INFORMATION MEMORANDUM

CEVA INVESTMENTS LTD.
(formerly known as Louis Topco Limited)

€275 million aggregate principal amount of Floating Rate Debt Instruments due June 1, 2017

CEVA Investments Ltd (the "**issuer**") has issued €275 million aggregate principal amount of Floating Rate Debt Instruments due June 1, 2017 (the "**Debt Instruments**").

The Debt Instruments

The Debt Instruments were issued on February 21, 2007. The Debt Instruments will mature on June 1, 2017. Interest will accrue on the Debt Instruments on the first day of March, June, September and December of each year, beginning on March 1, 2008, subject, in each case to adjustment in accordance with the business day convention. The issuer may elect to pay interest on the Debt Instruments in cash or to capitalize the interest on all (but not some only) of the Debt Instruments on each interest payment date.

Currently there is no public market for the Debt Instruments. Application has been made to the Irish Stock Exchange for the approval of this document as a Listing Particulars. Application has been made for the Debt Instruments to be admitted to trading on the Alternative Securities Market, which is an unregulated market of the Irish Stock Exchange.

Investing in the Debt Instruments involves a high degree of risk. See "Risk Factors" on pages 8 to 9.

The date of this Information Memorandum is June 10, 2008.

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You should rely only on the information contained in this Information Memorandum or to which we have referred you. We have not authorized anyone to provide you with information that is different. This Information Memorandum may be used only where it is legal to sell these securities. The information in this Information Memorandum may be accurate only on the date of this Information Memorandum.

As used in this Information Memorandum, "we", "us" and "our" mean the Issuer and its Subsidiaries.

NOTICE TO INVESTORS

This Information Memorandum does not constitute an offer or solicitation by anyone in any jurisdiction. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Debt Instruments may not be offered or sold, directly or indirectly, and this Information Memorandum may not be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Debt Instruments or possess or distribute this Information Memorandum, and you must obtain all applicable consents and approvals; neither we nor the initial purchasers shall have any responsibility for any of the foregoing legal requirements. See "Transfer Restrictions."

The Issuer accepts responsibility for the information contained in this Information Memorandum. To the best of the knowledge and belief of the Issuer, having taken all reasonable care to ensure that such is the case, the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. Any foreign language included in the document is for convenience purposes only and does not form part of the Listing Particulars of the Irish Stock Exchange.

The Debt Instruments have not been and will not be registered under the Securities Act or the securities laws of any state of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Neither the United States Securities and Exchange Commission (the "**SEC**"), any state securities commission nor any non-United States securities authority has approved or disapproved of these securities or determined that this Information Memorandum is accurate or complete. Any representation to the contrary is a criminal offence.

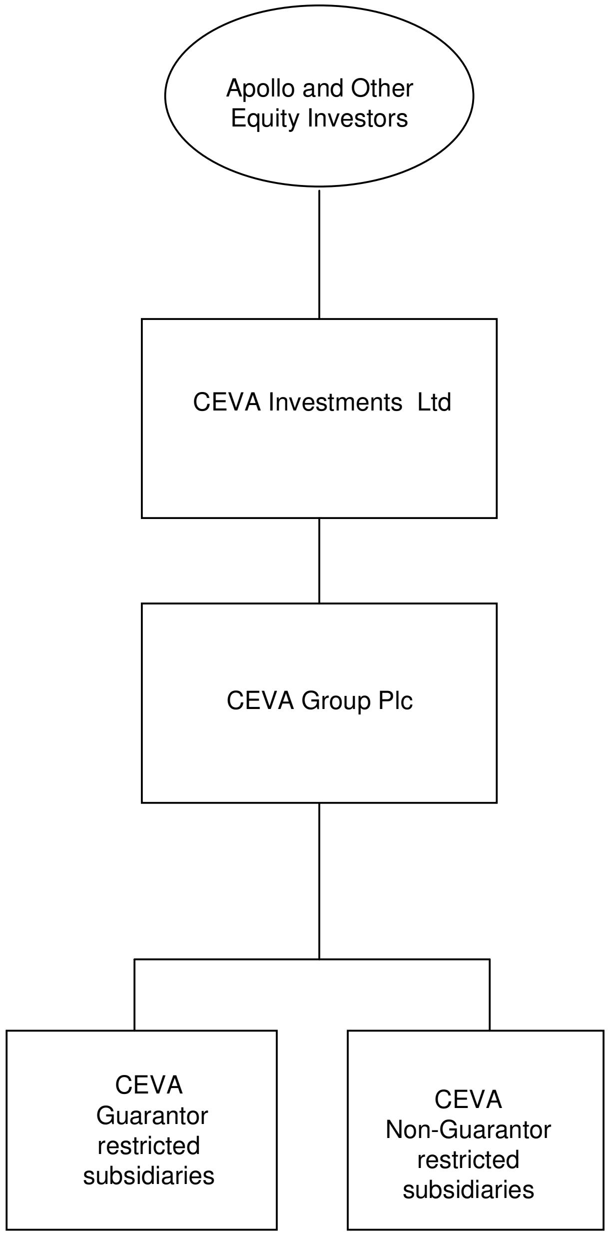
SUMMARY

The following is a summary of the more detailed information appearing elsewhere in this Information Memorandum. It does not contain all of the information that may be important to you. You should read this Information Memorandum in its entirety and the documents referred to herein, especially the risks of investing in the Debt Instruments discussed under "Risk Factors," before investing in the Debt Instruments.

Our Company

We are one of the world's leading integrated supply chain logistics providers, ranking as the fourth largest logistics company globally, measured by revenues. As a specialist logistics service provider, we offer a broad spectrum of services based on our market leading contract logistics and freight forwarding expertise and capabilities. We design, implement and operate complex supply chain solutions for multinational and large national companies on a local, regional and global level. We operate an "asset-light" operating model across all of our business units, with third parties providing the majority of the physical transportation and warehousing assets that we manage and use for the benefit of our customers. Our integrated service offerings span the entire supply chain. Our contract logistics services include inbound logistics, manufacturing support, outbound/distribution and aftermarket logistics. Our freight forwarding services include air, ocean and ground based transport, and other freight transportation related services, such as customs brokerage, local pick up and delivery service, materials management and trade facilitation. As of December 31, 2007, our combined global network comprised over 1,000 locations, utilizing a total of 8.6 million square meters of warehousing space in over 100 countries (representing over 90% of global GDP). Full details of the group's activities are set out in the CEVA Group Plc 2007 Annual Report attached hereto as Annex 1.

Summary of CEVA Group Corporate Structure



Summary of the Debt Instruments

The following is a brief summary of some of the terms of the Debt Instruments. For a more complete description of the terms of the Debt Instruments, see "Description of the Debt Instruments."

Issuer	CEVA Investments Ltd.
Debt Instruments	€275 million aggregate principal amount of Floating Rate Debt Instruments due June 1, 2017.
Issue date of the Debt Instruments	The Debt Instruments were issued on February 21, 2007.
Maturity	The Debt Instruments will mature on June 1, 2017.
Rate of Interest	The Debt Instruments bear interest at three month EURIBOR plus the Margin.
Applicable Margin	7.75% per annum.
Interest Capitalization	Interest will accrue on the Debt Instruments on the first day of March, June, September and December, beginning on March 1, 2008, subject to adjustment in accordance with the business day convention. Interest on the Debt Instruments will accrue from the issue date of the Debt Instruments. Such interest shall be capitalized and added to the principal amount outstanding of the Debt Instruments as of the last Business Day of each Interest Period.
Cash Election	At the end of each Interest Period the Issuer may elect to pay the interest accrued in respect of such Interest Period in cash, in which case interest shall not be capitalized in respect of such Interest Period.
Ranking	The Debt Instruments will be the Issuer's senior obligations and will: • rank senior in right of payment to our existing and future debt and other obligations that are, by their terms, expressly subordinated in right of payment to the Debt Instruments; • rank equally in right of payment to all of our existing and future senior debt and other obligations that are not, by their terms, subordinated in right of payment to the Debt Instruments.
Optional redemption	We may redeem some or all of the Debt Instruments prior to June 1, 2017 by paying 100% of the principal amount of such Debt Instruments, plus a make-whole premium. At any time on or after the Issue Date, but prior to February 21, 2009, we may redeem some or all of the Debt Instruments at the redemption prices set forth in this Information Memorandum. See "Description of the Debt Instruments—Optional Redemption."
Change of control	Upon the occurrence of certain change of control events, each holder of Debt Instruments may require us to repurchase all or a portion of its Debt Instruments at a purchase price equal to 101% of the principal amount of the Debt Instruments, plus accrued interest.
Additional amounts	Subject to certain limitations, any payments made by us with respect to the Debt Instruments will be made without withholding or deduction for taxes imposed by any Relevant Taxing Jurisdiction unless required by law.

	If we are required by law to withhold or deduct for such taxes with respect to a payment to the holders of Debt Instruments, we will pay the additional amounts necessary so that the net amount received by the holders of Debt Instruments after the withholding is not less than the amount that they would have received in the absence of the withholding. See "Description of the Debt Instruments—Withholding Taxes."
Redemption for taxation reasons ...	In the event that we become obligated to pay additional amounts (as described above) to holders of the Debt Instruments as a result of changes affecting withholding taxes applicable to payments on the Debt Instruments, we may redeem the Debt Instruments in whole but not in part at any time at 101% of the principal amount of the Debt Instruments plus accrued interest to the date of redemption. See "Description of the Debt Instruments—Redemption for Taxation Reasons."
Use of proceeds	We used the net proceeds from the offering of the Debt Instruments for general corporate purposes. See "Use of Proceeds."
Transfer restrictions.......................	The Debt Instruments have not been registered, and we will not be obligated to register the Debt Instruments, under the Securities Act or any state securities laws. Accordingly, unless the Debt Instruments are registered, they may not be offered or sold, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. See "Notice to Investors."
No established market for the Debt Instruments	The Debt Instruments are a new issue of securities, and currently there is no market for them. Application has been made to the Irish Stock Exchange for the Debt Instruments to be admitted to trading on the Alternative Securities Market thereof. We cannot assure you that a liquid market for the Debt Instruments will develop or be maintained.
Governing law	The debt instrument agreement and the Debt Instruments will be governed by, and construed in accordance with, New York law.

RISK FACTORS

Investing in the Debt Instruments involves a high degree of risk. You should carefully consider the following risk factors and all other information contained in this Information Memorandum, including all of the financial statements and the related notes.

Risks relating the Issuer

The risks relating to our business are set out on pages 36 to 38 of the CEVA Group Plc 2007 Annual Report attached as Annex 1 hereto. CEVA Group Plc is our main operating subsidiary, and therefore the risks which apply to its business also apply to us.

Risks Relating to the Debt Instruments

Despite our substantial indebtedness, we and our subsidiaries may still be able to incur significantly more debt.

The provisions contained or to be contained in the agreements relating to our indebtedness, including the Debt Instruments described herein, do not completely prohibit our ability to incur additional indebtedness and the amount of indebtedness that we could incur could be substantial. Accordingly, we or our subsidiaries could incur significant additional indebtedness in the future, much of which could constitute secured or senior indebtedness.

As a holding company with no independent operations, our ability to repay our debt, including the Debt Instruments described herein, depends upon the performance of our subsidiaries.

We are a holding company with no independent operations. All of our operations are conducted by our subsidiaries, and we have no significant assets other than the equity interests in our its subsidiaries. As a result, our cash flow and the ability to service our indebtedness, including our ability to pay the interest and principal amount of the Debt Instruments described herein when due, depend on the performance of our subsidiaries and the ability of those entities to distribute funds to us.

Accordingly, repayment of our indebtedness, including the Debt Instruments described herein, depends on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Our subsidiaries do not have any obligation to pay amounts due on the Debt Instruments or to make funds available for that purpose. Our subsidiaries may not be able to make distributions to enable us to make payments in respect of our indebtedness, including the Debt Instruments described herein. Each subsidiary is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness, including the Debt Instruments described herein.

In addition, any payment of interest, dividends, distributions, loans or advances by our operating subsidiaries to us could be subject to restrictions on dividends or repatriation of distributions under applicable local law, monetary transfer restrictions and foreign currency exchange regulations in the jurisdictions in which the subsidiaries operate or under arrangements with local partners. For example, our Dutch subsidiaries may only distribute dividends to the extent they have sufficient distributable reserves, and in Australia dividends may be paid only out of profits of the subsidiaries. In addition, payments of dividends may be subject to dividend withholding tax where an Australian entity pays dividends to a non-Australian shareholder.

If we choose to do so, we may capitalize the interest on the Debt Instruments rather than make a cash payment.

On any interest payment date, we may choose to capitalize some or all of the interest payable on the Debt Instruments. See "Description of the Debt Instruments—Terms of the Debt Instruments".

We may not be able to repurchase the Debt Instruments upon a change of control.

Upon a change of control as defined in the debt instrument agreement governing the Debt Instruments described herein, we will be required to make an offer to repurchase all outstanding Debt

Instruments at 101% of their principal amount, plus accrued and unpaid interest, unless we have previously given notice of our intention to exercise our right to redeem the Debt Instruments. A change of control under the debt instrument agreement governing the Debt Instruments described herein would also constitute a change of control under the indentures governing certain of our other financial indebtedness. We may not have sufficient financial resources to purchase all of the Debt Instruments and/or any of our other financial indebtedness or, if then permitted under the debt instrument agreement governing the Debt Instruments described herein, to redeem the Debt Instruments. A failure to make the applicable change of control offer or to pay the applicable change of control purchase price when due would result in a default under the debt instrument agreement governing the Debt Instruments described herein.

Relevant local insolvency laws may not be as favorable to you and may preclude holders of the Debt Instruments described herein from recovering payments due.

We are organized under the laws of the Cayman Islands. Therefore, any insolvency proceedings by or against us may be based on Cayman insolvency laws.

In the event that we or any of our subsidiaries experience financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Pursuant to the EU regulation on insolvency proceedings, any insolvency proceedings with regard to us would most likely be held in, based on and governed by the insolvency laws of the jurisdiction of our center of "main interests" (which will not necessarily be the country in which we are incorporated). We cannot assure you as to how that regulation will be applied in insolvency proceedings relating to several jurisdictions within the European Union.

There may be no active trading market for the Debt Instruments described herein, and if one develops, it may not be liquid.

The Debt Instruments described herein are securities for which there is no established trading market. Although we have applied for admission to trading of the Debt Instruments described herein on the Irish Stock Exchange for trading on the Alternative Securities Market thereof, we cannot assure you that any market for the Debt Instruments described herein will develop or, if a market does develop, the liquidity of such market, that you will be able to sell your Debt Instruments or of the price at which you may be able to sell your Debt Instruments. Future trading prices of the Debt Instruments described herein will depend on many factors, including:

- our operating performance and financial condition;
- the interest of securities dealers in making a market; and
- the market for similar securities.

As a result, we cannot assure you that an active trading market will actually develop for these Debt Instruments. In addition, if we do not list the Debt Instruments described herein on the Irish Stock Exchange prior to the first interest payment on March 1, 2008, interest on the Debt Instruments described herein will be paid subject to U.K. withholding tax (currently 20%). Historically, the market for non-investment grade debt has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Debt Instruments described herein. The market, if any, for the Debt Instruments described herein may be subject to similar disruptions. Any such disruptions may adversely affect the value of the Debt Instruments described herein.

USE OF PROCEEDS

We used the net proceeds from the issuance of the Debt Instruments described herein together with the proceeds of certain fee and expense reimbursements for general corporate purposes.

BUSINESS

Our business is described on pages 8 to 18 of the CEVA Group Plc 2007 Annual Report which is attached as Annex 1 hereto.

MANAGEMENT

Executive Officers and Board of Directors

The following table provides information regarding the members of our board of directors as of June, 2008.

Name	Title
Gareth Turner	Director
Lukas Kolff....................................	Director

Director and Management Contacts

All executive officers and members of the board may be contacted at: 25 St George Street, London W1S 1FS, United Kingdom.

Board Structure

Through control of a majority of the ordinary shares of the Issuer, Apollo and its affiliates have the power to control our affairs and policies, including the election of our directors and the appointment of our management. All directors are employees of Apollo.

The directors have not appointed an audit committee or any further sub-committees.

PRINCIPAL SHAREHOLDERS

The following table sets forth the shareholders of CEVA Investments Ltd and the number and percentage of shares owned, as at December 31, 2007 and as at December 31, 2006.

Name of beneficial owner	Number of shares beneficially owned 31 December	Ownership percentage	Number of shares beneficially owned 31 December	Ownership percentage
	2007	2007	2006	2006
AIF VI Euro Holdings, L.P.[1]	2,844,555	68.8%	2,270,625	70.9%
AlpInvest Partners Beheer 2006, L.P.[2]	422,880	10.2%	350,000	10.9%
AAA Investment Group[3]	406,365	9.8%	324,375	10.1%
TNT[4]	155,000	3.7%	155,000	4.8%
CEVA Management Investors	310,649	7.5%	104,140	3.3%
Total	4,139,449	100.0%	3,204,140	100.00%

CEVA Investments Ltd 2006 Long-Term Incentive Plan

At December 31, 2007, 343 management and employees of the Company had made equity investments in CEVA Investments Ltd through the purchase of 310,649 ordinary shares.

1 AIF VI Euro Holdings, L.P. is managed by Apollo.

2 AlpInvest Partners Beheer 2006, L.P. is a co-investment vehicle managed and controlled by Apollo, and all the economic interest in this entity is held by AlpInvest Partners funds.

3 AAA Investments, L.P. is managed by an affiliate of Apollo.

4 TNT N.V. retained an equity interest in the Company following CEVA's acquisition of its former Logistics business.

CEVA Investments Ltd adopted the CEVA Investments Ltd 2006 Long-Term Incentive Plan, which permits CEVA Investments Ltd to grant stock options to management and employees of the Company, for which the costs are charged to CEVA Group Plc.

The 2006 Long-Term Incentive Plan has a term of ten years. The date of grant, vesting and pricing of options granted under the 2006 Long-Term Incentive Plan are generally subject to the discretion of CEVA Investments Ltd's Board of Directors. Ordinary shares acquired under the 2006 Long-Term Incentive Plan are subject to restrictions on transfer, repurchase rights, and other limitations set forth in a shareholders agreement and subscription agreement.

DESCRIPTION OF THE DEBT INSTRUMENTS

General

CEVA Investments Ltd., a limited liability company organized under the laws of the Cayman Islands (the "**Issuer**"), has issued the Debt Instruments under a debt instrument agreement (as amended or supplemented from time to time, the "**Debt Instrument Agreement**"), dated as of February 15, 2007, by and among itself, the noteholders party thereto and Credit Suisse as Administrative Agent.

The following summary of certain provisions of the Debt Instrument Agreement and the Debt Instruments does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the Debt Instrument Agreement. Capitalized terms used in this "Description of the Debt Instruments" section and not otherwise defined have the meanings set forth in the section "—Certain Definitions."

The Issuer issued senior Debt Instruments in an initial aggregate principal amount of €275 million, (the "**Debt Instruments**") on February 21, 2007 (the "**Issue Date**").

Principal of, premium, if any, and interest on the Debt Instruments will be payable, and the Debt Instruments may be exchanged or transferred, at the office or agency designated by the Issuer.

The Debt Instruments have been issued only in fully registered form, without coupons, in minimum denominations of €2,500,000 and any integral multiple of €5,000,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Debt Instruments, but the Issuer may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

Terms of the Debt Instruments

The Debt Instruments are senior obligations of the Issuer and will mature on June 1, 2017. Interest on the Debt Instruments will accrue at a rate per annum equal to EURIBOR + the Margin. Accrued interest on each Debt Instrument shall be capitalized as of and added to principal on (i) the last Business Day of each Interest Period, (ii) without duplication, on the date of any prepayment (on the amount prepaid), (iii) at maturity (whether by acceleration or otherwise) and (iv) after maturity, on the last Business Day of each month; provided that the Issuer may, at its election, pay any such accrued interest in cash; provided, however, that such interest payment is made entirely in cash. The Issuer may make such election at the end of the Interest Period and shall deliver to the Administrative Agent, a written notice setting forth that such interest payment will be made in the form of cash.

"**EURIBOR**" means the rate per annum equal to the Banking Federation of the European Union EURIBOR Rate ("**BFEA EURIBOR**"), as published by Telerate (or other commercially available source providing quotations of BFEA EURIBOR as designated by the Administrative Agent from time to time) at approximately 11:00 a.m., London time, two Target Days prior to the commencement of such Interest Period, for deposits in Euro (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period; provided that if such rate is not available at such time for any reason, then the "EURIBOR" for such Interest Period shall be the rate per annum determined by the Administrative Agent to be the rate at which deposits in Euro for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Eurocurrency Rate Loan being made, continued or converted by Credit Suisse and with a term equivalent to such Interest Period would be offered by Credit Suisse's London Branch in the European interbank market at their request at approximately 11:00 a.m. (London time) two Target Days prior to the commencement of such Interest Period.

"**Margin**" means 7.75% per annum.

Paying Agent and Registrar for the Notes

The Issuer will maintain a paying agent for the Notes in the City of London, for so long as the Notes are admitted to trading on the Official List of the Irish Stock Exchange and admitted to trading on the Alternative Securities Market thereof and its guidelines so require. The Issuer will also undertake under the Indenture that it will ensure, to the extent practicable, that it maintains a paying agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing the European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 regarding the taxation of savings income (the "*Directive*"). The initial Paying Agent will be The Bank of New York, London Branch of One Canada Square, London E14 5AL (the "**Paying Agent**").

The Issuer will also maintain a registrar (the "**Registrar**") and a transfer agent in the City of London for so long as the Notes are admitted to trading on the Official List of the Irish Stock Exchange and admitted to trading on the Alternative Securities Market thereof and its guidelines so require. The initial Registrar will be Credit Suisse. The Registrar will maintain a register outside the UK reflecting ownership of Definitive Registered Notes outstanding from time to time and the transfer agents in each of London and Dublin will facilitate transfers of Definitive Registered Notes on behalf of the relevant Issuer. Each transfer agent shall perform the functions of a transfer agent.

The Issuer may change any Paying Agent, Registrar or transfer agent for the Notes without prior notice to the noteholders. However, for so long as the Notes are admitted to trading on the Official List of the Irish Stock Exchange and admitted to trading on the Alternative Securities Market thereof and the guidelines of the Irish Stock Exchange so require, the Issuer will deliver notice of the change in a Paying Agent to the Companies Announcement Office in Dublin. The Issuer or any of its Subsidiaries may act as Paying Agent (other than with respect to Global Notes) or Registrar.

Calculation Agent and Administrative Agent

The Administrative Agent shall act as calculation agent and maintain accounts in which it shall record the amount of any principal or interest due and payable or to become due and payable from the Issuer to each Noteholder.

Optional Redemption

The Issuer may redeem Debt Instruments at its option at any time, in whole at any time or in part from time to time, upon not less than 3 days' prior notice mailed by first-class mail to each holder's registered address, at the following redemption prices (expressed as a percentage of principal amount), plus accrued and unpaid interest, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the 12-month period commencing on 21 February of the years set forth below:

Period	Redemption Price
2008 ……	102.00%
2009 ……	101.00%
2010 and thereafter ……	100.000%

Notice of any redemption upon any Equity Offering may be given prior to the completion thereof, and any such redemption or notice may, at the Issuer's discretion, be subject to one or more conditions precedent, including, but not limited to, completion of the related Equity Offering.

If the Issuer effects an optional redemption of Debt Instruments, it will, for so long as the Debt Instruments are admitted to trading on the Official List of the Irish Stock Exchange and are admitted to trading on the Alternative Securities Market thereof, inform the Irish Stock Exchange of such optional redemption and confirm the aggregate principal amount of the Debt Instruments that will remain outstanding immediately after such redemption.

Selection and Notice

If less than all of the Debt Instruments are to be redeemed or are required to be repurchased at any time, the Administrative Agent will select Debt Instruments for redemption or repurchase in compliance with the requirements of the Irish Stock Exchange or any other exchange, if any, on which the Debt Instruments are then admitted to trading, or, if such Debt Instruments are not so admitted to trading or such exchange prescribes no method of selection, on a pro rata basis, by lot or by such other method as the Administrative Agent in its sole discretion deems fair and appropriate (and in such manner as complies with applicable legal and exchange requirements).

For so long as the Debt Instruments are admitted to trading on the Official List of the Irish Stock Exchange and admitted to trading on the Alternative Securities Market thereof and the guidelines of the Irish Stock Exchange so require, the Issuer shall deliver notice of redemption to the Companies Announcement Office in Dublin and, mail such notice to noteholders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Administrative Agent, in each case not less than 30 nor more than 60 days prior to the redemption date.

If any Debt Instruments are to be redeemed in part only, the notice of redemption shall state the portion of the principal amount thereof to be redeemed. A new Debt Instrument in principal amount equal to the unredeemed portion of the original Debt Instrument will be issued in the name of the noteholder thereof upon cancellation of the original Note. Subject to the terms of the applicable redemption notice, Debt Instruments called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Debt Instruments or portions of them called for redemption.

Mandatory Redemption; Offers to Purchase

The Issuer is not required to make any mandatory redemption or sinking fund payments with respect to the Debt Instruments. However, under certain circumstances, the Issuer may be required to offer to purchase Debt Instruments as described under the captions "—Change of Control" and "—Certain Covenants—Asset Sales."

Redemption for Taxation Reasons

The Issuer may redeem the Debt Instruments, at its option, in whole, but not in part, at any time upon giving not less than 30 nor more than 60 days' notice to the noteholders (which notice will be irrevocable) at a redemption price equal to 101% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "**Tax Redemption Date**") (subject to the right of noteholders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (as defined under "—Withholding Taxes" below), if any, then due and that will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer determines in good faith that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined under "—Withholding Taxes" below) affecting taxation; or

(2) any change in position regarding the application, administration or interpretation of such laws, treaties, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction) (each of the foregoing in clauses (1) and (2), a "**Change in Tax Law**"),

the Issuer, with respect to its Debt Instruments, is, or on the next interest payment date in respect of the Debt Instruments would be, required to pay any Additional Amounts, and such obligation cannot be avoided by taking reasonable measures available to the Issuer (including, for the avoidance of doubt, the appointment of a new Paying Agent or, where such payment would be reasonable, the payment through the Issuer).

In the case of the Issuer as of the Issue Date, the Change in Tax Law must become effective on or after the Issue Date. Notice of redemption for taxation reasons will be published in accordance with the procedures described under "—Selection and Notice." Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Payor (as defined below) would be obliged to make such payment of Additional Amounts and (b) unless at the time such notice is given, such obligation to pay such Additional Amounts remains in effect. Prior to the publication or mailing of any notice of redemption of the Debt Instruments pursuant to the foregoing, the Issuer will deliver to the Holders (a) an Officers' Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and (b) an opinion of an independent tax counsel of recognized standing to the effect that the circumstances referred to above exist. The Holders will accept such Officers' Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above.

Withholding Taxes

All payments made by the Issuer or a successor (each, a "**Payor**") on the Debt Instruments will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) the United Kingdom or any political subdivision or governmental authority thereof or therein having power to tax;

(2) any jurisdiction from or through which payment on the Debt Instruments is made, or any political subdivision or governmental authority thereof or therein having the power to tax; or

(3) any other jurisdiction in which the Payor is organized or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax,

(each of clause (1), (2) and (3), a "**Relevant Taxing Jurisdiction**"), will at any time be required from any payments made with respect to the Debt Instruments, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the "**Additional Amounts**") as may be necessary in order that the net amounts received in respect of such payments by the noteholders after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts that would have been received in respect of such payments on the Debt Instruments in the absence of such withholding or deduction; provided, however, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Noteholder (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over the relevant Noteholder, if the relevant noteholder is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Debt Instrument or the receipt of any payment in respect thereof;

(2) any Taxes that would not have been so imposed if the holder of the Debt Instrument had reasonably cooperated with the Issuer in completing any claims or other procedural requirements necessary for the Issuer to obtain authorization from the Relevant Taxing Jurisdiction to make such payment without such a deduction or withholding of any Taxes;

(3) any Taxes that are payable otherwise than by withholding from a payment of the principal of, premium, if any, or interest on the Debt Instruments or under any Exchange Note;

(4) any estate, inheritance, gift, sales, excise, transfer, personal property or similar tax, assessment or other governmental charge;

(5) any Taxes that are required to be deducted or withheld on a payment to an individual pursuant to the Directive or any law implementing, or introduced in order to conform to, the Directive;

(6) except in the case of the liquidation, dissolution or winding-up of the Payor, any Taxes imposed in connection with a Debt Instrument presented for payment by or on behalf of a noteholder or beneficial owner who would have been able to avoid such Tax by presenting the relevant Debt Instrument to, or otherwise accepting payment from, another paying agent in a member state of the European Union; or

(7) any combination of the above.

"**Directive**" means European Council Directive 2003/48/EC.

Such Additional Amounts will also not be payable (x) if the payment could have been made without such deduction or withholding if the beneficiary of the payment had presented the Debt Instrument for payment (where presentation is required) within 30 days after the relevant payment was first made available for payment to the noteholder or (y) where, had the beneficial owner of the Debt Instrument been the holder of the Debt Instrument, such beneficial owner would not have been entitled to payment of Additional Amounts by reason of any of clauses (1) to (7) inclusive above.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will use all reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Relevant Taxing Jurisdiction imposing such Taxes and will provide such certified copies to the Administrative Agent. Such copies shall be made available to the noteholders upon request and will be made available at the offices of the Paying Agent. The Payor will attach to each certified copy a certificate stating (x) that the amount of withholding Taxes evidenced by the certified copy was paid in connection with payments in respect of the principal amount of Debt Instruments then outstanding and (y) the amount of such withholding Taxes paid per €1,000 principal amount of the Debt Instruments.

If any Payor will be obligated to pay Additional Amounts under or with respect to any payment made on the Debt Instruments, at least 30 days prior to the date of such payment, the Payor will deliver to the Administrative Agent an Officers' Certificate stating the fact that Additional Amounts will be payable and the amount so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to noteholders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor shall deliver such Officers' Certificate as promptly as practicable after the date that is 30 days prior to the payment date).

Wherever in the Debt Instrument Agreement, the Debt Instruments or this "Description of the Debt Instruments" there are mentioned, in any context:

(1) the payment of principal,

(2) redemption prices or purchase prices in connection with a redemption or purchase of Debt Instruments,

(3) interest, or

(4) any other amount payable on or with respect to any of the Debt Instruments or the Debt Instrument Agreement,

such reference shall be deemed to include payment of Additional Amounts as described under this heading to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay any present or future stamp, court or documentary taxes, or any other excise, property or similar taxes, charges or levies that arise in any jurisdiction from the execution, delivery, registration or enforcement of any Debt Instruments, the Debt Instrument Agreement, or any other document or instrument in relation thereto (other than a transfer of the Debt Instruments) excluding any such taxes, charges or similar levies imposed by any jurisdiction that is not a Relevant Taxing Jurisdiction, and the Payor agrees to indemnify the Noteholders for any such taxes paid by such Noteholders. The foregoing obligations will survive any termination, defeasance or discharge of the Debt Instrument Agreement and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is organized or any political subdivision or taxing authority or agency thereof or therein.

Certain Covenants

Set forth below are summaries of certain covenants that are contained in the Debt Instrument Agreement.

Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock. The Debt Instrument Agreement provides that:

(1) the Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness (including Acquired Indebtedness) or issue any shares of Disqualified Stock; and

(2) the Issuer will not permit any of its Restricted Subsidiaries to issue any shares of Preferred Stock;

provided, however, that (x) the Issuer and any Restricted Subsidiary (other than CEVA and any Restricted Subsidiary of CEVA) may Incur Indebtedness (including Acquired Indebtedness) or issue shares of Disqualified Stock and any Restricted Subsidiary (other than CEVA and any Restricted Subsidiary of CEVA) may Incur Indebtedness (including Acquired Indebtedness), issue shares of Disqualified Stock any Restricted Subsidiary (other than CEVA and any Restricted Subsidiary of CEVA) may issue shares of Preferred Stock, in each case if the Fixed Charge Coverage Ratio of the Issuer for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is Incurred or such Disqualified Stock or Preferred Stock is issued would have been at least 1.75 to 1.00 and (y) CEVA and any restricted subsidiary of CEVA may incur Indebtedness (including Acquired Indebtedness), issue shares of Disqualified stock or issue shares of Preferred Stock, in each case if the Fixed Charge Coverage Ratio of CEVA for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional indebtedness is Incurred or such Disqualified Stock or Preferred Stock is issued would be at least 2.00 to 1.00 in the case of each of clauses (x) and (y) determined on a pro forma basis (including a pro forma application of the net proceeds therefrom), as if the additional Indebtedness had been Incurred, or the Disqualified Stock or Preferred Stock had been issued, as the case may be, and the application of proceeds therefrom had occurred at the beginning of such four-quarter period.

The foregoing limitations will not apply to (collectively, "**Permitted Debt**"):

(a) the Incurrence by the Issuer or its Restricted Subsidiaries of Indebtedness under the CEVA Credit Agreement and the issuance and creation of letters of credit and bankers' acceptances thereunder (with letters of credit and bankers' acceptances being deemed to have a principal amount equal to the face amount thereof) in the aggregate principal amount of €1,005.0 million plus an aggregate additional principal amount outstanding at any one time that does not cause the Secured Indebtedness Leverage Ratio of CEVA to exceed 3.00 to 1.00 determined on a pro forma basis (including a pro forma application of the net proceeds therefrom);

(b) the Incurrence by the Issuer of Indebtedness represented by the Debt Instruments;

(c) Indebtedness existing on the Issue Date (other than Indebtedness described in clauses (a) and (b));

(d) Indebtedness (including Capitalized Lease Obligations) Incurred by the Issuer or any of its Restricted Subsidiaries, Disqualified Stock issued by the Issuer or any of its Restricted Subsidiaries and Preferred Stock issued by any Restricted Subsidiaries of the Issuer to finance (whether prior to or within 270 days after) the purchase, lease, construction or improvement of property (real or personal) or equipment (whether through the direct purchase of assets or the Capital Stock of any Person owning such assets); provided that if, immediately after Incurring such Indebtedness, the Secured Indebtedness Leverage Ratio of CEVA would be greater than 3.00 to 1.00, then the aggregate amount of all Indebtedness Incurred pursuant to this clause (d) shall not exceed the greater of €100.0 million and 4.25% of Total Assets;

(e) Indebtedness Incurred by the Issuer or any of its Restricted Subsidiaries constituting reimbursement obligations with respect to letters of credit and bank guarantees issued in the ordinary course of business, including without limitation letters of credit in respect of workers' compensation claims, health, disability or other benefits to employees or former employees or their families or property, casualty or liability insurance or self-insurance, and letters of credit in connection with the maintenance of, or pursuant to the requirements of, environmental or other permits or licenses from governmental authorities, or other Indebtedness with respect to reimbursement type obligations regarding workers' compensation claims;

(f) Indebtedness arising from agreements of the Issuer or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, Incurred in connection with the Transactions or any other acquisition or disposition of any business, assets or a Subsidiary of the Issuer in accordance with the terms of the Debt Instrument Agreement, other than guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Subsidiary for the purpose of financing such acquisition;

(g) Indebtedness of the Issuer to a Restricted Subsidiary; provided that any subsequent issuance or transfer of any Capital Stock or any other event that results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such Indebtedness (except to the Issuer or another Restricted Subsidiary or any pledge of such Indebtedness constituting a Permitted Lien) shall be deemed, in each case, to be an Incurrence of such Indebtedness not permitted by this clause (g);

(h) shares of Preferred Stock of a Restricted Subsidiary issued to the Issuer or another Restricted Subsidiary; provided that any subsequent issuance or transfer of any Capital Stock or any other event which results in any Restricted Subsidiary that holds such shares of Preferred Stock of another Restricted Subsidiary ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such shares of Preferred Stock (except to the Issuer or another Restricted Subsidiary) shall be deemed, in each case, to be an issuance of shares of Preferred Stock not permitted by this clause (h);

(i) Indebtedness of a Restricted Subsidiary to the Issuer or another Restricted Subsidiary; provided that any subsequent issuance or transfer of any Capital Stock or any other event that results in any Restricted Subsidiary holding such Indebtedness ceasing to be a Restricted Subsidiary or any other subsequent transfer of any such Indebtedness (except to the Issuer or another Restricted Subsidiary or any pledge of such Indebtedness constituting a Permitted Lien) shall be deemed, in each case, to be an Incurrence of such Indebtedness not permitted by this clause (i);

(j) Hedging Obligations that are Incurred not for speculative purposes but (1) for the purpose of fixing or hedging interest rate risk with respect to any Indebtedness that is permitted by the terms of the Debt Instrument Agreement to be outstanding; (2) for the purpose of fixing or hedging currency exchange rate risk with respect to any currency exchanges; or (3) for the purpose of fixing or hedging commodity price risk with respect to any commodity purchases or sales;

(k) obligations in respect of performance, bid, appeal and surety bonds and completion guarantees provided by the Issuer or any Restricted Subsidiary in the ordinary course of business or consistent with past practice;

(l) any guarantee by the Issuer or a Restricted Subsidiary of Indebtedness or other obligations of the Issuer or any of its Restricted Subsidiaries so long as the Incurrence of such Indebtedness Incurred by the Issuer or such Restricted Subsidiary is permitted under the terms of the Debt Instrument Agreement;

(m) the Incurrence by the Issuer or any of its Restricted Subsidiaries of Indebtedness or Disqualified Stock or Preferred Stock of a Restricted Subsidiary of the Issuer that serves to refund, refinance or defease any Indebtedness Incurred or Disqualified Stock or Preferred Stock issued as permitted under the first paragraph of this covenant and clauses (b), (c), (d), (m), and (n) of this paragraph or any Indebtedness, Disqualified Stock or Preferred Stock Incurred to so refund or refinance such Indebtedness, Disqualified Stock or Preferred Stock, including any additional Indebtedness, Disqualified Stock or Preferred Stock Incurred to pay premiums (including tender premium), defeasance costs and fees in connection therewith (subject to the following proviso, "**Refinancing Indebtedness**") prior to its respective maturity; provided, however, that such Indebtedness will be Refinancing Indebtedness if and to the extent it:

(1) has a Weighted Average Life to Maturity at the time such Refinancing Indebtedness is Incurred that is not less than the shorter of (x) the remaining Weighted Average Life to Maturity of the Indebtedness, Disqualified Stock or Preferred Stock being refunded, refinanced or defeased and (y) the Weighted Average Life to Maturity that would result if all payments of principal on the Indebtedness, Disqualified Stock and Preferred Stock being refunded or refinanced that were due on or after the date one year following the

last maturity date of any Debt Instruments then outstanding were instead due on such date one year following the last date of maturity of the Debt Instruments;

(2) has a Stated Maturity that is not earlier than the earlier of (x) the Stated Maturity of the Indebtedness being refunded or refinanced or (y) 91 days following the maturity date of the Debt Instruments;

(3) refinances (a) Indebtedness junior to the Debt Instruments, such Refinancing Indebtedness is junior to the Debt Instruments or (b) Disqualified Stock or Preferred Stock, such Refinancing Indebtedness is Disqualified Stock or Preferred Stock; and

(4) does not include Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary;

provided, further, that subclauses (1) and (2) of this clause (m) will not apply to any refunding or refinancing of (i) the Loans, (ii) any indebtedness of CEVA and its subsidiaries (including the CEVA Notes) or (iii) any Secured Indebtedness.

(n) Indebtedness, Disqualified Stock or Preferred Stock of (x) the Issuer or any of its Restricted Subsidiaries Incurred to finance an acquisition or (y) Persons that are acquired by the Issuer or any of its Restricted Subsidiaries or merged, consolidated or amalgamated with or into the Issuer or any of its Restricted Subsidiaries in accordance with the terms of the Debt Instrument Agreement; provided, however, that after giving effect to such acquisition or merger, consolidation or amalgamation either:

(1) (a) in the case of Indebtedness, Disqualified Stock or Preferred Stock of the Issuer or any of its Restricted Subsidiaries (other than CEVA or a Restricted Subsidiary of CEVA) the Issuer would be permitted to Incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first sentence of this covenant; or (b) the Fixed Charge Coverage Ratio of the Issuer would be greater than immediately prior to such acquisition or merger, consolidation or amalgamation;

(2) in the case of Indebtedness, disqualified Stock or Preferred Stock of CEVA or any of its Restricted Subsidiaries (a) CEVA would be permitted to Incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio Test set forth in condition (n)(1)(a) or (b) the Fixed Charge Coverage Ratio of CEVA would be greater than immediately prior to such acquisition or merger, consolidation and amalgamation;

(o) Indebtedness Incurred by a Receivables Subsidiary in a Qualified Receivables Financing that is not with recourse to the Issuer or any Restricted Subsidiary other than a Receivables Subsidiary (except for Standard Securitization Undertakings);

(p) Indebtedness arising from the honouring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; provided that such Indebtedness is extinguished within five Business Days of its Incurrence;

(q) Indebtedness of the Issuer or any Restricted Subsidiary supported by a letter of credit or bank guarantee issued pursuant to the CEVA Credit Agreement, in a principal amount not in excess of the stated amount of such letter of credit;

(r) Indebtedness of a Restricted Subsidiary of the Issuer; provided, however, that the aggregate principal amount of Indebtedness Incurred under this clause (r) then outstanding, does not exceed the greater of €100.0 million and 4.25% of Total Assets at the time of Incurrence (it being understood that any Indebtedness Incurred under this clause (r) shall cease to be deemed Incurred or outstanding for purposes of this clause (r) but shall be deemed Incurred for purposes of the first paragraph of this covenant from and after the first date on which the Issuer, or the Restricted Subsidiary, as the case may be, could have Incurred such Indebtedness under the first paragraph of this covenant without reliance upon this clause (r));

(s) Indebtedness of the Issuer or any Restricted Subsidiary consisting of (1) the financing of insurance premiums or (2) take-or-pay obligations contained in supply arrangements, in each case, in the ordinary course of business;

(t) Indebtedness Incurred on behalf of, or representing guarantees of Indebtedness of, joint ventures of the Issuer or any Restricted Subsidiary not in excess, at any one time outstanding, of the greater of €50.0 million and 2.00% of Total Assets at the time of Incurrence;

(u) Indebtedness under daylight borrowing facilities Incurred in connection with the Transactions or any refinancing (including by way of setoff or exchange) so long as any such Indebtedness is repaid within three Business Days of the date on which such Indebtedness is Incurred;

(v) Indebtedness or Disqualified Stock of the Issuer or any Restricted Subsidiary of the Issuer and Preferred Stock of any Restricted Subsidiary of the Issuer not otherwise permitted hereunder in an aggregate principal amount or liquidation preference not exceeding at any one time outstanding 200.0% of the net cash proceeds received by the Issuer and the Restricted Subsidiaries since immediately after the CEVA Note Issuance Date from the issue or sale of Equity Interests or Subordinated Shareholder Funding of the Issuer or any direct or indirect parent of the Issuer (which proceeds are contributed to the Issuer or a Restricted Subsidiary) or cash contributed to the capital of the Issuer (in each case other than proceeds of Disqualified Stock or sales of Equity Interests to, or contributions received from, the Issuer or any of its Subsidiaries) as determined in accordance with clauses (2) and (3) of the definition of "Cumulative Credit" to the extent such net cash proceeds or cash have not been applied pursuant to such clauses to make Restricted Payments or to make other Investments, payments or exchanges pursuant to the third paragraph of "—Certain Covenants—Limitation on Restricted Payments" or to make Permitted Investments (other than Permitted Investments specified in clauses (1) and (3) of the definition thereof);

(w) Indebtedness arising as a result of implementing composite accounting or other cash pooling arrangements involving solely the Issuer and the Restricted Subsidiaries or solely among Restricted Subsidiaries and entered into in the ordinary course of business;

(x) Indebtedness consisting of Indebtedness issued by the Issuer or a Restricted Subsidiary of the Issuer to current or former officers, directors and employees thereof or any direct or indirect parent thereof, their respective estates, spouses or former spouses, in each case to finance the purchase or redemption of Equity Interests of the Issuer or any of its direct or indirect parent companies to the extent described in clause (4) of the third paragraph of the covenant described under "—Certain Covenants—Limitation on Restricted Payments;" and

(y) Indebtedness or Disqualified Stock of the Issuer or any Restricted Subsidiary of the Issuer and Preferred Stock of any Restricted Subsidiary of the Issuer not otherwise permitted hereunder in an aggregate principal amount or liquidation preference, which when aggregated with the principal amount or liquidation preference of all other Indebtedness, Disqualified Stock and Preferred Stock then outstanding and Incurred pursuant to this clause (y), does not exceed the greater of €100.0 million and 4.25% of Total Assets at the time of Incurrence (subject to the third paragraph under this covenant, it being understood that any Indebtedness Incurred under this clause (y) shall cease to be deemed Incurred or outstanding for purposes of this clause (y) but shall be deemed Incurred for purposes of the first paragraph of this covenant from and after the first date on which the Issuer, or the Restricted Subsidiary, as the case may be, could have Incurred such Indebtedness under the first paragraph of this covenant without reliance upon this clause (y)).

For purposes of determining compliance with this covenant:

(1) in the event that an item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) meets the criteria of more than one of the categories of permitted Indebtedness described in clauses (a) through (y) above or is entitled to be Incurred pursuant to the first paragraph of this covenant, the Issuer shall, in its sole discretion, classify or reclassify, or later divide, classify or reclassify, such item of Indebtedness, Disqualified Stock or Preferred Stock (or any portion thereof) in any manner that complies with this covenant; provided, however, that all Indebtedness under the CEVA Credit Agreement outstanding on the Reference Date shall be deemed to have been Incurred pursuant to clause (a) and the Issuer shall not be permitted to reclassify all or any portion of such Indebtedness under the Credit Agreement outstanding on the Reference Date; and

(2) the Issuer will be entitled to divide and classify an item of Indebtedness in more than one of the types of Indebtedness described in the first and second paragraphs above, and in that connection shall be entitled to treat a portion of such Indebtedness as having been Incurred under the first paragraph above and thereafter the remainder of such Indebtedness having been Incurred under the second paragraph above.

Accrual of interest, the accretion of accreted value, the payment of interest or dividends in the form of additional Indebtedness (including with respect to the Debt Instruments), Disqualified Stock or Preferred Stock, as applicable, accretion of original issue discount or liquidation preference and increases in the amount of Indebtedness outstanding solely as a result of fluctuations in the exchange rate of currencies will not be deemed to be an Incurrence of Indebtedness, Disqualified Stock or Preferred Stock for purposes of this covenant. Guarantees of, or obligations in respect of letters of credit relating to, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included in the determination of such amount of Indebtedness; provided that the Incurrence of the Indebtedness represented by such guarantee or letter of credit, as the case may be, was in compliance with this covenant.

For purposes of determining compliance with this covenant, the Euro Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first drawn, in the case of Indebtedness Incurred under a revolving credit facility; provided that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than euro, and such refinancing would cause the applicable euro-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such euro-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced; (b) the Euro Equivalent of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness is subject to a Currency Agreement with respect to the currency in which such Indebtedness is denominated covering principal, premium, if any, and interest on such Indebtedness, the amount of such Indebtedness and such interest and premium, if any, shall be determined after giving effect to all payments in respect thereof under such Currency Agreements.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer and its Restricted Subsidiaries may Incur pursuant to this covenant shall not be deemed to be exceeded, with respect to any outstanding Indebtedness, solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments. The Debt Instrument Agreement provides that the Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any distribution on account of the Issuer's or any of its Restricted Subsidiaries' Equity Interests or pay any amounts in respect of Subordinated Shareholder Funding, including any payment made in connection with any merger, amalgamation or consolidation involving the Issuer (other than (A) dividends or distributions by the Issuer payable solely in Equity Interests (other than Disqualified Stock) of the Issuer or in Subordinated Shareholder Funding of the Issuer; or (B) dividends or distributions by a Restricted Subsidiary so long as, in the case of any dividend or distribution payable on or in respect of any class or series of securities issued by a Restricted Subsidiary other than a Wholly Owned Restricted Subsidiary, the Issuer or a Restricted Subsidiary receives at least its pro rata share of such dividend or distribution in accordance with its Equity Interests in such class or series of securities (except to the extent non pro rata payments of such dividends or distributions are required by law or under the terms of any agreement in effect on the Reference Date or (c) dividends or distributions made by the Issuer after the Issue Date with the net proceeds of the Debt Instruments));

(2) purchase or otherwise acquire or retire for value any Equity Interests of the Issuer or any direct or indirect parent of the Issuer other than purchases, acquisitions or retirements for value made with net proceeds of the Debt Instruments;

(3) make any principal payment on, or redeem, repurchase, defease or otherwise acquire or retire for value, in each case prior to any scheduled repayment or scheduled maturity, any Subordinated Shareholder Funding or any Subordinated Indebtedness of the Issuer or any of its Restricted Subsidiaries (other than the payment, prepayment, redemption, repurchase, defeasance, acquisition or retirement of (A) Subordinated Indebtedness in anticipation of satisfying a sinking fund obligation, principal instalment or final maturity, in each case due within one year of the date of such payment, prepayment, redemption, repurchase, defeasance, acquisition or retirement and (B) any Subordinated Indebtedness between the Issuer and the Restricted Subsidiaries or between any of the Restricted Subsidiaries); or

(4) make any Restricted Investment,

(all such payments and other actions set forth in clauses (1) through (4) above being collectively referred to as "**Restricted Payments**"), unless, at the time of such Restricted Payment:

(a) no Default shall have occurred and be continuing or would occur as a consequence thereof;

(b) (i) with respect to a Restricted Payment by the Issuer or any Restricted Subsidiary of the Issuer (other than CEVA or any Restricted Subsidiary of CEVA) immediately after giving effect to such transaction on a pro forma basis, the Issuer could Incur €1.00 of additional Indebtedness under the provisions of the first paragraph of the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock;" and the Consolidated Leverage Ratio of the Issuer would have been less than 5.00 to 1.00 and (ii) with respect to a Restricted Payment by CEVA or any Restricted Subsidiary of CEVA, immediately after giving effect to such transaction on a pro forma basis, CEVA could incur €1.00 or additional Indebtedness pursuant to clause 2(y) of the paragraph of the covenant described under "Certain Covenants – Limitation on incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock"; and

(c) and such Restricted Payment, together with the aggregate amount of all other Restricted Payments made by the Issuer and its Restricted Subsidiaries after the CEVA Note Issuance Date (and not returned or rescinded) (including Restricted Payments permitted by clauses (1), (4) (only to the extent of one-half of the amounts paid pursuant to such clause), (6) and (8) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by such paragraph), is less than the amount equal to the Cumulative Credit.

"**Cumulative Credit**" means the sum of (without duplication):

(1) 50% of the Consolidated Net Profit of the Issuer for the period (taken as one accounting period, the "Reference Period") beginning on the first day after the end of the Issuer's second full fiscal quarter ending after the CEVA Note Issuance Date to the end of the Issuer's second full fiscal quarter ending after the CEVA Note Issuance Date to the end of the Issuer's most recently ended fiscal quarter ending after the CEVA Note Issuance Date to the end of the Issuer's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, in the case such Consolidated Net Profit for such period is a deficit, minus 100% of such deficit); plus

(2) 100% of the aggregate net proceeds, including cash and the Fair Market Value (as determined in good faith by the Issuer) of property other than cash received by the Issuer after the CEVA Note Issuance Date (other than net proceeds to the extent such net proceeds have been used to Incur Indebtedness, Disqualified Stock, or Preferred Stock pursuant to clause (v) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock") from the issue or sale of Equity Interests of the Issuer or Subordinated Shareholder Funding to the Issuer (excluding Refunding Capital Stock (as defined below), Designated Preferred Stock, Excluded Contributions, and Disqualified Stock), including Equity Interests issued upon exercise of

warrants or options (other than an issuance or sale to a Restricted Subsidiary of the Issuer); plus

(3) 100% of the aggregate amount of contributions to the capital of the Issuer received in cash and the Fair Market Value (as determined in good faith by the Issuer) of property other than cash after the CEVA Note Issuance Date (other than Excluded Contributions, Refunding Capital Stock, Designated Preferred Stock, and Disqualified Stock and other than contributions to the extent such contributions have been used to Incur Indebtedness, Disqualified Stock or Preferred Stock pursuant to clause (v) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock"); plus

(4) the principal amount of any Indebtedness, or the liquidation preference or maximum fixed repurchase price, as the case may be, of any Disqualified Stock of the Issuer or any Restricted Subsidiary thereof issued after the CEVA Note Issuance Date (other than Indebtedness or Disqualified Stock issued to a Restricted Subsidiary) which has been converted into or exchanged for Equity Interests in or Subordinated Shareholder Funding of the Issuer (other than Disqualified Stock) or any direct or indirect parent of the Issuer (provided in the case of any parent, such Indebtedness or Disqualified Stock is retired or extinguished); plus

(5) 100% of the aggregate amount received by the Issuer or any Restricted Subsidiary in cash and the Fair Market Value (as determined in good faith by the Issuer) of property other than cash received by the Issuer or any Restricted Subsidiary from:

(A) the sale or other disposition (other than to the Issuer or a Restricted Subsidiary of the Issuer) of Restricted Investments made by the Issuer and its Restricted Subsidiaries and from repurchases and redemptions of such Restricted Investments from the Issuer and its Restricted Subsidiaries by any Person (other than the Issuer or any of its Restricted Subsidiaries) and from repayments of loans or advances and releases of guarantees, which constituted Restricted Investments (other than in each case to the extent that the Restricted Investment was made pursuant to clause (7) or (10) of the succeeding paragraph),

(B) the sale (other than to the Issuer or a Restricted Subsidiary of the Issuer) of the Capital Stock of an Unrestricted Subsidiary, or

(C) a distribution or dividend from an Unrestricted Subsidiary; plus

(6) in the event any Unrestricted Subsidiary of the Issuer has been redesignated as a Restricted Subsidiary or has been merged, consolidated or amalgamated with or into, or transfers or conveys its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary after the CEVA Note Issuance Date, the Fair Market Value (as determined in good faith by the Issuer or, if such Fair Market Value may exceed €20.0 million, in writing by an Independent Financial Advisor) of the Investment of the Issuer in such Unrestricted Subsidiary at the time of such redesignation, combination or transfer (or of the assets transferred or conveyed, as applicable), after taking into account any Indebtedness associated with the Unrestricted Subsidiary so designated or combined or any Indebtedness associated with the assets so transferred or conveyed (other than in each case to the extent that the designation of such Subsidiary as an Unrestricted Subsidiary was made pursuant to clause (7) or (10) of the next succeeding paragraph or constituted a Permitted Investment).

The foregoing provisions will not prohibit:

(1) the payment of any dividend or distribution within 60 days after the date of declaration thereof, if at the date of declaration such payment would have complied with the provisions of the Debt Instrument Agreement;

(2) (a) the redemption, repurchase, retirement or other acquisition of any Equity Interests ("**Retired Capital Stock**") or Subordinated Indebtedness or Subordinated Shareholder Funding of the Issuer, any direct or indirect parent of the Issuer or any Subsidiary of the Issuer in exchange for, or out of the proceeds of, the substantially concurrent sale of, Equity Interests or Subordinated Shareholder Funding of the Issuer or any direct or indirect parent of the Issuer

or contributions to the equity capital of the Issuer (other than any Disqualified Stock or any Equity Interests sold to a Subsidiary of the Issuer) (collectively, including any such contributions, "**Refunding Capital Stock**"), and (b) the declaration and payment of dividends on the Retired Capital Stock out of the proceeds of the substantially concurrent sale (other than to a Subsidiary of the Issuer) of Refunding Capital Stock;

(3) the redemption, prepayment, repurchase, defeasance or other acquisition or retirement of Subordinated Indebtedness of the Issuer or any Restricted Subsidiary of the Issuer made by exchange for, or out of the proceeds of the substantially concurrent sale of, new Indebtedness of the Issuer which is Incurred in accordance with the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock" so long as:

(a) the principal amount (or accreted value, if applicable) of such new Indebtedness does not exceed the principal amount (or accreted value, if applicable), plus any accrued and unpaid interest, of the Subordinated Indebtedness being so redeemed, repurchased, defeased, acquired or retired for value (plus the amount of any premium required to be paid under the terms of the instrument governing the Subordinated Indebtedness being so redeemed, repurchased, acquired or retired, any tender premiums, plus any defeasance costs, fees and expenses Incurred in connection therewith);

(b) such Indebtedness, if incurred by the Issuer, is subordinated to the Debt Instruments at least to the same extent as such Subordinated Indebtedness so purchased, exchanged, redeemed, repurchased, defeased, acquired or retired for value;

(c) such Indebtedness has a final scheduled maturity date equal to or later than the earlier of (x) the final scheduled maturity date of the Subordinated Indebtedness being so redeemed, repurchased, defeased, acquired or retired or (y) 91 days following the maturity date of the Debt Instruments; and

(d) such Indebtedness has a Weighted Average Life to Maturity at the time Incurred that is not less than the shorter of (x) the remaining Weighted Average Life to Maturity of the Subordinated Indebtedness being so redeemed, repurchased, defeased, acquired or retired and (y) the Weighted Average Life to Maturity that would result if all payments of principal on the Subordinated Indebtedness being redeemed, repurchased, defeased, acquired or retired that were due on or after the date one year following the last maturity date of any Debt Instruments then outstanding were instead due on such date one year following the last date of maturity of the Debt Instruments;

(4) a Restricted Payment to pay for the purchase, repurchase, retirement, defeasance, redemption or other acquisition for value of Equity Interests of the Issuer or any direct or indirect parent of the Issuer held by any future, present or former employee, director or consultant of the Issuer or any direct or indirect parent of the Issuer or any Subsidiary of the Issuer pursuant to any management equity plan or stock option plan or any other management or employee benefit plan or other agreement or arrangement; provided, however, that the aggregate Restricted Payments made under this clause (4) do not exceed €15.0 million in any calendar year (with unused amounts in any calendar year being permitted to be carried over for the two succeeding calendar years subject to a maximum payment (without giving effect to the following proviso) of €30.0 million in any calendar year); provided, further, however, that such amount in any calendar year may be increased by an amount not to exceed:

(a) the cash proceeds received by the Issuer or any of its Restricted Subsidiaries from the sale of Equity Interests (other than Disqualified Stock) of the Issuer or any direct or indirect parent of the Issuer (to the extent contributed to the Issuer) to members of management, directors or consultants of the Issuer and its Restricted Subsidiaries or any direct or indirect parent of the Issuer that occurs after the Reference Date (provided that the amount of such cash proceeds utilized for any such repurchase, retirement, other acquisition or dividend will not increase the amount available for Restricted Payments under clause (c) of the first paragraph under "—Certain Covenants—Limitation on Restricted Payments"); plus

(b) the cash proceeds of key man life insurance policies received by the Issuer or any direct or indirect parent of the Issuer (to the extent contributed to the Issuer) or the Issuer's Restricted Subsidiaries after the Reference Date;

provided that the Issuer may elect to apply all or any portion of the aggregate increase contemplated by clauses (a) and (b) above in any calendar year;

(5) the declaration and payment of dividends or distributions to holders of any class or series of Disqualified Stock of the Issuer or any of its Restricted Subsidiaries issued or Incurred in accordance with the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock;"

(6) (a) the declaration and payment of dividends or distributions to holders of any class or series of Designated Preferred Stock of CEVA or its direct or indirect parent (other than Disqualified Stock) issued after the Reference Date, (b) a Restricted Payment to any direct or indirect parent of CEVA, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preferred Stock (other than Disqualified Stock) of any direct or indirect parent of the Issuer issued after the Reference Date and (c) the declaration and payment of dividends on Refunding Capital Stock that is Preferred Stock in excess of the dividends declarable and payable thereon pursuant to clause (2) of this paragraph; provided, however, that, (x) for the most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date of issuance of such Designated Preferred Stock, after giving effect to such issuance (and the payment of dividends or distributions) on a pro forma basis, (i) in the case of Designated preferred Stock of the Issuer or any Restricted Subsidiary (other than CEVA or any Restricted subsidiary of CEVA) the Issuer would have had a Fixed Charge Coverage Ratio of at least 1.75 to 1.00 and (ii) in the case of Designated Preferred stock of CEVA or any Restricted Subsidiary of CEVA, CEVA would have a Fixed Charge Coverage Ratio of at least 2.00 to 1.00 and (y) the aggregate amount of dividends declared and paid pursuant to (a) and (b) of this clause (6) does not exceed the net cash proceeds actually received by the Issuer or any Restricted Subsidiary from any such sale or issuance of Designated Preferred Stock (other than Disqualified Stock) issued after the Reference Date or contributed to Subordinated Shareholder Funding to the Issuer or any Restricted Subsidiary of the Issuer after the Reference Date;

(7) Investments in Unrestricted Subsidiaries having an aggregate Fair Market Value, taken together with all other Investments made pursuant to this clause (7) that are at that time outstanding, not to exceed the greater of €25.0 million and 1.0% of Total Assets at the time of such Investment (with the Fair Market Value of each Investment being measured at the time made and without giving effect to subsequent changes in value);

(8) the payment of dividends on the Issuer's common stock (or a Restricted Payment to any direct or indirect parent of the Issuer to fund the payment by such direct or indirect parent of the Issuer of dividends on such entity's common stock) of up to 6% per annum of the net proceeds received by the Issuer from any public offering of common stock of the Issuer or any direct or indirect parent of the Issuer;

(9) Restricted Payments that are made with Excluded Contributions;

(10) other Restricted Payments in an aggregate amount not to exceed the greater of €50.0 million and 2.0% of Total Assets at the time made;

(11) the distribution, as a dividend or otherwise, of shares of Capital Stock of, or Indebtedness owed to the Issuer or a Restricted Subsidiary of the Issuer by, Unrestricted Subsidiaries;

(12) the payment of dividends or other distributions to any direct or indirect parent of the Issuer in amounts required for such parent to pay federal, state or local income taxes (as the case may be) imposed directly on such parent to the extent such income taxes are attributable to the income of the Issuer and its Restricted Subsidiaries (including, without limitation, by virtue of such parent being the common parent of a consolidated or combined tax group of which the Issuer and/or its Restricted Subsidiaries are members);

(13) the payment of dividends, other distributions or other amounts or the making of loans or advances or any other Restricted Payment, if applicable:

(a) in amounts required for any direct or indirect parent of the Issuer, to pay fees and expenses (including franchise or similar taxes) required to maintain its corporate existence, customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of any direct or indirect parent of the Issuer, and general corporate operating and overhead expenses of any direct or indirect parent of the Issuer, in each case to the extent such fees and expenses are attributable to the ownership or operation of the Issuer, if applicable, and its Subsidiaries;

(b) in amounts required for any direct or indirect parent of the Issuer, to pay interest and/or principal on Indebtedness the proceeds of which have been contributed to the Issuer or any of its Restricted Subsidiaries and that has been guaranteed by, or is otherwise considered Indebtedness of, the Issuer Incurred in accordance with the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock;" and

(c) in amounts required for any direct or indirect parent of the Issuer to pay fees and expenses, other than to Affiliates of the Issuer, related to any unsuccessful equity or debt offering of such Parent.

(14) any Restricted Payment used to fund the Transactions and the payment of fees and expenses Incurred in connection with the Transactions or owed by the Issuer or any direct or indirect parent of the Issuer, as the case may be, or Restricted Subsidiaries of the Issuer to Affiliates, in each case to the extent permitted by the covenant described under "—Certain Covenants—Transactions with Affiliates;"

(15) repurchases of Equity Interests deemed to occur upon exercise of stock options or warrants if such Equity Interests represent a portion of the exercise price of such options or warrants;

(16) purchases of receivables pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing and the payment or distribution of Receivables Fees;

(17) payments of cash, or dividends, distributions, advances or other Restricted Payments by the Issuer or any Restricted Subsidiary to allow the payment of cash in lieu of the issuance of fractional shares upon the exercise of options or warrants or upon the conversion or exchange of Capital Stock of any such Person;

(18) the repurchase, redemption or other acquisition or retirement for value of any Subordinated Indebtedness pursuant to the provisions similar to those described under the captions "—Change of Control" and "—Certain Covenants—Asset Sales", provided that all Debt Instruments tendered by holders of the Debt Instruments in connection with a Change of Control or Asset Sale Offer, as applicable, have been repurchased, redeemed or acquired for value;

(19) any payments made, including any such payments made to any direct or indirect parent of the Issuer to enable it to make payments, in connection with the consummation of the Transactions or as contemplated by the Acquisition Documents (other than payments to any Permitted Holder or any Affiliate thereof); and

(20) payments or distributions to dissenting stockholders pursuant to applicable law or in connection with a consolidation, amalgamation, merger or transfer of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries, taken as a whole, that complies with the covenant described under "—When Issuer May Merge or Transfer Assets;" provided that as a result of such consolidation, amalgamation, merger or transfer of assets, the Issuer shall have made a Change of Control Offer (if required by the Debt Instrument Agreement) and that all Debt Instruments tendered by holders in connection with such Change of Control Offer have been repurchased, redeemed or acquired for value;

provided, however, that (x) at the time of, and after giving effect to, any Restricted Payment permitted under clauses (10) and (11), no Default shall have occurred and be continuing or would occur as a consequence thereof.

As of the Issue Date, all of the Issuer's Subsidiaries will be Restricted Subsidiaries. The Issuer will not permit any Unrestricted Subsidiary to become a Restricted Subsidiary except pursuant to the definition of "Unrestricted Subsidiary." For purposes of designating any Restricted Subsidiary as an Unrestricted Subsidiary, all outstanding Investments by the Issuer and its Restricted Subsidiaries (except to the extent repaid) in the Subsidiary so designated will be deemed to be Restricted Payments in an amount determined as set forth in the last sentence of the definition of "Investments." Such designation will only be permitted if a Restricted Payment in such amount would be permitted at such time and if such Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.

Dividend and Other Payment Restrictions Affecting Subsidiaries. The Debt Instrument Agreement provides that the Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(a) (i) pay dividends or make any other distributions to the Issuer or any of its Restricted Subsidiaries (1) on its Capital Stock; or (2) with respect to any other interest or participation in, or measured by, its profits; or (ii) pay any Indebtedness owed to the Issuer or any of its Restricted Subsidiaries;

(b) make loans or advances to the Issuer or any of its Restricted Subsidiaries; or

(c) sell, lease or transfer any of its properties or assets to the Issuer or any of its Restricted Subsidiaries;

except in each case for such encumbrances or restrictions existing under or by reason of:

(1) contractual encumbrances or restrictions in effect on the Issue Date, including pursuant to the CEVA Credit Agreement and the other CEVA Credit Agreement Documents;

(2) the CEVA Notes, the Senior Notes Indenture and the Senior Subordinated Notes Indenture and any Currency Agreement;

(3) applicable law or any applicable rule, regulation or order;

(4) any agreement or other instrument of a Person acquired by the Issuer or any Restricted Subsidiary which was in existence at the time of such acquisition (but not created in contemplation thereof or to provide all or any portion of the funds or credit support utilized to consummate such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person and its Subsidiaries, or the property or assets of the Person and its Subsidiaries, so acquired;

(5) contracts or agreements for the sale of assets, including any restriction with respect to a Restricted Subsidiary imposed pursuant to an agreement entered into for the sale or disposition of the Capital Stock or assets of such Restricted Subsidiary pending the closing of such sale or disposition;

(6) Secured Indebtedness otherwise permitted to be Incurred pursuant to the covenants described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock" and "—Certain Covenants—Liens" that limit the right of the debtor to dispose of the assets securing such Indebtedness;

(7) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

(8) customary provisions in joint venture agreements, similar agreements relating solely to such joint venture and other similar agreements entered into in the ordinary course of business;

(9) Capitalized Lease Obligations and purchase money obligations for property acquired in the ordinary course of business;

(10) customary provisions contained in operating leases, licenses and other similar agreements entered into in the ordinary course of business;

(11) any encumbrance or restriction of a Receivables Subsidiary effected in connection with a Qualified Receivables Financing; provided, however, that such restrictions apply only to such Receivables Subsidiary;

(12) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date by the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock" (i) if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the holders of the Debt Instruments than the encumbrances and restrictions contained in the CEVA Credit Agreement as of the Issue Date (as determined in good faith by the Issuer) or (ii) if such encumbrance or restriction is not materially more disadvantageous to the holders of the Debt Instruments than is customary in comparable financings (as determined in good faith by the Issuer) and either (x) the Issuer determines that such encumbrance or restriction will not materially affect the Issuer's ability to make principal or interest payments on the Debt Instruments as and when they come due or (y) such encumbrance or restriction applies only if a default occurs in respect of a payment or financial covenant relating to such Indebtedness;

(13) any Restricted Investment not prohibited by the covenant described under "—Certain Covenants—Limitation on Restricted Payments" and any Permitted Investment; or

(14) any encumbrances or restrictions of the type referred to in clauses (a), (b) and (c) above imposed by any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (1) through (13) above; provided that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Issuer, no more restrictive with respect to such dividend and other payment restrictions than those contained in the dividend or other payment restrictions prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing.

For purposes of determining compliance with this covenant, (1) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock shall not be deemed a restriction on the ability to make distributions on Capital Stock and (2) the subordination of loans or advances made to the Issuer or a Restricted Subsidiary of the Issuer to other Indebtedness Incurred by the Issuer or any such Restricted Subsidiary shall not be deemed a restriction on the ability to make loans or advances.

Asset Sales. The Debt Instrument Agreement provides that the Issuer will not, and will not permit any of its Restricted Subsidiaries to, cause or make an Asset Sale, unless (x) the Issuer or any of its Restricted Subsidiaries, as the case may be, receives consideration at the time of such Asset Sale at least equal to the Fair Market Value (as determined in good faith by the Issuer) of the assets sold or otherwise disposed of, and (y) at least 75% of the consideration therefor received by the Issuer or such Restricted Subsidiary, as the case may be, is in the form of Cash Equivalents; provided that the amount of:

(a) any liabilities (as shown on the Issuer's or such Restricted Subsidiary's most recent balance sheet or in the Debt Instruments thereto) of the Issuer or any Restricted Subsidiary of the

Issuer (other than liabilities that are by their terms subordinated to the Debt Instruments) that are assumed by the transferee of any such assets,

(b) any Debt Instruments or other obligations or other securities or assets received by the Issuer or such Restricted Subsidiary of the Issuer from such transferee that are converted by the Issuer or such Restricted Subsidiary of the Issuer into cash within 180 days of the receipt thereof (to the extent of the cash received), and

(c) any Designated Non-cash Consideration received by the Issuer or any of its Restricted Subsidiaries in such Asset Sale having an aggregate Fair Market Value, taken together with all other Designated Non-cash Consideration received pursuant to this clause (c) that is at that time outstanding, not to exceed the greater of 1.5% of Total Assets and €35.0 million at the time of the receipt of such Designated Non-cash Consideration (with the Fair Market Value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in value),

shall be deemed to be Cash Equivalents for the purposes of this provision.

Within 16 months after the Issuer's or any Restricted Subsidiary of the Issuer's receipt of the Net Proceeds of any Asset Sale, the Issuer or such Restricted Subsidiary of the Issuer may apply the Net Proceeds from such Asset Sale, at its option:

(1) to repay (a) Secured Indebtedness, (b) Indebtedness of a Restricted Subsidiary, (c) Obligations under the Loans or (d) Pari Passu Indebtedness (*provided* that if the Issuer shall so reduce Obligations under unsecured Pari Passu Indebtedness the Issuer will make an offer (in accordance with the procedures set forth below for an Asset Sale Offer) to all holders to purchase at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, the pro rata principal amount of Debt Instruments), in each case other than Indebtedness owed to the Issuer or an Affiliate of the Issuer; provided, however, that if an offer to purchase any Indebtedness of any Restricted Subsidiary is made in accordance with the terms of such Indebtedness, the obligation to permanently purchase Indebtedness of a restricted Subsidiary will be deemed to be satisfied to the extent of the amount of the offer whether or not accepted by the holders thereof, and no Excess Proceeds in the amount of such offer will be deemed to exist following such offer;

(2) to make an investment in any one or more businesses (provided that if such investment is in the form of the acquisition of Capital Stock of a Person, such acquisition results in such Person becoming a Restricted Subsidiary of the Issuer), assets, or property or capital expenditures, in each case used or useful in a Similar Business; or

(3) to make an investment in any one or more businesses (provided that if such investment is in the form of the acquisition of Capital Stock of a Person, such acquisition results in such Person becoming a Restricted Subsidiary of the Issuer), properties or assets that replace the properties and assets that are the subject of such Asset Sale.

In the case of clauses (2) and (3) above, a binding commitment shall be treated as a permitted application of the Net Proceeds from the date of such commitment; provided that in the event such binding commitment is later cancelled or terminated for any reason before such Net Proceeds are so applied, the Issuer or such Restricted Subsidiary enters into another binding commitment (a "**Second Commitment**") within nine months of such cancellation or termination of the prior binding commitment; provided, further that the Issuer or such Restricted Subsidiary may only enter into a Second Commitment under the foregoing provision one time with respect to each Asset Sale.

Pending the final application of any such Net Proceeds, the Issuer or such Restricted Subsidiary of the Issuer may temporarily reduce Indebtedness under a revolving credit facility, if any, or otherwise invest such Net Proceeds in Cash Equivalents or Investment Grade Securities. Any Net Proceeds from any Asset Sale that are not applied as provided and within the time period set forth in the immediately preceding paragraph (it being understood that any portion of such Net Proceeds used to make an offer to purchase Debt Instruments, as described in clause (1) above, shall be deemed to have been invested whether or not such offer is accepted) will be deemed to constitute "**Excess Proceeds**". When the aggregate amount of Excess Proceeds exceeds €20.0 million, the Issuer shall make an offer to all holders of Debt Instruments (and, at the option of the Issuer, to holders of any Pari Passu Indebtedness) (an "**Asset Sale Offer**") to purchase the maximum principal amount of Debt Instruments (and such Pari Passu Indebtedness), that is at least €50,000 and an integral multiple of €1,000 that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to 100% of the principal amount thereof (or, in the event such Pari Passu Indebtedness was issued with significant original issue discount, 100% of the accreted value thereof), plus accrued and unpaid interest, if any (or, in respect of such Pari Passu Indebtedness, such lesser price, if any, as may be provided for by the terms of such Pari Passu Indebtedness), to the date fixed for the closing of such offer, in accordance with the procedures set forth in the Debt Instrument Agreement, provided, however, notwithstanding the foregoing, in the case of an Asset Sale by CEVA or any Restricted Subsidiary of CEVA, the Issuer shall not be required to make an Asset Sale Offer to the extent CEVA is not permitted pursuant to the terms of its outstanding Indebtedness, any other agreement or applicable law to fund such Asset Sale Offer. The Issuer will commence an Asset Sale Offer with respect to Excess Proceeds within ten (10) Business Days after the date that Excess Proceeds exceeds €20.0 million by providing the notice required pursuant to the terms of the Debt Instrument Agreement, with a copy to the Administrative Agent. To the extent that the aggregate amount of Debt Instruments (and such Pari Passu Indebtedness) tendered pursuant to an Asset Sale Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes. If the aggregate principal amount of Debt Instruments (and such Pari Passu Indebtedness) surrendered by holders thereof exceeds the amount of Excess Proceeds, the Administrative Agent shall select the Debt Instruments to be purchased in the manner described below. Upon completion of any such Asset Sale Offer, the amount of Excess Proceeds shall be reset at zero.

The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent such laws or regulations are applicable in connection with the repurchase of the Debt Instruments pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the Debt Instrument Agreement, the Issuer will comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations described in the Debt Instrument Agreement by virtue thereof.

If more Debt Instruments (and such Pari Passu Indebtedness) are tendered pursuant to an Asset Sale Offer than the Issuer is required to purchase, selection of such Debt Instruments for purchase will be made by the Administrative Agent in compliance with the requirements of the principal national securities exchange, if any, on which such Debt Instruments are listed, or if such Debt Instruments are not so listed, on a pro rata basis, by lot or by such other method as the Administrative Agent shall deem fair and appropriate (and in such manner as complies with applicable legal requirements). Selection of such Pari Passu Indebtedness will be made pursuant to the terms of such Pari Passu Indebtedness.

An Asset Sale Offer insofar as it relates to the Debt Instruments, will remain open for a period of not less than 20 Business Days following its commencement (the "**Asset Sale Offer Period**"). No later than five Business Days after the termination of the Asset Sale Offer Period the Issuer will purchase the principal amount of the Debt Instruments (and purchase or repay any relevant Pari Passu Indebtedness required to be so purchased or repayed as set out above) validly tendered.

To the extent that any portion of the Net Proceeds payable in respect of the Debt Instruments is denominated in a currency other than the currency in which the relevant Debt Instruments are denominated, the amount payable in respect of such Debt Instruments shall not exceed the net amount of funds in the currency in which such Debt Instruments are denominated as is actually received by the Issuer upon converting the relevant portion of the Net Proceeds into such currency.

Not later than the date upon which written notice of an Asset Sale Offer is delivered to the Administrative Agent as provided above, the Issuer shall deliver to the Administrative Agent an Officers' Certificate as to (i) the amount of the Excess Proceeds, (ii) the allocation of the net proceeds from the Asset Sales to which such Asset Sale Offer is being made and (iii) the compliance of such allocation with the provisions set out above. Upon the expiration of the Asset Sale Offer Period, the Issuer shall deliver to the Administrative Agent the Debt Instruments that have been properly tendered to and are to be accepted by the Issuer. The Administrative Agent shall, on the date of purchase, mail or deliver payment to each tendering Holder in the amount of the purchase price. In the event that the Excess Proceeds delivered by the Issuer to the Administrative Agent are greater than the aggregate amount of the Debt Instruments, the Administrative Agent shall deliver the excess to the Issuer immediately after expiration of the Offer Period for application in accordance with the above.

Notices of an Asset Sale Offer shall be mailed by first-class mail, postage prepaid, at least 30 but not more than 60 days before the purchase date to each holder of Debt Instruments at such holder's registered address. If any Debt Instrument is to be purchased in part only, any notice of purchase that relates to such Debt Instrument shall state the portion of the principal amount thereof that has been or is to be purchased.

Transactions with Affiliates. The Debt Instrument Agreement provides that the Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction or series of transactions, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Issuer (each of the foregoing, an "**Affiliate Transaction**") involving aggregate consideration in excess of €10.0 million, unless:

(a) such Affiliate Transaction is on terms that are not materially less favourable to the Issuer or the relevant Restricted Subsidiary than those that could have been obtained in a comparable transaction by the Issuer or such Restricted Subsidiary with an unrelated Person; and

(b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €20.0 million, the Issuer delivers to the Administrative Agent a resolution adopted in good faith by the majority of the Board of Directors of the Issuer, approving such Affiliate Transaction and set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with clause (a) above.

The foregoing provisions will not apply to the following:

(1) transactions between or among the Issuer and/or any of its Restricted Subsidiaries (or an entity that becomes a Restricted Subsidiary as a result of such transaction) and/or between or among Restricted Subsidiaries or any Receivables Subsidiary and any merger, consolidation or amalgamation of the Issuer and any direct parent of the Issuer; provided that such parent shall have no material liabilities and no material assets other than cash, Cash Equivalents and the Capital Stock of the Issuer and such merger, consolidation or amalgamation is otherwise in compliance with the terms of the Debt Instrument Agreement and effected for a *bona fide* business purpose;

(2) Restricted Payments permitted by the provisions of the Debt Instrument Agreement described above under the covenant "—Certain Covenants—Limitation on Restricted Payments" and Permitted Investments;

(3) (x) the entering into of any agreement (and any amendment or modification of any such agreement) to pay, and the payment of, annual management, consulting, monitoring and advisory fees to the Sponsors in an aggregate amount in any fiscal year not to exceed the greater of (A) €3.0 million and (B) 1.5% of EBITDA of the Issuer and its Restricted Subsidiaries for the immediately preceding fiscal year, plus out-of-pocket expense reimbursement; provided, however, that any payment not made in any fiscal year may be carried forward and paid in the following two fiscal years and (y) the payment of the present value of all amounts payable pursuant to any agreement described in clause 3(x) in connection with the termination of such agreement;

(4) the payment of reasonable and customary fees and reimbursement of expenses paid to, and indemnity provided on behalf of, officers, directors, employees or consultants of the Issuer or any Restricted Subsidiary or any direct or indirect parent of the Issuer;

(5) payments by the Issuer or any of its Restricted Subsidiaries to the Sponsors made for any financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including, without limitation, in connection with the Transactions, acquisitions or divestitures, which payments are (x) made pursuant to the agreements with the Sponsors described in this Information Memorandum or (y) approved by a majority of the Board of Directors of the Issuer in good faith;

(6) transactions in which the Issuer or any of its Restricted Subsidiaries, as the case may be, delivers to the Administrative Agent a letter from an Independent Financial Advisor stating that such transaction is fair to the Issuer or such Restricted Subsidiary from a financial point of view or meets the requirements of clause (a) of the preceding paragraph;

(7) payments or loans (or cancellation of loans) to directors, employees or consultants which are approved by a majority of the Board of Directors of the Issuer in good faith;

(8) any agreement as in effect as of the Issue Date or any amendment thereto (so long as any such agreement together with all amendments thereto, taken as a whole, is not more disadvantageous to the holders of the Debt Instruments in any material respect than the original agreement as in effect on the Issue Date) or any transaction contemplated thereby as determined in good faith by senior management or the Board of Directors of the Issuer;

(9) the existence of, or the performance by the Issuer or any of its Restricted Subsidiaries of its obligations under the terms of, the Acquisition Documents, the CEVA Credit Agreement Documents, any stockholders agreement (including any registration rights agreement or purchase agreement related thereto) to which it is a party as of the Issue Date or any other agreement or arrangement in existence on the Issue Date or described in this Information Memorandum and, in each case, any amendment thereto or similar transactions, agreements or arrangements which it may enter into thereafter; provided, however, that the existence of, or the performance by the Issuer or any of its Restricted Subsidiaries of its obligations under, any future amendment to any such existing transaction, agreement or arrangement or under any similar transaction, agreement or arrangement entered into after the Issue Date shall only be permitted by this clause (9) to the extent that the terms of any such existing transaction, agreement or arrangement together with all amendments thereto, taken as a whole, or new transaction, agreement or arrangement are not otherwise more disadvantageous to the holders of the Debt Instruments in any material respect than the original transaction, agreement or arrangement as in effect on the Issue Date;

(10) the execution of the Transactions and the payment of all fees and expenses related to the Transactions, including fees to the Sponsors, that are described in this Information Memorandum or contemplated by the Acquisition Documents;

(11) (a) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, or transactions otherwise relating to the purchase or sale of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Debt Instrument Agreement, which are fair to the Issuer and its Restricted Subsidiaries in the reasonable determination of the Board of Directors or the senior management of the Issuer, or are on terms at least as favourable as might reasonably have been obtained at such time from an unaffiliated party or (b) transactions with joint ventures or Unrestricted Subsidiaries entered into in the ordinary course of business;

(12) any transaction effected as part of a Qualified Receivables Financing;

(13) the issuance of Equity Interests (other than Disqualified Stock) of the Issuer or Subordinated Shareholder Funding to any Person;

(14) the issuance of securities or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, employment arrangements, stock option and stock ownership plans or similar employee benefit plans approved by the Board of Directors of the Issuer or any direct or indirect parent of the Issuer or of a Restricted Subsidiary of the Issuer, as appropriate;

(15) the entering into of any tax sharing agreement or arrangement and any payments permitted by clause (12) of the third paragraph of the covenant described under "—Certain Covenants—Limitation on Restricted Payments;"

(16) any contribution to the capital of the Issuer;

(17) transactions permitted by, and complying with, the provisions of the covenant described under "—When Issuer May Merge or Transfer Assets;"

(18) transactions between the Issuer or any of its Restricted Subsidiaries and any Person, a director of which is also a director of the Issuer or any direct or indirect parent of the Issuer; *provided*, *however*, that such director abstains from voting as a director of the Issuer or such direct or indirect parent, as the case may be, on any matter involving such other Person;

(19) pledges of Equity Interests of Unrestricted Subsidiaries;

(20) the formation and maintenance of any consolidated group or subgroup for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(21) any employment agreements entered into by the Issuer or any of its Restricted Subsidiaries in the ordinary course of business;

(22) intercompany transactions undertaken in good faith (as certified by a responsible financial or accounting officer of the Issuer in an Officers' Certificate) for the purpose of improving the consolidated tax efficiency of the Issuer and its Subsidiaries and not for the purpose of circumventing any covenant set forth in the Debt Instrument Agreement; and

(23) the payment of premiums, receipt of insurance proceeds and other insurance related transactions in each case on terms customary for such transactions between the Issuer or any Restricted Subsidiary of the Issuer and any Affiliate of the Issuer that is a "captive insurance" entity whose sole business is providing insurance to the Issuer and its Restricted Subsidiaries; and

(24) the declaration and payment of dividends to holders of the Issuer's Common Stock on or after the Issue Date with the proceeds received by the Issuer from the Debt Instruments.

Liens. The Debt Instrument Agreement provides that the Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, Incur or suffer to exist any Lien, other than a Permitted Lien, on any asset or property of the Issuer or such Restricted Subsidiary.

Any Lien created for the benefit of the holders pursuant to this covenant will provide by its terms that such Lien will be automatically and unconditionally released and discharged (a) upon the release and discharge of the Initial Lien, (b) upon the sale or other disposition of the assets subject to such Initial Lien (or the sale or other disposition of the Person that owns such assets) in compliance with the terms of the Debt Instrument Agreement and the Intercreditor Agreement, (c) upon the designation of a Restricted Subsidiary whose property or assets secure such Initial Lien as an Unrestricted Subsidiary in accordance with the terms of the Debt Instrument Agreement or (d) upon the effectiveness of any defeasance or satisfaction and discharge of the Debt Instruments as specified in the Debt Instrument Agreement.

Admission to Trading. The Issuer will use all commercially reasonable efforts to obtain and maintain the admission to trading of the Debt Instruments to the Irish Stock Exchange and admission to trading on the Alternative Securities Market thereof; provided, however, that if the Issuer is unable to obtain admission to trading of the Debt Instruments to the Irish Stock Exchange or if maintenance of such admission to trading becomes unduly onerous, it will maintain an admission to trading of such Debt Instruments on another recognized stock exchange.

Reports and Other Information. For so long as any Debt Instruments are outstanding, the Issuer will provide to the Administrative Agent the following reports:

(1) within 130 days after the end of each of the Issuer's fiscal years beginning with the fiscal year ending December 31, 2007, annual reports containing the following information in a level of detail that is comparable in all material respect to this Information Memorandum: (a) audited consolidated balance sheets of the Issuer as of the end of the two most recent fiscal years and audited consolidated income statements

and statements of cash flow of the Issuer for the three most recent fiscal years, including complete foot notes to such financial statements and the report of the independent auditors on the financial statements; (b) pro forma income statement and balance sheet information of the Issuer (which need not comply with Article 11 of Regulation S-X under the Exchange Act, "**Regulation S-X**"), together with explanatory foot notes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year unless pro forma information has been provided in a previous report pursuant to clause (2) or (3) below; (c) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Issuer, and a discussion of material commitments and contingencies and critical accounting policies; (d) a description of the business, management, management compensation and shareholders of the Issuer, all material affiliate transactions and a description of all material contractual arrangements, including material debt instruments (in each case to the extent such information would be required to be disclosed if the Issuer were a reporting company under the Exchange Act); (e) a description of material risk factors and material recent developments; (f) earnings before interest, taxes, depreciation and amortization; (g) capital expenditures; (h) depreciation and amortization; (i) income (loss) from operations; and information for the guarantor, and the non-guarantor, Subsidiaries substantially consistent with the disclosure contained in foot notes (2) and (3) to the diagram under "Summary—Summary Corporate and Financing Structure;" provided that any item of disclosure that complies in all material respects with the requirements that would be applicable under Form 20-F under the Exchange Act with respect to such item will be deemed to satisfy the Issuer's obligations under this clause (1) with respect to such item;

(2) within 70 days following the end of the first three fiscal quarters in each fiscal year of the Issuer all quarterly financial statements of the Issuer containing the following information: (a) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods, together with condensed footnote disclosure; (b) pro forma income statement and balance sheet information of the Issuer (which need not comply with Article 11 of Regulation S-X), together with explanatory foot notes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year unless pro forma information has been provided in a previous report pursuant to clause (2) or (3); (c) an operating and financial review of the unaudited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Issuer, and a discussion of material commitments and contingencies and critical accounting policies; and (d) material recent developments and any material changes to the risk factors disclosed in the most recent annual report; provided that that any item of disclosure that complies in all material respects with the requirements that would be applicable under Form 10-Q under the Exchange Act with respect to such item will be deemed to satisfy the Issuer's obligations under this clause (3) with respect to such item; and

(3) promptly after the occurrence of any material acquisition, disposition or restructuring of the Issuer and the Restricted Subsidiaries, taken as a whole, or any senior executive officer changes at the Issuer or change in auditors of the Issuer or any other material event that the Issuer or any of its Restricted Subsidiaries announces publicly, a report containing a description of such event.

In the event that the Issuer becomes subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or elects to comply with such provisions, the Issuer will, for so long as it continues to file the reports required by Section 13(a) with the SEC, make available to the Noteholders the annual reports, information, documents and other reports that the Issuer is required to file with the SEC pursuant to such Section 13 or 15(d). By complying with the foregoing requirements of this paragraph, the Issuer will be deemed to have complied with the provisions contained in the preceding three paragraphs for the relevant period.

Covenant Fall-Away. If, on any date following the Issue Date, (i) the Debt Instruments have Investment Grade Ratings from both Rating Agencies, and the Issuer has delivered written notice of such Investment Grade Ratings to the Noteholders, and (ii) no Default has occurred and is continuing under the Debt Instrument Agreement then, beginning on that day and continuing at all times thereafter regardless of any subsequent changes in the rating of the Debt Instruments, the covenants specifically listed under the following captions in this "Description of the Debt Instruments" section of this Information Memorandum will no longer be applicable to such Debt Instruments:

(1) "—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock;"

(2) "—Limitation on Restricted Payments;"

(3) "—Dividend and Other Payment Restrictions Affecting Subsidiaries;"

(4) "—Asset Sales;"

(5) "—Transactions with Affiliates;" and

(6) paragraph (4) of — when Issuer may Merge or Transfer Assets

In addition, during any period of time that (i) the Debt Instruments have Investment Grade Ratings from both Rating Agencies, and the Issuer has delivered written notice of such Investment Grade Ratings to the Administrative Agent, and (ii) no Default has occurred and is continuing under the Debt Instrument Agreement (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a "**Covenant Suspension Event**"), the Issuer and its Restricted Subsidiaries will not be subject to the covenant described under "**Change of Control**" (the "**Suspended Covenant**"). In the event that the Issuer and its Restricted Subsidiaries are not subject to the Suspended Covenant with respect to the Debt Instruments under the Debt Instrument Agreement for any period of time as a result of the foregoing, and on any subsequent date (the "**Reversion Date**") one or both of the Rating Agencies (a) withdraw their Investment Grade Rating or downgrade the rating assigned to the Debt Instruments below an Investment Grade Rating and/or (b) the Issuer or any of its Affiliates enters into an agreement to effect a transaction that would result in a Change of Control and one or more of the Rating Agencies indicate that if consummated, such transaction (alone or together with any related recapitalization or refinancing transactions) would cause such Rating Agency to withdraw its Investment Grade Rating or downgrade the ratings assigned to the Debt Instruments below an Investment Grade Rating, then the Issuer and its Restricted Subsidiaries will thereafter again be subject to the Suspended Covenant with respect to the Debt Instruments under the Debt Instrument Agreement with respect to future events, including, without limitation, a proposed transaction described in clause (b) above.

There can be no assurance that the Debt Instruments will ever achieve or maintain Investment Grade Ratings.

When Issuer May Merge or Transfer Assets

The Debt Instrument Agreement provides that the Issuer may not, directly or indirectly, consolidate, amalgamate or merge with or into or wind up or convert into (whether or not the Issuer is the surviving Person), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions, to any Person unless:

(1) the Issuer is the surviving person or the Person formed by or surviving any such consolidation, amalgamation, merger, winding up or conversion (if other than the Issuer) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made is a corporation, partnership or limited liability company organized or existing under the laws of any member state of the European Union that was a member state on January 1, 2004, the United States, the District of Columbia, or any state or territory thereof, (the Issuer or such Person, as the case may be, being herein called the "**Successor Company**"); provided that in the case where the surviving Person is not a corporation, a co-obligor of the Debt Instruments is a corporation;

(2) the Successor Company (if other than the Issuer) expressly assumes all the obligations of the Issuer under the Debt Instrument Agreement, the Debt Instruments and the Security Documents pursuant to supplemental indentures or other documents or instruments in form reasonably satisfactory to the Administrative Agent;

(3) immediately after giving effect to such transaction (and treating any Indebtedness which becomes an obligation of the Successor Company or any of its Restricted Subsidiaries as a result of such transaction as having been Incurred by the Successor Company or such Restricted Subsidiary at the time of such transaction) no Default shall have occurred and be continuing;

(4) immediately after giving pro forma effect to such transaction, as if such transaction had occurred at the beginning of the applicable four-quarter period (and treating any Indebtedness which becomes an obligation of the Successor Company or any of its Restricted Subsidiaries as a result of such transaction as having been Incurred by the Successor Company or such Restricted Subsidiary at the time of such transaction), either:

  (a) the Successor Company would be permitted to Incur at least €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test set forth in the first sentence of the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock;" or

  (b) the Fixed Charge Coverage Ratio for the Successor Company and its Restricted Subsidiaries would be greater than such ratio for the Issuer and its Restricted Subsidiaries immediately prior to such transaction;

(5) the Issuer shall have delivered to the Administrative Agent an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, amalgamation or transfer and such supplemental indentures (if any) comply with the Debt Instrument Agreement.

The Successor Company (if other than the Issuer) will succeed to, and be substituted for, the Issuer under the Debt Instrument Agreement and the Debt Instruments, and in such event the Issuer will automatically be released and discharged from its obligations under the Debt Instrument Agreement and the Debt Instruments. Notwithstanding the foregoing clauses (3) and (4), (a) any Restricted Subsidiary may merge, consolidate or amalgamate with or transfer all or part of its properties and assets to the Issuer or to another Restricted Subsidiary, and (b) the Issuer may merge, consolidate or amalgamate with an Affiliate incorporated solely for the purpose of reincorporating the Issuer in another member state of the European Union that was a member state on January 1, 2004, the United States, the District of Columbia, or any state or territory thereof, or may convert into a limited liability company, so long as the amount of Indebtedness of the Issuer and its Restricted Subsidiaries is not increased thereby. This section "—When Issuer May Merge or Transfer Assets" will not apply to a sale, assignment, transfer, conveyance or other disposition of assets between or among the Issuer and its Restricted Subsidiaries.

Defaults

An Event of Default is defined in the Debt Instrument Agreement as:

(1) a default in any payment of interest on any Debt Instrument when due, continued for 30 days;

(2) a default in the payment of principal or premium, if any, of any Debt Instrument when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) the failure by the Issuer or any of Restricted Subsidiaries to comply with the covenant described under "—When Issuer May Merge or Transfer Assets" above;

(4) the failure by the Issuer or any of Restricted Subsidiaries to comply for 60 days after notice with its other agreements contained in the Debt Instruments or the Debt Instrument Agreement (other than those referred to in (1), (2), (3) above or (10) below);

(5) the failure by the Issuer or any Significant Subsidiary to pay any Indebtedness (other than Indebtedness owing to the Issuer or a Restricted Subsidiary) within any applicable grace period after final maturity or the acceleration of any such Indebtedness by the holders thereof because of a default, in each case, if the total amount of such Indebtedness unpaid or accelerated exceeds €25.0 million or its foreign currency equivalent (the "**cross-acceleration provision**");

(6) certain events of bankruptcy, insolvency or reorganization of the Issuer or a Significant Subsidiary (the "**bankruptcy provisions**"); and

(7) failure by the Issuer or any Significant Subsidiary to pay final judgments aggregating in excess of €25.0 million or its foreign currency equivalent (net of any amounts which are covered by enforceable insurance policies issued by solvent carriers), which judgments are not discharged, waived or stayed for a period of 60 days (the "**judgment default provision**").

The foregoing will constitute Events of Default whatever the reason for any such Event of Default and whether it is voluntary or involuntary or is effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body.

However, a default under clauses (4), (5) or (7) will not constitute an Event of Default until the Administrative Agent or the holders of 25% in principal amount of outstanding Debt Instruments notify the Issuer of the default and the Issuer does not cure such default within the time specified in clause (4) hereof after receipt of such notice.

If an Event of Default (other than a Default relating to certain events of bankruptcy, insolvency or reorganization of the Issuer) occurs and is continuing, the Administrative Agent or the holders of at least 25% in principal amount of outstanding Debt Instruments by notice to the Issuer may declare the principal of, premium, if any, and accrued but unpaid interest on all the Debt Instruments to be due and payable; provided, however, that so long as any Bank Indebtedness remains outstanding, no such acceleration shall be effective until the earlier of (1) five Business Days after the giving of written notice to the Issuer and the Representative under the Credit Agreement and (2) the day on which any Bank Indebtedness is accelerated. Upon such a declaration, such principal and interest with respect to the Debt Instruments will be due and payable immediately. If an Event of Default relating to certain events of bankruptcy, insolvency or reorganization of the Issuer occurs, the principal of, premium, if any, and interest on all the Debt Instruments will become immediately due and payable without any declaration or other act on the part of the Administrative Agent or any holders. Under certain circumstances, the holders of a majority in principal amount of outstanding Debt Instruments may rescind any such acceleration with respect to the Debt Instruments and its consequences.

In the event of any Event of Default with respect to the Debt Instruments specified in clause (5) of the first paragraph above, such Event of Default and all consequences thereof (excluding, however, any resulting payment default) will be annulled, waived and rescinded, automatically and without any action by the Administrative Agent or the holders of the Debt Instruments, if within 20 days after such Event of Default arose the Issuer delivers an Officers' Certificate to the Administrative Agent stating that (x) the Indebtedness or guarantee that is the basis for such Event of Default has been discharged or (y) the holders thereof have rescinded or waived the acceleration, notice or action (as the case may be) giving rise to such Event of Default or (z) the default that is the basis for such Event of Default has been cured, it being understood that in no event shall an acceleration of the principal amount of the Debt Instruments as described above be annulled, waived or rescinded upon the happening of any such events.

Amendments and Waivers

Subject to certain exceptions, the Debt Instrument Agreement may be amended with the consent of the holders of a majority in principal amount of the Debt Instruments then outstanding voting as a single class and any past default or compliance with any provisions may be waived with the consent of the holders of a majority in principal amount of the Debt Instruments then outstanding voting as a single class. Notwithstanding the foregoing, without the consent of 90% of the then outstanding aggregate principal amount of the Debt Instruments affected, no amendment may, among other things:

(1) reduce the amount of Debt Instruments whose holders must consent to an amendment,

(2) reduce the rate of or extend the time for payment of interest on any Debt Instrument,

(3) reduce the principal of or extend the Stated Maturity of any Debt Instrument,

(4) reduce the premium payable upon the redemption of any Debt Instrument or change the time at which any Note may be redeemed as described under "—Optional Redemption" above,

(5) make any Note payable in money other than that stated in such Debt Instrument,

(6) expressly subordinate the Debt Instruments to any other Indebtedness of the Issuer not otherwise permitted by the Debt Instrument Agreement,

(7) impair the right of any holder to receive payment of principal of, premium, if any, and interest on such holder's Debt Instruments on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder's Debt Instruments, or

(8) make any change in the amendment provisions which require the holder's consent as described in this sentence or in the waiver provisions.

Without the consent of any holder, the Issuer and the Administrative Agent may amend the Debt Instrument Agreement to cure any ambiguity, omission, mistake, defect or inconsistency, to effect any provision of the Debt Instrument Agreement to provide for the assumption by a Successor Company of the obligations of the Issuer under the Debt Instrument Agreement and the Debt Instruments, to secure the Debt Instruments, to add to the covenants of the Issuer for the benefit of the holders or to surrender any right or power conferred upon the Issuer, to make any change that does not adversely affect the rights of any holder, to evidence and process for the acceptance and appointment under the Debt Instrument Agreement of the Administrative Agent, to provide for the accession of the Administrative Agent to any instrument in connection with the Debt Instruments.

The consent of the noteholders is not necessary under the Debt Instrument Agreement to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

The Issuer will, for so long as the Debt Instruments are admitted to trading on the Official List of the Irish Stock Exchange and admitted to trading on the Alternative Securities Market thereof, to the extent required by the guidelines of the Irish Stock Exchange, (i) inform the Irish Stock Exchange of any of the foregoing amendments, supplements and waivers and provide, if necessary, a supplement to this Information Memorandum setting forth reasonable details in connection with any such amendments, supplements or waivers and (ii) deliver notice of any amendment, supplement and waiver to the Companies Announcement Office in Dublin.

After an amendment under the Debt Instrument Agreement becomes effective with respect to the Debt Instruments, the Issuer is required to mail to the noteholders a notice briefly describing such amendment. However, the failure to give such notice to all noteholders entitled to receive such notice, or any defect therein, will not impair or affect the validity of the amendment.

No Personal Liability of Directors, Officers, Employees, Managers and Stockholders

No director, officer, employee, manager, incorporator or holder of any Equity Interests in the Issuer or any direct or indirect parent corporation, as such, will have any liability for any obligations of the Issuer under the Debt Instruments, the Debt Instrument Agreement, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of Debt Instruments by accepting a Debt Instrument waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Debt Instruments.

Transfer and Exchange

A noteholder may transfer or exchange Debt Instruments in accordance with the Debt Instrument Agreement. Upon any transfer or exchange, the registrar and the Administrative Agent may require a noteholder, among other things, to furnish appropriate endorsements and transfer documents. The Debt Instruments will be issued in registered form and the registered holder of a Debt Instrument will be treated as the owner of such Debt Instrument for all purposes.

Consent to Jurisdiction and Service

The Issuer has submitted, for itself and its property, to the nonexclusive jurisdiction of any New York State court or federal court of the United States of America sitting in New York City, and any appellate court from any thereof (collectively, "**New York Courts**"), in any action or proceeding arising out of or relating to the Debt Instrument Agreement and the Debt Instruments, or for recognition or enforcement of any judgment, and the Issuer has irrevocably and unconditionally agreed that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such federal court. The Issuer has agreed that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in the Debt Instrument Agreement shall affect any right that any party may otherwise have to bring any action or proceeding relating to the Debt Instrument Agreement or the Debt Instruments in the courts of any jurisdiction, except that the Issuer has agreed that (a) it will not bring any such action or proceeding in any court other than New York Courts (it being acknowledged and agreed by the Issuer and the Noteholders that any other forum would be inconvenient and inappropriate in view of the fact that more of the Noteholders who would be affected by any such action or proceeding have contacts with the State of New York than any other jurisdiction), and (b) in any such action or proceeding brought against the Issuer in any other court, it will not assert any cross-claim, counterclaim or setoff, or seek any other affirmative relief, except to the extent that the failure to assert the same will preclude the Issuer from asserting or seeking the same in the New York Courts.

The Issuer irrevocably and unconditionally has waived, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to the Debt Instrument Agreement and the Debt Instruments in any New York State or federal court. The Issuer has irrevocably waived, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

Governing Law

The Debt Instrument Agreement and the Debt Instruments are governed by, and construed in accordance with, the laws of the State of New York.

Certain Definitions

"**Acquired Indebtedness**" means, with respect to any specified Person:

(1) Indebtedness of any other Person existing at the time such other Person is merged, consolidated or amalgamated with or into or became a Restricted Subsidiary of such specified Person and

(2) Indebtedness secured by a Lien encumbering any asset acquired by such specified Person.

"**Acquisition Agreements**" means the Apollo Acquisition Agreement.

"**Acquisition Documents**" means the Acquisition Agreements and any other document entered into in connection therewith, in each case as amended, supplemented or modified from time to time prior to the Issue Date or thereafter (so long as any amendment, supplement or modification after the

Issue Date, together with all other amendments, supplements and modifications after the Issue Date, taken as a whole, is not more disadvantageous to the holders of the Debt Instruments in any material respect than the Acquisition Documents as in effect on the Issue Date).

"**Administrative Agent**" means Credit Suisse.

"**Affiliate**" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise.

"**Apollo Acquisition**" means the acquisition by Affiliates of the Sponsors of substantially all of the outstanding shares of capital stock of the Issuer, pursuant to the Apollo Acquisition Agreement.

"**Apollo Acquisition Agreement**" means that certain Agreement for the Sale and Purchase of All the Issued and Outstanding Shares in the Capital of TNT Logistics Holdings B.V. and the SNCF Business, dated August 23, 2006, by and between TNT N.V. and UK Bidco.

"**Applicable Premium**" means, with respect to any Debt Instrument on any applicable redemption date, the excess of:

(1) the present value at such redemption date of (i) the redemption price of such Note, at September 1, 2010 (such redemption price being set forth in the applicable table appearing above under "—Optional Redemption") *plus* (ii) all required interest payments due on the Debt Instrument through September 1, 2010 (excluding accrued but unpaid interest), computed using a discount rate equal to the Treasury Rate as of such Redemption date, in each case plus 50 basis points; over

(2) the then outstanding principal amount of the Debt Instrument.

"**Asset Sale**" means:

(1) the sale, conveyance, transfer or other disposition (whether in a single transaction or a series of related transactions) of property or assets (including by way of a Sale/Leaseback Transaction) outside the ordinary course of business of the Issuer or any Restricted Subsidiary of the Issuer (each referred to in this definition as a "**disposition**") or

(2) the issuance or sale of Equity Interests (other than directors' qualifying shares and shares issued to foreign nationals or other third parties to the extent required by applicable law) of any Restricted Subsidiary (other than to the Issuer or another Restricted Subsidiary of the Issuer) (whether in a single transaction or a series of related transactions),

in each case other than:

(a) a disposition of Cash Equivalents or Investment Grade Securities or obsolete, surplus or worn-out property or equipment in the ordinary course of business;

(b) transactions permitted pursuant to the provisions described above under "—When Issuer May Merge or Transfer Assets" or any disposition that constitutes a Change of Control;

(c) any Restricted Payment or Permitted Investment that is permitted to be made, and is made, under the covenant described above under "—Certain Covenants—Limitation on Restricted Payments;"

(d) any disposition of assets or issuance or sale of Equity Interests of any Restricted Subsidiary, which assets or Equity Interests so disposed or issued have an aggregate Fair Market Value of less than €7.5 million;

(e) any disposition of property or assets, or the issuance of securities, by a Restricted Subsidiary of the Issuer to the Issuer or by the Issuer or a Restricted Subsidiary of the Issuer to a Restricted Subsidiary of the Issuer;

(f) any exchange of assets (including a combination of assets and Cash Equivalents) for assets related to a Similar Business of comparable or greater market value or usefulness to the business of the Issuer and its Restricted Subsidiaries as a whole, as determined in good faith by the Issuer;

(g) foreclosure or any similar action with respect to any property or any other asset of the Issuer or any of its Restricted Subsidiaries;

(h) any sale of Equity Interests in, or Indebtedness or other securities of, an Unrestricted Subsidiary;

(i) the lease, assignment or sublease of any real or personal property in the ordinary course of business;

(j) any sale of inventory, trading stock or other assets in the ordinary course of business;

(k) any grant in the ordinary course of business of any license of patents, trademarks, know-how or any other intellectual property;

(l) an issuance of Capital Stock pursuant to an equity incentive or compensation plan approved by the Board of Directors;

(m) dispositions consisting of the granting of Permitted Liens;

(n) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(o) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(p) any surrender or waiver of contract rights or the settlement, release, recovery on or surrender of contract, tort or other claims of any kind;

(q) a transfer of accounts receivable and related assets of the type specified in the definition of "Receivables Financing" (or a fractional undivided interest therein) by a Receivables Subsidiary or any Restricted Subsidiary (x) in a Qualified Receivables Financing or (y) pursuant to any other factoring on arm's length terms or (z) in the ordinary course of business;

(r) the sale of any property in a Sale/Leaseback Transaction within six months of the acquisition of such property; and

(s) in the ordinary course of business, any swap of assets, or any lease, assignment or sublease of any real or personal property, in exchange for services (including in connection with any outsourcing arrangements) of comparable or greater value or usefulness to the business of the Issuer and the Restricted Subsidiaries taken as a whole, as determined in good faith by the Issuer; *provided*, that any cash or Cash Equivalents received must be applied in accordance with the covenant described under "—Certain Covenants—Asset Sales."

"**Bank Indebtedness**" means any and all amounts payable under or in respect of the Credit Agreement and the other Credit Agreement Documents as amended, restated, supplemented, waived, replaced, restructured, repaid, refunded, refinanced or otherwise modified from time to time (including after termination of the Credit Agreement), including principal, premium (if any), interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Issuer whether or not a claim for post-filing interest is allowed in such proceedings), fees, charges, expenses, reimbursement obligations, guarantees and all other amounts payable thereunder or in respect thereof.

"**Board of Directors**" means, as to any Person, the board of directors or managers, as applicable, of such Person (or, if such Person is a partnership, the board of directors or other governing body of the general partner of such Person) or any duly authorized committee thereof.

"**Business Day**" means a day other than a Saturday, Sunday or other day on which banking institutions are authorized or required by law to close in New York City and London.

"**Capital Stock**" means:

(1) in the case of a corporation, corporate stock or shares;

(2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

(4) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"**Capitalized Lease Obligation**" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be required to be capitalized and reflected as a liability on a balance sheet (excluding the foot notes thereto) in accordance with GAAP.

"**Cash Equivalents**" means:

(1) U.S. dollars, pounds sterling, euro, the national currency of any member state in the European Union or, in the case of any Restricted Subsidiary that is not organized or existing under the laws of the United States, any member state of the European Union or any state or territory thereof, such local currencies held by it from time to time in the ordinary course of business;

(2) securities issued or directly and fully guaranteed or insured by the U.S., Canadian, Swiss or Japanese government or any country that is a member of the European Union or any agency or instrumentality thereof in each case maturing not more than two years from the date of acquisition;

(3) certificates of deposit, time deposits and eurodollar time deposits with maturities of one year or less from the date of acquisition, bankers' acceptances, in each case with maturities not exceeding one year and overnight bank deposits, in each case with any commercial bank whose long-term debt is rated "A" or the equivalent thereof by Moody's or S&P (or reasonably equivalent ratings of another internationally recognized ratings agency);

(4) repurchase obligations for underlying securities of the types described in clauses (2) and (3) above entered into with any financial institution meeting the qualifications specified in clause (3) above;

(5) commercial paper issued by a corporation (other than an Affiliate of the Issuer) rated at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's (or reasonably equivalent ratings of another internationally recognized ratings agency) and in each case maturing within one year after the date of acquisition;

(6) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, any member of the European Monetary Union, Switzerland or Norway or any political subdivision thereof having one of the two highest rating categories obtainable from either Moody's or S&P (or reasonably equivalent ratings of another internationally recognized ratings agency) in each case with maturities not exceeding two years from the date of acquisition;

(7) Indebtedness issued by Persons (other than the Sponsors or any of their Affiliates) with a rating of "A" or higher from S&P or "A-2" or higher from Moody's in each case with maturities not exceeding two years from the date of acquisition;

(8) for the purpose of paragraph (a) of the definition of "Asset Sale," any marketable securities of third parties owned by the Issuer and/or its Restricted Subsidiaries on the Reference Date; and

(9) interest in investment funds investing at least 95% of their assets in securities of the types described in clauses (1) through (7) above.

"**CEVA**" means CEVA Group PLC.

"**CEO**" means chief executive office;

"**CFO**" means chief financial officer;

"**Code**" means the United States Internal Revenue Code of 1986, as amended.

"**Consolidated Interest Expense**" means, with respect to any Person for any period, the sum, without duplication, of:

(1) consolidated interest expense of such Person and its Restricted Subsidiaries for such period, to the extent such expense was deducted in computing Consolidated Net Profit (including amortization of original issue discount, the interest component of Capitalized Lease Obligations, and net payments and receipts (if any) pursuant to interest rate Hedging Obligations and excluding amortization of deferred financing fees, debt issuance costs, commissions, fees and expenses and expensing of any bridge commitment or other financing fees); *plus*

(2) consolidated capitalized interest of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (but excluding any capitalizing interest on Subordinated Shareholder Funding); *plus*

(3) commissions, discounts, yield and other fees and charges Incurred in connection with any Receivables Financing which are payable to Persons other than the Issuer and its Restricted Subsidiaries; *minus*

(4) interest income for such period.

"**Consolidated Net Profit**" means, with respect to any Person for any period, the aggregate of the Net Profit of such Person and its Restricted Subsidiaries for such period, on a consolidated basis; *provided*, *however*, that:

(1) any net after-tax extraordinary, nonrecurring or unusual gains or losses or income, expenses or charges (less all fees and expenses relating thereto), any severance expenses and expenses or charges related to any Equity Offering, Permitted Investment, acquisition or Indebtedness permitted to be Incurred by the Debt Instrument Agreement (in each case, whether or not successful), including any such fees, expenses, charges or change in control payments made under the Acquisition Documents or otherwise related to the Transactions, in each case, shall be excluded;

(2) any increase in amortization or depreciation or any one-time non-cash charges or increases or reductions in Net Profit, in each case resulting from purchase accounting

in connection with the Transactions or any acquisition that is consummated after the Reference Date shall be excluded;

(3) the Net Profit for such period shall not include the cumulative effect of a change in accounting principles during such period;

(4) any net after-tax income or loss from discontinued operations and any net after-tax gains or losses on disposal of discontinued operations shall be excluded;

(5) any net after-tax gains or losses (less all fees and expenses or charges relating thereto) attributable to business dispositions or asset dispositions other than in the ordinary course of business (as determined in good faith by the Board of Directors of the Issuer) shall be excluded;

(6) any net after-tax gains or losses (less all fees and expenses or charges relating thereto) attributable to the early extinguishment of indebtedness or Hedging Obligations or other derivative instruments shall be excluded;

(7) the Net Profit for such period of any Person that is not a Subsidiary of such Person, or is an Unrestricted Subsidiary, or that is accounted for by the equity method of accounting, shall be included only to the extent of the amount of dividends or distributions or other payments paid in cash (or to the extent converted into cash) to the referent Person or a Restricted Subsidiary thereof in respect of such period;

(8) solely for the purpose of determining the amount available for Restricted Payments under clause (1) of the definition of Cumulative Credit contained in "—Certain Covenants—Limitation on Restricted Payments," the Net Profit for such period of any Restricted Subsidiary shall be excluded to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of its Net Profit is not at the date of determination permitted without any prior governmental approval (which has not been obtained) or, directly or indirectly, by the operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders, unless such restrictions with respect to the payment of dividends or similar distributions have been legally waived; *provided* that the Consolidated Net Profit of such Person shall be increased by the amount of dividends or other distributions or other payments actually paid in cash (or converted into cash) by any such Restricted Subsidiary to such Person, to the extent not already included therein;

(9) an amount equal to the amount of Tax Distributions actually made to any parent of such Person in respect of such period in accordance with clause (12) of the second paragraph under "—Certain Covenants—Limitation on Restricted Payments" shall be included as though such amounts had been paid as income taxes directly by such Person for such period;

(10) any non-cash impairment charges or asset write-offs, and the amortization of intangibles arising in each case pursuant to GAAP or the pronouncements of the IASB shall be excluded;

(11) any non-cash expense realized or resulting from stock option plans, employee benefit plans or post-employment benefit plans, grants and sales of stock, stock appreciation or similar rights, stock options or other rights to officers, directors and employees shall be excluded;

(12) any (a) severance or relocation costs or expenses, (b) one-time non-cash compensation charges, (c) the costs and expenses after the Reference Date related to employment of terminated employees, (d) costs or expenses realized in connection with, resulting from or in anticipation of the Transactions or (e) costs or expenses realized in connection with or resulting from stock appreciation or similar rights, stock options or other rights existing on the Reference Date of officers, directors and employees, in each case of such Person or any of its Restricted Subsidiaries, shall be excluded;

(13) accruals and reserves that are established or adjusted as a result of the Transactions (including as a result of the adoption or modification of accounting policies in connection with the Transactions) within 12 months after the Reference Date, and that are so required to be established in accordance with GAAP shall be excluded;

(14) solely for purposes of calculating EBITDA, (a) the Net Profit of any Person and its Restricted Subsidiaries shall be calculated without deducting the income attributable to, or adding the losses attributable to, the minority equity interests of third parties in any non-wholly owned Restricted Subsidiary except to the extent of dividends declared or paid in respect of such period or any prior period on the shares of Capital Stock of such Restricted Subsidiary held by such third parties and (b) any ordinary course dividend, distribution or other payment paid in cash and received from any Person in excess of amounts included in clause (7) above shall be included;

(15) (a)(i) the non-cash portion of "straight-line" rent expense shall be excluded and (ii) the cash portion of "straight-line" rent expense that exceeds the amount expensed in respect of such rent expense shall be included and (b) non-cash gains, losses, income and expenses resulting from fair value accounting required by the applicable standard under GAAP shall be excluded;

(16) unrealized gains and losses relating to hedging transactions and mark-to-market of Indebtedness denominated in foreign currencies resulting from the applications of the applicable standard under GAAP shall be excluded;

(17) any expenses incurred in the 18 months following the Reference Date that constitute transition expenses attributable to the Issuer becoming an independent operating company in connection with the Transactions (including without limitation re-branding costs) shall be excluded; and

(18) solely for the purpose of calculating Restricted Payments, the difference, if positive, of the Consolidated Taxes of the Issuer calculated in accordance with GAAP and the actual Consolidated Taxes paid in cash by the Issuer during any Reference Period shall be included.

Notwithstanding the foregoing, for the purpose of the covenant described under "—Certain Covenants—Limitation on Restricted Payments" only, there shall be excluded from Consolidated Net Profit any dividends, repayments of loans or advances or other transfers of assets from Unrestricted Subsidiaries of the Issuer or a Restricted Subsidiary of the Issuer to the extent such dividends, repayments or transfers increase the amount of Restricted Payments permitted under such covenant pursuant to clauses (4) and (5) of the definition of Cumulative Credit contained therein.

"**Consolidated Non-cash Charges**" means, with respect to any Person for any period, the aggregate depreciation, amortization and other non-cash expenses of such Person and its Restricted Subsidiaries reducing Consolidated Net Profit of such Person for such period on a consolidated basis and otherwise determined in accordance with GAAP, but excluding any such charge which consists of or requires an accrual of, or cash reserve for, anticipated cash charges for any future period.

"**Consolidated Taxes**" means provision for taxes based on income, profits or capital, including, without limitation, state, franchise and similar taxes and any Tax Distributions taken into account in calculating Consolidated Net Profit.

"**Contingent Obligations**" means, with respect to any Person, any obligation of such Person guaranteeing any leases, dividends or other obligations that do not constitute Indebtedness ("**primary obligations**") of any other Person (the "**primary obligor**") in any manner, whether directly or indirectly, including, without limitation, any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds:

(a) for the purchase or payment of any such primary obligation, or

(b) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"**Credit Agreement**" means (i) the credit agreement entered into on November 4, 2006, as amended and restated in connection with, and on or prior to, the consummation of the EGL Acquisition, as further amended, restated, supplemented, waived, replaced (whether or not upon termination, and whether with the original lenders or otherwise), restructured, increased as permitted under clause (a) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock," repaid, refunded, refinanced or otherwise modified from time to time, including any agreement or indenture extending the maturity thereof, refinancing, replacing or otherwise restructuring all or any portion of the Indebtedness under such agreement or agreements or indenture or indentures or any successor or replacement agreement or agreements or indenture or indentures or increasing the amount loaned or issued thereunder or altering the maturity thereof, among the Issuer, the guarantors named therein, the financial institutions named therein, and Credit Suisse, as Administrative Agent, and (ii) whether or not the credit agreement referred to in clause (i) remains outstanding, if designated by the Issuer to be included in the definition of "Credit Agreement," one or more (A) debt facilities or commercial paper facilities, providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to lenders or to special purpose entities formed to borrow from lenders against such receivables) or letters of credit, (B) debt securities, indentures or other forms of debt financing (including convertible or exchangeable debt instruments or bank guarantees or bankers' acceptances) or (C) instruments or agreements evidencing any other Indebtedness, in each case, with the same or different borrowers or issuers and, in each case, as amended, supplemented, modified, extended, restructured, renewed, refinanced, restated, replaced or refunded in whole or in part from time to time.

"**Credit Agreement Documents**" means the collective reference to the Credit Agreement, any Debt Instruments issued pursuant thereto and the guarantees thereof, and the collateral documents relating thereto, as amended, supplemented, restated, renewed, refunded, replaced, restructured, repaid, refinanced or otherwise modified from time to time.

"**Currency Agreement**" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"**Default**" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"**Designated Non-cash Consideration**" means the Fair Market Value of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as Designated Non-cash Consideration pursuant to an Officers' Certificate, setting forth the basis of such valuation, less the amount of Cash Equivalents received in connection with a subsequent sale of such Designated Non-cash Consideration.

"**Designated Preferred Stock**" means Preferred Stock of the Issuer or any direct or indirect parent of the Issuer (other than Disqualified Stock), that is issued for cash (other than to the Issuer or any of its Subsidiaries or an employee stock ownership plan or trust established by the Issuer or any of its Subsidiaries) and is so designated as Designated Preferred Stock, pursuant to an Officers' Certificate, on the issuance date thereof.

"**Disqualified Stock**" means, with respect to any Person, any Capital Stock of such Person which, by its terms (or by the terms of any security into which it is convertible or for which it is redeemable or exchangeable), or upon the happening of any event:

(1) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise (other than as a result of a change of control or asset sale, provided that the relevant asset sale or change of control provisions, taken as a whole, are not materially

more disadvantageous to the holders of the Debt Instruments than is customary in comparable transactions (as determined in good faith by the Issuer));

(2) is convertible or exchangeable for Indebtedness or Disqualified Stock of such Person; or

(3) is redeemable at the option of the holder thereof, in whole or in part (other than solely as a result of a change of control or asset sale),

in each case prior to 91 days after the maturity date of the Debt Instruments or the date the Debt Instruments are no longer outstanding; *provided*, *however*, that only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date shall be deemed to be Disqualified Stock; *provided*, *further*, *however*, that if such Capital Stock is issued to any employee or to any plan for the benefit of employees of the Issuer or its Subsidiaries or by any such plan to such employees, such Capital Stock shall not constitute Disqualified Stock solely because it may be required to be repurchased by the Issuer in order to satisfy applicable statutory or regulatory obligations or as a result of such employee's termination, death or disability; *provided*, *further*, that any class of Capital Stock of such Person that by its terms authorizes such Person to satisfy its obligations thereunder by delivery of Capital Stock that is not Disqualified Stock shall not be deemed to be Disqualified Stock.

"**EBITDA**" means, with respect to any Person for any period, the Consolidated Net Profit of such Person for such period plus, without duplication, to the extent the same was deducted in calculating Consolidated Net Profit:

(1) Consolidated Taxes; plus

(2) Consolidated Interest Expense; *plus*

(3) Consolidated Non-cash Charges; *plus*

(4) business optimization expenses and other restructuring charges or expenses (which, for the avoidance of doubt, shall include, without limitation, the effect of inventory or service optimization programs, site closures, retention, systems establishment costs and excess pension charges); *provided* that with respect to each business optimization expense or other restructuring charge, the Issuer shall have delivered to the Administrative Agent an Officers' Certificate specifying and quantifying such expense or charge and stating that such expense or charge is a business optimization expense or other restructuring charge, as the case may be; *plus*

(5) the amount of management, monitoring, consulting and advisory fees and related expenses paid to the Sponsors (or any accruals relating to such fees and related expenses) during such period pursuant to the terms of the agreements between the Sponsors and the Issuer and its Subsidiaries as described with particularity in this Information Memorandum and as was in effect on the Reference Date;

less, without duplication,

(6) non-cash items increasing Consolidated Net Profit for such period (excluding the recognition of deferred revenue or any items which represent the reversal of any accrual of, or cash reserve for, anticipated cash charges that reduced EBITDA in any prior period and any items for which cash was received in a prior period).

"**EGL Acquisition**" means the acquisition of EGL, Inc. by the Issuer, pursuant to the EGL Acquisition Agreement.

"**EGL Acquisition Agreement**" means that certain Agreement and Plan of Merger, dated as of May 24, 2007, among the Issuer, CEVA Texas Holdco Inc., and EGL, Inc., as amended, supplemented or modified from time to time on or prior to the Issue Date.

"**Equity Interests**" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"**Equity Offering**" means any public or private sale after the Issue Date of common stock or Preferred Stock of the Issuer or any direct or indirect parent of the Issuer, as applicable (other than Disqualified Stock), other than:

(1) public offerings with respect to the Issuer's or such direct or indirect parent's common stock registered on Form S-8; and

(2) any such public or private sale that constitutes an Excluded Contribution.

"**Euro Equivalent**" means, with respect to any monetary amount in a currency other than euro, at any time of determination thereof by the Issuer or the Administrative Agent, the amount of euro obtained by converting such currency other than euro involved in such computation into euro at the spot rate for the purchase of euro with the applicable currency other than euro as published in *The Financial Times* in the "Currency Rates" section (or, if *The Financial Times is no longer published, or if such information is no longer available in The Financial Times, such source as may be selected in good faith by the Issuer) on the date of such determination*.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"**Excluded Contributions**" means the Cash Equivalents or other assets (valued at their Fair Market Value as determined in good faith by senior management or the Board of Directors of the Issuer) received by the Issuer after the Reference Date from:

(1) contributions to its common equity capital and

(2) the sale (other than to a Subsidiary of the Issuer or to any Subsidiary management equity plan or stock option plan or any other management or employee benefit plan or agreement) of Capital Stock (other than Disqualified Stock and Designated Preferred Stock) of the Issuer, in each case designated as Excluded Contributions pursuant to an Officers' Certificate executed by an Officer of the Issuer on or promptly after the date such capital contributions are made or the date such Capital Stock is sold, as the case may be.

"**Fair Market Value**" means, with respect to any asset or property, the price that could be negotiated in an arm's length, free market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction (as determined by the Issuer).

"**First Priority Lien Obligations**" means (i) all Secured Bank Indebtedness, (ii) all other Obligations (not constituting Indebtedness) of the Issuer and its Restricted Subsidiaries under the agreements governing Secured Bank Indebtedness, (iii) all other Obligations of the Issuer or any of its Restricted Subsidiaries in respect of Hedging Obligations or Obligations in respect of cash management services, in each case owing to a Person that is a holder of Indebtedness described in clause (i) or Obligations described in clause (ii) or an Affiliate of such holder at the time of entry into such Hedging Obligations or Obligations in respect of cash management services and (iv) all other Bank Indebtedness that is secured by a Permitted Lien (other than a Permitted Lien Incurred or deemed Incurred pursuant to clause (6)(B) of the definition of Permitted Lien).

"**Fixed Charge Coverage Ratio**" means, with respect to any Person for any period, the ratio of EBITDA of such Person for such period to the Fixed Charges of such Person for such period. In the event that the Issuer or any of its Restricted Subsidiaries Incurs, repays, repurchases or redeems any Indebtedness (other than in the case of revolving credit borrowings or revolving advances in which case interest expense shall be computed based upon the average daily balance of such Indebtedness during the applicable period) or issues, repurchases or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated but prior to the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "**Calculation Date**"), then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect to such Incurrence, repayment, repurchase or redemption of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or Preferred Stock, as if the same had occurred at the beginning of the applicable four-quarter period.

For purposes of making the computation referred to above, Investments, acquisitions, dispositions, mergers, amalgamations, consolidations (including the Transactions) and discontinued operations (as determined in accordance with GAAP), in each case with respect to an operating unit of a business, and any operational changes that the Issuer or any of its Restricted Subsidiaries has determined to make and/or made during the four-quarter reference period or subsequent to such reference period and on or prior to or simultaneously with the Calculation Date (each, for purposes of this definition, a "**pro forma event**") shall be calculated on a pro forma basis assuming that all such Investments, acquisitions, dispositions, mergers, amalgamations, consolidations (including the Transactions), discontinued operations and operational changes (and the change of any associated fixed charge obligations and the change in EBITDA resulting therefrom) had occurred on the first day of the four- quarter reference period. If since the beginning of such period any Person that subsequently became a Restricted Subsidiary or was merged with or into the Issuer or any Restricted Subsidiary since the beginning of such period shall have made any Investment, acquisition, disposition, merger, amalgamation, consolidation, discontinued operation or operational change, in each case with respect to an operating unit of a business, that would have required adjustment pursuant to this definition, then the Fixed Charge Coverage Ratio shall be calculated giving pro forma effect thereto for such period as if such Investment, acquisition, disposition, discontinued operation, merger, consolidation or operational change had occurred at the beginning of the applicable four-quarter period.

For purposes of this definition, whenever pro forma effect is to be given to any pro forma event, the pro forma calculations shall be made in good faith by a responsible financial or accounting officer of the Issuer. Any such pro forma calculation may include adjustments appropriate, in the reasonable good faith determination of the Issuer as set forth in an Officers' Certificate, to reflect (1) operating expense reductions and other operating improvements or synergies reasonably expected to result from the applicable pro forma event (including, to the extent applicable, from the Transactions) and (2) all adjustments of the nature used in connection with the calculation of "Pro forma Adjusted EBITDA" as set forth in footnote (2) in "Summary Financial Information—Pro Forma and Other Financial Data" in this Information Memorandum to the extent such adjustments, without duplication, continue to be applicable to such four-quarter period.

If any Indebtedness bears a floating rate of interest and is being given pro forma effect, the interest on such Indebtedness shall be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligations applicable to such Indebtedness if such Hedging Obligation has a remaining term in excess of 12 months). Interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with GAAP. For purposes of making the computation referred to above, interest on any Indebtedness under a revolving credit facility computed on a pro forma basis shall be computed based upon the average daily balance of such Indebtedness during the applicable period. Interest on Indebtedness that may optionally be determined at an interest rate based upon a factor of a prime or similar rate, a eurocurrency interbank offered rate, or other rate, shall be deemed to have been based upon the rate actually chosen, or, if none, then based upon such optional rate chosen as the Issuer may designate.

"**Fixed Charges**" means, with respect to any Person for any period, the sum, without duplication, of:

(1) Consolidated Interest Expense of such Person for such period; and

(2) all cash dividend payments (excluding items eliminated in consolidation) on any series of Preferred Stock or Disqualified Stock of such Person and its Restricted Subsidiaries.

"**GAAP**" means the International Financial Reporting Standards ("**IFRS**") as in effect (except as otherwise provided in the Debt Instrument Agreement) on the Reference Date. Except as otherwise expressly provided in the Debt Instrument Agreement, all ratios and calculations based on GAAP contained in the Debt Instrument Agreement shall be computed in conformity with GAAP. At any time after the Reference Date, the Issuer may elect to apply generally accepted accounting principles in the

U.S. ("**U.S. GAAP**") in lieu of GAAP and, upon any such election, references herein to GAAP shall thereafter be construed to mean U.S. GAAP as in effect (except as otherwise provided in the Debt Instrument Agreement) on the date of such election; *provided* that any such election, once made, shall be irrevocable and that, upon first reporting its fiscal year results under U.S. GAAP it shall restate its financial statements on the basis of U.S. GAAP for the fiscal year ending immediately prior to the first fiscal year for which financial statements have been prepared on the basis of U.S. GAAP. The Issuer shall give notice of any such election to the Administrative Agent and the noteholders.

"**guarantee**" means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness or other obligations.

"**Hedging Obligations**" means, with respect to any Person, the obligations of such Person under:

(1) currency exchange, interest rate or commodity swap agreements, currency exchange, interest rate or commodity cap agreements and currency exchange, interest rate or commodity collar agreements; and

(2) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange, interest rates or commodity prices.

"**holder**" or "**noteholder**" means the Person in whose name a Debt Instrument is registered on the Registrar's books.

"**IASB**" means the International Accounting Standards Board and any other organization or agency that shall issue pronouncements regarding the application of GAAP.

"**Incur**" means issue, assume, guarantee, incur or otherwise become liable for; *provided*, *however*, that any Indebtedness or Capital Stock of a Person existing at the time such person becomes a Subsidiary (whether by merger, amalgamation, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Person at the time it becomes a Subsidiary.

"**Indebtedness**" means, with respect to any Person (without duplication):

(1) the principal and premium (if any) of any indebtedness of such Person, whether or not contingent, (a) in respect of borrowed money, (b) evidenced by bonds, Debt Instruments, debentures or similar instruments or letters of credit or bankers' acceptances (or, without duplication, reimbursement agreements in respect thereof), (c) representing the deferred and unpaid purchase price of any property (except (i) any such balance that constitutes a trade payable or similar obligation to a trade creditor Incurred in the ordinary course of business and (ii) any earn-out obligations until such obligation becomes a liability on the balance sheet of such Person in accordance with GAAP), (d) in respect of Capitalized Lease Obligations or (e) representing any Hedging Obligations, if and to the extent that any of the foregoing indebtedness (other than letters of credit and Hedging Obligations) would appear as a liability on a balance sheet (excluding the foot notes thereto) of such Person prepared in accordance with GAAP;

(2) to the extent not otherwise included, any obligation of such Person to be liable for, or to pay, as obligor, guarantor or otherwise, on the obligations referred to in clause (1) of another Person (other than by endorsement of negotiable instruments for collection in the ordinary course of business);

(3) to the extent not otherwise included, Indebtedness of another Person secured by a Lien on any asset owned by such Person (whether or not such Indebtedness is assumed by such Person); *provided*, *however*, that the amount of such Indebtedness will be the lesser of: (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness of such other Person; and

(4) to the extent not otherwise included, with respect to the Issuer and its Restricted Subsidiaries, the amount then outstanding (i.e., advanced, and received by, and available for use by, the Issuer or any of its Restricted Subsidiaries) under any Receivables Financing (as set forth in the books and records of the Issuer or any Restricted Subsidiary and confirmed by the agent, trustee or other representative of the institution or group providing such Receivables Financing) where there is recourse to the Issuer or its Restricted Subsidiaries (as that term is understood in the context of recourse and non-recourse receivable financings);

provided, *however*, that notwithstanding the foregoing, Indebtedness shall be deemed not to include (1) Contingent Obligations Incurred in the ordinary course of business and not in respect of borrowed money; (2) deferred or prepaid revenues; (3) purchase price holdbacks in respect of a portion of the purchase price of an asset to satisfy warranty or other unperformed obligations of the respective seller; (4) Obligations under or in respect of Qualified Receivables Financing; (5) obligations under the Acquisition Documents; or (6) Subordinated Shareholder Funding.

Notwithstanding anything in the Debt Instrument Agreement to the contrary, Indebtedness shall not include, and shall be calculated without giving effect to, the effects of Statement of Financial Accounting Standards No. 133 and related interpretations to the extent such effects would otherwise increase or decrease an amount of Indebtedness for any purpose under the Debt Instrument Agreement as a result of accounting for any embedded derivatives created by the terms of such Indebtedness; and any such amounts that would have constituted Indebtedness under the Debt Instrument Agreement but for the application of this sentence shall not be deemed an Incurrence of Indebtedness under the Debt Instrument Agreement.

"**Independent Financial Advisor**" means an accounting, appraisal or investment banking firm or consultant, in each case of nationally recognized standing, that is, in the good faith determination of the Issuer, qualified to perform the task for which it has been engaged.

"**Investment Grade Rating**" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's and BBB- (or the equivalent) by S&P, or an equivalent rating by any other Rating Agency.

"**Investment Grade Securities**" means:

(1) securities issued or directly and fully guaranteed or insured by the U.S., Canadian or Japanese government or any member state of the European Monetary Union or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities that have a rating equal to or higher than Baa3 (or equivalent) by Moody's or BBB- (or equivalent) by S&P, or an equivalent rating by any other Rating Agency, but excluding any debt securities or loans or advances between and among the Issuer and its Subsidiaries;

(3) investments in any fund that invests exclusively in investments of the type described in clauses (1) and (2) which fund may also hold immaterial amounts of cash pending investment and/or distribution; and

(4) corresponding instruments in countries other than the United States customarily utilized for high quality investments and in each case with maturities not exceeding two years from the date of acquisition.

"**Investments**" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of loans (including guarantees), advances or capital contributions (excluding accounts receivable, trade credit and advances to customers and commission, travel and similar advances to officers, employees and consultants made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities issued by any other Person and investments that are required by GAAP to be classified on the balance sheet of the Issuer in the same manner as the other investments included in this definition to the extent such transactions involve the transfer of cash or other property. For purposes of the definition of "Unrestricted Subsidiary" and the covenant described under "—Certain Covenants—Limitation on Restricted Payments:"

(1) "Investments" shall include the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the Fair Market Value of the net assets of a Subsidiary of the Issuer at the time that such Subsidiary is designated an Unrestricted Subsidiary; *provided*, *however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Issuer shall be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary equal to an amount (if positive) equal to:

(a) the Issuer's "Investment" in such Subsidiary at the time of such redesignation; less

(b) the portion (proportionate to the Issuer's equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time of such redesignation; and

(2) any property transferred to or from an Unrestricted Subsidiary shall be valued at its Fair Market Value at the time of such transfer, in each case as determined in good faith by the Board of Directors of the Issuer.

"**Issue Date**" means February 21, 2007, the date on which the Debt Instruments were originally issued.

"**Lien**" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or similar encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any other agreement to give a security interest and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction); *provided* that in no event shall an operating lease be deemed to constitute a Lien.

"**Management Group**" means the group consisting of the directors, executive officers and other management personnel of the Issuer or any direct or indirect parent of the Issuer, as the case may be, on the Issue Date together with (1) any new directors whose election by such boards of directors or whose nomination for election by the shareholders of the Issuer or any direct or indirect parent of the Issuer, as applicable, was approved by a vote of a majority of the directors of the Issuer or any direct or indirect parent of the Issuer, as applicable, then still in office who were either directors on the Issue Date or whose election or nomination was previously so approved and (2) executive officers and other management personnel of the Issuer or any direct or indirect parent of the Issuer, as applicable, hired at a time when the directors on the Issue Date together with the directors so approved constituted a majority of the directors of the Issuer or any direct or indirect parent of the Issuer, as applicable.

"**Moody's**" means Moody's Investors Service, Inc. or any successor to the rating agency business thereof.

"**Net Proceeds**" means the aggregate cash proceeds received by the Issuer or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received in respect of or upon the sale or other disposition of any Designated Non-cash Consideration received in any Asset Sale and any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise, but only as and when received, but excluding the assumption by the acquiring person of Indebtedness relating to the disposed assets or other consideration received in any other non-cash form), net of the direct costs relating to such Asset Sale and the sale or disposition of such Designated Non-cash Consideration (including, without limitation, legal, accounting and investment banking fees, and brokerage and sales commissions), any relocation expenses Incurred as a result thereof, taxes paid or payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements related thereto), amounts required to be applied to the repayment of principal, premium (if any) and interest on Indebtedness required (other than pursuant to the second paragraph of the covenant described under "—Certain Covenants—Asset Sales") to be paid as a result of such transaction and any deduction of appropriate amounts to be provided by the Issuer as a reserve in accordance with GAAP against any liabilities associated with the asset disposed of in such transaction and retained by the Issuer after such sale or other disposition thereof, including, without limitation, pension and other post-employment benefit liabilities and liabilities related to environmental matters or against any indemnification obligations associated with such transaction.

"**Net Profit**" means, with respect to any Person, the Net Profit (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of Preferred Stock dividends.

"**Obligations**" means any principal, interest, penalties, fees, indemnifications, reimbursements (including, without limitation, reimbursement obligations with respect to letters of credit and bankers' acceptances), damages and other liabilities payable under the documentation governing any Indebtedness; *provided* that Obligations with respect to the Debt Instruments shall not include fees or indemnifications in favor of the Administrative Agent and other third parties other than the holders of the Debt Instruments.

"**Officer**" of any Person means the Chairman of the Board, Chief Executive Officer, Chief Financial Officer, President, any Executive Vice President, Senior Vice President or Vice President, the Treasurer or the Secretary of such Person or any other person that the board of directors of such person shall designate for such purpose.

"**Officers' Certificate**" means a certificate signed on behalf of the Issuer by two Officers of the Issuer or of a Subsidiary or parent of the Issuer that is designated by the Issuer, one of whom must be the principal executive officer, the principal financial officer, the treasurer, the principal accounting officer or similar position of the Issuer or such Subsidiary or parent that meets the requirements set forth in the Debt Instrument Agreement.

"**Opinion of Counsel**" means a written opinion from legal counsel who is acceptable to the Administrative Agent (acting reasonably). The counsel may be an employee of or counsel to the Issuer or the Administrative Agent.

"**Pari Passu Indebtedness**" means the Debt Instruments and any Indebtedness that ranks pari passu in right of payment to the Debt Instruments.

"**Permitted Holders**" means, at any time, each of (i) the Sponsors, (ii) the Management Group, (iii) TNT N.V. and its Affiliates, (iv) AlpInvest Partners Beheer 2006 Ltd and its Affiliates and (v) AAA Guarantor Co-Invest VI, L.P. and its Affiliates. Any Person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Debt Instrument Agreement will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"**Permitted Investments**" means:

(1) any Investment in the Issuer or any Restricted Subsidiary;

(2) any Investment in Cash Equivalents or Investment Grade Securities;

(3) any Investment by the Issuer or any Restricted Subsidiary of the Issuer in a Person if as a result of such Investment (a) such Person becomes a Restricted Subsidiary of the Issuer, or (b) such Person, in one transaction or a series of related transactions, is merged, consolidated or amalgamated with or into, or transfers or conveys all or substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary of the Issuer;

(4) any Investment in securities or other assets not constituting Cash Equivalents and received in connection with an Asset Sale made pursuant to the provisions of "—Certain Covenants—Asset Sales" or any other disposition of assets not constituting an Asset Sale;

(5) any Investment existing on, or made pursuant to binding commitments existing on, the Issue Date or an Investment consisting of any extension, modification or renewal of any Investment existing on the Issue Date; *provided* that the amount of any such Investment only may be increased as required by the terms of such Investment as in existence on the Issue Date;

(6) advances to officers, directors or employees, taken together with all other advances made pursuant to this clause (6), not to exceed €15.0 million at any one time outstanding;

(7) any Investment acquired by the Issuer or any of its Restricted Subsidiaries (a) in exchange for any other Investment or accounts receivable held by the Issuer or any such Restricted Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization of the issuer of such other Investment or accounts receivable or (b) as a result of a foreclosure by the Issuer or any of its Restricted Subsidiaries with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(8) Hedging Obligations permitted under clause (j) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock;"

(9) any Investment by the Issuer or any of its Restricted Subsidiaries in a Similar Business having an aggregate Fair Market Value, taken together with all other Investments made pursuant to this clause (9) that are at that time outstanding, not to exceed the greater of (x) €150.0 million and (y) 7.50% of Total Assets at the time of such Investment (with the Fair Market Value of each Investment being measured at the time made and without giving effect to subsequent changes in value); *provided*, *however*, that if any Investment pursuant to this clause (9) is made in any Person that is not a Restricted Subsidiary of the Issuer at the date of the making of such Investment and such Person becomes a Restricted Subsidiary of the Issuer after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) above and shall cease to have been made pursuant to this clause (9) for so long as such Person continues to be a Restricted Subsidiary;

(10) additional Investments by the Issuer or any of its Restricted Subsidiaries having an aggregate Fair Market Value, taken together with all other Investments made pursuant to this clause (10) that are at that time outstanding, not to exceed the greater of (x) €100.0 million and (y) 5% of Total Assets at the time of such Investment (with the Fair Market Value of each Investment being measured at the time made and without giving effect to subsequent changes in value); *provided*, *however*, that if any Investment pursuant to this clause (10) is made in any Person that is not a Restricted Subsidiary of the Issuer at the date of the making of such Investment and such Person becomes a Restricted Subsidiary of the Issuer after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) above and shall cease to have been made pursuant to this clause (10) for so long as such Person continues to be a Restricted Subsidiary;

(11) loans and advances to officers, directors or employees for business-related travel expenses, moving expenses and other similar expenses, in each case Incurred in the ordinary course of business or consistent with past practice or to fund such person's purchase of Equity Interests of the Issuer or any direct or indirect parent of the Issuer;

(12) Investments the payment for which consists of Equity Interests or Subordinated Shareholder Funding of the Issuer (other than Disqualified Stock) or any direct or indirect parent of the Issuer, as applicable; *provided*, *however*, that such Equity Interests will not increase the amount available for Restricted Payments under clause (3) of the definition of Cumulative Credit contained in "—Certain Covenants—Limitation on Restricted Payments;"

(13) any transaction to the extent it constitutes an Investment that is permitted by and made in accordance with the provisions of the second paragraph of the covenant described under "—Certain Covenants—Transactions with Affiliates" (except transactions described in clauses (2), (6), (7) and (11)(b) of such paragraph);

(14) Investments consisting of the licensing or contribution of intellectual property pursuant to joint marketing arrangements with other Persons;

(15) Investments consisting of or to finance purchases and acquisitions of inventory, supplies, materials, services or equipment or purchases of contract rights or licenses or leases of intellectual property;

(16) any Investment in a Receivables Subsidiary or any Investment by a Receivables Subsidiary in any other Person in connection with a Qualified Receivables Financing, including Investments of funds held in accounts permitted or required by the arrangements governing such Qualified Receivables Financing or any related Indebtedness; *provided*, *however*, that any Investment in a Receivables Subsidiary is in the form of a Purchase Money Note, contribution of additional receivables or an equity interest;

(17) any Investment in an entity or purchase of a business or assets in each case owned (or previously owned) by a customer of a Restricted Subsidiary as a condition or in connection with such customer (or any member of such customer's group) contracting with a Restricted Subsidiary, in each case in the ordinary course of business;

(18) any Investment in an entity which is not a Restricted Subsidiary to which a Restricted Subsidiary sells accounts receivable pursuant to a Receivables Financing;

(19) additional Investments in joint ventures of the Issuer or any of its Restricted Subsidiaries existing on the Issue Date not to exceed at any one time in the aggregate outstanding, €50.0 million; *provided*, *however*, that if any Investment pursuant to this clause (20) is made in any Person that is not a Restricted Subsidiary of the Issuer at the date of the making of such Investment and such Person becomes a Restricted Subsidiary of the Issuer after such date, such Investment shall thereafter be deemed to have been made pursuant to clause (1) above and shall cease to have been made pursuant to this clause (20) for so long as such Person continues to be a Restricted Subsidiary; and

(20) Investments of a Restricted Subsidiary of the Issuer acquired after the Issue Date or of an entity merged into, amalgamated with, or consolidated with the Issuer or a Restricted Subsidiary of the Issuer in a transaction that is not prohibited by the covenant described under "—When Issuer May Merge or Transfer Assets" after the Issue Date to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation.

"**Permitted Liens**" means, with respect to any Person:

(1) pledges or deposits by such Person under workmen's compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness) or leases to which such Person is a party, or deposits to secure public or statutory obligations of such Person or deposits of cash or U.S. government bonds to secure surety or appeal bonds to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent, in each case Incurred in the ordinary course of business;

(2) Liens imposed by law, such as carriers', warehousemen's and mechanics' Liens, in each case for sums not yet due or being contested in good faith by appropriate proceedings or other Liens arising out of judgments or awards against such Person with respect to which such Person shall then be proceeding with an appeal or other proceedings for review;

(3) Liens for taxes, assessments or other governmental charges not yet due or payable or subject to penalties for nonpayment or which are being contested in good faith by appropriate proceedings;

(4) Liens in favor of issuers of performance and surety bonds or bid bonds or with respect to other regulatory requirements or letters of credit issued pursuant to the request of and for the account of such Person in the ordinary course of its business;

(5) minor survey exceptions, minor encumbrances, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real properties or Liens incidental to the conduct of the business of such Person or to the ownership of its properties which were not Incurred in connection with Indebtedness and which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;

(6) (A) Liens on assets of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of such Restricted Subsidiary permitted to be Incurred pursuant to the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock," (B) Liens securing an aggregate principal amount of Bank Indebtedness and other Obligations of the type specified in clauses (ii) and (iii) of the definition of First Priority Lien Obligations not to exceed the greater of (x) the aggregate amount of Indebtedness permitted to be Incurred (and so Incurred) pursuant to clause (a) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock," and (y) the maximum principal amount of Indebtedness that, as of the date such Indebtedness was Incurred, and after giving effect to the Incurrence of such Indebtedness and the application of proceeds therefrom on such date, would not cause the Secured Indebtedness Leverage Ratio of the Issuer to exceed 3.00 to 1.00; *provided*, *however*, that such Indebtedness is Incurred pursuant to clause (a) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock," and (C) Liens securing Indebtedness Incurred pursuant to clause (d), (r) or (y) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock"; *provided*, *however*, that the amount of Indebtedness Incurred or deemed Incurred after the Issue Date pursuant to clause (d) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock," that is secured by a Permitted Lien (excluding the amount of the Indebtedness described in the following proviso) shall not exceed €400 million at any one time outstanding; *provided further*, *however*, the foregoing proviso shall not prohibit the Incurrence of a Permitted Lien under this clause 6(C) as a result of a reclassification of $425.0 million principal amount of Bank Indebtedness outstanding on the Issue Date from clause (a) to clause (d) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock;"

(7) Liens existing on the Issue Date, including Liens securing the Debt Instruments (other than Liens described in clause (6));

(8) Liens on assets, property or shares of stock of a Person at the time such Person becomes a Subsidiary; *provided*, *however*, that such Liens are not created or Incurred in connection with, or in contemplation of, such other Person becoming such a Subsidiary; *provided*, *further*, *however*, that such Liens may not extend to any other property owned by the Issuer or any Restricted Subsidiary of the Issuer;

(9) Liens on assets or property at the time the Issuer or a Restricted Subsidiary of the Issuer acquired the assets or property, including any acquisition by means of a merger, amalgamation or consolidation with or into the Issuer or any Restricted Subsidiary of the Issuer; *provided*, *however*, that such Liens are not created or Incurred in connection with, or in contemplation of, such acquisition; *provided*, *further*, *however*, that the Liens may not extend to any other property owned by the Issuer or any Restricted Subsidiary of the Issuer;

(10) Liens securing Indebtedness or other obligations of a Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary of the Issuer permitted to be Incurred in

accordance with the covenant described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock;"

(11) Liens securing Hedging Obligations not Incurred in violation of the Debt Instrument Agreement; *provided* that with respect to Hedging Obligations relating to Indebtedness, such Lien extends only to the property securing such Indebtedness;

(12) Liens on specific items of inventory or other goods and proceeds of any Person securing such Person’s obligations in respect of bankers’ acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(13) leases and subleases of real property which do not materially interfere with the ordinary conduct of the business of the Issuer or any of its Restricted Subsidiaries;

(14) Liens arising from Uniform Commercial Code financing statement filings regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;

(15) Liens in favor of the Issuer or any Restricted Subsidiary;

(16) Liens on accounts receivable and related assets of the type specified in the definition of "Receivables Financing" Incurred in connection with a Qualified Receivables Financing;

(17) deposits made in the ordinary course of business to secure liability to insurance carriers;

(18) Liens on the Equity Interests of Unrestricted Subsidiaries;

(19) grants of software and other technology licenses in the ordinary course of business;

(20) Liens to secure any refinancing, refunding, extension, renewal or replacement (or successive refinancings, refundings, extensions, renewals or replacements) as a whole, or in part, of any Indebtedness secured by any Lien referred to in clauses (6), (7), (8), (9), (10), (11), (15) and (20); *provided*, *however*, that (x) such new Lien shall be limited to all or part of the same property that secured the original Lien (plus improvements on such property) and (y) the Indebtedness secured by such Lien at such time is not increased to any amount greater than the sum of (A) the outstanding principal amount or, if greater, committed amount of the Indebtedness described under clauses (6), (7), (8), (9), (10), (11), (15) and (20) at the time the original Lien became a Permitted Lien under the Debt Instrument Agreement and (B) an amount necessary to pay any fees and expenses, including premiums, related to such refinancing, refunding, extension, renewal or replacement; *provided further*, *however*, that in the case of any Liens to secure any refinancing, refunding, extension or renewal of Indebtedness secured by a Lien referred to in clause (6), the principal amount of any Indebtedness Incurred for such refinancing, refunding, extension or renewal shall be deemed secured by a Lien under clause (6) and not this clause (20) for purposes of determining the principal amount of Indebtedness outstanding under clause (6), and for purposes of the definition of Secured Bank Indebtedness;

(21) Liens on equipment of the Issuer or any Restricted Subsidiary granted in the ordinary course of business to the Issuer’s or such Restricted Subsidiary’s client at which such equipment is located;

(22) judgment and attachment Liens not giving rise to an Event of Default and notices of lis pendens and associated rights related to litigation being contested in good faith by appropriate proceedings and for which adequate reserves have been made;

(23) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(24) liens arising by virtue of any statutory or common law provisions relating to banker's liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depository or financial institution;

(25) any interest or title of a lessor under any Capitalized Lease Obligation;

(26) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(27) Liens Incurred to secure cash management services or to implement cash pooling arrangements in the ordinary course of business; and

(28) other Liens securing obligations Incurred in the ordinary course of business which obligations do not exceed €20.0 million at any one time outstanding.

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"**Preferred Stock**" means any Equity Interest with preferential right of payment of dividends or upon liquidation, dissolution, or winding-up.

"**Purchase Money Note**" means a promissory note of a Receivables Subsidiary evidencing a line of credit, which may be irrevocable, from the Issuer or any Subsidiary of the Issuer to a Receivables Subsidiary in connection with a Qualified Receivables Financing, which note is intended to finance that portion of the purchase price that is not paid by cash or a contribution of equity.

"**Qualified Receivables Financing**" means any Receivables Financing that meets the following conditions:

(1) the Board of Directors of the Issuer shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer or, as the case may be, the Subsidiary in question;

(2) all sales of accounts receivable and related assets are made at Fair Market Value (as determined in good faith by the Issuer); and

(3) the financing terms, covenants, termination events and other provisions thereof shall be market terms (as determined in good faith by the Issuer) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of the Issuer or any of its Subsidiaries (other than a Receivables Subsidiary or the Subsidiary undertaking such Receivables Financing) to secure Bank Indebtedness, Indebtedness in respect of the Debt Instruments or any Refinancing Indebtedness with respect to the Debt Instruments shall not be deemed a Qualified Receivables Financing.

"**Rating Agency**" means (1) each of Moody's and S&P and (2) if Moody's or S&P ceases to rate the Debt Instruments for reasons outside of the Issuer's control, a "nationally recognized statistical rating organization" within the meaning of Rule 15cs-1(c)(2)(vi)(F) under the Exchange Act selected by the Issuer or any direct or indirect parent of the Issuer as a replacement agency for Moody's or S&P, as the case may be.

"**Receivables Fees**" means distributions or payments made directly or by means of discounts with respect to any participation interests issued or sold in connection with, and all other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

"**Receivables Financing**" means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary or (b) any other Person, or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of the Issuer or any of its Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by the Issuer or any such Subsidiary in connection with such accounts receivable.

"**Receivables Repurchase Obligation**" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"**Receivables Subsidiary**" means a Wholly Owned Subsidiary of the Issuer (or another Person formed for the purposes of engaging in Qualified Receivables Financing with the Issuer in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Restricted Subsidiary of the Issuer transfers accounts receivable and related assets) that engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and that is designated by the Board of Directors of the Issuer (as provided below) as a Receivables Subsidiary and:

(a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Issuer or any other Restricted Subsidiary of the Issuer (excluding guarantees of obligations (other than the principal of and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is with recourse to or obligates the Issuer or any other Subsidiary of the Issuer in any way other than pursuant to Standard Securitization Undertakings, or (iii) subjects any property or asset of the Issuer or any other Subsidiary of the Issuer, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(b) with which neither the Issuer nor any other Restricted Subsidiary of the Issuer has any material contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and

(c) to which neither the Issuer nor any other Restricted Subsidiary of the Issuer has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Administrative Agent by filing with the Administrative Agent a certified copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing conditions.

"**Refinancing Indebtedness**" has the meaning given to it in paragraph (m) of "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock."

"**Representative**" means the trustee, agent or representative (if any) for an issue of Indebtedness; *provided* that if, and for so long as, such Indebtedness lacks such a Representative, then the Representative for such Indebtedness shall at all times constitute the holder or holders of a majority in outstanding principal amount of obligations under such Indebtedness.

"**Restricted Investment**" means an Investment other than a Permitted Investment.

"**Restricted Subsidiary**" means, with respect to any Person, any Subsidiary of such Person other than an Unrestricted Subsidiary of such Person. Unless otherwise indicated in this "Description of the Debt Instruments," all references to Restricted Subsidiaries shall mean Restricted Subsidiaries of the Issuer.

"**Sale/Leaseback Transaction**" means an arrangement relating to property now owned or hereafter acquired by the Issuer or a Restricted Subsidiary whereby the Issuer or a Restricted Subsidiary transfers such property to a Person and the Issuer or such Restricted Subsidiary leases it from such Person, other than leases between the Issuer and a Restricted Subsidiary of the Issuer or between Restricted Subsidiaries of the Issuer.

"**S&P**" means Standard & Poor's Ratings Group or any successor to the rating agency business thereof.

"**SEC**" means the Securities and Exchange Commission.

"**Secured Bank Indebtedness**" means any Bank Indebtedness that is secured by a Permitted Lien Incurred or deemed Incurred pursuant to clause (6)(B) of the definition of Permitted Lien.

"**Secured Indebtedness**" means any Indebtedness secured by a Lien.

"**Secured Indebtedness Leverage Ratio**" means, with respect to any Person, at any date the ratio of (i) Secured Indebtedness of such Person and its Restricted Subsidiaries as of such date of calculation (determined on a consolidated basis in accordance with GAAP) that constitutes Secured Bank Indebtedness to (ii) EBITDA of such Person for the four full fiscal quarters for which internal financial statements are available immediately preceding such date on which such additional Indebtedness is Incurred. In the event that the Issuer or any of its Restricted Subsidiaries Incurs, repays, repurchases or redeems any Indebtedness subsequent to the commencement of the period for which the Secured Indebtedness Leverage Ratio is being calculated but prior to the event for which the calculation of the Secured Indebtedness Leverage Ratio is made (the "**Secured Leverage Calculation Date**"), then the Secured Indebtedness Leverage Ratio shall be calculated giving pro forma effect to such Incurrence, repayment, repurchase or redemption of Indebtedness as if the same had occurred at the beginning of the applicable four-quarter period; *provided* that the Issuer may elect pursuant to an Officers' Certificate delivered to the Administrative Agent to treat all or any portion of the commitment under any Indebtedness as being Incurred at such time, in which case any subsequent Incurrence of Indebtedness under such commitment shall not be deemed, for purposes of this calculation, to be an Incurrence at such subsequent time.

For purposes of making the computation referred to above, Investments, acquisitions, dispositions, mergers, amalgamations, consolidations (including the Transactions) and discontinued operations (as determined in accordance with GAAP), in each case with respect to an operating unit of a business, and any operational changes that the Issuer or any of its Restricted Subsidiaries has determined to make and/or have made during the four-quarter reference period or subsequent to such reference period and on or prior to or simultaneously with the Secured Leverage Calculation Date (each, for purposes of this definition, a "**pro forma event**") shall be calculated on a pro forma basis assuming that all such Investments, acquisitions, dispositions, mergers, amalgamations, consolidations (including the Transactions), discontinued operations and other operational changes (and the change of any associated Indebtedness and the change in EBITDA resulting therefrom) had occurred on the first day of the four-quarter reference period. If since the beginning of such period any Person that subsequently became a Restricted Subsidiary or was merged with or into the Issuer or any Restricted Subsidiary since the beginning of such period shall have made any Investment, acquisition, disposition, merger, amalgamation, consolidation, discontinued operation or operational change, in each case with respect to an operating unit of a business, that would have required adjustment pursuant to this definition, then the Secured Indebtedness Leverage Ratio shall be calculated giving pro forma effect thereto for such period as if such Investment, acquisition, disposition, discontinued operation, merger, amalgamation, consolidation or operational change had occurred at the beginning of the applicable four-quarter period.

For purposes of this definition, whenever pro forma effect is to be given to any pro forma event, the pro forma calculations shall be made in good faith by a responsible financial or accounting officer of the Issuer. Any such pro forma calculation may include adjustments appropriate, in the reasonable good faith determination of the Issuer as set forth in an Officers' Certificate, to reflect (1) operating expense reductions and other operating improvements or synergies reasonably expected to result from the applicable pro forma event (including, to the extent applicable, from the Transactions) and (2) all adjustments of the nature used in connection with the calculation of "Pro forma Adjusted EBITDA" as set forth in footnote (2) in "Summary Financial Information—Pro Forma and Other Financial Data" in this Information Memorandum to the extent such adjustments, without duplication, continue to be applicable to such four-quarter period.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"**Significant Subsidiary**" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Issuer's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Issuer's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Issuer's and its Restricted Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Restricted Subsidiary exceeds 10% of such income of the Issuer and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"**Similar Business**" means (a) any businesses, services or activities engaged in by the Issuer or any of its Subsidiaries on the Issue Date and (b) any businesses, services and activities engaged in by the Issuer or any of its Subsidiaries that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"**Sponsors**" means (i) Apollo Management, L.P., and any of its Affiliates (collectively, the "**Apollo Sponsors**") and (ii) any Person that forms a group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act, or any successor provision) with any Apollo Sponsors; *provided* that any Apollo Sponsor (x) owns a majority of the voting power and (y) controls a majority of the Board of Directors of the Issuer.

"**Standard Securitization Undertakings**" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Receivables Financing including, without limitation, those relating to the servicing of the assets of a Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"**Stated Maturity**" means, with respect to any security, the date specified in such security as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such security at the option of the holder thereof upon the happening of any contingency beyond the control of the issuer unless such contingency has occurred).

"**Subordinated Indebtedness**" means any Indebtedness of the Issuer which is by its terms subordinated in right of payment to the Debt Instruments.

"**Subordinated Shareholder Funding**" means, collectively, any funds provided to the Issuer by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, *however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Stated Maturity of the Debt Instruments (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to the first anniversary of the Stated Maturity of the Debt Instruments is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to the first anniversary of the Stated Maturity of the Debt Instruments, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or that the making of any such payment prior to the first anniversary of the Stated Maturity of the Debt Instruments is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment (in each case, prior to the first anniversary of the Stated Maturity of the Debt Instruments) or the payment of any amount as a result of any such action or provision, or the exercise of any rights or enforcement action (in each case, prior to the first anniversary of the Stated Maturity of the Debt Instruments) is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and

(5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Debt Instruments pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Reference Date with respect to the "Subordinated Debt" (as defined therein).

"**Subsidiary**" means, with respect to any Person, (1) any corporation, association or other business entity (other than a partnership, joint venture or limited liability company) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, and (2) any partnership, joint venture or limited liability company of which (x) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general and limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise, and (y) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"**Tax Distributions**" means any distributions described in clause (12) of the covenant entitled "—Certain Covenants—Limitation on Restricted Payments."

"**Taxes**" means all present and future taxes, levies, imposts, deductions, charges, duties, assessments, governmental charges of whatever nature and withholdings and any charges of a similar nature (including interest, penalties and other liabilities with respect thereto) that are imposed, levied, collected, withheld or assessed by any government or other taxing authority.

"**Total Assets**" means the total consolidated assets of the Issuer and its Restricted Subsidiaries, as shown on the most recent balance sheet of the Issuer.

"**Transactions**" shall mean the transactions to occur pursuant to the Debt Instruments, including (1) the execution and delivery of the Debt Instrument Agreement, (2) the payment of dividends or return of capital to the equity holders of the Issuer ;and (3) the payment of all fees and expenses to be paid on or prior to the Issue Date and owing in connection with the foregoing.

"**UK Bidco**" means CEVA Ltd. (formerly known as Louis No. 3 Ltd.), a private limited liability company organized under the laws of England and Wales.

"**Unrestricted Subsidiary**" means:

(1) any Subsidiary of the Issuer that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of such Person in the manner provided below; and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary of the Issuer) to be an Unrestricted Subsidiary unless such Subsidiary or any of its Subsidiaries owns any Equity Interests or Indebtedness of, or owns or holds any Lien on any property of, the Issuer or any other Subsidiary of the Issuer that is not a Subsidiary of the Subsidiary to be so designated; *provided*, *however*, that the Subsidiary to be so designated and its Subsidiaries do not at the time of designation have and do not thereafter Incur any Indebtedness pursuant to which the lender has recourse to any of the assets of the Issuer or any of its Restricted Subsidiaries; *provided*, *further*, *howeve*r, that either:

(a) the Subsidiary to be so designated has total consolidated assets of € 1,000 or less; or

(b) if such Subsidiary has consolidated assets greater than €1,000, then such designation would be permitted under the covenant described under "—Certain Covenants—Limitation on Restricted Payments."

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided*, *however*, that immediately after giving effect to such designation:

(x) (1) the Issuer could Incur €1.00 of additional Indebtedness pursuant to the Fixed Charge Coverage Ratio test described under "—Certain Covenants—Limitation on Incurrence of Indebtedness and Issuance of Disqualified Stock and Preferred Stock," or (2) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would be greater than such ratio for the Issuer and its Restricted Subsidiaries immediately prior to such designation, in each case on a pro forma basis taking into account such designation; and

(y) no Event of Default shall have occurred and be continuing.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Administrative Agent by promptly filing with the Administrative Agent a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing provisions.

"**Voting Stock**" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"**Weighted Average Life to Maturity**" means, when applied to any Indebtedness or Disqualified Stock, as the case may be, at any date, the quotient obtained by dividing (1) the sum of the products of the number of years from the date of determination to the date of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Disqualified Stock multiplied by the amount of such payment, by (2) the sum of all such payments.

"**Wholly Owned Restricted Subsidiary**" is any Wholly Owned Subsidiary that is a Restricted Subsidiary.

"**Wholly Owned Subsidiary**" of any Person means a Subsidiary of such Person 100% of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares or other similar shares required pursuant to applicable law) shall at the time be owned by such Person or by one or more Wholly Owned Subsidiaries of such Person.

TRANSFER RESTRICTIONS

No action has been taken by the Issuer to permit a public offer of the Debt Instruments in any jurisdiction. Transfers of Debt Instruments are only permitted in accordance with all applicable laws and regulation.

INDEPENDENT AUDITORS

The consolidated financial statements of CEVA Investments Ltd, prepared in accordance with IFRS as adopted by the EU as of and for the period from incorporation (August 9, 2006) to December 31, 2006 for the year ended December 31, 2007 included in this Information Memorandum, have been audited by PricewaterhouseCoopers LLP, independent auditors, as stated in their report appearing herein. PricewaterhouseCoopers LLP is a member of the Institute of Chartered Accountants of England and Wales.

The address of PricewaterhouseCoopers LLP is Donington Court, Pegasus Business Park, Castle Donington, East Midlands DE74 2UZ, United Kingdom.

AVAILABLE INFORMATION

For so long as the Debt Instruments are admitted to trading on the Alternative Securities Market of the Irish Stock Exchange and the guidelines of the Irish Stock Exchange so require, copies of the issuer's organizational documents, the debt instrument agreement relating to the Debt Instruments and the most recently available audited financial statements of the issuer may be inspected and obtained in electronic form at the office of the Paying Agent.

ADMISSION TO TRADING AND GENERAL INFORMATION

Admission to Trading

Application has been made to the Irish Stock Exchange for admission of the Debt Instruments to trading on the Alternative Securities Market thereof in accordance with the guidelines of that exchange.

The issue of the Debt Instruments was authorized by a resolution of the Board of Directors of the issuer dated February 18, 2007.

We estimate the expenses relating to admission to trading on the Irish Stock Exchange to be approximately €5,000.

Information about CEVA Investments Ltd

CEVA Investments Ltd (registered number WK-172452), with its registered office at Walkers SPV Limited, Walker House, PO Box 908GT, Mary Street, George Town, Grand Cayman, Cayman Islands, was incorporated as a limited liability company in the Cayman Islands on August 9, 2006 with the name Louis Topco Ltd. The company is registered in England and Wales as an Oversea Company (No FC021738) with its principal place of business at 25 St George Street, London W1S 1FS. As at the date of this document, the authorized ordinary share capital of U.S.$200,000 is divided into 20,000,000 shares of a par value of U.S.$0.01 each. 349,999 ordinary shares of a par value of £1.00 each in CEVA Group Plc have been issued to and are held by CEVA Investments Ltd., and 1 ordinary share of a par value of £1.00 has been issued to and is held by Louis Cayman Second Holdco Limited, which is in turn a wholly owned subsidiary of CEVA Investments Ltd. Accordingly, CEVA Group Plc is a wholly owned subsidiary of CEVA Investments Ltd. CEVA Investment Ltd's telephone number is ++44 1530 568 503 (UK Company Secretary's office).

The rights of the equity holders of CEVA Investments Ltd are contained in the articles of association of CEVA Investments Ltd and CEVA Investments Ltd will be managed by its directors in accordance with those articles and in accordance with the laws of England and Wales.

Except as disclosed in this Information Memorandum, there has been no material adverse change in our prospects, and no significant change in our financial or trading position, since December 31, 2007.

We are currently party to various claims and legal actions that arise in the ordinary course of business. We believe such claims and legal actions, individually and in the aggregate will not a have a material adverse effect on our financial position. We have not been involved in any governmental or arbitration proceedings (including any such proceedings of which we are aware), during a period covering the last 12 months, which may have, or have had in the recent past, significant effects on our financial position or profitability.

Potential Conflicts

Through control of a majority of the ordinary shares of CEVA Investments Ltd., Apollo and its affiliates have the power to control us and our affairs and policies, including the election of our directors and the appointment of CEVA Investments Ltd.'s management. A majority of members of our board are partners or employees of Apollo.

ANNEX 1 – CEVA Group Plc 2007 Annual Report

CEVA GROUP PLC
ANNUAL REPORT 2007

MAKING BUSINESS FLOW

FORWARD-LOOKING STATEMENTS

This annual report includes forward-looking statements. All statements other than statements of historical fact included in this annual report, including the statements under the headings “Risk Factors”, “Operating and Financial Review and Prospects”, “Description of the Business” and elsewhere in this annual report regarding our financial condition or plans to increase sales, earnings and margins, and statements regarding other future events or prospects, our future financial performance, plans, and expectations in relation to developments in our business, growth, and profitability, and the applicable economic context, are forward-looking statements. The words “may”, “will”, “expect”, “anticipate”, “believe”, “future”, “continue”, “help”, “estimate”, “plan”, “intend”, “should”, “shall” or the negative or other variations thereof as well as other statements regarding matters that are not historical fact are or may constitute forward-looking statements.

We have based these forward-looking statements on our management’s current view with respect to future events and financial performance. These views reflect the best judgment of our management but involve a number of risks and uncertainties which could cause actual results to differ materially from those predicted in our forward-looking statements and from past results, performance or achievements. Although we believe that the estimates and the projections reflected in the forward-looking statements are reasonable, such estimates and projections may prove to be incorrect, and our actual results may differ from those described in our forward-looking statements as a result of the risk factors described in the Risk Factors section on page 36.

In addition, this annual report contains information, concerning the contract logistics industry, our market segments, and business units generally, which is forward-looking in nature and is based on a variety of assumptions regarding the ways in which the contract logistics industry, our market segments, and product areas will develop. We have based these assumptions on information currently available to us, including through the market research and industry reports referred to in this annual report. Although we believe that this information is reliable, we have not independently verified, and cannot guarantee, its accuracy or completeness. If any one or more of these assumptions turns out to be incorrect, actual market results may differ from those predicted. While we do not know what impact any such differences may have on our business, if there are such differences, our future results of operations and financial condition, and the market price of the notes, could be materially adversely affected.

We urge you to read the sections of this annual report entitled “Risk Factors”, “Operating and Financial Review and Prospects” and “Description of the Industry” for a more complete discussion of the factors that could affect our future performance and the industry in which we operate. In light of these risks, uncertainties, and assumptions, the forward-looking events described in this annual report may not occur.

The risks described in the “Risk Factors” section in this annual report are not exhaustive. Other sections of this annual report describe additional factors that could adversely affect our business, financial condition or results of operations. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this annual report.

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CEO STATEMENT

2007 was a year of transformational change for our young Company as we combined the former contract logistics division of TNT with the US-based freight forwarder, Eagle Global Logistics (EGL), to create a global supply chain Group.

These two businesses are remarkably complementary: our contract logistics activities center primarily in Europe, while EGL's freight forwarding activities are based mainly in Asia Pacific and the Americas. EGL's strengths in the technology and retail/consumer sectors complement our strong presence in the automotive industry. And, most importantly, the two cultures have proved very compatible – the process and quality orientation of our Contract Logistics business alongside the drive and customer focus of EGL form a powerful combination.

Given this starting point of two very complementary companies, integration has been fast and smooth. We have already merged the two organizations and developed a strong pipeline of cross-selling projects. We are confident of exceeding our ambitious projected synergy targets.

I am particularly pleased with our new leadership team which combines senior management from the two previous companies with talent recruited externally. Together, they bring a singular depth of experience from across the supply chain industry to the exciting challenge of building a world-class company.

Recently, we have developed and deployed a clear vision for CEVA: by 2010, we want to be the most admired Company in the supply chain industry. We will not be the biggest, but we aim to become the best in our sector. To reach this ambitious goal, we will be guided by three strategic imperatives – Unity, Growth, and Excellence. By channeling all of our efforts in these three directions, we will be able to achieve substantial change quickly. We are currently in the process of fine-tuning our detailed strategy for the coming three years which identifies clear priority sectors and products, the necessary supporting systems, and key organizational capability building programs. I look forward to reporting on the successful implementation of this strategy in future annual reports.

During 2007, we made strong progress against each of our three imperatives. Clearly, our integration program has already fostered a remarkable unity across the Company. We are further testing various organizational models to combine freight management and contract logistics work streams at the lowest operational levels. We believe this will make it easy for our customers to do business with CEVA and allow us to provide creative and fully integrated solutions.

In the past year, operations excellence was a top priority. We introduced standard solution sets (Smart Solutions) for industry sectors with similar needs. Each of these sets leverages our sector expertise and best practices, while allowing for individualization in areas unique to a customer. We also expanded our Zero Defect Start-up process that sets customer-specific requirements for each new contract and provides a framework for flawless implementation. Crucially, we continued rolling out our industry-leading LEAN program which creates ongoing efficiency improvements for our customers. These three programs are being supported by the introduction of global standard metrics across all 1,000 CEVA sites worldwide.

We see this focus on operations excellence as critical to the CEVA business proposition – we believe customers will increasingly insist on impeccable operational performance and that we have industry-leading capability to meet this demand.

We also made substantial progress in growing our business, having developed a detailed program to deliver the above-market growth rates needed to reach our objectives. Some core activities include the launch of the CEVA Century Program, a key-account management approach that targets 100 top customers representing 52 % of our business, and the creation of global sector teams to develop mastery in the supply chain needs of our customers.

It is pleasing to see the first signs of renewed vigor in our revenue growth – in July through December we grew revenue by 8.8 % versus 3.6 % in the first half of the year. We thank all our customers for their confidence in CEVA. Since joining the Company in early August, I have met nearly 100 customers and look forward to continuing to build these critical relationships.

At the same time, we are committed to becoming an employer of choice in our industry. We are deploying a transparent and equitable performance management system and will invest appropriately in training and developing our employees. This includes the creation of the CEVA College to provide targeted training for our leaders.

We are conscious of our responsibilities to the communities in the 100 countries where we operate, and indeed to Society at large. We are also aware of the need to reduce the impact we have on the environment, knowing that operational efficiency improvements can be very beneficial to this end.

2007 was a year of significant achievement for CEVA. I believe we have taken strong first steps on our journey to creating a world-class supply chain Company. We are, however, at the early stages of this journey, and 2008 will be an important year of delivery. I have every confidence that we will meet our goals for this year and will continue building CEVA into a role model for the supply chain industry.

In closing, I would like to thank all of our employees for their loyalty and support. Their efforts are reflected in the encouraging set of results we are publishing today.

John Pattullo
Chief Executive Officer

CFO STATEMENT

I am pleased to include this statement in CEVA's second annual report. Echoing John's comment regarding 2007 being a year of transformation and operations excellence, our annual results not only show strong improvement, but are also delivered earlier than the prior year and are clearer for readers. All of this has been achieved in a year which included the merger with EGL on 2 August 2007.

The impact on the annual report of the merger is such that we include the trading results of our Freight Management Operations for the five months from August to December 2007, which resulted in reported revenue of € 4.8 billion. However, to provide a clearer understanding of our combined business we have included summary annualized proforma financials for the combined Group for 2007 (with 2006 comparatives) which, with annualized revenue at approximately € 6.3 billion, makes CEVA the fourth largest supply chain company in the world.

Another important change in this annual report includes the presentation of specific items in our Income Statement. Specific items consist of significant non-recurring expenses or gains which impact trading results. Specific items for 2007 and 2006 included the write off of the EGL brand name, merger and advisors fees, restructuring costs and rebranding expenses. By separately highlighting specific items it is possible to appreciate what I consider as CEVA's true underlying operating results, which for 2007 tell a positive story.

In 2007 we showed growth in revenue, earnings and cash generation based on a robust financing structure. Our combined revenue grew by 4.5 % to € 6.3 billion and combined EBITDA before specific items increased by 16.7 % to € 378 million. Both our Contract Logistics and Freight Management operations contributed to the improved performance. Our growth was adversely impacted by the weakening dollar. At constant foreign exchanges rates our 2007 combined growth would have been approximately three percentage points higher.

Our strong underlying results combined with a focus on cash flow optimization produced cash from operations of € 253 million as shown in our annual report. This has been a particular success in 2007, as we have applied the principles of operations excellence and an asset light approach to the discipline of cash management. The impact of this approach is reflected in the reduction in capital expenditure from 2006 and 2007. All of our investments are subject to rigorous value analysis as we seek to utilize the cash generated by the business in the most efficient manner. You will, however, note that our operating net working capital has increased to 4.6 % of revenue in 2007. This is primarily driven by the different dynamic of the Freight Management industry and I fully expect that in 2008 we will see the benefits of our best practice in Contract Logistics replicated in the rest of our business.

Strong cash generation allowed us to fund our non recurring items such as separation and rebranding costs of € 25 million, a € 50 million early repayment of debt, payment of post acquisition adjustments with TNT regarding the Logistics business of € 41 million and use € 164 million to part fund the EGL transaction from our own cash resources. I expect CEVA to continue to produce strong operating cash flows.

In addition we have been able to meet our interest obligations from operating cash flows and I am satisfied that CEVA has the right capital and debt structure. We raised new securities to finance the merger with EGL, which like CEVA's existing financing are both at good interest rates and long maturity dates.

All in all, a good financial year to report and I look forward to presenting further improvements in 2008.

Stuart Young
Chief Financial Officer

CEVA's headoffice in Hoofddorp is home to a professional team from many countries across the globe, representing the diversity of skills and background of our company.

PROFILE

CEVA is one of the world's leading integrated supply chain logistics providers, offering market-leading contract logistics and freight forwarding expertise and capabilities.

We design, implement, and operate complex, end-to-end contract logistics and freight forwarding solutions for large and medium-sized national and multinational companies.

Our integrated service offering spans the entire supply chain:

- contract logistics services including inbound logistics, manufacturing support, outbound / distribution logistics, and aftermarket logistics;
- freight forwarding services including air, ocean, and ground-based transportation, and other freight transportation-related services such as customs brokerage, local pick-up and delivery service, materials management, and trade facilitation.

Our "asset-light" operating model uses third parties to provide the majority of the physical transportation and warehousing assets that benefit our customers.

As of 31 December 2007, we employed more than 54,000 people and our global network comprised more than 1,000 locations, with 8.6 million square meters in over 100 countries.

CEVA has built leading market positions by understanding our target sectors and applying our expertise to design and implement customized solutions that address sector-specific requirements.

We believe our knowledge of customer supply chains and our sector expertise help us develop more cost-effective solutions that create competitive advantages for customers, and thereby put us in a strong position to grow our business.

CEVA. MAKING BUSINESS FLOW

CEVA is recognized by customers for making their businesses flow. We serve customers in a range of sectors – Automotive & Tires, Technology, Industrial, Retail & Consumer, Healthcare, Publishing, Aerospace, and Oil & Gas – and we are committed to the success of each and every customer.

CEVA combines the heritages of two great companies – TNT Logistics and EGL – which merged in August 2007. As a leading integrated supply chain provider, we design, implement, and operate supply chain solutions for large and medium-sized national and multinational companies.

OUR VISION

CEVA aims to play a leading role in supply chain management. We aspire to be the most admired Company in the sector by 2010. Our vision comprises three key imperatives:

Unity One company, one team. CEVA is a richly diverse organization that aims to operate seamlessly as one company. CEVA employees share the same passion to deliver world-class solutions and service to our customers. We believe we have the best professionals in the industry, and we develop their talent in an inspiring work environment.

Growth We want to outperform market growth. In each sector and country where we operate, we strive to grow faster than the market. We leverage our scale and global presence to improve efficiency and to provide a complete service offering. Our customer focus and flat organizational structure give us speed and flexibility.

Excellence Perfection is our goal. Every day we strive to be better. We systematically measure progress. We implement best practice on a global scale, and leverage our LEAN culture as the basis for operations excellence.

OUR BRAND PROMISE

We are passionate about contributing to the success of our customers by providing outstanding supply chain services. Day by day, 365 days a year, we aspire to be brilliant supply chain experts, mastering all elements of business logistics.

Key aspects of our customer promise are:

- Operations excellence by instilling a LEAN culture and empowering front-line employees to anticipate customer needs and continually improve operations.
- Providing the most suitable solutions through our sector expertise and in-depth understanding of our customers' businesses.
- We are easy to work with: we're open, honest and responsive, and we give customers prompt access to senior decision-makers.

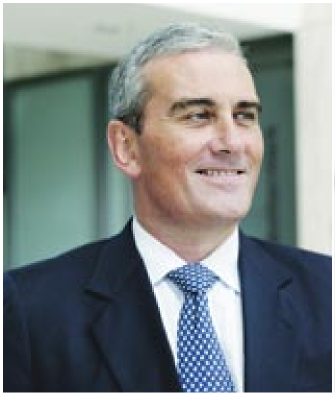
RICH HISTORY OF CEVA AND EGL

1946	TNT founded in Australia.
1984	EGL founded and headquartered in Houston, Texas. Started as a United States heavyweight domestic forwarder.
1995	EGL publicly traded as EAGL on the NASDAQ.
1996	TNT acquired by postal and telecom company KPN in The Netherlands.
1998	The telecom and postal divisions of KPN separated. The new postal company is called TNT N.V.
1999	TNT N.V. creates the Logistics division.
2000	EGL merged with Circle International.
2006	TNT Logistics purchased by CEVA Group Plc. TNT Logistics rebranded CEVA Logistics in December 2006.
2007	On 2 August 2007 EGL and CEVA Logistics merged. Today operates as one of the leading global integrated supply chain logistics companies in the world.
2007	On 30 November 2007 the CEVA brand extended across the newly combined company.

EXECUTIVE MANAGEMENT BOARD

The CEVA Executive Management Board members are:

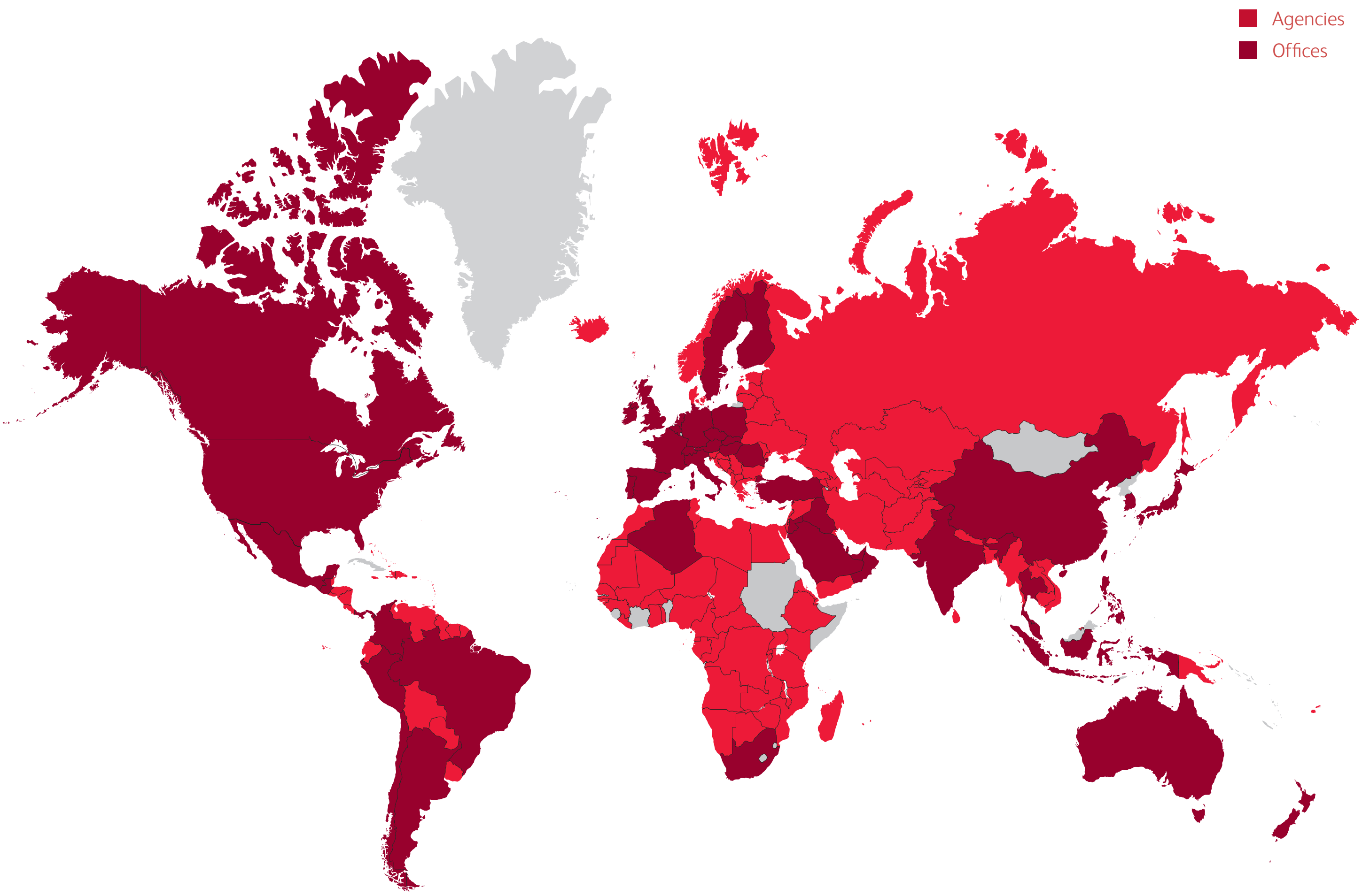
John Pattullo	Chief Executive Officer
Stuart Young	Chief Financial Officer
Dana O'Brien	Chief Legal Officer
Pierre Girardin	Group Director Strategy and Contract Logistics Business Development
Graeme Taylor	Group Director Human Resources and Communications
Greg Weigel	Chief Operating Officer Operations
Joe Bento	President Global Freight Management
Vittorio Favati	Chief Operating Officer Asia Pacific Region
Jerry Riordan	Chief Operating Officer Americas Contract Logistics
Gianfranco Sgro	Chief Operating Officer Southern Europe Contract Logistics
Bruno Sidler	Chief Operating Officer EMEA Freight Management & Northern Europe Contract Logistics
Sam Slater	Chief Operating Officer Americas Freight Management



John Pattullo

Stuart Young

GLOBAL FOOTPRINT



31 DECEMBER 2007

	Combined proforma revenue (in € millions)	Employees	Locations
Americas	1,950	19,287	379
Northern Europe	1,580	13,470	274
Southern Europe	1,334	8,182	240
Asia Pacific	1,430	13,100	179
Total	**6,294**	**54,039**	**1,072**

KEY FINANCIAL RESULTS

Combined Unaudited Proforma Results

The tables presented below and on the opposite page show CEVA's results on both combined unaudited proforma and reported basis. The first table shows CEVA's results for two years as if the merger of the former TNT Logistics business and EGL had occurred on the 1 January 2006. The second table shows CEVA's reported results for 2007 which includes 12 months trading of the former TNT Logistics business and 5 months trading of EGL from 2 August to 31 December 2007.

COMBINED UNAUDITED PROFORMA RESULTS		
(in € millions)	**2007**	**2006**
Total revenue	6,294.9	6,026.0
Operating income after specific items	(51.5)	62.1
EBITDA	284.8	182.5
% total revenue	4.5 %	3.0 %
EBITDA before specific items	378.2	324.1
% total revenue	6.0 %	5.4 %
Capital expenditure	91.7	128.6
% total revenue	1.5 %	2.1 %
Operating Net Working Capital	220.3	163.4
% total revenue	4.6 %	2.7 %

With combined revenue of € 6.3 billion, CEVA is the fourth largest integrated supply chain management company in the world. We expect that the combination of our Contract Logistics and Freight Management operations will lead to improved growth in the coming years.

Our combined operating loss of € 51.5 million is primarily the result of the write off of the EGL brand name which amounted to € 172.2 million. This was required as CEVA has chosen to have one corporate identity and rebranded EGL's operations to CEVA from 30 November 2007. Excluding this non cash charge CEVA would have produced positive operating income.

Combined EBITDA before specific items grew as a result of strong underlying operational performance.

Capital expenditure decreased for two main reasons, in Contract Logistics as a result of rigorous value analysis as we seek to utilize the cash generated by the business in the most efficient manner while the 2006 Freight Management expenditure was higher than normal as a result of investments in a global operational IT solutions.

Combined working capital increased between 2007 and 2006 in the Freight Management operations. We expect the success in lowering working capital in our Contract Logistics operations to be replicated in Freight Management in 2008.

Reported Results

The table below represents CEVA's consolidated results. Our 2007 results include 12 months trading from our Contract Logistics business and the results of our acquired Freight Management operations from the date of acquisition, being 2 August 2007.

(in € millions)	2007	2006 [1]	2005 [2]
Total revenue	4,781.1	3,494.6	3,352.1
Growth	36.8 %	4.3 %	na
Operating income/(loss)	(36.8)	(11.3)	97.0
EBITDA before specific items	300.9	215.4	227.8
% of total revenue	6.3 %	6.2 %	6.8 %
EBITDA after specific items	263.7	77.8	181.1
% of total revenue	5.5 %	2.2 %	5.4 %
Capital expenditure	82.1	90.2	76.4
% of total revenue	1.7 %	2.6 %	2.3 %
Depreciation and amortization	300.5	89.1	84.1
% of total revenue	6.3 %	2.5 %	2.5 %
Operating Net Working Capital	220.3	46.1	157.0
% of total revenue	4.6 %	1.3 %	4.7 %
Cash generated from operations	253.2	109.4	84.2
% of EBITDA after specific items	96.0 %	140.6 %	46.5 %
Cash	174.9	264.7	93.4
Net Debt	2,375.9	997.6	na
Employees at year end	54,039	38,092	36,324

1. 2006 is the result of the Logistics business for this period. This includes results prior to the creation of CEVA Group Plc in November 2006.
2. 2005 represents the 12 months results of the of the Logistics business prior to the creation of CEVA Group Plc.

The acquisition of EGL is the primary driver of our growth in the current year but the full year impact is not reflected in CEVA Group Plc's consolidated results as this was only effective from 2 August 2007. In addition, our operating income and EBITDA in 2007 and 2006 is impacted by the costs associated with the creation of the Company and those associated with the acquisition of EGL in those years. To ensure that we and all of our stakeholders understand our underlying performance, we have chosen to present EBITDA before specific items. This measure excludes unusual or non-recurring items, and on this basis our EBITDA as a percentage of sales is 6.3 %, which compares favorably with our peer group.

Our operating income for 2007 shows a loss of € 36.8 million, which is substantially attributed to the write off of the EGL brand name as CEVA has become our global corporate identity following the brand launch on 30 November 2007. Excluding this non-cash charge of € 172.2 million, CEVA Group Plc would have produced positive operating income.

Since the creation of the Company in 2006, we have applied the principles of operations excellence and an asset light approach to the discipline of cash management. The impact of this approach is reflected in the reduction in capital expenditure requirement of the Company in 2007 as compared to 2006. All of our investments are subject to rigorous value analysis as we seek to utilize the cash generated by the business in the most efficient manner. Although our operating working capital requirement has increased to 4.6 % of sales in 2007, this is primarily a result of the merger. This has masked an improvement in performance of our Contract Logistics operations that can be seen by comparing the 2005 level of 4.7 % of sales versus 1.3 % at year end 2006. We plan to replicate this best practice in an integrated manner across the Company.

Our net debt position is driven by the capital structure that was adopted to create what is now CEVA Group Plc. It is important to consider that we have a healthy EBITDA / cash conversion ratio of 96.0 % in 2007, and we have cash on our balance sheet of € 174.9 million that will ensure that we can execute our strategy and continue our responsive entrepreneurial approach to our customers.

2007 OVERVIEW

2007 was marked by the merger of the former TNT Logistics business and EGL. Before the merger in August 2007, CEVA operated as a pure-play contract logistics Company, a result of CEVA's acquisition of TNT Logistics in November 2006. Since the merger, CEVA has been offering integrated supply chain services through two service lines: Contract Logistics and Freight Management. Services are delivered through our regional structure that comprises the Americas, Northern Europe, Southern Europe, and Asia Pacific.

Globally, we focus on serving customers in the Automotive & Tires, Technology, Industrial, Retail and Consumer Goods, Oil & Gas, Publishing, Aerospace, and Healthcare sectors. Other sectors are also served in specific regions and business units. Recent successes in these industries include:

- The Automotive & Tires sector continued to be a growth engine for CEVA in 2007, fuelled by new business with original equipment manufacturers and parts and materials suppliers. Among the wins were an inbound logistics contract with General Motors in Thailand, a spare parts warehousing contract with BMW in Australia, a Pan Asian national cross-docking contract with Michelin and a five-year renewal on a 64,000 square meter warehousing operation for Volkswagen in the UK.
- In the Technology and Industrial sectors we gained contracts with a variety of companies. Among the wins were contract logistics and freight forwarding contracts with Ericsson, T-Mobile, Telstra, Xerox, Honeywell, and Caterpillar. We were awarded a contract as global Lead Logistics Provider (LLP) for automotive supplier WABCO, as well as one as LLP for Eaton in the Asia Pacific.
- In the Retail and Consumer goods sector we won supply chain management contracts with several companies including John West Foods, Carlsberg, Danone, L'Oreal, and shoemaker Crocs.
- In all other target sectors we can report new business wins or retention of existing business as well: in Aerospace, Boeing and Rolls Royce; in Oil & Gas, Transocean; in Publishing, Italian-based Mondadori Group.

STRATEGY

Following the August 2007 merger of the former TNT Logistics business and EGL, we developed a consolidated strategy to guide us in our quest to become the most admired supply chain management company by 2010.

Our strategy outlines our determination to:

- develop sustainable relationships with our customers;
- provide a challenging and rewarding work environment for our employees;
- generate profitable growth and enhanced cash flow for our shareholders.

We laid the foundations and began implementing the strategy in the latter months of 2007, and expect to fully implement it in 2008.

CEVA's Key Strengths Underpin our Strategy:

Integrated service offering

Globalization and increased world trade have lengthened supply chains and made them more complex. CEVA is one of only a few global logistics providers that can manage and control an entire supply chain from materials acquisition to finished goods delivery on a global basis in multiple industry sectors. This service is illustrated in the diagram below.

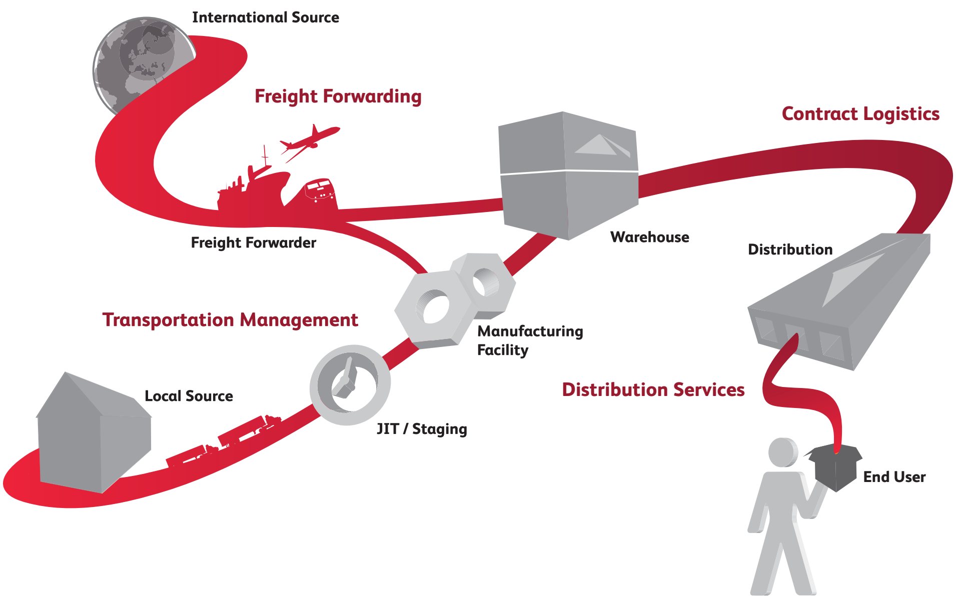
We believe our global scale and our ability to offer a broad spectrum of supply chain services will be a significant competitive advantage. We also believe our combined Contract Logistics and Freight Forwarding businesses will create significant cross-selling opportunities with existing customers (especially larger and global accounts) and with new customers.

Strong global presence

CEVA has a highly diversified global customer portfolio with more than 15,000 customers worldwide. We provide tailored innovative logistics services to industry leaders within our target sectors. Furthermore, we have diversified our revenue base across geographies, sectors, customers, and services.

We plan to leverage our Freight Forwarding business to offer Contract Logistics services in countries where we previously had no presence. Our global footprint will also enable us to reduce costs by leveraging our purchasing power, capitalizing on functional expertise, and sharing best practices.

GLOBAL SUPPLY CHAIN MANAGEMENT



Sector expertise

CEVA is a market leader in various regions and industry sectors. CEVA is:

- the market leader in the automotive inbound logistics sector on a global basis, and the market leader in auto spare parts in Europe, China and Australia;
- one of the leading contract logistics providers in fast-moving consumer goods and high tech / electronics in Europe; a significant player in North America and the Asia Pacific;
- a market leader in high tech / electronics freight forwarding in the Asia-North America trade lane;
- the leading asset-light domestic forwarder in the United States (based on revenue); our North American expedited ground-based forwarding network gives us a competitive advantage in cost-efficient, expedited delivery of heavy freight over land; and
- one of the top United States customs brokers with more than 100 years of operating history that allows us to capitalize on the expected growth in North American import activity.

We believe our expertise in our targeted sectors provides a solid foundation for gaining additional market share in those sectors, particularly with our combined service offerings.

Enhanced technological capabilities

We intend to continue to improve our technology, which will further differentiate our services. Our IT personnel are highly skilled in designing and implementing customized solutions that deliver unique benefits to our customers, which should translate into longer relationships and opportunities to realize higher margins.

Operations excellence

We have begun implementing operational improvement program, that we expect to increase profitability and enhance service offerings. These include our Operations Excellence program, including Smart Solutions supply chain designs, our Zero Defect Start-up methodology, our LEAN operating philosophy and our One Logic global procurement initiative.

Seasoned management and empowered workforce

Our management team has a successful track record. On average, each member of senior management has more than 20 years of relevant industry experience. We believe we employ some of the industry's most dedicated professionals, and we provide them with opportunities to increase their skills and further their professional development and careers.

Focus on cash generation

CEVA's focus on free cash flow has generated approximately € 253.2 million of additional cash through increased operating income and working capital reductions before interest and tax payments, allowing us to make a voluntary term loan prepayment of € 50.1 million in February 2007 and settle final post-closing purchase price adjustments of € 41.2 million with TNT in connection with the acquisition of the Logistics business. In addition, CEVA part funded the acquisition price of EGL using USD 200 million cash from our Balance Sheet. We will continue generating strong free cash flow through organic growth, cost reduction, discipline in our capital expenditures, increased efficiencies, and active management of our portfolio of assets and contracts.

Attractive business model

We seek to maximize shareholder value by maintaining an asset-light, highly scalable business model. In our Freight Forwarding operations, we primarily contract with third-party transportation providers who own physical transportation assets, including planes, container ships, and trucks. This approach not only provides a high degree of flexibility in our operating cost base and in meeting customer requirements, it also enables us to grow revenue faster and leverage our fixed costs more efficiently. In Contract Logistics, we seek to minimize our exposure through multi-year customer contracts and strict risk-control policies, such as with back-to-back lease arrangements in those dedicated single-customer warehouses not directly owned or leased by customers. These operating models create flexibility to quickly address changes in customers' needs while balancing our capital and operational risks.

DESCRIPTION OF THE INDUSTRY

Supply chain management spans a broad range of activities related to moving and storing materials and goods from point-of-origin to point-of-use. Contract logistics services range from consulting to physically managing storage and transportation at various stages of production and distribution, as well as after-sales services. Projects are typically based on three- to five-year outsourcing agreements and combine a range of specified activities.

Freight forwarding services range from transportation-related activities, including air and ocean freight forwarding, ground transportation brokerage, and customs brokerage. Freight forwarders serve as intermediaries between shippers and transportation providers, arranging all aspects of transportation from origin to destination, procuring capacity from providers, and consolidating shipments to reduce costs and increase efficiency. This model enables freight forwarders flexibility in offering unbiased optimal solutions.

We believe contract logistics and freight forwarding are the most attractive areas of the industry because they are “asset-light” activities where physical assets such as vehicles, planes, ships, and warehouses are provided primarily by third parties. This model requires lower capital and allows for a variable cost base.

The Global Supply Chain Market

CEVA estimates the size of the global outsourced supply chain market in 2006 between € 260 and € 270 billion. This estimate is based on several market reports, such as from ING, Transport Intelligence, Merge Global and Accenture. Within the overall market, contract logistics represents about € 180 billion, with freight forwarding constituting the remaining € 80 to € 90 billion.

The annual growth rate of the overall supply chain market since 2002 is estimated at between 8 and 10 % and this growth rate is expected to continue for the years to come, resulting in a total market size by 2010 of € 360 to € 390 billion. The high single digit growth in the supply chain industry is driven by three factors:

1. The ongoing trend towards outsourcing of logistics activities within the contract logistics area. Currently, the level of logistics that is outsourced to third parties such as CEVA is estimated at around 25 % as a global average. This percentage is going up over time as more and more companies decide to focus on their core activities rather than on managing increasingly complex supply chains directly themselves.
2. Growing market share of freight forwarders in the ocean freight market as many shippers seek to limit the number of parties they work with, and put higher demands on the number and quality of services offered. Freight forwarders are well positioned to benefit from this trend as they act as brokers between shippers and transport providers and perform value added activities such as customs brokerage and consolidation of shipments. Currently, freight forwarders are estimated to control 20 to 25 % of containerized ocean freight.
3. Growth of world trade, in part due to ever increasing levels of manufacturing shifting to Asia. World trade has been growing substantially faster than global GDP for many years now; a trend that is expected to continue.

ACQUISITIONS

Acquisitions

On 2 August 2007, CEVA acquired 100 % of the shares of EGL Inc. ("EGL"). EGL's former shareholders received USD 47.50 in cash, for each share of EGL common stock they owned at the effective time of the acquisition. The purchase price settled in cash was approximately € 1,417.5 million. As a result of this transaction, EGL is now a wholly-owned subsidiary of CEVA Group Plc.

On 4 November 2006, CEVA acquired the Logistics business of TNT. The total purchase price paid for the Logistics business was € 1,376.8 million.

Related Financing Transactions

The acquisition of EGL was financed with new equity and cash from CEVA, and borrowings under the Senior Unsecured Loan and Second Priority Senior Secured Notes.

The acquisition of the Logistics business in 2006 was financed through a combination of equity from Apollo LP and borrowings under the Senior Notes, Senior Subordinated Notes, and Senior Secured Term Facility.

SUMMARY OF FACILITIES AND NOTES

Senior Secured Facilities

On 4 November 2006, we entered into the Senior Secured Facilities with certain banks for an initial amount of € 500 million; the Senior Secured Facilities were amended and restated as of 4 January 2007. The facilities were expanded on 2 August 2007 by USD 425 million to finance the EGL acquisition.

Second Priority Senior Secured Notes

On 13 August 2007, we issued USD 400 million of second-lien notes. These notes will mature on 1 September 2014 and have a coupon of 10 % per annum. Interest is payable on each 1 March and 1 September, commencing on 1 March 2008.

The Senior Notes

On 6 December 2006, we issued € 505 million of Senior Notes. The senior notes will mature on 1 December 2014. Interest on the senior notes is due on each 1 June and 1 December, commencing on 1 June 2007. The senior notes bear interest at 8.5 % per annum.

Senior Unsecured Loan Facility

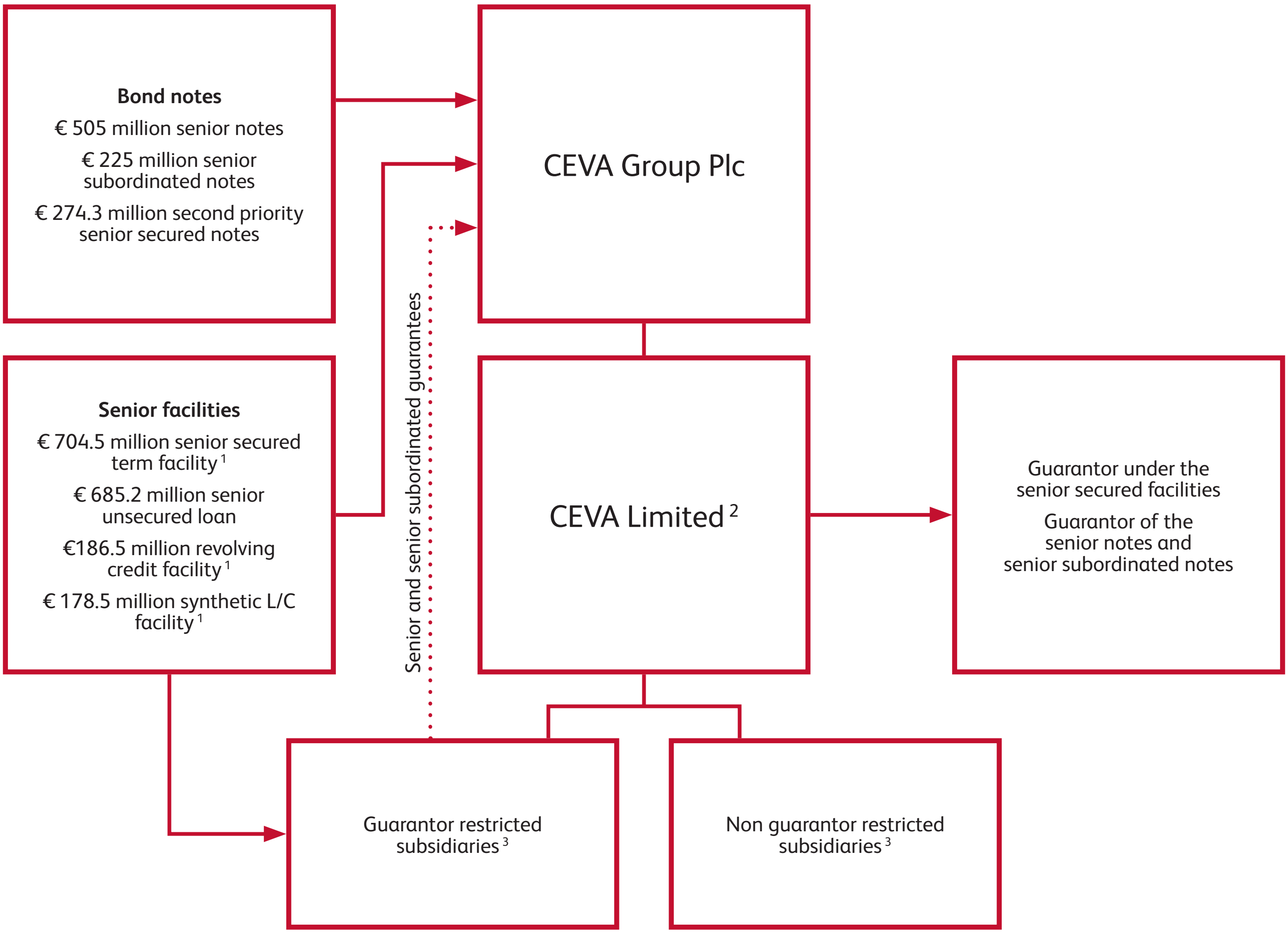
On 2 August 2007 CEVA Group Plc entered into a USD 1,400 million senior unsecured loan facility. This facility was partially replaced on 13 August 2007 when we issued USD 400 million of second priority senior secured notes. The remaining USD 1,000 million senior unsecured loan facility matures in 2015. The facility has a floating interest rate which is capped.

The Senior Subordinated Notes

On 6 December 2006, we issued € 225 million of Senior Subordinated Notes. The Senior Subordinated Notes will mature on 1 December 2016. Interest is due on the senior subordinated notes on every 1 June and 1 December, commencing on 1 June 2007. The senior subordinated notes bear interest at a rate of 10 % per annum.

SUMMARY OF CORPORATE AND FINANCING STRUCTURE

The following diagram summarizes our principal sources of finance:



1. As at 31 December 2007, € 60 million was drawn under the Revolving Credit Facility and € 132.2 million of letters of credit were issued under the Synthetic L/C Facility. The Senior Secured Facilities are secured by substantially all of the assets of the Company and certain of its subsidiaries.
2. CEVA Limited and certain of the Company's operating subsidiaries located in Australia, Belgium, Brazil, Canada, Germany, Hong Kong, Luxembourg, Netherlands, United Kingdom, and the United States have guaranteed the notes. The guarantors represent 54 % (2006:60 %) of our aggregated revenue before intercompany eliminations, and 53 % (2006:103 %) of our aggregated EBITDA for the year ended 31 December 2007. The guarantors of the notes also guarantee our Senior Secured Facilities on a senior secured basis. Not all of the guarantors are borrowers under each of the Senior Secured Term Facility, the Revolving Credit Facility, and the Synthetic L/C Facility.
3. Our non-guarantor subsidiaries accounted for 46 % (2006:40 %) of our total aggregated revenue before intercompany eliminations, and 47 % (2006: (3 %)) of our aggregated EBITDA for the year ended 31 December 2007.

PRESENTATION OF FINANCIAL INFORMATION AND CERTAIN DEFINITIONS

The financial information for the year ended 31 December 2007 includes the full year's results for CEVA Contract Logistics operations and five months results of CEVA Freight Management (formerly known as EGL Inc.) from 2 August 2007, being the date of acquisition.

On 4 November 2006, CEVA acquired the Logistics business of TNT N.V. Prior to the acquisition of the Logistics business in November 2006, CEVA had no operations.

For the period ended 3 November 2006 and the year ended 31 December 2005, the financial information has been combined for the Logistics business for the purposes of presenting, as far as practicable, the assets, liabilities, revenue, and expenses of the Logistics business on a stand-alone basis. The Logistics business results of operations for the 10 months ended 3 November 2006 have been aggregated with CEVA's results of operations for the two months ended 31 December 2006 to illustrate the proforma results of the business for the twelve-month period ended 31 December 2006.

The financial information in this annual report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). IFRS includes the application of International Financial Reporting Standards including International Accounting Standards (IAS) and related Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Interpretations of the Standing Interpretations Committee (SIC).

Some financial information in this annual report has been rounded and, as a result, the numerical figures shown as totals in this annual report may vary slightly from the exact arithmetic aggregation of the figures that precede them. In this annual report, we utilize certain non-GAAP financial measures, including EBITDA, Operating Net Working Capital (ONWC) and specific items. These measures are presented as we believe that they and similar measures are widely used as a means of evaluating a company's operating performance. They may not be comparable to other similarly titled measures of other companies, and are not measurements under IFRS or other generally accepted accounting principles, nor should they be considered as substitutes for the information contained in our financial statements.

Certain definitions can be found on page 148.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis of the historical financial statements of CEVA covers the years ended 31 December 2007 and 31 December 2006. Both years show the full year financial performance of the Logistic business as acquired by CEVA Group Plc on 4 November 2006. The 2007 result also includes the first consolidation of our Freight Management operations – acquired on 2 August 2007 in the EGL transaction. The statements in the discussion and analysis regarding industry outlook, our expectations regarding the performance of our business, and the other non-historical statements are forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties, including, but not limited to, the risks and uncertainties described in the sections entitled "Risk Factors" and "Forward-Looking Statements". Our actual results may differ materially from those contained in or implied by any forward-looking statements. You should read the following discussion together with the section entitled "Risk Factors" and the financial statements included elsewhere in this annual report.

Key Factors Influencing our Financial Condition and Results from Operations

In addition to the factors outlined above, our financial position and results from operations have been influenced during the years under review by the following company-specific factors:

Exchange Rates

Our reporting currency is the euro; however, we operate in different geographical areas and transact in a range of currencies in addition to the euro, principally the United States dollar, British pound, Chinese yuan, Hong Kong dollar, Australian dollar, Brazilian real and Canadian dollar. Exchange rate fluctuations can, therefore, either increase or decrease our revenue and expenses as reported in the euro. In Contract Logistics, most of our operational units incur revenue and costs in local currencies, creating a natural hedge to currency fluctuations. In Freight Management we partially match our currency of billing to customers with the currency of our expenses incurred also creating a natural hedge.

Seasonality

Our business is impacted by the seasonal slowdown or upturn of certain of our customers' industries. As we have a well diversified customer portfolio, seasonal movements in certain sectors is minimized. For example, the Automotive & Tires sector typically encounters slowdown in both the third and fourth quarters of the year, when many of the automotive manufacturing plants close for vacation periods, but the Technology and the Retail and Consumer goods sectors typically enjoy demand increases in the third and fourth quarters. In addition, we mitigate the impact of seasonality by proactively scaling down or temporarily closing some operations in order to maximize cost efficiency. We also seek to ensure that our arrangements with third party providers enable a flexible cost base. Also, the global footprint of our Company decreases the overall seasonality of our business.

Revenue and EBITDA Development

Our revenue and EBITDA are impacted by several factors:

- our ability to win new business and maintain existing customers;
- the nature and scope of operations that we perform for our customers;
- the underlying performance of our customers; and
- our ability to control the cost of services performed.

The core of our business is based on customer contracts which typically range between three and five years. Revenue growth is impacted by our ability to secure and retain these contracts. In recent years, we have been successful in renewing a majority of the contracts that are due for renewal in any particular year. We have also targeted our existing customer base for service extensions and cross-selling opportunities, and we constantly strive to improve our tendering process.

We have the capabilities to offer our customers integrated supply chain solutions, but this is not applicable for all customers in all instances as it may be more efficient for certain activities to be managed or performed in a different manner. Our portfolio of services include the following base freight management services: domestic and international air freight forwarding, international

ocean freight forwarding, ground-based freight forwarding, and customs brokerage services, as well as the following contract logistics offerings: inbound logistics, manufacturing support, outbound/distribution, aftermarket logistics and reverse logistics.

Commodity services, such as basic storage, direct truckload transport, or the provision of contract labor generally do not generate higher margins, because they are undifferentiated and have no significant value-added component. In contrast, higher margins may be generated when we provide an integrated supply chain solution that includes for example: cross border management, customs clearance, bulk shipment deconsolidation, manufacturing support such as sequencing, and reverse logistics such as returns management.

We are directly affected by the performance of our customers. When a customer has a successful year, we benefit as more goods pass through its supply chain, increasing our volumes transported. The reverse also applies. We seek to mitigate the risk of a downturn in our customers' businesses by building thresholds into our commercial contracts. If volumes fall below such thresholds, we can generally either increase unit prices or renegotiate the contract, which ensures the recovery of our fixed costs and any dedicated capital expenditure. In addition, we strive to build flexibility into our arrangements with third party freight providers so that we can match our capacity commitments to customer demand. We further seek to mitigate the risk of a downturn by utilizing a temporary workforce for certain operations to allow us to match our resources with demand.
Our revenue and EBITDA are also impacted by operational factors such as the ability to match different customer requirements to ensure cost-effective freight consolidation, the efficiency of warehouse design, the suitability of transportation networks and routing, employee productivity and performance, implementation speed and success as new contracts become operational, and the technology applied throughout our operating processes. Trade flows and our overall market share of these flows has an impact on our purchasing power for forwarding services, thus affecting our competitiveness and our ability to command healthy margins.

In this field, we feel that we have meaningful initiatives to promise operational excellence demonstrated by the following examples:

- we are a market leader in the provision of freight services and strive, utilizing the IT systems we deploy to manage these flows and the global network that we have in place, to efficiencies and mitigate the impact of any adverse market developments;
- we have strong expertise in matching customer requirements to warehouse lay-out and have strong relationships with major property leasing companies to ensure we offer customers sites most suitable for their needs;
- we have several IT systems, such as MATRIX™, that enable us to fine-tune our transportations networks;
- on a global basis we leverage our purchasing power for standard operational needs such as material handling equipment; and
- we seek to roll out best practice globally through our LEAN and Zero Defect Start-up programs.

Results from Operations

The following table summarizes our Statements of Income for the years indicated. The 2007 results include 12 months trading of our Contract Logistics business and five months trading of the Freight Management business from the date of acquisition, being 2 August 2007. The results for 2006 represent the trading of the Contract Logistics business only.

YEAR ENDED 31 DECEMBER

(in € millions)	2007 [1]			2006 [2]		
	Before specific items	Specific items [3]	Total	Before specific items	Specific items [3]	Total
Revenue	**4,774.1**	**-**	**4,774.1**	**3,486.2**	**-**	**3,486.2**
Other operating revenue	7.0	-	7.0	8.4	-	8.4
Total revenue	**4,781.1**	**-**	**4,781.1**	**3,494.6**	**-**	**3,494.6**
Other income	**3.5**	**-**	**3.5**	**2.5**	**-**	**2.5**
Cost of materials	266.2	-	266.2	247.6	-	247.6
Work contracted out and other external expenses	2,762.5	-	2,762.5	1,796.0	-	1,796.0
Salaries and social security contributions	1,195.8	(1.4)	1,194.4	1,023.1	29.9	1,053.0
Depreciation and amortization	128.3	172.2	300.5	89.1	-	89.1
Other operating expenses	259.1	38.6	297.7	215.0	107.7	322.7
Total operating expenses	**4,612.0**	**209.4**	**4,821.4**	**3,370.8**	**137.6**	**3,508.4**
Operating income	**172.6**	**(209.4)**	**(36.8)**	**126.3**	**(137.6)**	**(11.3)**
Net financial expense	(133.8)	-	(133.8)	(76.5)	-	(76.5)
Results from investments in associates	2.6	-	2.6	(2.4)	-	(2.4)
Profit/(Loss) before income taxes	**41.4**	**(209.4)**	**(168.0)**	**47.4**	**(137.6)**	**(90.2)**
Income taxes	105.6	(77.7)	27.9	50.9	(41.3)	9.6
Profit/(Loss) for the period from continuing operations	**(64.2)**	**(131.7)**	**(195.1)**	**79.1**	**(178.9)**	**(99.8)**
Loss from discontinued operations	-	-	-	(6.4)	-	(6.4)
Profit/(Loss) for the period	**(64.2)**	**(131.7)**	**(195.1)**	**72.7**	**(178.9)**	**(106.2)**

1. 2007 is the 12 months consolidated result of CEVA Group Plc. This includes the consolidated Freight Management business from 2 August 2007.
2. 2006 is the result of the Logistics business for the year. This includes results prior to the acquisition by CEVA Group Plc in November 2006.
3. For details on specific items please refer to note 4 of the financial statements.

Results from Operations for the year ended 31 December 2007 compared to the year ended 31 December 2006

The following table summarizes our revenue for the years indicated. The 2007 results include 12 months trading of our Contract Logistics business and five months trading of the Freight Management business from the date of acquisition, being 2 August 2007.

REVENUE YEAR ENDED 31 DECEMBER

(in € millions and as a % of revenue)	2007	%	2006	%
Contract Logistics	3,462.6	72.5 %	3,441.2	98.7 %
Freight Management	1,313.5	27.5 %	45.0	1.3 %
Revenue	**4,774.1**	**100.0%**	**3,486.2**	**100.0%**

Revenue increased by 36.9 % to € 4,774.1 million for the year ended 31 December 2007 from € 3,486.2 million for the year ended 31 December 2006. The primary driver of total growth is the first consolidation of Freight Management revenue in the Company following the acquisition of EGL on 2 August 2007. The historic results of EGL are not shown above as they do not form part of the historic legal consolidated results of CEVA Group Plc. The amount shown in the 2006 column of the Freight Management results represents the reclassification of historic freight management activities provided by CEVA.

Revenue from Contract Logistics exceeded the prior year as a result of a combination of new contracts and an increase in volumes on existing business across a number of regions. We were notably successful in our operations in Asia Pacific and Northern Europe, and gained contracts across a number of sectors in these regions. The full impact of this was offset by the agreed upon transfer of two large logistics activities to our customers, one being a European automotive contract and the other being a tire contract in North America. In addition, reported adverse foreign currency movements had the effect of reducing our revenue growth.

Operating Expenses

Our operating expenses increased to € 4,821.4 million for the year ended 31 December 2007 from € 3,508.4 million for the year ended 31 December 2006. This is primarily as a result of the acquisition of EGL on 2 August 2007.

Cost of materials

Cost of materials increased to € 266.2 million for the year ended 31 December 2007 from € 247.6 million for the year ended 31 December 2006. The acquisition of EGL had little impact on this cost category as there are few materials used in the Freight Management business. The increase is primarily driven by growth in the Contract Logistics business, which required purchase of materials such as packaging.

Work contracted out and other external expenses

Work contracted out and other external expenses increased to € 2,762.5 million for the year ended 31 December 2007 from € 1,796.0 million for the year ended 31 December 2006. The increase was primarily driven by the acquisition of EGL's freight forwarding business, which relies on sub-contracted services for ocean, air, and land forwarding activities.

Salaries and social security contributions

Salaries and social security contributions increased to € 1,194.4 million for the year ended 31 December 2007 from € 1,053.0 million for the year ended 31 December 2006. The increase is primarily driven by the EGL acquisition. Salary costs in 2007 and 2006 were impacted by employee retention and restructuring costs incurred as a result of the acquisitions of both the Logistics business and EGL.

Depreciation and amortization

Depreciation, amortization and impairment increased to € 300.5 million for the year ended 31 December 2007 from € 89.1 million at 31 December 2006. This increase relates to the purchase price allocation associated with our acquisition of EGL. In accordance with IFRS 3 Business Combinations, CEVA is required to assign a value to the brand name of the acquired business (EGL) as if acquired by an average third party market participant who, it is assumed, would continue to use the brand into the future. CEVA Management, with the assistance of expert external advisors, allocated a value of € 172.2 million to the EGL brand name. CEVA has chosen to have one corporate identity and, as a result, has rebranded EGL's operations to CEVA from 30 November 2007. As such, IFRS requires CEVA to amortize the notional value assigned to the EGL brand name from the period of acquisition on 2 August 2007 until the rebranding on 30 November 2007. Consequently, our results for the year ended 31 December 2007 include a charge amounting to € 172.2 million. This is a non cash transaction.

Other operating expenses

Other operating expenses decreased to € 297.7 million for the year ended 31 December 2007 from € 322.7 million for the period ended 31 December 2006. This movement is primarily due to non-recurring separation costs incurred during 2006 related to the sale and transition of the Logistics business from TNT to CEVA. This was partially offset by rebranding costs incurred in 2007, which were not incurred in the prior year.

EBITDA

The following table summarizes our EBITDA for the years indicated. The 2007 results include 12 months trading of our Contract Logistics business and five months trading of the Freight Management business from the date of acquisition, being 2 August 2007.

					YEAR ENDED 31 DECEMBER			
(in € millions and as a % of total)				2007				2006
	Before specific items	Specific items	After specific items	%	Before specific items	Specific items	After specific items	%
Operating income	172.6	(209.4)	(36.8)	(14.0 %)	126.3	(137.6)	(11.3)	(14.5 %)
Depreciation and amortization	128.3	172.2	300.5	114.0 %	89.1	-	89.1	114.5 %
EBITDA	**300.9**	**(37.2)**	**263.7**	**100.0%**	**215.4**	**(137.6)**	**77.8**	**100.0%**
Contract Logistics	245.7	(23.5)	222.2	84.3 %	213.5	(137.6)	75.9	97.6 %
Freight Management	55.2	(13.7)	41.5	15.7 %	1.9		1.9	2.4 %
EBITDA	**300.9**	**(37.2)**	**263.7**	**100.0%**	**215.4**	**(137.6)**	**77.8**	**100.0%**

Our EBITDA increased to € 263.7 million for the year ended 31 December 2007 from € 77.8 million for the year ended 31 December 2006. This increase is driven by an increase in EBITDA from our Contract Logistics segment and the first consolidation of the five months of Freight Management's EBITDA in the Company following the acquisition of EGL on 2 August 2007.

Within Contract Logistics, EBITDA increased to € 222.2 million from € 75.9 million in the prior year following a strong trading performance in 2007. This is a result of securing new business and increases in margins. In addition, 2006 included non-recurring costs which were incurred as part of CEVA's acquisition of the Logistics business in 2006, including certain restructuring charges, advisor costs, and contract termination and employee retention payments, which are shown in specific items (note 4). The current year performance has also been positively impacted by efficiencies within the corporate head office.

Net Financial Expense

Net financial expense increased to € 133.8 million for the year ended 31 December 2007 from € 27.0 million for the year ended 31 December 2006, due to the increased interest charge as a result of our new capital structure used to finance the acquisition of the Logistics business and EGL.

Results from Investments in Associates

Results from investments in associates is a gain of € 2.6 million for the year ended 31 December 2007 compared to a loss of € 2.4 million for the year ended 31 December 2006.

Income Taxes

Income taxes includes an amount of € 27.9 million for the year ended 31 December 2007 from a gain of € 5.8 million for the year ended 31 December 2006 mainly as a consequence of the deferred tax impact arising from the amortization of the EGL brand name.

Loss from Discontinued Operations

There was no loss from discontinued operations for the year ended 31 December 2007, compared to a loss of € 6.4 million for the year ended 31 December 2006. The result for the year ended 31 December 2006 related to operating losses of the French logistics business which were divested prior to the sale and transition of the Logistics business from TNT to CEVA.

Loss for the Period

The loss for the year ended 31 December 2007 increased to € 195.1 million in comparison to € 99.8 million for the same period in the prior year. This is primarily due to the first time consolidation of Freight Management results, which includes a non cash charge of € 172.2 million relating to the partial amortization of the EGL brand name.

Proforma Condensed Combined Income Statements for the Year Ended 31 December 2007

To assist investors in understanding the performance of the Group, unaudited proforma financial information has been prepared to show the results from continuing operations of the Group as if the EGL business, which was acquired on 2 August 2007, had been combined with effect of 1 January 2007. The proforma financial information thus reflects the underlying 12 month results of the CEVA Contract Logistics business and pro-forma 12 month results of the EGL Freight Management business. This financial information has been prepared by the company to illustrate the effect of the EGL acquisition as if the transaction had taken place on 1 January 2007.

In preparing this proforma financial information, account has been taken of the 7 month pre-acquisition results of EGL which were reported under US GAAP, as adjusted for CEVA's IFRS based accounting policies and the impact of acquisition accounting as though the acquisition of EGL had occurred on 1 January 2007.

CEVA'S COMBINED PROFORMA RESULTS FOR 2007

(in € millions)	CEVA GROUP PLC CONSOLIDATED YEAR ENDED 31 DECEMBER 2007	EGL PERIOD FROM 1 JANUARY - 1 AUGUST 2007 [1]	CEVA GROUP PLC PROFORMA COMBINED YEAR ENDED 31 DECEMBER 2007
	Before specific items [2]	Before specific items [2]	Before specific items [2]
Revenue	**4,774.1**	**1,513.8**	**6,287.9**
Other operating revenue	7.0	-	7.0
Total revenue	**4,781.1**	**1,513.8**	**6,294.9**
Other income	**3.5**	**-**	**3.5**
Cost of materials	266.2	-	266.2
Work contracted out and other external expenses	2,762.5	1,024.6	3,787.1
Salaries and social security contributions	1,195.8	265.0	1,460.8
Depreciation and amortization	128.3	35.8	164.1
Other operating expenses	259.1	146.9	406.0
Total operating expenses	**4,612.0**	**1,472.3**	**6,084.3**
Operating income	**172.6**	**41.5**	**214.1**

THE 2007 PROFORMA RESULTS OF CEVA'S FREIGHT MANAGEMENT OPERATIONS

(in € millions)	1 JANUARY - 1 AUGUST 2007 [1]			2 AUGUST - 31 DECEMBER 2007			1 JANUARY - 31 DECEMBER 2007		
	Before specific items	Specific items [2]	Total	Before specific items	Specific items [2]	Total	Before specific items	Specific items [2]	Total
Revenue	**1,513.8**	**-**	**1,513.8**	**1,272.3**	**-**	**1,272.3**	**2,786.1**	**-**	**2,786.1**
Other operating revenue	-	-	-	0.1	-	0.1	0.1	-	0.1
Total revenue	**1,513.8**	**-**	**1,513.8**	**1,272.4**	**-**	**1,272.4**	**2,786.2**	**-**	**2,786.2**
Other income	**-**	**-**	**-**	**0.8**	**-**	**0.8**	**0.8**	**-**	**0.8**
Cost of materials	-	-	-	-	-	-	-	-	-
Work contracted out and other external expenses	1,024.6	2.2	1,026.8	953.7	-	953.7	1,978.3	2.2	1,980.5
Salaries and social security contributions	265.0	15.7	280.7	184.9	-	184.9	449.9	15.7	465.6
Depreciation and amortization	35.8	-	35.8	21.4	172.2	193.6	57.2	172.2	229.4
Other operating expenses	146.9	38.3	185.2	80.3	13.7	94.0	227.2	52.0	279.2
Total operating expenses	**1,472.3**	**56.2**	**1,528.5**	**1,240.3**	**185.9**	**1,426.2**	**2,712.6**	**242.1**	**2,954.7**
Operating income	**41.5**	**(56.2)**	**(14.7)**	**32.9**	**(185.9)**	**(153.0)**	**74.4**	**(242.1)**	**(167.7)**

1. Represents the unaudited seven-month result of EGL from 1 January 2007 to 1 August 2007 in accordance with CEVA accounting policies and the impact of applying acquisition accounting as though the acquisition occured on 1 January 2007.
2. For details on specific items please refer to note 4 of the financial statements.

WORKING CAPITAL AND CASH FLOW RESULTS

Operating Net Working Capital (ONWC)

The following table summarizes our ONWC at the year ended:

(in € millions)	31 DECEMBER 2007	% of revenue	31 DECEMBER 2006	% of revenue
Contract Logistics	42.6	0.9 %	43.9	1.3 %
Freight Management	177.7	3.7 %	2.2	0.1 %
Operating NWC	**220.3**	**4.6%**	**46.1**	**1.4%**

Operating net working capital increased to € 220.3 million at 31 December 2007 from € 46.1 million at 31 December 2006 due to the acquisition of Freight Management. Operating net working capital in Contract Logistics at 31 December 2007 maintained the improvements shown in the period 31 December 2005 to 31 December 2006 with operating net working capital now only 0.9 % of revenue.

Historical Capital Expenditure

The following table provides a breakdown of our historical capital expenditure for property, plant and equipment and other intangible assets:

	YEAR ENDED 31 DECEMBER	
(in € millions)	2007	2006
Contract Logistics	71.5	90.1
Freight Management	10.6	0.1
Total	**82.1**	**90.2**

The reduction in capital expenditure requirement of the Contract Logistics operation in the year ended 31 December 2007 compared to the year ended 31 December 2006 is a result of the Company's asset light strategy. We make certain that our operational units focus on ensuring that assets are only acquired when value is created and our strict financial hurdle rates are met.

Historical Cash Flows

The following table summarizes our cash flows for the years indicated:

	YEAR ENDED 31 DECEMBER	
(in € millions)	2007	2006 [1, 2]
Net cash from operating activities	123.0	(112.1)
Net cash used in investing activities	(1,440.6)	(137.6)
Net cash from financing activities	1,229.4	469.6
Changes in cash and cash equivalents	**(88.2)**	**219.9**
Cash acquired at acquisition date	-	(47.4)
Foreign exchange on cash and cash equivalents	(1.6)	(1.2)
Cash and cash equivalents at:		
Beginning of the period	264.7	93.4
Total	**174.9**	**264.7**

1. 2006 represents the cash flow of the Logistics business for the year. This includes cash flows prior to the acquisition by CEVA Group Plc in November 2006.
2. Due to a change in presentation in 2006, non-current prepayment and accrued income of € 8.3 million are presented in cash from operating activities instead of net cash used in investing activities.

Net Cash Provided by Operating Activities

In the year ended 31 December 2007, net cash provided by operating activities was € 123.0 million. Loss before income taxes contributed € (168.0) million or profit of € 261.0 million if adjusted for the non-cash impact of depreciation and amortization, interest and similar income and expenses and other non-cash charges.

The increase in net cash provided by operating activities of € 235.1 reflects the improved operating income (before specific items) of Contract Logistics, the first consolidation of Freight Management in the Company following the acquisition of EGL on 2 August 2007, and emphasis on reducing operational net working capital.

Net Cash used in Investing Activities
In the year ended 31 December 2007, net cash used in investing activities was € (1,440.6) million, mainly relating to the acquisition of EGL as of 2 August 2007.

Net Cash provided by Financing Activities
In the year ended 31 December 2007, net cash from financing activities was € 1,229.4 million. The net proceeds from the issuance of shares of € 72.8 million and external borrowings of € 1,189.5 million were used to acquire EGL and redeem its former external debt. The net proceeds of short term borrowings of € 50.9 million were mainly used for the post completion settlement of € 41.2 million with TNT.

In the year ended 31 December 2006, net cash from financing activities was € 469.6 million. The proceeds from the issuance of shares of € 294.5 million and external borrowings of € 1,170.5 million were mainly used for the acquisition of TNT's Logistics and the repayment of liabilities upon business combinations.

Future Liquidity and Capital Resources
Our principal source of liquidity in the future will be our operating cash flows. Our ability to generate cash from operations depends on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, legislative, regulatory, and other factors, many of which are beyond our control, as well as other factors, discussed in the section entitled "Risk Factors", on page 36.

In addition to cash flow from operating activities, under our Senior Secured Facilities we have a committed Revolving Credit Facility of € 186.5 million, a € 178.5 million Synthetic L/C Facility, and cash as of 31 December 2007 of € 174.9 million to service our working capital requirements, certain transition and rebranding costs, purchase price adjustments, and general corporate purposes. The availability of this facility is dependent upon certain conditions.

CEVA Group Plc is a holding company. It is therefore dependent on the capital raising abilities, dividend payments from subsidiaries and other distributions to generate funds. There can be no assurance that the dividend and distribution capacity of CEVA will be adequate for such needs. The terms of the Senior Secured Facilities, our other outstanding debt, and the indentures contain a number of significant covenants that restrict our ability and the ability of our subsidiaries to, among other things, pay dividends or make other distributions, make capital expenditure, and incur additional debt and grant guarantees. Furthermore, the ability of CEVA's subsidiaries to pay dividends and make other payments to CEVA may be restricted by, among other things, other agreements and legal prohibitions on such payments.

We believe that our operating cash flows, together with our available cash, available borrowings under the Revolving Credit Facility and the Synthetic L/C Facility will be more than sufficient to fund our operating and financial requirements, certain transition and rebranding costs, and general corporate expenditure, as well as anticipated capital expenditure and debt service requirements as they become due for the foreseeable future, although we cannot guarantee that this will be the case. In particular, future drawings under the Senior Secured Revolving Facility will only be available if, among other things, we meet the financial covenants contained in the Senior Secured Facilities.

If our future cash flows from operations and other capital resources are insufficient to pay our obligations as they mature, we may be required to restrict our activities and growth plans.

OTHER MATTERS

Post-Employment Benefit Obligations

Some of our employees participate in defined benefit plans as part of historic or acquired commitments. These "stand-alone" plans, most of which are unfunded, were transferred to the Company following the CEVA acquisition of the Logistics business. At 31 December 2007, the actuarially determined benefit obligation under these plans was € 156.5 million and the fair value of plan assets was € 57.1 million for which we had an provision of € 94.7 million accrued as of 31 December 2007.

Italian pension plan

An amount of € 70.2 million of the provision for pension liabilities as at 31 December 2007 relates to the unfunded defined benefit obligations due to leaving service benefits provided to Italian employees that are mandatory under Italian law, the Trattamento di Fine Rapporto ("TFR"). Under this legislation, employees are entitled to a termination payment on leaving the Company. It is important to note that the Company has an asset of € 19.6 million that is included in Long Term Prepayments and Accrued Income. This asset reflects the right of the Company to claim TFR payments to certain employees from their prior employers.

The TFR regulation has changed from 1 January 2007 for companies whose workforce is greater than 50 employees. The impact of the new rules is that the employees will be given the option to either remain under the prior regulation by which CEVA is obliged to fund the yearly accrual to the Social Security Institution ("INPS"), or to transfer the future accruals into external pension funds. The funded provision for the TFR maturing after 1 January 2007 is treated as a defined contribution plan under either administrator option. The curtailments arising due to the new legislation and a change in scope of activity for a major customer in Italy were the primary drivers of the reduction in the unfunded provision to € 70.2 million from a 31 December 2006 balance of € 102.7 million.

Dutch pension plan

Until October 2007, the pension benefits of the employees of CEVA in the Netherlands were accrued within the pension funds of TNT N.V. By paying contributions to the TNT pension fund, CEVA Group settled its defined benefit liability as there was no additional actuarial or investment risk for CEVA Group. For this reason there was no liability for these accrued pension benefits. Included in the terms of the sale and purchase agreement with TNT, the assets within the TNT pension fund regarding the accrued pension benefits are for the risk of TNT, therefore these assets are not accounted for by CEVA Group.

After October 2007 we have established our own scheme for our Dutch employees.

Critical Accounting Estimates and Assumptions

The Group's principle accounting policies are set out on pages 51 to 58 of the consolidated financial statements and comply with IFRS. These policies, and applicable estimation techniques, have been reviewed by the Directors, who have confirmed them to be appropriate for the preparation of the 2007 financial statements.

Like many companies, we need to use estimates in the preparation of our financial statements. The most sensitive estimates affecting our financial statements are in the areas of impairment of goodwill, income taxes, provision for claims, retirement benefits, fair value of derivatives and other financial instruments, contingent liabilities, and revenue recognition. Details of critical accounting estimates and assumptions are provided in the accounting policies on pages 58 and 59.

MANAGEMENT OF FINANCIAL, OPERATING, AND LEGAL RISKS

FINANCIAL RISK MANAGEMENT

As a result of its operating activities, CEVA Group Plc is exposed to financial risk resulting from changes in exchange rates, commodity and fuel prices, as well as interest rates. We employ primary and derivative financial instruments to limit interest and exchange rates risks which can relate to transactions with fixed contracts as well as planned contracts. The necessary framework of actions, responsibilities, and controls has been established in internal guidelines.

The Board of Directors of CEVA Group Plc is regularly informed about existing financial risks and the financial instruments used to manage the risks.

The characteristics and hedging goals for individual financial risks are described in more detail as follows:

Market Risks

Interest rate risk management

Interest rate risks are identified centrally, monitored continually, and managed actively in accordance with the internal guidelines of the Board of Directors. Our interest rate exposure arising from our borrowings and deposits is managed by the use of fixed and floating rate debt, interest rate swaps, and forward foreign exchange contracts. More information on the interest rate profile of our debt is included in note 19 to the accounts.

Foreign exchange risk management

We operate on an international basis generating foreign currency exchange risks arising from future commercial transactions, recognized assets and liabilities, investments, and divestments in foreign currencies other than the euro, our functional and reporting currency.

These risks are managed centrally with the objective of limiting possible effects as much as possible while keeping internal cost to a minimum, all Group companies are required to report their relevant foreign exchange risk exposure with Group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group use forward contracts, which are authorized and executed by the Group treasury.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group’s foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

For a more detailed discussion on financial risk management, refer to note 27.

Commodity risk

As a global logistics provider, CEVA is exposed to the risk of an increase in fuel prices. We believe that the majority of the increases in price risk can be passed on to customers and therefore we have not entered into contracts to hedge any specific commodity risk.

Credit risk

The Group’s exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group’s customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

CEVA’s credit policy determines that each new customer is analyzed individually for creditworthiness before terms and conditions are offered to the customer. The Group’s review includes external ratings were available, and in some cases bank references. Purchase limits are established for each customer, these limits are periodically reviewed.

The Group establishes an allowance for impairment in respect of trade and other receivables.

Guarantees

The total amount of guarantees as at 31 December 2007 was € 167.3 million of which € 132.2 million are on the CEVA’s Group Synthetic Letter of Credit facility compared with the position of € 148 million as at 31 December 2006. The € 19.3 million increase is a result of a decrease in the Contract Logistics portfolio of € 49.3 million and an increase of € 68.6 million as a result of the acquisition of the Freight Management business.

These guarantees were mainly issued in connection with CEVA's operating business obligations under lease contracts, customs duty deferment and local credit lines. The obligations under the guarantees issued by banks and other financial institutions have been secured by CEVA and by certain of its subsidiaries.

Net Debt and Gearing

CEVA's capital structure consists largely of debt financing. This is monitored closely by management and we consider the applicable interest rates and maturity dates to be favorable. We fund our financing structure using cash generated from operations.

OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of loss arising from fraud, unauthorized activities, error, omission, inefficiency, system failure or external events. It is inherent in every business organization and covers a wide spectrum of issues.

Led by the Executive Board, the Group has codified its operational risk management process by issuing high-level standards, supplemented by more detailed formal guidance. This explains how the Group manages operational risk by identifying, assessing, monitoring, controlling, and mitigating the risk, rectifying operational risk events, and implementing any additional procedures required for compliance with local regulatory requirements. The processes undertaken to manage operational risk are determined by reference to the scale and nature of the Group's operations.

In each of the Group's subsidiaries, local management is responsible for implementing the Group's standards on operational risk throughout their operations, and where deficiencies are evident, rectifying them within a reasonable timeframe. Subsidiaries acquired by the Group are required to assess, plan, and implement the standard requirements within an agreed timescale.

LEGAL RISK MANAGEMENT

Legal risks to the Company include those arising from the legal requirements of various countries and jurisdictions around the world, including legal obligations and prohibitions imposed by statute, regulation, common law, contract, and other legal sources. They may be manifested in a variety of situations, including civil and criminal lawsuits, governmental inquiries and investigations, administrative procedures. Like operational risks, they are inherent in every business organization and cover a wide spectrum of issues.

CEVA has global and regional legal staffs to manage legal risks by keeping abreast of applicable laws and regulations and by implementing, monitoring, and enforcing the Company's policies, practices, and procedures (including its commercial practice policies, code of business conduct, and other policies and procedures) consistent with applicable legal requirements. These efforts include development and implementation of the Company's compliance program, training in support of that program, and aggressive management of legal and regulatory issues and risks as they arise in litigation and other disputes. These efforts are designed to identify, assess, monitor, and minimize legal risks to the Company and thereby support compliance with applicable legal requirements.

Refer to note 27 for further information on financial risk management.

MANAGEMENT

Board of Directors and Key Management

The following table provides information regarding the members of our Board of Directors and our Executive Management as of the date of this report.

Name	Age	Title
Gareth Turner	44	Chairman, Non-Executive Director
John Pattullo	55	Chief Executive Officer and Director
Joshua Harris	43	Non-Executive Director
Stan Parker	32	Non-Executive Director
Lukas Kolff	34	Non-Executive Director
Stuart Young	50	Chief Financial Officer

Gareth Turner has been a member of the Board of Directors since August 2006. Mr. Turner has been a partner at Apollo since 2005. Prior to joining Apollo in 2005, Mr. Turner was employed from 1997 to 2005 by Goldman, Sachs & Co. as a Managing Director. Mr. Turner received his MBA with distinction from the University of Western Ontario in 1991 and his bachelor's degree from the University of Toronto in 1986.

John Pattullo joined CEVA on 6 August 2007, as its Chief Executive Officer. Prior to this, Mr. Pattullo led Deutsche Post/DHL's € 7 billion EMEA Contract Logistics business (Europe, Middle East and Africa) as Chief Operating Officer. Mr. Pattullo started his career in supply chain management with Procter & Gamble ("P&G"), where he held various leadership positions including managing European Purchasing and Logistics, leading the P&G supply chain for Asia and, in his last role, running the supply chain for the P&G global Beauty Care business. Mr. Pattullo graduated from Glasgow University with an M.A. Honours degree.

Joshua Harris has been a member of the Board of Directors since November 2006. He is a founding Senior Partner at Apollo and has served as an officer of certain affiliates of Apollo since 1990. Prior to that time, Mr. Harris was a member of the Mergers and Acquisitions Department of Drexel Burnham Lambert. Mr. Harris is also a director of Allied Waste Industries, Berry Plastics, Covalence Specialty Materials, Hexion Specialty Chemicals, Metals USA, Quality Distribution, Inc, UAP Holdings and Verso Paper. Mr. Harris graduated summa cum laude and Beta Gamma Sigma from the University of Pennsylvania's Wharton School of Business with a B.S. in Economics and received his MBA from the Harvard Business School, where he graduated as a Baker and Loeb Scholar.

Stan Parker has been a member of the Board of Directors since November 2006. He has been employed by Apollo since 2000. From 1998 to 2000, Mr. Parker was employed by Salomon Smith Barney. He serves on several boards of directors, including Affinion and AMC Entertainment. Mr. Parker graduated magna cum laude with a B.S. in Economics from the Wharton School of the University of Pennsylvania.

Lukas Kolff has been a member of the Board of Directors since August 2006. He has been employed by Apollo since 2006. From 1999 until 2006, Mr. Kolff was a Vice President at Ripplewood Holdings. Mr. Kolff has a master's degree in Business Economics from Rijks Universiteit Groningen, the Netherlands, where he graduated with highest honors.

Stuart Young has been our Chief Financial Officer since February 2007. He joined CEVA from DHL/Exel Ocean Group, where he had worked for 15 years. In December 2005, after the acquisition of Exel plc by Deutsche Post, he was appointed Finance Director of DHL Exel Supply Chain. Prior to this, from 2002 he was the Finance Director of Exel's EMEA freight forwarding and contract logistics businesses. From 1997 he was the Director of Mergers and Acquisitions for Ocean Group which became Exel following the acquisition of NFC in 2000. After earning an Economics degree at Cambridge, he qualified as a Chartered Accountant in 1982 with KPMG.

Board Structure and Compensation

Apollo and its affiliates have the power to control us and our affairs and policies, including the election of our Directors and management. A majority of members of our Board are partners or employees of Apollo. Our Board has an Audit Committee. The duties and responsibilities of the Audit Committee include recommending the appointment or termination of the engagement of independent auditors, otherwise overseeing the independent auditor relationship and reviewing significant accounting policies and controls. Messrs. Turner and Kolff are members of our Audit Committee.

Each of our non-executive Directors is paid an annual retainer of € 39,000 as well as € 1,600 for each meeting of the Board or of a Board committee attended, and customary equity incentives are granted to these Directors.

SHAREHOLDERS

All of the issued share capital of CEVA Group Plc is held directly by CEVA Investments Ltd, except for one share which is held by Louis Cayman Second Holdco Limited, a wholly owned subsidiary of CEVA Investments Ltd.

AAA Investments, L.P. transferred its shares to AAA Guarantor Co-Invest VI, L.P., and an affiliate of Apollo. The percentage held by CEVA management investors under the Long-Term Incentive Plan increased as a result of the EGL acquisition. During 2007, Apollo and its affiliates purchased an additional equity of USD 100 million shares of CEVA Investments Ltd, which in turn invested € 72.7 million to equity in CEVA Group Plc.

The following table sets forth the shareholders of CEVA Investments Ltd and the number and percentage of shares owned, as at 31 December 2007 and as at 31 December 2006.

Name of beneficial owner	Number of shares beneficially owned 31 December	Ownership percentage	Number of shares beneficially owned 31 December	Ownership percentage
	2007	2007	2006	2006
AIF VI Euro Holdings, L.P.[1]	2,844,555	68.8 %	2,270,625	70.9 %
AlpInvest Partners Beheer 2006, L.P.[2]	422,880	10.2 %	350,000	10.9 %
AAA InvestmentGroup[3]	406,365	9.8 %	324,375	10.1 %
TNT[4]	155,000	3.7 %	155,000	4.8 %
CEVA Management Investors	310,649	7.5 %	104,140	3.3 %
Total	**4,139,449**	**100.0%**	**3,204,140**	**100.00%**

1. AIF VI Euro Holdings, L.P. is managed by Apollo.
2. AlpInvest Partners Beheer 2006, L.P. is a co-investment vehicle managed and controlled by Apollo, and all the economic interest in this entity is held by AlpInvest Partners funds.
3. AAA Investments, L.P. is managed by an affiliate of Apollo.
4. TNT N.V. retained an equity interest in the Company following CEVA's acquisition of its former Logistics business.

CEVA Investments Ltd 2006 Long-Term Incentive Plan

At 31 December 2007, 343 management and employees of the Company had made equity investments in CEVA Investments Ltd through the purchase of 310,649 ordinary shares.

CEVA Investments Ltd adopted the CEVA Investments Ltd 2006 Long-Term Incentive Plan, which permits CEVA Investments Ltd to grant stock options to management and employees of the Company, for which the costs are charged to CEVA Group Plc.

The 2006 Long-Term Incentive Plan has a term of ten years. The date of grant, vesting, and pricing of options granted under the 2006 Long-Term Incentive Plan are generally subject to the discretion of CEVA Investments Ltd's Board of Directors. Ordinary shares acquired under the 2006 Long-Term Incentive Plan are subject to restrictions on transfer, repurchase rights, and other limitations set forth in a shareholders agreement and subscription agreement.

LEGAL MATTERS

CEVA Group Plc (registered number 5900853), was incorporated in England and Wales on 9 August 2006. As at the date of this document, the authorized ordinary share capital of £ 350,000 is divided into 350,000 ordinary shares of a par value of £ 1 each. As at 31 December 2007, 349,999 ordinary shares of a par value of £1 each in CEVA Group Plc are held by CEVA Investments Ltd, and one ordinary share of a par value of £1 is held by Louis Cayman Second Holdco Limited, which is in turn a wholly owned subsidiary of CEVA Investments Ltd. Accordingly, CEVA Group Plc is a wholly owned subsidiary of CEVA Investments Ltd.

The rights of the equity holders of CEVA Group Plc are contained in the Articles of Association of CEVA Group Plc.

We are currently party to various claims and legal actions that arise in the ordinary course of business. We believe such claims and legal actions, individually and in aggregate will not a have a material adverse effect on our financial position.

For further details refer to note 30.

Agreements with TNT

The Sale and Purchase Agreement ("SPA") between CEVA Limited and TNT, dated 23 August 2006, contains customary representations, warranties, and covenants, including representations by TNT to us regarding the Logistics business. The warranties are subject to customary qualifications and limitations on TNT's liability and will generally survive for eighteen months from 4 November 2006, except for those with respect to certain environmental matters, which survive for three years from 4 November 2006, and certain warranties regarding taxes and ownership of shares, which generally survive until the statutory limitations date. In addition, TNT has in general indemnified CEVA Limited against taxes applicable to the Logistics business which are attributable to any tax period or portion thereof ending on or before 4 November 2006. The SPA provides for certain other specific indemnities, in each case subject to certain conditions and limitations.

CEVA Relations with Apollo

Management agreement

CEVA entered into a management agreement with Apollo relating to the provision of certain financial and strategic advisory services and consulting services. CEVA agreed to pay to Apollo an annual service fee equal to the greater of € 3 million and 1.5 % of our EBITDA (as defined in the indentures governing the notes), plus related expenses. In addition, CEVA agreed to pay Apollo a transaction fee amounting to 1 % of the purchase price for each acquisition. CEVA has agreed to indemnify Apollo and its affiliates and their Directors, officers and representatives for losses relating to the services contemplated by the management agreement and for the engagement of affiliates of Apollo pursuant to, and the performance by them of the services contemplated by, this agreement.

Potential conflicts

Through control of a majority of the ordinary shares of CEVA Investments Ltd, Apollo and its affiliates have the power to control us and our affairs and policies, including the election of our Directors and the appointment of our management. A majority of members of our Board are partners or employees of Apollo.

Information about the Guarantors

Subject to the provisions of the indentures, certain entities guarantee CEVA's obligations under the notes upon their issuance. Each of these entities is engaged in the supply chain industry. Guarantor / non-guarantor subsidiary financial information can be found on page 86.

RISK FACTORS

CEVA is impacted by a number of risk factors, some of which are not within our control. Many of the risk factors affecting CEVA are macroeconomic and generally affect all companies, whereas others are more particular to CEVA. This section outlines risks, but is not intended to be an extensive analysis of all risks that could affect us. Indeed, some risks may be unknown to us or more material than we currently estimate. All of them have the potential to impact CEVA and its financial performance and should be considered when reading this document. Further specific risks related to our capital structure and legal proceedings that we face are included in the section entitled "The Management of Financial, Operating and Legal Risks".

Regulatory Risks

We are required to comply with various regulations and/or to hold certain licenses and permits in various jurisdictions. Certain countries require supply chain logistics service providers to hold national or international transport licenses in order to perform their services. We cannot predict what impact future regulations may have on our business. We may not be able to respond to new statutory requirements. Failure to maintain required certificates, permits or licenses, or to comply with applicable laws, ordinances or regulations, can result in substantial fines or possible revocations of authority to conduct operations. In addition, increased costs for security as a result of governmental regulations that has been and will be adopted in response to terrorist activities and potential terrorist activities, government deregulation efforts, "modernization" of the regulations governing customs clearance, and changes in the international trade and tariff environment could require material expenditures or otherwise adversely affect CEVA.

Industry-specific Risks

A major part of the supply chain industry is the provision of transportation services. Our ability to offer these services effectively may be impacted by changes in fuel prices. The price of fuel is directly influenced by the price of crude oil and to a lesser extent by refining costs and refining capacity relative to demand, which is influenced by a wide variety of macroeconomic and geopolitical events. Typically our suppliers pass on increases in fuel prices to us and we pass these price increases on to our customers through a surcharge. We sometimes bear a portion of price increases over the short-term. If the price of oil were to increase beyond acceptable levels, we and our customers may not be able to continue operating effectively.

In addition, our ability to offer transport services is affected by our access to third-party providers. We do not maintain our own transportation networks, and we rely on other third-party transportation service providers for some of our contracts logistics services and substantially all of our freight forwarding services. Access to competitive transportation networks is important to supply chain companies. Available cargo space could be reduced as a result of decreases in the number of passenger airlines or ocean carriers serving particular transportation lanes at particular times. This could occur as a result of economic conditions, transportation strikes, regulatory changes and other factors beyond our control, and can have a significant impact on our ability to perform services.

Some of the activities in the industry are long term in nature and/or outsourced from other organizations. For certain contract logistics projects, CEVA acquires or leases on a long-term basis warehouses and distribution facilities and takes assignment of employment arrangements from its customers. These arrangements sometimes require large investments in property, plant and equipment, personnel, and management capacity. If CEVA acquires or takes over existing facilities of a customer, it may in some territories assume by operation of law all rights and obligations arising under the existing employment relationships between CEVA's customer and the customer's employees. In addition, CEVA frequently contracts with third parties to lease warehouses and other assets. CEVA commits capacities on the basis of projections of future demand, and our projections may prove inaccurate as a result of changes to the economic conditions or a decision by CEVA's customers to terminate or not to renew their contracts with CEVA. We generally strive to minimize these risks for CEVA's dedicated warehouses and other assets by negotiating lease agreements with the same duration as that of the assets deployed to service the contract. When CEVA takes an assignment of existing employment relationships, it seeks indemnities for employee service liabilities from the previous employer. Our strategies, also employed by the majority of operators in the industry, do not always fully mitigate these risks.

Collective labor agreements cover a significant part of CEVA's, our suppliers' and our customers' workforces. Although we believe that CEVA has constructive relations with its works councils and unions, we cannot assure you that we will not encounter strikes or other disturbances from this unionized labor force, or that, upon expiration of existing agreements, new collective labor agreements will be reached on satisfactory terms. If workers engage in industrial actions, our business, financial condition, and results of operations could suffer material harm.

Information Technology Risks

The provision and application of information technology is an important factor in the supply chain logistics industry. Among other things, our information systems must frequently interact with those of our customers and service providers that we rely on and must function across multiple territories. Our future success will depend on our ability to employ software that meets industry standards and customer demands across multiple territories. Although we have redundancy systems and procedures in place, the failure of the hardware or software that supports our information technology systems or the loss of data in the systems, or the inability to access or interact with our customers electronically through our websites could significantly disrupt customer workflows and cause economic losses for which we could be held liable and that would damage our reputation. We expect our customers to continue to demand more sophisticated and fully integrated information technology systems compatible with their own information technology environment.

If we fail to meet the demands of our customers or protect against disruptions of our and our customers' operations, we may lose customers, which could seriously harm our business and adversely affect our operating results. In addition, a failure to protect our confidential information from unauthorized use or disclosure could diminish the value of our confidential information and have a material adverse affect on our business, financial condition, and results of operations.

Industry-wide Regulatory Investigation into the Freight Forwarding Industry

In October 2007, EGL Eagle Global Logistics ("EGL") was the subject of (a) a search warrant and subpoena issued at the request of the Antitrust Division of the United States Department of Justice; (b) an inspection and request for information by the European Commission; and (c) demands for documents and information from the New Zealand Commerce Commission and the Canadian Competition Bureau. The Company understands that the above-described requests are part of an industry-wide investigation into possible price-fixing and other improper collusive activity in the freight forwarding industry with respect to certain accessorial and other charges.

The Company is cooperating with the respective authorities to provide requested information. At this time the Company can not determine the timing or outcome of the investigations, which could result in the imposition of criminal and or civil fines, penalties, damages or other sanctions. For further details refer to page 85.

The Group operates internationally

The Group markets and sells its services internationally. Economic, political and social conditions, including those related to wars, civil unrest, acts of terrorism and other conflicts, may adversely affect regional and global economics, the Group's customers and their ability to pay for services, including:

- general political and economic instability in regional or international markets, which could impede the Group's ability to deliver services to customers and adversely affect its business, financial condition and results of operations;
- changes in regulatory requirements, which could restrict the Group's ability to deliver services to its international customers; and
- export restrictions, tariffs, licenses and other trade barriers, which could prevent the Group from adequately equipping its facilities worldwide.

In addition, the Group is subject to heightened security measures due to threats of terrorism. Some of the possible future effects of such heightened security measures include reduced business activity by customers, changes in security measures or regulatory requirements for travel and the reduction of availability of flights and other transportation options. Such security-related developments could increase costs, make it difficult for the Group to arrange for transport of its customers' freight and increase credit and business risks for customers and threats of additional terrorist attacks. Responses to security threats may materially and adversely affect the Group in ways it cannot predict.

As CEVA continues to expand its business globally, its success will depend, in large part, on its ability to anticipate and effectively manage these and other risks associated with international operations. However, any of these factors could materially and adversely affect its international operations and, consequently, its business, financial condition and results of operations.

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CEVA GROUP PLC

CEVA GROUP PLC PARENT COMPANY

LOGISTICS BUSINESS, PRIOR TO THE ACQUISITION BY CEVA

Operating and financial review and prospects on Logistics business 2005 / 2006 pre-acquisition period can be found in our 2006 annual report available at www.cevalogistics.com

CEVA GROUP PLC DIRECTORS' REPORT

The Directors present their report together with the audited consolidated Group and Company financial statements of CEVA Group Plc ("CEVA") for the year 1 January 2007 to 31 December 2007.

CEVA Group Plc (registered number 5900853), was incorporated in England and Wales on 9 August 2006. As at the date of this document, the authorized ordinary share capital of £ 350,000 is divided into 350,000 ordinary shares of a par value of £ 1 each. As at 31 December 2006, 309,999 ordinary shares of a par value of £1 each in CEVA Group Plc were held by CEVA Investments Ltd, and one ordinary share of a par value of £1was held by Louis Cayman Second Holdco Limited, which is in turn a wholly owned subsidiary of CEVA Investments Ltd. In August 2007, CEVA issued an additional 40,000 shares to CEVA Investments Ltd at a premium of € 1.817 per share for total consideration of € 72.7 million. Accordingly, CEVA Group Plc is a wholly owned subsidiary of CEVA Investments Ltd.

The rights of the equity holders of CEVA Group Plc are contained in the Articles of Association of CEVA Group Plc. CEVA Group Plc is managed by its Directors in accordance with those articles and in accordance with the laws of England and Wales.

Principal Activities

CEVA is one of the world's leading integrated supply chain logistics providers and offers a broad spectrum of services based on our market leading contract logistics and freight forwarding expertise and capabilities. CEVA designs, implements, and operates complex supply chain solutions for multinational and large national companies on a local, regional, and global level. CEVA operates an asset-light operating model across all of our business units, with third parties providing the majority of the physical transportation and warehousing assets that we manage and use for the benefit of our customers. The integrated service offerings span the entire supply chain: contract logistics services that include inbound logistics, manufacturing support, outbound / distribution and aftermarket logistics; freight forwarding services that include air, ocean and ground-based transport, and other freight transportation-related services, such as customs brokerage, local pick up and delivery service, materials management, and trade facilitation. As of 31 December 2007, CEVA's combined global network comprised over 1,000 locations, utilizing a total of 8.6 million square meters of warehousing space in over 100 countries (representing over 90 % of global GDP).

CEVA has built leading market positions by understanding our target industry sectors and applying our expertise to design and implement customized logistics solutions that address industry-specific supply chain requirements. We have deep expertise in a range of industries, including automotive, tires, high tech / electronics, publishing, industrial, oil and gas, aerospace, healthcare, retail, and consumer goods. We believe that our knowledge of our customers' supply chain functions and our sector expertise create competitive advantages for our customers, help us to develop more cost-effective solutions for them, and put us in a strong position to grow our business.

Review of Business and Future Prospects

The Directors believe that the Company has transitioned smoothly to a stand-alone business and has completed a number of projects during the year including the successful acquisition of EGL Inc., implementing the new regional structure and moving the operational head office into new premises.

The acquisition and integration of EGL into the Group was a significant driver of increased revenue to € 4,774.1 million for the year ended 31 December 2007, and we have enjoyed an increase in Contract Logistics as a result of a combination of new contracts and an increase in volumes on existing business across a number of regions. In addition, we have seen a strong performance in EBITDA.

There are no significant differences between the market value and book value of land for the Group.

The Group did not carry out any research and development activities during the year.

Key Performance Indicators

The operating businesses of the Group use established key performance indicators at an operating level. At a Group level the Directors have established and monitored the following key performance indicators:

Key Performance Indicator	Definition	Purpose
Revenue Growth (%)	Percentage growth in revenue in the current year compared to revenue in the previous year.	Provides a measure of our ability to grow revenue, and take advantage of market growth.
Adjusted EBITDA	Result for the period from continuing operations before results from investments in associates, net financial expense, income taxes, and depreciation, amortization and impairment.	This measure is used to compare the quality of earnings with those of our peers and to determine performance strategic objectives.
Contract Renewal Rate (%)	Contracts renewed as a percentage of contracts up for renewal in a given period, all measured in annualised revenue terms.	Provides the most direct measure of customer retention.

Overall it is considered that these will enable the Goup to manage operating performance and also assess the success of converting operating performance into cash, a key issue for a highly leveraged group. The key performance indicators are discussed in the overview of business and future prospects above.

Results and Dividends

The results for the year ended 31 December 2007 was a net loss of € 195.9 million (2006: a net loss of € 20.6 million).

No dividends were paid or recommended during the year or up until the signing of this annual report.

Post Balance Sheet Events

David G. Kulik, CEVA's Vice Chairman and former CEO, has advised the Company of his retirement, effective 22 February 2008. There were no other material post balance sheet events.

Directors

The Directors of the Company during the year and their emoluments are disclosed on page 63.

CEVA has agreed to indemnify Gareth Turner, Lukas Kolff, Joshua Harris and Stan Parker for losses relating to the services contemplated by the management agreement with Apollo (refer to note 29).

Charitable and Political Donations

During the year, CEVA made charitable donations of € 8,000 and no political donations.

Employees

Applications for employment by disabled persons are always fully considered bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of an employee becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development, and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests, and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through in-house newsletters and frequent bulletins.

CEVA believes that human resources are the key to our success. CEVA has adopted policies and processes that are designed to support effective recruitment, retention, and incentivization of skilled employees and managers to fulfill their roles in our organization. CEVA provides employees with competitive salary packages with incentives tied to the operational objectives of the Company and the relevant subsidiary as well as to performance targets.

In order to develop and train our employees, we have developed a program of continuous education. This program serves to develop the professional skills of our workforce and to prepare promising talent for future management positions. Our performance-measurement system, which is directly linked with our incentive programs, is designed to provide managers and employees with regular feedback on their performance and to encourage the best work performance possible.

CEVA Group Plc had no employees other than the Directors during the period.

Principal Risks and Uncertainties

For a review of financial, credit, and liquidity risk, refer to page 80.

Operational risk is the risk of loss arising from fraud, unauthorized activities, error, omission, inefficiency, system failure or external events. It is inherent in every business organization and covers a wide spectrum of issues.

Led by the Executive Board, the Group has codified its operational risk management process by issuing high-level standards, supplemented by more detailed formal guidance. This explains how the Group manages operational risk by identifying, assessing, monitoring, controlling, and mitigating the risk, rectifying operational risk events, and implementing any additional procedures required for compliance with local regulatory requirements. The processes undertaken to manage operational risk are determined by reference to the scale and nature of the Group's operations.

In each of the Group's subsidiaries, local management is responsible for implementing the Group's standards on operational risk throughout their operations, and where deficiencies are evident, rectifying them within a reasonable timeframe. Subsidiaries acquired by the Group are required to assess, plan, and implement the standard requirements within an agreed timescale.

Policy and Practice on Payment of Creditors

CEVA agrees to terms and conditions under which business transactions with suppliers are conducted. It is CEVA policy that, provided a supplier is complying with the relevant terms and conditions, including the prompt and complete submission of all specified documentation, payment will be made in accordance with the agreed terms.

It is Company policy to ensure that suppliers know the terms on which payment will take place when business is agreed. Trade creditors at the year end represented 52 days of purchases for the Group.

Shareholders

Our substantial shareholders are disclosed on page 34.

Statement as to Disclosure of Information to Auditors

As required by Section 234ZA of the Companies Act 1985, the Directors of CEVA Group Plc have approved this report and confirmed that, so far as we are aware, there is no relevant audit information (being information needed by the auditors in connection with preparing their audit report) of which the Company's auditors are unaware, and we have taken all the steps reasonably required to be taken as a director in order to make us aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Statement of Responsibilities of the Directors of CEVA Group Plc

The consolidated financial statements of CEVA have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The following statement, which should be read in conjunction with the statement of auditors' responsibilities set out in the independent auditors' reports respectively, is made with a view to distinguishing the respective responsibilities of the Directors and management of CEVA Group Plc and of the auditors in relation to the consolidated financial statements (hereafter "financial statements").

In the context of preparing the financial statements for CEVA the Directors and management of CEVA Group Plc are responsible for:

- ensuring the maintenance of proper accounting records, which disclose with reasonable accuracy the financial position of CEVA at any time from which financial statements can be prepared in accordance with International Financial Reporting Standards as adopted by the European Union (UK GAAP for the Parent Company financial statements) and the Companies Act 1985;
- preparing financial statements for the financial year, which give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union, of the state of affairs of CEVA (UK GAAP for the Parent Company financial statements) as at the end of the financial year and of the results of operations for that year; and
- taking such steps as are reasonably open to them to safeguard the assets of CEVA and to prevent and detect fraud and other irregularities.

The Directors and management of CEVA consider that in preparing financial statements for CEVA, they have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all accounting standards which they consider to be applicable have been followed. The Directors and management of CEVA are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

We publish our annual financial statements on our website at www.cevalogistics.com.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors of the Company will be proposed at the annual general meeting.

By order to the Board.

John Pattullo
Director

Lukas Kolff
Director

5 March 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CEVA GROUP PLC

We have audited the consolidated financial statements of CEVA Group Plc for the year ended 31 December 2007 which comprise the Consolidated Statement of Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. These consolidated financial statements have been prepared under the accounting policies set out therein. We have reported separately on the Parent Company financial statements of CEVA Group Plc for the year ended 31 December 2007.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report and the consolidated financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Responsibilities of the Directors of CEVA Group Plc.

Our responsibility is to audit the consolidated financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the consolidated financial statements give a true and fair view and whether the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the consolidated financial statements.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed. We read other information contained in the annual report and consider whether it is consistent with the audited consolidated financial statements. The other information comprises only the sections headed CEO Statement, CFO Statement, Profile, Global Footprint, Key Financial Results, 2007 Overview, Strategy, Description of the Industry, Acquisitions, Summary of Facilities and Notes, Summary of Corporate and Financing Structure, Presentation of Financial Information and Certain Definitions, Operating and Financial Review and Prospects, Management of Financial, Operating and Legal Risks, Management, Shareholders, Legal Matters and Risk Factors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the consolidated financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements.

Opinion

In our opinion:

- the consolidated financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its loss and cash flows for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the consolidated financial statements.

PricewaterhouseCoopers LLP.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
5 March 2008

Notes:

- The maintenance and integrity of the website are the responsibillity of the Directors, and the work carried out by the auditors does not involve consideration of these matters. Accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially placed on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CEVA GROUP PLC CONSOLIDATED STATEMENT OF INCOME

The 2007 financial statements presented herein consist of the consolidated results of CEVA Group Plc which comprise 12 months trading from our Contract Logistics business and the results of our acquired Freight Management operations from the date of acquisition, being 2 August 2007. The 2006 results comprise two months trading of our Contract Logistics business.

		YEAR ENDED 31 DECEMBER			PERIOD ENDED 31 DECEMBER		
(in € millions)	Notes			2007			2006
		Before specific items	Specific items [1]	Total	Before specific items	Specific items [1]	Total
Revenue	3	**4,774.1**	**-**	**4,774.1**	**551.6**	**-**	**551.6**
Other operating revenue	3	7.0	-	7.0	1.5	-	1.5
Total revenue		**4,781.1**	**-**	**4,781.1**	**553.1**	**-**	**553.1**
Other income		**3.5**	**-**	**3.5**	**0.1**	**-**	**0.1**
Cost of materials		266.2	-	266.2	35.0	-	35.0
Work contracted out and other external expenses		2,762.6	-	2,762.6	288.9	-	288.9
Salaries and social security contributions	5	1,195.8	(1.4)	1,194.4	163.2	0.7	163.9
Depreciation and amortization	6	128.3	172.2	300.5	20.8	-	20.8
Other operating expenses		259.1	38.6	297.7	23.1	9.4	32.5
Total operating expenses		**4,612.0**	**209.4**	**4,821.4**	**531.0**	**10.1**	**541.1**
Operating income		**172.6**	**(209.4)**	**(36.8)**	**22.2**	**(10.1)**	**12.1**
Interest and similar income	7	41.8	-	41.8	3.1	-	3.1
Interest and similar expense	7	175.6	-	175.6	30.1	-	30.1
Net financial expense		**133.8**	**-**	**133.8**	**(27.0)**	**-**	**(27.0)**
Results from investments in associates		2.6	-	2.6	0.1	-	0.1
Profit/(Loss) before income taxes		**41.4**	**(209.4)**	**(168.0)**	**(4.7)**	**(10.1)**	**(14.8)**
Income taxes	8	105.6	(77.7)	27.9	8.8	(3.0)	5.8
Loss for the period		**(64.2)**	**(131.7)**	**(195.9)**	**(13.5)**	**(7.1)**	**(20.6)**
Attributable to:							
Minority interests				1.3			1.2
Equity holders of the Company				(197.2)			(21.8)
Loss for the period				**(195.9)**			**(20.6)**

1. For details on specific items please refer to note 4 of the financial statements.
The accompanying notes form an integral part of the financial statements.

CEVA GROUP PLC
CONSOLIDATED BALANCE SHEET

(in € millions)	Notes	31 DECEMBER 2007	31 DECEMBER 2006[1]
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10		
Goodwill		1,439.3	561.6
Contractual customer relationships		693.6	463.5
Other intangible assets		37.1	7.8
Total intangible assets		**2,170.0**	**1,032.9**
Property, plant and equipment	11		
Land and buildings		219.3	195.3
Plant and equipment		150.2	135.5
Other		46.4	32.5
Construction in progress		4.3	12.5
Total property, plant and equipment		**420.2**	**375.8**
Other non-current assets			
Investments in associates		0.3	0.6
Other loans receivable		9.5	4.7
Deferred tax assets	23	5.9	136.9
Prepayments and accrued income	14	45.2	46.7
Total other non-current assets		**60.9**	**188.9**
Total non-current assets		**2,651.1**	**1,597.6**
CURRENT ASSETS			
Inventory	12	35.7	22.1
Trade and other receivables	13	1,174.9	655.0
Income tax receivable	23	-	23.7
Prepayments and accrued income	14	230.4	163.4
Cash and cash equivalents	15	174.9	264.7
Derivative financial instruments	22	0.5	-
Total current assets		**1,616.4**	**1,128.9**
TOTAL ASSETS		**4,267.5**	**2,726.5**

1. The 2006 comparatives have been restated following the finalization of the purchase price allocation. Refer to note 9 for further details.
The accompanying notes form an integral part of the financial statements.

CEVA GROUP PLC
CONSOLIDATED BALANCE SHEET continued

(in € millions)	Notes	31 DECEMBER 2007	31 DECEMBER 2006
EQUITY AND LIABILITIES			
GROUP EQUITY			
Issued share capital	16	0.6	0.5
Share premium	16	382.2	309.5
Cumulative translation adjustment reserve		(67.3)	(2.6)
Accumulated deficit brought forward		(21.8)	-
Result attributable to equity holders for the period		(197.2)	(21.8)
Attributable to equity holders of the Company		**96.5**	**285.6**
Minority interests		33.9	33.2
Total group equity		**130.4**	**318.8**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	23	162.9	150.0
Provisions for post-employment benefits	17	97.7	122.9
Other provisions	18	105.3	87.7
Borrowings	19	2,339.0	1,141.3
Accrued liabilities		10.4	12.3
Total non-current liabilities		**2,715.3**	**1,514.2**
CURRENT LIABILITIES			
Trade accounts payable		631.6	279.6
Other provisions	18	40.5	38.9
Borrowings	19	137.9	78.3
Other current liabilities	20	147.7	153.0
Income tax payable	23	35.2	22.9
Accrued current liabilities	21	427.7	320.8
Derivative financial instruments	22	1.2	-
Total current liabilities		**1,421.8**	**893.5**
TOTAL EQUITY AND LIABILITIES		**4,267.5**	**2,726.5**

The accompanying notes form an integral part of the financial statements.

The financial statements were approved by the Board of Directors on 5 March 2008 and signed on its behalf by:

John Pattullo
Director

Lukas Kolff
Director

CEVA GROUP PLC CONSOLIDATED CASH FLOW STATEMENT

(in € millions)	Notes	YEAR ENDED 31 DECEMBER 2007	PERIOD ENDED 31 DECEMBER 2006
Loss before income taxes		**(168.0)**	**(14.8)**
Adjustments for:			
Depreciation and amortization	6	300.5	20.8
Loss on sale of property, plant and equipment		(2.7)	(0.7)
Interest and similar income	7	(17.5)	(3.3)
Results on investments in associates		(2.6)	-
Foreign exchange (gains) and losses	7	(24.3)	0.2
Interest and similar expense	7	175.6	30.1
Changes in provisions:			
Pension liabilities	17	(32.0)	(3.3)
Other provisions	18	2.2	(7.0)
Changes in working capital:			
Trade and other receivables	13	(85.5)	(53.0)
Inventory	12	(2.3)	1.0
Prepayments and accrued income	14	66.5	41.8
Trade accounts payable		67.8	74.7
Other current liabilities	20	41.1	4.9
Accrued current liabilities	21	(70.8)	2.5
Changes in non-current prepayments and accrued income	14	15.8	8.3
Changes in non-current accrued liabilities		(2.3)	7.2
Cash generated from operations		**261.5**	**109.4**
Interest paid		(129.4)	(25.1)
Income taxes paid	23	(9.1)	(13.8)
Net cash from operating activities	24	**123.0**	**70.5**
Acquisition of group companies (net of cash)		(1,430.3)	(107.0)
Capital expenditure on intangible fixed assets		(12.2)	(6.1)
Capital expenditure on property, plant and equipment		(69.9)	(10.6)
Proceeds from sale of property, plant and equipment		55.6	16.7
Increase in other non-current assets		(1.3)	1.4
Interest received		17.5	3.3
Net cash used in investing activities	25	**(1,440.6)**	**(102.3)**

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CEVA GROUP PLC CONSOLIDATED CASH FLOW STATEMENT continued

(in € millions)	Notes	YEAR ENDED 31 DECEMBER 2007	PERIOD ENDED 31 DECEMBER 2006
Issuance of shares		72.8	294.5
Net proceeds from non-current borrowings	19	1,481.5	1,170.5
Repayments of non-current borrowings		(292.0)	-
Proceeds from current borrowings		104.8	-
Repayments of current borrowings		(53.9)	-
Repayment of liabilities upon business combination		(84.7)	(1,165.7)
Repayments of finance leases		(2.0)	(1.6)
Net cash from financing activities	26	**1,229.4**	**297.7**
Change in cash and cash equivalents		**(88.2)**	**265.9**
Cash and cash equivalents at the beginning of the period		**264.7**	-
Change in cash and cash equivalents		(88.2)	265.9
Foreign exchange impact on cash and cash equivalents		(1.6)	(1.2)
Cash and cash equivalents at the end of the period	**15**	**174.9**	**264.7**

The accompanying notes form an integral part of the financial statements.

CEVA GROUP PLC CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in € millions)	Issued share capital	Share premium	Cumulative translation adjustment reserve	Retained earnings/ (deficit)	Attributable to equity holders of the Company	Minority interest	Total group equity
Balance at 9 August 2006	**0.1**	**-**	**-**	**-**	**0.1**	**-**	**0.1**
Movements:							
Currency translation adjustment	-	-	(2.6)	-	(2.6)	-	(2.6)
Result attributable to equity holders for the period		-	-	(21.8)	(21.8)	1.2	(20.6)
Total result for the period	-	-	(2.6)	(21.8)	(24.4)	1.2	(23.2)
Issuance of shares	0.4	309.5	-	-	309.9	-	309.9
Balance acquired through business combinations	-		-	-		32.0	32.0
Balance at 31 December 2006	**0.5**	**309.5**	**(2.6)**	**(21.8)**	**285.6**	**33.2**	**318.8**
Balance at 1 January 2007	**0.5**	**309.5**	**(2.6)**	**(21.8)**	**285.6**	**33.2**	**318.8**
Movements:							
Currency translation adjustment	-	-	(64.7)	-	(64.7)	-	(64.7)
Result attributable to equity holders for the period	-	-	-	(197.2)	(197.2)	1.3	(195.9)
Total result for the period	**-**	**-**	**(64.7)**	**(197.2)**	**(261.9)**	1.3	**(260.6)**
Issuance of shares	0.1	72.7	-	-	72.8	-	72.8
Balance acquired through business combinations	-	-	-	-	-	(0.6)	(0.6)
Balance at 31 December 2007	**0.6**	**382.2**	**(67.3)**	**(219.0)**	**96.5**	**33.9**	**130.4**

The accompanying notes form an integral part of the financial statements.

CEVA GROUP PLC NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General Information and Description of our Business

On 9 August 2006, CEVA Group Plc was incorporated in England and Wales as a public company with limited liability (registered number 5900853). The ultimate controlling party of CEVA Group Plc is Apollo Management VI, L.P. The immediate parent of CEVA Group Plc is CEVA Investments Ltd, a company incorporated in the Cayman Islands.

The address of the registered office is P.O. Box 8663, CEVA House, Excelsior Road, Ashby de la Zouch, Leicestershire LE65 9BA, United Kingdom.

On 4 November 2006, the Company acquired from TNT N.V. ("TNT") and certain of TNT's subsidiaries all of the issued share capital of TNT Logistics Holdings B.V., all of the issued share capital of certain other TNT subsidiaries, and certain assets of a TNT subsidiary, all of which relate to the TNT Logistics business. The consideration paid by the Company to TNT amounted to € 1,376.8 million.

On 2 August 2007, the Company acquired 100 % of the shares of EGL Eagle Global Logistics Inc. ("EGL") for a total consideration of € 1,417.5 million. EGL's former shareholders were entitled to receive USD 47.50 in cash, without interest, for each share of EGL common stock they owned at the effective time of the acquisition. As a result of this transaction, EGL is now a wholly owned subsidiary of CEVA Group Plc.

The consolidated financial statements include the financial statements of CEVA Group Plc and its consolidated subsidiaries (hereafter referred to as "we", "CEVA", "CEVA Group", "CEVA Group Plc", "our" or "us" or "the Company"). The Company has issued bonds which are listed on the Alternative Securities Market of the Irish Stock Exchange.

CEVA is one of the world's leading integrated supply chain logistics providers that offers a broad spectrum of services based on our market-leading contract logistics and freight forwarding expertise and capabilities. CEVA designs, implements, and operates complex supply chain solutions for multinational and large national companies on a local, regional, and global level.

The consolidated financial statements were authorized for issue by our Board of Directors on 5 March 2008.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements for the year ended 31 December 2007 and for the comparative period ended 31 December 2006 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").
IFRS includes the application of International Financial Reporting Standards including International Accounting Standards ("IAS") and related Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and Interpretations of the Standing Interpretations Committee ("SIC").

The consolidated financial statements have been prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The accounting policies adopted in these consolidated financial statements are consistent with those of the financial statements for the period ended 31 December 2006, as described in the annual report, unless otherwise stated. The presentation of certain information has changed for the inclusion of "specific items", the requirements of IFRS 7 *Financial Instruments: Disclosures*, net cash from operating activities and presentation of our segment information as discussed below. The 2006 comparatives have also been restated following the completion of the purchase price allocation for the Contract Logistics aquisition. Refer to note 9 for further details.

In prior years, CEVA determined its geographical segments to be its primary reporting segments, as the Company's business activities were substantially within a single reporting segment, being a pure play contract logistics business. CEVA therefore did not have a secondary segment for reporting purposes. Due to the acquisition of EGL, CEVA now defines its business segments to be its primary reporting segment and geographical segments as its secondary reporting segment.

As a result of this change, CEVA identified two primary reportable segment (Contract Logistics and Freight Management) and four secondary reportable segment (Americas, Northern Europe, Southern Europe, and Asia Pacific). Corresponding figures shown in these consolidated financial statements have been re-presented for this change.

CEVA has also changed the presentation format of its results from operations from prior periods by separating specific items.

By presenting specific items, CEVA is identifying and disclosing significant non-recurring or unusual items. Specific items may not be comparable to similarly titled measures used by other companies as it is a non-GAAP measure. The principal events which may give rise to a specific item include gains or losses on the disposal of businesses, the restructuring and integration of businesses, significant asset impairment, material litigation and claims, the accelerated amortization of certain intangible assets acquired as part of a business combination, and rebranding costs, amongst others.

In the cash flow statement, CEVA has now included non-current prepayments in cash generated from operations. Previously this item was presented in net cash used in investing activities.

The Directors believe that the above changes in accounting presentation provide relevant information that is more closely aligned to how they monitor the performance of the Group. The changes had no impact on the net income for the 2007 and 2006 financial period or on the net assets as at 31 December 2007 and 31 December 2006.

IFRS 7, *Financial Instruments: Disclosures* introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, nor the disclosures relating to taxation and trade and other payables.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying CEVA's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in "Critical accounting estimates and judgments".

Consolidation

Consolidated financial information, including subsidiaries, associates and joint ventures, has been prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany transactions, balances and unrealized gains on transactions have been eliminated on consolidation. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The consolidated financial statements include the financial statements of CEVA Group Plc and its consolidated entities. A complete list of subsidiaries, associates, and joint ventures is included in note 33.

Subsidiaries

A subsidiary is an entity controlled, directly or indirectly, by CEVA Group Plc. Control is regarded as the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether we control another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date on which control ceases.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by CEVA Group Plc.

We use the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued, and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of our share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of our share of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against our interests except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Associates

An associate is an entity, including an unincorporated entity such as a partnership, that is neither a subsidiary nor an interest in a joint venture and over whose commercial and financial policy decisions CEVA Group Plc has the power to exert significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not the power to control or have joint control over those policies.

Our share in the results of all significant associates is included in the consolidated Income Statement using the equity method. The carrying value of our share in associates includes goodwill on acquisition. The cumulative post-acquisition movements net of dividends received are adjusted against the carrying amount of the investment. When our share of losses in an associate equals or exceeds our interest in the associate, we do not recognize further losses, unless we have incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint Ventures

A joint venture is a contractual arrangement whereby we and one or more parties undertake an economic activity that is subject to joint control. Joint ventures in which we participate with other party(ies) are proportionately consolidated. In applying the proportionate consolidation method, our percentage share of the Balance Sheet and income statement items are included in our consolidated financial statements.

Foreign Currency Translation

Functional and presentation currency

The individual financial statements of each entity in the CEVA Group are presented in the currency of the primary economic environment in which it operates (its functional currency). The consolidated financial statements are presented in euros (€), which is the Company's functional currency. All financial information presented in euros has been rounded to the nearest tenth of a million.

Foreign currency translation

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows: assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that Balance Sheet, income and expenses for each Income Statement are translated at average exchange rates and all resulting exchange differences are recognized as a separate component of equity (the cumulative translation adjustment reserve).

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in finance income or expense in the Income Statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Intangible Assets

Goodwill

Goodwill arises on the acquisition of subsidiaries, associates, and joint ventures. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill on acquisition of subsidiaries and joint ventures is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Contractual customer relationships

Contractual customer relationships acquired by the Group have finite useful lives. Contractual customer relationships are measured using the excess earnings approach less accumulated amortization and accumulated impairment losses. Separate values are not attributed to internally generated contractual customer relationships. Amortization is calculated using the straight-line method to allocate the cost of the contractual customer relationships over their estimated useful lives of between 10 and 20 years.

Other intangible assets

Other intangible assets mainly comprise brand names, computer software, and other licenses.

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three years. Borrowing costs are added to the cost of software capitalized until such time as the assets are substantially ready for their intended use.

Costs associated with developing or maintaining computer software programs are recognized as an expense incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets.

Computer software development costs recognized as assets are amortized on a straight line basis over their estimated useful lives (a period not exceeding three years).

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses. Other intangibles are amortized on a straight line basis over their estimated useful lives of 3 to 20 years.

Property, Plant and Equipment

Property, plant and equipment (including assets under construction) are valued at historical cost using a component approach, less depreciation or at the recoverable amount whenever impairment has taken place. In addition to costs of acquisition, we also include costs of bringing the asset to working condition, handling and installation costs, and non-refundable purchase taxes. Depreciation is calculated using the straight-line method based on the estimated useful life (refer to note 11), taking into account any residual value. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Balance Sheet date.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably.

Land is not depreciated. Leases of property, plant and equipment, where we have substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in non-current borrowing. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Refer to note 11 for further information on property, plant and equipment.

Impairment

Assets with a finite useful life

An impairment review is performed whenever a triggering event occurs. A triggering event is an event or change in circumstances indicating that the carrying amount may not be recoverable. Property, plant and equipment or an intangible asset is impaired if the recoverable amount is lower than the carrying value. The recoverable amount is defined as the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows being the cash generating units. Impairment is reversed if and to the extent that the impairment no longer exists.

Assets with an indefinite useful life

Assets that have an indefinite useful life are not subject to amortization, and are tested annually for impairment.

Separately recognized goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The entire carrying amount of an investment in associates is tested for impairment. The recoverable amount of an investment in an associate is assessed for each associate. If the recoverable amount of the investment is less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount and the loss is recognized immediately in profit or loss.

Financial Assets

The Group classifies its financial assets in the following categories: (a) at fair value through profit or loss and (b) loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the Balance Sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and cash and cash equivalents in the Balance Sheet.

Regular purchases and sales of financial assets are recognized on the trade-date; that is the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the Income Statement within "net financial expenses" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Derivative Financial Instruments and Hedging Activities

Derivative financial instruments include swaps and forward contracts in interest rate or foreign exchange and any combinations of these instruments. Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are recognized immediately in the consolidated statement of income.

Derivatives may be embedded in another contractual arrangement (a "host contract"). An embedded derivative is separated from the host contract and is accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract. A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the combined instrument is not measured at fair value with changes in fair value recognized in the consolidated statement of income. Derivatives embedded in financial assets or financial liabilities at fair value through profit or loss are not separated.

Although the Group enters into derivative contracts for risk-hedging purposes, we do not apply hedge accounting.

Inventories

Inventories of raw materials and finished goods are valued at the lower of historical cost or net realizable value. Historical cost is based on weighted average prices.

Trade and Other Receivables

Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost less any reduction for impairment. In normal business practice, amortized costs are equal to the nominal value. Accounts receivable with payment terms not common in the local business practice (e.g. payment terms exceeding one year) are recognized at amortized cost (using the effective interest method). The collectability of accounts receivable is assessed on a monthly basis, where the method of determining the reduction is tailored to the specific business environment and takes into consideration the history of the reporting unit. Where there is a relatively small customer base, the bad debt reduction is assessed by identifying the specific doubtful debts. Where there is a relatively large customer base, the bad debt reduction is assessed by applying bad debt percentages on open amounts with applied percentages supported by historical evidence.

Trade Accounts Payable

Trade accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Non-current Borrowings

Non-current borrowings are recognized initially at fair value, net of transaction costs incurred. Non-current borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the Income Statement over the period of the borrowings using the effective interest method.

Debt is classified under current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the Balance Sheet date.

Cash and Cash Equivalents

Cash and cash equivalents are carried in the Balance Sheet at cost. Cash and cash equivalents include cash at hand, bank account balances, bills of exchange and checks (only those which can be cashed in the short term). All highly liquid investments with an original maturity of three months (or less) at date of purchase are considered to be cash equivalents.

Shareholders' Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Employee Benefit Obligations

Post-employment obligations

The obligation for all pension and other post-employment plans that qualify as defined benefit obligations are determined by calculating the present value of the defined benefit obligations and deducting the fair value of the plan assets. We use actuarial calculations (projected unit credit method) performed by independent actuaries to measure the obligations and the costs. For the calculations, actuarial assumptions are made about demographic variables (such as employee turnover and mortality) and financial variables (such as future increases in salaries). The discount rate is determined by reference to market rates for AA rated corporate bonds.

Cumulative actuarial gains and losses are not recognized in the Income Statement unless the cumulative unrecognized gain or loss exceeds the greater of 10 % of the obligation and 10 % of the fair value of plan assets (corridor approach). The excess is recognized in the Income Statement over the employees' expected average remaining service lives.

Past service costs are recognized on a straight-line basis over the average vesting period of the amended pension or early retirement benefits. Past service costs are recognized immediately if the benefits are vested immediately.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized in the Income Statement at the date of the curtailment or settlement.

Pension costs for defined contribution plans are expensed in the consolidated Income Statement when incurred.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. We recognize termination benefits when we have demonstrably committed to terminate the employment of current employees according to a formal plan without possibility of withdrawal or provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after Balance Sheet date are discounted to their present values.

Other long term employee obligations

These employee benefits include long-service leave or sabbatical leave, jubilee or other long service benefits, long term disability benefits and, if they are not payable wholly within twelve months after the end of the period, deferred compensation.

The expected costs of these benefits are recognized over the period of employment. Actuarial gains and losses and changes in actuarial assumptions, are charged or credited to income in the period such gain or loss occurs. Furthermore, all past service costs are recognized in accordance with the corridor approach.

Profit-sharing and bonus plan

We recognize a liability and an expense for cash settled profit-sharing, based on a formula that takes into consideration the profit attributable to our shareholders after certain adjustments.
We recognize a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based payments

Share-based payment transactions are transactions in which we receive benefits from our employees in consideration for CEVA Investments Ltd's equity instruments. The fair value of the share based transactions is recognized as an expense (employee costs).
The fair value of employee share-based payments is calculated using the Black-Scholes Merton model. The equity instruments granted vest in three equal tranches, the first being strictly service-based while the remaining two are both service and performance-based.
The performance conditions are internal performance metrics only and are not based on any market criteria. The amount recognized is adjusted over the vesting period for changes in the estimate of the number of securities that will be issued but not for changes in the fair value of those securities. Therefore, on vesting date the amount recognized is the exact number of securities that can be issued as of that date, measured at the fair value of those securities at grant date.

Provisions

Provisions are recognized when there is a present obligation 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.

Provisions are recorded for restructuring, retirements, onerous contracts, and other obligations. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Balance Sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability. Provisions for onerous contracts are recorded when the unavoidable costs of meeting the obligation under the contract exceed the economic benefits expected to arise from that contract, taking into account impairment of fixed assets first.

Income Taxes

We are subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision and liability for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. We recognize liabilities for tax issues based on estimates of whether additional taxes will be due, based on our best interpretation of the relevant tax laws. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax is recognized using the liability method on taxable temporary differences between the tax base and accounting base of items included in the Balance Sheet.

We recognize deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered. This is based on estimates of taxable income by jurisdiction in which we operate and the period over which deferred tax assets are recoverable. In the event that actual results differ from these estimates in future periods, and depending on the tax strategies that we may be able to implement, changes to the recognition of deferred tax assets could be required, which could impact our financial position and net profit.

Revenue Recognition

Revenue is recognized when a Group entity has fulfilled its contractual obligations to a customer and has obtained the right to receive consideration, typically when services are rendered or the work is completed in accordance with contractual terms with a customer. Revenue is recognized when the amounts of revenue are measured reliably, it is probable that the economic benefits associated with the transaction will flow to the CEVA Group, and the costs to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable for goods and services. It is recorded net of sales taxes, rebates and discounts, and after eliminating inter-group sales. Amounts received in advance are recorded as accrued liabilities (deferred revenue) until services are rendered to customers.

Revenue in Contract Logistics represents the revenue from the delivery of goods and services to third parties less discounts, credit notes, and taxes levied on sales.

Freight Management revenue is derived from three principal sources: air freight forwarding, ocean freight forwarding, and customs, brokerage, import and logistics services. Revenue is recognized in gross terms as an indirect carrier and net of any billings for value added taxes, custom duties, transportation costs and freight insurance premiums terms when acting as an agent for the direct carrier.

Freight Management revenues is primarily a non-asset based carrier and as such, does not own transportation assets. The majority of air and ocean freight revenue is obtained through the purchase of transportation services from direct (asset-based) carriers and reselling those services to customers as an indirect carrier. Air and ocean freight forwarding revenue is also generated when acting as an authorized cargo sales agent.

Other Operating Revenue

Other operating revenue includes revenue that do not arise from our normal operations and mainly include rental income from surplus property.

Other Income

Other income largely comprises gains from the sale of property, plant and equipment.

Costs and Operating Expenses

Costs are recognized on a historical basis and are allocated to the reporting year to which they relate.

Operating expense represents the direct and indirect expenses attributable to sales, including cost of materials, cost of work contracted-out and other external expenses, personnel expenses, directly related to operations and depreciation costs.

Salaries

Salaries, wages, and social security costs are charged to the profit and loss account when due, and in accordance with employment contracts and obligations.

Financial Income and Expense

Interest income and expense are time-apportioned, taking into account the effective interest rate for the relating assets and liabilities and the amortization of related transaction costs.

Operating Leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Cash Flow Statement

The cash flow statement has been prepared using the indirect method. Cash flows in foreign currencies have been translated at average exchange rates. Exchange rate differences affecting cash items are shown separately in the cash flow statements. Receipts and payments with respect to taxation on profits are included in cash flow from operating activities. Interest payments are included in cash flows from operating activities while interest receipts are included in cash flows from investing activities. The cost of acquisition of new Group companies, associated companies and investments, insofar as it was paid for in cash, is included in cash flows from investing activities. Acquisitions of companies are presented net of cash balances acquired.

Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Recent IFRS Pronouncements

A number of new standards, amendments to standards, and interpretations are not yet effective for the year ended 31 December 2007, and have not been applied in preparing these consolidated financial statements:

- IFRS 8 *Operating Segments* introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Group's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them;
- IAS 23 (Amendment) *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group's 2009 financial statements. In accordance with the transitional provisions, the Group will apply revised IAS 23 to qualifying assets for which capitalization of borrowing costs commences on or after the effective date;

- IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions* require a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Group's 2008 financial statements, with retrospective application required. This standard is not expected to have any impact on the consolidated financial statements;
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the Group's 2008 financial statements, with retrospective application required. The Group will analyze the effect of implementing this standard during 2008 but anticipates no material impact;
- *Revised* IFRS 3 *Business Combinations* was published on 10 January 2008 IFRS 3. The standard continues to apply the acquisition method to business combinations, with some significant changes. Key changes include the requirement for all payments used to purchase a business to be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed. The standard is applicable to business combinations occurring in accounting periods beginning on or after 1 July 2009, with earlier application permitted; and
- *Revised* IAS 27 *Consolidated and Separate Financial Statements* was published on 10 January, 2008. IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. Non-controlling interests are measured either as their proportionate interest in the net identifiable assets or at fair value. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognized in profit or loss. In relation to step acquisitions, the requirement to measure at fair value every asset and liability at each step for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill is measured as the difference at the acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired.

2. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

Impairment of Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions consistent with the most up-to-date budgets and plans that have been formally approved by management. Refer to note 10 for the key assumptions used for the value-in-use calculations.

Income Taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Retirement Benefits

Defined benefit schemes are reappraised annually by independent actuaries based upon actuarial assumptions. Significant judgment is required in determining these actuarial assumptions. Refer to note 17 for the principle assumptions used.

Fair Value of Derivative and Other Financial Instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

Contingent Liabilities

Legal proceedings and tax issues covering a range of matters are pending in various jurisdictions. Due to the uncertainty inherent in such matters, it is often difficult to predict the final outcome. The cases and claims against us often raise difficult and complex factual and legal issues, which are subject to many uncertainties and complexities, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law. In the normal course of business, we consult with legal counsel and certain other experts on matters related to litigation and taxes.

We accrue a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated. In the event an adverse outcome is possible or an estimate is not determinable, the matter is disclosed. Refer to note 30 for further information regarding contingencies.

3. SEGMENT INFORMATION

In prior periods, CEVA determined geographical segments to be its primary and only segment reporting format as the Company's business activities were substantially within a single business segment, being Contract Logistics. Due to the acquisition of EGL on 2 August 2007, the Group identified an additional business segment, being Freight Management. CEVA now defines its business segments to be its primary reporting format and geographical segments as its secondary reporting format. As a result of this change, the Group has redefined the segment allocation of certain income. Corresponding figures shown below have been reclassified for this change.

Also as a result of the acquisition of EGL, our balance sheet has materially changed. Note 9 Business Combinations details the changes in assets and liabilities due to the acquisition. These changes relate solely to the Freight Management segment.

Primary Segments

As at 31 December 2007, the Group is organized on a worldwide basis into two main business segments being Contract Logistics and Freight Management.

The segment results for the year ended 31 December 2007 as well as the segment assets and liabilities at 31 December 2007 and capital expenditure for the year then ended are as follows:

PRIMARY SEGMENTS — YEAR ENDED 31 DECEMBER 2007

(in € millions)	Contract Logistics	Freight Management	Not allocated	Inter-segment transactions	Total
Revenue	**3,462.6**	**1,311.5**	**-**	**-**	**4,774.1**
Inter-segment revenue	0.7	6.0		(6.7)	-
Other operating revenue	6.7	0.3	-	-	7.0
Total revenue	**3,470.0**	**1,317.8**	**-**	**(6.7)**	**4,781.1**
Other income	**2.7**	**0.8**			**3.5**
Depreciation and amortization	106.9	193.6	-	-	300.5
Other operating expenses	3,250.5	1,277.1		(6.7)	4,520.9
Total operating expenses	**3,357.4**	**1,470.7**		**(6.7)**	**4,821.4**
Operating income / (loss)	**115.3**	**(152.1)**	**-**	**-**	**(36.8)**
Net financial expense					(133.8)
Results from investments in associates					2.6
Loss before income taxes					**(168.0)**
Income taxes					27.9
Loss for the year					**(195.9)**
Capital expenditure	71.5	10.6	-	-	82.1
Segment assets	2,205.4	2,045.9	16.2	-	4,267.5
Segment liabilities	1,012.7	448.2	2,676.2	-	4,137.1

The segment results for the period 9 August to 31 December 2006 as well as the segment assets and liabilities at 31 December 2006 and capital expenditure for the period are as follows:

PRIMARY SEGMENTS FOR THE PERIOD 9 AUGUST - 31 DECEMBER 2006

(in € millions)	Contract Logistics	Freight Management	Not allocated	Inter-segment transaction	Total
Revenue	**544.3**	**7.3**	**-**	**-**	**551.6**
Inter-segment revenue	-	-	-	-	-
Other operating revenue	1.5	-	-	-	1.5
Total revenue	**545.8**	**7.3**	**-**	**-**	**553.1**
Other income	**0.1**	**-**	**-**	**-**	**0.1**
Depreciation and amortization	20.8	-	-	-	20.8
Other operating expenses	513.2	7.1	-	-	520.3
Total operating expenses	**534.1**	**7.1**	**-**	**-**	**541.1**
Operating income	**11.9**	**0.2**	**-**	**-**	**12.1**
Net financial expense					(27.0)
Results from investments in associates					0.1
Loss before income taxes					**(14.8)**
Income taxes					(5.8)
Loss for the period					**(20.6)**
Capital expenditure	16.7	-	-	-	16.7
Segment assets	2,546.4	14.2	165.9	-	2,726.5
Segment liabilities	1,002.7	12.5	1,392.5	-	2,407.7

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.
Segment assets consist primarily of property, plant and equipment, intangible assets, prepayments and accrued income, inventories, trade and other receivables and cash and cash equivalents. Unallocated assets comprise deferred taxation and investments in associates. Segment liabilities comprise operating liabilities. Unallocated liabilities comprise items such as taxation and borrowings. Capital expenditure comprises additions to property, plant and equipment (note 11) and intangible assets (note 10), excluding additions resulting from acquisitions through business combinations (note 9).

Secondary Segments

The Group's two business segments operate in four main geographical areas being Northern Europe (including the United Kingdom, Benelux and Central and Eastern Europe), Southern Europe (including Italy, Spain and Turkey), Americas (including United States of America, Canada, Brazil and Argentina) and Asia Pacific (including Australia, China and East Asia).

The total revenue for the year ended 31 December 2007 as well as the segment assets at 31 December 2007 and capital expenditure for the year then ended are as follows:

SECONDARY SEGMENTS YEAR ENDED 31 DECEMBER 2007

(in € millions)	Northern Europe	Southern Europe	Americas	Asia Pacific	Not allocated	Total
Total revenue	**1,358.6**	**1,301.6**	**1,206.4**	**914.5**	**-**	**4,781.1**
Segment assets	1,005.8	821.2	1,956.8	467.5	16.2	4,267.5
Capital expenditure	23.7	22.6	20.6	15.2	-	82.1

The total revenue for the period 9 August to 31 December 2006 as well as the segment assets at 31 December 2006 and capital expenditure for the period then ended are as follows:

	FOR THE PERIOD 9 AUGUST - 31 DECEMBER 2006					
(in € millions)	Northern Europe	Southern Europe	Americas	Asia Pacific	Not allocated	Total
Total revenue	**186.9**	**202.8**	**105.7**	**61.6**	**(3.9)**	**553.1**
Segment assets	1,049.7	769.7	462.6	278.6	165.9	2,726.5
Capital expenditure	7.0	6.0	3.1	0.6	-	16.7

4. SPECIFIC ITEMS

CEVA has changed the presentation of its results from operations from prior periods by separating specific items. By separating certain items, CEVA is identifying and disclosing significant non-recurring or unusual items. The principal events which may give rise to a specific item include gains or losses on the disposal of businesses, the restructuring and integration of businesses, significant asset impairment, material litigation and claims, and rebranding costs, amongst others.

The Directors believe that this change in accounting presentation provides relevant information that is more closely aligned to how they monitor the performance of the Group. The changes had no impact on the net income for the 2007 financial period or on the net assets as at 31 December 2007 or 2006.

	YEAR ENDED 31 DECEMBER	PERIOD ENDED 31 DECEMBER
(in € millions)	**2007**	**2006**
Salaries and social security contributions	(1.4)	0.7
Depreciation and amortization	172.2	-
Other operating expenses	38.6	9.4
Total operating expenses	**209.4**	**10.1**

These specific items are further described below:

- the 2007 related salary and social security contribution expenses include retention payments made in relation to the EGL acquisition and 2006 expenses that are driven by severance, reorganization and retention payments following CEVA's acquisition of the Logistics business from TNT. In addition, this category includes benefits related to the curtailment gains derived from our Italian pension plans net of increased expenses related to early retirement program costs in this territory and the costs of various employee related litigation;
- depreciation and amortization for the year ended 31 December 2007 includes an accelerated amortization charge of € 172.2 million of the EGL brand, relating to our rebranding of the EGL business with the CEVA brand name. In compliance with IFRS 3 Business Combinations, CEVA is required to assign a value to the brand name of the acquired business (EGL) as if acquired by an average third party market participant who, it is assumed, would continue to use the brand into the future. CEVA Management, with the assistance of expert external advisors, allocated a value of € 172.2 million to the EGL brand name. We have chosen to have one corporate identity and, as a result, started the process of rebranding EGL's operations to CEVA. As such, IFRS requires us to amortize the notional value assigned to the EGL brand name over the period it was used. This charge is an accounting entry only and is a non cash transaction;
- in 2007 other operating expenses includes separation and rebranding costs. The separation costs relate to the relocation from facilities previously shared by the Logistics business with TNT and the disentanglement of shared IT infrastructure. Rebranding costs represent the costs necessary to replace the TNT Logistics and EGL livery with the CEVA corporate identity. These rebranding costs will continue into 2008. In 2006 other operating expenses includes certain non-recurring charges related to the termination and restructuring of contracts arising from CEVA's acquisition of TNT's Logistics business. This category also includes costs incurred in relation to the industry wide regulatory investigations into the freight forwarding industry. Refer to note 30 for further details on this matter.

5. SALARIES AND SOCIAL SECURITY CONTRIBUTIONS

(in € millions)	YEAR ENDED 31 DECEMBER 2007	PERIOD ENDED 31 DECEMBER 2006
Salaries	996.7	131.0
Pension charges		
Defined benefit plans	(16.6)	1.7
Defined contribution plans	18.8	1.6
Social security charges	195.5	29.6
Total	**1,194.4**	**163.9**

The following table shows our employees at 31 December and average number of employees for the respective periods.

	YEAR ENDED 31 DECEMBER 2007	PERIOD ENDED 31 DECEMBER 2006
Employees	54,039	38,092
Average number of employees	43,112	37,923

The increase in employees is due to the acquisition of the freight management business during 2007.

CEVA Investments Ltd 2006 Long-Term Incentive Plan

All stock-based compensation is issued from the CEVA Investments Ltd 2006 Long-Term Incentive Plan. The plan resides with CEVA Investments Ltd, the entity which has granted the awards.

The expenses with respect to each separate installment will be recognized in the appropriate vesting period as a charge from CEVA Investments Ltd to CEVA Group Plc.

The fair value of employee share-based payments is calculated using the Black-Scholes Merton model. Management does not believe that the use of an alternative valuation method would have a material impact.

Options granted to employees under the plan vest in three equal tranches after three years, the first being strictly service-based while the remaining two are both service and performance related.

All options vest upon a qualified change in control.

Total options granted in the period are shown in the table below. The plan resides with CEVA Investments Ltd, the entity which has granted the awards.

	Number	Weighted average exercise price
Outstanding at 9 August 2006	-	-
Granted during the period	120,318	100.00
Outstanding at 31 December 2006	**120,318**	**100.00**
Exercisable at the end of the period	-	-
Outstanding at the 1 January 2007	**120,318**	**20.15**
Granted during the period	211,968	95.22
Forfeited	747	-
Outstanding at 31 December 2007	**331,539**	**65.82**
Exercisable at the end of the period	13,294	40.28

Number and weighted average exercise price is shown in the table below:

	YEAR ENDED 31 DECEMBER 2007	PERIOD ENDED 31 DECEMBER 2006
Number of shares	331,539	120,318
Weighted average remaining contractual life	9.27 years	9.85 years
Exercise price	65.82	100.00

Information regarding how the fair value was determined is included in the table below:

Black-Scholes Merton	YEAR ENDED 31 DECEMBER 2007	PERIOD ENDED 31 DECEMBER 2006
Weighted average share price	65.82	100.00
Exercise price	65.82	100.00
Expected volatility	39.68 %	44.48 %
Weighted average expected life	7.17 years	7.17 years
Expected dividends	-	-
Risk-free interest rate	4.15 %	5.00 %
Weighted average option value	51.33	54.58

The volatility was determined using the 5 year industry peer volatility. There are no other significant features or equity compensations or modified share-based payment arrangements. The total income statement charge in respect of share based compensation was € 2.8 million (2006: € 0.2 million).

Directors' and Executive Management Emoluments

Directors' and Executive Management emoluments for the year ended 31 December 2007 and for the period ended 31 December 2006 are shown in the tables below:

(in € millions)	YEAR ENDED 31 DECEMBER 2007	PERIOD ENDED 31 DECEMBER 2006
Directors:		
John Pattullo [1]	569,189	-
David Kulik [2]	1,473,035	646,516
Gareth Turner	45,400	-
Lukas Kolff	45,400	-
Daniel DiMaggio [3]	214,544	41,209
Joshua Harris	45,400	-
Stan Parker	43,800	-
Other Executive Management	817,387	203,650
Total	**3,254,155**	**891,375**

1. John Pattullo was appointed to the Board of Directors on 9 October 2007.
2. David Kulik retired from the Board of Directors from 22 February 2008.
3. Daniel DiMaggio resigned on 31 August 2007.

Directors' and Executive Management emoluments include salary and accrued bonus provisions. Mr. Kulik received € nil (2006: € 78,586) for pension related costs and Mr. Pattullo received an allowance towards a pension plan in 2007. No other Directors have had pension plans funded by the Company in 2007 or 2006. Other Executive Management received € 69,079 (2006: € 7,645) for pension related costs.

Mr Kulik's emoluments for 2007 include a change in control bonus and SERP pension replacement which amounted to € 235,554. This amount related to his negotiated emolument which was agreed during the sale and transition of the Logistics business. In addition, Mr Kulik's emoluments include € 182,377 in respect of the settlement of untaken holiday entitlements which form part of his contractual agreement.

(in € millions)	YEAR ENDED 31 DECEMBER 2007	PERIOD ENDED 31 DECEMBER 2006
Highest paid director:		
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	1,473,035	567,930
Defined benefit pension scheme	-	78,586
Accrued pension at end of year	8,010,026	8,171,068
Total	**9,483,061**	**8,817,584**

Employment costs include salary, bonus provision, and an allowance for pension costs.

Options granted in the period to the Board of Directors and Execuitve Management are shown in the table below:

	John Pattullo	David Kulik	Gareth Turner	Lukas Kolff	Daniel DiMaggio	Joshua Harris	Stan Parker	Other Executive Manage-ment	Total
Outstanding at 9 August 2006	-	-	-	-	-	-	-	-	-
Granted during the period	-	12,750	1,172	1,172	6,750	1,172	1,172	-	24,188
Outstanding at 31 December 2006	**-**	**12,750**	**1,172**	**1,172**	**6,750**	**1,172**	**1,172**	**-**	**24,188**
Outstanding at 1 January 2007	**-**	**12,750**	**1,172**	**1,172**	**6,750**	**1,172**	**1,172**	**-**	**24,188**
Granted during the period	47,400	2,513	-	-	-	-	-	15,562	65,475
Lapsed during the year	-	-	-	-	(4,500)	-	-	-	(4,500)
Outstanding at 31 December 2007	**47,400**	**15,263**	**1,172**	**1,172**	**2,250**	**1,172**	**1,172**	**15,562**	**85,163**

6. DEPRECIATION AND AMORTIZATION

(in € millions)	YEAR ENDED 31 DECEMBER 2007	PERIOD ENDED 31 DECEMBER 2006
Amortization of intangibles	228.7	9.5
Depreciation of property, plant and equipment	71.8	11.3
Total	**300.5**	**20.8**

Total depreciation and amortization for the year ended 31 December 2007 is € 300.5 million. This number includes an accelerated amortization charge of € 172.2 million related to the rebranding of the EGL livery to the CEVA corporate identity.

7. NET FINANCIAL EXPENSE

(in € millions)	YEAR ENDED 31 DECEMBER 2007	PERIOD ENDED 31 DECEMBER 2006
Interest income long term	-	0.3
Interest income short term	17.5	3.0
Net foreign exchange transaction gains / (losses)	24.3	(0.2)
Other financial income	**41.8**	**3.1**
Interest expense short term	25.6	1.8
Interest expense long term	150.0	28.3
Total financial expense	**175.6**	**30.1**

Included in interest expense are € 15.6 million (2006: € 8.5 million) of fees and commissions incurred as part of our refinancing.

8. INCOME TAX EXPENSE

In the period from 4 November 2006 to 31 December 2006, our income tax expense amounted to € 5.8 million. In 2007, our income tax expense amounted to € 27.9 million.

The income tax expense comprises:

(in € millions)	YEAR ENDED 31 DECEMBER 2007	PERIOD ENDED 31 DECEMBER 2006
UK corporation tax	-	-
Overseas taxes	63.7	5.1
Current tax	**63.7**	**5.1**
UK deferred tax	0.2	(0.1)
Overseas deferred taxes	(36.0)	0.8
Total income tax expense	**27.9**	**5.8**

The following table reconciles the actual effective income tax rate to the UK statutory income tax rate:

	YEAR ENDED 31 DECEMBER		PERIOD ENDED 31 DECEMBER	
	2007	2007	2006	2006
	(in € millions)	%	(in € millions)	%
Theoretical tax charges / (income)	**(50.4)**	**30.0**	**(4.4)**	**30.0**
Permanent differences:				
Non deductible depreciation of property, plant and equipment	0.2	(0.1)	4.0	(27.3)
Non deductible other costs	1.1	(0.7)	0.1	(0.7)
Difference between local and UK tax rate	11.1	(6.5)	(1.2)	8.2
Other movements:				
Write-off deferred tax assets	34.2	(20.0)	2.3	(15.7)
Deferred taxes not recognized on losses	30.0	(17.6)	3.4	(23.2)
Other tax expense	1.7	(1.7)	1.6	(10.9)
Actual tax charge	**27.9**	**(16.6)**	**5.8**	**(39.6)**

9. BUSINESS COMBINATIONS

On 2 August 2007 CEVA acquired 100 % of the ordinary shares of EGL, Inc. ("EGL"). Details of the fair value of net assets acquired, purchase consideration and goodwill are as follows:

(in € millions)	Acquiree's carrying amount	Fair value adjustments	Provisional fair value
Cash paid			1,417.5
Direct costs relating to the acquisition			45.8
Total purchase consideration			**1,463.3**
Fair value of net assets acquired			536.8
Goodwill			**926.5**
Intangible assets, excluding goodwill and contractual customer relationships	63.2	133.6	196.8
Contractual customer relationships	5.2	300.8	306.0
Cash and cash equivalents	74.3	-	74.3
Property, plant and equipment	72.4	46.4	118.9
Other non-current assets	12.3	-	12.3
Current assets, excluding cash and cash equivalents	596.1	-	596.1
Current liabilities	(472.5)	-	(472.5)
Non-current liabilities, excluding deferred tax liabilities	(104.8)	-	(104.8)
Deferred tax liabilities	(19.4)	(170.2)	(189.6)
Net assets	**226.8**	**310.6**	**537.4**
Minority interests	(0.6)	-	(0.6)
Net assets acquired	**226.2**	**310.6**	**536.8**
Purchase consideration settled in cash			1,463.3
Cash and cash equivalents in subsidiary acquired			74.3
Cash outflow on acquisition			**1,389.0**

The goodwill amount has been capitalized on the Balance Sheet, as disclosed in note 10. Goodwill represents the value of knowledge within the business, assembled workforce, and synergies.

The fair value has been determined following generally accepted valuation methodologies and approaches. This included the income approach; which provides an estimate of the fair value of an asset based upon the cash flows that an asset can be expected to generate over its remaining useful life, the market approach; which indicates the fair value of an asset based upon comparison to publicly traded assets and transactions in the industry, and the cost approach; which indicates fair value using the concept of replacement cost. The purchase price allocation is provisional and will be completed once certain valuation reports are finalized.

The acquired business contributed revenue of € 1,272.4 million and a loss for the period of € 153.0 million to the Group for the period from 2 August 2007 to 31 December 2007. If the acquisition had occurred on 1 January 2007, the financial impact of Freight Management for the year ended 31 December 2007 would have been:

- revenue for the year ended 31 December 2007 would have been € 2,786.2 million and EBITDA would have been € 61.7 million for the year ended 31 December 2007;
- depreciation and amortization for the year ended 31 December 2007 would have been € 229.4 million. This includes the amortization of the EGL brand name of € 172.2 million;
- the operating income would have been € (167.1) million for the year ended 31 December 2007;
- specific items – prior to the acquisition EGL incurred specific non-recurring items related to the sale process (being advisor costs, pre-acquisition deal costs and costs associated with the accelerated vesting of EGL employee share options). This amounted to € 185.9 million for the five months ended 31 December 2007 and € 242.1 million for the year ended 31 December 2007;

These amounts have been calculated using CEVA's accounting policies and by adjusting the results of EGL to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2007 together with the consequential tax effects.

During the year ended 31 December 2007, CEVA finalized the purchase price allocation in respect of the acquisition of the Logistics business from TNT N.V. The fair values of acquired assets and liabilities as at 4 November 2006 are shown in the table below:

(in € millions)	Provisional fair value	Fair value adjustments	Final fair value
Total cost of acquisition	1,416.9	-	1,416.9
Less: capitalized transaction costs	(40.1)	-	(40.1)
Consideration paid	**1,376.8**	**-**	**1,376.8**
Intangible assets, excluding goodwill	479.6	-	479.6
Property, plant and equipment	407.1	(11.3)	395.8
Other non-current assets	112.6	93.3	205.9
Current assets	884.7	15.3	900.0
Non-current liabilities	(438.8)	41.5	(397.3)
Current liabilities	(695.7)	(7.1)	(702.8)
Minority interest	(32.0)	-	(32.0)
Value of assets acquired and liabilities assumed	**717.5**	**131.7**	**849.2**
Goodwill prior to capitalized transaction costs			527.6
Capitalized transaction costs			40.1
Goodwill			**567.7**

The changes in the fair value of the acquired assets and liabilities have resulted in the 2006 comparatives being restated.

10. INTANGIBLE ASSETS

(in € millions)	Goodwill	Contractual customer relationships	Other intangibles	Total
Useful life in years	N/A	10-20	0-20	
Balance at 9 August 2006	**-**	**-**	**-**	**-**
Balances acquired through business combinations	699.4	479.6	-	1,179.0
Change to provisional purchase price allocation	(131.7)	(4.4)	4.4	(131.7)
Additions	-	-	6.1	6.1
Amortization	-	(6.8)	(2.7)	(9.5)
Exchange rate differences	(6.1)	(4.9)	-	(11.0)
Total Changes	**(561.6)**	**(463.5)**	**7.8**	**(1,032.9)**
Historical cost	561.6	470.3	10.5	1,042.4
Accumulated amortization	-	(6.8)	(2.7)	(9.5)
Balance at 31 December 2006	**561.6**	**463.5**	**7.8**	**1,032.9**
Balance at 1 January 2007	**561.6**	**463.5**	**7.8**	**1,032.9**
Balances acquired through business combinations	926.5	306.0	196.8	1,429.3
Changes in period				
Additions	-	-	12.2	12.2
Amortization	-	(49.8)	(178.9)	(228.7)
Exchange rate differences	(48.8)	(26.1)	(0.8)	(75.7)
Total Changes	**877.7**	**230.1**	**29.3**	**1,137.1**
Historical cost	1,439.3	750.2	218.7	2,408.2
Accumulated amortization	-	(56.6)	(181.6)	(238.2)
Balance at 31 December 2007	**1,439.3**	**693.6**	**37.1**	**2,170.0**

The weighted average useful life of contractual customer relationships is 12 years and the useful life of software is approximately three years. Other intangible assets mainly comprise brand names, computer software, and other licenses.

Impairment Tests for Goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU's") based upon their proportional business enterprise value as at the date of acquisition. The business enterprise values were derived using the income approach. The carrying amount of goodwill as at 31 December 2007 as allocated to each of the Group's five identified CGU's is as follows:

(in € millions)	**2007**	**2006**
Freight Management	889.7	-
Contract Logistics		
Northern Europe	226.1	231.8
Southern Europe	148.2	148.2
Americas	104.7	110.9
Asia Pacific	70.6	70.7
Total	**1,439.3**	**561.6**

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the most recent financial budgets approved by management covering a five year period. Cash flows beyond the five-year period are extrapolated using an estimated perpetual growth rate of 3 %. The growth rate reflects expectations regarding industry growth for Contract Logistics and Freight Management but does not exceed the estimated long-term growth rate for countries with the highest contribution to earnings in the relevant CGUs. The pre-tax discount rate used in the CGU valuations was 11.5 %.

No goodwill impairment losses were recognized for the year ended 31 December 2007.

Sensitivity analysis was performed on the Contract Logistics goodwill impairment testing by using (a) a higher discount rate of 1 % and by using (b) a 1 % lower growth rate for the cash flows projected beyond five years. Neither of these scenarios would have led to impairment.

11. PROPERTY, PLANT AND EQUIPMENT

(in € millions)	Land and buildings	Plant and equipment	Other	Construction in progress	Total
Useful life in years	0-50	2-10	3-10	N/A	
Balance at 9 August 2006	-	-	-	-	-
Balances acquired through business combinations (TNT Logistics)	209.9	141.3	40.8	15.1	407.1
Change to provisional purchase price allocation	(11.3)	-	-	-	(11.3)
Changes in period					
Additions	0.2	6.7	3.7	-	10.6
Disposals	(0.5)	(6.7)	(7.5)	(1.3)	(16.0)
Depreciation	(1.2)	(6.1)	(4.0)	-	(11.3)
Exchange rate differences	(1.8)	(0.9)	(0.5)	(0.1)	(3.3)
Transfers and other changes	-	1.2	-	(1.2)	-
Total Changes	**(14.6)**	**(5.8)**	**(8.3)**	**(2.6)**	**(31.3)**
Historical cost	196.5	141.6	36.5	12.5	387.1
Accumulated depreciation	(1.2)	(6.1)	(4.0)	-	(11.3)
Balance at 31 December 2006	**195.3**	**135.5**	**32.5**	**12.5**	**375.8**
Balance at 1 January 2007	**195.3**	**135.5**	**32.5**	**12.5**	**375.8**
Balances acquired through business combinations (EGL)	72.3	31.4	15.2	-	118.9
Changes in period					
Additions	6.8	33.3	20.6	9.2	69.9
Disposals	(40.9)	(8.5)	(3.5)	-	(52.9)
Depreciation	(12.1)	(39.6)	(20.1)	-	(71.8)
Exchange rate differences	(13.1)	(4.9)	(1.1)	(0.6)	(19.7)
Transfers	11.0	3.0	2.8	(16.8)	-
Total Changes	**24.0**	**14.7**	**13.9**	**(8.2)**	**44.4**
Historical cost	233.6	195.9	70.5	4.3	503.3
Accumulated depreciation	(13.3)	(45.7)	(24.1)	-	(83.1)
Balance at 31 December 2007	**219.3**	**150.2**	**46.4**	**4.3**	**420.2**

Included in the property, plant and equipment balance as at 31 December 2007 are assets held under finance lease with the following carrying amounts:

(in € millions)	Land and buildings	Plant and equipment	Other	Construction in progress	Total
Under finance lease 31 December 2006	9.8	4.3	0.4	-	**14.5**
Under finance lease 31 December 2007	9.4	3.9	0.5	-	**13.8**

The property, plant and equipment under financial lease, relate primarily to warehouses in Northern Europe.

Capital Commitments

Commitments in connection with capital expenditure are € 4.1 million (2006: € 7.0 million).

12. INVENTORY

(in € millions)	YEAR ENDED 31 DECEMBER **2007**	PERIOD ENDED 31 DECEMBER **2006**
Raw materials and supplies	16.6	6.1
Finished goods	19.1	16.0
Total	**35.7**	**22.1**

Inventory is shown net of provision for obsolescence of € 2.6 million (2006: € 3.2 million).

Movements in inventory as well as changes in the provision for obsolescence are recorded in the Income Statement within cost of materials.

13. TRADE AND OTHER RECEIVABLES

(in € millions)	YEAR ENDED 31 DECEMBER **2007**	PERIOD ENDED 31 DECEMBER **2006**
Trade accounts receivables gross	1,125.1	601.8
Provision for impairment of the trade receivables	(37.4)	(26.5)
Trade accounts receivables - net	**1,087.7**	**575.3**
VAT receivable	12.9	5.3
Other	74.3	74.4
Other receivables	**87.2**	**79.7**
Total trade and other receivables	**1,174.9**	**655.0**

Other receivables include amounts receivable from insurance companies, government departments, tax authorities, and from associated companies. The fair values of trade and other receivables approximate their carrying amounts.

As of 31 December 2007, total trade accounts receivable balances amounted to € 1,125.1 million (2006: € 601.8 million) of which € 606.8 million (2006: € 386.6 million) was not past due. Of total trade receivable balances that were between three and six months overdue, € 1.4 million (2006: € 0.8 million) were individually impaired based on nominal values. Outstanding trade receivable balances over six months overdue that were individually impaired totaled € 27.1 million (2006: € 19.3 million). The remainder of outstanding balances are also assessed on a monthly basis for collective impairment by applying bad debt percentages supported by historical trends on the outstanding balances.

As at 31 December 2007, trade receivables of € 484.6 million (2006: € 142.4 million) were past due but not impaired. These receivables relate to a number of customers for whom there is no history of default. The ageing profile of trade receivables past due but not impaired is as follows:

(in € millions)	YEAR ENDED 31 DECEMBER 2007	PERIOD ENDED 31 DECEMBER 2006
Past due 0-30 days	338.1	82.1
Past due 31-60 days	84.3	20.7
Past due 61-90 days	33.2	9.4
Past due 91-120 days	11.8	7.9
Past due more than 121 days	17.2	22.3
Total	**484.6**	**142.4**

As at 31 December 2007, trade receivables of € 37.4 million (2006: € 26.5 million) were impaired and provided against including trade accounts receivable that were individually impaired for the notional amount. It was assessed that a portion of the receivables is expected to be recovered.

The carrying amount of the Group's trade and other receivables is denominated in the following currencies:

(in € millions)	YEAR ENDED 31 DECEMBER 2007	PERIOD ENDED 31 DECEMBER 2006
Trade accounts receivables gross		
Euro	455.9	352.0
US Dollar	280.9	53.8
UK Pound	110.2	105.0
Other	278.1	91.0
Total	**1,125.1**	**601.8**

(in € millions)	YEAR ENDED 31 DECEMBER 2007	PERIOD ENDED 31 DECEMBER 2006
Other receivables		
Euro	41.4	46.8
US Dollar	15.9	15.2
UK Pound	6.1	4.9
Other	23.8	12.8
Total	**87.2**	**79.7**

Movements on the Group provision for impairment of trade receivables are as follows:

(in € millions)	YEAR ENDED 31 DECEMBER 2007	PERIOD ENDED 31 DECEMBER 2006
Balance at 1 January 2007 / 9 August 2006	**26.5**	**29.0**
Balance acquired through business combination	12.3	0.1
Receivables written off	6.3	3.2
Unused amounts reversed	(7.7)	(5.8)
Balance at 31 December	**37.4**	**26.5**

The charge and release of provisions for impaired receivables have been included in "other costs" in the Income Statement. Amounts are generally written off to the allowance account when there is no expectation of recovery.

The other classes within trade and other receivables do not contain impaired assets.

The Group does not hold any collateral as security.

Credit Risk

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and the country, in which the customers operate, has less of an influence on credit risk.

CEVA's credit policy determines that each new customer is analyzed individually for credit worthiness before terms and conditions are offered to the customer. The Group's review includes external ratings where available, and in some cases bank references. Purchase limits are established for each customer, these limits are periodically reviewed.

14. PREPAYMENTS AND ACCRUED INCOME

(in € millions)	YEAR ENDED 31 DECEMBER 2007 Non-current	2007 Current	PERIOD ENDED 31 DECEMBER 2006 Non-current	2006 Current
Prepayments	45.2	62.3	46.7	48.4
Accrued income	-	168.1	-	115.0
Total prepayments and accrued income	**45.2**	**230.4**	**46.7**	**163.4**

Prepayments include amounts paid in advance to cover costs that will be charged against income in future years. Included in prepayments is € 19.0 million (2006: € 28.0 million) which is linked to the Italian pension schemes. Accrued income includes net revenue not yet invoiced.

15. CASH AND CASH EQUIVALENTS

(in € millions)	YEAR ENDED 31 DECEMBER 2007	PERIOD ENDED 31 DECEMBER 2006
Cash at bank and in hand	160.4	253.5
Short-term bank deposits	14.5	11.2
Total	**174.9**	**264.7**

Cash and cash equivalents comprise mainly cash at bank and in hand. Short-term bank deposits are € 14.5 million. The average effective interest rate during 2007 on short-term euro bank deposits was 3.9 % . The average outstanding amount was € 43.9 million.

Cash and cash equivalents includes € 7.3 million (2006: € 8.7 million) under restrictive title, which represents a restricted trust for the funded portion of the SERP (pension) plan. The fair value of cash and cash equivalents approximates the carrying value.

16. SHARE CAPITAL

	Ordinary shares (numbers)	Share capital (in € millions)	Share premium (in € millions)
Issued at incorporation	50,000	0.1	-
Issued during period	260,000	0.4	309.5
Issued at 31 December 2006	**310,000**	**0.5**	**309.5**
Issued during the year	40,000	0.1	72.7
Issued at 31 December 2007	**350,000**	**0.6**	**382.2**

The total number of authorized ordinary shares as at 31 December 2007 is 350,000 (2006: 350,000). Ordinary shares have a nominal value of £ 1.00. The initial 50,000 shares issued at incorporation were issued at par value.

17. PROVISIONS FOR POST-EMPLOYMENT BENEFITS

We operate a number of pension plans around the world, most of which are defined contribution plans. We have a small number of defined benefit plans, which are mainly in Italy and the Netherlands.

Italian Pension Plan

An amount of € 70.2 million of the provision for pension liabilities as at 31 December 2007 relates to the unfunded defined benefit obligations due to leaving service benefits provided to Italian employees that are mandatory under Italian law, the Trattamento di Fine Rapporto ("TFR"). Under this legislation, employees are entitled to a termination payment on leaving the Company for whatever reason. It is important to note that the Company has an asset of € 19.6 million that is included in non-current prepayments and accrued income. This asset reflects the right of the Company to claim TFR payments to certain employees from their prior employers.

The TFR regulation has changed from 1 January 2007 for companies whose workforce has more than 50 employees. The impact of the new rules is that the employees will be given the option to either remain under the prior regulation by which CEVA is obliged to fund the yearly accrual to the Social Security Institution ("INPS"), or to transfer the future accruals into external pension funds. The funded provision for the TFR maturing after 1 January 2007 is treated as a defined contribution plan under both options. The curtailments arising due to the new legislation and a change in scope of activity for a major customer in Italy were the primary drivers of the reduction in the unfunded provision to € 70.2 million from a 31 December 2006 balance of € 102.7 million.

Dutch Pension Plan

Until October 2007, the pension benefits of the employees of CEVA Group in the Netherlands were accrued within the pension funds of TNT. The majority of CEVA Logistics business' Dutch employees are subject to a collective labor agreement.

By paying contributions to the TNT pension fund, CEVA Group settled its defined benefit liability as there was no additional actuarial or investment risk for CEVA Group. For this reason, there was no liability for these accrued pension benefits. In accordance with the sale and purchase agreement with TNT, the assets within the TNT pension fund regarding the accrued pension benefits are for the risk of TNT. Therefore these assets and the liabilities are not accounted for by CEVA Group.

After October 2007, we established our own defined benefit scheme for the Dutch employees.

Other Defined Benefit Plans

Other funded pension plans are established in the United States, Central and Eastern Europe, the United Kingdom, and Australia. The asset mix is stable. During the period, the dynamic weight of equity investments was 70 %, the dynamic weight of fixed interest investments was 27 %, and the weight of cash decreased slightly to 2 %. The actual return on plan assets was € 4.6 million (2006: € 0.6 million). Plan assets do not include any of CEVA Group's own financial instruments.

	YEAR ENDED 31 DECEMBER	PERIOD ENDED 31 DECEMBER
(in € millions)	**2007**	**2006**
Equity	70 %	73 %
Fixed interest	27 %	21 %
Real estate	1 %	3 %
Cash	2 %	3 %
Total	**100%**	**100%**

The expected return on plan assets is determined by considering the expected return available on each of the types of assets underlying the current investment policy.

Pension costs recognized in the Income Statement inherent to the valuation of our pensions and the determination of our pension cost are key assumptions which include: employee turnover, mortality and retirement ages, discount rates, expected long term returns on plan assets, and future wage increases, which are usually updated on an annual basis at the beginning of each financial year. Actual circumstances may vary from these assumptions, giving rise to a different pension liability.

Funded status of our pension plans at 31 December 2007 with respect to the employer pension expense for the period is presented in the next table.

(in € millions)	YEAR ENDED 31 DECEMBER 2007	PERIOD ENDED 31 DECEMBER 2006
Change in benefit obligation		
Balance at beginning of period	150.4	-
Balance acquired through business combinations	41.8	153.7
Service costs	2.0	1.6
Other costs	2.1	-
Contributions by plan participants	0.3	-
Interest costs	2.7	0.7
Actuarial loss / (gain)	2.4	1.0
Exchange differences	(5.7)	-
Benefits paid	(13.3)	(6.6)
Curtailments	(20.4)	-
Settlements	(4.8)	-
Other	(1.0)	-
Benefit obligation at 31 December	**156.5**	**150.4**
Change in plan assets		
Balance at beginning of period	27.5	-
Fair value of plan assets acquired through business combinations	35.1	26.4
Expected return on plan assets	2.7	0.6
Actuarial gain	1.9	-
Exchange differences	(5.6)	0.3
Employer contribution	1.0	0.4
Employee contribution	0.3	-
Benefits paid	(1.2)	(0.2)
Settlements	(4.6)	-
Fair value of plan assets at 31 December	**57.1**	**27.5**
Funded status as per end of year		
Funded status	99.4	122.9
Unrecognized net actuarial loss	(1.7)	-
Provisions for pension liabilities	**97.7**	**122.9**
Components of employer pension expense for:		
Service costs	2.0	1.6
Interest costs	2.7	0.7
Other costs	2.1	-
Expected return on plan assets	(2.8)	(0.6)
(Gain) / loss on curtailment and settlements	(20.6)	-
Employer pension expense for the period / year	**(16.6)**	**1.7**
Total post-employment benefit expense / (gain) for the period	**(16.6)**	**1.7**
Weighted average assumptions as per 31 December		
Discount rate	6.1 %	5.3 %
Expected return on assets	7.1 %	7.2 %
Rate of compensation increase	2.4 %	3.4 %
Inflation	2.2 %	3.3 %

Included in the provision for pension liabilities is € 9.1 million (2006: € 8.2 million) relating to a plan for early retirement in the Netherlands.

Expected contributions to post-employment benefit plans for the year ending 31 December 2008 are € 7.5 million.

The gain on curtailment and settlement of € 20.6 million (2006: nil) and the pension expense of € 4.0 million (2006: € 1.7 million) are recorded within pension charges, defined benefit plans.

18. OTHER PROVISIONS

(in € millions)	Restructuring	Other	Total
Balance at 9 August 2006	-	-	-
Balance acquired through business combinations	3.3	123.2	126.5
Adjustment to provisional acquisition balances	-	7.1	7.1
Charged to Income Statement	0.2	15.7	15.9
Utilized	(1.8)	(21.1)	(22.9)
Balance at 31 December 2006	**1.7**	**124.9**	**126.6**
of which non-current	0.8	86.9	87.7
of which current	0.9	38.0	38.9
Balance at 1 January 2007	**1.7**	**124.9**	**126.6**
Balance acquired through business combinations	8.6	10.5	19.1
Charged to Income Statement	2.7	71.7	74.4
Utilized	(10.5)	(65.7)	(76.2)
Exchange rate differences	-	1.9	1.9
Balance at 31 December 2007	**2.5**	**143.3**	**145.8**
of which non-current	1.5	103.8	105.3
of which current	1.0	39.5	40.5

Other provisions of € 145.8 million (2006: € 126.6 million) relate mainly to tax and legal litigation, commercial disputes, and insurance provisions. The amount of other provisions represents the present value of the best estimates of the future economic outflow of current and estimated future contractual and legal obligations and claims. The economic outflow of the non-current portion is expected to occur within two years.

19. BORROWINGS

The carrying amounts and fair values of the borrowings are as follows:

	YEAR ENDED 31 DECEMBER 2007		PERIOD ENDED 31 DECEMBER 2006	
(in € millions)	Carrying value	Fair value	Carrying value	Fair value
Non-current				
Bank borrowings	1,353.6	1,392.2	413.7	421.6
Loan notes	968.6	884.5	706.7	752.2
Finance leases	16.8	18.0	20.9	22.9
Total non-current borrowings	**2,339.0**	**2,294.7**	**1,141.3**	**1,196.7**
Current				
Bank overdrafts	21.4	21.4	6.2	6.2
Bank borrowings	114.7	114.7	70.1	70.1
Finance leases	1.8	1.8	2.0	2.0
Total current borrowings	**137.9**	**137.9**	**78.3**	**78.3**
Total	**2,476.9**	**2,432.6**	**1,219.6**	**1,275.0**

The fair value of the long term interest bearing debt has been determined using the market price as of 31 December 2007.

The senior bank debt's fair value approximates its carrying value as it is a floating rate facility. The average floating interest rate for the period was 8.0 % for US dollar denominated loans (2006: 7.6 %) and 6.8 % for euro denominated loans (2006: 5.7 %). The carrying amounts of short-term borrowings approximate their fair value.

Our debt instruments that bear interest at fixed rates of interest are exposed to fluctuation in fair value resulting from changes in market interest rates.

The table below sets forth the amounts of interest-bearing debt during each of the following five years and thereafter:

(in € millions)	Finance leases	Loan notes	Bank loan	Total
0 to 12 Months	1.8	-	136.1	137.9
13 to 24 Months	1.3	-	12.0	13.3
25 to 36 Months	1.4	-	11.0	12.4
37 to 48 Months	1.3	-	9.4	10.7
49 to 60 Months	0.9	-	7.6	8.5
Thereafter	11.9	1,022.1	1,433.5	2,467.5
Exchange rate differences	-	(17.8)	(81.7)	(99.5)
Total principal debt	**18.6**	**1,004.3**	**1,527.9**	**2,550.8**
Unamortized debt issuance costs	-	35.7	38.2	73.9
Total carrying value	**18.6**	**968.6**	**1,489.7**	**2,476.9**
of which included in non-current borrowings	16.8	968.6	1,353.6	2,339.0
of which included in current borrowings	1.8	-	136.1	137.9

Bank Borrowings

Senior Secured Facilities

On 4 November 2006 we entered into the Senior Secured Facilities with certain banks; the Senior Secured Facilities were amended as of 4 January 2007. The facilities were expanded on 2 August 2007 to finance the EGL acquisition. The Senior Secured Facilities consist of:

- € 704.5 million (initially € 500 million) term loan facility, which on 4 January 2007 consisted of approximately € 285.6 million in term loans denominated in euros and approximately USD 266 million and as of 31 December 2006 based on current exchange rates was a total of € 488 million. On 4 February 2007, we prepaid € 50.1 million of the term loan facility. On 2 August 2007, the term loan facility was expanded by an extra tranche to finance the EGL Acquisition. The outstanding amounts in euros and USD on 31 December 2007 were € 242.9 million and USD 673.2 million, respectively. The term loans under the Senior Secured Term Facility mature on 4 November 2013; and
- € 186.5 million (initially € 150 million) revolving credit facility, which includes borrowing capacity available for letters of credit, for borrowings on same-day notice in United States dollars and borrowing capacity under ancillary sub facilities, including overdraft lines, additional letter of credit facilities, foreign exchange facilities and other accommodations. The commitments under the Revolving Credit Facility expire on 4 November 2012. The amount drawn under this facility at 31 December 2007 was € 60 million. This amount is included in current borrowings. The remaining amount undrawn as at 31 December 2007 is € 126.5 million.

Furthermore, we have a € 178.5 million (initially € 155 million) Synthetic L/C Facility, which is available for the issuance of letters of credit and bank guarantees. On 31 December 2007, the facility consisted of € 87.7 million and USD 132.5 million, respectively. Approximately € 132.2 million of letters of credit in various currencies were issued on 31 December 2007 under the Synthetic L/C Facility. The Synthetic L/C Facility expires on 4 November 2013. The remaining amount undrawn as at 31 December 2007 is € 46.3 million.

The Group has the following undrawn borrowing facilities which expire beyond one year:

(in € millions)	31 DECEMBER 2007	31 DECEMBER 2006
Floating rate	126.5	150.0
Fixed rate	46.3	74.0
Total	**172.8**	**224.0**

The Senior Secured Facilities also provide for uncommitted incremental term loans, revolving facilities or synthetic letter of credit facilities in an aggregate amount of up to € 400 million that may be made upon our request under the Senior Secured Facilities, subject to documentation requirements and other conditions.

Interest Rate and Fees

The interest rates per annum applicable to loans under the Senior Secured Facilities are, at our option, equal to either an alternate base rate or an adjusted Eurocurrency rate for a one-, two-, three- or six-month interest period, or a nine- or twelve-month period, if available from all relevant lenders, in each case, plus an applicable margin. Euro currency loans are based on Adjusted EURIBOR if denominated in euros and on Adjusted LIBOR if denominated in any other currency.

Certain Covenants and Events of Default

The Senior Secured Facilities contain a number of covenants that, among other things, restrict, subject to certain exceptions, our ability and the ability of our subsidiaries, to incur additional indebtedness, create liens on assets, enter into sale and leaseback transactions, make investments, loans, guarantees or advances, make certain acquisitions, sell assets, engage in mergers or acquisitions, pay dividends and make distributions or repurchase capital stock, repay certain other indebtedness, including the senior subordinated notes, enter into agreements that restrict the ability of our subsidiaries to pay dividends, engage in certain transactions with affiliates, change the business conducted by us or our subsidiaries, amend certain material agreements governing our indebtedness, amend our organizational documents, make capital expenditure, change our fiscal year end and change our centre of main interest.

In addition, our Senior Secured Credit Facility contains a covenant that requires us to maintain a maximum ratio of secured net debt to covenant EBITDA of 4.0 to 1.0, calculated for the trailing four quarters (as determined under our senoir secured credit facility), commencing with the fiscal quarter ended 31December 2007. Our definition of covenant EBITDA allows us to add back certain non-cash and non-recurring charges that are deducted in determing net income (for example, include estimated rebranding costs). The Senior Secured Facilities also contain customary affirmative covenants and events of default.

Senior Unsecured Loan Facility

On 2 August 2007 CEVA Group Plc entered into a USD 1,400 million Senior Unsecured Loan Facility. This facility was partially replaced on 13 August 2007 when CEVA Group Plc issued USD 400 million of second-lien notes.

The remaining USD 1,000 million Senior Unsecured Loan is of a long term nature, maturing in 2015. Interest rates per annum applicable to this loan are, at our option, equal to a USD-LIBOR rate for a one-, two-, three- or six-month interest period, or a nine- or twelve-month period, if approved by all relevant lenders, in each case, plus an applicable margin, which is capped.

Current Bank Borrowings

Included in current bank borrowings is € 60 million of our revolving credit facility, approximately € 35 million of factoring, € 11.5 million of bank borrowings due within one year and € 8.2 million of other borrowings.

Loan Notes

The Senior Notes

On 6 December 2006, we issued € 505 million of senior notes. The Senior Notes will mature on 1 December 2014. Interest on the Senior Notes is due on each 1 June and 1 December, commencing on 1 June 2007. The Senior Notes bear interest at 8.5 % per annum.

The Senior Notes are senior obligations of CEVA and are guaranteed, jointly and severally, on an unsecured, senior basis, by each subsidiary that guarantees the Senior Secured Facilities. The Senior Notes contain customary covenants and events of default that, among other things, restrict, subject to certain exceptions, our ability, and the ability of our subsidiaries, to incur indebtedness, sell assets, make investments, engage in acquisitions, mergers or consolidations, and make dividend and other restricted payments.

We may redeem some or all of the Senior Notes at any time on or after 1 December 2010. In addition, we may redeem up to 40 % of the aggregate principal amount of the Senior Notes on or prior to 1 December 2009, with the net proceeds from certain equity offerings at a specified redemption price. Prior to 1 December 2010, we may redeem some or all of the Senior Notes at a price equal to 100 % of the principal amount thereof, plus accrued and unpaid interest, if any, plus a "make-whole" premium. Upon the occurrence of certain change of control events, each holder of Senior Notes may require us to repurchase all or a portion of its notes at a purchase price equal to 101 % of the principal amount of the Senior Notes, plus accrued interest.

The Senior Subordinated Notes

On 6 December 2006, we issued € 225 million of Senior Subordinated Notes. The Senior Subordinated Notes will mature on 1 December 2016. Interest is due on the Senior Subordinated Notes on each 1 June and 1 December, commencing on 1 June 2007. The Senior Subordinated Notes bear interest at 10 % per annum.

The Senior Subordinated Notes are Senior Subordinated Obligations of CEVA and are guaranteed on an unsecured, Senior Subordinated Basis, by each of the subsidiaries that guarantee the Senior Secured Facilities and the Senior Notes.

We may redeem some or all of the Senior Subordinated Notes at any time on or after 1 December 2011, at specified redemption prices. In addition, we may redeem up to 40 % of the aggregate principal amount of the Senior Subordinated Notes on or prior to 1 December 2009, with the net proceeds from certain equity offerings at a specified redemption price. Prior to 1 December 2011, we may redeem some or all of the Senior Subordinated Notes at a price equal to 100 % of the principal amount thereof, plus accrued and unpaid interest, if any, plus a "make-whole" premium. Upon the occurrence of certain change of control events, each holder of senior notes may require us to repurchase all or a portion of its notes at a purchase price equal to 101 % of the principal amount of the Senior Subordinated Notes, plus accrued interest.

Second Priority Senior Secured Notes

On 13 August 2007, we issued USD 400 million of second-lien notes. These notes will mature in 2014 and have a coupon of 10%. Interest is payable half-yearly in advance on 1 March and 1 September each year.

The notes are guaranteed by each of the issuer's subsidiaries that guarantee the issuer's senior secured credit facilities. The notes are senior obligations of the issuer and are senior obligations of the guarantors secured by a second-priority lien, subject to certain exceptions and permitted liens, on certain of our and the guarantor's existing and future assets.

We may redeem some or all of the notes at any time on or after 1 September 2010, at specified redemptions prices. In addition, we may redeem up to 40 % of the aggregate principal amount of the notes on or prior to 1 September 2010. Prior to 1 September 2010, we may redeem some or all of the notes at a price equal to 100 % of the principal amount thereof, plus accrued and unpaid interest, if any, plus a "make-whole" premium.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	31 DECEMBER	31 DECEMBER
(in € millions)	**2007**	**2006**
Euro	1,064.8	890.8
US dollar	1,406.3	328.8
Other currencies	5.8	-
Total	**2,476.9**	**1,219.6**

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the Balance Sheet dates are as follows:

	31 DECEMBER	31 DECEMBER
(in € millions)	**2007**	**2006**
		Carrying value
6 months or less	1,476.2	490.0
6-12 months	-	-
1-5 years	16.9	-
Over 5 years	983.8	729.6
Total borrowings	**2,476.9**	**1,219.6**

20. OTHER CURRENT LIABILITIES

Amounts included in other current liabilities are shown in the table below:

(in € millions)	31 DECEMBER 2007	31 DECEMBER 2006
Taxes and social security contributions	37.5	42.0
VAT payable	38.4	31.9
Other	70.8	79.1
Total	**147.7**	**153.0**

The other current liabilities mainly include interest and personnel related payables.

21. ACCRUED CURRENT LIABILITIES

(in € millions)	31 DECEMBER 2007	31 DECEMBER 2006
Deferred revenue	39.3	24.4
Expenses to be paid to logistics subcontractors	219.8	199.6
Personnel related accruals	84.1	66.3
Other	84.5	30.5
Total	**427.7**	**320.8**

The other accrued liabilities mainly relate to accrued operating expenses, insurance and other amounts due.

22. DERIVATIVE FINANCIAL INSTRUMENTS

(in € millions)			31 DECEMBER 2007
	Contract/ notional amount	Fair values Assets	Fair values Liabilities
Foreign exchange derivative contracts			
Foreign exchange derivative contracts	161.2	0.5	(0.9)
Other derivative contracts			
Cross currency interest rate swaps	167.0	-	(0.3)
Total recognized derivative assets / (liabilities)		**0.5**	**(1.2)**

All derivatives are recognized at fair value, with changes in fair value being immediately recognized in the Income Statement, derivatives with positive fair values are recorded within assets, while derivatives with negative fair values are included in liabilities.

Derivative financial instruments are generally traded in an over-the-counter market with professional market counterparties on customized contractual terms and conditions or can be exchange traded. The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the Balance Sheet but do not necessarily indicate the amount of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risk. The derivative instruments' effect may be favorable (positive fair value) or unfavorable (negative fair value) as a result of fluctuations in market rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favorable or unfavorable and, thus, the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly over time.

Foreign exchange spot transactions are foreign exchange contracts, which are settled within two working days after the trade date.

Foreign exchange forward contracts are over-the-counter contracts which establish terms and conditions of a deal which is settled at a future date.

Cross currency interest rate swaps are over-the-counter contracts whereby two parties agree to exchange a principal and a series of interest payments from one currency to another.

23. INCOME TAX BALANCES

(in € millions)	YEAR ENDED 31 DECEMBER 2007	PERIOD ENDED 31 DECEMBER 2006
Income tax receivable	-	23.7
Income tax payable	(35.2)	(22.9)
Netted current income tax positions	**(35.2)**	**0.8**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

(in € millions)	YEAR ENDED 31 DECEMBER 2007	PERIOD ENDED 31 DECEMBER 2006
Deferred tax assets	(109.4)	(136.9)
Deferred tax liabilities	266.4	150.0
Net deferred tax liabilities (before offsets)	**157.0**	**13.1**
Deferred tax assets	**(5.9)**	**(136.9)**
Deferred tax liability	**162.9**	**150.0**
Net deferred tax liabilities (after offsets)	**157.0**	**13.1**

In 2007 and 2006, the tax expense amounted to € 27.9 million and € 5.8 million respectively (refer to note 8). The difference between the total income taxes in the Income Statement and the current tax expense is due to timing differences. These differences are recognized as deferred tax assets or deferred tax liabilities.

TNT has certain obligations to indemnify and hold CEVA harmless from and against tax liabilities of the Group companies of the Logistics business resulting from or in connection with transactions, events, acts or omissions which occurred on or before 4 November 2006.

(in € millions)	Provisions	Goodwill and other intangibles	Losses carried forward	Other	Total
Balance at 9 August 2006	-	-	-	-	-
Adjustment to provisional acquisition balances	23.1	92.9	67.6	(90.3)	**93.3**
Business combinations	11.0	-	5.9	25.0	**41.9**
Changes credited directly to equity	-	-	-	5.2	**5.2**
Income statement effect	(0.3)	-	(3.4)	0.2	**(3.5)**
Deferred tax assets at 31 December 2006	**33.8**	**92.9**	**70.1**	**(59.9)**	**136.9**
Balance at 1 January 2007	**33.8**	**92.9**	**70.1**	**(59.9)**	**136.9**
Business combinations	12.1	-	-	-	**12.1**
Income statement effect	0.7	(30.1)	(70.1)	59.9	**(39.6)**
Deferred tax assets at 31 December 2007	**46.6**	**62.8**	**-**	**-**	**109.4**

The following table shows the movements caused by the following differences in deferred tax liabilities in 2007 and 2006:

(in € millions)	Property, plant and equipment	Intangibles	Other	Total
Balance at 9 August 2006	-	-	-	-
Adjustment to provisional acquisition balances	-	(41.5)	-	(41.5)
Business combinations	34.5	157.5	3.7	195.7
Changes credited directly to equity	-	-	-	-
Income statement effect	(4.2)	-	-	(4.2)
Deferred tax assets at 31 December 2006	**30.3**	**116.0**	**3.7**	**150.0**
Balance at 1 January 2007	**30.3**	**116.0**	**3.7**	**150.0**
Business combinations	18.0	171.6	-	189.6
Other changes	-	2.2	-	2.2
Income statement effect	(8.7)	(66.7)	-	(75.4)
Deferred tax liabilities at 31 December 2007	**39.6**	**223.1**	**3.7**	**266.4**

24. NET CASH FROM OPERATING ACTIVITIES

€ 123.0 million (2006: € 70.5 million)

In the year ended 31 December 2007, net cash provided by operating activities was € 123.0 million. Loss before income taxes contributed € (168.0) million or profit of € 261.0 million if adjusted for the non-cash impact of depreciation and amortization, interest and similar income and expenses and other non-cash charges.

The increase in net cash generated from operations of € 152.1 million reflects the improved operating income (before specific items) of Contract Logistics, the first consolidation of Freight Management in the Company following the acquisition of EGL on 2 August 2007 and emphasis on continuously further reducing operational net working capital. Total net cash provided by operating activities increased with € 52.5 million, mainly due to the interest paid on external borrowings used to finance the acquisitions.

In the period ended 31 December 2006, net cash provided by operating activities was € 70.5 million. Loss before income taxes contributed € (14.8) million or profit of € 32.3 million if adjusted for the non-cash impact of depreciation and amortization, interest and similar income and expenses and other non-cash charges.

25. NET CASH USED IN INVESTING ACTIVITIES

€ (1,440.6) million (2006: € (102.3) million)

In the year ended 31 December 2007, net cash used in investing activities was € (1,440.6) million mainly relating to the acquisition of EGL as of 2 August 2007.

26. NET CASH FROM FINANCING ACTIVITIES

€ 1,229.4 million (2006: € 297.7 million)

In the year ended 31 December 2007, net cash from financing activities was € 1,229.4 million. The proceeds from the issuance of shares of € 72.8 million and external borrowings of € 1,189.5 million were used to acquire EGL and redeem its former external debt. The net proceeds of short term borrowings of € 50.9 million were mainly used for the post-completion settlement of € 41.2 million with TNT.

In the period ended 31 December 2006, net cash from financing activities was € 297.7 million. The proceeds from the issuance of shares of € 294.5 million and external borrowings of € 1,170.5 million were mainly used for the acquisition of TNT's Logistics business and the repayment of liabilities upon business combinations.

27. FINANCIAL RISK MANAGEMENT

Financial Risk Factors

Our activities expose us to a variety of financial risks, such as market risk (including foreign currency exchange risk, interest rate risk, and commodity price risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by our central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates, and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. Although the Group enters into derivative contracts for risk hedging purposes, we do not apply hedge accounting.

The following analyses provide quantitative information regarding our exposure to the financial risks described above. There are certain limitations inherent in the analyses presented, primarily due to the assumption that rates change in a parallel fashion and instantaneously. In addition, the analyses are unable to reflect the complex market reactions that normally would arise from the market shifts assumed.

(a) Market risk

Foreign currency exchange risk

We operate on an international basis generating foreign currency exchange risks arising from future commercial transactions, recognized assets and liabilities, investments and divestments in foreign currencies other than the euro, our Parent Company's functional and Group's reporting currency. Although we generally enter into hedging arrangements and other contracts in order to reduce our exposure to currency fluctuations, these measures may be inadequate or may subject us to increased operating or financing costs.

The main two currencies of our external hedges are the British pound and United States dollar. Significant acquisitions are typically funded in the currency of the underlying assets.

The main 2007 exchange rates are shown below:

	31 DECEMBER		31 DECEMBER	
(in € millions)	2007		2006	
	Year-end closing[1]	Average[2]	Year-end closing[1]	Average[3]
British pound	1.3597	1.4605	1.4892	1.4920
US dollar	0.6857	0.7295	0.7593	0.7710

1. Source: European Central Bank, reference rates on the last day of the year.
2. The average is calculated as the 12-month's average of the month-end closing rates of the European Central Bank.
3. The average is calculated as the 2-month's average of the month-end closing rates of the European Central Bank.

We have established policies which require Group companies to manage or report their foreign exchange risk against their functional currency. The Group companies are required to report their relevant foreign exchange risk exposure to Group Treasury. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group use forward contracts, transacted with Group Treasury. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

CEVA has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

A five percent strengthening of the euro against the following currencies at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis for 2006.

	YEAR ENDED 31 DECEMBER		PERIOD ENDED 31 DECEMBER	
(in € millions)	2007		2006	
	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
US Dollar	11.0	29.6	-	(20.2)
GBP	(2.2)	(14.6)	(0.8)	(54.0)

A five percent weakening of the euro against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Cash flow and fair value interest rate risk
Interest rate risk is the risk that unexpected interest rate changes negatively affect the Company's results, cash flows, and equity. Any hedging activities are meant to protect CEVA against changes in interest rates.

It is CEVA's policy to mitigate the effects of interest rate volatility on its results, cash flows, and Balance Sheet. In addition to mitigate interest rate risk, Group Treasury will ensure that interest returns from investments are maximized and interest costs are minimized within the risk appetite constraints of the Company. CEVA tries to match its level of floating interest paid with its operational cycle as to create a natural hedge.

The table below shows the interest rate profile of the Group's interest-bearing financial instruments as of 31 December 2007 and 2006.

	31 DECEMBER	31 DECEMBER
(in € millions)	2007	2006
		Carrying amount
Fixed Rate Instruments:		
Loans	695.0	22.9
Bonds	968.6	706.7
Variable Rate Instruments:		
Financial Liabilities	813.3	490.0
Total	**2,476.9**	**1,219.6**

Fair value sensitivity analysis for fixed rate instruments.
Our debt instruments that bear interest at fixed rates of interest are exposed to fluctuation in fair value resulting from changes in market interest rates. The potential decrease in fair value resulting from a hypothetical 1 % increase in market interest rates would have been approximately € 29 million.

Cash flow sensitivity analysis for variable rate instruments.
A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2006.

(in € millions)	Change in interest rate	31 DECEMBER 2007	2006
		Effect on profit	
EUR	+100bp	(3.6)	(1.4)
EUR	-100bp	3.6	1.4
USD	+100bp	(11.7)	(3.8)
USD	-100bp	11.7	3.8

Commodity risk

As a supply chain company, CEVA is exposed to the risk of an increase in the price of fuels, principally diesel gasoline. We believe that the majority of the increases in price risk be passed onto customers and we have not therefore entered into any contract to hedge any specific commodity risk.

(b) Credit risk

The collectability of accounts receivable is assessed on a monthly basis, where the method of determining the reduction is tailored to the specific business environment and takes into consideration the history of the reporting unit. The Group is focusing strongly on the cash generating capacity of its businesses and acknowledges the importance of strong credit control which is monitored through periodic detailed analysis of overdue trade receivable balances.

Credit risk is the risk that counterparties fail to meet their contractual payment obligations through insolvency or default as well as credit exposures to customers. The credit risk of a derivatives portfolio overlaps market risk, since it is the replacement value of the portfolio that the Company is likely to lose if the counterparty fails. In order to reduce legal risk resulting from derivatives, CEVA strives to have an International Swaps and Derivative Association agreement in place before entering into derivatives. For banks and financial institutions, only independently rated parties with a minimum rating of "A" from Standard & Poor's are accepted. Group Treasury only trades with its defined relationship banking group unless trading outside this banking group may, under specific circumstances, provide significantly better pricing or is desired due to the confidentiality with respect to the hedged item.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

(in € millions)	31 DECEMBER 2007	2006
Financial Assets at fair value through profit or loss	0.5	-
Loans and receivables	1,184.4	659.7
Cash and Cash Equivalents	174.9	264.7

(c) Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient headroom (cash and cash equivalents plus committed credit lines) available to meet both our day-to-day operating requirements and debt servicing obligations (interest and debt repayment). Group Treasury mitigates liquidity risk by ensuring that CEVA has adequate funding at its disposal at all times, enabling access to the money markets and capital markets. This includes relationship management with all financial stakeholders, such as banks, rating agencies, and debt investors. Funding availability is the key performance requirement of the Company's banks.

As at 31 December 2007, CEVA Group Plc had € 174.9 million in cash on its Balance Sheet. In addition to this cash, CEVA Group Plc has access to a € 186.5 million revolving credit facility, of which € 60 million was drawn. Total headroom was therefore € 301.4 million.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

(in € millions)	Due within one year	Between 1 and 2 years	Between 2 and 5 years	> 5 years	Total
Interest bearing loans and borrowings	78.3	13.8	13.8	1,156.8	**1,262.7**
Trade accounts payable	279.6	-	-	-	**279.6**
As at 31 December 2006	**357.9**	**13.8**	**13.8**	**1,156.8**	**1,542.3**
Interest bearing loans and borrowings	137.6	25.1	18.2	2,369.9	**2,550.8**
Trade accounts payable	631.6	-	-	-	**631.6**
Other financial liabilities	1.2	-	-	-	**1.2**
As at 31 December 2007	**770.4**	**25.1**	**18.2**	**2,369.9**	**3,183.6**
Estimated interest on borrowings [1]	222.2	216.9	647.2	420.9	**1,507.2**

1. The foregoing assumes that the Bridge Facility will be replaced with a source of funds carrying a similair rate of interest.

Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure we may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, we monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated Balance Sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated Balance Sheet plus net debt.

The gearing ratios at 31 December 2007 and 2006 were as follows:

(in € millions)	31 DECEMBER 2007	31 DECEMBER 2006
Total principal debt	2,550.8	1,262.3
Less: cash and cash equivalents	174.9	264.7
Net debt	**2,375.9**	**997.6**
Total equity	130.4	318.8
Total capital	**2,506.3**	**1,316.4**
Gearing ratio	95 %	76 %

28. JOINT VENTURES

We account for joint ventures in which we and another party have joint control according to the proportionate consolidation method. Included in the Contract Logistics segment, our largest joint venture as at 31 December 2007 is the 50 % interest of the ordinary share capital in Anji-TNT Automotive Logistics Company Ltd, a company which is located and incorporated in China. The table below represents the financial information of Anji-TNT Automotive Logistics Company Ltd and includes balances at 50 % for the period.

(in € millions)	31 DECEMBER 2007	31 DECEMBER 2006
Non-current assets	20.6	18.3
Current assets	39.8	38.0
Equity	22.3	32.9
Current liabilities	38.0	23.4

(in € millions)	YEAR ENDED 31 DECEMBER 2007	PERIOD ENDED 31 DECEMBER 2006
Revenue	137.8	21.4
Operating income	7.3	0.7
Profit attributable to the shareholders	4.8	-
Net cash provided by operating activities	11.3	13.4
Net cash provided by investing activities	(2.3)	10.6
Net cash used in financing activities	(12.9)	(0.4)
Changes in cash and cash equivalents	**(3.9)**	**23.6**

The CEVA Group companies in some cases have financial relationships with the joint ventures of CEVA Group as well as with unconsolidated companies in which the Group holds minority shares. However, CEVA Group Plc Companies did not source supplies from such undertakings, nor did such undertakings source supplies from CEVA Group Plc Group companies.

The net amount due from joint venture entities amounted to € 0.3 million as at 31 December 2007 (2006: € 0.6 million). All transactions with joint ventures and investments in associates are conducted in the normal course of business and under arm's length commercial terms and conditions.

29. OTHER RELATED PARTY TRANSACTIONS AND BALANCES

CEVA Group Plc has entered into the following related party transactions:

CEVA Group Plc has a management service agreement with Apollo Management VI, L.P. ("Apollo") for the provision of management and support services. This amounted to € 3.0 million for the twelve months ended 31 December 2007. In addition, CEVA is required to pay a 1 % success fee in relation to any new acquisition. In 2007, CEVA paid USD 20 million to Apollo, this being 1 % of the EGL acquisition price. Apollo Management VI, L.P. is a related party by virtue of the fact that it controls AAA Guarantor Co-Invest VI, L.P., AIF VI Euro Holdings, L.P. and AlpInvest Partners Beheer 2006, L.P. These entities together own approximately 89 % of the equity in CEVA Investments Ltd, which in turn owns 100 % of the equity of CEVA Group Plc.

Josh Harris, Gareth Turner, Lukas Kolff, and Stan Parker are Directors of CEVA Group Plc and also hold key senior positions within Apollo Management. Their remuneration from CEVA Group Plc is disclosed in note 5.

Over 340 personnel in CEVA Group companies participate in the management equity plan as disclosed in note 5. They also receive salaries and benefits as part of their employment compensation.

CEVA Group Plc has a payable to its Parent Company, CEVA Investments Ltd, amounting to € 23.6 million. This relates to intercompany cash pooling arrangements and is included within Trade Accounts Payable in the Balance Sheet.

30. COMMITMENTS AND CONTINGENCIES

Financial and Operating Guarantees

The total amount of guarantees as at 31 December 2007 were € 167.3 million (2006: € 148 million) of which € 132.2 million are on the CEVA Group Synthetic Letter of Credit facility. The € 19.3 million difference is a result of a decrease in the Contract Logistics portfolio of € 49.3 million and an increase of € 68.6 million as a result of the addition of the Freight Management business.

These guarantees were mainly issued in connection with CEVA's operating business obligations under lease contracts, customs duty deferment and local credit lines. The obligations under the guarantees issued by banks and other financial institutions have been secured by CEVA and by certain of its subsidiaries.

Rent and Operating Lease Contracts

In 2007, operational lease expenses (including rental) in the consolidated Income Statement amounted to € 299 million for the period. Future payments on existing lease contracts mainly relating to real estate, computer equipment and other equipment were as follows:

	YEAR ENDED 31 DECEMBER	PERIOD ENDED 31 DECEMBER
(in € millions)	2007	2006
Less than 1 year	218.2	147.3
Between 1 and 2 years	171.4	120.1
Between 2 and 3 years	129.6	89.5
Between 3 and 4 years	93.9	60.5
Between 4 and 5 years	65.7	42.6
Thereafter	156.6	78.9
Total	**835.4**	**538.9**
Of which guaranteed by a third party/customers	171.5	211.0

Of the future rent and lease payments, € 600 million relates to commitments in relation to multi-user / shared facilities where the remainder of € 235 million is dedicated to specific customers.

Contingent Tax Liabilities

As part of the acquisition of the Logistics business of TNT N.V., CEVA acquired companies which had potential tax issues, particularly in the UK, relating to periods prior to 4 November 2006. Pursuant to the sale and purchase agreement, TNT N.V. has indemnified CEVA from and against tax liabilities of Group companies of the former Logistics business resulting from or in connection with transactions, events, acts or omissions which have occurred on or before 4 November 2006.

From 2004, TNT N.V. has been dealing with matters relating to full disclosure of relevant information to the UK tax authorities. The major issue being discussed with the UK tax authorities was whether some of the non-UK subsidiaries might have been resident in the UK prior to the acquisition of TNT Limited in December 1996 and, if so, whether capital gains tax would have been due if the tax residency of these subsidiaries later moved to another European country. TNT N.V. has previously indicated that it estimates a range of € 100 to € 250 million to reflect the realistic range of its total global contingent liabilities, which represents some 25 to 30 % of the non-probability weighted estimated theoretical maximum liability. This range is inclusive of the maters impacting the Logistics business that are now part of CEVA.

TNT announced on 6 December 2007 that it had settled all outstanding UK tax matters and re-confirmed on 18 February 2008 that the contingent liability is no longer required. CEVA is awaiting confirmation of this matter but it is expected that no liability will arise.

Contingent Legal Liabilities

In connection with the Contract Logistics business we are involved in several legal proceedings relating to the normal conduct of our business. We do not expect any liability arising from any of these legal proceedings to have a material effect on our results of operations, liquidity, capital resources or financial position. We believe we have provided for all probable liabilities deriving from the normal course of business.

The following is a brief description of the more significant legal matters in which the Freight Management business is involved:

Independent contractor litigation

One former and two current independent contractor pickup and delivery ("P&D") drivers filed a complaint in California state court on 12 September 2005, on behalf of themselves and similarly situated drivers in California alleging various causes of action based on their theory that the drivers are employees and not independent contractors. The complaint requests that (a) the matter be designated as a class action on behalf of all independent contractor P&D drivers working for EGL in California; (b) a declaratory judgment that EGL has violated the law; (c) an equitable accounting and an unspecified amount of damages; and (d) restitution in the form of business expenses, unpaid overtime, meal period compensation, unlawful deductions from wages, statutory penalties, interest, attorneys' fees, and costs. We removed the case to federal district court for the Northern District of California, and the parties have agreed to focus only on the individual claims of the three named defendants in the first phase of the proceedings. The court granted the Company's summary judgment motions on all claims by all plaintiffs in July 2007 and the plaintiffs have filed an appeal with the Ninth Circuit Court of Appeals, which is still pending.

Acquisition proposal litigation

The Company is aware of six lawsuits involving the CEVA / EGL merger and the transactions contemplated by the terminated merger agreement between EGL Inc and James Crane and others (the "Crane Group Proposal"). Five of the cases were filed in Texas state court, consolidated, and ultimately dismissed. The appeals of those dismissals are currently pending. Additionally, one lawsuit was filed in state court in New York by one of the plaintiffs' law firms, claiming to be entitled to damages arising out of its filing of one of the Texas lawsuits. The defendants have filed answers and a motion to dismiss or stay the action and believe that they have substantial defenses on the merits to this lawsuit.

Surcharge antitrust investigation and litigation

On 10 October 2007, EGL Eagle Global Logistics ("EGL") was the subject of a search warrant executed at EGL's offices in Houston, Texas. The search warrant was issued at the request of the Antitrust Division of the United States Department of Justice, and it sought certain documents and information related to EGL's business practices. On the same day, a grand jury subpoena duces tecum was served on EGL's custodian of records, seeking production of certain similar documents and information. In addition, on 10 October 2007, an inspection by the European Commission was conducted at the offices of EGL's UK operating subsidiary, and a request for documents and information was made on EGL's UK group of companies. In addition, a demand for documents and information, dated 11 October 2007, was received by EGL's New Zealand operating subsidiary from the New Zealand Commerce Commission. Eagle Global Logistics (Canada) Corp. has also received notice from the Canadian Competition Bureau ("CCB"), dated 11 October 2007, stating that the CCB has commenced an investigation into alleged anti-competitive activity in the freight forwarding industry. The Company understands that the above-described requests are part of an industry-wide investigation into possible price-fixing and other improper collusive activity in the freight forwarding industry with respect to certain accessorial and other charges. The Company is cooperating with the respective authorities to provide requested information. CEVA recently issued a new Code of Business Conduct and enhanced Antitrust and Competition Law Policies and Procedures that strictly prohibit anti-competitive behavior of any kind and that apply to all CEVA subsidiaries, including EGL, Inc. and EGL Eagle Global Logistics, LP. At this time, the Company can not determine the timing or outcome of the investigations, which could result in the imposition of criminal and / or civil fines, penalties, damages or other sanctions.

Additionally, on 3 January 2008, CEVA subsidiaries EGL, Inc. and EGL Eagle Global Logistics, LP were named along with other freight forwarders as defendants in a punitive class action lawsuit styled *Precision Associates, Inc., et al. v. Panalpina World Transport (Holding) Ltd, et al.*, filed in the United States District Court for the Eastern District of New York. The lawsuit appears to be based on ongoing investigations by various governmental entities described above.

War risk surcharge matter

During 2003 and 2004, EGL, Inc. ("EGL") acted as a logistics subcontractor in the Middle East to Kellogg Brown & Root, Inc. ("KBR"), which as general contractor provided various services to the United States Department of Defense ("DOD") and other American government agencies. In 2004, EGL received an administrative subpoena from the Office of Inspector General of the DOD requesting documents relating to the billing of war risk surcharges by EGL on certain shipments of KBR freight in the period from late 2003 to mid-2004. EGL has cooperated fully with the government's request and its investigation.

EGL subsequently learned that the subpoena was issued in connection with a qui tam lawsuit filed under seal against EGL and other companies. EGL has previously settled aspects of the qui tam lawsuit with the government and the qui tam relaters. In January 2008, EGL reached an agreement in principle with the government to settle the remaining aspects of the qui tam lawsuit for USD 750,000. These remaining allegations assert improper entertainment of then-employees of KBR by then-employees of EGL in violation of the Anti-Kickback Act (41 U.S.C. § 51 et. seq.). It is expected that a final written settlement agreement with the United States government and relaters will be executed shortly.

At the request of the request of the United States government, EGL limited its internal investigation and its public statements on these matters so as not to interfere with the government's broader investigation.

31. AUDITOR REMUNERATION

The following fees for audit and non audit services were paid or are payable to the Company's auditor, PricewaterhouseCoopers LLP.

(in € millions)	YEAR ENDED 31 DECEMBER 2007	PERIOD ENDED 31 DECEMBER 2006
Audit services		
Fees payable to the company's auditor for the audit of the parent company and consolidated financial statements	0.8	0.2
Non audit services		
Fees payable to the company's auditor and its associates for other services:		
The audit of the company's subsidiaries, pursuant to legislation	5.1	4.0
Tax services	1.3	0.7
Services relating to corporate finance transactions	3.4	6.2
All other services	-	0.6
Total	**10.6**	**11.7**

In order to maintain the independence of the external auditor, the Board has determined policies as to what non audit services can be provided by the Company's external auditor and the approval processes related to them. Under those policies, work of a consultancy nature will not be offered to the external auditor unless there are clear efficiencies and value-added benefits to the Company.

32. SUBSEQUENT EVENTS

Retirement of Vice Chairman David Kulik

David G. Kulik, CEVA's Vice Chairman and former CEO, has advised the Company of his retirement, effective 22 February 2008. The Company also announced that they have entered into an agreement with Mr. Kulik wherein he will be a consultant to management as well as continue in his position as Chairman of the Board of ANJI-TNT, the joint venture between CEVA Logistics and Shanghai Automotive Industries Corporation – SAIC.

33. GUARANTOR/NON-GUARANTOR SUBSIDIARY FINANCIAL INFORMATION

In December 2006, CEVA Group Plc raised funds through an offering of securities, which were admitted to trading on the Alternative Securities Market of the Irish Stock Exchange ("ISE"). The senior notes are jointly and severally guaranteed on a senior basis, and the senior subordinated notes are jointly and severally guaranteed on a senior subordinated basis by certain of the existing wholly owned subsidiaries of the Logistic business located in the United Kingdom, United States, Germany, Australia, the Netherlands, Brazil, and Canada (the "Guarantors"). All subsidiaries of the Logistics Business located in other countries, including Belgium, Luxemburg, Spain, Turkey, France, Greece, Italy, Asia, South Africa, and South America are non-guarantor subsidiaries (the "Non-Guarantors").

When guarantees are provided for debt listed on the ISE, the ISE requires financial information relating to each group to be separately presented in a note to the combined financial statements, presenting, in separate columns, the Guarantors (on a combined basis) and the Non-Guarantors (on a combined basis), with an additional column reflecting eliminating adjustments, if material.

GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION				YEAR ENDED 31 DECEMBER 2007
(in € millions)	Guarantor	Non Guarantor	Eliminations	**Total**
Revenue	2,593.3	2,200.4	(19.6)	4,774.1
Other operating revenue	5.6	1.4	-	7.0
Total revenue	**2,598.9**	**2,201.8**	**(19.6)**	**4,781.1**
Other income	**2.6**	**0.9**	**-**	**3.5**
Cost of materials	160.5	105.7	-	266.2
Work contracted out and other external expenses	1,288.5	1,493.7	(19.6)	2,762.6
Salaries and social security contributions	836.1	358.3	-	1,194.4
Depreciation and amortization	221.3	79.2	-	300.5
Other operating expenses	177.3	120.4	-	297.7
Total operating expenses	**2,683.7**	**2,157.3**	**(19.6)**	**4,821.4**
Operating income	**(82.2)**	**45.4**	**-**	**(36.8)**
Net financial expense	(108.2)	(25.6)	-	(133.8)
Results from investments in associates	1.4	1.2	-	2.6
Profit(Loss) before income taxes	**(189.0)**	**21.0**	**-**	**(168.0)**
Income taxes	0.5	27.4	-	27.9
Loss for the period	**(189.5)**	**(6.4)**	**-**	**(195.9)**
Attributable to:				
Minority interests	-	1.3	-	1.3
Equity holder of the company	(189.5)	(7.7)	-	(197.2)
Loss for the period	**(189.5)**	**(6.4)**	**-**	**(195.9)**

GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION FOR THE PERIOD 9 AUGUST – 31 DECEMBER 2006

(in € millions)	Guarantor	Non Guarantor	Eliminations	**Total**
Revenue	**292.7**	**278.1**	**(19.2)**	**551.6**
Other operating revenue	1.2	0.3	-	1.5
Total revenue	**293.9**	**278.4**	**(19.2)**	**553.1**
Other income	**0.1**	**-**	**-**	**0.1**
Cost of materials	17.6	17.4	-	35.0
Work contracted out and other external expenses	137.2	170.9	(19.2)	288.9
Salaries and social security contributions	104.8	59.1	-	163.9
Depreciation and amortization	13.5	7.3	-	20.8
Other operating expenses	9.3	23.2	-	32.5
Total operating expenses	**282.4**	**277.9**	**(19.2)**	**541.1**
Operating income	**11.6**	**0.5**	**-**	**12.1**
Net financial expense	(24.4)	(2.6)	-	(27.0)
Results from investments in associates	(0.1)	0.2	-	0.1
Profit(Loss) before income taxes	**(12.9)**	**(1.9)**	**-**	**(14.8)**
Income taxes	6.3	(12.1)	-	(5.8)
Loss for the period	**(6.6)**	**(14.0)**	**-**	**(20.6)**
Attributable to:				
Minority interests	-	1.2	-	1.2
Loss for the period	**(6.6)**	**(15.2)**	**-**	**(21.8)**

GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION				PER 31 DECEMBER 2007
(in € millions)	Guarantor	Non Guarantor	Eliminations	Combined
ASSETS				
NON-CURRENT ASSETS				
Intangible assets				
Goodwill	1,245.5	193.8	-	1,439.3
Contractual customer relationships	385.0	308.6	-	693.6
Other intangible assets	31.8	5.3	-	37.1
Total intangible assets	**1,662.3**	**507.7**	**-**	**2,170.0**
Property, plant and equipment				
Land and buildings	142.9	76.4	-	219.3
Plant and equipment	98.1	52.1	-	150.2
Other	25.4	21.0	-	46.4
Construction in progress	0.7	3.6	-	4.3
Total property, plant and equipment	**267.1**	**153.1**	**-**	**420.2**
Other non-current assets				
Investments in associates	2,925.4	400.1	(3,325.2)	0.3
Other loans receivable	2.7	6.8	-	9.5
Deferred tax assets	(6.1)	32.3	(20.3)	5.9
Amounts receivable from other CEVA companies	980.6	142.7	(1,123.3)	-
Prepayments and accrued income	16.2	29.0	-	45.2
Other Assets	-	-	-	-
Total other non-current assets	**3,918.8**	**610.9**	**(4,468.8)**	**60.9**
Total non-current assets	**5,848.2**	**1,271.7**	**(4,468.8)**	**2,651.1**
CURRENT ASSETS				
Inventory	18.5	17.2	-	35.7
Trade and other receivables	599.5	575.4	-	1,174.9
Amounts receivable from other CEVA companies	163.0	163.2	(326.2)	0.0
Prepayments and accrued income	98.0	106.6	25.8	230.4
Cash and cash equivalents	76.9	98.0	-	174.9
Derivative financial instruments	0.5	-	-	0.5
Total current assets	**956.4**	**960.4**	**(300.4)**	**1,616.4**
TOTAL ASSETS	**6,804.6**	**2,232.1**	**(4,769.2)**	**4,267.5**

GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION

PER 31 DECEMBER 2007

(in € millions)	Guarantor	Non-Guarantor	Eliminations	Combined
EQUITY AND LIABILITIES				
Total group equity	**2,573.5**	**850.7**	**(3,293.8)**	**130.4**
Non-current liabilities				
Deferred tax liabilities	94.1	68.8	-	162.9
Provisions for post employment benefit	21.3	76.4	-	97.7
Other provisions	29.1	76.2	-	105.3
Borrowings	2,306.8	32.2	-	2,339.0
Amounts payable to other CEVA companies	810.7	363.8	(1,174.5)	-
Accrued liabilities	1.0	9.4	-	10.4
Total non-current liabilities	**3,263.0**	**626.8**	**(1,174.5)**	**2,715.3**
Current liabilities				
Trade accounts payable	284.3	356.8	(32.4)	608.7
Short term provisions	30.4	10.1	-	40.5
Borrowings	83.2	54.7	-	137.9
Other current liabilities	83.5	64.2	-	147.7
Income tax payable	17.0	18.2	-	35.2
Amounts payable to other CEVA companies	237.8	53.6	(268.5)	22.9
Accrued current liabilities	230.7	197.0	-	427.7
Derivative financial instruments	1.2	-	-	1.2
Total current liabilities	**968.1**	**754.6**	**(300.9)**	**1,421.8**
TOTAL EQUITY AND LIABILITIES	**6,804.6**	**2,232.1**	**(4,769.2)**	**4,267.5**

GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION				PER 31 DECEMBER 2006
(in € millions)	Guarantor	Non-Guarantor	Eliminations	Combined
ASSETS				
NON-CURRENT ASSETS				
Intangible assets				
Goodwill	457.0	104.6	-	561.6
Contractual customer relationships	333.9	129.6	-	463.5
Other intangible assets	1.4	6.4	-	7.8
Total intangible assets	**792.3**	**240.6**	**-**	**1,032.9**
Property, plant and equipment				
Land and buildings	168.0	27.3	-	195.3
Plant and equipment	92.4	43.1	-	135.5
Other	18.0	14.5	-	32.5
Construction in progress	10.3	2.2	-	12.5
Total property, plant and equipment	**288.7**	**87.1**	**-**	**375.8**
Other non-current assets				
Investments in associates	1,833.2	664.1	(2,496.7)	0.6
Other loans receivable	4.7	-	-	4.7
Deferred tax assets	47.9	97.9	(8.9)	136.9
Amounts receivable from other CEVA companies	163.0	-	(163.0)	-
Prepayments and accrued income	5.3	41.4	-	46.7
Other Assets	-	-	-	
Total other non-current assets	**2,054.1**	**803.4**	**(2,668.6)**	**188.9**
Total non-current assets	**3,135.1**	**1,131.1**	**(2,668.6)**	**1,597.6**
CURRENT ASSETS				
Inventory	5.5	16.6	-	22.1
Trade and other receivables	320.8	334.2	-	655.0
Income tax receivable	1.6	4.6	17.5	23.7
Amounts receivable from other CEVA companies	26.2	40.1	(66.3)	-
Prepayments and accrued income	67.9	95.5	-	163.4
Cash and cash equivalents	219.7	45.0	-	264.7
Total current assets	**641.7**	**536.0**	**(48.8)**	**1,128.9**
TOTAL ASSETS	**3,776.8**	**1,667.1**	**(2,717.4)**	**2,726.5**

GUARANTOR/NON-GUARANTOR FINANCIAL INFORMATION PER 31 DECEMBER 2006

(in € millions)	Guarantor	Non-Guarantor	Eliminations	Combined
EQUITY AND LIABILITIES				
Total group equity	**2,022.2**	**794.3**	**(2,497.7)**	**318.8**
Non-current liabilities				
Deferred tax liabilities	101.4	48.6	-	150.0
Provisions for post employment benefit	15.3	107.6	-	122.9
Other provisions	44.6	43.1	-	87.7
Borrowings	1,113.1	28.2	-	1,141.3
Amounts payable to other CEVA companies	-	163.0	(163.0)	-
Accrued liabilities	(0.6)	12.9	-	12.3
Total non-current liabilities	**1,273.8**	**403.4**	**(163.0)**	**1,514.2**
Current liabilities				
Trade accounts payable	119.7	158.9	1.0	279.6
Short term provisions	15.1	23.8	-	38.9
Other current liabilities	161.6	78.6	(8.9)	231.3
Income tax payable	1.5	3.9	17.5	22.9
Amounts payable to other CEVA companies	40.1	26.2	(66.3)	-
Accrued current liabilities	142.8	178.0	-	320.8
Total current liabilities	**480.8**	**469.4**	**(56.7)**	**893.5**
TOTAL EQUITY AND LIABILITIES	**3,776.8**	**1,667.1**	**(2,717.4)**	**2,726.5**

34. LIST OF SUBSIDIARIES, JOINT VENTURES, AND ASSOCIATES

The entities in the table below are primarily involved with the provision of supply chain management services, all other entities being primarily involved with the provision of logistics services.

Ref.	Country	Entity	% holding if less than 100 %	* Guarantor
1	Algeria	EGL Eagle Global Logistics Algerie S.a.r.l.		
2	Argentina	Circle International Argentina S.A.		
		Eagle Global Logistics de Argentina S.r.l.		
		TNT Logistics Argentina S.A.		
		Customised Logistics Argentina S.A.	51 %	
3	Australia	CEVA Pty. Ltd		*
		CEVA Materials Handling Pty. Ltd		*
		CEVA Logistics (Australia) Pty. Ltd		*
		CEVA Freight (Australia) Pty. Ltd		
4	Austria	CEVA Logistics Austria GmbH		
		EGL Eagle Global Logistics (Austria) GmbH		
		A.S.S. Logistik Schrader Schachinger GmbH & Co. KG	50 %	
		CEVA Logistics Central and Eastern Europe GmbH		
		A.S.S. Logistik Schrader Schachinger GmbH	50 %	
5	Bahrain	EGL Eagle Global Logistics (Bahrain) W.L.L.		
		Circle Freight International (Bahrain) W.L.L.		
6	Belgium	EGL (Belgium) Holding Company BV / BA		*
		CEVA Freight Belgium N.V. / S.A.		*
		TNT Nopri Logistics N.V. / S.A.	81 %	
		CEVA Logistics Belgium N.V. / S.A.		
		SVL Schrader Verteil + Logistik BV / BA		
		Tecnologistica S.A.		
7	Bermuda	Regga Holdings Ltd		
		FACET Insurance Ltd		
8	Bolivia	Eagle Global Logistics (Bolivia) S.r.l.		
9	Brazil	CEVA Freight Management do Brasil		*
		Circle Fretes Internationais do Brasil, Ltda.		*
		CEVA Logistics Ltda.		*
		CEVA Holdings Ltda.		*
		AV Manufacturing Indústrial e Comercio de Peças e Acessórios Automotivos Ltda.		*
		CEVA Participações Ltda .		*
10	British Virgin Islands	LSX Ltd		
		LSX Holding Ltd		
		EGL China Holding Ltd		
		EGL Central America Holding Ltd		
11	Canada	CEVA Logistics Canada ULC		*
		CEVA Freight Canada Corporation		*
12	Chile	EGL Eagle Global Logistics de Chile Ltda.	99.99 %	
		Circle Freight Corporation Agencia Chilena		
		Circle International Chile S.A.		
		Circle Outsourcing S.A.		

Ref.	Country	Entity	% holding if less than 100 %	* Guarantor
13	China	EGL Eagle Global Logistics Shenzen Ltd		
		CEVA Freight International (Shanghai) Company Ltd		
		CEVA Freight Shanghai Ltd		
		CEVA Logistics International Trading (Shanghai) Co. Ltd		
		CEVA Logistics Co. Ltd Shanghai	70 %	
		Anji - TNT Automotive Logistics Company Ltd	50 %	
		Shanghai Anji-Suchi Warehousing and Transportation Company Ltd	33 %	
		Shanghai Anji-Tonghui Warehousing and Transportation Company Ltd	40 %	
		Chongqing Anji- TNT Hongyan Automotive Logistics Company Ltd	30 %	
		Liao Ning A-Lean Automotive Logistics Company Ltd	25.01 %	
14	Colombia	EGL Eagle Global Logistics Ltda.		
		EGL Aduanas Sociedad de Intermediación Aduanera Ltda.		
15	Costa Rica	Eagle Global Logistics de Costa Rica, S.de R.L.	75 %	
16	Czech Republic	CEVA Freight Czech Republik s.r.o.		
		CEVA Logistics Spol s.r.o.		
17	Finland	EGL Global Logistics (Finland) Oy		
18	France	EGL Global Logistics Holding (France) S.a.r.l.		
		Eagle Global Logistics (France) SAS		
		CEVA Logistics France SAS		
19	Germany	CEVA Freight (Management) GmbH		*
		CEVA Freight Germany GmbH		*
		Exporta Gesselschaft für Exportberatung GmbH		*
		Max Gruenhut Aircargo GmbH		
		CEVA Logistics GmbH		*
		CEVA Container Logistik GmbH		*
		CEVA Logistics CEE Holding GmbH		*
		FSZ Fahrzeug Service Zentrum GmbH	50 %	
		CoTrans Logistic GmbH & Co. KG	22 %	
		CoTrans Logistic Verwaltungs GmbH	22 %	
20	Greece	CEVA Logistics Hellas S.A.		
21	Guatemala	EGL Eagle Global Logistica de Guatemala Ltda.		
22	Hong Kong	CEVA FM (Hong Kong) Ltd		
		Eagle Freight Hong Kong Ltd		
		CEVA Logistics Hong Kong Ltd		
		Eagle Asia Holding Ltd		
		Freight Systems Ltd		
		Ozonic Ltd		
23	Hungary	EGL Eagle Global Logistics (Hungary) Kft.		
24	India	EGL Eagle Global Logistics (India) Private Ltd		
		CEVA Logistics India Private Ltd		
25	Indonesia	PT CEVA Freight Indonesia	95 %	
		PT CEVA Logistik Indonesia		
		PT Hartapersada Interfreight		
26	Ireland	EGL Eagle Global Logistics (Ireland) Ltd		
		EGL International Services Ltd		

Ref.	Country	Entity	% holding if less than 100 %	* Guarantor
27	Italy	CEVA Automotive Logistics Italia S.r.l.		
		CEVA Logistics Italia S.r.l.		
		Spedizioni Internationali Trasporti Terrestri Aerei Marrittimi S.r.l.		
		CEVA Logistics Sub-Holding Italia S.r.l.		
		CEVA In-Bound Logistics Italia S.r.l.		
		CEVA Trasporti In-Bound Logistics Italia S.r.l.		
		Telecommunication Integrated Services S.p.A.	51 %	
		Cell-Tel S.p.A.	43.35 %	
		CEVA Logistics Holding Italy S.p.A.		
		C&C Trasporti E Spedizioni Internazionali S.r.l.		
		Avioservizi Jet Service S.r.l.	51 %	
		CEVA Logistics Bari S.r.l.	75 %	
		CEVA Freight Management Italia S.r.l.		
		EGL Eagle Global Logistics Italy S.r.l.		
		Tmek Electronics S.p.A.	51 %	
		Trasporti Editoriali S.r.l.	50 %	
28	Japan	CEVA Logistics Japan, Inc.		
29	Jordan	Eagle Global Logistics L.L.C.	50 %	
30	Korea	CEVA Logistics Korea, Inc.		
		TNT Logistics Korea Chusik Hoesa		
31	Luxembourg	CEVA Freight Holdings Luxembourg S.a.r.l.		*
32	Malaysia	CEVA Logistics (Malaysia) Sdn Bhd	60 %	
		CEVA Freight (Malaysia) Sdn Bhd		
		CEVA Freight Holdings (Malaysia) Sdn Bhd		
		Mileage Sdn Bhd		
		Regga (Malaysia) Sdn Bhd		
		Unipearl Corporation Sdn Bhd		
33	Mexico	CEVA Servicios de México S.A. de C.V.		
		CEVA Logistica de México S.A. de C.V.		
		CEVA Freight Management Mexico, S.A. de C.V.		
		Circle de Mexico S. de R.L. de C.V.		
		Filmex Display S. de R.L. de C.V.		
34	The Netherlands	CEVA Logistics Netherlands B.V.		*
		CEVA Container Logistics B.V.		*
		CEVA Logistics Holdings B.V.		*
		CEVA Logistics Headoffice B.V.		*
		CEVA Districenter B.V.		*
		CEVA Logistics Dutch Holdco B.V.		*
		CEVA Logistics Finance B.V.		*
		CEVA Coop Holdco B.V.		
		Coöperatieve CEVA / EGL I U.A.		*
		Coöperatieve CEVA / EGL II U.A.		*
		CEVA Freight Holdings B.V.		*
		CEVA Freight Holland B.V.		*
		PACT Benelux B.V.	40 %	
35	New Zealand	CEVA Logistics (New Zealand) Pty. Ltd		
36	Oman	EGL Eagle Global Logistics L.L.C.	65 %	
37	Panama	EGL Centram S. de R.L.		
		EGL Colombia Holding S. de R.L.		
		EGL Eagle Global Logistics Panama S de R.L.	55 %	
38	Peru	Eagle Global Logistics Peru S.r.l.	99 %	
		EGL Agencia de Aduanas S.A.C.		

Ref.	Country	Entity	% holding if less than 100 %	* Guarantor
39	Philippines	CEVA Logistics (Philippines), Inc.	30 %	
		EGL Eagle Global Logistics (SUBIC), Inc.		
		EGL Eagle Warehousing & Distribution, Inc.		
		Regga International Insurance Broker & Consultants, Inc.		
		Regga Transport Contractors, Inc.		
		Regga Warehousing & Distribution, Inc.		
40	Poland	CEVA Automotive Logistics Poland Sp. z.o.o.		
		CEVA Logistics Poland Sp. z.o.o		
		CEVA Freight (Poland) Sp. z.o.o.		
41	Portugal	CEVA Logistics (Portugal) – Logistica Empresarial, Lda.		
42	Qatar	EGL Eagle Global Logistics (Qatar) W.L.L.	49 %	
43	Romania	CEVA Logistics S.r.l.		
		SITTROM Expeditii Internazionale S.r.l.		
44	Saudi Arabia	Circle Freight International Al-Suwaiket Ltd	49 %	
45	Singapore	Timur Carriers (Private) Ltd		
		CEVA Logistics Asia Private Ltd		
		CEVA Logistics Singapore Private Ltd		
		CE Logistics (Asia) Private Ltd (i.l.)		
		CEVA Asia Pacific Holdings Company Private Ltd		
		CEVA FM (Southeast Asia) Private Ltd		
		CEVA Freight (Singapore) Private Ltd		
		Circle Logistics (S) Private Ltd (i.l.)		
		Concord Express (Singapore) Private Ltd (i.l.)		
		LSX Development Private Ltd		
		LSX Technology Private Ltd		
46	Slovakia	CEVA Logistics Slovakia, s.r.o.		
47	South Africa	TNT Container Logistics (Proprietary) Ltd		
		Main street 511 (Proprietary) Ltd		
		CEVA Logistics South Africa (Proprietary) Ltd		
48	Spain	CEVA Automotive Logistics España S.A.		
		CEVA Logistics España S.L.		
		CEVA Production Logistics España S.L.		
		CEVA Logistics Subirats S.L.		
		CEVA Logistics Holdings Spain S.L.		
		Eagle Global Logistics (España), S.L.		
49	Sweden	EGL Eagle Global Logistics (Sweden) Aktiebolag		
50	Switzerland	CEVA Freight (Schweiz) GmbH	99 %	
		EGL Management GmbH		
51	Taiwan	CEVA Logistics (Taiwan) Company Ltd		
		Concord Express (Taiwan) Company Ltd		
52	Thailand	CEVA Logistics (Thailand) Ltd	49 %	
		CEVA Freight (Thailand) Ltd		
		CWBI Ltd	48.3 %	
53	Turkey	CEVA Lojistik Ltd Sirketi		
		CEVA Uluslararasi Tasimacilik Anonim Sirketi		
54	United Arab Emirates	Circle International L.L.C.	49 %	
		EGL Arabia Ltd Liability Company	49 %	
		EGL Eagle Global Logistics (U.A.E.) L.L.C.	49 %	
		EGL Eagle Global Logistics FZCO		

Ref.	Country	Entity	% holding if less than 100 %	* Guarantor
55	United Kingdom	CEVA Automotive Logistics UK Ltd		
		CEVA Logistics Ltd		*
		Fairlead Logistics Ltd	51 %	
		CEVA Container Logistics Ltd		*
		CEVA Network Logistics Ltd		*
		CEVA Distribution Ltd		
		Louis No. 2 Ltd		
		CEVA Ltd		*
		Newsagents Wholesale Corporation Ltd		
		Newspaper Transport Ltd		
		CEVA Showfreight Ltd		
		CEVA Supply Chain Solutions Ltd		*
		CEVA Freight (UK) Holding Company Ltd		*
		CEVA Freight (UK) Holdings Ltd		*
		CEVA Freight (UK) Ltd		*
		CEVA Logistics NI Ltd		
		Eagle Global Logistics (UK) Ltd		*
		F.J. Tytherleigh & Company Ltd		*
56	United States of America	CEVA Logistics Puerto Rico, Inc.		
		Customised Transportation International, Inc.		*
		CEVA Logistics U.S., Inc.		*
		CEVA Logistics U.S. Holdings, Inc.		*
		CEVA Logistics U.S. Group, Inc.		*
		Alrod International, Inc.		*
		Ashton Leasing, L.P.	49 %	
		CEVA Freight L.L.C.		*
		CEVA Freight Management (Canada) Holding, Inc.		*
		CEVA Freight Management International Group, Inc.		*
		CEVA Government Services, L.L.C.		*
		CEVA Logistics Japan, Ltd		*
		CEVA Logistics Services U.S., Inc.		*
		CEVA Ocean Line, Inc.		*
		CEVA Trade Services, Inc.		*
		Circle International, Inc.		*
		Circle International Holdings, L.L.C.		*
		ComplianceSource, L.L.C.		*
		Eagle Partners, L.P.		*
		Eagle USA Import Brokers, Inc.		
		EGL, Inc.		*
		EGL Eagle Global Logistics, L.P.		*
		EGL Overseas Corporation		*
		EUSA Holdings, Inc.		*
		EUSA Partners, Inc.		*
		Global Logistics Aircraft, L.L.C.		*
		Harper, Robinson & Co., Inc.		*
		Jet Urban Renewal Corporation		
		Max Greunhut International, Inc.		*
		SCG, The Select Carrier Group, L.P.		*
		Select Carrier Group, L.L.C.		*
57	Uruguay	Circle International Latin American Holdings S.A.		

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CEVA GROUP PLC

We have audited the Parent Company financial statements of CEVA Group Plc for the year ended 31 December 2007 which comprise the Parent Company Balance Sheet and the related notes. These Parent Company financial statements have been prepared under the accounting policies set out therein. We have reported separately on the consolidated financial statements of CEVA Group Plc for the year ended 31 December 2007.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report and the Parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities of the Directors of CEVA Group Plc.

Our responsibility is to audit the Parent Company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Parent Company financial statements give a true and fair view and whether the Parent Company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Parent Company financial statements.

In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited Parent Company financial statements. The other information comprises only the sections headed CEO Statement, CFO Statement, Profile, Global Footprint, Key Financial Results, 2007 Overview, Strategy, Description of the Industry, Acquisitions, Summary of Facilities and Notes, Summary of Corporate and Financing Structure, Presentation of Financial Information and Certain Definitions, Operating and Financial Review and Prospects, Management of Financial, Operating and Legal Risks, Management, Shareholders, Legal Matters and Risk Factors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Parent Company financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Parent Company financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Parent Company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Parent Company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the Parent Company financial statements.

Opinion

In our opinion:

- the Parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007;
- the Parent Company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Parent Company financial statements.

PricewaterhouseCoopers LLP.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
5 March 2008

Notes:

- The maintenance and integrity of the website are the responsibility of the Directors, and the work carried out by the auditors does not involve consideration of these matters. Accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially placed on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CEVA GROUP PLC PARENT COMPANY BALANCE SHEET

(in € millions)	Notes	31 DECEMBER 2007	31 DECEMBER 2006
ASSETS			
FIXED ASSETS			
Investments	3	310.0	310.0
Total fixed assets		**310.0**	**310.0**
CURRENT ASSETS			
Amounts owed by Group undertakings [1]		1,885.8	720.8
Income tax receivable		0.6	0.1
Prepayments and accrued income		0.8	-
Total current assets		**1,887.2**	**720.9**
TOTAL ASSETS		**2,197.2**	**1,030.9**
CAPITAL AND RESERVES	4		
Called up share capital		0.6	0.5
Share premium		382.2	309.5
Retained earnings brought forward		(0.1)	-
Result attributable to equity holder for the period		(6.5)	(0.1)
Total capital and reserves		**376.2**	**309.9**
CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	6		
Debenture loans		968.6	706.7
Bank loans		662.9	-
Total		**1,631.5**	**706.7**
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR			
Amounts owed to Group undertakings		165.9	5.9
Other current liabilities		22.4	-
Accrued current liabilities		1.2	8.4
Total		**189.5**	**14.3**
TOTAL LIABILITIES CAPITAL AND RESERVES		**2,197.2**	**1,030.9**

1. Included in amounts owed by Group undertakings are € 1764.8 million (2006: € 709.9 million) which are due after more than one year.

The financial statements of the Company on pages 99 to 102 were approved by the Board of the Directors on 5 March 2008 and were signed on its behalf by:

John Pattullo
Director

Lukas Kolff
Director

CEVA GROUP PLC NOTES TO THE PARENT COMPANY BALANCE SHEET

1. ACCOUNTING POLICIES

Basis of Preparation

The financial statements are prepared on a going concern basis and under the historical cost convention and in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards (UK GAAP).

As permitted by Section 230(3) of the Companies Act 1985, the Company's profit and loss account has not been presented. CEVA Group Plc consolidated financial statements for the year ended 31 December 2007 contain a consolidated statement of cash flows. Consequently, the Company has taken advantage of the exemption in FRS 1, (Revised 1996) "Cash Flow Statements" not to present its own cash flow statement.

CEVA Group Plc consolidated financial statements for the year ended 31 December 2007 contain related party disclosures. Consequently, the Company has taken advantage of the exemption in FRS 8, "Related Party Disclosures" not to disclose transactions with other members of CEVA Group.

CEVA Group Plc consolidated financial statements for the year ended 31 December 2007 contain financial instrument disclosures which comply with FRS 29, "Financial Instruments: Disclosure and Presentation". Consequently, the Company has taken advantage of the exemption in FRS 29 not to present separate financial instrument disclosures.

Investments in Subsidiary Undertakings

Investments in subsidiary undertakings are stated at cost and reviewed for impairment if there are indicators that the carrying value may not be recoverable.

Taxation

Full provision is made for deferred taxation on all timing differences which have arisen but not reversed at the Balance Sheet date.

Deferred tax assets are recognized to the extent that it is regarded as more likely than not that there will be sufficient taxable profits from which the underlying timing differences can be deducted. The deferred tax balances are not discounted.

Non-current Borrowings

Non-current borrowings are recognized initially at fair value, net of transaction costs incurred. Non-current borrowings is subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Foreign Currency Translation

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Amounts owed by Group undertakings

Amounts owed by Group undertakings consist of amounts owed by subsidiary or affiliate undertakings. Amounts owed by Group undertakings are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provisions for impairment.

2. OTHER INFORMATION

Employees

The Directors of CEVA Group Plc are the only employees of that Company. Directors' emoluments are disclosed in note 5 of the consolidated financial statements.

3. INVESTMENTS

(in € millions)	Investments in group companies
Balance at 9 August 2006	**-**
Additions	310.0
Balance at 31 December 2006	**310.0**
Balance at 1 January 2007	**310.0**
Additions	-
Balance at 31 December 2007	**310.0**

Our investments in Group companies are carried at cost.

The names of the principal Group undertakings and joint ventures are included in note 34 to the Group accounts.

4. SHAREHOLDERS' EQUITY

(in € millions)	Called up share capital	Share premium	Retained earnings/ (deficit)	Attributable to equity holders of the parent
Balance at 9 August 2006	**0.1**	**-**	**-**	**0.1**
Issuance of shares	0.4	309.5	-	309.9
Result attributable to equity holders for the period	-	-	(0.1)	(0.1)
Balance at 31 December 2006	**0.5**	**309.5**	**(0.1)**	**309.9**
Balance at 1 January 2007	**0.5**	**309.5**	**(0.1)**	**309.9**
Issuance of shares	0.1	72.7	-	72.8
Result attributable to equity holders for the period	-	-	(6.5)	(6.5)
Balance at 31 December 2007	**0.6**	**382.2**	**(6.6)**	**376.2**

5. SHARE CAPITAL

The number of authorized and issued shares as at 31 December 2007 is as follows:

SHAREHOLDERS CAPITAL AND PREMIUM

	Ordinary shares (numbers)	Share capital (in € millions)	Share premium (in € millions)
Issued at incorporation	50,000	0.1	-
Issued during the period	260,000	0.4	309.5
Issued at 31 December 2006	**310,000**	**0.5**	**309.5**
Issued during the year	40,000	0.1	72.7
Issued at 31 December 2007	**350,000**	**0.6**	**382.2**

The total number of authorized ordinary shares at 31 December 2007 is 350,000 (2006: 350,000). Ordinary shares have a nominal value of £ 1.00. The initial 50,000 shares issued at incorporation were issued at par value.

6. CREDITORS – AMOUNTS DUE AFTER MORE THAN ONE YEAR

On 4 November 2006, CEVA Group Plc entered into a € 430 million senior bridge loan facility and a € 300 million senior subordinated bridge loan facility. These facilities were replaced on 6 December 2006 when CEVA Group Plc issued € 505 million of senior notes and € 225 million of senior subordinated notes. The senior notes will mature in 2014 and have a coupon of 8.5 %. They started paying interest semi-annually in arrears on 1 June 2007. The senior subordinated notes will mature in 2016. The notes have a coupon of 10 % and started paying interest semi-annually in arrears on 1 June 2007.

On 2 August 2007, CEVA Group Plc entered into a USD 1,400 million senior unsecured loan facility. This facility was partially replaced on 13 August 2007 when CEVA Group Plc issued USD 400 million of second-lien notes. These notes will mature in 2014 and have a coupon of 10 %. They will begin paying interest semi-annually in arrears on 1 March 2008.

The remaining USD 1,000 million senior unsecured loan is of a long term nature, maturing in 2015.

The fair value of the long term interest bearing debt has been determined using the market price as of 31 December 2007.

The senior bank debt's fair value approximates its carrying value as it is a floating rate facility. The average floating interest rate for the period was 8.0 % for US dollar-denominated loans (2006: 7.6 %) and 6.8 % for euro-denominated loans (2006: 5.7 %). The carrying amounts of short-term borrowings approximate their fair value.

The only non-current borrowing at fixed rates are the € 505 million senior notes, the € 225 million senior subordinated notes and the USD 400 million second-lien notes.

7. AUDITOR REMUNERATION

For information about auditor's remuneration refer to note 31 in the consolidated financial statements.

8. SUBSEQUENT EVENTS

For information about subsequent events refer to note 32 in the consolidated financial statements. There are no other material subsequent events.

DESCRIPTION OF KEY LINE ITEMS OF THE HISTORICAL COMBINED STATEMENTS OF INCOME

Set forth below is a brief description of the composition of the key line items of our historical combined statements of income:

- **Revenue.** Revenue represent the delivery of goods and services to third parties less discounts, credit notes and taxes levied on sales;
- **Other operating revenue.** Other operating revenue include revenue that do not arise from our normal operations and mainly include rental income from temporarily leased-out property;
- **Other income**. Other income mainly includes net gains from the sale of property, plant and equipment;
- **Operating expenses.** Operating expenses have been classified by nature of the expenses, as follows:
  - *Cost of materials*. Costs of materials include the costs of materials directly attributable to the normal operating activities of the business including fuel, packaging, pallets and utility costs;
  - *Work contracted out and other external expenses.* Work contracted out and other external expenses include amounts charged by third parties directly attributable to the normal operating activities of the business. The majority of these costs relate to agency costs of non-permanent (subcontracted) warehouse personnel (labor) and significant purchased transportation. Additionally, this includes expenditure associated with the rental of trucks and material handling equipment, as well as warehouse rental costs;
  - *Salaries and social security contributions.* Salaries and social security contributions are charged to the profit and loss account when due, and in accordance with employment contracts and obligations. This includes all wage and social costs of both direct and indirect employees;
  - *Depreciation, amortisation and impairment.* Depreciation and amortisation are charged to the income statement on a straight-line basis over the expected life of the related asset. Impairment on all assets are recorded to the income statement when they are incurred;
  - *Other operating expenses.* Included within other operating expenses are costs incurred for insurance, consultancy, audit, legal and miscellaneous costs.
- **Net financial expense.** Interest income mainly relates to interest earned on loans and deposits and interest charged on overdue customer receivables. Interest and similar expenses relates to interest charged on loans, financial leases and other borrowings;
- **Income taxes.** Income tax represents the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax. Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit / (loss) for a period. Deferred tax represents the amounts of income taxes payable / (recoverable) in future periods in respect of taxable (deductible) temporary differences and unused tax losses.

REPORT OF THE AUDITORS

To the Board of Directors of CEVA Group Plc.

REPORT ON THE COMBINED FINANCIAL STATEMENTS OF THE LOGISTICS BUSINESS, A BUSINESS OWNED BY TNT N.V. PRIOR TO 4 NOVEMBER 2006

We have audited the accompanying combined Balance Sheets of the Logistics business, a business owned by TNT N.V. prior to 4 November 2006 (“the Business”), as described in note 1 “Background” and note 2 “Basis of Preparation” as at 3 November 2006, and 31 December 2005, and the related combined statements of income, cash flows, changes in net investment, a summary of significant accounting policies and other explanatory notes for the period ended 3 November 2006 and the year ended 31 December 2005 (hereinafter referred to as “the combined financial statements”).

The Directors’ Responsibility

The Directors of CEVA Group Plc are responsible for the preparation and fair presentation of the combined financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors’ Responsibility

Our responsibility is to express an opinion on the combined financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the combined financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the combined 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 Company’s internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the combined financial statements.

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

Opinion

In our opinion, the combined financial statements give a true and fair view of the financial position of the Logistics business, a business owned by TNT N.V. prior to 4 November 2006 as at 3 November 2006 and 31 December 2005, and of its result and its cash flows for the period ended 3 November 2006 and the year ended 31 December 2005 in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the fact that, as described in the note 2 “Basis of Preparation,” the Logistics business, previously a business of TNT N.V. prior to 4 November 2006 did not operate as a separate entity during the periods stated above. These combined financial statements are therefore not indicative of results that would have occurred if the Logistics business, previously a business of TNT N.V., had been a separate stand-alone entity during the periods presented or of future results of the Logistics business.

PricewaterhouseCoopers Accountants N.V.
Amsterdam, 5 March 2008

P. C. Dams RA

COMBINED STATEMENTS OF INCOME OF THE LOGISTICS BUSINESS

For the period ended 3 November 2006 and the year ended 31 December 2005.

		PERIOD ENDED 3 NOVEMBER			YEAR ENDED 31 DECEMBER		
(in € millions)	Notes			2006			2005
		Before specific items	Specific items [1]	Total	Before specific items	Specific items [1]	Total
Revenue	22	**2,934.6**	-	**2,934.6**	**3,340.3**	-	**3,340.3**
Other operating revenue	23	6.9	-	6.9	11.8	-	11.8
Total revenue		**2.941.5**	-	**2,941.5**	**3,352.1**	-	**3,352.1**
Other income		**2.4**	-	**2.4**	**2.1**	-	**2.1**
Cost of materials		212.6	-	212.6	217.2	-	217.2
Work contracted out and other external expenses		1,507.1	-	1,507.1	1,686.1	10.0	1,696.1
Salaries and social security contributions	24	859.8	29.3	889.1	996.7	-	996.7
Depreciation, amortization and impairment	25	68.3	-	68.3	84.1	-	84.1
Other operating expenses		191.9	98.3	290.2	226.4	36.7	263.1
Total operating expenses		**2,839.7**	**127.6**	**2,967.3**	**3,210.5**	**46.7**	**3,257.2**
Operating income		**104.2**	**127.6**	**(23.4)**	**143.7**	**(46.7)**	**97.0**
Interest receivable and similar income	26	16.8	-	16.8	9.6	-	9.6
Interest payable and similar expenses	26	66.3	-	66.3	88.9	-	88.9
Net financial expense		**(49.5)**	-	**(49.5)**	**(79.3)**	-	**(79.3)**
Results from investments in associates	11	(2.5)	-	(2.5)	(35.7)	-	(35.7)
Loss before income taxes		**52.2**	**(127.6)**	**(75.4)**	**28.7**	**(46.7)**	**(18.0)**
Income taxes	27	42.0	(38.2)	3.8	30.7	(14.0)	16.7
Loss for the period from continuing operations		**10.2**	**(89.4)**	**(79.2)**	**(2.0)**	**(32.7)**	**(34.7)**
Loss from discontinued operations	16	(6.4)	-	(6.4)	(191.9)	-	(191.9)
Loss for the period		**3.8**	**(89.4)**	**(85.6)**	**(193.9)**	**(32.7)**	**(226.6)**
Attributable to:							
Minority interests				1.0			0.7
Other TNT companies				(86.6)			(227.3)
Loss for the period				**(85.6)**			**(226.6)**

1 For details on specific items please refer to note 8.
- The charges set out above are not necessarily representative of those that would be incurred by the Logistics business under separate ownership.
- Earnings per share information has not been presented as the Logistics business does not have a defined capital structure that is consistent across all of its constituent businesses.
- The accompanying notes form an integral part of the combined financial statements.

COMBINED BALANCE SHEETS OF THE LOGISTICS BUSINESS

As at 3 November 2006 and 31 December 2005.

(in € millions)	Notes	AS AT 3 NOVEMBER 2006	AS AT 31 DECEMBER 2005
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	9		
Goodwill		839.0	870.7
Software		11.0	9.9
Other intangible assets		5.0	8.2
Total intangible assets		**855.0**	**888.8**
Property, plant and equipment	10		
Land and buildings		140.4	139.6
Plant and equipment		125.2	133.3
Other assets		36.5	44.3
Construction in progress		15.1	2.0
Total property, plant and equipment		**317.2**	**319.2**
Financial assets	11		
Investments in associates		2.7	10.1
Other loans receivable		4.8	4.7
Deferred tax assets	27	47.1	35.7
Amounts receivable from other TNT companies	11, 29	-	5.8
Prepayments and accrued income		55.5	70.1
Total financial assets		**110.1**	**126.4**
Total non-current assets		**1,282.3**	**1,334.4**
CURRENT ASSETS			
Inventory	12	23.1	22.1
Accounts receivable	13	573.9	640.4
Income tax receivable	27	18.2	15.0
Amounts receivable from other TNT companies	29	5.9	170.7
Prepayments and accrued income	14	204.8	149.2
Cash and cash equivalents	15	47.4	93.4
Total current assets		**873.3**	**1,090.8**
Assets held for sale	16	-	79.7
TOTAL ASSETS		**2,155.6**	**2,504.9**

COMBINED BALANCE SHEETS OF THE LOGISTICS BUSINESS continued

As at 3 November 2006 and 31 December 2005.

(in € millions)	Notes	AS AT 3 NOVEMBER 2006	AS AT 31 DECEMBER 2005
LIABILITIES			
Net investment by other TNT companies		49.4	(633.4)
Minority interests		6.9	5.9
Net investment		**56.3**	**(627.5)**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	27	14.3	28.7
Provisions for pension liabilities	17	117.6	127.1
Other provisions	18	92.1	63.6
Long term debt	19	25.8	25.3
Amounts due to other TNT companies	29	-	264.1
Accrued liabilities		5.0	15.0
Total non-current liabilities		**254.8**	**523.8**
CURRENT LIABILITIES			
Trade accounts payable		204.1	232.1
Short term provisions	18	30.9	27.1
Other current liabilities	20	82.3	376.9
Income tax payable	27	25.4	20.2
Amounts payable to other TNT companies	29	1,184.1	1,456.2
Accrued current liabilities	21	317.7	270.2
Total current liabilities		**1,844.5**	**2,382.7**
Liabilities related to assets classified as held for sale	16	-	225.9
TOTAL LIABILITIES AND NET INVESTMENT		**2,155.6**	**2,504.9**

- The accompanying notes form an integral part of the combined financial statements.

COMBINED CASH FLOW STATEMENTS OF THE LOGISTICS BUSINESS

For the period ended 3 November 2006 and the year ended 31 December 2005.

(in € millions)	PERIOD ENDED 3 NOVEMBER 2006	YEAR ENDED 31 DECEMBER 2005
(Loss)/profit before income taxes	**(75.4)**	**(18.0)**
Adjustments for:		
Depreciation, amortization and impairment	68.3	84.1
Profit/(loss) on sale of property, plant and equipment	2.3	(2.1)
Investment income and results from investments in associates:		
Interest and similar income	(16.8)	(9.6)
Interest and similar expenses	66.3	88.9
Results from investments in associates	2.5	35.7
Changes in provisions:		
Pension liabilities	(9.5)	(2.7)
Other provisions	35.1	14.8
Changes in working capital:		
Inventory	231.3	1.3
Accounts receivable	(1.0)	(30.5)
Other current assets	(55.6)	21.2
Trade payables	(28.0)	(37.2)
Other current liabilities excluding short term financing and taxes	(350.9)	(61.7)
Cash generated from operations	**(131.4)**	**84.2**
Increase in long term accrued liabilities	(10.0)	-
Interest paid	(13.6)	(11.9)
Income taxes paid	(27.6)	(11.2)
Net cash from operating activities	**(182.6)**	**61.1**
Acquisition of entities (net of cash)	(13.0)	-
Investment in associates	-	(4.0)
Disposal of associates	2.9	-
Capital expenditure on intangible assets	(5.1)	(3.3)
Proceeds from sale of intangible assets and investments	1.7	0.8
Capital expenditure on property, plant and equipment	(68.4)	(73.1)
Proceeds from sale of property, plant and equipment	6.5	14.1
Other changes in financial assets	22.3	21.4
Changes in minority interests	1.0	-
Interest received	16.8	7.9
Net cash used in investing activities	**(35.3)**	**(36.2)**

COMBINED CASH FLOW STATEMENTS OF THE LOGISTICS BUSINESS continued

For the period ended 3 November 2006 and the year ended 31 December 2005.

(in € millions)	PERIOD ENDED 3 NOVEMBER 2006	YEAR ENDED 31 DECEMBER 2005
Other net investment changes	791.2	(4.4)
Proceeds from long term borrowings	5.8	33.8
Repayments to long term borrowings	(262.7)	(24.6)
Repayments to short term borrowings	(215.3)	15.1
Payments of finance lease	(0.9)	(1.6)
Financing relating to discontinued Logistics business	(146.2)	(13.7)
Net cash generated from financing activities	**171.9**	**4.6**
Change in cash and cash equivalents	**(46.0)**	**29.5**
Cash and cash equivalents at the beginning of the period as reported in 2004	-	62.3
of which discontinued (see note 16)	-	1.6
Cash and cash equivalents at the beginning of the period	**93.4**	**63.9**
Change in cash	(46.0)	29.5
Cash and cash equivalents at the end of the period	**47.4**	**93.4**

- The accompanying notes form an integral part of the combined financial statements.
- The cash flows set out above are not necessarily representative of those that would be incurred by the Logistics business under separate ownership.

COMBINED STATEMENTS OF CHANGES IN NET INVESTMENT OF THE LOGISTICS BUSINESS

For the period ended 3 November 2006 and the year ended 31 December 2005.

(in € millions)	Net investment by other TNT companies	Minority interest	Total net investment
Balance at 1 January 2005	**(437.0)**	**5.2**	**(431.8)**
Loss for the period	(227.3)	0.7	(226.6)
Currency translation adjustment	30.9		30.9
Total changes in net investment	**(196.4)**	**0.7**	**(195.7)**
Balance at 31 December 2005	**(633.4)**	**5.9**	**(627.5)**
Loss for the period	(86.6)	1.0	(85.6)
Currency translation adjustment	(15.4)	-	(15.4)
Total recognized loss for the period	**(102.0)**	**1.0**	**(101.0)**
Movement in investments in other TNT companies	784.8	-	784.8
Balance at 3 November 2006	**49.4**	**6.9**	**56.3**

- In periods prior to 1 January 2005, the investments in Freight Management (excluding Italy and Maastricht) and TNT Innight BV and TNT Logistics Innight Holding GmbH (collectively, "Innight") were transferred from TNT to the Logistics business. However, since these operations were not managed as part of the Logistics business, their assets, liabilities, revenue and expenses have been excluded from the condensed combined interim financial statements and the related investments eliminated against opening "Net investment by other TNT companies". During the period ended 3 November 2006, these investments were transferred back from the Logistics business to TNT. These transfers, as well as the sale of the remaining French logistics business to TNT, are reflected in "Movement in investments in other TNT companies".
- The accompanying notes form an integral part of the combined financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS OF THE LOGISTICS BUSINESS

1. BACKGROUND

On 23 August 2006, TNT N.V. ("TNT") signed a Sale and Purchase Agreement (the "Sale and Purchase Agreement") to sell its non-network related logistics activities (the "Logistics business") to affiliates of Apollo Management VI, L.P. (the "Acquirer").

The Logistics business provides services focused on supply chain management. It works to ensure that across the functions of procurement, manufacturing, and distribution the right goods, in the right quantities and conditions, are available at the right place and time. One key aspect of this is reducing the time it takes to bring goods from suppliers to their customer by using the latest technology to increase the visibility of TNT customers' goods in the supply chain.

The Logistics business operates in 30 countries in Europe, North and South America, Asia, Africa, and Australia. Its principal strategy has focused on achieving critical mass in selected geographical areas, in particular on warehousing and transportation services in the following industry sectors: automotive, tires, high-tech electronics, publishing and media, and fast-moving consumer goods.

The basis of preparation, combination, and presentation of the combined financial statements of the Logistics business is more fully described below.

2. BASIS OF PREPARATION

In preparing these combined financial statements, the financial information of entities within the Logistics business, as at the relevant date, has been extracted from the local reporting records on a legal entity basis and combined as described below. This information was prepared under the TNT accounting policies, which comply with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). IFRS as adopted by the EU differ in certain respects from IFRS as issued by the International Accounting Standards Board ("IASB"). However, the combined financial information for the periods presented would be no different had the Logistics business applied IFRS as issued by the IASB. References to IFRS hereafter should be construed as references to IFRS as adopted by the EU.

The combined financial statements have not been prepared under Part 9 of Book 2 of The Netherlands Civil Code. They have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit and loss and, in all material respects, in accordance with IFRS, and may not be indicative of the active results of operations and financial position of the Logistics business had it operated as a separate entity.

The principal accounting policies are set out below. These policies have been consistently applied to all the periods.

As a fully integrated business of TNT, the Logistics business did not prepare separate accounts in accordance with IFRS in the normal course of operations. Accordingly, the combined financial statements have been derived by extracting the assets, liabilities, revenue and expenses directly attributable to the Logistics business from the assets, liabilities, revenue and expenses reflected in the accounting records of TNT on a legal entity basis.

The combined financial statements have been prepared for the purposes of presenting, as far as practical, the financial position, results of operations and cash flows of the Logistics business on a stand-alone basis. The combined financial statements of the Logistics business reflect assets, liabilities, revenue and expenses directly attributable to the Logistics business, including management fee allocations recognized on a historic basis in the accounting records of TNT on a legal entity basis. Although it is not possible to estimate the actual costs that would have been incurred if the services performed by TNT had been purchased from independent third parties, the allocations are considered to be reasonable by the Directors of CEVA and Management of the Logistics business. However, the financial position, results of operations and cash flows of the Logistics business are not necessarily representative or indicative of those that would have been achieved had the Logistics business operated autonomously or as an entity independent from TNT.

Presentation of the Income Statements

CEVA Group Plc changed the presentation of its results from operations from prior periods by separating specific items from underlying trading results. By separating certain items, CEVA is identifying and disclosing significant non-recurring or unusual items. Specific items may not be comparable to similarly titled measures used by other companies. The principal events which may give rise to a specific item include gains and losses on the disposal of businesses, the restructuring costs or integration costs, fees paid or received for services or use of assets of the previous owner of the Logistics business or material litigation and claims.

Segmentation

In the period prior to acquisition, the management of the Logistics business had determined its geographical segments to be its primary reporting segments, as the Company's business activities were substantially within a single reporting segment, being Logistics. Therefore, the Logistics business did not have a secondary reporting segment for reporting purposes. Due to the subsequent acquisition of EGL in August 2007, CEVA has identified an additional reportable segment, being Freight Management, and the Group will define its business segments to be its primary reporting segments, and geographical segments as its secondary reporting segments.

During 2007, CEVA made certain reclassifications in its geographical reporting presentation for 2007 to conform to changes in presentation in management reporting. The geographical reporting segments of CEVA Group have been redefined as follows; North Europe, South Europe (including Middle East and Africa), The Americas, and Asia Pacific. The management of the Logistics business have provided supplementary information in relation to these redefined geographical segments for the purposes of providing comparable secondary segment information with CEVA.

The Management of the Logistics business and the Directors of CEVA believe that the above changes in accounting presentation provide relevant information which is more closely aligned with how they monitor the performance of the group after acquisition. The changes had no impact on the net income or the net assets as at and for the financial periods presented.

Management Fees

TNT uses a cost recovery mechanism to recover certain central management and other similar costs it incurs at a corporate level. The management fees reflected in the combined financial statements are based on the amounts historically recorded in the accounts of the individual entities within the Logistics business due to this cost recovery mechanism. An appropriate proportion of the remuneration of the senior management personnel for TNT including the Logistics business, including their salaries and pension costs, is included in this management fee. These management fees have either been directly attributed to individual operations of the Logistics business or, for costs incurred centrally, allocated between the relevant TNT businesses and the Logistics business operations. Costs have principally been allocated on the basis of trading revenue. A complete discussion of the Logistics business's relationship with TNT and other TNT companies, including a description of the costs that have historically been charged to the Logistics business, is included in note 29 to these combined financial statements.

Pension and Post-retirement Costs

The Logistics business operates a number of pension plans around the world, which include defined benefit plans in the Netherlands, United States, United Kingdom and Australia. The Dutch pension plan is a funded defined benefit plan covered by a pension fund. Given that the pension plan is a TNT N.V. sponsored plan for the benefit of all its employees across all divisions, including the Logistics business, with no formal policy or contractual agreement for the sharing of pension costs, the plan is classified as a group plan, recognizing a cost equal to the contribution payable for the period. Most of the other pension plans are defined contribution plans.

Interest

The interest charge reflected in the combined financial statements is based on the interest charge historically incurred by the entities included in the Logistics business on specific external borrowings or financing provided by other TNT companies. No debt at a TNT consolidated basis has been "pushed down" or allocated to the Logistics business. Details of specific external borrowings and borrowings held with other TNT companies are set out in notes 19 and 29.

Taxation

The tax charge attributable to the Logistics business has been based on the tax charge attributable to the individual entity or group of TNT entities in the relevant individual tax jurisdictions, on a separate return basis. Tax liabilities that may arise from any separation from TNT tax groups of the operations of the Logistics business in specific countries have not been reflected in these combined financial statements.

Goodwill

Goodwill recorded at a consolidated TNT level and attributable to the Logistics business as a result of previous business combinations with parties outside of the TNT group of companies has been recorded in these combined financial statements. Goodwill recorded on internal reorganizations within the TNT group of companies has not been reflected in these combined financial statements.

Share-based Payments

A number of Logistics employees participate in TNT's performance share schemes and management option plan. For purposes of these combined financial statements, transfers of TNT's equity instruments to employees of the Logistics business have been reflected as equity-settled share-based payment transactions.

Net Investment by other TNT companies

The net investment by other TNT companies in the Logistics businesses is shown in lieu of shareholder's equity in the combined balance sheets. Net investment by other TNT companies therefore includes aggregated combined share capital of the entities included within the combined financial statements, movements relating to investments in other TNT companies not managed as part of the Logistics business, accumulated losses, and cumulative translation adjustments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Combination

In the absence of a legal ultimate parent, the financial statements have not been prepared by consolidating the ultimate parent and its subsidiaries, but instead the financial statements have been prepared by combining all individual subsidiaries into one reporting entity, the Logistics business of TNT N.V. The list of individual legal entities included within these combined financial statements, which together form the Logistics business of TNT N.V., is provided in note 32. These entities have been classified as subsidiary, associate, or joint venture undertakings as described below and all intra-Logistics business transactions, balances, income and expenses, including unrealized profits on such transactions, have been eliminated on combination. Unrealized losses have also been eliminated unless the transaction provided evidence of an impairment of the asset transferred.

Subsidiaries are all entities (including special purpose entities) over which the Logistics business has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Logistics business controls another entity.

An associate is an entity that is neither a subsidiary nor an interest in a joint venture, and over whose commercial and financial policy decisions Logistics business has the power to exert significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control over those policies. The Logistics business's share of results of all significant associates is included in the combined financial statements of income using the equity method. The carrying value of the Logistics business's share in associates includes goodwill on acquisition and includes changes to reflect the Logistics business's share in net earnings of the respective companies, reduced by dividends received. The Logistics business's share in non-distributed earnings of associates is included in net investment. When the Logistics business's share of any accumulated losses exceeds the acquisition value of the shares in the associates, the book value is reduced to zero and the reporting of losses ceases, unless the Logistics business is bound by guarantees or other undertakings in relation to the associate.

A joint venture is a contractual arrangement whereby the Logistics business and one or more parties undertake an economic activity that is subject to joint control. Joint ventures in which the Logistics business participates with other parties are proportionately combined. In applying the proportionate combination method, the Logistics business's percentage share of the balance sheet and income statement items are included in the Logistics business's combined financial statements.

As at 3 November 2006, some of the investments held by entities within the Logistics business have not been included in the combined financial statements as they have not been managed collectively with the Logistics business. These investments in subsidiaries or related companies, whether part of the Logistics business or the wider TNT group, have been eliminated against "Net investment by other TNT companies".

Use of Estimates and Critical Accounting Judgments

The preparation of the combined financial statements, in accordance with IAS 1, "Presentation of Financial Statements," requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities at the date of the combined financial statements. These estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that management believes to be reasonable under the circumstances.

Management is also required to make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

Basis of preparation

In determining the entities to be included in the combined financial statements, management considered the entities that have been managed as part of the Logistics business on a historical basis. The determination of the entities that have been managed as part of the Logistics business requires judgment and may significantly influence the combined financial statements. In particular, management has excluded the revenue, expenses, assets and liabilities associated with the freight management business (excluding Italy and Maastricht) and TNT Innight BV and TNT Logistics Innight Holding GmbH (collectively, "Innight") from these combined financial statements on the basis that they have not been managed as part of the Logistics business. These entities are also excluded from the Sale and Purchase Agreement.

Management has further included the revenue, expenses, assets and liabilities associated with the French logistics business, which has been classified as a discontinued operation (refer to note 16), on the basis that it was managed as part of the Logistics business. The majority of the entities of the French logistics business were sold to third parties in November 2005, with the remaining entities sold in the first two months of 2006. Refer to note 30.

Accounting for business combinations and impairment of goodwill and other long lived intangible assets
The Logistics business accounted for all business combinations under the purchase method to the extent that these acquisitions were transacted with third parties outside of TNT. For purposes of preparation of the combined financial statements, internal reorganizations or transfer of businesses between TNT group companies were accounted for at historical carrying amounts, with no goodwill reflected.

Under the purchase method, the cost of an acquired company is assigned to the tangible and intangible assets purchased and the liabilities assumed on the basis of their fair values at the date of acquisition. The determination of fair values of assets and liabilities acquired requires management to make estimates and use valuation techniques when market values are not readily available. Any excess of purchase price over the fair value of the tangible and intangible assets acquired is allocated to goodwill.

In determining impairment of intangible assets, tangible fixed assets and goodwill, management must make significant judgments and estimates to determine whether the cash flows generated by those assets are less than their carrying value. Determining cash flows requires the use of judgments and estimates that have been included in the Logistics business's strategic plans and long-range forecasts. The data necessary for the execution of the impairment tests are based on management estimates of future cash flows, which require estimating revenue growth rates and profit margins.

Property, plant and equipment
Property, plant and equipment are valued at historical cost using a component approach, less depreciation or at the recoverable amount whenever impairment has taken place. Depreciation is calculated using the straight-line method based on the estimated useful life, taking into account any residual value. The assets residual values and useful lives are based on management's best estimates, and adjusted if appropriate, at each balance sheet date.

Impairment of receivables
The risk of uncollectability of accounts receivable is primarily estimated based on prior experience with, and the past due status of, doubtful debtors, while large accounts are assessed individually based on factors that include ability to pay, bankruptcy, and payment history. In addition, debtors in certain countries are subject to a higher collectability risk, which is taken into account when assessing the overall risk of uncollectability. Should the outcome differ from the assumptions and estimates, revisions to the estimated valuation allowances would be required.

Employee benefits
Post-employment benefits represent obligations that will be settled in the future and require assumptions to project benefit obligations. Post-employment benefit accounting is intended to reflect the recognition of future benefit costs over the employee's approximate service period, based on the terms of the plans and the investment and funding decisions made. The accounting requires management to make assumptions regarding variables such as discount rate, rate of compensation increase, return on assets, and future healthcare costs. Management consults with outside actuaries regarding these assumptions at least annually.

Changes in these key assumptions can have a significant impact on the defined benefit obligations, funding requirements and pension cost incurred.

Restructuring
Restructuring charges mainly result from restructuring operations, including consolidations and/or relocations of operations, changes in our strategic plan, or managerial responses to declines in demand, increasing costs or other market factors. Restructuring provisions reflect many estimates, including those pertaining to separation costs, consolidation of excess facilities, contract settlements, and tangible asset impairment. Actual experience has been, and may continue to be, different from these estimates.

Income taxes
The Logistics business is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision and liability for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Logistics business recognizes liabilities for tax issues based on estimates of whether additional taxes will be due, based on management's best interpretation of the relevant tax laws. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Logistics business recognizes deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered. This is based on estimates of taxable income by jurisdiction in which the Logistics business operates and the period over which deferred tax assets are recoverable. In the event that actual results differ from these estimates in future periods, and depending on the tax strategies that may be implemented, changes to the recognition of deferred tax assets could be required, which could impact the Logistics business's financial position and net profit.

Accounting for discontinued operations
Accounting for discontinued operations requires the use of significant assumptions and estimates, such as the assumptions used in the fair value calculations, as well as the estimated costs to sell.

Contingent liabilities
Legal proceedings and tax issues covering a range of matters are pending in various jurisdictions against the Logistics business. Due to the uncertainty inherent in such matters, it is often difficult to predict the final outcome. The cases and claims against the Logistics

business often raise difficult and complex factual and legal issues which are subject to many uncertainties and complexities, including, but not limited to, the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law. In the normal course of business, management consults with legal counsel and certain other experts on matters related to litigation and taxes.

The Logistics business accrues a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated. In the event an adverse outcome is possible or an estimate is not determinable, the matter is disclosed.

Fair value of derivatives and other financial instruments
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Logistics business uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

Business Combinations

On the acquisition of a subsidiary, fair values are attributed to the net assets acquired. Any excess of the fair value of consideration given over the fair values of Logistics business's share of the identifiable net assets acquired is treated as goodwill. If the fair value of the net assets acquired exceeds the fair value of consideration then these fair values are reassessed before taking the remainder as a credit to profit or loss in the period of acquisition. For purposes of preparation of the combined financial statements, internal reorganizations or transfer of businesses between TNT group companies were accounted for at predecessor carrying amounts, with no goodwill reflected.

Goodwill is recognized as an asset and, although it is not amortized, it is reviewed for impairment annually and whenever there is a possible indicator of impairment. Any impairment is recognized immediately in profit or loss and is not subsequently reversed. On disposal of a subsidiary, any residual amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous historic values, as no adjustment was required on transition. These have also been subject to impairment tests at that date and will continue to be, at least, annually. See note 9.

Foreign Currencies

Presentation currency
The individual financial statements of each entity in the Logistics business are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the combined financial statements, the result and financial position of each entity is expressed in euros (€).

Foreign currency translation
The results and financial position of all combined entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows: assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet, income and expenses for each income statement are translated at average exchange rates, and all resulting exchange differences are recognized as a separate component of net investment (cumulative translation adjustment).

Foreign currency transactions are translated into functional currency, using the exchange rates at the dates of the transactions or at an average exchange rate for accounting purposes. Accounts receivable, liabilities, cash and cash equivalents denominated in foreign currencies are translated at the year-end exchange rate or at the forward exchange rate if a forward contract has been entered into.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Intangible Assets

Goodwill
Goodwill on acquisitions of subsidiaries and joint ventures is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill arising on acquisitions is capitalized and subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable. Goodwill is impaired if the recoverable amount of the cash generating unit to which it is allocated is lower than its carrying value. The recoverable amount is defined as the higher of cash generating unit's fair value less costs to sell and its value in use using the discounted cash flow method. Impairment on goodwill recognized in prior periods can not be reversed.

Other intangible assets
Costs related to the development and installation of software for internal use are capitalized at historical cost and amortized over the estimated useful life. Other intangible assets mainly include customer lists, assets under development, licences, and concessions.

An asset is transferred to its respective intangible asset category at the moment it is ready for use and is amortized on a straight-line method over its estimated useful life. Other intangible assets are valued at historical cost less amortization and impairment.

An impairment review is performed whenever a triggering event occurs. An intangible asset is impaired if the recoverable amount is lower than the carrying value. The recoverable amount is defined as the higher of an asset's fair value less costs to sell and its value in use. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. A triggering event is an event or change in circumstances indicating that the carrying amount may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows, being the cash generating units. Impairment are reversed if and to the extent that the impairment no longer exists.

Property, Plant and Equipment

Property, plant and equipment are valued at historical cost using a component approach, less depreciation or at the recoverable amount whenever impairment has taken place. In addition to costs of acquisition, the Logistics business also includes costs of bringing the asset to working condition, handling and installation costs, and the non-refundable purchase taxes. Depreciation is calculated using the straight-line method based on the estimated useful life, taking into account any residual value. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Subsequent costs are included in the assets' carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. Land is not depreciated. System software is capitalized, and amortized as a part of the tangible fixed asset for which it was acquired to operate, because the estimated useful life is inextricably linked to the estimated useful life of the associated asset.

An impairment review is performed whenever a triggering event occurs. Property, plant and equipment is impaired if the recoverable amount is lower than the carrying value. The recoverable amount is defined as the higher of an asset's fair value less costs to sell and its value in use.

An impairment loss recognized in prior periods for an asset shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows, being the cash generating units.

Leases of property, plant and equipment, where we have substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in long term debt. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Financial Instruments

Financial instruments carried on the Logistics business's balance sheet include derivative financial instruments, loans and receivables, and financial liabilities. These instruments are accounted for in accordance with IAS 32 and IAS 39. Derivative financial instruments not designated as hedges are adjusted to fair value through income. If a derivative is designated as a hedge, depending on the nature of the hedge, changes in its fair value that are considered to be effective, as defined, either offset the change in fair value of the hedged assets, liabilities, or firm commitments through income, or are recorded in a separate component of net investment until the hedged item is recorded in income. Any portion of a change in a derivative's fair value that is considered to be ineffective, or is excluded from the measurement of effectiveness, is immediately recorded in income. Management documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Management also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Derivative financial instruments are recorded at fair value in the combined balance sheets, with all changes in fair value reflected in the combined income statements.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which we have no intention of trading. They are accounted for on an amortized cost basis and included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

Inventories

Inventories of raw materials and finished goods are valued at the lower of historical cost or net realizable value less any provision required for obsolescence. Historical cost is based on weighted average prices.

Accounts receivable

Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the Logistics business will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognized in the income statement.

The risk of uncollectability of accounts receivable is primarily estimated based on prior experience with, and the past due status of, doubtful debtors, while large accounts are assessed individually based on factors that include ability to pay, bankruptcy and payment history. In addition, debtors in certain countries are subject to a higher collectability risk, which is taken into account when assessing the overall risk of uncollectability.

Cash and Cash Equivalents

Cash and cash equivalents include cash at hand, bank account balances, bills of exchange, and checks (only those which can be cashed in the short term). All highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. Bank overdrafts are excluded from cash and cash equivalents and shown within borrowings in current liabilities on the balance sheet.

Non-current Assets Held for Sale and Discontinued Operations

Non-current assets (or disposal groups) held for sale are classified as assets held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The Logistics business has evaluated the assets held for sale of its discontinued operations as a disposal group in performing its impairment analysis.

Assets held for sale are no longer amortized or depreciated from the time they are classified as such.

Insurance

Certain of the Logistics business's insurances are handled by the TNT captive insurance company, GD Insurance Company Limited. Insurance premiums in respect of insurance placed with this captive company and third parties are charged to the income statement in the period to which they relate.

Employee Benefit Obligations

Post-employment obligations

The obligation for all pension and other post-employment plans that qualify as a defined benefit plan is determined by calculating the present value of the defined benefit obligation and deducting the fair value of the plan assets.

Management uses actuarial calculations (projected unit credit method) to measure the obligations and the costs. For the calculations, actuarial assumptions are made about demographic variables (such as employee turnover and mortality) and financial variables (such as future increases in salaries). The discount rate is determined by reference to market rates. Cumulative actuarial gains and losses are recognized for the portion that these exceed the higher of 10 % of the obligation and 10 % of the fair value of plan assets (corridor approach). The excess is recognized over the employees' expected average remaining service lives.

Past service costs, if any, are recognized on a straight-line basis over the average vesting period of the amended pension or early retirement benefits. Past service costs are recognized immediately if the benefits are vested immediately.
Gains or losses on the curtailment or settlement of a defined benefit plan are recognized at the date of the curtailment or settlement.

Pension costs for defined contribution plans and TNT group plans are expensed in the consolidated statements of income when incurred.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Logistics business recognizes termination benefits when it is demonstrably committed to terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to their present values.

Other long term employee obligations

These employee benefits include long-service leave or sabbatical leave, jubilee or other long service benefits, long term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses, and deferred compensation.

The expected costs of these benefits are recognized over the period of employment. Actuarial gains and losses and changes in actuarial assumptions, are charged or credited to income in the period such gain or loss occurs. Further, all past service costs are recognized immediately.

Profit-sharing and bonus plans

The Logistics business recognizes a liability and an expense for cash settled bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to TNT's shareholders after certain adjustments. The Logistics business recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based payments

Share-based payment transactions are transactions in which the Logistics business receives benefits from its employees in consideration for equity instruments from TNT. The fair value of the share-based transactions is calculated using the Monte Carlo model and includes any market-related vesting conditions (for example, Total Shareholders Return). The amount recognized is then adjusted over the vesting period for changes in the estimate of the number of securities that will be issued, but not for changes in the fair value of those securities associated with market-related vesting conditions.

Provisions
Provisions are recognized when there is a present obligation 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. Provisions are recorded for restructuring, retirements, onerous contracts, and other obligations. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability. Provisions for onerous contracts are recorded when the unavoidable costs of meeting the obligation under the contract exceed the economic benefits expected to arise from that contract, taking into account impairment of fixed assets first.

Interest-bearing Liabilities
Interest-bearing liabilities are recognized initially at fair value, net of transaction costs incurred. They are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Interest-bearing liabilities are classified as non-current liabilities if Logistics business has an unconditional right to defer settlement of the liability for at least one year after the balance sheet date.

Income Taxes
The amount of income tax included in the statements of income is determined in accordance with the rules established by the taxation authorities, based on which income taxes are payable or recoverable.

Deferred tax assets and liabilities, arising from temporary differences between the nominal values of assets and liabilities and the fiscal valuation of assets and liabilities, are calculated using the tax rates expected to apply (insofar as already decreed by law) when they are realised or settled.

Deferred tax assets are recognized if it is probable that they will be realized in the foreseeable future. Deferred tax assets and liabilities where a legally enforceable right to offset exists and within the same consolidated tax group are presented net in the consolidated balance sheets.

Revenue Recognition
Revenue from transportation, other valued added services and warehousing are recognized when services are rendered or the work is completed. Losses are recorded when probable.

Revenue of services are recognized when:
- the amounts of revenue are measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Logistics business;
- the costs to be incurred in respect of the transaction can be measured reliably; and
- the stage of completion of the transaction, determined by reference to service performed as percentage of total services to be performed can be measured reliably.

Revenue is measured at the fair value of the consideration of received amounts or receivable amounts.

Amounts received in advance are recorded as accrued liabilities until services are rendered to customers.

Revenue
Revenue represent the delivery of services to third parties less discounts, credit notes, and taxes levied on sales.

Other Operating Revenue
Other operating revenue include revenue that do not arise from the Logistics business's normal operations and mainly include rental income from temporarily leased-out property.

Other Income
Other income includes net gains from the sale of property, plant and equipment and other gains.

Costs
Costs are recognized on the historical cost convention and are allocated to the reporting year to which they relate.

Operating expenses
Operating expense represents the direct and indirect expenses attributable to sales, including cost of materials, cost of work contracted-out, and other external expenses, personnel expenses directly related to operations, and depreciation costs.

Salaries
Salaries, wages, and social security costs are charged to the profit and loss account when due, and in accordance with employment contracts and obligations.

Financial income and expense
Interest income and expense are time-apportioned, taking into account the effective interest rate for the relating assets and liabilities. The treatment of interest expenses for loans received takes account of any transaction costs.

Operating Leases
Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.
A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

The Logistics business has identified its primary reporting segments based on management's assessment of risks and rates of return. As a result of this assessment, the Logistics business has identified the geographical segmentation as its primary segment and the secondary reporting format is based upon business segments split into revenue. Those geographical areas separately disclosed represent the Logistics business's most significant regional markets. Segment assets are operational assets employed in each region and include items such as tax and pension balances that are specific to a country. They also include attributable goodwill but exclude cash, short-term deposits and short-term investments. Segment liabilities are those arising within each region, excluding indebtedness. The basis for allocation of costs between segments is based upon actual costs incurred. Net interest and investment income is managed centrally and so is not directly attributable to individual geographical segments.

Due to the fact that the Logistics business is a pure play contract logistics company, we do not have a secondary segment.

Recent IFRS Pronouncements

New standards implemented in 2006

In December 2004, the IFRIC issued IFRIC 4, determining whether an arrangement contains a lease. IFRIC 4 provides guidance on determining whether arrangements that do not take the legal form of a lease should be accounted for in accordance with IAS 17, leases. It specifies that an arrangement contains a lease if it depends on the use of a specific asset and conveys a right to control the use of that asset. IFRIC 4 is effective as of 1 January 2006. The adoption of IFRIC 4 did not have a material impact on our financial statements.

New standards and interpretations not yet implemented

During 2006 and 2007 the IASB and IFRIC issued:

- IFRIC 11 – IFRS 2 *Group and Treasury Share Transactions* – which requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if the entity chooses or is required to buy those equity instruments from another party or the shareholders of the entity provide the equity instruments needed. This interpretation will be implemented by the group for annual periods beginning 1 January 2008*;
- IFRIC 12 *Service Concession Arrangements* – which outlines an approach to account for contractual arrangements arising from entities providing public services. This interpretation will be implemented by the group for annual periods beginning on or after 1 January 2008*;
- IAS 23 *Borrowing Costs* – An amendment to IAS 23, requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. This change in treatment will be applied prospectively by the group to the annual period beginning on 1 January 2009*;
- IFRIC 7 *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies* – this Interpretation provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies* the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period, and the entity therefore restates its financial statements in accordance with IAS 29. This interpretation will be implemented by the group for annual periods beginning on or after 1 January 2007;
- IFRIC 10 *Interim Financial Reporting and Impairment* (effective for annual periods beginning on or after November 1, 2006) – this interpretation addresses the apparent conflict between the requirements of IAS 34 "Interim Financial Reporting" and the requirements in other standards on the recognition and reversal in financial statements of impairment losses on goodwill and certain financial assets. According to IFRIC 10, any such impairment losses recognized in an interim financial statement must not be reversed in subsequent interim or annual financial statements. This interpretation will be implemented by the group for annual periods beginning on or after 1 January 2007*;
- IFRIC 8 *Scope of IFRS 2* – this interpretation clarifies that IFRS 2 applies to arrangements where an entity makes share-based payments for apparently nil or inadequate consideration. If the identifiable consideration given appears to be less than the fair value of the equity instruments granted, under IFRIC 8 this situation typically indicates that other consideration has been or will be received. This interpretation will be implemented by the group for annual periods beginning on or after 1 January 2007;
- IFRIC 9 *Reassessment of Embedded Derivatives* – this interpretation clarifies certain aspects of the treatment of embedded derivatives under IAS 39 "Financial Instruments: Recognition and Measurement" and answers the question whether the assessment, if an embedded derivative has to be accounted for separately from the host contract, is required upon closing of the contract or on an ongoing basis. This interpretation will be implemented by the group for annual periods beginning on or after 1 January 2007;
- IFRS 7 *Financial Instruments: disclosures* – this standard deals with financial instrument disclosures, also amends the existing risk disclosure requirements and requires additional disclosures about the objectives, policies and processes used by the entity to manage its capital. This standard will be implemented by the group for annual periods beginning on 1 January 2007;
- IFRS 8 *Operating Segments* – this replaces IAS 14 and requires an entity to adopt the "management approach" to reporting the financial performance of its operating segments. It is mandatory

for the Group's accounting periods beginning 1 January 2009. Its impact on segment reporting has yet to be determined;

- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the Group's 2008 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation;
- Revised IFRS 3 Business Combinations was published on 10th January 2008 IFRS 3. The standard continues to apply the acquisition method to business combinations, with some significant changes. Key changes include the requirement for all payments used to purchase a business to be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed. The standard is applicable to business combinations occurring in accounting periods beginning on or after 1 July 2009, with earlier application permitted; and
- Revised IAS 27 Consolidated and Separate Financial Statements was published on 10th January, 2008. IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. Non-controlling interests are measured either as their proportionate interest in the net identifiable assets or at fair value. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognized in profit or loss. In relation to step acquisitions, the requirement to measure at fair value every asset and liability at each step for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill is measured as the difference at the acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired.

* This indicates standards and interpretations not yet ratified.

4. ACCOUNTING PRINCIPLES RELATING TO THE COMBINED CASH FLOW STATEMENT

The combined cash flow statements have been prepared using the indirect method. Cash flows in foreign currencies have been translated at average exchange rates. Exchange rate differences affecting cash items are shown separately in the combined cash flow statements. Receipts and payments with respect to taxation on profits are included in the cash flow from operating activities. Interest payments are included in cash flows from operating activities while interest receipts are included in cash flows from investing activities.
The cost of acquisition of new subsidiary, associate, and joint venture undertakings and other investments, insofar as it was paid for in cash, is included in cash flows from investing activities. Acquisitions of group companies are presented net of cash balances acquired. Cash flows from derivatives are recognized in the statement of cash flows in the same category as those of the hedged item.

5. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

As discussed in note 2, the Logistics business did not historically prepare separate accounts in accordance with IFRS and these combined financial statements have been derived by extracting the assets, liabilities, revenue and expenses directly attributable to the Logistics business from the assets, liabilities, revenue and expenses reflected in the accounting records of TNT. Prior to 1 January 2004, the accounting records of TNT were maintained in accordance with accounting principles generally accepted in the Netherlands ("Dutch GAAP"). On 1 January 2004, TNT adopted IFRS and followed the provisions of IFRS 1 in preparation of its opening IFRS balance sheet on that date. In accordance with IFRS 1, and consistent with the principles relating to the preparation of the combined financial statements, the Logistics business has measured its assets and liabilities at the carrying amounts included in TNT's consolidated financial statements, based on the TNT's date of transition to IFRS. The optional exemptions from full retrospective application relating to measurement and recognition applied by TNT that also impacted the Logistics business and the preparation of the combined financial statements are discussed below.

Business Combinations Exemption
TNT applied the business combinations exemption in IFRS 1. Accordingly, business combinations related to the Logistics business and reflected in the combined financial statements that took place prior to the 1 January 2004 transition date were not restated in accordance with IFRS 3 "Business Combinations".

Employee Benefits Exemption
Until 31 December 2004 TNT applied SFAS 87, "Employers Accounting for Pensions," as permitted under Dutch GAAP. In addition, as permitted by IFRS 1, TNT elected to recognize all cumulative actuarial gains and losses as of 1 January 2004.

Cumulative Translation Differences Exemption
TNT elected to set the previously accumulated cumulative translation account to zero on 1 January 2004. This exemption has been applied to all entities of the Logistics business in accordance with IFRS 1. As a result, the gain or loss on a subsequent disposal of any foreign Logistics business operation shall exclude translation differences that arose prior to 1 January 2004 and shall include translation differences arising subsequent to this date.

Exemption from Restatement of Comparatives for IAS 32 and IAS 39

TNT has elected to apply this exemption. The derivatives, financial assets, and financial liabilities of the Logistics business for the 2004 comparative information are therefore reflected under Dutch GAAP. The adjustments required for differences between Dutch GAAP and IAS 32 and IAS 39, relating primarily to a put and call option over the shares of an entity within the Logistics business, were determined and recognized on 1 January 2005.

Share Based Payment Transaction Exemption

TNT has elected to apply the share-based payment exemption. Accordingly, the combined financial statements only reflect share-based payment expenses in respect of options issued by TNT to employees of the Logistics business after 2 November 2002 but that have not vested by 1 January 2005.

Assets Held for Sale and Discontinued Operations Exception

Although the effective date for adopting IFRS 5, "Assets Held for Sale and Discontinued Operations," was 1 January 2005, as permitted under IFRS 5, TNT has applied the requirements of IFRS 5 prospectively from 1 January 2004. Accordingly, assets held for sale or discontinued operations of the Logistics business are recognized in accordance with IFRS 5 from 1 January 2004.

TNT also applied the following mandatory exceptions from retrospective application:

Derecognition of Financial Assets and Liabilities Exception

Financial assets and liabilities derecognized before 1 January 2004 are not recognized under IFRS. The application of the exemption from restating comparatives for IAS 32 and IAS 39 means that the Logistics business recognized from 1 January 2005 any financial assets and financial liabilities derecognized since 1 January 2004 that did not meet the IAS 39 derecognition criteria. Management did not choose to apply the IAS 39 derecognition criteria to an earlier date.

Estimates Exception

Estimates under IFRS at 1 January 2004 should be consistent with estimates made for the same date under Dutch GAAP, unless there is evidence that those estimates were in error.

6. FINANCIAL RISK MANAGEMENT

The Logistics business's activities are exposed to a variety of financial risks, such as market risks (including foreign currency exchange risk, interest rate risk and commodity price risk), credit risk, liquidity risk, and cash flow risk. All of these risks arise in the normal course of business. The Logistics business uses derivative financial instruments to hedge certain risk exposures. None of these financial instruments are leveraged or used for trading purposes or to take speculative positions.

The following analyses provide quantitative information regarding the Logistics business's exposure to the financial risks described above. There are certain limitations inherent in the analyses presented, primarily due to the assumption that rates change in a parallel fashion and instantaneously. In addition, the analyses are unable to reflect the complex market reactions that normally would arise from the market shifts assumed.

Foreign Currency Exchange Risk

The Logistics business operates on an international basis generating foreign currency exchange risks arising from future commercial transactions, recognized assets and liabilities, investments and divestments in foreign currencies other than the euro. TNT's treasury department generally matches and manages the Logistics business's exposures with external and other TNT companies. During the periods presented, the Logistics business has only entered into a limited number of contracts to hedge its foreign currency exchange risk. These measures may therefore be inadequate and material foreign exchange risk fluctuations may subject the Logistics business to increased operating or financing costs.

The main three currencies impacting the Logistics business's foreign currency exchange risk are as follows.

(in € millions)	PERIOD ENDED 3 NOVEMBER 2006 CLOSING[1]	PERIOD AVERAGE 2006[2]
British pound	0.6688	0.6770
US dollar	1.2760	1.2259
Australian dollar	1.6527	1.6700

1. Source: European Central Bank, reference rates on the last day of the period.
2. The annual average is calculated as the 10-month's average of the month-end closing rates of the European Central Bank.

(in € millions)	YEAR-END 2005 CLOSING[1]	ANNUAL AVERAGE 2005[2]
British pound	0.6853	0.6830
US dollar	1.1797	1.2380
Australian dollar	1.6109	1.6269

1. Source: European Central Bank, reference rates on the last day of the year.
2. The annual average is calculated as the 12-month's average of the month-end closing rates of the European Central Bank.

Commodity Risk

The Logistics business leases and owns a fleet of vehicles to facilitate logistics activities. The Logistics business is exposed to the risk of an increase in the prices of refined fuels, principally diesel gasoline, which is used in the transportation of the goods. The Logistics business believes that the majority of the increases in price risks can be passed on to its customers and has therefore not entered into contract to hedge any specific commodity risk.

Credit Risk

Credit risk represents the loss that the Logistics business would incur if counterparties with whom it enters into financial transactions are unable to fulfill the terms of the agreements. The Logistics business attempts to minimize its credit risk exposure by only transacting with counterparties that meet established credit guidelines.

Management continually monitors the credit standing of financial counterparties and reassesses such exposures.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, TNT Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available. The Logistics business has limited external borrowings and is generally dependant on other TNT companies for funding.

Interest Rate Risk

The main part of the Logistics business's borrowings and leases are against floating interest rates. These floating interest rates may fluctuate substantially and could have a material adverse effect on the Logistics business' results and financial condition in any given reporting period. A proportional parallel shift in each currency's yield curve of interest rates will have a similar proportional change in the net interest expense on the outstanding net debt but will not materially affect the fair value of this debt.

7. SEGMENT REPORTING

The Logistics business is organized into a geographical structure. Within the geographical structure, management of the Logistics business manages its revenue streams and gross margin for their main businesses, warehousing, value added services, and transportation. Management believes that the Logistics business's risks and rates of return are affected predominantly by the fact that it operates in different countries or geographical areas and has therefore determined its geographical segments to be its primary segments under IAS 14 "Segment Reporting".

Because the Logistic business is a pure play logistics company, we do not have a secondary segment.

As stated in note 2, Basis of Preparation, CEVA Group Plc has identified an additional reportable segment, being Freight Management and the Group has defined its business segments to be its primary reporting segments and geographical segments as its secondary reporting segments. CEVA has also made certain reclassifications in its geographical reporting presentation for 2007 to conform to changes in presentation in management reporting.

The geographical reporting segments of CEVA Group have been redefined as follows: Northern Europe, Southern Europe (including Middle East and Africa), Americas, and Asia Pacific.

The management of the Logistics business have provided supplementary information in relation to these redefined geographical segments for the purposes of providing comparable secondary segment information for CEVA in the note below.

Basis for Accounting for Inter Segment Transactions

Intra-Logistics sales are entered into under normal commercial terms and conditions that are also applicable to unrelated third parties. Our 2005 and 2006 tables have been reclassified from geographical regions to four regions as this represents how CEVA is currently structured. We present the reconfigured segment tables as well as the original tables for the readers benefit.

SUPPLEMENTARY INFORMATION FOR THE PERIOD ENDED 3 NOVEMBER 2006

(in € millions)	Northern Europe	Southern Europe	Americas	Asia Pacific	Non allocated [2]	Total
Revenue [1]	954.3	1,017.3	678.0	285.0	-	2,934.6
Segment assets	628.3	702.2	646.0	113.7	65.4	2,155.6
CAPEX	27.2	17.6	12.2	11.4	-	68.4
EBITDA	29.4	(3.2)	0.8	17.9	-	44.9

1. The basis of allocation of revenue by geographical area is the country or region in which the entity recording the sale is located.
2. The unallocated amount in segment assets includes mainly tax balances.

- Due to the fact that the Logistics business is a pure play logistics company, we do not have a secondary segment.

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2005

(in € millions)	Northern Europe	Southern Europe	Americas	Asia Pacific	Non allocated [2]	Total
Revenue [1]	1,111.3	1,140.9	794.1	294.0	-	3,340.3
Segment assets	577.6	779.6	715.1	114.0	318.6	2,504.9
CAPEX	26.4	15.8	19.0	11.9	-	73.1
EBITDA	58.1	44.4	57.0	21.6	-	181.1

1. The basis of allocation of revenue by geographical area is the country or region in which the entity recording the sale is located.
2. The unallocated amount in segment assets includes investment in associates, amounts due from (to) other TNT companies, tax balances, and assets held for sale.
- Due to the fact that the Logistics business is a pure play logistics company, we do not have a secondary segment.

PRIMARY SEGMENTS

3 NOVEMBER 2006

(in € millions, except employees)	Italy	North America	United Kingdom	Rest of Europe	Rest of World[4]	Not allocated[2]	Intra-Logistics Business	Total
Revenue [1]	875.1	547.7	556.7	539.8	415.3	-	-	2,934.6
Intra-Logistics Business sales	1.8	1.2	6.6	5.0	0.5	-	(15.1)	-
Other operating revenue	0.6	-	1.8	3.3	1.2	-	-	6.9
Total revenue	**877.5**	**548.9**	**565.1**	**548.1**	**417.0**	**-**	**(15.1)**	**2,941.5**
Other income	0.4	-	1.4	0.4	0.2	-	-	2.4
Depreciation and amortization	16.4	12.6	14.9	12.4	12.0	-	-	68.3
Other operating expenses	99.8	61.7	50.0	58.3	20.4	-	-	290.2
Total operating expenses	**911.2**	**570.0**	**557.8**	**541.4**	**402.0**	**-**	**(15.1)**	**2,967.3**
Operating income	**(33.3)**	**(21.1)**	**8.7**	**7.1**	**15.2**	**-**	**-**	**(23.4)**
Net financial expense								(49.5)
Results from investments in associates								(2.5)
Profit before income taxes								**(75.4)**
Income taxes								(3.8)
Profit for the period from continuing operations								**(79.2)**
Loss from discontinued operations								(6.4)
Loss for the period								**(85.6)**
Intangible assets	142.9	413.9	78.8	206.6	12.8	-	-	855.0
Capital expenditure on property, plant and equipment	14.9	6.1	14.1	15.8	17.5	-	-	68.4
Investment in associates	-	-	-	2.5	0.2	-	-	2.7
Segment assets	596.0	570.9	299.1	434.9	189.3	65.4	-	2,155.6
Segment liabilities	422.2	86.5	110.1	1,326.2	88.8	65.5	-	2,099.3
Headcount at 3 November 2006 [3]	6,041	6,896	7,352	5,895	11,544	-	-	37,728

1. The basis of allocation of revenue by geographical area is the country or region in which the entity recording the sale is located.
2. The unallocated amount in segment assets and liabilities include long term debt, tax balances, and assets/ (liabilities) held for sale.
3. The headcount included is stated based on year-end figures.
4. The Rest of World segment includes the following regions: China, South America, Asia, South Africa, and Australia.
- Due to the fact that the Logistics business is a pure play company activity, we do not have a secondary segment.

PRIMARY SEGMENTS YEAR ENDED 31 DECEMBER 2005

(in € millions, except employees)	Italy	North America	United Kingdom	Rest of Europe	Rest of World[4]	Not allocated[2]	Intra-Logistics Business	Total
Revenue [1]	975.7	660.2	659.2	617.3	427.9	-	-	3,340.3
Intra-Logistics Business sales	4.8	-	7.8	5.0	0.2	-	(17.8)	-
Other operating revenue	0.9	-	1.9-	7.5	1.5	-	-	11.8
Total revenue	**981.4**	**660.2**	**668.9**	**629.8**	**429.6**	**-**	**(17.8)**	**3,352.1**
Other income	0.1	-	1.8	0.3	(0.1)	-	-	2.1
Depreciation and amortization	19.6	13.4	21.5	15.6	14.0	-	-	84.1
Other operating expenses	77.5	36.0	55.5	75.0	19.1	-	-	263.1
Total operating expenses	**972.3**	**629.2**	**659.7**	**604.4**	**409.4**	**-**	**(17.8)**	**3,257.2**
Operating income	**9.2**	**31.0**	**11.0**	**25.7**	**20.2**	**-**	**-**	**97.0**
Net financial expense								(79.3)
Results from investments in associates	0.3	-	-	0.2	(36.2)	-	-	(35.7)
Profit before income taxes								**(18.0)**
Income taxes								16.7
Loss for the period from continuing operations								**(34.7)**
Loss from discontinued operations								(191.9)
Loss for the period								**(226.6)**
Intangible assets	211.3	460.9	146.7	64.7	5.2	-	-	888.8
Capital expenditure on property, plant and equipment	13.3	16.6	15.2	13.7	14.3	-	-	73.1
Investment in associates	-	-	-	8.3	1.8			10.1
Segment assets	671.8	642.9	361.7	323.0	186.9	318.6	-	2,504.9
Segment liabilities	457.8	111.5	107.7	155.4	59.4	2,240.6	-	3,132.4
Headcount at 31 December [3]	6,379	6,738	7,373	6,053	9,781	-	-	36,324

1. The basis of allocation of revenue by geographical area is the country or region in which the entity recording the sale is located.
2. The unallocated amount in segment assets and liabilities include investment in associates, long term debt, amounts due from (to) other TNT companies, tax balances, and assets/ (liabilities) held for sale.
3. The headcount included is stated based on year-end figures and the FTE figures are an average of the year's FTE count.
4. The Rest of World segment includes the following regions: China, South America, Asia, South Africa, and Australia.

- Due to the fact that the Logistics business is a pure play logistics company, we do not have a secondary segment.

8. SPECIFIC ITEMS

CEVA has changed its presentation of its results from operations from prior periods by preparing specific items. The purpose of such separation is to identify and disclose significant and material non-recurring or unusual items to provide comparability of results to the CEVA Group results for future periods. Specific items may not be comparable to similarly titled measures used by other companies.

The principal events which may give rise to a specific item include gains and losses on the disposal of businesses, the restructuring costs or integration costs, fees paid or received for services or use of assets of the previous owner of the Logistics business or material litigation and claims.

(in € millions)	PERIOD ENDED 3 NOVEMBER 2006	YEAR ENDED 31 DECEMBER 2005
	Specific items	Specific items
Cost of materials	-	-
Work contracted out and other external expenses [1]	-	10.0
Salaries and social security contributions [2]	29.3	-
Depreciation, amortization and impairment	-	-
Other operating expenses [3]	98.3	36.7
Total operating expenses	**127.6**	**46.7**

1. In 2005 we incurred a non-recurring charge of € 10 million related to legal claims from transportation suppliers against the company in relation to the change in the Italian legislation Tariffe a Forcella.
2. The 2006 specific items include retention of € 14.2 million in connection with the divestment of the business by TNT, severance payments of € 13.0 million made in connection with the restructuring of operations primarily in Italy, the United Kingdom, Germany, and the Netherlands and non-recurring separation costs (€ 2.1 million) primarily in relation to one-off settlements of key employee pension plans and costs associated with establishing corporate functions, previously managed by TNT N.V.
3. The 2006 items include € 69.1 million of payments in relation to contracts which were terminated as part of the ongoing business after the acquisition (2005: € 2.3 million), € 25.0 million of license fee payments paid to TNT for the use of the brand and trade names (2005: € 34.4 million), € 5 million of insurance claims not recoverable, € 4.8 million of non-recurring inventory losses and € 9.3 million of other non recurring separation and legal costs. These were offset with a non-recurring gain of € 15.0 million in relation to forgiveness of amounts due to other TNT companies.

9. INTANGIBLE ASSETS

(2006: € 855.0 million; 2005: € 888.8 million)

(in € millions)	Goodwill	Software	Other intangibles	Total
Amortization percentage		10 %-35 %	0 %-35 %	
Historical cost	1,034.3	17.3	19.2	1,070.8
Accumulated amortization and impairment	(226.1)	(7.7)	(6.6)	(240.4)
Balance at 1 January 2005	**808.2**	**9.6**	**12.6**	**830.4**
Additions	-	2.7	0.6	3.3
Disposals	-	(0.4)	(0.1)	(0.5)
Internal transfers / reclassifications	-	1.2	(1.2)	-
Amortization	(1.0)	(3.8)	(3.7)	(8.5)
Exchange rate differences	63.4	0.7	-	64.1
Total changes	**62.4**	**0.4**	**(4.4)**	**58.4**
Historical cost	1,097.7	17.6	14.8	1,130.1
Accumulated amortization and impairment	(227.0)	(7.7)	(6.6)	(241.3)
Balance at 31 December 2005	**870.7**	**9.9**	**8.2**	**888.8**
Additions	1.2	2.1	1.8	5.1
Disposals	(0.1)	-	(1.6)	(1.7)
Internal transfers / reclassifications	-	2.5	(0.6)	1.9
Amortization and impairment	-	(3.5)	(2.9)	(6.4)
Exchange rate differences	(32.8)	-	0.1	(32.7)
Total changes	**(31.7)**	**1.1**	**(3.2)**	**(33.8)**
Historical cost	1,066.0	22.2	14.5	1,102.7
Accumulated amortization and impairment	(227.0)	(11.2)	(9.5)	(247.7)
Balance at 3 November 2006	**839.0**	**11.0**	**5.0**	**855.0**

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Software includes internally generated capitalized software development costs. Goodwill is not amortized but is subject to impairment review. Goodwill is allocated to the Logistics business's cash-generating units ("CGUs") identified according to the geographical segments. A breakdown of intangible assets by segment is included in note 7.

The recoverable amount of a CGU is determined based on value-in-use calculations by using the discounted cash flow model. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Cash flows beyond the five-year period are extrapolated using estimated growth and the growth rates do not exceed the long-term average growth rate for the business in which the CGU operates. The discount rates used in the CGU valuations vary from 7.0 % and 8.0 % (pre-tax) to reflect specific risk relating to the relevant segment (7.5 % in 2005). Management determined the budgeted gross margin based on past performance and its expectations for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports.

10. PROPERTY, PLANT AND EQUIPMENT

(2006: € 317.2 million; 2005: € 319.2 million)

(in € millions)	Land and buildings	Plant and equipment	Other	Construction in progress	Total
Depreciation percentage	0 %-10 %	10 %-33 %	7 %-25 %	0 %	
Historical cost	192.1	369.8	148.2	0.8	710.9
Accumulated depreciation and impairment	(45.5)	(223.0)	(99.6)	-	(368.1)
Balance at 1 January 2005	**146.6**	**146.8**	**48.6**	**0.8**	**342.8**
Capital expenditure	4.9	36.1	22.1	10.0	73.1
Acquisitions	-	-	-	-	-
Disposals	(4.6)	(4.2)	(2.4)	-	(11.2)
Exchange rate differences	9.7	6.0	3.6	-	19.3
Depreciation and impairment	(10.3)	(38.5)	(26.9)	-	(75.7)
Transfers to assets held for sale	(12.6)	(15.0)	(1.6)	-	(29.2)
Transfers and other changes	5.9	2.1	0.8	(8.9)	-
Total changes	**(7.0)**	**(13.5)**	**(4.3)**	**1.1**	**(23.7)**
Historical cost	186.6	341.8	160.0	2.0	690.4
Accumulated depreciation and impairment	(47.0)	(208.5)	(115.7)	-	(371.2)
Balance at 31 December 2005	**139.6**	**133.3**	**44.3**	**2.0**	**319.2**
Changes in 2006					
Capital expenditure	9.9	24.6	13.8	20.1	68.4
Acquisitions	-	-	-	-	-
Disposals	(3.2)	(5.5)	-	(0.1)	(8.8)
Exchange rate differences	(1.1)	(0.7)	(1.3)	0.1	(3.0)
Depreciation and impairment	(6.9)	(34.5)	(20.5)	-	(61.9)
Transfers to assets held for sale					
Transfers and other changes	2.1	8.0	0.2	(7.0)	3.3
Total changes	**0.8**	**(8.1)**	**(7.8)**	**13.1**	**(2.0)**
Historical cost	194.3	368.2	172.7	15.1	750.3
Accumulated depreciation and impairment	(53.9)	(243.0)	(136.2)	-	(433.1)
Balance at 3 November 2006	**140.4**	**125.2**	**36.5**	**15.1**	**317.2**

Included in property, plant and equipment balance are assets held under finance lease with the following carrying amounts:

(in € millions)	Land and buildings	Plant and equipment	Other	Construction in progress	Total
Under finance lease 3 November 2006	9.9	4.8	2.2	-	16.9
Under finance lease 2005	15.5	5.5	-	0.8	21.8

There are no existing contracts for land and building rents longer than 20 years or contracts with indefinite terms.

11. FINANCIAL ASSETS

(2006: € 110.1 million; 2005: € 126.4 million)

(in € millions)	Investments in associates	Other loans receivable	Deferred tax assets	Amounts receivable from other TNT companies	Prepayments and accrued income	Total
Balance at 1 January 2005	**40.7**	**4.6**	**51.2**	**39.7**	**94.6**	**230.8**
Acquisitions/additions	5.2	1.8	(3.5)	-	4.8	8.2
Disposals/decreases	-	-	-	-	(30.1)	(30.1)
Share of (loss)/profit[1]	-	-	-	-	-	-
Withdrawals/repayments	-	(1.3)	(11.4)	(33.9)	(2.1)	(48.7)
Exchange rate differences	-	(0.4)	-	-	2.9	2.6
Impairment	(35.8)	-	-	-	-	(35.8)
Other changes	-	-	(0.6)	-	-	(0.6)
Total changes	**(30.6)**	**0.1**	**(15.5)**	**(33.9)**	**(24.5)**	**(104.4)**
Balance at 31 December 2005	**10.1**	**4.7**	**35.7**	**5.8**	**70.1**	**126.4**
Acquisitions/additions	-	1.0	11.7	0.2	3.6	16.5
Disposals/decreases	(2.9)	-	-	-	-	(2.9)
Share of (loss)/profit[1]	(2.5)	0.1	-	-	-	(2.4)
Withdrawals/repayments	-	(1.0)	-	-	(20.8)	(21.8)
Exchange rate differences	-	-	(0.3)	(0.2)	(0.1)	(0.6)
Impairment	-	-	-	-	-	-
Other changes	(2.0)	-	-	(5.8)	2.7	(5.1)
Total changes	**(7.4)**	**0.1**	**11.4**	**(5.8)**	**(14.6)**	**(16.3)**
Balance at 3 November 2006	**2.7**	**4.8**	**47.1**	**-**	**55.5**	**110.1**

1. Share of profit (loss) is after tax and minority interest of associates.

The investment Global Automotive Logistics S.A.S. was the Logistics business's most significant investment in an associate. As at 3 November 2006 the Logistics business had disposed of its investment in Global Automotive Logistics S.A.S.

Key information for 2005 regarding this investment is as follows and includes balances at 100 %. As at 31 December 2005, an impairment charge has been recorded of € 35.8 million to write down the investment's carrying value to management's best estimate of the recoverable amount of € 7.5 million.

The impairment charge as included in the results from investments in associates (2005: € 35.7 million) amounting to € 35.8 million is the main driver for the decreased results from investments in associates compared to prior year.

(in € millions)	Country of incorporation	Assets	Liabilities	Revenue	Profit / Loss	% interest held
						YEAR ENDED 31 DECEMBER 2005
Global Automotive Logistics S.A.S.	France	762.7	575.1	1,182.0	(27.8)	20 %

12. INVENTORY

(2006: € 23.1 million; 2005: € 22.1 million)

(in € millions)	PERIOD ENDED 3 NOVEMBER 2006	YEAR ENDED 31 DECEMBER 2005
Raw materials and supplies	6.6	7.0
Finished goods	16.5	15.1
Total	**23.1**	**22.1**

Total inventory of € 23.1 million (31 December 2005 € 22.1 million) is valued at historical cost for an amount of € 24.6 million (31 December 2005 € 23.3 million) and are stated net of obsolete items amounting to € 1.5 million (31 December 2005 € 1.2 million).

13. ACCOUNTS RECEIVABLE

(2006: € 573.9 million; 2005: € 640.4 million)

(in € millions)	PERIOD ENDED 3 NOVEMBER 2006	YEAR ENDED 31 DECEMBER 2005
Trade accounts receivable – total	562.3	595.0
Provision for impairment	(29.4)	(29.6)
Trade accounts receivable – net	**532.9**	**565.4**
VAT receivable	1.4	19.2
Other	39.6	55.8
Total	**573.9**	**640.4**

The fair value of the accounts receivable approximates its carrying value. The Logistics business has not recognized any material loss for impairment on trade accounts receivables during the period ended 3 November 2006 or the year ended 31 December 2005. Other receivables mainly include receivables from insurance companies, deposits, and various other items. The balance of accounts receivable that is expected to be recovered after 12 months is € 0 million (2005: € 0 million).

14. PREPAYMENTS AND ACCRUED INCOME

(2006: € 204.8 million; 2005: € 149.2 million)

Prepayments and accrued income include amounts paid in advance to cover costs that will be charged against income in future years and net revenue not yet invoiced. At 3 November 2006, prepayments amounted to € 24.2 million (2005: € 16.4 million).

15. CASH AND CASH EQUIVALENTS

(2006: € 47.4 million; 2005: € 93.4 million)

Cash and cash equivalents comprise cash at bank and in hand of € 47.4 million (2005: € 93.4 million) and include short term bank deposits of € 3.9 million (2005: € 9.8 million). The effective interest rate during 2005 on short term bank deposits was 3 % and the average outstanding amount was € 6.8 million. Included in cash and cash equivalents is nil (2005: € 3 million) of cash and cash equivalents under restricted title. The fair value of cash and cash equivalents approximates the carrying value.

16. ASSETS HELD FOR SALE

(2006: nil; 2005: € 79.7 million)

Liabilities related to assets classified as held for sale

(2006: nil; 2005: € 225.9 million)

In July 2005, TNT announced their intention to dispose of the French logistics business, which has been included in the condensed combined interim financial statements. As a result of the announcement, the Logistics business presented the assets and liabilities of the French logistics business as long lived assets to be disposed of by sale and have presented its profit (loss) for the period as profit (loss) from discontinued operations.

The major classes of assets and liabilities comprising the operations classified as held for sale and an analysis of the result from discontinued operations are as follows:

BALANCE SHEET	PERIOD ENDED 3 NOVEMBER	YEAR ENDED 31 DECEMBER
(in € millions)	2006	2005
Property, plant and equipment	-	7.2
Financial assets	-	5.1
Current assets	-	67.4
Total assets	**-**	**79.7**
Deferred tax liabilities	-	-
Provisions for pension liabilities	-	0.4
Other non-current liabilities	-	73.7
Current liabilities	-	151.8
Total liabilities	**-**	**225.9**

All inter-company balances as at 3 November 2006 and 31 December 2005 between the Logistics business's discontinued and continuing business have been eliminated.

STATEMENT OF INCOME	PERIOD ENDED 3 NOVEMBER	YEAR ENDED 31 DECEMBER
(in € millions)	2006	2005
Revenue	8.4	209.5
Other operating revenue	0.6	2.6
Total revenue	**9.0**	**212.1**
Other (expense)/income	(1.4)	1.4
Total operating expenses	(13.4)	(294.0)
Operating income	**(5.8)**	**(80.5)**
Net financial expense	(2.3)	(4.7)
Loss before income taxes	**(8.1)**	**(85.2)**
Income taxes	1.7	(10.3)
Loss on disposal of investments	-	(96.3)
Loss from discontinued operations	**(6.4)**	**(191.8)**

Inter-Logistics business revenue and related expenses of € 0.1 million (2005: € 1.8 million) have not been eliminated in the Statements of Income related to the discontinued French logistics business.

The cash flows of the discontinued TNT France operations are as follows:

CASH FLOW STATEMENTS	PERIOD ENDED 3 NOVEMBER	YEAR ENDED 31 DECEMBER
(in € millions)	2006	2005
Net cash used in operating activities	(25.1)	(30.1)
Net cash used in investing activities	8.1	(1.5)
Net cash from financing activities	10.8	40.2
Change in cash	**(6.2)**	**8.6**
Cash at the beginning of the period	**6.3**	**(1.6)**
Change in cash	(6.2)	8.6
Cash from disposed subsidiaries	(0.1)	(0.7)
Cash at the end of the period	**-**	**6.3**

The net cash from financing activities generally represents the funding provided by the Logistics business to the discontinued French logistics business during the periods presented. The remaining French operations were sold during the year 2006.

17. PROVISIONS FOR PENSION LIABILITIES

(2006: € 117.6 million; 2005: € 127.1 million)

The Logistics business operates a number of pension plans around the world, which include defined benefit plans in the Netherlands, Italy, United States, United Kingdom, and Australia.

Defined Benefit Plans Excluding The Netherlands

Other significant funded pension plans are established in the United States and United Kingdom. The asset mix is stable. During 2006, the dynamic weight of equity investments was 73 %, the dynamic weight of fixed interest investments decreased to 21 %, and the weight of cash remained stable at 3 %. The total return on assets was 7.2 % in 2006 and 8.0 % in 2005.

	PERIOD ENDED 3 NOVEMBER	YEAR ENDED 31 DECEMBER
(in %)	2006	2005
Equity	73 %	73 %
Bonds	21 %	24 %
Real estate	3 %	0 %
Cash	3 %	3 %
Total	**100 %**	**100 %**

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In the period ended 3 November 2006, our employer pension expense was € 12.5 million (2005: € 6.0 million). Total cash contributions for the period ended 3 November 2006 amounted to € 8.3 million (2005: € 7.4 million) and are expected to amount to approximately € 7.0 million in 2007.

The table below reconciles the opening and closing balances of the present value of the defined benefit obligation and the fair value of planned assets for the defined benefit plans.

(in € millions)	PERIOD ENDED 3 NOVEMBER 2006	YEAR ENDED 31 DECEMBER 2005
Change in benefit obligation		
Benefit obligation at beginning of year	**161.3**	**150.4**
Service costs	3.8	4.2
Interest costs	2.0	3.0
Amendments/foreign currency effects	(5.8)	2.2
Acquisitions	-	-
Past service costs	0.1	0.3
Actuarial loss	1.6	6.9
Participant contributions	-	0.1
Benefits paid	(10.8)	(5.8)
Benefit obligation at end of period	**152.2**	**161.3**
Change in plan assets		
Fair value of plan assets at beginning of year	**24.0**	**16.3**
Actual return on plan assets	3.0	1.3
Employer contribution	6.9	7.4
Amendments/foreign currency effects	3.3	4.8
Benefits paid	(10.8)	(5.8)
Fair value of plan assets at end of period	**26.4**	**24.0**
Funded status as per 31 December,		
Funded status	125.8	137.2
Unrecognized net actuarial loss	(8.2)	(10.1)
Provisions for pension liabilities	**117.6**	**127.1**

(in € millions)	PERIOD ENDED 3 NOVEMBER 2006	YEAR ENDED 31 DECEMBER 2005
Components of employer pension expense for:		
Service costs	3.8	4.2
Interest costs	2.0	3.0
Expected return on plan assets	(3.6)	(1.3)
Amortization of actuarial loss	2.6	0.3
Other costs	7.7	(0.2)
Total post-employment benefit expenses	**12.5**	**6.0**

Included in the provision for pension liabilities are the unfunded defined benefit obligations relating to leaving service benefits provided to Italian employees that are mandatory under Italian law ("TFR"), of € 104.0 million (31 December 2005: € 108.4 million) as well as € 8.2 million (31 December 2005: € 13.1 million) relating to the transitional plan for early retirement in the Netherlands.

	PERIOD ENDED 3 NOVEMBER	YEAR ENDED 31 DECEMBER
(in %)	**2006**	**2005**
Weighted Average Assumptions (%)		
Discount rate	5.3 %	4.0 %
Expected return on assets	7.2 %	7.4 %
Rate of compensation increase	3.4 %	3.1 %
Rate of benefit increase	3.3 %	3.0 %

TNT N.V. Sponsored Group Pension Plan

During the 10 month period when the Logistics business was a part of TNT N.V. certain key employees located in the Netherlands participated in the TNT sponsored plan. As this plan is administered by TNT, we cannot present the full disclosure notes related to the former plan. For a full disclosure of amounts relating to the TNT pension plan please see the annual report of TNT N.V. for the period ended 31 December 2006. The impact of not disclosing this information should be considered superfluous as the TNT pension plan will be replaced by CEVA's pension plan, which is the only plan relevant for the future. Information regarding the pension plan for 2005 which has been taken from the combined accounts as prepared by TNT N.V. is shown on this page.

The Logistics business's contributions to this plan for the period ended 3 November 2006 amounted to € 6.0 million (2005: € 6.1million).

TNT's main Dutch pension plan, which is externally funded in "Stichting Pensioenfonds TNT," covers all TNT's employees who are subject to the collective labor agreement in the Netherlands. The majority of the Logistics business's Dutch employees are subject to the collective labor agreement. By Dutch law, the plan is carried out by a separate legal entity and is managed by an independent board that falls under the supervision of the Nederlandsche Bank (DNB). For purposes of the combined financial statements, in accordance with IAS 19, this pension plan has been classified as a group plan. The contribution payable by the Logistics business has been determined for 2005 based on the number of participating employees to the total number of participating employees. In 2006, this allocation methodology was changed to pensionable base (the portion of a participating employee's salary in excess of the Dutch minimum wage) to total pensionable base for all participating employees. The table below reconciles the opening and closing balances of the present value of the defined benefit obligation and the fair value of plan assets for the TNT N.V.-sponsored group pension plan.

	YEAR ENDED 31 DECEMBER
(in € millions)	**2005**
Change in benefit obligation	
Benefit obligation at beginning of year	**(3,952.5)**
Service costs	(134.9)
Interest costs	(193.0)
Past service costs/termination benefit costs	(52.2)
Actuarial loss	(242.0)
Benefits paid	72.6
	(4,502.0)
Benefit obligation at end of year	
Change in plan assets	
Fair value of plan assets at beginning of year	**3,614.8**
Actual return on plan assets	476.7
Employer contribution	160.5
Benefits paid	(72.6)
Fair value of plan assets at end of year	**4,179.4**

The table below illustrates the percentage that each major category constitutes of the fair value of the total plan assets for the TNT N.V. sponsored group pension plan.

	YEAR ENDED 31 DECEMBER
(in %)	**2005**
Actual assets mix	
Equities	47.5 %
Fixed interest	44.6 %
Real estate	7.9 %
Cash	0.0 %
Total	**100.0 %**

The principal actuarial assumptions used as at the balance sheet dates are as follows.

	YEAR ENDED 31 DECEMBER
(in %)	**2005**
Discount rate	4.3 %
Expected return on plan assets	7.9 %
Expected rate of salary increases	2.0 %
Rate of benefit increase	2.0 %

The expected return on plan assets is determined by considering the expected return available on the assets underlying the current investment policy.

18. OTHER PROVISIONS

(2006: € 92.1 million; 2005: € 63.6 million)

STATEMENT OF CHANGES IN OTHER PROVISIONS

(in € millions)	Restructuring	Other	Total
At 1 January 2005	**6.4**	**59.1**	**65.5**
Additions	0.2	21.9	22.1
Withdrawals	(1.9)	(1.9)	(3.8)
Exchange rate differences	-	5.6	5.6
Reclassification	(0.1)	-	(0.1)
Other/releases	1.4	-	1.4
Balance at 31 December 2005	**6.0**	**84.7**	**90.7**
of which included in other provisions (non-current)	6.0	57.6	63.6
of which included in short term provisions		27.1	27.1
At 1 January 2006	**6.0**	**84.7**	**90.7**
Additions	1.9	52.0	53.9
Withdrawals	(4.3)	(14.5)	(18.8)
Exchange rate differences	-	(2.8)	(2.8)
Balance at 3 November 2006	**3.6**	**119.4**	**123.0**
of which included in other provisions (non-current)	2.9	89.2	92.1
of which included in short term provisions	0.6	30.3	30.9

Other provisions of € 119.4 million mainly relate to provisions for contractual and legal obligations, provisions for claims and other provisions.

19. BORROWINGS

(2006: € 25.8 million; 2005: € 25.3 million)

	PERIOD ENDED 3 NOVEMBER		YEAR ENDED 31 DECEMBER	
(in € millions)	2006		2005	
	Carrying Amount	Fair value	Carrying Amount	Fair value
Bank loans	-	-	-	-
Finance leases	24.8	24.8	25.3	25.3
Other loans	1.0	1.0	-	-
Total long term debt	**25.8**	**25.8**	**25.3**	**25.3**

The fair value of long term debt, net of current portion, has been estimated by calculating the discounted value of the loan portfolio using an estimated yield curve, appropriate for the contract terms in effect at the end of the year.

The difference between the nominal value and the fair value will be approximately zero, because of the loans having a floating interest rate.

20. OTHER CURRENT LIABILITIES

(2006: € 82.3 million; 2005: € 376.9 million)

(in € millions)	PERIOD ENDED 3 NOVEMBER 2006	YEAR ENDED 31 DECEMBER 2005
Short term bank debt	24.8	12.2
Current portion of Canadian syndicated facility	-	227.9
Total current borrowings	**24.8**	**240.1**
Taxes and social security contributions	28.0	-
Derivative and other financial liabilities at fair value	-	13.1
Other current liabilities	29.5	123.7
Total	**82.3**	**376.9**

As at 3 November 2006, the Canadian denominated syndicated facility was fully repaid. Additionally, the Logistics business had no forward foreign exchange, derivative contracts or put and call options outstanding at that time. Information for the previous periods is included below.

External funding as at 31 December 2005 mainly consists of a € 222 million Canadian denominated syndicated facility, signed in May 2001 at a rate of interest of three-month Canadian Libor plus a margin of 0.325 %. Of the total facility of CAD 325 million, CAD 20 million remained undrawn. For 2005 the effective interest rate is 3.11 %. The difference between the nominal value and the fair value will be approximately zero, because of the facility having a three-month variable rate.

Derivative financial liabilities at 31 December 2005 relates to a forward foreign exchange contract and a put and call option over the shares of one of the entities of the Logistics business.

The notional principal amount of the outstanding forward foreign exchange contract at 31 December 2005 was Chinese Renminbi (CNY) 36.1 million. The fair value of the forward foreign exchange contract amounted to € 0.1 million on 31 December 2005.

In 2003, TNT Logistics Italy acquired a 51 % interest in TNT Arvil – joint venture TNT Arcese Bonzano SpA (“TNT Arvil”), while the remaining 49 % was acquired by Ecotrans Srl (“Ecotrans”). TNT Arvil provides inbound logistics services to one of the Logistics business’s customers in its domestic market. The terms and conditions of the shareholders agreement provide TNT Logistics Italy with the option to call on the shares of Ecotrans and for Ecotrans to put its shares to TNT Logistics Italy. With effect from 1 January 2005, the Logistics business has accounted for this put and call option in accordance with IAS 32 and 39 and has therefore recorded a financial liability of € 9 million on 1 January 2005 and € 13 million on 31 December 2005 in its combined balance sheets. Changes in this financial liability are reflected in the combined income statements.

21. ACCRUED CURRENT LIABILITIES

(2006: € 317.7 million; 2005: € 270.2 million)

(in € millions)	PERIOD ENDED 3 NOVEMBER 2006	YEAR ENDED 31 DECEMBER 2005
Amounts received in advance	20.0	11.0
Expenses to be paid	180.3	161.3
Holiday accrual	49.9	43.1
Other accrued current liabilities	67.5	54.8
Total	**317.7**	**270.2**

22. REVENUE

(2006: € 2,934.6 million; 2005: € 3,340.3 million)

The revenue of the Logistics business relate to the delivery of transportation, warehousing, and other value added services to third parties less discounts, credit notes and taxes levied on sales. Revenue allocated by geographical area in the country or region in which the entity records sales is detailed in note 7.

23. OTHER OPERATING REVENUE

(2006: € 6.9 million; 2005: € 11.8 million)

Other operating revenue include revenue not related to our normal trading activities and mainly include rental income of temporarily leased-out property and income from logistics consultancy services.

24. SALARIES AND SOCIAL SECURITY CONTRIBUTIONS

(2006: € 889.1 million; 2005: € 996.7 million)

(in € millions)	PERIOD ENDED 3 NOVEMBER 2006	YEAR ENDED 31 DECEMBER 2005
Salaries	709.0	804.5
Share-based payments	2.5	1.7
Pension charges	28.5	19.7
Social security charges	149.1	170.8
Total	**889.1**	**996.7**

Performance Share Scheme

During the 10 month predecessor period, certain key employees participated in the TNT Management Equity plan. As this plan is administered by TNT, we cannot present the equity participation costs related to the former plan. For a full disclosure of amounts relating to the TNT performance share schemes, please see the annual report of TNT N.V. for the period ended 31 December 2006. The impact of not disclosing this information should be considered superfluous as the TNT equity plan has been replaced by CEVA's management equity plan, which is the only plan relevant for the future. Information regarding the performance share scheme for 2005 and 2004 which has been taken from the combined accounts as prepared by TNT N.V. is shown below.

TNT's performance share scheme is an equity-settled plan with annual grants. Participants of the scheme, which includes employees of the Logistics business, are granted a conditional right over a number of TNT shares. The number of shares comprised in the share award reflects the position that the participant holds and management's assessment of their future contribution to the company.

Participants will become owners of the share after a period of three years (vesting period). The plan includes market-based vesting conditions such that the number of shares is dependent on TNT's Total Shareholder Return ("TSR") performance relative to certain other stock indices. These conditions are included in the calculation of the fair value at grant date. This plan is similar to the stock option plan as described below with the only difference that the exercise price of performance shares is equal to zero.

- Performance shares were granted in May 2005 to 270 managers of the Logistics business at a fair value of € 14.11 per share. These grants were part of TNT's policy of granting rights on performance shares each year to eligible members of senior management from 2005 onwards.
- Shares will become unconditional at the third anniversary of the grant (May 2008).
- The participant retains the right to be compensated when he/she leaves the company for certain reasons (retirement, certain reorganizations, disability or death).

The total number of rights on performance shares for employees of the Logistics business granted in 2005 is stated below.

RIGHTS ON PERFORMANCE SHARES MANAGEMENT

		NUMBER OF RIGHTS ON PERFORMANCE SHARES					
	Year	Outstanding as at 1 January 2005	Granted during 2005	Exercised during 2005	Exercised during 2005	Outstanding as at 31 December 2005	Remaining years in contractual life
Key management[1]	**Various**	6,507	23,275	-	-	29,782	-
Employees of Logistics business	**2005**	-	324,960	33	3,807	328,800	2.3

1. See further details of key management performance shares in Note 29.

Management Option Plan

Employees of the Logistics business also participate in TNT's management option plan. No options were granted in 2005, since the management option plan was replaced by the performance share scheme in 2005.

The number of options granted in each of the three years that will ultimately be eligible for exercise is dependent on TNT's total shareholder return relative to a peer group of direct competitors and a peer group of AEX companies.
Option rights were granted in accordance with the management option plan, which is approved by the Supervisory Board of TNT.

The significant aspects of the plan are:

- options are granted at the average market price as traded on the Euronext Amsterdam on the date the grant is made (2004: € 18.44 per share);
- for options granted in 2003 and 2004, the option is exercisable between the third and eighth anniversary of the day of grant; after eight years the outstanding options expired;
- for options granted prior to 2003, the option is exercisable between the third and fifth anniversary of the day of grant; after five years the outstanding options expired;
- the option holder retains the right to exercise his/her option when he/she leaves the company for certain reasons (retirement, certain reorganizations, disability or death); and

- the option holder loses the right to exercise his/her option when he/she leaves the company for reasons other than those mentioned above.

The exercise of options is subject to the TNT rules concerning inside information.

The table below summarizes the status of the number of outstanding options granted to employees of the Logistics business.

STATEMENT OF CHANGES OF OUTSTANDING OPTIONS

	Year	NUMBER OF OPTIONS				AMOUNTS IN €		
		Outstanding as at 1 January 2005	Exercised during 2005	Forfeited during 2005	Outstanding as at 31 December 2005	Exercise price	Share price on exercise date	Remaining years in contractual life
Key management[1]	**various**	63,000	-	-	63,000	N/A	N/A	N/A
Employees of Logistics Business	**2000**	97,500	-	97,500	-	24.96	N/A	-
	2001	299,000	89,200	16,800	193,000	23.66	25.64	0.2
	2002	504,686	67,423	268,695	168,568	22.24	25.54	1.1
	2003	665,250	3,000	62,250	600,000	13.85	20.71	5.1
	2004	840,300	2,000	102,000	736,300	18.44	20.71	6.3
Total		**2,469,736**	**161,623**	**547,245**	**1,760,868**			

1. See further detail of key management options in Note 29.

HISTORIC OVERVIEW OF OUTSTANDING OPTIONS

	31 DECEMBER 2005		31 DECEMBER 2004	
	Number of options	Weighted average exercise price (in €)	Number of options	Weighted average exercise price (in €)
Balance at the beginning of the year	**2,469,736**	**18.88**	**2,107,400**	**18.88**
Granted	-	-	931,800	18.44
Exercised	161,623	22.82	2,250	13.85
Forfeited	547,245	21.11	567,214	16.66
Balance at the end of the year	**1,760,868**	**17.79**	**2,469,736**	**18.88**
Exercisable at 31 December	363,318	22.95	404,000	23.83
Fair value of options (Black-Scholes) at grant date (in €)				3.67
Fair value of options (Monte Carlo) at grant date (in €)[1]				4.73

1. This includes the value of marked-based performance conditions regarding total shareholder return.

All options granted entitle the holder to the allotment of ordinary shares when they are exercised and are equity settled.

Bonus/Matching Plan for Senior Management

Members of a select group of senior managers were paid 75 % of their 2002, 2003 and 2004 bonus in cash and 25 % as a grant of TNT shares with an associated matching right in 2005 (121,345), 2004 (107,710) and in 2003 (54,405) if at least 50 % of the shares are kept for three years. The bonus/matching plan is part of the remuneration package for the members of senior management, and it is particularly aimed at further aligning their interests with the interests of the shareholders. The rights on bonus and matching shares are granted in accordance with the bonus/matching plan, which has been approved by the Supervisory Board of TNT.

The significant aspects of the plan are:

- the grant of the right on bonus shares is in lieu of 25 % of an individual's annual bonus payment, and bonus shares are delivered shortly after the right is granted;
- the number of bonus shares is calculated by dividing 25 % of an individual's gross annual bonus relating to the preceding financial year by the weighted average share price on the

Euronext Amsterdam on the date the grant is made (2005: € 20.55 per share);

- the rights on matching shares are granted for nil and the number of shares is equal to the number of bonus shares;
- the matching shares are delivered three years after the delivery of the bonus shares. One matching share is delivered for each bonus share that has been retained for three years;
- for each bonus share that is sold within three years, the associated right to one matching share lapses. If more than 50% of the bonus shares are sold within three years, the entire right to matching shares lapses with immediate effect;
- where a participant leaves the company for certain reasons (retirement, certain reorganizations, disability or death) the right to matching shares will vest immediately and he/she can exercise his/her right pro rata; and
- a participant loses the right to exercise his/her right on matching shares when he/she leaves the company for reasons other than those mentioned above.

The exercise of the rights on matching shares is subject to the TNT rules concerning inside information. All awards under this plan are equity settled.

Fair Value Assumptions

Share-based payments have been measured using the Monte Carlo fair value measurement method. Significant assumptions used by management in the calculations are as follows:

	YEAR ENDED 31 DECEMBER	
	2005	**2004**
TNT share price (in €)	20.71	18.44
Volatility (%)	28.35	32.39
Expected life (in years)	3.00	3.00
Risk free rate (%)	2.39	4.09
Dividend yield (%)	3.13	2.90

25. DEPRECIATION, AMORTIZATION AND IMPAIRMENT

(2006: € 68.3 million; 2005: € 84.1 million)

	PERIOD ENDED 3 NOVEMBER	YEAR ENDED 31 DECEMBER
(in € millions)	**2006**	**2005**
Amortization and impairment of other intangibles	6.4	8.5
Depreciation property, plant and equipment	61.9	75.6
Total	**68.3**	**84.1**

26. NET FINANCIAL EXPENSES

Interest and similar income

(2006: € 16.8 million; 2005: € 9.6 million)

Interest and similar income for the period ended 3 November 2006 is shown in the table below.

	FOR THE PERIOD ENDED 3 NOVEMBER
(in € millions)	**2006**
Interest on short term receivables	6.8
Other financial income	10.0
Total financial income	**16.8**

For the year ended 31 December 2005, interest and similar income mainly relates to interest income on funding from other TNT companies.

Interest and similar expenses

(2006: € 66.3 million; 2005: € 88.9 million)

Interest expense for the period ended 3 November 2006 is shown in the table below.

	FOR THE PERIOD ENDED 3 NOVEMBER
(in € millions)	**2006**
Interest on long term liabilities	1.6
Interest on short term liabilities	27.8
Net foreign exchange transaction (gains)/losses	2.6
Other financial expenses	34.3
Total financial expenses	**66.3**

Interest expense for the year ended 31 December 2005 is shown in the table below.

	FOR THE YEAR ENDED 31 DECEMBER
(in € millions)	**2005**
Bank overdrafts – non cash pool related	0.2
Loans	6.9
Bank loan Canada	6.3
Other TNT companies	73.0
Other financial expenses	2.5
Total	**88.9**

27. INCOME TAXES

(2006: € 3.8 million; 2005: € 16.7 million)

Income taxes for the period ended 3 November 2006 amount to € 3.8 million (2005: € 16.7 million).

	FOR THE YEAR ENDED 31 DECEMBER	
		2005
	(in € millions)	(in %)
Dutch statutory tax rate	5.6	31.5 %
Impact other statutory tax rates	9.6	53.8 %
Weighted average statutory tax rate	**15.1**	**85.3 %**
Total tax expense caused by permanent differences	1.6	8.6 %
Total tax expense	**16.7**	
Effective tax rate		**93.9 %**

Income taxes differ from the amount calculated by multiplying the Dutch statutory corporate income tax rate with the profit before income taxes and results from investments in associates. In the 2006 period, the overall effective income tax rate was -5.4 % (2005: 93.9 %), which is different than the statutory corporate income tax rate of 29.6 % in the Netherlands (2005: 31.5 %).

Income tax expense consists of the following:

	PERIOD ENDED 3 NOVEMBER	YEAR ENDED 31 DECEMBER
(in € millions)	**2006**	**2005**
Current tax expense	(26.3)	12.1
Changes in deferred taxes (excluding acquisitions/foreign exchange effects)	22.5	4.5
Total income taxes	**(3.8)**	**16.6**

For the period ended 3 November 2006, the current tax expense amounted to € 3.8 million, (2005: € 12.1 million).

	PERIOD ENDED 3 NOVEMBER	YEAR ENDED 31 DECEMBER
(in € millions)	**2006**	**2005**
Income tax receivable	18.2	15.0
Income tax payable	(25.4)	(20.2)
Netted current income tax position	**(7.2)**	**(5.2)**

	PERIOD ENDED 3 NOVEMBER	YEAR ENDED 31 DECEMBER
(in € millions)	**2006**	**2005**
Losses	-	2.7
Other timing differences (including losses for period ended 3 November 2006)	47.1	33.0
Total	**47.1**	**35.7**

MOVEMENT NET DEFERRED TAX POSITION

(in € millions)	
Net deferred tax position 1 January 2005	**29.9**
Movement to discontinued operations	(10.2)
Movement via P/L and other movements	(12.7)
Net deferred tax position 31 December 2005	**7.0**
Movement via P/L and other movements	25.8
Net deferred tax position 3 November 2006	**32.8**

Deferred tax assets and liabilities with the same term and the same combined tax group are presented net in the balance sheet if the Logistics business has a legally enforceable right to offset the recognized amounts.

The net deferred tax position is caused by recognized tax loss carry forwards, differences between fiscal and commercial depreciation and other timing differences.

Deferred income tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through the future taxable profits is probable.

Deferred income tax liabilities have not been recognized for any withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested.

28. COMMITMENTS AND CONTINGENCIES

Financial and Operating Guarantees

Total guarantees at 3 November 2006 were € 148.1 million (31 December 2005: € 113.9 million) of which € 16.7 million (2005: € 46.3 million) amounted to corporate guarantees. These total guarantees were mainly issued in connection with the Logistics business's obligations under lease contracts, custom duty deferment, and local credit lines.

Of the total guarantees, banks and other financial institutions have issued guarantees to cover obligations of Logistics business entities up to an amount of € 89.0 million (2005: € 68.4 million). These guarantees were mainly issued in connection with the Logistics business's obligations under lease contracts, customs duty deferment, and local credit lines. The obligations under the guarantees issued by banks and other financial institutions have been secured by TNT or by our subsidiaries.

Rent and Operating Lease Contracts

In the period ended 3 November 2006, operating lease expenses (including rental) in the combined statements of income amounted € 216.6 million (2005: € 250.2 million). Future payments on non-cancellable existing operating lease contracts, mainly relating to real estate, computer equipment and other equipment, were as follows:

	PERIOD ENDED 3 NOVEMBER	YEAR ENDED 31 DECEMBER
(in € millions)	**2006**	**2005**
Payable in the period		
less than 1 year	128.1	121.9
between 1 and 2 years	124.5	127.6
between 2 and 3 years	85.9	98.0
between 3 and 4 years	61.4	69.4
between 4 and 5 years	43.2	49.5
thereafter	81.6	106.4
Total	**524.7**	**572.8**
of which guaranteed by a third party/customers	78.1	85.5

Purchase Commitments

Commitments relating to capital expenditures amount to € 7 million (2005: € 7 million) over the next year and relate to additional warehousing to support new business and improvements to existing warehousing premises.

Contingent Legal Liabilities

The Logistics business is involved in several legal proceedings relating to the normal conduct of its business. Management does not expect any liability arising from any of these legal proceedings to have a material effect on the Logistics business's results of operations, liquidity, capital resources or financial position. Management believes that they have provided for all probable liabilities deriving from the normal course of business.

Contingent Tax Liabilities

Multinational groups, the size of the Logistics business are exposed to varying degrees of uncertainty related to tax planning, regulatory reviews, and audits. Income taxes are accounted on the basis of internal analyses, supported by external advice. The global tax position is continually monitored and whenever uncertainties arise, an assessment of the potential consequences, with either an accrual of the liability or disclosure of a contingent liability in the financial statements, depending on the strength of position and the resulting risk of loss.

29. RELATED PARTY TRANSACTIONS AND BALANCES

The Logistics business is owned and controlled by TNT N.V. It also has trading relationships with a number of other TNT companies, joint ventures as well as with uncombined companies in which the Logistics business holds minority shares. In some cases there are contractual arrangements in place under which the Logistics business entities source supplies from such undertakings or such undertakings source supplies from the Logistics business.

The following transactions were carried out with other TNT companies.

PURCHASES OF GOODS AND SERVICES FROM OTHER TNT COMPANIES

	PERIOD ENDED 3 NOVEMBER	YEAR ENDED 31 DECEMBER
(in € millions)	**2006**	**2005**
Management fees[1]	34.9	34.2
Reimbursement of marketing costs	(2.2)	(1.7)
License fees[2]	25.3	34.4
Share-based payments	2.5	1.6
Pension costs in respect of group plan[3]	3.0	0.2
Insurance premiums[4]	5.5	5.9

1. The Logistics business is principally managed by senior Logistics management from its headquarters located in Hoofddorp, The Netherlands. TNT provides the Logistics business executive management and functional leadership in the areas of finance, taxation, new business development, human resources, legal, and information technology. The Logistics business utilizes the services of TNT for certain functions such as providing working capital, certain legal, finance, internal audit, financial reporting, tax advisory, insurance global information technology, environmental matters, and human resource services including various corporate wide employee benefit programs. The associated costs of these services are charged by TNT to the respective entities through the Management and Administrative Services Agreements ("MASA") charges. These MASA agreements also include share-based payment charges in respect of the participation of Logistics employees in TNT share-based payment plans which are not part of the management fee. See note 24.
2. Represents licence fees charged to the Logistics business in exchange for the use of the TNT brand and trade names.
3. Represents contributions paid in respect of the Dutch pension plan, which is accounted for as a group plan.
4. Represents insurance premiums paid to the TNT captive insurance company.

SALE OF SERVICES TO OTHER TNT COMPANIES

(in € millions)	PERIOD ENDED 3 NOVEMBER 2006	YEAR ENDED 31 DECEMBER 2005
Logistics Services	36.1	24.5

INTEREST INCOME/(EXPENSE) WITH OTHER TNT COMPANIES

(in € millions)	PERIOD ENDED 3 NOVEMBER 2006	YEAR ENDED 31 DECEMBER 2005
Interest income		
TNT Finance B.V.	1.2	2.6
Other TNT companies (excluding TNT Finance B.V.)	4.3	1.2
	5.5	**3.8**
Interest expense		
TNT Finance B.V.	(37.6)	(44.1)
Other TNT companies (excluding TNT Finance B.V.)	(10.3)	(28.9)
	(47.9)	**(73.0)**

PERIOD END BALANCES ARISING FROM TRANSACTIONS WITH OTHER TNT COMPANIES

(in € millions)	PERIOD ENDED 3 NOVEMBER 2006	YEAR ENDED 31 DECEMBER 2005
Non-current receivables		
TNT Finance B.V.	-	0.6
Other TNT companies (excluding TNT Finance B.V.)	-	5.2
	-	**5.8**
Current receivables		
TNT Finance B.V.	-	41.2
Other TNT companies (excluding TNT Finance B.V.)	5.9	129.5
	5.9	**170.7**
Non-current payables		
TNT Finance B.V.	-	239.9
Other TNT companies (excluding TNT Finance B.V.)	-	24.2
	-	**264.1**
Current payables		
TNT Finance B.V.	1,165.2	1,188.8
Other TNT companies (excluding TNT Finance B.V.)	18.9	267.4
	1,184.1	**1,456.2**

Current receivables and payables are governed by the Revolving Current Account Agreement bearing interest based on EURIBOR +114 basis points (2005: EURIBOR + 114 basis points). These accounts are payable on demand.

KEY MANAGEMENT PERSONNEL DISCLOSURE

PERIOD ENDED 3 NOVEMBER 2006 AND YEAR ENDED 31 DECEMBER 2005

Compensation & benefits Board of Management (in €)		Base salary	Other periodic paid compensation	Accrued profit share and bonus	Accrual profit share and bonus	Pension contributions for future payments	Total
David Kulik	**2006**	508,000	79,211		1,600,000	391,329	2,578,540
	2005	600,000	60,398	399,312	126,193	605,973	1,791,876
	Logistics	500,000					
	Corporate	100,000					

OPTIONS KEY MANAGEMENT

Key management	Year	NUMBER OF OPTIONS Outstanding at 1 January 2005	Exercised during 2005	Forfeited during 2005	Outstanding as at 31 December 2005[1]	AMOUNT IN € Exercise price	Share price on exercise date	Remaining years in contractual life
David Kulik	**2003**	18,000	-	-	18,000	13.85		5.1
	2004	45,000	-	-	45,000	18.44		6.3
Total		**63,000**			**63,000**			

1. 150 % of base allocation being the maximum number on options exercisable under the performance schedule.

In 2006, Mr. David Kulik received a special incentive award of € 1.6 million for the successful completion of the sale of the logistics division.

RIGHTS ON PERFORMANCE SHARES

Key management	Year	NUMBER OF RIGHTS ON PERFORMANCE SHARES Outstanding at 1 January 2006	Granted during 2006[1]	Exercised during 2006	Forfeited during 2006	Outstanding as at 3 November 2006	Remaining years in contractual life
David Kulik	**2004**	6,507	-	4,971	1,536	-	-
	2005	23,275	-	9,698	13,577	-	-
	2006	-	16,032	1,893	14,139	-	-
Total		**29,782**	**16,032**	**16,562**	**29,252**	**-**	**-**

1. 120 % of base allocation being the maximum number on performance shares that can vest under performance schedule.

BONUS RELATED MATCHING RIGHTS

Key management	Year	NUMBER OF RIGHTS ON PERFORMANCE SHARES Outstanding at 1 January 2006	Granted during 2006[1]	Exercised during 2006	Forfeited during 2006	Outstanding as at 3 November 2006	Remaining years in contractual life
David Kulik	**2004**	1,863	-	1,553	310	-	-
	2005	5,028	-	2,514	2,514	-	-
	2006	-	2,132	356	1,776	-	-
Total		**6,891**	**2,132**	**4,423**	**4,600**	**-**	

The matching rights of the members of the Board of Management include the matching rights before appointment to the Board of Management.

30. EVENTS AFTER BALANCE SHEET DATE

Acquisition of EGL, Inc. on 2 August 2007

On 2 August 2007 the Company acquired 100 % of the shares of EGL Eagle Global Logistics Inc. (“EGL”). EGL’s former shareholders were entitled to receive USD 47.50 in cash, without interest, for each share of EGL common stock they owned at the effective time of the acquisition. The purchase price settled in cash was approximately € 1,463.3 million. As a result of this transaction, EGL is now a wholly owned subsidiary of CEVA Group Plc.

Investment in Global Automotive Logistics SAS

Prior to 23 August 2006, CEVA Logistics Holdings B.V. held an investment of 20 % of the equity in Global Automotive Logistics SAS (“GAL”). GAL has a 100 % interest in Compagnie d’Affrètement et de Transport S.A. (“CAT”).

As at 31 December 2005, an impairment charge of € 35.8 million was recorded to write down the investment’s carrying value to management’s best estimate of the recoverable amount of € 7.5 million.

On 14 July 2006, CEVA Logistics Holdings B.V. entered into a call option agreement with Wallenius (one of the other shareholders of GAL), whereby TNT Logistics Holdings B.V. irrevocably granted Wallenius an option to acquire the 20 % investment in GAL, including the outstanding shareholder's account at any time until 1 December 2006 for a payment of € 5 million. The Logistics business received € 5 million as premium paid for the call option during July 2006. On 23 August 2006, TNT Logistics Holdings B.V. sold its share in GAL to TNT Holdings B.V. for a purchase price of € 2.5 million.

TNT Arvil JV Put Option

As at 31 December 2005, the financial liability was recorded to the value of € 13 million (see note 20) being equal to the estimated redemption amount. In March 2006, Ecotrans exercised its option and TNT acquired the 49 % of the interest of Ecotrans for an amount of approximately € 13 million.

Contract Negotiations

During 2006, contract negotiations took place with two significant customers in North America and Europe, respectively. The impacts of these arrangements are included in the results of the period ended 3 November 2006.

Sale of Remaining French Logistics Business early 2006

During 2005, the Logistics business sold most of its French transportation activities and French contract logistics operations. The sale of the majority of those activities was effected in two transactions, both closed in the fourth quarter of 2005, with further transactions being closed in the first quarter of 2006. The business sold in 2005 constituted approximately 90 % of the French logistics business. As at 31 December 2005, an impairment charge has been recorded to the value of approximately € 22.8 million relating to the transactions closed in the first quarter of 2006.

Completion of Acquisition of the Logistics Business

The sale of the Logistics business was completed on 4 November 2006. TNT has maintained approximately a 5 % interest in CEVA Investments Ltd, the holding company of the Logistics business.

31. JOINT VENTURES

The Logistics business accounts for joint ventures in which we and another party have equal control according to the proportionate consolidation method. Key pro rata information regarding those joint ventures in which we have joint decisive influence over operations is set forth below and includes balances at 50 %:

Our only significant joint venture as at 31 December 2006 is the 50 % interest in Shanghai Automotive Industry Sales Corporation called Anji–TNT Automotive Logistics Company Limited.

	PERIOD ENDED 3 NOVEMBER	YEAR ENDED 31 DECEMBER
(in € millions)	**2006**	**2005**
Non-current assets	18.1	32.9
Current assets	30.3	11.0
Equity	30.3	24.5
Non-current liabilities	-	-
Current liabilities	18.1	19.3

	PERIOD ENDED 3 NOVEMBER	YEAR ENDED 31 DECEMBER
(in € millions)	**2006**	**2005**
Revenue	85.4	85.7
Operating income	3.5	3.3
Profit attributable to the shareholders	7.1	2.1
Net cash provided by operating activities	12.1	4.5
Net cash used in investing activities	11.4	(14.5)
Net cash provided by/ (used in) financing activities	(3.2)	1.1
Changes in cash and cash equivalents	**20.3**	**(8.9)**

32. GUARANTOR / NON-GUARANTOR SUBSIDIARY FINANCIAL INFORMATION

In December 2006, CEVA Group Plc raised funds through an offering of high yield bonds, which were admitted to trading on the Alternative Securities Market of the Irish Stock Exchange ("ISE"). The senior notes are jointly and severally guaranteed on a senior basis, and the senior subordinated notes are jointly and severally guaranteed on a senior subordinated basis by certain of the existing wholly owned subsidiaries of the Logistic Business located in the United Kingdom, United States, Germany, Australia, the Netherlands, Brazil, and Canada (the "Guarantors"). All subsidiaries of the Logistics business located in other countries, including Belgium, Luxemburg, Spain, Turkey, France, Greece, Italy, Asia, South Africa and South America are non-guarantor subsidiaries (the "Non-Guarantors").

When guarantees are provided for debt listed on the ISE, the ISE requires financial information relating to each group to be separately presented in a note to the combined financial statements, presenting, in separate columns, the Guarantors (on a combined basis) and the Non-Guarantors (on a combined basis), with an additional column reflecting eliminating adjustments, if material. The following combined financial information depicts the financial position and results of operations for those entities identified as "guarantors" in note 33.

				YEAR ENDED 31 DECEMBER 2005
(in € millions)	Guarantor	Non guarantor	Eliminations	Combined
ASSETS				
NON-CURRENT ASSETS				
Intangible assets				
Goodwill	733.1	137.6	-	870.7
Other intangible assets	9.3	8.8	-	18.1
Total intangible assets	**742.4**	**146.4**	**-**	**888.8**
Property, plant and equipment				
Land and buildings	101.4	38.2	-	139.6
Plant and equipment	85.5	47.8	-	133.3
Other	31.2	13.1	-	44.3
Construction in progress	0.5	1.5	-	2.0
Total property, plant and equipment	**218.6**	**100.6**	**-**	**319.2**
Financial assets				
Investments	1,915.1	87.2	(1,992.2)	10.1
Other loans receivable	4.5	0.2	-	4.7
Deferred tax assets	5.4	30.3	-	35.7
Amounts receivable from other TNT companies	185.5	7.5	(187.2)	5.8
Prepayments and accrued income	4.2	65.9	-	70.1
Total financial assets	**2,114.7**	**191.1**	**(2,179.4)**	**126.4**
Total non-current assets	**3,075.7**	**438.1**	**(2,179.4)**	**1,334.4**
CURRENT ASSETS				
Inventory	7.3	14.8	-	22.1
Accounts receivable	299.4	341.0	-	640.4
Income tax receivable	6.9	8.1	-	15.0
Accounts receivable from other TNT companies	276.2	115.9	(221.4)	170.7
Prepayments and accrued income	62.4	87.0	(0.2)	149.2
Cash and cash equivalents	43.9	49.5	-	93.4
Total current assets	**696.1**	**616.3**	**(221.6)**	**1,090.8**
Assets held for sale	0.4	79.3	-	79.7
TOTAL ASSETS	**3,772.2**	**1,133.7**	**(2,401.0)**	**2,504.9**
LIABILITIES				
Net investment by other TNT companies	1,235.4	123.4	(1,992.2)	(633.4)
Minority interests	-	5.9	-	5.9
Net investment	**1,235.4**	**129.3**	**(1,992,2)**	**(627.5)**
NON-CURRENT LIABILITIES				
Deferred tax liabilities	27.5	1.2	-	28.7
Provisions for pension liabilities	12.1	115.0	-	127.1
Other provisions	46.1	17.5	-	63.6
Long term debt	0.7	24.6	-	25.3
Amounts payable to other TNT companies	420.9	31.1	(187.9)	264.1
Accrued liabilities	-	15.0	-	15.0
Total non-current liabilities	**507.3**	**204.4**	**(187.9)**	**523.8**
CURRENT LIABILITIES				
Trade accounts payable	92.9	139.2	-	232.1
Short term provisions	15.6	11.5	-	27.1
Other current liabilities	284.7	92.2	-	376.9
Income tax payable	14.6	5.6	-	20.2
Amounts payable to other TNT companies	1,509.5	167.5	(220.8)	1,456.2
Accrued current liabilities	112.0	158.2	-	270.2
Total current liabilities	**2,029.3**	**574.2**	**(220.8)**	**2,382.7**
Liabilities related to assets classified as held for sale	-	225.9	-	225.9
TOTAL LIABILITIES AND NET INVESTMENT	**3,772.0**	**1,133.8**	**(2,400.9)**	**2,504.9**

(in € millions)	Guarantor	Non guarantor	Eliminations	Combined
				PERIOD ENDED 3 NOVEMBER 2006
Revenue	1,697.1	1,326.4	(88.9)	2,934.6
Other operating revenue	6.0	0.9	-	6.9
Total revenue	**1,703.1**	**1,327.3**	**(88.9)**	**2,941.5**
Other income	**1.9**	**0.5**	**-**	**2.4**
Cost of materials	133.7	78.9	-	212.6
Work contracted out and other external expenses	766.0	830.0	(88.9)	1,507.1
Salaries and social security contributions	612.4	276.7	-	889.1
Depreciation, amortization and impairment	41.9	26.4	-	68.3
Other operating expenses	138.1	152.1	-	290.2
Total operating expenses	**1,692.1**	**1,364.1**	**(88.9)**	**2,967.3**
Operating income	**12.9**	**(36.3)**	**-**	**(23.4)**
Net financial expense	(47.1)	(2.4)	-	(49.5)
Results from investments in associates	(2.5)	-	-	(2.5)
Loss before income taxes	**(36.7)**	**(38.7)**	**-**	**(75.4)**
Income taxes	(10.2)	14.0	-	3.8
Loss for the period from continuing operations	**(26.5)**	**(52.7)**	**-**	**(79.2)**
Loss from discontinued operations	-	(6.4)	-	(6.4)
Loss for the period	**(26.5)**	**(59.1)**	**-**	**(85.6)**
Attributable to:	-	-	-	-
Minority interests	-	1.0	-	1.0
Other TNT companies	(26.5)	(60.1)	-	(86.6)
	(26.5)	**(59.1)**	**-**	**(85.6)**

(in € millions)	Guarantor	Non guarantor	Eliminations	Combined
				YEAR ENDED 31 DECEMBER 2005
Revenue	1,949.2	1,454.1	(63.0)	3,340.3
Other operating revenue	9.8	2.0	-	11.8
Total revenue	**1,959.0**	**1,456.1**	**(63.0)**	**3,352.1**
Other income	**2.1**	**-**	**-**	**2.1**
Cost of materials	146.7	70.5	-	217.2
Work contracted out and other external expenses	883.7	875.4	(63.0)	1,696.1
Salaries and social security contributions	674.5	322.2	-	996.7
Depreciation, amortization and impairment	51.6	32.5	-	84.1
Other operating expenses	140.8	122.3	-	263.1
Total operating expenses	**1,897.3**	**1,422.9**	**(63.0)**	**3,257.2**
Operating income	**63.8**	**33.2**	**-**	**97.0**
Net financial expense	(70.8)	(8.5)	-	(79.3)
Results from investments in associates	(35.9)	0.2	-	(35.7)
Loss before income taxes	**(42.9)**	**24.9**	**-**	**(18.0)**
Income taxes	(0.3)	17.0	-	16.7
Loss for the period from continuing operations	**(42.6)**	**7.9**	**-**	**(34.7)**
Loss from discontinued operations	-	(191.9)	-	(191.9)
Loss for the period	**(42.6)**	**(184.0)**	**-**	**(226.6)**
Attributable to:	-	0.7	-	0.7
Minority interests	(42.6)	(184.7)	-	(227.3)
Other TNT companies	(42.6)	(184.0)	-	(226.6)
	(42.6)	**(184.0)**	**-**	**(226.6)**

33. LIST OF COMBINED ENTITIES

Country	Current name	Name at the date of the acquisition
1. Argentina	Customized Logistics Argentina S.A. (51 %)	Customized Logistics Argentina S.A.
	TNT Logistics Argentina S.A	TNT Logistics Argentina S.A
2. Australia	* CEVA Pty Ltd	Louis Australia Holdco Pty Ltd
	* CEVA Logistics (Australia) Pty Ltd	TNT Logistics (Australia) Pty Ltd
	* CEVA Materials Handling Pty Ltd	TNT Materials Handling Pty Ltd
3. Austria	CEVA Logistics Central and Eastern Europe GmbH	TNT Logistics Central and Eastern Europe GmbH
	A.S.S. Logistik Schrader Schachinger GmbH (50 %)	A.S.S. Logistik Schrader Schachinger GmbH
	A.S.S. Logistik Schrader Schachinger GmbH & Co. KG (50 %)	A.S.S. Logistik Schrader Schachinger GmbH & Co. KG
	CEVA Logistics Austria GmbH	TNT Logistics Austria GmbH
4. Belgium	CEVA Logistics Belgium NV/SA	TNT Contract Logistics Belgium NV/SA
	SVL Schrader Verteil - Logistik BVBA (Belgium)	SVL Schrader Verteil - Logistik BVBA (Belgium)
	TNT-Nopri Logistics NV/SA (81 %)	TNT-Nopri Logistics NV/SA
	Tecnologistica NV/SA	Tecnologistica NV/SA
5. Brazil	* CEVA Holdings Ltda.	TNT Holdings Ltda.
	* CEVA Participações Ltda.	TNT Participações Ltda.
	* AV Manufacturing Indústria e Comérciò de Paças e Acessórios Automotivos Ltda	AV Manufracturing Indústriale e Commercio de Peças e Acessórios Automotivos Ltda.
	Logistics Reply DO Brasil Ltda.	Logistics Reply DO Brasil Ltda.
	* CEVA Logistics Ltda.	TNT Logistics Ltda.
6. Canada	* CEVA Logistics Canada ULC	TNT Canada Inc.
7. China	CEVA Logistics International Trading (Shanghai) Co. Ltd	TNT Logistics International Trading (Shanghai) Co. Ltd
	Anji – TNT Automotive Logistics Company Ltd (50 %)	Anji-TNT Automotive Logistics Company Ltd
	Chongquing Anji-TNT Hongyan Logistics Company Ltd (30 %)	Automotive Chongquing Anji-TNT Hongyan Automotive Logistics Company Ltd
	Liao Ning A-Lean Automotive Logistics Company Ltd (25.01 %)	Liao Ning A-Lean Automotive Logistics Company Ltd
	Shanghai Anji-Suchi Warehousing and Transportation Company Ltd (33 %)	Shanghai Anji-Suchi Warehousing and Transportation Company Ltd (33 %)
	Shanghai Anji-Tonghui Warehousing and Transportation Company Ltd (40 %)	Shanghai Anji-Tonghui Warehousing and Transportation Company Ltd
	CEVA Logistics Co. Ltd Shanghai (70 %)	TNT Logistics Co. Ltd Shanghai
8. Czech Republic	CEVA Logistics Spol s.r.o.	TNT Logistika Sprol s.r.o.
9. France	CEVA Automotive Logistics France SAS	TNT Automotive Logistics France SAS
10. Germany	* CEVA Logistics CEE Holding GmbH	Blitz 06-060 GmbH
	* CEVA Container Logistik GmbH	TNT Container Logistik GmbH
	* CEVA Logistics GmbH	TNT Logistics GmbH
	CoTrans Logistik Verwaltungs GmbH & Co. KG. (22 %)	CoTrans Logistik Verwaltungs GmbH & Co. KG. (22 %)
	CoTrans Logistik Verwaltungs GmbH	CoTrans Logistik Verwaltungs GmbH
	FSZ Fahrzeug Service Zentrum GmbH (50 %)	FSZ Fahrzeug Service Zentrum (GmbH)
11. Greece	CEVA Logistics Hellas SA	TNT Automotive Logistics Hellas SA
12. India	CEVA Logistics India Private Ltd	TNT Logistics India Private Ltd
13. Indonesia	PT CEVA Logistik Indonesia (55 %)	PT CEVA Logistik Indonesia
14. Italy	CEVA Logistics Holding Italy S.p.A	Nueva Tecno S.p.A
	CEVA Logistics Italia S.r.l	TNT Logistics Italia S.p.A
	CEVA Freight Management Italia S.r.l.	TNT Freight Management (Italy) S.p.A.
	CEVA Logistics Sub-Holding Italia S.r.l.	TNT Logistics Holding Italy S.r.l.
	CEVA Automotive Logistics Italia S.r.l	TNT Automotive Logistics S.p.A
	CEVA In-Bound Logistics Italia S.r.l.	TNT Avril-Joint Venture- TNT Arcese Bonzano S.p.A.
	CEVA Trasporti In-Bound Italia S.r.l	Overtrans S.r.l.
	C&C Trasporti E Spedizioni Internazionali SRL	C&C Trasporti E Spedizioni Internazionali SRL
	S.I.T.T.A.M. Spedizioni Internazionali Trasporti Terrestri Aerei Marittimi SpA	S.I.T.T.A.M. Spedizioni Internazionali Trasporti Terrestri Aerei Marittimi S.p.A

* Denotes Guarantor Company

Country	Current name	Name at the date of the acquisition
14. Italy continued	CEVA Logistics Bari S.r.l (75 %)	Old Bertola Bari S.r.l.
	Cell-Tel S.p.A (43.35 %)	Cell-Tell S.p.A
	TEL I.S. Telecommunication Integrated Services S.p.A (51 %)	TEL I.S. Telecommunication Integrated Services S.p.A
	Avioservizi Jet Service SRL (51 %)	Avioservizi Jet Service SRL
15. Korea	TNT Logistics Korea Chusik Hoesa	TNT Logistics Korea Chusik Hoesa
16. Malaysia	CEVA Logistics (Malaysia) Sdn BhD (60 %)	TNT Logistics (Malaysia) Sdn BhD
17. Mexico	CEVA Servicios de Mexico SA de CV	TNT Servicios de Mexico SA de CV
	CEVA Logistica de Mexico SA de CV	TNT Logistica SA de CV
18. Poland	CEVA Automotive Logistics Poland Sp zoo	TNT Automotive Logistics Poland Sp zoo
	CEVA Logistics Poland Sp zoo	
19. Puerto Rico	CEVA Logistics Puerto Rico Inc.	TNT Logistics Puerto Rico Inc.
20. Romania	SITTROM Expeditii Internazionale SRL	SITTROM Expeditii Internazionale SRL
21. Singapore	CEVA Logistics Singapore Pte Ltd	TNT Logistics Singapore Pte Ltd
	CEVA Logistics Asia Pte Ltd	TNT Logistics Asia Pte Ltd
	Timur Carriers (Pte) Ltd	Timur Carriers (Pte) Ltd
22. Slovakia	CEVA Logistics Slovakia Sro	TNT Logistics Slovakia Sro
23. South Africa	TNT Container Logistics (Proprietary) Ltd	TNT Container Logistics (Proprietary) Ltd
	Main Street 511 Pty. Ltd	
24. Spain	CEVA Logistics Holdings Spain S.L.	
	CEVA Logistics Subirats S.L.	TNT Logistics Subirats S.L.
	CEVA Logistics España S.L.	TNT Logistics España S.L.
	CEVA Production Logistics España S.A	TNT Production Logistics España S.A
	CEVA Automotive Logistics España SA	TNT Automotive Logistics España SA
25. Switzerland	TNT Logistics Switzerland AG	TNT Logistics Switzerland AG
26. Thailand	CEVA Logistics (Thailand) Limited	TNT Logistics (Thailand) Limited
27. The Netherlands	* CEVA Logistics Holdings B.V.	TNT Logistics Holdings B.V
	* CEVA Logistics Dutch Holdco B.V	Louis Dutch Holdco B.V
	* CEVA Logistics Netherlands B.V	TNT Logistics Netherlands B.V
	* CEVA Districenter B.V	TNT Freight Management (Districenter) B.V
	* CEVA Container Logistics B.V	TNT Materials Handling B.V
	* CEVA Logistics Headoffice B.V	TNT Logistics Headoffice B.V
	* CEVA Logistics Finance B.V	Louis Logistics Finance B.V
	Pact Benelux B.V. (40 %)	Pact Benelux B.V. (40 %)
28. Turkey	CEVA Lojistik Limited Sirketi	TNT Lojistik ve Dagitim Hizmetleri A.S.
29. United Kingdom	CEVA Group Plc	Louis No 1 Plc
	Louis No 2 Ltd	Louis No 2 Ltd
	* CEVA Ltd	Louis no 3 Ltd
	CEVA Automotive Logistics UK Ltd	TNT Autologistics Ltd
	* CEVA Logistics Ltd	TNT Logistics UK Ltd
	CEVA Logistics NI Ltd	TNT Logistics NI Ltd
	* CEVA Supply Chain Solutions Ltd	TNT Logistics Holdings UK Ltd
	* CEVA Network Logistics Ltd	Taylor Barnard Holdings Ltd
	* CEVA Container Logistics Ltd	Taylor Barnard Group Ltd
	CEVA Distribution Ltd	Taylor Barnard Distribution Ltd
	CEVA Showfreight Ltd	Ruddicks 2000 Ltd
	Fairlead Logistics Ltd (51 %)	Schrader Fairlead Ltd (51 %)
	Newspaper Transport Ltd	Newspaper Transport Ltd
	Newsagents Wholesale Corp Ltd	Newsagent Wholesale Corp. Ltd
30. USA	* CEVA Logistics U.S. Holdings Inc.	Louis U.S. Holdco Inc.
	* CEVA Logistics U.S. Group Inc.	TNT Transport Group Inc.
	* CEVA Logistics U.S. Inc.	TNT Logistics North America Inc.
	* CEVA Logistics Services US Inc.	CTI Services Inc.
	* Customized Transportation International Inc.	Customized Transportation International Inc.

* Denotes Guarantor Company

PRESENTATION OF FINANCIAL INFORMATION

The financial information for the year ended 31 December 2007 includes the full years' results for CEVA contract logistics operations and five months results of CEVA freight management (formerly known as EGL Inc.) from 2 August 2007, being the date of acquisition.

On 4 November 2006, the Logistics business of TNT was acquired by CEVA. Prior to the acquisition of the TNT Logistics business in November 2006 CEVA had no operations; therefore, the financial information for the period from 9 August 2006 (date of incorporation of CEVA Group Plc) to 31 December 2006, represents two months of operations, namely November and December 2006.

For the period ended 3 November 2006 and the year ended 31 December 2005, the financial information has been combined for the TNT Logistics business for the purposes of presenting, as far as practicable, the assets, liabilities, revenue and expenses of the Logistics business on a stand-alone basis. The Logistics business results of operations for the 10 months ended 3 November 2006 have been aggregated with CEVA's results of operations for the 12 months ended 31 December 2006 to illustrate the results of the business for the twelve-month period ended 31 December 2006.

The financial information in this annual report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). IFRS includes the application of International Financial Reporting Standards including International Accounting Standards (IAS) and related Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Interpretations of the Standing Interpretations Committee (SIC). For CEVA Group Plc, there are no differences between the IFRS as adopted by the EU and the IFRS as issued by the International Accounting Standards Board (IASB).

Some financial information in this annual report has been rounded and, as a result, the numerical figures shown as totals in this annual report may vary slightly from the exact arithmetic aggregation of the figures that precede them.

In this annual report, we utilise certain non-GAAP financial measures, including EBITDA, operating NWC, and specific items. These measures are presented as we believe that they and similar measures are widely used in the contract logistics industry as a means of evaluating a company's operating performance and financing structure. They may not be comparable to other similarly titled measures of other companies and are not measurements under IFRS or other generally accepted accounting principles, nor should they be considered as substitutes for the information contained in our combined financial statements.

Certain definitions can be found on page 148.

CERTAIN DEFINITIONS

In this Annual Report:

- Unless expressly stated otherwise or where the context otherwise requires, "the Company", "we", "us", "our", and other similar terms refer to CEVA Group Plc and its subsidiaries after giving effect to the EGL Acquisition;
- "Apollo" refers to Apollo Management VI, L.P. and its affiliates, which include AIF VI Euro Holdings, L.P., AlpInvest Partners Beheer 2006, L.P. and AAA Guarantor – CoInvest VI, L.P.;
- "CAPEX" or "capital expenditure" is defined as amounts used during a particular period to acquire or improve long-term assets such as property, plant or equipment or intangible assets. Capital expenditure excludes items of a capital nature acquired as a part of an acquisition;
- "EBITDA" is not a measurement of performance or liquidity under IFRS and should not be considered as a substitute for profit / (loss) for the year, operating profit, net income or any other performance measures derived in accordance with IFRS or as a substitute for cash flow from operating activities as a measure of CEVA's. Because not all companies calculate EBITDA identically, the presentations of EBITDA in this annual report may not be comparable to other similarly titled measures of other companies;
- "EGL Acquisition" refers to CEVA's acquisition of the Houston based freight forwarder which was effectuated on 2 August 2007 pursuant to the terms of the EGL Merger Agreement;
- "FTE" or "full time equivalent" is a standard measure used to normalize personnel numbers;
- "GDP" refers to the gross domestic product of a country or region;
- "Gearing ratio" is defined as net debt divided by total capital;
- "SPA" refers to the Sale and Purchase Agreement entered into between CEVA and TNT N.V. on 23 August 2006, pursuant to which CEVA acquired the Logistics business of TNT N.V.;
- "IFRS" refers to International Financial Reporting Standards as adopted by the European Union;
- "Logistics business" refers to the subsidiaries, businesses, assets and liabilities of TNT that were acquired on 4 November 2006 by CEVA;
- "TFR" refers to "Trattamento di Fine Rapporto" leaving service benefits provided to Italian employees that are mandatory under Italian law;
- "TI" refers to Transport Intelligence Limited, a leading market research firm that specializes in the mail, express and logistics industries;
- "TNT" refers to TNT N.V.;
- "ONWC" or "Operating net working capital" is defined as non-interest bearing current assets minus non-interest charging liabilities;
- "$" or "dollars" or "United States dollars" or "U.S. dollars" or "USD" refers to the lawful currency of the United States of America;
- "€" or "euro" refers to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community; and
- "£" , "British pound" or "pounds sterling" refers to the lawful currency of the United Kingdom.

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ANNEX 2 – CEVA Investments Ltd Consolidated Special Purpose Financial Statements 2007

CEVA Investments Ltd
Special Purpose Consolidated Financial Statements 2007

FORWARD-LOOKING STATEMENTS

This annual report includes forward-looking statements. All statements other than statements of historical fact included in this annual report, including the statements under the headings "Risk factors", "Operating and financial review and prospects", "Description of the industry" and elsewhere in this annual report regarding our financial condition or plans to increase sales, earnings and margins, and statements regarding other future events or prospects, our future financial performance, plans, and expectations in relation to developments in our business, growth, and profitability, and the applicable economic context, are forward-looking statements. The words "may", "will", "expect", "anticipate", "believe", "future", "continue", "help", "estimate", "plan", "intend", "should", "shall" or the negative or other variations thereof as well as other statements regarding matters that are not historical fact are or may constitute forward-looking statements.

We have based these forward-looking statements on our management's current view with respect to future events and financial performance. These views reflect the best judgment of our management but involve a number of risks and uncertainties which could cause actual results to differ materially from those predicted in our forward-looking statements and from past results, performance or achievements. Although we believe that the estimates and the projections reflected in the forward-looking statements are reasonable, such estimates and projections may prove to be incorrect, and our actual results may differ from those described in our forward-looking statements as a result of the risk factors described in the Risk factors section on page 20.

In addition, this annual report contains information, concerning the contract logistics industry, our market segments, and business units generally, which is forward-looking in nature and is based on a variety of assumptions regarding the ways in which the contract logistics industry, our market segments, and product areas will develop. We have based these assumptions on information currently available to us, including through the market research and industry reports referred to in this annual report. Although we believe that this information is reliable, we have not independently verified, and cannot guarantee, its accuracy or completeness. If any one or more of these assumptions turns out to be incorrect, actual market results may differ from those predicted. While we do not know what impact any such differences may have on our business, if there are such differences, our future results of operations and financial condition, and the market price of the notes, could be materially adversely affected.

We urge you to read the sections of this annual report entitled "Risk factors", "Operating and financial review and prospects" and "Description of the industry" for a more complete discussion of the factors that could affect our future performance and the industry in which we operate. In light of these risks, uncertainties, and assumptions, the forward-looking events described in this annual report may not occur.

The risks described in the "Risk factors" section in this annual report are not exhaustive. Other sections of this annual report describe additional factors that could adversely affect our business, financial condition or results of operations. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this annual report.

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DESCRIPTION OF THE INDUSTRY

Supply chain management spans a broad range of activities related to moving and storing materials and goods from point-of-origin to point-of-use. Contract logistics services range from consulting to physically managing storage and transportation at various stages of production and distribution, as well as after-sales services. Projects are typically based on three- to five-year outsourcing agreements and combine a range of specified activities.

Freight forwarding services range from transportation-related activities, including air and ocean freight forwarding, ground transportation brokerage, and customs brokerage. Freight forwarders serve as intermediaries between shippers and transportation providers, arranging all aspects of transportation from origin to destination, procuring capacity from providers, and consolidating shipments to reduce costs and increase efficiency. This model enables freight forwarders flexibility in offering unbiased optimal solutions.

We believe contract logistics and freight forwarding are the most attractive areas of the industry because they are "asset-light" activities where physical assets such as vehicles, planes, ships, and warehouses are provided primarily by third parties. This model requires lower capital and allows for a variable cost base.

The Global Supply Chain Market

CEVA estimates the size of the global outsourced supply chain market in 2006 to be between € 260 and € 270 billion. This estimate is based on several market reports, such as from ING, Transport Intelligence, Merge Global and Accenture. Within the overall market, contract logistics represents about € 180 billion, with freight forwarding constituting the remaining € 80 to € 90 billion.

The annual growth rate of the overall supply chain market since 2002 is estimated at between 8% and 10% and this growth rate is expected to continue for the years to come, resulting in a total market size by 2010 of € 360 to € 390 billion. The high single digit growth in the supply chain industry is driven by three factors:

1. The ongoing trend towards outsourcing of logistics activities within the contract logistics area. Currently, the level of logistics that is outsourced to third parties such as CEVA is estimated at around 25% as a global average. This percentage is going up over time as more and more companies decide to focus on their core activities rather than on managing increasingly complex supply chains directly themselves.
2. Growing market share of freight forwarders in the ocean freight market as many shippers seek to limit the number of parties they work with, and put higher demands on the number and quality of services offered. Freight forwarders are well positioned to benefit from this trend as they act as brokers between shippers and transport providers and perform value added activities such as customs brokerage and consolidation of shipments. Currently, freight forwarders are estimated to control 20 to 25% of containerized ocean freight.
3. Growth in world trade, in part due to ever increasing levels of manufacturing shifting to Asia. World trade has been growing substantially faster than global GDP for many years now, a trend that is expected to continue.

ACQUISITIONS

Acquisitions
On 2 August 2007, CEVA acquired 100% of the shares of EGL Inc. ("EGL"). EGL's former shareholders received USD 47.50 in cash, for each share of EGL common stock they owned at the effective time of the acquisition. The purchase price settled in cash was approximately € 1,417.5 million. As a result of this transaction, EGL is now a wholly-owned subsidiary of CEVA Group Plc.

On 4 November 2006, CEVA acquired the Logistics business of TNT. The total purchase price paid for the Logistics business was € 1,376.8 million.

Related Financing Transactions
The acquisition of EGL was financed with new equity and cash from CEVA, and borrowings under the Senior Unsecured Loan and Second Priority Senior Secured Notes.

The acquisition of the Logistics business in 2006 was financed through a combination of equity from Apollo LP and borrowings under the Senior Notes, Senior Subordinated Notes, and Senior Secured Term Facility.

SUMMARY OF FACILITIES AND NOTES

Pay-in-kind Term Loan ("PIK loan")
On 15 February 2007, CEVA Investments Ltd entered into a loan facility for € 275 million. This facility matures in 2017 and has a floating interest rate based on EURIBOR. The company has the option to settle interest due or add this to the outstanding principal balance.

Senior Secured Facilities
On 4 November 2006, CEVA Group Plc entered into the Senior Secured Facilities with certain banks for an initial amount of € 500 million; the Senior Secured Facilities were amended and restated as of 4 January 2007. The facilities were expanded on 2 August 2007 by USD 425 million to finance the EGL acquisition.

Second Priority Senior Secured Notes
On 13 August 2007, CEVA Group Plc issued USD 400 million of second-lien notes. These notes will mature on 1 September 2014 and have a coupon of 10% per annum. Interest is payable on each 1 March and 1 September, commencing on 1 March 2008.

The Senior Notes
On 6 December 2006, CEVA Group Plc issued € 505 million of Senior Notes. The senior notes will mature on 1 December 2014. Interest on the senior notes is due on each 1 June and 1 December, commencing on 1 June 2007. The senior notes bear interest at 8.5% per annum.

Senior Unsecured Loan Facility
On 2 August 2007 CEVA Group Plc entered into a USD 1,400 million senior unsecured loan facility. This facility was partially replaced on 13 August 2007 when we issued USD 400 million of second priority senior secured notes. The remaining USD 1,000 million senior unsecured loan facility matures in 2015. The facility has a floating interest rate which is capped.

The Senior Subordinated Notes
On 6 December 2006, CEVA Group Plc issued € 225 million of Senior Subordinated Notes. The Senior Subordinated Notes will mature on 1 December 2016. Interest is due on the senior subordinated notes on every 1 June and 1 December, commencing on 1 June 2007. The senior subordinated notes bear interest at a rate of 10% per annum.

PRESENTATION OF FINANCIAL INFORMATION AND CERTAIN DEFINITIONS

The financial information for the year ended 31 December 2007 includes the full year's results for CEVA Contract Logistics operations and five months results of CEVA Freight Management (formerly known as EGL Inc.) from 2 August 2007, being the date of acquisition.

On 4 November 2006, CEVA acquired the Logistics business of TNT N.V. Prior to the acquisition of the Logistics business in November 2006, CEVA had no operations.

For the period ended 3 November 2006 and the year ended 31 December 2005, the financial information has been combined for the Logistics business for the purposes of presenting, as far as practicable, the assets, liabilities, revenue, and expenses of the Logistics business on a stand-alone basis. For the combined financial information for the period prior to the acquisition of the Logistics business, please see the "2007 Annual Report of CEVA Group Plc" as published on our website; www.cevalogistics.com.

The Logistics business results of operations for the 10 months ended 3 November 2006 have been aggregated with CEVA's results of operations for the two months ended 31 December 2006 to illustrate the proforma results of the business for the twelve-month period ended 31 December 2006.

The financial information in this annual report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). IFRS includes the application of International Financial Reporting Standards including International Accounting Standards (IAS) and related Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Interpretations of the Standing Interpretations Committee (SIC).

Some financial information in this annual report has been rounded and, as a result, the numerical figures shown as totals in this annual report may vary slightly from the exact arithmetic aggregation of the figures that precede them. In this annual report, we utilize certain non-GAAP financial measures, including EBITDA and specific items. These measures are presented as we believe that they and similar measures are widely used as a means of evaluating a company's operating performance. They may not be comparable to other similarly titled measures of other companies, and are not measurements under IFRS or other generally accepted accounting principles, nor should they be considered as substitutes for the information contained in our financial statements.

Certain definitions can be found on page 69.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis of the historical financial statements of CEVA covers the years ended 31 December 2007 and 31 December 2006. Both years show the full year financial performance of the Logistic business as acquired by CEVA Investments Ltd on 4 November 2006. The 2007 result also includes the first consolidation of our Freight Management operations – acquired on 2 August 2007 in the EGL transaction. The statements in the discussion and analysis regarding industry outlook, our expectations regarding the performance of our business, and the other non-historical statements are forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties, including, but not limited to, the risks and uncertainties described in the sections entitled "Risk Factors" and "Forward-Looking Statements". Our actual results may differ materially from those contained in or implied by any forward-looking statements. You should read the following discussion together with the section entitled "Risk Factors" and the financial statements included elsewhere in this annual report.

Key Factors Influencing our Financial Condition and Results from Operations

In addition to the factors outlined above, our financial position and results from operations have been influenced during the years under review by the following company-specific factors:

Exchange Rates

Our reporting currency is the euro; however, we operate in different geographical areas and transact in a range of currencies in addition to the euro, principally the United States dollar, British pound, Chinese yuan, Hong Kong dollar, Australian dollar, Brazilian real and Canadian dollar. Exchange rate fluctuations can, therefore, either increase or decrease our revenue and expenses as reported in the euro. In Contract Logistics, most of our operational units incur revenue and costs in local currencies, creating a natural hedge to currency fluctuations. In Freight Management we partially match our currency of billing to customers with the currency of our expenses incurred also creating a natural hedge.

Seasonality

Our business is impacted by the seasonal slowdown or upturn of certain of our customers' industries. As we have a well diversified customer portfolio, seasonal movements in certain sectors is minimized. For example, the Automotive & Tires sector typically encounters slowdown in both the third and fourth quarters of the year, when many of the automotive manufacturing plants close for vacation periods, but the Technology and the Retail and Consumer goods sectors typically enjoy demand increases in the third and fourth quarters. In addition, we mitigate the impact of seasonality by proactively scaling down or temporarily closing some operations in order to maximize cost efficiency. We also seek to ensure that our arrangements with third party providers enable a flexible cost base. Also, the global footprint of our Company decreases the overall seasonality of our business.

Revenue and EBITDA Development

Our revenue and EBITDA are impacted by several factors:

- our ability to win new business and maintain existing customers;
- the nature and scope of operations that we perform for our customers;
- the underlying performance of our customers; and
- our ability to control the cost of services performed.

The core of our business is based on customer contracts which typically range between three and five years. Revenue growth is impacted by our ability to secure and retain these contracts. In recent years, we have been successful in renewing a majority of the contracts that are due for renewal in any particular year. We have also targeted our existing customer base for service extensions and cross-selling opportunities, and we constantly strive to improve our tendering process.

We have the capabilities to offer our customers integrated supply chain solutions, but this is not applicable for all customers in all instances as it may be more efficient for certain activities to be managed or performed in a different manner. Our portfolio of services include the following base freight management services: domestic and international air freight forwarding, international ocean freight forwarding, ground-based freight forwarding, and customs brokerage services, as well as the following contract logistics offerings: inbound logistics, manufacturing support, outbound/distribution, aftermarket logistics and reverse logistics.

Commodity services, such as basic storage, direct truckload transport, or the provision of contract labor generally do not generate higher margins, because they are undifferentiated and have no significant value-added component. In contrast, higher margins may be generated when we provide an integrated supply chain solution that includes for example: cross border management, customs clearance, bulk shipment deconsolidation, manufacturing support such as sequencing, and reverse logistics such as returns management.

We are directly affected by the performance of our customers. When a customer has a successful year, we benefit as more goods pass through its supply chain, increasing our volumes transported. The reverse also applies. We seek to mitigate the risk of a downturn in our customers' businesses by building thresholds into our commercial contracts. If volumes fall below such thresholds, we can generally either increase unit prices or renegotiate the contract, which ensures the recovery of our fixed costs and any dedicated capital expenditure. In addition, we strive to build flexibility into our arrangements with third party freight providers so that we can match our capacity commitments to customer demand. We further seek to mitigate the risk of a downturn by utilizing a temporary workforce for certain operations to allow us to match our resources with demand. Our revenue and EBITDA are also impacted by operational factors such as the ability to match different customer requirements to ensure cost-effective freight consolidation, the efficiency of warehouse design, the suitability of transportation networks and routing, employee productivity and performance, implementation speed and success as new contracts become operational, and the technology applied throughout our operating processes. Trade flows and our overall market share of these flows has an impact on our purchasing power for forwarding services, thus affecting our competitiveness and our ability to command healthy margins.

In this field, we feel that we have meaningful initiatives to promise operational excellence demonstrated by the following examples:

- we are a market leader in the provision of freight services and strive, utilizing the IT systems we deploy to manage these flows and the global network that we have in place, to efficiencies and mitigate the impact of any adverse market developments;
- we have strong expertise in matching customer requirements to warehouse lay-out and have strong relationships with major property leasing companies to ensure we offer customers sites most suitable for their needs;
- we have several IT systems, such as MATRIX™, that enable us to fine-tune our transportations networks;
- on a global basis we leverage our purchasing power for standard operational needs such as material handling equipment; and
- we seek to roll out best practice globally through our LEAN and Zero Defect Start-up programs.

Results from Operations

The following table summarizes our Statements of Income for the years indicated. The 2007 results include 12 months trading of our Contract Logistics business and five months trading of the Freight Management business from the date of acquisition, being 2 August 2007. The results for 2006 represent the trading of the Contract Logistics business only.

in € millions	Year ended 31 December 2007[1]			Year ended 31 December 2006[2]		
	Before specific items	Specific items[3]	Total	Before specific items	Specific items[3]	Total
Revenue	4,774.1	-	4,774.1	3,486.2	-	3,486.2
Other operating revenue	7.0	-	7.0	8.4	-	8.4
Total revenue	4,781.1	-	4,781.1	3,494.6	-	3,494.6
Other income	3.5	-	3.5	2.5	-	2.5
Cost of materials	266.2	-	266.2	247.6	-	247.6
Work contracted out and other external expenses	2,762.6	-	2,762.6	1,796.0	-	1,796.0
Salaries and social security contributions	1,195.8	(1.4)	1,194.4	1,023.3	29.9	1,053.2
Depreciation and amortization	128.3	172.2	300.5	89.1	-	89.1
Other operating expenses	258.9	38.6	297.5	215.0	107.7	322.7
Total operating expenses	4,611.8	209.4	4,821.2	3,371.0	137.6	3,508.6
Operating income	172.8	(209.4)	(36.6)	126.1	(137.6)	(11.5)
Net financial expense	(164.0)	-	(164.0)	(76.5)	-	(76.5)
Results from investments in associates	2.6	-	2.6	(2.4)	-	(2.4)
Profit/(Loss) before income taxes	11.4	(209.4)	(198.0)	47.2	(137.6)	(90.4)
Income taxes	105.8	(77.7)	28.1	50.9	(41.3)	9.6
Profit/(Loss) for the period from continuing operations	(94.4)	(131.7)	(226.1)	(3.8)	(96.3)	(100.0)
Loss from discontinued operations	-	-	-	(6.4)	-	(6.4)
Profit/(Loss) for the period	(94.4)	(131.7)	(226.1)	(10.1)	(96.3)	(106.4)

[1] 2007 is the 12 months consolidated result of CEVA Investements Ltd. This includes the consolidated Freight Management business from 2 August 2007.

[2] 2006 is the result of the Logistics business for the year. This includes results prior to the creation of CEVA in November 2006.

[3] For details on specific items please refer to note 4 in the financial statements.

Results from Operations for the year ended 31 December 2007 compared to the year ended 31 December 2006

The following table summarizes our revenue for the years indicated. The 2007 results include 12 months trading of our Contract Logistics business and five months trading of the Freight Management business from the date of acquisition, being 2 August 2007.

in € millions and as a % of net sales	Year ended 31 December 2007	%	Year ended 31 December 2006	%
Contract Logistics	3,462.6	72.5%	3,441.2	98.7%
Freight Management	1,311.5	27.5%	45.0	1.3%
Revenue	**4,774.1**	100.0%	**3,486.2**	100.0%

Revenue increased by 36.9% to € 4,774.1 million for the year ended 31 December 2007 from € 3,486.2 million for the year ended 31 December 2006. The primary driver of total growth is the first consolidation of Freight Management revenue in the Company following the acquisition of EGL on 2 August 2007. The historic results of EGL are not shown above as they do not form part of the historic legal consolidated results of CEVA Group Plc. The amount shown in the 2006 column of the Freight Management results represents the reclassification of historic freight management activities provided by CEVA.

Revenue from Contract Logistics exceeded the prior year as a result of a combination of new contracts and an increase in volumes on existing business across a number of regions. We were notably successful in our operations in Asia Pacific and Northern Europe, and gained contracts across a number of sectors in these regions. The full impact of this was offset by the agreed upon transfer of two large logistics activities to our customers, one being a European automotive contract and the other being a tire contract in North America. In addition, reported adverse foreign currency movements had the effect of reducing our revenue growth.

Operating Expenses

Our operating expenses increased to € 4,821.2 million for the year ended 31 December 2007 from € 3,508.6 million for the year ended 31 December 2006. This is primarily as a result of the acquisition of EGL on 2 August 2007.

Cost of materials

Cost of materials increased to € 266.2 million for the year ended 31 December 2007 from € 247.6 million for the year ended 31 December 2006. The acquisition of EGL had little impact on this cost category as there are few materials used in the Freight Management business. The increase is primarily driven by growth in the Contract Logistics business, which required purchase of materials such as packaging.

Work contracted out and other external expenses

Work contracted out and other external expenses increased to € 2,762.5 million for the year ended 31 December 2007 from € 1,796.0 million for the year ended 31 December 2006. The increase was primarily driven by the acquisition of EGL's freight forwarding business, which relies on sub-contracted services for ocean, air, and land forwarding activities.

Salaries and social security contributions

Salaries and social security contributions increased to € 1,194.4 million for the year ended 31 December 2007 from € 1,053.2 million for the year ended 31 December 2006. The increase is primarily driven by the EGL acquisition. Salary costs in 2007 and 2006 were impacted by employee retention and restructuring costs incurred as a result of the acquisitions of both the Logistics business and EGL.

Depreciation and amortization

Depreciation, amortization and impairment increased to € 300.5 million for the year ended 31 December 2007 from € 89.1 million at 31 December 2006. This increase relates to the purchase price allocation associated with our acquisition of EGL. In accordance with IFRS 3 Business Combinations, CEVA is required to assign a value to the brand name of the acquired business (EGL) as if acquired by an average third party market participant who, it is assumed, would continue to use the brand into the future. CEVA Management, with the assistance of expert external advisors, allocated a value of € 172.2 million to the EGL brand name. CEVA has chosen to have one corporate identity and, as a result, has rebranded EGL's operations to CEVA from 30 November 2007. As such, IFRS requires CEVA to amortize the notional value assigned to the EGL brand name from the period of acquisition on 2 August 2007 until the rebranding on 30 November 2007. Consequently, our results for the year ended 31 December 2007 include a charge amounting to € 172.2 million. This is a non cash transaction.

Other operating expenses

Other operating expenses decreased to € 297.5 million for the year ended 31 December 2007 from € 322.7 million for the period ended 31 December 2006. This movement is primarily due to non-recurring separation costs incurred during 2006 related to the sale and transition of the Logistics business from TNT to CEVA. This was partially offset by rebranding costs incurred in 2007, which were not incurred in the prior year.

EBITDA

The following table summarizes our EBITDA for the years indicated. The 2007 results include 12 months trading of our Contract Logistics business and five months trading of the Freight Management business from the date of acquisition, being 2 August 2007.

in € millions and as a % of net sales per segment	Year ended 31 December 2007				Year ended 31 December 2006			
	Before specific items	Specific items	After specific items	%	Before specific items	Specific items	After specific items	%
Operating income	172.8	(209.4)	(36.6)	(13.9%)	126.1	(137.6)	(11.5)	(14.5%)
Depreciation and amortization	128.3	172.2	300.5	113.9%	89.1	-	89.1	114.5%
EBITDA	301.1	(37.2)	263.9	100.0%	215.2	(137.6)	77.6	100.0%
Contract Logistics	245.9	(23.5)	222.4	84.3%	213.3	(137.6)	75.7	97.6%
Freight Management	55.2	(13.7)	41.5	15.7%	1.9	-	1.9	2.4%
EBITDA	301.1	(37.2)	263.9	100.0%	215.2	(137.6)	77.6	100.0%

Our EBITDA increased to € 263.9 million for the year ended 31 December 2007 from € 77.6 million for the year ended 31 December 2006. This increase is driven by an increase in EBITDA from our Contract Logistics segment and the first consolidation of the five months of Freight Management's EBITDA in the Company following the acquisition of EGL on 2 August 2007.

Within Contract Logistics, EBITDA increased to € 222.4 million from € 75.7 million in the prior year following a strong trading performance in 2007. This is a result of securing new business and increases in margins. In addition, 2006 included non-recurring costs which were incurred as part of CEVA's acquisition of the Logistics business in 2006, including certain restructuring charges, advisor costs, and contract termination and employee retention payments, which are shown in specific items (note 4). The current year performance has also been positively impacted by efficiencies within the corporate head office.

Net Financial Expense

Net financial expense increased to € 164.0 million for the year ended 31 December 2007 from € 76.5 million for the year ended 31 December 2006, due to the increased interest charge as a result of our new capital structure used to finance the acquisition of the Logistics business and EGL and the interest on the PIK loan which was entered into on 15 February 2007.

Results from Investments in Associates

Results from investments in associates is a gain of € 2.6 million for the year ended 31 December 2007 compared to a loss of € 2.4 million for the year ended 31 December 2006.

Income Taxes

Income taxes increased to € 28.1 million for the year ended 31 December 2007 from € 9.6 million for the year ended 31 December 2006 mainly as a consequence of the deferred tax impact arising from the amortization of the EGL brand name.

Loss from Discontinued Operations

There was no loss from discontinued operations for the year ended 31 December 2007, compared to a loss of € 6.4 million for the year ended 31 December 2006. The result for the year ended 31 December 2006 related to operating losses of the French logistics business which were divested prior to the sale and transition of the Logistics business from TNT to CEVA.

Loss for the Period

The loss for the year ended 31 December 2007 increased to € 226.1 million in comparison to € 106.4 million for the same period in the prior year. This is primarily due to the first time consolidation of Freight Management results, which includes a non cash charge of € 172.2 million relating to the partial amortization of the EGL brand name.

Proforma Condensed Combined Income Statements for the Year Ended 31 December 2007

To assist investors in understanding the performance of the Group, unaudited proforma financial information has been prepared to show the results from continuing operations of the Group as if the EGL business, which was acquired on 2 August 2007, had been combined with effect of 1 January 2007. The proforma financial information thus reflects the underlying 12 month results of the CEVA Contract Logistics business and pro-forma 12 month results of the EGL Freight Management business. This financial information has been prepared by the company to illustrate the effect of the EGL acquisition as if the transaction had taken place on 1 January 2007.

In preparing this proforma financial information, account has been taken of the 7 month pre-acquisition results of EGL which were reported under US GAAP, as adjusted for CEVA's IFRS based accounting policies and the impact of acquisition accounting as though the acquisition of EGL had occurred on 1 January 2007.

in € millions	CEVA Group Plc consolidated Year ended 31 December 2007 Before Specific items[2]	EGL Period from 1 January 2007 - 1 August 2007[1] Before Specific items[2]	CEVA Group pro-forma combined Year ended 31 December 2007 Before Specific items[2]
Revenue	**4,774.1**	**1,513.8**	**6,287.9**
Other operating revenue	7.0	-	7.0
Total revenue	**4,781.1**	**1,513.8**	**6,294.9**
Other income	3.5	-	3.5
Cost of materials	266.2	-	266.2
Work contracted out and other external expenses	2,762.5	1,024.6	3,787.1
Salaries and social security contributions	1,195.8	265.0	1,460.8
Depreciation and amortization	128.3	35.8	164.1
Other operating expenses	258.9	146.9	405.8
Total operating expenses	**4,611.8**	**1,472.3**	**6,084.1**
Operating income	**172.8**	**41.5**	**214.3**

in € millions	1 January - 1 August 2007[1]			2 August - 31 December 2007			1 January - 31 December 2007		
	Before specific items	Specific items[2]	Total	Before specific items	Specific items[2]	Total	Before specific items	Specific items[2]	Total
Revenue	**1,513.8**	-	**1,513.8**	**1,272.3**	-	**1,272.3**	**2,786.1**	-	**2,786.1**
Other operating revenue	-	-	-	0.1	-	0.1	0.1	-	0.1
Total revenue	**1,513.8**	-	**1,513.8**	**1,272.4**	-	**1,272.4**	**2,786.2**	-	**2,786.2** 1.
Other income	-	-	-	**0.8**	-	**0.8**	**0.8**	-	**0.8**
Cost of materials	-	-	-	-	-	-	-	-	-
Work contracted out and other external expenses	1,024.6	2.2	1,026.8	953.7	-	953.7	1,978.3	2.2	1,980.5
Salaries and social security contributions	265.0	15.7	280.7	184.9	-	184.9	449.9	15.7	465.6
Depreciation and amortization	35.8	-	35.8	21.4	172.2	193.6	57.2	172.2	229.4
Other operating expenses	146.9	38.3	185.2	80.3	13.7	94.0	227.2	52.0	279.2
Total operating expenses	**1,472.3**	**56.2**	**1,528.5**	**1,240.3**	**185.9**	**1,426.2**	**2,712.6**	**242.1**	**2,954.7**
Operating income	**41.5**	**(56.2)**	**(14.7)**	**32.9**	**(185.9)**	**(153.0)**	**74.4**	**(242.1)**	**(167.7)**

1. Represents the unaudited seven-month result of EGL from 1 January 2007 to 1 August 2007 in accordance with CEVA accounting policies and the impact of applying acquisition accounting as though the acquisition occurred on 1 January 2007.
2. For details on specific items please refer to note 4 of the financial statements.

CAPITAL EXPENDITURE, FUTURE LIQUIDITY AND CAPITAL RESOURCES

Historical Capital Expenditure

The following table provides a breakdown of our historical capital expenditure for property, plant and equipment and other intangible assets:

in € millions	Year ended 31 December 2007	Year ended 31 December 2006
Contract Logistics	71.5	90.1
Freight Management	10.6	0.1
Total	**82.1**	**90.2**

The reduction in capital expenditure requirement of the Contract Logistics operation in the year ended 31 December 2007 compared to the year ended 31 December 2006 is a result of the Company's asset light strategy. We make certain that our operational units focus on ensuring that assets are only acquired when value is created and our strict financial hurdle rates are met.

Future Liquidity and Capital Resources

Our principal source of liquidity in the future will be our operating cash flows. Our ability to generate cash from operations depends on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, legislative, regulatory, and other factors, many of which are beyond our control, as well as other factors, discussed in the section entitled "Risk Factors", on page 20.

In addition to cash flow from operating activities, under our Senior Secured Facilities we have a committed Revolving Credit Facility of € 186.5 million, a € 178.5 million Synthetic L/C Facility, and cash as of 31 December 2007 of € 175.0 million to service our working capital requirements, certain transition and rebranding costs, purchase price adjustments, and general corporate purposes. The availability of this facility is dependent upon certain conditions.

CEVA Investments Ltd is a holding company. It is therefore dependent on the capital raising abilities, dividend payments from subsidiaries and other distributions to generate funds. There can be no assurance that the dividend and distribution capacity of CEVA will be adequate for such needs. The terms of the Senior Secured Facilities, our other outstanding debt, and the indentures contain a number of significant covenants that restrict our ability and the ability of our subsidiaries to, among other things, pay dividends or make other distributions, make capital expenditure, and incur additional debt and grant guarantees. Furthermore, the ability of CEVA's subsidiaries to pay dividends and make other payments to CEVA may be restricted by, among other things, other agreements and legal prohibitions on such payments.

We believe that our operating cash flows, together with our available cash, available borrowings under the Revolving Credit Facility and the Synthetic L/C Facility will be more than sufficient to fund our operating and financial requirements, certain transition and rebranding costs, and general corporate expenditure, as well as anticipated capital expenditure and debt service requirements as they become due for the foreseeable future, although we cannot guarantee that this will be the case. In particular, future drawings under the Senior Secured Revolving Facility will only be available if, among other things, we meet the financial covenants contained in the Senior Secured Facilities.

If our future cash flows from operations and other capital resources are insufficient to pay our obligations as they mature, we may be required to restrict our activities and growth plans.

OTHER MATTERS

Post-Employment Benefit Obligations
Some of our employees participate in defined benefit plans as part of historic or acquired commitments. These "stand-alone" plans, most of which are unfunded, were transferred to the Company following the CEVA acquisition of the Logistics business. At 31 December 2007, the actuarially determined benefit obligation under these plans was € 156.5 million and the fair value of plan assets was € 57.1 million for which we had an provision of € 94.7 million accrued as of 31 December 2007.

Italian pension plan
An amount of € 70.2 million of the provision for pension liabilities as at 31 December 2007 relates to the unfunded defined benefit obligations due to leaving service benefits provided to Italian employees that are mandatory under Italian law, the Trattamento di Fine Rapporto ("TFR"). Under this legislation, employees are entitled to a termination payment on leaving the Company. It is important to note that the Company has an asset of € 19.6 million that is included in Long Term Prepayments and Accrued Income. This asset reflects the right of the Company to claim TFR payments to certain employees from their prior employers.

The TFR regulation has changed from 1 January 2007 for companies whose workforce is greater than 50 employees. The impact of the new rules is that the employees will be given the option to either remain under the prior regulation by which CEVA is obliged to fund the yearly accrual to the Social Security Institution ("INPS"), or to transfer the future accruals into external pension funds. The funded provision for the TFR maturing after 1 January 2007 is treated as a defined contribution plan under either administrator option. The curtailments arising due to the new legislation and a change in scope of activity for a major customer in Italy were the primary drivers of the reduction in the unfunded provision to € 70.2 million from a 31 December 2006 balance of € 102.7 million.

Dutch pension plan
Until October 2007, the pension benefits of the employees of CEVA in the Netherlands were accrued within the pension funds of TNT N.V. By paying contributions to the TNT pension fund, CEVA Group settled its defined benefit liability as there was no additional actuarial or investment risk for CEVA Group. For this reason there was no liability for these accrued pension benefits. Included in the terms of the sale and purchase agreement with TNT, the assets within the TNT pension fund regarding the accrued pension benefits are for the risk of TNT, therefore these assets are not accounted for by CEVA Group.

After October 2007 we have established our own scheme for our Dutch employees.

Critical Accounting Estimates and Assumptions
The Group's principle accounting policies are set out on pages 30 to 35 of the consolidated financial statements and comply with IFRS. These policies, and applicable estimation techniques, have been reviewed by the Directors, who have confirmed them to be appropriate for the preparation of the 2007 financial statements.

Like many companies, we need to use estimates in the preparation of our financial statements. The most sensitive estimates affecting our financial statements are in the areas of impairment of goodwill, income taxes, provision for claims, retirement benefits, fair value of derivatives and other financial instruments, contingent liabilities, and revenue recognition. Details of critical accounting estimates and assumptions are provided in the accounting policies on pages 36 and 37.

MANAGEMENT OF FINANCIAL, OPERATING AND LEGAL RISKS

FINANCIAL RISK MANAGEMENT

As a result of its operating activities, CEVA Investments Ltd is exposed to financial risk resulting from changes in exchange rates, commodity and fuel prices, as well as interest rates. We employ primary and derivative financial instruments to limit interest and exchange rates risks which can relate to transactions with fixed contracts as well as planned contracts. The necessary framework of actions, responsibilities, and controls has been established in internal guidelines.

The Board of Directors of CEVA Investments Ltd is regularly informed about existing financial risks and the financial instruments used to manage the risks.

The characteristics and hedging goals for individual financial risks are described in more detail as follows:

Market Risks

Interest rate risk management
Interest rate risks are identified centrally, monitored continually, and managed actively in accordance with the internal guidelines of the Board of Directors. Our interest rate exposure arising from our borrowings and deposits is managed by the use of fixed and floating rate debt, interest rate swaps, and forward foreign exchange contracts. More information on the interest rate profile of our debt is included in note 19 to the accounts.

Foreign exchange risk management
We operate on an international basis generating foreign currency exchange risks arising from future commercial transactions, recognized assets and liabilities, investments, and divestments in foreign currencies other than the euro, our functional and reporting currency.

These risks are managed centrally with the objective of limiting possible effects as much as possible while keeping internal cost to a minimum, all Group companies are required to report their relevant foreign exchange risk exposure with Group treasury. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group use forward contracts, which are authorized and executed by the Group treasury. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

For a more detailed discussion on financial risk management, refer to note 27.

Commodity risk
As a global logistics provider, CEVA is exposed to the risk of an increase in fuel prices. We believe that the majority of the increases in price risk can be passed on to customers and therefore we have not entered into contracts to hedge any specific commodity risk.

Credit risk
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

CEVA's credit policy determines that each new customer is analyzed individually for creditworthiness before terms and conditions are offered to the customer. The Group's review includes external ratings were available, and in some cases bank references. Purchase limits are established for each customer, these limits are periodically reviewed.

The Group establishes an allowance for impairment in respect of trade and other receivables.

Guarantees
The total amount of guarantees as at 31 December 2007 was € 167.3 million of which € 132.2 million are on the CEVA's Group Synthetic Letter of Credit facility compared with the position of € 148 million as at 31 December 2006. The € 19.3 million increase is a result of a decrease in the Contract Logistics portfolio of € 49.3 million and an increase of € 68.6 million as a result of the acquisition of the Freight Management business.

These guarantees were mainly issued in connection with CEVA's operating business obligations under lease contracts, customs duty deferment and local credit lines. The obligations under the guarantees issued by banks and other financial institutions have been secured by CEVA and by certain of its subsidiaries.

Net Debt and Gearing
CEVA's capital structure consists largely of debt financing. This is monitored closely by management and we consider the applicable interest rates and maturity dates to be favorable. We fund our financing structure using cash generated from operations.

OPERATIONAL RISK MANAGEMENT

Operational risk is the risk of loss arising from fraud, unauthorized activities, error, omission, inefficiency, system failure or external events. It is inherent in every business organization and covers a wide spectrum of issues.

Led by the Executive Board, the Group has codified its operational risk management process by issuing high-level standards, supplemented by more detailed formal guidance. This explains how the Group manages operational risk by identifying, assessing, monitoring, controlling, and mitigating the risk, rectifying operational risk events, and implementing any additional procedures required for compliance with local regulatory requirements. The processes undertaken to manage operational risk are determined by reference to the scale and nature of the Group's operations.

In each of the Group's subsidiaries, local management is responsible for implementing the Group's standards on operational risk throughout their operations, and where deficiencies are evident, rectifying them within a reasonable timeframe. Subsidiaries acquired by the Group are required to assess, plan, and implement the standard requirements within an agreed timescale.

LEGAL RISK MANAGEMENT

Legal risks to the Company include those arising from the legal requirements of various countries and jurisdictions around the world, including legal obligations and prohibitions imposed by statute, regulation, common law, contract, and other legal sources. They may be manifested in a variety of situations, including civil and criminal lawsuits, governmental inquiries and investigations, administrative procedures. Like operational risks, they are inherent in every business organization and cover a wide spectrum of issues.

CEVA has global and regional legal staffs to manage legal risks by keeping abreast of applicable laws and regulations and by implementing, monitoring, and enforcing the Company's policies, practices, and procedures (including its commercial practice policies, code of business conduct, and other policies and procedures) consistent with applicable legal requirements. These efforts include development and implementation of the Company's compliance program, training in support of that program, and aggressive management of legal and regulatory issues and risks as they arise in litigation and other disputes. These efforts are designed to identify, assess, monitor, and minimize legal risks to the Company and thereby support compliance with applicable legal requirements.

Refer to note 27 for further information on financial risk management.

GROUP MANAGEMENT

Board of Directors and Key Management of CEVA Investments Ltd and CEVA Group Plc

The following table provides information regarding the members of the Board of Directors of CEVA Investments Ltd, CEVA Group Plc and its Key Management as of the date of this report.

Name	Age	Title
Gareth Turner	44	Chairman, Non-Executive Director - CEVA Investments Ltd and CEVA Group Plc
Lukas Kolff	34	Non-Executive Director - CEVA Investments Ltd and CEVA Group Plc
John Pattullo	55	Chief Executive Officer and Director - CEVA Group Plc
Joshua Harris	43	Non-Executive Director - CEVA Group Plc
Stan Parker	32	Non-Executive Director - CEVA Group Plc
Stuart Young	50	Chief Financial Officer - CEVA Group Plc

Gareth Turner has been a member of the Board of Directors since August 2006. Mr. Turner has been a partner at Apollo since 2005. Prior to joining Apollo in 2005, Mr. Turner was employed from 1997 to 2005 by Goldman, Sachs & Co. as a Managing Director. Mr. Turner received his MBA with distinction from the University of Western Ontario in 1991 and his bachelor's degree from the University of Toronto in 1986.

Lukas Kolff has been a member of the Board of Directors since August 2006. He has been employed by Apollo since 2006. From 1999 until 2006, Mr. Kolff was a Vice President at Ripplewood Holdings. Mr. Kolff has a master's degree in Business Economics from Rijks Universiteit Groningen, the Netherlands, where he graduated with highest honors.

John Pattullo joined CEVA on 6 August 2007, as its Chief Executive Officer. Prior to this, Mr. Pattullo led Deutsche Post/DHL's € 7 billion EMEA Contract Logistics business (Europe, Middle East and Africa) as Chief Operating Officer. Mr. Pattullo started his career in supply chain management with Procter & Gamble ("P&G"), where he held various leadership positions including managing European Purchasing and Logistics, leading the P&G supply chain for Asia and, in his last role, running the supply chain for the P&G global Beauty Care business. Mr. Pattullo graduated from Glasgow University with an M.A. Honours degree.

Joshua Harris has been a member of the Board of Directors since November 2006. He is a founding Senior Partner at Apollo and has served as an officer of certain affiliates of Apollo since 1990. Prior to that time, Mr. Harris was a member of the Mergers and Acquisitions Department of Drexel Burnham Lambert. Mr. Harris is also a director of Allied Waste Industries, Berry Plastics, Covalence Specialty Materials, Hexion Specialty Chemicals, Metals USA, Quality Distribution, Inc, UAP Holdings and Verso Paper. Mr. Harris graduated summa cum laude and Beta Gamma Sigma from the University of Pennsylvania's Wharton School of Business with a B.S. in Economics and received his MBA from the Harvard Business School, where he graduated as a Baker and Loeb Scholar.

Stan Parker has been a member of the Board of Directors since November 2006. He has been employed by Apollo since 2000. From 1998 to 2000, Mr. Parker was employed by Salomon Smith Barney. He serves on several boards of directors, including Affinion and AMC Entertainment. Mr. Parker graduated magna cum laude with a B.S. in Economics from the Wharton School of the University of Pennsylvania.

Stuart Young has been our Chief Financial Officer since February 2007. He joined CEVA from DHL/Exel Ocean Group, where he had worked for 15 years. In December 2005, after the acquisition of Exel plc by Deutsche Post, he was appointed Finance Director of DHL Exel Supply Chain. Prior to this, from 2002 he was the Finance Director of Exel's EMEA freight forwarding and contract logistics businesses. From 1997 he was the Director of Mergers and Acquisitions for Ocean Group which became Exel following the acquisition of NFC in 2000. After earning an Economics degree at Cambridge, he qualified as a Chartered Accountant in 1982 with KPMG.

Board Structure and Compensation

Apollo and its affiliates have the power to control us and our affairs and policies, including the election of our Directors and management. Lukas Kolff is a member of the Audit Committee of CEVA Group Plc. Each of our non-executive Directors is paid an annual retainer of € 39,000 as well as € 1,600 for each meeting of the Board or of a Board committee attended, and customary equity incentives are granted to these Directors.

SHAREHOLDERS

The following table sets forth the shareholders of CEVA Investments Ltd and the number and percentage of shares owned, as at 31 December 2007 and as at 31 December 2006.

Name of beneficial owner	Number of shares beneficially owned 31 December	Ownership percentage	Number of shares beneficially owned 31 December	Ownership percentage
	2007	**2007**	**2006**	**2006**
AIF VI Euro Holdings, L.P.[1]	2,844,555	68.8%	2,270,625	70.9%
AlpInvest Partners Beheer 2006, L.P.[2]	422,880	10.2%	350,000	10.9%
AAA Investment Group[3]	406,365	9.8%	324,375	10.1%
TNT[4]	155,000	3.7%	155,000	4.8%
CEVA Management Investors	310,649	7.5%	104,140	3.3%
Total	**4,139,449**	**100.0%**	**3,204,140**	**100.00%**

1. AIF VI Euro Holdings, L.P. is managed by Apollo.
2. AlpInvest Partners Beheer 2006, L.P. is a co-investment vehicle managed and controlled by Apollo, and all the economic interest in this entity is held by AlpInvest Partners funds.
3. AAA Investments, L.P. is managed by an affiliate of Apollo.
4. TNT N.V. retained an equity interest in the Company following CEVA's acquisition of its former Logistics business.

AAA Investments, L.P. transferred its shares to AAA Guarantor Co-Invest VI, L.P., and an affiliate of Apollo. The percentage held by CEVA management investors under the Long-Term Incentive Plan increased as a result of the EGL acquisition. During 2007, Apollo and its affiliates purchased an additional equity of USD 100 million shares of CEVA Investments Ltd, which in turn invested € 72.7 million to equity in CEVA Group Plc.

CEVA Investments Ltd 2006 Long-Term Incentive Plan
At 31 December 2007, 343 management and employees of the Company had made equity investments in CEVA Investments Ltd through the purchase of 310,649 ordinary shares.

CEVA Investments Ltd adopted the CEVA Investments Ltd 2006 Long-Term Incentive Plan, which permits CEVA Investments Ltd to grant stock options to management and employees of the Company, for which the costs are charged to CEVA Group Plc.

The 2006 Long-Term Incentive Plan has a term of ten years. The date of grant, vesting, and pricing of options granted under the 2006 Long-Term Incentive Plan are generally subject to the discretion of CEVA Investments Ltd's Board of Directors. Ordinary shares acquired under the 2006 Long-Term Incentive Plan are subject to restrictions on transfer, repurchase rights, and other limitations set forth in a shareholders agreement and subscription agreement.

LEGAL MATTERS

On 15 August 2006, CEVA Investments Ltd (registered number WK-172452), with its registered office at Walkers SPV Limited, Walker House, PO Box 908GT, Mary Street, George Town, Grand Cayman, Cayman Islands, was incorporated in the Cayman Islands under the name Louis Topco Ltd as an exempted company with limited liability. On 21 February 2007, Louis Topco Ltd changed its name by a special resolution of the board of directors to CEVA Investments Ltd. The company is registered in England and Wales as an Oversea Company (No FC021738) with its principal place of business at 25 St George Street, London W1S 1FS. As at the date of this document, the authorized ordinary share capital is divided into 20,000,000 ordinary shares of a par value of USD 0.01 each.

The rights of the equity holders of CEVA Investments Ltd are contained in the Articles of Association of CEVA Investments Ltd.

We are currently party to various claims and legal actions that arise in the ordinary course of business. We believe such claims and legal actions, individually and in aggregate will not a have a material adverse effect on our financial position.

For further details refer to note 30.

Agreements with TNT

The Sale and Purchase Agreement ("SPA") between CEVA Limited and TNT, dated 23 August 2006, contains customary representations, warranties, and covenants, including representations by TNT to us regarding the Logistics business. The warranties are subject to customary qualifications and limitations on TNT's liability and will generally survive for eighteen months from 4 November 2006, except for those with respect to certain environmental matters, which survive for three years from 4 November 2006, and certain warranties regarding taxes and ownership of shares, which generally survive until the statutory limitations date. In addition, TNT has in general indemnified CEVA Limited against taxes applicable to the Logistics business which are attributable to any tax period or portion thereof ending on or before 4 November 2006. The SPA provides for certain other specific indemnities, in each case subject to certain conditions and limitations.

CEVA Relations with Apollo

Management agreement

CEVA entered into a management agreement with Apollo relating to the provision of certain financial and strategic advisory services and consulting services. CEVA agreed to pay to Apollo an annual service fee equal to the greater of € 3 million and 1.5% of our EBITDA (as defined in the indentures governing the notes), plus related expenses. In addition, CEVA agreed to pay Apollo a transaction fee amounting to 1% of the purchase price for each acquisition. CEVA has agreed to indemnify Apollo and its affiliates and their Directors, officers and representatives for losses relating to the services contemplated by the management agreement and for the engagement of affiliates of Apollo pursuant to, and the performance by them of the services contemplated by, this agreement.

Potential conflicts

Through control of a majority of the ordinary shares of CEVA Investments Ltd, Apollo and its affiliates have the power to control us and our affairs and policies, including the election of our Directors and the appointment of our management. A majority of members of our Board are partners or employees of Apollo.

RISK FACTORS

CEVA is impacted by a number of risk factors, some of which are not within our control. Many of the risk factors affecting CEVA are macroeconomic and generally affect all companies, whereas others are more particular to CEVA. This section outlines risks, but is not intended to be an extensive analysis of all risks that could affect us. Indeed, some risks may be unknown to us or more material than we currently estimate. All of them have the potential to impact CEVA and its financial performance and should be considered when reading this document. Further specific risks related to our capital structure and legal proceedings that we face are included in the section entitled "The Management of Financial, Operating and Legal Risks".

Regulatory Risks

We are required to comply with various regulations and/or to hold certain licenses and permits in various jurisdictions. Certain countries require supply chain logistics service providers to hold national or international transport licenses in order to perform their services. We cannot predict what impact future regulations may have on our business. We may not be able to respond to new statutory requirements. Failure to maintain required certificates, permits or licenses, or to comply with applicable laws, ordinances or regulations, can result in substantial fines or possible revocations of authority to conduct operations. In addition, increased costs for security as a result of governmental regulations that has been and will be adopted in response to terrorist activities and potential terrorist activities, government deregulation efforts, "modernization" of the regulations governing customs clearance, and changes in the international trade and tariff environment could require material expenditures or otherwise adversely affect CEVA.

Industry-specific Risks

A major part of the supply chain industry is the provision of transportation services. Our ability to offer these services effectively may be impacted by changes in fuel prices. The price of fuel is directly influenced by the price of crude oil and to a lesser extent by refining costs and refining capacity relative to demand, which is influenced by a wide variety of macroeconomic and geopolitical events. Typically our suppliers pass on increases in fuel prices to us and we pass these price increases on to our customers through a surcharge. We sometimes bear a portion of price increases over the short-term. If the price of oil were to increase beyond acceptable levels, we and our customers may not be able to continue operating effectively.

In addition, our ability to offer transport services is affected by our access to third-party providers. We do not maintain our own transportation networks, and we rely on other third-party transportation service providers for some of our contracts logistics services and substantially all of our freight forwarding services. Access to competitive transportation networks is important to supply chain companies. Available cargo space could be reduced as a result of decreases in the number of passenger airlines or ocean carriers serving particular transportation lanes at particular times. This could occur as a result of economic conditions, transportation strikes, regulatory changes and other factors beyond our control, and can have a significant impact on our ability to perform services.

Some of the activities in the industry are long term in nature and/or outsourced from other organizations. For certain contract logistics projects, CEVA acquires or leases on a long-term basis warehouses and distribution facilities and takes assignment of employment arrangements from its customers. These arrangements sometimes require large investments in property, plant and equipment, personnel, and management capacity. If CEVA acquires or takes over existing facilities of a customer, it may in some territories assume by operation of law all rights and obligations arising under the existing employment relationships between CEVA's customer and the customer's employees. In addition, CEVA frequently contracts with third parties to lease warehouses and other assets. CEVA commits capacities on the basis of projections of future demand, and our projections may prove inaccurate as a result of changes to the economic conditions or a decision by CEVA's customers to terminate or not to renew their contracts with CEVA. We generally strive to minimize these risks for CEVA's dedicated warehouses and other assets by negotiating lease agreements with the same duration as that of the assets deployed to service the contract. When CEVA takes an assignment of existing employment relationships, it seeks indemnities for employee service liabilities from the previous employer. Our strategies, also employed by the majority of operators in the industry, do not always fully mitigate these risks.

Collective labor agreements cover a significant part of CEVA's, our suppliers' and our customers' workforces. Although we believe that CEVA has constructive relations with its works councils and unions, we cannot assure you that we will not encounter strikes or other disturbances from this unionized labor force, or that, upon expiration of existing agreements, new collective labor agreements will be reached on satisfactory terms. If workers engage in industrial actions, our business, financial condition, and results of operations could suffer material harm.

Information Technology Risks

The provision and application of information technology is an important factor in the supply chain logistics industry. Among other things, our information systems must frequently interact with those of our customers and service providers that we rely on and must function across multiple territories. Our future success will depend on our ability to employ software that meets industry standards and customer demands across multiple territories. Although we have redundancy systems and procedures in place, the failure of the hardware or software that supports our information technology systems or the loss of data in the systems, or the inability to access or interact with our customers electronically through our websites could significantly disrupt customer workflows and cause economic losses for which we could be held liable and that would damage our reputation. We expect our customers to continue to demand more sophisticated and fully integrated information technology systems compatible with their own information technology environment.

If we fail to meet the demands of our customers or protect against disruptions of our and our customers' operations, we may lose customers, which could seriously harm our business and adversely affect our operating results. In addition, a failure to protect our confidential information from unauthorized use or disclosure could diminish the value of our confidential information and have a material adverse affect on our business, financial condition, and results of operations.

Industry-wide Regulatory Investigation into the Freight Forwarding Industry
In October 2007, EGL Eagle Global Logistics ("EGL") was the subject of (a) a search warrant and subpoena issued at the request of the Antitrust Division of the United States Department of Justice; (b) an inspection and request for information by the European Commission; and (c) demands for documents and information from the New Zealand Commerce Commission and the Canadian Competition Bureau. The Company understands that the above-described requests are part of an industry-wide investigation into possible price-fixing and other improper collusive activity in the freight forwarding industry with respect to certain accessorial and other charges.

The Company is cooperating with the respective authorities to provide requested information. At this time the Company can not determine the timing or outcome of the investigations, which could result in the imposition of criminal and or civil fines, penalties, damages or other sanctions. For further details refer to page 62.

The Group operates internationally
The Group markets and sells its services internationally. Economic, political and social conditions, including those related to wars, civil unrest, acts of terrorism and other conflicts, may adversely affect regional and global economics, the Group's customers and their ability to pay for services, including:

- general political and economic instability in regional or international markets, which could impede the Group's ability to deliver services to customers and adversely affect its business, financial condition and results of operations;
- changes in regulatory requirements, which could restrict the Group's ability to deliver services to its international customers; and
- export restrictions, tariffs, licenses and other trade barriers, which could prevent the Group from adequately equipping its facilities worldwide.

In addition, the Group is subject to heightened security measures due to threats of terrorism. Some of the possible future effects of such heightened security measures include reduced business activity by customers, changes in security measures or regulatory requirements for travel and the reduction of availability of flights and other transportation options. Such security-related developments could increase costs, make it difficult for the Group to arrange for transport of its customers' freight and increase credit and business risks for customers and threats of additional terrorist attacks. Responses to security threats may materially and adversely affect the Group in ways it cannot predict.

As CEVA continues to expand its business globally, its success will depend, in large part, on its ability to anticipate and effectively manage these and other risks associated with international operations. However, any of these factors could materially and adversely affect its international operations and, consequently, its business, financial condition and results of operations.

PURPOSE OF THE ACCOUNTS

These financial statements are special purpose consolidated financial statements of CEVA Investments Ltd for the financial year ended 31 December 2007 and consist of the special purpose consolidated balance sheet, the related income statement, cash flow statement and statement of changes in equity for the period then ended and notes to the special purpose consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union. These financial statements were prepared in respect of the company's obligations under Management Rights Agreements between the Company and AlpInvest Partners CS Investments 2006 C.V. dated 4 November 2006 and AIF VI Euro Holdings LP dated 4 November 2006 (the "Agreements") which require the preparation of audited consolidated financial statements.

We have asked our auditors, PricewaterhouseCoopers LLP to perform an audit on the special purpose consolidated financial statements for the year ended 31 December 2007 and give their opinion based upon their audit. The special purpose consolidated financial statements do not include stand alone accounts and do not constitute the statutory financial statements of CEVA Investments Ltd. The audit report, including the opinion, has been prepared solely for the Company and the directors as a body and for the directors of AlpInvest Partners CS Investments 2006 C.V. and the directors of AIF VI Euro Holdings LP and no one else. PricewaterhouseCoopers LLP do not, in giving their opinion, accept or assume responsibility for any other purpose or to any other person, including, without limitation, the Administrative Agent for the Lenders (as defined in the Loan Facility Credit Agreement dated 15 February 2007) and the Lenders, to whom this report is shown or into whose hands it may come.

DIRECTORS' REPORT

Statement of Responsibilities of the Directors of CEVA Investments Ltd
These special purpose consolidated financial statements of CEVA Investments Ltd have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The following statement, which should be read in conjunction with the statement of auditors responsibilities set out in the independent auditors' report, is made with a view to distinguishing the respective responsibilities of the directors of CEVA Investments Ltd, the management of CEVA and of the auditors in relation to the special purpose consolidated financial statements (hereafter "financial statements").

In the context of preparing the financial statements for CEVA Investments Ltd, the directors and management of CEVA Investments Ltd are responsible for:

- Ensuring the maintenance of proper accounting records, which disclose with reasonable accuracy the financial position of CEVA Investments Ltd at any time from which financial statements can be prepared in accordance with International Financial Reporting Standards as adopted by the European Union.
- Preparing financial statements for the financial period, which give a true and fair view, in accordance with International Financial Reporting Standards, as adopted by the European Union, of the state of affairs of CEVA Investments Ltd as at the end of the financial period and of the results of operations for that period.
- Taking such steps as are reasonably open to them to safeguard the assets of CEVA Investments Ltd and to prevent and detect fraud and other irregularities.

The directors and management of CEVA Investments Ltd consider that in preparing financial statements for CEVA Investments Ltd they have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed. The directors and management of CEVA Investments Ltd are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Statement as to Disclosure of Information to Auditors
As required by Section 234ZA of the Companies Act 1985, the Directors of CEVA Investments Ltd have approved this report and confirmed that, so far as we are aware, there is no relevant audit information (being information needed by the auditors in connection with preparing their audit report) of which the Company's auditors are unaware, and we have taken all the steps reasonably required to be taken as a director in order to make us aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order to the Board.

Lukas Kolff
Director

9 May 2008

INDEPENDENT AUDITORS' REPORT

TO THE DIRECTORS OF CEVA INVESTMENTS LIMITED (INCORPORATED UNDER THE LAWS OF THE CAYMAN ISLANDS) AND TO THE DIRECTORS OF ALPINVEST PARTNERS CS INVESTMENTS 2006 C.V. AND THE DIRECTORS OF AIF VI EURO HOLDINGS LP

We have audited the non-statutory consolidated financial statements of CEVA Investments Ltd for the year ended 31 December 2007 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes. These consolidated financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the directors and auditors
The directors' responsibilities for preparing the consolidated financial statements in accordance with the basis of preparation and accounting policies in note 1 to the financial statements are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with International Standards on Auditing (UK and Ireland). The purpose of this report, including the opinion is solely to assist the directors to discharge their stewardship obligations and fiduciary responsibilities in respect of the company's obligations under Management Rights Agreements between the Company and AlpInvest Partners CS Investments 2006 C.V. dated 4 November 2006 and AIF VI Euro Holdings LP dated 4 November 2006 (the "Agreements") which require the preparation of audited consolidated financial statements, and for no other purpose. This report, including the opinion, has therefore been prepared solely for the Company and the directors as a body and for the directors of AlpInvest Partners CS Investments 2006 C.V. and the directors of AIF VI Euro Holdings LP and no one else. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person, including, without limitation, the Administrative Agent for the Lenders (as defined in the Loan Facility Credit Agreement dated 15 February 2007) and the Lenders, to whom this report is shown or into whose hands it may come.

We report to you our opinion as to whether the consolidated financial statements give a true and fair view and whether the consolidated financial statements have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies in note 1 to the financial statements.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited non-statutory financial statements. The other information comprises only the sections Description of the Industry, Acquisitions, Summary of facilities and notes, Presentation of financial information, Operating and financial review and prospects, Management of financial, operating and legal risks, Group management, Shareholders, Legal matters, Risk factors, Purpose of the accounts and the Directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the non-statutory financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the non-statutory financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the non-statutory financial statements.

Opinion
In our opinion the financial statements for the period ended 31 December 2007 have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies in note 1 to the non-statutory financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
London, UK

9 May 2008

CEVA INVESTMENTS LTD
CONSOLIDATED STATEMENT OF INCOME

The 2007 result presented herein consist of the consolidated results of CEVA Investments Ltd which comprise 12 months trading from our Contract Logistics business and the results of our acquired Freight Management operations from the date of acquisition, being 2 August 2007.

The 2006 statement of income comprises the trading results following CEVA's acquisition of the former TNT Logistics business on the 4 November 2006.

In € millions		Year ended 31 December 2007			Period ended 31 December 2006		
	Notes	Before specific items	Specific items[1]	Total	Before specific items	Specific items[1]	Total
Revenue	3	**4,774.1**	-	**4,774.1**	**551.6**	-	**551.6**
Other operating revenue	3	7.0	-	7.0	1.5	-	1.5
Total revenue		**4,781.1**	-	**4,781.1**	**553.1**	-	**553.1**
Other income		**3.5**	-	**3.5**	**0.1**	-	**0.1**
Cost of materials		266.2	-	266.2	35.0	-	35.0
Work contracted out and other external expenses		2,762.6	-	2,762.6	288.9	-	288.9
Salaries and social security contributions	5	1,195.8	(1.4)	1,194.4	163.4	0.7	164.1
Depreciation and amortization	6	128.3	172.2	300.5	20.8	-	20.8
Other operating expenses		258.9	38.6	297.5	23.1	9.4	32.5
Total operating expenses		**4,611.8**	**209.4**	**4,821.2**	**531.2**	**10.1**	**541.3**
Operating income		**172.8**	**(209.4)**	**(36.6)**	**22.0**	**(10.1)**	**11.9**
Interest and similar income	7	41.9	-	41.9	3.1	-	3.1
Interest and similar expense	7	205.9	-	205.9	30.1	-	30.1
Net financial expense		**(164.0)**	-	**(164.0)**	**(27.0)**	-	**(27.0)**
Results from investments in associates		2.6	-	2.6	0.1	-	0.1
Profit/(Loss) before income taxes		**11.4**	**(209.4)**	**(198.0)**	**(4.9)**	**(10.1)**	**(15.0)**
Income taxes	8	105.8	(77.7)	28.1	8.8	(3.0)	5.8
Loss for the period		**(94.4)**	**(131.7)**	**(226.1)**	**(13.7)**	**(7.1)**	**(20.8)**
Attributable to:							
Minority interests				1.3			1.2
Equity holders of the Company				(227.4)			(22.0)
Loss for the period				**(226.1)**			**(20.8)**

[1] For specific items description please refer to note 4

The accompanying notes form an integral part of the financial statements

CEVA INVESTMENTS LTD
CONSOLIDATED BALANCE SHEET

in € millions	Notes	31 December 2007	31 December 2006
Non-current assets			
Intangible assets	10		
Goodwill		1,439.3	561.6
Contractual customer relationships		693.6	463.5
Other intangible assets		37.1	7.8
Total intangible assets		**2,170.0**	**1,032.9**
Property, plant and equipment	11		
Land and buildings		219.3	195.3
Plant and equipment		150.2	135.5
Other		46.4	32.5
Construction in progress		4.3	12.5
Total property, plant and equipment		**420.2**	**375.8**
Other non-current assets			
Investments in associates		0.3	0.6
Other loans receivable		9.5	4.7
Deferred tax assets	23	5.9	136.9
Prepayments and accrued income	14	45.4	46.7
Total other non-current assets		**61.1**	**188.9**
Total non-current assets		**2,651.3**	**1,597.6**
Current assets			
Inventory	12	35.7	22.1
Trade and other receivables	13	1,176.3	664.0
Income tax receivable	23	-	23.7
Prepayments and accrued income	14	230.4	163.4
Cash and cash equivalents	15	175.0	266.1
Derivative financial instruments	22	0.5	-
Total current assets		**1,617.9**	**1,139.3**
Total assets		**4,269.2**	**2,736.9**

The accompanying notes form an integral part of the financial statements

CEVA INVESTMENTS LTD
CONSOLIDATED BALANCE SHEET continued

in € millions	Notes	31 December 2007	31 December 2006
Equity and Liabilities			
Group Equity			
Issued share capital	16	0.1	0.1
Share premium	16	138.3	320.3
Cumulative translation adjustment reserve		(67.3)	(2.6)
Other reserves		2.9	0.2
Accumulated deficit brought forward		(22.0)	-
Result attributable to equity holders for the period		(227.4)	(22.0)
Attributable to equity holders of the Company		**(175.4)**	**296.0**
Minority interests		33.9	33.2
Total Group Equity		**(141.5)**	**329.2**
Non-current liabilities			
Deferred tax liabilities	23	162.9	150.0
Provisions for post employment benefits	17	97.7	122.9
Other provisions	18	105.3	87.7
Borrowings	19	2,633.2	1,141.3
Accrued liabilities		10.5	12.3
Total non-current liabilities		**3,009.6**	**1,514.2**
Current liabilities			
Trade accounts payable		608.0	279.6
Other provisions	18	40.5	38.9
Borrowings	19	137.9	78.3
Other current liabilities	20	147.7	153.0
Income tax payable	23	35.2	22.9
Accrued current liabilities	21	430.6	320.8
Derivative financial instruments	22	1.2	-
Total current liabilities		**1,401.1**	**893.5**
Total equity and liabilities		**4,269.2**	**2,736.9**

The accompanying notes form an integral part of the financial statements

The financial statements were approved by the Board of Directors on 9 May 2008 and signed on its behalf by:

Lukas Kalff
Director

CEVA INVESTMENTS LTD
CONSOLIDATED CASH FLOW STATEMENT

In € millions	Notes	Year ended 31 December 2007	Period ended 31 December 2006
Loss before income taxes		**(198.0)**	**(15.0)**
Adjustments for:			
Share based compensation		2.9	0.2
Depreciation and amortization	6	300.5	20.8
Loss on sale of property, plant and equipment		(2.7)	(0.7)
Interest and similar income	7	(18.1)	(3.3)
Results on investments in associates		(2.6)	-
Foreign exchange (gains) and losses	7	(24.2)	0.2
Interest and similar expense	7	205.4	30.1
Change in provisions:			
Pension liabilities	17	(32.0)	(3.3)
Other provisions	18	2.2	(7.0)
Changes in working capital:			
Trade and other receivables	13	(74.6)	(53.0)
Inventory	12	(2.3)	1.0
Prepayments and accrued income	14	66.5	41.8
Trade accounts payable		45.1	74.7
Other current liabilities	20	41.1	4.9
Accrued current liabilities	21	(70.8)	2.5
Non-current prepayments and accrued income	14	15.8	8.3
Non-current accrued liabilities		(2.3)	7.2
Cash generated from operations		**251.9**	**109.4**
Interest paid		(129.3)	(25.1)
Income taxes paid	23	(9.1)	(13.8)
Net cash from operating activities	24	**113.5**	**70.5**
Acquisition of group companies (net of cash)		(1,430.3)	(107.0)
Capital expenditure on intangible fixed assets		(12.2)	(6.1)
Capital expenditure on property, plant and equipment		(69.9)	(10.6)
Proceeds from sale of property, plant and equipment		55.6	16.7
Increase in other non-current assets		(1.5)	1.4
Interest received		17.9	3.3
Net cash used in investing activities	25	**(1,440.4)**	**(102.3)**
Issuance of shares		88.4	295.9
Repayment of equity		(274.2)	
Net proceeds from non-current borrowings	19	1,748.1	1,170.5
Repayments of non-current borrowings		(292.0)	-
Proceeds from current borrowings		104.8	-
Repayments of current borrowings		(53.9)	-
Repayment of liabilities upon business combination		(84.7)	(1,165.7)
Repayments under finance leases		(2.0)	(1.6)
Dividends from associates		2.9	
Net cash from financing activities	26	**1,237.4**	**299.1**
Change in cash and cash equivalents		**(89.5)**	**267.3**
Cash and cash equivalents at the beginning of the period		**266.1**	-
Change in cash and cash equivalents		(89.5)	267.3
Foreign exchange impact on cash and cash equivalents		(1.6)	(1.2)
Cash and cash equivalents at the end of the period	15	**175.0**	**266.1**

The accompanying notes form an integral part of the financial statements.

CEVA INVESTMENTS LTD
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in € millions	Issued share capital	Share premium	Cumulative translation adjustment reserve	Other reserves	Retained earnings / (deficit)	Attributable to equity holders of the Company	Minority interest	Total group equity
Balance at 15 August 2006	**0.1**	-	-	-	-	**0.1**	-	**0.1**
Movements								
Currency translation adjustment................................	-	-	(2.6)	-	-	**(2.6)**		**(2.6)**
Result attributable to equity holders for the period......			-	-	(22.0)	**(22.0)**	1.2	**(20.8)**
Total result for the period	-	-	*(2.6)*	-	*(22.0)*	*(24.6)*	*1.2*	*(23.4)*
Issuance of shares..	-	10.3	-	-	-	**10.3**	-	**10.3**
Additional paid in cash..	-	310.0	-	-	-	**310.0**		**310.0**
Share based compensation.....................................	-	-	-	0.2	-	**0.2**		**0.2**
Balance acquired through business combinations......	-	-	-	-	-	-	32.0	**32.0**
Balance at 31 December 2006	**0.1**	**320.3**	**(2.6)**	**0.2**	**(22.0)**	**296.0**	**33.2**	**329.2**
Balance at 1 January 2007	**0.1**	**320.3**	**(2.6)**	**0.2**	**(22.0)**	**296.0**	**33.2**	**329.2**
Movements								
Currency translation adjustment..............................	-	-	(64.7)	-	-	**(64.7)**	-	**(64.7)**
Result attributable to equity holders for the period......	-	-	-	-	(227.4)	**(227.4)**	1.3	**(226.1)**
Total result for the period	-	-	*(64.7)*	-	*(227.4)*	*(292.1)*	*1.3*	*(290.8)*
Issuance of shares..	-	93.7	-	-	-	**93.7**	-	**93.7**
Capital distribution..	-	(275.0)	-	-	-	**(275.0)**	-	**(275.0)**
Share based compensation.....................................	-	-	-	2.7	-	**2.7**	-	**2.7**
Redemption of shares...	-	(0.7)	-	-	-	**(0.7)**		**(0.7)**
Balance acquired through business combinations......	-	-	-	-	-	-	(0.6)	**(0.6)**
Balance at 31 December 2007	**0.1**	**138.3**	**(67.3)**	**2.9**	**(249.4)**	**(175.4)**	**33.9**	**(141.5)**

The accompanying notes form an integral part of the financial statements.

CEVA INVESTMENTS LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General Information and Description of our Business
On 15 August 2006, CEVA Investments Ltd (registered number WK-172452), with its registered office at Walkers SPV Limited, Walker House, PO Box 908GT, Mary Street, George Town, Grand Cayman, Cayman Islands, was incorporated in the Cayman Islands under the name Louis Topco Ltd as an exempted company with limited liability. On 21 February 2007, Louis Topco Ltd changed its name by a special resolution of the board of directors to CEVA Investments Ltd. The company is registered in England and Wales as an Oversea Company (No FC021738) with its principal place of business at 25 St George Street, London W1S 1FS. The directors of the company are Gareth Turner and Lukas Kolff. The ultimate parent and controlling party of CEVA Investments Ltd is Apollo Management VI, L.P.

The consolidated financial statements include the financial statements of CEVA Investments Ltd and its consolidated subsidiaries (hereafter referred to as "we", "CEVA", "CEVA Group", "our" or "us" or "the Company").

On 2 August 2007, CEVA Group Plc acquired 100% of the shares of EGL Eagle Global Logistics Inc. ("EGL") for a total consideration of € 1,417.5 million. EGL's former shareholders were entitled to receive USD 47.50 in cash, without interest, for each share of EGL common stock they owned at the effective time of the acquisition. As a result of this transaction, EGL is now a wholly owned subsidiary of CEVA Investments Ltd.

CEVA Group Plc, a subsidiary of CEVA Investments Ltd has issued bonds which are listed on the Alternative Securities Market of the Irish Stock Exchange.

CEVA is one of the world's leading integrated supply chain logistics providers that offers a broad spectrum of services based on our market-leading contract logistics and freight forwarding expertise and capabilities. CEVA designs, implements, and operates complex supply chain solutions for multinational and large national companies on a local, regional, and global level.

The consolidated financial statements were authorized for issue by our Board of Directors on 9 May 2008.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation
The consolidated financial statements for the year ended 31 December 2007 and for the comparative period ended 31 December 2006 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). IFRS includes the application of International Financial Reporting Standards including International Accounting Standards ("IAS") and related Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and Interpretations of the Standing Interpretations Committee ("SIC").

The consolidated financial statements have been prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The accounting policies adopted in these consolidated financial statements are consistent with those of the financial statements for the period ended 31 December 2006, as described in the annual report, unless otherwise stated. The presentation of certain information has changed for the inclusion of "specific items", the requirements of IFRS 7 *Financial Instruments: Disclosures*, net cash from operating activities and presentation of our segment information as discussed below. The 2006 comparatives have also been restated following the completion of the purchase price allocation for the Contract Logistics acquisition. Refer to note 9 for further details.

In prior years, CEVA determined its geographical segments to be its primary reporting segments, as the Company's business activities were substantially within a single reporting segment, being a pure play contract logistics business. CEVA therefore did not have a secondary segment for reporting purposes. Due to the acquisition of EGL, CEVA now defines its business segments to be its primary reporting segment and geographical segments as its secondary reporting segment. As a result of this change, CEVA identified two primary reportable segment (Contract Logistics and Freight Management) and four secondary reportable segment (Americas, Northern Europe, Southern Europe, and Asia Pacific). Corresponding figures shown in these consolidated financial statements have been re-presented for this change.

CEVA has also changed the presentation format of its results from operations from prior periods by separating specific items.

By presenting specific items, CEVA is identifying and disclosing significant non-recurring or unusual items. Specific items may not be comparable to similarly titled measures used by other companies as it is a non-GAAP measure. The principal events which may give rise to a specific item include gains or losses on the disposal of businesses, the restructuring and integration of businesses, significant asset impairment, material litigation and claims, the accelerated amortization of certain intangible assets acquired as part of a business combination, and rebranding costs, amongst others.

In the cash flow statement, CEVA has now included non-current prepayments in cash generated from operations. Previously this item was presented in net cash used in investing activities.

The Directors believe that the above changes in accounting presentation provide relevant information that is more closely aligned to how they monitor the performance of the Group. The changes had no impact on the net income for the 2007 and 2006 financial period or on the net assets as at 31 December 2007 and 31 December 2006.

IFRS 7, *Financial Instruments: Disclosures* introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, nor the disclosures relating to taxation and trade and other payables.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying CEVA's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in "Critical accounting estimates and judgments".

Consolidation
Consolidated financial information, including subsidiaries, associates and joint ventures, has been prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany transactions, balances and unrealized gains on transactions have been eliminated on consolidation. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The consolidated financial statements include the financial statements of CEVA Investments Ltd and its consolidated entities. A complete list of subsidiaries, associates, and joint ventures is included in note 33.

Subsidiaries
A subsidiary is an entity controlled, directly or indirectly, by CEVA Investments Ltd. Control is regarded as the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether we control another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date on which control ceases.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by CEVA Investments Ltd.

We use the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued, and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of our share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of our share of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against our interests except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Associates
An associate is an entity, including an unincorporated entity such as a partnership, that is neither a subsidiary nor an interest in a joint venture and over whose commercial and financial policy decisions CEVA Investments Ltd has the power to exert significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not the power to control or have joint control over those policies.

Our share in the results of all significant associates is included in the consolidated Income Statement using the equity method. The carrying value of our share in associates includes goodwill on acquisition. The cumulative post-acquisition movements net of dividends received are adjusted against the carrying amount of the investment. When our share of losses in an associate equals or exceeds our interest in the associate, we do not recognize further losses, unless we have incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint Ventures
A joint venture is a contractual arrangement whereby we and one or more parties undertake an economic activity that is subject to joint control. Joint ventures in which we participate with other party(ies) are proportionately consolidated. In applying the proportionate consolidation method, our percentage share of the Balance Sheet and income statement items are included in our consolidated financial statements.

Foreign Currency Translation

Functional and presentation currency
The individual financial statements of each entity in the CEVA Group are presented in the currency of the primary economic environment in which it operates (its functional currency). The consolidated financial statements are presented in euros (€), which is the Company's functional currency. All financial information presented in euros has been rounded to the nearest tenth of a million.

Foreign currency translation
The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows: assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that Balance Sheet, income and expenses for each Income Statement are translated at average exchange rates and all resulting exchange differences are recognized as a separate component of equity (the cumulative translation adjustment reserve).

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at the year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognized in finance income or expense in the Income Statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Intangible Assets

Goodwill
Goodwill arises on the acquisition of subsidiaries, associates, and joint ventures. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill on acquisition of subsidiaries and joint ventures is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Contractual customer relationships
Contractual customer relationships acquired by the Group have finite useful lives. Contractual customer relationships are measured using the excess earnings approach less accumulated amortization and accumulated impairment losses. Separate values are not attributed to internally generated contractual customer relationships. Amortization is calculated using the straight-line method to allocate the cost of the contractual customer relationships over their estimated useful lives of between 10 and 20 years.

Other intangible assets
Other intangible assets mainly comprise brand names, computer software, and other licenses.

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three years. Borrowing costs are added to the cost of software capitalized until such time as the assets are substantially ready for their intended use.

Costs associated with developing or maintaining computer software programs are recognized as an expense incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets.

Computer software development costs recognized as assets are amortized on a straight line basis over their estimated useful lives (a period not exceeding three years).

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses. Other intangibles are amortized on a straight line basis over their estimated useful lives of 3 to 20 years.

Property, Plant and Equipment
Property, plant and equipment (including assets under construction) are valued at historical cost using a component approach, less depreciation or at the recoverable amount whenever impairment has taken place. In addition to costs of acquisition, we also include costs of bringing the asset to working condition, handling and installation costs, and non-refundable purchase taxes. Depreciation is calculated using the straight-line method based on the estimated useful life (refer to note 11), taking into account any residual value. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each Balance Sheet date.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably.

Land is not depreciated. Leases of property, plant and equipment, where we have substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in non-current borrowing. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Refer to note 11 for further information on property, plant and equipment.

Impairment

Assets with a finite useful life
An impairment review is performed whenever a triggering event occurs. A triggering event is an event or change in circumstances indicating that the carrying amount may not be recoverable. Property, plant and equipment or an intangible asset is impaired if the recoverable amount is lower than the carrying value. The recoverable amount is defined as the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows being the cash generating units. Impairment is reversed if and to the extent that the impairment no longer exists.

Assets with an indefinite useful life
Assets that have an indefinite useful life are not subject to amortization, and are tested annually for impairment.

Separately recognized goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The entire carrying amount of an investment in associates is tested for impairment. The recoverable amount of an investment in an associate is assessed for each associate. If the recoverable amount of the investment is less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount and the loss is recognized immediately in profit or loss.

Financial Assets
The Group classifies its financial assets in the following categories: (a) at fair value through profit or loss and (b) loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the Balance Sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and cash and cash equivalents in the Balance Sheet.

Regular purchases and sales of financial assets are recognized on the trade-date; that is the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the Income Statement within "net financial expenses" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Derivative Financial Instruments and Hedging Activities
Derivative financial instruments include swaps and forward contracts in interest rate or foreign exchange and any combinations of these instruments. Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are recognized immediately in the consolidated statement of income.

Derivatives may be embedded in another contractual arrangement (a "host contract"). An embedded derivative is separated from the host contract and is accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract. A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the combined instrument is not measured at fair value with changes in fair value recognized in the consolidated statement of income. Derivatives embedded in financial assets or financial liabilities at fair value through profit or loss are not separated.

Although the Group enters into derivative contracts for risk-hedging purposes, we do not apply hedge accounting.

Inventories
Inventories of raw materials and finished goods are valued at the lower of historical cost or net realizable value. Historical cost is based on weighted average prices.

Trade and Other Receivables
Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost less any reduction for impairment. In normal business practice, amortized costs are equal to the nominal value. Accounts receivable with payment terms not common in the local business practice (e.g. payment terms exceeding one year) are recognized at amortized cost (using the effective interest method). The collectability of accounts receivable is assessed on a monthly basis, where the method of determining the reduction is tailored to the specific business environment and takes into consideration the history of the reporting unit. Where there is a relatively small customer base, the bad debt reduction is assessed by identifying the specific doubtful debts. Where there is a relatively large customer base, the bad debt reduction is assessed by applying bad debt percentages on open amounts with applied percentages supported by historical evidence.

Trade Accounts Payable
Trade accounts payable are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Non-current Borrowings
Non-current borrowings are recognized initially at fair value, net of transaction costs incurred. Non-current borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the Income Statement over the period of the borrowings using the effective interest method.

Debt is classified under current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the Balance Sheet date.

Cash and Cash Equivalents
Cash and cash equivalents are carried in the Balance Sheet at cost. Cash and cash equivalents include cash at hand, bank account balances, bills of exchange and checks (only those which can be cashed in the short term). All highly liquid investments with an original maturity of three months (or less) at date of purchase are considered to be cash equivalents.

Shareholders' Equity
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Employee Benefit Obligations

Post-employment obligations
The obligation for all pension and other post-employment plans that qualify as defined benefit obligations are determined by calculating the present value of the defined benefit obligations and deducting the fair value of the plan assets. We use actuarial calculations (projected unit credit method) performed by independent actuaries to measure the obligations and the costs. For the calculations, actuarial assumptions are made about demographic variables (such as employee turnover and mortality) and financial variables (such as future increases in salaries). The discount rate is determined by reference to market rates for AA rated corporate bonds.

Cumulative actuarial gains and losses are not recognized in the Income Statement unless the cumulative unrecognized gain or loss exceeds the greater of 10% of the obligation and 10% of the fair value of plan assets (corridor approach). The excess is recognized in the Income Statement over the employees' expected average remaining service lives.

Past service costs are recognized on a straight-line basis over the average vesting period of the amended pension or early retirement benefits. Past service costs are recognized immediately if the benefits are vested immediately.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized in the Income Statement at the date of the curtailment or settlement.

Pension costs for defined contribution plans are expensed in the consolidated Income Statement when incurred.

Termination benefits
Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. We recognize termination benefits when we have demonstrably committed to terminate the employment of current employees according to a formal plan without possibility of withdrawal or provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after Balance Sheet date are discounted to their present values.

Other long term employee obligations
These employee benefits include long-service leave or sabbatical leave, jubilee or other long service benefits, long term disability benefits and, if they are not payable wholly within twelve months after the end of the period, deferred compensation.

The expected costs of these benefits are recognized over the period of employment. Actuarial gains and losses and changes in actuarial assumptions, are charged or credited to income in the period such gain or loss occurs. Furthermore, all past service costs are recognized in accordance with the corridor approach.

Profit-sharing and bonus plan
We recognize a liability and an expense for cash settled profit-sharing, based on a formula that takes into consideration the profit attributable to our shareholders after certain adjustments.
We recognize a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based payments
Share-based payment transactions are transactions in which we receive benefits from our employees in consideration for CEVA Investments Ltd's equity instruments. The fair value of the share based transactions is recognized as an expense (employee costs).
The fair value of employee share-based payments is calculated using the Black-Scholes Merton model. The equity instruments granted vest in three equal tranches, the first being strictly service-based while the remaining two are both service and performance-based. The performance conditions are internal performance metrics only and are not based on any market criteria. The amount recognized is adjusted over the vesting period for changes in the estimate of the number of securities that will be issued but not for changes in the fair value of those securities. Therefore, on vesting date the amount recognized is the exact number of securities that can be issued as of that date, measured at the fair value of those securities at grant date.

Provisions
Provisions are recognized when there is a present obligation 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.

Provisions are recorded for restructuring, retirements, onerous contracts, and other obligations. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Balance Sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability. Provisions for onerous contracts are recorded when the unavoidable costs of meeting the obligation under the contract exceed the economic benefits expected to arise from that contract, taking into account impairment of fixed assets first.

Income Taxes
We are subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision and liability for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. We recognize liabilities for tax issues based on estimates of whether additional taxes will be due, based on our best interpretation of the relevant tax laws. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax is recognized using the liability method on taxable temporary differences between the tax base and accounting base of items included in the Balance Sheet.

We recognize deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered. This is based on estimates of taxable income by jurisdiction in which we operate and the period over which deferred tax assets are recoverable. In the event that actual results differ from these estimates in future periods, and depending on the tax strategies that we may be able to implement, changes to the recognition of deferred tax assets could be required, which could impact our financial position and net profit.

Revenue Recognition
Revenue is recognized when a Group entity has fulfilled its contractual obligations to a customer and has obtained the right to receive consideration, typically when services are rendered or the work is completed in accordance with contractual terms with a customer. Revenue is recognized when the amounts of revenue are measured reliably, it is probable that the economic benefits associated with the transaction will flow to the CEVA Group, and the costs to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable for goods and services. It is recorded net of sales taxes, rebates and discounts, and after eliminating inter-group sales. Amounts received in advance are recorded as accrued liabilities (deferred revenue) until services are rendered to customers.

Revenue in Contract Logistics represents the revenue from the delivery of goods and services to third parties less discounts, credit notes, and taxes levied on sales.

Freight Management revenue is derived from three principal sources: air freight forwarding, ocean freight forwarding, and customs, brokerage, import and logistics services. Revenue is recognized in gross terms as an indirect carrier and net of any billings for value added taxes, custom duties, transportation costs and freight insurance premiums terms when acting as an agent for the direct carrier.

Freight Management revenues are primarily a non-asset based carrier and as such, does not own transportation assets. The majority of air and ocean freight revenue is obtained through the purchase of transportation services from direct (asset-based) carriers and reselling those services to customers as an indirect carrier. Air and ocean freight forwarding revenue is also generated when acting as an authorized cargo sales agent.

Other Operating Revenue
Other operating revenue includes revenue that do not arise from our normal operations and mainly include rental income from surplus property.

Other Income
Other income largely comprises gains from the sale of property, plant and equipment.

Costs and Operating Expenses
Costs are recognized on a historical basis and are allocated to the reporting year to which they relate.

Operating expense represents the direct and indirect expenses attributable to sales, including cost of materials, cost of work contracted-out and other external expenses, personnel expenses, directly related to operations and depreciation costs.

Salaries
Salaries, wages, and social security costs are charged to the profit and loss account when due, and in accordance with employment contracts and obligations.

Financial Income and Expense
Interest income and expense are time-apportioned, taking into account the effective interest rate for the relating assets and liabilities and the amortization of related transaction costs.

Operating Leases
Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Cash Flow Statement
The cash flow statement has been prepared using the indirect method. Cash flows in foreign currencies have been translated at average exchange rates. Exchange rate differences affecting cash items are shown separately in the cash flow statements. Receipts and payments with respect to taxation on profits are included in cash flow from operating activities. Interest payments are included in cash flows from operating activities while interest receipts are included in cash flows from investing activities. The cost of acquisition of new Group companies, associated companies and investments, insofar as it was paid for in cash, is included in cash flows from investing activities. Acquisitions of companies are presented net of cash balances acquired.

Segment Reporting
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

Recent IFRS Pronouncements
A number of new standards, amendments to standards, and interpretations are not yet effective for the year ended 31 December 2007, and have not been applied in preparing these consolidated financial statements:

- IFRS 8 *Operating Segments* introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Group's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them;
- IAS 23 (Amendment) *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group's 2009 financial statements. In accordance with the transitional provisions, the Group will apply revised IAS
  23 to qualifying assets for which capitalization of borrowing costs commences on or after the effective date;
- IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions* require a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Group's 2008 financial statements, with retrospective application required.
  This standard is not expected to have any impact on the consolidated financial statements;
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the Group's 2008 financial statements, with retrospective application required. The Group will analyze the effect of implementing this standard during 2008 but anticipates no material impact;
- *Revised* IFRS 3 *Business Combinations* was published on 10 January 2008 IFRS 3. The standard continues to apply the acquisition method to business combinations, with some significant changes. Key changes include the requirement for all payments used to purchase a business to be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest.
  All transaction costs will be expensed. The standard is applicable to business combinations occurring in accounting periods beginning on or after
  1 July 2009, with earlier application permitted; and
- *Revised* IAS 27 *Consolidated and Separate Financial Statements* was published on 10 January, 2008. IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. Non-controlling interests are measured either as their proportionate interest in the net identifiable assets or at fair value. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognized in profit or loss. In relation to step acquisitions, the requirements to measure at fair value every asset and liability at each step for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill is measured as the difference at the acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired.

2. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

Impairment of Goodwill
The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions consistent with the most up-to-date budgets and plans that have been formally approved by management. Refer to note 10 for the key assumptions used for the value-in-use calculations.

Income Taxes
The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Retirement Benefits
Defined benefit schemes are reappraised annually by independent actuaries based upon actuarial assumptions. Significant judgment is required in determining these actuarial assumptions. Refer to note 17 for the principle assumptions used.

Fair Value of Derivative and Other Financial Instruments
The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

Contingent Liabilities
Legal proceedings and tax issues covering a range of matters are pending in various jurisdictions. Due to the uncertainty inherent in such matters, it is often difficult to predict the final outcome. The cases and claims against us often raise difficult and complex factual and legal issues, which are subject to many uncertainties and complexities, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law. In the normal course of business, we consult with legal counsel and certain other experts on matters related to litigation and taxes.

We accrue a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated.

In the event an adverse outcome is possible or an estimate is not determinable, the matter is disclosed. Refer to note 30 for further information regarding contingencies.

3. SEGMENT INFORMATION

In prior periods, CEVA determined geographical segments to be its primary and only segment reporting format as the Company's business activities were substantially within a single business segment, being Contract Logistics. Due to the acquisition of EGL on 2 August 2007, the Group identified an additional business segment, being Freight Management. CEVA now defines its business segments to be its primary reporting format and geographical segments as its secondary reporting format. As a result of this change, the Group has redefined the segment allocation of certain income. Corresponding figures shown below have been reclassified for this change.

Also as a result of the acquisition of EGL, our balance sheet has materially changed. Note 9 Business Combinations details the changes in assets and liabilities due to the acquisition. These changes relate solely to the Freight Management segment.

Primary Segments
As at 31 December 2007, the Group is organized on a worldwide basis into two main business segments being Contract Logistics and Freight Management.

The segment results for the year ended 31 December 2007 as well as the segment assets and liabilities at 31 December 2007 and capital expenditure for the year then ended are as follows:

In € millions	As at and for the year ended 31 December 2007				
	Contract Logistics	Freight Management	Not allocated	Inter segment transactions	Total
Revenue	**3,462.6**	**1,311.5**	-	-	**4,774.1**
Inter segment revenue	0.7	6.0		(6.7)	-
Other operating revenue	6.7	0.3	-	-	7.0
Total revenue	**3,470.0**	**1,317.8**	-	**(6.7)**	**4,781.1**
Other income	**2.7**	**0.8**	-	-	**3.5**
Depreciation and amortization	106.9	193.6	-	-	300.5
Other operating expenses	3,250.3	1,277.1	-	(6.7)	4,520.7
Total operating expenses	**3,357.2**	**1,470.7**	-	**(6.7)**	**4,821.2**
Operating income (expense)	**115.5**	**(152.1)**	-	-	**(36.6)**
Net financial expense					(164.0)
Results from investments in associates					2.6
(Loss) before income taxes					**(198.0)**
Income taxes					28.1
(Loss) for the year					**(226.1)**
Capital expenditure	71.5	10.6	-	-	82.1
Segment assets	2,207.1	2,045.9	16.2	-	4,269.2
Segment liabilities	1,286.3	448.2	2,676.2	-	4,410.7

The segment results for the period 15 August to 31 December 2006 as well as the segment assets and liabilities at 31 December 2006 and capital expenditure for the period are as follows:

In € millions	As at and for the period ended 31 December 2006				
	Contract Logistics	Freight Management	Not allocated	Inter segment transactions	Total
Revenue	544.3	7.3	-	-	551.6
Inter segment revenue	-	-	-	-	-
Other operating revenue	1.5	-	-	-	1.5
Total revenue	545.8	7.3	-	-	553.1
Other income	0.1	-	-	-	0.1
Depreciation and amortization	20.8	-	-	-	20.8
Other operating expenses	513.4	7.1	-	-	520.5
Total operating expenses	534.2	7.1	-	-	541.3
Operating income	11.7	0.2	-	-	11.9
Net financial expense					(27.0)
Results from investments in associates					0.1
(Loss) before income taxes					(15.0)
Income taxes					(5.8)
(Loss) for the period					(20.8)
Capital expenditure	16.7	-	-	-	16.7
Segment assets	2,556.8	14.2	165.9	-	2,736.9
Segment liabilities	1,002.7	12.5	1,392.5	-	2,407.7

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Segment assets consist primarily of property, plant and equipment, intangible assets, prepayments and accrued income, inventories, trade and other receivables and cash and cash equivalents. Unallocated assets comprise deferred taxation and investments in associates. Segment liabilities comprise operating liabilities. Unallocated liabilities comprise items such as taxation and borrowings. Capital expenditure comprises additions to property, plant and equipment (note 11) and intangible assets (note 10), excluding additions resulting from acquisitions through business combinations (note 9).

Secondary Segments

The Group's two business segments operate in four main geographical areas being Northern Europe (including the United Kingdom, Benelux and Central and Eastern Europe), Southern Europe (including Italy, Spain and Turkey), Americas (including United States of America, Canada, Brazil and Argentina) and Asia Pacific (including Australia, China and East Asia).

The total revenue for the year ended 31 December 2007 as well as the segment assets at 31 December 2007 and capital expenditure for the year then ended are as follows:

In € millions	As at and for the year ended 31 December 2007					
	Northern Europe	Southern Europe	Americas	Asia Pacific	Not allocated	Total
Total revenue	1,358.6	1,301.6	1,206.4	914.5	-	4,781.1
Segment assets	1,007.5	821.2	1,956.8	467.5	16.2	4,269.2
Capital expenditure	23.7	22.6	20.6	15.2	-	82.1

The total revenue for the period 15 August to 31 December 2006 as well as the segment assets at 31 December 2006 and capital expenditure for the period then ended are as follows:

In € millions	As at and for the period ended 31 December 2006					
	Northern Europe	Southern Europe	Americas	Asia Pacific	Not allocated	Total
Total revenue	186.9	202.8	105.7	61.6	(3.9)	553.1
Segment assets	1,060.1	769.7	462.6	278.6	165.9	2,736.9
Capital expenditure	7.0	6.0	3.1	0.6	-	16.7

4. SPECIFIC ITEMS

CEVA has changed the presentation of its results from operations from prior periods by separating specific items. By separating certain items, CEVA is identifying and disclosing significant non-recurring or unusual items. The principal events which may give rise to a specific item include gains or losses on the disposal of businesses, the restructuring and integration of businesses, significant asset impairment, material litigation and claims, and rebranding costs, amongst others.

The Directors believe that this change in accounting presentation provides relevant information that is more closely aligned to how they monitor the performance of the Group. The changes had no impact on the net income for the 2007 financial period or on the net assets as at 31 December 2007 or 2006.

in € millions	Year ended 31 December 2007	Period ended 31 December 2006
Salaries and social security contributions	(1.4)	0.7
Depreciation and amortization	172.2	-
Other operating expenses	38.6	9.4
Total operating expenses	**209.4**	**10.1**

These specific items are further described below:

- the 2007 related salary and social security contribution expenses include retention payments made in relation to the EGL acquisition and 2006 expenses that are driven by severance, reorganization and retention payments following CEVA's acquisition of the Logistics business from TNT. In addition, this category includes benefits related to the curtailment gains derived from our Italian pension plans net of increased expenses related to early retirement program costs in this territory and the costs of various employee related litigation;
- depreciation and amortization for the year ended 31 December 2007 includes an accelerated amortization charge of € 172.2 million of the EGL brand, relating to our rebranding of the EGL business with the CEVA brand name. In compliance with IFRS 3 Business Combinations, CEVA is required to assign a value to the brand name of the acquired business (EGL) as if acquired by an average third party market participant who, it is assumed, would continue to use the brand into the future. CEVA Management, with the assistance of expert external advisors, allocated a value of € 172.2 million to the EGL brand name. We have chosen to have one corporate identity and, as a result, started the process of rebranding EGL's operations to CEVA. As such, IFRS requires us to amortize the notional value assigned to the EGL brand name over the period it was used. This charge is an accounting entry only and is a non cash transaction;
- in 2007 other operating expenses includes separation and rebranding costs. The separation costs relate to the relocation from facilities previously shared by the Logistics business with TNT and the disentanglement of shared IT infrastructure. Rebranding costs represent the costs necessary to replace the TNT Logistics and EGL livery with the CEVA corporate identity. These rebranding costs will continue into 2008. In 2006 other operating expenses includes certain non-recurring charges related to the termination and restructuring of contracts arising from CEVA's acquisition of TNT's Logistics business. This category also includes costs incurred in relation to the industry wide regulatory investigations into the freight forwarding industry. Refer to note 30 for further details on this matter.

5. SALARIES AND SOCIAL SECURITY CONTRIBUTIONS

in € millions	Year ended 31 December 2007	Period ended 31 December 2006
Salaries	993.8	131.0
Share based payments	2.9	0.2
Pension charges		
Defined benefit plans	(16.6)	1.7
Defined contribution plans	18.8	1.6
Social security charges	195.5	29.6
Total	**1,194.4**	**164.1**

The following table shows the number of employees at 31 December 2007 and 2006 and the average number of employees for the respective periods.

	Year ended 31 December 2007	Period ended 31 December 2006
Employees	54,039	38,092
Average number of employees	43,112	37,923

The increase in employees is due to the acquisition of the freight management business during 2007.

CEVA Investments Ltd 2006 Long-Term Incentive Plan
All stock-based compensation is issued from the CEVA Investments Ltd 2006 Long-Term Incentive Plan. The plan resides with CEVA Investments Ltd. The expenses with respect to each separate instalment will be recognized in the appropriate vesting period as a charge from CEVA Investments Ltd to the company's subsidiaries. The fair value of employee share-based payments is calculated using the Black-Scholes Merton model. Management does not believe that the use of an alternative valuation method would have a material impact. Options granted to employees under the plan vest in three equal tranches after three years, the first being strictly service-based while the remaining two are both service and performance related. All options vest upon a qualified change in control.

Total options granted in the period are shown in the table below.

	Number	Weighted average exercise price
Outstanding at 15 August 2006	-	-
Granted during the period	120,318	100.00
Outstanding at 31 December 2006	**120,318**	**100.00**
Exercisable at the end of the period	-	-
Outstanding at 1 January 2007	**120,318**	**20.15**
Granted during the period	211,968	95.22
Forfeited	747	-
Outstanding at 31 December 2007	**331,539**	**65.82**
Exercisable at the end of the period	13,294	40.28

The number of shares and the weighted average exercise price is shown in the table below:

	Year ended 31 December 2007	Period ended 31 December 2006
Number of shares	331,539	120,318
Weighted average remaining contractual life	9.27 years	9.85 years
Exercise price	65.82	100.00

Information regarding how the fair value was determined is included in the table below:

Black-Scholes Merton	Year ended 31 December 2007	Period ended 31 December 2006
Weighted average share price	65.82	100.00
Exercise price	65.82	100.00
Expected volatility	39.68%	44.48%
Weighted-average expected life	7.17 years	7.17 years
Expected dividends	-	-
Risk-free interest rate	4.15%	5.00%
Weighted average option value	51.33	54.58

The volatility was determined using the 5 year industry peer volatility. There are no other significant features or equity compensations or modified share-based payment arrangements. The total income statement charge in respect of share based compensation was €2.9 million (2006: € 0.2 million).

Options granted in the period to the Board of Directors and Key Management is shown in the table below:

	David Kulik	Gareth Turner	Lukas Kolff	Key Management	Total
Outstanding at 15 August 2006	-	-	-	-	-
Granted during the period	12,750	1,172	1,172	9,094	24,188
Outstanding at 31 December 2006	**12,750**	**1,172**	**1,172**	**9,094**	**24,188**
Outstanding at the 1 January 2007	12,750	1,172	1,172	9,094	24,188
Granted during the period	2,513	-	-	62,962	65,475
Lapsed during the period	-	-	-	4,500	4,500
Outstanding at 31 December 2007	**15,263**	**1,172**	**1,172**	**67,556**	**85,163**

Directors' and Key Management Emoluments

Directors' and Key Management emoluments for the year ended 31 December 2007 and for the period ended 31 December 2006 are shown in the tables below:

in €	Year ended 31 December 2007	Period ended 31 December 2006
Directors:		
David Kulik (1)	1,473,035	646,516
Gareth Turner	45,400	-
Lukas Kolff	45,400	-
Key Management	1,690,320	244,859
Total	**3,254,155**	**891,375**

[1] David Kulik retired from the Board of Directors on 22 February 2008

Directors' and Key Management emoluments include salary and accrued bonus provisions. Mr. Kulik received € nil (2006: € 78,586) for pension related costs. No other Directors have had pension plans funded by the Company in 2007 or 2006. Key Management received € 69,079 (2006: € 7,645) for pension related costs.

Mr Kulik's emoluments for 2007 include a change in control bonus and SERP pension replacement which amounted to € 235,554. This amount related to his negotiated emolument which was agreed during the sale and transition of the Logistics business. In addition, Mr Kulik's emoluments include € 182,377 in respect of the settlement of untaken holiday entitlements which form part of his contractual agreement.

Employment costs include salary, bonus provision, and an allowance for pension costs.

6. DEPRECIATION AND AMORTIZATION

in € millions	Year ended 31 December 2007	Period ended 31 December 2006
Amortization of intangibles	228.7	9.5
Depreciation of property, plant and equipment	71.8	11.3
Total	**300.5**	**20.8**

Total depreciation and amortization for the year ended 31 December 2007 is € 300.5 million (2006: € 20.8 million). This number includes an accelerated amortization charge of € 172.2 million related to the rebranding of the EGL livery to the CEVA corporate identity.

7. NET FINANCIAL EXPENSE

in € millions	Year ended 31 December 2007	Period ended 31 December 2006
Interest income long term	-	0.3
Interest income short term	18.0	3.0
Net foreign exchange transaction gains/(losses)	23.9	(0.2)
Total financial income	**41.9**	**3.1**
Interest expense short term	25.6	1.8
Interest expense long term	180.3	28.3
Total financial expense	**205.9**	**30.1**

Included in interest expense are € 16.2 million (2006: € 8.5 million) of fees and commissions incurred as part of our refinancing.

8. INCOME TAX EXPENSE

In the period from 4 November 2006 to 31 December 2006, our income tax expense amounted to € 5.8 million. In 2007, our income tax expense amounted to € 28.1 million.

The income tax expense comprises:

in € millions	Year ended 31 December 2007	Period ended 31 December 2006
UK corporation tax	-	-
Overseas taxes	63.9	5.1
Current tax	**63.9**	**5.1**
UK deferred tax	0.2	(0.1)
Overseas deferred taxes	(36.0)	0.8
Total income tax expense	**28.1**	**5.8**

The following table reconciles the actual effective income tax rate to the UK statutory income tax rate:

in € millions	Year ended 31 December 2007	Tax rate %	Period ended 31 December 2006	Tax rate %
Theoretical tax charges / (income)	**(59.4)**	**30.0**	**(4.4)**	**30.0**
Permanent differences:				
Non deductible depreciation of property, plant and equipment	0.2	(0.1)	4.0	(27.3)
Non deductible other costs	1.1	(0.6)	0.1	(0.7)
Difference between local and UK tax rate	11.1	(5.6)	(1.2)	8.2
Other movements:				
Write off deferred tax assets	34.2	(17.3)	2.3	(15.7)
Deferred tax assets not recognized on losses	39.0	(19.7)	3.4	(23.2)
Other tax expense	1.9	(0.9)	1.6	(10.9)
Actual tax charges	**28.1**	**(14.2)**	**5.8**	**(39.6)**

9. BUSINESS COMBINATIONS

On 2 August 2007 CEVA acquired 100% of the ordinary shares of EGL, Inc. ("EGL"). Details of the fair value of net assets acquired, purchase consideration and goodwill are as follows:

in € millions	Acquiree's carrying amount	Fair value adjustments	Provisional fair value
Cash paid			1,417.5
Direct costs relating to the acquisition			45.8
Total purchase consideration			1,463.3
Fair value of net assets acquired			536.8
Goodwill			**926.5**
Intangible assets, excluding goodwill and contractual customer relationships	63.2	133.6	196.8
Contractual customer relationships	5.2	300.8	306.0
Cash and cash equivalents	74.3	-	74.3
Property, plant and equipment	72.4	46.4	118.8
Other non-current assets	12.3	-	12.3
Current assets, excluding cash and cash equivalents	596.1	-	596.1
Current liabilities	(472.5)	-	(472.5)
Non-current liabilities, excluding deferred tax liabilities	(104.8)	-	(104.8)
Deferred tax liabilities	(19.4)	(170.2)	(189.6)
Net assets	**226.8**	**310.6**	**537.4**
Minority interests	(0.6)	-	(0.6)
Net assets acquired	**226.2**	**310.6**	**536.8**
Purchase consideration settled in cash			1,463.3
Cash and cash equivalents in subsidiary acquired			74.3
Cash outflow on acquisition			**1,389.0**

The goodwill amount has been capitalized on the Balance Sheet, as disclosed in note 10. Goodwill represents the value of knowledge within the business, assembled workforce, and synergies.

The fair value has been determined following generally accepted valuation methodologies and approaches. This included the income approach; which provides an estimate of the fair value of an asset based upon the cash flows that an asset can be expected to generate over its remaining useful life, the market approach; which indicates the fair value of an asset based upon comparison to publicly traded assets and transactions in the industry, and the cost approach; which indicates fair value using the concept of replacement cost. The purchase price allocation is provisional and will be completed once certain valuation reports are finalized.

The acquired business contributed revenue of € 1,272.4 million and a loss for the period of € 153.0 million to the Group for the period from 2 August 2007 to 31 December 2007. If the acquisition had occurred on 1 January 2007, the financial impact of Freight Management for the year ended 31 December 2007 would have been:

- revenue for the year ended 31 December 2007 would have been € 2,786.2 million and EBITDA would have been € 61.7 million for the year ended 31 December 2007;
- depreciation and amortization for the year ended 31 December 2007 would have been € 229.4 million. This includes the amortization of the EGL brand name of € 172.2 million;
- the operating income would have been € (167.1) million for the year ended 31 December 2007;
- specific items – prior to the acquisition EGL incurred specific non-recurring items related to the sale process (being advisor costs, pre-acquisition deal costs and costs associated with the accelerated vesting of EGL employee share options).
  This amounted to € 185.9 million for the five months ended 31 December 2007 and € 242.1 million for the year ended 31 December 2007;

These amounts have been calculated using CEVA's accounting policies and by adjusting the results of EGL to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2007 together with the consequential tax effects.

During the year ended 31 December 2007, CEVA finalized the purchase price allocation in respect of the acquisition of the Logistics business from TNT N.V. The fair values of acquired assets and liabilities as at 4 November 2006 are shown in the table below:

in € millions	Provisional fair value	Fair value adjustments	Final fair value
Total cost of acquisition	1,416.9	-	1,416.9
Less: capitalized transaction costs	(40.1)	-	(40.1)
Consideration paid	**1,376.8**	-	**1,376.8**
Intangible assets, excluding goodwill	479.6	-	479.6
Property, plant and equipment	407.1	(11.3)	395.8
Financial fixed assets	112.6	93.3	205.9
Current assets	884.7	15.3	900.0
Non-current liabilities	(438.8)	41.5	(397.3)
Current liabilities	(695.7)	(7.1)	(702.8)
Minority interest	(32.0)	-	(32.0)
Value of assets acquired and liabilities assumed	**717.5**	**131.7**	**849.2**
Goodwill prior to capitalized transaction costs			527.6
Capitalized transaction costs			40.1
Goodwill			**567.7**

The changes in the fair value of the acquired assets and liabilities have resulted in the 2006 comparatives being restated.

10. INTANGIBLE ASSETS

in € millions	Goodwill	Contractual customer relationships	Other intangibles	Total
Useful life in years	*N/A*	*10 - 20*	*0 - 20*	
Balance at 15 August 2006	-	-	-	-
Balances acquired through business combinations (TNT Logistics)	699.4	479.6	-	1,179.0
Adjustment to provisional acquisition balances	(131.7)	(4.4)	4.4	(131.7)
Additions	-	-	6.1	6.1
Amortization	-	(6.8)	(2.7)	(9.5)
Exchange rate differences	(6.1)	(4.9)	-	(11.0)
Total Changes	**561.6**	**463.5**	**7.8**	**1,032.9**
Historical cost	561.6	470.3	10.5	1,042.4
Accumulated amortization	-	(6.8)	(2.7)	(9.5)
Balance at 31 December 2006	**561.6**	**463.5**	**7.8**	**1,032.9**
			-	
Balance at 1 January 2007	**561.6**	**463.5**	**7.8**	**1,032.9**
Balances acquired through business combinations (EGL)	926.5	306.0	196.8	1,429.3
Changes in period				
Additions	-	-	12.2	12.2
Amortization	-	(49.8)	(178.9)	(228.7)
Exchange rate differences	(48.8)	(26.1)	(0.8)	(75.7)
Total Changes	**877.7**	**230.1**	**29.3**	**1,137.1**
Historical cost	1,439.3	750.2	218.7	2,408.2
Accumulated amortization	-	(56.6)	(181.6)	(238.2)
Balance at 31 December 2007	**1,439.3**	**693.6**	**37.1**	**2,170.0**

The weighted average useful life of contractual customer relationships is 12 years and the useful life of software is approximately three years.

Other intangible assets mainly comprise brand names, computer software, and other licenses.

Impairment Tests for Goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU's") based upon their proportional business enterprise value as at the date of acquisition. The business enterprise values were derived using the income approach. The carrying amount of goodwill as at 31 December 2007 as allocated to each of the Group's five identified CGU's is as follows:

in € millions	Year ended 31 December 2007	Period ended 31 December 2006
Freight Management	889.7	-
Contract Logistics		
Northern Europe	226.1	231.8
Southern Europe	148.2	148.2
Americas	104.7	110.9
Asia Pacific	70.6	70.7
Total	1,439.3	561.6

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the most recent financial budgets approved by management covering a five year period. Cash flows beyond the five-year period are extrapolated using an estimated perpetual growth rate of 3%. The growth rate reflects expectations regarding industry growth for Contract Logistics and Freight Management but does not exceed the estimated long-term growth rate for countries with the highest contribution to earnings in the relevant CGUs. The pre-tax discount rate used in the CGU valuations was 11.5%.

No goodwill impairment losses were recognized for the year ended 31 December 2007.

Sensitivity analysis was performed on the Contract Logistics goodwill impairment testing by using (a) a higher discount rate of 1% and by using (b) a 1% lower growth rate for the cash flows projected beyond five years. Neither of these scenarios would have led to impairment.

11. PROPERTY, PLANT AND EQUIPMENT

in € millions	Land and buildings	Plant and equipment	Other	Construction in progress	Total
Useful life in years	*0 - 50*	*2 - 10*	*3 - 10*	*N/A*	
Balance at 15 August 2006	-	-	-	-	-
Balances acquired through business combinations (TNT Logistics)	209.9	141.3	40.8	15.1	407.1
Adjustment to provisional acquisition balances	(11.3)	-	-	-	(11.3)
Additions	0.2	6.7	3.7	-	10.6
Disposals	(0.5)	(6.7)	(7.5)	(1.3)	(16.0)
Depreciation	(1.2)	(6.1)	(4.0)	-	(11.3)
Exchange rate differences	(1.8)	(0.9)	(0.5)	(0.1)	(3.3)
Transfers and other changes	-	1.2	-	(1.2)	-
Total Changes	**(14.6)**	**(5.8)**	**(8.3)**	**(2.6)**	**(31.3)**
Historical cost	196.5	141.6	36.5	12.5	387.1
Accumulated depreciation	(1.2)	(6.1)	(4.0)	-	(11.3)
Balance at 31 December 2006	**195.3**	**135.5**	**32.5**	**12.5**	**375.8**
Balance at 1 January 2007	**195.3**	**135.5**	**32.5**	**12.5**	**375.8**
Balances acquired through business combinations (EGL)	72.3	31.4	15.2	-	118.9
Additions	6.8	33.3	20.6	9.2	69.9
Disposals	(40.9)	(8.5)	(3.5)	-	(52.9)
Depreciation	(12.1)	(39.6)	(20.1)	-	(71.8)
Exchange rate differences	(13.1)	(4.9)	(1.1)	(0.6)	(19.7)
Transfers	11.0	3.0	2.8	(16.8)	-
Total Changes	**24.0**	**14.7**	**13.9**	**(8.2)**	**44.4**
Historical cost	232.6	195.9	70.5	4.3	503.3
Accumulated depreciation	(13.3)	(45.7)	(24.1)	-	(83.1)
Balance at 31 December 2007	**219.3**	**150.2**	**46.4**	**4.3**	**420.2**

Included in the property, plant and equipment balance as at 31 December 2007 are assets held under finance lease with the following carrying amounts:

in € millions	Land and buildings	Plant and equipment	Other	Construction in progress	Total
Under finance lease 31 December 2006	9.8	4.3	0.4	-	**14.5**
Under finance lease 31 December 2007	9.4	3.9	0.5	-	**13.8**

The property, plant and equipment under financial lease, relate primarily to warehouses in Northern Europe.

Capital Commitments
Commitments in connection with capital expenditure are € 4.1 million (2006: € 7.0 million).

12. INVENTORY

in € millions	Year ended 31 December 2007	Period ended 31 December 2006
Raw materials and supplies	16.6	6.1
Finished goods	19.1	16.0
Total	**35.7**	**22.1**

Inventory is shown net of provision for obsolescence of € 2.6 million (2006: € 3.2 million).

Movements in inventory as well as changes in the provision for obsolescence are recorded in the Income Statement within cost of materials.

13. TRADE AND OTHER RECEIVABLES

in € millions	Year ended 31 December 2007	Period ended 31 December 2006
Trade accounts receivable gross	1,125.1	601.8
Provision for impairment of trade receivables	(37.4)	(26.5)
Trade accounts receivable - net	**1,087.7**	**575.3**
VAT receivable	12.9	5.3
Other	75.7	83.4
Other receivables	**88.6**	**88.7**
Total trade and other receivable	**1,176.3**	**664.0**

Other receivables include amounts receivable from insurance companies, government departments, tax authorities, and from associated companies. The fair values of trade and other receivables approximate their carrying amounts.

As of 31 December 2007, total trade accounts receivable balances amounted to € 1,125.7 million (2006: € 601.8 million) of which € 606.8 million (2006: € 386.6 million) was not past due. Of total trade receivable balances that were between three and six months overdue, € 1.4 million (2006: € 0.8 million) were individually impaired based on nominal values. Outstanding trade receivable balances over six months overdue that were individually impaired totalled € 27.1 million (2006: € 19.3 million). The remainder of outstanding balances are also assessed on a monthly basis for collective impairment by applying bad debt percentages supported by historical trends on the outstanding balances.

As at 31 December 2007, trade receivables of € 484.6 million (2006: € 142.4 million) were past due but not impaired. These receivables relate to a number of customers for whom there is no history of default. The ageing profile of trade receivables past due but not impaired is as follows:

in € millions	Year ended 31 December 2007	Period ended 31 December 2006
Past due 0-30 days	338.1	82.1
Past due 31-60 days	84.3	20.7
Past due 61-90 days	33.2	9.4
Past due 91-120 days	11.8	7.9
Past due more then 121 days	17.2	22.3
Total	**484.6**	**142.4**

As at 31 December 2007, trade receivables of € 37.4 million (2006: € 26.5 million) were impaired and provided against including trade accounts receivable that were individually impaired for the notional amount. It was assessed that a portion of the receivables is expected to be recovered.

The carrying amount of the Group's trade and other receivables is denominated in the following currencies:

in € millions	Year ended 31 December 2007	Period ended 31 December 2006
Trade accounts receivables gross		
Euro	455.9	352.0
US Dollar	280.9	53.8
UK Pound	110.2	105.0
Other	278.1	91.0
Total	**1,125.1**	**601.8**

in € millions	Year ended 31 December 2007	Period ended 31 December 2006
Other Receivables		
Euro	42.8	55.8
US Dollar	15.9	15.2
UK Pound	6.1	4.9
Other	23.8	12.8
Total	**88.6**	**88.7**

Movements on the Group provision for impairment of trade receivables are as follows:

in € millions	Year ended 31 December 2007	Period ended 31 December 2006
Balance at 1 January 2007 / 15 August 2006	**26.5**	**29.0**
Balance acquired through business combination	12.3	0.1
Receivables written off	6.3	3.2
Unused amounts reversed	(7.7)	(5.8)
Balance at 31 December	**37.4**	**26.5**

The charge and release of provisions for impaired receivables have been included in "other costs" in the Income Statement. Amounts are generally written off to the allowance account when there is no expectation of recovery.

The other classes within trade and other receivables do not contain impaired assets.

The Group does not hold any collateral as security.

Credit Risk

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and the country, in which the customers operate, has less of an influence on credit risk.

CEVA's credit policy determines that each new customer is analyzed individually for credit worthiness before terms and conditions are offered to the customer. The Group's review includes external ratings where available, and in some cases bank references. Purchase limits are established for each customer, these limits are periodically reviewed.

14. PREPAYMENTS AND ACCRUED INCOME

in € millions	Year ended 31 December 2007		Period ended 31 December 2006	
	Non-current	Current	Non-current	Current
Prepayments	45.4	62.3	46.7	48.4
Accrued income	-	168.1	-	115.0
Total Prepayments and Accrued Income	**45.4**	**230.4**	**46.7**	**163.4**

Prepayments include amounts paid in advance to cover costs that will be charged against income in future years. Included in prepayments is € 19.6 million (2006: € 28.0 million) which is linked to the Italian pension schemes. Accrued income includes net revenue not yet invoiced.

15. CASH AND CASH EQUIVALENTS

in € millions	Year ended 31 December 2007	Period ended 31 December 2006
Cash at bank and in hand	160.5	254.9
Short-term bank deposits	14.5	11.2
Total	**175.0**	**266.1**

Cash and cash equivalents comprise mainly cash at bank and in hand. Short-term bank deposits total € 14.5 million. The average effective interest rate during 2007 on short-term euro bank deposits was 3.9%. The average outstanding amount was € 43.9 million.

Cash and cash equivalents includes € 7.3 million (2006: € 8.7 million) under restrictive title, which represents a restricted trust for the funded portion of the SERP (pension) plan. The fair value of cash and cash equivalents approximates the carrying value.

16. SHARE CAPITAL

	Ordinary shares *(number)*
Issued at incorporation	3,100,000
Issued during the period	104,140
Issued at 31 December 2006	**3,204,140**
Issued during the year	941,692
Repurchased during the year	(6,383)
Issued at 31 December 2007	**4,139,449**

The total number of authorized ordinary shares as at 31 December 2007 is 20,000,000. Ordinary shares have a nominal value of USD 0.01. Share capital amounted to € 32 thousand as at 31 December 2007 (2006: € 26 thousand).

	Share premium *(in € millions)*
Issued at incorporation	310.0
Issued during the period	10.3
Issued at 31 December 2006	**320.3**
Capital distributed	(275.0)
Issued during the year	93.7
Repurchased during the year	(0.7)
Issued at 31 December 2007	**138.3**

17. PROVISIONS FOR POST-EMPLOYMENT BENEFITS

We operate a number of pension plans around the world, most of which are defined contribution plans. We have a small number of defined benefit plans, which are mainly in Italy and the Netherlands.

Italian Pension Plan
An amount of € 70.2 million of the provision for pension liabilities as at 31 December 2007 relates to the unfunded defined benefit obligations due to leaving service benefits provided to Italian employees that are mandatory under Italian law, the Trattamento di Fine Rapporto ("TFR"). Under this legislation, employees are entitled to a termination payment on leaving the Company for whatever reason. It is important to note that the Company has an asset of € 19.6 million that is included in non-current prepayments and accrued income. This asset reflects the right of the Company to claim TFR payments to certain employees from their prior employers.

The TFR regulation has changed from 1 January 2007 for companies whose workforce has more than 50 employees. The impact of the new rules is that the employees will be given the option to either remain under the prior regulation by which CEVA is obliged to fund the yearly accrual to the Social Security Institution ("INPS"), or to transfer the future accruals into external pension funds. The funded provision for the TFR maturing after 1 January 2007 is treated as a defined contribution plan under both options. The curtailments arising due to the new legislation and a change in scope of activity for a major customer in Italy were the primary drivers of the reduction in the unfunded provision to € 70.2 million from a 31 December 2006 balance of € 102.7 million.

Dutch Pension Plan
Until October 2007, the pension benefits of the employees of CEVA Group in the Netherlands were accrued within the pension funds of TNT. The majority of CEVA Logistics business' Dutch employees are subject to a collective labour agreement.

By paying contributions to the TNT pension fund, CEVA Group settled its defined benefit liability as there was no additional actuarial or investment risk for CEVA Group. For this reason, there was no liability for these accrued pension benefits. In accordance with the sale and purchase agreement with TNT, the assets within the TNT pension fund regarding the accrued pension benefits are for the risk of TNT. Therefore these assets and the liabilities are not accounted for by CEVA Group.

After October 2007, we established our own defined benefit scheme for the Dutch employees.

Other Defined Benefit Plans
Other funded pension plans are established in the United States, Central and Eastern Europe, the United Kingdom, and Australia.
The asset mix is stable. During the period, the dynamic weight of equity investments was 70%, the dynamic weight of fixed interest investments was 27%, and the weight of cash decreased slightly to 2%. The actual return on plan assets was € 4.6 million (2006: € 0.6 million). Plan assets do not include any of CEVA Group's own financial instruments.

	Year ended 31 December 2007	Period ended 31 December 2006
Equity	70%	73%
Fixed interest	27%	21%
Real estate	1%	3%
Cash	2%	3%
Total	**100%**	**100%**

The expected return on plan assets is determined by considering the expected return available on each of the types of assets underlying the current investment policy.

Pension costs recognized in the Income Statement inherent to the valuation of our pensions and the determination of our pension cost are key assumptions which include: employee turnover, mortality and retirement ages, discount rates, expected long term returns on plan assets, and future wage increases, which are usually updated on an annual basis at the beginning of each financial year. Actual circumstances may vary from these assumptions, giving rise to a different pension liability.

Funded status of our pension plans at 31 December 2007 with respect to the employer pension expense for the period is presented in the next table.

in € millions	Year ended 31 December 2007	Period ended 31 December 2006
CHANGE IN BENEFIT OBLIGATION		
Balance at beginning of period	**150.4**	-
Balance acquired through business combinations	41.8	153.7
Service costs	2.0	1.6
Other costs	2.1	-
Contributions by plan participants	0.3	-
Interest costs	2.7	0.7
Actuarial (loss)/gain	2.4	1.0
Exchange differences	(5.7)	-
Benefits paid	(13.3)	(6.6)
Curtailments	(20.4)	
Settlements	(4.8)	-
Other	(1.0)	-
Benefit obligation at 31 December	**156.5**	**150.4**
CHANGE IN PLAN ASSETS		
Balance at beginning of period	**27.5**	-
Fair value of plan assets acquired through business combinations	35.1	26.4
Expected return on plan assets	2.7	0.6
Actuarial gains/(loss)	1.9	-
Exchange differences	(5.6)	0.3
Employer contribution	1.0	0.4
Employee contribution	0.3	
Benefits paid	(1.2)	(0.2)
Settlements	(4.6)	-
Fair value of plan assets at 31 December	**57.1**	**27.5**
FUNDED STATUS AS PER END OF YEAR		
Funded status	**99.4**	**122.9**
Unrecognized net actuarial loss	(1.7)	-
Provisions for pension liabilities	**97.7**	**122.9**
COMPONENTS OF EMPLOYER PENSION EXPENSE FOR:		
Service costs	2.0	1.6
Interest costs	2.7	0.7
Other costs	2.1	
Expected return on plan assets	(2.8)	(0.6)
(Gain)/loss on curtailment and settlements	(20.6)	
Employer pension expense for the period/ year	**(16.6)**	**1.7**
Total post-employment benefit expenses for the period/year	**(16.6)**	**1.7**
WEIGHTED AVERAGE ASSUMPTIONS AS PER 31 DECEMBER		
Discount rate	6.1%	5.3%
Expected return on assets	7.1%	7.2%
Rate of compensation increase	2.4%	3.4%
Inflation	2.2%	3.3%

Included in the provision for pension liabilities is € 9.1 million (2006: € 8.2 million) relating to a plan for early retirement in the Netherlands.

Expected contributions to post-employment benefit plans for the year ending 31 December 2008 are € 7.5 million.

The gain on curtailment and settlement of € 20.6 million (2006: nil) and the pension expense of € 4.0 million (2006: € 1.7 million) are recorded within pension charges, defined benefit plans.

18. OTHER PROVISIONS

in € millions	Restructuring	Other	Total
Balance at 15 August 2006			
Balance acquired through business combinations	3.3	123.2	126.5
Adjustment to provisional acquisition balances		7.1	7.1
Charged to Income Statement	0.2	15.7	15.9
Utilized	(1.8)	(21.1)	(22.9)
Balance at 31 December 2006	**1.7**	**124.9**	**126.6**
of which non-current	0.8	86.9	87.7
of which current	0.9	38.0	38.9
Balance at 1 January 2007	**1.7**	**124.9**	**126.6**
Balance acquired through business combinations	8.6	10.5	19.1
Charged to Income Statement	2.7	71.7	74.4
Utilized	(10.5)	(65.7)	(76.2)
FX movements	-	1.9	1.9
Balance at 31 December 2007	**2.5**	**143.3**	**145.8**
of which non-current	1.5	103.8	105.3
of which current	1.0	39.5	40.5

Other provisions of € 145.8 million (2006: € 126.6 million) relate mainly to tax and legal litigation, commercial disputes, and insurance provisions.

The amount of other provisions represents the present value of the best estimates of the future economic outflow of current and estimated future contractual and legal obligations and claims. The economic outflow of the non-current portion is expected to occur within two years.

19. BORROWINGS

The carrying amounts and fair values of the borrowings are as follows:

in € millions	31 December 2007		31 December 2006	
	Carrying value	Fair value	Carrying value	Fair value
Non-current				
Bank borrowings	1,647.8	1,686.4	413.7	421.6
Loan notes	968.6	884.5	706.7	752.2
Finance leases	16.8	18.0	20.9	22.9
Total non-current borrowings	**2,633.2**	**2,588.9**	**1,141.3**	**1,196.7**
Current				
Bank overdrafts	21.4	21.4	6.2	6.2
Bank borrowings	114.7	114.7	70.1	70.1
Finance leases	1.8	1.8	2.0	2.0
Total current borrowings	**137.9**	**137.9**	**78.3**	**78.3**
Total borrowings	**2,771.1**	**2,726.8**	**1,219.6**	**1,275.0**

The fair value of the long term interest bearing debt has been determined using the market price as of 31 December 2007.

The senior bank debt's fair value approximates its carrying value as it is a floating rate facility. The average floating interest rate for the period was 8.0% for US dollar denominated loans (2006: 7.6%) and 6.8% for euro denominated loans (2006: 5.7%). The carrying amounts of short-term borrowings approximate their fair value.

Our debt instruments that bear interest at fixed rates of interest are exposed to fluctuation in fair value resulting from changes in market interest rates.

The table below sets forth the amounts of interest-bearing debt during each of the following five years and thereafter:

Debt	Finance leases	Loan notes	Bank loan	Total
		(in € millions)		
0 to 12 Months	1.8	-	136.1	137.9
13 to 24 Months	1.3	-	12.0	13.3
25 to 36 Months	1.4	-	11.0	12.4
37 to 48 Months	1.3	-	9.4	10.7
49 to 60 Months	0.9	-	7.6	8.5
Thereafter	11.9	1,022.1	1,735.5	2,769.5
FX-effect	-	(17.8)	(81.7)	(99.5)
Total principal debt	**18.6**	**1,004.3**	**1,829.9**	**2,852.8**
Unamortized debt issuance costs	0.0	35.7	46.0	81.7
Total carrying value	**18.6**	**968.6**	**1,783.9**	**2,771.1**
of which included in non-current borrowings	16.8	968.6	1,647.8	2,633.2
of which included in current borrowings	1.8	-	136.1	137.9

Bank Borrowings

Senior Secured Facilities

On 4 November 2006 CEVA Group Plc entered into the Senior Secured Facilities with certain banks; the Senior Secured Facilities were amended as of 4 January 2007. The facilities were expanded on 2 August 2007 to finance the EGL acquisition. The Senior Secured Facilities consist of:

- € 704.5 million (initially € 500 million) term loan facility, which on 4 January 2007 consisted of approximately € 285.6 million in term loans denominated in euros and approximately USD 266 million and as of 31 December 2006 based on current exchange rates was a total of € 488 million. On 4 February 2007, we prepaid € 50.1 million of the term loan facility. On 2 August 2007, the term loan facility was expanded by an extra tranche to finance the EGL Acquisition. The outstanding amounts in euros and USD on 31 December 2007 were € 242.9 million and USD 673.2 million, respectively. The term loans under the Senior Secured Term Facility mature on 4 November 2013; and
- € 186.5 million (initially € 150 million) revolving credit facility, which includes borrowing capacity available for letters of credit, for borrowings on same-day notice in United States dollars and borrowing capacity under ancillary sub facilities, including overdraft lines, additional letter of credit facilities, foreign exchange facilities and other accommodations. The commitments under the Revolving Credit Facility expire on 4 November 2012. The amount drawn under this facility at 31 December 2007 was € 60 million. This amount is included in current borrowings. The remaining amount undrawn as at 31 December 2007 is € 126.5 million.

Furthermore, CEVA Group Plc has a € 178.5 million (initially € 155 million) Synthetic L/C Facility, which is available for the issuance of letters of credit and bank guarantees. On 31 December 2007, the facility consisted of € 87.7 million and USD 132.5 million, respectively. Approximately € 132.2 million of letters of credit in various currencies were issued on 31 December 2007 under the Synthetic L/C Facility. The Synthetic L/C Facility expires on 4 November 2013. The remaining amount undrawn as at 31 December 2007 is € 46.3 million.

The Group has the following undrawn borrowing facilities which expire beyond one year:

in € millions	31 December 2007	31 December 2006
Floating rate	126.5	150.0
Fixed rate	46.3	74.0
Total	**172.8**	**224.0**

The Senior Secured Facilities also provide for uncommitted incremental term loans, revolving facilities or synthetic letter of credit facilities in an aggregate amount of up to € 400 million that may be made upon our request under the Senior Secured Facilities, subject to documentation requirements and other conditions.

Interest Rate and Fees

The interest rates per annum applicable to loans under the Senior Secured Facilities are, at our option, equal to either an alternate base rate or an adjusted Eurocurrency rate for a one-, two-, three- or six-month interest period, or a nine- or twelve-month period, if available from all relevant lenders, in each case, plus an applicable margin. Euro currency loans are based on Adjusted EURIBOR if denominated in euros and on Adjusted LIBOR if denominated in any other currency. .

Certain Covenants and Events of Default

The Senior Secured Facilities contain a number of covenants that, among other things, restrict, subject to certain exceptions, our ability and the ability of our subsidiaries, to incur additional indebtedness, create liens on assets, enter into sale and leaseback transactions, make investments, loans, guarantees or advances, make certain acquisitions, sell assets, engage in mergers or acquisitions, pay dividends and make distributions or repurchase capital stock, repay certain other indebtedness, including the senior subordinated notes, enter into agreements that restrict the ability of our subsidiaries to pay dividends, engage in certain transactions with affiliates, change the business conducted by us or our subsidiaries, amend certain material agreements governing our indebtedness, amend our organizational documents, make capital expenditure, change our fiscal year end and change our centre of main interest.

The Senior Secured Credit Facility contains a covenant that requires us to maintain a maximum ratio of secured net debt to covenant EBITDA of 4.0 to 1.0, calculated for the trailing four quarters (as determined under our senior secured credit facility), commencing with the fiscal quarter ended 31December 2007. Our definition of covenant EBITDA allows us to add back certain non-cash and non-recurring charges that are deducted in determining net income (for example, include estimated rebranding costs). The Senior Secured Facilities also contain customary affirmative covenants and events of default.

In addition, the PIK loan contains a number of covenants that, among other things, restrict, subject to certain exceptions, our ability and the ability of our subsidiaries, to incur additional indebtedness, create liens on assets, sell assets, pay dividends and make distributions or repurchase capital stock, make restricted payments and to engage in certain transactions with affiliates.

Senior Unsecured Loan Facility
On 2 August 2007 CEVA Group Plc entered into a USD 1,400 million Senior Unsecured Loan Facility. This facility was partially replaced on 13 August 2007 when CEVA Group Plc issued USD 400 million of second-lien notes.

The remaining USD 1,000 million Senior Unsecured Loan is of a long term nature, maturing in 2015. Interest rates per annum applicable to this loan are, at our option, equal to a USD-LIBOR rate for a one-, two-, three- or six-month interest period, or a nine- or twelve-month period, if approved by all relevant lenders, in each case, plus an applicable margin, which is capped.

Pay-in-kind term loan ("PIK loan")
On 15 February 2007 CEVA Investments Ltd entered into a loan facility for € 275 million. This facility matures in 2017 and has a floating interest based on EURIBOR. The company has the option to settle interest due or add this to the outstanding principal balance. The PIK loan's fair value approximates its carrying value as it is a floating rate facility.

Current Bank Borrowings
Included in current bank borrowings is € 60 million of our revolving credit facility, approximately € 35 million of factoring, € 11.5 million of bank borrowings due within one year and € 8.2 million of other borrowings.

Loan Notes

The Senior Notes
On 6 December 2006, CEVA Group Plc issued € 505 million of senior notes. The Senior Notes will mature on 1 December 2014. Interest on the Senior Notes is due on each 1 June and 1 December, commencing on 1 June 2007. The Senior Notes bear interest at 8.5% per annum.

The Senior Notes are senior obligations of CEVA and are guaranteed, jointly and severally, on an unsecured, senior basis, by each subsidiary that guarantees the Senior Secured Facilities. The Senior Notes contain customary covenants and events of default that, among other things, restrict, subject to certain exceptions, our ability, and the ability of our subsidiaries, to incur indebtedness, sell assets, make investments, engage in acquisitions, mergers or consolidations, and make dividend and other restricted payments.

We may redeem some or all of the Senior Notes at any time on or after 1 December 2010. In addition, we may redeem up to 40% of the aggregate principal amount of the Senior Notes on or prior to 1 December 2009, with the net proceeds from certain equity offerings at a specified redemption price. Prior to 1 December 2010, we may redeem some or all of the Senior Notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus a "make-whole" premium. Upon the occurrence of certain change of control events, each holder of Senior Notes may require us to repurchase all or a portion of its notes at a purchase price equal to 101% of the principal amount of the Senior Notes, plus accrued interest.

The Senior Subordinated Notes
On 6 December 2006, CEVA Group Plc issued € 225 million of Senior Subordinated Notes. The Senior Subordinated Notes will mature on 1 December 2016. Interest is due on the Senior Subordinated Notes on each 1 June and 1 December, commencing on 1 June 2007. The Senior Subordinated Notes bear interest at 10% per annum.

The Senior Subordinated Notes are Senior Subordinated Obligations of CEVA and are guaranteed on an unsecured, Senior Subordinated Basis, by each of the subsidiaries that guarantee the Senior Secured Facilities and the Senior Notes.

We may redeem some or all of the Senior Subordinated Notes at any time on or after 1 December 2011, at specified redemption prices. In addition, we may redeem up to 40% of the aggregate principal amount of the Senior Subordinated Notes on or prior to 1 December 2009, with the net proceeds from certain equity offerings at a specified redemption price. Prior to 1 December 2011, we may redeem some or all of the Senior Subordinated Notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus a "make-whole" premium. Upon the occurrence of certain change of control events, each holder of senior notes may require us to repurchase all or a portion of its notes at a purchase price equal to 101% of the principal amount of the Senior Subordinated Notes, plus accrued interest.

Second Priority Senior Secured Notes
On 13 August 2007, CEVA Group Plc issued USD 400 million of second-lien notes. These notes will mature in 2014 and have a coupon of 10%. Interest is payable half-yearly in advance on 1 March and 1 September each year.

The notes are guaranteed by each of the issuer's subsidiaries that guarantee the issuer's senior secured credit facilities. The notes are senior obligations of the issuer and are senior obligations of the guarantors secured by a second-priority lien, subject to certain exceptions and permitted liens, on certain of our and the guarantor's existing and future assets.

We may redeem some or all of the notes at any time on or after 1 September 2010, at specified redemptions prices. In addition, we may redeem up to 40% of the aggregate principal amount of the notes on or prior to 1 September 2010. Prior to 1 September 2010, we may redeem some or all of the notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus a "make-whole" premium.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

in € millions	31 December 2007	31 December 2006
Currency		
Euro	1,359.0	890.8
US dollar	1,406.3	328.8
Other currencies	5.8	-
Total	**2,771.1**	**1,219.6**

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the Balance Sheet dates are as follows:

in € millions	31 December 2007 Carrying value	31 December 2006
6 months or less	1,770.4	490.0
6-12 months	-	-
1-5 years	16.9	-
Over 5 years	983.8	729.6
Total borrowings	**2,771.1**	**1,219.6**

20. OTHER CURRENT LIABILITIES

Amounts included in other current liabilities are shown in the table below:

in € millions	31 December 2007	31 December 2006
Taxes and social security contributions	37.5	42.0
VAT payable	39.4	31.9
Other	70.8	79.0
Total	**147.7**	**153.0**

The other current liabilities mainly include interest and personnel related payables.

21. ACCRUED CURRENT LIABILITIES

in € millions	31 December 2007	31 December 2006
Deferred revenue	39.3	24.4
Expenses to be paid to logistics subcontractors	219.8	199.6
Personnel related accruals	84.0	66.3
Other	87.5	30.5
Total	**430.6**	**320.8**

The other accrued liabilities mainly relate to accrued operating expenses, insurance and other amounts due.

22. DERIVATIVE FINANCIAL INSTRUMENTS

in € millions	31 December 2007		
	Contract/Notional amount	Fair values	
		Assets	Liabilities
Foreign exchange derivative contracts			
Foreign exchange derivative contract	161.2	0.5	0.9
Other derivative contracts			
Cross currency interest rate swaps	167.0	-	0.3
Total recognized derivative assets/(liabilities)		**0.5**	**1.2**

All derivatives are recognized at fair value, with changes in fair value being immediately recognized in the Income Statement, derivatives with positive fair values are recorded within assets, while derivatives with negative fair values are included in liabilities.

Derivative financial instruments are generally traded in an over-the-counter market with professional market counterparties on customized contractual terms and conditions or can be exchange traded. The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the Balance Sheet but do not necessarily indicate the amount of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risk. The derivative instruments' effect may be favourable (positive fair value) or unfavourable (negative fair value) as a result of fluctuations in market rates relative to their terms.
The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus, the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly over time.

Foreign exchange spot transactions are foreign exchange contracts, which are settled within two working days after the trade date.

Foreign exchange forward contracts are over-the-counter contracts which establish terms and conditions of a deal which is settled at a future date.

Cross currency interest rate swaps are over-the-counter contracts whereby two parties agree to exchange a principal and a series of interest payments from one currency to another.

23. INCOME TAX BALANCES

in € millions	Year ended 31 December 2007	Period ended 31 December 2006
Income tax receivable	-	23.7
Income tax payable	(35.2)	(22.9)
Netted current income tax positions	**(35.2)**	**0.8**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

in € millions	Year ended 31 December 2007	Period ended 31 December 2006
Deferred tax assets	(109.4)	(136.9)
Deferred tax liabilities	266.4	150.0
Deferred tax liabilities (before offsets)	**157.0**	**13.1**
Deferred tax assets	(5.9)	(136.9)
Deferred tax liabilities	162.9	150.0
Deferred tax liabilities (after offsets)	**157.0**	**13.1**

In 2007 and 2006, the tax expense amounted to € 28.1 million and € 5.8 million respectively (refer to note 8). The difference between the total income taxes in the Income Statement and the current tax expense is due to timing differences. These differences are recognized as deferred tax assets or deferred tax liabilities.

TNT has certain obligations to indemnify and hold CEVA harmless from and against tax liabilities of the Group companies of the Logistics business resulting from or in connection with transactions, events, acts or omissions which occurred on or before 4 November 2006.

in € millions	Provisions	Goodwill and other intangibles	Losses carried forward	Other	Total
Balance at 15 August 2006	-	-	-	-	-
Adjustment to provisional acquisition balances	23.1	92.9	67.6	(90.3)	93.3
Business combinations	11.0	-	5.9	25.0	41.9
Changes credited directly to equity	-	-	-	5.2	5.2
Income statement effect	(0.3)	-	(3.4)	0.2	(3.5)
Deferred tax assets at 31 December 2006	**33.8**	**92.9**	**70.1**	**(59.9)**	**136.9**
Balance at 1 January 2007	**33.8**	**92.9**	**70.1**	**(59.9)**	**136.9**
Business combinations	12.1	-	-	-	12.1
Income statement effect	0.7	(30.1)	(70.1)	59.9	(39.6)
Deferred tax assets at 31 December 2007	**46.6**	**62.8**	-	-	**109.4**

The following table shows the movements caused by the following differences in deferred tax liabilities in 2007 and 2006:

in € millions	Property, plant and equipment	Intangibles	Other	Total
Balance at 15 August 2006				
Adjustment to provisional acquisition balances	-	(41.5)	-	(41.5)
Business combinations	34.5	157.5	3.7	195.7
Income statement effect	(4.2)	-	-	(4.2)
Deferred tax liabilities at 31 December 2006	**30.3**	**116.0**	**3.7**	**150.0**
Balance at 1 January 2007	**30.3**	**116.0**	**3.7**	**150.0**
Business combinations	18.0	171.6	-	189.6
Other changes	-	2.2		2.2
Income statement effect	(8.7)	(66.7)	-	(75.4)
Deferred tax liabilities at 31 December 2007	**39.6**	**223.1**	**3.7**	**266.4**

24. NET CASH FROM OPERATING ACTIVITIES

In the year ended 31 December 2007, net cash provided by operating activities was € 113.5 million. Loss before income taxes contributed € (198.0) million or profit of € 263.2 million if adjusted for the non-cash impact of depreciation and amortization, interest and similar income and expenses and other non-cash charges.

The increase in cash generated from operations of € 142.5 million reflects the improved operating income (before specific items) of Contract Logistics, the first consolidation of Freight Management in the Company following the acquisition of EGL on 2 August 2007 and emphasis on continuously reducing operational net working capital. Total net cash provided by operating activities increased by € 43.0 million, mainly due to the interest paid on external borrowings used to finance the acquisitions.

In the period ended 31 December 2006, net cash provided by operating activities was € 70.5 million. Loss before income taxes contributed € (15.0) million or profit of € 32.3 million if adjusted for the non-cash impact of depreciation and amortization, interest and similar income and expenses and other non-cash charges.

25. NET CASH USED IN INVESTING ACTIVITIES

In the year ended 31 December 2007, net cash used in investing activities was € (1,440.4) million mainly relating to the acquisition of EGL as of 2 August 2007.

26. NET CASH FROM FINANCING ACTIVITIES

In the year ended 31 December 2007, net cash from financing activities was € 1,237.4 million. The proceeds from the issuance of shares of € 88.4 million and external non-current borrowings of € 1,456.1 million were used to acquire EGL and redeem its former external debt. The net proceeds of current borrowings of € 50.9 million were mainly used for the post-completion settlement of € 41.2 million with TNT.

In the period ended 31 December 2006, net cash from financing activities was € 299.1 million. The proceeds from the issuance of shares of € 295.9 million and external borrowings of € 1,170.5 million were mainly used for the acquisition of TNT's Logistics business and the repayment of liabilities upon business combinations.

27. FINANCIAL RISK MANAGEMENT

Financial Risk Factors

Our activities expose us to a variety of financial risks, such as market risk (including foreign currency exchange risk, interest rate risk, and commodity price risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by our central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates, and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. Although the Group enters into derivative contracts for risk hedging purposes, we do not apply hedge accounting.

The following analyses provide quantitative information regarding our exposure to the financial risks described above. There are certain limitations inherent in the analyses presented, primarily due to the assumption that rates change in a parallel fashion and instantaneously. In addition, the analyses are unable to reflect the complex market reactions that normally would arise from the market shifts assumed.

(a) Market risk

Foreign currency exchange risk

We operate on an international basis generating foreign currency exchange risks arising from future commercial transactions, recognized assets and liabilities, investments and divestments in foreign currencies other than the euro, our Parent Company's functional and Group's reporting currency. Although we generally enter into hedging arrangements and other contracts in order to reduce our exposure to currency fluctuations, these measures may be inadequate or may subject us to increased operating or financing costs.

The main two currencies of our external hedges are the British pound and United States dollar. Significant acquisitions are typically funded in the currency of the underlying assets.

The main 2007 exchange rates are shown below:

	31 December 2007		31 December 2006	
	Year end closing [1]	Average [2]	Year end closing [1]	Average [3]
British pound	1.3597	1.4605	1.4892	1.4920
US dollar	0.6857	0.7295	0.7593	0.7710

1. Source: European Central Bank, reference rates on the last day of the year.
2. The average is calculated as the 12-month's average of the month-end closing rates of the European Central Bank.
3. The average is calculated as the 2-month's average of the month-end closing rates of the European Central Bank.

We have established policies which require Group companies to manage or report their foreign exchange risk against their functional currency. The Group companies are required to report their relevant foreign exchange risk exposure to Group Treasury. To manage their foreign exchange risk arising from future commercial transactions and recognized assets and liabilities, entities in the Group use forward contracts, transacted with Group Treasury. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

CEVA has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

A five percent strengthening of the euro against the following currencies at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis for 2006.

(in € millions)	Year ended 31 December 2007		Period ended 31 December 2006	
	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
US Dollar	15.0	10.9	0.1	(35.2)
GBP	(1.7)	(18.3)	(0.6)	(54.0)

A five percent weakening of the euro against the above currencies at 31 December would have had an equal effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Cash flow and fair value interest rate risk

Interest rate risk is the risk that unexpected interest rate changes negatively affect the Company's results, cash flows, and equity. Any hedging activities are meant to protect CEVA against changes in interest rates.

It is CEVA's policy to mitigate the effects of interest rate volatility on its results, cash flows, and Balance Sheet. In addition to mitigate interest rate risk, Group Treasury will ensure that interest returns from investments are maximized and interest costs are minimized within the risk appetite constraints of the Company. CEVA tries to match its level of floating interest paid with its operational cycle as to create a natural hedge.

The table below shows the interest rate profile of the Group's interest-bearing financial instruments as of 31 December 2007 and 2006.

in € millions	31 December 2007	31 December 2006
	Carrying amount	
Fixed Rate Instruments:		
Loans	695	22.9
Bonds	968.6	706.7
Variable Rate Instruments:		
Financial Liabilities	1,107.5	490
Total	**2,771.1**	**1,219.6**

Fair value sensitivity analysis for fixed rate instruments.

Our debt instruments that bear interest at fixed rates of interest are exposed to fluctuation in fair value resulting from changes in market interest rates. The potential decrease in fair value resulting from a hypothetical 1% increase in market interest rates would have been approximately € 29 million.

Cash flow sensitivity analysis for variable rate instruments.

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2006.

in € millions		Effect on profit	
	Change in interest	31 December 2007	31 December 2006
EUR	+ 100bp	(6.6)	(1.4)
EUR	- 100bp	6.6	1.4
USD	+ 100bp	(11.7)	(3.8)
USD	- 100bp	11.7	3.8

Commodity risk

As a supply chain company, CEVA is exposed to the risk of an increase in the price of fuels, principally diesel gasoline. We believe that the majority of the increases in price risk be passed onto customers and we have not therefore entered into any contract to hedge any specific commodity risk.

(b) Credit risk

The collectability of accounts receivable is assessed on a monthly basis, where the method of determining the reduction is tailored to the specific business environment and takes into consideration the history of the reporting unit. The Group is focusing strongly on the cash generating capacity of its businesses and acknowledges the importance of strong credit control which is monitored through periodic detailed analysis of overdue trade receivable balances.

Credit risk is the risk that counterparties fail to meet their contractual payment obligations through insolvency or default as well as credit exposures to customers. The credit risk of a derivatives portfolio overlaps market risk, since it is the replacement value of the portfolio that the Company is likely to lose if the counterparty fails. In order to reduce legal risk resulting from derivatives, CEVA strives to have an International Swaps and Derivative Association agreement in place before entering into derivatives. For banks and financial institutions, only independently rated parties with a minimum rating of "A" from Standard & Poor's are accepted. Group Treasury only trades with its defined relationship banking group unless trading outside this banking group may, under specific circumstances, provide significantly better pricing or is desired due to the confidentiality with respect to the hedged item.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

in € millions	31 December 2007	31 December 2006
Financial Assets at fair value through profit or loss	0.5	-
Loans and receivables	1,185.8	668.7
Cash and Cash Equivalents	175.0	266.1

(c) Liquidity risk

Liquidity risk is the risk that the Company does not have sufficient headroom (cash and cash equivalents plus committed credit lines) available to meet both our day-to-day operating requirements and debt servicing obligations (interest and debt repayment). Group Treasury mitigates liquidity risk by ensuring that CEVA has adequate funding at its disposal at all times, enabling access to the money markets and capital markets. This includes relationship management with all financial stakeholders, such as banks, rating agencies, and debt investors. Funding availability is the key performance requirement of the Company's banks.

As at 31 December 2007, CEVA Investments Ltd had € 175.0 million (2006: € 266.1 million) in cash on its Balance Sheet. In addition to this cash, CEVA Investments Ltd has access to a € 186.5 million revolving credit facility, of which € 60 million was drawn. Total headroom was therefore € 301.5 million.

Capital Management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. We manage our capital structure primarily by producing strong cash flows from operations.

28. JOINT VENTURES

We account for joint ventures in which we and another party have joint control according to the proportionate consolidation method.

Included in the Contract Logistics segment, our largest joint venture as at 31 December 2007 is the 50% interest of the ordinary share capital in Anji-TNT Automotive Logistics Company Ltd, a company which is located and incorporated in China. The table below represents the financial information of Anji-TNT Automotive Logistics Company Ltd and includes balances at 50% for the period.

in € millions	31 December 2007	31 December 2006
Non-current assets	20.6	18.3
Current assets	39.8	38.0
Equity	22.3	32.9
Current liabilities	38.0	23.4

in € millions	Year ended 31 December 2007	Period ended 31 December 2006
Revenue	137.8	21.4
Operating income	7.3	0.7
Profit attributable to the shareholders	4.8	-
Net cash provided by operating activities	11.3	13.4
Net cash provided by investing activities	(2.3)	10.6
Net cash used in financing activities	(12.9)	(0.4)
Changes in cash and cash equivalents	**(3.9)**	**23.6**

The CEVA Group companies in some cases have financial relationships with the joint ventures of CEVA Group as well as with unconsolidated companies in which the Group holds minority shares. However, CEVA Investments Ltd Companies did not source supplies from such undertakings, nor did such undertakings source supplies from CEVA Investments Ltd Group companies.

The net amount due from joint venture entities amounted to € 0.3 million as at 31 December 2007 (2006: € 0.9 million). All transactions with joint ventures and investments in associates are conducted in the normal course of business and under arm's length commercial terms and conditions.

29. OTHER RELATED PARTY TRANSACTIONS AND BALANCES

CEVA Investments Ltd has entered into the following related party transactions:

During 2007, Apollo Fund IV, purchased in the open market PIK loan notes due in 2017 with a face value of € 79.4 million, which were also held at 31 December 2007. No interest was paid during 2007. Apollo Fund IV is ultimately controlled by Apollo Global Management, LLC.

CEVA Investments Ltd has a management service agreement with Apollo Management VI, L.P. ("Apollo") for the provision of management and support services. This amounted to € 3.0 million for the twelve months ended 31 December 2007. In addition, CEVA is required to pay a 1% success fee in relation to any new acquisition. In 2007, CEVA paid USD 20 million to Apollo, this being 1% of the EGL acquisition price. Apollo Management VI, L.P. is a related party by virtue of the fact that it controls AAA Guarantor Co-Invest VI, L.P., AIF VI Euro Holdings, L.P. and AlpInvest Partners Beheer 2006, L.P. These entities together own approximately 89% of the equity in CEVA Investments Ltd.

Gareth Turner and Lukas Kolff are Directors of CEVA Investments Ltd and also hold key senior positions within Apollo Management. Their remuneration from CEVA Investments Ltd is disclosed in note 5.

Over 340 personnel in CEVA Group companies participate in the management equity plan as disclosed in note 5. They also receive salaries and benefits as part of their employment compensation.

30. COMMITMENTS AND CONTINGENCIES

Financial and Operating Guarantees
The total amount of guarantees as at 31 December 2007 were € 167.3 million (2006: € 148 million) of which € 132.2 million are on the CEVA Group Synthetic Letter of Credit facility. The € 19.3 million difference is a result of a decrease in the Contract Logistics portfolio of € 49.3 million and an increase of € 68.6 million as a result of the addition of the Freight Management business.

These guarantees were mainly issued in connection with CEVA's operating business obligations under lease contracts, customs duty deferment and local credit lines. The obligations under the guarantees issued by banks and other financial institutions have been secured by CEVA and by certain of its subsidiaries.

Rent and Operating Lease Contracts
In 2007, operational lease expenses (including rental) in the consolidated Income Statement amounted to € 299 million for the period. Future payments on existing lease contracts mainly relating to real estate, computer equipment and other equipment were as follows:

in € millions	Year ended 31 December 2007	Period ended 31 December 2006
Less than 1 year	218.2	147.3
Between 1 and 2 years	171.4	120.1
Between 2 and 3 years	129.6	89.5
Between 3 and 4 years	93.9	60.5
Between 4 and 5 years	65.7	42.6
Thereafter	156.6	78.9
Total	**835.4**	**538.9**
Of which guaranteed by a third party/customers	171.5	211.0

Of the future rent and lease payments, € 600 million relates to commitments in relation to multi-user / shared facilities where the remainder of € 235 million is dedicated to specific customers.

Contingent Tax Liabilities
As part of the acquisition of the Logistics business of TNT N.V., CEVA acquired companies which had potential tax issues, particularly in the UK, relating to periods prior to 4 November 2006. Pursuant to the sale and purchase agreement, TNT N.V. has indemnified CEVA from and against tax liabilities of Group companies of the former Logistics business resulting from or in connection with transactions, events, acts or omissions which have occurred on or before 4 November 2006.

From 2004, TNT N.V. has been dealing with matters relating to full disclosure of relevant information to the UK tax authorities. The major issue being discussed with the UK tax authorities was whether some of the non-UK subsidiaries might have been resident in the UK prior to the acquisition of TNT Limited in December 1996 and, if so, whether capital gains tax would have been due if the tax residency of these subsidiaries later moved to another European country. TNT N.V. has previously indicated that it estimates a range of € 100 to € 250 million to reflect the realistic range of its total global contingent liabilities, which represents some 25 to 30 % of the non-probability weighted estimated theoretical maximum liability. This range is inclusive of the maters impacting the Logistics business that are now part of CEVA.

TNT announced on 6 December 2007 that it had settled all outstanding UK tax matters and re-confirmed on 18 February 2008 that the contingent liability is no longer required. CEVA is awaiting confirmation of this matter but it is expected that no liability will arise.

Contingent Legal Liabilities
In connection with the Contract Logistics business we are involved in several legal proceedings relating to the normal conduct of our business. We do not expect any liability arising from any of these legal proceedings to have a material effect on our results of operations, liquidity, capital resources or financial position. We believe we have provided for all probable liabilities deriving from the normal course of business.

The following is a brief description of the more significant legal matters in which the Freight Management business is involved:

Independent contractor litigation
One former and two current independent contractor pickup and delivery ("P&D") drivers filed a complaint in California state court on 12 September 2005, on behalf of themselves and similarly situated drivers in California alleging various causes of action based on their theory that the drivers are employees and not independent contractors. The complaint requests that (a) the matter be designated as a class action on behalf of all independent contractor P&D drivers working for EGL in California; (b) a declaratory judgment that EGL has violated the law; (c) an equitable accounting and an unspecified amount of damages; and (d) restitution in the form of business expenses, unpaid overtime, meal period compensation, unlawful deductions from wages, statutory penalties, interest, attorneys' fees, and costs. We removed the case to federal district court for the Northern District of California, and the parties have agreed to focus only on the individual claims of the three named defendants in the first phase of the proceedings. The court granted the Company's summary judgment motions on all claims by all plaintiffs in July 2007 and the plaintiffs have filed an appeal with the Ninth Circuit Court of Appeals, which is still pending.

Acquisition proposal litigation
The Company is aware of six lawsuits involving the CEVA / EGL merger and the transactions contemplated by the terminated merger agreement between EGL Inc and James Crane and others (the "Crane Group Proposal"). Five of the cases were filed in Texas state court, consolidated, and ultimately dismissed. The appeals of those dismissals are currently pending. Additionally, one lawsuit was filed in state court in New York by one of the plaintiffs' law firms, claiming to be entitled to damages arising out of its filing of one of the Texas lawsuits. The defendants have filed answers and a motion to dismiss or stay the action and believe that they have substantial defenses on the merits to this

lawsuit.

Surcharge antitrust investigation and litigation
On 10 October 2007, EGL Eagle Global Logistics ("EGL") was the subject of a search warrant executed at EGL's offices in Houston, Texas. The search warrant was issued at the request of the Antitrust Division of the United States Department of Justice, and it sought certain documents and information related to EGL's business practices. On the same day, a grand jury subpoena duces tecum was served on EGL's custodian of records, seeking production of certain similar documents and information. In addition, on 10 October 2007, an inspection by the European Commission was conducted at the offices of EGL's UK operating subsidiary, and a request for documents and information was made on EGL's UK group of companies. In addition, a demand for documents and information, dated 11 October 2007, was received by EGL's New Zealand operating subsidiary from the New Zealand Commerce Commission. Eagle Global Logistics (Canada) Corp. has also received notice from the Canadian Competition Bureau ("CCB"), dated 11 October 2007, stating that the CCB has commenced an investigation into alleged anti-competitive activity in the freight forwarding industry. The Company understands that the above-described requests are part of an industry-wide investigation into possible price-fixing and other improper collusive activity in the freight forwarding industry with respect to certain accessorial and other charges. The Company is cooperating with the respective authorities to provide requested information. CEVA recently issued a new Code of Business Conduct and enhanced Antitrust and Competition Law Policies and Procedures that strictly prohibit anti-competitive behavior of any kind and that apply to all CEVA subsidiaries, including EGL, Inc. and EGL Eagle Global Logistics, LP. At this time, the Company can not determine the timing or outcome of the investigations, which could result in the imposition of criminal and / or civil fines, penalties, damages or other sanctions.

Additionally, on 3 January 2008, CEVA subsidiaries EGL, Inc. and EGL Eagle Global Logistics, LP were named along with other freight forwarders as defendants in a punitive class action lawsuit styled *Precision Associates, Inc., et al. v. Panalpina World Transport (Holding) Ltd, et al.*, filed in the United States District Court for the Eastern District of New York. The lawsuit appears to be based on ongoing investigations by various governmental entities described above.

War risk surcharge matter
During 2003 and 2004, EGL, Inc. ("EGL") acted as a logistics subcontractor in the Middle East to Kellogg Brown & Root, Inc. ("KBR"), which as general contractor provided various services to the United States Department of Defense ("DOD") and other American government agencies. In 2004, EGL received an administrative subpoena from the Office of Inspector General of the DOD requesting documents relating to the billing of war risk surcharges by EGL on certain shipments of KBR freight in the period from late 2003 to mid-2004. EGL has cooperated fully with the government's request and its investigation.

EGL subsequently learned that the subpoena was issued in connection with a qui tam lawsuit filed under seal against EGL and other companies. EGL has previously settled aspects of the qui tam lawsuit with the government and the qui tam relaters. In January 2008, EGL reached an agreement in principle with the government to settle the remaining aspects of the qui tam lawsuit for USD 750,000. These remaining allegations assert improper entertainment of then-employees of KBR by then-employees of EGL in violation of the Anti-Kickback Act (41 U.S.C. § 51 et. seq.). It is expected that a final written settlement agreement with the United States government and relaters will be executed shortly. At the request of the request of the United States government, EGL limited its internal investigation and its public statements on these matters so as not to interfere with the government's broader investigation.

31. AUDITOR RENUMERATION

The following fees for audit and non audit services were paid or are payable to the Company's auditor, PricewaterhouseCoopers LLP.

in € millions	Year ended 31 December 2007	Period ended 31 December 2006
Audit services		
Fees payable to the company's auditor for the consolidated financial statements	0.8	0.2
Non audit services		
Fees payable to the company's auditor and its associates for other services:		
- The audit of the company's subsidiaries pursuant to legislation	5.1	4.0
- Tax services	1.3	0.7
- Services relating to corporate finance transactions	3.4	6.2
- All other services	-	0.6
Total	**10.6**	**11.7**

In order to maintain the independence of the external auditor, the Board has determined policies as to what non audit services can be provided by the Company's external auditor and the approval processes related to them. Under those policies work of a consultancy nature will not be offered to the external auditor unless there are clear efficiencies and value added benefits to the Company.

32. SUBSEQUENT EVENTS

Retirement of Vice Chairman David Kulik
David G. Kulik, CEVA's Vice Chairman and former CEO of CEVA Group Plc, retired effective 22 February 2008. CEVA Group Plc entered into an agreement with Mr. Kulik wherein he will be a consultant to management as well as continue in his position as Chairman of the Board of ANJI-TNT, the joint venture between CEVA Logistics and Shanghai Automotive Industries Corporation – SAIC.

Senior Unsecured Loan Facility
On 1 April 2008 certain loan lenders assigned their loans in an aggregate amount of USD 508 million to affiliates of Apollo Management, L.P., which paid these lenders an acquisition price that reflects a significant discount to the par value of the loan.

As a result of the assignments, CEVA Group Plc paid a fee of 1.6875% to each assigning lender in lieu of a 2% conversion fee which would have been due to such lenders on August 2, 2008 if the loan remained outstanding at that time.

In the amendment to the loan document, the assigning lenders agreed that the conversion fee shall be deemed paid, subject to the receipt of the restructuring fee.

33. LIST OF SUBSIDIARIES, JOINT VENTURES, AND ASSOCIATES

The entities in the table below are primarily involved with the provision of supply chain management services, all other entities being primarily involved with the provision of logistics services.

Ref.	Country	Entity	% holding if less than 100%
1	Algeria	EGL Eagle Global Logistics Algerie S.a.r.l.	
2	Argentina	Circle International Argentina S.A.	
		Eagle Global Logistics de Argentina S.r.l.	
		TNT Logistics Argentina S.A.	
		Customised Logistics Argentina S.A.	51%
3	Australia	CEVA Pty. Ltd	
		CEVA Materials Handling Pty. Ltd	
		CEVA Logistics (Australia) Pty. Ltd	
		CEVA Freight (Australia) Pty. Ltd	
4	Austria	CEVA Logistics Austria GmbH	
		EGL Eagle Global Logistics (Austria) GmbH	
		A.S.S. Logistik Schrader Schachinger GmbH & Co. KG	50%
		CEVA Logistics Central and Eastern Europe GmbH	
		A.S.S. Logistik Schrader Schachinger GmbH	50%
5	Bahrain	EGL Eagle Global Logistics (Bahrain) W.L.L.	
		Circle Freight International (Bahrain) W.L.L.	
6	Belgium	EGL (Belgium) Holding Company BV / BA	
		CEVA Freight Belgium N.V. / S.A.	
		TNT Nopri Logistics N.V. / S.A.	81%
		CEVA Logistics Belgium N.V. / S.A.	
		SVL Schrader Verteil + Logistik BV / BA	
		Tecnologistica S.A.	
7	Bermuda	Regga Holdings Ltd	
		FACET Insurance Ltd	
8	Bolivia	Eagle Global Logistics (Bolivia) S.r.l.	
9	Brazil	CEVA Freight Management do Brasil	
		Circle Fretes Internationais do Brasil, Ltda.	
		CEVA Logistics Ltda.	
		CEVA Holdings Ltda.	
		AV Manufacturing Indústrial e Comercio de Peças e Acessórios Automotivos Ltda.	
		CEVA Participações Ltda .	
10	British Virgin Islands	LSX Ltd	
		LSX Holding Ltd	
		EGL China Holding Ltd	
		EGL Central America Holding Ltd	
11	Canada	CEVA Logistics Canada ULC	
		CEVA Freight Canada Corporation	
12	Chile	EGL Eagle Global Logistics de Chile Ltda.	99.99%
		Circle Freight Corporation Agencia Chilena	
		Circle International Chile S.A.	
		Circle Outsourcing S.A.	

Ref.	Country	Entity	% holding if less than 100%
13	China	EGL Eagle Global Logistics Shenzen Ltd	
		CEVA Freight International (Shanghai) Company Ltd	
		CEVA Freight Shanghai Ltd	
		CEVA Logistics International Trading (Shanghai) Co. Ltd	
		CEVA Logistics Co. Ltd Shanghai	70%
		Anji - TNT Automotive Logistics Company Ltd	50%
		Shanghai Anji-Suchi Warehousing and Transportation Company Ltd	33%
		Shanghai Anji-Tonghui Warehousing and Transportation Company Ltd	40%
		Chongqing Anji- TNT Hongyan Automotive Logistics Company Ltd	30%
		Liao Ning A-Lean Automotive Logistics Company Ltd	25.01%
14	Colombia	EGL Eagle Global Logistics Ltda.	
		EGL Aduanas Sociedad de Intermediación Aduanera Ltda.	
15	Costa Rica	Eagle Global Logistics de Costa Rica, S.de R.L.	75%
16	Czech Republic	CEVA Freight Czech Republik s.r.o.	
		CEVA Logistics Spol s.r.o.	
17	Finland	EGL Global Logistics (Finland) Oy	
18	France	EGL Global Logistics Holding (France) S.a.r.l.	
		Eagle Global Logistics (France) SAS	
		CEVA Logistics France SAS	
19	Germany	CEVA Freight (Management) GmbH	
		CEVA Freight Germany GmbH	
		Exporta Gesselschaft für Exportberatung GmbH	
		Max Gruenhut Aircargo GmbH	
		CEVA Logistics GmbH	
		CEVA Container Logistik GmbH	
		CEVA Logistics CEE Holding GmbH	
		FSZ Fahrzeug Service Zentrum GmbH	50%
		CoTrans Logistic GmbH & Co. KG	22%
		CoTrans Logistic Verwaltungs GmbH	22%
20	Greece	CEVA Logistics Hellas S.A.	
21	Guatemala	EGL Eagle Global Logistica de Guatemala Ltda.	
22	Hong Kong	CEVA FM (Hong Kong) Ltd	
		Eagle Freight Hong Kong Ltd	
		CEVA Logistics Hong Kong Ltd	
		Eagle Asia Holding Ltd	
		Freight Systems Ltd	
		Ozonic Ltd	
23	Hungary	EGL Eagle Global Logistics (Hungary) Kft.	
24	India	EGL Eagle Global Logistics (India) Private Ltd	
		CEVA Logistics India Private Ltd	
25	Indonesia	PT CEVA Freight Indonesia	95%
		PT CEVA Logistik Indonesia	
		PT Hartapersada Interfreight	
26	Ireland	EGL Eagle Global Logistics (Ireland) Ltd	
		EGL International Services Ltd	

Ref. Country	Entity	% holding if less than 100%
27 Italy	CEVA Automotive Logistics Italia S.r.l.	
	CEVA Logistics Italia S.r.l.	
	Spedizioni Internationali Trasporti Terrestri Aerei Marrittimi S.r.l.	
	CEVA Logistics Sub-Holding Italia S.r.l.	
	CEVA In-Bound Logistics Italia S.r.l.	
	CEVA Trasporti In-Bound Logistics Italia S.r.l.	
	Telecommunication Integrated Services S.p.A.	51%
	Cell-Tel S.p.A.	43.35%
	CEVA Logistics Holding Italy S.p.A.	
	C&C Trasporti E Spedizioni Internazionali S.r.l.	
	Avioservizi Jet Service S.r.l.	51%
	CEVA Logistics Bari S.r.l.	75%
	CEVA Freight Management Italia S.r.l.	
	EGL Eagle Global Logistics Italy S.r.l.	
	Tmek Electronics S.p.A.	51%
	Trasporti Editoriali S.r.l.	50%
28 Japan	CEVA Logistics Japan, Inc.	
29 Jordan	Eagle Global Logistics L.L.C.	50%
30 Korea	CEVA Logistics Korea, Inc.	
	TNT Logistics Korea Chusik Hoesa	
31 Luxembourg	CEVA Freight Holdings Luxembourg S.a.r.l.	
32 Malaysia	CEVA Logistics (Malaysia) Sdn Bhd	60%
	CEVA Freight (Malaysia) Sdn Bhd	
	CEVA Freight Holdings (Malaysia) Sdn Bhd	
	Mileage Sdn Bhd	
	Regga (Malaysia) Sdn Bhd	
	Unipearl Corporation Sdn Bhd	
33 Mexico	CEVA Servicios de México S.A. de C.V.	
	CEVA Logistica de México S.A. de C.V.	
	CEVA Freight Management Mexico, S.A. de C.V.	
	Circle de Mexico S. de R.L. de C.V.	
	Filmex Display S. de R.L. de C.V.	
34 The Netherlands	CEVA Logistics Netherlands B.V.	
	CEVA Container Logistics B.V.	
	CEVA Logistics Holdings B.V.	
	CEVA Logistics Headoffice B.V.	
	CEVA Districenter B.V.	
	CEVA Logistics Dutch Holdco B.V.	
	CEVA Logistics Finance B.V.	
	CEVA Coop Holdco B.V.	
	Coöperatieve CEVA / EGL I U.A.	
	Coöperatieve CEVA / EGL II U.A.	
	CEVA Freight Holdings B.V.	
	CEVA Freight Holland B.V.	
	PACT Benelux B.V.	40%
35 New Zealand	CEVA Logistics (New Zealand) Pty. Ltd	
36 Oman	EGL Eagle Global Logistics L.L.C.	65%
37 Panama	EGL Centram S. de R.L.	
	EGL Colombia Holding S. de R.L.	
	EGL Eagle Global Logistics Panama S de R.L.	55%
38 Peru	Eagle Global Logistics Peru S.r.l.	99%
	EGL Agencia de Aduanas S.A.C.	

Ref.	Country	Entity	% holding if less than 100%
39	Philippines	CEVA Logistics (Philippines), Inc.	30%
		EGL Eagle Global Logistics (SUBIC), Inc.	
		EGL Eagle Warehousing & Distribution, Inc.	
		Regga International Insurance Broker & Consultants, Inc.	
		Regga Transport Contractors, Inc.	
		Regga Warehousing & Distribution, Inc.	
40	Poland	CEVA Automotive Logistics Poland Sp. z.o.o.	
		CEVA Logistics Poland Sp. z.o.o	
		CEVA Freight (Poland) Sp. z.o.o.	
41	Portugal	CEVA Logistics (Portugal) – Logistica Empresarial, Lda.	
42	Qatar	EGL Eagle Global Logistics (Qatar) W.L.L.	49%
43	Romania	CEVA Logistics S.r.l.	
		SITTROM Expeditii Internazionale S.r.l.	
44	Saudi Arabia	Circle Freight International Al-Suwaiket Ltd	49%
45	Singapore	Timur Carriers (Private) Ltd	
		CEVA Logistics Asia Private Ltd	
		CEVA Logistics Singapore Private Ltd	
		CE Logistics (Asia) Private Ltd (i.l.)	
		CEVA Asia Pacific Holdings Company Private Ltd	
		CEVA FM (Southeast Asia) Private Ltd	
		CEVA Freight (Singapore) Private Ltd	
		Circle Logistics (S) Private Ltd (i.l.)	
		Concord Express (Singapore) Private Ltd (i.l.)	
		LSX Development Private Ltd	
		LSX Technology Private Ltd	
46	Slovakia	CEVA Logistics Slovakia, s.r.o.	
47	South Africa	TNT Container Logistics (Proprietary) Ltd	
		Main street 511 (Proprietary) Ltd	
		CEVA Logistics South Africa (Proprietary) Ltd	
48	Spain	CEVA Automotive Logistics España S.A.	
		CEVA Logistics España S.L.	
		CEVA Production Logistics España S.L.	
		CEVA Logistics Subirats S.L.	
		CEVA Logistics Holdings Spain S.L.	
		Eagle Global Logistics (España), S.L.	
49	Sweden	EGL Eagle Global Logistics (Sweden) Aktiebolag	
50	Switzerland	CEVA Freight (Schweiz) GmbH	99%
		EGL Management GmbH	
51	Taiwan	CEVA Logistics (Taiwan) Company Ltd	
		Concord Express (Taiwan) Company Ltd	
52	Thailand	CEVA Logistics (Thailand) Ltd	49%
		CEVA Freight (Thailand) Ltd	
		CWBI Ltd	48.3%
53	Turkey	CEVA Lojistik Ltd Sirketi	
		CEVA Uluslararasi Tasimacilik Anonim Sirketi	

Ref.	Country	Entity	% holding if less than 100%
54	United Arab Emirates	Circle International L.L.C.	49%
		EGL Arabia Ltd Liability Company	49%
		EGL Eagle Global Logistics (U.A.E.) L.L.C.	49%
		EGL Eagle Global Logistics FZCO	
55	United Kingdom	CEVA Automotive Logistics UK Ltd	
		CEVA Logistics Ltd	
		Fairlead Logistics Ltd	51%
		CEVA Container Logistics Ltd	
		CEVA Network Logistics Ltd	
		CEVA Distribution Ltd	
		Louis No. 2 Ltd	
		CEVA Ltd	
		Newsagents Wholesale Corporation Ltd	
		Newspaper Transport Ltd	
		CEVA Showfreight Ltd	
		CEVA Supply Chain Solutions Ltd	
		CEVA Freight (UK) Holding Company Ltd	
		CEVA Freight (UK) Holdings Ltd	
		CEVA Freight (UK) Ltd	
		CEVA Logistics NI Ltd	
		Eagle Global Logistics (UK) Ltd	
		F.J. Tytherleigh & Company Ltd	
		CEVA Group Plc	
56	United States of America	CEVA Logistics Puerto Rico, Inc.	
		Customised Transportation International, Inc.	
		CEVA Logistics U.S., Inc.	
		CEVA Logistics U.S. Holdings, Inc.	
		CEVA Logistics U.S. Group, Inc.	
		Alrod International, Inc.	
		Ashton Leasing, L.P.	49%
		CEVA Freight L.L.C.	
		CEVA Freight Management (Canada) Holding, Inc.	
		CEVA Freight Management International Group, Inc.	
		CEVA Government Services, L.L.C.	
		CEVA Logistics Japan, Ltd	
		CEVA Logistics Services U.S., Inc.	
		CEVA Ocean Line, Inc.	
		CEVA Trade Services, Inc.	
		Circle International, Inc.	
		Circle International Holdings, L.L.C.	
		ComplianceSource, L.L.C.	
		Eagle Partners, L.P.	
		Eagle USA Import Brokers, Inc.	
		EGL, Inc.	
		EGL Eagle Global Logistics, L.P.	
		EGL Overseas Corporation	
		EUSA Holdings, Inc.	
		EUSA Partners, Inc.	
		Global Logistics Aircraft, L.L.C.	
		Harper, Robinson & Co., Inc.	
		Jet Urban Renewal Corporation	
		Max Greunhut International, Inc.	
		SCG, The Select Carrier Group, L.P.	
		Select Carrier Group, L.L.C.	
57	Uruguay	Circle International Latin American Holdings S.A.	

CERTAIN DEFINITIONS

In this Annual Report:

- Unless expressly stated otherwise or where the context otherwise requires, "the Company", "we", "us", "our", and other similar terms refer to CEVA Group Plc and its subsidiaries after giving effect to the EGL Acquisition;
- "Apollo" refers to Apollo Management VI, L.P. and its affiliates, which include AIF VI Euro Holdings, L.P., AlpInvest Partners Beheer 2006, L.P. and AAA Guarantor – CoInvest VI, L.P.;
- "CAPEX" or "capital expenditure" is defined as amounts used during a particular period to acquire or improve long-term assets such as property, plant or equipment or intangible assets. Capital expenditure excludes items of a capital nature acquired as a part of an acquisition;
- "EBITDA" is not a measurement of performance or liquidity under IFRS and should not be considered as a substitute for profit / (loss) for the year, operating profit, net income or any other performance measures derived in accordance with IFRS or as a substitute for cash flow from operating activities as a measure of CEVA's. Because not all companies calculate EBITDA identically, the presentations of EBITDA in this annual report may not be comparable to other similarly titled measures of other companies;
- "EGL Acquisition" refers to CEVA's acquisition of the Houston based freight forwarder which was effectuated on 2 August 2007 pursuant to the terms of the EGL Merger Agreement;
- "FTE" or "full time equivalent" is a standard measure used to normalize personnel numbers;
- "GDP" refers to the gross domestic product of a country or region;
- "Gearing ratio" is defined as net debt divided by total capital;
- "SPA" refers to the Sale and Purchase Agreement entered into between CEVA and TNT N.V. on 23 August 2006, pursuant to which CEVA acquired the Logistics business of TNT N.V.;
- "IFRS" refers to International Financial Reporting Standards as adopted by the European Union;
- "Logistics business" refers to the subsidiaries, businesses, assets and liabilities of TNT that were acquired on 4 November 2006 by CEVA;
- "TFR" refers to "Trattamento di Fine Rapporto" leaving service benefits provided to Italian employees that are mandatory under Italian law;
- "TI" refers to Transport Intelligence Limited, a leading market research firm that specializes in the mail, express and logistics industries;
- "TNT" refers to TNT N.V.;
- "ONWC" or "Operating net working capital" is defined as non-interest bearing current assets minus non-interest charging liabilities;
- "$" or "dollars" or "United States dollars" or "U.S. dollars" or "USD" refers to the lawful currency of the United States of America;
- "€" or "euro" refers to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community; and
- "£" , "British pound" or "pounds sterling" refers to the lawful currency of the United Kingdom.

ANNEX 3 – CEVA Investments Ltd Consolidated Special Purpose Financial Statements 2006

CEVA Investments Ltd

(Formerly known as LOUIS Topco Ltd)

Special Purpose Consolidated Financial Statements 2006

1 CEO STATEMENT

Dear Reader,

This inaugural annual report of CEVA Logistics is a historic document. It details our first months of existence as an independent company – managing our business with a singular focus on logistics and setting our own direction in the marketplace. And the story is a good one.

After many months of conducting discussions with potential buyers, the company found the right partner in private equity firm Apollo Management VI, L.P., an organisation committed not only to our industry, but to realising the full potential of our business. The sale of TNT's logistics business to affiliates of Apollo was completed on November 4, 2006. That day marked the beginning of CEVA Logistics – and the beginning of a new dynamic in our company.

When the company unveiled the CEVA name and brand on December 12, 2006, we presented to the world a company with a unique position and unique opportunities. We are a brand new enterprise just embarking upon our potential, and at the same time we are an established leader in the global logistics industry. We hold strong positions in our six targeted sectors: automotive, tyres, fast-moving consumer goods; high-tech electronics, publishing and media, and industrial. We are, in fact, the recognised world leader in serving the logistics needs of all major original equipment manufacturers and automotive suppliers.

That special combination – the energy and excitement of a new shareholder combined with the wisdom of an experienced industry team – has marked our first months of existence.

We made a smooth transition from being a division of TNT N.V. to standing on our own as a pure-play logistics company. We maintained strong relationships with our customers, achieving an impressive contract renewal rate over 2006 and winning significant new contracts with companies including DaimlerChrysler, Vodafone and Volkswagen.

Close long-term customer relationships are the essence of our business. We serve some 600 customers through approximately 1,300 individual contracts, and we are proud that the substantial majority of our customers remain with us over the long term. Among our top 10 customers, our average relationship has already spanned 15 years. Our customers tell us that they stay with CEVA because of the added value we bring to their operations as a result of our extensive global network combined with our deep sector expertise and operational excellence.

During the long and challenging sale process which took place in 2006, our revenue and operating results remained robust. This is impressive when viewed in the context of the transition and the challenges placed on our personnel during the sales process.

The continuing success of our business would not have been possible without the commitment and hard work of our experienced managers and our 38,000 dedicated employees – the same team that will continue moving CEVA toward our stated mission – namely, to optimise, enhance and transform our business and become the world's premier contract logistics company.

We are now implementing our new global operating strategy, our roadmap for optimising, enhancing and transforming CEVA's business. Our first priority is growing our customer base and increasing our market share, and our proven skills in cost control and efficiency will help us meet these goals. Already our centre-led global procurement initiative and accelerated roll-out of our LEAN operating philosophy are delivering bottom line improvement.

We are also putting increased focus on improving our business development and account management activities, as well as further developing our people. We want to be not just the world's leading logistics company, but the global industry's employer of choice.

I am proud of what CEVA accomplished in 2006, and I am pleased to have led the company over the last four years. I am also optimistic about CEVA's future and excited about the new role I will play. In the second half of 2007, I will take up the position of Vice Chairman of the CEVA Logistics Board of Directors, and John Pattullo will take over as Chief Executive Officer. John himself embodies the new spirit of CEVA – a fresh view and new energy combined with his years of industry experience from both the perspective of a customer and a supply chain provider. I am convinced John is the right person to lead CEVA in the next phase of our quest for global leadership.

In addition, we are very excited about our pending acquisition of EGL, Inc. ("EGL"), a leading freight forwarder, global transportation, supply chain management and information services company with 2006 revenues of approximately \$3.2 billion. On May 24, 2007, CEVA and EGL, which operates under the name "EGL Eagle Global Logistics," announced they had signed a definitive merger agreement pursuant to which CEVA will acquire EGL for \$47.50 per EGL share, for total consideration paid to EGL shareholders of approximately \$2 billion. The combination will create the world's fourth largest integrated supply chain management company, with leading global capabilities in freight forwarding and contract logistics. The transaction is subject to regulatory approvals and the affirmative vote of the holders of a majority of EGL's outstanding shares. We anticipate the transaction will close in the third quarter of 2007.

Our goals are not modest ones, but we have proven that we can accomplish remarkable achievements even in challenging circumstances. CEVA Logistics is indeed a special company, and our special combination of enthusiasm and experience will continue to drive our success.

Kind regards,

Dave Kulik

Dave Kulik,

Chief Executive Officer

2 Responsibilities of Directors, Purpose of the Accounts, Report of the Independent Auditor

2.1 STATEMENT OF RESPONSIBILITIES OF THE DIRECTORS OF CEVA INVESTMENT

The special purpose consolidated financial statements of CEVA Investments Ltd have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The following statement, which should be read in conjunction with the statement of auditors responsibilities set out in the independent auditors' report, is made with a view to distinguishing the respective responsibilities of the directors of CEVA Investments Ltd, the management of CEVA Logistics and of the auditors in relation to the special purpose consolidated financial statements (hereafter "financial statements").

In the context of preparing the financial statements for CEVA Investments Ltd, the directors and management of CEVA Investments Ltd are responsible for:

- Ensuring the maintenance of proper accounting records, which disclose with reasonable accuracy the financial position of CEVA Investments Ltd at any time from which financial statements can be prepared in accordance with International Financial Reporting Standards as adopted by the European Union.
- Preparing financial statements for the financial period, which give a true and fair view, in accordance with International Financial Reporting Standards, as adopted by the European Union, of the state of affairs of CEVA Investments Ltd as at the end of the financial period and of the results of operations for that period.
- Taking such steps as are reasonably open to them to safeguard the assets of CEVA Investments Ltd and to prevent and detect fraud and other irregularities.

The directors and management of CEVA Investments Ltd consider that in preparing financial statements for CEVA Investments Ltd they have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed. The directors and management of CEVA Investments Ltd are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Director

Director

CEVA INVESTMENTS LTD
25 St George Street
London W1S 1FS
United Kingdom

2.2 PURPOSE OF THE ACCOUNTS

This set of financial statements is special purpose consolidated financial statements of CEVA Investments Ltd for the financial period ended 31 December 2006 and consist of the special purpose consolidated balance sheet, the related income statement, cash flow statement and statement of changes in equity for the period then ended and notes to the special purpose consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union. These financial statements were prepared for CEVA Investments Ltd internal management purposes.

We have asked our auditors, PricewaterhouseCoopers to perform an audit on the special purpose consolidated financial statements for the period ended 31 December 2006 and give their opinion based upon their audit. The special purpose consolidated financial statements does not include stand alone accounts and does not constitute the statutory financial statements of CEVA Investments Ltd.

2.3 REPORT OF THE INDEPENDENT AUDITOR

PricewaterhouseCoopers Accountants N.V.
Thomas R. Malthusstraat 5
1066 JR Amsterdam
P.O. Box 90357
1006 BJ Amsterdam
The Netherlands
Telephone +31 (20) 568 66 66
Facsimile +31 (20) 568 68 88

To The Board of Directors of CEVA Investments Ltd

Auditor's report

Report on the special purpose consolidated financial statements

In accordance with your instruction, we have audited the accompanying special purpose consolidated financial statements for the financial period ended 31 December 2006 of CEVA Investments Ltd, Grand Cayman ("the Company")as set out on pages 9 to 49 which comprise the consolidated balance sheet as at 31 December 2006, the statement of income, statement of changes in equity and cash flow statement for the period ended 31 December 2006 and a summary of significant accounting policies and other explanatory notes (hereinafter referred to as "the special purpose consolidated financial statements"). This special purpose consolidated financial statements has been prepared for internal CEVA Investments Ltd management.

The directors' responsibility

The directors of the company are responsible for the preparation and fair presentation of the special purpose consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the special purpose consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the special purpose consolidated financial statements.

PRICEWATERHOUSECOOPERS

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

Opinion

In our opinion, the special purpose consolidated financial statements give a true and fair view of the financial position of CEVA Investments Ltd as at 31 December 2006, and of its result and its cash flows for the period ended 31 December 2006 in accordance with International Financial Reporting Standards as adopted by the European Union.

Terms of reference

The terms of reference for this report have been established by you and we accept no duty or responsibility and deny any liability to any other party to whom this report may be shown or into whose possession it may come. This report should not be provided to any other party without our prior written consent.

Amsterdam, 30 May 2007
PricewaterhouseCoopers Accountants N.V.

P. C. Dams RA

3 FINANCIAL STATEMENTS

3.1 CONSOLIDATED BALANCE SHEET

Notes		December 31, 2006
	ASSETS	
	Non-current assets	
2	**Intangible assets**	
	Goodwill	693.3
	Contractual customer relations	467.9
	Other intangibles	3.4
	Total intangible assets	**1,164.6**
3	**Property, plant and equipment**	
	Land and buildings	206.6
	Plant and equipment	135.5
	Other	32.5
	Construction in progress	12.5
	Total property, plant and equipment	**387.1**
4	**Financial fixed assets**	
	Investments in associates	0.6
	Other loans receivable	4.7
21	Deferred tax assets	43.6
	Prepayments and accrued income	46.7
	Total financial fixed assets	**95.6**
	Total non-current assets	**1,647.3**
	Current assets	
5	Inventory	22.1
6	Accounts receivable	648.7
21	Income tax receivable	23.7
7	Prepayments and accrued income	163.4
8	Cash and cash equivalents	266.1
	Total current assets	**1,124.0**
	Total assets	**2,771.3**

(in € millions)

CONSOLIDATED BALANCE SHEET CONTINUED

Notes		December 31, 2006
	EQUITY AND LIABILITIES	
	Equity	
9	Issued share capital	0.1
	Additional paid in capital	320.3
	Cumulative translation adjustment	(2.6)
	Other reserves	0.2
	Retained earnings	(22.0)
	Attributable to equity holders of the parent	**296.0**
	Minority interests	33.2
	Total group equity	**329.2**
	Non-current liabilities	
21	Deferred tax liabilities	191.5
10	Provisions for pension liabilities	122.9
11	Other provisions	80.6
12	Long term debt	1,141.3
	Accrued liabilities	12.3
	Total non-current liabilities	**1,548.6**
	Current liabilities	
	Trade accounts payable	279.6
11	Short term provisions	38.9
13	Other current liabilities	231.3
21	Income tax payable	22.9
14	Accrued current liabilities	320.8
	Total current liabilities	**893.5**
	Total equity and liabilities	**2,771.3**

(in € millions)

• The accompanying notes form an integral part of the financial statements.

3.2 CONSOLIDATED STATEMENT OF INCOME

Notes		August 15 - December 31, 2006
15	**Net sales**	**551.6**
16	Other operating revenues	1.5
	Total revenues	**553.1**
	Other income	**0.1**
	Cost of materials	35.0
	Work contracted out and other external expenses	288.9
17	Salaries and social security contributions	164.1
18	Depreciation, amortisation and impairments	20.8
19	Other operating expenses	32.5
	Total operating expenses	**541.3**
	Operating income	**11.9**
20	Interest and similar income	3.3
20	Foreign exchange gains/(losses)	(0.2)
20	Interest and similar expenses	(30.1)
	Net financial (expense)/income	**(27.0)**
	Results from investments in associates	0.1
	Loss before income taxes	**(15.0)**
21	Income taxes	(5.8)
	Loss for the period	**(20.8)**
	Attributable to:	
	Minority interests	1.2
	Shareholders	**(22.0)**

(in € millions)

• The accompanying notes form an integral part of the financial statements.

3.3 CONSOLIDATED CASH FLOW STATEMENT

Notes		August 15 - December 31, 2006
	Loss before income taxes	**(15.0)**
	Adjustments for:	
17	Share based compensation	0.2
18	Depreciation, amortisation and impairments	20.8
	Investments income:	
	(Profit)/loss on sale of property, plant and equipment	(0.7)
20	Interest and similar income	(3.3)
20	Foreign exchange (gains) and losses	0.2
20	Interest and similar expenses	30.1
	Change in provisions:	
10	Pension liabilities	(3.3)
11	Other provisions	(7.0)
	Changes in working capital:	
	Accounts receivable	(53.0)
	Inventory	1.0
	Prepayments and accrued income	41.8
	Trade accounts payable	74.7
	Other current liabilities	4.9
	Accrued current liabilities	2.5
	Cash generated from operations	**93.9**
	Increase in long term accrued liabilities	7.2
	Interest paid	(25.1)
21	Change in income taxes	(13.8)
22	**Net cash from operating activities**	**62.2**
	Acquisition of group companies (net of cash)	(107.0)
2	Capital expenditure on intangible fixed assets	(6.1)
3	Capital expenditure on property, plant and equipment	(10.6)
3	Proceeds from sale of property, plant and equipment	16.7
4	Other changes in financial fixed assets	9.7
	Interest received	3.3
23	**Net cash used in investing activities**	**(94.0)**
	Issuance of shares	295.9
12	Net proceeds from long term borrowings	1,170.5
	Repayment of liabilities upon business combination	(1,165.7)
	Repayments to finance leases	(1.6)
24	**Net cash used in financing activities**	**299.1**
	Change in cash and cash equivalents	**267.3**
	Cash and cash equivalents at the beginning of the period	**0.0**
	Change in cash and cash equivalents	**267.3**
	Foreign exchange impact on cash and cash equivalents	**(1.2)**
8	**Cash and cash equivalents at the end of period**	**266.1**

(in € millions)

- The accompanying notes form an integral part of the financial statements.

3.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital	Additional paid in capital	Cumulative translation adjustment	Other reserves	Retained earnings	Attributable to equity holders of the parent	Minority interest	Total group equity
Balance at August 15, 2006	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.1**	**0.0**	**0.1**
Balance acquired through business combinations	-	-	-	-	-	-	32.0	**32.0**
Issuance of shares	-	10.3	-	-	-	**10.3**	-	**10.3**
Additional paid in capital	-	310.0	-	-	-	**310.0**	-	**310.0**
Result for the period	-	-	-	-	(22.0)	**(22.0)**	1.2	**(20.8)**
Currency translation adjustment	-	-	(2.6)	-	-	**(2.6)**	-	**(2.6)**
Share based compensation	-	-	-	0.2	-	**0.2**	-	**0.2**
Balance at December 31, 2006	**0.1**	**320.3**	**(2.6)**	**0.2**	**(22.0)**	**296.0**	**33.2**	**329.2**

We refer to note 9 for additional details on shareholders' equity.

3.5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL INFORMATION AND DESCRIPTION OF OUR BUSINESS

CEVA Investments Ltd, was incorporated in the Cayman Islands under the Companies Law CAP.22 under the name Louis Topco Ltd as an exempted company with limited liability. The date of incorporation was 15 August 2006. On 21 February 2007, Louis Topco Ltd changed its name by a special resolution of the board of directors to CEVA Investments Ltd. The ultimate parent of CEVA Investments Ltd is Apollo Management L.P.

The consolidated financial statements include the financial statements of CEVA Investments Ltd and its consolidated subsidiaries (hereafter referred to as "we", "CEVA", "CEVA Group", "CEVA Investments Ltd", "our" or "us"). CEVA Group Plc, a subsidiary of CEVA Investments Ltd, has issued bonds which are listed on the Alternative Securities Market of the Irish Stock Exchange (the unregulated market).

CEVA Group provides services focused on supply chain management. We work to ensure that across the functions of procurement, manufacturing and distribution, the right goods, in the right quantities and condition, are available at the right place and time. CEVA Group operates in 30 countries in Europe, North and South America, Asia and Australia. Our principal strategy is focused on achieving critical mass in selected geographical areas, in the following industry sectors: automotive, tyres, high-tech electronics, publishing and media, fast-moving consumer goods and industrial.

The consolidated financial statements have been authorised for issue by our Board of Directors on 30 May 2007.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements for the period ended 31 December 2006 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). IFRS includes the application of International Financial Reporting Standards including International Accounting Standards (IAS) and related Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Interpretations of the Standing Interpretations Committee (SIC). For CEVA Investments Ltd, there are no differences between the IFRS as adopted by the EU and the IFRS as issued by the International Accounting Standards Board (IASB).

All amounts included in the financial statements are presented in euros and in millions to one decimal place, unless indicated otherwise.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying CEVA's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in "Critical accounting estimates and judgements."

CONSOLIDATION

Consolidated financial information, including subsidiaries, associates and joint ventures, has been prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany transactions, balances and unrealised gains on transactions have been eliminated on consolidation. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The consolidated financial statements include the financial statements of CEVA Investments Ltd and its consolidated entities. A complete list of subsidiaries, associates and joint ventures is included in Appendix A.

SUBSIDIARIES

A subsidiary is an entity controlled, directly or indirectly, by CEVA Investments Ltd. Control is regarded as the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether we control another entity. Subsidiaries are fully consolidated from the date on which control is transferred to us and are de-consolidated from the date on which control ceases.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

We use the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of our share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of our share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against our interests except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

ASSOCIATES

An associate is an entity, including an unincorporated entity such as a partnership, that is neither a subsidiary nor an interest in a joint venture and over whose commercial and financial policy decisions CEVA Investments Ltd has the power to exert significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not the power to control or have joint control over those policies.

Our share in the results of all significant associates is included in the consolidated statements of income using the equity method. The carrying value of our share in associates includes goodwill on acquisition and includes changes to reflect our share in net earnings of the respective companies, reduced by dividends received. Our share in non-distributed earnings of associates is included in other reserves within shareholders' equity. When our share of any accumulated losses exceeds the acquisition value of the shares in the associates the book value is reduced to zero and the reporting of losses ceases, unless we are bound by guarantees or other undertakings in relation to the associate.

JOINT VENTURES

A joint venture is a contractual arrangement whereby we and one or more parties undertake an economic activity that is subject to joint control. Joint ventures in which we participate with other party(ies) are proportionately consolidated. In applying the proportionate consolidation method, our percentage share of the balance sheet and income statement items are included in our consolidated financial statements.

COMPARATIVE FIGURES

Due to the fact that CEVA Investments Ltd was only incorporated on 15 August 2006, these consolidated financial statements do not include comparative figures.

FOREIGN CURRENCY TRANSLATION

PRESENTATIONAL CURRENCY

The individual financial statements of each entity in the CEVA Group are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of these special purpose consolidated financial statements, the result and financial position of each entity is expressed in Euros (€).

FOREIGN CURRENCY TRANSLATION

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows: assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet, income and expenses for each income statement are translated at average exchange rates and all resulting exchange differences are recognised as a separate component of equity (cumulative translation adjustment).

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions, and from the translation at the year end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

INTANGIBLE ASSETS

GOODWILL

The excess of the cost of acquisition over the fair value of our share of the identifiable net assets acquired is recorded as goodwill. Goodwill on acquisitions of subsidiaries and joint ventures is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill arising on acquisitions is capitalised and subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable. Goodwill is impaired if the recoverable amount of the cash generating unit to which it is allocated is lower than its carrying value. The recoverable amount is defined as the higher of cash generating unit's fair value less costs to sell and its value in use using the discounted cash flow method. Impairments on goodwill recognised in prior periods can not be reversed.

For the purpose of assessing impairment, corporate assets and liabilities are allocated to specific cash generating units before impairment testing. The basis for this allocation is to the extent in which those assets or liabilities contribute to the future cash flows of the unit under review.

CONTRACTUAL CUSTOMER RELATIONSHIPS

Contractual customer relationships represents our customer contracts and relationships which have been valued using the excess earnings approach. They are amortised on a straight line basis over their contractual useful life which is between 10 and 20 years.

IMPAIRMENT

An impairment review is performed whenever a triggering event occurs. An intangible asset is impaired if the recoverable amount is lower than the carrying value. The recoverable amount is defined as the higher of an asset's fair value less costs to sell and its value in use. Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. A triggering event is an event or change in circumstances indicating that the carrying amount may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows being the cash generating units. Impairments are reversed if and to the extent that the impairment no longer exists.

SOFTWARE AND OTHER INTANGIBLE ASSETS

Costs related to the development and installation of software for internal use are capitalised at historical cost and amortised over the estimated useful life. Other intangible assets mainly include assets under development, licenses and concessions and trade marks.

An asset is transferred to its respective intangible asset category at the moment it is ready for use and is amortised on a straight-line method over its estimated useful life. Other intangible assets are valued at the lower of historical cost less amortisation and impairment.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (including assets under construction) is valued at historical cost using a component approach, less depreciation or at the recoverable amount whenever impairment has taken place. In addition to costs of acquisition, we also include costs of bringing the asset to working condition, handling and installation costs and the non-refundable purchase taxes. Depreciation is calculated using the straight-line method based on the estimated useful life, taking into account any residual value. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably.

Land is not depreciated. IT software is capitalised and amortised as a part of the tangible fixed asset for which it was acquired to operate, because the estimated useful life is inextricably linked to the estimated useful life of the associated asset.

An impairment review is performed whenever a triggering event occurs. Property, plant and equipment is impaired if the recoverable amount is lower than the carrying value. The recoverable amount is defined as the higher of an asset's fair value less costs to sell and its value in use.

An impairment loss recognised in prior periods for an asset shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows being the cash generating units.

Leases of property, plant and equipment, where we have substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in long term debt. Property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

FINANCIAL INSTRUMENTS

Financial instruments carried on the balance sheet include derivative financial instruments, loans and receivables and financial liabilities. These instruments are accounted for in accordance with IAS 32 and IAS 39.

Derivative financial instruments not designated as hedges are adjusted to fair value through income. If a derivative is designated as a hedge, depending on the nature of the hedge, changes in its fair value that are considered to be effective, as defined, either offset the change in fair value of the hedged assets, liabilities, or firm commitments through income, or are recorded in a separate component of net investment until the hedged item is recorded in income. Any portion of a change in a derivative's fair value that is considered to be ineffective, or is excluded from the measurement of effectiveness, is immediately recorded in income. Management documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Management also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Derivative financial instruments are recorded at fair value on our balance sheet. Derivatives not designated as hedges are adjusted to fair value through income.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which we have no intention of trading. They are accounted for on an amortised cost basis and included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

Management assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. When there is objective evidence of impairment, an impairment charge is immediately recognised through income

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised costs; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

INVENTORIES

Inventories of raw materials and finished goods are valued at the lower of historical cost or net realisable value less any provision required for obsolescence. Historical cost is based on weighted average prices.

ACCOUNTS RECEIVABLE

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that we will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

TRADE ACCOUNTS PAYABLE

Trade accounts payable are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents include cash at hand, bank account balances, bills of exchange and cheques (only those which can be cashed in the short term). All highly liquid investments with an original maturity of three months (or less) at date of purchase are considered to be cash equivalents. Bank overdrafts are excluded from cash and cash equivalents and shown within borrowings under current liabilities on the balance sheet.

SHAREHOLDERS' EQUITY

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Incremental costs directly attributable to the issue of new shares or options for the acquisition of business combinations are included in the cost of acquisition as part of the purchase consideration.

EMPLOYEE BENEFIT OBLIGATIONS

POST-EMPLOYMENT OBLIGATIONS

The obligation for all pension and other post-employment plans that qualify as defined benefit obligation is determined by calculating the present value of the defined benefit obligation and deducting the fair value of the plan assets. We use actuarial calculations (projected unit credit method) to measure the obligations and the costs. For the calculations, actuarial assumptions are made about demographic variables (such as employee turnover and mortality) and financial variables (such as future increases in salaries). The discount rate is determined by reference to market rates.

Cumulative actuarial gains and losses are recognised for the portion that these exceed the higher of 10% of the obligation and 10% of the fair value of plan assets (corridor approach). The excess is recognised over the employees' expected average remaining service lives.

Past service costs, if any, are recognised on a straight-line basis over the average vesting period of the amended pension or early retirement benefits. Certain past service costs may be recognised immediately if the benefits are vested immediately.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised at the date of the curtailment or settlement.

Pension costs for defined contribution plans are expensed in the consolidated statements of income when incurred.

TERMINATION BENEFITS

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. We recognise termination benefits when we have demonstrably committed to terminate the employment of current employees according to a formal plan without possibility of withdrawal or provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to their present values.

OTHER LONG TERM EMPLOYEE OBLIGATIONS

These employee benefits include long-service leave or sabbatical leave, jubilee or other long service benefits, long term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit sharing, bonuses and deferred compensation.

The expected costs of these benefits are recognised over the period of employment. Actuarial gains and losses and changes in actuarial assumptions, are charged or credited to income in the period such gain or loss occur. Further, all past service costs are recognised immediately.

PROFIT-SHARING AND BONUS PLAN

We recognise a liability and an expense for cash settled profit-sharing, based on a formula that takes into consideration the profit attributable to our shareholders after certain adjustments. We recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

SHARE BASED PAYMENTS

Share based payment transactions are transactions in which we receive benefits from our employees in consideration for our equity instruments. The fair value of the share based transactions is recognised as an expense (employee costs) and a corresponding increase in equity over the vesting period. The fair value of employee share based payments is calculated using the Black-Scholes Merton model. The equity instruments granted vest in three equal tranches, the first being strictly service-based while the remaining two are both service and performance based. The performance conditions are internal performance metrics only and are not based on any market criteria. The amount recognised is adjusted over the vesting period for changes in the estimate of the number of securities that will be issued but not for changes in the fair value of those securities. Therefore, on vesting date the amount recognised is the exact number of securities that can be issued as of that date, measured at the fair value of those securities at grant date.

PROVISIONS

Provisions are recognised when there is a present obligation 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.

Provisions are recorded for restructuring, retirements, onerous contracts and other obligations. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability. Provisions for onerous contracts are recorded when the unavoidable costs of meeting the obligation under the contract exceed the economic benefits expected to arise from that contract, taking into account impairment of fixed assets first.

INCOME TAXES

The amount of income tax included in the statement of income is determined in accordance with the rules established by the taxation authorities, based on which income taxes are payable or recoverable.

Deferred tax assets and liabilities, arising from temporary differences between the carrying values of assets and liabilities and the fiscal valuation of assets and liabilities, are calculated using the tax rates expected to apply when they are realised or settled. Deferred tax assets are recognised if it is probable that they will be realised in the foreseeable future. Deferred tax assets and liabilities where a legally enforceable right to offset exists and within the same consolidated tax group are presented net in the consolidated balance sheet.

REVENUE RECOGNITION

Revenues are recognised when services are rendered or the work is completed. Losses are recorded when probable.

Revenues of services are recognised when:

- the amounts of revenue are measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the CEVA Group
- the costs to be incurred in respect of the transaction can be measured reliably, and
- the stage of completion of the transaction, determined by reference to service performed as percentage of total services to be performed can be measured reliably.

Revenue is measured at the fair value of the consideration of received amounts or receivable amounts.

Amounts received in advance are recorded as accrued liabilities until services are rendered to customers.

NET SALES

Net sales represent the revenues from the delivery of goods and services to third parties less discounts, credit notes and taxes levied on sales.

OTHER OPERATING REVENUES

Other operating revenues include revenues that do not arise from our normal operations and mainly include rental income from temporarily leased-out property.

OTHER INCOME

Other income includes net gains from the sale of property, plant and equipment and other gains.

COSTS

Costs are recognised on a historical basis and are allocated to the reporting year to which they relate.

OPERATING EXPENSES

Operating expense represents the direct and indirect expenses attributable to sales, including cost of materials, cost of work contracted-out and other external expenses, personnel expenses, directly related to operations and depreciation costs.

SALARIES

Salaries, wages and social security costs are charged to the profit and loss account when due, and in accordance with employment contracts and obligations.

FINANCIAL INCOME AND EXPENSE

Interest income and expense are time apportioned, taking into account the effective interest rate for the relating assets and liabilities. The treatment of interest expenses for loans received takes account of any transaction costs.

DIVIDEND DISTRIBUTION

Dividend distribution to our shareholders is recognised as a liability in our financial statements in the year in which the dividends are approved by our shareholders.

OPERATING LEASES

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

ACCOUNTING PRINCIPLES RELATING TO THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow statements have been prepared using the indirect method. Cash flows in foreign currencies have been translated at average exchange rates. Exchange rate differences affecting cash items are shown separately in the cash flow statements. Receipts and payments with respect to taxation on profits are included in the cash flow from operating activities. Interest payments are included in cash flows from operating activities while interest receipts are included in cash flows from investing activities. The cost of acquisition of new group companies, associated companies and investments, insofar as it was paid for in cash, is included in cash flows from investing activities. Acquisitions of companies are presented net of cash balances acquired. Cash flows from derivatives are recognised in the statement of cash flows in the same category as those of the hedged item.

SEGMENT REPORTING

A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

We identify our primary reporting segments based on our assessment of risks and rates of return which are affected predominantly by the geographical areas in which we operate. As a result of this assessment, we have identified five primary geographical reporting segments as presented in the notes to the financial statements. IFRS requires entities to report secondary segments, but as CEVA Investments Ltd is a pure play contract logistics company, the company does not have a secondary segment. Business relations between the companies within the segments of CEVA Investments Ltd are transacted at arm's length prices.

Segment assets are operational assets employed in each region and include items such as tax and pension balances that are specific to a country. They also include attributable goodwill but exclude cash, short-term deposits and short-term investments. Segment liabilities are those arising within each region, excluding indebtedness. The basis for allocation of costs between segments is based upon actual costs incurred. Net interest and investment income is managed centrally and so is not directly attributable to individual geographical segments.

RECENT IFRS PRONOUNCEMENTS

The IASB has issued certain International Financial Reporting Standards or amendments thereon, and the International Financial Reporting Interpretations Committee ("IFRIC") has issued certain interpretations, each of which, when adopted, could affect our consolidated financial statements. Where relevant for CEVA Investments Ltd, we have explained the Standards and/or amendments and/or interpretations below.

AMENDMENTS TO PUBLISHED STANDARDS EFFECTIVE IN 2006

During 2006 the IASB and IFRIC issued:

- IFRIC 11 – IFRS 2 *Group and Treasury Share Transactions* – which requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if the entity chooses or is required to buy those equity instruments from another party or the shareholders of the entity provide the equity instruments needed. This interpretation becomes effective for annual periods beginning on or after March 1, 2007 and;

- IFRIC 12 *Service Concession Arrangements* – which outlines an approach to account for contractual arrangements arising from entities providing public services. This interpretation becomes effective for annual periods beginning on or after January 1, 2008 and;
- IAS 23 *Borrowing Costs* – An amendment to IAS 23, requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. This change in treatment should be applied prospectively to all annual periods beginning on or after January 1, 2009 and;
- IFRIC 7 *Applying the Restatement Approach* under IAS 29, *Financial Reporting in Hyperinflationary Economies and IFRIC 8 Scope of IFRS 2* (effective for annual periods beginning on or after 1 May 2006) and;
- IFRIC 10 *Interim Financial Reporting and Impairment* (effective for annual periods beginning on or after 1 November 2006) and;
- IFRIC 9 *Reassessment of Embedded Derivatives* (effective for annual periods beginning on or after 1 June 2006);
- IFRS 7 *Financial Instruments: disclosures*
- IFRS 8 *Operating Segments* replaces IAS 14 and requires an entity to adopt the 'management approach' to reporting the financial performance of its operating segments. It is mandatory for the Group's accounting periods beginning or after January 1, 2009. Its impact on segment reporting has yet to be determined.

We are currently evaluating the impact of adoption of these IFRS' and IFRIC's as of 1 January 2007, but do not anticipate a material impact on our financial statements, apart from IFRS 8 which is under review by management. These standards have not been adopted before the effective date.

In December 2004, the IFRIC issued IFRIC 4, Determining *whether an Arrangement contains a lease.* IFRIC 4 provides guidance on determining whether arrangements that do not take the legal form of a lease should be accounted for in accordance with IAS 17, Leases. It specifies that an arrangement contains a lease if it depends on the use of a specific asset and conveys a right to control the use of that asset. IFRIC 4 is effective as at 1 January 2006. The adoption of IFRIC 4 did not have a material impact on our financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of our financial statements, in accordance with IAS 1, *Presentation of Financial Statements*, requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosure of contingent assets and liabilities at the date of our financial statements. Our estimates, such as discount rates, and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

We make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

ACCOUNTING FOR BUSINESS COMBINATIONS AND IMPAIRMENT OF GOODWILL AND OTHER LONG LIVED INTANGIBLE ASSETS

We accounted for all our business combinations under the purchase accounting method. The cost of an acquired company is assigned to the tangible and intangible assets purchased and the liabilities assumed on the basis of their fair values at the date of acquisition. The determination of fair values of assets and liabilities acquired requires us to make estimates and use valuation techniques when market value is not readily available. Any excess of purchase price over the fair value of the tangible and intangible assets acquired is allocated to goodwill. When there are adjustments to the fair value within 12 months after the acquisition, this will be adjusted to goodwill.

In determining impairments of intangible assets, tangible fixed assets and goodwill, management must make significant judgements and estimates to determine whether the cash flows generated by those assets are less than their carrying value. Determining cash flows requires the use of judgements and estimates that have been included in the company's strategic plans and long-range forecasts. The data necessary for the execution of the impairment tests are based on management estimates of future cash flows, which require estimating revenue growth rates and profit margins.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is valued at historical cost using a component approach, less depreciation or at the recoverable amount whenever impairment has taken place. Depreciation is calculated using the straight-line method based on the estimated useful life, taking into account any residual value. The assets' residual values and useful lives are based on our best estimates, and adjusted if appropriate, at each balance sheet date.

IMPAIRMENT OF RECEIVABLES

The risk of non recoverability of accounts receivable is primarily estimated based on prior experience with, and the past due status of, doubtful debtors, while large accounts are assessed individually based on factors that include ability to pay, bankruptcy and payment history. In addition, debtors in certain countries are subject to a higher collectability risk, which is taken into account when assessing the overall risk of uncollectability. Should the outcome differ from the assumptions and estimates, revisions to the estimated valuation allowances would be required.

EMPLOYEE BENEFITS

Post-employment benefits represent obligations that will be settled in the future and require assumptions to project benefit obligations. Post-employment benefit accounting is intended to reflect the recognition of future benefit costs over the employee's approximate service period, based on the terms of the plans and the investment and funding decisions made. The accounting requires us to make assumptions regarding variables such as discount rate, rate of compensation increase, return on assets, and future healthcare costs. We consult with outside actuaries regarding these assumptions at least annually. Changes in these key assumptions can have a significant impact on the defined benefit obligations, funding requirements and pension cost incurred. For a discussion of the current funded status and a sensitivity analysis with respect to pension plan assumptions, refer to note 10.

RESTRUCTURING

Restructuring charges mainly result from restructuring operations, including consolidations and/or relocations of operations, changes in our strategic plan, or managerial responses to declines in demand, increasing costs or other market factors. Restructuring provisions reflect many estimates, including those pertaining to separation costs, consolidation of excess facilities, contract settlements and tangible asset impairments. Actual experience has been and may continue to be different from these estimates.

INCOME TAXES

We are subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision and liability for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. We recognise liabilities for tax issues based on estimates of whether additional taxes will be due, based on our best interpretation of the relevant tax laws. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

We recognise deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered. This is based on estimates of taxable income by jurisdiction in which we operate and the period over which deferred tax assets are recoverable. In the event that actual results differ from these estimates in future periods, and depending on the tax strategies that we may be able to implement, changes to the recognition of deferred tax assets could be required, which could impact our financial position and net profit.

CONTINGENT LIABILITIES

Legal proceedings and tax issues covering a range of matters are pending in various jurisdictions against us. Due to the uncertainty inherent in such matters, it is often difficult to predict the final outcome. The cases and claims against us often raise difficult and complex factual and legal issues which are subject to many uncertainties and complexities, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law. In the normal course of business, we consult with legal counsel and certain other experts on matters related to litigation and taxes.

We accrue a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated. In the event an adverse outcome is possible or an estimate is not determinable, the matter is disclosed.

3.6 FINANCIAL RISK MANAGEMENT

Our activities expose us to a variety of financial risks, such as market risks (including foreign currency exchange risk, interest rate risk and commodity price risk), credit risk, liquidity risk and cash flow risk. All of these risks arise in the normal course of business. In order to manage the risk arising from these exposures, we utilise a variety of foreign exchange contracts to hedge certain exposures.

The following analyses provide quantitative information regarding our exposure to the financial risks described above. There are certain limitations inherent in the analyses presented, primarily due to the assumption that rates change in a parallel fashion and instantaneously. In addition, the analyses are unable to reflect the complex market reactions that normally would arise from the market shifts assumed.

We use derivative financial instruments solely for the purpose of hedging exposures. We enter into contracts related to derivative financial instruments for periods commensurate with our underlying exposures and do not take positions independent of these exposures. None of these financial instruments are leveraged or used for trading purposes or to take speculative positions.

FOREIGN CURRENCY EXCHANGE RISK

We operate on an international basis generating foreign currency exchange risks arising from future commercial transactions, recognised assets and liabilities, investments and divestments in foreign currencies other than the euro, our functional and reporting currency. Although we generally enter into hedging arrangements and other contracts in order to reduce our exposure to currency fluctuations, these measures may be inadequate or may subject us to increased operating or financing costs.

The main three currencies of our external hedges are the British pound, US dollar and Australian dollar. Significant acquisitions are usually funded in the currency of the underlying assets.

The main 2006 exchange rates are shown below:

	Year end closing [1]	Average [2]
British pound	1.4892	1.4920
US dollar	0.7593	0.7710
Canadian dollar	0.6544	0.6740

1. Source: European Central Bank, reference rates on the last day of the year.
2. The average is calculated as the 2-month's average of the month-end closing rates of the European Central Bank.

CREDIT RISK

Credit risk represents the loss that we would incur if counterparties with whom we enter into financial transactions are unable to fulfill the terms of the agreements. We attempt to minimise our credit risk exposure by only transacting to financial institutions that meet established credit guidelines. We continually monitor the credit standing of financial counterparties and reassess such exposures.

LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through committed credit facilities.

As at 31 December 2006 CEVA Investments Ltd had €266.1 million in cash on its balance sheet. In addition to this cash, CEVA Investments Ltd has access to a €150 million revolving credit facility. Local facilities amounted to €54 million, of which €16 million was drawn. Total headroom was therefore €454.1 million.

INTEREST RATE RISK

Part of our borrowings and leases are against floating interest rates. These floating interest rates may fluctuate substantially and could have a material adverse effect on our results and financial condition in any given reporting period.

Although we generally enter into hedging arrangements and other contracts in order to attempt to reduce our exposure to interest rate fluctuations, these measures may be inadequate or may subject us to increased operating or financing costs. The exposure relating to a hypothetical change in exchange rate is disclosed in note 12.

There are no interest rate derivatives as of 31 December 2006.

COMMODITY RISK

CEVA Group leases and owns a fleet of vehicles to facilitate logistics activities. CEVA Group is exposed to the risk of an increase in the price of fuels, principally diesel gasoline, which is used in the transportation of the goods. We believe that the majority of the increases in price risk can be passed onto customers and therefore we have not entered into contract to hedge any specific commodity risk.

3.7 NOTES TO THE CONSOLIDATED BALANCE SHEET

1 BUSINESS COMBINATIONS

On 4 November 2006 CEVA Limited, a subsidiary of CEVA Investments Ltd, acquired from TNT N.V. ("TNT") and certain of TNT's subsidiaries all of the issued share capital of TNT Logistics Holdings B.V. (now known as CEVA Logistics Holdings B.V.), all of the issued share capital of certain other TNT subsidiaries, and certain assets of a TNT subsidiary, all of which relate to the TNT Logistics business.

The consideration paid by CEVA Limited to TNT amounted to €1,376.8 million, which consisted of the initial purchase price of €1,335.7 million and an additional €41.2 million as a result of certain post-closing purchase price adjustments. This latter amount was paid to TNT in April 2007. The consideration paid included a non-cash element, being a 5% interest in the equity of CEVA Investments Ltd.

	Carrying value	Fair Value Adjustments	Fair Value
Total cost of acquisition			1,416.9
Less: capitalised transaction costs			(40.1)
Consideration paid			**1,376.8**
Intangible assets, excluding goodwill	16.0	463.4	479.4
Property, plant and equipment	315.0	92.1	407.1
Financial fixed assets	104.1	-	104.1
Current assets	879.7	5.0	884.7
Non-current liabilities	(248.3)	(182.0)	(430.3)
Current liabilities	(692.6)	(2.9)	(695.5)
Minority interest	(6.9)	(25.1)	(32.0)
Value of assets acquired and liabilities assumed	**367.0**	**350.5**	**717.5**
Goodwill prior to capitalised transaction costs			659.3
Capitalised transaction costs			40.1
Goodwill			**699.4**

The goodwill amount has been capitalised on the Balance Sheet, as disclosed in note 2. Goodwill represents the value of knowledge within the business and assembled workforce.

The fair value has been determined through following generally accepted valuation methodologies and approaches. This included the income approach; which provides an estimate of the fair value of an asset based upon the cash flows that an asset can be expected to generate over its remaining useful life, the market approach; which indicates the fair value of an asset based upon comparison to publicly traded assets and transactions in the industry, and the cost approach; which indicates fair value using the concept of replacement cost.

The fair value of acquired net assets is provisional, depending upon the finalisation of certain valuations.

As the company has no other investments, the acquired Logistics group represents the full amount of the company's loss for the period. The revenue and the profit or loss of the consolidated entity as though the acquisition date for all business combinations effected during the period had been the beginning of the period, has not been disclosed. This is because the group has only been in existence since the 4 November 2006.

A complete list of all entities acquired can be found in appendix A.

2 INTANGIBLE ASSETS: €1,164.6 MILLION

No comparative financial statement data is provided as this is CEVA Investments Ltd's first set of special purpose consolidated financial statements.

Statement of changes in intangible assets	Goodwill	Contractual customer relations	Other intangibles	Total
Amortisation percentage	0%	5%- 10%	0%- 35%	
Balance at August 15, 2006	**0.0**	**0.0**	**0.0**	**0.0**
Balance acquired through business combinations	699.4	479.6	-	1,179.0
Changes in period				
Additions	-	-	6.1	6.1
Amortisation and impairments	-	(6.8)	(2.7)	(9.5)
Exchange rate differences	(6.1)	(4.9)	-	(11.0)
Total changes	**(6.1)**	**(11.7)**	**3.4**	**(14.4)**
Historical cost	693.3	474.7	6.1	1,174.1
Accumulated amortisation and impairments	-	(6.8)	(2.7)	(9.5)
Balance at 31 December 2006	**693.3**	**467.9**	**3.4**	**1,164.6**

(in € millions, except percentages)

For impairment review purposes, the total purchase consideration, including the goodwill of €699.4 million, has been allocated to the cash generating units based upon their proportional business enterprise value as at the date of acquisition. The business enterprise value was derived using the income approach and an average weighted average cost of capital of 10% after tax.

No impairment review was performed in the period ending 31 December 2006, due to the acquisition happening in the latter part of the year. Additionally, the business enterprise valuation process gave no indication of any potential impairment.

3 PROPERTY, PLANT AND EQUIPMENT: €387.1 MILLION

Statement of changes in property, plant and equipment	Land and buildings	Plant and equipment	Other	Construction in progress	Total
Depreciation percentage	0% -10%	4% - 33%	7% - 25%	0%	
Balance acquired through business combinations	209.9	141.3	40.8	15.1	407.1
Changes in period					
Additions	0.2	6.7	3.7	-	10.6
Disposals	(0.5)	(6.7)	(7.5)	(1.3)	(16.0)
Depreciation and impairments	(1.2)	(6.1)	(4.0)	-	(11.3)
Exchange rate differences	(1.8)	(0.9)	(0.5)	(0.1)	(3.3)
Transfers and other changes	-	1.2	-	(1.2)	0.0
Total changes	**(3.3)**	**(5.8)**	**(8.3)**	**(2.6)**	**(20.0)**
Historical cost	207.8	141.6	36.5	12.5	398.4
Accumulated depreciation and impairments	(1.2)	(6.1)	(4.0)	-	(11.3)
Balance at December 31, 2006	**206.6**	**135.5**	**32.5**	**12.5**	**387.1**

(in € millions, except percentages)

Included in the property, plant and equipment balance as at 31 December 2006 are assets held under finance lease with the following carrying amounts:

	Land and buildings	Plant and equipment	Other	Construction in progress	Total
Under finance lease	**9.8**	**4.3**	**0.4**	-	**14.5**

(in € millions)

The property, plant and equipment under financial lease, relate to warehouses in Europe.

4 FINANCIAL FIXED ASSETS: €95.6 MILLION

Statement of changes in financial fixed assets	Investments in associates	Other loans receivable	Deferred tax assets	Prepaymen ts and accrued income	Total
Balance at August 15, 2006	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Balance acquired through business combinations	2.1	4.8	41.9	55.3	104.1
Changes in period					
Additions / acquisitions	-	-	1.8	-	1.8
Share of (loss) / profit	0.1	-	-	-	0.1
Withdrawals / repayments	-	(0.1)	-	(8.3)	(8.4)
Exchange rate differences	-	-	(0.1)	(0.3)	(0.4)
Other changes	(1.6)	-	-	-	(1.6)
Total changes	**(1.5)**	**(0.1)**	**1.7**	**(8.6)**	**(8.5)**
Balance at December 31, 2006	**0.6**	**4.7**	**43.6**	**46.7**	**95.6**
(in € millions)					

Deferred tax assets are further explained in disclosure note 21. Prepayments and accrued income are further explained in disclosure note 7. CEVA Investments Ltd does not have any significant investments in associates.

5 INVENTORY: €22.1 MILLION

	December 31, 2006
Raw materials and supplies	6.1
Finished goods	16.0
Total	**22.1**

(in € millions)

6 ACCOUNTS RECEIVABLE: €648.7 MILLION

	December 31, 2006
Trade accounts receivable	601.8
Provision for impairment	(26.5)
Trade accounts receivable - net	**575.3**
VAT receivable	5.3
Accounts receivable from associates	1.0
Other	67.1
Total	**648.7**

(in € millions)

The fair value of the accounts receivable approximates its carrying value. CEVA Investments Ltd has not recognised any material loss for the impairment of trade accounts receivable during the period ended 31 December 2006. Other receivables mainly include receivables from insurance companies, deposits and various other items.

7 PREPAYMENTS AND ACCRUED INCOME: €163.4 MILLION

Prepayments and accrued income include amounts paid in advance to cover costs that will be charged against income in future years and net revenues not yet invoiced. Included in prepayments and accrual income is the long term portion of a receivable of €28 million which is linked to the Italian pension schemes, further information is included in disclosure note 10.

8 CASH AND CASH EQUIVALENTS: €266.1 MILLION

Cash and cash equivalents comprise mainly of cash at bank and in hand. Short term bank deposits are €11 million. The average effective interest rate during November and December 2006 on short term bank deposits was 5.0% and the average outstanding amount was €8 million. Cash and cash equivalents includes €8.7 million under restrictive title which represents a restricted trust for the funded portion of the SERP (pension) plan and €15 million held in escrow, which will fund certain restructuring costs. The fair value of cash and cash equivalents approximates the carrying value.

9 ISSUED SHARE CAPITAL: €0.1 MILLION

Issued share capital amounted to €26 thousand at 31 December 2006. The number of authorised, issued and outstanding shares by class of share as at 31 December 2006 is as follows:

	Ordinary
Authorised	3,203,700
Issued at incorporation	3,100,000
Issued during the period	103,700
Issued and outstanding at December 31, 2006	**3,203,700**

Our ordinary shares have a nominal value of USD 0.01

10 PROVISIONS FOR PENSION LIABILITIES: €122.9 MILLION

We operate a number of pension plans around the world which include defined benefit plans in Italy, United States, United Kingdom, Germany and Australia.

ITALIAN PENSION PLAN

Included in the provision for pension liabilities are the unfunded defined benefit obligations relating to leaving service benefits provided to Italian employees that are mandatory under Italian law, the Trattamento di Fine Rapporto ("TFR"), of €102.7 million. In Italy, employees are entitled to a termination payment on leaving the company for whatever reason.

Under recent Italian legislation relating to TFR, the employee benefits arising on an employee's service after 31 December 2006 will be settled by either a defined employer contribution to an external pension fund or, by a 100% contribution to the INPS which is the Italian state pension entity. For the purposes of reporting under IAS19, this reform may require a future revision of actuarial assumptions.

At the time of issuing these financial statements, the impact of the new legislation is not clear; moreover, the professional body of actuaries in Italy has not yet expressed an opinion on the new treatment of TFR. Therefore, a valuation approach which is consistent with that used by our predecessor was used for the period ended 31 December 2006.

Included in Prepayments and Accrued Income, is the long term portion of a receivable of €28 million.

TNT N.V. SPONSORED PENSION PLAN

Until 1 July 2007, the pension benefits of the employees of CEVA Group in the Netherlands, are accrued within the pension funds of TNT N.V. TNT N.V.'s main Dutch pension plan, which is externally funded in "Stichting Pensioenfonds TNT," covers all of TNT's employees who are subject to the collective labour agreement in The Netherlands. The majority of CEVA Logistics Business' Dutch employees are subject to the collective labour agreement. By Dutch law the plan is carried out by a separate legal entity and is managed by an independent board that falls under the supervision of the Nederlandsche Bank (DNB).

By paying contributions to the TNT pension fund, CEVA Group settles its defined benefit liability as there is no additional actuarial or investment risk for CEVA Group. For this reason there is no liability for these accrued pension benefits. In terms of the sale and purchase agreement with TNT, the assets within the TNT pension fund regarding the accrued pension benefits are for the risk of TNT, therefore these assets are not accounted for by CEVA Group.

According to the pension plan, the accrued rights of active participants are annually increased with the general wage increase ("CAO-loonronde"). Because the TNT pension fund only provides for an indexation based on the consumer price index ("CPI"), we have an obligation to provide for the difference between the CPI and general wage increase for future years service. This has been calculated by independent actuaries as an amount of €3.8 million which has been adjusted in our opening Balance Sheet.

OTHER DEFINED BENEFIT PLANS

Other significant funded pension plans are established in the United States, Australia and the United Kingdom. The asset mix is stable. During the period, the dynamic weight of equity investments was 73%, the dynamic weight of fixed interest investments was 21%, and the weight of cash was stable. The total return on plan assets was 7.2%. Plan assets do not include any of CEVA Group's own financial instruments.

Actual asset mix	December 31, 2006
Equities	73%
Fixed interest	21%
Real estate	3%
Cash	3%
Total	100%

The expected return on plan assets is determined by considering the expected return available on the assets underlying the current investment policy.

Pension costs recognised in the statements of income inherent to the valuation of our pensions and the determination of our pension cost are key assumptions which include: employee turnover, mortality and retirement ages, discount rates, expected long term returns on plan assets and future wage increases, which are usually updated on an annual basis at the beginning of each financial year. Actual circumstances may vary from these assumptions giving rise to a different pension liability, which would be reflected as an additional profit or expense in our statement of income.

In the period ending 31 December 2006, our employer pension expense was €1.7 million. Total cash contributions in the period amounted to €0.4 million and are expected to amount to approximately €7 million in 2007.

Funded status of our pension plans at 31 December 2006 with respect to the employer pension expense for the period is presented in the next table.

Pension disclosures	December 31, 2006
CHANGE IN BENEFIT OBLIGATION	
Balance at August 15, 2006	**0.0**
Balance acquired through business combinations	153.7
Service costs	1.6
Interest costs	0.7
Actuarial (loss)/gain	1.0
Benefits paid	(6.6)
Benefit obligation at end of year	**150.4**
CHANGE IN PLAN ASSETS	
Balance at August 15, 2006	**0.0**
Fair value of plan assets acquired through business combinations	26.4
Actual return on plan assets	0.6
Employer contribution	0.4
Amendments/foreign currency effects	0.3
Benefits paid	(0.2)
Fair value of plan assets at end of year	**27.5**
FUNDED STATUS AS PER 31 DECEMBER	
Funded status	122.9
Provisions for pension liabilities	**122.9**
COMPONENTS OF EMPLOYER PENSION EXPENSE FOR:	
Service costs	1.6
Interest costs	0.7
Expected return on plan assets	(0.6)
Employer pension expense	**1.7**
Total post-employment benefit expenses	**1.7**
WEIGHTED AVERAGE ASSUMPTIONS AS AT 31 DECEMBER	
Discount rate	5.3%
Expected return on assets	7.2%
Rate of compensation increase	3.4%
Rate of benefit increase	3.3%

(in € millions, except percentages)

The table below shows the expected future benefits per year for pension funds related to CEVA Group plans. The benefits include all expected payments by the fund to the pensioners and early retirees under the Dutch transitional plan.

Year	Expected benefits as per December 31, 2006
2007	(5.1)
2008	(3.5)
2009	(2.0)
2010	(0.5)
2011	1.1
2012-2016	28.5

(in € million)

Included in the provision for pension liabilities is €8.2 million relating to the transitional plan for early retirement in The Netherlands.

11 OTHER PROVISIONS: €119.5 MILLION

	Restructuring	Other	Total
Balance at August 15, 2006	**0.0**	**0.0**	**0.0**
Balance acquired through business combinations	3.3	123.2	126.5
of which included in other provisions (non-current)	2.7	79.5	82.2
of which included in short term provisions	0.6	43.7	44.3
Additions	0.2	15.7	15.9
Withdrawals	(1.8)	(21.1)	(22.9)
Balance at December 31, 2006	**1.7**	**117.8**	**119.5**
of which included in other provisions (non-current)	0.8	79.8	80.6
of which included in short term provisions	0.9	38.0	38.9
(in € million)			

Other provisions of €117.8 million mainly relate to provisions for contractual and legal obligations, provisions for claims and other provisions. The estimated utilisation in 2007 is €38 million, in 2008 €25 million, 2009 €25 million and 2010 and beyond €29.8 million.

The contractual obligations relate to restructuring of customer contracts and workers compensation.

12 TOTAL LONG TERM DEBT: €1,141.3 MILLION

Carrying amounts and fair value of long term debt	December 31, 2006	
	Carrying amount	Fair value
Loan notes	706.7	752.2
Bank loans	413.7	421.6
Finance leases	20.9	22.9
Total long term debt	**1,141.3**	**1,196.7**
(in € millions)		

Included in the loan notes and bank notes are costs (€43.2 million) incurred in relation to raising the debt. These costs are amortised over the period of the loans, being seven and nine years. Loan notes and bank notes are stated after transaction costs capitalisd of €23.6 million, respectively €19.6 million, which were amortised (2006: €0.5 million).

The table below sets forth the amounts of interest-bearing long term debt during each of the following five years and thereafter:

Total Long Term Debt	Finance leases	Loan notes	Bank loan	Total
2007	2.0	-	54.9	**56.9**
2008	2.2	-	4.9	**7.1**
2009	1.8	-	4.9	**6.7**
2010	2.4	-	4.9	**7.3**
2011	1.2	-	4.9	**6.1**
Thereafter	13.3	730.0	413.5	**1,156.8**
Total principal debt	**22.9**	**730.0**	**488.0**	**1,240.9**
Unamortised debt issuance costs	-	23.3	19.4	42.7
Total carrying value	**22.9**	706.7	**468.6**	**1,198.2**
of which included in long term debt	20.9	706.7	413.7	1,141.3
of which included in other current liabilities	2.0	-	54.9	56.9

(in € millions)

Due to CEVA's strong cash position in the 1st quarter 2007, we decided to repay €50 million of our bank loans in advance of the contractual terms. Consequently we have classified this repayment within the 2007 category.

The fair value of the long term interest bearing debt has been determined using the market price as of 29 December 2006. The senior bank debt's fair value approximates its carrying value as it is a floating rate facility. The average floating interest rate for the period was 7.6% for US Dollar denominated loans and 5.7% for Euro denominated loans. Of the Loan Notes, an amount of US$501.8 million was denominated in US Dollar.

For the finance leases, fair value approximates the carrying value.

On 4 November 2006 CEVA Group Plc entered into a €430 million senior bridge loan facility and a €300 million senior subordinated bridge loan facility. This was replaced on 6 December 2006 when CEVA Group Plc issued €505 million of senior notes and €225 million of senior subordinated notes. The senior notes will mature in 2014 and have a coupon of 8.5%. They will begin paying interest semi-annually in arrears on 1 June 2007. The senior subordinated notes will mature in 2016. The notes have a coupon of 10% and will begin paying interest semi-annually in arrears on 1 June 2007.

The only borrowings at fixed rates are the €730 million senior and senior subordinated notes.

Total borrowings include senior secured bank loans of €408.6 million maturing in 2013 and at a floating rate of interest based upon EURIBOR and LIBOR plus 250 basis points. The debt is secured by liens on property and assets of CEVA Investments Ltd and certain of its subsidiaries.

Our debt instruments that bear interest at fixed rates of interest are exposed to fluctuations in fair value resulting from changes in market interest rates. The potential decrease in fair value resulting from a hypothetical 10% increase from current market interest rates would have been approximately €44 million.

13 OTHER CURRENT LIABILITIES: €231.3 MILLION

Amounts included in other current liabilities are shown in the table below:

	December 31, 2006
Short term bank debt	78.3
Total current borrowings	**78.3**
Taxes and social security contributions	74.0
Expenses to be paid	10.4
Other	68.6
Total	**231.3**

(in € millions)

The item "Other" includes the short term portion of provisions and the final purchase price adjustment payable to TNT.

14 ACCRUED CURRENT LIABILITIES: €320.8 MILLION

	December 31, 2006
Amounts received in advance	24.4
Expenses to be paid	199.6
Holiday accrual	43.2
Other accrued current liabilities	53.6
Total	**320.8**

(in € millions)

3.8 NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

15 NET SALES: €551.6 MILLION

The net sales relate arise from rendering our services. Net sales are allocated by geographical area in the country or region in which the entity records sales is detailed in the segmental reporting. See note 28.

16 OTHER OPERATING REVENUES: €1.5 MILLION

Other operating revenues relate to the sale of goods and rendering of services not related to our normal trading activities.

17 SALARIES AND SOCIAL SECURITY CONTRIBUTIONS: €164.1 MILLION

	For the period
Salaries	131.0
Share based payments	0.2
Pension charges:	
Defined benefit plans	1.7
Defined contribution plans	1.6
Social security charges	29.6
Total	**164.1**

(in € millions)

	December 31, 2006
Employees at period end	**38,092**
FTE's year average	**37,923**

DIRECTOR'S EMOLUMENTS

CEVA Investments Ltd	Short Term Employment Benefits	Pension Related Costs	Total
Directors:			
David Kulik	567,930	78,586	646,516
Gareth Turner	-	-	-
Lukas Kolff	-	-	-
Key Management	237,214	7,645	244,859
Total	**805,144**	**86,231**	**891,375**

Included in the short term employment benefits for Mr David Kulik, is an accrued bonus for €350,000. All amounts payable to Mr David Kulik under TNT N.V. share payment schemes have been fully disclosed in the Annual Report of TNT N.V. for the year ended 31 December 2006.

CEVA EMPLOYEE INVESTMENT PROGRAM

All stock-based compensation is issued from a single plan: CEVA Investments Ltd 2006 Long-Term Incentive Plan. The plan resides with CEVA Investments Ltd, the entity which has granted the awards. The plan allows only for non-qualified stock options to be awarded based on CEVA's common stock, settled in equity, and carrying a maximum ten-year term, expiring on the tenth anniversary of the grant date unless the grant is terminated earlier in accordance with the terms of the plan.

Options granted to employees under the plan vest in three equal tranches, the first being strictly service-based while the remaining two are both service and performance based. The performance conditions are internal performance metrics only and are not based on any market criteria. The first tranche vests at a rate of 20% a year for five years. The second tranche vests six months subsequent to an IRR of at least 22.5% with a minimum cash-on-cash return of 2 times the investor investment. The third tranche vests six months subsequent to an IRR of at least 25% with a minimum cash-on-cash return of 3 times the investor investment.

The expenses with respect to each separate installment will be recognised in the appropriate vesting period.

The fair value of employee share based payments is calculated using the Black-Scholes Merton model. Management do not believe that the use of an alternative valuation method would have a material impact. The mid point approach was used when determining the fair value of option grants.

Options granted to non-employee directors under the plan vest monthly at a rate of 1/36 of the grant per month over 3 years.

All options vest upon a qualified change in control event.

Total options granted in the period are shown in the table below:

	Number	Weighted average exercise price
Outstanding at the beginning of period	-	-
Granted during the period	120,318	100.00
Outstanding at the end of the period	120,318	100.00
Exercisable at the end of the period	-	-

There was no movement in options during the period, apart from that as shown in the table above. No options were exercised in the period.

Number and weighted average exercise price is shown in the table below.

Number of shares	120,318
Weighted average remaining contractual life	9.85 years
Exercise price	100.00

Information regarding how the fair value was determined is included in the table below:

Option pricing model	Black - Scholes Merton
Weighted average share price	100.00
Exercise price	100.00
Expected volatility	44.48%
Weighted-average expected life	7.17 years
Expected dividends	0.00%
Risk-free interest rate	5.00%
Weighted-average option value	54.58

Options granted in the period to the board of directors are shown in the table below:

	Options Granted	Outstanding as at December 31, 2006
Directors:		
David Kulik	11,750	11,750
Gareth Turner	1,172	1,172
Lukas Kolff	1,172	1,172
Key Management	9,094	9,094
Total	**23,188**	**23,188**

The volatility was determined using the 5 year industry peer volatility. There are no other significant features or equity compensations or modified share based payment arrangements. Total compensation in respect of share based compensation was €205,000.

18 DEPRECIATION, AMORTISATION AND IMPAIRMENTS: €20.8 MILLION

	For the period
Amortisation and impairments of intangibles	9.5
Depreciation and impairments of property, plant and equipment	11.3
Total	**20.8**

(in € millions)

19 OTHER OPERATING EXPENSES: €32.5 MILLION

Included within other operating expenses are costs incurred for services provided by our group auditors, PricewaterhouseCoopers LLP (United Kingdom) was €4.2 million. The costs incurred, mainly relate to the costs of the audit of our special purpose financial statements. In addition, PricewaterhouseCoopers LLP (United Kingdom) performed transactional and due diligence services in respect of the acquisition for which €6.2 million costs were incurred. These other auditor fees in relation to the acquisition have been included in the total purchase consideration paid.

20 NET FINANCIAL EXPENSES: €27.0 MILLION

	For the period
Interest on long term liabilities	19.8
Interest on short term liabilities	1.8
Net foreign exchange transaction (gains)/losses	0.2
Other financial expenses	8.5
Total financial expenses	**30.3**

(in € millions)

Interest on long term liabilities	0.3
Interest on short term liabilities	0.3
Other financial income	2.7
Total financial income	**3.3**

(in € millions)

Included within other financial expenses are fees and commissions in respect of the bridge loan taken out by the company in order to fund the acquisition. The interest on long term liabilities mainly relates to interest on loans.

21 INCOME TAXES EXPENSE: €5.8 MILLION

In the period from 4 November 2006 to 31 December 2006 our income tax expense amounted to €5.8 million.

The following table reconciles the consolidated statement to the UK Statutory Income taxes rate:

	December 31, 2006	%
Theoretical tax charges / (income)	**(4.4)**	**30.0**
Permanent differences:		
Non deductible depreciation PP&E	4.0	(27.3)
Non deductible other costs	0.1	(0.7)
Other movements:		
Write off deferred tax assets	2.3	(15.7)
Deferred taxes not recognised on losses	3.4	(23.2)
Difference between local and UK tax rate	(1.2)	8.2
Other tax expense	1.6	(10.9)
Effective income tax rate	**5.8**	**(39.6)**

(in € millions, except for percentages)

The income tax is detailed as follows:

	For the period
Current tax expense	5.1
Changes in deferred taxes (excluding acquisitions/foreign exchange effects)	0.7
Total income taxes	**5.8**

(in € millions)

	December 31, 2006
Income tax receivable	23.7
Income tax payable	(22.9)
Netted current income tax positions	**0.8**

(in € millions)

In 2006 the current tax expense amounted to €5.1 million. The difference between the total income taxes in the statements of income and the current tax expense is due to timing differences. These differences are recognised as deferred tax assets or deferred tax liabilities.

The following table shows the movements in deferred tax assets in 2006:

	December 31, 2006
Opening balance August 15, 2006	**0.0**
Deferred tax assets at November 4, 2006	41.9
Changes credited directly to equity	5.2
Income statement charge	(3.5)
Deferred tax assets at December 31, 2006	**43.6**

(in € millions)

Deferred tax assets arise because of the following differences:

	December 31, 2006
Differences between valuation for book and tax purposes of:	
Provisions	10.7
Property, plant and equipment	0.6
Losses carried forward	2.5
Other	29.8
Total deferred tax assets	**43.6**

(in € millions)

The following table shows the movements in deferred tax liabilities in 2006:

	December 31, 2006
Opening balance August 15, 2006	**0.0**
Balance acquired through business combinations	14.8
Revaluation of fixed assets acquired through business combinations	180.9
Income statement movement	(4.2)
Deferred tax liabilities at December 31, 2006	**191.5**

(in € millions)

Deferred tax assets and liabilities with the same term and the same consolidated tax group are presented net in the balance sheet if we have a legally enforceable right to offset the recognised amounts.

TNT N.V. has the obligation to indemnify and hold CEVA Limited harmless from and against tax liabilities of the group companies of the Logistics Business resulting from or in connection with transactions, events, acts or omissions which have occurred on or before 4 November 2006.

3.9 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

22 NET CASH FROM OPERATING ACTIVITIES: €62.2 MILLION

In 2006, net cash provided by operating activities was €62.2 million. Loss before income taxes contributed €15.0 million or profit of €32.6 million if adjusted for the non-cash impact of depreciation, amortisation and impairments and interest and similar income and expenses.

Increase in operating cash outflow with respect to working capital €71.9 million mainly related to an increase of accounts receivable of €53.0 million, offset by a decrease in prepayments and accrued income of €41.8 million and an increase in trade accounts payable of €74.7 million.

Most of the decrease in other current assets, offsetting the increase in accounts receivable, related to a decrease of prepayments and accrued income, that moved favourably due to extra emphasis on working capital and faster invoicing. Trade payables positively impacted the cash flow as a result of an increase of creditor days.

The interest paid of €25.1 million related to external borrowings, which were used to repay liabilities upon business combination.

23 NET CASH USED IN INVESTING ACTIVITIES: €(94.0) MILLION

In 2006, cash payments for the acquisition of TNT Logistics amounted to €107.0 million (net of cash and debt). The fair value of assets acquired and liabilities assumed, excluding non cash part of the consideration paid, were as follows:

	Fair value
Intangible assets, excluding goodwill	1,082.0
Property, plant and equipment	407.1
Financial fixed assets	112.6
Current assets	884.7
Non-current liabilities	(438.8)
Current liabilities	(695.5)
Minority interest	(32.0)
Fair value of assets acquired and liabilities assumed	**1,320.1**
Less: liabilities repaid upon business combination	(1,165.7)
Less: cash acquired	(47.4)
Cash flow on acquisition of group companies, net of cash	**107.0**

24 NET CASH USED IN FINANCING ACTIVITIES: €299.1 MILLION

In 2006, the increase of financing cash flow is mainly due to issuance of shares of €295.9 million and external borrowings of €1.2 billion, which were used for the acquisition of TNT Logistics and repayment of liabilities upon business combination.

3.10 ADDITIONAL NOTES

25 COMMITMENTS AND CONTINGENCIES

FINANCIAL AND OPERATING GUARANTEES

Total guarantees at 31 December 2006 were €148 million of which €17 million amounted to corporate guarantees. These total guarantees were mainly issued in connection with CEVA's operating business obligations under lease contracts, customs duty deferment and local credit lines.

Of the total guarantees, banks and other financial institutions have issued guarantees to cover obligations of CEVA's operational business entities up to an amount of €131 million. These guarantees were mainly issued in connection with CEVA's operational business entities under lease contracts, customs duty deferment and local credit lines. The obligations under the guarantees issued by banks and other financial institutions have been secured by CEVA and by its subsidiaries.

We expect that the value of guarantees arising as a result of the transaction will reduce in future years.

RENT AND OPERATING LEASE CONTRACTS

In 2006 operational lease expenses (including rental) in the consolidated statements of income amounted to €43 million for the period. Future payments on non-cancellable and other existing lease contracts mainly relating to real estate, computer equipment and other equipment were as follows:

Payable in the period

	December 31, 2006
Less than 1 year	147.3
Between 1 and 2 years	120.1
Between 2 and 3 years	89.5
Between 3 and 4 years	60.5
Between 4 and 5 years	42.6
Thereafter	78.9
Total	**538.9**
Of which guaranteed by a third party/customers	211.0

(in € millions)

CAPITAL EXPENDITURE

Commitments in connection with capital expenditure are €7 million.

CONTINGENT TAX LIABILITIES

As part of the acquisition of the Logistics business of TNT we acquired certain companies which had certain tax contingencies relating to periods prior to acquisition. These tax contingencies are described in more detail in the 2006 financial statements of TNT. As part of the sale and purchase agreement, TNT indemnified CEVA from and against tax liabilities of group companies of the former TNT Logistics business resulting from or in connection with transactions, events, acts or omissions which have occurred on or before November 4, 2006.

CEVA is not a party to discussions and settlements with the tax authorities relating to events pre acquisition and accordingly the group has been unable to measure reliably the fair value of the tax contingencies relating to the tax contingencies described in the TNT 2006 financial statements and therefore has not recorded the contingent liability (and related receivable from TNT) as required under IFRS 3, Business Combinations.

From 2004, TNT has been dealing with matters relating to full disclosure of all relevant information to the United Kingdom ("UK") tax authorities. The major issue being discussed with the UK tax authorities are whether some of the non-UK subsidiaries might have been resident in the UK prior to acquisition of TNT Limited in December 1996 and, if so, whether capital gains tax would have been due if the tax residency of these subsidiaries later moved to another European country. TNT reports in its financial statements that it estimates a range of €100 - €250 million to reflect the realistic range of its total global contingent liabilities. This range represents some 25-30% of the non-probability weighted estimated theoretical maximum liability. This range is in respect of taxation which includes matters in addition to those relating to CEVA entities. CEVA is indemnified in respect of the above matters.

INDEMNIFICATIONS FROM TNT N.V.

As part of the Share Purchase Agreement, TNT has indemnified CEVA Limited for certain items. These are amounts relating to the period before acquisition and include certain restructuring costs, Dutch pension plans, Italian transportation claims (Tariffe a Forcella), taxation and certain other claims (as disclosed in contingent tax claims above).

CONTINGENT LEGAL LIABILITIES

We are involved in several legal proceedings relating to the normal conduct of our business. We do not expect any liability arising from any of these legal proceedings to have a material effect on our results of operations, liquidity, capital resources or financial position. We believe we have provided for all probable liabilities deriving from the normal course of business.

26 JOINT VENTURES

We account for joint ventures in which we and another party have equal control according to the proportionate consolidation method.

Our largest joint venture as at 31 December 2006 is the 50% interest in Anji-TNT Automotive Logistics Company Ltd, a company which is located in China and whose main activities comprise of Logistics services. The table below represents the financial information of Anji-TNT Automotive Logistics Company Ltd and includes balances at 50% for the period before fair value adjustments in relation to the acquisition as these are provisional.

	December 31, 2006
Non-current assets	18.3
Current assets	38.0
Equity	32.9
Current liabilities	23.4
	November 4 - December 31, 2006
Net sales	21.4
Operating income	0.7
Profit attributable to the shareholders	-
Net cash provided by operating activities	13.4
Net cash provided by investing activities	10.6
Net cash used in financing activities	(0.4)
Changes in cash and cash equivalents	**23.6**

(in € millions)

27 OTHER RELATED PARTY TRANSACTIONS AND BALANCES

CEVA Investments Ltd has the following related party transactions:

A related party transaction arises between CEVA Investments Ltd and Apollo Management LLP as CEVA paid transaction costs and fees related to the Acquisition to Apollo amounting to €20.7 million. Apollo Management is related party by virtue of the fact that it controls AAA Investments L.P., AlpInvest Partners Beheer 2006, L.P. and AIF VI Euro Holdings L.P. (who combined own over 90% of the equity in CEVA Investments Ltd).

Gareth Turner and Lukas Kolff are Directors of CEVA Investments Ltd and also hold key senior positions within Apollo Management. Their remuneration from CEVA Investments Ltd is disclosed in note 17.

Over 200 personnel in CEVA Group companies participate in the management equity plan as disclosed in note 17. They also receive salaries and benefits as part of their employment compensation.

In respect of joint ventures; the CEVA Group companies in some cases have financial relationships with the joint ventures of the CEVA Group as well as with unconsolidated companies in which the Group holds minority shares. However, the CEVA Investments Ltd companies did not source supplies from such undertakings, nor did such undertakings source supplies from CEVA Investments Ltd group companies.

The net amounts due from joint venture entities amounted to €0.9 million as at 31 December 2006. All transactions with joint ventures and investments in associates are conducted in the normal course of business and under arm's length commercial terms and conditions.

28 SEGMENT INFORMATION

We identify the following segments:

For the period	Italy	North America	United Kingdom	Rest of Europe	Rest of world	Not allocated	Intra-Logistics Business	Total
Net sales	**174.0**	**74.3**	**108.0**	**103.0**	**92.3**	-	-	**551.6**
Intra-Logistics Business sales	0.7	0.4	1.3	1.5	-	-	(3.9)	-
Other operating revenues	0.2	0.1	0.4	0.6	0.2	-	-	1.5
Total revenues	**174.9**	**74.8**	**109.7**	**105.1**	**92.5**	-	**(3.9)**	**553.1**
Other income	-	**(0.1)**	**0.2**	-	-	-	-	**0.1**
Depreciation and amortisation	4.3	3.1	4.5	5.3	3.6	-	-	20.8
Other operating expenses	0.5	0.6	12.9	11.2	7.3	-	-	32.5
Total operating expenses	**169.4**	**65.4**	**107.4**	**110.2**	**92.8**	-	**(3.9)**	**541.3**
Operating income	**5.5**	**9.3**	**2.5**	**(5.1)**	**(0.3)**	-	-	**11.9**
Net financial expenses								**(27.0)**
Results from Investments in associates								0.1
Profit/(loss) before income taxes								**(15.0)**
Income taxes								(5.8)
Profit/(loss) for the period								**(20.8)**
Intangible assets	270.6	246.2	208.9	286.4	152.5	-	-	**1,164.6**
Capital expenditure on property, plant and equipment	1.0	1.2	2.3	2.5	3.6	-	-	**10.6**
Investment in associates	-	-	-	-	-	0.6	-	**0.6**
Segment assets	687.9	404.8	660.4	559.5	391.4	67.3	-	**2,771.3**
Segment liabilities	471.0	93.7	184.0	236.1	101.6	1,355.7	-	**2,442.1**
Full time equivalents	6,027	6,271	7,403	6,435	11,956	-	-	**38,092**

The basis of allocation of net sales by geographical area is the country or region in which the entity recording the sale is located.

The unallocated amount in segment assets and liabilities include investment in associates, long term debt, amounts due from (to) other TNT companies, tax balances and assets/ (liabilities) held for sale.

The headcount included is stated based on year end figures and the FTE figures are an average of the period's FTE count.

The Rest of world segment includes the following countries: China, South America, Asia, South Africa and Australia.

29 SUBSEQUENT EVENTS

Share Purchase Agreement with TNT N.V.

As part of the Share Purchase Agreement between TNT and CEVA Limited for the acquisition of the Logistics business, there was a completion mechanism concerning working capital, third party debt, cash and intercompany debt as at the completion date. In April 2007, agreement was reached between CEVA Limited and TNT regarding post-closing adjustments.

Distribution from CEVA Investments Ltd

On 4 November 2006, shareholders contributed €100 per share to CEVA Investments Ltd. On 1 March 2007, CEVA Investments Ltd declared a cash distribution of €85.6 per share to its shareholders (in total €274 million). This dividend is being paid out of the proceeds of a borrowing by CEVA Investments Ltd.

Paid In Kind Loan

On 21 February 2007, CEVA Investments Ltd borrowed €275 million on a floating exchange rate based on EURIBOR plus 775 basis points. Interest is payable quarterly in arrears with an option of the company to add the interest to the previous balance payable at each payment date.

CEVA has offered a definitive proposal to Eagle

On 24 May 2007, CEVA and EGL signed a definitive merger agreement pursuant to which CEVA will acquire 100% of the equity of Eagle Global Logistics, after a cash offer of $47.50 per EGL share was accepted by EGL's Board of Directors. Total transaction consideration to be paid to EGL shareholders will be approximately $2 billion. EGL is a leading global freight forwarder with operations in over 100 countries, generated revenues exceeding $3.2 billion in 2006 and has approximately 11,000 employees.

Change of name

On 21 February 2007, Louis Topco Ltd changed its name to CEVA Investments Ltd by a special resolution of the board of directors.

4 Appendix A: List of consolidated entities

	Argentina
	TNT Logistics Argentina SA
51%	Customised Logistics Argentina SA
	Austria
	TNT Logistics Austria GmbH
50%	A.S.S. Logistik Schrader Schachinger GmbH & Co. KG
	CEVA Logistics Central and Eastern Europe GmbH
50%	A.S.S. Logistik Schrader Schachinger GmbH
	Australia
	CEVA Pty Ltd
	CEVA Materials Handling Pty Ltd
	CEVA Logistics (Australia) Pty Ltd
	Belgium
81%	TNT NOPRI Logistics NV / SA
	CEVA Logistics Belgium NV/SA
	SVL Schrader Verteil + Logistik BV / BA
	Tecnologistica Benelux SA
	Brazil
	CEVA Logistics Ltda
	CEVA Holdings Ltda
	AV Manufacturing Industriale e Comerciode Pecas e Acessorios Automotivos Ltda
	CEVA Participações Ltda
20%	Logistics Reply Do Brasil Ltda.
	Canada
	CEVA Logistics Canada ULC
	Switzerland
	TNT Logistics Switzerland AG
	China
	CEVA Logistics International Trading (Shanghai) Co. Ltd.
70%	CEVA Logistics Co. Ltd. Shanghai
50%	Anji - TNT Automotive Logistics Company Ltd.
33%	Shanghai Anji-Suchi Warehousing and Transportation Company Ltd.
80%	Shanghai Anji-Tonghui Warehousing and Transportation Company Ltd.
60%	Chongqing Anji- TNT Hongyan Automotive Logistics Company Ltd.
50.01%	Liao Ning A-Lean Automotive Logistics Company Ltd.
	Czech Republic
	CEVA Logistics Sprol s.r.o.
	Germany
	CEVA Logistics GmbH
	TNT Container Logistics GmbH
	CEVA Logistics CEE Holding GmbH
50%	FSZ Fahrzeug Service Zentrum GmbH
22%	CoTrans Logistik GmbH & Co. KG
	CoTrans Logistic Verwaltungs GmbH
	Spain
	CEVA Automotive Logistics España SA
	TNT Logistics España S.L.
	TNT Production Logistics S.A.
	TNT Logistics Subirats SL
	CEVA Logistics Holdings Spain S.L.
	TNT Logistics Subirats
	France
	TNT Automotive Logistics SAS
	United Kingdom
	CEVA Automotive Logistics UK Ltd
	CEVA Logistics Ltd.

51%	Fairlead Logistics Ltd.
	CEVA Container Logistics Ltd.
	CEVA Network Logistics Ltd.
	CEVA Distribution Ltd.
	Louis No. 2 Limited
	CEVA Limited
	Newsagents Wholesale Corp. Ltd.
	Newspaper Transport Ltd.
	CEVA Showfreight Ltd.
	CEVA Supply Chain Solutions Ltd.
	TNT Logistics NI Ltd.
	Greece
	TNT Automotive Logistics Hellas SA
	Indonesia
	PT TNT Logistik Indonesia
	India
	TNT India Pvt. Ltd.
	Italy
	CEVA Automotive Logistics Italia Srl
	CEVA Logistics Italia S.r.l
	S.I.T.T.A.M SRL
	CEVA Logistics Sub-Holding Italia Srl
	CEVA In-Bound Logistics Italia Srl
	CEVA Trasporti In-Bound Logistics Italia
51%	TEL.I.S. Spa
85%	Cell-Tell Spa
	CEVA Logistics Holding Italy SpA
	C&C Trasporti E Spedizionali Internazionali SRL
51%	AVIOSERVIZI Jet Service Srl
75%	CEVA Logistics Bari SRL
	CEVA Freight Management Italia SRL
	South Korea
	TNT Logistics Korea Co Ltd.
	Mexico
	CEVA Servicios de Mexico SA de CV
	CEVA Logistica de Mexico SA de CV
	Malaysia
60%	CEVA Logistics (Malaysia) Sdn BhD
	The Netherlands
	CEVA Logistics Netherlands B.V.
	CEVA Container Logistics B.V.
	CEVA Logistics Holdings B.V.
	CEVA Logistics Head Office B.V.
	CEVA Districenter B.V.
	CEVA Logistics Dutch Holdco B.V.
	CEVA Logistics Finance B.V.
40%	PACT Benelux BV
	Poland
	TNT Automotive Logistics Poland
	TNT Logistics Poland Sp. z.o.o
	Romania
	SITTROM Expeditii Internazionale Srl (Romania)
	Singapore
	Timur Carriers (Pte) Ltd.
	CEVA Logistics Asia Pte Ltd
	Timur Carriers (P) Ltd. (Logistics CoA)
	CEVA Logistics Singapore Pte Ltd
	Slovakia
	TNT Logistics Slovakia
	Thailand
49%	TNT Logistics (Thailand) Ltd.

Turkey
CEVA Lojistik Limited Sirketi
United States of America
CEVA Logistics Services Inc.
CEVA Logistics Puerto Rico Inc.
Customised Transportation International Inc.
CEVA Logistics U.S. Inc.
CEVA Logistics U.S. Holdings Inc.
CEVA Logistics U.S. Group Inc.
South Africa
TNT Container Logistics South Africa
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