IFCO

Q1 2010 Report

IFCO SYSTEMS N.V.

Content

Basis of presentation

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

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

Our assets, liabilities, revenues and expenses are subject to exchange rate fluctuations between the US Dollar, which is our group presentation / reporting currency and the primary functional currency of the North American operations and the Euro, the primary functional currency of IFCO SYSTEMS N.V. and the European operations. Exchange rate fluctuations also occur, as a result of certain European and South American subsidiaries operating in other countries and using other functional currencies.

Exchange rate volatility has existed from Q1 2009 to Q1 2010 between the Euro and the US Dollar. Accordingly, we have described certain comparative information below as currency adjusted information, whereby 2009 income statement and financial position figures have been translated to US Dollars using applicable 2010 currency exchange rates. Unless otherwise noted, no 2009 figures in tabular form are currency adjusted.

The Company has made changes according to IAS 8 leading to restated 2008 and Q1 2009 Financial Statements. For further details see Notes of the accompanied unaudited condensed interim consolidated Financial Statements. The following explanations and discussions will highlight references to changed prior year numbers.

Corporate developments

Dividend

On March 24, 2010, the General Meeting of Shareholders ("AGM") of IFCO SYSTEMS N.V. has resolved to adopt the financial statements relating to the year 2009 and to approve the proposal of the Board of Managing Directors and the Supervisory Board to pay to the shareholders a dividend of EUR 0.12 per ordinary share in respect of the financial year 2009.

The Board of Managing Directors has resolved, and the Supervisory Board has approved, that the dividend shall be made payable on April 1, 2010.

As at March 31, 2010, IFCO SYSTEMS N.V. recognized the dividend in the amount of US $8.3 million as a liability in the accompanied statement of financial position

Reduction of the issued share capital

On March 24, 2010, the AGM adopted the proposed reduction of the issued share capital of the Company by means of a cancelation of 2,650,000 ordinary fully paid-up shares which are held by the Company in its own capital. The Company filed this resolution with the Dutch Chambers of Commerce and published a notice in a Dutch newspaper. Within two months after such publication, any creditor may, by filing a petition with the competent District Court, oppose the resolution to reduce the issued share capital. The resolution to reduce the Company's issued share capital shall not take effect as long as opposition may be instituted. If opposition has been instituted timely, the resolution shall take effect only upon the withdrawal of the opposition or upon an order setting aside the opposition becoming enforceable.

Supervisory Board

On April 13, 2010, the extraordinary general meeting of shareholders ("EGM") appointed

- Peter M. Schmid as member of the Supervisory Board as per the date of the EGM, for a period of four years.
- Jürgen Rauen as member of the Supervisory Board as per the date of the EGM, for a period of four years.

Group consolidated financial highlights – 2010 vs. 2009

Operations data

US $ in thousands, except per share amounts	Q1 2010	Q1 2009 (1)	% Change	LTM Q1 2010
Revenues	188,403	169,856	10.9%	754,473
Gross profit	39,028	31,478	24.0%	158,690
Gross profit margin	20.7%	18.5%		21.0%
Selling, general and administrative expenses	19,152	18,479	3.6%	78,505
Selling, general and administrative expenses as a percentage of revenues	10.2%	10.9%		10.4%
EBITDA	31,827	24,625	29.2%	136,212
EBITDA margin	16.9%	14.5%		18.1%
EBIT	21,149	15,178	39.3%	94,117
EBIT margin	11.2%	8.9%		12.5%
Profit from continuing operations before taxes	5,152	6,228	(17.3%)	29,375
Net profit	940	2,773	(66.1%)	18,121
Profit per share from continuing operations – basic	0.04	0.05	(34.0%)	0.40
Profit per share from continuing operations – diluted	0.04	0.05	(24.8%)	0.40
Net profit per share – basic	0.02	0.05	(64.6%)	0.35
Net profit per share – diluted	0.02	0.05	(65.8%)	0.35
Operating cash flows from continuing operations (2)	12,599	4,262	195.6%	132,895
Capital expenditures from continuing operations	24,911	11,473	117.1%	71,513
Return on capital employed (ROCE) (3)	20.4%	15.3%		
Currency Adjusted:				
Revenues	188,403	173,952	8.3%	741,154
Gross profit	39,028	32,309	20.8%	155,262
EBITDA	31,827	25,336	25.6%	132,738
EBIT	21,149	15,547	36.0%	91,598

(1) Certain Q1 2009 numbers shown here reflect changes according to IAS 8 made as detailed in the Notes of the accompanied Financial Statements. The changes increased previously reported Q1 2009 gross profit, EBITDA, EBIT, profit from continuing operations before taxes and net profit by US $0.4 million.
(2) Operating cash flows presented above as calculated under IFRS are prior to interest and income tax payments.
(3) We calculate ROCE by dividing the last twelve months' reported EBIT by the total average book value of the capital employed which would be required to fund the measured business unit during this measurement period. We only consider our continuing operations' EBIT and average book value to calculate ROCE.

Financial position data

US $ in thousands	March 31, 2010	December 31, 2009	% Change
Cash and cash equivalents	40,675	73,042	(44.3%)
Property, plant and equipment	461,626	467,484	(1.3%)
Total debt, including finance lease obligations	322,514	338,615	(4.8%)
Net debt [(1)]	281,839	265,573	6.1%
Net debt currency adjusted	281,839	248,050	13.6%
Liquidity	99,848	138,206	(27.8%)
Shareholders equity	219,592	222,999	(1.5%)
Headcount of continuing operations (as of the respective financial position dates)	3,897	3,877	0.5%

Cash flows

US $ in thousands	Q1 2010	Q1 2009
Cash and cash equivalents, beginning of period	73,042	31,506
Operating cash flows:		
Cash generated from continuing operations, excluding the cash flow effect of changes in working capital and income tax payments and excluding ICE	30,539	22,757
Cash flow effect of changes in working capital	(10,065)	(13,954)
Operating cash flows of continuing operations, prior to income tax payments and excluding ICE	**20,474**	**8,803**
Cash used for ICE [(2)]	(7,875)	(4,541)
Operating cash flows of continuing operations, prior to income tax payments and including ICE	**12,599**	**4,262**
Income taxes paid	(1,304)	(1,141)
Operating cash flows of continuing operations	**11,295**	**3,121**
Operating cash flows of discontinued operations	(818)	(189)
	10,477	**2,932**
Investing cash flows	**(24,756)**	**(11,517)**
Financing cash flows	**(14,802)**	**(5,318)**
Effect of exchange rate changes on cash and cash equivalents	(3,286)	(1,598)
Cash and cash equivalents, end of period	**40,675**	**16,005**

(1) Net debt includes cash and cash equivalents, all interest bearing debt and current and non-current finance lease obligations.
(2) In January 2010, the Company paid the second annual installment payment (US $6.1 million) due under the ICE non-prosecution agreement signed in December 2008. In January 2009, the Company had paid the first annual installment (US $2.6 million) of the ICE non-prosecution agreement. Other ICE costs are primarily related to legal defense costs paid by the Company on behalf of certain employees.

IFCO's currency adjusted group revenues and operational profitability both grew in Q1 2010 as compared to Q1 2009. RPC Management Services delivered significant gains in both revenues and EBITDA, while EBITDA in Pallet Management Services business segment grew slightly, following several quarters of year-over-year declines.

- Group **revenues** developed as follows:

US $ in thousands	Q1 2010	Q1 2009	% Change
Group revenues	188,403	169,856	10.9%
Group revenues currency adjusted	188,403	173,952	8.3%

RPC Management Services' revenues developed as follows:

US $ in thousands	Q1 2010	Q1 2009	% Change
RPC Management Services revenues	103,502	84,123	23.0%
RPC Management Services revenues currency adjusted	103,502	88,219	17.3%

The sources of revenue gains in RPC Management Services have held steady in recent quarters, resulting from organic volume growth in our European RPC business, increased volume in RPC South America, accelerating growth in our RPC US business and to a lesser extent due to per trip price increases compared to prior year quarter.

Pallet Management Services' revenues developed as follows:

US $ in thousands	Q1 2010	Q1 2009	% Change
Pallet Management Services revenues	84,901	85,733	(1.0%)

Revenues in Pallet Management Services declined slightly compared to Q1 2009. Although the market pricing environment remained soft in Q1 2010, the negative sequential trends flattened out somewhat. Volumes in certain regions of the U.S. have experienced a rebound from 2009 levels, while other regions remain in a depressed state. Volumes in our Custom Crating division increased in Q1 2010.

- **Gross profit margin** on a group level increased in Q1 2010 by 2.2 percentage points to 20.7%. RPC Management Services' gross profit margin grew from 22.8% in Q1 2009 to 25.3% in Q1 2010. RPC Management Services benefited in Europe from increasing synergies resulting from the integration of the former STECO organization. Additionally, lower per unit washing and transportation costs and favorable volume leverage on depreciation and fixed overhead supported the gross margin improvements in Europe and the US. Gross profit margin in the Pallet Management Services business grew to 15.1% from 14.3% in Q1 2009, with the effects of lower customer prices and higher fuel prices now more than offset by significantly lower raw materials costs.
- Q1 2009 **selling, general and administrative** expenses (SG&A) increased by 3.6% to US $19.2 million. SG&A as a percentage of revenues decreased in Q1 2010 to 10.2% compared to Q1 2009 results of 10.9%. The increase is primarily due to weaker USD / Euro exchange rate. On a currency adjusted basis SG&A increased only by 0.4% in Q1 2010 compared to Q1 2009.
- Group **EBITDA** and **EBITDA margin** improved significantly and developed as follows, and is explained in greater detail in the respective business segment sections of this report:

US $ in thousands	Q1 2010	Q1 2009	% Change
Group EBITDA	31,827	24,625	29.2%
Group EBITDA currency adjusted	31,827	25,336	25.6%
Group EBITDA margin	16.9%	14.5%	

LTM Q1 2010 EBITDA reached a record level of US $136.2 million.

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

US $ in thousands	Q1 2010	Q1 2009	% Change
Group EBIT	21,149	15,178	39.3%
Group EBIT currency adjusted	21,149	15,547	36.0%
Group EBIT margin	11.2%	8.9%	

LTM Q1 2010 EBIT reached a record level of US $94.1 million.

- **Net profit** decreased from US $2.8 million in Q1 2009 to US $0.9 million in Q1 2010, as higher ICE related expenses, net interest expenses and losses from discontinued operations more than offset the net operational improvements discussed above during Q1 2010. Excluding nonrecurring items, mainly ICE related expenses, net profit would have been US $6.2 million in Q1 2010 as compared to US $6.5 million in Q1 2009.
- As a result of the above, **basic profit per ordinary share** from continuing operations decreased from US $0.05 in Q1 2009 to US $0.04 in Q1 2010.
- IFCO's **cash flow from continuing operations**, excluding the cash flow effect of income tax payments and ICE related payments, increased significantly to US $20.5 million in Q1 2010 from US $8.8 million in Q1 2009 as a result of higher profit levels and improved working capital development.
- Our **capital expenditure** levels increased by US $13.4 million, or 117.1%, to US $24.9 million during Q1 2010. The realization of the planned growth in Europe and the US has led to continued investments in these RPC pools in 2010.
- **ROCE** from continuing operations, on a LTM basis, increased to 20.4% as of March 31, 2010, compared to 15.3% as of March 31, 2009 and compared to 19.0% as of year end 2009. This positive development is the result of the Company's increased profitability and continuous improved utilization of the RPC pool.
- IFCO's **cash** position as of March 31, 2010 of US $40.7 million was 44.3% lower than the cash position as of December 31, 2009. The cash position includes US $8.3 million in escrowed funds, representing the present value of the payment of the STECO vendor note due in June 2010 resulting from the acquisition of STECO in 2008.
- **Net debt** increased by US $16.3 million to US $281.8 million as of March 31, 2010 compared to December 31, 2009 (on a currency adjusted basis grew by US $33.8 million). Apart from expected cash flow development in Q1 2010, the increase is primarily due to interest payments on our senior secured notes and cash out related to the ICE settlement reached in 2008.
- Our sources of **liquidity** currently include cash from operations, cash and cash equivalents on hand, amounts available under our RCF and certain factoring agreements. As of March 31, 2010, our liquidity declined to US $99.8 million compared to US $138.2 million as of December 31, 2009, however improved by US $72.4 million compared to March 31, 2009. We believe that these sources are sufficient to finance our future capital and operational requirements in accordance with our business plans.

Segment information

RPC Management Services

US $ in thousands, except RPC data	Q1 2010	Q1 2009	% Change
Revenues	103,502	84,123	23.0%
Gross profit	26,224	19,197	36.6%
Gross profit margin	25.3%	22.8%	
EBITDA	27,437	19,972	37.4%
EBITDA margin	26.5%	23.7%	
EBIT	18,547	12,204	52.0%
EBIT margin	17.9%	14.5%	
Total RPC trips (in thousands)	122,811	105,312	16.6%
RPC pool size (end of period, in thousands)	105,295	96,783	8.8%
Average RPC annualized turns LTM	4.89	4.45	9.9%
Currency Adjusted:			
Revenues	103,502	88,219	17.3%
Gross profit	26,224	20,028	30.9%
EBITDA	27,437	20,796	31.9%
EBIT	18,547	12,686	46.2%

Revenues

- Revenues and trips grew in our main geographic regions as follows:

US $ in thousands, except RPC data	Q1 2010	Q1 2009	% Change
RPC Europe			
Revenues	74,869	62,756	19.3%
RPC trips (in thousands)	88,186	78,347	12.6%
RPC South America			
Revenues	3,800	2,695	41.0%
RPC trips (in thousands)	7,115	6,489	9.6%
RPC US			
Revenues	24,833	18,672	33.0%
RPC trips (in thousands)	27,510	20,476	34.4%

- RPC Management Services' revenues in Q1 2010 increased by US $19.4 or 23.0% (currency adjusted by 17.3%), compared to Q1 2009. This increase is primarily due to organic growth in RPC Europe, significant growth in RPC US and growing volumes in RPC South America.
- Total trips increased by 16.6% to 122.8 million in Q1 2010. These gains resulted from organic growth in our core business in Europe, a significant increase of our South American business and continued strong retailer and market share expansion in our RPC US business.
- Compared to Q1 2009, our overall average per trip pricing increased due to structural changes in the mixture of the rented RPCs.
- The annualized turns of our global RPC pool increased to 4.89 turns during LTM Q1 2010 compared to 4.45 in LTM Q1 2009, as a result of significantly better overall pool utilization in Europe and the US, as well as faster turns realized in our South American business. LTM turn rate has reached a level 4.89 in Q1 2010 as compared to 4.80 at year end 2009.

Operational expenses and profitability

- RPC Management Services' gross profit increased by 36.6% to US $26.2 million in Q1 2010. Gross profit margin grew by 2.5 percentage points to 25.3% in Q1 2010. Gross profit margin in our core European business benefited from realized synergies following the integration of the former STECO organization and lower per unit cost of goods sold due to economies of scale. Gross profit in the RPC US business increased as a result of the favorable fixed cost leverage effects of higher volumes and significantly lower transportation costs. All regions continue to benefit from the scale effects of the growing business on fixed costs.
- SG&A decreased in Q1 2010 by approximately 6.3% compared to Q1 2009, resulting in a significant reduction in SG&A as a percentage of revenues from 10.4% in Q1 2009 to 7.8% in Q1 2010.
- As a result of the items discussed above, EBITDA and EBITDA margin developed as follows:

US $ in thousands	Q1 2010	Q1 2009	% Change
EBITDA	27,437	19,972	37.4%
EBITDA currency adjusted	27,437	20,796	31.9%
EBITDA margin	26.5%	23.7%	

- As a result of the items discussed above, EBIT and EBIT margin developed as follows:

US $ in thousands	Q1 2010	Q1 2009	% Change
EBIT	18,547	12,204	52.0%
EBIT currency adjusted	18,547	12,686	46.2%
EBIT margin	17.9%	14.5%	

Pallet Management Services

US $ in thousands	Q1 2010	Q1 2009	% Change
Revenues	84,901	85,733	(1.0%)
Gross profit	12,804	12,281	4.3%
Gross profit margin	15.1%	14.3%	
EBITDA	6,918	6,516	6.2%
EBITDA margin	8.1%	7.6%	
EBIT	5,130	4,837	6.1%
EBIT margin	6.0%	5.6%	

Revenues

- Revenues decreased by US $0.8 million, or 1.0%, to US $84.9 million in Q1 2010.
- The economic recession in the US that existed during 2009 has continued to create a challenging market environment. Pallet pricing remained at historically low levels, although the rate of decline flattened during Q1 2010. We have seen market demand rebound in some of our regions from 2009 levels, but demand remained weak in other regions as the economy continues to recover. Revenues in our Custom Crating division were higher in Q1 2010 than in Q1 2009.

Operational expenses and profitability

- Gross profit margin in our Pallet Management Services division increased by 0.8 percentage points to 15.1% in Q1 2010. The gross profit margin increase is most significantly due to the effects of lower material costs, as we are paying significantly less for a used pallet on average in Q1 2010 than in Q1 2009. Less leverage on other variable and fixed costs from the lowered pricing levels has partially offset this favorable effect. Fuel costs are also somewhat higher as compared to the historically low levels experienced in early 2009.
- Total SG&A expenses were 6.1% higher during Q1 2010 compared to Q1 2009. These increases were primarily the result of increases in personnel costs related to our sales organization.
- As a result of the items discussed above, our Pallet Management Services EBITDA, EBITDA margin, EBIT and EBIT margin improved and developed as follows:

US $ in thousands	Q1 2010	Q1 2009	% Change
Pallet Management Services EBITDA	6,918	6,516	6.2%
Pallet Management Services EBITDA margin	8.1%	7.6%	
Pallet Management Services EBIT	5,130	4,837	6.1%
Pallet Management Services EBIT margin	6.0%	5.6%	

Corporate

US $ in thousands	Q1 2010	Q1 2009	% Change
EBITDA	(2,528)	(1,863)	35.7%
EBIT	(2,528)	(1,863)	35.7%
Net finance costs	10,284	6,242	64.8%
Foreign currency (loss) gain, net	(455)	1,146	
Income tax provision	3,312	3,320	(0.2%)
Loss from discontinued operations	(900)	(135)	566.7%

EBIT

Our corporate EBIT fell by US $0.7 million in Q1 2010 compared to Q1 2009.

Net finance costs

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

Foreign currency (loss) gain, net

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

Income tax provision

Our income tax provision in Q1 2010 consists of a deferred income tax provision of approximately US $1.5 million (Q1 2009: US $1.3 million) and approximately US $1.8 million of current income tax provision accruals (Q1 2009: US $2.0 million).

Discontinued operations

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

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

On April 20, 2010, the Company reached settlement with the plaintiffs for US $9.5 million which has resolved any claims by plaintiffs and customer defendants. The Company also obtained agreements from its insurers for reimbursement totaling US $9.45 million, and is engaged in further negotiations with its insurers regarding additional reimbursements of defense costs and other expenses related to this matter. This settlement is recorded in Q1 2010.

Investigation by U.S. Immigration and Customs Enforcement

In 2006, facilities at certain U.S. subsidiaries of the Company ("the U.S. Subsidiaries") were searched by agents from U.S. Immigration and Customs Enforcement ("ICE"), in connection with allegations of the hiring of illegal aliens not eligible for U.S. employment. On December 19, 2008, the U.S. Subsidiaries entered into a "non-prosecution" agreement with the investigating U.S. Attorney's Office ("U.S. Attorney"), in which the U.S. Attorney agreed it would not criminally prosecute the U.S. Subsidiaries for offenses related to this investigation. The U.S. Subsidiaries agreed to undertake certain compliance and cooperation obligations and to pay approximately US $20.7 million with approximately US $2.6 million paid in Q1 2009, then approximately US $6 million due in each of January 2010, January 2011, and January 2012. The Company has agreed to guarantee the making of these payments by the U.S. Subsidiaries. Five employee-defendants await trial in Houston, Texas, where the case was recently transferred.

Litigation

The Company is a defendant in various other legal matters arising in the normal course of business. In the opinion of management, after consultation with legal counsel, the ultimate resolution of these matters is not expected to have a material effect on the accompanying consolidated financial statements.

Outlook

As the financial crisis that unfolded in 2008 spread to the worldwide economy up to today, we experienced challenging economic climates in many of our markets. While the economies in both Europe and the United States, our two key markets, remained in a weak but slightly improved condition during Q1 2010, it is expected that these economies will begin to recover in the second half of 2010.

We believe our RPC Management Services business will not suffer materially from the worldwide economic downturn, as the grocery food retail industry, which is our main customer base, has not been as strongly affected as other industries.

Accordingly, the European RPC Management Services business will continue to leverage our leadership position and market experience to meet or exceed overall market development. We plan to increase our sales initiatives and to continue to expand our geographic presence in Western Europe, Central Eastern Europe (CEE) and South America. In the United States, we realize increases in the overall RPC penetration among grocery food retailers and plan to grow in excess of this market development. Based on our solid RPC business model, we expect that the RPC Management Services businesses will continue to grow in 2010. Our investments to support this growth will be carefully aligned with our business development and are targeted to continually increase the return on our invested capital.

Our Pallet Management Services business has significantly been negatively affected by the overall economic decline in the United States in 2009, primarily as a result of pressure on prices from lower market demand. Nevertheless, we remain confident that the key competitive advantages of the Pallet Management Services business – the breadth of service offerings, the national network and the value proposition at a national and local level – have not changed and should allow our Pallet Management Services segment to stabilize revenues and increase profitability in 2010. Q1 2010 has shown nearly flat revenue development as a first slight sign of recovery.

We believe that on our current assessment of the markets and our business the trends described above should result in overall gains in both revenues and operational profitability in 2010 as compared to 2009.

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

Financial reconciliations

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

Reconciliation of Net profit to EBITDA

US $ in thousands	Q1 2010	Q1 2009
Net profit	940	2,773
Net finance costs	10,284	6,242
Income tax provision	3,312	3,320
Depreciation expense	10,355	9,163
Amortization of other assets	323	284
Stock-based compensation expense	11	120
Foreign currency loss (gain)	455	(1,146)
Nonrecurring items [1]	5,247	3,734
Loss from discontinued operations	900	135
EBITDA	**31,827**	**24,625**

Reconciliation of EBITDA to EBIT

US $ in thousands	Q1 2010	Q1 2009
EBITDA	31,827	24,625
Depreciation expense	(10,355)	(9,163)
Amortization of other assets	(323)	(284)
EBIT	**21,149**	**15,178**

[1] Q1 2009 nonrecurring items consist of "ICE related expenses" and the operating result of ILD Logistik + Transport GmbH, which was a part of the STECO acquisition, however will be liquidated. Q1 2010 nonrecurring items consist primarily of "ICE related expenses", prior year related expenses and Pallet Management Services plant restructuring costs. ICE related expenses consist of legal expenses, salaries for employees on leave and the interest accrued on the present value ICE settlement obligation.

Summary information by continuing business segment

US $ in thousands	Q1 2010	Q1 2009	% Change
Revenues:			
RPC Management Services	103,502	84,123	23.0%
Pallet Management Services	84,901	85,733	(1.0%)
	188,403	**169,856**	**10.9%**
Gross profit:			
RPC Management Services	26,224	19,197	36.6%
Pallet Management Services	12,804	12,281	4.3%
	39,028	**31,478**	**24.0%**
EBITDA:			
RPC Management Services	27,437	19,972	37.4%
Pallet Management Services	6,918	6,516	6.2%
Operations subtotal	**34,355**	**26,488**	**29.7%**
Corporate	(2,528)	(1,863)	35.7%
	31,827	**24,625**	**29.2%**
EBIT:			
RPC Management Services	18,547	12,204	52.0%
Pallet Management Services	5,130	4,837	6.1%
Operations subtotal	**23,677**	**17,041**	**38.9%**
Corporate	(2,528)	(1,863)	35.7%
	21,149	**15,178**	**39.3%**
Operating cash flows:			
RPC Management Services	21,396	6,015	255.7%
Pallet Management Services	(8,918)	(1,775)	402.4%
Operations subtotal	**12,478**	**4,240**	**194.3%**
Corporate	121	22	451.8%
	12,599	**4,262**	**195.6%**
Capital expenditures:			
RPC Management Services	24,294	10,764	125.7%
Pallet Management Services	534	537	(0.6%)
Operations subtotal	**24,828**	**11,301**	**119.7%**
Corporate	83	172	(51.7%)
	24,911	**11,473**	**117.1%**
	March 31, 2010	December 31, 2009	
Personnel:			
RPC Management Services	785	750	4.7%
Pallet Management Services	3,103	3,118	(0.5%)
Operations subtotal	**3,888**	**3,868**	**0.5%**
Corporate	9	9	0.0%
	3,897	**3,877**	**0.5%**

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

US $ in thousands	March 31, 2010	December 31, 2009
Assets		
Non-current assets:		
Goodwill	205,107	210,367
Property, plant and equipment, net	461,626	467,484
Other assets	6,429	7,976
Total non-current assets	**673,162**	**685,827**
Current assets:		
Receivables, net	195,241	203,831
Inventories	12,942	12,899
Other current assets	27,426	20,866
Cash and cash equivalents	40,675	73,042
Total current assets	**276,284**	**310,638**
Total assets	**949,446**	**996,465**
Equity and liabilities		
Equity attributable to equity holders of the parent:		
Ordinary share capital	583	583
Treasury shares	(23,370)	(23,433)
Paid in capital	518,445	518,927
Other reserves	(2,555)	(6,833)
Retained earnings	(273,511)	(266,245)
Total equity	**219,592**	**222,999**
Non-current liabilities:		
Interest bearing loans and borrowings, net of current maturities	248,520	264,381
Finance lease obligations, net of current maturities	39,776	41,167
Other liabilities	12,941	18,679
Total non-current liabilities	**301,237**	**324,227**
Current liabilities:		
Current maturities of interest bearing loans and borrowings	11,648	9,222
Current maturities of finance lease obligations	22,570	23,845
Provisions	48,052	40,931
Refundable deposits	154,439	170,765
Trade and other payables	118,445	137,312
Other liabilities	73,463	67,164
Total current liabilities	**428,617**	**449,239**
Total liabilities	**729,854**	**773,466**
Total equity and liabilities	**949,446**	**996,465**

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

US $ in thousands, except share and per share amounts	Q1 2010	Q1 2009 Restated [1]
Revenues	188,403	169,856
Cost of sales	149,375	138,378
Gross profit	**39,028**	**31,478**
Selling expenses	5,332	5,044
General and administrative expenses	13,820	13,435
Other operating income, net	(24)	(202)
Profit from operating activities	**19,900**	**13,201**
ICE related expenses [2]	(4,074)	(1,851)
Foreign currency (loss) gain, net	(455)	1,146
Other income (loss), net	65	(26)
Net finance costs	(10,284)	(6,242)
Profit from continuing operations before taxes	**5,152**	**6,228**
Current income tax provision	(1,800)	(2,024)
Deferred income tax provision	(1,512)	(1,296)
Income tax provision	**(3,312)**	**(3,320)**
Profit before discontinued operations	**1,840**	**2,908**
Loss from discontinued operations	(900)	(135)
Net profit	**940**	**2,773**
Profit per share from continuing operations – basic	0.04	0.05
Profit per share from continuing operations – diluted	0.04	0.05
Net profit per share – basic	0.02	0.05
Net profit per share – diluted	0.02	0.05
Shares on which net profit is calculated:		
Basic [3]	51,247,507	53,473,175
Effect of dilutive stock options	146,066	–
Diluted	**51,393,573**	**53,473,175**

[1] Certain numbers shown here do not correspond to the Q1 2009 financial statements and reflect adjustments made as detailed in the Notes.
[2] ICE related expenses consist of legal expenses, salaries for employees on leave and the interest accrued on the present value ICE settlement obligation.
[3] Average outstanding shares during the period.

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

US $ in thousands	Q1 2010	Q1 2009 Restated [1]
Net profit	940	2,773
Currency translation differences	4,278	507
Other comprehensive income for the period	4,278	507
Total comprehensive income for the period	5,218	3,280

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

US $ in thousands, except share amounts	Ordinary Shares Shares	Treasury Shares Shares	Ordinary Shares Amount	Treasury Shares Amount	Paid in Capital	Retained Earnings	Other Reserves	Total Equity
Balance at December 31, 2008 – Restated [1]	54,222,214	749,039	583	(8,150)	521,966	(287,534)	(4,109)	222,756
Stock-based compensation expense	–	–	–	–	120	–	–	120
Net profit	–	–	–	–	–	2,773	–	2,773
Other comprehensive income	–	–	–	–	–	–	507	507
Total comprehensive income	–	–	–	–	–	2,773	507	3,280
Balance at March 31, 2009 – Restated [1]	54,222,214	749,039	583	(8,150)	522,086	(284,761)	(3,602)	226,156
Balance at December 31, 2009	54,222,214	2,968,719	583	(23,433)	518,927	(266,245)	(6,833)	222,999
Stock-based compensation expense	–	–	–	–	11	–	–	11
Buyback of treasury shares	–	54,148	–	(695)	–	–	–	(695)
Exercise of stock options funded by treasury shares	–	(68,334)	–	758	(493)	–	–	265
Dividend	–	–	–	–	–	(8,206)	–	(8,206)
Net profit	–	–	–	–	–	940	–	940
Other comprehensive income	–	–	–	–	–	–	4,278	4,278
Total comprehensive income	–	–	–	–	–	940	4,278	5,218
Balance at March 31, 2010	54,222,214	2,954,533	583	(23,370)	518,445	(273,511)	(2,555)	219,592

[1] Certain numbers shown here do not correspond to the 2008 and Q1 2009 financial statements and reflect adjustments made as detailed in the Notes.

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

US $ in thousands	Q1 2010	Q1 2009 Restated [(1)]
Cash flows from continuing operating activities:		
Net profit	940	2,773
ICE related expenses	4,074	1,851
Adjustments for:		
Depreciation and amortization expense of property, plant and equipment	10,355	9,163
Amortization of other assets	323	284
Stock-based compensation expense	11	120
Foreign currency loss (gain), net	455	(1,146)
Income tax provision	3,312	3,320
(Gain) loss on sale of property, plant and equipment	(115)	15
Net finance costs	10,284	6,242
Loss from discontinued operations	900	135
Cash generated from continuing operations, excluding the cash flow effect of changes in working capital and excluding ICE	**30,539**	**22,757**
Changes in working capital of continuing operations:		
Receivables	(1,414)	(769)
Inventories	(46)	40
Trade and other payables	(12,871)	(20,176)
Refundable deposits	(5,481)	(1,101)
Other assets and liabilities	9,747	8,052
Cash flow effect of changes in operating assets and liabilities of continuing operations	**(10,065)**	**(13,954)**
Cash generated from continuing operations before income tax payments and excluding ICE	**20,474**	**8,803**
Cash used for ICE	(7,875)	(4,541)
Cash generated from continuing operations before income tax payments and including ICE	**12,599**	**4,262**
Income taxes paid	(1,304)	(1,141)
Cash generated from continuing operating activities	**11,295**	**3,121**
Cash used in discontinued operations	(818)	(189)
Net cash generated from operating activities	**10,477**	**2,932**
Cash flows from investing activities:		
Purchase of RPCs	(23,071)	(9,528)
Purchase of property, plant and equipment	(1,840)	(1,945)
Total capital expenditures	**(24,911)**	**(11,473)**
Proceeds from sale of property, plant and equipment	155	(44)
Net cash used in investing activities	**(24,756)**	**(11,517)**
Cash flows from financing activities:		
Principal payments of long-term debt	–	(3)
Interest paid	(16,784)	(9,432)
Interest received	93	24
Proceeds from exercise of stock options	265	–
Net payments of finance lease obligations	319	(99)
Net proceeds from use of revolving credit facility	2,000	4,192
Payments for treasury share buyback	(695)	–
Net cash used in financing activities	**(14,802)**	**(5,318)**
Effect of exchange rate changes on cash and cash equivalents	(3,286)	(1,598)
Net decrease in cash and cash equivalents	**(32,367)**	**(15,501)**
Cash and cash equivalents, beginning of period	73,042	31,506
Cash and cash equivalents, end of period	**40,675**	**16,005**

[(1)] Certain numbers shown here do not correspond to the Q1 2009 financial statements and reflect adjustments made as detailed in the Notes.

Selected explanatory notes to unaudited consolidated interim financial statements

Basis of preparation of the first quarter condensed consolidated financial report

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

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

The accounting policies adopted in the preparation of the first quarter condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2009, except for the adoption of the new Standards and Interpretations as of January 1, 2010, noted below:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Changes according to IAS 8
In 2009, the Deutsche Prüfstelle für Rechnungslegung (DPR) selected IFCO on a random basis and reviewed the Company's consolidated 2007 financial statements. As a result of this review, the DPR suggested that the Company correct the following errors:

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

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

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

Consequently, the Company had to restate the Q1 2009 financial statements. The restatement relates to RPC recollections and led to a decrease of US $0.4 million in our cost of sales from US $138.8 million to US $138.4 million.

Dividend

On March 24, 2010, the General Meeting of Shareholders ("AGM") of IFCO SYSTEMS N.V. has resolved to adopt the financial statements relating to the year 2009 and to approve the proposal of the Board of Managing Directors and the Supervisory Board to pay to the shareholders a dividend of EUR 0.12 per ordinary share in respect of the financial year 2009. As at March 31, 2010, the Company recognized the dividend in the amount of US $8.3 million as a liability in the unaudited condensed interim statement of financial position.

Business segments

The following tables present revenue and EBITDA information regarding the Company's operating segments for Q1 2010 and Q1 2009, respectively.

US $ in thousands	Continuing Operations			Unallocated	Discontinued Operation	Q1 2010 Total Operations
	RPC Management Service	Pallet Management Service	Total	Corporate	Pallet Pooling	
Third party revenues	103,502	84,901	188,403	–	–	188,403
EBITDA	27,437	6,918	34,355	(2,528)	–	31,827
Net finance costs				(10,284)		(10,284)
Depreciation expense				(10,355)		(10,355)
Amortization of other assets				(323)		(323)
Stock-based compensation expense				(11)		(11)
Foreign currency loss				(455)		(455)
Nonrecurring items				(5,247)		(5,247)
Profit from continuing operations before taxes						5,152
Total assets	719,629	198,973	918,602	30,843	1	949,446

US $ in thousands	Continuing Operations			Unallocated	Discontinued Operation	Q1 2009 Total Operations
	RPC Management Service	Pallet Management Service	Total	Corporate	Pallet Pooling	
Third party revenues	84,123	85,733	169,856	–	–	169,856
EBITDA	19,972	6,516	26,488	(1,863)	–	24,625
Net finance costs				(6,242)	–	(6,242)
Depreciation expense				(9,163)	–	(9,163)
Amortization of other assets				(284)	–	(284)
Stock-based compensation expense				(120)	–	(120)
Foreign currency gain				1,146	–	1,146
Nonrecurring items				(3,734)	–	(3,734)
Profit from continuing operations before taxes						6,228
Total assets	628,024	199,218	827,242	16,313	1	843,556

Related parties

Due to the relationship between Mr. Schoeller, one of the Company's Supervisory Board members, and Schoeller Arca Systems (SAS), the main supplier of the Company's RPCs, the Company considers SAS to be a related party.

The following table provides the total amount of transactions that have been entered into with related parties in Q1 2010 and Q1 2009, respectively:

US $ in thousands	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Entity with significant influence over the Company				
Q1 2010	–	22,360	–	18,878
Q1 2009	282	8,350	–	2,919

As of March 31, 2010 and March 31, 2009, there were no trade receivables from related parties. As of March 31, 2010 and March 31, 2009, there were trade and other payables from related parties in the amount of US $18.9 million and US $2.9 million.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the quarter-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

Cautionary note

Cautionary note regarding forward looking statements

Some of the statements contained in this report discuss future expectations, contain projections of results of operations or financial condition of IFCO, or state other forward-looking information. These statements may include financial information and/or statements for periods following the period covered by this report. You can find many of these statements by looking for words like believes, expects, anticipates, estimates, or similar expressions used in this report.

These forward-looking statements may be affected by known and unknown risks, uncertainties, and other factors that could cause the actual results to differ materially from those contemplated by the statements. The forward-looking information is based on various factors and was derived using numerous assumptions that we believe to be reasonable. Risks and uncertainties are included in a separate section of this report.

Important factors that could cause our actual results to be materially different from the forward-looking statements are also discussed throughout this report.

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