

CEVA Group Plc



Quarter 3 and Nine Months, 2007

Interim Financial Statements



# Profile .....

CEVA Logistics supply chain management is recognised by its customers for making their business flow through our commitment to their success. CEVA focuses on a diverse range of market sectors including automotive & tires, technology, industrial, retail & consumer goods, health care, publishing, aerospace and oil & gas. We offer our customers increased efficiency and reduced transit times, thanks to our ongoing focus on operations excellence and the visibility and control that we create in supply chains. As a leading global logistics company, we provide end-to-end design, implementation and operation of logistics solutions in contract logistics, freight forwarding, distribution management and transportation management for large and medium-sized national and multinational companies.

CEVA combines the heritage of two great companies, TNT Logistics and EGL, which merged in August 2007. We employ more than 50,000 people and operate an extensive global network with facilities in over 100 countries worldwide. We operate 614 warehouses around the globe summing a combined space of approximately 8,6 million square meters. For fiscal year 2006, CEVA reported combined pro forma sales of € 6 billion. CEVA is an Apollo portfolio company. Apollo is one of the leading private equity investors in the world. CEVA's CEO is John Pattullo. For more information go to [www.cevalogistics.com](http://www.cevalogistics.com)

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# Operating and financial review and prospects

The following is management's discussion and analysis of significant factors that have affected CEVA Group Plc's (the "Company") financial position and operating results and prospects during the periods included in the accompanying condensed unaudited 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 website at [www.cevalogistics.com](http://www.cevalogistics.com).

## Overview

This is the first time that CEVA presents the results of its acquired Freight Management business. On August 2, 2007 CEVA successfully completed the transformational acquisition of EGL (formerly known as Eagle Global Logistics) for approximately USD 2 billion. The acquisition was financed with a combination of USD 100 million new equity, USD 200 million from CEVA's own cash and the remainder with new debt. Headquartered in Houston Texas, EGL enhances CEVA's service offering. With the combination of both Contract Logistics and Freight Management activities we can now truly offer our customers complete *end to end* supply chain solutions. For the year ended December 31, 2006, EGL had revenue of € 2,531.4 million, an EBITDA<sup>1</sup> of € 104.7 million and employed over 12,000 employees. As a consequence of this acquisition, the consolidated results presented herein include two months of our Freight Management operations. This largely explains the increase in revenue and also the decrease in operating income. The Group has produced robust underlying earnings however the results presented have been adversely impacted by a charge of € 86.7 million associated with the amortisation of the EGL brand name as CEVA will become our Global Corporate identity following the brand launch on November 30, 2007. Excluding this non-cash charge, CEVA Group Plc would have produced positive net income.

Excluding the impact of the EGL acquisition, the results of our Contract Logistics business improved from the previous periods. Contract Logistics revenue for the 2007 period is in line with revenues for the 2006 period due to a combination of new business and growth in our existing customer base which was primarily offset by the agreed upon transfer of certain logistics activities to two of our customers. In addition, the growth in the Contract Logistics EBITDA is partly explained by the absence of significant non-recurring costs which were incurred as part of the CEVA acquisition of the Logistics business on November 4, 2006, including certain restructuring charges, transaction costs and retention payments.

<sup>1</sup> EBITDA is calculated as operating income plus depreciation, amortisation and impairment.

Results of operations for the three months ended September 30, 2007 and September 30, 2006

	Notes	Successor Consolidated <sup>1</sup> Three months ended September 30, 2007			Predecessor Combined <sup>1</sup> Three months ended September 30, 2006		
		Before specific items	Specific items	Total	Before specific items	Specific items	Total
<i>(Unaudited) (in € millions)</i>							
<b>Gross sales</b>		<b>1,447.2</b>	-	<b>1,447.2</b>	<b>840.4</b>	-	<b>840.4</b>
Customs duties and taxes		(115.9)	-	(115.9)	-	-	-
<b>Net sales</b>		<b>1,331.3</b>	-	<b>1,331.3</b>	<b>840.4</b>	-	<b>840.4</b>
Other operating revenues		1.6	-	1.6	1.4	-	1.4
<b>Total revenues</b>		<b>1,332.9</b>	-	<b>1,332.9</b>	<b>841.8</b>	-	<b>841.8</b>
<b>Other income</b>		<b>0.9</b>	-	<b>0.9</b>	<b>0.6</b>	-	<b>0.6</b>
Cost of materials		63.4	-	63.4	61.6	-	61.6
Work contracted out and other external expenses		791.9	-	791.9	435.1	-	435.1
Salaries and social security contributions	6	321.7	0.9	322.6	247.1	9.2	256.3
Depreciation, amortisation and impairments	6	33.0	86.7	119.7	19.8	-	19.8
Other operating expenses	6	63.7	5.3	69.0	41.1	52.6	93.7
<b>Total operating expenses</b>		<b>1,273.7</b>	<b>92.9</b>	<b>1,366.6</b>	<b>804.7</b>	<b>61.8</b>	<b>866.5</b>
<b>Operating income</b>		<b>60.1</b>	<b>(92.9)</b>	<b>(32.8)</b>	<b>37.7</b>	<b>(61.8)</b>	<b>(24.1)</b>
Interest receivable and similar income		3.7	-	3.7	4.7	-	4.7
Interest payable and similar expenses		(52.4)	-	(52.4)	(16.9)	-	(16.9)
Foreign exchange profit/(loss)		8.1	-	8.1	0.2	-	0.2
<b>Net financial expenses</b>		<b>(40.6)</b>	-	<b>(40.6)</b>	<b>(12.0)</b>	-	<b>(12.0)</b>
Results from investments in associates		(1.7)	-	(1.7)	(6.1)	-	(6.1)
<b>Profit/(Loss) before income taxes</b>		<b>17.8</b>	<b>(92.9)</b>	<b>(75.1)</b>	<b>19.6</b>	<b>(61.8)</b>	<b>(42.2)</b>
Income taxes		(6.4)	36.1	29.7	(15.0)	18.5	3.5
<b>Profit/(Loss) for the period from continuing operations</b>		<b>11.4</b>	<b>(56.8)</b>	<b>(45.4)</b>	<b>4.6</b>	<b>(43.3)</b>	<b>(38.7)</b>
Loss from discontinued operations	7	-	-	-	-	-	-
<b>Profit/(Loss) for the period</b>		<b>11.4</b>	<b>(56.8)</b>	<b>(45.4)</b>	<b>4.6</b>	<b>(43.3)</b>	<b>(38.7)</b>
<i>Attributable to:</i>							
Minority interests		0.3	-	0.3	0.5	-	0.5
Shareholders net investment		11.1	(56.8)	(45.7)	4.1	(43.3)	(39.2)
<b>Profit/(Loss) for the period</b>		<b>11.4</b>	<b>(56.8)</b>	<b>(45.4)</b>	<b>4.6</b>	<b>(43.3)</b>	<b>(38.7)</b>

(1) Definitions of Successor and Predecessor are provided in note 2.

Results of operations for the nine months ended September 30, 2007 and September 30, 2006

	Notes	Successor Consolidated			Predecessor Combined		
		Nine months ended September 30,					
		2007			2006		
		Before specific items	Specific items	Total	Before specific items	Specific items	Total
<i>(Unaudited) (in € millions)</i>							
<b>Gross sales</b>		<b>3,213.6</b>	-	<b>3,213.6</b>	<b>2,587.1</b>	-	<b>2,587.1</b>
Customs duties and taxes		(115.9)	-	(115.9)	-	-	-
<b>Net sales</b>		<b>3,097.7</b>	-	<b>3,097.7</b>	<b>2,587.1</b>	-	<b>2,587.1</b>
Other operating revenues		5.0	-	5.0	6.3	-	6.3
<b>Total revenues</b>		<b>3,102.7</b>	-	<b>3,102.7</b>	<b>2,593.4</b>	-	<b>2,593.4</b>
<b>Other income</b>		<b>1.8</b>	-	<b>1.8</b>	<b>2.3</b>	-	<b>2.3</b>
Cost of materials		194.7	-	194.7	188.3	-	188.3
Work contracted out and other external expenses		1,699.3	-	1,699.3	1,329.3	-	1,329.3
Salaries and social security contributions	6	850.5	0.9	851.4	770.2	19.4	789.6
Depreciation, amortisation and impairments	6	90.2	86.7	176.9	59.4	-	59.4
Other operating expenses	6	157.7	14.5	172.2	156.2	65.4	221.6
<b>Total operating expenses</b>		<b>2,992.4</b>	<b>102.1</b>	<b>3,094.5</b>	<b>2,503.4</b>	<b>84.8</b>	<b>2,588.2</b>
<b>Operating income</b>		<b>112.1</b>	<b>(102.1)</b>	<b>10.0</b>	<b>92.3</b>	<b>(84.8)</b>	<b>7.5</b>
Interest receivable and similar income		11.2	-	11.2	15.1	-	15.1
Interest payable and similar expenses		(113.4)	-	(113.4)	(59.7)	-	(59.7)
Foreign exchange profit/(loss)		10.2	-	10.2	(0.9)	-	(0.9)
<b>Net financial expenses</b>		<b>(92.0)</b>	-	<b>(92.0)</b>	<b>(45.5)</b>	-	<b>(45.5)</b>
Results from investments in associates		(1.7)	-	(1.7)	(6.3)	-	(6.3)
<b>Profit/(Loss) before income taxes</b>		<b>18.4</b>	<b>(102.1)</b>	<b>(83.7)</b>	<b>40.5</b>	<b>(84.8)</b>	<b>(44.3)</b>
Income taxes		(10.0)	35.1	25.1	(32.5)	25.4	(7.1)
<b>Profit/(Loss) for the period from continuing operations</b>		<b>8.4</b>	<b>(67.0)</b>	<b>(58.6)</b>	<b>8.0</b>	<b>(59.4)</b>	<b>(51.4)</b>
Loss from discontinued operations	7	-	-	-	(6.4)	-	(6.4)
<b>Profit/(Loss) for the period</b>		<b>8.4</b>	<b>(67.0)</b>	<b>(58.6)</b>	<b>1.6</b>	<b>(59.4)</b>	<b>(57.8)</b>
<i>Attributable to:</i>							
Minority interests		0.6	-	0.6	0.9	-	0.9
Shareholders net investment		7.8	(67.0)	(59.2)	0.7	(59.4)	(58.7)
<b>Profit/(Loss) for the period</b>		<b>8.4</b>	<b>(67.0)</b>	<b>(58.6)</b>	<b>1.6</b>	<b>(59.4)</b>	<b>(57.8)</b>

**Net Sales**

The following table shows our combined net sales for each business segment for the three months ended

September 30, 2007 and September 30, 2006 as a percentage of total net sales for these periods:

	Successor Consolidated		Predecessor Combined	
	Three months ended September 30,			
	2007		2006	
<i>(Unaudited) (in € millions and as a % of net sales per segment)</i>				
<b>Net Sales</b>				
Contract Logistics	833.5	62.6%	829.5	98.7%
Freight Management	497.8	37.4%	10.9	1.3%
<b>Total</b>	<b>1,331.3</b>	<b>100.0%</b>	<b>840.4</b>	<b>100.0%</b>

Net sales increased by 58.4% to € 1,331.3 million for the three months ended September 30, 2007 from € 840.4 million for the three months ended September 30, 2006. The primary driver of total growth is the first consolidation of Freight Management revenues in the Company following the acquisition of EGL on August 2, 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 Freight Management activities provided by CEVA.

Net Sales from Contract Logistics were in line between the three months ended September 30, 2007 and the three

months ended September 30, 2006. Despite securing new contracts across a number of regions including Australia, Southeast Asia, China, Belgium, The Netherlands, Central and Eastern Europe and Turkey, the benefit 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 tyre contract in North America. In addition, adverse foreign currency movements had the effect of lowering our revenue growth.

The following table shows our combined net sales for each business segment for the nine months ended September 30, 2007 and September 30, 2006 as a percentage of total net sales for these periods:

<i>(Unaudited) (in € millions and as a % of net sales per segment)</i>	Successor Consolidated		Predecessor Combined	
	Nine months ended September 30, 2007		2006	
<b>Net Sales</b>				
Contract Logistics	2,579.0	83.3%	2,553.9	98.7%
Freight Management	518.7	16.7%	33.2	1.3%
<b>Total</b>	<b>3,097.7</b>	<b>100.0%</b>	<b>2,587.1</b>	<b>100.0%</b>

Net Sales increased by 19.7% to € 3,097.7 million for the nine months ended September 30, 2007 from € 2,587.1 million for the nine months ended September 30, 2006. The primary driver of growth is the first consolidation of Freight Management revenues in the Company following the acquisition of EGL in August 2, 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 presents the reclassification of Freight Management activities provided by CEVA.

Net Sales from Contract Logistics exceeded the prior period as a result of a combination of new contracts and an increase in volumes on existing business across a number of regions including Australia, Southeast Asia, China, Belgium, The Netherlands, Central and Eastern Europe and Turkey. 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 tyre contract in North America. In addition, adverse foreign currency movements had the effect of lowering our revenue growth.

#### Operating Expense

Our operating expenses increased to € 1,366.6 million for the three months ended September 30, 2007 from € 866.5 million for the three months ended September 30, 2006 substantially as a result of the acquisition of EGL on August 2, 2007.

Our operating expenses increased to € 3,094.5 million for the nine months ended September 30, 2007 from € 2,588.2 million for the nine months ended September 30, 2006 substantially as a result of the acquisition of EGL on August 2, 2007.

**Cost of materials.** Cost of materials increased to € 63.4 million for the three months ended September 30, 2007 from € 61.6 million for the three months ended September 30, 2006. Cost of materials increased to € 194.7 million for the nine months ended September 30, 2007 from € 188.3 million for the nine months ended September 30, 2006.

This increase was primarily due to the overall growth in business in the United Kingdom, Europe and Asia Pacific which results from the agreed upon exit of a large tyre contract. This was partially offset by a decrease in the cost of materials in North America due to the decline in net sales. The acquisition of EGL had little impact on this cost category as there are few materials used in the Freight Management business.

#### Work contracted out and other external expenses.

Work contracted out and other external expenses increased to € 791.9 million for the three months ended September 30, 2007 from € 435.1 million for the three months ended September 30, 2006. Work contracted out and other external expenses increased to € 1,699.3 million for the nine months ended September 30, 2007 from € 1,329.3 million for the nine months ended September 30, 2006.

The increase was partially due to the first consolidation of Freight Management results in the Company following the acquisition of EGL on August 2, 2007. This increase was also driven by higher volumes on existing contracts and the commencement of operations on new contracts. The increase was partially offset by a reduction in North America due to a decline in net sales.

**Salaries and social security contributions.** Salaries and social security contributions increased to € 322.6 million for the three months ended September 30, 2007 from € 256.3 million for the three months ended September 30, 2006. Salaries and social security contributions increased to € 851.4 million for the nine months ended September 30, 2007 from € 789.6 million for the nine months ended September 30, 2006.

The increase is primarily due to the first consolidation of Freight Management results in the Company following the acquisition of EGL on August 2, 2007. For the Contract Logistics business the reduction for the nine months is mainly due to a reduction in personnel in North America and Italy in line with their lower net sales. This was partially offset by higher salary-related costs in other regions in line with their higher net sales. In the three months ended September 30, 2007, the salary-related costs in the other regions were offset by the reduction in North America and Italy. In addition, salary costs in the nine months ended September 30, 2006 included certain employee retention payments and restructuring costs which were incurred as part of the sale and transition of the Logistics business from TNT to CEVA.

**Depreciation, amortisation and impairment.**

Depreciation, amortisation and impairment increased to € 119.7 million for the three months ended September 30, 2007 from € 19.8 million for the three months ended September 30, 2006. Depreciation, amortisation and impairment increased to € 176.9 million for the nine months ended September 30, 2007 from € 59.4 million for the nine months ended September 30, 2006.

This increase relates to the purchase price accounting associated with our acquisition of EGL. 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 USD 233.0 million to the EGL brand name. We have chosen to have one corporate identity and, as a result, will rebrand EGL's operations to CEVA. The relaunch of the CEVA brand will take place as part of a Global campaign on November 30, 2007. As such, IFRS requires us to amortise the notional value assigned to the EGL brand name from the period of acquisition on August 2, 2007 until the rebranding on November 30, 2007. Consequently our results for the three months to September 30, 2007 and for the three months ending December 31, 2007 has and will include an equal charge amounting to USD 116.5 million (€ 86.7 million). This charge is an accounting entry only and is a non cash transaction.

**Other operating expenses.** Other operating expenses decreased to € 69.0 million for the three months ended September 30, 2007 from € 93.7 million for the three months ended September 30, 2006. Other operating expenses decreased by € 49.4 million to € 172.2 million for the nine months ended September 30, 2007 from € 221.6 million for the nine months ended September 30, 2006.

This movement is primarily due to separation costs of € 59.8 million incurred during the nine months ended September 30, 2006. The non-recurring charges incurred in 2006 relate to the sale and transition of the Logistics business from TNT to CEVA. These non-recurring costs are further described in note 6 of the Interim Financial Statements. This was partially offset by € 8.9 million rebranding costs incurred in the nine months ended September 30, 2007 which were not incurred in the same period in the prior year. Excluding these specific items, other operating expenses increased due to the first consolidation of Freight Management results in the Company following the acquisition of EGL on August 2, 2007.

## EBITDA

The following table shows our combined EBITDA for each business segment for the three months ended September 30, 2007 and September 30, 2006.

<i>(Unaudited) (in € millions and as a % of net sales per segment)</i>	Successor Consolidated		Predecessor Combined	
	Three months ended September 30,		2006	
	2007			
<b>Operating income</b>	<b>(32.8)</b>	<b>(2.5%)</b>	<b>(24.1)</b>	<b>(2.9%)</b>
Depreciation, amortisation and impairments	119.7	9.0%	19.8	2.4%
<b>EBITDA</b>	<b>86.9</b>	<b>6.5%</b>	<b>(4.3)</b>	<b>(0.5%)</b>
<i>EBITDA per segment</i>				
Contract Logistics	63.3	4.7%	(4.9)	(0.6%)
Freight Management	23.6	1.8%	0.6	0.1%
<b>Total EBITDA</b>	<b>86.9</b>	<b>6.5%</b>	<b>(4.3)</b>	<b>(0.5%)</b>

Our combined EBITDA increased to € 86.9 million for the three months ended September 30, 2007 from an EBITDA loss of € 4.3 million for the three months ended September 30, 2006. The primary driver of this increase is the first consolidation of Freight Management EBITDA in the company following the acquisition of EGL on August 2, 2007.

Within our Contract Logistics business EBITDA increased to € 63.3 million (including rebranding and separation costs) following a strong trading performance in 2007. This is a result of securing new business at a higher margin in comparison to terminated contracts. In addition,

2006 included non-recurring costs which were incurred as part of the sale and transition of the Logistics business from TNT to CEVA, including certain restructuring charges, advisor costs, contract and employee retention payments. The current period performance has also been positively impacted by efficiencies within the head office operations of the Company resulting in cost recharge reductions (including license fees incurred from our prior parent).

The following table shows our combined EBITDA for each business segment for the nine months ended September 30, 2007 and September 30, 2006.

<i>(Unaudited) (in € millions and as a % of net sales per segment)</i>	Successor Consolidated		Predecessor Combined	
	Nine months ended September 30,		2006	
	2007			
<b>Operating income</b>	<b>10.0</b>	<b>0.3%</b>	<b>7.5</b>	<b>0.3%</b>
Depreciation, amortisation and impairments	176.9	5.7%	59.4	2.3%
<b>EBITDA</b>	<b>186.9</b>	<b>6.0%</b>	<b>66.9</b>	<b>2.6%</b>
<i>EBITDA per segment</i>				
Contract Logistics	162.2	5.2%	65.7	2.5%
Freight Management	24.7	0.8%	1.2	0.1%
<b>Total EBITDA</b>	<b>186.9</b>	<b>6.0%</b>	<b>66.9</b>	<b>2.6%</b>

Our combined EBITDA increased to € 186.9 million for the nine months ended September 30, 2007 from € 66.9 million for the nine months ended September 30, 2006. The primary driver of this increase is the first consolidation of Freight Management EBITDA in the company following the acquisition of EGL on August 2, 2007.

Within our Contract Logistics business EBITDA increased to € 162.2 million (including rebranding and separation costs) following a strong trading performance in 2007. This is a result of securing new business at a higher margin in comparison to terminated contracts. In addition, 2006 included non-recurring costs which were incurred as part of the sale and transition of the Logistics business from TNT to CEVA, including certain restructuring charges, advisor costs, contract and employee retention payments. The current period performance has also been positively impacted by efficiencies within the head office operations of the Company resulting in cost recharge reductions (including license fees incurred from our prior parent).

**Net financial expense.** Net financial expense increased to € 40.6 million for the three months ended September 30, 2007 from € 12.0 million for the three months ended September 30, 2006, due to the increased interest charge as a result of our new capital structure.

Net financial expense increased to € 92.0 million for the nine months ended September 30, 2007 from € 45.5 million for the nine months ended September 30, 2006, due to the increased interest expense resulting from our new capital structure.

Net financial expense includes a foreign exchange gain of € 8.1 million for the three months ended September 30, 2007 from € 0.2 million for the three months ended September 30, 2006. This increase is primarily due to unrealised foreign exchange gains on USD denominated loans.

Net financial expense includes a foreign exchange gain of € 10.2 million for the nine months ended September 30, 2007 from a loss of € 0.9 million for the nine months ended September 30, 2006. The increase is primarily due to unrealised foreign exchange gains on USD denominated loans.

**Results from investments in associates.** Results from investments in associates is a loss of € 1.7 million for the three months ended September 30, 2007 compared to a loss of € 6.1 million for the three months ended September 30, 2006.

Results from investments in associates is a loss of € 1.7 million for the nine months ended September 30, 2007 compared to a loss of € 6.3 million for the nine months ended September 30, 2006.

**Income taxes.** Income taxes includes a gain of € 29.7 million for the three months ended September 30, 2007 from a gain of € 3.5 million for the three months ended September 30, 2006 as a consequence of the deferred tax impact arising from the amortisation of the EGL brand name.

Income taxes includes a gain of € 25.1 million for the nine months ended September 30, 2007 from a charge of € 7.1 million for the nine months ended September 30, 2006 as a consequence of the deferred tax impact arising from the amortisation of the EGL brand name.

**Loss for the period from continuing operations.**

Losses from continuing operations consisted of € 45.4 million for the three months ended September 30, 2007 compared to a loss of € 38.7 million for the three months ended September 30, 2006. This primarily relates to the partial amortisation of the EGL brand name of € 86.7 million.

Loss from continuing operations increased to € 58.6 million for the nine months ended September 30, 2007 from a loss of € 51.4 million for the nine months ended September 30, 2006. This primarily relates to the partial amortisation of the EGL brand name of € 86.7 million.

**Loss from discontinued operations.** There is no loss from discontinued operations for the three months ended September 30, 2007 or for the three months ended September 30, 2006.

The results from discontinued operations for the nine months ended September 30, 2006, includes 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 three month period ended September 30, 2007 increased to € 45.4 million in comparison to € 38.7 million for the same period in the prior year. This is primarily due to the first consolidation of Freight Management results, which includes a non cash charge of € 86.7 million relating to the partial amortisation of the EGL brand name.

The loss for the nine month period ended September 30, 2007 increased to € 58.6 million in comparison to € 57.8 million for the same period in the prior year. This is primarily due to the first consolidation of Freight Management results, which includes a non cash charge of € 86.7 million relating to the partial amortisation the EGL brand name.

### Financing Arrangements

On August 2, 2007 CEVA Group Plc entered into a USD 1,400 million senior unsecured (bridge) loan which was used to part finance the acquisition of EGL. This loan was partially replaced on August 13, 2007 when CEVA Group Plc issued USD 400 million of second-lien notes. These notes have a coupon of 10%, matures in 2014 and interest is paid semi-annually in arrears commencing ↗

March 1, 2008. The remaining USD 1,000 million senior unsecured (bridge) loan is of a long term nature, maturing in 2015.

### Contractual Obligations

The following table summarises our material contractual obligations as of September 30, 2007.

### Expected cash payments due by period

(Unaudited and in € million)	September 30, 2007				
	Total	Less than 1 year	1- 3 years	3 - 5 years	Thereafter
Senior Secured Facilities <sup>1</sup>	719.5	7.4	14.8	14.8	682.5
Senior unsecured (bridge) loan <sup>1</sup>	704.7	-	-	-	704.7
Senior notes <sup>1</sup>	505.0	-	-	-	505.0
Senior subordinated notes <sup>1</sup>	225.0	-	-	-	225.0
Second lien notes <sup>1</sup>	282.1	-	-	-	282.1
Other indebtedness	49.2	49.2	-	-	-
Finance leases	34.0	5.6	11.7	4.4	12.3
<b>Subtotal</b>	<b>2,519.5</b>	<b>62.2</b>	<b>26.5</b>	<b>19.2</b>	<b>2,411.6</b>
Operating leases	735.2	182.2	281.9	139.3	131.8
Purchase commitments <sup>2</sup>	2.6	2.6	-	-	-
<b>Total</b>	<b>3,257.3</b>	<b>247.0</b>	<b>308.4</b>	<b>158.5</b>	<b>2,543.4</b>

(1) Obligations relating to borrowings refer only to principal payments.

(2) Purchase commitments principally relate to capital expenditures for additional warehousing facilities and improvements to existing warehouse facilities.

\* Other than guarantees, leases, customs bonds, surety bonds, security time deposits and other similar arrangements that are disclosed in the financial statements of CEVA, we have no off-balance sheet arrangements.

\*\* Estimated obligations relating to interest on borrowings total approximately € 1,563.6 million, of which € 177.6 million is due within a year, € 438.4 million is due within one to three years, € 436.1 million is due within three to five years and € 511.6 million is due after five years. The above assumes that the senior unsecured (bridge) loan will be replaced with a source of funds carrying a similar rate of interest.

### Quantitative and Qualitative Disclosures about Market Risk

Our debt instruments that bear 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 in current market interest rates would have been approximately € 37.0 million.

### Critical Accounting Policies

The accounting policies are discussed in CEVA's Annual Report as at and for the year ended December 31, 2006 and have been applied consistently throughout our Contract Logistics and Freight Management business.

**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 also refer to our Annual Report for the year ended December 31, 2006 for additional information concerning these and other uncertainties that could adversely impact the Company. Please also refer to the Bond Offering Circular for the USD 400 million 10% Second-Priority Senior Secured Notes as this includes detailed commentary on the risk factors relating to CEVA's combined Contract Logistics and Freight Management activities.

**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, the Freight Management 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, the Freight Management 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.

**Statement of directors responsibilities**

The directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by the UK Disclosure and Transparency Rules (section 4.2.7 and 4.2.8).

The directors of CEVA Group Plc are listed in its Annual Report for the period ended 31 December 2006, with the exception of the following changes in the period: Daniel DiMaggio resigned from the Board effective August 31, 2007. A list of current directors is maintained on the CEVA website: [www.cevalogistics.com](http://www.cevalogistics.com).

# Statements of income

For the three months ended and nine months ended September 30, 2007 of CEVA Group Plc (successor) and September 30, 2006 of the acquired logistics business (predecessor).

	Notes	Successor Consolidated <sup>1</sup> Three months ended September 30, 2007			Predecessor Combined <sup>1</sup> 2006		
		Before specific items	Specific items	Total	Before specific items	Specific items	Total
<i>(Unaudited) (in € millions)</i>							
<b>Gross sales</b>		<b>1,447.2</b>	-	<b>1,447.2</b>	<b>840.4</b>	-	<b>840.4</b>
Customs duties and taxes		(115.9)	-	(115.9)	-	-	-
<b>Net sales</b>		<b>1,331.3</b>	-	<b>1,331.3</b>	<b>840.4</b>	-	<b>840.4</b>
Other operating revenues		1.6	-	1.6	1.4	-	1.4
<b>Total revenues</b>		<b>1,332.9</b>	-	<b>1,332.9</b>	<b>841.8</b>	-	<b>841.8</b>
<b>Other income</b>		<b>0.9</b>	-	<b>0.9</b>	<b>0.6</b>	-	<b>0.6</b>
Cost of materials		63.4	-	63.4	61.6	-	61.6
Work contracted out and other external expenses		791.9	-	791.9	435.1	-	435.1
Salaries and social security contributions	6	321.7	0.9	322.6	247.1	9.2	256.3
Depreciation, amortisation and impairments	6	33.0	86.7	119.7	19.8	-	19.8
Other operating expenses	6	63.7	5.3	69.0	41.1	52.6	93.7
<b>Total operating expenses</b>		<b>1,273.7</b>	<b>92.9</b>	<b>1,366.6</b>	<b>804.7</b>	<b>61.8</b>	<b>866.5</b>
<b>Operating income</b>		<b>60.1</b>	<b>(92.9)</b>	<b>(32.8)</b>	<b>37.7</b>	<b>(61.8)</b>	<b>(24.1)</b>
Interest receivable and similar income		3.7	-	3.7	4.7	-	4.7
Interest payable and similar expenses		(52.4)	-	(52.4)	(16.9)	-	(16.9)
Foreign exchange profit/(loss)		8.1	-	8.1	0.2	-	0.2
<b>Net financial expenses</b>		<b>(40.6)</b>	-	<b>(40.6)</b>	<b>(12.0)</b>	-	<b>(12.0)</b>
Results from investments in associates		(1.7)	-	(1.7)	(6.1)	-	(6.1)
<b>Profit/(Loss) before income taxes</b>		<b>17.8</b>	<b>(92.9)</b>	<b>(75.1)</b>	<b>19.6</b>	<b>(61.8)</b>	<b>(42.2)</b>
Income taxes		(6.4)	36.1	29.7	(15.0)	18.5	3.5
<b>Profit/(Loss) for the period from continuing operations</b>		<b>11.4</b>	<b>(56.8)</b>	<b>(45.4)</b>	<b>4.6</b>	<b>(43.3)</b>	<b>(38.7)</b>
Loss from discontinued operations	7	-	-	-	-	-	-
<b>Profit/(Loss) for the period</b>		<b>11.4</b>	<b>(56.8)</b>	<b>(45.4)</b>	<b>4.6</b>	<b>(43.3)</b>	<b>(38.7)</b>
<i>Attributable to:</i>							
Minority interests		0.3	-	0.3	0.5	-	0.5
Shareholders net investment		11.1	(56.8)	(45.7)	4.1	(43.3)	(39.2)
<b>Profit/(Loss) for the period</b>		<b>11.4</b>	<b>(56.8)</b>	<b>(45.4)</b>	<b>4.6</b>	<b>(43.3)</b>	<b>(38.7)</b>

(1) Definitions of Successor and Predecessor are provided in note 2.

	Successor Consolidated			Predecessor Combined			
	Nine months ended September 30,						
	2007			2006			
(Unaudited) (in € millions)	Notes	Before specific items	Specific items	Total	Before specific items	Specific items	Total
<b>Gross sales</b>		<b>3,213.6</b>	-	<b>3,213.6</b>	<b>2,587.1</b>	-	<b>2,587.1</b>
Customs duties and taxes		(115.9)	-	(115.9)	-	-	-
<b>Net sales</b>		<b>3,097.7</b>	-	<b>3,097.7</b>	<b>2,587.1</b>	-	<b>2,587.1</b>
Other operating revenues		5.0	-	5.0	6.3	-	6.3
<b>Total revenues</b>		<b>3,102.7</b>	-	<b>3,102.7</b>	<b>2,593.4</b>	-	<b>2,593.4</b>
<b>Other income</b>		<b>1.8</b>	-	<b>1.8</b>	<b>2.3</b>	-	<b>2.3</b>
Cost of materials		194.7	-	194.7	188.3	-	188.3
Work contracted out and other external expenses		1,699.3	-	1,699.3	1,329.3	-	1,329.3
Salaries and social security contributions	6	850.5	0.9	851.4	770.2	19.4	789.6
Depreciation, amortisation and impairments	6	90.2	86.7	176.9	59.4	-	59.4
Other operating expenses	6	157.7	14.5	172.2	156.2	65.4	221.6
<b>Total operating expenses</b>		<b>2,992.4</b>	<b>102.1</b>	<b>3,094.5</b>	<b>2,503.4</b>	<b>84.8</b>	<b>2,588.2</b>
<b>Operating income</b>		<b>112.1</b>	<b>(102.1)</b>	<b>10.0</b>	<b>92.3</b>	<b>(84.8)</b>	<b>7.5</b>
Interest receivable and similar income		11.2	-	11.2	15.1	-	15.1
Interest payable and similar expenses		(113.4)	-	(113.4)	(59.7)	-	(59.7)
Foreign exchange profit/(loss)		10.2	-	10.2	(0.9)	-	(0.9)
<b>Net financial expenses</b>		<b>(92.0)</b>	-	<b>(92.0)</b>	<b>(45.5)</b>	-	<b>(45.5)</b>
Results from investments in associates		(1.7)	-	(1.7)	(6.3)	-	(6.3)
<b>Profit/(Loss) before income taxes</b>		<b>18.4</b>	<b>(102.1)</b>	<b>(83.7)</b>	<b>40.5</b>	<b>(84.8)</b>	<b>(44.3)</b>
Income taxes		(10.0)	35.1	25.1	(32.5)	25.4	(7.1)
<b>Profit/(Loss) for the period from continuing operations</b>		<b>8.4</b>	<b>(67.0)</b>	<b>(58.6)</b>	<b>8.0</b>	<b>(59.4)</b>	<b>(51.4)</b>
Loss from discontinued operations	7	-	-	-	(6.4)	-	(6.4)
<b>Profit/(Loss) for the period</b>		<b>8.4</b>	<b>(67.0)</b>	<b>(58.6)</b>	<b>1.6</b>	<b>(59.4)</b>	<b>(57.8)</b>
<i>Attributable to:</i>							
Minority interests		0.6	-	0.6	0.9	-	0.9
Shareholders net investment		7.8	(67.0)	(59.2)	0.7	(59.4)	(58.7)
<b>Profit/(Loss) for the period</b>		<b>8.4</b>	<b>(67.0)</b>	<b>(58.6)</b>	<b>1.6</b>	<b>(59.4)</b>	<b>(57.8)</b>

# Balance sheets

Assets as at September 30, 2007 and December 31, 2006 of CEVA Group Plc.

<i>(in € millions)</i>	<b>Notes</b>	<b>September 30, 2007 <i>(Unaudited)</i></b>	<b>December 31, 2006 <i>(Audited)</i></b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Goodwill		1,586.8	693.3
Contractual customer relationships		806.0	467.9
Other intangible assets		23.8	3.4
<b>Total intangible assets</b>		<b>2,416.6</b>	<b>1,164.6</b>
<b>Property, plant and equipment</b>			
Land and buildings		249.7	206.6
Plant and equipment		153.6	135.5
Other		46.6	32.5
Construction in progress		3.6	12.5
<b>Total property, plant and equipment</b>		<b>453.5</b>	<b>387.1</b>
<b>Financial fixed assets</b>			
Investments in associates		0.2	0.6
Other loans receivable		10.9	4.7
Deferred tax assets		75.2	43.6
Prepayments and accrued income		64.3	46.7
<b>Total financial fixed assets</b>		<b>150.6</b>	<b>95.6</b>
<b>Total non-current assets</b>		<b>3,020.7</b>	<b>1,647.3</b>
<b>Current assets</b>			
Inventory		36.8	22.1
Accounts receivable		1,044.4	639.7
Income tax receivable		3.5	23.7
Prepayments and accrued income		296.3	163.4
Cash and cash equivalents		216.9	264.7
<b>Total current assets</b>		<b>1,597.9</b>	<b>1,113.6</b>
Assets held for sale		1.7	-
<b>Total assets</b>		<b>4,620.3</b>	<b>2,760.9</b>

# Balance sheets

Equity and liabilities as at September 30, 2007 and December 31, 2006 of CEVA Group Plc (continued).

<i>(in € millions)</i>	<b>Notes</b>	<b>September 30, 2007 <i>(Unaudited)</i></b>	<b>December 31, 2006 <i>(Audited)</i></b>
<b>EQUITY AND LIABILITIES</b>			
Issued share capital		0.6	0.5
Share premium		382.1	309.5
Cumulative translation adjustment		(31.3)	(2.6)
Retained earnings brought forward		(21.8)	-
Result for the period		(59.2)	(21.8)
<b>Attributable to equity holders of the parent</b>		<b>270.4</b>	<b>285.6</b>
Minority interests		35.3	33.2
<b>Total group equity</b>		<b>305.7</b>	<b>318.8</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		334.4	191.5
Provisions for pension liabilities		121.0	122.9
Other provisions		87.2	80.6
Long term debt	9	2,375.1	1,141.3
Accrued liabilities		10.1	12.3
<b>Total non-current liabilities</b>		<b>2,927.8</b>	<b>1,548.6</b>
<b>Current liabilities</b>			
Trade accounts payable to CEVA Investments		10.5	-
Trade accounts payable		597.4	279.6
Short term provisions		40.4	38.9
Other current liabilities		232.7	231.3
Income tax payable		24.4	22.9
Accrued current liabilities		481.4	320.8
<b>Total current liabilities</b>		<b>1,386.8</b>	<b>893.5</b>
<b>Total equity and liabilities</b>		<b>4,620.3</b>	<b>2,760.9</b>

# Cash flow statements

For the three months ended and nine months ended September 30, 2007 of CEVA Group Plc (successor) and September 30, 2006 of the Logistics business (predecessor).

<i>(Unaudited) (in € millions)</i>	Successor	Predecessor	Successor	Predecessor
	Consolidated	Combined	Consolidated	Combined
	Three months ended		Nine months ended	
	September 30,		September 30,	
	2007	2006	2007	2006
<b>Profit/(Loss) after income taxes</b>	<b>(75.1)</b>	<b>(42.2)</b>	<b>(83.7)</b>	<b>(44.3)</b>
<i>Adjustments for:</i>				
Depreciation, amortisation and impairments	119.6	19.8	176.8	59.4
(Profit)/Loss on sale of property, plant and equipment	(0.9)	2.0	(1.8)	2.3
<i>Investment income and results from investments in associate:</i>				
Interest and similar income	(3.7)	(3.9)	(11.2)	(14.3)
Interest and similar expense	49.2	16.3	107.4	59.7
Foreign exchange (gains) and losses	(8.1)	-	(10.2)	-
Results from investments in associates	1.7	6.2	1.7	6.3
Amortisation of debt issuance costs	3.2	-	6.0	-
<i>Changes in provisions:</i>				
Pension liabilities	(6.1)	(5.7)	(17.0)	(5.9)
Other provisions	(5.9)	1.8	(12.3)	(11.4)
<i>Changes in working capital:</i>				
Inventory	3.4	0.6	0.8	(1.6)
Accounts receivable	(9.0)	56.9	32.3	155.1
Prepayments and accrued income	18.8	1.2	(2.3)	(38.4)
Trade payables	32.5	2.6	45.0	(4.7)
Other current liabilities excluding short term financing and taxes	26.7	(26.8)	33.1	(76.1)
Accrued current liabilities	(49.5)	(37.6)	(51.7)	-
<b>Cash generated from/(used in) operations</b>	<b>96.8</b>	<b>(8.8)</b>	<b>212.9</b>	<b>86.1</b>
Interest paid	(27.9)	(5.4)	(83.1)	(13.6)
Change in income taxes	(1.2)	16.5	(9.9)	(28.4)
Increase in long term accrued liabilities	(4.1)	0.5	(2.2)	-
<b>Net cash from operating activities</b>	<b>63.6</b>	<b>2.8</b>	<b>117.7</b>	<b>44.1</b>
Acquisition of entities (net of cash)	(1,361.4)	-	(1,361.4)	(13.0)
Disposal of associates	-	2.9	-	2.9
Capital expenditure on intangible assets	(0.8)	(3.8)	(4.7)	(5.1)
Proceeds from sale of intangible assets	-	0.2	-	0.2
Capital expenditure on property, plant and equipment	(19.3)	(20.5)	(48.4)	(52.3)
Proceeds from sale of property, plant and equipment	1.0	(0.9)	30.8	0.9
Other changes in financial fixed assets	(1.9)	(3.0)	6.7	16.3
Changes in minority interests	0.3	0.5	0.6	0.9
Interest received	3.7	3.9	11.2	14.3
<b>Net cash used in investing activities</b>	<b>(1,378.4)</b>	<b>(20.7)</b>	<b>(1,365.2)</b>	<b>(34.9)</b>
Issuance of shares	72.7	-	72.7	-
Other net investment changes	-	227.6	-	381.2
Proceeds from long term borrowings	1,304.2	4.5	1,304.2	4.5
Repayments of long term borrowings	(75.2)	(245.5)	(75.2)	(263.5)
Costs of long term borrowings	-	-	(2.7)	-
Proceeds from short term borrowings	50.9	130.6	50.9	133.5
Repayments to short term borrowings	(8.4)	-	(60.8)	-
Repayments upon business combinations	(44.0)	-	(85.2)	-
Movements of finance leases	(1.2)	(0.4)	(1.9)	(0.9)
Financing related to discontinued French logistics business	-	(2.1)	-	(140.3)
<b>Net cash provided by financing activities</b>	<b>1,299.0</b>	<b>114.7</b>	<b>1,202.0</b>	<b>114.5</b>
<b>Change in cash and cash equivalents</b>	<b>(15.8)</b>	<b>96.9</b>	<b>(45.5)</b>	<b>123.7</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>234.7</b>	<b>120.3</b>	<b>264.7</b>	<b>93.4</b>
Change in cash	(15.8)	96.8	(45.5)	123.7
Foreign exchange impact on cash and cash equivalents	(2.0)	-	(2.3)	-
<b>Cash and cash equivalents at the end of the period</b>	<b>216.9</b>	<b>217.1</b>	<b>216.9</b>	<b>217.1</b>

# Statement of changes in equity

For the nine months ended September 30, 2007 of CEVA Group Plc.

<i>(Unaudited) (in € millions)</i>	Issued share capital	Share premium	Cumulative translation adjustment	Retained earnings	Attributable to the equity holders of the parent	Minority interest	Total group equity
<b>Balance at December 31, 2006</b>	<b>0.5</b>	<b>309.5</b>	<b>(2.6)</b>	<b>(21.8)</b>	<b>285.6</b>	<b>33.2</b>	<b>318.8</b>
Result for the period	-	-	-	(59.2)	(59.2)	0.6	(58.6)
Currency translation adjustment / other	0.1	72.6	(28.7)	-	44.0	1.5	45.5
<b>Balance at September 30, 2007</b>	<b>0.6</b>	<b>382.1</b>	<b>(31.3)</b>	<b>(81.0)</b>	<b>270.4</b>	<b>35.3</b>	<b>305.7</b>

# Notes to the condensed interim financial statements *(unaudited)*

## 1. GENERAL INFORMATION AND DESCRIPTION OF OUR BUSINESS

CEVA Group Plc is incorporated in England and Wales as a public company with limited liability. The direct parent of CEVA Group Plc is CEVA Investments Limited.

On August 2, 2007 CEVA 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. As a result of this transaction, EGL is now a wholly owned subsidiary of CEVA Group Plc.

These condensed interim financial statements include the financial statements of CEVA Group Plc and its consolidated subsidiaries (hereinafter referred to as "we", "CEVA", "CEVA Group", "CEVA Group Plc", "our" or "us" or "the Company"). The Company has issued senior and senior subordinated notes which are listed on the Alternative Securities Market of the Irish Stock Exchange (the unregulated market).

CEVA is a leading global logistics company. CEVA Logistics designs, implements and operates complex supply chain solutions on a national, regional or global scale for medium to large enterprises. With more than 50,000 dedicated professionals working in 1,000 locations worldwide, we manage over 8 million square metres of warehouse space. Our international network is available in more than 100 countries. CEVA is a world market leader in supply chain management for Automotive and Tyres and has leading positions in many other sectors including Industrial, Technology, Oil and Gas, Healthcare, Aerospace and Publishing.

## 2. BASIS OF PREPARATION

The condensed interim financial statements for the three months ended and nine months ended September 30, 2007 and September 30, 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*. These standards should be read in conjunction with our 2006 Annual Report.

IFRS, as adopted by the EU, differs 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 (€) million to one decimal place, unless indicated otherwise.

The interim condensed consolidated financial statements for the three months and nine months ended September 30, 2007, which were approved by the Board of Directors on November 28, 2007, do not constitute statutory accounts within the meaning of section 240 of the Companies Act of 1985.

### Successor

The financial statements include the accounts of CEVA Group Plc and its subsidiaries. Inter company transactions and balances have been eliminated. Equity investments over which we exercise significant influence but do not exercise control and are not the primary beneficiary of, 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, if impractical to determine fair value.

### 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 three months ended September 30, 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 not necessarily representative or indicative of the financial position, results of operations or cash flows that would have been obtained had the Logistics business been 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 Technology and Fast Moving Consumer Goods 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.

The global footprint of our company decreases the overall seasonality of our business. ↗

### 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, which is 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. Derivative financial instruments not designated as hedges are adjusted to fair value through income.

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 September 30, 2007 exchange rates (conversion against the Euro) are shown below:

	Period end closing <sup>1</sup>	Average <sup>2</sup>
British pound	1,4351	1,4783
US dollar	0,7053	0,7439

(1) Source: European Central Bank, reference rates on the last day of the three month period.

(2) The average is calculated as the nine month average of the month-end closing rates of the European Central Bank.

### Certain Definitions

In the condensed combined interim financial statements for the three months ended and nine months ended September 30, 2007 and September 30, 2006, certain definitions have been used in line with the certain definitions used in the Annual Report as at and for the year ended December 31, 2006. For more information on these definitions we refer to information in the Annual Report as at and for the year ended December 31, 2006.

### 3. ACCOUNTING POLICIES

The accounting policies adopted in this interim financial report are consistent with those of the financial statements for the period ended December 31, 2006, as described in the Annual Report. However, the presentation of certain information has changed.

In prior periods, 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 Logistics. Therefore CEVA did not have a secondary segment for reporting purposes. Due to the acquisition of EGL, the Group identified an additional reportable segment, being Freight Management. CEVA now defines its business segments to be its primary reporting segments and geographical segments as its secondary reporting segments. As a result of this change, the Group has redefined the segment allocation of certain income. Corresponding figures shown in these interim consolidated financial statements have been reclassified for this change. Segmental reporting is disclosed in note 4.

CEVA has also changed its 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. 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 or losses on the disposal of businesses, the restructuring and integration of businesses, significant asset impairments, material litigation and claims and the amortisation of certain acquired intangible assets, amongst others. Note 6 outlines the details of the specific items.

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 2006 financial period or on the net assets at as 31 December 2006.

#### **New standards and interpretations due to be implemented**

We are currently evaluating the impact of adoption of these IFRS and IFRIC standards as at January 1, 2007, but do not anticipate a material impact on our financial statements, apart from IFRS 7, which is under review by the Company.

During 2006 and 2007 the IASB and IFRIC issued:

- 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, when ratified<sup>2</sup>.

- IFRS 7 *Financial Instruments: Disclosures*<sup>1</sup> – This standard deals with financial instrument disclosures and 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.
- IFRIC 14 – IAS 19 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* – This interpretation provides general guidance on how to assess the limit in IAS 19 Employee Benefits on the amount of a pension fund surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement. The Interpretation will standardise practice and ensure that entities recognise an asset in relation to a surplus on a consistent basis. No additional liability need be recognised by the employer under IFRIC 14 unless the contributions that are payable under the minimum funding requirement cannot be returned to the company. This interpretation will be implemented by the CEVA Group for annual periods beginning on or after January 1, 2008.
- IFRIC 10 *Interim Financial Reporting and Impairment*<sup>1</sup> – 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 financial statement must not be reversed in subsequent interim or annual financial statements.
- 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 CEVA Group to the annual period beginning January 1, 2009 when ratified<sup>2</sup>.
- IFRIC 11 – IFRS 2 *Group and Treasury Share Transactions* – This interpretation 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 CEVA Group

<sup>1</sup> This standard will be implemented by CEVA Group for annual periods beginning January 1, 2007.

<sup>2</sup> This indicates standards and interpretations not yet ratified by the European Union.

for annual periods beginning January 1, 2008.

- IFRIC 12 *Service Concession Arrangements* – This interpretation outlines an approach to account for contractual arrangements arising from entities providing public services. This interpretation will be implemented by the CEVA Group for annual periods beginning on or after January 1, 2008 when ratified<sup>2</sup>.
- IFRIC 7 *Applying the Restatement Approach under IAS 30 Financial Reporting in Hyperinflationary Economies*<sup>2</sup> – This interpretation provides guidance on how to apply the requirements of IAS 30 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 30.
- IFRIC 8 *Scope of IFRS 2*<sup>2</sup> – 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.
- IFRIC 9 *Reassessment of Embedded Derivatives*<sup>1</sup> – 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.
- IFRIC 13 *Customer Loyalty Programmes* – This interpretation addresses accounting by entities which grant loyalty award credits (such as “points” or travel miles) to customers who buy other goods or services.

Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services (“awards”) to customers who redeem award credits. This interpretation will be implemented by the CEVA Group for annual periods beginning on or after January 1, 2009.

#### 4. SEGMENTAL REPORTING

In prior periods, 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 Logistics. Therefore CEVA did not have a secondary segment for reporting purposes. Due to the acquisition of EGL, the Group identified an additional reportable segment, being Freight Management. CEVA now defines its business segments to be its primary reporting segments and geographical segments as its secondary reporting segments. 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.

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 2006 financial period or on the net assets at as 31 December 2006.

(Unaudited) (in € millions)	Successor Consolidated Three months ended September 30, 2007			
	Contract Logistics	Freight Management	Inter-segment transactions	Total
<b>Net sales</b>	<b>833.5</b>	<b>497.8</b>	-	<b>1,331.3</b>
Inter-segment sales	(1.0)	1.6	(0.6)	-
Other operating revenues	1.5	0.1	-	1.6
<b>Total revenues</b>	<b>834.0</b>	<b>499.5</b>	<b>(0.6)</b>	<b>1,332.9</b>
<b>Other income</b>	<b>0.9</b>	-	-	<b>0.9</b>
Depreciation, amortisation and impairments	24.2	95.5	-	119.7
Other operating expenses	771.6	475.9	(0.6)	1,246.9
<b>Total operating expenses</b>	<b>795.8</b>	<b>571.4</b>	<b>(0.6)</b>	<b>1,366.6</b>
<b>Operating income</b>	<b>39.1</b>	<b>(71.9)</b>	-	<b>(32.8)</b>

<sup>1</sup> This standard will be implemented by CEVA Group for annual periods beginning January 1, 2007.

<sup>2</sup> This indicates standards and interpretations not yet ratified by the European Union.

Predecessor Combined Three months ended September 30, 2006				
<i>(Unaudited) (in € millions)</i>	Contract Logistics	Freight Management	Inter-segment transactions	Total
<b>Net sales</b>	<b>829.5</b>	<b>10.9</b>	-	<b>840.4</b>
Inter-segment sales	-	-	-	-
Other operating revenues	1.4	-	-	1.4
<b>Total revenues</b>	<b>830.9</b>	<b>10.9</b>	-	<b>841.8</b>
<b>Other income</b>	<b>0.6</b>	-	-	<b>0.6</b>
Depreciation, amortisation and impairments	19.8	-	-	19.8
Other operating expenses	836.4	10.3	-	846.7
<b>Total operating expenses</b>	<b>856.2</b>	<b>10.3</b>	-	<b>866.5</b>
<b>Operating income</b>	<b>(24.7)</b>	<b>0.6</b>	-	<b>(24.1)</b>

Successor Consolidated Nine months ended September 30, 2007				
<i>(Unaudited) (in € millions)</i>	Contract Logistics	Freight Management	Inter-segment transactions	Total
<b>Net sales</b>	<b>2,579.0</b>	<b>518.7</b>	-	<b>3,097.7</b>
Inter-segment sales	0.4	3.9	(4.3)	-
Other operating revenues	4.7	0.3	-	5.0
<b>Total revenues</b>	<b>2,584.1</b>	<b>522.9</b>	<b>(4.3)</b>	<b>3,102.7</b>
<b>Other income</b>	<b>1.8</b>	-	-	<b>1.8</b>
Depreciation, amortisation and impairments	81.4	95.5	-	176.9
Other operating expenses	2,423.7	498.2	(4.3)	2,917.6
<b>Total operating expenses</b>	<b>2,505.1</b>	<b>593.7</b>	<b>(4.3)</b>	<b>3,094.5</b>
<b>Operating income</b>	<b>80.8</b>	<b>(70.8)</b>	-	<b>10.0</b>

Predecessor Combined Nine months ended September 30, 2006				
<i>(Unaudited) (in € millions)</i>	Contract Logistics	Freight Management	Inter-segment transactions	Total
<b>Net sales</b>	<b>2,553.9</b>	<b>33.2</b>	-	<b>2,587.1</b>
Inter-segment sales	-	-	-	-
Other operating revenues	6.2	0.1	-	6.3
<b>Total revenues</b>	<b>2,560.1</b>	<b>33.3</b>	-	<b>2,593.4</b>
<b>Other income</b>	<b>2.3</b>	-	-	<b>2.3</b>
Depreciation, amortisation and impairments	59.3	0.1	-	59.4
Other operating expenses	2,496.7	32.1	-	2,528.8
<b>Total operating expenses</b>	<b>2,556.0</b>	<b>32.2</b>	-	<b>2,588.2</b>
<b>Operating income</b>	<b>6.4</b>	<b>1.1</b>	-	<b>7.5</b>

Our assets and liabilities have materially changed as a result of the acquisition of EGL. Note 5 Business Combinations details the material changes in assets and liabilities due to the acquisition. All these assets

and liabilities relate to the Freight Management segment. In the Contract Logistics segment no material changes took place from the amounts disclosed in the Annual Report as at and for the year ended December 31, 2006.

## 5. BUSINESS COMBINATIONS

On August 2, 2007 CEVA completed the acquisition of EGL, Inc. ("EGL"). The acquired business contributed net sales of € 488.3 million and net losses of € 57.0 million to the Group for the period from August 2, 2007 to September 30, 2007 (provisional). If the acquisition had occurred on January 1, 2007, the financial impact of Freight Management for the nine months ended September 30, 2007 would have been:

- Net sales for the nine months ended September 30, 2007 would have been € 1,986.3 million and EBITDA would have been € 24.6 million for the nine months period ended September 30, 2007.
- Depreciation and amortisation for the nine months ended September 30, 2007 would have been € 187.4 million. This includes the amortisation of the EGL brand name of € 141.9 million, being the amortisation for the nine months ending September 30, 2007 and amortisation related to the increase in fair value of other intangible assets on acquisition, being € 9.5 million for the three months ended September 30, 2007 and € 28.0 million for the nine months ended September 30, 2007.

- The operating income would have been € (151.8) million for the nine months ended September 30, 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 € 31.8 million for the three months ended September 30, 2007 and € 63.5 million for the nine months ended September 30, 2007.
- Net income would have been € (159.7) million for the nine months ended September 30, 2007.

These amounts have been calculated using CEVA's accounting policies and by adjusting the results of EGL to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from January 1, 2007 together with the consequential tax effects.

The assets and liabilities as at August 2, 2007 arising from the acquisition are as follows (provisional):

### Purchase consideration

(in € millions)

Cash paid	1,417.5
Direct costs relating to the acquisition	30.5
<b>Total purchase consideration</b>	<b>1,448.0</b>
Fair value of net assets acquired	509.4
<b>Goodwill</b>	<b>938.6</b>

The goodwill is attributable to the global network and the workforce of the merged business.

(in € millions)	Acquiree's carrying amount	Fair value adjustments	Fair value
Intangible assets, excluding goodwill	68.2	430.0	498.2
Cash and cash equivalents	74.4	-	74.4
Property, plant and equipment	72.8	46.4	119.2
Financial fixed assets	31.0	-	31.0
Current assets, excluding cash and cash equivalents	578.4	-	578.4
Current liabilities	(494.9)	-	(494.9)
Non-current liabilities, excluding deferred taxes	(111.7)	4.5	(107.2)
Deferred tax liabilities	(19.8)	(169.1)	(188.9)
<b>Net assets</b>	<b>198.4</b>	<b>311.8</b>	<b>510.2</b>
Minority interests	0.8	-	0.8
<b>Net assets acquired</b>	<b>197.6</b>	<b>311.8</b>	<b>509.4</b>
Purchase consideration settled in cash			1,448.0
Cash and cash equivalents in subsidiary acquired			74.4
<b>Cash outflow on acquisition</b>			<b>1,373.6</b>

The fair value of the acquired net assets is provisional.

## 6. SPECIFIC ITEMS

CEVA has changed its 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. 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 or losses on the disposal of businesses, the restructuring and integration of businesses, significant asset

impairments, material litigation and claims and the amortisation of certain acquired intangible assets, 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 2006 financial period or on the net assets at as 31 December 2006.

Unaudited) (in € millions)	Successor	Predecessor	Successor	Predecessor
	Consolidated	Combined	Consolidated	Combined
	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Cost of materials	-	-	-	-
Work contracted out and other external expenses	-	-	-	-
Salaries and social security contributions (a)	0.9	9.2	0.9	19.4
Depreciation, amortisation and impairments (b)	86.7	-	86.7	-
Other operating expenses (c)	5.3	52.6	14.5	65.4
<b>Total operating expenses</b>	<b>92.9</b>	<b>61.8</b>	<b>102.1</b>	<b>84.8</b>

These specific items are further described below:

(a) 2007 related salary and social security contribution expenses primarily relate to retention payments made in relation to the EGL acquisition and 2006 expenses that are driven by severance, reorganisation and retention payments following the sale and transition of the Logistics business from TNT to CEVA.

(b) Depreciation, amortisation and impairment for the three months and nine months ended September 30, 2007 includes an accelerated amortisation charge of € 86.7 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 USD 233.0 million to the EGL brand name. We have chosen to have one corporate identity and, as a result, will rebrand EGL's operations to CEVA. The relaunch of the CEVA brand will take place as part of a Global campaign

on November 30, 2007. As such, IFRS requires us to amortise the notional value assigned to the EGL brand name from the period of acquisition on August 2, 2007 until the rebranding on November 30, 2007. Consequently our results for the three months to September 30, 2007 and for the three months ended December 31, 2007 has and will include an equal charge amounting to USD 116.5 million (€ 86.7 million). This charge is an accounting entry only and is a non cash transaction.

(c) In 2007 other operating expenses includes separation and re-branding 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 rebrand the TNT Logistics livery to the CEVA livery. These rebranding costs are expected to continue into 2008.

In 2006 other operating expenses includes certain non-recurring charges related to the termination and restructuring of contracts arising from the sale and transition of the Logistics business from TNT to CEVA.

## 7. LOSS FROM DISCONTINUED OPERATIONS

CEVA had no discontinued operations in 2007. The 2006 loss of € 6.4 million related to the disposal of loss making operations formerly owned by TNT and which have not formed part of CEVA's activities since November 4, 2006.

## 8. RELATED PARTY TRANSACTIONS

CEVA Group Plc has the following related party transactions:

1. CEVA Group Plc has a management service agreement with Apollo Management L.P. ("Apollo") for the provision of ongoing management and support services. This amounted to € 0.8 million for the three months ended September 30, 2007 and € 2.2 million for the nine months ended September 30, 2007. 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 AlInvest Partners Beheer 2006, L.P. These entities together own approximately 89% of the equity in CEVA Investments Limited.

2. Key management compensation amounted to € 2.2 million for the nine month ended September 30, 2007.

3. Gareth Turner, Joshua Harris, Stanly Parker, Jr. and Lukas Kolff are non-executive Directors of CEVA Group Plc and also hold key senior positions within Apollo. Daniel DiMaggio resigned from the Board effective August 31, 2007.

4. The CEVA Group companies have financial relationships with certain joint ventures and unconsolidated companies in which CEVA Group companies hold minority shares. The net amounts due from joint venture entities amounted to € 13.0 million as at September 30, 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.

## Shareholder structure

	September 30, 2007	
	Number of shares	%
AIF VI Euro Holdings, L.P.	2,844,555	69.3%
AlInvest Partners Beheer 2006, L.P.	422,880	10.3%
AAA Guarantor Co-Invest VI, L.P.	406,365	9.9%
TNT N.V.	155,000	3.8%
CEVA Management Investors	276,702	6.7%
<b>Total</b>	<b>4,105,502</b>	<b>100.0%</b>

## 9. LONG TERM DEBT

### Carrying amounts and fair value of long term debt

September 30, 2007

(in € millions)	Carrying amount	Fair value
Loan notes	974.6	899.6
Bank loans	1,428.7	1,473.4
Finance leases	34.0	35.6
<b>Total long term debt</b>	<b>2,437.3</b>	<b>2,408.6</b>

### Debt

September 30, 2007

(in € millions)	Finance leases	Loan notes <sup>1</sup>	Bank loan	Total
Less than 1 year	5.6	-	56.6	62.2
1 - 2 years	6.1	-	7.4	13.5
2 - 3 years	5.6	-	7.4	13.0
3 - 4 years	3.1	-	7.4	10.5
4 - 5 years	1.3	-	7.4	8.7
Thereafter	12.3	1,022.1	1,436.3	2,470.7
FX-effect	-	(10.0)	(49.1)	(59.1)
<b>Total principal debt</b>	<b>34.0</b>	<b>1,012.1</b>	<b>1,473.4</b>	<b>2,519.5</b>
Unamortised debt issuance costs	-	37.5	44.7	82.2
<b>Total carrying value</b>	<b>34.0</b>	<b>974.6</b>	<b>1,428.7</b>	<b>2,437.3</b>
of which included in long term debt	28.4	974.6	1,372.1	2,375.1
of which included in other current liabilities	5.6	-	56.6	62.2

<sup>1</sup> The accrued interest on the loan notes is included in accrued current liabilities

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. Of the bank loans, an amount of USD 1,674.0 million was denominated in USD as at September 30, 2007. Of the loan notes, an amount of USD 400 million was denominated in USD as at September 30, 2007.

Scheduled prepayments on bank loans were made in this quarter accumulating to € 1.8 million.

The fair value of the long term interest bearing debt has been determined using the market price as of September 30, 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 8.2% for USD denominated loans and 7.0% for Euro denominated loans. On August 2, 2007 CEVA Group Plc entered into a USD 1,400 million senior unsecured (bridge) loan which was used to part finance the acquisition of EGL. This loan was partially replaced on August 13, 2007 when CEVA Group Plc issued USD 400 million of second-lien notes. These notes have a coupon of 10%, mature in 2014 and interest is paid semi-annually in arrears commencing March 1, 2008. The remaining USD 1,000 million senior unsecured (bridge) loan is of a long term nature, maturing in 2015.

Total borrowings include senior secured bank loans of € 719.5 million maturing in 2013 at a floating rate of interest based upon EURIBOR and LIBOR. The debt is secured by liens on property and assets of CEVA Group Plc and certain of its subsidiaries.

The only borrowings at fixed rates are the € 505 million senior notes, the € 225 million senior subordinated notes and the USD 400 million second-lien notes.

## 10. SHARE CAPITAL

On August 2, 2007 CEVA Group Plc issued 40,000 new shares for € 72.6 million. The proceeds were used to part finance the acquisition price of EGL.

## 11. INCOME TAX

Interim period income tax is accrued based on the estimated average annual effective income tax rate of 28.4 percent per the nine months ended September 30, 2007.

## 12. EVENTS AFTER BALANCE SHEET DATE

Please refer to note 14, the section headed Surcharge Antitrust Investigation.

## 13. NOTES TO THE CONSOLIDATED CASHFLOW STATEMENTS

### **Net Cash from Operating Activities: € 117.7 million (2006: € 44.1 million)**

In the nine months ended September 30, 2007, net cash provided by operating activities was € 117.7 million. Loss before income taxes contributed € (83.6) million or profit of € 185.1 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 increase in net cash provided by operating activities reflects the improved operating income (before specific items) and the ongoing emphasis of CEVA on the improvement of the net working capital in the Contract Logistics business. Freight Management contributed with € (11.4) million to the operating cash flow in the nine months ended September 30, 2007.

The increase in operating cash flow related to working capital of € 57.2 million, mainly related to a decrease in accounts receivable of € 32.3 million and an increase in accounts payables of € 45.0 million. This effect is due to the ongoing emphasis on working capital.

The interest paid of € 83.1 million related to external borrowings of which € 27.9 million was paid in the three months ended September 30, 2007. The actual interest costs are higher for the three months ended, reflecting the interest costs of the senior subordinated notes and the senior notes that are payable semi-annually and are not due until December 2007.

In the nine months ended September 30, 2006, net cash provided by operating activities was € 44.1 million. Loss before income taxes contributed € (44.3) million or profit of € 69.1 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 provided by operating activities, € 44.1 million, principally relates to the increased emphasis of TNT in the predecessor period in settling all outstanding inter company balances in preparation of the sale of the Logistics business in the first six months ended, 2006. In the three months ended September 30, 2006 the operating activities contributed € 2.8 million.

### **Net Cash Used in Investing Activities: € (1,365.2) million (2006: € (34.9) million)**

In the nine months ended September 30, 2007, net cash used in investing activities was € (1,365.2) million relating to the acquisition of EGL as per August 2, 2007.

In the nine months ended September 30, 2006, net cash used in investing activities was € (34.9) million. The cash outflow mainly relates to acquisition of the remaining shares in our Italian joint venture of € 13.0 million in the three months ended March 31, 2006 and capital expenditures on property plant and equipment € (52.3) million in the nine months ended September 30, 2006.

### **Net Cash Used in Financing Activities: € 1,202.0 million (2006: € 114.5 million)**

In the nine months ended September 30, 2007, CEVA acquired new financing to fund the acquisition of EGL. In the three months ended September 30, 2007 the net financing of € 1,257.7 million was related to the acquisition of EGL. The proceeds of the short term borrowings of € 50.9 million were used to finance the business operations of Freight Management.

In the nine months ended September 30, 2006, net cash from financing activities was € 114.5 million. The cash inflow resulted mainly from other net investment changes of € 381.2 million (the net investment held by other TNT companies in TNT's Logistics business), repayments to TNT loans of € 263.5 million financed by short term borrowings of € 133.5 million and discontinuance of the French logistics business.

## 14. ADDITIONAL NOTES

### Financial and Operating Guarantees

The total amount of central guarantees as at September 30, 2007 were € 162.6 million compared with the position of € 147.0 million as at June 30, 2007. The € 15.6 million difference is a result of a decrease in the Contract Logistics portfolio of € 36.8 million and an increase of € 52.4 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

For the nine months ended September 30, 2007, operational lease expenses (including rental) in the consolidated statements of income amounted to € 209.2 million. Future payments on non-cancellable and other existing lease contracts mainly relating to property, computer equipment and other equipment were as follows:

### Payable in the period

(in € millions)

September 30, 2007

Less than 1 year	182.2
1 - 2 years	158.3
2 - 3 years	123.6
3 - 4 years	81.8
4 - 5 years	57.5
Thereafter	131.8
<b>Total</b>	<b>735.2</b>
Of which guaranteed by a third party/customers	132.9

### Contingent Liabilities

#### Taxation

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 the November 4, 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 November 4, 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 is 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. 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 matters impacting the Logistics business entities that are now part of CEVA.

CEVA is not a party to discussions and settlements with the tax authorities relating to events pre-acquisition, and accordingly the CEVA Group has been unable to measure

reliably the fair value of the tax issues relating to companies of the former Logistics business prior to November 4, 2006, and accordingly has not recorded a liability (and related receivable from TNT) as required under IFRS 3 *Business Combinations*.

#### Employment

In connection with the acquisition of EGL, CEVA granted a number of key management and personnel retention payments to ensure their continuity of service with the Company. The award of these payments is conditional upon continued tenure of employment for a specified period and upon the Freight Management business achieving a specified target. The total amount awarded is € 8.2 million.

#### Legal

For 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 September 12, 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 (i) the matter be designated as a class action on behalf of all independent contractor P&D drivers working for EGL in California; (ii) a declaratory judgment that EGL has violated the law; (iii) an equitable accounting and an unspecified amount of damages; and (iv) 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 Company filed motions for summary judgment which were argued in January 2007. 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 five lawsuits involving the merger and the transactions contemplated by the terminated merger agreement with James Crane and others (the “Crane Group Proposal”). For the following five cases consolidated under the Golombuski case the Group has a contingent liability accrued for USD 0.5 million. They are as follows:

*Vivian Golombuski v. EGL, Inc. et al.*, Cause No. 2007-00139, in the 125th Judicial District Court of Harris County, Texas. Plaintiff filed this suit against the Company, all of its directors other than Mr. Wolff, and Centerbridge and Woodbridge (Mr. Crane’s equity partners in the Crane Group Proposal) as a class action on behalf of all shareholders of the Company except those affiliated with any of the defendants. Plaintiff alleged that the Crane Group Proposal was unfair and grossly inadequate and that the director defendants breached their fiduciary duties to the shareholders. Plaintiff brought claims for aiding and abetting against Centerbridge and Woodbridge. Plaintiff further brought causes of action for abuse of control, gross mismanagement and waste of corporate assets against all defendants. Plaintiff sought to enjoin the defendants from effectuating the Crane Group Proposal, as well as their costs and fees, including attorneys’ fees.

The following three cases were consolidated with *Golombuski* on February 28, 2007:

*Platinum PVA Fund v. Milton Carroll, et al.* Plaintiff filed this suit against the Company and all of its directors other than Mr. Wolff on behalf of a class of all shareholders of the Company except those affiliated with any of the defendants. Plaintiff alleged that the Crane Group

Proposal offered grossly unfair compensation to the Company’s shareholders and that the individual director defendants must take other measures to maximize value to shareholders. Plaintiff sought to enjoin the Crane Group Proposal and to recover damages, costs, and fees, including attorneys’ fees.

*Raymond Somers v. James R. Crane, et al.*, (the “Derivative Suit”). Plaintiff brought this action derivatively on behalf of the Company against all of its directors other than Mr. Wolff, Centerbridge and Woodbridge. Plaintiff alleged that the Crane Group Proposal was for a grossly inadequate and unfair price; that the board and the special committee of the board were dominated and controlled by Mr. Crane; and that the individual defendants engaged in self-dealing. Plaintiff sought to recover damages on behalf of the Company against the individual defendants for breach of fiduciary duty, abuse of control, gross mismanagement, and waste of corporate assets, and against Centerbridge and Woodbridge for aiding and abetting the individual director defendants in their alleged breaches of duty. Plaintiff sought an injunction against the Crane Group Proposal, a constructive trust, and costs and fees, including attorneys’ fees.

*Jim Roberts v. EGL, Inc., et al.*, Cause No. 2007-05941. Plaintiff filed this suit against the Company, all of its directors other than Mr. Wolff, and General Atlantic LLC on behalf of a class of all shareholders of the Company except those affiliated with any of the defendants. Plaintiff alleged that the Crane Group Proposal was unfair and grossly inadequate, and that the individual defendants breached their fiduciary duties by not taking measures to ensure that the interests of the Company’s public shareholders were properly protected. Plaintiff sought to enjoin the merger.

Following consolidation, the Golombuski, Platinum PVA, and Roberts plaintiffs filed a consolidated class action complaint. On April 11, 2007, Plaintiffs in the consolidated cases filed a Motion for Appointment of Receiver and Temporary Injunction and Memorandum in Support Thereof. At a hearing on May 10, 2007, the Court denied Plaintiff’s motion for a temporary restraining order seeking to prevent the payment of a termination fee to the Crane group.

The following case was consolidated with the Golombuski cases on April 24, 2007:

*Federated Kaufmann Small Cap Fund v. James R. Crane, et al.* Plaintiff filed this suit against the Company and all of its directors other than Mr. Wolff. Plaintiff alleged that the Crane Group Proposal is for a grossly unfair and inadequate price and brought causes of action for breach of fiduciary duties against all defendants. Further, Plaintiff challenged the independence of the Special Committee. In its Motion for Appointment as Lead Counsel, Plaintiff also asserted that it was the most qualified class representative because of its large financial stake in the

litigation due to its ownership of approximately 900,000 shares of the Company. Plaintiff sought to enjoin the Crane Group Proposal and to recover damages, costs, and attorney's fees.

On May 25, 2007, the Court heard Defendants' Special Exceptions and Motions to Dismiss. On June 8, 2007 the Court granted Defendants' Special Exceptions and Motions to Dismiss, and dismissed the consolidated class action complaint and the Derivative Suit. Plaintiff has appealed this ruling and the appeal is still pending. In addition to the appeal, the Derivative Suit has been refiled in the trial court. We expect this filing will be dismissed as improper in light of the court's prior dismissal of the Derivative Suit.

#### **Former Executive Litigation**

On August 31, 2007, EGL, Inc. and EGL Eagle Global Logistics, L.P. sued two former executives, Keith Winters and Ronald Talley, in the 333rd Judicial District Court of Harris County, Texas. EGL is seeking a declaration that it is not required to pay Winters or Talley change-of-control payments under their employment agreements. Talley and Winters have filed counterclaims seeking to recover the change-of-control payments and attorneys fees. We intend to vigorously defend against these suits.

#### **Surcharge Antitrust Investigation**

On October 10, 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 October 10, 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 October 11, 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 October 11, 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 adheres to a strict code of ethical conduct that prohibits anti-competitive behaviour of any kind. The company is cooperating with the investigation. 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.

#### **Indemnifications from TNT N.V.**

As part of the sale and purchase agreement of August 23, 2006, TNT N.V. has indemnified CEVA for certain items relating to the period before CEVA's acquisition of the logistics business, including certain restructuring costs, Dutch pension plans, Italian transportation claims (*Tariffe a Forcella*), taxation and certain other claims (including the indemnification discussed in connection with contingent tax claims above).

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