IFCO SYSTEMS N.V.

Separate Financial Statements 2010

in accordance with IFRS

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Notice

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

IFCO SYSTEMS N.V. statements of financial position

before appropriation of net result

EUR in thousands	Notes	**December 31, 2010**	December 31, 2009
Assets			
Non-current assets:			
Investments	(1),(3)	332,531	332,531
Other financial assets	(3)	83,395	82,698
Total non-current assets		**415,926**	**415,229**
Current assets:			
Receivables	(3)	6,958	11,095
Other current assets		100	53
Cash and cash equivalents		10,044	13,276
Total current assets		**17,102**	**24,424**
Total assets		**433,028**	**439,653**
Equity and liabilities			
Equity attributable to equity holders of the parent:			
Ordinary share capital, € 0.01 par value, 140,000,000 shares authorized; 51,572,214 issued and outstanding as of 2010 (54,222,214 issued and outstanding as of 2009)		516	542
Treasury shares		(3,606)	(16,075)
Capital reserves		341,026	355,869
Retained earnings		(157,563)	(157,917)
Net profit/(loss)		22,857	6,506
Total equity	(6)	**203,230**	**188,925**
Non-current liabilities:			
Interest bearing loans and borrowings, net of current maturities	(7)	184,246	182,705
Total non-current liabilities		**184,246**	**182,705**
Current liabilities:			
Current maturities of interest bearing loans and borrowings	(3)	10,000	11,000
Trade and other payables	(3)	34,490	56,643
Other liabilities	(3)	1,062	380
Total current liabilities		**45,552**	**68,023**
Total liabilities		**229,798**	**250,728**
Total equity and liabilities		**433,028**	**439,653**

IFCO SYSTEMS N.V. statements of comprehensive income

EUR in thousands, except share and per share amounts	Notes	Year ended December 31, 2010	2009
Management charges to subsidiaries		1,236	435
General and administrative expenses	(11)	(1,620)	(760)
Dividend income		37,599	26,203
Other operating income		0	393
Profit from operating activities		37,215	26,271
Foreign currency gains		610	1,377
Foreign currency losses		(464)	(967)
Other expense		(679)	0
		(533)	410
Interest expense		(24,122)	(27,124)
Interest income		10,297	6,936
Profit/(loss) of finance activities		(13,825)	(20,187)
Profit before taxes		22,857	6,494
Income tax provision	(8)	0	12
Net profit and total comprehensive income		22,857	6,506

EUR in thousands, except share and per share amounts	Notes	Year ended December 31, 2010	2009
Net profit per share – basic		0,45	0,12
Net profit per share – diluted		0,45	0,12
Shares on which net profit is calculated:	(6)		
Basic		51,251,098	52,719,166
Effect of dilutive stock options and warrant exchange		6,299	154,561
Diluted		51,257,397	52,873,727

IFCO SYSTEMS N.V. statements of changes in equity

EUR in thousands, except share amounts	Ordinary Shares Shares	Treasury Shares Shares	Ordinary Shares Amount	Treasury Shares Amount	Capital Reserve	Retained Earnings	Net Profit/(Loss)	Total Equity
Balance atJanuary 1, 2009	**54,222,214**	**749,039**	**542**	**(5,617)**	**358,280**	**(141,555)**	**(16,362)**	**195,288**
Stock-based compensation income	–	–	–	–	(142)	–	–	(142)
Buyback of treasury shares	–	2,389,348	–	(13,206)	–	–	–	(13,206)
Exercise of stock options funded by treasury shares	–	(169,668)	–	2,748	(2,269)	–	–	479
Appropriation of net result of previous year	–	–	–	–	–	(16,362)	16,362	–
Net profit/(loss)	–	–	–	–	–	–	6,506	6,506
Total comprehensive income for the year	–	–	–	–	–	–	6,506	6,506
Balance at December 31, 2009	**54,222,214**	**2,968,719**	**542**	**(16,075)**	**355,869**	**(157,917)**	**6,506**	**188,925**
Stock-based compensation expense	–	–	–	–	18	–	–	18
Buyback of treasury shares	–	269,815	–	(3,289)	–	–	–	(3,289)
Exercise of stock options funded by treasury shares	–	(278,001)	–	1,885	(1,014)	–	–	871
Reduction of issued share capital by cancellation of treasury shares	(2,650,000)	(2,650,000)	(26)	13,873	(13,847)	–	–	–
Dividend payment	–	–	–	–	–	(6,152)	–	(6,152)
Appropriation of net result of previous year	–	–	–	–	–	6,506	(6,506)	–
Net profit/(loss)	–	–	–	–	–	–	22,857	22,857
Total comprehensive income for the year	–	–	–	–	–	–	22,857	22,857
Balance at December 31, 2010	**51,572,214**	**310,533**	**516**	**(3,606)**	**341,026**	**(157,563)**	**22,857**	**203,230**

IFCO SYSTEMS N.V. cash flow statements

EUR in thousands	Year ended December 31, **2010**	2009
Cash flows from continuing operating activities:		
Net profit/(loss)	22,857	6,506
Adjustments for:		
Stock-based compensation expense	321	(22)
Foreign currency (income) loss, net	(216)	(52)
Dividend income[2]	(37,599)	(26,203)
Net finance costs[1]	3,128	12,126
Cash generated from continuing operations, excluding the cash flow effect of changes in working capital	**(11,509)**	**(7,645)**
Changes in working capital of continuing operations:		
Receivables[1]	4,838	2,233
Trade and other payables[1]	22,374	33,340
Other assets and liabilities	10,635	638
Cash flow effect of changes in operating assets and liabilities	37,847	36,211
Cash generated from continuing operations before income tax payments and interests received	**26,338**	**28,566**
Interests received	1	8,238
Cash generated from operating activities	**26,339**	**36,804**
Cash flows from investing activities:		
Increase of other financial assets[1]	0	(81,520)
Net cash used in investing activities	**0**	**(81,520)**
Cash flows from financing activities:		
Principal payments of long-term debt	0	(110,215)
Proceeds from the issuance of long-term debt	0	200,000
Increase/(Decrease) of interest bearing debt[1][2]	0	(431)
Interests paid	(21,000)	(24,338)
Net proceeds from exercise of stock options	870	843
Net payments for treasury share buyback	(3,289)	(13,570)
Dividend payment	(6,152)	0
Net cash generated from/(used in) financing activities	**(29,571)**	**52.289**
Net increase (decrease) in cash and cash equivalents	(3,232)	7,573
Cash and cash equivalents, beginning of period	13,276	5,703
Cash and cash equivalents, end of period	**10,044**	**13,276**

(1) Net finance costs (interest income and interest expense) have been excluded

(2) Cash flow statement for 2009 has been adjusted regarding the dividend in kind in 2009 as a non-cash item

Notes to separate financial statements

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

1. Business, organization and basis of presentation

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

IFCO SYSTEMS N.V. is a Netherlands holding company with direct shares (100%) in IFCO SYSTEMS Luxembourg S.ár.l and IFCO SYSTEMS Netherlands B.V.. IFCO SYSTEMS Luxembourg S.ár.l is the holding for the following operating companies: IFCO SYSTEMS GmbH and its 100.0% owned subsidiaries in Europe and South America, IFCO SYSTEMS North America, Inc. and its subsidiaries. The Company's headquarter is located in Amsterdam, Evert van de Beekstraat 310, 1118 CX Schiphol Centrum, the Netherlands. Its European operations headquarters are in Pullach, Germany, and its North American operations headquarters are in Houston, Texas.

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

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

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

The separate financial statements are prepared in Euros. Unless otherwise noted, all amounts are shown in thousands Euros.

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

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

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

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

2. Summary of significant accounting policies

Statement of compliance

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

Changes in accounting policies

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

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

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

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

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

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

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

Improvements to IFRSs

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

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

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

- IFRS 8 Operating Segments
  Disclosure of information about segment assets
  Segment assets 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.

Future changes in accounting policies

- IAS 12 Income Taxes – Amendments set out in Deferred Tax: Recovery of Underlying Assets (not yet endorsed by EU)
  These amendments to IAS 12 were issued in December 2010 and become effective for financial years beginning on or after January 1, 2012. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, be through sale.
  As a result of the amendments, SIC-21 Income Taxes — Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn. The Company expects that these amendments will have no impact on the financial position of performance of the Company.

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

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

- Amendments to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets (not yet endorsed by EU)
  The amendments to the IFRS Standard were issued in October 2010 and become effective for financial years beginning on or after July 1, 2011. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are

undertaken around the end of a reporting period. The Company expects that these amendments will have no impact on the financial position of performance of the Company.

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

- IFRS 9 Financial Instruments – Classification and Measurement (not yet endorsed by EU)
  The new standard was issued in October 2010 and becomes effective for annual periods beginning on or after January 1, 2013. The IASB has issued requirements on the accounting for financial liabilities. These requirements will be added to IFRS 9 Financial Instruments and complete the classification and measurement phase of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. They follow the IASB's November 2009 issue of IFRS 9, which prescribed the classification and measurement of financial assets. The new requirements address the problem of volatility in profit or loss (P&L) arising from an issuer choosing to measure its own debt at fair value. This is often referred to as the 'own credit' problem. The IASB decided to maintain the existing amortized cost measurement for most liabilities, limiting change to that required to address the own credit problem. With the new requirements, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income section of the income statement, rather than within P&L. This new standard will have no material impact on the financial position or performance of the Company.

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

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
  IFRIC 19 was issued in November 2009 and becomes effective for annual periods beginning on or after July 1, 2010. IFRIC 19 clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies that the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability. IFRIC 19 clarifies that the equity instruments issued are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. IFRIC 19 clarifies that the difference between the carrying amount of the financial liability extinguished and the initial measurement amount

of the equity instruments issued is included in the entity's profit or loss for the period. The Company expects that this IFRIC will have no impact on the financial position of performance of the Company.

Improvements to IFRSs (not yet endorsed by EU)

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

- IFRS 3 Business Combinations

  Measurement of non-controlling interests

  Specifies that the option to measure non-controlling interests either at fair value or at the proportionate share of the acquiree's net identifiable assets at the acquisition date under IFRS 3 (2008) applies only to non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation. All other components of non-controlling interests should be measured at their acquisition date fair value, unless another measurement basis is required by IFRSs. Effective for annual periods beginning on or after July 1, 2010

  Un-replaced and voluntary replaced sharebased payment awards

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

  Transitional requirements for contingent consideration from a business combination that occurred before the effective date of IFRS 3 (2008)

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

- IFRS 7 Financial Instruments: Disclosures

  Clarifications of disclosures

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

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

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

- IFRIC 13 Customer Loyalty Programmes
  Fair value of award credit
  Clarifies that the ‘fair value’ of award credits should take into account:

  • the amount of discounts or incentives that would otherwise be offered to customers who have not earned award credits from an initial sale; and
  • any expected forfeitures.

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

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

Basis of preparation

The separate financial statements have been prepared on a historical cost basis.

Accounting principles

Foreign currency transactions

The functional currency of the Company is the EUR, which is the Company’s presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the balance sheet date. All differences are taken to income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Revenue recognition

Revenues of the Company are resulting only from management service charges to group companies. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Prepayments on the expected year end charges may be arranged.

Dividend income is recognised when the Company's right to receive the payment or the dividend in kind is established.

Taxes

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

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

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

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

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

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

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

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

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

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

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

Share-based payment transactions

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

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

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

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

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

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

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

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

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

Financial assets

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

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

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

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

<u>Subsequent measurement</u>
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that

are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance cost in the income statement.

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

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

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

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

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

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

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

Derecognition

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

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

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

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

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

Impairment of financial assets

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

Financial assets carried at amortized cost

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

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

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

Available-for-sale financial investments

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

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

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

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

Financial liabilities

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

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

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

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

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

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

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

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

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

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

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

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

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

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

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

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

Treasury shares

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

Leases

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

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

Impairment of non-financial assets

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

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

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

The following criteria are also applied in assessing impairment of specific assets:

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

Cash and cash equivalents

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

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

Deferred financing costs

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

Provisions

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

Significant accounting judgments, estimates and assumptions

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

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

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

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

Further details on deferred taxes are disclosed in Note 8.

3. Detail of certain statements of financial position accounts

Investments

The Company owns 100% of IFCO SYSTEMS Luxembourg S.ár.l (Luxembourg) and IFCO SYSTEMS Netherlands B.V. (Netherlands). The shares in IFCO Online GmbH (Germany) have been sold in 2009 to the indirect subsidiary IFCO SYSTEMS Management GmbH. In accordance with IAS 27.37(a) these investments have been valued at cost.

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

- IFCO SYSTEMS Netherlands B.V. (Netherlands)
- IFCO SYSTEMS Luxembourg S.ár.l (Luxembourg)
  - IFCO SYSTEMS Hungary Kft. (Hungary)
    - IFCO PS Management Holding, Inc. (USA)
  - IFCO SYSTEMS Management GmbH (Germany)

    - IFCO SYSTEMS GmbH (Germany)
      - IFCO SYSTEMS Skandinavien A/S (Denmark)
      - IFCO SYSTEMS UK Ltd. (Great Britain)
      - IFCO SYSTEMS France S.A.S. (France)
      - IFCO SYSTEMS (Schweiz) GmbH (Switzerland)
      - IFCO SYSTEMS Italia S.r.l. (Italy)
      - IFCO SYSTEMS España Srl. (Spain)
      - IFCO SYSTEMS Hellas Ltd (Greece)
      - IFCO SYSTEMS Poland Sp. z o.o. (Poland)
      - IFCO Lojistik Sistemleri Tic.Ltd.Sti (Turkey)
      - IFCO SYSTEMS Croatia d.o.o. (Croatia)
      - IFCO SYSTEMS Austria GmbH (Austria)
        - IFCO SYSTEMS Portugal Lda (Portugal)
        - IFCO SYSTEMS Slovakia s.r.o. (Slovakia)
        - STECO France S.a.r.l. (France)
        - IFCO SYSTEMS Packaging Services Kft. (Hungary)
        - STECO Uluslararasi Plastik Ambalaj Lojistik LTD STI (Turkey)
      - ILD Logistik + Transport GmbH (Germany)
      - IFCO SYSTEMS Asia Ltd. (Hong Kong)
      - IFCO Japan Inc. (33.3%) (Japan)
      - IFCO SYSTEMS Argentina S.A. (Argentina)
        - IFCO Chile S.A. (Chile)
        - IFCO Uruguay S.A. (Uruguay)
        - IFCO SYSTEMS do Brasil Servicos de Embalagem LTDA (Brazil)
      - IFCO do Brasil LTDA (Brazil)

      - IFCO SYSTEMS North America Holding GmbH (Germany)
        - IFCO SYSTEMS North America, Inc. (USA)
          - IFCO N.A. Finance Co. (USA)
          - Reusable Container Company, LLC (USA)

          - Pallet Companies, Inc. (USA)
            - Pallet Subs, Inc. (USA)
            - Texas Pallet de Mexico S.A. de C.V. (Mexico)

          - Drum Holding Company, Inc. (USA)
            - Drum Subs, Inc. (USA)
            - Illinois Drum, Inc. (USA)
            - Zellwood Drum, Inc. (USA)
            - Chicago Drum, Inc. (USA)
            - DSF Realty I, Inc. (USA)
            - DSF Realty II, Inc. (USA)

    - IFCO SYSTEMS Canada, Inc. (Canada)

Impairment of investments

For IFCO SYSTEMS Luxembourg S.ár.l and IFCO SYSTEMS Netherlands B.V. the value depends on the value in use of the cash generating units of the operating companies.

Value in use has been tested within the consolidated financial statements of the Company. Within the test the following three cash generating units have been defined:

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

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

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

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

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

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

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

- Market share – as well as using industry data for growth rates, management assesses how the position of the three cash generating units, relative to its competitors, might change over the budget period.
- Gross margins – key elements for all three cash generating units are logistic costs (e.g. transportation, washing, labor) and material price development for Pallet Management Services. Based on average values achieved in prior periods, these costs are projected by including anticipated efficiency improvements and cost developments related to portfolio changes.
- Future investment needs in the RPC pool to replace broken and lost crates (shrinkage).

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

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

The Company's fourth quarter 2010 and 2009 annual testing for the value in use indicated that there was no impairment of recorded investments of IFCO SYSTEMS Luxembourg S.ár.l and IFCO SYSTEMS Netherlands B.V.

Other non-current financial assets

Other non-current financial assets consist of two intercompany notes from IFCO SYSTEMS GmbH in a total volume of EUR 90,528 million. With these two intercompany notes a major part of the proceeds from the issued 10% Guaranteed Senior Secured Notes in the principal amount of EUR 200.0 million have been lend to that indirect subsidiary. Credit issuance costs in an appropriate portion according to the intercompany loan have been charged to that subsidiary. The interest income has been deferred in line with the maturity of the intercompany loan.The interest rate for that loan amounted to 10.0% per year. Deferred interest income from the charge of debt issuance costs has been deducted from the gross amount of the two notes.

EUR in thousands	As of December 31, **2010**	2009
Notes from IFCO SYSTEMS GmbH	90,528	90,528
Less: credit issuance costs	(7,133)	(7,830)
	83,395	**82,698**

Receivables

The components of receivables are as follows:

EUR in thousands	As of December 31, **2010**	2009
Receivables due from group companies:		
- IFCO SYSTEMS North America Inc.	5,292	4,450
- IFCO SYSTEMS Netherlands B.V.	203	169
- IFCO SYSTEMS Luxembourg S.ar.l.	286	220
- IFCO SYSTEMS GmbH	0	6,221
- IFCO SYSTEMS Hungary Kft.	0	35
Receivables due from shareholders:		
- Island International Investment L.P.	1,177	0
	6,958	11,095

Receivables due from group companies are generally on 30 days terms and interest bearing. Group companies are not obliged to pay the outstanding amounts after that time and can agree to stay with the outstanding amounts - but interests will be charged.

Receivables due from main shareholder are based on a reimbursement agreement with Island International Investment Limited Partnership regarding expenses in connection with the contemplated sale of their shares in the company. The expenses in 2010 that are covered by the reimbursement agreement amount to TEUR 3,202.

Current maturities of interest bearing loans and borrowings

Current maturities of interest bearing loans and borrowings consist of the outstanding interest payment to bondholders (2010: EUR 10.0 million; 2009: EUR 11.0 million).

Trade and other payables

Trade and other payables mainly consist of payables due to indirect subsidiaries.

EUR in thousands	As of December 31,	
	2010	2009
Payables due to group companies:		
- IFCO SYSTEMS Management GmbH	648	37,955
- IFCO SYSTEMS GmbH	23,527	13,882
- IFCO SYSTEMS Hungary Kft.	10,216	4,703
	34,391	56,540
Trade payables	99	103
	34,490	56,643

As described above regarding receivables due from group companies' payables due to group companies are generally on 30 days terms and interest bearing. The Company is not obliged to pay the outstanding amounts after that time and has agreed with the subsidiaries to stay with the outstanding amounts - but interests have been and will be charged to the Company.

Other current liabilities

The other current liabilities are as follows:

EUR in thousands	As of December 31, 2010	2009
Stock based compensation	423	120
Supervisory board compensation and out of pocket expenses	316	0
Accrual for tax and other advisory	271	105
Audit accrual	52	54
VAT	0	83
Other liabilities	0	18
	1,062	380

Due to the short term maturity the book value approximates the fair value for other current liabilities as well as for trade and other payables.

The audit fees agreed with the auditor Ernst & Young Accountants LLP for the financial statements 2010 amounts to TEUR 48 (2009: TEUR 48) net of expenses and are covered by the audit accrual. These audit expense did not cover the complete audit of the group but only the portion that is regarding the Company.

Capital reserve

The capital reserve consists of paid in capital from the issuance of stock. There are no restrictions on the use of the capital reserve.

4. Detail of certain statement of comprehensive income accounts

The dividend income in 2010 in an amount of TEUR 37,599 is based on a distribution in kind from IFCO SYSTEMS Luxembourg S.ar.l. based on a shareholder resolution of that company as of March 19, 2010.

The dividend income in 2009 in an amount of TEUR 26,203 is based on a distribution of share premium from IFCO SYSTEMS Luxembourg S.ar.l. of USD 37,013,689.89 based on a shareholder resolution of that company as of June 19, 2009.

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

EUR in thousands	Year ended December 31, **2010**	2009
10% Senior Secured Notes (EUR 200 million)	20,000	11,000
10 3/8% Senior Secured Notes (EUR 110 million)		
- Current interests	0	6,088
- Redemption premium fee	0	2,853
Interest due to group companies	2,581	4,159
Amortization of capitalized debt issuance costs:		
- of 10% Senior Secured Notes (EUR 200 million)	1,541	1,330
- of 10 3/8% Senior Secured Notes (EUR 110 million)	0	1,694
	24,122	**27,124**

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

EUR in thousands	Year ended December 31, **2010**	2009
Interest from group companies	10,296	6,936
Other interest	1	0
	10,297	**6,936**

In 2010 the auditor and tax advisor of the Company Ernst & Young Accountants LLP has invoiced to the Company for audit TEUR 53 (2009: TEUR 53), tax advisory TEUR 83 (2009: TEUR 137) and audit related services TEUR 153 (2009: TEUR 0).

5. Reconciliation of equity to consolidated financial statements

Both the consolidated financial statements and the separate financial statements of the Company have been prepared according to IFRS. The equity recorded in the consolidated financial statements amounts to USD 257.5 million or EUR 192.7 million. The consolidated net result amounts to USD 34.8 million or EUR 26.2 million. The differences of equity and net result of those two financial statements are only a result of the consolidation of the subsidiaries and their respective results. In addition the consolidated financial statements for the group are presented in US Dollar however the separate financial statements of the Company are presented in EUR.

EUR in thousands	Ordinary Shares	Treasury Shares	Capital Reserve	Retained Earnings	Net profit/ (loss)	Other Reserves	Total Equity
Equity of IFCO SYSTEMS N.V. separate financial statements at December 31, 2010	**516**	**(3,606)**	**341,026**	**(157,563)**	**22,857**	**-**	**203,230**
Less: Dividend income					(37,599)		(37,599)
Less: Loss from discontinued operations			-	(18,789)	(153)	-	(18,942)
Plus: Profit from subsidiaries			-	2,162	41,088	2,810	46,060
Equity of IFCO SYSTEMS N.V. consolidated financial statements at December 31, 2010	**516**	**(3,606)**	**341,026**	**(174,190)**	**26,193**	**2,810**	**192,749**

The comparable reconciliation for 2009 was as follows:

EUR in thousands	Ordinary Shares	Treasury Shares	Capital Reserve	Retained Earnings	Net profit/ (loss)	Other Reserves	Total Equity
Equity of IFCO SYSTEMS N.V. separate financial statements at December 31, 2009	**542**	**(16,075)**	**355,869**	**(157,917)**	**6,506**	**-**	**188,925**
Less: Dividend income					(26,203)		(26,203)
Less: Loss from discontinued operations			-	(17,570)	(1,219)	-	(18,789)
Plus: Profit from subsidiaries				(19,631)	35,236	(4,743)	10,862
Equity of IFCO SYSTEMS N.V. consolidated financial statements at December 31, 2009	**542**	**(16,075)**	**355,869**	**(195,118)**	**14,320**	**(4,743)**	**154,795**

Reconciliation of consolidated net profit

EUR in thousands	Year ended December 31, **2010**	2009
Net profit/(loss) of IFCO SYSTEMS N.V. separate financial statements	22,857	6,506
Less: Dividend income	(37,599)	(26,203)
	(14,742)	(19,697)
Plus: Profit from subsidiaries	41,088	35,236
Less: Profit/(loss) from discontinued operations	(153)	(1,219)
Net profit/(loss)t of IFCO SYSTEMS N.V. consolidated financial statements	26,193	14,320

6. Shares and Earnings per share

Authorized share capital

The authorized share capital of the Company amounts to EUR 1,400,000 and is divided into 140,000,000 shares consisting of 70,000,000 ordinary shares and 70,000,000 preference shares, each with a nominal value of EUR 0.01 per share. The issued share capital of the Company amounts to EUR 515,722.14 and is divided into 51,572,214 ordinary bearer shares. No preference shares have been issued.

Reduction of the issued share capital

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

Ordinary shares and general meetings of shareholders

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

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

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

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

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

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

Issuance of shares

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

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

Share buyback

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

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

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

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

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

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

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

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

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

As of February 25, 2011, the Company records a total of 310,533 shares as treasury shares. 18,701 of these treasury shares are reserved for possible stock option exercises.

Earnings per share

Basic earnings per share amounts are calculated by dividing net (loss) profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding adjusted by the number of shares bought back during the year.

Diluted earnings per share amounts are calculated by dividing the net (loss) profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding adjusted by the number of shares bought back during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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

EUR in thousands	Year ended December 31,	
	2010	2009
Net profit attributable to ordinary equity holders	22,857	6,506

	As of December 31,	
	2010	2009
Weighted average number of ordinary shares for basic earnings per share	51,251,098	52,719,166
Effect of dilution:		
Stock options	6,299	154.561
Weighted average number of ordinary shares adjusted for the effect of dilution	51,257,397	52,873,727

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the authorization date of the Company's financial statements.

7. Debt

Senior Secured Notes

10 3/8% Guaranteed Senior Secured Notes

On October 10, 2003, the Company issued 10 3/8% Guaranteed Senior Secured Notes in the principal amount of EUR 110.0 million in a private placement with a maturity on October 15, 2010. The Senior Secured Notes became redeemable on October 15, 2006 with a redemption price equal to the principal amount thereof plus accrued and unpaid interest and a redemption premium (initially 110.4%) and certain additional amounts. The redemption price declined to 102.6% on October 15, 2008. The Company redeemed the Senior Secured Notes effective July 13, 2009.

10% Guaranteed Senior Secured Notes

On July 12, 2009, the Company issued 10% Guaranteed Senior Secured Notes (the “Senior Secured Notes”) in the principal amount of EUR 200.0 million in a private placement. The Senior Secured Notes mature on June 30, 2016, and are senior secured obligations of the Company ranking equally with other existing or future senior secured indebtedness in right of payment. Interest on the Senior Secured Notes accrues at the rate of 10% per annum and is payable semi annually in arrears on each June 30 and December 31.

The Senior Secured Notes are guaranteed by certain subsidiaries of the Company, including the Company's U.S. operating subsidiaries and IFCO SYSTEMS GmbH, the Company's principal German operating subsidiary. The Senior Secured Notes are secured by a first priority lien on substantially all of the assets of the Company and the guarantors, except for the assets of IFCO SYSTEMS GmbH and its subsidiaries and subject to certain exclusions for real property located in the United States. The Senior Secured Notes are also secured by a second priority lien on the capital stock of certain subsidiaries of IFCO SYSTEMS GmbH. The carrying amount of assets pledged is EUR 158.6 million (December 31, 2009, EUR 135.3 million).

On and after June 30, 2013, the Senior Secured Notes may be redeemed at the option of the Company at a redemption price equal to the principal amount thereof plus accrued and unpaid interest and a redemption premium that is initially 105.0% of the principal amount of and certain additional amounts. The redemption price will decline to 102.5% if the redemption occurs on or after June 30, 2014 but before June 30, 2015 and to 100.0% if the redemption occurs on June 30, 2015 or thereafter until maturity.

The indenture governing the Senior Secured Notes contains a number of restrictive covenants that, among other things, limit the Company and its subsidiaries' ability to incur additional debt, make dividends and certain other restricted payments, create certain liens, dispose of assets and capital stock of its subsidiaries, merge or consolidate with another entity, issue guarantees, and otherwise restrict certain corporate activities. The Senior Secured Notes also contain customary events of default, including non-payment of principal, interest or fees when due, breach of covenants contained in the indenture, cross-default to certain other debt, certain events of bankruptcy and insolvency, material judgments and a change of control in certain circumstances.

Upon a "change of control" under the indenture (which includes, among other things, if a person or group acquires over 50% of the voting stock in the Company), each holder of the Senior Secured Notes may require the Company to purchase its Senior Secured Notes at a purchase price in cash equal to 101.0% of the principal amount of the Senior Secured Notes plus accrued and unpaid interest and additional amounts, if any, to the date of purchase.

The Senior Secured Notes are listed on the Euro MTF market of the Luxembourg Stock Exchange. The fair value of the Senior Secured Notes is based on a price quotation of 112.0% of the nominal value at the reporting date.

Maturities of debt

Long-term debt consists of the following:

EUR in thousands	As of December 31, **2010**	2009
Senior Secured Notes	200,000	200,000
Less: current maturities	(0)	(0)
	200,000	**200,000**
Less: deferred financing costs	(15,754)	(17,295)
	184,246	**182,705**

The complete amount of EUR 200.0 million is due in 2016.

Financial risk management objectives and policies

The Company’s principal liabilities, other than derivatives, comprise Senior Secured Notes, a revolving credit facility and finance leases. The main purpose of these financial liabilities is to fund the Company’s operations. The Company has various other financial assets and liabilities such as receivables, cash and trade payables, which arise directly from its operations.

The main risk arising from the Company’s financial instruments are as follows. There are no significant concentrations of credit risk within the Company.

Interest rate risk

The Company’s exposure to the risk of changes in market interest rates is limited because the majority of the Company’s interest bearing debt (Senior Secured Notes) has fixed interest rates. For interest bearing debts due to group companies the interest rates are based on the Senior Secured Notes and fixed, too.

Due to the “interest fix” debt structure, the Company is not engaged in any interest risk hedging agreements.

Foreign currency risk

Foreign currency risk is the risk that the Company will incur economic losses due to adverse changes in foreign currency exchange rates.
The main business activities are made in the Company's reporting currency, the Euro. Only the payables due to the group company IFCO SYSTEMS Hungary are nominated in USD. The following table summarizes the value of the US Dollar relative to the Euro.

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

The currency risk arises from foreign currency receivables as well as from firm commitments to purchase services and supplies in the future in currencies other than our functional currency. Additionally, the indirect intercompany financing from IFCO SYSTEMS N.V. via IFCO SYSTEMS Hungary Kft. to IFCO SYSTEMS North America is subject to currency transaction risk.

The following table demonstrates the sensitivity to a reasonable possible change

EUR in thousands	Change of USD – EUR exchange rate	Effect on profit before tax
Year ended December 31, 2010		
	+5%	269
	+10%	513
	-5%	(297)
	-10%	(627)
Year ended December 31, 2009		
	+5%	224
	+10%	428
	-5%	(248)
	-10%	(523)

Credit risk

Receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in Note 3.

Liquidity risk

The Company monitors its risk to a shortage of funds using a twelve month forward looking weekly recurring liquidity planning tool for the group. This tool considers the maturity of both its financial investments (capital expenditure), financial liabilities (trade payables, other financial liabilities) and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operations.

The Company's objective is to maintain a balance between continuity of funding and flexibility. The Company monitors the maturity of its financial debt and secures prolongation or substitution in due time.

The table below summarizes the aging of the Company's financial liabilities at December 31, 2010 and December 31, 2009 based on contractual undiscounted payments.

EUR in thousands	Less than 1 year	2 to3 years	4 to 5 years	More than 5 years	**Total**
Year ended December 31, 2010					
Interest bearing loans and borrowings:					
Senior Secured Notes	20,000	40,000	40,000	210,000	**310,000**
Current liabilities	45,552	-	-	-	**45,552**
Year ended December 31, 2009					
Interest bearing loans and borrowings:					
Senior Secured Notes	20,000	40,000	40,000	230,000	**330,000**
Current liabilities	68,023	-	-	-	**68,023**

Upon a “change of control” under the indenture of the Senior Secured Notes, each holder of the Senior Secured Notes may require the Company to purchase its Senior Secured Notes at a purchase price in cash equal to 101.0% of the principal amount of the Senior Secured Notes plus accrued and unpaid interest and additional amounts, if any, to the date of purchase. The Company together with its new shareholder will be prepared to fund the possible liquidity requirement with alternative financing instruments.

Tax risk

The Company is exposed to general tax risks under its tax jurisdictions. The Company is not aware of any specific tax risk that is material to the financial position of the Company.

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives, policies or processing during the years 2010 and 2009.

The Company uses a Value Based Management tool in order to assess the return of its planned investments.

The Company monitors capital using Return on Capital Employed (ROCE). The Company's target is to reach a ROCE level of 25% at least. The Company calculates ROCE by dividing the last twelve months’ reported EBIT by the total average book value of the capital employed which would be required to fund the measured business unit during this measurement period. The Company only considers its continuing operations’ EBIT and average book value to calculate ROCE.

Financial Instruments

Set out below is a comparison by class of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements:

EUR in thousands	Carrying amount		Fair Value	
	2010	2009	**2010**	2009
Financial assets				
Cash	10,044	13,276	10,044	13,276
Receivables	6,958	11,095	6,958	11,095
Financial liabilities				
Interest bearing loans and borrowings:				
Senior Secured Notes	184,246	182,705	208,246	204,630
Current liabilities	45,552	69,228	45,552	69,228

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

8. Income taxes

Caused by the negative taxable results in 2010 and 2009 the Company does not present material income tax provisions for both years.

The differences in income taxes provided and the amounts determined by applying the appropriate tax rate to income from operations before income taxes result from the following:

EUR in thousands	Year ended December 31, **2010**	2009
Net income / (loss) before tax from continuing operations	22,857	6,494
Tax provision at Dutch corporate tax rate (25.5% for 2010 and 2009)	5,829	1,656
Increase (decrease) resulting from:		
Tax-exempt income	(9,588)	(6,682)
Unrecognized tax losses	3,688	5,026
Permanent differences	82	0
Corporate tax for prior years	0	(12)
Others	(11)	0
Income tax provision reported in the separate statement of comprehensive income	**0**	**(12)**

The Company is in a continuing taxable loss situation, therefore, deferred tax assets (DTA) were recognized for the carryforward of unused tax losses to the extent that the Company has sufficient taxable temporary differences which will result in taxable amounts against which the unused tax losses can be utilized before they expire.

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

EUR in thousands	At December 31, **2010**	2009
Deferred income tax assets:		
Carryforward losses	**0**	**0**
Deferred income tax liabilities:		
Debt restructuring costs	0	0
Total deferred income tax liabilities	**0**	**0**
Deferred income tax asset, net	**0**	**0**

At December 31, 2010, the Company has net corporate operating loss carryforwards available of approx. EUR 97.9 million. No deferred tax assets are capitalized for loss carryforwards in an amount of EUR 97.9 million. The Dutch income tax rate for 2010 and 2009 has been 25.5%.

The tax loss carryforwards are available to be offset with future taxable income. However, the Dutch tax law provides for rules which could restrict the utilization of tax loss carry forwards. All loss carryforwards still require final validation from the respective taxing authority and may be adjusted upon further review.

The tax loss carry forwards expire after 9 years as shown in the following table.

EUR in thousands	Amount
Expiration of tax loss carryforwards in the year:	
2012	5,805
2013	6,654
2014	15,076
2015	9,464
2016	11,697
2017	14,990
2018	19,775
2019	14,463
Total	**97,924**

9. Related parties

Regarding the receivables and payables with subsidiaries and the main shareholder Island LP we refer to Note 3.

Shareholding

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

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

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

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

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

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

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

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

In connection with the steps Island LP took during 2010 to sell their shares in IFCO SYSTEMS N.V., the Company incurred expenses in the amount of EUR 3.2 million which will be reimbursed by Island LP. As of December 31, 2010, the Company has recorded a receivable of EUR 1.2 million due from Island LP.

Supervisory Board

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

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

Mr. Malmström became member of the Supervisory Board of the Company in December 2005. Mr. Malmström was entitled to an annual remuneration of EUR 80,000. He was elected as chairman of the Supervisory Board on September 26, 2006.

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

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

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

Name	*Remuneration in EUR*	*Out of pocket expenses in EUR*
Dr. Bernd Malmström	*174,333*	*5,556*
Michael Phillips	*43,000*	*1,758*
Christoph Schoeller	*43,000*	*-*
Hervé Defforey	*43,000*	*-*
Ralf Gruss	*43,000*	*-*
Korbinian Knoblach	*43,000*	*3,949*
Jürgen Rauen (from April 13, 2010)	*43,000*	*1,965*
Peter M. Schmid (from April 13, 2010)	*43,000*	*-*
Total	*475,333*	*13,228*

The total gross compensation of EUR 0.5 million consists of EUR 0.2 million paid in 2010 and EUR 0.2 million paid in January 2011 to the members of the Supervisory Board. EUR 0.1 million withholding tax was paid to the Netherlands tax authorities.

For 2009, the Supervisory Board received the following compensation:

Name	*Remuneration in EUR*	*Out of pocket expenses in EUR*
Dr. Bernd Malmström	*160,000*	*7,649*
Michael Phillips	*-*	*1,231*
Christoph Schoeller	*-*	*1,195*
Hervé Defforey	*-*	*-*
Ralf Gruss	*-*	*5,152*
Korbinian Knoblach (from March 27, 2009)		
Dr. Philipp Gusinde (until March 27, 2009)	*-*	*27,344*
Total	*160,000*	*42,571*

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

Mr. Malmström owns 30.000 shares of the Company since December 2009.

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

Board of Managing Directors / Executive Management Committee

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

2010 total expensed compensation for the Company's Board of Managing Directors was approximately EUR 5.0 million (EUR 5.7 million in 2009), consisting of EUR 2.6 million (EUR 2.9 million in 2009) in base salaries and EUR 2.4 million in accrued cash incentives for 2010 (EUR 2.8 million in 2009).

For 2010, the Company expensed the following compensation for the Board of Managing Directors:

Name	*Fix Remuneration in EUR*	*Optional variable Remuneration in EUR*	*Total Remuneration in EUR*
Karl Pohler	*880,192*	*792,239*	*1,672,431*
Dr. Michael W. Nimtsch	*639,135*	*559,228*	*1,198,363*
Wolfgang Orgeldinger	*632,173*	*559,228*	*1,191,401*
David S. Russell	*471,058*	*421,486*	*892,544*
Robert J. Verdonk	*12,120*	*-*	*12,120*
Total	*2,634,678*	*2,332,181*	*4,966,859*

For 2009, the Company expensed the following compensation for the Managing Directors:

Name	*Fix Remuneration in EUR*	*Optional variable Remuneration in EUR*	*Total Remuneration in EUR*
Karl Pohler	*879,688*	*939,470*	*1,819,158*
Dr. Michael W. Nimtsch	*636,162*	*663,155*	*1,299,317*
Wolfgang Orgeldinger	*629,817*	*663,155*	*1,292,972*
David S. Russell	*438,850*	*475,892*	*914,742*
Robert J. Verdonk	*12,000*	*-*	*12,000*
Helmut Hoerz (until June 2009)	*318,132*	*75,000*	*393,132*
Douwe HJ Terpstra (until March 2009)	*-*	*-*	*-*
Total	*2,914,649*	*2,741,674*	*5,656,323*

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

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

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

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

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

Employment agreements

The Company has entered into employment agreements with the members of the Board of Managing Directors. Effective April 23, 2010, the members of the Board of Managing Directors entered into new employment agreements that extend for 4 additional years, up to June 30, 2014. The base salary commitment for the Board of Managing Directors under the terms of these agreements is payable as follows:

EUR in thousands	Amount
2011	2,635
2012	2,635
2013	2,635
2014	1,317
Total	**9,222**

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

10. Commitments and contingencies

Litigation of indirect subsidiaries in North America

ACME

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

million, and is engaged in further negotiations with its insurers regarding additional reimbursements of defense costs and other expenses related to this matter.

ICE

In 2006, facilities at certain U.S. subsidiaries of the Company ("the U.S. Subsidiaries") were searched by agents from U.S. Immigration and Customs Enforcement ("ICE"), in connection with allegations of the hiring of illegal aliens not eligible for U.S. employment. On December 19, 2008, the U.S. Subsidiaries entered into a "non-prosecution" agreement with the investigating U.S. Attorney's Office ("U.S. Attorney"), in which the U.S. Attorney agreed it would not criminally prosecute the U.S. Subsidiaries for offenses related to this investigation. The U.S. Subsidiaries agreed to undertake certain compliance and cooperation obligations and to pay approximately US $20.7 million with approximately US $2.6 million paid in Q1 2009, US $6.1 million paid in Q1 2010, then US $6.0 million due in each of January 2011 and January 2012. The Company has agreed to guarantee the making of these payments by the U.S. Subsidiaries. Five employee-defendants await trial in Houston, Texas, where the case was recently transferred.
As of December 31, 2010 a provision of US $1.6 million (2009: US $1.3 million) was recorded for future estimable legal defense costs. As of December 31, 2010 a current liability of US $6.0 million was recorded for the payment January 15, 2011 (2009: US $6.1 million for the payment January 15, 2010) and a non-current liability of US $5.5 million was recorded for the payment in 2012 (2009: US $10.6 million for the payments in 2011 and 2012).

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

Guarantees

The Company has given guarantees in connection with a revolving credit facility and several crate leasing contracts of an indirect subsidiary.

The guarantee in connection with the revolving credit facility amounts to a maximum of EUR 65.0 million plus fees and interests. As of December 31, 2010 there were no outstanding cash borrowings and EUR 13.1 million in outstanding letters of credit under the facility.

The guarantee in connection with several crate leasing contracts covers a volume EUR 54.8 million in total. The finance lease obligation for these leasing contracts as of December 31, 2010 amounts to EUR 37.2 million.

Insurance

The Company carries a broad range of insurance, including general and business auto liability, directors and officers, commercial property, business interruption and a general umbrella policy.

Leasing arrangements

The Company leases their facilities under operating leases. Lease payments are expensed on a straight-line basis over the term of the lease. Minimum future rental payments under these leases as of December 31, 2010, are EUR 0.03 million due in 2010.

Expenses under operating leases were EUR 0.03 million for 2010 and 2009.

11. Employee benefit plans

Stock option plan

In March 2000, the Company's Board of Directors (the Board) approved the 2000 Stock Option Plan, (the Stock Option Plan). The Stock Option Plan provided for the granting of stock options to directors, executive officers and other employees of the Company and terminated in March 2010. In general, the terms of the option awards were established by the Board.

During 2003, the Board granted options to purchase an aggregate of approximately 1.5 million ordinary shares of the Company to certain managers and members of the Board. The exercise price for each of these options was equal to the value of the Company's ordinary shares on the date of issuance. The options expire between 3 and 5 years from the date of their vesting.

During 2004, the Board granted options to purchase an aggregate of approximately 0.8 million ordinary shares of the Company to certain managers. The exercise price for each of these options was equal to the value of the Company's ordinary shares on the date of issuance. The options expire 5 years from the date of their vesting, which is contingent upon certain defined operational targets being met during each of 2004, 2005 and 2006.

During 2005, the Board of Managing Directors granted options to purchase an aggregate of approximately 0.04 million ordinary shares of the Company to certain managers. The exercise price for each of these options was equal to the value of the Company's ordinary shares on the date of issuance. The options expire 5 years from the date of their vesting, which is contingent upon certain defined operational targets being met during each of 2005 through 2009.

During 2006, the Board of Managing Directors granted options to purchase an aggregate of approximately 0.1 million ordinary shares of the Company to certain managers. The exercise price for each of these options was equal to the value of the Company's ordinary shares on the date of issuance. The options expire 5 years from the date of their vesting, which is contingent upon certain defined operational targets being met during each of 2007, 2008 and 2009.

During 2008, the Board of Managing Directors granted options to purchase an aggregate of approximately 0.4 million ordinary shares of the Company to certain managers and with the permission of the remuneration committee to a member of the Board of Managing Directors. The exercise price for each of these options was equal to the value of the Company's ordinary shares on the date of issuance. The options expire 5 years from the date of their vesting, which is contingent upon certain defined operational targets being met during each of 2008, 2009 and 2010. The stock options of the member of the Board of Managing Directors terminated in 2009.

During 2010, the Company recorded total stock based compensation expense of EUR 0.32 million (2009, stock based compensation income of EUR 0.02 million). The portion of that expense arising from equity-settled share-based payment transactions was EUR 0.32 million in 2010 (EUR 0.02 million income in 2009).

EUR, except number of options	**Year ended December 31, 2010**			Year ended December 31, 2009		
	Number of Options	Exercise Price Range	Weighted Average Exercise Price	Number of Options	Exercise Price Range	Weighted Average Exercise Price
Outstanding, beginning of period	326,707	1.58 – 10.01	3.79	968,871	1.58 – 10.01	5.62
Exercised	(278,001)[2]	1.58 – 10.01	3.13	(169,668)[1]	1.58 – 3.60	2.83
Expired	(3,334)	1.58	1.58	(21,664)	1.58 – 1.58	1.58
Forfeited	(26,671)	1.58 – 10.01	9.13	(450,832)	3.60 – 10.01	8.20
Outstanding, end of period	18,701	1.58 – 7.19	6.34	326,707	1.58 – 10.01	3.79
Options exercisable at end of year	12,033		5.86	288,367		3.09
Weighted average remaining contractual life of options, outstanding at end of period			3.43			1.69

(1) The weighted average share price at the date of exercise for the options exercised is EUR 6.57.
(2) The weighted average share price at the date of exercise for the options exercised is EUR 12.33.

Performance units program

In March 2008, the Company's Remuneration Committee approved the IFCO SYSTEMS N.V. Performance Units Program 2008, (the Performance Units Program). The Performance Units Program provided for the granting of performance units to employees of the Company or its subsidiaries in the United States, Europe and other countries and terminated December 31, 2010. In general, the terms of the performance unit awards were established by the Board of Managing Directors.

During 2008, the Board of Managing Directors granted approximately 0.4 million performance units to receive either cash in Euro or shares currently existing or created by the Company to certain managers. The performance target for each of these performance units was equal to the value of the Company's ordinary shares on the date of issuance. The performance units expired December 31, 2010, which wereis contingent upon certain defined operational targets being met during each of 2008, 2009 and 2010.

The Company measured the fair value of the liability of these share based payment transactions with cash alternatives at each reporting date during 2009 and 2010, with any changes in fair value recognized in profit or loss for the period. For 2010 the Company recorded US $0.4 million stock based compensation expense for the performance units (2009, US $0.2 million). The carrying amount of the liability as of December 31, 2010 is US $0.6 million (December 31, 2009, US $0.2 million).

According to the terms of the Performance Units Program the fair value has to be calculated by the average stock price (daily final quotation) of one share traded in Xetra during a 10 trading days period until and including, and a 10 trading days period starting after the official publication date of the 2010 annual results of the Company. The Company presumed that the fair value will be equal to the Brambles Investment Limited Voluntary Public Takeover Offer of a cash consideration of EUR 13.50 per share, which amount is increased by 12% p.a. as from and including 1 November 2010 until the end of the acceptance period on March 3, 2011, which is equal to the preliminary publication date of the 2010 annual results of the Company.

The fair value of the performance units was remeasured at December 31, 2009 using the Black-Scholes option-pricing model using the following assumptions:

	December 31, 2009
Risk free interest rate	0.78%
Dividend yield	3.00%
Volatility factor	58.3%
Weighted average expected life	1.00 year

Amsterdam, February 25, 2011

Karl Pohler	Dr. Michael W. Nimtsch
Chief Executive Officer	Chief Financial Officer

Other informations

Subsequent events

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

Profit distribution

Articles of incorporation with respect to profit distributions

According to Article 20 of the articles of association of the Company:

1. The allocation of profits accrued in a financial year shall be determined by the General Meeting;
2. Distribution of profits shall be made after adoption of the Annual Accounts showing that making such distribution is permissible;
3. The General Meeting may resolve to make an interim distribution of profits and to make distributions at the expense of any reserve;
4. Distributions may be made only up to an amount which does not exceed the amount of Distributable Reserves and, if concerns an interim distribution, the compliance with this requirement is evidenced by an interim statement of assets and liabilities as referred to in Section 2:105 subsection 4 of the Dutch Civil Code. The Company shall deposit the statement of assets and liabilities at the office of the Trade Register within eight days after the day on which the resolution to distribute is published.

Appropriation with respect to profit distributions

Prior to the decision of the General meeting the net profit of financial year 2010 has been added to accumulated deficits.

Independent auditors’ report

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

Report on the separate financial statements

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

Management’s responsibility

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

Auditor’s responsibility

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

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

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

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

Opinion with respect to the separate financial statements

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

Report on other legal and regulatory requirements

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

Eindhoven, March 2, 2011

Ernst & Young Accountants LLP

Signed by P.J.A. Gabriëls