CEVA Group Plc

Quarter 1, 2007

Interim Financial Statements

Profile

CEVA is the world's largest "pure play" contract logistics company. We design, implement and operate complex supply chain solutions on a national, regional and global scale.
We leverage decades of experience to manage transportation networks whose geographic spread, product flows and users are varied. We use technology to optimise, integrate and create visibility throughout the supply chain. We serve medium and large enterprises in 30 countries with a focus on six sectors: Automotive, Tyres, Electronics, FMCG, Industrial, and Publishing and Media. CEVA employs 38,000 people and manages more than 7.4 million square meters of warehouse space. CEVA is owned by affiliates of Apollo Management L.P., a leading private equity firm based in New York.

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Statements of income

For the three months ended March 31, 2007 of CEVA group Plc (successor)
and March 31, 2006 of the acquired logistics business (predecessor) (Unaudited)

		Successor Consolidated	Predecessor Combined
		Period ended March 31,	
(Unaudited) (in € millions)	**Notes**	**2007**	**2006**
Net sales		**861.6**	**867.2**
Other operating revenues		1.9	3.4
Total revenues		**863.5**	**870.6**
Other income		**0.3**	**1.0**
Cost of materials		65.3	62.0
Work contracted out and other external expenses		444.9	442.5
Salaries and social security contributions		261.2	271.0
Depreciation, amortisation and impairments		29.7	20.0
Other operating expenses		47.2	61.1
Total operating expenses		**848.3**	**856.6**
Operating income		**15.5**	**15.0**
Interest and similar income		3.4	4.9
Interest and similar expense		(29.2)	(20.3)
Foreign exchange loss		(4.6)	(0.5)
Net financial expense		**(30.4)**	**(15.9)**
Results from investments in associates		(0.2)	(0.1)
Loss before income taxes		**(15.1)**	**(1.0)**
Income taxes		0.2	(0.3)
Loss for the period from continuing operations		**(14.9)**	**(1.3)**
Loss from discontinued operations	5	-	(6.4)
Loss for the period		**(14.9)**	**(7.7)**
Attributable to:			
Minority interests		0.3	(0.1)
Shareholders		(15.2)	(7.6)
Loss for the period		**(14.9)**	**(7.7)**

- The charges set out above for the Predecessor are not necessarily representative of those that would be incurred by Successor.
- The accompanying notes form an integral part of the condensed interim financial statements.

Balance sheets

Assets as of March 31, 2007 and December 31, 2006 of CEVA Group Plc (Unaudited)

(Unaudited) (in € millions)	**March 31, 2007**	**December 31, 2006[1]**
ASSETS		
Non-current assets		
Intangible assets		
Goodwill	692.3	693.3
Contractual customer relationships	457.5	467.9
Other intangible assets	5.5	3.4
Total intangible assets	**1,155.2**	**1,164.6**
Property, plant and equipment		
Land and buildings	182.8	206.6
Plant and equipment	130.5	135.5
Other	29.9	32.5
Construction in progress	12.7	12.5
Total property, plant and equipment	**355.9**	**387.1**
Financial fixed assets		
Investments in associates	0.5	0.6
Other loans receivable	4.0	4.7
Deferred tax assets	42.6	43.6
Prepayments and accrued income	41.0	46.7
Total financial fixed assets	**88.1**	**95.6**
Total non-current assets	**1,599.2**	**1,647.3**
Current assets		
Inventory	24.4	22.1
Accounts receivable	580.0	639.7
Income tax receivable	22.2	23.7
Prepayments and accrued income	186.0	163.4
Cash and cash equivalents	278.8	264.7
Total current assets	**1,091.4**	**1,113.6**
Assets held for sale	0.2	-
Total assets	**2,690.8**	**2,760.9**

(1) Derived from audited financial statements.

Balance sheets

Equity and liabilities as of March 31, 2007 and December 31, 2006 of CEVA Group Plc (Unaudited) continued

(Unaudited) (in € millions)	Notes	March 31, 2007	December 31, 2006[1]
EQUITY AND LIABILITIES			
Equity			
Issued share capital		0.5	0.5
Share premium		309.5	309.5
Cumulative translation adjustment		(2.8)	(2.6)
Retained earnings brought forward		(21.8)	-
Result for the period		(15.2)	(21.8)
Attributable to equity holders of the parent		**270.2**	**285.6**
Minority interests		33.5	33.2
Total group equity		**303.7**	**318.8**
Non-current liabilities			
Deferred tax liabilities		190.8	191.5
Provisions for pension liabilities		109.5	122.9
Other provisions		76.3	80.6
Long term debt	7	1,142.8	1,141.3
Accrued liabilities		14.8	12.3
Total non-current liabilities		**1,534.2**	**1,548.6**
Current liabilities			
Trade accounts payable		277.3	279.6
Short term provisions		37.3	38.9
Other current liabilities		186.8	231.3
Income tax payable		23.2	22.9
Accrued current liabilities		328.3	320.8
Total current liabilities		**852.9**	**893.5**
Total equity and liabilities		**2,690.8**	**2,760.9**

• The accompanying notes form an integral part of the condensed interim financial statements.
(1) Derived from audited financial statements.

Cash flow statements

For the three months ended March 31, 2007 of CEVA Group Plc (successor) and the three months ended March 31, 2006 of the acquired logistics business (predecessor) (Unaudited)

	Successor Consolidated	Predecessor Combined
	Three months ended March 31,	
(Unaudited) (in € millions)	2007	2006
Profit/(Loss) before income taxes	**(15.1)**	**(1.0)**
Adjustments for:		
Depreciation, amortisation and impairments	29.7	20.0
(Profit)/Loss on sale of property, plant and equipment	(0.3)	1.0
Investment income and results from investments in associate:		
Interest and similar income	(3.4)	(4.9)
Interest and similar expense	27.7	20.9
Foreign exchange (gains) and losses	4.6	-
Results from investments in associates	0.2	0.1
Amortisation of debt issuance costs	1.5	-
Changes in provisions:		
Pension liabilities	(13.4)	(2.4)
Other provisions	(5.9)	(12.1)
Changes in working capital:		
Inventory	(2.3)	(1.3)
Accounts receivable	59.7	27.0
Prepayments and accrued income	(19.1)	(43.0)
Trade payables	(2.3)	0.3
Other current liabilities excluding short term financing and taxes	5.2	(29.0)
Accrued current liabilities	(9.8)	15.3
Cash generated from/(used in) operations	**57.0**	**(9.1)**
Interest paid	(10.5)	(2.9)
Change in income taxes	2.3	(24.1)
Increase in long term accrued liabilities	2.5	9.9
Net cash from operating activities	**51.3**	**(26.2)**
Acquisition of entities (net of cash)	-	(13.0)
Capital expenditure on intangible assets	(3.7)	(0.9)
Capital expenditure on property, plant and equipment	(15.6)	(13.3)
Proceeds from sale of property, plant and equipment	23.7	0.9
Other changes in financial fixed assets	6.3	9.7
Changes in minority interests	0.3	(0.1)
Interest received	3.4	4.9
Net cash used in investing activities	**14.4**	**(11.8)**
Issuance of shares	-	-
Other net investment changes	-	153.6
Proceeds from long term borrowings	-	-
Repayments to long term borrowings	-	(2.2)
Proceeds from short term borrowings	-	2.9
Repayments of short term borrowings	(51.3)	-
Repayments of liabilities upon business combination	-	-
Movements of finance leases	(0.2)	(0.2)
Financing related to discontinued French logistics business		(138.2)
Net cash provided by financing activities	**(51.5)**	**15.9**

• The cash flows set out above for the Predecessor are not necessarily representative of those that would be incurred by the Successor.
• The accompanying notes form an integral part of the condensed interim financial statements.

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Cash flow statements

continued

(Unaudited) (in € millions)	Successor Consolidated	Predecessor Combined
	Three months ended March 31,	
	2007	2006
Change in cash and cash equivalents	**14.2**	**(22.1)**
Cash and cash equivalents at the beginning of the period	**264.7**	**93.4**
Change in cash	14.2	(22.1)
Foreign exchange impact on cash and cash equivalents	(0.1)	0.0
Cash and cash equivalents at the end of the period	**278.8**	**71.3**

• The cash flows set out above for the Predecessor are not necessarily representative of those that would be incurred by the Successor.
• The accompanying notes form an integral part of the condensed interim financial statements.

Statement of changes in equity

For the three months ended March 31, 2007 of CEVA Group Plc (Unaudited)

(Unaudited) (in € millions)	Issued share capital	Share premium	Cumulative translation adjustment	Retained earnings	Attributable to Equity holders of the parent	Minority interest	Total group equity
Balance at December 31, 2006	**0.5**	**309.5**	**(2.6)**	**(21.8)**	**285.6**	**33.2**	**318.8**
Result for the period	-	-	-	(15.2)	(15.2)	0.3	(14.9)
Currency translation adjustment	-	-	(0.2)	-	(0.2)	-	(0.2)
Balance at March 31, 2007	**0.5**	**309.5**	**(2.8)**	**(37.0)**	**270.2**	**33.5**	**303.7**

Notes to the condensed interim financial statements (Unaudited)

1. GENERAL INFORMATION AND DESCRIPTION OF OUR BUSINESS

CEVA Group Plc, was incorporated in the United Kingdom under the name Louis No. 1 Plc as an unlisted public company with limited liability. On January 18, 2007, Louis No. 1 Plc changed its name by a special resolution of the Board of Directors to CEVA Group Plc. The ultimate parent of CEVA Group Plc is CEVA Investments Ltd.

These condensed interim 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 (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 basis of preparation, consolidation or combination and presentation of the Successor condensed consolidated interim financial statements and the Predecessor condensed combined interim financial statements are more fully described below. The results of operations and cash flows of the Predecessor are not necessarily representative of those that would be incurred by the Successor.

Financial information and definitions

The financial information and definitions used in this interim financial statement have been prepared compliant with the accounting policies and methods and computations of financial statements in the annual report for the year ended December 31, 2006. For more details, we refer to our 2006 annual report.

2. BASIS OF PREPARATION

The condensed combined interim financial statements for the three month periods ended March 31, 2007 and March 31, 2006 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and IAS 34 Interim Financial Reporting and should be read in conjunction with our annual report.

IFRS as adopted by the EU differ in certain respects from IFRS as issued by the International Accounting Standards Board ("IASB"). IFRS includes the application of International Accounting Standards ("IAS") and related interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and interpretations of the Standing Interpretations Committee ("SIC"). All amounts included in the financial statements are presented in euros and in millions to one decimal place, unless indicated otherwise.

Successor

The financial statements include the accounts of CEVA Group Plc. and its subsidiaries. Intercompany transactions and balances have been eliminated. Equity investments in which we exercise significant influence but do not exercise control and are not the primary beneficiary are accounted for using the equity method. Investments in which we are not able to exercise significant influence over the investee are accounted for under the cost method.

The interim condensed consolidated financial statements for the three months ended March 31, 2007, which were approved by the board of directors on May 30, 2007, do not constitute statutory accounts within the meaning of the section 240 of the Companies Act 1985.

Predecessor

In preparing these condensed combined interim 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.

Prior to November 4, 2006, we operated as a business segment of TNT N.V. ("TNT") and not as a stand-alone company. Consequently the combined condensed financial statements as at and for the quarter ended March 31, 2006 have been specifically prepared for the purposes of presenting, as far as practicable, the assets, liabilities, revenues and expenses of the Logistics Business on a stand-alone basis. The historical combined financial statements are an aggregation of financial information from the individual companies that make up the Logistics Business and are neither necessarily representative nor indicative of the financial position, results of operations or cash flows that would have been obtained had the Logistics Business operated independently or under separate ownership.

The preparation of the interim consolidated and combined financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the disclosure of contingent assets and liabilities at the balance sheet and the reported amounts of revenue and expenses during the reporting period. Actual results could vary from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Seasonality
Our business is impacted by the seasonal slowdown or upturn of certain of our customers' industries. The automotive sector, our largest sector, typically encounters slowdowns in both the third and fourth quarters of the year, when many of the automotive manufacturing plants close for vacation periods. In response, we proactively scale-down and may even temporarily close some operations in order to maximise cost efficiency. We also experience seasonal trends in the FMCG and hi-tech/ electronics sectors, where demand increases, specifically in the fourth quarter, as consumer goods such as toys, clothes and electronics are to be delivered to retail locations by early December. Moreover, the global footprint of our business decreases the overall seasonality of our business due to the different seasons in the Northern and Southern hemispheres.

Foreign Currency
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 two main currencies of our external hedges are the British pound and US dollar. Significant acquisitions are usually funded in the currency of the underlying assets.

The March 31, 2007 exchange rates are shown below:

	Period end closing[1]	Average[2]
British pound	1.4710	1.4691
US dollar	0.7509	0.7549

(1) Source: European Central Bank, reference rates on the last day of the three month period.
(2) The average is calculated as the three month average of the month-end closing rates of the European Central Bank.

3. ACCOUNTING POLICIES

New standards and interpretations not yet implemented
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 will be implemented by the group for annual periods beginning January 1, 2008 when ratified[1].
- 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 January 1, 2008 when ratified[1].
- IAS 23 *Borrowing Costs* – an amendment to IAS 23 which 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 will be applied prospectively by the group to the annual period beginning on January 1, 2009 when ratified[1].
- 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 January 1, 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 recognised in an interim

(1) This indicates standards and interpretations not yet ratified.

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 January 1, 2007 when ratified[1].

- 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 January 1, 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 January 1, 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 January 1, 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 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 January 1, 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.

(1) This indicates standards and interpretations not yet ratified.

4. SEGMENTAL REPORTING

CEVA is organised into geographical regions. Within the geographical structure, we manage our Income Statement and personnel and physical resources. 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 other geographical areas and has therefore determined its geographical segments to be its primary segments under IAS 14 *"Segment Reporting"*.

As a pure-play logistics company, CEVA does not have a secondary segment to report.

Primary segments

Successor Consolidated
Three months ended March 31, 2007

(Unaudited) (in € millions)	Italy	North America	United Kingdom	Rest of Europe	Rest of World[1]	Intra-Logistics Business	Total
Net sales[2]	**249.1**	**134.6**	**171.8**	**171.4**	**134.7**	**-**	**861.6**
Intra-Logistics Business sales	0.6	-	2.6	1.5	0.2	(4.9)	-
Other operating revenues	0.2	-	0.5	0.9	0.3	-	1.9
Total revenues	**249.9**	**134.6**	**174.9**	**173.9**	**135.1**	**(4.9)**	**863.5**
Other income	**-**	**-**	**0.2**	**-**	**0.1**	**-**	**0.3**
Depreciation, amortisation and impairments	6.9	4.4	7.0	5.8	5.6	-	29.7
Other operating expenses	239.8	126.6	167.4	163.6	126.1	(4.9)	818.6
Total operating expenses	**246.8**	**131.0**	**174.3**	**169.4**	**131.7**	**(4.9)**	**848.3**
Operating income	**3.2**	**3.6**	**0.8**	**4.4**	**3.5**	**-**	**15.5**
Net financial expense							(30.4)
Results from investments in associates							(0.2)
Loss before income taxes							**(15.1)**
Income taxes							0.2
Loss for the period from continuing operations							**(14.9)**

(1) The Rest of World segment includes: China, South America, Asia and Australia.
(2) The basis of allocation of net sales by geographical area is the country or region in which the entity recording the sale is located.

(Unaudited) (in € millions)	Italy	North America	United Kingdom	Rest of Europe	Rest of World[1]	Intra-Logistics Business	Total
	Predecessor Combined Three months ended March 31, 2006						
Net sales[2]	**258.3**	**177.1**	**158.6**	**154.6**	**118.6**		**867.2**
Intra-Logistics Business sales	0.7	0.3	1.9	1.1	0.1	(4.1)	
Other operating revenues	0.2	-	0.6	2.2	0.4		3.4
Total revenues	**259.2**	**177.4**	**161.1**	**157.9**	**119.1**	**(4.1)**	**870.6**
Other income/(loss)	**0.3**	**-**	**0.6**	**-**	**0.1**		**1.0**
Depreciation, amortisation and impairments	4.7	3.5	4.3	3.9	3.6		20.0
Other operating expenses	255.9	171.6	155.2	146.4	111.5	(4.1)	836.5
Total operating expenses	**260.6**	**175.1**	**159.5**	**150.3**	**115.2**	**(4.1)**	**856.6**
Operating income/(loss)	**(1.1)**	**2.3**	**2.2**	**7.6**	**4.0**	**-**	**15.0**
Net financial expense							(15.9)
Results from investments in associates							(0.1)
Loss before income taxes							**(1.0)**
Income taxes							(0.3)
Loss for the period from continuing operations							**(1.3)**

(1) The Rest of World segment includes: China, South America, Asia and Australia.
(2) The basis of allocation of net sales by geographical area is the country or region in which the entity recording the sale is located.

5. LOSS FROM DISCONTINUED OPERATIONS: NIL (2006: € (6.4) MILLION)

In July 2005, TNT announced their intention to divest its French logistics business, which has been included in the Predecessor combined three months ended March 31, 2006. As a result of the announcement, the French logistics business is presented as discontinued operations. Its loss for the period is shown below:

(Unaudited) (in € millions)	Predecessor Combined Three months ended March 31, 2006
Net sales	**8.4**
Other operating revenues	0.6
Total revenues	**9.0**
Other (expense)/income	(1.4)
Total operating expenses	(13.4)
Operating loss	**(5.8)**
Net financial expense	(2.3)
Loss before income taxes	**(8.1)**
Income taxes	1.7
Loss from discontinued operations	**(6.4)**

Inter-Logistics Business revenues and related expenses of € 0.1 million (2006) 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

(Unaudited) (in € millions)	Predecessor Combined Three months ended March 31, 2006
Net cash used in operating activities	(25.1)
Net cash from/(used in) investing activities	8.1
Net cash from financing activities	10.8
Change in cash	**(6.2)**
Cash at the beginning of the period	**6.3**
Change in cash	(6.2)
Cash from disposed subsidiaries	(0.1)
Cash at the end of the period	**-**

The net cash from financing activities generally represents the funding provided by the Logistics Business to the discontinued French logistics business during the period presented.

6. RELATED PARTY TRANSACTIONS AND BALANCES

CEVA Group Plc has the following related party transactions:

CEVA Group Plc has a management service agreement with Apollo Management L.P. ("Apollo") for the provision of ongoing management and support services. This amounts to € 3 million per annum of which € 0.75 million is included in these interim financial statements. Apollo is a 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. (which combined own over 90% of the equity in CEVA Investments Ltd).

Gareth Turner, Joshua Harris, Stan Parker and **Lukas Kolff** are non-executive Directors of CEVA Group Plc and also hold key senior positions within Apollo. Each receives a non-executive directors fee of € 39,000 per annum, for which a prorated accrual has been included in our results for the three months ended March 2007.

Over 200 personnel in CEVA Group companies participate in the management equity plan as disclosed in the annual report. They also receive salaries and benefits as part of their employment compensation.

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 CEVA Group holds minority shares. However, the 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 amounts due from joint venture entities amounted to € 0.9 million as at March 31, 2007. 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.

7. LONG TERM DEBT

Included in long term debt are loan notes, bank loans and finance leases. Both loan notes and bank notes are stated net of debt issuance costs. These costs are amortised over the period of the loans, being seven and nine years respectively. Of the loan notes, an amount of € 189.5 million was denominated in US dollar as at March 31, 2007.

As of March 31, 2007 there have not been any material changes in CEVA's contractual obligations as presented in the Annual Report for the period ended December 31, 2006 apart from the repayment of € 51.3 million of loan notes which we classified within short term debt as at December 31, 2006.

8. EVENTS AFTER BALANCE SHEET DATE

Acquisition of Eagle Global Logistics

On May 24, 2007, CEVA and EGL, Inc. ("EGL") announced they had entered into an agreement pursuant to which CEVA will acquire EGL for total transaction consideration to be paid to EGL shareholders of approximately $ 2.0 billion. The acquisition, which is subject to regulatory approvals and the affirmative vote of the holders of a majority of EGL's outstanding shares, is expected to close in the third quarter of 2007. EGL, which operates under the name "EGL Eagle Global Logistics", is a leading freight forwarder, global transportation, supply chain management and information services company with 2006 revenues of approximately $ 3.2 billion.

9. ADDITIONAL NOTES

Financial and Operating Guarantees

Total guarantees at March 31, 2007 were € 155 million (December 31, 2006 were € 148 million) of which none were corporate guarantees (December 31, 2006 € 17 million). 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 € 155 million (December 31, 2006 were € 131 million). 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 Quarter 1, 2007, operational lease expenses (including rental) in the consolidated statements of income amounted to € 65.9 million for the quarter. Future payments on non-cancellable and other existing lease contracts mainly relating to real estate, computer equipment and other equipment were as follows:

Contingent Tax Liabilities

As part of the acquisition of the Logistics business of TNT N.V. 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 N.V. As part of the sale and purchase agreement, TNT N.V. 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 N.V. 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 N.V. 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 N.V. 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.

Indemnifications from TNT N.V.

As part of the Share Purchase Agreement, TNT N.V. 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).

Payable in the period

(in € millions)

	March 31, 2007
Less than 1 year	141.0
Between 1 and 2 years	122.4
Between 2 and 3 years	91.7
Between 3 and 4 years	60.2
Between 4 and 5 years	43.6
Thereafter	89.4
Total	**548.3**
Of which guaranteed by a third party/customers	214.0

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.

10. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

Net Cash from Operating Activities: € 51.3 million (2006 € (26.2) million)

In the three month period, net cash provided by operating activities was € 51.3 million. Loss before income taxes contributed € (15.1) million or profit of € 44.9 million if adjusted for the non-cash impact of depreciation, amortisation and impairments and interest and similar income and expenses and other non-cash charges.

The increase in operating cash outflow with respect to working capital of € 31.4 million mainly related to a decrease of accounts receivable of € 59.7 million and an increase of prepayments and accrued income of € (19.1) million. Accounts receivable is positively impacted due to extra emphasis on working capital and a one time insurance claim that was received. The effect is partly offset by a shift to prepayments and accrued income. The interest paid of € 10.5 million related to external borrowings, which were used to repay liabilities upon business combination.

In the period ended March 31, 2006, net cash from operating activities was € 26.2 million. Loss before income taxes contributed € (1.0) million or profit of € 36.1 million if adjusted for the non-cash impact of depreciation, amortisation and impairments and interest and similar income and expenses and other non-cash charges.

The net cash generated by operating activities principally relates to the deterioration of working capital € (30.7) million for the period ended March 31,2006.

Net Cash Used in Investing Activities: € 14.4 million (2006: € (11.8) million)

In the three month period, net cash used in investing activities was € 14.4 million, mainly due to the positive result of the sale of a property that is partly set off by the capital expenditures in property, plant and equipment.

In the period ending March 31, 2006, net cash used in investing activities was € (11.8) million. The cash outflow mainly relates to acquisition of group companies of € (13.0) million and capital expenditures on property plant and equipment € (13.3) million. The acquisition of group companies related to the acquisition of the remaining 49% of equity in an Italian Joint Venture.

Net Cash Used in Financing Activities: € (51.5) million (2006: € 15.9 million)

In the three month period, the decrease of financing cash flow is mainly due to the repayment of € 51.3 million on bank loans.

In the period ended March 31, 2006, net cash from financing activities was € 15.9 million. The cash inflow resulted mainly from other net investment changes of € 153.6 million (the net investment held by other TNT companies in TNT's logistics business) and discontinuance of the French logistics business € (138.2) million. The sale of the majority of the French logistics business was effected in two tranches, the large part in Quarter 4, 2005, with smaller transactions being closed in Quarter 1, 2006.

Operating and financial review and prospects

The following is management's discussion and analysis of certain significant factors that have affected selected aspects of the Company's financial position and operating results during the periods included in the accompanying unaudited condensed interim financial statements.
This discussion should be read in conjunction with the discussion under "Operating and Financial Review and Prospects" in the annual audited financial statements included in the Company's annual report for the year ended December 31, 2006 which can be found on our web-site at www.cevalogistics.com.

Results of Operations for the three months ended March 31, 2007 and March 31, 2006

(Unaudited) (in € millions and as a % of net sales)	Successor Consolidated		Predecessor Combined	
	Three months ended March 31,			
	2007		2006	
Net sales	**861.6**	**100%**	**867.2**	**100%**
Other operating revenues	1.9	0%	3.4	0%
Total revenues	**863.5**	**100%**	**870.6**	**100%**
Other income	**0.3**	**0%**	**1.0**	**0%**
Cost of materials	65.3	8%	62.0	7%
Work contracted out and other external expenses	444.9	52%	442.5	51%
Salaries and social security contributions	261.2	30%	271.0	31%
Depreciation, amortisation and impairments	29.7	3%	20.0	2%
Other operating expenses	47.2	5%	61.1	7%
Total operating expenses	**848.3**	**98%**	**856.6**	**99%**
Operating income	**15.5**	**2%**	**15.0**	**2%**
Interest and similar income	3.4	0%	4.9	1%
Interest and similar expense	(29.2)	(3%)	(20.3)	(2%)
Foreign exchange loss	(4.6)	(1%)	(0.5)	0%
Net financial (expense)/income	**(30.4)**	**(4%)**	**(15.9)**	**(2%)**
Results from investments in associates	(0.2)	0%	(0.1)	0%
Loss before income taxes	**(15.1)**	**(2%)**	**(1.0)**	**(0%)**
Income taxes	0.2	0%	(0.3)	0%
Loss for the period from continuing operations	**(14.9)**	**(2%)**	**(1.3)**	**(0%)**
Loss from discontinued operations	-	0%	(6.4)	(1%)
Loss for the period	**(14.9)**	**(2%)**	**(7.7)**	**(1%)**
Attributable to:				
Minority interests	0.3	0%	(0.1)	0%
Shareholders/Other TNT companies	(15.2)	(2%)	(7.6)	(1%)
Loss for the period	**(14.9)**	**(2%)**	**(7.7)**	**(1%)**

Revenue

The following table shows our combined net sales for each primary (geographical) segment for the three months ended March 31, 2007 and 2006 and as a percentage of total net sales:

Revenue

(Unaudited) (in € millions and as a % of net sales)	Successor Consolidated 2007		Predecessor Combined 2006	
	Three months ended March 31,			
Net sales				
Italy	249.1	29%	258.3	30%
North America	134.6	15%	177.1	20%
United Kingdom	171.8	20%	158.6	18%
Rest of Europe	171.4	20%	154.6	18%
Rest of World	134.7	16%	118.6	14%
Total	**861.6**	**100%**	**867.2**	**100%**

Net sales marginally decreased by 0.6% to € 861.6 million for the three months ended March 31, 2007 from € 867.2 million for the three months ended March 31, 2006. Stable revenue between the two quarters is the net result of the impact of a large decrease in North America which was almost offset by strong performances in the United Kingdom, Rest of Europe and Rest of World.

Italy. Net sales decreased to € 249.1 million for the three months ended March 31, 2007 from € 258.3 million for the three months ended March 31, 2006. The decrease is primarily the result of the agreed insourcing of certain logistic activities in our automotive division. This was partially offset by an increase in base volumes, notably in the freight forwarding operations.

North America. Net sales decreased to € 134.6 million for the three months ended March 31, 2007 from € 177.1 million for the three months ended March 31, 2006. This is mainly due to the impact of the agreed upon exit of certain tyre contracts and the bankruptcy of a specific customer. In addition, adverse foreign currency movements had the effect of lowering our current year revenue growth.

United Kingdom. Net sales grew to € 171.8 million for the three months ended March 31, 2007 from € 158.6 million for the three months ended March 31, 2006. Revenues are ahead as a result of the commencement of new contracts and increased volumes across a number of contracts.

Rest of Europe. Net sales grew to € 171.4 million for the three months ended March 31, 2007 from € 154.6 million for the three months ended March 31, 2006. The increase is mainly a result of the commencement of new contracts in Belgium, The Netherlands, Turkey, Spain and Central and Eastern Europe in various industry sectors and increased volumes across our existing customer base.

Rest of World. Net sales grew to € 134.7 million for the three months ended March 31, 2007 from € 118.6 million for the three months ended March 31, 2006. The increase is mainly a result of increased volumes on existing clients in Australia, Southeast Asia and China. The sectors impacted by this favourable trend include automotive, FMCG and our car carrying operations in Australia.

Operating Expense

Our operating expenses decreased to € 848.3 million for the three months ended March 31, 2007 from € 856.6 million for the three months ended March 31, 2006. The decrease was mainly due to the absence in 2007 of non-recurring charges relating to the termination and restructuring of contracts in connection with the Acquisition and certain non-recurring personnel costs incurred in 2006.

Cost of materials. Cost of materials increased to € 65.3 million (8% of net sales) for the three months ended March 31, 2007 from € 62.0 million (7% of net sales) for the three months ended March 31, 2006. The increase was due to overall growth in the business in the United Kingdom, Rest of Europe and Rest of World. This was partially offset by a decrease in cost of materials in North America due to the decline in net sales.

Work contracted out and other external expenses. Work contracted out and other external expenses marginally increased by 1% to € 444.9 million (52% of net sales) for the three months ended March 31, 2007 from € 442.5 million (51% of net sales) for the three months ended March 31, 2006. This increase was driven by higher volumes on existing contracts and the commencement of operations on new contracts, specifically in Rest of Europe. The increase was partially offset by a reduction in North America due to the decline in net sales.

Salaries and social security contributions. Salaries and social security contributions decreased to € 261.2 million (30% of net sales) for the three months ended March 31, 2007 from € 271.0 million (31% of net sales) for the three months ended March 31, 2006. The reduction is mainly due to reduction in North America and Italy in line with their lower net sales. This was partially offset by higher salary-related costs in other geographies in line with their higher net sales.

Depreciation, amortisation and impairment. Depreciation, amortisation and impairment increased to € 29.7 million for the three months ended March 31, 2007 from € 20.0 million for the three months ended March 31, 2006. The increase is largely attributed to the amortisation of other intangibles (customer relationships) which arise as a result of the acquisition of the Logistics business vis-à-vis IFRS 3 Business Combinations and the purchase price accounting provisions therein. In 2006, CEVA had limited other intangibles.

Other operating expenses. Other operating expenses decreased by € 13.9 million to € 47.2 million for the three months ended March 31, 2007 from € 61.1 million for the three months ended March 31, 2006. Other operating expenses fell in all five geographic regions due to lower head office charges and the absence of licence fee costs.

EBITDA

The following table shows our combined EBITDA for each geographical segment for the three months ended March 31, 2007 and 2006.

EBITDA

(Unaudited) (in € millions and as a % of net sales per segment)	Successor Consolidated Three months ended March 31, 2007		Predecessor Combined Three months ended March 31, 2006	
EBITDA				
Italy	10.1	4.1%	3.6	1.4%
North America	8.0	5.9%	5.8	3.3%
United Kingdom	7.8	4.5%	6.6	4.2%
Rest of Europe	10.3	6.0%	11.5	7.4%
Rest of World	9.0	6.7%	7.5	6.3%
Total	**45.2**	**5.3%**	**35.0**	**4.0%**

Our combined EBITDA increased to € 45.2 million (5.3% of combined net sales) for the three months ended March 31, 2007 from € 35.0 million (4.0% of combined net sales) for the three months ended March 31, 2006. The main reason for the increase in EBITDA are described below.

Italy. EBITDA increased to € 10.1 million for the three months ended March 31, 2007 from € 3.6 million for the three months ended March 31, 2006. This was primarily driven by a combination of restructuring of activities, strong cost control and significant improvements in the freight forwarding operations.

North America. EBITDA increased to € 8.0 million for the three months ended March 31, 2007 from € 5.8 million for the three months ended March 31, 2006. The increase is primarily related to non-recurring charges in 2006 and to certain underperforming contracts which were terminated in 2006.

United Kingdom. EBITDA increased to € 7.8 million for the three months ended March 31, 2007 from € 6.6 million for the three months ended March 31, 2006. The increase is related to the absence of restructuring costs incurred in 2006.

Rest of Europe. EBITDA decreased to € 10.3 million for the three months ended March 31, 2007 from € 11.5 million for the three months ended March 31, 2006. The incremental margin earned on new business was offset by was impacted by CEVA rebranding and separation from TNT incurred in the quarter that were not incurred in the equivalent period in 2006.

Rest of World. EBITDA increased to € 9.0 million for the three months ended March 31, 2007 from € 7.5 million for the three months ended March 31, 2006. This is the net result of increases to EBITDA in Australia, China and South East Asia where operations continue to grow following new business wins and higher volumes on existing customers offset by decreases to EBITDA in South America due to certain contract losses.

The performance of all segments was positively impacted by reduced costs within the head office operations of the company resulting in reductions in head office recharges in the three months ended March 31, 2007 compared to the three months ended March 31, 2006 by approximately € 10 million.

Net financial expense increased to € 30.4 million for the three months ended March 31, 2007 from € 15.9 million for the three months ended March 31, 2006, resulting principally from a higher interest charged on new external loan and bank notes due to the different capital structure of the group.

Results from investments in associates is a loss of € 0.2 million for the three months ended March 31, 2007 compared to € 0.1 million for the three months ended March 31, 2006.

Income taxes decreased to a credit of € 0.2 million for the three months ended March 31, 2007 from a charge of € 0.3 million for the three months ended March 31, 2006.

Loss for the period from continuing operations increased to € 14.9 million for the three months ended March 31, 2007 from € 1.3 million for the three months ended March 31, 2006 due mainly to the effect of different capital structure on net finance costs.

Loss from discontinued operations decreased to nil for the three months ended March 31, 2007 from € 6.4 million for the three months ended March 31, 2006. These losses related to the operating losses of the French logistics business which were divested in 2006. The French logistics business does not form part of CEVA's ongoing business.

Loss for the period decreased to € 14.9 million for the three months ended March 31, 2007 from € (7.7) million for the three months ended March 31, 2006.

Contractual Obligations

The contractual obligations are discussed in the annual report as at and for the period ended December 31, 2006. No significant changes occurred in our contractual obligations for the three months ended March 31, 2007.

Quantitative and Qualitative Disclosures about Market Risk

CEVA's risk factors are discussed in the annual report as at and for the period ended December 31, 2006. No significant changes occurred for the three months ended March 31, 2007.

Critical Accounting Policies

The accounting policies are discussed in the annual report as at and for the period ended December 31, 2006 and have been applied consistently herein.

Risk factors

Our operations and financial results are subject to various risks and uncertainties that could adversely affect our business, financial condition, results of operations and cash flows. Please refer also to our annual report as at and for the period ended December 31, 2006 for additional information concerning these and other uncertainties that could negatively impact the Company.

Forward-looking statements

This financial report includes forward-looking statements. All statements other than statements of historical fact included in this financial report, including the statements under the headings “Risk Factors,” “Operating and Financial Review and Prospects” and elsewhere in this financial 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 executives 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 risks, uncertainties and assumptions.

In addition, this financial 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 market research and industry reports. 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.

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