IFCO SYSTEMS N.V.

Q2 2009 Report

IFCO

RPC | PALLET | SYSTEMS

Content

Basis of Presentation

To help the stakeholders of IFCO SYSTEMS N.V. (IFCO SYSTEMS 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 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 occur, to a lesser extent, 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 2008 to Q2 2009 between the Euro and the US Dollar. Accordingly, we have described certain comparative information below as currency adjusted information, whereby 2008 income statement and financial position figures have been translated to US Dollars using applicable 2009 currency exchange rates. Unless otherwise noted, no 2008 figures in tabular form are currency adjusted.

IFCO SYSTEMS GmbH, an indirect subsidiary of IFCO SYSTEMS N.V., acquired all of the shares of STECO Holding GmbH and its subsidiaries during 2008. We refer to this acquired group as STECO herein. STECO was consolidated for the first time commencing April 16, 2008. Accordingly, H1 2008 results do not reflect the results of STECO activities as far as Q1 2008 is concerned.

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

Group consolidated financial highlights – 2009 vs. 2008

Operations data

US $ in thousands, except per share amounts	Q2 2009	Q2 2008	% Change	H1 2009	H1 2008	% Change	LTM Q2 2009
Revenues	184,877	197,955	(6.6%)	354,733	365,762	(3.0%)	724,859
Gross profit	37,955	34,871	8.8%	68,996	61,075	13.0%	140,098
Gross profit margin	20.5%	17.6%		19.5%	16.7%		19.3%
Selling, general and administrative expenses (1)	19,665	20,963	(6.2%)	38,144	36,264	5.2%	75,637
Selling, general and administrative expenses as a percentage of revenues	10.6%	10.6%		10.8%	9.9%		10.4%
EBITDA	30,467	29,145	4.5%	54,655	51,430	6.3%	114,269
EBITDA margin	16.5%	14.7%		15.4%	14.1%		15.8%
EBIT	20,402	15,835	28.8%	35,143	27,345	28.5%	75,593
EBIT margin	11.0%	8.0%		9.9%	7.5%		10.4%
(Loss) profit from continuing operations before taxes	(516)	5,854		5,275	10,343	(49.0%)	(546)
Net (loss) profit	(4,420)	4,682		(2,084)	5,974		(14,096)
(Loss) profit per share from continuing operations – basic	(0.08)	0.09		(0.03)	0.12		(0.28)
(Loss) profit per share from continuing operations – diluted	(0.08)	0.09		(0.03)	0.12		(0.28)
Net (loss) profit per share – basic	(0.08)	0.09		(0.04)	0.11		(0.26)
Net (loss) profit per share – diluted	(0.08)	0.09		(0.04)	0.11		(0.26)
Operating cash flows from continuing operations (2)	21,565	28,220	(23.6%)	25,828	(552)		83,522
Capital expenditures from continuing operations (3)	13,356	39,921	(66.5%)	24,829	47,342	(47.6%)	66,440
Return on capital employed (ROCE) (4)	16.1%	15.3%					
Currency Adjusted:							
Revenues	184,877	188,764	(2.1%)	354,733	349,329	1.5%	725,484
Gross profit	37,955	33,011	15.0%	68,996	57,907	19.1%	140,465
EBITDA	30,467	27,440	11.0%	54,655	48,456	12.8%	114,619
EBIT	20,402	15,150	34.7%	35,143	26,175	34.3%	76,013

(1) The Company reclassified H1 2008 ICE related expenses of US $2.8 million (Q2 2008, US $2.2 million) previously included in selling, general and administrative expenses to a separate income statement line. H1 2008 amortization of other assets US $0.5 million (Q2 2008, US $0.3 million) (shown as part of other income, net in the condensed Income Statement of 2008) and H1 2008 stock based compensation expenses US $0.5 million (Q2 2008, US $0.4 million) are no longer presented in a separate income statement line and are reclassified to SG&A.

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

(3) 2008 includes the acquisition of STECO, net of cash acquired (US $29.5 million).

(4) 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.

Group consolidated financial highlights – 2009 vs. 2008

Financial position data

US $ in thousands	June 30, 2009	December 31, 2008	% Change
Cash and cash equivalents	42,068	31,506	33.5%
Property, plant and equipment	445,541	435,691	2.3%
Total debt, including finance lease obligations	335,154	291,494	15.0%
Net debt [1]	293,086	259,988	12.7%
Net debt currency adjusted	293,086	263,872	11.1%
Liquidity	100,070	53,548	86.9%
Shareholders equity	239,111	243,323	(1.7%)
Headcount of continuing operations (as of the respective financial position dates)	4,041	4,255	(5.0%)

Cash flows

US $ in thousands	H1 2009	H1 2008 [2]
Cash and cash equivalents, beginning of period	31,506	35,511
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	48,471	49,893
Cash flow effect of changes in working capital	(17,232)	(47,626)
Operating cash flows of continuing operations, prior to income tax payments and excluding ICE	**31,239**	**2,267**
Cash used for ICE	(5,411)	(2,819)
Operating cash flows of continuing operations, prior to income tax payments and including ICE	**25,828**	**(552)**
Income taxes paid	(3,100)	(4,210)
Operating cash flows of continuing operations	**22,728**	**(4,762)**
Operating cash flows of discontinued operations	1,038	(944)
	23,766	**(5,706)**
Investing cash flows [3]	**(24,728)**	**(47,288)**
Financing cash flows	**10,555**	**43,931**
Effect of exchange rate changes on cash and cash equivalents	969	2,203
Cash and cash equivalents, end of period	**42,068**	**28,651**

(1) Net debt includes cash and cash equivalents, all interest bearing debt and current and non-current finance lease obligations.
(2) The Company reclassified the Cash Flow Statement of H1 2008 regarding the cash used for ICE of US $2.8 million (resulting in an increase in cash generated from continuing operations by US $2.2 million and a decrease of changes in working capital of US $0.6 million), which is presented in a separate line.
(3) H1 2008 includes the acquisition of STECO, net of cash acquired (US $29.5 million).

IFCO SYSTEMS' group revenues fell in Q2 2009 and H1 2009, whereas operational profitability grew in Q2 2009 and H1 2009. RPC Management Services withstood the economic downturn and increased both revenues and EBITDA. However, in line with management's expectations, revenues and EBITDA in our Pallet Management Services business segment declined as a result of the effects of the US economic recession.

- Group **revenues** developed as follows:

US $ in thousands	Q2 2009	Q2 2008	% Change	H1 2009	H1 2008	% Change
Group revenues as reported	184,877	197,955	(6.6%)	354,733	365,762	(3.0%)
Group revenues currency adjusted	184,877	188,764	(2.1%)	354,733	349,329	1.5%

RPC Management Services' revenues developed as follows:

US $ in thousands	Q2 2009	Q2 2008	% Change	H1 2009	H1 2008	% Change
RPC Management Services revenues as reported	94,634	93,503	1.2%	178,757	164,030	9.0%
RPC Management Services revenues currency adjusted	94,634	84,312	12.2%	178,757	147,597	21.1%

Increased revenues in RPC Management Services is the result of organic growth in our European business, higher average pricing in Europe, the effects of the Q2 2008 STECO acquisition, increased volume in RPC South America and accelerating growth in our RPC US Management Services business.

Pallet Management Services' revenues developed as follows:

US $ in thousands	Q2 2009	Q2 2008	% Change	H1 2009	H1 2008	% Change
Pallet Management Services revenues	90,243	104,452	(13.6%)	175,976	201,732	(12.8%)

Revenues in Pallet Management Services declined compared to Q2 2008. Although key product volumes increased compared to the prior year quarter, increasing pricing pressure resulting from lowered overall market demand and structural and planned downsizing of our Custom Crating division drove revenues lower in this segment.

- **Gross profit margin** on a group level increased in Q2 2009 by 2.9 percentage points to 20.5% (H1 2009, grew 2.8 percentage points to 19.5%). RPC Management Services' gross profit margin grew significantly from 20.4% to 28.2% in Q2 2009, with improvements in both the US and European businesses. RPC Management Services benefited in Europe from increasing synergies resulting from the integration of the former STECO organization, in the US primarily from sustainable economies of scales effects and lower transportation costs, and in both regions as a result of lowered depreciation levels following an increase in the estimated useful life of our RPC pool from 8 to 10 years in Q3 2008. Gross profit margin in the Pallet Management Services business was down to 12.5% from 15.1% in Q2 2008, with the effects of lower customer prices partially offset by lower raw materials costs and fuel prices.
- Q2 2009 **selling, general and administrative expenses** (SG&A) decreased by 6.2% to US $19.7 million (H1 2009 increased by 5.2% to US $38.1 million). H1 2009 SG&A increased as compared to H1 2008, primarily due to the STECO acquisition, whereas

Group consolidated financial highlights – 2009 vs. 2008

only one quarter of H1 2008 included STECO SG&A, as compared to the entirety of H1 2009. The decline of SG&A in Q2 2009 compared to Q2 2008 however is largely due to realized SG&A synergies with STECO. SG&A as a percentage of revenues was flat at 10.6% in Q2 2009 compared to Q2 2008 and increased slightly in H1 2009 (10.8%) compared to H1 2008 (9.9%).

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

US $ in thousands	Q2 2009	Q2 2008	% Change	H1 2009	H1 2008	% Change
Group EBITDA as reported	30,467	29,145	4.5%	54,655	51,430	6.3%
Group EBITDA margin as reported	16.5%	14.7%		15.4%	14.1%	
Group EBITDA currency adjusted	30,467	27,440	11.0%	54,655	48,456	12.8%
Group EBITDA margin currency adjusted	16.5%	14.5%		15.4%	13.9%	

- Q2 2009 **EBIT** grew by 28.8% to US $20.4 million (H1 2009 increased by 28.5% to US $35.1 million). LTM Q2 2009 EBIT reached a level of US $75.6 million. EBIT margin increased significantly to a level of 11.0% in Q2 2009 (9.9% in H1 2009) from 8.0% in Q2 2008 (7.5% in H1 2008).
- **Net profit** decreased from US $4.7 million in Q2 2008 to a net loss of US $4.4 million in Q2 2009 (H1 2009 from a net profit of US $6.0 million to a net loss of US $2.1 million). Gains in operating profit were more than offset by a higher deferred tax provision and the costs recognized in connection with IFCO SYSTEMS' comprehensive refinancing in June 2009, which were included in net finance costs. Excluding these one time refinancing expenses, net profit for H1 2009 would have been US $6.3 million.
- As a result of the above, **basic profit per ordinary share** from continuing operations decreased from US $0.09 in Q2 2008 to a loss of US $0.08 in Q2 2009 (H1 2008 fell from a profit of US $0.12 to a loss of US $0.03).
- **ROCE** from continuing operations, on an LTM basis, increased to 16.1% as of June 30, 2009, compared to 15.3% as of June 30, 2008.
- IFCO SYSTEMS **cash flow from continuing operations**, excluding the cash flow effect of income tax payments and ICE related payments, increased to US $31.2 million in H1 2009 from US $2.3 million in H1 2008. The lower H1 2008 result was primarily due to reduced refundable deposit levels and other related effects on working capital following the termination of the EDEKA contract in Europe during H1 2008. Including the ICE effects, IFCO SYSTEMS generated cash from continuing operations of US $25.8 million in H1 2009 as compared to a cash outflow of US $0.6 million in H1 2008.
- Our **capital expenditure** levels (excluding the cash paid for the STECO acquisition in Q2 2008) increased by US $2.9 million, or 27.6%, to US $13.4 million during Q2 2009 (H1 2009, 38.8% to US $24.8 million). Following the loss of a key retail contract in early 2008, our European RPC division temporarily reduced its RPC pool investments until replacement retail contracts were adequately in place. Following the improved usage of the RPC pool in Europe and the realized growth in the US and South America, this division is continuing to invest in its RPC pool in 2009, resulting in higher capital expenditures compared to 2008. This relative moderate increase has been partially offset by improved turns of our RPC pool, significantly lower costs

of raw materials for all of our RPC pools in H1 2009, reducing the average per unit acquisition cost of a new RPC in H1 2009 as compared to H1 2008.

- As a result of the above mentioned refinancing activities, **net debt** increased by US $33.1 million to US $293.1 million as of June 30, 2009 compared to December 31, 2008 (on a currency adjusted basis grew by US $29.2 million).
- Our sources of **liquidity** currently include cash from operations, cash and cash equivalents on hand, amounts available under our RCF and certain factoring agreements. As of June 30, 2009, our liquidity significantly increased by US $46.5 million, or 86.9%, to US $100.1 million compared to December 31, 2008. 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	Q2 2009	Q2 2008	% Change	H1 2009	H1 2008	% Change	LTM Q2 2009
Revenues	94,634	93,503	1.2%	178,757	164,030	9.0%	373,009
Gross profit	26,644	19,086	39.6%	45,404	31,212	45.5%	91,898
Gross profit margin	28.2%	20.4%		25.4%	19.0%		24.6%
EBITDA	27,154	21,981	23.5%	46,689	37,694	23.9%	96,467
EBITDA margin	28.7%	23.5%		26.1%	23.0%		25.9%
EBIT	18,771	10,212	83.8%	30,538	16,616	83.8%	64,341
EBIT margin	19.8%	10.9%		17.1%	10.1%		17.2%
Total RPC trips (in thousands)	117,618	103,930	13.2%	222,930	180,610	23.4%	440,542
Total RPC trips (in thousands, ProForma STECO 2008)	117,618	103,930	13.2%	222,930	197,717	12.8%	440,542
RPC pool size (end of period, in thousands, ProForma STECO 2008)	98,716	95,585	3.3%	98,716	95,585	3.3%	98,716
Average RPC annualized turns (ProForma STECO 2008)	4.81	4.36	10.3%	4.57	4.13	10.7%	4.53
Currency Adjusted:							
Revenues	94,634	84,312	12.2%	178,757	147,597	21.1%	373,634
Gross profit	26,644	17,226	54.7%	45,404	28,044	61.9%	92,265
EBITDA	27,154	20,000	35.8%	46,689	34,227	36.4%	96,837
EBIT	18,771	9,251	102.9%	30,538	14,953	104.2%	64,781

Revenues

- RPC Management Services' revenues in Q2 2009 increased by 1.2% to US $94.6 million (H1 2009 by 9.0%) compared to Q2 2008. Revenues on a currency adjusted basis grew by 12.2% to US $94.6 million in Q2 2009 compared to Q2 2008 (H1 2009 by 21.1%). This increase is primarily due to organic growth in RPC Europe, the acquisition of STECO in Q2 2008, significant growth in RPC US and growing volumes in RPC South America.
- Total trips increased by 13.2% to 117.6 million in Q2 2009 (H1 2009 by 23.4% to 222.9 million, on a ProForma STECO basis (i.e. including Q1 2008) by 12.8%). These gains resulted from organic growth in our core business in Europe, a significant increase of our South American business volumes as new retail business in Brazil has been initiated, and continued and strong retailer and market share expansion in our RPC US business.
- Compared to Q2 2008, our overall average per trip pricing levels declined in Q2 2009. RPC Europe showed increasing pricing levels, while prices in RPC US fell slightly. Due to a lower cost structure in South America, prices are significantly lower compared to Europe or the US. Therefore, the increasing volume in South America has brought down group level average prices.
- The annualized turns of our global RPC pool increased significantly to 4.81 turns during Q2 2009 compared to 4.36 in Q2 2008, as a result of better overall pool utilization in Europe and the US, as well as the significantly faster turns realized in our South American business.

Operational expenses and profitability

- RPC Management Services' gross profit significantly increased by 39.6% to US $26.6 million in Q2 2009 (H1 2009, 45.5% to US $45.4 million). Gross profit margin grew by 7.8 percentage points to 28.2% in Q2 2009. Gross profit margin in our core European business benefited from realized synergies following the integration of the former STECO organization. US business gross profit increased as a result of the favorable fixed cost leverage effects of higher volumes and lower transportation costs. All divisions experienced lower depreciation levels following an increase in the estimated useful life of our RPC pool from 8 to 10 years in Q3 2008.
- SG&A decreased in Q2 2009 compared to Q2 2008 by 14.6%. SG&A decreased in our RPC Europe business and is nearly flat in our RPC US business (H1 2009 increased by 10.5%).
- As a result of the items discussed above, EBITDA and EBITDA margin developed as follows:

US $ in thousands	Q2 2009	Q2 2008	% Change	H1 2009	H1 2008	% Change
EBITDA as reported	27,154	21,981	23.5%	46,689	37,694	23.9%
EBITDA margin as reported	28.7%	23.5%		26.1%	23.0%	
EBITDA currency adjusted	27,154	20,000	35.8%	46,689	34,227	36.4%
EBITDA margin currency adjusted	28.7%	23.7%		26.1%	23.2%	

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

US $ in thousands	Q2 2009	Q2 2008	% Change	H1 2009	H1 2008	% Change
EBIT as reported	18,771	10,212	83.8%	30,538	16,616	83.8%
EBIT margin as reported	19.8%	10.9%		17.1%	10.1%	
EBIT currency adjusted	18,771	9,251	102.9%	30,538	14,953	104.2%
EBIT margin currency adjusted	19.8%	11.0%		17.1%	10.1%	

Pallet Management Services

US $ in thousands	Q2 2009	Q2 2008	% Change	H1 2009	H1 2008	% Change	LTM Q2 2009
Revenues	90,243	104,452	(13.6%)	175,976	201,732	(12.8%)	351,850
Gross profit	11,311	15,785	(28.3%)	23,592	29,863	(21.0%)	48,200
Gross profit margin	12.5%	15.1%		13.4%	14.8%		13.7%
EBITDA	5,607	9,301	(39.7%)	12,123	17,561	(31.0%)	25,765
EBITDA margin	6.2%	8.9%		6.9%	8.7%		7.3%
EBIT	3,925	7,760	(49.4%)	8,762	14,554	(39.8%)	19,215
EBIT margin	4.3%	7.4%		5.0%	7.2%		5.5%

Revenues

- Revenues decreased by 13.6% to US $90.2 million in Q2 2009 (H1 2009, 12.8% to US $176.0 million).
- The economic recession in the US has resulted in overall lower market demand, creating an increasingly challenging pricing environment. One of the Company's key strategies during this recession has been to utilize the raw materials it derives from its retail relationships to increase its market share. This strategy continues to be

Segment Information

successful, with volume gains in the sales of our key products in Q2 and H1 2009 as compared to Q2 and H1 2008, even as gross domestic product in the US is expected to have declined approximately 3.7% during the first half of 2009. However, this strategy, together with weak market conditions, has resulted in temporarily lower pricing and reduced revenues. Additionally, we have made several decisions to reduce the scope of our smaller Custom Crating division, which also contributed to the overall revenue decline.

Operational expenses and profitability

- Gross profit margin in our Pallet Management Services division decreased by 2.6 percentage points to 12.5% in Q2 2009 (H1 2009, by 1.4 percentage points to 13.4%). The gross profit margin decrease is due to effects of the pricing pressure described above, higher distances in transporting finished goods to balance inventories across the organization and an increase in depreciation as a result of continued investments in the Company's trailer fleet. These negative effects have been partially offset by lower raw materials costs, whose average cost has also continued to decline during the economic recession, and lower fuel costs.
- Total SG&A expenses decreased by 10.7% during Q2 2009 (H1 2009, decreased by 4.9%).
- As a result of the items discussed above, our Pallet Management Services EBITDA, EBITDA margin, EBIT and EBIT margin developed as follows:

US $ in thousands	Q2 2009	Q2 2008	% Change	H1 2009	H1 2008	% Change
Pallet Management Services EBITDA	5,607	9,301	(39.7%)	12,123	17,561	(31.0%)
Pallet Management Services EBITDA margin	6.2%	8.9%		6.9%	8.7%	
Pallet Management Services EBIT	3,925	7,760	(49.4%)	8,762	14,554	(39.8%)
Pallet Management Services EBIT margin	4.3%	7.4%		5.0%	7.2%	

Corporate

US $ in thousands	Q2 2009	Q2 2008	% Change	H1 2009	H1 2008	% Change	LTM Q2 2009
EBITDA	(2,294)	(2,137)	7.3%	(4,157)	(3,825)	8.7%	(7,963)
EBIT	(2,294)	(2,137)	7.3%	(4,157)	(3,825)	8.7%	(7,963)
Net finance costs	17,405	7,021	147.9%	23,647	12,967	82.4%	38,601
Foreign currency gain (loss), net	697	4	17,325.0%	1,843	(118)		(1,624)
Income tax provision	3,671	973	277.3%	6,991	4,058	72.3%	14,645
Loss from discontinued operations	(233)	(199)	17.1%	(368)	(311)	18.3%	1,095

EBIT
Our corporate EBIT charges increased by US $0.2 million in Q2 2009 (H1 2009, US $0.3 million).

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

US $ in thousands	Q2 2009	Q2 2008	% Change	H1 2009	H1 2008	% Change
Recurring interest items	8,986	7,021	28.0%	15,228	12,967	17.4%
Interest items affected by refinancing	8,419	–	N/A	8,419	–	N/A
Net finance costs	17,405	7,021	147.9%	23,647	12,967	82.4%

Reported interest relating to the refinancing includes the redemption premium for the EUR 110 million bond (US $4.0 million) and the amortization of the capitalized debt issuance costs of the EUR 110 million bond and the RCF (US $4.4 million) (see Notes).

Foreign currency gain (loss), 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 Q2 2009 consists of a deferred income tax provision of approximately US $2.8 million (deferred income tax benefit in Q2 2008: US $0.1 million) and approximately US $0.9 million of current income tax provision accruals (Q2 2008: US $1.1 million). Our income tax provision in H1 2009 consists of a deferred income tax provision of approximately US $5.4 million (deferred income tax provision in H1 2008: US $1.4 million) and approximately US $1.6 million of current income tax provision accruals (H1 2008: US $2.6 million).

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

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

Segment Information

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 USD $20.7 million with approximately USD $2.6 million paid in Q1 2009, then approximately USD $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.

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 spreads to the worldwide economy, it is expected that the global economic environment will be very challenging in 2009. While we anticipate the economy in both Europe and the United States, our two key markets, to decline overall in 2009, it is expected that these economies will begin to recover in 2010.

It is expected that our RPC Management Services business will not materially suffer from the worldwide economic downturn, as the grocery food retail industry, which is our main customer base, will not be as strongly affected as other industries.

Therefore, the European RPC Management Services business will continue to leverage our leadership position and market experience to meet or exceed overall market development. We will increase our sales initiatives and continue to expand geographic presence in Western Europe, Central Eastern Europe and South America. In the United States, we expect an increase in the overall RPC penetration among grocery food retailers and expect to grow in excess of this market development. Based on our solid RPC business model, the RPC Management Services businesses is expected to grow in 2009. Therefore, we will continue to invest in our RPC pool during 2009. These investments, however, will be carefully aligned with our business development and are targeted to increase the return on our invested capital.

We expect that Pallet Management Services business will be negatively affected by the overall economic decline in the United States in 2009, primarily as a result of pressure on prices from this lower demand. However, we remain confident that the key competitive advantages of 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 will allow our Pallet Management Services segment to increase volumes and market share in 2009 and sustain our existing leadership position.

Although the economic environment in 2009 will remain uncertain for a large part of the year, we believe that the above described trends will result in increased revenues and profitability in 2009 as compared to 2008.

Financially, we are in a position to be able to fund our capital, operational and debt service requirements through our own operational 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 (loss) 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	Q2 2009	Q2 2008	H1 2009	H1 2008
Net (loss) profit	(4,420)	4,682	(2,084)	5,974
Net finance costs	17,405	7,021	23,647	12,967
Income tax provision	3,671	973	6,991	4,058
Depreciation expense	9,747	13,009	18,910	23,613
Amortization of other assets	318	301	602	472
Stock-based compensation (income) expense	(349)	427	(229)	469
Foreign currency (gain) loss	(697)	(4)	(1,843)	118
Nonrecurring items [1]	4,559	2,537	8,293	3,448
Loss from discontinued operations	233	199	368	311
EBITDA	**30,467**	29,145	**54,655**	51,430

Reconciliation of EBITDA to EBIT

US $ in thousands	Q2 2009	Q2 2008	H1 2009	H1 2008
EBITDA	30,467	29,145	54,655	51,430
Depreciation expense	(9,747)	(13,009)	(18,910)	(23,613)
Amortization of other assets	(318)	(301)	(602)	(472)
EBIT	**20,402**	15,835	**35,143**	27,345

[1] 2008 nonrecurring items consist primarily of the legal costs associated with the ICE investigation. 2009 nonrecurring items consist of 'ICE related expenses', the operating result of ILD Logistik + Transport GmbH, which was a part of the STECO acquisition, but will be liquidated, and severance accruals. ICE related expenses consist of legal expenses, salaries for employees on leave and the interest accrued on the present value of the ICE settlement obligation.

Summary information by continuing business segment

US $ in thousands	Q2 2009	Q2 2008	% Change	H1 2009	H1 2008	% Change	LTM Q2 2009
Revenues:							
RPC Management Services	94,634	93,503	1.2%	178,757	164,030	9.0%	373,009
Pallet Management Services	90,243	104,452	(13.6%)	175,976	201,732	(12.8%)	351,850
	184,877	197,955	(6.6%)	**354,733**	365,762	(3.0%)	**724,859**
Gross profit:							
RPC Management Services	26,644	19,086	39.6%	45,404	31,212	45.5%	91,898
Pallet Management Services	11,311	15,785	(28.3%)	23,592	29,863	(21.0%)	48,200
	37,955	34,871	8.8%	**68,996**	61,075	13.0%	**140,098**
EBITDA:							
RPC Management Services	27,154	21,981	23.5%	46,689	37,694	23.9%	96,467
Pallet Management Services	5,607	9,301	(39.7%)	12,123	17,561	(31.0%)	25,765
Operations subtotal	**32,761**	31,282	4.7%	**58,812**	55,255	6.4%	**122,232**
Corporate	(2,294)	(2,137)	7.3%	(4,157)	(3,825)	8.7%	(7,963)
	30,467	29,145	4.5%	**54,655**	51,430	6.3%	**114,269**
EBIT:							
RPC Management Services	18,771	10,212	83.8%	30,538	16,616	83.8%	64,341
Pallet Management Services	3,925	7,760	(49.4%)	8,762	14,554	(39.8%)	19,215
Operations subtotal	**22,696**	17,972	26.3%	**39,300**	31,170	26.1%	**83,556**
Corporate	(2,294)	(2,137)	7.3%	(4,157)	(3,825)	8.7%	(7,963)
	20,402	15,835	28.8%	**35,143**	27,345	28.5%	**75,593**
Operating cash flows:							
RPC Management Services	20,675	23,456	(11.9%)	26,690	(3,887)		80,669
Pallet Management Services	6,508	7,009	(7.1%)	4,733	5,448	(13.1%)	21,389
Operations subtotal	**27,183**	30,465	(10.8%)	**31,423**	1,561	1,913.1%	**102,058**
Corporate	(5,618)	(2,245)	150.2%	(5,595)	(2,113)	164.8%	(18,536)
	21,565	28,220	(23.6%)	**25,828**	(552)		**83,522**
Capital expenditures:							
RPC Management Services	12,833	39,113	(67.2%)	23,597	45,283	(47.9%)	63,835
Pallet Management Services	400	304	31.6%	937	1,185	(20.9%)	1,654
Operations subtotal	**13,233**	39,417	(66.4%)	**24,534**	46,468	(47.2%)	**65,489**
Corporate	123	504	(75.6%)	295	874	(66.2%)	951
	13,356	39,921	(66.5%)	**24,829**	47,342	(47.6%)	**66,440**

	June 30, 2009	December 31, 2008
Personnel:		
RPC Management Services	705	855
Pallet Management Services	3,328	3,392
Operations subtotal	4,033	4,247
Corporate	8	8
	4,041	4,255

IFCO SYSTEMS N.V. and subsidiaries condensed unaudited consolidated financial positions

US $ in thousands	June 30, 2009	December 31, 2008
Assets		
Non-current assets:		
Goodwill	207,813	205,317
Property, plant and equipment, net	445,541	435,691
Other assets	9,229	13,258
Total non-current assets	**662,583**	654,266
Current assets:		
Receivables, net	181,309	158,823
Inventories	15,000	17,535
Other current assets	20,586	25,579
Cash and cash equivalents	42,068	31,506
Total current assets	**258,963**	233,443
Total assets	**921,546**	887,709
Equity and liabilities		
Equity attributable to equity holders of the parent:		
Ordinary share capital	583	583
Treasury shares	(8,150)	(8,150)
Paid in capital	521,737	521,966
Other reserves	(6,461)	(4,562)
Retained earnings	(268,598)	(266,514)
Total equity	**239,111**	243,323
Non-current liabilities:		
Interest bearing loans and borrowings, net of current maturities	259,461	169,743
Finance lease obligations, net of current maturities	35,656	34,677
Other liabilities	20,572	24,626
Total non-current liabilities	**315,689**	229,046
Current liabilities:		
Current maturities of interest bearing loans and borrowings	18,751	65,830
Current maturities of finance lease obligations	21,286	21,244
Provisions	11,904	15,494
Refundable deposits	144,016	133,046
Trade and other payables	117,190	128,576
Other liabilities	53,599	51,150
Total current liabilities	**366,746**	415,340
Total liabilities	**682,435**	644,386
Total equity and liabilities	**921,546**	887,709

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

US $ in thousands, except share and per share amounts	Q2 2009	Q2 2008 [1]	H1 2009	H1 2008 [1]
Revenues	184,877	197,955	354,733	365,762
Cost of sales	146,922	163,084	285,737	304,687
Gross profit	**37,955**	**34,871**	**68,996**	**61,075**
Selling expenses	4,553	5,531	9,597	9,291
General and administrative expenses	15,112	15,432	28,547	26,973
Other income, net	(41)	(817)	(243)	(1,076)
Profit from operating activities	**18,331**	**14,725**	**31,095**	**25,887**
ICE related expenses [2]	(2,138)	(2,248)	(3,989)	(2,840)
Foreign currency gain (loss), net	697	4	1,843	(118)
Other (loss) income, net	(1)	394	(27)	381
Net finance costs	(17,405)	(7,021)	(23,647)	(12,967)
(Loss) profit from continuing operations before taxes	**(516)**	**5,854**	**5,275**	**10,343**
Current income tax provision	(853)	(1,068)	(1,596)	(2,636)
Deferred income tax (provision) benefit	(2,818)	95	(5,395)	(1,422)
Income tax provision	**(3,671)**	**(973)**	**(6,991)**	**(4,058)**
(Loss) profit before discontinued operations	**(4,187)**	**4,881**	**(1,716)**	**6,285**
Loss from discontinued operations	(233)	(199)	(368)	(311)
Net (loss) profit	**(4,420)**	**4,682**	**(2,084)**	**5,974**
(Loss) profit per share from continuing operations – basic	(0.08)	0.09	(0.03)	0.12
(Loss) profit per share from continuing operations – diluted	(0.08)	0.09	(0.03)	0.12
Net (loss) profit per share – basic	(0.08)	0.09	(0.04)	0.11
Net (loss) profit per share – diluted	(0.08)	0.09	(0.04)	0.11
Shares on which net profit is calculated:				
Basic [3]	53,473,175	53,840,035	53,473,175	53,873,654
Effect of dilutive stock options	–	275,834	–	345,983
Diluted	**53,473,175**	**54,115,869**	**53,473,175**	**54,219,637**

[1] The Company reclassified H1 2008 ICE related expenses of US $2.8 million (Q2 2008, US $2.2 million) previously included in selling, general and administrative expenses to a separate income statement line. H1 2008 amortization of other assets US $0.5 million (Q2 2008, US $0.3 million) (shown as part of other income, net in the condensed Income Statement of 2008) and H1 2008 stock based compensation expenses US $0.5 million (Q2 2008, US $0.4 million) are no longer presented in a separate income statement line and are reclassified to SG&A.

[2] 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.

[3] Average outstanding shares during the period.

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

US $ in thousands	H1 2009	H1 2008
Net (loss) profit	(2,084)	5,974
Currency translation differences	(1,899)	(1,031)
Other comprehensive income for the period	**(3,983)**	(1,031)
Total comprehensive income for the period	**(3,983)**	4,943

IFCO SYSTEMS N.V. and subsidiaries unaudited 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, 2007	54,222,214	269,946	583	(3,205)	522,545	(260,476)	(4,821)	254,626
Stock-based compensation expense	–	–	–	–	372	–	–	372
Buyback of treasury shares	–	183,032	–	(2,170)	–	–	–	(2,170)
Exercise of stock options funded by treasury shares	–	(61,000)	–	831	(628)	–	–	203
Net profit	–	–	–	–	–	5,974	–	5,974
Other comprehensive income	–	–	–	–	–	–	(1,031)	(1,031)
Total comprehensive income	–	–	–	–	–	5,974	(1,031)	4,943
Balance at June 30, 2008	54,222,214	391,978	583	(4,544)	522,289	(254,502)	(5,852)	257,974
Balance at December 31, 2008	54,222,214	749,039	583	(8,150)	521,966	(266,514)	(4,562)	243,323
Stock-based compensation income	–	–	–	–	(229)	–	–	(229)
Net loss	–	–	–	–	–	(2,084)	–	(2,084)
Other comprehensive income	–	–	–	–	–	–	(1,899)	(1,899)
Total comprehensive income	–	–	–	–	–	(2,084)	(1,899)	(3,983)
Balance at June 30, 2009	**54,222,214**	**749,039**	**583**	**(8,150)**	**521,737**	**(268,598)**	**(6,461)**	**239,111**

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

US $ in thousands	H1 2009	H1 2008 [(1)]
Cash flows from continuing operating activities:		
Net (loss) profit	(2,084)	5,974
ICE related expenses	2,138	2,248
Adjustments for:		
Depreciation and amortization expense of property, plant and equipment	18,910	23,613
Amortization of other assets	602	472
Stock-based compensation (income) expense	(229)	469
Foreign currency (gain) loss, net	(1,843)	118
Income tax provision	6,991	4,058
Income from equity entity	–	(407)
(Income) loss on sale of property, plant and equipment	(29)	70
Net finance costs	23,647	12,967
Loss from discontinued operations	368	311
Cash generated from continuing operations, excluding the cash flow effect of changes in working capital	**48,471**	**49,893**
Changes in working capital of continuing operations:		
Receivables	(19,650)	6,246
Inventories	2,542	(2,973)
Trade and other payables	(12,158)	(30,903)
Refundable deposits	8,405	(15,405)
Other assets and liabilities	3,629	(4,591)
Cash flow effect of changes in operating assets and liabilities of continuing operations	**(17,232)**	**(47,626)**
Cash generated from continuing operations before income tax payments and excluding ICE	**31,239**	**2,267**
Cash used for ICE	(5,411)	(2,819)
Cash generated from (used in) continuing operations before income tax payments and including ICE	**25,828**	**(552)**
Income taxes paid	(3,100)	(4,210)
Cash generated from (used in) continuing operating activities	**22,728**	**(4,762)**
Cash generated from (used in) discontinued operations	1,038	(944)
Net cash generated from (used in) operating activities	**23,766**	**(5,706)**
Cash flows from investing activities:		
Purchase of RPCs	(21,782)	(14,738)
Purchase of property, plant and equipment	(3,047)	(3,153)
Acquisition of STECO Holding GmbH and its subsidiaries, net of cash acquired	–	(29,451)
Total capital expenditures	**(24,829)**	**(47,342)**
Proceeds from sale of property, plant and equipment	101	54
Net cash used in investing activities	**(24,728)**	**(47,288)**
Cash flows from financing activities:		
Principal proceeds (payments) of long-term debt	119,916	(22)
Interest paid [(2)]	(48,296)	(11,441)
Interest received	59	199
Proceeds from exercise of stock options	–	203
Net (payments) proceeds of finance lease obligations	(453)	1,185
Net (payments for payback) proceeds from use of working capital facility	(60,671)	55,977
Payments for treasury share buyback	–	(2,170)
Net cash generated from financing activities	**10,555**	**43,931**
Effect of exchange rate changes on cash and cash equivalents	969	2,203
Net increase (decrease) in cash and cash equivalents	**10,562**	**(6,860)**
Cash and cash equivalents, beginning of period	31,506	35,511
Cash and cash equivalents, end of period	**42,068**	**28,651**

[(1)] The Company reclassified the Cash Flow Statement of H1 2008 regarding the cash used for ICE of US $2.8 million (resulting in an increase in cash generated from continuing operations by US $2.2 million and a decrease of changes in working capital (other assets and liabilities) of US $0.6 million), which is presented in a separate line.
[(2)] Interest paid includes interest paid affected by refinancing of US $27.9 million (see Notes for further information).

Notes to consolidated financial statements

Basis of preparation of the second quarter financial report

This second quarter 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 financial report 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 report.

This second quarter interim financial report should also be read in conjunction with the annual financial report of IFCO SYSTEMS N.V. as of December 31, 2008.

The accounting policies adopted in the preparation of the second quarter interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2008, except for the adoption of the new Standards and Interpretations as of January 1, 2009, noted below:

- IAS 1 – Presentation of Financial Statements - Revised
  The standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single, or in two linked statements. The Company has elected to present two statements.

- IAS 23 – Borrowing Costs – Revised
  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 has adopted this prospective change. Accordingly, borrowing costs are capitalized on qualifying assets with a commencement date after January 1, 2009. No changes have been made for borrowing costs incurred prior to this date that have been expensed. This revised standard did not have any impact on the Company's financial position or performance.

- IAS 32 Financial Instruments – Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
  The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfill a number of specified features. The amendments to the standards did not have any impact on the financial position or performance of the Company, as the Company has not issued such instruments.

- IFRS 2 Share based Payment (Revised)
  The revised standard clarifies the definition of a vesting condition and describes the treatment for an award that is effectively cancelled. This revised standard did not have any impact on the Company's financial position or performance.

- IFRS 7 Financial Instruments: Disclosures
  The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures and the liquidity risk disclosures are not impacted by the amendments.

- IFRS 8 Operating Segments
  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 did not have any impact on the segment presentation. However, there are additional disclosure requirements shown within these Notes.

- IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement
  These amendments to IFRIC 9 require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss. This interpretation did not have any impact on the Company's financial statements as no embedded derivatives currently exist.

- IFRIC 13 Customer Loyalty Programmes
  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. This interpretation did not have any impact on the Company's financial statements as no such schemes currently exist.

- IFRIC 15 Agreement for the Construction of Real Estate
  The interpretation has been applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18. IFRIC 15 did not have any impact on the consolidated financial statement because the Company does not conduct such activity.

Notes to consolidated financial statements

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
  The interpretation was applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. IFRIC 16 did not have any impact on the financial position or performance of the Company, as the Company has not entered into hedges.

Improvements to IFRSs
In May 2008 the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Company.

- IAS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments:
  Recognition and Measurement are not automatically classified as current in the balance sheet.

- IAS 8 Accounting Policies, Change in Accounting Estimates and Errors:
  Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.

- IAS 10 Events after the Reporting Period:
  Clarification that dividends declared after the end of the reporting period are not obligations.

- IAS 16 Property, Plant and Equipment:
  Replace the term 'net selling price' with 'fair value less costs to sell'.
  Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale.

- IAS 18 Revenues:
  Replacement of the term 'direct costs' with 'transaction costs' as defined in IAS 39.

- IAS 19 Employee Benefits:
  Revised the definition of 'past service costs', 'return on plan assets' and 'short term' and 'other long-term' employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment. Deleted the reference to the recognition of contingent liabilities to ensure consistency with IAS 37.

- IAS 20 Accounting for Government Grants and Disclosures of Government Assistance:
  Loans granted in the future with no or low interest rates will not be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is accounted for as government grant. Also, revised various terms used to be consistent with other IFRS.

- IAS 23 Borrowing Costs:
  The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' in to one - the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.

- IAS 27 Consolidated and Separate Financial Statements:
  When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

- IAS 28 Investment in Associates:
  If an associate is accounted for at fair value in accordance with IAS 39, only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies.
  An investment in an associate is a single asset for the purpose of conducting the impairment test. Therefore, any impairment test is not separately allocated to the goodwill included in the investment balance.

- IAS 29 Financial Reporting in Hyperinflationary economies:
  Revised the reference to the exception to measure assets and liabilities at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. Also, revised various terms used to be consistent with other IFRS.

- IAS 31 Interest in Joint Ventures:
  If a joint venture is accounted for at fair value, in accordance with IAS 39, only the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.

- IAS 34 Interim Financial Reporting:
  Earnings per share are disclosed in interim financial reports if an entity is within the scope of IAS 33.

- IAS 36 Impairment of Assets:
  When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'.

Notes to consolidated financial statements

- IAS 38 Intangible Assets:
  Expenditure on advertising and promotional activities is recognized as an expense when the Company either has the right to access the goods or has received the service.
  The reference to there being rarely, if ever, persuasive evidence to support an amortization method of intangible assets other than a straight-line method has been removed.

- IAS 39 Financial Instruments: Recognition and Measurement:
  Changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. Removed the reference in IAS 39 to a 'segment' when determining whether an instrument qualifies as a hedge. Require the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.

- IAS 40 Investment Property:
  Revision of the scope such that property under construction or development for future use as an investment property is classified as investment property. If fair value cannot be reliably determined, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. Also, revised of the conditions for a voluntary change in accounting policy to be consistent with IAS 8 and clarified that the carrying amount of investment property held under lease is the valuation obtained increased by any recognized liability.

- IAS 41 Agriculture:
  Removed the reference to the use of a pre-tax discount rate to determine fair value. Removed the prohibition to take into account cash flows resulting from any additional transformations when estimating fair value. Also, replaced of the term 'point-of-sale costs' with 'costs to sell'.

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
  Paragraphs 8A and 36A were added.

- IFRS 7 Financial Instrument: Disclosures:
  Removal of the reference to 'total interest income' as a component of finance costs.

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 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. The Company also made changes in the presentation of the cash flow statement. The Company made reclassifications within the cash flow statement for the ICE investigation. The comparative H1 2008 figures for the income statement and cash flow statement were reclassified accordingly.

The Company has adopted IFRS 8 'Operating Segments' and has changed its segment measurement from income from operations to EBITDA. The following tables present revenue and EBITDA information regarding the Company's operating segments for H1 2009 and H1 2008, respectively.

US $ in thousands	Continuing Operations		Unallocated	H1 2009 Total
	RPC Management Service	Pallet Management Service	Corporate	
Third party revenues	178,757	175,976	–	354,733
EBITDA	46,689	12,123	(4,157)	54,655
Net finance costs				(23,647)
Depreciation expense				(18,910)
Amortization of other assets				(602)
Stock-based compensation income				229
Foreign currency gain				1,843
Nonrecurring items				(8,293)
Profit from continuing operations before taxes				5,275

US $ in thousands	Continuing Operations		Unallocated	H1 2008 Total
	RPC Management Service	Pallet Management Service	Corporate	
Third party revenues	164,030	201,732	–	365,762
EBITDA	37,694	17,561	(3,825)	51,430
Net finance costs				(12,967)
Depreciation expense				(23,613)
Amortization of other assets				(472)
Stock-based compensation expense				(469)
Foreign currency loss				(118)
Nonrecurring items				(3,448)
Profit from continuing operations before taxes				10,343

Refinancing of IFCO SYSTEMS

IFCO SYSTEMS refinanced its debt structure by placing a new senior secured bond at an aggregate principal amount of EUR 200 million (new bond) with a maturity on June 30, 2016 and by extending its Revolving Credit Facility (new RCF) at an amount of EUR 65 million for another three years until May 29, 2012.

The bond proceeds were used to redeem IFCO SYSTEMS existing EUR 110 million bond (old bond), to pay down amounts outstanding under the RCF (old RCF) in the amount of EUR 50 million, to escrow amounts for payment of the STECO vendor note due in June 2010 resulting from the acquisition of STECO in 2008, and cover the redemption premium and associated fees.

Notes to consolidated financial statements

The principal amount of the new bond (US $282.7 million) less corresponding deferred financing costs (US $25.1 million) are the major components of non-current interest bearing loans and borrowings of the financial position as of June 30, 2009.

The major components of net finance costs are as follows:

US $ in thousands	H1 2009	H1 2008
Redemption premium old bond	3,985	–
Amortization of deferred financing costs old bond	2,487	–
Amortization of deferred financing costs old RCF	1,947	–
Interest items affected by refinancing	**8,419**	**–**
Interest old bond	8,168	8,757
Interest new bond	1,480	–
Old RCF	1,716	1,335
Interest on STECO vendor note	1,580	–
Finance leases	1,377	1,260
Other	907	1,615
Recurring interest items	**15,228**	**12,967**
Net finance costs	**23,647**	**12,967**

The effects of the refinancing in the cash flow statement are as follows:

US $ in thousands	H1 2009	H1 2008
	YTD average 1,3326	YTD average 1,5314
Redemption of old bond	(146,586)	–
Proceeds from new bond	266,520	–
Principal proceeds of long-term debt affected by refinancing	**119,934**	**–**
Original issue discount (OID) new bond	11,327	–
Redemption premium old bond	3,802	–
Other deferred financing costs new bond paid	10,302	–
Deferred financing costs new RCF paid	2,507	–
Interest paid for refinancing	**27,938**	**–**
Interest paid for old bond	15,621	8,739
Other interest paid	4,737	2,702
Interest paid	**48,296**	**11,441**

Responsibility Statement

To the best of our knowledge, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, in accordance with all International Financial Reporting Standards (IFRS) as adopted by the European Union.

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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