			
RPC Management Services		330,904	285,113
Pallet Management Services		361,644	362,123
Total revenues		**692,548**	**647,236**
Cost of sales:	(6)		
RPC Management Services		254,024	214,351
Pallet Management Services		315,918	323,919
Total cost of sales		**569,942**	**538,270**
Gross profit:			
RPC Management Services		76,880	70,762
Pallet Management Services		45,726	38,204
Total gross profit		**122,606**	**108,966**
Selling expenses	(6)	14,763	11,782
General and administrative expenses	(6)	50,228	44,272
Stock-based compensation expense	(6, 12)	339	667
Amortization of other assets	(6)	564	279
Other operating income, net	(6)	(2,407)	(73)
Profit from operating activities		**59,119**	**52,039**
Net gain of RPC pool adjustment		–	11,396
Interest expense	(6)	(21,429)	(19,332)
Interest income	(6)	190	650
Factoring charges		(620)	(439)
Foreign currency gain (loss), net	(6)	899	(2)
Income from equity entities	(14)	446	265
Other loss, net	(6)	(342)	(140)
Result of finance activities		(20,856)	(18,998)
Profit from continuing operations before taxes		**38,263**	**44,437**
Current income tax provision	(9)	(5,096)	(6,839)
Deferred income tax (provision) benefit	(9)	(5,133)	354
Income tax provision	(9)	(10,229)	(6,485)
Profit before discontinued operations		**28,034**	**37,952**
Loss from discontinued operations	(3)	(927)	(665)
Net profit		**27,107**	**37,287**

IFCO SYSTEMS N.V. AND SUBSIDIARIES CONSOLIDATED INCOME STATEMENTS (CONTINUED)

US $ in thousands, except share and per share amounts	Notes	Year ended December 31, 2007	2006
Profit per share from continuing operations – basic		0.52	0.71
Profit per share from continuing operations – diluted		0.51	0.70
Net profit per share – basic		0.50	0.70
Net profit per share – diluted		0.50	0.69
Shares on which net profit is calculated:	(7)		
Basic[1]		54,061,165	53,198,989
Effect of dilutive stock options		519,755	949,911
Diluted		**54,580,920**	**54,148,900**

[1] Average outstanding shares during the period.

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 January 1, 2006	**45,756,030**	**–**	**482**	**–**	**524,086**	**(324,870)**	**1,771**	**201,469**
Stock-based compensation expense	–	–	–	–	667	–	–	667
Exercise of stock options by issuance of ordinary shares	344,667	–	4	–	921	–	–	925
Buyback of treasury shares	–	135,924[1]	–	(1,798)	–	–	–	(1,798)
Exercise of stock options funded by treasury shares	–	–	–	–	(2,040)	–	–	(2,040)
Currency translation differences	–	–	–	–	–	–	(4,131)	(4,131)
Exercise of warrants	8,121,517	–	97	–	(995)[2]	–	–	(898)
Current and future tax deduction from stock option exercise	–	–	–	–	2,377	–	–	2,377
Net profit	–	–	–	–	–	37,287	–	37,287
Balance at December 31, 2006	**54,222,214**	**135,924**	**583**	**(1,798)**	**525,016**	**(287,583)**	**(2,360)**	**233,858**
Stock-based compensation expense	–	–	–	–	339	–	–	339
Buyback of treasury shares	–	375,689	–	(4,806)	–	–	–	(4,806)
Exercise of stock options funded by treasury shares	–	(241,667)	–	3,399	(2,626)	–	–	773
Currency translation differences	–	–	–	–	–	–	(2,461)	(2,461)
Exercise of warrants	–	–	–	–	(14)	–	–	(14)
Current and future tax deduction from stock option exercise	–	–	–	–	(170)	–	–	(170)
Net profit	–	–	–	–	–	27,107	–	27,107
Balance at December 31, 2007	**54,222,214**	**269,946**	**583**	**(3,205)**	**522,545**	**(260,476)**	**(4,821)**	**254,626**

[1] In 2006 the Company repurchased 334,258 treasury shares in the amount of US $4.4 million. Thereof 198,334 treasury shares were transferred to employees to serve the 2000 stock option plan of the Company.
[2] The expenses associated with the warrant exchange, which were capitalized at the end of the financial year December 31, 2005, were reclassified to equity in 2006.

IFCO SYSTEMS N.V. AND SUBSIDIARIES CONSOLIDATED CASH FLOW STATEMENTS

US $ in thousands	Notes	Year ended December 31, 2007	2006 [1]
Cash flows from continuing operating activities:			
Net profit		27,107	37,287
Adjustments for:			
Depreciation and amortization expense of property, plant and equipment		39,991	33,706
Amortization of other assets	(6)	564	279
Stock-based compensation expense	(6)	339	667
Foreign currency (gain) loss, net	(6)	(899)	2
Current income tax provision	(9)	5,096	6,839
Deferred income tax provision (benefit)	(9)	5,133	(354)
Income from equity entities	(14)	(446)	(265)
Loss on sale of property, plant and equipment		416	143
Interest expense	(6)	21,429	19,332
Interest income	(6)	(190)	(650)
Factoring charges		620	439
Loss from discontinued operations	(3)	927	665
RPC pool adjustment		–	(11,396)
Cash generated from continuing operations, excluding the cash flow effect of changes in working capital		**100,087**	**86,694**
Changes in working capital of continuing operations:			
Receivables		(9,496)	(126)
Inventories		1,986	642
Trade and other payables		12,948	7,067
Refundable deposits		9,608	9,941
Other assets and liabilities		2,633	(11,658)
Cash flow effect of changes in operating assets and liabilities of continuing operations		**17,679**	**5,866**
Cash generated from continuing operations before income tax payments		**117,766**	**92,560**
Income taxes paid		(6,905)	(4,018)
Cash generated from continuing operating activities		**110,861**	**88,542**
Cash used in discontinued operations		(1,756)	(1,422)
Net cash generated from operating activities		**109,105**	**87,120**
Cash flows from investing activities:			
Purchase of RPCs		(66,515)	(70,981)
Purchase of property, plant and equipment		(9,272)	(7,032)
Cash paid for acquired assets		–	(23,287)
Cash paid for shares of IFCO Argentina S.A.	(5)	(1,712)	–
Total capital expenditures		**(77,499)**	**(101,300)**
Proceeds from sale of property, plant and equipment		63	–
Net cash used in investing activities		**(77,436)**	**(101,300)**
Cash flows from financing activities:			
Principal payments of long-term debt		(45)	(187)
Interest paid		(20,671)	(17,733)
Interest received		183	632
Proceeds from exercise of stock options		773	925
Principal payments of finance lease obligations		(17,162)	(13,864)
Proceeds from sale-leaseback transactions		15,600	8,660
Net proceeds from use of working capital facility	(8)	380	3,500
Payments for treasury share buyback		(4,807)	(3,838)
Net cash used in financing activities		**(25,749)**	**(21,905)**
Effect of exchange rate changes on cash and cash equivalents		2,254	2,454
Net increase (decrease) in cash and cash equivalents		8,174	(33,631)
Cash and cash equivalents, beginning of period		27,337	60,968
Cash and cash equivalents, end of period		**35,511**	**27,337**

[1] 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 „other assets and liabilities“ within 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.

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 SYSTEMS or the Company) for the year ended December 31, 2007 were authorized by the Board of Managing Directors and the Executive Management on February 14, 2008.

IFCO SYSTEMS N.V. is a Netherlands holding company for the following operating companies: IFCO SYSTEMS GmbH and its subsidiaries (IFCO SYSTEMS Europe), IFCO SYSTEMS North America, Inc. and its subsidiaries (IFCO SYSTEMS North America). The Company's headquarter is located in Strawinskylaan 3051, 1077 ZX Amsterdam, the Netherlands. Its European operations headquarters are in Munich, Germany, and its North American operations headquarters are in Houston, Texas.

In Europe, North America and South America, IFCO SYSTEMS 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 SYSTEMS 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 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.

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 year except as follows:

The Company has adopted the following new and amended IFRS standards and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Company. They did however give rise to additional disclosures.

- IAS 1 Amendment – Capital Disclosures
- IFRS 7 Financial Instruments: Disclosures
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 10 Interim Financial Reporting and Impairment

The principle effects of these changes are as follows:

- **IAS 1 Amendment - Capital Disclosures**
  This amendment requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital. The new disclosures are shown in Note 8.
- **IFRS 7 Financial Instruments: Disclosures**
  This standard requires disclosures that enable the user of the financial statements to evaluate significance of Company's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included through the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.
- **IFRIC 8 Scope of IFRS 2**
  This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. As equity instruments are only issued in accordance with employee share scheme, the interpretation had no impact on the financial position or performance of the Company.
- **IFRIC 9 Reassessment of Embedded Derivatives**
  IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Company has no embedded derivative requiring separation from the host contract, the interpretation had no impact on the financial position or performance of the Company.
- **IFRIC 10 Interim Financial Reporting and Impairment**
  The Company adopted IFRIC Interpretation 10 as of January 1, 2007, which requires that an entity must not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Company had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the Company.

Future changes in accounting policies

- **IAS 1 – Presentation of Financial Statements - Revised**
  A revised IAS 1 Presentation of Financial Statements was issued in September 2007, and becomes effective for financial years beginning on or after January 1, 2009. The standard has been revised to enhance the usefulness of information presented in the financial statements. The standard will have no effect on the financial position or result. However, there will be additional disclosure requirements.
- **IAS 23 - Borrowing Costs – Revised**
  A revised IAS 23 Borrowing cost was issued in March 2007, and becomes effective for financial years beginning on or after January 1, 2009. The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirement in the Standard, the Company will adopt this prospective change. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after January 1, 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.
- **IAS 27 Consolidated and Separate Financial Statements**
  The revised IAS 27 was issued in January 2008 and becomes effective for financial years beginning on or after July 1, 2009. Within the scope of revision of valuation and accounting regulations for business combinations, IASB and FASB enhanced IAS 27. The modifications primarily concern the accounting of interests without control (minority interests), that will participate in the consolidated losses in full amount in the future, and of transactions, which lead to the loss of control over a subsidiary and whose impact will affect profit or loss in future. Consequences from the sale of interest that do not imply the loss of control are, in contrast, to be recognized in equity. The transitional provisions provide for several exceptions from the basically retrospective adoption of this revision.
  The Company expects that this standard will have no impact on the financial position or performance of the Company as the Company has currently no minority interests.
- **IFRS 3 Business Combinations**
  A revised IFRS 3 Business Combinations was issued in January 2008, and becomes effective for financial years beginning on or after July 1, 2009. The standard has been modified within the scope of convergence of IASB and FASB. Significant changes especially refer to the implementation of an option regarding the valuation of minority interests between the Purchased-Goodwill-Method (only proportional recognition of identifiable net assets) and the Full-Goodwill-Method, whereupon the whole goodwill of the acquired company has to be recorded including those parts relating to minority interests. Furthermore, the revaluation of existing investments through profit or loss at the date of gaining control (step acquisition) as well as the mandatory consideration of a consideration that is linked to the occurrence of future events has to be highlighted. The transitional provisions intend prospective adoption of this revision. No changes occur for assets and liabilities which result from business combinations before first-time application. This standard will effect the Company's future financial statements only.

- **IFRS 8 Operating Segments**
  IFRS 8 was issued in November 2006 and becomes effective for annual periods beginning on or after January 1, 2009. This standard requires disclosure information about the Company's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Company. The standard will have no impact on the segment presentation. However, there will be additional disclosure requirements.
- **IFRIC 11 IFRS 2 Group and Treasury Share Transactions**
  IFRIC Interpretation 11 was issued in November 2006 and becomes effective for annual periods beginning on or after March 1, 2007. This Interpretation requires arrangements whereby an employee is granted rights to an entity's instruments to be accounted for as an equity settled scheme, even if the entity buys the instruments from another party, or shareholders provide the equity instruments needed. The Company expects that this interpretation will have no impact on the Company's financial statements as no such arrangements currently exist.
- **IFRIC 12 Service Concession Arrangements**
  IFRIC Interpretation 12 was issued in November 2006 and becomes effective for annual periods beginning on or after January 1, 2008. This Interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession agreements. No member of the Company is an operator and hence this Interpretation will have no impact on the Company.
- **IFRIC 13 Customer Loyalty Programmes**
  IFRIC Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after July 1, 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Company expects that this interpretation will have no impact on the Company's financial statements as no such schemes currently exist.
- **IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding and their Interaction**
  IFRIC Interpretation 14 was issued in July 2007 and becomes effective for annual periods beginning on or after January 1, 2008. This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under IAS 19 Employee Benefits. The Company expects that this Interpretation will have no impact on the financial position or performance of the Company as no such schemes currently exist.

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

Basis of consolidation

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of subsidiaries are prepared for the same reporting periods as the parent company, using consistent accounting policies. All intercompany balances and transactions have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Company and cease to be consolidated from the date on which control is transferred out of the Company. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which the Company has control.

Accounting principles

Business Combination and Goodwill

Business combinations are accounted for using the purchase method.

Goodwill on acquisitions is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized, but is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

At the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized.

Goodwill has been allocated basically to three cash-generating units:

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

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 approved by Executive Management covering a 5-year period. The discount rate applied to cash flow projections is 10.2% (2006: 9.5%) and cash flows beyond the 5-year period are extrapolated using a 2.0% (2006: 1.8%) growth rate which is based on an average long term GDP (Gross Domestic Product) growth rate for the European countries in which IFCO SYSTEMS is operating.

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 approved by Executive Management covering a 5-year period. The discount rate applied to cash flow projections is 13.0% (2006: 12.1%) and cash flows beyond the 5-year period are extrapolated using a 2.7% (2006: 3.0%) growth rate which is based on an average long term GDP growth rate for the United States.

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 based on financial budgets approved by Executive Management covering a 5-year period. The discount rate applied to cash flow projections is 13.0% (2006: 12.1%) and cash flows beyond the 5-year period are extrapolated using a 2.7% (2006: 3.0%) growth rate which is based on an average long term GDP growth rate for the United States.

	RPC Management Services				Pallet Management Services		Other		Total	
	Europe		United States							
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Carrying amount of goodwill as of December 31	29,974	27,088	9,785	9,785	118,826	118,826	873	–	159,458	155,699

Key assumptions used in value in use calculation for October 1, 2007 and 2006:

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, balance sheet 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 based on trip growth at average turn rates and maintenance to replace broken crates and shrinkage.

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

The company used for risk free interest rates 20 year EUR-Germany-Sovereigns and EUR-Composite-AAA. In order to cover the additional risks IFCO SYSTEMS used appropriate public market equity risk premiums and estimated risk premiums in relationship with the actual rating of the companies shares. The beta factor used also reflected the actual bond rating of IFCO SYSTEMS.

The Company's fourth quarter 2007 and 2006 annual testing indicated that there was no impairment of goodwill.

Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. 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 profit or loss as incurred.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognized after the date of the revaluation. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

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

An item of property, plant and equipment 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 profit or loss in the year the asset is derecognized.

Included in property, plant and equipment is the Company's Reusable Plastic Container (RPC) pools (carrying amount US $348.0 million in 2007 and US $288.1 million in 2006). 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 8 years, however other RPC pools and the acquired CHEP RPC assets over periods ranging from 2 to 8 years.

The Company reviews its RPC pool residual value estimates quarterly, based on the development of the value of granulated RPCs.

As RPCs break or otherwise become unusable, the Company facilitates the conversion of the RPCs into plastic granulate inventory.

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.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is 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 profit or loss 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 profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment 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 profit or loss when the asset is derecognized.

Investment in Equity entities

Entities for which the Company has between 20.0% and 50.0% of voting rights and exercises significant influence are accounted for using the equity method. Entities for which the Company has greater than 50.0% of voting rights or otherwise controlled by the Company are included within Company's consolidated financial statements.

The Company owns 33.3% of a Japanese RPC systems operation (IFCO Japan). The business processes of this operation is generally similar to the Company's other RPC Management Services businesses.

The Company owned 49.0% of an Argentine RPC systems operation. IFCO SYSTEMS GmbH together with IFCO SYSTEMS Holding GmbH acquired 51.0% of the shares of IFCO SYSTEMS Argentina S.A.. As a result, the indirect subsidiaries of the Company now own 100.0% of the share capital of IFCO SYSTEMS Argentina S.A.. IFCO SYSTEMS Argentina S.A. also owns a majority interest in IFCO SYSTEMS Uruguay and IFCO SYSTEMS Chile. These companies in South America are consolidated in the financial statements for the entire year.

The Company uses the equity method to account for its investment in IFCO Japan and accordingly has recorded its proportionate share of the operating results of this business, which is included in income from equity entities in the accompanying consolidated income statements. The Company is not required to fund operations of IFCO Japan beyond its respective cumulative investments.

Accounts receivables

Trade receivables are recorded at amortized costs or the amount the Company expects to collect on gross customer trade receivables. A reserve has been established based on historical experience, in addition to a reserve for specific receivables which may not be fully collectible. Items deemed uncollectible are written off against allowance for doubtful accounts.

Inventories

Inventories are valued at the lower of cost or net realizable value, with cost primarily determined on a weighted average basis. The cost of finished goods inventory includes direct materials, direct labor and overhead.

Investments and other financial assets and liabilities

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, or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction cost.

The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Initial recognition and measurement

Financial assets consist with the exception of derivatives only of 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 loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Financial liabilities are initially recognized at the fair value of the consideration received less directly attributable costs. After initial recognition, they are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in net profit or loss when the liabilities are derecognized as well as through the amortization process.

Derecognition

Financial assets

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 retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) 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 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. 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.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

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 profit or loss.

Impairment of financial assets

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Available-for-sale financial investments

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Derivatives

The Company uses derivative financial instruments such as foreign currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are stated at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. At the inception of the hedge relationship, the Company must designate the derivative instrument as either a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign operation. This designation is based upon the exposure being hedged.

On November 24, 2003, the Company entered into a forward exchange contract in order to offset the cash flow variability related to changes in exchange rates on certain intercompany transactions. When entered into, the forward exchange contract did not qualify for hedge accounting because the related intercompany transactions do not impact earnings. As a result, changes in the fair value of this instrument are recognized as a component of foreign currency loss in the accompanying consolidated statements of operations. The forward exchange contract expired at December 31, 2006.

Treasury shares

The Company's reacquired own ordinary shares (treasury shares) are deducted from equity. No gain or loss is recognized in the consolidated income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Cash and cash equivalents

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The accompanying consolidated statements of cash flows reflect the cash flow activity for the Company's continuing and discontinued operations.

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 balance sheets.

Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception 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 the 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 charged directly against income.

Capitalized leased assets are depreciated over the estimated useful life of the asset.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as the lease income. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

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 determined by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Refundable deposits

The Company receives deposits from certain non United States customers upon RPC delivery that are classified as refundable deposits in the accompanying consolidated balance sheets. These deposits are refunded by the Company when the RPCs are returned.

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 balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

Deferred income tax

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

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

- where the deferred income 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; and
- 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 income 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 income 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; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred income 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 income tax assets is reviewed at each balance sheet 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 income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income 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 balance sheet date.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in profit or loss.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income 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; and
- receivables and payables 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 balance sheet.

Revenue recognition

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 balance sheet 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 lease term of 30 calendar days per RPC.

Revenues resulting from the sale of recycled pallets are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

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 option 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, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). 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 profit or loss charge 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 awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market 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. An additional expense is recognized for any modification, which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

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

Foreign currency transactions and 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 in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. 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 was determined.

The functional currency of the European subsidiaries is the EUR. As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the balance sheet date and, their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the income statement.

	As of December 31,		Average for Fiscal Year	
	2007	2006	**2007**	2006
1 Euro relative to 1 CHF	1.6547	1.6069	1.6425	1.5730
1 Euro relative to 1 GBP	0.7333	0.6715	0.6842	0.6818

Profit per share

Basic net profit per share is based on the weighted average number of ordinary shares outstanding adjusted by the number of shares bought back and diluted net profit per share is based on the weighted average number of ordinary shares outstanding adjusted by the number of shares bought back plus the dilutive common equivalent shares outstanding during the period.

Use of estimates

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant estimates made by management include depreciation lives and impairment for RPCs, the service obligation period of the RPC revenue cycle, the amount of deposit to be refunded, realizability of goodwill and the future years planning horizon for deferred income tax assets. Although the Company reviews all significant estimates affecting its consolidated financial statements on a recurring basis and records the estimated effect of any necessary adjustments prior to their publication, actual results inevitably will differ from these estimates, and such differences may be material to the consolidated financial statements.

3. Discontinued operations

In February 2002, the Company completed the sale of a majority of the assets of the industrial container services operations to Industrial Container Services, LLC (the Buyer).

During 2006 and 2007, the Company accrued net provisions in the amount of US $0.2 million and US $0.9 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. As of December 31, 2007, the Company has a remaining discontinued operations liability of approximately US $0.3 million, primarily relating to anticipated legal defense costs of these claims (see Notes – Litigation), which is included in provisions in the accompanying consolidated balance sheet.

4. Property, plant and equipment

Property, plant and equipment consists of the following:

US $ in thousands	Estimated Useful Lives in Years	As of December 31, 2007	2006
Land		832	832
Buildings and improvements	15-40	8,335	7,351
RPCs	2-8	503,354	400,273
Machinery and equipment	4-10	55,643	49,344
Furniture and fixtures	4-10	7,713	6,989
Tractors and trailers	5-6	23,424	18,314
		599,301	**483,103**
Less: Accumulated depreciation, amortization and impairment		(207,122)	(157,744)
		392,179	**325,359**

The movement in the Company's property, plant and equipment during 2007 is as follows:

US $ in thousands	Land	Buildings	RPCs	Machinery and Equipment	Furniture and Fixtures	Tractors and Trailers	Total
Net book value, January 1, 2007	**832**	**2,632**	**288,105**	**21,198**	**1,658**	**10,934**	**325,359**
Currency translation gain	–	10	24,763	1,187	67	–	26,027
Additions	–	817	64,448	9,095	651	4,457	79,468
Additions business combination IFCO Argentina S.A.	–	18	2,224	379	467	–	3,088
Retirements	–	(91)	(37)	(195)	(98)	(38)	(459)
Transfer	–	262	–	(1,011)	–	749	–
Depreciation and shrinkage	–	(895)	(31,468)	(4,055)	(1,101)	(3,785)	(41,304)
Net book value, December 31, 2007	**832**	**2,753**	**348,035**	**26,598**	**1,644**	**12,317**	**392,179**
Historical cost	832	8,335	503,354	55,643	7,713	23,424	599,301
Accumulated depreciation and amortization	–	(5,582)	(155,319)	(29,045)	(6,069)	(11,107)	(207,122)
Net book value, December 31, 2007	**832**	**2,753**	**348,035**	**26,598**	**1,644**	**12,317**	**392,179**

The movement in the Company's property, plant and equipment during 2006 is as follows:

US $ in thousands	Land	Buildings	RPCs	Machinery and Equipment	Furniture and Fixtures	Tractors and Trailers	Total
Net book value, January 1, 2006	832	3,468	214,442	16,713	1,186	7,060	243,701
Currency translation gain	–	33	20,933	1,123	91	–	22,180
Additions	–	191	55,366	7,897	971	6,246	70,671
CHEP purchase	–	–	23,287	–	–	–	23,287
Retirements	–	(79)	–	(66)	–	(20)	(165)
Transfer	–	(71)	–	(558)	(8)	(55)	(692)
Depreciation and shrinkage	–	(910)	(25,923)	(3,911)	(582)	(2,297)	(33,623)
Net book value, December 31, 2006	832	2,632	288,105	21,198	1,658	10,934	325,359
Historical cost	832	7,351	400,273	49,344	6,989	18,314	483,103
Accumulated depreciation, amortization and impairment	–	(4,719)	(112,168)	(28,146)	(5,331)	(7,380)	(157,744)
Net book value, December 31, 2006	832	2,632	288,105	21,198	1,658	10,934	325,359

In addition to the movements shown within the 2006 table there has been a reduction of historical cost and accumulated depreciation for crates of the old generation in North America in a volume of US $15.2 million that have been disposed through the end of 2006. Those two reductions had no impact to the net book value of the Company's RPCs.

Due to the change of the crate type demand of the Company's customers, IFCO SYSTEMS does not offer services for the yellow pool anymore. Based on IAS 36 the Company has impaired the net book value of this pool. An amount of US $1.5 million is included in depreciation of RPCs in 2006 as a result of this impairment reducing the book value to the fair value less cost to sell, which is based on market value for granulate.

Of the RPCs above, cost of US $47.7 million and US $39.9 million and accumulated amortization of US $7.7 million and US $7.2 million are held under finance leases as of December 31, 2007 and 2006, respectively.

Of the tractors and trailers above, cost of US $16.5 million and US $12.3 million and accumulated amortization of US $5.4 million and US $2.6 million are held under finance leases as of December 31, 2007 and 2006, respectively.

5. Detail of certain balance sheet accounts

Goodwill

The changes in the carrying amount of goodwill are as follows for 2007 and 2006:

US $ in thousands	2007	2006
Beginning balance	155,699	152,920
Increase due to foreign exchange translation	2,968	2,779
Additions	791	–
Ending balance	159,458	155,699

The Company owned 49.0% of an Argentine RPC systems operation. IFCO SYSTEMS GmbH together with IFCO SYSTEMS Holding GmbH acquired 51.0% of the shares of IFCO SYSTEMS Argentina S.A.. As a result, the indirect subsidiaries of the Company now own 100.0% of the share capital of IFCO SYSTEMS Argentina S.A.. The fair value of the identifiable assets and liabilities of IFCO SYSTEMS Argentina S.A. as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

US $ in thousands	Previous carrying amount	Fair Value recognized on acquisition
Intangible assets	–	302
Property, plant and equipment		
Land and buildings	18	18
RPCs	1,434	2,224
Other non-current assets	847	847
Total non-current assets	**2,299**	**3,391**
Receivables, net	829	829
Cash	556	556
Total current assets	**1,385**	**1,385**
Total assets	**3,684**	**4,776**
Deferred tax liability	–	326
Total non-current assets	–	**326**
Current maturities of borrowings	165	165
Provisions	226	226
Trade and other payables	295	295
Other liabilities	820	820
Total current liabilities	**1,506**	**1,506**
Total liabilities	**1,506**	**1,832**
Net assets	**2,178**	**2,944**
Less step up carrying amount to fair value (net of taxes attributable to acquire)		(766)
Net assets carrying amount		**2,178**
Net assets acquired (51%)		1,111
Step up carrying amount to fair value		766
Goodwill		791
Total consideration		**2,668**
Net cash acquired with the subsidiary		556
Cash paid		(2,268)
Net cash outflow		**(1,712)**

After the change of control effective January 1, 2007, IFCO Argentina S.A. is consolidated in the financial statements for the entire year. The profit of IFCO Argentina S.A. was US $0.3 million and revenue was US $3.8 million for 2007.

The goodwill of US $0.8 million comprises the fair value of expected synergies arising from the acquisition.

The gross purchase price was US $2.7 million, which was reduced by a conveyance of property to the seller in the amount of US $0.4 million.

Intangible assets

US $ in thousands	
Net book value, January 1, 2007	**591**
Currency translation loss	(48)
Additions	322
Depreciation	(151)
Net book value, December 31, 2007	**714**
Historical cost	7,415
Accumulated amortization and impairment	(6,701)
Net book value, December 31, 2007	**714**

In 2007 the Company acquired a customer base related to the acquisition of IFCO Argentina S.A. in the amount of US $0.3 million, which will be amortized over two years. The remaining net book value as of December 31, 2007 of this customer base is US $0.1 million.

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

Receivables

The major components of receivables are as follows:

US $ in thousands	As of December 31,	
	2007	**2006**
Trade receivables	171,120	150,570
Less: Allowance for doubtful accounts	(4,733)	(4,935)
	166,387	**145,635**

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, 2007	2006
Beginning balance	4,935	6,089
Write-offs	(1,589)	(2,543)
Additional provisions	953	897
Increase due to foreign exchange translation	434	492
Ending balance	4,733	4,935

As of December 31, 2007 and December 31, 2006 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	60-90days	> 90 days
2007	166,387	103,891	46,774	10,682	2,972	2,068
2006	145,635	93,410	40,866	6,815	1,893	2,651

Inventories

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

US $ in thousands	As of December 31, 2007	2006
Raw materials (at cost)	3,857	5,912
Finished goods (at cost)	7,853	7,782
Total inventories	11,710	13,694

Other current assets

The major component of other current assets is European value-added tax receivables, which have a balance of US $18.8 million (2006: US $10.5 million). Due to the short maturity of these assets, their book value approximates their fair value.

Provisions

US $ in thousands	Employee bonus	Legal contingencies	Selfinsurance reserves	Discontinued operations	Reconstruction	Professional fees	Total
Beginning balance	1,858	390	4,062	1,440	259	1,937	9,946
Arising during the year	3,169	–	10,167	927	–	6,863	21,126
Utilized	(2,188)	–	(8,816)	(1,589)	(206)	(6,102)	(18,901)
Unused amounts reversed	(119)	(405)	–	–	(62)	–	(586)
Exchange adjustments	85	15	–	–	9	–	109
Ending balance	2,805	–	5,413	778	–	2,698	11,694

The employee bonus for 2007 will be paid during March and April 2008.

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

A provision of US $0.4 million was recognized for legal contingencies in 2006 and was reversed in 2007.

A provision of US $0.3 million was recognized for reconstruction of a closed washing depot in Europe in 2006. According to a final agreement US $0.2 million of this provision was used and the remaining US $0.1 million was reversed.

Refundable deposit

The Company accrues Euro 1.50 for each European RPC in circulation. The carrying amount of the refundable deposit is US $140.2 million as of December 31, 2007 (US $117.4 million as of December 31, 2006) and is based on the assumption that all RPCs in circulation will be recollected.

Trade and other payables

Trade and other payables are US $142.2 million at December 31, 2007 (2006: US $118.2 million). Trade payables are non-interest bearing and are normally settled on 60 day terms.

Other current liabilities

The major components of other current liabilities are as follows:

US $ in thousands	As of December 31, 2007	2006
Logistic remuneration	11,327	7,403
Interest payable	8,338	7,537
Other	23,972	16,248
	43,637	31,188

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

Interest payable is normally funded semi-annually. Other payables are non-interest bearing and have an average term of six months.

Exchange warrant reserve

Article 20.3 of the Company's articles of association state, that from the profits the Board of Managing Directors shall first allocate an amount of fifty thousand euro (EUR 50,000), with respect to the payment of the issue price on the shares (EUR 0.01 per share) to be issued upon exercise of the Exchange Warrants, to a reserve, which reserve will be used solely for the payment of the issue price on the shares to be issued upon exercise of the Exchange Warrants to the holders of the Exchange Warrants (the "Exchange Warrant Reserve").

According to this regulation, EUR 50,000 were included in the Company's retained earnings as of December 31, 2005.

On December 20, 2005, it was resolved that the warrant exchange resulted in the issuance of up to 8,448,360 ordinary shares of IFCO SYSTEMS N.V.. Therefore, in the extraordinary general meeting of shareholders on January 9, 2006 the shareholders of IFCO SYSTEMS N.V. unanimously adopted the increase of the Exchange Warrant Reserve (Par Value Subscription Reserve) from EUR 50,000.– to EUR 90,000.– according to Article 20.3 of the Articles of Association of IFCO SYSTEMS N.V. by reallocation of an amount of EUR 40,000.– from the Company's free distributable share premium reserve (retained earnings) to the Exchange Warrant Reserve.

The expenses associated with the warrant exchange were capitalized in the amount of US $0.7 million in 2005. In 2006 these capitalized expenses were reclassified to equity. The total reduction of equity in 2006 resulting from the warrant exchange is US $0.9 million, as shown in the accompanying statements of changes in equity.

Other reserves

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

Paid in Capital

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

6. Detail of certain income statement accounts

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

US $ in thousands	Year ended December 31, 2007	2006
Included in cost of sales:		
Depreciation	38,642	32,839
Employee benefits expense	107,913	108,959
Costs of inventories recognized as an expense	154,631	160,855
Included in selling expenses:		
Employee benefits expense	9,620	8,068
Included in general and administrative expenses:		
Depreciation	1,349	867
Employee benefits expense	21,055	18,166

Stock based compensation expenses as outlined in the income statement mainly relate to general and administrative expenses.

Amortization of other assets as outlined in the income statement mainly relate to general and administrative expenses.

The major components of interest expense (on a historical cost basis) are as follows:

US $ in thousands	Year ended December 31,	
	2007	2006
Senior Secured Notes	15,677	14,364
Finance leases	2,111	2,110
Amortization of capitalized debt issuance costs	1,787	1,591
Working capital facility	945	517
Fees for bank guarantees	385	435
Interest on tax payments	160	213
Interest on sales tax settlement	–	75
Other interest	364	27
	21,429	19,332

The major components of interest income (on a historical cost basis) are as follows:

US $ in thousands	Year ended December 31,	
	2007	2006
Interest on bank accounts	134	48
Income on sale of securities	31	147
Interest on tax payments	5	393
Other interest	20	62
	190	650

The following table shows certain income statements amounts before netting:

US $ in thousands	Year ended December 31,	
	2007	2006
Other operating income	(2,580)	(790)
Other operating expense	173	717
Other operating income, net	(2,407)	(73)
Foreign currency gain	2,579	3,357
Foreign currency loss	(1,680)	(3,359)
Foreign currency gain (loss), net	899	(2)
Other income	35	364
Other loss	(377)	(504)
Other loss, net	(342)	(140)

7. Earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share computations:

US $ in thousands	As of December 31,	
	2007	2006
Net profit attributable to ordinary equity holders of the parent from continuing operations	28,033	37,952
Loss attributable to ordinary equity holders of the parent from discontinued operations	(927)	(665)
Net profit attributable to ordinary equity holders of the parent	27,106	37,287

	As of December 31, 2007	2006
Weighted average number of ordinary shares for basic earnings per share	54,061,165	53,198,989
Effect of dilution:		
Stock options	519,755	949,911
Weighted average number of ordinary shares adjusted for the effect of dilution	**54,580,920**	54,148,900

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.

8. Debt

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. The Senior Secured Notes mature on October 15, 2010, and are senior secured obligations of IFCO SYSTEMS ranking equally with other existing or future senior secured indebtedness in right of payment. Interest at the rate of 10 3/8% per year from the date of issuance is payable semi annually in arrears on each June 30 and December 31. No principal payments are due under the Senior Secured Notes until maturity on October 15, 2010. The Senior Secured Notes are secured by a first priority lien on substantially all of the Company's assets, except the assets of IFCO SYSTEMS GmbH and its subsidiaries. The Senior Secured Notes are guaranteed by most of the Company's subsidiaries. All of the subsidiary guarantees of the Senior Secured Notes (other than that of IFCO SYSTEMS GmbH, the guarantee of which is unsecured) are secured by substantially all of the assets of such subsidiary guarantors, including pledges of the stock of most of the Company's subsidiaries. The carrying amount of assets pledged is US $167.3 million.

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 105.2% on October 15, 2007 and will decline to 102.6% on October 15, 2008 and to 100.0% on October 15, 2009 and thereafter until maturity.

The indenture governing the Senior Secured Notes allows the Company to issue additional notes in an aggregate principal amount of up to €50.0 million under the same security package as the Senior Secured Notes, but only to the extent that the Company meets certain interest coverage ratios on a pro forma basis considering the issuance of the additional notes and that no default or event of default will have occurred as a consequence of the additional indebtedness being incurred.

If a change of control of greater than 50.0% of the Company's voting stock occurs, each holder of the Senior Secured Notes may individually require the Company to purchase their 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. A change of control, as defined, does not include a change in ownership if the sale of voting stock to an acquirer is made by holders who received this stock in connection with the conversion of the former Senior Subordinated Notes.

The indenture governing the Senior Secured Notes contains a number of covenants that, among other things, limit the Company and its subsidiaries' ability to incur additional debt, make certain restricted payments, create certain liens, dispose of assets and subsidiary capital stock, merge or consolidate, issue guarantees, pay dividends and otherwise restrict certain corporate activities. The Senior Secured Notes also limit the Company's obligations under finance leases to the greater of €25.0 million or 5% of total assets. The Senior Secured Notes also contain customary events of default, including non-payment of principal, interest or fees, material inaccuracy of certain representations and warranties, violation of covenants, cross-default to certain other debt, certain events of bankruptcy and insolvency, material judgments and a change of control in certain circumstances.

The Senior Secured Notes are not listed on a public market. The fair value of the Senior Secured Notes has been determined by using the fair values of comparable notes of comparable companies. These comparisons support Company's assessment that fair value is nearly equal to nominal value.

Working Capital 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 (up to €20.0 million) 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.

Outstanding cash borrowings, which are limited to €24.0 million (US $35.0 million based on exchange rates as of December 31, 2007), accrue interest at a variable rate of interest based on the Euro Over Night Index Average (Eonia), with interest payable quarterly. Due to the variability of this interest rate basis, the Company is exposed to interest rate fluctuations in that respect.

No principal payments are due under the Facility, which is secured by certain assets of the Company's European operations, until its maturity in July 2010. The carrying amount of assets pledged is US $106.8 million.

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 working capital facility agreement contains financial covenants as EBITDA leverage, interest coverage and magnitude of EBIT and refundable deposit.

As of December 31, 2007, there were US $4.1 million outstanding cash borrowings and approximately US $15.0 million in outstanding letters of credit under the Facility.

On January 28, 2008 the Working Capital Facility was amended (First Amendment) 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.

Maturities of debt

Long-term debt consists of the following:

US $ in thousands	As of December 31,	
	2007	2006
Senior secured notes	160,947	145,451
Other	34	79
	160,981	**145,530**
Less: deferred financing costs	(4,159)	(5,360)
	156,822	**140,170**

The maturities of long-term debt are as follows as of December 31, 2007:

US $ in thousands	Amount
2008	–
2009	34
2010	160,947
2011	–
2012	–
	160,981

Receivable factoring

A subsidiary of IFCO SYSTEMS Europe entered into non-recourse factoring agreement under which this European subsidiary may offer all of their trade receivables to third-party factoring companies. Under the factoring agreement, 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 0.10% to 0.25% of the nominal value of the factored receivables and the interest rate on cash advances relating to factored receivables at rates ranging from 5.68% to 6.18% as of December 31, 2007. The Company's European subsidiaries incurred factoring charges and factoring-related interest charges of US $0.6 million and US $0.4 million during 2007 and 2006, 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 10.3 million RPCs as of December 31, 2007. 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, 2007:

US $ in thousands	1 year	2-3 years	4-5 years	5+ years	Total
Total future minimum lease payments	19,175	21,457	1,273	–	41,905
Less amounts representing interest at 2.52%-10.70%	(1,719)	(1,088)	(27)	–	2,834
	17,456	**20,369**	**1,246**	**–**	**39,071**

Financial risk management objectives and policies

The Company's principal liabilities, other than derivatives, comprise senior secured notes, working capital 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 Company uses derivative financial instruments such as foreign currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are stated at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. At the inception of the hedge relationship, the Company must designate the derivative instrument as either a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign operation. This designation is based upon the exposure being hedged.

On November 24, 2003, the Company entered into a forward exchange contract in order to offset the cash flow variability related to changes in exchange rates on certain intercompany transactions. When entered into, the forward exchange contract did not qualify for hedge accounting because the related intercompany transactions do not impact earnings. As a result, changes in the fair value of this instrument are recognized as a component of foreign currency loss in the accompanying consolidated statements of operations. The forward exchange contract expired at December 31, 2006.

The main risk arising from the Company's financial instruments is interest rate risk. 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 working capital 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
2007		
EONIA	+20	25
EONIA	-20	(25)
2006		
EONIA	+20	16
EONIA	-20	(16)

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	
	2007	2006	2007	2006
1 US Dollar relative to 1 Euro	1.4603	1.3197	1.3708	1.2560

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.

During 2003, the Company entered into a forward exchange contract in order to offset the cash flow variability related to changes in exchange rates on certain intercompany transactions. The forward exchange contract expired at December 31, 2006.

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 5. 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 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 working capital 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 maturity of the Company's financial liabilities at December 31, 2007 and December 31, 2006 based on contractual undiscounted payments.

US $ in thousands	Less than 1 year	2 to 3 years	4 to 5 years	Total
Year ended December 31, 2007				
Interest bearing loans and borrowings:				
Senior Secured Notes	–	156,893	–	156,893
Working capital facility	3,233	–	–	3,233
Others	191	(71)	–	120
Finance lease obligations	19,175	21,457	1,273	41,905
Trade and other payables	142,170	–	–	142,170
Other liabilities	43,637	–	–	43,637
Year ended December 31, 2006				
Interest bearing loans and borrowings:				
Senior Secured Notes	–	–	140,091	140,091
Working capital facility	3,500	–	–	3,500
Others	45	79	–	124
Finance lease obligations	16,154	19,800	446	36,400
Trade and other payables	118,245	–	–	118,245
Other liabilities	31,188	–	–	31,188

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 end December 31, 2007 and December 31, 2006.

The Company monitors capital using Return on Capital Employed (ROCE). The Company's target is to reach a ROCE level of 20% 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	2007	2006
Average book value of the capital employed	387,135	339,315
EBIT	66,535	62,289
ROCE	17.2%	18.4%

Financial Instruments

Set out below is a comparison by category 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		Fair Value	
	2007	2006	2007	2006
Financial assets				
Cash	35,511	27,337	35,511	27,337
Receivables, net	166,387	145,635	166,387	145,635
Financial liabilities				
Interest bearing loans and borrowings:				
Senior Secured Notes	156,893	140,091	156,893	140,091
Working capital facility	3,233	3,500	3,233	3,500
Others	120	124	120	124
Finance lease obligations	39,071	33,784	39,071	33,784
Trade and other payables	142,170	118,245	142,170	118,245
Other liabilities	43,637	31,188	43,637	31,188

See Notes – Debt Senior Secured Notes for more information on the determination of the fair value of these financial instruments.

9. Income taxes

The major components of the Company's income tax provision for the years ended December 31, 2007 and 2006 are:

US $ in thousands	Year ended December 31, 2007	2006
Current income tax provision:		
Germany:		
Current income tax charge	1,272	2,218
Adjustments in respect of current income tax of previous years	(813)	(8)
	459	2,210
Foreign:		
Current income tax charge	4,748	4,629
Adjustments in respect of current income tax of previous years	(111)	–
	4,637	4,629
Net current income tax provision	5,096	6,839
Net deferred income tax provision (benefit)	5,133	(354)
Income tax provision reported in the consolidated income statement	10,229	6,485

The deferred tax expenses in 2007 are mainly caused by the changes of the German tax law effective January 1, 2008, which resulted in a lower deferred tax asset.

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, 2007	2006
Net profit before tax from continuing operations	38,263	44,438
Tax provision at group rate (38.0% for each 2007and 2006)	14,540	16,886
Increase (decrease) resulting from:		
Unrecognized tax losses	1,144	(7,362)
Tax rate changes for deferred tax calculation	(1,103)	–
Differences between group tax rates and local statutory tax rates	(2,076)	(3,001)
Non-deductible expenses	371	604
Tax adjustments from prior years	(924)	(8)
Other	(1,723)	(634)
Income tax provision reported in the consolidated income statement	10,229	6,485

The decrease of the tax rate in Germany from approx. 38% in 2007 to approx. 29% in 2008 has affected the deferred taxes for 2007 and the tax rate reconciliation.

Components of the Company's net deferred tax assets and liabilities are as follows:

US $ in thousands	2007	At December 31, 2006
Deferred income tax assets:		
Carryforward losses	68,393	57,301
Capitalized RPC cost	8,928	9,428
Interest limitation	6,119	6,118
Stock option deductions	493	1,621
Loss from discontinued operations	292	477
Patent	–	144
Allowance for doubtful accounts	247	324
Inventory basis differences	372	172
Other accruals and reserves	4,037	2,497
Other	1,240	4,322
Subtotal deferred income tax assets	**90,121**	82,404
Netted with deferred income tax liabilities	(78,528)	(71,751)
Total deferred income tax assets	**11,593**	10,653
Deferred income tax liabilities:		
Accelerated depreciation	84,956	68,930
Loan costs	1,206	1,463
Other	3,575	5,813
Subtotal deferred income tax liabilities	**89,737**	76,206
Netted with deferred income tax assets	(78,528)	(71,751)
Total deferred income tax liabilities	**11,209**	4,455
Deferred income tax asset, net	**384**	6,198

The stock option deductions (US $1.1 million) and the relating effects to net operating losses (US $0.9 million) had been recorded to equity (US $0.2 million) as well as the foreign currency adjustments. All other changes are recorded in income.

At December 31, 2007, the Company has net corporate operating loss carryforwards available as follows:

US $ in thousands	Amount
Germany	242,156
United States	135,215
Other European countries	85,702
Total	**463,073**

The corporate loss carryforwards attributable to German operations, together with additional trade tax carryforwards (approximately US $188.0 million available as of December 31, 2007), do not expire. The loss carryforwards attributable to United States operations expire between 2021 and 2024. In the United States loss carryforwards expire generally after 20 years. The loss carryforwards attributable to other European countries' operations expire as follows; approximately US $3.3 million expire between 2008 and 2010, approximately US $77.2 million expire between 2011 and 2016 and the remainder does not expire. All loss carryforwards are available to offset future taxable income in their respective tax jurisdiction; however, loss carryforwards attributable to the United States are subject to a limitation of use under Internal Revenue Code Section 382 and loss carryforwards attributable to Germany are subject to a limitation under German Income Tax Code Section 10d. The Company has developed certain tax planning strategies to reduce the effects of loss carryforward limitations in future years. All loss carryforwards still require final validation from the respective local taxing authorities and may be adjusted upon further review.

During 2006 and 2007, the Company capitalized certain deferred tax assets in the United States and Germany, as the Company's operating results have increased the likelihood that these deferred tax assets will be utilized over the next three (2006: three) years. The Company has a capitalized deferred tax asset based on the projected use of loss carry forwards over the next three years in amount of US $6.9 million in Germany and US $11.6 million in the United States. A positive taxable income over the next three years is probable due to positive operating results already achieved in 2007 in the United States and Germany and due to the tax planning strategy in regard of the depreciation volume for RPCs in Germany. No deferred tax assets are capitalized for loss carry forwards in the total amount of US $256 million, thereof approximately US $124 million in Germany, approximately US $48 million in the United States, and approximately US $84 million in the European countries.

10. Related parties

Shareholders

As of February 18, 2008, 88.9% of IFCO SYSTEMS ordinary shares continue to be held by Island International Investment Limited Partnership (Island LP) with Cortese N.V. (a Netherlands Antilles company) as the Managing General Partner of Island LP. Cortese N.V. is beneficially owned by the limited partnerships which collectively make up the Apax Europe V Fund. The ultimate controlling party of these limited partnerships is considered to be Apax Europe V GP Co. Limited, the General Partner of Apax Europe V GP L.P., the General Partner of the limited partnerships. Apax Europe V GP Co. Limited is a company registered in Guernsey. Executive Management of IFCO SYSTEMS continues indirectly to own 8.4% of the share capital of IFCO SYSTEMS.

Supervisory Board

Name	Position
Dr. Bernd Malmström	Chairman
Michael Phillips	Vice Chairman I
Christoph Schoeller	Vice Chairman II
Hervé Defforey	
Ralf Gruss	
Dr. Philipp Gusinde	

Mr. Malmström became member of the Supervisory Board of the Company in December 2005. Mr. Mamström is entitled to an annual remuneration of 80,000 Euro. He was elected as chairman of the Supervisory Board on September 26, 2006. Since his appointment as chairman to the Supervisory Board he is entitled to an annual remuneration of 160,000 Euro or USD 219,328 (2006: USD 129,030).

Board of Managing Directors

Name	Position
Karl Pohler	Managing Director
Douwe Terpstra	Managing Director

The Company's Board of Managing Directors received in 2007 a compensation of US $0.8 million (2006: US $2.0 million). However, Mr. Pohler is only compensated as member of the Executive Management Committee but not separately compensated for serving as member of the Board of Managing Directors.

Executive Management Committee

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

2007 total cash compensation for the Company's four Executive Managers was approximately US $2.1 million (US $5.6 million in 2006), consisting of US $2.1 million (US $1.9 million in 2006) in base salaries and no variable cash incentives for 2007 (US $3.7 million in 2006). In 2006 the variable component amounted to approximately 65.3% of total compensation. During 2007 and 2006, IFCO SYSTEMS recorded total stock based compensation expense of US $0.1 million and US $0.5 million, respectively. See Notes to employee benefit plans for the stock option expenses related to the management share incentive plan.

Employment agreements

The Company has entered into employment agreements with the members of the Executive Management Committee. Effective January 1, 2008, the members of the Executive Management Committee entered into new employment agreements that extend for 4 additional years, up to December 31, 2011. The Executive Management Committee's non-variable remuneration had not been adjusted since 2000. The base salary commitment for the Executive Management Committee under the terms of these agreements is payable as follows:

US $ in thousands	Amount
2008	2,643
2009	2,643
2010	2,643
2011	2,643
Total	**10,572**

Except transactions related to service agreements and compensation of out of pocket expenses, there were no transactions between the Company and related parties during the financial year.

Relationships between parent and subsidiaries

All of the following investments (subsidiaries and associates) are 100% interests unless otherwise stated and all entities are incorporated in their respective countries:

- IFCO Online GmbH (Germany)
- IFCO SYSTEMS Netherlands B.V. (Netherlands)
- IFCO SYSTEMS Luxembourg S.ár.l (Luxembourg)
  - IFCO SYSTEMS Hungary Kft. (Hungary)
  - IFCO SYSTEMS Management GmbH (Germany)
  - IFCO SYSTEMS Holding 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 Oesterreich GmbH (Austria)
      - IFCO SYSTEMS Italia S.r.l. (Italy)
      - IFCO SYSTEMS Espana Srl. (Spain)
      - IFCO SYSTEMS Hellas E.P.E. (Greece)
      - IFCO SYSTEMS Poland sp. z o.o. (Poland)
      - GISO Verwaltungsgesellschaft mbH & Co. Behälterleasing KG (Germany)
      - GELOG AG (Switzerland)
      - IFCO Lojistik Sistemleri Tic.Ltd.Sti (Turkey)
      - IFCO SYSTEMS Asia Ltd. (Hong Kong)
      - IFCO Japan Inc. (33.3%) (Japan)
      - IFCO SYSTEMS Argentina S.A. (100%; 2006: 49.0%) (Argentina)
        - IFCO Chile S.A. (Chile)
        - IFCO Uruguay S.A. (Uruguay)
      - IFCO SYSTEMS do Brasil Servicio de Embalagem LTDA (Brasil)
      - IFCO do Brasil Embalagens LTDA (100%; 2006: 90.0%) (Brasil)
  - IFCO SYSTEMS North America, Inc. (USA)
    - IFCO N.A. Finance Co. (USA)
    - Reusable Container Company, LLC (USA)
    - IFCO PS Management Holding, Inc. (USA)
    - Pallet Companies, Inc. (USA)
      - Pallet Subs, Inc. (USA)
      - Texas Pallet de Mexico S.A. de C.V. (USA)
    - 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)

11. Commitments and contingencies

Litigation

ACME

In May and June 2003, two lawsuits were filed in Illinois state court in Cook County, 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 the Acme Barrel facility on or before mid-2001. The first lawsuit was filed in May 2003 on behalf of approximately 481 plaintiffs, individually and on behalf of a putative class of people alleged to have been exposed to releases from the facility. In addition to claims of bodily injury, the suit includes wrongful death claims. The second lawsuit, filed in June 2003, is a wrongful death action alleging the cause of death as exposure to releases from the facility based on the decedent's employment in a building across the street from the facility. The plaintiffs in each lawsuit seek unspecified damages. At this stage, the Company cannot accurately assess the potential merit or consequences of these claims. Although the Company believes claims such as these are typically fact-intensive and can take years to resolve, it can provide no assurance about the timing of any resolution of these claims. Some of the other named defendants are former customers of Acme Barrel, which the Company had agreed to indemnify and hold harmless against certain environmental liabilities, and the Company cannot assess the extent to which any such customers will incur liability or become entitled to indemnification from us. The Company has agreed to assume the defense of ICS, its parent and certain affiliates, which have been named as defendants, on the basis that the claims could give rise to a claim covered by the indemnity in the agreement for the sale of Acme Barrel. Additionally, some customer defendants have filed cross-claims against certain Acme defendants. The Company cannot predict what actions other defendants might take or whether such actions would be prejudicial to the Company. The Company intends to defend the litigation vigorously. However, if these claims are determined adversely to the Company or to parties to whom the Company owes indemnities, such claims could have a material adverse effect on the Company's business, liquidity, results of operation and financial condition. As of December 31, 2007 a provision of US $0.3 million (2006: US $0.7 million) was recorded for estimated future legal defense costs. During July 2006, one of the Company's subsidiaries was notified of a lawsuit filed by the city of Chicago against one of the Company's subsidiaries requesting that it demolish or otherwise repair the Chicago drum property to a condition suitable to the city of Chicago. The Company also accrued the estimated demolition costs of the Chicago drum facility as had been requested by the city of Chicago. During 2007, the facility demolition was completed, the costs were funded, and the city of Chicago dismissed its complaint against the Company.

ING

ING Barings Limited has claimed the reimbursement of approximately US $1.6 million in expenses incurred during the Company's financial restructuring in 2001 and 2002. During 2005, the District Court of Amsterdam awarded ING's claim and the Company paid €1.2 million (US $1.4 million). The Company filed an appeal in November 2005. The respective court hearing took place on February 7, 2007. The court decision is expected for March 6, 2008.

ICE

On April 19, 2006, a number of sites and facilities of certain U.S. subsidiaries of the Company were searched by agents from the U.S. Immigration and Customs Enforcement („ICE"), the investigative arm of the U.S. Department of Homeland Security („DHS"). Also on that date, certain of the facilities of these U.S. subsidiaries of the Company were searched by warrant and consent; seven past or present managers and lower-level supervisors were arrested; documents were seized; and ICE detained employees alleged to be illegal aliens working for affiliates of the Company. The arrests of the past and present employees were prompted by suspicion that these employees were involved in the hiring, at one facility in upstate New York, of illegal aliens not eligible for employment in the United States under U.S. immigration laws. Subsequently, three of the past and present employees of the Company who were arrested on April 19, 2006 entered into plea agreements and, on February 27, 2007, appeared in federal district court in Albany, New York, and entered pleas of guilty to either committing a misdemeanor immigration offense, that is, the knowing employment of illegal aliens not eligible for employment in the United States, or conspiring to do so. Two former managers, also amongst those arrested on April 19, 2006, appeared before the same court in Albany on February 27, 2007, and entered pleas of guilty, pursuant to written plea agreements, to the felony offense of knowingly conspiring to transport and "harbor" illegal aliens for commercial advantage or private financial gain; one of these two former employees entered a plea of guilty to a second felony offense, that is, conspiring to possess five or more identification documents with the intent to use them unlawfully. On March 28, 2007, one additional former employee at Albany (who had not been arrested on April 19, 2006) voluntarily entered a plea of guilty to the misdemeanor of knowingly hiring illegal aliens. On July 16, 2007, the sixth of the seven men arrested on April 19, 2006, entered a plea of guilty to a one-count information charging him with aiding and abetting the transportation and harboring of illegal aliens. In documents relating to the entry of the pleas of guilty, the government advised the court that each of the individuals pleading guilty was cooperating with the government in its continuing investigation. Finally, the last of the seven individuals arrested on April 19, 2006, has not resolved his case with the government; he entered a plea of not guilty to an indictment that had been returned by the grand jury in Albany, New York on April 30, 2007 and is awaiting trial. The Company and its subsidiaries have not been named in any criminal complaint or indictment. The government has indicated that it will continue to investigate certain U.S. subsidiaries to determine whether these hiring practices occurred elsewhere or were known to or condoned by management. The U.S. government has not indicated to the Company that any of the directors, officers or employees of the Company or the subsidiaries are currently targets of the investigation. The Company and its subsidiaries have indicated their willingness to cooperate fully with the U.S. government's investigation into these matters. In conjunction with a separate but related investigation, the U.S. Department of Labor is reviewing the Company's payment of overtime wages to "piece rate" laborers employed at certain of the Company's facilities. The Company is investigating the matter and has indicated its willingness to cooperate with the Department. Until the investigation is completed, it is not possible to express an opinion as to the outcome of this matter. As of December 31, 2007 a provision of US $1.2 million (2006: US $0.5 million) was recorded for future estimable legal defense costs.

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 $5.3 million and US $3.8 million as of December 31, 2007 and 2006, 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 noncancellable 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, 2007, are as follows:

US $ in thousands		Amount
	2007	2006
2007	–	20,894
2008	21,260	15,450
2009	14,600	10,170
2010	10,442	6,820
2011	7,130	4,895
2012	3,926	–
Thereafter	1,960	4,094
	59,318	**62,323**

Expenses under operating leases were approximately US $23.4 million and US $21.3 million for 2007 and 2006, respectively.

12. 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 provides for the granting of stock options to directors, executive officers and other employees of the Company and terminates in March 2010. In general, the terms of the option awards are 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 2007 and 2006, the Company recorded total stock based compensation expense of US $0.3 million and US $0.7 million, respectively. The portion of that expense arising from equity-settled share-based payment transactions is US $0.2 million (2006: US $0.2 million).

US $, except number of options	Year ended December 31, 2007			Year ended December 31, 2006		
	Number of Options	Exercise Price Range	Weighted Average Exercise Price	Number of Options	Exercise Price Range	Weighted Average Exercise Price
Outstanding, beginning of period	1,175,601	2.09 – 13.21	4.75	1,593,436	1.87 – 6.39	3.04
Granted	–	–	–	142,500	10.39 – 13.22	12.84
Exercised	(241,667)[2]	2.07 – 7.06	3.19	(543,001)[1]	1.89 – 6.89	2.70
Forfeited	(83,000)	2.05 – 14.25	5.87	(17,334)	1.90 – 7.13	4.62
Outstanding, end of period	850,934[3]	2.31 – 14.62	5.66	1,175,601	2.09 – 13.21	4.75
Options exercisable at end of year	603,401		4.18	737,034		3.31
Weighted average fair value of options granted during year	–			3.78		
Weighted average remaining contractual life of options, outstanding at end of period			3.61			4.42

[1] The weighted average share price at the date of exercise for the options exercised is US $12.20.
[2] The weighted average share price at the date of exercise for the options exercised is US $12.90.
[3] Additional are options over 171,996 shares that have not been recognized in accordance with IFRS 2 as the options were granted on or before November 7, 2002.

Fair value of the options was estimated at the date of grant using the Black-Scholes option-pricing model using the following weighted average assumptions for 2006:

	Q4 2006	Q1 2006
Risk free interest rate	3.75%	3.79%
Dividend yield	3.00%	3.00%
Volatility factor	33.00%	34.40%
Weighted average expected life	7.50 years	7.68 years

The expected volatility of the Company reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

Management share incentive plan

In January 2003, the Board adopted the 2003 Management Share Incentive Plan (MSIP), pursuant to which IFCO SYSTEMS granted options to purchase an aggregate of 2.3 million ordinary shares of IFCO SYSTEMS to certain Executive Managers. The share awards were allocated in three tranches, each with different vesting terms. One third of these options vested immediately and the remaining options vested based upon future equity value targets of IFCO SYSTEMS. During August 2004, the Executive Managers exercised approximately 1.1 million vested MSIP options. IFCO SYSTEMS' principal shareholder, Island LP, agreed to purchase the shares resulting from this option exercise at €2.75 per share. The Executive Management team used the net proceeds from these transactions, along with private funds, to acquire an investment in Island LP, which represents an aggregate indirect shareholding of approximately 8.4% of the share capital of IFCO SYSTEMS as of December 31, 2007. The remaining unexercised 1.2 million stock options under the MSIP were cancelled. During 2007 and 2006, IFCO SYSTEMS recorded total stock based compensation expense of US $0.1 million and US $0.5 million, respectively. Fair value was estimated using the Black-Scholes option-pricing model.

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 $1.4 million and US $0.9 million during 2007 and 2006.

German annuity assurance

The Company has paid and expensed US $1.0 million during 2007 and US $0.9 million during 2006 for German annuity assurance.

13. Business segments

The Company has adopted IAS 14, "Segment Reporting". 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. As a result, all group level income statement and cash flow information included herein has been restated to present the results of continuing operations only. Prior period balance sheet information has not been restated to reflect the disposal of the Pallet Pooling segment.

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, 2007
	Continuing Operations		Unallocated	Total	Discontinued Operation	Total Operations
	RPC Management Services	Pallet Management Services	Corporate		Pallet Pooling	
Revenues	330,904	361,644	–	692,548	–	692,548
Results						
Income (loss) from operations	53,680	11,940	(6,501)	59,119	–	59,119
Interest expense				(21,429)		(21,429)
Interest income				190		190
Factoring charges				(620)		(620)
Foreign currency gain, net				899		899
Income from equity entities, net				446		446
Other loss, net				(342)		(342)
Result of finance activities				(20,856)		(20,856)
Profit from continuing operations before taxes				38,263		38,263
Income tax provision				(10,229)		(10,229)
Profit before discontinued operations				28,034		28,034
Loss from discontinued operations				(927)		(927)
Net profit				27,107		27,107
Assets and liabilities						
Total assets	583,200	196,841	26,195	806,236	1	806,237
Total liabilities	332,288	38,657	180,666	551,611	–	551,611
Goodwill	40,632	118,826	–	159,458	–	159,458
Other segment information						
Capital expenditures	74,379	2,105	1,015	77,499	–	77,499
Investing cash flows	(74,316)	(2,105)	(1,015)	(77,436)	–	(77,436)
Financing cash flows	(24,796)	(22,669)	21,716	(25,749)	–	(25,749)

US $ in thousands						Year ended December 31, 2006
	Continuing Operations		Unallocated	Total	Discontinued Operation	Total Operations
	RPC Management Services	Pallet Management Services	Corporate		Pallet Pooling	
Revenues	285,113	362,123	–	647,236	–	647,236
Results						
Income (loss) from operations	53,559	5,671	(7,191)	52,039	–	52,039
Net gain of RPC pool adjustment				11,396		11,396
Interest expense				(19,332)		(19,332)
Interest income				650		650
Factoring charges				(439)		(439)
Foreign currency loss, net				(2)		(2)
Income from equity entities, net				265		265
Other loss, net				(140)		(140)
Result of finance activities				(18,998)		(18,998)
Profit from continuing operations before taxes				44,437		44,437
Income tax provision				(6,485)		(6,485)
Profit before discontinued operations				37,952		37,952
Loss from discontinued operations				(665)		(665)
Net profit				37,287		37,287
Assets and liabilities						
Total assets	480,685	196,647	21,008	698,340	1	698,341
Total liabilities	262,480	32,227	169,776	464,483	–	464,483
Goodwill	36,873	118,826	–	155,699	–	155,699
Other segment information						
Capital expenditures	99,235	1,636	429	101,300	–	101,300
Investing cash flows	(99,235)	(1,636)	(429)	(101,300)	–	(101,300)
Financing cash flows	(14,983)	(8,425)	3,376	(20,032)	(1,873)	(21,905)

An impairment loss of US $1.5 million is recognized in the net profit of the Company's RPC Management Services business segment in 2006. See Notes to property, plant and equipment for a brief description.

The Company's revenue by country, based on the location of the customer, is as follows:

US $ in thousands	Year ended December 31,	
	2007	2006
Germany	72,254	63,284
Spain	52,303	44,680
Italy	42,389	36,932
Switzerland	31,491	27,043
France	18,758	16,449
Norway	15,029	12,684
United Kingdom	13,745	12,423
Other	26,363	19,479
Europe and rest of world	**272,332**	232,974
United States	420,216	414,262
Consolidated	**692,548**	647,236

The Company's total assets by geographical segments are as follows:

US $ in thousands	Year ended December 31,	
	2007	2006
Europe and rest of world	510,359	402,646
United States	295,877	295,694
Canada	1	1
Consolidated	**806,237**	698,341

The Company's capital expenditures from continuing operations by geographical segment are as follows:

US $ in thousands	Year ended December 31,	
	2007	2006
Europe (including the 2007 acquisition of the shares in IFCO Argentina S.A.)	55,279	47,884
United States (includes CHEP RPC acquisition in 2006)	22,220	53,416
Consolidated	**77,499**	101,300

14. Equity entities

The following tables list the total combined financial data of the Company's equity entity, IFCO Japan and IFCO Argentina in 2006 (see Acquisitions and dispositions and/or Notes – Summary of significant accounting policies for further information) of the RPC Management Services segment. During 2007 and 2006, the Company recognized approximately US $0.4 million and US $0.3 million, respectively, of income in the Company's consolidated statements of income related to its contractually defined portions of the respective net results of these entities. IFCO Japan's fiscal year ended on December 31, 2007. In 2006, IFCO Argentina's fiscal year ended on June 30, 2006. The Company consolidated the respective results of IFCO Argentina based on interim financial statements as of December 31, 2006.

US $ in thousands	As of December 31,	
	2007	2006
Total assets	31,769	31,246
Total liabilities	24,761	23,465
Total equity	7,008	7,781

US $ in thousands	Year ended December 31,	
	2007	2006
Revenue	21,399	24,244
Gross profit	7,274	8,803
Income from operations	3,785	1,315
Net income	1,405	921

Amsterdam, February 14, 2008

Karl Pohler
Chief Executive Officer

Michael W. Nimtsch
Chief Financial Office

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 SYSTEMS, 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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Financial calendar*

February 2008	Press and analyst's conference on annual results
March 2008	General meeting of shareholders for the fiscal year 2007
May 2008	Publication of the 1st quarterly report
August 2008	Publication of the 2nd quarterly report
November 2008	Publication of the 3rd quarterly report
February 2009	Publication of the 2008 annual report

* Preliminary dates. You will find the exact dates at:
http://www.ifcosystems.de or **http://www.ifcosystems.com**

PERSONAL NOTICES

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Imprint

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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 Deutsche Börse (German Stock Exchange) and the Netherlands Authority for the Financial Markets. All of these financial reports are available on the Internet at: **http://www.ifcosystems.de or http://www.ifcosystems.com**

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