



CEVA Group Plc

(Formerly known as Louis No. 1 Plc)

Annual Report and Accounts 2006

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FORWARD-LOOKING STATEMENTS

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

We have based these forward-looking statements on our management’s current view with respect to future events and financial performance. These views reflect the best judgment of our management but involve a number of risks and uncertainties which could cause actual results to differ materially from those predicted in our forward-looking statements and from past results, performance or achievements. Although we believe that the estimates and the projections reflected in the forward-looking statements are reasonable, such estimates and projections may prove to be incorrect, and our actual results may differ from those described in our forward-looking statements as a result of the risk factors described in the Risk Factors section on page 44.

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

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

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

PRESENTATION OF FINANCIAL INFORMATION AND CERTAIN DEFINITIONS

Financial Information

On November 4, 2006, the Logistics Business of TNT (“Predecessor”) was acquired by CEVA Limited (formerly known as Louis No. 3 Limited). CEVA Limited is a wholly owned subsidiary of CEVA Group Plc (“CEVA” or “Successor”; formerly known as Louis No. 1 Plc). Prior to the acquisition of the Logistics Business of TNT in November 2006 CEVA had no operations; therefore, the Successor financial information for the period from August 9, 2006 (date of incorporation of CEVA Group Plc) to December 31, 2006, represents two months of operations, namely November and December 2006.

The Predecessor financial information in this annual report as of and for the period ended November 3, 2006 and years ended December 31, 2005 and 2004 has been prepared in connection with the divestment by TNT of the Logistics Business for the purposes of presenting, as far as practicable, the assets, liabilities, revenues and expenses of the Logistics Business on a stand-alone basis. As fully integrated businesses of TNT, the Logistics Business did not prepare accounts in accordance with International Financial Reporting Standards, as adopted by the European Union (“IFRS”), in the normal course of operations. Financial information set forth in this annual report for these periods is an aggregation of financial information from the individual companies and businesses that make up the Logistics Business and is not necessarily representative nor indicative of the financial position, results of operations or cash flows that would have been obtained had the Logistics Business operated independently or under separate ownership.

The Predecessor results of operations for the period ended November 3, 2006 have been aggregated with the Successor results of operations for the period ended December 31, 2006 to illustrate the results of the business for the twelve month period ended December 31, 2006. References to results of operations of CEVA Group Plc for 2006 throughout this annual report are to this aggregated value, unless otherwise noted.

The financial information in this annual report has been prepared in accordance with IFRS as adopted by the EU. IFRS as adopted by the EU differs in certain respects from IFRS as issued by the International Accounting Standards Board (“IASB”). However, we do not believe that the historical Predecessor combined financial statements or the successor consolidated financial statements for the periods presented would be different had they been prepared in accordance with IFRS as issued by the IASB. References to IFRS hereafter should be construed as references to IFRS as adopted by the EU.

The Predecessor financial statements as of and for the period ended November 3, 2006 and years ended December 31, 2004 and 2005 have been audited by PricewaterhouseCoopers Accountants N.V., The Netherlands. The Successor financial statements as of and for the period August 9, 2006 (incorporation) to December 31, 2006 have been audited by PricewaterhouseCoopers Accountants LLP, the United Kingdom, as CEVA Group Plc is a company incorporated in the United Kingdom.

Some financial information in this annual report has been rounded and, as a result, the numerical figures shown as totals in this annual report may vary slightly from the exact arithmetic aggregation of the figures that precede them.

In this annual report, we utilise certain non-GAAP financial measures, including EBITDA, EBITDA margin, and Adjusted EBITDA. These measures are presented as we believe that they and similar measures are widely used in the contract logistics industry as a means of evaluating a company’s operating performance and financing structure. They may not be comparable to other similarly titled measures of other companies and are not measurements under IFRS or other generally accepted accounting principles, nor should they be considered as substitutes for the information contained in our combined financial statements.

Certain Definitions

In this annual report:

- “Acquisition” refers to the acquisition by certain of our direct and indirect wholly owned subsidiaries of certain equity interests of, and certain assets and liabilities held by, CEVA Logistics Holdings B.V. (formerly known as TNT Logistics Holdings B.V.) and certain other direct and indirect operating subsidiaries of TNT, on November 4, 2006.
- “Logistics Business” refers to the subsidiaries, businesses, assets and liabilities of TNT that were acquired on November 4, 2006 by CEVA Limited and certain of our other indirect wholly owned subsidiaries;
- “Transactions” refers to:
 - the Acquisition;
 - the borrowings of approximately €430 million under a senior bridge loan facility, approximately €300 million under a senior subordinated bridge loan facility (together, the “Bridge Facilities”), and approximately €500 million under the senior secured term facility (the “Senior Secured Term Facility”), and the establishment of a €150 million senior secured revolving facility (the “Revolving Credit Facility”)

and an approximately €155 million senior secured Synthetic Letter of Credit facility (the “Synthetic L/C Facility,” and together with the Senior Secured Term Facility and the Revolving Credit Facility, the “Senior Secured Facilities”);

- the subsequent issuance and sale of approximately €505 million of the senior notes and €225 million of senior subordinated notes used to repay the Bridge Facilities; and
- the payment of fees and expenses, including underwriting, placement and other financing fees, advisory fees and other transaction costs and professional fees (including a transaction fee and costs incurred by affiliates of Apollo);
- “Apollo” refers to Apollo Management VI, L.P. and its affiliates, which include AIF VI Euro Holdings, L.P., AlpInvest Partners Beheer 2006, L.P. and AAA Investments, L.P.;
- “\$” or “dollars” or “United States dollars” or “US dollars” or “US\$” refers to the lawful currency of the United States of America;
- “€” or “euro” refers to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community;
- “£” or “pounds sterling” refers to the lawful currency of the United Kingdom;
- “EBITDA” refers to the result for the period from continuing operations before results from investments in associates, net financial expense, income taxes, and depreciation, amortisation and impairments. This is not a measurement of the Company’s financial performance or liquidity under IFRS and should not be considered as a substitute for profit/(loss) for the year, operating profit, or any other performance measures derived in accordance with IFRS or as a substitute for cash flow from operating activities as a measure of the Company’s liquidity. Because not all companies calculate EBITDA identically, the presentations of EBITDA in this annual report may not be comparable to other similarly titled measures of other companies. Also, the calculation of EBITDA in this annual report may be different from the calculation of EBITDA under the indentures governing the notes;
- “Adjusted EBITDA” refers to EBITDA adjusted to remove certain specified amounts believed to be non-recurring. Adjusted EBITDA is not a measurement of the Company’s financial performance or liquidity and should not be considered a substitute for profit for the year, operating profit, or any other performance measures derived in accordance with IFRS or as a substitute for cash flow from operating activities as a measure of the Company’s liquidity. Because not all companies calculate Adjusted EBITDA identically, the presentations of Adjusted EBITDA in this annual report may not be comparable to other similarly titled measures of other companies;
- “EU” refers to the European Union;
- “GDP” refers to the gross domestic product of a country or region;
- “IFRS” refers to International Financial Reporting Standards as adopted by the European Union;
- “CEVA” refers to CEVA Group Plc (formerly known as Louis No. 1 Plc);
- “IT” refers to information technology;
- “CEVA Ltd” refers to CEVA Limited (formerly known as Louis No. 3 Limited), the direct wholly owned subsidiary of CEVA;
- “CEVA Investments Ltd” refers to CEVA Investments Limited (formerly known as Louis Topco Limited), the parent company of CEVA;
- “SPA” refers to the Sale and Purchase Agreement entered into between TNT N.V. and CEVA Limited on August 23, 2006, pursuant to which the Acquisition was effectuated;
- “TFR” refers to “Trattamento di Fine Rapporto,” leaving service benefits provided to Italian employees that are mandatory under Italian law;
- “TNT” refers to TNT N.V.;
- “United States” refers to the United States of America; and
- unless expressly stated otherwise or where the context otherwise requires, “the Company,” “we,” “us,” “our,” and other similar terms refer to, prior to the Acquisition, CEVA Logistics Holdings B.V. and its subsidiaries and affiliates that comprised the Logistics Business, and refer to, after the Acquisition, CEVA Group Plc and its subsidiaries.

CEO STATEMENT

Dear Reader,

This inaugural annual report of CEVA Logistics is a historic document. It details our first months of existence as an independent company – managing our business with a singular focus on logistics and setting our own direction in the marketplace. And the story is a good one.

After many months of conducting discussions with potential buyers, the company found the right partner in private equity firm Apollo Management VI, L.P., an organisation committed not only to our industry, but to realising the full potential of our business. The sale of TNT's logistics business to affiliates of Apollo was completed on November 4, 2006. That day marked the beginning of CEVA Logistics – and the beginning of a new dynamic in our company.

When the company unveiled the CEVA name and brand on December 12, 2006, we presented to the world a company with a unique position and unique opportunities. We are a brand new enterprise just embarking upon our potential, and at the same time we are an established leader in the global logistics industry. We hold strong positions in our six targeted sectors: automotive, tyres, fast-moving consumer goods; high-tech electronics, publishing and media, and industrial. We are, in fact, the recognised world leader in serving the logistics needs of all major original equipment manufacturers and automotive suppliers.

That special combination – the energy and excitement of a new shareholder combined with the wisdom of an experienced industry team – has marked our first months of existence.

We made a smooth transition from being a division of TNT N.V. to standing on our own as a pure-play logistics company. We maintained strong relationships with our customers, achieving an impressive contract renewal rate over 2006 and winning significant new contracts with companies including DaimlerChrysler, Vodafone and Volkswagen.

Close long-term customer relationships are the essence of our business. We serve some 600 customers through approximately 1,300 individual contracts, and we are proud that the substantial majority of our customers remain with us over the long term. Among our top 10 customers, our average relationship has already spanned 15 years. Our customers tell us that they stay with CEVA because of the added value we bring to their operations as a result of our extensive global network combined with our deep sector expertise and operational excellence.

During the long and challenging sale process which took place in 2006, our revenue and operating results remained robust. This is impressive when viewed in the context of the transition and the challenges placed on our personnel during the sales process.

The continuing success of our business would not have been possible without the commitment and hard work of our experienced managers and our 38,000 dedicated employees – the same team that will continue moving CEVA toward our stated mission – namely, to optimise, enhance and transform our business and become the world's premier contract logistics company.

We are now implementing our new global operating strategy, our roadmap for optimising, enhancing and transforming CEVA's business. Our first priority is growing our customer base and increasing our market share, and our proven skills in cost control and efficiency will help us meet these goals. Already our centre-led global procurement initiative and accelerated roll-out of our LEAN operating philosophy are delivering bottom line improvement.

We are also putting increased focus on improving our business development and account management activities, as well as further developing our people. We want to be not just the world's leading logistics company, but the global industry's employer of choice.

I am proud of what CEVA accomplished in 2006, and I am pleased to have led the company over the last four years. I am also optimistic about CEVA's future and excited about the new role I will play. In the second half of 2007, I will take up the position of Vice Chairman of the CEVA Logistics Board of Directors, and John Pattullo will take over as Chief Executive Officer. John himself embodies the new spirit of CEVA – a fresh view and new energy combined with his years of industry experience from both the perspective of a customer and a supply chain provider. I am convinced John is the right person to lead CEVA in the next phase of our quest for global leadership.

In addition, we are very excited about our pending acquisition of EGL, Inc. (“EGL”), a leading freight forwarder, global transportation, supply chain management and information services company with 2006 revenues of approximately \$3.2 billion. On May 24, 2007, CEVA and EGL, which operates under the name “EGL Eagle Global Logistics,” announced they had signed a definitive merger agreement pursuant to which CEVA will acquire EGL for \$47.50 per EGL share, for total consideration paid to EGL shareholders of approximately \$2 billion. The combination will create the world’s fourth largest integrated supply chain management company, with leading global capabilities in freight forwarding and contract logistics. The transaction is subject to regulatory approvals and the affirmative vote of the holders of a majority of EGL’s outstanding shares. We anticipate the transaction will close in the third quarter of 2007.

Our goals are not modest ones, but we have proven that we can accomplish remarkable achievements even in challenging circumstances. CEVA Logistics is indeed a special company, and our special combination of enthusiasm and experience will continue to drive our success.

Kind regards,

/s/ Dave Kulik

Dave Kulik
Chief Executive Officer

KEY FINANCIAL INFORMATION

	2005	2006
	<i>(in € millions)</i>	
Operating income /(loss).....	97.0	(11.3)
EBITDA.....	181.1	77.8
Capital Expenditure.....	73.1	79.0
Depreciation.....	84.1	89.1

DESCRIPTION OF THE BUSINESS

Measured by revenues, CEVA Logistics is the largest pure-play contract logistics company and the second largest contract logistics company in the world. We design, implement and operate complex supply chain solutions for multinational and large national companies on local, regional and global levels. We serve a diversified customer base that includes blue chip companies and industry leaders throughout the world. We hold significant or leading positions in the six key industry sectors in which we have extensive functional expertise and a competitive advantage: automotive, fast-moving consumer goods (“FMCG”), hi-tech/electronics, publishing and media, tyres, and industrial.

For the year ended 2006, we generated aggregated net sales of €3,486 million and EBITDA of €78 million. Our 2006 results have been adversely impacted by significant material non-recurring costs which were incurred as part of the Transaction either directly as transaction costs, or as retention payments and certain restructuring charges which are not expected to reoccur in the future. Furthermore, had we achieved half of our estimated operating cost savings and the full amount of estimated stand-alone cost savings prior to the start of this period, our unaudited adjusted EBITDA after these cost savings would have been €237 million.

We have an extensive global network with facilities in 30 countries worldwide. We operate from 567 sites with a combined space of approximately 7.4 million square meters, and we employ approximately 38,000 employees. In addition to our own network, we have established strong relationships with third-party service providers worldwide, which enable us to provide a global outsourced logistics solution to our customers. As a global logistics provider, we are one of only a few logistics companies that can meet the increasingly complex and global supply chain requirements of our customers as they expand into new regions.

We provide our customers with end-to-end logistics solutions spanning the entire supply chain, with services including inbound logistics, manufacturing support, outbound/distribution and aftermarket logistics. Our broad-based logistics solutions enable our customers to focus on their core business competencies, while improving their supply chain performance and efficiency through just-in-time production processes, reduced inventory, shorter lead time to market, increased service levels and reduced operating costs.

Our service offering is further enhanced by our advanced IT capabilities and value-added services such as sub-assembly, packaging and repairs. Over the last 10 years, we have developed proprietary technology that integrates state-of-the-art software to provide high visibility and control over supply chains. We believe that our ability to provide customers with comprehensive and customised outsourcing solutions with added visibility and control has helped establish CEVA as one of the leading contract logistics providers in the world.

We have specialist sector capabilities that are essential to building customer relationships and maintaining a consistently high level of service quality. Our strong technical expertise and extensive track record in these sectors are valued by our customers. Our leading market positions across our target industry sectors are built upon a thorough understanding of the unique characteristics of each sector as well as our ability to provide comprehensive solutions customised to address industry-specific supply chain requirements. We are a global logistics leader in the automotive industry and one of the leading logistics providers in the FMCG, hi-tech/electronics, publishing and media, and tyre sectors. We intend to continue leveraging our strong technical expertise and experience in these sectors to further develop our global platform and customer base in all our target industries.

Our diversified customer base comprises more than 600 customers who have signed approximately 1,300 separate multi-year contracts with us. These contracts generally have lengths of three to five years, and our policy requires pricing and volume protection mechanisms.

Our customers include multinational and large national companies with complex supply chain requirements on local, regional and global levels. Our customer base includes numerous industry leaders across the key sectors we serve:

- automotive – including Fiat, Volkswagen, Ford, GM, DaimlerChrysler, Honda, BMW and Renault

- FMCG – including B&Q, Nestlé, Sears, Home Depot and Tesco
- hi-tech/electronics – including Telecom Italia, Alcatel, WIND, KPN and HP/Compaq
- tyres – including Pirelli, Michelin, Continental, Goodyear/Dunlop and Bridgestone
- publishing and media – including News International, RCS, Disney and Mirror Group Newspapers.
- industrial – including Eaton, Rolls Royce and Airbus

Contract logistics specialists offer their customers a wide range of supply chain management services aimed at improving supply chain efficiency and visibility. These range from consultancy services to managing storage and transportation of goods at various stages of production. Supply chains are becoming more complex as manufacturing and distribution processes evolve to include more participants over broader geographies.

Contract logistics activities are usually based on three-to-five year outsourcing agreements that combine a range of activities:

- Inbound logistics describes management of upstream supply chains to manufacturers. It includes collection of components and raw materials from suppliers; warehousing and sequencing of components and raw materials; and delivery to assembly lines.
- Manufacturing support comprises activities tightly linked to manufacturing processes, including work-in-progress/warehousing and transportation, sub-assembly and kitting.
- Outbound/distribution describes management of post-production logistics. It includes pick-up of finished products from manufacturers, warehousing, and distribution to customers, retailers or end-users.
- Aftermarket logistics helps customers provide services after the sale of their products, including delivering emergency parts, swapping faulty components, performing repairs and administering returns.
- Reverse logistics involves the return of defective or end-of-life parts to manufacturers; activities include administration of returns, and value assessment of returned goods.

Main drivers of growth in contract logistics are:

- globalisation leading to increased complexity and length of supply chains;
- increase in the rate of outsourcing; and
- growth in underlying economic activity (GDP growth).

In addition, the key factors and trends influencing the logistics industry generally include:

- sector specialisation;
- increasing demand for value-added services;
- demand for integrated logistics services;
- advances in information technology; and
- consolidation and competition.

Our goal is to capitalise on our market-leading positions in our target sectors. We aim to achieve profitable growth and enhance cash flow by building on our key strengths as follows:

Capitalise on Strong Industry Fundamentals. The contract logistics industry enjoys strong industry fundamentals, which will continue to drive market growth. Growth in contract logistics is driven by the increasing complexity and globalisation of supply chains as well as underlying economic activity, which are expected to lead to increased outsourcing of logistics activities. We believe that our sector expertise and leading market positions across the world constitute a strong platform to capitalise on such industry dynamics.

Build on our Market Leadership Positions. We believe that our leading positions, extensive intellectual property and strong operational skills are a solid foundation from which to gain additional market share in our targeted sectors. We intend to build on this foundation by deploying best practices and investing in our six key industry sectors. We look to extend our competitive advantage by offering differentiated logistics solutions that leverage our global network and competencies. In addition to our organic growth strategy, we are considering selective strategic acquisitions that meet our criteria for return on investment and financial discipline, including our current offer to acquire EGL Inc.

Accordingly, on May 24, 2007, CEVA and EGL, Inc. announced they had entered into an agreement pursuant to which CEVA will acquire EGL for \$47.50 per share, with EGL shareholders to receive approximately \$2 billion in consideration. The acquisition, which is subject to regulatory approvals and the affirmative vote of the holders of a

majority of EGL's outstanding shares, is expected to close in the third quarter of 2007. EGL, which operates under the name "Eagle Global Logistics", is a leading freight forwarder, global transportation, supply chain management and information services company with 2006 revenues of approximately \$3.2 billion. Further information is included on page F-34.

Further Penetrate Key Customers. Although our top customers already represent a significant portion of our business, our share of their logistics spending still has considerable room for growth. We therefore intend to increase our share of the logistics services provided to those customers. To realise this objective, we started a Key Account Management ("KAM") programme in 2004, which deploys our sales and marketing resources to target these customers more effectively. These dedicated account teams work across regions to better accommodate our customers' increasing geographical diversity. KAM aims to deepen our customer relationships by facilitating our provision of mission-critical services and tailored, high value-added logistics solutions that are deeply integrated into our customers' supply chains.

Strengthen our Technological Leadership. We intend to continue to invest in and improve our technology, which will further differentiate us in the marketplace. Our TMS / WMS technology platform provides our customers real-time access to, and seamless communication with, hundreds of suppliers and third-party transportation companies. Our IT personnel are highly skilled in designing and implementing solutions, applying our technology to integrate multiple parties into a functional, compatible, seamless communication environment. The level of technological design and operational setup required to create such system integration creates high switching costs for customers and barriers to entry for our competitors.

Continuous Operational Improvement. We will expand and further roll out our LEAN, SMART Standardisation and One Logic programmes. LEAN increases productivity by eliminating non-value-adding processes, reducing variability, and optimising resource allocation with respect to demand. Our SMART Standardisation programme develops and implements standard solution sets for similar segments with the same needs. This global initiative enables us to deliver more consistent service to existing and prospective customers, increase profitability and provide higher levels of overall operational performance by leveraging scale and skills across our operations. One Logic is our centred global procurement initiative for leveraging our global purchasing power. We are deploying best-in-class processes and sourcing methodology to leverage our collective purchasing power and generate significant cost efficiencies.

LEAN, One Logic, and SMART Standardisation-launched in 2004, 2005 and 2006, respectively-are part of a multi-year plan. A systematic site-by-site roll-out is essential to fully capture the intended benefits and ensure that operational performance indicators are put in place. We estimate that in 2006, LEAN delivered €5.3 million of net savings and One Logic delivered €8.3 million of net savings. Although they are primarily meant to increase productivity and reduce costs, those programmes also contribute to revenue growth. They are important instruments for renewing contracts and demonstrating that we can commit to sustained productivity improvements for our customers.

Capitalise on New Independence. Our separation from TNT made us the largest pure-play contract logistics company in the world, and allows us to focus on logistics. We believe this independence provides enhanced flexibility to react to changing industry trends and customer demands. We will create comprehensive and customised solutions by integrating best-of-breed components and services without requirements from a corporate parent.

Focus on Cash Flows. We intend to implement these strategies with a focus on cash flow generation in order to reduce our debt levels. We seek to achieve this through further organic growth in our business, further reduction of costs, discipline in our capital expenditures, increasing efficiencies and active management of our portfolio of assets and contracts. We believe that these measures and the above strategies will enable us to maximise our cash flow and margins, substantially reduce our debt, and sustain our growth ambitions.

OUR SERVICES

Our service offering encompasses all elements of the supply chain, with sources including inbound, manufacturing support, outbound/distribution and aftermarket logistics.

Inbound Logistics

Through our inbound logistics services, we manage the flow of incoming goods and materials to the manufacturing plants of our clients and the related transportation activities. We have developed our expertise in inbound logistics from our extensive experience serving the automotive industry.

Besides material management and transportation services, our inbound logistics services include:

- *Warehousing and consolidation centres*: storage of parts on behalf of suppliers or plants to create inventory buffers or to regroup parts from several origins;
- *Inventory management*: management of the inventory of several vendors, related to one or several plants in one warehouse;
- *Kitting*: management of the selection, packaging and delivery of unassembled parts prior to the assembly line, with the goal of minimising production and installation time;
- *Quality control*: quality inspections in the warehouse and subsequent removal and return of goods that fail to meet standard requirements to the manufacturer for replacement. Implementation of testing procedures in many sectors (such as hi-tech/electronics) to ensure quality;
- *Multiple collection delivery*: optimisation of transportation flows by performing multiple collection or delivery routes for clients in the same industry. Instead of arranging for transport from location A to location B and back, fixed routes with various loading/unloading points are planned, combining the required orders from different clients at the same time; and
- *Sequencing*: arrangement for items destined for a production line to be picked (and packed) in a specific sequence, saving time and improving production efficiency.

Manufacturing Support

We have extensive experience in manufacturing support across our sectors. With increased focus from clients on core activities and forward integration of suppliers into the manufacturing process, we provide services to facilitate the manufacturing process. Those services can be fully integrated into the manufacturing plant or be co-located in manufacturing centres. Manufacturing process services are usually performed on the premises of our clients, thereby providing more flexibility, better control and accountability of the activities performed within large factories. Our manufacturing support services include:

- *Sub-assembly*: the assembly of individual parts to form subcomponents for later assembly;
- *Inventory planning*: control of inventory flows inside the premises by using state-of-the-art warehouse management systems to maintain optimal stock at the right location for the required level of production;
- *Line replenishment or inline feeding*: ensuring that the right material is available at the right place when it is needed on the production line; and
- *Packing*: provision for customised packaging and repackaging services, for example, for safe shipping, separating one or more items of an order or re-boxing goods for different clients;

Outbound Logistics

We are a global provider of outbound logistics activities across all industry sectors and have gained experience in integrating and combining warehousing and distribution activities. For regular storage or regular warehousing requirements, we offer multi-user warehousing where clients pay only for capacity used. For clients' special requirements, we design and implement unique customised storage facilities with additional features such as dedicated warehousing, bonded warehousing and automated warehousing. We operate both dedicated and shared distribution networks for distribution of finished products, and in most cases the transport function is outsourced to local operators. In addition to warehousing and distribution activities, we offer additional services in outbound logistics, including:

- *Line-haul to warehouses*: arranging bulk transportation movement of products between two client locations, for example, a local warehouse and a regional distribution centre;
- *Home delivery*: delivery services to residential as well as commercial addresses of large items (for example, furniture, electric equipment, kitchens). We focus on activities requiring value-added services delivered by

experienced and trained personnel to avoid competition from local operators, including assembly, removal of packaging and installation of electric appliances;

- *Installation of electronic equipment*: assembling equipment, installing software, testing and trouble-shooting systems at offices or other work environments; and
- *Special picking and packing*: fine order picking at item level to satisfy individual client orders (for example, healthcare and beauty products for pharmacies, books and CDs for specialised retail shops). Special packing can also be provided to protect delicate items or to put articles on shelves.

We are investing in the further development of managed transport activities by setting up additional control centres (which monitor logistics services being provided to multiple clients in particular geographies on a twenty-four-hour basis, and arranging transport and delivery), and expanding the functionality of the transport management system to include activities such as invoice checking or financial settlement.

Aftermarket Logistics

Aftermarket logistics involves the provision of spare parts to repair and maintain products sold by our clients. Aftermarket logistics receives considerable attention from our clients, because our clients consider it to be a differentiator vis-à-vis their competitors. Since aftermarket activities have a very strong supply component, this is a core activity for us. Providing aftermarket logistics requires very demanding time schedules and information technology infrastructure. To track returns and swaps, we have developed a state-of-the-art proprietary IT system, which is readily available by our clients via the Internet. Our clients require high visibility in the location of items within the collection and distribution systems to ensure high service levels and avoid the build-up of unnecessary stocks. Aftermarket logistics is a more stable business than inbound logistics, because it is based on demand generated by an installed base of equipment. Aftermarket logistics comprises the following:

- *Spare parts warehousing and distribution*: storage of spare parts close to the final clients or end users. For example, in the automotive sector, it requires between ten and fifteen warehouses to cover Europe, while more than one hundred forward stock locations (“FSLs”) are required to comply with the service requirements of the hi-tech/electronics sector. Distribution to end users can be achieved through a dedicated network if the volumes are sufficient. In other cases, capillary distribution is accomplished through a shared-use network with clients having similar service requirements;
- *Returns logistics*: managing the returns process for unwanted or damaged goods. Inspection of returns and determination of whether products are fit for repair or should be destroyed on behalf of clients;
- *Repairs*: managing the receipt and repair of products or parts. Performance of evaluations and repairs on behalf of hi-tech/electronics clients using diagnostic and repair capability, after which the parts are returned to stock or sent back to the original user;
- *Reverse logistics*: the return of surplus or unwanted material or equipment back through the supply chain. This activity is likely to increase substantially after the full implementation of the Waste Electrical & Electronic Equipment (“WEEE”) directives. Design and management of these reverse flow logistics to ensure that any surplus or unwanted material is handled in an environmentally responsible way; and
- *Call centres*: managing call centres in many of our operations to take orders from, or book deliveries for, our customers’ customers. In some cases, those call centres also offer advice for equipment maintenance or repairs.

We have a very extensive presence in aftermarket logistics for the automotive industry, where we serve eight of the ten major OEMs and are active on five continents. We were one of the pioneers in aftermarket activities in the electronic sector by creating a pan-European forward stock location network to service the computer industry.

OUR KEY STRENGTHS

Our broad service offering, extensive geographic presence, sector expertise and state-of-the-art technology give us a competitive advantage to build on our strengths:

Global Network Combined with Local Market Expertise. We are one of only a few logistics providers with both an extensive global footprint and local market expertise. This combination allows us to offer high-quality, value-added and customised logistics services across regions to support customers' geographic expansion. Our global network covers both developed markets and rapidly growing economies. It allows us to apply our industry knowledge and technical expertise across geographies. Moreover, globalisation of the world's manufacturing and production base increases the need for a single-source integrated supply chain solution provider, and enhances the value proposition of our service offerings.

Prominent Market Positions Across Sectors and Geographies. Our single-source, end-to-end logistics solutions, strong IT capabilities, extensive global presence and long-standing customer relationships have contributed to our position as a market leader in various regions and industry sectors. We believe we are:

- the global market leader in the automotive inbound sector, and we are the leader in automotive spare parts in Europe and Australia. In China and North America we serve the leading automotive original equipment manufacturers ("OEMs"), providing the full range of logistics services, including finished vehicles, inbound and spare parts;
- one of the leading contract logistics providers in FMCG and hi-tech/electronics in Europe, and we have a significant position in the United States and Asia Pacific;
- the market leader in the tyre sector in Europe and Asia Pacific; and
- the market leader in the United Kingdom newspaper distribution market.

Diversified Global Customer Portfolio and Revenue Base. We have a highly diversified global customer portfolio with more than 600 customers worldwide. As the largest pure-play contract logistics provider in the world, we provide logistics services to various industry leaders within our targeted sectors. Our revenue base is diversified across geographies, sectors, customers and services. In 2006, we generated approximately 38% of our net sales with our 10 largest customers and approximately 49% of our net sales with our top 20 customers. Our diversified business enables us to mitigate revenue volatility while allowing us to capture growth opportunities across sectors.

Multi-year Contractual Revenue Base. A substantial majority of our annual revenues are derived from customer contracts with three to five year terms. This provides a stable financial basis for our operations. We manage these contracts by using a mandatory company-wide control process to monitor customers' operating and financial performance to ensure that contracts meet expected volume and margin targets set at signing, and to manage our exposure should a customer default or terminate a contract. We have standard procedures to evaluate, develop and price all new contracts. These procedures are designed to ensure our contacts meet our required profitability thresholds.

State-of-the-Art Technological Capabilities. We have a leading proprietary technology platform that enhances our value proposition for customers. Our state-of-the-art suites of integrated IT systems constitute the backbone of our most complex service offerings. Our IT systems underpin some of the world's largest and most complex supply chains through a resilient and cost-effective infrastructure that improves supply chain visibility and efficiency. This proprietary IT platform provides an interface among the various parties in a supply chain (suppliers, manufacturers and customers) and provides real-time access and business-critical information on each aspect of the supply chain.

Differentiation Through Innovation and Operational Excellence. We offer an array of comprehensive logistics solutions, which leverage our innovation and sector experience. Our solutions for blue chip customers have contributed to broad market awareness of our expertise and commitment to high service standards. As a result, we are frequently asked to participate in competitive bidding processes for new contracts. In addition, the loyalty of our customer base and the strength of our platform serve as strong indications of our operational excellence. Our customers rely on our value-added solutions for many aspects of their mission-critical operations and we maintain long-standing relationships with many of them, as evidenced by the average 15-year relationship with our top 10 customers. Moreover, in recent years, we have been successful in renewing the substantial majority of contracts due for renewal in any particular year.

Experienced Management Team Backed by a Strong Sponsor. Our management team has a strong and successful track record. On average, each CEVA senior manager has more than 18 years of relevant industry experience. John Pattullo, who will join us as Chief Executive Officer in August 2007, and our new Chief Financial Officer Stuart Young (commenced February 2007) bring a wealth of industry experience and strong commitments to make the business more successful. Key managers and employees will remain with CEVA. As one indication of this commitment, 217 senior managers and other employees have invested more than €1 million in CEVA Investments Ltd. (the parent company of CEVA Group Plc) as of March 1, 2007. Following the distribution declared on March 1, 2007, 211 of those employees chose to reinvest 75% of their distributions to purchase additional shares of CEVA Investments Ltd.

Our sponsor Apollo was founded in 1990 and is among the most active and successful private investment firms in the world in terms of both number of investment transactions completed and aggregate dollars invested. Since its inception, Apollo has invested or committed approximately \$16 billion of capital to leveraged buyouts, in a wide variety of industries, both in the United States and internationally. Companies owned or controlled by Apollo or in which Apollo or its affiliates have a significant equity investment include, among others, Affinion, AMC Entertainment, Berry Plastics, Goodman Global, Hexion Specialty Chemicals, Intelsat, Metals USA, Realogy, Rexnord and Verso Paper. Apollo has also invested in a number of transportation, distribution and logistics companies, including Pacer International, Quality Distribution, Inc. and UAP Holdings. Apollo also has a strong European track record, including investments in Cablecom, Primacom and Unity Media. In addition, Apollo has significant carve-out experience in purchasing divisions from larger corporate entities, including General Electric, International Paper, Numico, Royal Dutch Shell, Suez and Tyco.

THE TRANSACTIONS

The Acquisition

On November 4, 2006, CEVA Limited acquired from TNT and certain of TNT's subsidiaries all of the issued share capital of CEVA Logistics Holdings B.V. (formerly known as TNT Logistics Holdings B.V.), all of the issued share capital of certain other TNT subsidiaries, and certain assets of a TNT subsidiary. CEVA Limited is wholly owned by CEVA Group Plc, which in turn is wholly owned by CEVA Investments Ltd, a Cayman Islands limited liability company. Apollo formed these entities for the purpose of effectuating the Acquisition.

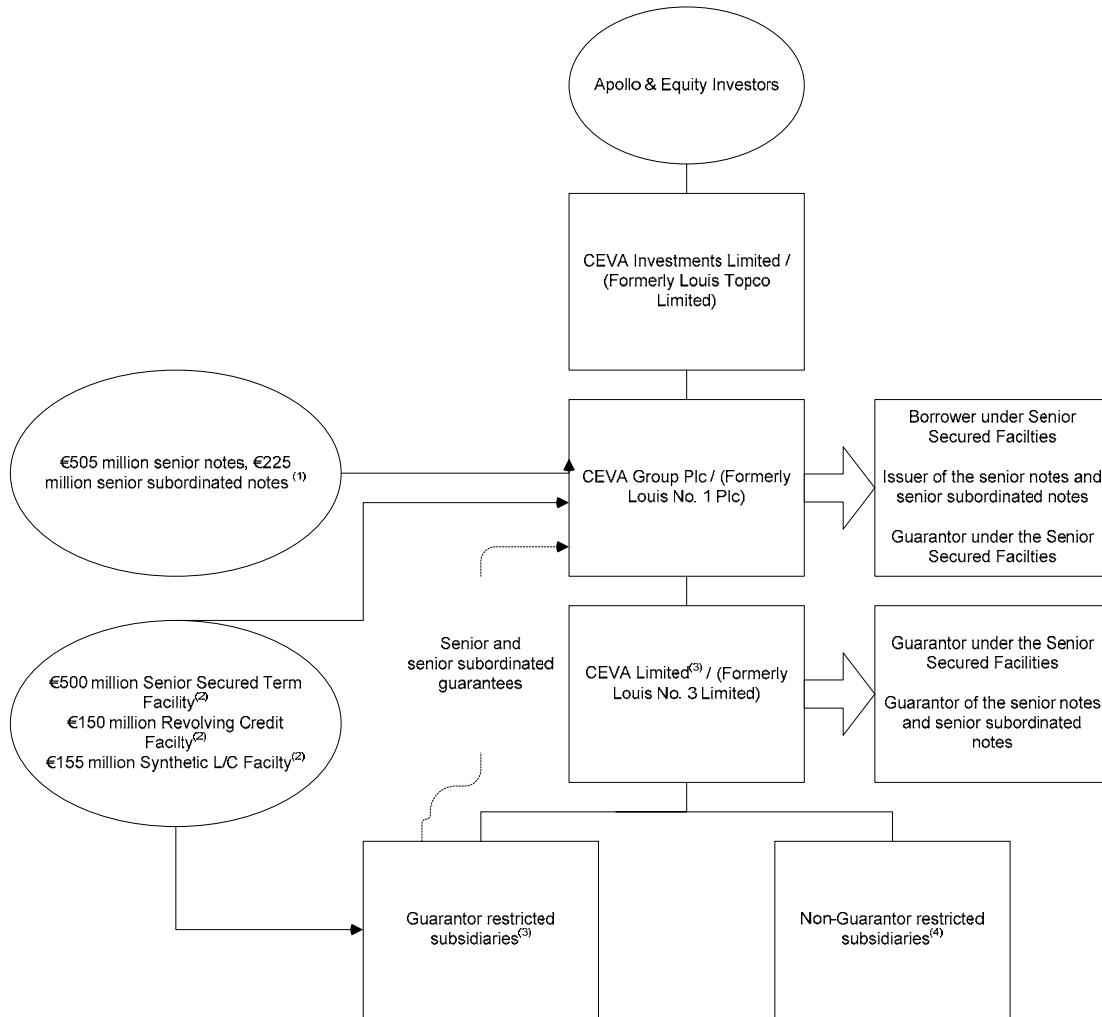
The initial purchase price paid by CEVA Limited to TNT was €1,335.7 million, including the repayment of the indebtedness owed by the acquired subsidiaries to TNT. In April 2007, certain post-closing purchase price adjustments (including adjustments with respect to estimated net debt) were finalised, resulting in an additional payment of €10.0 million (net of purchase price settlements receivable) and €1 million in accrued interest to TNT. The post-closing purchase price adjustment has been included in total consideration paid in the notes to our Financial Statements.

Related Financing Transactions

The Acquisition, the repayment of certain indebtedness existing at the time of the Acquisition and the payment of estimated fees and expenses were financed with the investment by affiliates of Apollo in CEVA Investments Ltd, the subsequent contribution of the cash proceeds from such investment to CEVA Ltd as common equity and the borrowings under the Bridge Facilities and the Senior Secured Term Facility. In December 2006, CEVA completed an offering of senior notes and senior subordinated notes, and the proceeds from this offering were used to repay the Bridge Facilities.

SUMMARY CORPORATE AND FINANCING STRUCTURE

The following diagram summarises our corporate structure and principal outstanding financing arrangements after giving effect to the offering of the notes and the other Transactions.



- (1) The gross proceeds of the bond offering were used to repay all of the amounts outstanding under the Bridge Facilities, which were used to partially finance the Acquisition.
- (2) As at December 31, 2006, a Euro equivalent of €488 million was drawn under the Senior Secured Term Facility, no amounts were drawn under the Revolving Credit Facility and €66 million of letters of credit were issued under the Synthetic L/C Facility. The Senior Secured Facilities are secured by substantially all of the assets of the Company and certain of its subsidiaries, and are guaranteed by the Company and certain of its subsidiaries.
- (3) CEVA Ltd and certain of the Company's operating subsidiaries located in Australia, Brazil, Canada, United Kingdom, Germany, The Netherlands and the United States have guaranteed the notes. The guarantors represent 60% of our aggregated net sales before intercompany eliminations, and 103% of our aggregated EBITDA for the year ended December 31, 2006. The guarantors of the notes also guarantee our Senior Secured Facilities on a senior secured basis. Not all of the guarantors are borrowers under each of the Senior Secured Term Facility, the Revolving Credit Facility and the Synthetic L/C Facility.
- (4) Our non-guarantor subsidiaries (including our subsidiaries organised under the laws of the Republic of Italy) accounted for 40% of our total aggregated net sales before intercompany eliminations, and (3%) of our aggregated EBITDA for the year ended December 31, 2006.

SELECTED HISTORICAL FINANCIAL DATA

The following historical combined financial data as of and for the period ended November 3, 2006 and for the years ended December 31, 2005 and 2004 are derived from our audited combined financial statements and notes thereto of the Logistics Business of TNT (the "Predecessor") which have been prepared in accordance with IFRS. The selected balance sheet data as of December 31, 2006 and the statement of operations data for the period August 9, 2006 (incorporation) to December 31, 2006 have been derived from the consolidated financial statements of CEVA Group Plc (the "Successor"). The Successor financial information for the period from August 9, 2006 (date of incorporation of CEVA) to December 31, 2006, represents two months of operations as the Successor had no operations prior to the acquisition of the Predecessor on November 4, 2006.

The Predecessor results of operations for the period ended November 3, 2006 has been aggregated with the Successor results of operations for the period ended December 31, 2006 to illustrate the results of the operations of the business for the twelve month period ended December 31, 2006. Please note that the reader should carefully consider the 12 month aggregation of interest and taxation as CEVA's capital structure following the Transaction has fundamentally changed between the predecessor and successor periods. The aggregated interest and taxation charge has no consistent basis of preparation and should not be used to make forward-looking projections.

Our 2006 results have been adversely impacted by significant material non-recurring costs which were incurred as part of the Transaction either directly as transaction costs, retention payments and certain restructuring charges which are not expected to reoccur in the future.

Our selected historical financial data should be read in conjunction with the "Operating and Financial Review and Prospects" and the financial statements and the related notes thereto included elsewhere in this annual report.

Condensed Statements of Income Statement Data

	Predecessor Combined			Successor Consolidated	Aggregated Successor and Predecessor
	Year ended December 31,		Period ended November 3,	August 9, 2006 (incorporation) to December 31,	Year ended December 31,
	2004	2005	2006	2006 ¹	2006
	<i>(in € millions)</i>			<i>(in € millions)</i>	
Net sales.....	3,293.9	3,340.3	2,934.6	551.6	3,486.2
Other operating revenues	8.3	11.8	6.9	1.5	8.4
Total revenues	3,302.2	3,352.1	2,941.5	553.1	3,494.6
Other income	-	2.1	2.4	0.1	2.5
Cost of materials	197.0	217.2	212.6	35.0	247.6
Work contracted out and other external expenses	1,666.5	1,696.1	1,507.1	288.9	1,796.0
Salaries and social security contributions	1,008.5	996.7	889.1	163.9	1,053.0
Depreciation, amortization and impairments	79.5	84.1	68.3	20.8	89.1
Other operating expenses	240.6	263.1	290.2	32.5	322.7
Total operating expenses	3,192.1	3,257.2	2,967.3	541.1	3,508.4
Operating income	110.1	97.0	(23.4)	12.1	(11.3)
Results from investments in associates	(1.9)	(35.7)	(2.5)	0.1	(2.4)
Net financial expense	(50.2)	(79.3)	(49.5)	(27.0)	(76.5)
Profit/(loss) before income taxes	58.0	(18.0)	(75.4)	(14.8)	(90.2)
Income taxes	46.8	16.7	3.8	5.8	9.6
Profit/(loss) for the period from continuing operations	11.2	(34.7)	(79.2)	(20.6)	(99.8)
Profit/(Loss) from discontinued operations.....	(31.1)	(191.9)	(6.4)	-	(6.4)
Loss for the period	(19.9)	(226.6)	(85.6)	(20.6)	(106.2)
Attributable to:					
Minority interests	2.1	0.7	1.0	1.2	2.2
Other TNT companies/shareholders' funds	(22.0)	(227.3)	(86.6)	(21.8)	(108.4)
Loss for the period	(19.9)	(226.6)	(85.6)	(20.6)	(106.2)

¹ The Successor financial information for the period from August 9, 2006 (date of incorporation of CEVA) to December 31, 2006, represents two months of operations as the Successor had no operations prior to the acquisition of the Predecessor on November 4, 2006.

Segment Data

	Year ended December 31,			Period ended	Successor Consolidated	Aggregated	
	2004		2005		November 3,	August 9, 2006	Successor and
	2004	2005	2006		December 31,	Predecessor	Year ended
	<i>(in € millions)</i>			2006 ²	<i>(in € millions)</i>		December 31,
Net sales:							
Italy.....	971.0	975.7	875.1	174.0	1,049.1		
North America.....	595.2	660.2	547.7	74.3	622.0		
United Kingdom.....	738.8	659.2	556.7	108.0	664.7		
Rest of Europe.....	635.6	617.3	539.8	103.0	642.8		
Rest of World.....	353.3	427.9	415.3	92.3	507.6		
Total net sales.....	3,293.9	3,340.3	2,934.6	551.6	3,486.2		
EBITDA:							
Italy.....	28.8	28.7	(16.9)	9.8	(7.1)		
North America.....	45.8	44.4	(8.5)	12.4	3.9		
United Kingdom.....	47.6	32.5	23.6	7.2	30.8		
Rest of Europe.....	41.6	41.3	19.5	0.2	19.7		
Rest of World.....	25.8	34.2	27.2	3.3	30.5		
Total EBITDA.....	189.6	181.1	44.9	32.9	77.8		

Condensed Balance Sheet Data

	Predecessor Combined		Successor
	December 31,		Consolidated
	2004	2005	2006
	<i>(in € millions)</i>		
Cash and cash equivalents.....	62.3	93.4	264.7
Intangible assets.....	830.4	888.8	1,164.6
Property, plant and equipment.....	342.8	319.2	387.1
Total assets.....	2,494.6	2,504.9	2,760.9
Total debt.....	1,985.0	1,985.6	1,221.6
Net investment attributable to minority interest.....	5.2	5.9	33.2

Condensed Combined Cash Flow Data

	Predecessor Combined			Successor	Aggregated
	Year ended December		Period ended	Consolidated	Successor and
	31,	31,	November 3,	August 9, 2006	Predecessor
	2004	2005	2006		Year ended
	<i>(in € millions)</i>			<i>(in € millions)</i>	
Net cash provided by operating activities..	49.9	61.1	(182.6)	62.2	(120.4)
Net cash used in investing activities.....	(61.7)	(36.2)	(35.3)	(94.0)	(129.3)
Net cash used in financing activities.....	8.6	4.6	171.9	297.7	469.6

² The Successor financial information for the period from August 9, 2006 (date of incorporation of CEVA) to December 31, 2006, represents two months of operations as the Successor had no operations prior to the acquisition of the Predecessor on November 4, 2006.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis of our financial condition and results of operations covers periods prior to the Acquisition. For comparison purposes, the results of operations for the year ended December 31, 2006, are presented on an aggregated basis, consisting of the historical results of our predecessor for the period ended November 3, 2006 and the results of the successor for the period ended on December 31, 2006. Accordingly, the discussion and analysis of historical periods do not fully reflect the significant impact that the Acquisition has had on our financial statements. In addition, the statements in the discussion and analysis regarding industry outlook, our expectations regarding the performance of our business and the other non-historical statements in the discussion and analysis are forward-looking statements. These forward-looking statements are subject to number of risks and uncertainties, including, but not limited to, the risks and uncertainties described in the section entitled “Risk Factors.” Our actual results may differ materially from those contained in or implied by any forward-looking statements. You should read the following discussion together with the section entitled “Risk Factors” and the financial statements included elsewhere in this annual report.

Overview

Measured by revenues, we are the largest stand-alone pure-play contract logistics company and the second largest contract logistics company in the world. We design, implement and operate complex supply chain solutions for multinational and large national companies on a local, regional and global level. We serve a diversified customer base that includes blue chip companies and industry leaders throughout the world. We hold significant or market leading positions in the six key industry sectors in which we have extensive functional expertise and a competitive advantage: automotive, FMCG, hi-tech/electronics, publishing and media, tyres and industrial.

We currently employ approximately 38,000 employees and operate 567 sites in 30 countries. We divide our business into five geographical reporting segments: Italy, North America, United Kingdom, Rest of Europe (principally Germany, The Netherlands, Belgium, Turkey, Spain, France and Eastern Europe), and Rest of World (principally China, Australia, Southeast Asia and South America). The local business units are supported by an operational Head Office based in The Netherlands and a Corporate Office located in the U.K. providing support and leadership in a number of functional areas including Strategy, Business Development, Operations, Human Resources and Finance.

Key Factors Influencing our Financial Condition and Results from Operations

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

Acquisitions

The logistics business made no major acquisitions during the periods presented; however, the Company acquired the remaining interests in an entity in Italy for a total consideration of €13 million in 2006.

Discontinued Operations

The majority of the unprofitable French logistics business was disposed of in Quarter 4 of 2005 and the remainder in Quarter 1 of 2006. Accordingly, these operations are treated as discontinued operations in all periods presented. Loss from discontinued operations through the date of discontinuance totalled €6.4 million in the year ended December 31, 2006. For the year ended December 31, 2005, the loss from discontinued operations amounted to €192 million, compared to a loss of €31 million for the year ended December 31, 2004. The losses include results from operations, impairment of assets, loss on disposal and redundancy charges. As at December 31, 2005, assets of the discontinued operations were €80 million and liabilities of the discontinued operations were €226 million. For a discussion of the factors we consider in determining whether operations are to be classified as discontinued, see “Operating and Financial Review and Prospects—Critical Accounting Policies—Accounting for Discontinued Operations.”

Exchange Rates

Our reporting currency is the euro; however, we operate in different geographical areas and transact in a range of currencies in addition to the euro, principally the British pound, U.S. dollar, Chinese yuan, Australian dollar, Brazilian real and Canadian dollar. Exchange rate fluctuations can therefore either increase or decrease our revenues and expenses as reported in the euro. For most financial periods, the impact on revenues of fluctuations in exchange rates is largely offset by the impact on expenses, as most of our business units incur revenue and costs in local currencies, creating a natural hedge to currency fluctuations.

Seasonality

Our business is impacted by the seasonal slowdown or upturn of certain of our customers’ industries. The automotive sector, our largest customer 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 to this, we proactively scale-down and may even temporarily close some operations in order to maximise cost efficiency. We also

experience seasonal trends in the FMCG and hi-tech/electronics sectors, where demand increases, specifically in the fourth quarter, as consumer goods such as toys, clothes and electronics are to be delivered to retail locations by early December. Moreover, the global footprint of our business decreases the overall seasonality of our business due to the different seasons in the Northern and Southern hemispheres.

Revenue and EBITDA Development

As a contract-based business, our revenues and EBITDA are impacted by two main factors: (i) our ability to win new business and maintain existing contracts, and (ii) the underlying performance of our customers.

A typical logistics contract has a duration of between three and five years, after which the customer would typically be expected to resubmit the business to the market for competitive tender. In recent years, we have been successful in renewing a substantial majority of the contracts that are due for renewal in any particular year. Reasons for not securing a renewal include competitor under-pricing (especially where a competitor seeks to expand into a new geographical segment), the promise of improved service by a competitor or insourcing by the customer. To achieve revenue and EBITDA growth, we must replace lost contracts with new business and extend activities with existing customers. Therefore we continue to focus and improve our tender process strategy.

We are directly affected by the performance of our customers. When a customer has a successful year, we benefit as more goods pass through its supply chain, increasing our volume of services. The reverse also applies. We seek to mitigate the risk of a downturn in our customers' businesses by building minimum volume thresholds into our commercial contracts. If volumes fall below such thresholds, we can generally either increase unit prices or renegotiate the contract, which ensures the recovery of our fixed costs and any dedicated capital expenditure. We further seek to mitigate the risk of a downturn by utilising a temporary workforce to allow us to match our resources with demand.

Our revenues and EBITDA are also impacted by many other more localised factors, including the efficiency of warehouse design, the efficiency of the transportation network and routing, employee productivity, start up/implementation costs as new contracts become operational and the technology applied throughout our operating processes.

Certain of our geographic segments have been more profitable than others during the periods presented. The difference of margins between countries can be explained by four main factors:

- *Asset intensity.* Margins often vary materially among the different types of our activities, depending on the level at which we employ our owned assets. In general, transport management activities utilising third-party transportation assets carry lower margins than value-added activities performed in a warehouse or transport activities utilising owned assets and personnel.
- *Complexity of activities.* Commodity services, such as basic storage, direct truckload transport, or the provision of contract labour generally do not generate high margins, because they are undifferentiated and have no significant value-added component. Moreover, customers face relatively low switching costs to transfer these services to another provider, which continuously puts pressure on margins. More complex activities, such as picking, operating shared distribution networks and order planning and management, require more technological sophistication and know-how and provide enhanced value for customers. Those activities are more difficult to transfer to other logistics providers as the start-up costs and risks are high.
- *Market structure.* Competitive intensity varies by region. In mature markets there are significant structural differences. In some countries such as the United Kingdom, Belgium and The Netherlands, the market structure has started to consolidate; while in countries like Italy and Spain the market is still highly fragmented, with a large proportion of outsourcing to owner-operators thereby creating a high level of competition. In these fragmented markets, competition to serve the supply chain tends to be broken into smaller components as the owner-operators target the pure transport aspects of the market. Emerging markets have generally shown above average margins due to a lack of logistics providers who are capable of serving the requirements of multinational corporations with extended supply chains. This is, for example, the case with Brazil, Turkey and Asia. In Asia, however, we still invest in a relatively high overhead cost structure to support a presence in several countries, which reduces our profit.
- *Key customer dependency.* Key customer dependency can impact the EBITDA differential between geographic segments where some companies may have a higher proportion of revenue and EBITDA from a limited number of companies, versus other units whose EBITDA are spread over a wider customer basis. If the operating companies within a particular geographic segment are highly reliant on a limited number of large customers, the impact of changes in those customers' volumes, price pressure at renewal date or contract losses will have a greater effect when compared to other segments that are less reliant on a small number of key accounts.

Our margins also vary by industry sector. Generally, we realise higher margins on our hi-tech/electronics contracts than other industry sectors, in part because we provide a significant amount of value-added services (for example,

promotional packaging and distribution, urgent deliveries and repair services on returned mobile hand-sets for our telecom customers). The margins on contracts are generally comparable across our other key sectors, including automotive. While the automotive industry is considered to be under pressure to reduce costs, we have been able to maintain satisfactory margins in this sector over time, primarily for three key reasons. First, we have focused our operations on the plants and activities of our customers that we believe are attractive and that provide better prospects for continuity in production and at lower risk to outsourcing to another region. Second, our automotive revenue is well diversified and is spread across several OEM's, geographies and types of activities. We have significant activities with eight of the ten largest OEM's and we are active on five continents. Moreover, approximately one-third of our activities are in aftermarket, which provides a basis for more stable revenues. Third, we seek to enforce operational best practices across all our operations and develop state-of-the-art technology that allows us to provide cost-effective solutions to our customers.

Separation from TNT, Substantial Leverage and Other Transaction-Related Effects

Our results since the Acquisition have been affected by certain additional factors that may make our historical results not indicative of our likely future performance.

The Acquisition was financed with drawings under the Senior Secured Term Facility and the Bridge Facilities (which were refinanced with the offering of the notes). Following the Transactions, we have substantial additional indebtedness. As of December 31, 2006 we have €1,219.6 million of outstanding funded indebtedness respectively, including €488 million under the Senior Secured Term Facility and €730 million under the notes. Our future results of operations, and in particular our net finance charges, will be significantly affected by the increased amount of indebtedness. The servicing of this indebtedness will impact, among other things, our cash flows and our cash balance.

The costs and expenses reflected in our combined financial statements include a historical management fee for certain corporate functions historically provided to us by TNT, including legal, finance, human resources and other administrative functions. These management fees were based on what we and TNT considered to be reasonable reflections of the historical utilisation levels of these functions required in support of our business. Moreover, our combined financial statements and the other historical financial information included in this annual report do not necessarily indicate what our results of operations, financial condition or cash flows will be in the future. In particular, our combined financial statements do not reflect the costs to us of borrowing funds as a separate entity. Our pension plan costs and liabilities, tax rate and cash taxes paid may also increase significantly as a result of setting up our stand-alone plans. Our depreciation and amortisation expenses may increase once our purchase price allocation has been completed due to the recognition of property, plant and equipment and identifiable intangible assets at fair value.

Presentation of Financial Information

On November 4, 2006, the Logistics Business of TNT was acquired by CEVA Limited. CEVA Limited is a wholly owned subsidiary of CEVA Group Plc. Prior to the acquisition of the Logistics Business of TNT in November 2006, CEVA had no operations; therefore, the Successor financial information for the period from August 9, 2006 (date of incorporation of CEVA) to December 31, 2006, represents two months of operations. The Predecessor results of operations for the period ended November 3, 2006 has been aggregated with the Successor results of operations for the period ended December 31, 2006 to illustrate the operating results of the operations of the business for the twelve month period ended December 31, 2006.

We historically operated as a business segment of TNT and not as a stand-alone company. Consequently the historical predecessor combined financial statements have been specifically prepared in connection with the disposal by TNT of the Logistics Business 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 predecessor combined financial statements are an aggregation of financial information from the individual companies that make up the Logistics Business and are not necessarily representative nor indicative of the financial position, results of operations or cash flows that would have been obtained had the Logistics Business operated independently or under separate ownership. These financial statements have been prepared in accordance with IFRS as adopted by the EU. IFRS as adopted by the EU differs in certain respects from IFRS as issued by the International Accounting Standards Board ("IASB"). However, we do not believe that the financial statements for the periods presented would be different had they been prepared in accordance with IFRS as issued by the IASB. References to IFRS hereafter should be construed as references to IFRS as adopted by the EU.

Our presentation currency is the euro. The results and financial position of all combined entities (none of which currently has the currency of a hyperinflationary economy) that have a functional currency different from our presentation currency are translated into euro as follows: assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet, income and expenses for each income statement are translated at average exchange rates, and all resulting exchange differences are recognised as a separate component of net investment (cumulative translation adjustment).

Foreign currency transactions are translated into functional currency, using the exchange rates at the dates of the transactions or at an average exchange rate for accounting purposes. Accounts receivable, liabilities, cash and cash

equivalents denominated in foreign currencies are translated at the year end exchange rates or at the forward exchange rate if a forward contract has been entered into. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions, and from the translation at the year end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Results of Operations

Description of Key Line Items of the Historical Combined Statements of Income

Set forth below is a brief description of the composition of the key line items of our historical combined statements of income:

- **Net sales.** Net sales represent the revenues from the delivery of goods and services to third parties less discounts, credit notes and taxes levied on sales.
- **Other operating revenues.** Other operating revenues include revenues that do not arise from our normal operations and mainly include rental income from temporarily leased-out property.
- **Other income.** Other income includes net gains from the sale of property, plant and equipment and other gains.
- **Operating expenses.** Operating expenses have been classified by nature of the expenses, as follows:
 - **Cost of materials.** Costs of materials include the costs of materials directly attributable to the normal operating activities of the business including fuel, packaging, pallets and utility costs.
 - **Work contracted out and other external expenses.** Work contracted out and other external expenses include amounts charged by third parties directly attributable to the normal operating activities of the business. The majority of these costs relate to agency costs of non-permanent (subcontracted) warehouse personnel (labour) and significant purchased transportation. Additionally, this includes expenditure associated with the rental of trucks and material handling equipment, as well as warehouse rental costs.
 - **Salaries and social security contributions.** Salaries and social security contributions are charged to the profit and loss account when due, and in accordance with employment contracts and obligations. This includes all wage and social costs of both direct and indirect employees.
 - **Depreciation, amortisation and impairments.** Depreciation and amortisation are charged to the income statement on a straight-line basis over the expected life of the related asset. Impairments on all assets are recorded to the income statement when they are incurred.
 - **Other operating expenses.** Included within other operating expenses are costs incurred for insurance, consultancy, audit, legal and miscellaneous costs.
- **Results from investments in associates.** An associate is an entity that is neither a subsidiary nor an interest in a joint venture, and over whose commercial and financial policy decisions we have the power to exert significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control over those policies. Results from investments in associates represents our share of results of all significant associates accounted for using the equity method.
- **Net financial expense.** Interest income mainly relates to interest earned on loans and deposits and interest charged on overdue customer receivables. Interest and similar expenses relates to interest charged on loans, financial leases and other borrowings.
- **Income taxes.** Income tax represents the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax. Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit/(loss) for a period. Deferred tax represents the amounts of income taxes payable/(recoverable) in future periods in respect of taxable (deductible) temporary differences and unused tax losses.
- **Loss from discontinued operations.** This relates to the discontinued French logistics business.

Results of Operations for the Aggregated Successor and Predecessor Period ended December 31, 2006 Compared to the Years ended December 31, 2005 and 2004

The following table summarises, for the periods indicated, our statements of income reflected as a percentage of total net sales (aggregated in 2006):

	Predecessor				Aggregated Successor and Predecessor	
	Year ended December 31,					
	2004		2005		2006	
	<i>(in € millions and as a % of net sales)</i>					
Net Sales	3,293.9	100%	3,340.3	100%	3,486.2	100%
Other operating revenues	8.3	0%	11.8	0%	8.4	0%
Total revenues	3,302.2	100%	3,352.1	100%	3,494.6	100%
Other income	-	0%	2.1	0%	2.5	0%
Cost of materials.....	197.0	6%	217.2	7%	247.6	7%
Work contracted out and other external expenses	1,666.5	51%	1,696.1	51%	1,796.0	52%
Salaries and social security contributions	1,008.5	31%	996.7	30%	1,053.0	30%
Depreciation, amortisation and impairments	79.5	2%	84.1	3%	89.1	3%
Other operating expenses.....	240.6	7%	263.1	8%	322.7	9%
Total operating expenses	3,192.1	97%	3,257.2	98%	3,508.4	101%
Operating income	110.1	3%	97.0	3%	(11.3)	0%
Results from investments in associates	(1.9)	0%	(35.7)	(1)%	(2.4)	0%
Net financial expense.....	(50.2)	(2)%	(79.3)	(2)%	(76.5)	(2)%
(Loss)/profit before income taxes	58.0	2%	(18.0)	(1)%	(90.2)	(3)%
Income taxes	46.8	1%	16.7	0%	9.6	0%
(Loss)/profit for the period from continuing operations	11.2	0%	(34.7)	(1)%	(99.8)	(3)%
Loss from discontinued operations	(31.1)	(1)%	(191.9)	(6)%	(6.4)	0%
Loss for the period	(19.9)	(1)%	(226.6)	(7)%	(106.2)	(3)%
Attributable to:						
Minority interests.....	2.1	0%	0.7	0%	2.2	(0)%
Other TNT companies/shareholders' funds	(22.0)	(1)%	(227.3)	(7)%	(108.4)	(3)%
Loss for the period	(19.9)	(1)%	(226.6)	(7)%	(106.2)	(3)%
EBITDA	189.6	6%	181.1	5%	77.8	2%

Results of Operations for the Year ended December 31, 2006 Compared to the Year ended December 31, 2005

Revenue

The following table shows our net sales combined in 2005 and aggregated in 2006 for each primary geographical segment for the year ended December 31, 2006 and 2005 and as a percentage of total net sales (aggregated in 2006):

	Predecessor		Aggregated Successor and Predecessor	
	Year ended December 31,			
	2005		2006	
	<i>(in € millions and as a % of net sales)</i>			
Net Sales				
Italy	975.7	29%	1,049.1	30%
North America	660.2	20%	622.0	18%
United Kingdom.....	659.2	20%	664.7	19%
Rest of Europe	617.3	18%	642.8	18%
Rest of World.....	427.9	13%	507.6	15%
Total	3,340.3	100%	3,486.2	100%

Net sales increased by 4% to €3,486 million for the year ended December 31, 2006 from €3,340 million for the year ended December 31, 2005. As discussed in more detail below, this increase in our combined net sales was driven by strong performances in Italy and the Rest of World.

Italy. Net sales in Italy increased by 8% to €1,049 million for the year ended December 31, 2006 from €976 million for the year ended December 31, 2005. The increase is attributed to higher production across Fiat's manufacturing facilities as demand for their vehicles improved and stronger performance on the base automotive business. In addition, revenues were positively impacted as the region won additional new business across the automotive, FMCG and hi-tech/electronics sectors.

North America. Net sales in North America decreased by 6% to €622 million for the year ended December 31, 2006 from €660 million for the year ended December 31, 2005. The decrease is the result of a number of contract terminations which occurred in 2006. The adverse impact was partly offset by increased volumes on existing contracts and new business wins secured in the region.

United Kingdom. Net sales in the United Kingdom were stable between the two years presented, €665 million for the year ended December 31, 2006 from €659 million for the year ended December 31, 2005. The stable revenue is the net result of a combination of new business and strong volumes in our multi-user division which was offset by a small number of contract losses.

Rest of Europe. Net sales in the Rest of Europe grew by 4% to €643 million for the year ended December 31, 2006 from €617 million for the year ended December 31, 2005. The increase is a result of the commencement of new contracts in Belgium, The Netherlands and Turkey in various market sectors, including hi-tech/electronics and FMCG, and increased volumes on existing customers. The positive result from these regions was partly offset by a decrease in revenues in Germany. German revenue progression was hindered by two contract losses and the bankruptcy of one customer. Within this segment, €34.9 million of our net sales for the year ended December 31, 2006 were derived from a contract with our joint venture with Kuehne + Nagel (PACT).

Rest of World. Net sales grew strongly by 19% to €508 million for the year ended December 31, 2006 from €428 million for the year ended December 31, 2005. Revenue growth was driven by the commencement of new contracts across all regions and multiple sectors. Improved volumes on existing business also contributed to growth in net sales.

Other operating revenues. Other operating revenues decreased to €3.4 million for the year ended December 31, 2006 from €1.8 million for the year ended December 31, 2005. Other operating revenue in 2006 mainly included rental income from third parties in relation to periodic subleasing of excess warehouse capacity.

Other income. Other income increased to €2.5 million for the year ended December 31, 2006 from €2.1 million for the year ended December 31, 2005. Other income in 2005 was predominately driven by the sale of trucks in Germany and the United Kingdom and the disposal of containers in our United Kingdom container rental business.

Operating Expense

Our operating expenses for the year ending December 31, 2006 were significantly impacted by certain nonrecurring charges relating to the termination and restructuring of contracts in connection with the Acquisition and certain nonrecurring personnel costs, offset by nonrecurring benefits resulting from the forgiveness of amounts owed to TNT.

Cost of materials. Cost of materials increased to €248 million (7% of net sales) for the year ended December 31, 2006 from €217 million (7% of net sales) for the year ended December 31, 2005. The increase was due to overall growth in the business.

Work contracted out and other external expenses. Work contracted out and other external expenses increased by 6% to €1,796 million (52% of net sales) for the year ended December 31, 2006 from €1,696 million (51% of net sales) for the year ended December 31, 2005. This increase was driven by higher volumes on existing contracts and the commencement of operations on new contracts, specifically in Italy as a result of increased vehicle productions by Fiat. The increase was partially offset by a reduction in North America due to a decline in volumes on certain managed transportation contracts.

Salaries and social security contributions. Salaries and social security contributions increased by 6% to €1,053 million (30% of net sales) for the year ended December 31, 2006 from €997 million (30% of net sales) for the year ended December 31, 2005. This was due to increases in business activities as well as certain nonrecurring costs. These nonrecurring costs comprise €10.9 million of severance payments, including €5.3 million in relation to the restructuring of our Italian automotive operations, as well as retention payments of €8.4 million granted to key personnel in order to secure their service and commitment during the Acquisition process.

Depreciation, amortisation and impairment. Depreciation, amortisation and impairment increased by 6% or € million to €89 million for the year ended December 31, 2006 from €84 million for the year ended December 31, 2005. The increase is attributed to increased capital expenditures in 2006 as new business secured required less capital outlay.

Other operating expenses. Other operating expenses increased by €60 million or 23% to €23 million for the year ended December 31, 2006 from €63 million for the year ended December 31, 2005. The increase partly relates to growth in net sales and certain nonrecurring charges relating to the termination and restructuring of contracts in connection with the Acquisition. These nonrecurring charges were mainly incurred in our Italian and North American operations. In Italy, we incurred €31 million non-recurring costs to improve the contract structure with one of our main customers, avoid eventual past social liabilities and also to improve legacy infrastructure. In North America, our results were impacted by a nonrecurring payment in respect of the settlement with a tyre customer of €26 million, which will allow us to exit certain aspects of the contract prior to its contractual end date period. The impact of these charges was partially offset by the forgiveness of amounts due to other TNT companies in China, the benefit of which has been recorded within other operating expenses.

EBITDA

The following table shows our combined EBITDA for each geographical segment for the year ended December 31, 2006 and 2005.

	Predecessor		Aggregated Successor and Predecessor	
	Year Ended December 31,			
	2005		2006	
	<i>(unaudited)</i>			
	<i>(in € millions and as a % of net sales per segment)</i>			
EBITDA				
Italy.....	28.7	3.0%	(7.1)	(0.7%)
North America.....	44.4	6.7%	3.9	0.6%
United Kingdom.....	32.5	4.9%	30.8	4.6%
Rest of Europe.....	41.3	6.7%	19.7	3.1%
Rest of World.....	34.2	8.0%	30.5	6.0%
Total.....	181.1	5.4%	77.8	2.2%

Our combined EBITDA decreased by 57% to €78 million (2% of combined net sales) for the year ended December 31, 2006 from €181 million (5% of combined net sales) for the year ended December 31, 2005. The main reason for the decline in EBITDA relates to certain nonrecurring costs which are described in detail below.

Italy. EBITDA contribution in Italy decreased by €5.8 million to negative €7.1 million for the year ended December 31, 2006 from €28.7 million for the year ended December 2005. This decline was due to nonrecurring costs incurred related to the of the logistics business, including a one time payment of €21 million and €10 million made to restructure and secure a large piece of automotive business into the future. In addition, other nonrecurring items which had the effect of lowering EBITDA in the year include severance payments of €5.3 million and a €3 million non-compete payment to a joint venture partner. These costs are not expected to continue in the future.

North America. EBITDA in North America decreased to €3.9 million for the year ended December 31, 2006 from €44.4 million for the year ended December 31, 2005. This decrease in EBITDA was substantially due to the underperformance of and the settlement payment (€26 million) granted to a tyre customer in order to exit large parts of the activity. The absence of the underperforming tyre contract is expected to result in increased EBITDA development in 2007.

The variables which adversely impacted the 2006 EBITDA include the nonrecurrence of gains realised in 2005 related to settlement of a property insurance claim, a reduction in automotive volumes, the insolvency of a customer (Roman Corporation) and severance and retention payments made in 2006.

United Kingdom. EBITDA in the United Kingdom decreased to €30.8 million for the year ended December 31, 2006 from €32.5 million for the year ended December 31, 2005. The decrease was primarily the result of severance and retention and restructuring payments recorded in 2006. The restructuring related to a program to streamline and reduce overhead costs. In addition, the results were favourably impacted by the Farnborough Airshow, for which our CEVA Showfreight unit provides logistics services.

Rest of Europe. EBITDA in the Rest of Europe decreased to €19.7 million for the year ended December 31, 2006 from €41.3 million for the year ended December 31, 2005. EBITDA grew across most of our operating companies in this region and would have been higher if the impact of retention payments were to be excluded from those regions. The main driver for the decrease owes to the wind down of a large electronics contract in our Benelux region, which was partly offset by additional new business and increased volumes on existing business. In Germany, improved EBITDA is the result of operational efficiency programs, new business and a positive settlement in relation to a customer who had previously declared bankruptcy. EBITDA in both Spain and Turkey exceeded the prior period. Our Turkish operations had a positive year resulting from increased volumes on the distribution network and from the commencement of new business.

Rest of World. EBITDA in Rest of World decreased to €30.5 million for the year ended December 31, 2006 from €34.2 million for the year ended December 31, 2005. The EBITDA for the current period includes the benefit of a nonrecurring forgiveness by TNT of amounts due to other TNT companies. Excluding this nonrecurring item, EBITDA still increased between periods. This is the net result of increases to EBITDA in South East Asia and Australia where operations continue to grow following new business wins, increased EBITDA in China as a result of positive volume developments in its automotive sector. These positive results were partly offset by higher base business costs in Brazil.

Net financial expense. Net financial expense for 2006 was €76.5 compared to €79.3 in 2005. As a result of the Acquisition CEVA's capital structure (and consequently its interest charge) has fundamentally changed between the predecessor and successor periods. An interest charge of €19.8 million for the two month period ended December 31, 2006 is based on the company's new capital structure.

Results from investments in associates. Results from investments in associates decreased to a loss of €2.4 million for predecessor period to December 31, 2006 from a loss of €35.7 million for the year ended December 31, 2005. The loss in 2005 is due to poor performance of the company's 20% investment in Global Automotive Logistics (GAL), whose trading company is Compagnie d'Affrètement et de Transport S.A. (CAT). This investment was transferred to TNT in August 2006 and does not form part of CEVA's continuing business.

Income taxes. Aggregated income taxes were €9.6 million for 2006 compared to €16.6 in 2005. The aggregate of the predecessor and successor taxation charges are not comparable as CEVA's taxation structure has fundamentally changed following the Acquisition (part of which is attributed the change in capital structure).

Loss for the period from continuing operations. The aggregate position from continuing operations is not analysed separately as it is impacted by the change in interest and taxation structure as described in the above two paragraphs.

Loss from discontinued operations. Loss from discontinued operations amounted to €6 million for the predecessor period ended November 3, 2006, versus €192 million for the year ended December 31, 2005. These losses relate to the operating losses of the French logistics business which were disposed of by December 31, 2006, principally through sale to third parties. The French logistics business which caused these losses are not part of CEVA's continuing business.

Loss for the period. The aggregate position for the period is not analysed separately as it is impacted by the change in interest and taxation structure as described above.

Results of Operations for the Year ended December 31, 2005 Compared to the Year ended December 31, 2004

Net Sales

The following table shows our combined net sales for each primary geographical segment for the years ended December 31, 2005 and 2004 and as a percentage of total net sales:

	Predecessor			
	Year ended December 31,			
	2004		2005	
	<i>(in € millions and as a % of net sales)</i>			
Net Sales				
Italy	971.0	30%	975.7	29%
North America.....	595.2	18%	660.2	20%
United Kingdom.....	738.8	22%	659.2	20%
Rest of Europe.....	635.6	19%	617.3	18%
Rest of World	353.3	11%	427.9	13%
Total	3,293.9	100%	3,340.3	100%

Net sales in 2005 and 2004 showed a marginal increase of 1% to €3,340 million for the year ended December 31, 2005 from €3,294 million for the year ended December 31, 2004. As discussed in more detail below, the slight increase in our net sales was a result of strong performances in North America and the Rest of World, offset by contract losses in the United Kingdom, Germany, Belgium and The Netherlands.

Italy. Net sales in Italy increased marginally to €976 million for the year ended December 31, 2005 from €971 million for the year ended December 31, 2004. Stable net sales are attributed to declines in volume and contractually committed price reductions in our automotive operations offset by revenue growth in our non-automotive business. Revenues in the non-automotive sector grew through the combination of acquiring the Italian operations of Freight Management capabilities, the commencement of new contracts during the year and from the carry over impact of contracts secured in the late part of 2004.

North America. Net sales in North America increased by 11% to €660 million for the year ended December 31, 2005 from €595 million for the year ended December 31, 2004. The increase in the region is primarily due to volume growth in our automotive business as vehicle sales of our key customers increased and the commencement of new contracts. Growth in net sales was partially offset by contract losses.

United Kingdom. Net sales in the United Kingdom decreased by 11% to €659 million for the year ended December 31, 2005 from €739 million for the year ended December 31, 2004. The main drivers of the decline in net sales were contract losses in 2004 and 2005 and volume reductions with two key customers. New business and additional home delivery activity partially mitigated the full extent of the declines in net sales.

Rest of Europe. Net sales in the Rest of Europe decreased by 3% to €617 million for the year ended December 31, 2005 from €636 million for the year ended December 31, 2004. The main cause of the decline was the loss of a key contract in 2003, which was progressively phased out over a three-year period, and the loss of two automotive contracts in Germany in 2005, the larger of the two contracts was insured by the customer for internal optimisation and capacity reasons.

Rest of World. Net sales in the Rest of World increased by a robust 21% to €428 million for the year ended December 31, 2005 from €353 million for the year ended December 31, 2004. Growth in net sales in the Asia Pacific region was achieved through strong automotive sales in the region and in South America through a combination of securing new business and large volume improvements as car sales rose during the year. These increases were slightly offset by a decline in automotive sales in China.

Other operating revenues. Other operating revenues increased to €12 million for the year ended December 31, 2005 from €8.3 million for the year ended December 31, 2004. Other operating revenue in 2005 and 2004 mainly included rental income from third parties in relation to periodic subleasing of excess warehouse capacity.

Other income. Other income increased to €2.1 million for the year ended December 31, 2005 from a negligible amount in 2004. Other income in 2005 was predominately driven by the sale of trucks in Germany and the United Kingdom and the disposal of containers in our United Kingdom container rental business. Such transactions may occur in the future.

Operating expenses

Cost of materials. Cost of materials increased by 10% to €17 million (7% of net sales) for the year ended December 31, 2005 from €197 million (6% of net sales) for the year ended December 31, 2004. The increase is due to overall growth in the business and a nonrecurring charge in relation to the write-off of inventory in our container business. Excluding this write-off, the rise in material costs was in line with revenue growth.

Work contracted out and other external expenses. Work contracted out and other external expenses increased by 2% to €1,696 million (51% of net sales) for the year ended December 31, 2005 from €1,667 million (51% of net sales) for the year ended December 31, 2004. The increase in subcontracted costs mainly reflects new business in Australia and North America as new contracts became operational and acquisitions in Turkey and Italy, partially offset by reductions in temporary labour. The North America increase in business was attributable to a rise in managed transportation activity (acting as the lead outsourcing company and managing the activities of subcontracted transporters who carry the goods). The acquisitions included the Italian freight management operations in December 2004 and the remaining 50% interest of our Turkish joint venture in July 2004. These increases were partly offset by the replacement of temporary labour with permanent staff in the United Kingdom and a reduction in temporary labour costs in the Italian automotive operations.

Salaries and social security contributions. Salaries and social security contributions decreased by 1% to €97 million (30% of net sales) for the year ended December 31, 2005 from €1,009 million (31% of net sales) for the year ended December 31, 2004. Despite the increase in net sales, personnel costs remained stable overall as increases in North America (due to new business) and Brazil (as a result of improved vehicles sales) were offset by headcount reductions in the United Kingdom, Germany and Italy Automotive (driven by contract losses or volume declines).

Depreciation, amortisation and impairment. Depreciation, amortisation and impairment increased by €4.5 million or 6%, to €84 million for the year ended December 31, 2005 from €79 million at December 31, 2004.

Other operating expenses. Other operating expenses increased by €2 million or 9% to €63 million (8% of net sales) for the year ended December 31, 2005 from €41 million (7% of net sales) for the year ended December 31, 2004. The increase reflects the growth in net sales offset by a nonrecurring charge for legal claims in the Italian business (*Tariffe a Forcella*). This point is explained further in the Italy EBITDA section below.

EBITDA

The following table shows our combined EBITDA for each geographical segment for the years ended December 31, 2005 and 2004.

	Predecessor			
	Year ended December 31,			
	2004		2005	
	<i>(unaudited)</i>			
	<i>(in € millions and as a % of net sales per segment)</i>			
EBITDA				
Italy	28.8	3.0%	28.7	3.0%
North America.....	45.8	7.7%	44.4	6.7%
United Kingdom.....	47.6	6.5%	32.5	4.9%
Rest of Europe.....	41.6	6.5%	41.3	6.7%
Rest of World	25.8	7.3%	34.2	8.0%
Total.....	189.6	5.8%	181.1	5.4%

Our combined EBITDA decreased by 4% to €181 million (5.4% of combined net sales) for the year ended December 31, 2005 from €190 million (5.8% of combined net sales) for the year ended December 31, 2004. The decline in EBITDA is described in detail below.

Italy. EBITDA in Italy remained stable at €29 million in both years. However, 2005 includes the establishment of a €10 million reserve for claims from certain existing and legacy transportation suppliers due to the abolishment of fixed transportation tariffs (*Tariffe a Forcella*) for full truck loads. These claims are being actively managed and are indemnified by TNT pursuant to the SPA. The abolishment of *Tariffe a Forcella* affected the entire Italian transportation industry.

Excluding the above nonrecurring items, EBITDA for the year ended December 31, 2005 would have been higher than the previous year and EBITDA margin would have increased to 4.0% from 3.0% for the year ended December 31,

2004. This improvement is a result of improved warehouse occupancy, labour cost savings (including temporary labour described above) and the inclusion of the Italian freight management results in the income statement for the entire period.

North America. EBITDA in North America decreased by 3% to €44 million for the year ended December 31, 2005 from €46 million for the year ended December 31, 2004. The EBITDA margin decreased to 6.7% from 7.7% despite a growth in net sales. This converse relationship is due to the commencement of new business in the managed transportation sector. This is a low margin, low risk and low capital intensive business where we act as the lead logistics provider, managing the customer relationship on one side while managing the subcontracted transporters on the other side of the supply chain. While this new business improves our revenue growth and absolute EBITDA, it has a dilutive effect on EBITDA margin. Additionally, the business unit incurred IT development costs and increased overhead costs, which also had an adverse effect on EBITDA.

United Kingdom. EBITDA in the United Kingdom decreased by 32% to €3 million for the year ended December 31, 2005 from €48 million for the year ended December 31, 2004. The EBITDA decline in the United Kingdom resulted from the culmination of contract losses in 2004 (which had a full year impact in 2005), lower volumes and the absence of the Farnborough Airshow results. The decline in EBITDA margin was attributed to the decision by management not to immediately realign our organisation and overhead structure due to contracts losses to allow for replacement business to be secured.

Rest of Europe. EBITDA in the Rest of Europe decreased by 1% to €41 million or the year ended December 31, 2005 from €42 million for the year ended December 31, 2004. The decline is due to the loss of an automotive contract in Germany (which was insourced by the customer for internal optimisation and capacity reasons and the requirement to book provisions of €2 million related to a customer who became insolvent). This decline was partially offset by growth in our German and Eastern European operations as new contracts came into effect, the reorganisation of the transportation division, and the release of a provision related to the sub-lease of a warehouse vacated in a prior period.

While year on year EBITDA declined in our operating companies in Belgium and The Netherlands, EBITDA margin for this business remains strong. The main drivers in the lower EBITDA are higher costs in 2005 for changes in the TNT group pension plan and higher personnel costs for marketing and business development related to growth of the business. The EBITDA decline was partially offset by a shared cost savings bonus with our key FMCG customer and from the HP/Compaq contract disengagement fee. Overall, EBITDA margin improved slightly from 6.5% to 6.7%.

Rest of World. EBITDA increased by 32% to €34 million for the year ended December 31, 2005 from €26 million for the year ended December 31, 2004. Australia and Asia experienced significant EBITDA growth, although not of the same magnitude as growth in net sales. This is attributed to start up costs on new business and an increase in headcount to build the infrastructure to further develop the region. EBITDA in South America also increased during the period due to the commencement of profitable new business. The successful implementation of this new business and favourable foreign exchange effects.

Net financial expense. Net financial expense increased to €79 million for the year ended December 31, 2005 from €50 million for the year ended December 31, 2004. Interest and similar expenses increased by €34 million to €89 million for the year ended December 31, 2005 from €55 million for the year ended December 31, 2004. The increase in interest costs is primarily attributed to a higher interest charge due to higher balances due to other TNT companies. This increase in expense is partially offset by an increase of €6 million to €10 million for the year ended December 31, 2005 from €4 million for the year ended December 31, 2004, principally due to a higher average cash balance during 2005, interest received from TNT Finance B.V. and to a limited extent interest charged to customers for late payment.

Results from investments in associates. Results from investments in associates decreased to a loss of €36 million for the year ended December 31, 2005 from a loss of €1.9 million for the year ended December 31, 2004. The loss in 2005 includes an impairment of our historic 20% investment in Global Automotive Logistics (GAL), whose trading company is Compagnie d'Affrètement et de Transport SA (CAT). This investment was transferred to TNT in August 2006 and does not form part of the Acquisition.

Income taxes. Income taxes decreased by €30 million to €17 million for the year ended December 31, 2005 from €47 million for the year ended December 31, 2004. The main reason for the decrease owes to lower tax costs in Italy, the United Kingdom and The Netherlands, which was driven by an increase in tax deductible interest expense. In addition, our North American operations provided for a tax liability for an exposure in 2004 which was partially released in the 2005 income statement due to additional developments.

(Loss)/Profit for the period from continuing operations. (Loss)/Profit from continuing operations decreased to a loss of €35 million for the year ended December 31, 2005 from a profit of €1 million for the year ended December 31, 2004, as a result of lower operating income, significantly higher interest charges and the impairment of the GAL investment.

Loss from discontinued operations. Loss from discontinued operations increased by €61 million to €92 million for the year ended December 31, 2005 from €31 million for the year ended December 31, 2004. These

losses relate to TNT's sale of the French logistics business, including results from operations, impairment of assets, loss on disposal and redundancy charges.

Loss for the period. Loss for the period increased to €27 million for year ended December 31, 2005 from €20 million for the year ended December 31, 2004, mainly due to the loss recorded on the discontinued French logistics business amounting to €192 million.

Historical Liquidity and Capital Resources

In the course of 2004, 2005 and for the period ended November 3, 2006 our acquisitions and the operational losses in France were funded with borrowings from TNT. Following the Acquisition our cash needs have been met principally through operating cash flows, and borrowings under the Revolving Credit Facility and the Synthetic L/C Facility.

Historical Cash Flows

The following table summarises our cash flows for the periods indicated:

	Predecessor		Aggregated Successor and Predecessor
	Year ended December 31,		
	2004	2005	2006
	<i>(in € millions)</i>		
Net cash provided by/(used in) operating activities	49.9	61.1	(120.4)
Net cash used in investing activities	(61.7)	(36.2)	(129.3)
Net cash provided by financing activities	8.6	4.6	469.6
Net increase/(decrease) in cash and cash equivalents	(3.2)	29.5	219.9
Cash acquired at acquisition date	-	-	(47.4)
Foreign exchange on cash and cash equivalents	-	-	(1.2)
Cash and cash equivalents at:			
Beginning of the period	67.1	63.9	93.4
End of the period	63.9	93.4	264.7

Net cash provided by operating activities

Net cash provided by/(used in) operating activities is determined indirectly by reconciling our loss before income taxes to cash provided by operating activities.

Net cash provided by/(used in) operating activities changed from cash provided by operating activities of €61.0 million for the year ended December 31, 2005 to cash used in operating activities of €(120.4) million for the aggregated year ended December 31, 2006. This decrease is primarily attributable to changes in accounts receivable (principally amounts due from other TNT companies) and other current liabilities (principally amounts due to other TNT companies).

Net cash provided by operating activities increased by 22% to €61.0 million for the year ended December 31, 2005 from €49.9 million for the year ended December 31, 2004. Net cash from operating activities was €1.1 million higher for the year ended December 31, 2005 compared to the year ended December 31, 2004, primarily due to an improved accounts payable position (principally our Italian business unit).

Net cash used in investing activities

Net cash used in investing activities increased to €29.3 million for the aggregated year ended December 31, 2006 from €36.2 million for the year ended December 31, 2005. The increase principally relates to the acquisition of other TNT companies (net of cash) of €120.0 million and an increase in capital expenditure on intangible assets and property, plant and equipment compared to the previous period of €3.0 million, offset by an increase in interest received compared to the previous period of €2.2 million. Proceeds from the sale of property, plant and equipment increased from €4.1 million for the year ended December 31, 2005 to €23.2 million for the aggregated year ended December 31, 2006. The inflow related to financial fixed assets of €13.4 million mainly related to a decrease in non-current prepayments and accrued income.

Net cash used in investing activities decreased to €36.2 million for the year ended December 31, 2005 from €61.7 million for the year ended December 31, 2004. The reduction in cash used in investing activities of €25.5 million between the years presented primarily relates to acquisitions (net of cash) of €1.0 million in the year ended December 31, 2004, lower capital expenditure on intangible assets (€20.0 million) in 2005 and an inflow related to

Future Liquidity and Capital Resources

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

In addition to cash flow from operating activities, under our Senior Secured Facilities we have a committed Revolving Credit Facility of €150 million, a €155 million Synthetic L/C Facility and cash as of December 31, 2006 of €264.7 to service our working capital requirements, certain transition and rebranding costs, purchase price adjustments and general corporate purposes. The availability of this facility is dependent upon certain conditions.

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

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

If our future cash flows from operations and other capital resources (including borrowings under the Revolving Credit Facility and the Synthetic L/C Facility) are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay business activities, and capital expenditures;
- sell assets;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of our debt, including the notes, on or before maturity.

We may not be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In addition, the terms of our existing debt, including the notes and the Senior Secured Facilities, limit, and any future debt may limit, our ability to pursue any of these alternatives.

Following the Transactions, we are leveraged and have significant debt service obligations. As of December 31, 2006, we have €1,296.3 million of funded indebtedness, of which €488 million would have been outstanding indebtedness under the Senior Secured Facilities and €730 million under the notes. We also have €150 million available under the Revolving Credit Facility until November 4, 2012. We anticipate that our high leverage will continue for the foreseeable future. Our high level of debt may have important negative consequences for you. For more information, see "Risk Factors".

Financing Arrangements

Senior Secured Facilities

On November 4, 2006, in connection with the Acquisition, we entered into the Senior Secured Facilities with certain banks; the Senior Secured Facilities were amended and restated as of January 4, 2007. The Senior Secured Facilities consist of:

- €500 million term loan facility, which on January 4, 2007 consisted of approximately €291.6 million in term loans denominated in euro and approximately \$266 million of term loans denominated in United States dollars and as of December 31, 2006 based on current exchange rates was a total of €488 million. Immediately prior to the date on which the term loans were borrowed, we entered into foreign currency swaps to exchange the term loans denominated in United States dollars into euro at an average rate of approximately 1.28 United States dollars per euro. The term loans under the Senior Secured Term Facility mature on November 4, 2013. On February 4, 2007, we prepaid €40.3/\$13.0 of the term loan facility;
- €150 million revolving credit facility, which was undrawn on the closing date of the Acquisition and includes borrowing capacity available for letters of credit, for borrowings on same-day notice in United States dollars (referred to as swingline loans), and borrowing capacity under ancillary subfacilities, including overdraft lines,

additional letter of credit facilities, foreign exchange facilities and other accommodations, which we refer to as ancillary facilities. The commitments under the Revolving Credit Facility expire on November 4, 2012; and

- €155 million Synthetic L/C Facility, which on the closing date was committed in a United States dollar denominated partly in dollars (approximately \$82.5 million) and partly in euro (approximately €15.7 million), which is be available for the issuance of letters of credit and bank guarantees. Approximately €66 million of letters of credit in various currencies were issued on or about the closing date of the Acquisition under the Synthetic L/C Facility. The Synthetic L/C Facility expires on November 4, 2013.

The Senior Secured Facilities also provide for uncommitted incremental term loans, revolving facilities or synthetic letter of credit facilities in an aggregate amount of up to €200 million that may be made upon our request under the Senior Secured Facilities, subject to documentation requirements and other conditions.

Interest Rate and Fees

The interest rates per annum applicable to loans under the Senior Secured Facilities are, at our option, equal to either an alternate base rate or an adjusted eurocurrency rate for a one-, two-, three- or six-month interest period, or a nine- or twelve-month period, if available from all relevant lenders, in each case, plus an applicable margin. Eurocurrency loans are based on Adjusted EURIBOR if denominated in euro and on Adjusted LIBOR if denominated in any other currency. The alternate base rate means the greater of (i) Credit Suisse's prime rate and (ii) one-half of 1.0% over the weighted average of rates on overnight Federal Funds as published by the Federal Reserve Bank of New York. The Adjusted EURIBOR or LIBOR rates will be determined by reference to settlement rates established for deposits in dollars or euro, as applicable, in the relevant interbank market, for a period equal to the interest period of the applicable loan and will include amounts related to reserves that are imposed on the lenders under the Senior Secured Facilities by applicable banking authorities. We will also pay an amount equal to the applicable margin in respect of amounts deposited with the administrative agent to backstop letters of credit issued under the Synthetic L/C Facility.

In addition to paying interest on outstanding principal under the new senior secured credit facilities, we will be required to pay a facility fee to the lenders under the revolving credit facility at a rate equal to 0.50% per annum on the amount of the facility, regardless of whether drawn or undrawn. We will also pay customary letter of credit and agency fees.

Prepayments

The Senior Secured Term Facility will require us to prepay outstanding term loans, subject to certain exceptions, with:

- beginning with our fiscal year ending December 31, 2007 and in the event that our senior secured leverage ratio is greater than a certain threshold, 50% of excess cash flow (as defined in the credit agreement) less the amount of certain voluntary prepayments as described in the credit agreement; and
- 100% of the net cash proceeds of all non-ordinary course asset sales and casualty and condemnation events, if we do not reinvest or commit to reinvest those proceeds in assets to be used in our business or to make certain other permitted investments within 18 months (and, if committed to be so reinvested, actually reinvested within 21 months).

We may voluntarily repay outstanding loans under our Senior Secured Facilities at any time without premium or penalty, other than customary "breakage" costs with respect to eurocurrency loans.

Amortization

The term loans will amortize each year in an amount equal to 1% per annum in equal quarterly installments for the first six years and nine months, with the remaining amount payable on November 4, 2013.

Principal amounts outstanding under the revolving credit facility will be due and payable in full on, and the commitments in respect thereof will terminate on, November 4, 2012.

Loans outstanding under the Synthetic L/C Facility will be payable on November 4, 2013.

Guarantee and Security

All obligations under the Senior Secured Facilities are unconditionally guaranteed by us, each of the borrowers under the Senior Secured Facilities and certain of our and their direct and indirect subsidiaries (Senior Credit Facility Guarantors).

All obligations under the Senior Secured Facilities, and the guarantees of those obligations (as well as any interest-hedging or other swap agreements), are secured by substantially all of the issuer's assets and certain assets of the borrowers under the Senior Secured Facilities and their subsidiaries.

Certain Covenants and Events of Default

The Senior Secured Facilities contain a number of covenants that, among other things, restrict, subject to certain exceptions, our ability and the ability of our subsidiaries, to incur additional indebtedness, create liens on assets, enter into sale and leaseback transactions, make investments, loans, guarantees or advances, make certain acquisitions, sell assets, engage in mergers or acquisitions, pay dividends and make distributions or repurchase capital stock, repay certain other indebtedness, including the senior subordinated notes, enter into agreements that restrict the ability of our subsidiaries to pay dividends, engage in certain transactions with affiliates, change the business conducted by us or our subsidiaries, amend certain material agreements governing our indebtedness, amend our organizational documents, make capital expenditures, change our fiscal year end and change our center of main interest.

In addition, the Senior Secured Facilities require us to maintain a maximum total senior secured leverage ratio. The Senior Secured Facilities also contain customary affirmative covenants and events of default.

The Senior Notes

On December 6, 2006, we issued €505 million of senior notes. The senior notes will mature on December 1, 2014. Interest on the senior notes is due on each June 1 and December 1, commencing on June 1, 2007. The senior notes bear interest at 8 1/2% per annum.

The senior notes are senior obligations of CEVA and are guaranteed, jointly and severally, on an unsecured, senior basis, by each subsidiary that guarantees the Senior Secured Facilities. The senior notes contain customary covenants and events of default that, among other things, restrict, subject to certain exceptions, our ability, and the ability of our subsidiaries, to incur indebtedness, sell assets, make investments, engage in acquisitions, mergers or consolidations and make dividend and other restricted payments.

We may redeem some or all of the senior notes at any time on or after December 1, 2010, at specified redemption prices. In addition, we may redeem up to 40% of the aggregate principal amount of the senior notes on or prior to December 1, 2009, with the net proceeds from certain equity offerings at a specified redemption price. Prior to December 1, 2010, we may redeem some or all of the senior notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus a “make-whole” premium. Upon the occurrence of certain change of control events, each holder of senior notes may require us to repurchase all or a portion of its notes at a purchase price equal to 101% of the principal amount of the senior notes, plus accrued interest.

The Senior Subordinated Notes

On December 6, 2006, we issued €225 million in aggregate principal amount of senior subordinated notes. The senior subordinated notes will mature on December 1, 2016. Interest is due on the senior subordinated notes on each June 1 and December 1, commencing on June 1, 2007. The senior subordinated notes bear interest at 10% per annum.

The senior subordinated notes are senior subordinated obligations of CEVA and are guaranteed on an unsecured, senior subordinated basis, by each of the subsidiaries that guarantee the Senior Secured Facilities and the senior notes. The indenture relating to the senior subordinated notes sets forth covenants and events of default that are substantially similar to those set forth in the indenture governing the senior notes.

We may redeem some or all of the senior subordinated notes at any time on or after December 1, 2011, at specified redemption prices. In addition, we may redeem up to 40% of the aggregate principal amount of the senior subordinated notes on or prior to December 1, 2009, with the net proceeds from certain equity offerings at a specified redemption price. Prior to December 1, 2011, we may redeem some or all of the senior subordinated notes at a price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, plus a “make-whole” premium. Upon the occurrence of certain change of control events, each holder of senior notes may require us to repurchase all or a portion of its notes at a purchase price equal to 101% of the principal amount of the senior subordinated notes, plus accrued interest.

Contractual Obligations

The following table summarises our material contractual obligations as of December 31, 2006.

	Expected cash payments due by period				After 5 years
	Total	Less than 1 year	1-3 years	3-5 years	
		<i>(unaudited and in € millions)</i>			
Senior Secured Facilities(1)	488.0	54.9	9.8	9.8	413.5
Senior notes(1)	505.0	-	-	-	505.0
Senior subordinated notes(1).....	225.0	-	-	-	225.0
Finance leases(2).....	22.9	2.0	4.0	3.6	13.3
Operating leases(2).....	538.9	147.3	209.6	103.1	78.9
Purchase commitments(3).....	7.0	7.0	-	-	-
	1,786.8	211.2	223.4	116.5	1,235.7

(1) Borrowings are stated at their principal amounts.

(2) Operating leases primarily relate to warehouse rental contracts, trucks and trailers and material handling equipment and finance leases primarily relate to warehouses in Europe.

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

(4) Estimated obligations relating to interest on borrowings total approximately €75.3 million, of which €6.5 million is due within one year, €90.9 million due within 1-3 years, €89.5 million due within 3-5 years, and €98.5 million due after five years.

Other than guarantees and other similar arrangements that are disclosed in the consolidated financial statements and €6 million of letters of credit issued under the Synthetic L/C Facility upon completion of the Acquisition, we have no off-balance sheet arrangements.

Quantitative and Qualitative Disclosures about Market Risk

Our activities expose us to a variety of financial risks, such as market risks (including foreign currency exchange risk, interest rate risk and commodity price risk), credit risk, liquidity risk and cash flow risk. All of these risks arise in the normal course of business.

Historically, we have not managed these risks using financial instruments, including derivatives. Our exposure to foreign currency exchange risk is substantially limited to translation risk when consolidating the results of our global operations. Additionally, pursuant to our contracting policies, our contracts with customers generally include fuel price adjustment provisions that mitigate the risk of fuel price increases. For further elaboration on our market risks please refer to note 6 of the combined financial statements. Going forward we may decide to use various financial instruments to hedge against our interest rate exposure.

As of December 31, 2006 we have €1,219.6 million of funded indebtedness, of which the €488 million drawing under the Senior Secured Term Facility carries a variable rate of interest. Accordingly, we may experience increases or decreases in interest expense that may materially impact financial results as interest rates fluctuate. A 1/4% increase or decrease in assumed interest rate related to this debt would impact interest expense by €1.3 million.

Critical Accounting Policies

Our reported financial condition and results of operations are sensitive to accounting policies, assumptions and estimates that underlie the preparation of our financial statements. The critical accounting policies, the judgments and other uncertainties affecting the application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered, together with reviewing our financial statements and the discussion in this document.

We make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. We have discussed the development and selection of these critical accounting policies and estimates with our independent auditors.

Basis of Preparation of Predecessor Combined Financial Statements

In determining the entities to be included in the historical predecessor combined financial statements, we considered the entities that have been managed as part of the Logistics Business on a historical basis. The determination of the entities that have been managed as part of the Logistics Business requires judgement and may significantly influence the combined financial statements. In particular, we have excluded the revenues, expenses, assets and liabilities associated with the freight management business (excluding Italy and Maastricht) and TNT Innight B.V. and TNT Logistics Innight Holding GmbH (collectively, "Innight") from the predecessor combined financial statements on the basis that they have not been managed as part of the Logistics Business. These entities are also excluded from the SPA. We have further included the revenues, expenses, assets and liabilities associated with the French logistics business, which has been classified as a discontinued operation, on the basis that it was managed as part of the Logistics Business. The majority of the entities of the French logistics business were sold to third parties in November 2005, with the remaining entities sold in the first two months of 2006.

Business combinations and impairment of goodwill and other long lived intangible assets

We use the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of our share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of our share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against our interests except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

In determining impairments of intangible assets, tangible fixed assets and goodwill, we must make significant judgements and estimates to determine whether the cash flows generated by those assets are less than their carrying value. Determining cash flows requires the use of judgements and estimates that have been included in our strategic plans and long-range forecasts. The data necessary for the execution of the impairment tests are based on management estimates of future cash flows, which require estimating revenue growth rates and profit margins.

For purposes of preparation of the predecessor combined financial statements, we accounted for all business combinations under the purchase method to the extent that these acquisitions were transacted with third parties outside of TNT and internal reorganisations or transfer of businesses between TNT group companies were accounted for at historical carrying amounts, with no goodwill reflected.

Property, plant and equipment

Property, plant and equipment (including assets under construction) is valued at historical cost using a component approach, less depreciation or at the recoverable amount whenever impairment has taken place. In addition to costs of acquisition, we also include costs of bringing the asset to working condition, handling and installation costs and the non-refundable purchase taxes. Depreciation is calculated using the straight-line method based on the estimated useful life, taking into account any residual value. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Accounts receivable and impairments

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that we will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement

Employee benefits

Post-employment benefits represent obligations that will be settled in the future and require assumptions to project benefit obligations. Post-employment benefit accounting is intended to reflect the recognition of future benefit costs over the employee's approximate service period, based on the terms of the plans and the investment and funding decisions made. The accounting requires us to make assumptions regarding variables such as discount rate, rate of compensation increase, return on assets and future healthcare costs. We consult with outside actuaries regarding these assumptions at least annually. Changes in these key assumptions can have a significant impact on the defined benefit obligations, funding requirements and pension cost incurred. For a discussion of the current funded status, refer to note 10, "Provisions for pension liabilities," of the financial statements.

Restructuring

Restructuring charges result mainly from restructuring operations, including consolidations and/or relocations of operations, changes in our strategic plan, or managerial responses to declines in demand, increasing costs or other market factors. Restructuring provisions reflect many estimates, including those pertaining to separation costs, consolidation of excess facilities, contract settlements and tangible asset impairments. Actual experience has been and may continue to be different from these estimates.

Income taxes

We are subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision and liability for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. We recognise liabilities for tax issues based on estimates of whether additional taxes will be due, based on our best interpretation of the relevant tax laws. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

We recognise deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered. This is based on estimates of taxable income by jurisdiction in which we operate and the period over which deferred tax assets are recoverable. In the event that actual results differ from these estimates in future periods, and depending on the tax strategies that we may be able to implement, changes to the recognition of deferred tax assets could be required, which could impact our financial position and net profit.

Accounting for discontinued operations

Accounting for discontinued operations requires the use of significant assumptions and estimates, such as the assumptions used in the fair value calculations as well as the estimated costs to sell.

Contingent liabilities

Legal proceedings and tax issues covering a range of matters are pending in various jurisdictions against us. Due to the uncertainty inherent in such matters, it is often difficult to predict the final outcome. The cases and claims against us often raise difficult and complex factual and legal issues, which are subject to many uncertainties and complexities, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law. In the normal course of business, we consult with legal counsel and certain other experts on matters related to litigation and taxes.

We accrue a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated. In the event an adverse outcome is possible or an estimate is not determinable, the matter is disclosed.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. We use our judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

MANAGEMENT

Executive Officers and Board of Directors

The following table provides information regarding our executive officers, the members of our board of directors and our key management as of December 31, 2006.

Name	Age	Title
David Kulik	58	Chief Executive Officer, Director
Stuart Young	50	Chief Financial Officer
Pierre Girardin	48	Head of Business Development and Marketing
Dan DiMaggio	56	Consultant and Director
Joshua Harris	42	Non-Executive Director
Gareth Turner	43	Non-Executive Director
Stanly Parker, Jr.	31	Non-Executive Director
Lukas Kolff	33	Non-Executive Director

Director and Key Management Biographies

David Kulik has been our Chief Executive Officer (“CEO”) and a member of our board since November 2006. He was a member of the Board of Management of TNT N.V. starting in September 2003 until he resigned from this position in conjunction with the Acquisition. He is also Chairman of ANJI-TNT, which is the joint venture between TNT Logistics and Shanghai Automotive Industry Sales Company. He joined TNT N.V. as Managing Director of TNT Logistics North America as a result of the acquisition of CTI Logistx in August 2000. Prior to that time, Mr. Kulik was President/CEO of CTI Logistx since January 1994 and held the positions of Executive V.P. and COO of the same organisation after it was purchased by CSX Corporation in 1988. Between 1982 and 1988, Mr. Kulik was employed by the predecessor parent, IU International, his last position being Executive VP with the LandStar Group (formerly Ranger Transportation). In January 2007, CEVA announced that John Pattullo would be Chief Executive Officer of the Company starting in August 2007. Mr. Pattullo is currently the Chief Operating Officer of the EMEA region of DHL Exel Supply Chain. Mr. David Kulik will continue in his role as CEO of the company until the appointment of Mr. Pattullo becomes effective and he will subsequently assume the position of Vice Chairman of the Board of Directors of CEVA Group.

Stuart Young has been our Chief Financial Officer since February 2007. He joined CEVA from DHL/ExelOcean Group where he had worked for 15 years. In December 2005 after the acquisition of Exel plc by Deutsche Post he was appointed Finance Director of DHL Exel Supply Chain. Prior to this from 2002 he was the Finance Director of Exel's EMEA freight forwarding and contract logistics businesses. From 1997 he was the Director of Mergers and Acquisitions for Ocean Group - which became Exel following the acquisition of NFC in 2000. From 1992 he worked in the Group head office financial team, becoming Group Financial Controller in 1994. After gaining an Economics degree at Cambridge, he qualified as a Chartered Accountant in 1998 during his nine years working for KPMG after which he became the Finance Director of Whitegate Leisure.

Pierre Girardin has been our Head of Business Development and Marketing since August 2003. He joined TNT in November 2001 as Managing Director for France, Spain and Turkey. Prior to joining TNT, Mr. Girardin was employed by McKinsey & Co. since 1989 and was a leader of the Worldwide Transport and Logistics Practice in Amsterdam. He was elected partner at McKinsey in 1996. He started his career with Caterpillar in 1984, where he held several senior management roles. Mr. Girardin received his Masters of Science degree in Mechanical Engineering from the Swiss Institute of Technology (ETH-Zurich) in 1983 and received his MBA from INSEAD in 1989.

Dan DiMaggio has been a member of our board and has served as a consultant to CEVA Limited since November 2006. Mr. DiMaggio worked for UPS for 35 years until his retirement in February 2006. From 2002 until February 2006, he managed the acquisition of Overnight Transportation and launched UPS Freight. From 1995 to 2002, Mr. DiMaggio was CEO of UPS Logistics. Prior to 2002, Mr. DiMaggio had numerous leadership roles at UPS, including manager of UPS International Marketing activities, Vice President of Marketing, and manager of UPS Industrial Engineering in the U.S. He received his bachelor's degree from Lowell Technological Institute.

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

Gareth Turner has been a member of our board since August 2006. Mr. Turner has been a partner at Apollo since 2005. Prior to joining Apollo in 2005, Mr. Turner was employed from 1997 to 2005 by Goldman, Sachs & Co. as a Managing Director and head of Global Metals and Mining and co-head of Global Chemicals Investment Banking. Mr. Turner received his MBA with distinction from the University of Western Ontario in 1991 and his bachelor's degree from the University of Toronto in 1986.

Stanly Parker, Jr. has been a member of our board since November 2006. He has been employed by Apollo since 2000. From 1998 to 2000, Mr. Parker was employed by Salomon Smith Barney. He serves on several boards of directors, including Affinion, AMC Entertainment and UAP Holding. Mr. Parker graduated *magna cum laude* with a BS in Economics from the Wharton School of the University of Pennsylvania.

Lukas Kolff has been a member of our board since August 2006. He has been employed by Apollo since 2006. From 1999 until 2006, Mr. Kolff worked as a Vice President at Ripplewood Holdings. Mr. Kolff has a master's degree in business economics from Rijks Universiteit Groningen, University of Groningen, The Netherlands, where he graduated with highest honours.

Director and Management Contacts

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

Board Structure and Compensation

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

Our board has an audit committee and an executive committee. The duties and responsibilities of the audit committee include recommending the appointment or termination of the engagement of independent accountants, otherwise overseeing the independent auditor relationship and reviewing significant accounting policies and controls. Messrs. DiMaggio, Turner and Kolff are members of our audit committee. The duties and responsibilities of the executive committee include exercising all powers and authority of the board to the fullest extent permitted by law. Messrs. Harris, Turner and Kulik are members of our executive committee.

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

Management Equity Investment and Option Grants

During the period, 217 employees of the company have made equity investments in CEVA Investments Ltd through the purchase of ordinary shares of CEVA Investments Ltd. Following a distribution declared on March 1, 2007, 211 of those employees chose to reinvest 75% of their distributions to purchase additional shares of CEVA Investments Ltd. As of December 31, 2007, the total aggregate amount of their investment was in excess of €10 million, at €100 per share, the same price as paid by Apollo in connection with the Acquisition. All equity securities purchased by employees are subject to restrictions on transfer, repurchase rights and other limitations set forth in a shareholders agreement. See "Certain Relationships and Related Party Transactions."

In addition, the above-named individuals received stock option grants at an exercise price of €100 per share, for an aggregate of 46,000 options to acquire ordinary shares of CEVA Investments Ltd at an exercise price of €100 per share, representing approximately 1% of the outstanding common stock of CEVA Investments Ltd as of December 31, 2006, and which are subject to vesting restrictions described below.

With respect to the options granted to certain employees, (i) one-third of the options are time-vesting options that will become vested and exercisable in five equal annual installments on each anniversary of the consummation of the Acquisition beginning in 2007 and ending in 2011; and (ii) two-thirds of the options are performance-vesting options that will vest upon the achievement of certain performance goals related to the internal rate of return of funds managed by Apollo with respect to its investment in CEVA Investments Ltd. In each case, the vesting of options is subject to the grantee's continued provision of services to CEVA Investments Ltd or one of its subsidiaries as of the applicable vesting date, except that a pro rata portion of the performance vesting options may, in certain cases, become vested earlier in the event of certain terminations of employment. All or a portion of the options may become vested and exercisable earlier than scheduled upon a change in control of CEVA Investments Ltd or certain terminations of employment following such change in control and the next tranche of time-vesting options vests in full upon a termination of the grantee due to death or "disability" (as defined in the agreements).

The maximum term of these options will be ten years. Subject to certain exceptions set forth in the applicable stock option award agreement, unvested options automatically expire upon the date of a grantee's termination of employment. Vested options generally expire 90 days following the termination of a grantee's employment for cause or with good reason and 180 days following a grantee's death or disability. All options will be forfeited upon a termination of the Senior Executive's employment for cause.

CEVA Investments Limited 2006 Long-Term Incentive Plan

In connection with the Acquisition, CEVA Investments Ltd adopted the CEVA Investments Limited 2006 Long-Term Incentive Plan which permits CEVA Investments Ltd to grant stock options, rights to purchase shares, restricted stock, restricted stock units, and other stock-based rights to employees or directors of, or consultants to, it or any of its subsidiaries. The 2006 Long-Term Incentive Plan is administered by the board of CEVA Investments Ltd or, if determined by the board, by the compensation committee of the board. As of December 31, 2006, approximately 11% on a fully diluted basis of CEVA Investments Ltd common shares were reserved for issuance under the 2006 Long-Term Incentive Plan, including options described above.

The 2006 Long-Term Incentive Plan has a term of ten years. The date of grant, vesting and pricing of options granted under the 2006 Long-Term Incentive Plan are generally subject to the discretion of CEVA Investments Ltd's board of directors.

Ordinary shares acquired under the 2006 Long-Term Incentive Plan will be subject to restrictions on transfer, repurchase rights, and other limitations set forth in a shareholders agreement. See "Certain Relationships, Material Contractual Arrangements and Related Party Transactions."

Management Arrangements

Kulik Employment Agreements

In connection with the consummation of the Acquisition, CEVA Limited and certain of its subsidiaries (collectively for purposes of the description of Mr. Kulik's management agreements, CEVA Limited entered into an employment agreement and a letter of understanding with David Kulik. Under Mr. Kulik's employment agreement, which has a three-year term, he serves as the Group Managing Director and Chief Executive Officer of CEVA and certain of its subsidiaries, he receives an annual base salary of €600,000 and has a target annual bonus of 100% of his annual base salary. During the term, Mr. Kulik is generally entitled to the same employee benefits and fringe benefits that he was entitled to prior to the Acquisition. In addition, Mr. Kulik has agreed in certain circumstances to serve as Vice Chairman of the Board following the effectiveness of John Pattullo's assumption of the CEO role, at which time Mr. Kulik's annual base salary will be reduced to €300,000.

If, prior to the 18-month anniversary of the completion of the Acquisition, Mr. Kulik is terminated due to "layoff/redundancy" or Mr. Kulik terminates his employment due to "good leaver" or "constructive discharge" or in connection with a "change of control" (each, as defined in the employment agreement), Mr. Kulik will be entitled to a lump sum payment of €1,000,000. In the event that Mr. Kulik's employment is terminated other than for "good cause" (as defined in the employment agreement) and he is not otherwise entitled to severance, CEVA Limited may elect to pay Mr. Kulik a lump sum of €600,000 in connection with certain non-competition and non-solicitation covenants.

Kulik Option Agreements

CEVA Investments Ltd has entered into two stock option agreements with Mr. Kulik. Pursuant to these agreements, Mr. Kulik was granted options to purchase ordinary shares of CEVA Investments Ltd for €100 per share (the "CEO Option"), and additional options to purchase ordinary shares of CEVA Investments Ltd for €100 per share, which options begin to vest if Mr. Kulik serves as Vice Chairman (the "VC Option").

The terms of the CEO Option are substantially similar to the option agreements for the Senior Executives described above, except that the time-vesting options vest in 60 equal monthly installments on each of the first 60 monthly anniversaries of the consummation of the Acquisition beginning in 2007 and ending in 2011. The terms of the VC Option are substantially similar to those of the CEO Option, except that all options are performance-based options.

Daniel DiMaggio Service Arrangements

CEVA Limited has entered into a management services agreement with an affiliate of Daniel DiMaggio ("D&D"), pursuant to which Mr. DiMaggio will provide consulting services to CEVA Limited and serve as the lead director of CEVA for at least three years following the closing of the Acquisition. Mr. DiMaggio will devote 50% of his business time to the business and affairs of CEVA Limited during the first year of the consulting period, at least 20% in the second year and at least 10% in the third year, as determined by CEVA Limited. D&D will receive compensation at an annual base rate of \$500,000 multiplied by the percentage of Mr. DiMaggio's business time actually spent performing services for CEVA Limited.

The terms and conditions of the stock options granted to D&D are substantially similar to those described above for the Senior Executives, except that the one-third of the options that are time vesting options become vested and exercisable in three equal annual installments on each anniversary of the consummation of the Acquisition beginning in 2007 and ending in 2009.

Pursuant to the management services agreement, D&D and Mr. DiMaggio are subject to certain non-competition and non-solicitation restrictions and an ongoing confidentiality obligation and are entitled to indemnification by CEVA Limited.

SHAREHOLDERS

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

The following table sets forth the shareholders of CEVA Investments Ltd and the number and percentage of shares owned by each shareholder, as of December 31, 2006. Since that date, certain members of our management have purchased additional shares of CEVA Investments Ltd and TNT Holdings (Deutschland) GmbH has transferred its shares of CEVA Investments Ltd to TNT N.V.

Name of beneficial owner	Number of shares beneficially owned	Ownership percentage
AIF VI Euro Holdings, L.P(1)	2,270,625	70.88%
AlpInvest Partners Beheer 2006, L.P(2)	350,000	10.92%
AAA Investments, L.P(3)	324,375	10.13%
TNT Holdings (Deutschland) GmbH.....	155,000	4.84%
CEVA Management Investors	103,703	3.24%
Total.....	3,220,318	100.00%

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

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

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

CERTAIN RELATIONSHIPS, MATERIAL CONTRACTUAL ARRANGEMENTS AND RELATED PARTY TRANSACTIONS

CEVA Investments Ltd Shareholders Agreement

In connection with the Transactions, Apollo, certain of its affiliates, an affiliate of TNT and certain members of management who invested in CEVA Investments Ltd entered into a shareholders agreement. The shareholders agreement provides for, among other things, a restriction on the transferability of each such person's equity ownership in CEVA Investments Ltd, tag-along rights, drag-along rights, piggyback registration rights and repurchase rights by CEVA Investments Ltd and Apollo, in certain circumstances.

Agreements with TNT

The Sale and Purchase Agreement ("SPA") between CEVA Limited and TNT, dated August 23, 2006, contains customary representations, warranties and covenants, including representations by TNT to us regarding the Logistics Business. The warranties are subject to customary qualifications and limitations on TNT's liability and will generally survive for eighteen months from November 4, 2006, except for those with respect to certain environmental matters, which survive for three years from November 4, 2006, and certain warranties regarding taxes and ownership of shares, which generally survive until the statutory limitations date. In addition, TNT has in general indemnified CEVA Limited against taxes applicable to the Logistics Business which are attributable to any tax period or portion thereof ending on or before November 4, 2006. The SPA provides for certain other specific indemnities, in each case subject to certain conditions and limitations, including indemnification by TNT of CEVA Limited against any taxes arising out of certain tax matters, payments to third parties due to *Tariffe a Forcella* legislation, losses due to ownership of certain entities that remain with TNT after the Acquisition, losses incurred in connection with the above mentioned tire customer contracts in North America and certain losses that may be incurred due to our clients' change of control rights in the client contracts, in each case subject to certain limitations and procedures set forth in the SPA.

TNT and its affiliates have agreed to provide us services relating to the carve-out of the Logistics Business pursuant to transitional services agreements and other separation agreements. The services covered by these agreements include services regarding treasury, insurance, tax, corporate legal, insurance, accounting and reporting, IT, human resources, occupancy of facilities, and certain client-related subcontracting arrangements. While the durational terms of these agreements vary, the primary transitional services agreement terminated six months after November 4, 2006, and we have executed the right to extend the term of the agreements for through June, 2007. CEVA Group Plc has leased new premises in the Hoofddorp area and expects to take occupancy in June 2007.

The SPA includes a non-compete provision that restricts TNT and its affiliates from competing with our existing business in a number of countries, subject to certain limitations and qualifications, for a three year period that expires on November 4, 2009. The provision includes non-solicit and no-hire obligations. By contrast, CEVA is not subject to non-compete restrictions. The non-compete restrictions apply in the countries in which we conducted business activities and/or had a legal entity as of August 23, 2006, including Australia, China, the United States, Canada and most countries in the European Union.

Management Agreement with Apollo

In connection with the Transactions, Apollo and its affiliates entered into a management agreement with CEVA Investments Ltd. and CEVA Limited relating to the provision of certain financial and strategic advisory services and consulting services. CEVA Limited agreed to pay to Apollo an annual monitoring fee equal to the greater of €3 million and 1.5% of our EBITDA (as defined in the indentures governing the notes), plus related expenses. For the year ended December 31, 2007, Apollo has elected to have a €3.0 million management fee and was paid approximately €0.4 million for the period of ownership. In addition, CEVA Limited agreed to pay Apollo a one-time transaction fee for structuring the Transactions and to reimburse Apollo for its costs and expenses in connection with the Transactions. CEVA Limited has agreed to indemnify Apollo and its affiliates and their directors, officers and representatives for losses relating to the services contemplated by the management agreement and for the engagement of affiliates of Apollo pursuant to, and the performance by them of the services contemplated by, this agreement.

LEGAL MATTERS

Legal Information

The senior notes are jointly and severally guaranteed on a senior basis, and the senior subordinated notes are jointly and severally guaranteed on a senior subordinated basis by certain of the existing and future wholly owned subsidiaries of the CEVA Group located in the United Kingdom, United States, Germany, Australia, The Netherlands, Brazil and Canada. All subsidiaries of the CEVA Group located in other countries, including Belgium, Luxemburg, Spain, Turkey, France, Greece, Italy, Asia, South Africa and South America are non-guarantor subsidiaries.

The guarantors represent 60% (2005 - 57%) of our aggregated net sales before inter company eliminations, and 103% (2005 - 64%) of our aggregated EBITDA for the period ended December 31, 2006.

Our non-guarantor subsidiaries (including our subsidiaries organised under the laws of the Republic of Italy) accounted for 40% (2005 - 43%) of our combined net sales before inter company eliminations, and (3%) (2005 - 36%) of our combined EBITDA for the period ended December 31, 2006.

Information about CEVA Group Plc

CEVA Group Plc (registered number 5900853), with its registered office at 25 St. George Street, London W1S 1FS, was incorporated in England on August 9, 2006 with the name Louis No. 1 Plc. As at the date of this document, the authorised ordinary share capital of £350,000 is divided into 350,000 ordinary shares of a par value of £1 each. 309,999 ordinary shares of a par value of £1 each in CEVA Group Plc have been issued to and are held by CEVA Investments Ltd, and 1 ordinary share of a par value of £1 has been issued to and is held by Louis Cayman Second Holdco Limited, which is in turn a wholly owned subsidiary of CEVA Investments Ltd. Accordingly, CEVA Group Plc is a wholly owned subsidiary of CEVA Investments Ltd.

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

Except as disclosed in this annual report, there has been no material adverse change in our financial position since December 31, 2006.

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

Potential Conflicts

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

Information about the Guarantors

Subject to the provisions of the indentures, it is currently intended that the following entities will guarantee CEVA's obligations under the notes upon their issuance. Each of these entities is engaged in the contract logistics business.

CEVA Pty Ltd (formerly known as Louis Australia Holdco Pty Limited) is a private limited company organised under the laws of Australia registered on October 11, 2006. It is registered with the Australia Securities and Investment Commission under number 122147433 and the address of its registered office is Level 53, Governor Phillip Tower, 1 Farrer Place, Sydney, NSW, 2000, Australia.

CEVA Materials Handling Pty Ltd (formerly known as TNT Materials Handling Pty Ltd) is a private limited company organised under the laws of Australia registered on January 14, 1955. It is registered with the Australia Securities and Investment Commission under number 000146010 and the address of its registered office is 77H Millers Road, Brooklyn, Victoria, 3012, Australia.

CEVA Logistics (Australia) Pty Ltd (formerly known as TNT Logistics (Australia) Pty Ltd and as TNT Canberra Pty Limited) is a private limited company organised under the laws of Australia registered on December 16, 1963. It is registered with the Australia Securities and Investment Commission under number 008438239 and the address of its registered office is 77H Millers Road, Brooklyn, Victoria, 3012, Australia.

CEVA Logistics CEE Holding GmbH (formerly known as Blitz 06-060 GmbH) is a private limited company organised under the laws of Germany on March 8, 2006. It is registered with the commercial register of the local court of

Munich under number HR B 161 764 and the address of its registered office is c/o Ashurst, Prinzregentenstrasse 18, 80538 Munich, Germany.

TNT Container Logistik GmbH (formerly known as TNT Materials Handling GmbH) is a private limited company organised under the laws of Germany on June 29, 1993. It is registered with the commercial register of the local court of Siegburg under number HR B 4016 and the address of its registered office is Haberstrasse, 2, D-53842 Troisdorf, Germany.

CEVA Logistics GmbH (formerly known as TNT Logistics GmbH, TNT Contract Logistik GmbH, TNT Logistik GmbH, and TNT Logistics Deutschland GmbH) is a private limited company organised under the laws of Germany on June 28, 1991. It is registered with the commercial register of the local court of Frankfurt/Main under number HR B 73078 and the address of its registered office is Rotfeder-Ring 5, 60327 Frankfurt/Main, Germany.

CEVA Logistics Netherlands B.V. (formerly known as TNT Logistics Netherlands B.V. and Holland Districare B.V.) is a limited liability company organised under the laws of The Netherlands on April 28, 1989. It is registered with the Commercial Register under number 16066165 and the address of its registered office is Costerweg 14, 4104 AJ Culemborg, The Netherlands.

CEVA Districenter B.V. (formerly known as TNT Freight Management (Districenter) B.V., Kamino European Logistics B.V., KEL B.V. (Knowledge Expertise Logistics), and Wilson Logistics Districenter B.V.) is a limited liability company organised under the laws of The Netherlands on October 26, 1993. It is registered with the Commercial Register under number 14048166 and the address of its registered office is Horsterweg 24, 6199 AC Maastricht-Airport, The Netherlands.

CEVA Logistics Headoffice B.V. (formerly known as Logistics Headoffice B.V.) is a limited liability company organised under the laws of The Netherlands on June 12 2006. It is registered with the Commercial Register under number 34250008 and the address of its registered office is Neptunusstraat 41-63, 2132 JA Hoofddorp, The Netherlands.

CEVA Logistics Holdings B.V. (formerly known as TNT Logistics Holdings B.V. and XP Nederland B.V.) is a limited liability company organised under the laws of The Netherlands on September 7, 1972. It is registered with the Commercial Register under number 33132522 and the address of its registered office is Neptunusstraat 41-63, 2132 JA Hoofddorp, The Netherlands.

CEVA Logistics Dutch Holdco B.V. (formerly know as Dutch Holdco B.V.) is a limited liability company organised under the laws of The Netherlands on October 17, 2006. It is registered with the Commercial Register under number 34258112 and the address of its registered office is Neptunusstraat 41-63, 2132 JA Hoofddorp, The Netherlands.

CEVA Logistics Finance B.V. (formerly known as Louis Logistics Finance B.V.) is a limited liability company organised under the laws of The Netherlands on November 8, 2006. It is registered with the Commercial Register under number 34259683 and the address of its registered office is Neptunusstraat 43-63, 2132 JA Hoofddorp, The Netherlands.

CEVA Container Logistics B.V. (formerly known as TNT Materials Handling B.V.) is a limited liability company organised under the laws of The Netherlands on August 31, 1998. It is registered with the Commercial Register under number 09064386 and the address of its registered office is Dijkgraaf 12-14, 6921 RL Duiven, The Netherlands.

CEVA Holdings Ltda (formerly known as TNT Holdings Ltda) is a limited liability company organised under the laws of Brazil on October 25, 1996. It is registered with the Brazilian Ministry of Finance under CPNJ number 01.508.582/0001-84 and the address of its registered office is Rodovia Fernão Dias, km 433, Galpão2, Bloco B, Sala 1, Jardim das Alterosas, Betim, Minas Gerais, CEP 32.664-400, Brazil.

CEVA Participações Ltda (formerly known as TNT Participações Ltda) is a limited liability company organised under the laws of Brazil on March 7, 1973. It is registered with the Brazilian Ministry of Finance under CPNJ number 42.182.790/0001-13 and the address of its registered office is Rodovia Fernão Dias, km 433, Galpão2, Bloco B, Sala 2, Jardim das Alterosas, Betim, Minas Gerais, CEP 32.664-400, Brazil.

AV Manufacturing Indústria e Comércio de Peças e Acessórios Automotivos Ltda (formerly known as TNT Skypak do Brasil Ltda) is a limited liability company organised under the laws of Brazil on May 16, 1983. It is registered with the Brazilian Ministry of Finance under CPNJ number 52.629.607/0001-39 and the address of its registered office is Rodovia BR-290, km 67, Rua 71, Unidade Autônoma 25, Distrito Industrial Automotivo de Gravataí, Gravataí, Rio Grande do Sul, Brazil.

CEVA Logistics Ltda (formerly known as TNT Logistics Ltda and Kwikassair Encomendas Urgentes do Brasil Ltda) is a limited liability company organised under the laws of Brazil on November 26, 1973. It is registered with the Brazilian Ministry of Finance under CPNJ number 43.854.116/0001-09 and the address of its registered office is Avenida Mirafiori, 233, Bloco B, Sala A, Distrito Industrial Paulo Camilo Pena, Betim, Minas Gerais, Brazil.

CEVA Supply Chain Solutions Ltd (formerly known as TNT Logistics Holdings UK Limited, Westwood Parcels Limited, TNT Overnight Limited and TNT LG Limited) is a limited liability company incorporated under the laws of

England and Wales on November 14, 1974. It is registered at Companies House under number 1190596 and the address of its registered office is P.O. Box 3599, TNT House, Holly Lane, Atherstone, Warwickshire, CV9 2YN, Great Britain.

CEVA Network Logistics Ltd (formerly known as Taylor Barnard Holdings Limited) is a limited liability company incorporated under the laws of England and Wales on February 25, 1999. It is registered at Companies House under number 3723307 and the address of its registered office is P.O. Box 3599, TNT House, Holly Lane, Atherstone, Warwickshire, CV9 2YN, Great Britain.

CEVA Container Logistics Ltd (formerly known as Taylor Barnard Group Limited, H.G. Taylor Haulage Limited, Taylor Barnard Group Limited, and Taylor Barnard Limited) is a limited liability company incorporated under the laws of England and Wales on March 20, 1962. It is registered at Companies House under number 718421 and the address of its registered office is P.O. Box 3599, TNT House, Holly Lane, Atherstone, Warwickshire, CV9 2YN, Great Britain.

CEVA Logistics Ltd (formerly known as TNT Logistics UK Limited, Taylor Barnard Transport Services Limited and Taylor Barnard Limited) is a limited liability company incorporated under the laws of England and Wales on December 17, 1976. It is registered at Companies House under number 1291251 and the address of its registered office is P.O. Box 3599, TNT House, Holly Lane, Atherstone, Warwickshire, CV9 2YN, Great Britain.

CEVA Limited (formerly known as Louis No. 3 Limited) is a limited liability company incorporated under the laws of England and Wales on August 9, 2006. It is registered at Companies House under number 5900891 and the address of its registered office is 25 St George Street, London W1S 1FS, United Kingdom.

CEVA Logistics Canada ULC (formerly known as TNT Canada ULC, TNT Canada Incorporated and Alltrans Canada Limited) is an unlimited liability company organised under the laws of Alberta, Canada on June 17, 1992. It is registered with the Alberta Business Corporations Act under number 2012758997 and the address of its registered office is 1200,700-2nd Street SW, Calgary, Alberta T2P 4V5.

CEVA Logistics U.S. Group Inc. (formerly known as TNT Transport Group Inc.) is a corporation organised under the laws of Delaware, United States on June 28, 1988. It is registered with the Secretary of State of the State of Delaware under number 2165068 and the address of its registered office is 1209 Orange Street, Wilmington, Delaware, United States 19801.

CEVA Logistics U.S. Inc. (formerly known as TNT Logistics North America Inc. and CTI Logistx, Inc.) is a corporation organised under the laws of Delaware, United States on July 1, 1980. It is registered with the Secretary of State of the State of Delaware under number 0895058 and the address of its registered office is 1209 Orange Street, Wilmington, Delaware, United States 19801.

CEVA Logistics Services Inc. (formerly known as CTI Services, Inc.) is a corporation organised under the laws of Delaware, United States on August 22, 1994. It is registered with the Secretary of State of the State of Delaware under number 2428858 and the address of its registered office is 1209 Orange Street, Wilmington, Delaware 19801, United States.

Customised Transportation International Inc. is a corporation organised under the laws of Delaware, United States on October 23, 1996. It is registered with the Secretary of State of the State of Delaware under number 2676315 and the address of its registered office is 1209 Orange Street, Wilmington, Delaware 19801, United States.

CEVA Logistics U.S. Holdings Inc. (formerly known as Louis U.S. Holdco, Inc.) is a corporation organised under the laws of Delaware, United States on October 23, 2006. It is registered with the Secretary of State of the State of Delaware under number 4237089 and the address of its registered office is 160 Greentree Drive, Suite 101, Dover, DE 19904, United States.

RISK FACTORS

The risks described below are not the only risks facing us. Additional risks and uncertainties not currently known to us or those we currently view to be immaterial may also materially and adversely affect our business, financial condition or results of operations. If any of the following risks materialises, our business, financial condition or results of operations could be materially and adversely affected. In that case, you may lose some or all of your investment.

Competition and consolidation in the market for logistics services may harm our business.

The logistics industry is competitive. We face competition from a number of companies, some of which have greater financial and marketing resources. In the industry sectors and regions in which we are active, we also face competition from certain niche local logistics providers, some of which have a significant market presence in their respective sectors or regional niche markets. If we cannot successfully compete with our competitors, this could result in reduced revenues and reduced margins, both of which could have a material adverse effect on our operating cash flows and results of operations.

In recent years, the logistics market has seen a growing market presence of large logistics companies. Many logistics companies are attempting to expand their operations through the acquisition of regional freight forwarders and contract logistics providers. We have a focused strategy in selected sectors and regions where we believe we have competitive advantages and therefore a defensible market position. If we cannot maintain or gain sufficient market presence or are unable to differentiate ourselves from our competitors in our selected sectors or regions or if our strategy fails to achieve its intended results, we may not be able to compete successfully against other companies with global operations or niche-market competitors.

The size and market concentration of some of our customers may allow them to exert increased pressure on the prices, margins and non-monetary terms of our contracts.

Due to their size and market concentration, some of our customers utilise competitive bidding situations involving bids from a number of competitors or otherwise exert pressure on our prices and margins. Likewise, such a customer's increased bargaining power could have a negative effect on the non-monetary terms of our customer contracts, for example, in relation to the allocation of risk or the terms of payment. While we believe our ongoing cost reduction initiatives have helped mitigate the effect of price reduction pressures from our customers, there is no assurance that we will be able to maintain or improve our current level of profitability.

Substantially all of our services are provided under contractual arrangements with our customers. Under most of these contracts, all or a portion of our pricing is based on certain assumptions regarding the scope of services, production volume, operational efficiencies, productivity improvements and other factors. While some of our contractual arrangements provide for certain adjustments to be made as a result of subsequent changes in our customers' business needs or operations or market forces, to the extent that any of our assumptions prove to be invalid, we could have lower margins than anticipated.

Our customer base is increasingly consolidating, which may result in a loss of contracts.

A large number of the various industries to which we provide logistics services are subject to increased consolidation. When companies merge, the subsequent integration process may result in a consolidation of logistics providers. Consequently, mergers between customers constitute a risk that we will lose some or all of our contracts with such customers. The loss of such contracts could have a material adverse effect on our business activities.

We are dependent on major customers for a significant portion of our revenues.

In 2006, we generated approximately 38% of our net sales with our ten largest customers. In some geographic segments, only one or a few customers may account for a considerable part of our revenues in that segment. If our customers decide not to renew or terminate existing operating agreements or decide to reduce the services we provide them, this could have a material adverse effect on our business and our financial results.

We are also subject to default risk associated with the concentration of our accounts receivables with our major customers. In particular certain of our automotive customers are currently facing financial difficulties. If one or more of these customers were to become bankrupt, insolvent or otherwise were unable to pay for the services provided by us, our operating results could be adversely affected.

We are dependent on developments in our customers' markets, and particularly the automotive market.

We focus our logistics services on specific industry sectors. We are therefore impacted by market developments in these sectors. We are particularly dependent on the automotive sector, which in recent years has accounted for approximately 40% of our aggregated net sales.

Our growth strategy is partially based on the assumption that the trend towards outsourcing logistics services will continue despite potentially adverse economic trends affecting our customers. Declines in sales volumes in our target industries and regions will likely lead to a declining demand for logistics services. Production volumes in the automotive

industry are sensitive to consumer demand as well as employee and labour relations. Declines in sales volumes could result in production cutbacks and unplanned plant shutdowns. Likewise, potential customers may see a risk in relying on third-party logistics service providers or may define these activities as their own core competencies and hence may prefer to perform logistics operations themselves. We can therefore not assure you that the market for logistics services will not decline or will grow as we expect.

We face a variety of risks relating to our contract logistics projects.

For certain contract logistics projects, we acquire or lease on a long-term basis warehouses and distribution facilities and take assignment of employment arrangements from our customers, which may require substantial investments in property, plant and equipment, personnel and management capacity. If we acquire or take over existing facilities of a customer, we may in some jurisdictions assume by operation of law all rights and obligations arising under the existing employment relationships between our customer and the customer's employees employed at such facilities. This may result in additional costs and obligations to be incurred by us. In addition, we frequently contract with third parties to lease warehouses and acquire transport capacities. We commit capacities on the basis of projections of future demand, and our projections may prove inaccurate as a result of changes to the economic conditions or a decision by our customers to terminate or not to renew their contracts with us. We generally strive to minimise these risks for our dedicated warehouses and other assets by negotiating lease agreements with the same duration as that of the assets deployed to service the contract. Where we take assignment of existing employment relationships, we seek indemnities for employee service liabilities from the previous employer.

Our revenues, cash flows and results of operations may be adversely affected if we are unable to secure terms coterminous with our customer commitments or realise under such indemnities. This could result in an impairment of goodwill or other assets and have a negative impact on our cash flow. Under some of our logistics agreements, we have agreed to reduce our prices over time in accordance with anticipated cost savings and efficiency improvements. If we are compelled to perform our contractual obligations on unfavourable terms (including when such anticipated cost savings and improvements are not realised), our net sales and results of operations could be adversely affected.

We have substantial indebtedness, which could affect our ability to meet our debt obligations and may otherwise restrict our activities.

We are a leveraged company. We are permitted by the terms of the notes and our other debt instruments to incur substantial additional indebtedness, subject to the restrictions therein. Our inability to generate sufficient cash flow to satisfy our debt obligations, or to refinance our obligations on commercially reasonable terms, could have a material adverse effect on our business, financial condition and results of operations.

Our substantial indebtedness could have important consequences. For example, it could:

- make it more difficult for us to satisfy our obligations under our indebtedness;
- limit our ability to borrow money or to sell or transfer assets in order to fund future working capital, capital expenditures, any future acquisition, debt service requirements and other general business requirements;
- require us to dedicate a substantial portion of our cash flow to payments on our indebtedness, which would reduce the amount of cash flow available to fund working capital, capital expenditures, product development and other corporate requirements;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to respond to business opportunities; and
- subject us to financial and other restrictive covenants, which, if we fail to comply with these covenants and our failure is not waived or cured, could result in an event of default under our debt.

In addition, a portion of our debt (including all of our debt under the Senior Secured Facilities) bears interest at a variable rate which is based on EURIBOR, LIBOR or an adjusted base rate, as applicable, plus an agreed margin plus certain additional costs. Although we are required to hedge a portion of our interest rate exposure under the Senior Secured Facilities, fluctuations in EURIBOR, LIBOR or an adjusted base rate, as applicable, may nevertheless increase our overall debt obligation and could have a material adverse effect on our ability to service our debt obligations.

We expect to incur substantial additional indebtedness to fund our strategic acquisition of EGL, Inc., which would enhance the foregoing risks and others associated with being a highly leveraged company.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under the terms of our indebtedness that may not be successful.

Our ability to generate cash depends on many factors beyond our control. The ability of our subsidiaries to transfer monies upstream to us, as well as to pay operating expenses and to fund planned capital expenditures, any future acquisitions and research and development efforts, and our ability to pay principal and interest on the notes and to satisfy

our other debt obligations will depend on our businesses' ability to generate cash in the future. This, to an extent, will depend upon, among other things:

- our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, many of which are beyond our and our subsidiaries' control, as well as other factors discussed in this "Risk Factors" section; and
- the future availability of borrowings under our Senior Secured Facilities, which depends on, among other things, our complying with the covenants in our Senior Secured Facilities.

We cannot assure you that our business will generate sufficient cash flow from operations, or that future borrowings will be available to us under our Senior Secured Facilities or otherwise, in an amount sufficient to fund our liquidity needs. See "Operating and Financial Review and Prospects." We cannot guarantee that we will be able to obtain enough capital to service our debt and fund our planned capital expenditures and business plan. If we complete an acquisition, our debt service requirements could also increase.

Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. In addition, the terms of existing or future debt agreements, including our Senior Secured Facilities and the indentures governing our notes, may restrict us from adopting some of these alternatives. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. Any proceeds that we could realise from any such dispositions may not be adequate to meet our debt service obligations then due.

Risks associated with political, economic and other social conditions may restrict our ability to expand globally and could harm our business and prospects.

Economic conditions, including those resulting from wars, civil unrest, acts of terrorism and other conflicts may adversely affect regional or global economies, our customers and their ability to pay for our services, including:

- general political and economic instability in regional or international markets, including heightened security measures, which could impede our ability to deliver our services to customers and adversely affect our results of operations;
- changes in regulatory requirements, which could restrict our ability to deliver services to our international customers;
- export restrictions, tariffs, licenses and other trade barriers, which could prevent us from adequately equipping our facilities worldwide;
- increased expenses associated with marketing services in multiple countries, which could affect our ability to compete;
- the imposition of additional taxes in foreign jurisdictions;
- complex foreign laws and treaties, which could adversely affect our ability to operate our business profitably; and
- difficulties in collecting accounts receivable.

These factors may have a significant effect on our ability to profitably grow our international operations or retain existing customers that require global expansion.

We have a history of net losses, and we may not be profitable in the future.

We have a history of net losses and we cannot assure you that we will not continue to report net losses in future periods. See "Operating and Financial Review and Prospects-Results of Operations."

Our business is highly dependent on information technology.

The provision and application of information technology is an important competitive factor in the logistics industry. Among other things, our information systems must frequently interact with those of our customers and transportation providers that we rely on. Our future success will depend on our ability to employ logistics software that meets industry standards and customer demands. Although there are redundancy systems and procedures in place, the failure of the hardware or software that supports our information technology systems could significantly disrupt customer workflows and cause economic losses for which we could be held liable and which would damage our reputation. We expect customers to continue to demand more sophisticated and fully integrated information technology systems compatible with their own information technology environment from their logistics service providers. If we fail to meet the demands of our customers or protect against disruptions of our and our customers' operations, we may lose

customers, which could seriously harm our business and adversely affect our operating results, operating cash flow and our ability to make payments on the notes.

Currency fluctuations in the foreign markets in which we operate could result in currency translation gains or losses or could increase or decrease the reported book value of our net assets.

Our reporting currency is the euro. Appreciation or depreciation in the value of local currencies relative to the euro in the markets in which we operate will result in currency translation gains or losses, which, if the appreciation or depreciation is significant, could be material. Despite the fact that our business provides a natural hedge, because we for the majority of our transactions, invoice our customers and incur our costs in local currencies, exchange rate fluctuations can either increase or decrease our revenues and expenses as reported in the euro. As such, when the value of those revenues, expenses, assets and liabilities are translated into euro, foreign currency exchange rates may adversely affect our reported results of operations and the reported book value of our net assets.

We are dependent on access to transportation networks.

We do not maintain all of our own transportation networks, and we rely on other third-party transportation service providers for some of our logistics services. Access to competitive transportation networks is important to logistics companies such as ourselves. We cannot assure you that we will always be able to ensure access to preferred third-party networks or that these networks will continue to meet our needs and remain competitive, in particular vis-à-vis our large competitors with their own affiliated networks. If we are unable to ensure sufficient access to the most competitive domestic and international networks on a long-term basis, this could have a material adverse effect on our business and net sales, and the related operating results and operating cash flows.

We have large unfunded pension liabilities.

The Company and its subsidiaries have obligations to their employees relating to pensions and other leaving service or retirement benefits. The precise nature of these obligations varies among the countries in which we operate.

In particular, in Italy, we provide leaving service benefits (“TFR”) which are mandatory under Italian law and which historically have been unfunded.

Under the laws of many jurisdictions in which we operate, our pension and similar liabilities rank senior to our obligations under the notes and the guarantees. If our operating cash flows are less than we expect, we could have inadequate resources to meet our pension obligations and other obligations, and our ability to make payments on the notes and the guarantees could be adversely affected.

We may be unable to comply with future regulatory requirements, which could limit our business.

We are required to comply with a regulatory framework and/or to hold certain licenses and permits in various jurisdictions. In certain countries, logistics service providers are required to hold national or international transport licenses in order to perform their services. We believe that we have taken the necessary measures to ensure that the applicable statutory requirements have been fulfilled and that our companies hold all licenses and permits necessary to conduct our business activities. It is possible, though, that we will be unable to respond to new statutory requirements or will not do so quickly enough. Our failure to maintain required certificates, permits or licenses, or to comply with applicable laws, ordinances or regulations, could result in substantial fines or possible revocations of our authority to conduct our operations, which in turn could restrict our ability to conduct our business effectively and to provide competitive customer services, thereby having an adverse impact on our financial condition. In the event that we are fined for breach of regulatory requirements, or if we are unable to obtain necessary permits to provide certain services, or if we are unable to pass along any costs of increased regulation to our customers, this could have an adverse effect on our operating results.

We may face significant costs associated with environmental, health and safety matters.

We and many of our customers handle hazardous materials in the ordinary course of operations. In connection with these operations, there have been in the past, and may be in the future, spills or releases of hazardous materials into the environment. At sites that we have acquired, there could be historical contamination for which we are liable. Also, we are working on improvements to our safety program in order to minimise worker accidents and injuries at our facilities. We may have to spend significant sums to clean up periodic spills of hazardous materials; investigate and remediate contamination caused by historical operations; and make improvements to our environmental and safety monitoring, assessment and training systems. Such expenditures could have an adverse effect on our operating results.

Our owner/operators are currently not considered to be employees by taxing and other regulatory authorities. Should these authorities change their position and consider our owner/operators to be our employees, our costs related to our tax, unemployment compensation and workers’ compensation payments could increase significantly.

From time to time, individual owner/operators and various governmental agencies in the countries in which we operate have sought to assert that owner/operators in the trucking industry are employees rather than independent

contractors. To date, these parties have not been successful in making these assertions against us. We consider all of our owner/operators to be independent contractors. We cannot assure you that tax authorities will not successfully challenge this position, that interpretations supporting our position will not change, or that federal and state tax or other applicable laws will not change. If owner/operators were deemed to be employees, our costs related to taxes, unemployment compensation, and workers' compensation could increase significantly. In addition, such changes may be applied retroactively, and if so, we may be required to pay additional amounts to compensate for prior periods.

We are subject to legal proceedings that could result in substantial liabilities for us.

We are involved in several legal proceedings. It is difficult to predict the ultimate outcome of these proceedings and their impact on our business. Such litigation may result in liability to us or harm our reputation. While the impact of this litigation is typically immaterial, there can be no assurance that its impact will not be material in the future. However, liabilities or fines resulting from these proceedings could be substantial and exceed, by far, provisions created, and may thus have a material adverse effect on our operating cash flow and our ability to make payments on the notes.

The nature of our business requires that we purchase insurance coverage, which may be inadequate in the case of substantial losses.

Our business requires that we purchase insurance. The primary risks associated with our business are bodily injury, equipment and property damage, workers' compensation claims and losses or damages to customer goods. We currently maintain liability insurance against (i) bodily injury, (ii) equipment and property damage and (iii) workers' compensation claims; however, customer goods are generally insured separately by the relevant customer. We are subject to changing conditions and pricing in the insurance marketplace and we cannot assure you that the cost or availability of various types of insurance may not change dramatically in the future. To the extent these costs cannot be passed on to our customers in increased pricing, increases in insurance costs could reduce our future profitability. Furthermore, our insurance coverage may be inadequate in the case of substantial losses.

We are dependent on key management personnel.

Our future performance depends on the continued presence of our key management personnel and that of our various business units. Any loss of the service of senior management personnel could have a material adverse effect on our business, operating results and financial condition.

Prolonged disruptions of business operations due to work stoppages or strikes could adversely affect our business.

A significant part of our workforce is covered by collective labour agreements. Although we believe that we have good relations with our works councils and unions, we cannot assure you that we will not encounter strikes or other disturbances occasioned by our unionised labour force, or that, upon expiration of existing agreements, we will be able to reach new collective labour agreements on satisfactory terms. We also cannot assure you that we would reach such new agreements without work stoppages, strikes or similar industrial actions. If our workers engage in industrial actions, our business, financial condition and results of operations could suffer material harm.

Our customers may also experience strikes or other work stoppages in their workforce. If this were to occur and result in a material loss of net production, we would generally recover our fixed costs through contractual agreements. However, in these situations, we may not be able to fully realise the variable price components under such contractual agreements, and our business, financial condition and results of operations could suffer material harm.

Apollo controls us and may have conflicts of interest with us or you in the future.

Apollo and its affiliates hold or control approximately 90% of the common stock of CEVA Investments Ltd., which beneficially owns 100% of our common equity. As a result, Apollo has control over our decisions to enter into any corporate transaction or capital restructuring and has the ability to prevent any transaction that requires the approval of equity holders regardless of whether or not other equity holders or note holders believe that any such transactions are in their own best interests. For example, Apollo could cause us to make acquisitions that increase the amount of indebtedness that is secured or senior to the notes, or sell revenue-generating assets, impairing our ability to make payments under the notes. Additionally, Apollo is in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete, directly or indirectly, with us. Apollo may also pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. Apollo will continue to strongly influence or effectively control our decisions while they own a significant portion of the equity, even if such amount is less than 50%. Because our equity securities will not be registered under the securities laws of the United States or in any other jurisdiction and are not listed on a United States securities exchange, we are not subject to any of the corporate governance requirements of any United States securities authorities or exchanges. Apollo and the other investors have no obligation to provide us with additional financing, and are able to sell their equity ownership at any time.

We are a party to several joint ventures, and our ability to manage and develop the businesses conducted by these joint ventures is dependent on our relationships with our joint venture partners.

We have entered into several joint ventures, including our joint venture with the Shanghai Automotive Industry Corporation (“SAIC”), and others in Italy, South East Asia and other countries. We do not control all of our joint ventures and are therefore dependent on our joint venture partners to cooperate with us in making decisions regarding those joint ventures. Pursuant to the joint venture agreements, our joint venture partners have certain rights and can influence operations and decision-making. Therefore, our ability to manage and develop these operations may be limited, and we may be unable to prevent actions that we believe are not in the best interests of the relevant joint venture or our company as a whole. The continued existence of these joint ventures is dependent on our relationship with, and the cooperation of, our joint venture partners. The actions of our joint venture partners could materially adversely affect our business, results of operations and financial condition.

We may not be successful in establishing a brand identity.

Historically, we have conducted our business under the TNT brand name. The value of the TNT brand name was recognised by our customers, suppliers and potential employees. Since December 12, 2006, we have been in the process of rebranding the business with the “CEVA” name. We will need to continue to expend significant time, effort and resources to establish our brand name in the marketplace. We cannot guarantee that this effort will ultimately be successful. If our efforts to establish a new brand identity are unsuccessful, our business, financial condition and results of operations could be materially adversely affected.

We may be unable to achieve some or all of the cost savings that we expect to achieve.

We may not be able to realise any or all of the cost savings and other adjustments we expect to achieve as a result of our separation from TNT. For a more detailed description of these cost saving measures and other adjustments, see “Operating and Financial Review and Prospects.” A variety of risks could cause us not to realise some or all of the expected cost savings, including, among others, higher than expected stand-alone overhead costs, delays in the anticipated timing of activities related to our cost-saving programs, increased difficulty and cost in establishing a new brand identity, higher than expected retention costs for employees that will be retained, and other unexpected costs associated with operating the business.

In addition, we may not be able to achieve projected synergies in connection with our pending acquisition of EGL, Inc. Acquisitions inherently involve risks, including those associated with assimilating and integrating different business operations, corporate cultures, personnel, infrastructures and technologies or products, and there may be additional costs or liabilities which are not currently anticipated. The acquisition of EGL may also be disruptive to our ongoing business. Any of these risks could adversely affect operations and financial results.

TNT has agreed to indemnify us for certain liabilities. However, there can be no assurance that the indemnity will be sufficient to insure us against the full amount of such liabilities.

In connection with the Acquisition, TNT has agreed to indemnify us, subject to certain limitations, for certain liabilities. Nonetheless, third parties could seek to hold us responsible for any of the liabilities TNT has agreed to retain, and there can be no assurance that the indemnity from TNT will be sufficient in these cases. Moreover, even if we ultimately succeed in recovering any amounts for which we are held liable from TNT, we may be temporarily required to bear these losses ourselves. Each of these risks could materially adversely affect our business, results of operations and financial condition.

Prior to our separation from TNT, we had not operated as a stand-alone company. Historically, we have relied on financial, administrative and other resources of TNT. We have entered into an agreement with TNT under which TNT will, for a limited time, provide certain transitional services to us. These services may not be sufficient to meet our needs, and after our agreement with TNT expires, we may not be able to obtain these services at prices or on terms as favourable as we currently have. Any failure or significant downtime in our own financial or administrative systems or in TNT’s financial or administrative systems during the transitional period could impact our results and prevent us from paying our suppliers and employees, executing foreign currency transactions, meeting our reporting obligations or performing other administrative services on a timely basis. Any of the foregoing could materially harm our business, financial condition and results of operations.

Certain of our contracts provide third parties with termination rights which were triggered by the change of control of the Logistics Business that occurred as a result of the Acquisition.

Some of our contracts with clients, joint venture partners, landlords and other third parties include change of control provisions that provide these third parties with termination rights as a result of the Acquisition. Although TNT has agreed to provide certain protections for us from such adverse consequences relating to customer contracts, if these parties seek to exercise these rights, our operating results may be adversely affected. However, as of May 30, 2007, none of the counterparties to our customer agreements which contain a change of control provision have exercised this right.

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CEVA GROUP PLC (CORPORATE)

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LOGISTICS BUSINESS, A BUSINESS PREVIOUSLY OWNED BY TNT N.V. PRIOR TO NOVEMBER 4, 2006

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CEVA GROUP PLC DIRECTORS' REPORT

The Directors present their report together with the audited consolidated group and company financial statements of CEVA Group Plc ("CEVA") for the period August 9, 2006 to December 31, 2006 on pages F6-F44.

Principal Activities

The principal activities of the Company and Group during the period were the provision, implementation and operation of complex supply chain solutions, and warehousing and distribution services.

Review of Business and Future Prospects

As shareholders are aware the group only recently acquired the Logistics business and began operations as a stand-alone group, although they have been operating as a division of TNT for several years. The directors consider that the business has transitioned smoothly to a stand-alone business although there are still a number of projects to be completed including moving the operational head office into offices separate from its previous owners.

This section of the Directors report should be read in conjunction with the rest of the annual report and especially the Operating and Financial Review ("OFR") section on pages 17 to 35. This has been based on the previous OFR requirements of the Accounting Standards Board which are not mandatory but which cover the main areas of a Business Review required under Company law.

The results of the group for the two months since the acquisition were in line with expectations but for a wider view of the results the OFR provides further detail and analysis of the group's businesses over the last three years.

Key Performance Indicators

The operating businesses of the group use established key performance indicators at operating level and an outline of these is included in the OFR. At a newly established group level the directors are establishing the KPIs that will be monitored by group management and will cover

Key Performance Indicator	Definition	Purpose
Revenue Growth (%)	Percentage growth in revenue in the current year compared to revenue in the previous year.	Provides a measure of our ability to grow revenue, and take advantage of market growth.
EBITDA	Result for the period from continuing operations before results from investments in associates, net financial expense, income taxes, and depreciation, amortization and impairments.	This measure is used to compare the quality of earnings with those of our peers and to determine performance strategic objectives.
Contract Renewal Rate (%)	Contracts renewed as a percentage of contracts up for renewal in a given period, all measured in annualised revenue terms.	Provides the most direct measure of customer retention.

Overall it is considered that these will enable the group to manage operating performance and also assess the success of converting operating performance into cash, a key issue for a highly leveraged group.

It is not considered applicable to provide commentary on the individual KPIs above as there is no comparative information under the same operational and financial structure and the different accounting periods make comparisons not relevant. We do comment on these in the OFR in overview terms and in subsequent annual reports will expand on the performance of the group against these and other measures.

Results and Dividends

The results for the period since incorporation was a net loss of €20.6 million.

No dividends were paid or recommended during the period.

Future Development and Post Balance Sheet Events

On May 24, 2007, CEVA and EGL, Inc. (“EGL”) announced they had entered into an agreement pursuant to which CEVA will acquire EGL for \$47.50 per EGL share, for total consideration paid to shareholders of approximately \$2 billion. The acquisition, which is subject to regulatory approvals and the affirmative vote of the holders of a majority of EGL’s outstanding shares, is expected to close in the third quarter of 2007. EGL, which operates under the name “EGL Eagle Global Logistics, is a leading freight forwarder, global transportation, supply chain management and information services company with 2006 revenues of approximately \$3.2 billion.

Directors

The Directors of the company and their emoluments are disclosed on page F-28.

Charitable Donations

During the period, CEVA made no charitable donations.

Political Donations

CEVA made no political donations in the UK or elsewhere during the period (including donations as defined for the purposes of the Political Parties, Elections and Referendums Act 2000).

Employees

Applications for employment by disabled persons are always fully considered bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of an employee becoming disabled, every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through in-house newsletters, and frequent bulletins.

We believe that human resources are the key to our success. We have adopted policies and processes that are designed to support effective recruitment, retention, and incentivisation of skilled employees and managers to fulfill their roles in our organisation. We provide our employees with competitive salary packages with incentives tied to the operational objectives of the company and the relevant subsidiary as well as to performance targets.

In order to develop and train its employees, we have developed an academy program of continuous education. This program serves to develop the professional skills of our workforce and to prepare promising talent for future management positions. Our performance-measurement system, which is directly linked with our incentive programs, is designed to provide managers and employees with regular feedback on their performance and to encourage the best work performance possible.

CEVA Group Plc had no employees other than the directors during the period.

Risk Management

For a review of financial, credit, liquidity and interest rate risk, see page F-19.

Policy and Practice on Payment of Creditors

CEVA agrees to terms and conditions under which business transactions with suppliers are conducted. It is CEVA policy that, provided a supplier is complying with the relevant terms and conditions, including the prompt and complete submission of all specified documentation, payment will be made in accordance with the agreed terms.

It is company policy to ensure that suppliers know the terms on which payment will take place when business is agreed. Trade creditors at the period end represented 28 days of purchases.

Substantial Shareholdings

Refer to the section entitled “Shareholders” in this annual report.

Statement as to Disclosure of Information to Auditors

As required by Section 234ZA of the Companies Act 1985, each of the Directors of CEVA has approved this report and confirmed that, so far as he/she is aware, there is no relevant audit information (being information needed by the auditors in connection with preparing their audit report) of which the Company’s auditors are unaware, and he/she has taken all the steps reasonably required to be taken as a director in order to make him/herself aware of any relevant audit information and to establish that the Company’s auditors are aware of that information.

Statement of Responsibilities of the Directors of Ceva Group

The consolidated financial statements of CEVA have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The following statement, which should be read in conjunction with the statement of auditors responsibilities set out in the independent auditors' reports respectively, is made with a view to distinguishing the respective responsibilities of the directors of CEVA Group Plc, the management of CEVA Logistics and of the auditors in relation to the consolidated financial statements (hereafter "financial statements").

In the context of preparing the financial statements for CEVA, the directors and management of CEVA are responsible for:

- Ensuring the maintenance of proper accounting records, which disclose with reasonable accuracy the financial position of CEVA at any time from which financial statements can be prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the Companies Act 1985.
- Preparing financial statements for the financial period, which give a true and fair view, in accordance with International Financial Reporting Standards, as adopted by the European Union, of the state of affairs of CEVA as at the end of the financial period and of the results of operations for that period.
- Taking such steps as are reasonably open to them to safeguard the assets of CEVA and to prevent and detect fraud and other irregularities.

The directors and management of CEVA consider that in preparing financial statements for CEVA they have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed. The directors and management of CEVA are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors of the company will be proposed at the annual general meeting.

By order to the board

/s/ David Kulik

David Kulik
Director

/s/ Lukas Kolff

Lukas Kolff
Director

Date: May 30, 2007
25 St George Street
London W1S 1FS
Registered in England and Wales No 5900853

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CEVA GROUP PLC

We have audited the group financial statements of CEVA Group Plc for the period ended December 31, 2006 which comprise the Group Income Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Changes in Shareholders' Equity and the related notes. These group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of CEVA Group Plc for the period ended December 31, 2006.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the group financial statements give a true and fair view and whether the group financial statements have been properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the group financial statements. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited group financial statements. The other information comprises the sections of the Annual Report headed Forward-Looking Statements, Presentation of Financial Information and Certain Definitions, CEO Statement, Key Financial Information, Description of the Business, Our Services, Our Key Strengths, The Transactions, Summary Corporate and Financing Structure, Selected Historical Financial Data, Operating and Financial Review and Prospects, Management, Shareholders, Certain Relationships, Material Contractual Arrangements and Related Party Transactions, Legal Matters and Risk Factors and the Directors Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the group financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at December 31, 2006 and of its loss and cash flows for the period then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the group financial statements.

/s/ PricewaterhouseCoopers LLP

*PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
East Midlands
May 30, 2007*

CEVA GROUP PLC CONSOLIDATED STATEMENT OF INCOME

	Notes	August 9 – December 31, 2006
		<i>(in € millions)</i>
Net sales	15	551.6
Other operating revenues	16	1.5
Total revenues		553.1
Other income		0.1
Cost of materials		35.0
Work contracted out and other external expenses		288.9
Salaries and social security contributions.....	17	163.9
Depreciation, amortisation and impairments.....	18	20.8
Other operating expenses	19	32.5
Total operating expenses		541.1
Operating income		12.1
Interest and similar income	20	3.3
Foreign exchange gains/(losses).....	20	(0.2)
Interest and similar expenses.....	20	30.1
Net financial (expense)/income		(27.0)
Results from investments in associates		0.1
Loss before income taxes		(14.8)
Income taxes	21	5.8
Loss for the period		(20.6)
Attributable to:		
Minority interests		1.2
Shareholders.....		(21.8)

• The accompanying notes form an integral part of the financial statements.

CEVA GROUP PLC CONSOLIDATED BALANCE SHEET

	Notes	December 31, 2006
		<i>(in € millions)</i>
ASSETS		
Non-current assets		
Intangible assets		
Goodwill.....	2	693.3
Contractual customer relations.....		467.9
Other intangibles.....		3.4
Total intangible assets.....		1,164.6
Property, plant and equipment		
Land and buildings.....	3	206.6
Plant and equipment.....		135.5
Other.....		32.5
Construction in progress.....		12.5
Total property, plant and equipment.....		387.1
Financial fixed assets		
Investments in associates.....	4	0.6
Other loans receivable.....		4.7
Deferred tax assets.....	21	43.6
Prepayments and accrued income.....		46.7
Total financial fixed assets.....		95.6
Total non-current assets.....		1,647.3
Current assets		
Inventory.....	5	22.1
Accounts receivable.....	6	639.7
Income tax receivable.....	21	23.7
Prepayments and accrued income.....	7	163.4
Cash and cash equivalents.....	8	264.7
Total current assets.....		1,113.6
Total assets.....		2,760.9

CEVA GROUP PLC CONSOLIDATED BALANCE SHEET CONTINUED

	<u>Notes</u>	<u>December 31, 2006</u>
		<i>(in € millions)</i>
EQUITY AND LIABILITIES		
Equity		
Issued share capital	9	0.5
Share Premium	9	309.5
Cumulative translation adjustment		(2.6)
Retained deficit		(21.8)
		<hr/>
Attributable to equity holders of the parent		285.6
Minority interests		33.2
		<hr/>
Total equity		318.8
Non-current liabilities		
Deferred tax liabilities	21	191.5
Provisions for pension liabilities	10	122.9
Other provisions	11	80.6
Long term debt	12	1,141.3
Accrued liabilities		12.3
		<hr/>
Total non-current liabilities.....		1,548.6
Current liabilities		
Trade accounts payable		279.6
Short term provisions	11	38.9
Other current liabilities.....	13	231.3
Income tax payable	21	22.9
Accrued current liabilities	14	320.8
Total current liabilities		893.5
		<hr/>
Total equity and liabilities		2,760.9
		<hr/> <hr/>

• The accompanying notes form an integral part of the financial statements.

The financial statements were approved by the Board of Directors on May 30, 2007 and signed on its behalf by:

/s/ David Kulik

David Kulik
Director

/s/ Lukas Kolff

Lukas Kolff
Director

CEVA GROUP PLC CONSOLIDATED CASH FLOW STATEMENT

	Notes	August 9 – December 31, 2006
		<i>(in € millions)</i>
Loss before income taxes		(14.8)
<i>Adjustments for:</i>		
Depreciation, amortisation and impairments	18	20.8
Investments income:		
(Profit)/loss on sale of property, plant and equipment		(0.7)
Interest and similar income	20	(3.3)
Foreign exchange (gains) and losses	20	0.2
Interest and similar expenses	20	30.1
<i>Change in provisions:</i>		
Pension liabilities	10	(3.3)
Other provisions	11	(7.0)
<i>Changes in working capital:</i>		
Accounts receivable		(53.0)
Inventory		1.0
Prepayments and accrued income		41.8
Trade accounts payable		74.7
Other current liabilities		4.9
Accrued current liabilities		2.5
Cash generated from operations		93.9
Increase in long term accrued liabilities		7.2
Interest paid		(25.1)
Change in income taxes	21	(13.8)
Net cash from operating activities	22	62.2
Acquisition of group companies (net of cash)		(107.0)
Capital expenditure on intangible fixed assets	2	(6.1)
Capital expenditure on property, plant and equipment	3	(10.6)
Proceeds from sale of property, plant and equipment	3	16.7
Other changes in financial fixed assets	4	9.7
Interest received		3.3
Net cash used in investing activities	23	(94.0)
Issuance of shares		294.5
Net proceeds from long term borrowings	12	1,170.5
Repayment of liabilities upon business combination		(1,165.7)
Repayments to finance leases		(1.6)
Net cash used in financing activities	24	297.7
Change in cash and cash equivalents		265.9
Cash and cash equivalents at the beginning of the period		-
Change in cash and cash equivalents		265.9
Foreign exchange impact on cash and cash equivalents		(1.2)
Cash and cash equivalents at the end of period	8	264.7

• The accompanying notes form an integral part of the financial statements.

CEVA GROUP PLC CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<u>Issued share capital</u>	<u>Share premium</u>	<u>Cumulative translation adjustment</u>	<u>Retained earnings</u>	<u>Attributable to equity holders of the parent</u>	<u>Minority interest</u>	<u>Total group equity</u>
Balance at August 9, 2006...	0.1	-	-	-	0.1	-	0.1
Balance acquired through business combinations	-	-	-	-	-	32.0	32.0
Issuance of shares.....	0.4	-	-	-	0.4	-	0.4
Additional paid in capital	-	309.5	-	-	309.5	-	309.5
Result for the period.....	-	-	-	(21.8)	(21.8)	1.2	(20.6)
Currency translation adjustment.....	-	-	(2.6)	-	(2.6)	-	(2.6)
Balance at December 31, 2006	<u>0.5</u>	<u>309.5</u>	<u>(2.6)</u>	<u>(21.8)</u>	<u>285.6</u>	<u>33.2</u>	<u>318.8</u>

CEVA GROUP PLC NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

General Information and Description of our Business

CEVA Group Plc, was incorporated in the United Kingdom under the Companies Act 1985 under the name Louis No. 1 Plc as an unlisted public company with limited liability. The date of incorporation was August 9, 2006. On January 18, 2007, Louis No. 1 Plc changed its name by a special resolution of the board of directors to CEVA Group Plc. The ultimate parent of CEVA Group Plc is CEVA Investments Ltd.

The consolidated financial statements include the financial statements of CEVA Group Plc and its consolidated subsidiaries (hereafter referred to as “we”, “CEVA”, “CEVA Group”, “CEVA Group Plc”, “our” or “us” or “the company”). The company has issued bonds which are listed on the Alternative Securities Market of the Irish Stock Exchange (the unregulated market).

CEVA Group provides services focused on supply chain management. We work to ensure that across the functions of procurement, manufacturing and distribution, the right goods, in the right quantities and condition, are available at the right place and time. CEVA Group operates in 30 countries in Europe, North and South America, Asia and Australia. Our principal strategy is focused on achieving critical mass in selected geographical areas, in the following industry sectors: automotive, tyres, high-tech electronics, publishing and media, fast-moving consumer goods, and industrial.

The consolidated financial statements have been authorised for issue by our Board of Directors on May 30, 2007.

Basis of Preparation

The consolidated financial statements for the period ended December 31, 2006 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). IFRS includes the application of International Financial Reporting Standards including International Accounting Standards (IAS) and related Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Interpretations of the Standing Interpretations Committee (SIC). For CEVA Group Plc, there are no differences between the IFRS as adopted by the EU and the IFRS as issued by the International Accounting Standards Board (IASB).

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

All amounts included in the financial statements are presented in euros and in millions to one decimal place, unless indicated otherwise.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying CEVA’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in “Critical accounting estimates and judgements.”

Consolidation

Consolidated financial information, including subsidiaries, associates and joint ventures, has been prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intercompany transactions, balances and unrealised gains on transactions have been eliminated on consolidation. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The consolidated financial statements include the financial statements of CEVA Group Plc and its consolidated entities. A complete list of subsidiaries, associates and joint ventures is included in note 31.

Subsidiaries

A subsidiary is an entity controlled, directly or indirectly, by CEVA Group Plc. Control is regarded as the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether we control another entity. Subsidiaries are fully consolidated from the date on which control is transferred to us and are de-consolidated from the date on which control ceases.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by CEVA Group.

We use the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of our share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of our share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against our interests except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Associates

An associate is an entity, including an unincorporated entity such as a partnership, that is neither a subsidiary nor an interest in a joint venture and over whose commercial and financial policy decisions CEVA Group Plc has the power to exert significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not the power to control or have joint control over those policies.

Our share in the results of all significant associates is included in the consolidated statements of income using the equity method. The carrying value of our share in associates includes goodwill on acquisition and includes changes to reflect our share in net earnings of the respective companies, reduced by dividends received. Our share in non-distributed earnings of associates is included in other reserves within shareholders' equity. When our share of any accumulated losses exceeds the acquisition value of the shares in the associates the book value is reduced to zero and the reporting of losses ceases, unless we are bound by guarantees or other undertakings in relation to the associate.

Joint Ventures

A joint venture is a contractual arrangement whereby we and one or more parties undertake an economic activity that is subject to joint control. Joint ventures in which we participate with other party(ies) are proportionately consolidated. In applying the proportionate consolidation method, our percentage share of the balance sheet and income statement items are included in our consolidated financial statements.

Comparative Figures

Due to the fact that CEVA Group Plc was incorporated on August 9, 2006, these consolidated financial statements do not include comparative figures.

Foreign Currency Translation

Presentational Currency

The individual financial statements of each entity in the CEVA Group are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of these financial statements, the result and financial position of each entity is expressed in Euros (€).

Foreign Currency Translation

The results and financial position of all group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows: assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet, income and expenses for each income statement are translated at average exchange rates and all resulting exchange differences are recognised as a separate component of equity (cumulative translation adjustment).

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions, and from the translation at the year end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Intangible assets

Goodwill

The excess of the cost of acquisition over the fair value of our share of the identifiable net assets acquired is recorded as goodwill. Goodwill on acquisitions of subsidiaries and joint ventures is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill arising on acquisitions is capitalised and subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable. Goodwill is impaired if the recoverable amount of the cash generating unit to which it is allocated is lower than its carrying value. The recoverable amount is defined as the higher of cash generating unit's fair value less costs to sell and its value in use using the discounted cash flow method. Impairments on goodwill recognised in prior periods cannot be reversed.

For the purpose of assessing impairment, corporate assets and liabilities are allocated to specific cash generating units before impairment testing. The basis for this allocation is to the extent in which those assets or liabilities contribute to the future cash flows of the unit under review.

Contractual Customer Relationships

Contractual customer relationships represents our customer contracts and relationships which have been valued using the excess earnings approach. They are amortised on a straight line basis over their contractual useful life which is between 10 and 20 years.

Impairment

An impairment review is performed whenever a triggering event occurs. An intangible asset is impaired if the recoverable amount is lower than the carrying value. The recoverable amount is defined as the higher of an asset's fair value less costs to sell and its value in use. Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. A triggering event is an event or change in circumstances indicating that the carrying amount may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows being the cash generating units. Impairments are reversed if and to the extent that the impairment no longer exists.

Software and other Intangible Assets

Costs related to the development and installation of software for internal use are capitalised at historical cost and amortised over the estimated useful life. Other intangible assets mainly include assets under development, licenses and concessions and trade marks.

An asset is transferred to its respective intangible asset category at the moment it is ready for use and is amortised on a straight-line method over its estimated useful life. Other intangible assets are valued at the lower of historical cost less amortisation and impairment.

Property, Plant and Equipment

Property, plant and equipment (including assets under construction) is valued at historical cost using a component approach, less depreciation or at the recoverable amount whenever impairment has taken place. In addition to costs of acquisition, we also include costs of bringing the asset to working condition, handling and installation costs and the non-refundable purchase taxes. Depreciation is calculated using the straight-line method based on the estimated useful life, taking into account any residual value. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably.

Land is not depreciated. IT software is capitalised and amortised as a part of the tangible fixed asset for which it was acquired to operate, because the estimated useful life is inextricably linked to the estimated useful life of the associated asset.

An impairment review is performed whenever a triggering event occurs. Property, plant and equipment is impaired if the recoverable amount is lower than the carrying value. The recoverable amount is defined as the higher of an asset's fair value less costs to sell and its value in use.

An impairment loss recognised in prior periods for an asset shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows being the cash generating units.

Leases of property, plant and equipment, where we have substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in long term debt. Property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Financial Instruments

Financial instruments carried on the balance sheet include derivative financial instruments, loans and receivables and financial liabilities. These instruments are accounted for in accordance with IAS 32 and IAS 39.

Derivative financial instruments not designated as hedges are adjusted to fair value through income. If a derivative is designated as a hedge, depending on the nature of the hedge, changes in its fair value that are considered to be effective, as defined, either offset the change in fair value of the hedged assets, liabilities, or firm commitments through income, or are recorded in a separate component of net investment until the hedged item is recorded in income. Any portion of a change in a derivative's fair value that is considered to be ineffective, or is excluded from the measurement of effectiveness, is immediately recorded in income. Management documents at the inception of the transaction the

relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Management also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Derivative financial instruments are recorded at fair value on our balance sheet. Derivatives not designated as hedges are adjusted to fair value through income.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which we have no intention of trading. They are accounted for on an amortised cost basis and included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

Management assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. When there is objective evidence of impairment, an impairment charge is immediately recognised through income.

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised costs; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Inventories

Inventories of raw materials and finished goods are valued at the lower of historical cost or net realisable value less any provision required for obsolescence. Historical cost is based on weighted average prices.

Accounts Receivable

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that we will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

Trade Accounts Payable

Trade accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents include cash at hand, bank account balances, bills of exchange and cheques (only those which can be cashed in the short term). All highly liquid investments with an original maturity of three months (or less) at date of purchase are considered to be cash equivalents. Bank overdrafts are excluded from cash and cash equivalents and shown within borrowings under current liabilities on the balance sheet.

Shareholders' Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Incremental costs directly attributable to the issue of new shares or options for the acquisition of business combinations are included in the cost of acquisition as part of the purchase consideration.

Employee Benefit Obligations

Post-Employment Obligations

The obligation for all pension and other post-employment plans that qualify as defined benefit obligation is determined by calculating the present value of the defined benefit obligation and deducting the fair value of the plan assets. We use actuarial calculations (projected unit credit method) to measure the obligations and the costs. For the calculations, actuarial assumptions are made about demographic variables (such as employee turnover and mortality) and financial variables (such as future increases in salaries). The discount rate is determined by reference to market rates.

Cumulative actuarial gains and losses are recognised for the portion that these exceed the higher of 10% of the obligation and 10% of the fair value of plan assets (corridor approach). The excess is recognised over the employees' expected average remaining service lives.

Past service costs, if any, are recognised on a straight-line basis over the average vesting period of the amended pension or early retirement benefits. Certain past service costs may be recognised immediately if the benefits are vested immediately.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised at the date of the curtailment or settlement.

Pension costs for defined contribution plans are expensed in the consolidated statements of income when incurred.

Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. We recognise termination benefits when we have demonstrably committed to terminate the employment of current employees according to a formal plan without possibility of withdrawal or provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to their present values.

Other Long Term Employee Obligations

These employee benefits include long-service leave or sabbatical leave, jubilee or other long service benefits, long term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit sharing, bonuses and deferred compensation.

The expected costs of these benefits are recognised over the period of employment. Actuarial gains and losses and changes in actuarial assumptions, are charged or credited to income in the period such gain or loss occur. Further, all past service costs are recognised immediately.

Profit-Sharing and Bonus Plan

We recognise a liability and an expense for cash settled profit-sharing, based on a formula that takes into consideration the profit attributable to our shareholders after certain adjustments. We recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Share Based Payments

Share based payment transactions are transactions in which we receive benefits from our employees in consideration for our equity instruments. The fair value of the share based transactions is recognised as an expense (employee costs) and a corresponding increase in equity over the vesting period. The fair value of employee share based payments is calculated using the Black-Scholes Merton model. The equity instruments granted vest in three equal tranches, the first being strictly service-based while the remaining two are both service and performance based. The performance conditions are internal performance metrics only and are not based on any market criteria. The amount recognised is adjusted over the vesting period for changes in the estimate of the number of securities that will be issued but not for changes in the fair value of those securities. Therefore, on vesting date the amount recognised is the exact number of securities that can be issued as of that date, measured at the fair value of those securities at grant date.

Provisions

Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are recorded for restructuring, retirements, onerous contracts and other obligations. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability. Provisions for onerous contracts are recorded when the unavoidable costs of meeting the obligation under the contract exceed the economic benefits expected to arise from that contract, taking into account impairment of fixed assets first.

Income Taxes

The amount of income tax included in the statement of income is determined in accordance with the rules established by the taxation authorities, based on which income taxes are payable or recoverable.

Deferred tax assets and liabilities, arising from temporary differences between the carrying values of assets and liabilities and the fiscal valuation of assets and liabilities, are calculated using the tax rates expected to apply when they are realised or settled. Deferred tax assets are recognised if it is probable that they will be realised in the foreseeable future. Deferred tax assets and liabilities where a legally enforceable right to offset exists and within the same consolidated tax group are presented net in the consolidated balance sheet.

Revenue Recognition

Revenues are recognised when services are rendered or the work is completed. Losses are recorded when probable.

Revenues of services are recognised when:

- the amounts of revenue are measured reliably,

- it is probable that the economic benefits associated with the transaction will flow to the CEVA Group,
- the costs to be incurred in respect of the transaction can be measured reliably, and
- the stage of completion of the transaction, determined by reference to service performed as percentage of total services to be performed can be measured reliably.

Revenue is measured at the fair value of the consideration of received amounts or receivable amounts.

Amounts received in advance are recorded as accrued liabilities until services are rendered to customers.

Net Sales

Net sales represent the revenues from the delivery of goods and services to third parties less discounts, credit notes and taxes levied on sales.

Other Operating Revenues

Other operating revenues include revenues that do not arise from our normal operations and mainly include rental income from temporarily leased-out property.

Other Income

Other income includes net gains from the sale of property, plant and equipment and other gains.

Costs

Costs are recognised on a historical basis and are allocated to the reporting year to which they relate.

Operating Expenses

Operating expense represents the direct and indirect expenses attributable to sales, including cost of materials, cost of work contracted-out and other external expenses, personnel expenses, directly related to operations and depreciation costs.

Salaries

Salaries, wages and social security costs are charged to the profit and loss account when due, and in accordance with employment contracts and obligations.

Financial Income and Expense

Interest income and expense are time apportioned, taking into account the effective interest rate for the relating assets and liabilities. The treatment of interest expenses for loans received takes account of any transaction costs.

Dividend Distribution

Dividend distribution to our shareholders is recognised as a liability in our financial statements in the year in which the dividends are approved by our shareholders.

Operating Leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Accounting Principles Relating to the Consolidated Cash Flow Statement

The cash flow statements have been prepared using the indirect method. Cash flows in foreign currencies have been translated at average exchange rates. Exchange rate differences affecting cash items are shown separately in the cash flow statements. Receipts and payments with respect to taxation on profits are included in the cash flow from operating activities. Interest payments are included in cash flows from operating activities while interest receipts are included in cash flows from investing activities. The cost of acquisition of new group companies, associated companies and investments, insofar as it was paid for in cash, is included in cash flows from investing activities. Acquisitions of companies are presented net of cash balances acquired. Cash flows from derivatives are recognised in the statement of cash flows in the same category as those of the hedged item.

Segment Reporting

A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

We identify our primary reporting segments based on our assessment of risks and rates of return which are affected predominantly by the geographical areas in which we operate. As a result of this assessment, we have identified five

primary geographical reporting segments as presented in the notes to the financial statements. IFRS requires entities to report secondary segments, but as CEVA Group Plc is a pure play contract logistics company, the company does not have a secondary segment. Business relations between the companies within the segments of CEVA Group Plc are transacted at arm's length prices.

Segment assets are operational assets employed in each region and include items such as tax and pension balances that are specific to a country. They also include attributable goodwill but exclude cash, short-term deposits and short-term investments. Segment liabilities are those arising within each region, excluding indebtedness. The basis for allocation of costs between segments is based upon actual costs incurred. Net interest and investment income is managed centrally and so is not directly attributable to individual geographical segments.

Recent IFRS Pronouncements

The IASB has issued certain International Financial Reporting Standards or amendments thereon, and the International Financial Reporting Interpretations Committee ("IFRIC") has issued certain interpretations, each of which, when adopted, could affect our consolidated financial statements. Where relevant for CEVA Group Plc, we have explained the Standards and/or amendments and/or interpretations below.

Amendments to Published Standards Effective In 2006

During 2006 the IASB and IFRIC issued:

- IFRIC 11 – IFRS 2 *Group and Treasury Share Transactions* – which requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if the entity chooses or is required to buy those equity instruments from another party or the shareholders of the entity provide the equity instruments needed. This interpretation becomes effective for annual periods beginning on or after March 1, 2007.
- IFRIC 12 *Service Concession Arrangements* – which outlines an approach to account for contractual arrangements arising from entities providing public services. This interpretation becomes effective for annual periods beginning on or after January 1, 2008.
- IAS 23 *Borrowing Costs* – An amendment to IAS 23, requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. This change in treatment should be applied prospectively to all annual periods beginning on or after January 1, 2009.
- IFRIC 7 *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies and IFRIC 8 Scope of IFRS 2* (effective for annual periods beginning on or after May 1, 2006).
- IFRIC 10 *Interim Financial Reporting and Impairment* (effective for annual periods beginning on or after November 1, 2006).
- IFRIC 9 *Reassessment of Embedded Derivatives* (effective for annual periods beginning on or after June 1, 2006).
- IFRS 7 *Financial Instruments: disclosures*.
- IFRS 8 *Operating Segments* replaces IAS 14 and requires an entity to adopt the 'management approach' to reporting the financial performance of its operating segments. It is mandatory for the Group's accounting periods beginning on or after January 1, 2009. Its impact on segment reporting has yet to be determined.

We are currently evaluating the impact of adoption of these IFRS' and IFRIC's as of January 1, 2007, but do not anticipate a material impact on our financial statements, apart from IFRS 8 which is under review by management. These standards have not been adopted before the effective date.

In December 2004, the IFRIC issued IFRIC 4, *Determining whether an Arrangement contains a lease*. IFRIC 4 provides guidance on determining whether arrangements that do not take the legal form of a lease should be accounted for in accordance with IAS 17, *Leases*. It specifies that an arrangement contains a lease if it depends on the use of a specific asset and conveys a right to control the use of that asset. IFRIC 4 is effective as of January 1, 2006. The adoption of IFRIC 4 did not have a material impact on our financial statements.

Critical Accounting Estimates and Judgements

The preparation of our financial statements, in accordance with IAS 1, *Presentation of Financial Statements*, requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosure of contingent assets and liabilities at the date of our financial statements. Our estimates, such as discount rates, and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

We make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Accounting for Business Combinations and Impairment of Goodwill and Other Long Lived Intangible Assets

We accounted for all our business combinations under the purchase accounting method. The cost of an acquired company is assigned to the tangible and intangible assets purchased and the liabilities assumed on the basis of their fair values at the date of acquisition. The determination of fair values of assets and liabilities acquired requires us to make estimates and use valuation techniques when market value is not readily available. Any excess of purchase price over the fair value of the tangible and intangible assets acquired is allocated to goodwill. When there are adjustments to the fair value within 12 months after the acquisition, this will be adjusted to goodwill.

In determining impairments of intangible assets, tangible fixed assets and goodwill, management must make significant judgements and estimates to determine whether the cash flows generated by those assets are less than their carrying value. Determining cash flows requires the use of judgements and estimates that have been included in the company's strategic plans and long-range forecasts. The data necessary for the execution of the impairment tests are based on management estimates of future cash flows, which require estimating revenue growth rates and profit margins.

Property, Plant and Equipment

Property, plant and equipment is valued at historical cost using a component approach, less depreciation or at the recoverable amount whenever impairment has taken place. Depreciation is calculated using the straight-line method based on the estimated useful life, taking into account any residual value. The assets' residual values and useful lives are based on our best estimates, and adjusted if appropriate, at each balance sheet date.

Impairment of Receivables

The risk of non recoverability of accounts receivable is primarily estimated based on prior experience with, and the past due status of, doubtful debtors, while large accounts are assessed individually based on factors that include ability to pay, bankruptcy and payment history. In addition, debtors in certain countries are subject to a higher collectability risk, which is taken into account when assessing the overall risk of uncollectability. Should the outcome differ from the assumptions and estimates, revisions to the estimated valuation allowances would be required.

Employee Benefits

Post-employment benefits represent obligations that will be settled in the future and require assumptions to project benefit obligations. Post-employment benefit accounting is intended to reflect the recognition of future benefit costs over the employee's approximate service period, based on the terms of the plans and the investment and funding decisions made. The accounting requires us to make assumptions regarding variables such as discount rate, rate of compensation increase, return on assets, and future healthcare costs. We consult with outside actuaries regarding these assumptions at least annually. Changes in these key assumptions can have a significant impact on the defined benefit obligations, funding requirements and pension cost incurred. For a discussion of the current funded status and a sensitivity analysis with respect to pension plan assumptions, refer to note 10.

Restructuring

Restructuring charges mainly result from restructuring operations, including consolidations and/or relocations of operations, changes in our strategic plan, or managerial responses to declines in demand, increasing costs or other market factors. Restructuring provisions reflect many estimates, including those pertaining to separation costs, consolidation of excess facilities, contract settlements and tangible asset impairments. Actual experience has been and may continue to be different from these estimates.

Income Taxes

We are subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision and liability for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. We recognise liabilities for tax issues based on estimates of whether additional taxes will be due, based on our best interpretation of the relevant tax laws. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

We recognise deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered. This is based on estimates of taxable income by jurisdiction in which we operate and the period over which deferred tax assets are recoverable. In the event that actual results differ from these estimates in future periods, and depending on the tax strategies that we may be able to implement, changes to the recognition of deferred tax assets could be required, which could impact our financial position and net profit.

Contingent Liabilities

Legal proceedings and tax issues covering a range of matters are pending in various jurisdictions against us. Due to the uncertainty inherent in such matters, it is often difficult to predict the final outcome. The cases and claims against us often raise difficult and complex factual and legal issues which are subject to many uncertainties and complexities, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law. In the normal course of business, we consult with legal counsel and certain other experts on matters related to litigation and taxes.

We accrue a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated. In the event an adverse outcome is possible or an estimate is not determinable, the matter is disclosed.

FINANCIAL RISK MANAGEMENT

Our activities expose us to a variety of financial risks, such as market risks (including foreign currency exchange risk, interest rate risk and commodity price risk), credit risk, liquidity risk and cash flow risk. All of these risks arise in the normal course of business. In order to manage the risk arising from these exposures, we utilise a variety of foreign exchange contracts to hedge certain exposures.

The following analyses provide quantitative information regarding our exposure to the financial risks described above. There are certain limitations inherent in the analyses presented, primarily due to the assumption that rates change in a parallel fashion and instantaneously. In addition, the analyses are unable to reflect the complex market reactions that normally would arise from the market shifts assumed.

We use derivative financial instruments solely for the purpose of hedging exposures. We enter into contracts related to derivative financial instruments for periods commensurate with our underlying exposures and do not take positions independent of these exposures. None of these financial instruments are leveraged or used for trading purposes or to take speculative positions.

Foreign Currency Exchange Risk

We operate on an international basis generating foreign currency exchange risks arising from future commercial transactions, recognised assets and liabilities, investments and divestments in foreign currencies other than the euro, our functional and reporting currency. Although we generally enter into hedging arrangements and other contracts in order to reduce our exposure to currency fluctuations, these measures may be inadequate or may subject us to increased operating or financing costs.

The main three currencies of our external hedges are the British pound, US dollar and Australian dollar. Significant acquisitions are usually funded in the currency of the underlying assets.

The main 2006 exchange rates are shown below:

	Year end closing ¹	Average ²
British pound.....	1.4892	1.4920
US dollar	0.7593	0.7710
Canadian dollar	0.6544	0.6740

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

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

Credit Risk

Credit risk represents the loss that we would incur if counterparties with whom we enter into financial transactions are unable to fulfill the terms of the agreements. We attempt to minimise our credit risk exposure by only transacting to financial institutions that meet established credit guidelines. We continually monitor the credit standing of financial counterparties and reassess such exposures.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through committed credit facilities.

As at December 31, 2006 CEVA Group Plc had €264.7 million in cash on its balance sheet. In addition to this cash, CEVA Group Plc has access to a €150 million revolving credit facility. Local facilities amounted to €54 million, of which €16 million was drawn. Total headroom was therefore €52.7 million.

Interest Rate Risk

Part of our borrowings and leases are against floating interest rates. These floating interest rates may fluctuate substantially and could have a material adverse effect on our results and financial condition in any given reporting period.

Although we generally enter into hedging arrangements and other contracts in order to attempt to reduce our exposure to interest rate fluctuations, these measures may be inadequate or may subject us to increased operating or financing costs. The exposure relating to a hypothetical change in exchange rate is disclosed in note 12.

There are no interest rate derivatives as of December 31, 2006.

Commodity Risk

CEVA Group leases and owns a fleet of vehicles to facilitate logistics activities. CEVA Group is exposed to the risk of an increase in the price of fuels, principally diesel gasoline, which is used in the transportation of the goods. We believe that the majority of the increases in price risk can be passed onto customers and therefore we have not entered into contract to hedge any specific commodity risk.

1. BUSINESS COMBINATIONS

On November 4, 2006 CEVA Limited, a subsidiary of CEVA Group Plc, acquired from TNT and certain of TNT's subsidiaries all of the issued share capital of CEVA Logistics Holdings B.V., all of the issued share capital of certain other TNT subsidiaries, and certain assets of a TNT subsidiary, all of which related to TNT's Logistics Business.

The consideration paid by CEVA Limited to TNT amounted to €1,376.8 million, which consisted of the initial consideration of €1,335.7 million and an additional €41.2 million as a result of certain post-closing purchase price adjustments. This latter amount was paid to TNT in April 2007. The consideration paid included a non-cash element, being a 5% interest in the equity of CEVA Investments Ltd, the parent of CEVA Group Plc.

	<u>Carrying value</u>	<u>Fair Value Adjustments</u> <i>(in € millions)</i>	<u>Fair Value</u>
Total cost of acquisition			1,416.9
Less: capitalised transaction costs			(40.1)
Consideration paid			1,376.8
Intangible assets, excluding goodwill	16.0	463.4	479.4
Property, plant and equipment	315.0	92.1	407.1
Financial fixed assets	104.1	8.5	112.6
Current assets	879.7	5.0	884.7
Non-current liabilities	(248.3)	(190.5)	(438.8)
Current liabilities.....	(692.6)	(2.9)	(695.5)
Minority interest.....	(6.9)	(25.1)	(32.0)
Value of assets acquired and liabilities assumed.....	367.0	350.5	717.5
Goodwill prior to capitalised transaction costs			659.3
Capitalised transaction costs			40.1
Goodwill			699.4

The goodwill amount has been capitalised on the Balance Sheet, as disclosed in note 2. Goodwill represents the value of knowledge within the business and assembled workforce.

The fair value has been determined through following generally accepted valuation methodologies and approaches. This included the income approach; which provides an estimate of the fair value of an asset based upon the cash flows that an asset can be expected to generate over its remaining useful life, the market approach; which indicates the fair value of an asset based upon comparison to publicly traded assets and transactions in the industry, and the cost approach; which indicates fair value using the concept of replacement cost.

The fair value of acquired net assets is provisional, depending upon the finalisation of certain valuations.

As the company has no other investments, the acquired Logistics group represents the full amount of the company's loss for the period. The revenue and the profit or loss of the consolidated entity as though the acquisition date for all business combinations effected during the period had been the beginning of the period, has not been disclosed. This is because the group has only been in existence since November 4, 2006.

A complete list of all entities acquired can be found in appendix A in note 31.

2. INTANGIBLE ASSETS: €1,164.6 MILLION

No comparative financial statement data is provided as this is CEVA Groups' first set of annual financial statements.

Statement of changes in intangible assets	Goodwill	Contractual customer relations	Other intangibles	Total
Amortisation percentage	0%	5% - 10%	0% - 35%	
		<i>(in € millions)</i>		
Balance at August 9, 2006	-	-	-	-
Balance acquired through business combinations	699.4	479.6	-	1,179.0
Changes in period				
Additions	-	-	6.1	6.1
Amortisation and impairments	-	(6.8)	(2.7)	(9.5)
Exchange rate differences	(6.1)	(4.9)	-	(11.0)
Total changes	(6.1)	(11.7)	3.4	(14.4)
Historical cost.....	693.3	474.7	6.1	1,174.1
Accumulated amortisation and impairments	-	(6.8)	(2.7)	(9.5)
Balance at December 31, 2006	693.3	467.9	3.4	1,164.6

For impairment review purposes, the total purchase consideration, including the goodwill of €699.4 million, has been allocated to the cash generating units based upon their proportional business enterprise value as at the date of acquisition. The business enterprise value was derived using the income approach and an average weighted average cost of capital of 10% after tax.

No impairment review was performed in the period ending December 31, 2006, due to the acquisition happening in the latter part of the year. Additionally, the business enterprise valuation process gave no indication of any potential impairment.

3. PROPERTY, PLANT AND EQUIPMENT: €387.1 MILLION

Statement of changes in property, plant and equipment	Land and buildings	Plant and equipment	Other	Construction in progress	Total
Depreciation percentage.....	0% -10%	4% - 33%	7% - 25%	0%	
	<i>(in € millions)</i>				
Balance at August 9, 2006.....	-	-	-	-	-
Balance acquired through business combinations	209.9	141.3	40.8	15.1	407.1
Changes in period					
Additions.....	0.2	6.7	3.7	-	10.6
Disposals	(0.5)	(6.7)	(7.5)	(1.3)	(16.0)
Depreciation and impairments	(1.2)	(6.1)	(4.0)	-	(11.3)
Exchange rate differences	(1.8)	(0.9)	(0.5)	(0.1)	(3.3)
Transfers and other changes	-	1.2	-	(1.2)	-
Total changes.....	(3.3)	(5.8)	(8.3)	(2.6)	(20.0)
Historical cost.....	207.8	141.6	36.5	12.5	398.4
Accumulated depreciation and impairments	(1.2)	(6.1)	(4.0)	-	(11.3)
Balance at December 31, 2006.....	206.6	135.5	32.5	12.5	387.1

Included in the property, plant and equipment balance as at December 31, 2006 are assets held under finance lease with the following carrying amounts:

	Land and buildings	Plant and equipment	Other	Construction in progress	Total
	<i>(in € millions)</i>				
Under finance lease	9.8	4.3	0.4	-	14.5

The property, plant and equipment under financial lease, relate to warehouses in Europe.

4. FINANCIAL FIXED ASSETS: €95.6 MILLION

Statement of changes in financial fixed assets	Investments in associates	Other loans receivable	Deferred tax assets	Prepayments and accrued income	Total
	<i>(in € millions)</i>				
Balance at August 9, 2006	-	-	-	-	-
Balance acquired through business combinations	2.1	4.8	41.9	55.3	104.1
Changes in period					
Additions / acquisitions	-	-	1.8	-	1.8
Share of (loss) / profit.....	0.1	-	-	-	0.1
Withdrawals / repayments	-	(0.1)	-	(8.3)	(8.4)
Exchange rate differences.....	-	-	(0.1)	(0.3)	(0.4)
Other changes	(1.6)	-	-	-	(1.6)
Total changes.....	(1.5)	(0.1)	1.7	(8.6)	(8.5)
Balance at December 31, 2006	0.6	4.7	43.6	46.7	95.6

Deferred tax assets are further explained in disclosure note 21. Prepayments and accrued income are further explained in disclosure note 7. CEVA Group Plc does not have any significant investments in associates.

5. INVENTORY: €22.1 MILLION

	December 31, 2006
	<i>(in € millions)</i>
Raw materials and supplies.....	6.1
Finished goods.....	16.0
Total.....	22.1

6. ACCOUNTS RECEIVABLE: €639.7 MILLION

	December 31, 2006
	<i>(in € millions)</i>
Trade accounts receivable, net	575.3
VAT receivable.....	5.3
Accounts receivable from associates	1.0
Other.....	58.1
Total	639.7

The fair value of the accounts receivable approximates its carrying value. Trade accounts receivable is shown net of provision for impairments of €6.5 million. CEVA Group Plc has not recognised any material loss for the impairment of trade accounts receivable during the period ended December 31, 2006. Other receivables mainly include receivables from insurance companies, deposits and various other items.

7. PREPAYMENTS AND ACCRUED INCOME: €163.4 MILLION

Prepayments and accrued income include amounts paid in advance to cover costs that will be charged against income in future years and net revenues not yet invoiced. Included in prepayments and accrual income is the long term portion of a receivable of €8 million which is linked to the Italian pension schemes, further information is included in disclosure note 10.

8. CASH AND CASH EQUIVALENTS: €64.7 MILLION

Cash and cash equivalents comprise mainly of cash at bank and in hand. Short term bank deposits are €1 million. The average effective interest rate during November and December 2006 on short term bank deposits was 5.0% and the average outstanding amount was €8 million. Cash and cash equivalents includes €8.7 million under restrictive title which represents a restricted trust for the funded portion of the SERP (pension) plan and approximately €15 million held in escrow, which will fund certain restructuring costs. The fair value of cash and cash equivalents approximates the carrying value.

9. SHARE CAPITAL: €0.5 MILLION, SHARE PREMIUM: €309.5 MILLION

The number of authorised and issued shares as at December 31, 2006 is as follows:

	Ordinary Shares	Share Capital	Share Premium
	<i>(number)</i>	<i>(in € millions)</i>	
Authorised	350,000		
Issued at incorporation.....	50,000	-	-
Issued during the period.....	260,000	0.5	309.5
Issued at December 31, 2006	310,000	0.5	309.5

Ordinary shares have a nominal value of GBP 1.00 (€1.5). The shares were issued at a premium of £668 per share (€98.5) for a total consideration of €310.0 million. The initial 50,000 shares issued at incorporation were issued at par.

10. PROVISIONS FOR PENSION LIABILITIES: €122.9 MILLION

We operate a number of pension plans around the world which include defined benefit plans in Italy, United States, United Kingdom, Germany and Australia.

Italian Pension Plan

Included in the provision for pension liabilities are the unfunded defined benefit obligations relating to leaving service benefits provided to Italian employees that are mandatory under Italian law, the *Trattamento di Fine Rapporto* ("TFR"), of €102.7 million. In Italy, employees are entitled to a termination payment on leaving the company for whatever reason.

Under recent Italian legislation relating to TFR, the employee benefits arising on an employee's service after December 31, 2006 will be settled by either a defined employer contribution to an external pension fund or, by a 100% contribution to the INPS which is the Italian state pension entity. For the purposes of reporting under IAS19, this reform may require a future revision of actuarial assumptions.

At the time of issuing these financial statements, the impact of the new legislation is not clear; moreover, the professional body of actuaries in Italy has not yet expressed an opinion on the new treatment of TFR. Therefore, a

valuation approach which is consistent with that used by our predecessor was used for the period ended December 31, 2006.

Included in Prepayments and Accrued Income, is the long term portion of a receivable of €28 million.

TNT N.V. Sponsored Pension Plan

Until July 1, 2007, the pension benefits of the employees of CEVA Group in The Netherlands, are accrued within the pension funds of TNT N.V. TNT N.V.'s main Dutch pension plan, which is externally funded in "Stichting Pensioenfonds TNT" (the TNT pension fund), covers all of TNT's employees who are subject to the collective labour agreement in The Netherlands. The majority of CEVA Logistics Business' Dutch employees are subject to the collective labour agreement. By Dutch law the plan is managed through a separate legal entity and is governed by an independent board that falls under the supervision of the Nederlandsche Bank (DNB).

By paying contributions to the TNT pension fund, CEVA Group settles its defined benefit liability as there is no additional actuarial or investment risk for CEVA Group. For this reason there is no liability for these accrued pension benefits. In terms of the sale and purchase agreement with TNT, the assets within the TNT pension fund regarding the accrued pension benefits are for the risk of TNT, therefore these assets are not accounted for by CEVA Group.

According to the pension plan, the accrued rights of active participants are annually increased with the general wage increase ("CAO-loonronde"). Because the TNT pension fund only provides for an indexation based on the consumer price index ("CPI"), we have an obligation to provide for the difference between the CPI and general wage increase for future years service. This has been calculated by independent actuaries as an amount of €3.8 million which has been adjusted in our opening Balance Sheet.

Other Defined Benefit Plans

Other significant funded pension plans are established in the United States, Australia and the United Kingdom. The asset mix is stable. During the period, the dynamic weight of equity investments was 73%, the dynamic weight of fixed interest investments was 21%, and the weight of cash was stable. The total return on plan assets was 7.2%. Plan assets do not include any of CEVA Group's own financial instruments.

Actual asset mix	As of December 31, 2006
Equities	73%
Fixed interest	21%
Real estate.....	3%
Cash	3%
Total	100%

The expected return on plan assets is determined by considering the expected return available on the assets underlying the current investment policy.

Pension costs recognised in the statements of income inherent to the valuation of our pensions and the determination of our pension cost are key assumptions which include: employee turnover, mortality and retirement ages, discount rates, expected long term returns on plan assets and future wage increases, which are usually updated on an annual basis at the beginning of each financial year. Actual circumstances may vary from these assumptions giving rise to a different pension liability, which would be reflected as an additional profit or expense in our statement of income.

In the period ending December 31, 2006, our employer pension expense was €1.7 million. Total cash contributions in the period amounted to €0.4 million and are expected to amount to approximately €7 million in 2007.

Funded status of our pension plans at December 31, 2006 with respect to the employer pension expense for the period is presented in the next table.

Pension disclosures

	<i>(in € millions)</i>
CHANGE IN BENEFIT OBLIGATION	
Balance at August 9, 2006	-
Balance acquired through business combinations	153.7
Service costs	1.6
Interest costs	0.7
Actuarial (loss)/gain.....	1.0
Benefits paid	(6.6)
Benefit obligation at December 31, 2006	150.4
CHANGE IN PLAN ASSETS	
Balance at August 9, 2006	-
Fair value of plan assets acquired through business combinations	26.4
Actual return on plan assets	0.6
Employer contribution	0.4
Amendments/foreign currency effects.....	0.3
Benefits paid	(0.2)
Fair value of plan assets at December 31, 2006	27.5
FUNDED STATUS AS PER December 31, 2006	
Funded status	122.9
Provisions for pension liabilities	122.9
COMPONENTS OF EMPLOYER PENSION EXPENSE FOR:	
Service costs	1.6
Interest costs	0.7
Expected return on plan assets.....	(0.6)
Employer pension expense for the period	1.7
Total post-employment benefit expenses for the period	1.7
WEIGHTED AVERAGE ASSUMPTIONS AS AT DECEMBER 31, 2006	
Discount rate.....	5.3%
Expected return on assets.....	7.2%
Rate of compensation increase	3.4%
Rate of benefit increase.....	3.3%

The table below shows the expected future benefits per year for pension funds related to CEVA Group plans. The benefits include all expected payments by the fund to the pensioners and early retirees under the Dutch transitional plan.

Year	Expected benefits as of December 31, 2006
	<i>(in € millions)</i>
2007	(5.1)
2008	(3.5)
2009	(2.0)
2010	(0.5)
2011	1.1
2012-2016.....	28.5

Included in the provision for pension liabilities is €8.2 million relating to the transitional plan for early retirement in The Netherlands.

11. OTHER PROVISIONS: €19.5 MILLION

	<u>Restructuring</u>	<u>Other</u>	<u>Total</u>
	<i>(in € millions)</i>		
Balance at August 9, 2006	-	-	-
Balance acquired through business combinations	3.3	123.2	126.5
of which included in other provisions (non-current).....	2.7	79.5	82.2
of which included in short term provisions.....	0.6	43.7	44.3
Additions	0.2	15.7	15.9
Withdrawals.....	(1.8)	(21.1)	(22.9)
Balance at December 31, 2006	1.7	117.8	119.5
of which included in other provisions (non-current).....	0.8	79.8	80.6
of which included in short term provisions.....	0.9	38.0	38.9

Other provisions of €17.8 million mainly relate to provisions for contractual and legal obligations, provisions for claims and other provisions. The estimated utilisation in 2007 is €38 million, in 2008 €25 million, in 2009 €25 million and 2010 and beyond €29.8 million.

The contractual obligations relate to restructuring of customer contracts and workers compensation.

12. TOTAL LONG TERM DEBT: €1,141.3 MILLION

	December 31, 2006	
<u>Carrying amounts and fair value of long term debt</u>	<u>Carrying amount</u>	<u>Fair value</u>
	<i>(in € millions)</i>	
Loan notes.....	706.7	752.2
Bank loans	413.7	421.6
Finance leases	20.9	22.9
Total long term debt	1,141.3	1,196.7

Included in the loan notes and bank notes are capitalised costs (€43.2 million) incurred in relation to raising the debt. These costs are amortised over the period of the loans, being seven and nine years. Loan notes and bank notes are stated after transaction costs capitalised of €23.6 million, respectively €19.6 million, which were amortised (2006: €0.5 million).

The table below sets forth the amounts of interest-bearing long term debt during each of the following five years and thereafter:

<u>Debt</u>	<u>Finance leases</u>	<u>Loan notes</u>	<u>Bank loan</u>	<u>Total</u>
	<i>(in € millions)</i>			
2007	2.0	-	54.9	56.9
2008	2.2	-	4.9	7.1
2009	1.8	-	4.9	6.7
2010	2.4	-	4.9	7.3
2011	1.2	-	4.9	6.1
Thereafter.....	13.3	730.0	413.5	1,156.8
Total principal debt	22.9	730.0	488.0	1,240.9
Unamortised debt issuance costs	-	23.3	19.4	42.7
Total carrying value	22.9	706.7	468.6	1,198.2
of which included in long term debt	20.9	706.7	413.7	1,141.3
of which included in other current liabilities	2.0	-	54.9	56.9

Due to CEVA's strong cash position in quarter 1 2007, we decided to repay approximately €50 million of our bank loans in advance of the contractual terms. Consequently we have classified this repayment within the 2007 category.

The fair value of the long term interest bearing debt has been determined using the market price as of December 29, 2006. The senior bank debt's fair value approximates its carrying value as it is a floating rate facility. The average floating interest rate for the period was 7.6% for US dollar denominated loans and 5.7% for Euro denominated loans.

Of the Loan Notes, an amount of US\$501.8 million was denominated in US dollars.

For the finance leases, fair value approximates the carrying value.

On November 4, 2006 CEVA Group Plc entered into a €430 million senior bridge loan facility and a €300 million senior subordinated bridge loan facility. These facilities were replaced on December 6, 2006 when CEVA Group Plc issued €505 million of senior notes and €225 million of senior subordinated notes. The senior notes will mature in 2014 and have a coupon of 8.5%. They will begin paying interest semi-annually in arrears on June 1, 2007. The senior subordinated notes will mature in 2016. The notes have a coupon of 10% and will begin paying interest semi-annually in arrears on June 1, 2007.

The only borrowings at fixed rates are the €730 million senior and senior subordinated notes.

Total borrowings include senior secured bank loans of €408.6 million maturing in 2013 and at a floating rate of interest based upon EURIBOR and LIBOR plus 250 basis points. The debt is secured by liens on property and assets of CEVA Group Plc and certain of its subsidiaries.

Our debt instruments that bear interest at fixed rates of interest are exposed to fluctuations in fair value resulting from changes in market interest rates. The potential decrease in fair value resulting from a hypothetical 10% increase from current market interest rates would have been approximately €44 million.

13. OTHER CURRENT LIABILITIES: €31.3 MILLION

Amounts included in other current liabilities are shown in the table below:

	December 31, 2006
	<i>(in € millions)</i>
Short term bank debt.....	78.3
Total current borrowings.....	78.3
Taxes and social security contributions	74.0
Expenses to be paid	10.4
Other	68.6
Total.....	231.3

The item "Other" includes the short term portion of provisions and the final purchase price adjustment payable to TNT.

14. ACCRUED CURRENT LIABILITIES: €320.8 MILLION

	December 31, 2006
	<i>(in € millions)</i>
Amounts received in advance	24.4
Expenses to be paid	199.6
Holiday accrual	43.2
Other accrued current liabilities.....	53.6
Total.....	320.8

15. NET SALES: €51.6 MILLION

The net sales arise from rendering our services. Net sales are allocated by geographical area in the country or region in which the entity records sales is detailed in the segmental reporting in note 28.

16. OTHER OPERATING REVENUES: €1.5 MILLION

Other operating revenues relate to the sale of goods and rendering of services not related to our normal trading activities.

17. SALARIES AND SOCIAL SECURITY CONTRIBUTIONS: €163.9 MILLION

	For the period ended December 31, 2006
	<i>(in € millions)</i>
Salaries.....	131.0
Pension charges:	
Defined benefit plans.....	1.7
Defined contribution plans.....	1.6
Social security charges	29.6
Total.....	163.9

December 31, 2006

Employees at period end.....	38,092
FTE's year average	37,923

Director's Emoluments

CEVA Group Plc	Short Term Employment Benefits	Pension Related Costs	Total
		<i>(in €)</i>	
Directors:			
David Kulik	567,930	78,586	646,516
Gareth Turner	-	-	-
Lukas Kolff	-	-	-
Daniel DiMaggio	41,209	-	41,209
Joshua Harris	-	-	-
Stanly Parker, Jr.....	-	-	-
Key Management	196,005	7,645	203,650
Total	805,144	86,231	891,375

Included in the short term employment benefits for Mr David Kulik is an accrued bonus of €350,000.

CEVA Group Plc**December 31, 2006***(in €)***Highest paid director:**

Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	567,930
Defined benefit pension scheme	78,586
Accrued pension at end of year.....	8,171,068
Total	8,817,584

CEVA Employee Investment Program

All stock-based compensation is issued from a single plan: the CEVA Investments Ltd 2006 Long-Term Incentive Plan. The plan resides with CEVA Investments Ltd, the entity which has granted the awards. The plan allows only for non-qualified stock options to be awarded based on CEVA's common stock, settled in equity, and carrying a maximum ten-year term, expiring on the tenth anniversary of the grant date unless the grant is terminated earlier in accordance with the terms of the plan.

Options granted to employees under the plan vest in three equal tranches, the first being strictly service-based while the remaining two are both service and performance based. The performance conditions are internal performance metrics only and are not based on any market criteria. The first tranche vests at a rate of 20% a year for five years. The second tranche vests six months subsequent to an IRR of at least 22.5% with a minimum cash-on-cash return of 2 times the investor investment. The third tranche vests six months subsequent to an IRR of at least 25% with a minimum cash-on-cash return of 3 times the investor investment.

The expenses with respect to each separate installment will be recognised in the appropriate vesting period.

The fair value of employee share based payments is calculated using the Black-Scholes Merton model. Management do not believe that the use of an alternative valuation method would have a material impact. The mid point approach was used when determining the fair value of option grants.

Options granted to non-employee directors under the plan vest monthly at a rate of 1/36 of the grant per month over 3 years.

All options vest upon a qualified change in control event.

Total options granted in the period are shown in the table below:

	Number	Weighted average exercise price
Outstanding at the beginning of period.....	0	0
Granted during the period.....	120,318	100.00
Outstanding at the end of the period.....	120,318	100.00
Exercisable at the end of the period.....	0	0

There was no movement in options during the period, apart from that as shown in the table above. No options were exercised in the period.

Number and weighted average exercise price is shown in the table below.

Number of shares.....	120,318
Weighted Average Remaining Contractual Life.....	9.85 years
Exercise Price.....	100.00

Information regarding how the fair value was determined is included in the table below:

Option pricing model	<u>Black - Scholes Merton</u>
Weighted average share price.....	100.00
Exercise price.....	100.00
Expected volatility.....	44.48%
Weighted-average expected life.....	7.17 years
Expected dividends.....	0.00%
Risk-free interest rate.....	5.00%
Weighted-average option value.....	54.58

Options granted in the period to the board of directors are shown in the table below:

	<u>Options Granted</u>	<u>Outstanding as at December 31, 2006</u>
David Kulik.....	11,750	11,750
Lukas Kolff.....	1,172	1,172
Gareth Turner.....	1,172	1,172
Daniel DiMaggio.....	6,750	6,750
Joshua Harris.....	1,172	1,172
Stanly Parker, Jr.....	1,172	1,172
Total.....	23,188	23,188

The volatility was determined using the 5 year industry peer volatility. There are no other significant features or equity compensations or modified share based payment arrangements. Total compensation in respect of share based compensation was €205,000.

18. DEPRECIATION, AMORTISATION AND IMPAIRMENTS: €20.8 MILLION

	<u>For the period</u> <i>(in € millions)</i>
Amortisation and impairments of intangibles.....	9.5
Depreciation and impairments of property, plant and equipment.....	11.3
Total.....	20.8

19. OTHER OPERATING EXPENSES: €32.5 MILLION

Included within other operating expenses are costs incurred for services provided by our group auditors, PricewaterhouseCoopers LLP (United Kingdom) was €4.2 million. The costs incurred, mainly relate to the costs of the audit of our financial statements. In addition, PricewaterhouseCoopers LLP (United Kingdom) performed transactional and due diligence services in respect of the acquisition for which €6.2 million costs were incurred. These other auditor fees in relation to the acquisition have been included in the total purchase consideration paid.

	For the period
	<i>(in € millions)</i>
Fees payable to the company auditor for the audit of parent company consolidated accounts.....	0.2
Fees payable to the company's auditor and its associates for other services:	
- The audit of the company's subsidiaries, pursuant to legislation	4.0
- Other services pursuant to legislation.....	0.6
- Tax services.....	0.7
Services relating to corporate finance transactions.....	6.2
Total	11.7

20. NET FINANCIAL EXPENSE: €7.0 MILLION

	For the period
	<i>(in € millions)</i>
Interest on long term receivables	19.8
Interest on short term receivables	1.8
Net foreign exchange transaction (gains)/losses	0.2
Other financial expenses	8.5
Total financial expenses.....	30.3
Interest on long term liabilities	0.3
Interest on short term liabilities	0.3
Other financial income.....	2.7
Total financial income	3.3

Included within other financial expenses are fees and commissions in respect of the bridge loan taken out by the company in order to fund the acquisition. The interest on long term liabilities mainly relates to interest on loans.

21. INCOME TAX EXPENSE: €5.8 MILLION

In the period from November 4, 2006 to December 31, 2006 our income tax expense amounted to €5.8 million.

The following table reconciles the consolidated statement to the UK statutory income taxes rate:

	December 31, 2006	%
	<i>(in € millions)</i>	
Theoretical tax charges / (income).....	(4.4)	30.0
<i>Permanent differences:</i>		
Non deductible depreciation PP&E	4.0	(27.3)
Non deductible other costs.....	0.1	(0.7)
<i>Other movements:</i>		
Write off deferred tax assets	2.3	(15.7)
Deferred taxes not recognised on losses	3.4	(23.2)
Difference between local and UK tax rate	(1.2)	8.2
Other tax expense	1.6	(10.9)
Effective income tax rate.....	5.8	(39.6)

The income tax is detailed as follows:

	For the period
	<i>(in € millions)</i>
Current tax expense	5.1
Changes in deferred taxes (excluding acquisitions/foreign exchange effects).....	0.7
Total income taxes	5.8
	December 31, 2006
	<i>(in € millions)</i>
Income tax receivable	23.7
Income tax payable	(22.9)
Netted current income tax positions.....	0.8

In 2006 the current tax expense amounted to €5.1 million. The difference between the total income taxes in the statements of income and the current tax expense is due to timing differences. These differences are recognised as deferred tax assets or deferred tax liabilities.

The following table shows the movements in deferred tax assets in 2006:

	December 31, 2006
	<i>(in € millions)</i>
Balance at August 9, 2006	-
Balance acquired through business combinations	41.9
Changes credited directly to equity.....	5.2
Income statement effect	(3.5)
Deferred tax assets at December 31, 2006	43.6

Deferred tax assets arise because of the following differences:

	December 31, 2006
	<i>(in € millions)</i>
Differences between valuation for book and tax purposes of:	
Provisions	10.7
Property, plant and equipment	0.6
Losses carried forward.....	2.5
Other temporary differences including tax amortisable goodwill and non-compete payments	29.8
Total deferred tax assets	43.6

The following table shows the movements in deferred tax liabilities in 2006:

	December 31, 2006
	<i>(in € millions)</i>
Balance at August 9, 2006	-
Balance acquired through business combinations	14.8
Revaluation of assets acquired through business combinations.....	180.9
Income statement effect	(4.2)
Deferred tax liabilities at December 31, 2006	191.5

Deferred tax assets and liabilities with the same term and the same consolidated tax group are presented net in the balance sheet if we have a legally enforceable right to offset the recognised amounts.

TNT has the obligation to indemnify and hold CEVA Limited harmless from and against tax liabilities of the group companies of the Logistics Business resulting from or in connection with transactions, events, acts or omissions which have occurred on or before November 4, 2006.

22. NET CASH FROM OPERATING ACTIVITIES: €62.2 MILLION

In 2006, net cash provided by operating activities was €62.2 million. Loss before income taxes contributed €4.8 million or profit of €32.8 million if adjusted for the non-cash impact of depreciation, amortisation and impairments and interest and similar income and expenses.

Increase in operating cash outflow with respect to working capital €71.9 million mainly related to an increase of accounts receivable of €3.0 million, offset by a decrease in prepayments and accrued income of €41.8 million and an increase in trade accounts payable of €74.7 million.

Most of the decrease in other current assets, offsetting the increase in accounts receivable, related to a decrease of prepayments and accrued income, that moved favourably due to extra emphasis on working capital and faster invoicing. Trade payables positively impacted the cash flow as a result of an increase of creditor days.

The interest paid of €25.1 million related to external borrowings, which were used to repay liabilities upon business combination.

23. NET CASH USED IN INVESTING ACTIVITIES: €94.0 MILLION

In 2006, net cash used in investing activities was €94.0 million, mainly due to cash payments for the acquisition of the Logistics Business of €107.0 million (net of cash and debt). The fair value of assets acquired and liabilities assumed, excluding non cash part of the consideration paid, were as follows:

	Fair value
	<i>(in € millions)</i>
Intangible assets, including goodwill.....	1,082.0
Property, plant and equipment.....	407.1
Financial fixed assets.....	112.6
Current assets.....	884.7
Non-current liabilities.....	(438.8)
Current liabilities.....	(695.5)
Minority interest.....	(32.0)
Fair value of assets acquired and liabilities assumed.....	1,320.1
Less: liabilities repaid upon business combination.....	(1,165.7)
Less: cash acquired.....	(47.4)
Cash flow on acquisition of group companies, net of cash.....	107.0

24. NET CASH USED IN FINANCING ACTIVITIES: €97.7 MILLION

In 2006, the increase of financing cash flow is mainly due to issuance of shares of €94.5 million and external borrowings of €1.2 billion, which were used for the acquisition of the Logistics Business and repayment of liabilities upon business combination.

25. COMMITMENTS AND CONTINGENCIES

Financial and Operating Guarantees

Total guarantees at December 31, 2006 were €48 million of which €7 million amounted to corporate guarantees. These total guarantees were mainly issued in connection with CEVA's operating business obligations under lease contracts, customs duty deferment and local credit lines.

Of the total guarantees, banks and other financial institutions have issued guarantees to cover obligations of CEVA's operational business entities up to an amount of €31 million. These guarantees were mainly issued in connection with CEVA's operational business entities under lease contracts, customs duty deferment and local credit lines. The obligations under the guarantees issued by banks and other financial institutions have been secured by CEVA and by its subsidiaries.

We expect that the value of guarantees arising as a result of the transaction will reduce in future years.

Rent and Operating Lease Contracts

In 2006 operational lease expenses (including rental) in the consolidated statements of income amounted to €43 million for the period. Future payments on non-cancellable and other existing lease contracts mainly relating to real estate, computer equipment and other equipment were as follows:

Payable in the period

	December 31, 2006
	<i>(in € millions)</i>
Less than 1 year.....	147.3
Between 1 and 2 years.....	120.1
Between 2 and 3 years.....	89.5
Between 3 and 4 years.....	60.5
Between 4 and 5 years.....	42.6
Thereafter.....	78.9
Total.....	538.9
Of which guaranteed by a third party/customers.....	211.0

Capital Expenditure

Commitments in connection with capital expenditure are €7 million.

Contingent Tax Liabilities

As part of the acquisition of the Logistics business of TNT we acquired certain companies which had certain tax contingencies relating to periods prior to acquisition. These tax contingencies are described in more detail in the 2006 financial statements of TNT. As part of the sale and purchase agreement, TNT indemnified CEVA from and against tax

liabilities of group companies of the former TNT Logistics business resulting from or in connection with transactions, events, acts or omissions which have occurred on or before November 4, 2006.

CEVA is not a party to discussions and settlements with the tax authorities relating to events pre acquisition and accordingly the group has been unable to measure reliably the fair value of the tax contingencies relating to the tax contingencies described in the TNT 2006 financial statements and therefore has not recorded the contingent liability (and related receivable from TNT) as required under IFRS 3, Business Combinations.

From 2004, TNT has been dealing with matters relating to full disclosure of all relevant information to the United Kingdom (“UK”) tax authorities. The major issue being discussed with the UK tax authorities are whether some of the non-UK subsidiaries might have been resident in the UK prior to acquisition of TNT Limited in December 1996 and, if so, whether capital gains tax would have been due if the tax residency of these subsidiaries later moved to another European country. TNT reports in its financial statements that it estimates a range of €00 - €250 million to reflect the realistic range of its total global contingent liabilities. This range represents some 25-30% of the non-probability weighted estimated theoretical maximum liability. This range is in respect of taxation which includes matters in addition to those relating to CEVA entities. CEVA is indemnified in respect of the above matters.

Indemnifications from TNT N.V.

As part of the Share Purchase Agreement, TNT has indemnified CEVA Limited for certain items. These are amounts relating to the period before acquisition and include certain restructuring costs, Dutch pension plans, Italian transportation claims (*Tariffe a Forcella*), taxation and certain other claims (as disclosed in contingent tax claims above).

Contingent Legal Liabilities

We are involved in several legal proceedings relating to the normal conduct of our business. We do not expect any liability arising from any of these legal proceedings to have a material effect on our results of operations, liquidity, capital resources or financial position. We believe we have provided for all probable liabilities deriving from the normal course of business.

26. JOINT VENTURES

We account for joint ventures in which we and another party have equal control according to the proportionate consolidation method.

Our largest joint venture as at December 31, 2006 is the 50% interest of the ordinary share capital in Anji-TNT Automotive Logistics Company Ltd, a company which is located and incorporated in China and whose main activities comprise of logistics services. The table below represents the financial information of Anji-TNT Automotive Logistics Company Ltd and includes balances at 50% for the period before fair value adjustments in relation to the acquisition as these are provisional.

	December 31, 2006
	<i>(in € millions)</i>
Non-current assets	18.3
Current assets.....	38.0
Equity.....	32.9
Current liabilities	23.4
	November 4 -
	December 31, 2006
	<i>(in € millions)</i>
Net sales.....	21.4
Operating income.....	0.7
Profit attributable to the shareholders	-
Net cash provided by operating activities	13.4
Net cash provided by investing activities	10.6
Net cash used in financing activities	(0.4)
Changes in cash and cash equivalents.....	23.6

27. OTHER RELATED PARTY TRANSACTIONS AND BALANCES

CEVA Group Plc has entered into the following related party transactions:

CEVA paid transaction costs and fees related to the Acquisition and amounting to €20.7 million to Apollo Management VI, L.P. Apollo Management is a related party by virtue of its control over AAA Investments, L.P., AlpInvest Partners Beheer 2006, L.P. and AIF VI Euro Holdings, L.P. (which combined own approximately 90% of the equity in CEVA Investments Ltd).

Josh Harris, Gareth Turner, Lukas Kolff and Stanly Parker, Jr. are Directors of CEVA Group Plc and also hold key senior positions within Apollo Management. Their remuneration from CEVA Group Plc is disclosed in note 15.

Over 200 personnel in CEVA Group companies participate in the management equity plan as disclosed in note 15. They also receive salaries and benefits as part of their employment compensation.

Joint Ventures: The CEVA Group companies in some cases have financial relationships with the joint ventures of the CEVA Group as well as with unconsolidated companies in which the Group holds minority shares. However, the CEVA Group Plc companies did not source supplies from such undertakings, nor did such undertakings source supplies from CEVA Group Plc group companies.

The net amounts due from joint venture entities amounted to €0.9 million as at December 31, 2006. All transactions with joint ventures and investments in associates are conducted in the normal course of business and under arm's length commercial terms and conditions.

28. SEGMENT INFORMATION

For the period ended December 31, 2006	Italy	North America	United Kingdom	Rest of Europe	Rest of world	Not allocated	Intra- Logistics Business	Total
	<i>(in € millions)</i>							
Net sales	174.0	74.3	108.0	103.0	92.3	-	-	551.6
Intra-Logistics Business								
sales	0.7	0.4	1.3	1.5	-	-	(3.9)	-
Other operating revenues	0.2	0.1	0.4	0.6	0.2	-	-	1.5
Total revenues	174.9	74.8	109.7	105.1	92.5	-	(3.9)	553.1
Other income	-	(0.1)	0.2	-	-	-	-	0.1
Depreciation and amortisation	4.3	3.1	4.5	5.3	3.6	-	-	20.8
Other operating expenses	0.5	0.6	12.9	11.2	7.3	-	-	32.5
Total operating expenses	169.4	65.4	107.2	110.2	92.8	-	(3.9)	541.1
Operating income	5.5	9.3	2.7	(5.1)	(0.3)	-	-	12.1
Net financial expenses								(27.0)
Results from Investments in associates								0.1
Profit/(loss) before income taxes								(14.8)
Income taxes								(5.8)
Profit/(loss) for the period								(20.6)
Intangible assets	270.6	246.2	208.9	286.4	152.5	-	-	1,164.6
Capital expenditure on property, plant and equipment	1.0	1.2	2.3	2.5	3.6	-	-	10.6
Investment in associates	-	-	-	-	-	0.6	-	0.6
Segment assets	687.9	404.8	650.1	559.5	391.4	67.2	-	2,760.9
Segment liabilities	471.0	93.7	184.0	236.1	101.6	1,355.7	-	2,442.1
Headcount at December 31	6,027	6,271	7,403	6,435	11,956	-	-	38,092

The basis of allocation of net sales by geographical area is the country or region in which the entity recording the sale is located.

The unallocated amount in segment assets and liabilities include investment in associates, long term debt, amounts due from (to) TNT companies, tax balances and assets/(liabilities) held for sale.

The headcount included is stated based on year end figures and the FTE figures are an average of the period's FTE count.

The Rest of world segment includes: China, South America, Asia, South Africa and Australia.

29. SUBSEQUENT EVENTS

Share Purchase Agreement with TNT N.V.

As part of the Share Purchase Agreement between TNT and CEVA Limited for the acquisition of the Logistics business, there was a completion mechanism concerning working capital, third party debt, cash and intercompany debt as at the completion date. In April 2007, agreement was reached between CEVA Limited and TNT regarding post-closing adjustments.

Acquisition of Eagle Global Logistics

On May 24, 2007, CEVA and EGL signed a definitive merger agreement pursuant to which CEVA will acquire 100% of the equity of Eagle Global Logistics, after a cash offer of \$47.50 per EGL share was accepted by EGL's Board of Directors. Total transaction consideration to be paid to EGL shareholders will be approximately \$2 billion. EGL is a

leading global freight forwarder with operations in over 100 countries, generated revenues exceeding \$3.2 billion in 2006 and has approximately 11,000 employees.

Change of name

On January 18, 2007, Louis No. 1 Plc changed its name to CEVA Group Plc by a special resolution of the board of directors.

30. GUARANTOR/NON-GUARANTOR SUBSIDIARY FINANCIAL INFORMATION

In December 2006, CEVA Group Plc raised funds through an offering of high yield bonds, which were admitted to trading on the Alternative Securities Market of the Irish Stock Exchange (“ISE”). The senior notes are jointly and severally guaranteed on a senior basis, and the senior subordinated notes are jointly and severally guaranteed on a senior subordinated basis by certain of the existing wholly owned subsidiaries of the Logistic Business located in the United Kingdom, United States, Germany, Australia, The Netherlands, Brazil and Canada (the “Guarantors”). All subsidiaries of the Logistics Business located in other countries, including Belgium, Luxemburg, Spain, Turkey, France, Greece, Italy, Asia, South Africa and South America are non-guarantor subsidiaries (the “Non-Guarantors”).

When guarantees are provided for debt listed on the ISE, the ISE requires financial information relating to each group to be separately presented in a note to the combined financial statements, presenting, in separate columns, the Guarantors (on a combined basis) and the Non-Guarantors (on a combined basis), with an additional column reflecting eliminating adjustments, if material. The following combined financial information depicts the financial position and results of operations for those entities identified as “guarantors” in note 31.

Period ended December 31, 2006

	Guarantor	Non Guarantor	Eliminations	Combined
		<i>(in € millions)</i>		
Net sales.....	292.7	278.1	(19.2)	551.6
Other operating revenues	1.2	0.3	-	1.5
Total revenues	293.9	278.4	(19.2)	553.1
Other income	0.1	-	-	0.1
Cost of materials	17.6	17.4	-	35.0
Work contracted out and other external expenses.....	137.2	170.9	(19.2)	288.9
Salaries and social security contributions	104.8	59.1	-	163.9
Depreciation, amortisation and impairments	13.5	7.3	-	20.8
Other operating expenses	9.3	23.2	-	32.5
Total operating expenses	282.4	277.9	(19.2)	541.1
Operating income	11.6	0.5	-	12.1
Net financial expense.....	(24.4)	(2.6)	-	(27.0)
Results from investments in associates	(0.1)	0.2	-	0.1
Loss before income taxes	(12.9)	(1.9)	-	(14.8)
Income taxes	6.3	(12.1)	-	(5.8)
Loss for the period from continuing operations	(6.6)	(14.0)	-	(20.6)
Loss from discontinued operations	-	-	-	-
Loss for the period	(6.6)	(14.0)	-	(20.6)
Attributable to:				
Minority interests	-	1.2	-	1.2
Other TNT companies	-	-	-	-
	(6.6)	(15.2)	-	(21.8)

December 31, 2006

	Guarantor	Non Guarantor	Eliminations	Combined
	<i>(in € millions)</i>			
Non-current assets				
Intangible assets				
Goodwill	543.0	150.3	-	693.3
Contractual customer relations	333.9	134.0	-	467.9
Other intangible assets	1.4	2.0	-	3.4
Total intangible assets	878.3	286.3	-	1,164.6
Property, plant and equipment				
Land and buildings.....	168.0	38.6	-	206.6
Plant and equipment.....	92.4	43.1	-	135.5
Other	18.0	14.5	-	32.5
Construction in progress	10.3	2.2	-	12.5
Total property, plant and equipment	288.7	98.4	-	387.1
Financial Fixed Assets				
Investments	1,833.2	664.1	(2,496.7)	0.6
Other loans receivable.....	4.7	-	-	4.7
Deferred tax assets	11.6	40.9	(8.9)	43.6
Amounts receivable from other CEVA companies....	163.0	-	(163.0)	-
Prepayments and accrued income	5.3	41.4	-	46.7
Total financial fixed assets	2,017.8	746.4	(2,668.6)	95.6
Total non-current assets	3,184.8	1,131.1	(2,668.6)	1,647.3
Current Assets				
Inventory	5.5	16.6	-	22.1
Accounts receivable	312.6	327.1	-	639.7
Income tax receivable	1.6	4.6	17.5	23.7
Accounts receivable from other CEVA companies....	26.2	40.1	(66.3)	-
Prepayments and accrued income	67.9	95.5	-	163.4
Cash and cash equivalents.....	219.7	45.0	-	264.7
Total current assets	633.5	528.9	48.8	1,113.6
Assets held for sale	-	-	-	-
Total assets	3,818.3	1,660.0	(2,717.4)	2,760.9
Total Group Equity	2,022.2	794.3	(2,497.7)	318.8
Non-current liabilities				
Deferred tax liabilities.....	142.9	48.6	-	191.5
Provisions for pension liabilities	15.3	107.6	-	122.9
Other provisions.....	44.6	36.0	-	80.6
Long term debt.....	1,113.1	28.2	-	1,141.3
Amounts payable to other CEVA companies.....	-	163.0	(163.0)	-
Accrued liabilities	(0.6)	12.9	-	12.3
Total non-current liabilities	1,315.3	396.3	(163.0)	1,548.6
Current liabilities				
Trade accounts payable	119.7	158.9	1.0	279.6
Short term provisions.....	15.1	23.8	-	38.9
Other current liabilities	161.6	78.6	(8.9)	231.3
Income tax payable	1.5	3.9	17.5	22.9
Amounts payable to other CEVA companies.....	40.1	26.2	(66.3)	-
Accrued current liabilities	142.8	178.0	-	320.8
Total current liabilities	480.8	469.4	(56.7)	893.5
Total liabilities and net investment	3,818.3	1,660.0	(2,717.4)	2,760.9

31. LIST OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

	Argentina
	TNT Logistics Argentina SA
51%	Customised Logistics Argentina SA
	Austria
	TNT Logistics Austria GmbH
50%	A.S.S. Logistik Schrader Schachinger GmbH & Co. KG
	CEVA Logistics Central and Eastern Europe GmbH
50%	A.S.S. Logistik Schrader Schachinger GmbH
	Australia
	* CEVA Pty Ltd
	* CEVA Materials Handling Pty Ltd
	* CEVA Logistics (Australia) Pty Ltd
	Belgium
81%	TNT NOPRI Logistics NV / SA
	CEVA Logistics Belgium NV/SA
	SVL Schrader Verteil + Logistik BV / BA
	Tecnologica Benelux SA
	Brazil
	* CEVA Logistics Ltda
	* CEVA Holdings Ltda
	* AV Manufacturing Industriale e Comercio de Pecas e Acessorios Automotivos Ltda
	* CEVA Participações Ltda
20%	Logistics Reply Do Brasil Ltda.
	Canada
	* CEVA Logistics Canada ULC
	Switzerland
	TNT Logistics Switzerland AG
	China
	CEVA Logistics International Trading (Shanghai) Co. Ltd.
70%	CEVA Logistics Co. Ltd. Shanghai
50%	Anji - TNT Automotive Logistics Company Ltd.
33%	Shanghai Anji-Suchi Warehousing and Transportation Company Ltd.
80%	Shanghai Anji-Tonghui Warehousing and Transportation Company Ltd.
60%	Chongqing Anji- TNT Hongyan Automotive Logistics Company Ltd.
50.01%	Liao Ning A-Lean Automotive Logistics Company Ltd.
	Czech Republic
	CEVA Logistics Sprol s.r.o.
	Germany
	* CEVA Logistics GmbH
	* TNT Container Logistics GmbH
	* CEVA Logistics CEE Holding GmbH
50%	FSZ Fahrzeug Service Zentrum GmbH
22%	CoTrans Logistik GmbH & Co. KG
	CoTrans Logistic Verwaltungs GmbH
	Spain
	CEVA Automotive Logistics España SA
	TNT Logistics España S.L.
	TNT Production Logistics S.A.
	TNT Logistics Subirats SL
	CEVA Logistics Holdings Spain S.L.
	TNT Logistics Subirats
	France
	TNT Automotive Logistics SAS
	United Kingdom
	CEVA Automotive Logistics UK Ltd
	* CEVA Logistics Ltd.
51%	Fairlead Logistics Ltd.

	* CEVA Container Logistics Ltd.
	* CEVA Network Logistics Ltd. CEVA Distribution Ltd. Louis No. 2 Limited
	* CEVA Limited Newsagents Wholesale Corp. Ltd. Newspaper Transport Ltd. CEVA Showfreight Ltd.
	* CEVA Supply Chain Solutions Ltd. TNT Logistics NI Ltd.
	Greece TNT Automotive Logistics Hellas SA
	Indonesia PT TNT Logistik Indonesia
	India TNT India Pvt. Ltd.
	Italy CEVA Automotive Logistics Italia Srl CEVA Logistics Italia S.r.l S.I.T.T.A.M SRL CEVA Logistics Sub-Holding Italia Srl CEVA In-Bound Logistics Italia Srl CEVA Trasporti In-Bound Logistics Italia
51%	TEL.I.S. Spa
85%	Cell-Tell Spa CEVA Logistics Holding Italy SpA C&C Trasporti E Spedizionali Internazionali SRL
51%	AVIOSERVIZI Jet Service Srl
75%	CEVA Logistics Bari SRL CEVA Freight Management Italia SRL
	South Korea TNT Logistics Korea Co Ltd.
	Mexico CEVA Servicios de Mexico SA de CV CEVA Logistica de Mexico SA de CV
	Malaysia CEVA Logistics (Malaysia) Sdn Bhd
60%	The Netherlands * CEVA Logistics Netherlands B.V. * CEVA Container Logistics B.V. * CEVA Logistics Holdings B.V. * CEVA Logistics Head Office B.V. * CEVA Districenter B.V. * CEVA Logistics Dutch Holdco B.V. * CEVA Logistics Finance B.V.
40%	PACT Benelux BV
	Poland TNT Automotive Logistics Poland TNT Logistics Poland Sp. z.o.o
	Romania SITROM Expeditii Internazionale Srl (Romania)
	Singapore Timur Carriers (Pte) Ltd. CEVA Logistics Asia Pte Ltd Timur Carriers (P) Ltd. (Logistics CoA) CEVA Logistics Singapore Pte Ltd
	Slovakia TNT Logistics Slovakia
	Thailand

- 49% TNT Logistics (Thailand) Ltd.
- Turkey**
CEVA Lojistik Limited Sirketi
- United States of America**
- * CEVA Logistics Services Inc.
 - CEVA Logistics Puerto Rico Inc.
 - * Customised Transportation International Inc.
 - * CEVA Logistics U.S. Inc.
 - * CEVA Logistics U.S. Holdings Inc.
 - * CEVA Logistics U.S. Group Inc.
- South Africa**
TNT Container Logistics South Africa
Main Street 511 Pty. Ltd. (South-Africa)
- * *Denotes Guarantor company*

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CEVA GROUP PLC

We have audited the financial statements of CEVA Group Plc for the period ended December 31, 2006 which comprise the Balance Sheet, the Reconciliation of Movements in Shareholders Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of CEVA Group Plc for the period ended December 31, 2006.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited group financial statements. The other information comprises the sections of the Annual Report headed Forward-Looking Statements, Presentation of Financial Information and Certain Definitions, CEO Statement, Key Financial Information, Description of the Business, Our Services, Our Key Strengths, The Transactions, Summary Corporate and Financing Structure, Selected Historical Financial Data, Operating and Financial Review and Prospects, Management, Shareholders, Certain Relationships, Material Contractual Arrangements and Related Party Transactions, Legal Matters and Risk Factors and the Directors Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at December 31, 2006;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

/s/ PricewaterhouseCoopers LLP

*PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
East Midlands
May 30, 2007*

CEVA GROUP PLC - CORPORATE BALANCE SHEET

	Notes	December 31, 2006 <i>(in € millions)</i>
ASSETS		
Non-current assets	1	
Investments in Group companies		310.0
Loans receivable from Group companies		709.9
Total non-current assets		1,019.9
Current assets		
Accounts receivable from Group companies		10.9
Income tax receivable.....		0.1
Total current assets		11.0
Total assets		1,030.9
EQUITY AND LIABILITIES		
Equity		
	2, 3	
Issued share capital		0.5
Share premium		309.5
Retained deficit		(0.1)
Total shareholders' equity		309.9
Non-current liabilities		
Long term debt	4	706.7
Total non-current liabilities		706.7
Current liabilities		
Accounts payable to Group companies		5.9
Accrued current liabilities		8.4
Total current liabilities		14.3
Total equity and liabilities		1,030.9

The financial statements of the Company on pages F-42 to F-44 were approved by the Board of the Directors on May 30, 2007 and were signed on its behalf by

/s/ David Kulik

David Kulik
Director

/s/ Lukas Kolff

Lukas Kolff
Director

CEVA GROUP PLC NOTES TO THE CORPORATE BALANCE SHEET

ACCOUNTING POLICIES

(i) Basis of Preparation

The financial statements are prepared on a going concern basis and under the historical cost convention and in accordance with the Companies Act 1985 and applicable United Kingdom accounting standards (UK GAAP).

As permitted by Section 230(3) of the Companies Act 1985, the company's profit and loss account has not been presented. The CEVA Group Plc consolidated financial statements for the year ended December 31, 2006 contain a consolidated statement of cash flows. Consequently, the company has taken advantage of the exemption in FRS 1, (Revised 1996) 'Cash Flow Statements' not to present its own cash flow statement.

The CEVA Group Plc consolidated financial statements for the year ended December 31, 2006 contain related party disclosures. Consequently, the company has taken advantage of the exemption in FRS 8, 'Related Party Disclosures' not to disclose transactions with other members of the CEVA Group.

The CEVA Group Plc consolidated financial statements for the year ended December 31, 2006 contain financial instrument disclosures which comply with FRS 25, 'Financial Instruments: Disclosure and Presentation'. Consequently, the company has taken advantage of the exemption in FRS 25 not to present separate financial instrument disclosure

(ii) Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost and reviewed for impairment if there are indicators that the carrying value may not be recoverable.

(iii) Taxation

Full provision is made for deferred taxation on all timing differences which have arisen but not reversed at the balance sheet date.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that there will be sufficient taxable profits from which the underlying timing differences can be deducted. The deferred tax balances are not discounted.

OTHER INFORMATION

(i) Employees

CEVA Group Plc does not have employees, other than the executive directors of the group. The six executive directors of CEVA Group Plc are the only employees of the company. Directors' emoluments are disclosed in note 17 in the Group consolidated accounts.

1) INVESTMENTS IN GROUP COMPANIES: €310.0 MILLION

Statement of changes in financial fixed assets	Investments in group companies <i>(in € millions)</i>
Balance at August 9, 2006	-
Additions.....	310.0
Balance at December 31, 2006	310.0

Our investments in group companies are carried at cost.

During the period the company acquired the Logistics Business of TNT N.V. through CEVA Limited.

The names of the principal Group undertakings and joint ventures are included in note 31 to the Group accounts.

2) SHAREHOLDERS' EQUITY: €309.9 MILLION

	Issued share capital	Share Premium	Retained earnings/ (deficit)	Attributable to equity holders of the parent
Balance at August 9, 2006	0.1	-	-	0.1
Issuance of shares.....	0.4	309.5	-	309.9
Result for the period.....	-	-	(0.1)	(0.1)
Currency translation adjustment.....	-	-	-	-
Balance at December 31, 2006	0.5	309.5	(0.1)	309.9

3) SHARE CAPITAL: €0.5 MILLION, SHARE PREMIUM: €309.5 MILLION

The number of authorised and issued shares as at December 31, 2006 is as follows:

	Ordinary Shares	Share Capital	Share Premium
	<i>(number)</i>	<i>(in € millions)</i>	
Authorised	350,000		
Issued at incorporation.....	50,000	-	-
Issued during the period.....	260,000	0.5	309.5
Issued at December 31, 2006.....	310,000	0.5	309.5

Ordinary shares have a nominal value of GBP 1.00 (€1.5). The shares were issued at a premium of £668 per share (€98.5) for a total consideration of €310.0 million. The initial 50,000 shares issued at incorporation were issued at par.

4) LONG TERM DEBT: €706.7 MILLION

On November 4, 2006 CEVA Group Plc entered into a €730 million senior bridging loan facility and a \$300 million senior subordinated bridging loan facility. These facilities were replaced on December 6, 2006 when CEVA Group Plc issued €505 million of senior notes and €225 million of senior subordinated notes. The senior notes will mature in 2014 and have a coupon of 8.5%. They will begin paying interest semi-annually in arrears on June 1, 2007. The senior subordinated notes will mature in 2016. The notes have a coupon of 10% and will begin paying interest semi-annually in arrears on June 1, 2007.

The only borrowings at fixed rates are the €730 million senior and senior subordinated notes.

Resulting from the loan notes are costs (€3.6 million) incurred in relation to raising the debt. These costs are amortised over the period of the loans, being seven and nine years. (2006: €0.3 million)

5) CONTINGENT LIABILITIES

We are involved in several legal proceedings relating to the normal conduct of our business. We do not expect any liability arising from any of these legal proceedings to have a material effect on our results of operations, liquidity, capital resources or financial position. We believe we have provided for all probable liabilities deriving from the normal course of business.

STATEMENT OF RESPONSIBILITIES OF THE DIRECTORS OF CEVA GROUP PLC AND MANAGEMENT OF THE LOGISTICS BUSINESS

The combined financial statements of the Logistics Business have been prepared on the basis as set out in note 2 “Basis of preparation.” The following statement, which should be read in conjunction with the statement of auditors responsibilities set out in the independent auditors’ report, is made with a view to distinguishing the respective responsibilities of the directors of CEVA Group Plc, the management of the Logistics Business., and of the auditors in relation to the combined financial statements.

In the context of preparing combined financial statements for the Logistics Business, the directors of CEVA Group Plc and management of the Logistics Business are responsible for:

- Ensuring the maintenance of proper accounting records, which disclose with reasonable accuracy the financial position of the Logistics Business at any time from which financial statements can be prepared to comply with International Financial Reporting Standards as adopted by the European Union.
- Preparing financial statements for each financial period, which give a true and fair view, in accordance with International Financial Reporting Standards, as adopted by the European Union, of the state of affairs of the Logistics Business as at the end of the financial period and of the results of operations for that period.
- Taking such steps as are reasonably open to them to safeguard the assets of the Logistics Business and to prevent and detect fraud and other irregularities.

The directors of CEVA Group Plc and management of the Logistics Business consider that in preparing financial statements for the Logistics Business, they have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed. The directors of CEVA Group Plc and management of the Logistics Business are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The same responsibilities as described above apply to these combined financial statements, which are based on a combination of certain financial information included in the consolidation returns of the companies that comprise the Logistics Business. These returns were prepared for the purpose of preparing the consolidated financial statements of TNT N.V. and were adjusted as the directors of CEVA Group Plc and management of the Logistics Business considered necessary.

These combined financial statements have been approved by the directors of CEVA Group Plc and management of the Logistics Business and signed on their behalf by:

/s/ David Kulik

/s/ Lukas Kolff

David Kulik
May 30, 2007

Lukas Kolff

REPORT OF THE AUDITORS

To the Management of the Logistics Business and the Board of Directors of CEVA Group Plc.

Report on the combined financial statements of the Logistics Business, a business owned by TNT N.V. prior to November 4, 2006

We have audited the accompanying combined balance sheets of the Logistics Business, a business owned by TNT N.V. prior to November 4, 2006 (“the Business”), as described in Note 1 “Background” and Note 2 “Basis of Preparation” as at November 4, 2006, December 31, 2005 and December 31, 2004, and the related combined statements of income, cash flows, changes in net investment, a summary of significant accounting policies and other explanatory notes for the period ended November 3, 2006 and the two years ended December 31, 2005 and December 31, 2004 (hereinafter referred to as “the combined financial statements”).

The directors' responsibility

The management of the Business and the directors of CEVA Group Plc are responsible for the preparation and fair presentation of the combined financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the combined financial statements.

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

Opinion

In our opinion, the combined financial statements give a true and fair view of the financial position of the Logistics Business, a business owned by TNT N.V. prior to November 4, 2006 as at November 3, 2006, December 31, 2005 and December 31, 2004, and of its result and its cash flows for the period ended November 3, 2006 and the two years ended December 31, 2005 and December 31, 2004 in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter

Without qualifying our opinion, we draw attention to the fact that, as described in the note 2 “Basis of Preparation,” the Logistics Business, previously a business of TNT N.V. prior to November 4, 2006 did not operate as a separate entity during the periods stated above. These combined financial statements are therefore not indicative of results that would have occurred if the Logistics Business, previously a business of TNT N.V., had been a separate stand-alone entity during the periods presented or of future results of the Logistics Business.

/s/ P. C. Dams RA

Amsterdam, May 30, 2007

PricewaterhouseCoopers Accountants N.V.

P. C. Dams RA

**COMBINED STATEMENTS OF INCOME OF THE LOGISTICS BUSINESS OF TNT N.V. FOR THE PERIOD
ENDED NOVEMBER 3, 2006 AND THE TWO YEARS ENDED DECEMBER 31, 2005 AND 2004**

	Notes	Period ended November 3, 2006	Year ended December 31, 2005	2004
		<i>(in € millions)</i>		
Net sales	21	2,934.6	3,340.3	3,293.9
Other operating revenues	22	6.9	11.8	8.3
Total revenues		2,941.5	3,352.1	3,302.2
Other income		2.4	2.1	-
Cost of materials		212.6	217.2	197.0
Work contracted out and other external expenses		1,507.1	1,696.1	1,666.5
Salaries and social security contributions	23	889.1	996.7	1,008.5
Depreciation, amortisation and impairments	24	68.3	84.1	79.5
Other operating expenses		290.2	263.1	240.6
Total operating expenses		2,967.3	3,257.2	3,192.1
Operating income		(23.4)	97.0	110.1
Interest and similar income	25	16.8	9.6	4.4
Interest and similar expenses	25	66.3	88.9	54.6
Net financial expense		(49.5)	(79.3)	(50.2)
Results from investments in associates	10	(2.5)	(35.7)	(1.9)
(Loss)/profit before income taxes		(75.4)	(18.0)	58.0
Income taxes	26	3.8	16.7	46.8
(Loss)/profit for the period from continuing operations		(79.2)	(34.7)	11.2
Loss from discontinued operations	15	(6.4)	(191.9)	(31.1)
Loss for the period		(85.6)	(226.6)	(19.9)
Attributable to:				
Minority interests		1.0	0.7	2.1
Other TNT companies		(86.6)	(227.3)	(22.0)
		(85.6)	(226.6)	(19.9)

- The charges set out above are not necessarily representative of those that would be incurred by the Logistics Business under separate ownership.
- Earnings per share information has not been presented as the Logistics Business does not have a defined capital structure that is consistent across all of its constituent businesses.
- The accompanying notes form an integral part of the combined financial statements.

**COMBINED BALANCE SHEETS OF THE LOGISTICS BUSINESS OF TNT N.V.
AS AT NOVEMBER 3, 2006 AND AS AT DECEMBER 31, 2005 AND 2004**

	Notes	Period ended November 3, 2006	Year ended December 31, 2005	2004
<i>(in € millions)</i>				
Non-current assets				
Intangible assets				
Goodwill	8	839.0	870.7	808.2
Software		11.0	9.9	9.6
Other intangible assets		5.0	8.2	12.6
Total intangible assets		855.0	888.8	830.4
Property, plant and equipment				
Land and buildings	9	140.4	139.6	146.6
Plant and equipment		125.2	133.3	146.7
Other assets		36.5	44.3	48.6
Construction in progress		15.1	2.0	0.9
Total property, plant and equipment		317.2	319.2	342.8
Financial assets				
Investments in associates	10	2.7	10.1	40.7
Other loans receivable		4.8	4.7	4.6
Deferred tax assets	26	47.1	35.7	51.2
Amounts receivable from other TNT companies	10, 28	-	5.8	39.7
Prepayments and accrued income		55.5	70.1	94.6
Total financial assets		110.1	126.4	230.8
Total non-current assets		1,282.3	1,334.4	1,404.0
Current assets				
Inventory	11	23.1	22.1	24.4
Accounts receivable	12	573.9	640.4	646.0
Income tax receivable	26	18.2	15.0	10.9
Amounts receivable from other TNT companies	28	5.9	170.7	159.8
Prepayments and accrued income	13	204.8	149.2	184.9
Cash and cash equivalents	14	47.4	93.4	62.3
Total current assets		873.3	1,090.8	1,088.3
Assets held for sale	15	-	79.7	2.3
Total assets		2,155.6	2,504.9	2,494.6

**COMBINED BALANCE SHEETS OF THE LOGISTICS BUSINESS OF TNT N.V.
AS AT NOVEMBER 3, 2006 AND AS AT DECEMBER 31, 2005 AND 2004 CONTINUED**

	<u>Notes</u>	<u>Period ended November 3, 2006</u>	<u>Year ended December 31,</u>	
			<u>2005</u>	<u>2004</u>
			<i>(in € millions)</i>	
Net investment by other TNT companies.....		49.4	(633.4)	(428.0)
Minority interests.....		6.9	5.9	5.2
Net investment		56.3	(627.5)	(422.8)
Non-current liabilities				
Deferred tax liabilities.....	26	14.3	28.7	21.3
Provisions for pension liabilities.....	16	117.6	127.1	128.7
Other provisions.....	17	92.1	63.6	47.4
Long term debt.....	18	25.8	25.3	223.8
Amounts due to other TNT companies.....	28	-	264.1	286.2
Accrued liabilities.....		5.0	15.0	18.0
Total non-current liabilities		254.8	523.8	725.4
Current liabilities				
Trade accounts payable.....		204.1	232.1	292.6
Short term provisions.....	17	30.9	27.1	18.1
Other current liabilities.....	19	82.3	376.9	155.1
Income tax payable.....	26	25.4	20.2	24.9
Amounts payable to other TNT companies.....	28	1,184.1	1,456.2	1,449.1
Accrued current liabilities.....	20	317.7	270.2	252.2
Total current liabilities		1,844.5	2,382.7	2,192.0
Liabilities related to assets classified as held for sale.....	15	-	225.9	-
Total liabilities and net investment		2,155.6	2,504.9	2,494.6

- The capital structure set out above is not necessarily representative of the capital structure of the Logistics Business under separate ownership.
- The accompanying notes form an integral part of the combined financial statements.

COMBINED CASH FLOW STATEMENTS OF THE LOGISTICS BUSINESS OF TNT N.V. FOR THE PERIOD ENDED NOVEMBER 3, 2006 AND THE TWO YEARS ENDED DECEMBER 31, 2005 AND 2004

	Period ended November 3, 2006	Year ended December 31,	
		2005	2004
		<i>(in € millions)</i>	
(Loss)/profit before income taxes	(75.4)	(18.0)	58.0
<i>Adjustments for:</i>			
Depreciation, amortisation and impairments	68.3	84.1	79.4
Profit on sale of property, plant and equipment	2.3	(2.1)	-
<i>Investment income and results from investments in associates:</i>			
Interest and similar income.....	(16.8)	(9.6)	(4.4)
Interest and similar expenses	66.3	88.9	54.7
Results from investments in associates.....	2.5	35.7	1.9
<i>Changes in provisions:</i>			
Pension liabilities.....	(9.5)	(2.7)	7.5
Other provisions	35.1	14.8	(11.8)
<i>Changes in working capital:</i>			
Inventory	231.3	1.3	(2.7)
Accounts receivable.....	(1.0)	(30.5)	(43.7)
Other current assets	(55.6)	21.2	(8.3)
Trade payables.....	(28.0)	(37.2)	(59.9)
Other current liabilities excluding short term financing and taxes.....	(350.9)	(61.7)	24.6
Cash generated from operations	(131.4)	84.2	95.3
Increase in long term accrued liabilities	(10.0)	-	-
Interest paid	(13.6)	(11.9)	(10.8)
Income taxes paid	(27.6)	(11.2)	(34.6)
Net cash from operating activities	(182.6)	61.1	49.9
Acquisition of entities (net of cash)	(13.0)	-	(11.0)
Investment in associates	-	(4.0)	-
Disposal of associates.....	2.9	-	-
Capital expenditure on intangible assets	(5.1)	(3.3)	(22.9)
Proceeds from sale of intangible assets and investments	1.7	0.8	13.0
Capital expenditure on property, plant and equipment	(68.4)	(73.1)	(67.4)
Proceeds from sale of property, plant and equipment	6.5	14.1	10.9
Other changes in financial assets	22.3	21.4	11.3
Changes in minority interests	1.0	-	-
Interest received.....	16.8	7.9	4.4
Net cash used in investing activities	(35.3)	(36.2)	(61.7)
Other net investment changes	791.2	(4.4)	6.8
Proceeds from long term borrowings.....	5.8	33.8	8.8
Repayments to long term borrowings	(262.7)	(24.6)	39.0
Repayments to short term borrowings	(215.3)	15.1	(6.5)
Payments of finance lease.....	(0.9)	(1.6)	-
Financing relating to discontinued Logistics Business (see note 15).....	(146.2)	(13.7)	(39.5)
Net cash generated from financing activities	171.9	4.6	8.6
Change in cash and cash equivalents	(46.0)	29.5	(3.2)
Cash and cash equivalents at the beginning of the period as reported in 2004	-	62.3	55.9
of which discontinued (see note 15)	-	1.6	11.2
Cash and cash equivalents at the beginning of the period	93.4	63.9	67.1
Change in cash.....	(46.0)	29.5	(3.2)
Cash and cash equivalents at the end of the period	47.4	93.4	63.9

- The cash flows set out above are not necessarily representative of those that would be incurred by the Logistics Business under separate ownership.
- Certain items in the Combined Cash Flow Statements have been adjusted for non-cash movements, principally foreign exchange effects and newly consolidated entities. As a result, these amounts do not correspond to the differences between the Balance Sheet amounts for the respective items.
- The accompanying notes form an integral part of the combined financial statements.

**COMBINED STATEMENTS OF CHANGES IN NET INVESTMENT OF
THE LOGISTICS BUSINESS OF TNT N.V. FOR THE PERIOD ENDED NOVEMBER 3, 2006
AND THE TWO YEARS ENDED DECEMBER 31, 2005 AND 2004**

	Net investment by other TNT companies (incl. cur. trans.)	Minority interest	Total net investment
	<i>(in € millions)</i>		
Balance at January 1, 2004	(203.4)	3.1	(200.3)
Loss for the period	(22.0)	2.1	(19.9)
Currency translation adjustment	(18.6)	-	(18.6)
Total recognised loss for the year	(40.6)	2.1	(38.5)
Movement in investments in other TNT companies	(184.0)	-	(184.0)
Total changes in net investment	(224.6)	2.1	(222.5)
Balance at December 31, 2004	(428.0)	5.2	(422.8)
Effect on adoption of IAS 32/39	(9.0)	-	(9.0)
Balance at January 1, 2005	(437.0)	5.2	(431.8)
Loss for the period	(227.3)	0.7	(226.6)
Currency translation adjustment	30.9	-	30.9
Total changes in net investment	(196.4)	0.7	(195.7)
Balance at December 31, 2005	(633.4)	5.9	(627.5)
Loss for the period	(86.6)	1.0	(85.6)
Currency translation adjustment.....	(15.4)	-	(15.4)
Total recognised loss for the period	(102.0)	1.0	(101.0)
Movement in investments in other TNT companies.....	784.8	-	784.8
Balance at November 3, 2006	49.	6.9	56.3

- In periods prior to January 1, 2005, the investments in Freight Management (excluding Italy and Maastricht) and TNT Innight BV and TNT Logistics Innight Holding GmbH (collectively, "Innight") were transferred from TNT to the Logistics Business. However, since these operations were not managed as part of the Logistics Business, their assets, liabilities, revenues and expenses have been excluded from the condensed combined interim financial statements and the related investments eliminated against opening "Net investment by other TNT companies." During the period ended November 3, 2006, these investments were transferred back from the Logistics Business to TNT. These transfers, as well as the sale of the remaining French logistics business to TNT, are reflected in "Movement in investments in other TNT companies."
- The accompanying notes form an integral part of the combined financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS OF THE LOGISTICS BUSINESS OF TNT N.V.

1. BACKGROUND

On August 23, 2006, TNT N.V. (“TNT”) signed a Sale and Purchase Agreement (the “Sale and Purchase Agreement”) to sell its non-network related logistics activities (the “Logistics Business”) to affiliates of Apollo Management VI, L.P. (the “Acquirer”).

The Logistics Business provides services focused on supply chain management. It works to ensure that across the functions of procurement, manufacturing and distribution the right goods, in the right quantities and conditions, are available at the right place and time. One key aspect of this is reducing the time it takes to bring goods from suppliers to their customer by using the latest technology to increase the visibility of TNT customers’ goods in the supply chain.

The Logistics Business operates in 30 countries in Europe, North and South America, Asia, Africa and Australia. Its principal strategy has focused on achieving critical mass in selected geographical areas, in particular on warehousing and transportation services in the following industry sectors: automotive, tyres, high-tech electronics, publishing and media, and fast-moving consumer goods.

The basis of preparation, combination and presentation of the combined financial statements of the Logistics Business is more fully described below.

2. BASIS OF PREPARATION

In preparing these combined financial statements, the financial information of entities within the Logistics Business, as at the relevant date, has been extracted from the local reporting records on a legal entity basis and combined as described below. This information was prepared under the TNT accounting policies, which comply with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”). IFRS as adopted by the EU differ in certain respects from IFRS as issued by the International Accounting Standards Board (“IASB”). However the combined financial information for the periods presented would be no different had the Logistics Business applied IFRS as issued by the IASB. References to IFRS hereafter should be construed as references to IFRS as adopted by the EU.

The combined financial statements have not been prepared under Part 9 of Book 2 of The Netherlands Civil Code. They have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit and loss and, in all material respects, in accordance with IFRS and may not be indicative of the active results of operations and financial position of the Logistics Business had it operated as a separate entity.

The principal accounting policies are set out below. These policies have been consistently applied to all the periods presented except for those relating to the classification and measurement of financial instruments under IAS 32 “*Financial Instruments: Disclosure and Presentation*” and IAS 39 “*Financial Instruments: Recognition and Measurement*.” The Logistics Business has made use of the exemption available under IFRS 1 “*First Time Adoption of International Financial Reporting Standards*” to only apply these two standards from January 1, 2005. The adoption of IAS 32 and IAS 39 as of January 1, 2005 principally resulted in the measurement of certain financial instruments at fair value. On January 1, 2005 these changes resulted in the recognition of a financial liability of € million. The recognition of the financial liability did not have any tax impact.

As a fully integrated businesses of TNT, the Logistics Business does not prepare separate accounts in accordance with IFRS in the normal course of operations. Accordingly, the combined financial statements have been derived by extracting the assets, liabilities, revenues and expenses directly attributable to the Logistics Business from the assets, liabilities, revenues and expenses reflected in the accounting records of TNT on a legal entity basis.

The combined financial statements have been prepared for the purposes of presenting, as far as practical, the financial position, results of operations and cash flows of the Logistics Business on a stand-alone basis. The combined financial statements of the Logistics Business reflect assets, liabilities, revenues and expenses directly attributable to the Logistics Business, including management fee allocations recognised on a historic basis in the accounting records of TNT on a legal entity basis. Although it is not possible to estimate the actual costs that would have been incurred if the services performed by TNT had been purchased from independent third parties, the allocations are considered to be reasonable by the directors of TNT and Management of the Logistics Business. However, the financial position, results of operations and cash flows of the Logistics Business are not necessarily representative or indicative of those that would have been achieved had the Logistics Business operated autonomously or as an entity independent from TNT.

(a) Management fees

TNT uses a cost recovery mechanism to recover certain central management and other similar costs it incurs at a corporate level. The management fees reflected in the combined financial statements are based on the amounts historically recorded in the accounts of the individual entities within the Logistics Business due to this cost recovery mechanism. An appropriate proportion of the remuneration of the senior management personnel for TNT including the Logistics Business, including their salaries and pension costs, is included in this management fee. These management fees have either been directly attributed to individual operations of the Logistics Business or, for costs incurred centrally,

allocated between the relevant TNT businesses and the Logistics Business operations. Costs have principally been allocated on the basis of trading revenues. A complete discussion of the Logistics Business's relationship with TNT and other TNT companies, including a description of the costs that have historically been charged to the Logistics Business, is included in Note 28 to these combined financial statements.

(b) Pension and post retirement costs

The Logistics Business operates a number of pension plans around the world, which include defined benefit plans in The Netherlands, United States, United Kingdom and Australia. The Dutch pension plan is a funded defined benefit plan covered by a pension fund. Given that the pension plan is a TNT N.V. sponsored plan for the benefit of all its employees across all divisions, including the Logistics Business, with no formal policy or contractual agreement for the sharing of pension costs, the plan is classified as a group plan, recognising a cost equal to the contribution payable for the period. Most of the other pension plans are defined contribution plans.

(c) Interest

The interest charge reflected in the combined financial statements is based on the interest charge historically incurred by the entities included in the Logistics Business on specific external borrowings or financing provided by other TNT companies. No debt at a TNT consolidated basis has been "pushed down" or allocated to the Logistics Business. Details of specific external borrowings and borrowings held with other TNT companies are set out in notes 18 and 28.

(d) Taxation

The tax charge attributable to the Logistics Business has been based on the tax charge attributable to the individual entity or group of TNT entities in the relevant individual tax jurisdictions, on a separate return basis. Tax liabilities that may arise from any separation from TNT tax groups of the operations of the Logistics Business in specific countries have not been reflected in these combined financial statements.

(e) Goodwill

Goodwill recorded at a consolidated TNT level and attributable to the Logistics Business as a result of previous business combinations with parties outside of the TNT group of companies has been recorded in these combined financial statements. Goodwill recorded on internal reorganisations within the TNT group of companies has not been reflected in these combined financial statements.

(f) Share-based Payments

A number of Logistics employees participate in TNT's performance share schemes and management option plan. For purposes of these combined financial statements, transfers of TNT's equity instruments to employees of the Logistics Business, have been reflected as equity settled share-based payment transactions.

(g) Net investment by other TNT companies

The net investment by other TNT companies in the Logistics Businesses is shown in lieu of shareholder's equity in the combined balance sheets. Net investment by other TNT companies therefore includes aggregated combined share capital of the entities included within the combined financial statements, movements relating to investments in other TNT companies not managed as part of the Logistics Business, accumulated losses and cumulative translation adjustments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of combination

In the absence of a legal ultimate parent the financial statements have not been prepared by consolidating the ultimate parent and its subsidiaries, but instead the financial statements have been prepared by combining all individual subsidiaries into one reporting entity, the Logistics Business of TNT N.V. The list of individual legal entities included within these combined financial statements, which together form the Logistics Business of TNT N.V., is provided in note 32. These entities have been classified as subsidiary, associate or joint venture undertakings as described below and all intra-Logistics Business transactions, balances, income and expenses, including unrealised profits on such transactions, have been eliminated on combination. Unrealised losses have also been eliminated unless the transaction provided evidence of an impairment of the asset transferred.

Subsidiaries are all entities (including special purpose entities) over which the Logistics Business has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Logistics Business controls another entity.

An associate is an entity that is neither a subsidiary nor an interest in a joint venture, and over whose commercial and financial policy decisions Logistics Business has the power to exert significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control over those policies. The Logistics Business's share of results of all significant associates is included in the combined financial statements of income using the equity method. The carrying value of the Logistics Business's share in associates

includes goodwill on acquisition and includes changes to reflect the Logistics Business's share in net earnings of the respective companies, reduced by dividends received. The Logistics Business's share in non-distributed earnings of associates is included in net investment. When the Logistics Business's share of any accumulated losses exceeds the acquisition value of the shares in the associates, the book value is reduced to zero and the reporting of losses ceases, unless the Logistics Business is bound by guarantees or other undertakings in relation to the associate.

A joint venture is a contractual arrangement whereby the Logistics Business and one or more parties undertake an economic activity that is subject to joint control. Joint ventures in which the Logistics Business participates with other parties are proportionately combined. In applying the proportionate combination method, the Logistics Business's percentage share of the balance sheet and income statement items are included in the Logistics Business's combined financial statements.

As at November 3, 2006, some of the investments held by entities within the Logistics Business have not been included in the combined financial statements as they have not been managed collectively with the Logistics Business. These investments in subsidiaries or related companies, whether part of the Logistics Business or the wider TNT group, have been eliminated against "Net investment by other TNT companies."

(b) Use of estimates and critical accounting judgements

The preparation of the combined financial statements, in accordance with IAS 1, "*Presentation of Financial Statements*," requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the combined financial statements. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that management believes to be reasonable under the circumstances.

Management is also required to make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Basis of preparation

In determining the entities to be included in the combined financial statements, management considered the entities that have been managed as part of the Logistics Business on a historical basis. The determination of the entities that have been managed as part of the Logistics Business requires judgement and may significantly influence the combined financial statements. In particular, management has excluded the revenues, expenses, assets and liabilities associated with the freight management business (excluding Italy and Maastricht) and TNT Innight BV and TNT Logistics Innight Holding GmbH (collectively, "Innight") from these combined financial statements on the basis that they have not been managed as part of the Logistics Business. These entities are also excluded from the Sale and Purchase Agreement. Management has further included the revenues, expenses, assets and liabilities associated with the French logistics business, which has been classified as a discontinued operation (refer to note 15), on the basis that it was managed as part of the Logistics Business. The majority of the entities of the French logistics business was sold to third parties in November 2005, with the remaining entities sold in the first two months of 2006. See note 29.

Accounting for business combinations and impairment of goodwill and other long lived intangible assets

The Logistics Business accounted for all business combinations under the purchase method to the extent that these acquisitions were transacted with third parties outside of TNT. For purposes of preparation of the combined financial statements, internal reorganisations or transfer of businesses between TNT group companies were accounted for at historical carrying amounts, with no goodwill reflected.

Under the purchase method, the cost of an acquired company is assigned to the tangible and intangible assets purchased and the liabilities assumed on the basis of their fair values at the date of acquisition. The determination of fair values of assets and liabilities acquired requires management to make estimates and use valuation techniques when market values are not readily available. Any excess of purchase price over the fair value of the tangible and intangible assets acquired is allocated to goodwill.

In determining impairments of intangible assets, tangible fixed assets and goodwill, management must make significant judgements and estimates to determine whether the cash flows generated by those assets are less than their carrying value. Determining cash flows requires the use of judgements and estimates that have been included in the Logistics Business's strategic plans and long-range forecasts. The data necessary for the execution of the impairment tests are based on management estimates of future cash flows, which require estimating revenue growth rates and profit margins.

Property, plant and equipment

Property, plant and equipment is valued at historical cost using a component approach, less depreciation or at the recoverable amount whenever impairment has taken place. Depreciation is calculated using the straight-line method

based on the estimated useful life, taking into account any residual value. The assets residual values and useful lives are based on management's best estimates, and adjusted if appropriate, at each balance sheet date.

Impairment of receivables

The risk of uncollectability of accounts receivable is primarily estimated based on prior experience with, and the past due status of, doubtful debtors, while large accounts are assessed individually based on factors that include ability to pay, bankruptcy and payment history. In addition, debtors in certain countries are subject to a higher collectability risk, which is taken into account when assessing the overall risk of uncollectability. Should the outcome differ from the assumptions and estimates, revisions to the estimated valuation allowances would be required.

Employee benefits

Post-employment benefits represent obligations that will be settled in the future and require assumptions to project benefit obligations. Post-employment benefit accounting is intended to reflect the recognition of future benefit costs over the employee's approximate service period, based on the terms of the plans and the investment and funding decisions made. The accounting requires management to make assumptions regarding variables such as discount rate, rate of compensation increase, return on assets, and future healthcare costs. Management consults with outside actuaries regarding these assumptions at least annually.

Changes in these key assumptions can have a significant impact on the defined benefit obligations, funding requirements and pension cost incurred.

Restructuring

Restructuring charges mainly result from restructuring operations, including consolidations and/or relocations of operations, changes in our strategic plan, or managerial responses to declines in demand, increasing costs or other market factors. Restructuring provisions reflect many estimates, including those pertaining to separation costs, consolidation of excess facilities, contract settlements and tangible asset impairments. Actual experience has been and may continue to be different from these estimates.

Income taxes

The Logistics Business is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision and liability for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Logistics Business recognises liabilities for tax issues based on estimates of whether additional taxes will be due, based on management's best interpretation of the relevant tax laws. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Logistics Business recognises deferred tax assets to the extent that it is probable that future taxable profits will allow the deferred tax asset to be recovered. This is based on estimates of taxable income by jurisdiction in which the Logistics Business operates and the period over which deferred tax assets are recoverable. In the event that actual results differ from these estimates in future periods, and depending on the tax strategies that may be implemented, changes to the recognition of deferred tax assets could be required, which could impact the Logistics Business's financial position and net profit.

Accounting for discontinued operations

Accounting for discontinued operations requires the use of significant assumptions and estimates, such as the assumptions used in the fair value calculations as well as the estimated costs to sell.

Contingent liabilities

Legal proceedings and tax issues covering a range of matters are pending in various jurisdictions against the Logistics Business. Due to the uncertainty inherent in such matters, it is often difficult to predict the final outcome. The cases and claims against the Logistics Business often raise difficult and complex factual and legal issues which are subject to many uncertainties and complexities, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law. In the normal course of business, management consults with legal counsel and certain other experts on matters related to litigation and taxes.

The Logistics Business accrues a liability when it is determined that an adverse outcome is probable and the amount of the loss can be reasonably estimated. In the event an adverse outcome is possible or an estimate is not determinable, the matter is disclosed.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Logistics Business uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

(c) Business combinations

On the acquisition of a subsidiary, fair values are attributed to the net assets acquired. Any excess of the fair value of consideration given over the fair values of Logistics Business's share of the identifiable net assets acquired is treated as goodwill. If the fair value of the net assets acquired exceeds the fair value of consideration then these fair values are reassessed before taking the remainder as a credit to profit or loss in the period of acquisition. For purposes of preparation of the combined financial statements, internal reorganisations or transfer of businesses between TNT group companies were accounted for at predecessor carrying amounts, with no goodwill reflected.

Goodwill is recognised as an asset and, although it is not amortised, it is reviewed for impairment annually and whenever there is a possible indicator of impairment. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. On disposal of a subsidiary any residual amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous historic values, as no adjustment was required on transition. These have also been subject to impairment tests at that date and will continue to be, at least, annually. See note 8.

(d) Foreign currencies

Presentation currency

The individual financial statements of each entity in the Logistics Business are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the combined financial statements, the result and financial position of each entity is expressed in euros (€).

Foreign currency translation

The results and financial position of all combined entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows: assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet, income and expenses for each income statement are translated at average exchange rates, and all resulting exchange differences are recognised as a separate component of net investment (cumulative translation adjustment).

Foreign currency transactions are translated into functional currency, using the exchange rates at the dates of the transactions or at an average exchange rate for accounting purposes. Accounts receivable, liabilities, cash and cash equivalents denominated in foreign currencies are translated at the year end exchange rate or at the forward exchange rate if a forward contract has been entered into.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions, and from the translation at the year end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Intangible assets

Goodwill

Goodwill on acquisitions of subsidiaries and joint ventures is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill arising on acquisitions is capitalised and subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable. Goodwill is impaired if the recoverable amount of the cash generating unit to which it is allocated is lower than its carrying value. The recoverable amount is defined as the higher of cash generating unit's fair value less costs to sell and its value in use using the discounted cash flow method.

Impairments on goodwill recognised in prior periods can not be reversed.

Other intangible assets

Costs related to the development and installation of software for internal use are capitalised at historical cost and amortised over the estimated useful life. Other intangible assets mainly include customer lists, assets under development, licences and concessions.

An asset is transferred to its respective intangible asset category at the moment it is ready for use and is amortised on a straight-line method over its estimated useful life. Other intangible assets are valued at historical cost less amortisation and impairment.

An impairment review is performed whenever a triggering event occurs. An intangible asset is impaired if the recoverable amount is lower than the carrying value. The recoverable amount is defined as the higher of an asset's fair

value less costs to sell and its value in use. Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. A triggering event is an event or change in circumstances indicating that the carrying amount may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows being the cash generating units. Impairments are reversed if and to the extent that the impairment no longer exists.

(f) Property, plant and equipment

Property, plant and equipment are valued at historical cost using a component approach, less depreciation or at the recoverable amount whenever impairment has taken place. In addition to costs of acquisition, the Logistics Business also includes costs of bringing the asset to working condition, handling and installation costs and the non-refundable purchase taxes. Depreciation is calculated using the straight-line method based on the estimated useful life, taking into account any residual value. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably.

Land is not depreciated. System software is capitalised and amortised as a part of the tangible fixed asset for which it was acquired to operate, because the estimated useful life is inextricably linked to the estimated useful life of the associated asset.

An impairment review is performed whenever a triggering event occurs. Property, plant and equipment is impaired if the recoverable amount is lower than the carrying value. The recoverable amount is defined as the higher of an asset's fair value less costs to sell and its value in use.

An impairment loss recognised in prior periods for an asset shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows being the cash generating units.

Leases of property, plant and equipment, where we have substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in long term debt. Property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

(g) Financial instruments

From January 1, 2004 to December 31, 2004

Gains and losses from foreign currency forward exchange contracts that are hedging anticipated cash flows are deferred in other assets or other liabilities and recognised in the statement of income, or as adjustments of carrying amounts, when the hedged transaction occurs. If an anticipated cash flow does not occur or is expected not to occur, the foreign currency forward exchange contract is terminated and any result is recognised in interest and similar income or interest and similar expenses.

The net exposures of derivative financial instruments are revalued at the prevailing spot exchange rate. Realised and unrealised gains and losses resulting from hedges of on-balance sheet foreign currency exposure are included in interest and similar income or in interest and similar expenses offsetting the revaluation of the underlying on-balance sheet items.

Premium or discounts arising at the inception of foreign currency derivatives are amortised over the life of the contract and included in interest and similar income or interest and similar expenses. Payments and receipts on interest rate swaps are recorded on an accruals basis. If interest rate swaps are terminated early, the gain or loss on interest is recorded within interest and similar income or interest and similar expenses.

From January 1, 2005

Financial instruments carried on the Logistics Business's balance sheet include derivative financial instruments, loans and receivables and financial liabilities. These instruments are accounted for in accordance with IAS 32 and IAS 39.

Derivative financial instruments not designated as hedges are adjusted to fair value through income. If a derivative is designated as a hedge, depending on the nature of the hedge, changes in its fair value that are considered to be effective, as defined, either offset the change in fair value of the hedged assets, liabilities, or firm commitments through income, or are recorded in a separate component of net investment until the hedged item is recorded in income. Any portion of a change in a derivative's fair value that is considered to be ineffective, or is excluded from the measurement of effectiveness, is immediately recorded in income. Management documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for

undertaking various hedge transactions. Management also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Derivative financial instruments are recorded at fair value in the combined balance sheets with all changes in fair value reflected in the combined income statements.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which we have no intention of trading. They are accounted for on an amortised cost basis and included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(h) Inventories

Inventories of raw materials and finished goods are valued at the lower of historical cost or net realisable value less any provision required for obsolescence. Historical cost is based on weighted average prices.

(i) Accounts receivable

From January 1, 2004 to December 31, 2004

Accounts receivable are stated at nominal value net of an allowance for doubtful receivables.

From January 1, 2005

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the Logistics Business will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the income statement.

The risk of uncollectability of accounts receivable is primarily estimated based on prior experience with, and the past due status of, doubtful debtors, while large accounts are assessed individually based on factors that include ability to pay, bankruptcy and payment history. In addition, debtors in certain countries are subject to a higher collectability risk, which is taken into account when assessing the overall risk of uncollectability.

(j) Cash and cash equivalents

Cash and cash equivalents include cash at hand, bank account balances, bills of exchange and cheques (only those which can be cashed in the short term). All highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. Bank overdrafts are excluded from cash and cash equivalents and shown within borrowings in current liabilities on the balance sheet.

(k) Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) held for sale are classified as assets held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The Logistics Business has evaluated the assets held for sale of its discontinued operations as a disposal group in performing its impairment analysis.

Assets held for sale are no longer amortised or depreciated from the time they are classified as such.

(l) Insurance

Certain of the Logistics Business's insurances are handled by the TNT captive insurance company, GD Insurance Company Limited. Insurance premiums in respect of insurance placed with this captive company and third parties are charged to the income statement in the period to which they relate.

(m) Employee benefit obligations

Post-employment obligations

The amendments to IAS 19 "*Employee Benefits*" issued in 2004 have been applied to the combined financial statements as of January 1, 2004.

The obligation for all pension and other post-employment plans that qualify as a defined benefit plan is determined by calculating the present value of the defined benefit obligation and deducting the fair value of the plan assets. Management uses actuarial calculations (projected unit credit method) to measure the obligations and the costs. For the calculations, actuarial assumptions are made about demographic variables (such as employee turnover and mortality) and financial variables (such as future increases in salaries). The discount rate is determined by reference to market rates.

Cumulative actuarial gains and losses are recognised for the portion that these exceed the higher of 10% of the obligation and 10% of the fair value of plan assets (corridor approach). The excess is recognised over the employees' expected average remaining service lives.

Past service costs, if any, are recognised on a straight-line basis over the average vesting period of the amended pension or early retirement benefits. Past service costs are recognised immediately if the benefits are vested immediately.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised at the date of the curtailment or settlement.

Pension costs for defined contribution plans and TNT group plans are expensed in the consolidated statements of income when incurred.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Logistics Business recognises termination benefits when it is demonstrably committed to terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to their present values.

Other long term employee obligations

These employee benefits include long-service leave or sabbatical leave, jubilee or other long service benefits, long term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation.

The expected costs of these benefits are recognised over the period of employment. Actuarial gains and losses and changes in actuarial assumptions, are charged or credited to income in the period such gain or loss occur. Further, all past service costs are recognised immediately.

Profit-sharing and bonus plans

The Logistics Business recognises a liability and an expense for cash settled bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to TNT's shareholders after certain adjustments. The Logistics Business recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Share based payments

Share based payment transactions are transactions in which the Logistics Business receives benefits from its employees in consideration for equity instruments from TNT. The fair value of the share based transactions is calculated using the Monte Carlo model and includes any market-related vesting conditions (for example, Total Shareholders Return). The amount recognised is then adjusted over the vesting period for changes in the estimate of the number of securities that will be issued, but not for changes in the fair value of those securities associated with market-related vesting conditions.

(n) Provisions

Provisions are recognised when there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are recorded for restructuring, retirements, onerous contracts and other obligations. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability. Provisions for onerous contracts are recorded when the unavoidable costs of meeting the obligation under the contract exceed the economic benefits expected to arise from that contract, taking into account impairment of fixed assets first.

(o) Interest-bearing liabilities

From January 1, 2004 to December 31, 2004

Interest bearing liabilities are stated at nominal value.

From January 1, 2005

Interest-bearing liabilities are recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Interest-bearing liabilities are classified as non-current liabilities if Logistics Business has an unconditional right to defer settlement of the liability for at least one year after the balance sheet date.

(p) Income taxes

The amount of income tax included in the statements of income is determined in accordance with the rules established by the taxation authorities, based on which income taxes are payable or recoverable.

Deferred tax assets and liabilities, arising from temporary differences between the nominal values of assets and liabilities and the fiscal valuation of assets and liabilities, are calculated using the tax rates expected to apply (insofar as already decreed by law) when they are realised or settled. Deferred tax assets are recognised if it is probable that they will be realised in the foreseeable future. Deferred tax assets and liabilities where a legally enforceable right to offset exists and within the same consolidated tax group are presented net in the consolidated balance sheets.

(q) Revenue recognition

Revenues from transportation, other valued added services and warehousing are recognised when services are rendered or the work is completed. Losses are recorded when probable.

Revenues of services are recognised when:

- the amounts of revenue are measured reliably,
- it is probable that the economic benefits associated with the transaction will flow to the Logistics Business,
- the costs to be incurred in respect of the transaction can be measured reliably, and
- the stage of completion of the transaction, determined by reference to service performed as percentage of total services to be performed can be measured reliably.

Revenue is measured at the fair value of the consideration of received amounts or receivable amounts.

Amounts received in advance are recorded as accrued liabilities until services are rendered to customers.

(r) Net sales

Net sales represent the revenues from the delivery of services to third parties less discounts, credit notes and taxes levied on sales.

(s) Other operating revenues

Other operating revenues include revenues that do not arise from the Logistics Business's normal operations and mainly include rental income from temporarily leased-out property.

(t) Other income

Other income includes net gains from the sale of property, plant and equipment and other gains.

(u) Costs

Costs are recognised on the historical cost convention and are allocated to the reporting year to which they relate.

Operating expenses

Operating expense represents the direct and indirect expenses attributable to sales, including cost of materials, cost of work contracted-out and other external expenses, personnel expenses directly related to operations and depreciation costs.

Salaries

Salaries, wages and social security costs are charged to the profit and loss account when due, and in accordance with employment contracts and obligations.

Financial income and expense

Interest income and expense are time apportioned, taking into account the effective interest rate for the relating assets and liabilities. The treatment of interest expenses for loans received takes account of any transaction costs.

(v) Operating leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(w) Segment reporting

A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

The Logistics Business has identified its primary reporting segments based on management's assessment of risks and rates of return. As a result of this assessment, the Logistics Business has identified the geographical segmentation as its primary segment and the secondary reporting format is based upon business segments split into revenue. Those geographical areas separately disclosed represent the Logistics Business's most significant regional markets.

Segment assets are operational assets employed in each region and include items such as tax and pension balances that are specific to a country. They also include attributable goodwill but exclude cash, short-term deposits and short-term investments. Segment liabilities are those arising within each region, excluding indebtedness. The basis for allocation of costs between segments is based upon actual costs incurred. Net interest and investment income is managed centrally and so is not directly attributable to individual geographical segments.

Due to the fact that the Logistics Business is a pure play contract logistics company, we do not have a secondary segment.

(x) Recent IFRS pronouncements

New standards implemented in 2006

In December 2004, the IFRIC issued IFRIC 4, Determining whether an Arrangement contains a lease. IFRIC 4 provides guidance on determining whether arrangements that do not take the legal form of a lease should be accounted for in accordance with IAS 17, Leases. It specifies that an arrangement contains a lease if it depends on the use of a specific asset and conveys a right to control the use of that asset. IFRIC 4 is effective as of January 1, 2006. The adoption of IFRIC 4 did not have a material impact on our financial statements.

New standards and interpretations not yet implemented

During 2006 the IASB and IFRIC issued:

- IFRIC 11 – *IFRS 2 Group and Treasury Share Transactions* – which requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by the entity even if the entity chooses or is required to buy those equity instruments from another party or the shareholders of the entity provide the equity instruments needed. This interpretation will be implemented by the group for annual periods beginning January 1 2008*.
- IFRIC 12 *Service Concession Arrangements* – which outlines an approach to account for contractual arrangements arising from entities providing public services. This interpretation will be implemented by the group for annual periods beginning on or after January 1, 2008*.
- IAS 23 *Borrowing Costs* – An amendment to IAS 23, requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. This change in treatment will be applied prospectively by the group to the annual period beginning on January 1, 2009*.
- IFRIC 7 *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies* - this Interpretation provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies * the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period, and the entity therefore restates its financial statements in accordance with IAS 29. This interpretation will be implemented by the group for annual periods beginning on or after January 1, 2007.
- IFRIC 10 *Interim Financial Reporting and Impairment* (effective for annual periods beginning on or after November 1, 2006) - this interpretation addresses the apparent conflict between the requirements of IAS 34 "Interim Financial Reporting" and the requirements in other standards on the recognition and reversal in financial statements of impairment losses on goodwill and certain financial assets. According to IFRIC 10, any such impairment losses recognized in an interim financial statement must not be reversed in subsequent interim or annual financial statements. This interpretation will be implemented by the group for annual periods beginning on or after January 1, 2007.*
- IFRIC 8 *Scope of IFRS 2*. - this interpretation clarifies that IFRS 2 applies to arrangements where an entity makes share-based payments for apparently nil or inadequate consideration. If the identifiable consideration given appears to be less than the fair value of the equity instruments granted, under IFRIC 8 this situation

typically indicates that other consideration has been or will be received. This interpretation will be implemented by the group for annual periods beginning on or after January 1, 2007.

- IFRIC 9 *Reassessment of Embedded Derivatives* - this interpretation clarifies certain aspects of the treatment of embedded derivatives under IAS 39 "Financial Instruments: Recognition and Measurement" and answers the question whether the assessment, if an embedded derivative has to be accounted for separately from the host contract, is required upon closing of the contract or on an ongoing basis. This interpretation will be implemented by the group for annual periods beginning on or after January 1, 2007.
- IFRS 7 *Financial Instruments: disclosures* – this standard deals with financial instrument disclosures also amends the existing risk disclosure requirements and requires additional disclosures about the objectives, policies and processes used by the entity to manage its capital. This standard will be implemented by the group for annual periods beginning on January 1, 2007
- IFRS 8 *Operating Segments* - this replaces IAS 14 and requires an entity to adopt the 'management approach' to reporting the financial performance of its operating segments. It is mandatory for the Group's accounting periods beginning January 1, 2009. Its impact on segment reporting has yet to be determined.

We are currently evaluating the impact of adoption of these IFRS' and IFRIC's as of January 1, 2007, but do not anticipate a material impact on our financial statements, apart from IFRS 8 which is under review by management. These standards have not been adopted before the effective date.

* This indicates standards and interpretations not yet ratified.

4. ACCOUNTING PRINCIPLES RELATING TO THE COMBINED CASH FLOW STATEMENT

The combined cash flow statements have been prepared using the indirect method. Cash flows in foreign currencies have been translated at average exchange rates. Exchange rate differences affecting cash items are shown separately in the combined cash flow statements. Receipts and payments with respect to taxation on profits are included in the cash flow from operating activities. Interest payments are included in cash flows from operating activities while interest receipts are included in cash flows from investing activities. The cost of acquisition of new subsidiary, associate and joint venture undertakings and other investments, insofar as it was paid for in cash, is included in cash flows from investing activities. Acquisitions of group companies are presented net of cash balances acquired. Cash flows from derivatives are recognised in the statement of cash flows in the same category as those of the hedged item.

5. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

As discussed in note 2, the Logistics Business did not historically prepare separate accounts in accordance with IFRS and these combined financial statements have been derived by extracting the assets, liabilities, revenues and expenses directly attributable to the Logistics Business from the assets, liabilities, revenues and expenses reflected in the accounting records of TNT. Prior to January 1, 2004, the accounting records of TNT were maintained in accordance with accounting principles generally accepted in The Netherlands ("Dutch GAAP"). On January 1, 2004, TNT adopted IFRS and followed the provisions of IFRS 1 in preparation of its opening IFRS balance sheet on that date. In accordance with IFRS 1, and consistent with the principles relating to the preparation of the combined financial statements, the Logistics Business has measured its assets and liabilities at the carrying amounts included in TNT's consolidated financial statements, based on the TNT's date of transition to IFRS. The optional exemptions from full retrospective application relating to measurement and recognition applied by TNT that also impacted the Logistics Business and the preparation of the combined financial statements are discussed below.

Business combinations exemption

TNT applied the business combinations exemption in IFRS1. Accordingly, business combinations related to the Logistics Business and reflected in the combined financial statements that took place prior to the January 1, 2004 transition date were not restated in accordance with IFRS 3 "*Business Combinations*."

Employee benefits exemption

Until December 31, 2004 TNT applied SFAS 87, "*Employers Accounting for Pensions*," as permitted under Dutch GAAP. In addition, as permitted by IFRS 1, TNT elected to recognise all cumulative actuarial gains and losses as of January 1, 2004.

Cumulative translation differences exemption

TNT elected to set the previously accumulated cumulative translation account to zero on January 1, 2004. This exemption has been applied to all entities of the Logistics Business in accordance with IFRS 1. As a result, the gain or loss on a subsequent disposal of any foreign Logistics Business operation shall exclude translation differences that arose prior to January 1, 2004 and shall include translation differences arising subsequent to this date.

Exemption from restatement of comparatives for IAS 32 and IAS 39

TNT has elected to apply this exemption. The derivatives, financial assets and financial liabilities of the Logistics Business for the 2004 comparative information are therefore reflected under Dutch GAAP. The adjustments required for differences between Dutch GAAP and IAS 32 and IAS 39, relating primarily to a put and call option over the shares of an entity within the Logistics Business, were determined and recognised on January 1, 2005. See note 19.

Share based payment transaction exemption

TNT has elected to apply the share based payment exemption. Accordingly, the combined financial statements only reflect share-based payment expenses in respect of options issued by TNT to employees of the Logistics Business after November 7, 2002 but that have not vested by January 1, 2005.

Assets held for sale and discontinued operations exception

Although the effective date for adopting IFRS 5, "*Assets Held for Sale and Discontinued Operations*," was January 1, 2005, as permitted under IFRS 5, TNT has applied the requirements of IFRS 5 prospectively from January 1, 2004. Accordingly, assets held for sale or discontinued operations of the Logistics Business are recognised in accordance with IFRS 5 from January 1, 2004.

TNT also applied the following mandatory exceptions from retrospective application:

De-recognition of financial assets and liabilities exception

Financial assets and liabilities derecognised before January 1, 2004 are not recognised under IFRS. The application of the exemption from restating comparatives for IAS 32 and IAS 39 means that the Logistics Business recognised from January 1, 2005 any financial assets and financial liabilities derecognised since January 1, 2004 that did not meet the IAS 39 de-recognition criteria. Management did not choose to apply the IAS 39 de-recognition criteria to an earlier date.

Estimates exception

Estimates under IFRS at January 1, 2004 should be consistent with estimates made for the same date under Dutch GAAP, unless there is evidence that those estimates were in error.

6. FINANCIAL RISK MANAGEMENT

The Logistics Business's activities are exposed to a variety of financial risks, such as market risks (including foreign currency exchange risk, interest rate risk and commodity price risk), credit risk, liquidity risk and cash flow risk. All of these risks arise in the normal course of business. The Logistics Business uses derivative financial instruments to hedge certain risk exposures. None of these financial instruments are leveraged or used for trading purposes or to take speculative positions.

The following analyses provide quantitative information regarding the Logistics Business's exposure to the financial risks described above. There are certain limitations inherent in the analyses presented, primarily due to the assumption that rates change in a parallel fashion and instantaneously. In addition, the analyses are unable to reflect the complex market reactions that normally would arise from the market shifts assumed.

Foreign currency exchange risk

The Logistics Business operates on an international basis generating foreign currency exchange risks arising from future commercial transactions, recognised assets and liabilities, investments and divestments in foreign currencies other than the euro. TNT's treasury department generally matches and manages the Logistics Business's exposures with external and other TNT companies. During the periods presented, the Logistics Business has only entered into a limited number of contracts to hedge its foreign currency exchange risk. These measures may therefore be inadequate and material foreign exchange risk fluctuations may subject the Logistics Business to increased operating or financing costs.

The main three currencies impacting the Logistics Business's foreign currency exchange risk are as follows.

	Period ended November 3, 2006 closing¹	Period average 2006²
British pound	0.6688	0.6770
US dollar	1.2760	1.2259
Australian dollar	1.6527	1.6700

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

2. The annual average is calculated as the 10-month's average of the month-end closing rates of the European Central Bank.

	Year end 2005 closing¹	Annual average 2005²
British pound	0.6853	0.6830
US dollar	1.1797	1.2380
Australian dollar	1.6109	1.6269

1. Source: European Central Bank, reference rates on the last day of the year.
2. The annual average is calculated as the 12-month's average of the month-end closing rates of the European Central Bank.

	Year end 2004 closing¹	Annual average 2004²
British pound	0.7051	0.6793
US dollar	1.3621	1.2462
Australian dollar	1.7539	1.6928

1. Source: European Central Bank, reference rates on the last day of the year.
2. The annual average is calculated as the 12-month's average of the month-end closing rates of the European Central Bank.

Commodity risk

The Logistics Business leases and owns a fleet of vehicles to facilitate logistics activities. The Logistics Business is exposed to the risk of an increase in the prices of refined fuels, principally diesel gasoline, which is used in the transportation of the goods. The Logistics Business believes that the majority of the increases in price risks can be passed on to its customers and has therefore not entered into contract to hedge any specific commodity risk.

Credit risk

Credit risk represents the loss that the Logistics Business would incur if counterparties with whom it enters into financial transactions are unable to fulfil the terms of the agreements. The Logistics Business attempts to minimize its credit risk exposure by only transacting with counterparties that meet established credit guidelines.

Management continually monitors the credit standing of financial counterparties and reassess such exposures.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, TNT Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available. The Logistics Business has limited external borrowings and is generally dependant on other TNT companies for funding.

Interest rate risk

The main part of the Logistics Business's borrowings and leases are against floating interest rates. These floating interest rates may fluctuate substantially and could have a material adverse effect on the Logistics Business' results and financial condition in any given reporting period. A proportional parallel shift in each currency's yield curve of interest rates will have a similar proportional change in the net interest expense on the outstanding net debt but will not materially affect the fair value of this debt.

7. SEGMENTAL REPORTING

The Logistics Business is organised into a geographical structure. Within the geographical structure, management of the Logistics Business manages its revenue streams and gross margin for their main businesses, warehousing, value added services and transportation. Management believes that the Logistics Business's risks and rates of return are affected predominantly by the fact that it operates in different countries or geographical areas and has therefore determined its geographical segments to be its primary segments under IAS 14 "Segment Reporting."

Because the Logistic Business is a pure play logistics company, we do not have a secondary segment.

Basis for accounting for inter segment transactions

Intra-Logistics sales are entered under normal commercial terms and conditions that are also applicable to unrelated third parties.

Primary Segments

	November 3, 2006							
	Italy	North America	United Kingdom	Rest of Europe	Rest of World ⁴	Not allocated ²	Intra-Logistics Business	Total
	<i>(in € millions, except employees)</i>							
Net sales ¹	875.1	547.7	556.7	539.8	415.3	-	-	2,934.6
Intra-Logistics Business sales...	1.8	1.2	6.6	5.0	0.5	-	(15.1)	-
Other operating revenues.....	0.6	-	1.8	3.3	1.2	-	-	6.9
Total revenues	877.5	548.9	565.1	548.1	417.0	-	(15.1)	2,941.5
Other income	0.4	-	1.4	0.4	0.2	-	-	2.4
Depreciation and amortisation.....	16.4	12.6	14.9	12.4	12.0	-	-	68.3
Other operating expenses.....	99.8	61.7	50.0	58.3	20.4	-	-	290.2
Total operating expenses	911.2	570.0	557.8	541.4	402.0	-	(15.1)	2,967.3
Operating income	(33.3)	(21.1)	8.7	7.1	15.2	-	-	(23.4)
Net financial expense.....								(49.5)
Results from investments in associates.....								(2.5)
Profit before income taxes								(75.4)
Income taxes.....								(3.8)
Profit for the period from continuing operations								(79.2)
Loss from discontinued operations.....								(6.4)
Loss for the period								(85.6)
Intangible assets.....	142.9	413.9	78.8	206.6	12.8	-	-	855.0
Capital expenditure on property, plant and equipment.....	14.9	6.1	14.1	15.8	17.5	-	-	68.4
Investment in associates.....	-	-	-	2.5	0.2	-	-	2.7
Segment assets.....	596.0	570.9	299.1	434.9	189.3	65.4	-	2,155.6
Segment liabilities.....	422.2	86.5	110.1	1,326.2	88.8	65.5	-	2,099.3
Headcount at November 3, 2006.....	6,041	6,896	7,352	5,895	11,544	-	-	37,728

1. The basis of allocation of net sales by geographical area is the country or region in which the entity recording the sale is located.
2. The unallocated amount in segment assets and liabilities include long term debt, tax balances and assets/ (liabilities) held for sale.
3. The headcount included is stated based on year end figures
4. The Rest of World segment includes the following regions: China, South America, Asia, South Africa and Australia.
5. Due to the fact that the Logistics business is a pure play logistics company, we do not have a secondary segment.

Year ended December 31, 2005

	Italy	North America	United Kingdom	Rest of Europe	Rest of World ⁴	Not allocated ²	Intra-Logistics Business	Total
	<i>(in € millions, except employees)</i>							
Net sales ¹	975.7	660.2	659.2	617.3	427.9	-	-	3,340.3
Intra-Logistics Business sales...	4.8	-	7.8	5.0	0.2	-	(17.8)	-
Other operating revenues.....	0.9	-	1.9	7.5	1.5	-	-	11.8
Total revenues	981.4	660.2	668.9	629.8	429.6	-	(17.8)	3,352.1
Other income	0.1	-	1.8	0.3	(0.1)	-	-	2.1
Depreciation and amortisation..	19.6	13.4	21.5	15.6	14.0	-	-	84.1
Other operating expenses.....	77.5	36.0	55.5	75.0	19.1	-	-	263.1
Total operating expenses	972.3	629.2	659.7	604.4	409.4	-	(17.8)	3,257.2
Operating income	9.2	31.0	11.0	25.7	20.2	-	-	97.0
Net financial expense.....								(79.3)
Results from investments in associates	0.3	-	-	0.2	(36.2)	-	-	(35.7)
Loss before income taxes								(18.0)
Income taxes								16.7
Loss for the period from continuing operations								(34.7)
Loss from discontinued operations.....								(191.9)
Loss for the period								(226.6)
Intangible assets.....	211.3	460.9	146.7	64.7	5.2	-	-	888.8
Capital expenditure on property, plant and equipment.....	13.3	16.6	15.2	13.7	14.3	-	-	73.1
Investment in associates	-	-	-	8.3	1.8			10.1
Segment assets	671.8	642.9	361.7	323.0	186.9	318.6	-	2,504.9
Segment liabilities.....	457.8	111.5	107.7	155.4	59.4	2,240.6	-	3,132.4
Full time equivalent (average)..	5,149	6,160	7,366	6,268	9,514	-	-	34,457
Headcount at December 31.....	6,379	6,738	7,373	6,053	9,781	-	-	36,324

1. The basis of allocation of net sales by geographical area is the country or region in which the entity recording the sale is located.
2. The unallocated amount in segment assets and liabilities include investment in associates, long term debt, amounts due from (to) other TNT companies, tax balances and assets/ (liabilities) held for sale.
3. The headcount included is stated based on year end figures and the FTE figures are an average of the year's FTE count.
4. The Rest of World segment includes the following regions: China, South America, Asia, South Africa and Australia.
5. Due to the fact that the Logistics business is a pure play logistics company, we do not have a secondary segment.

Year ended December 31, 2004

	Italy	North America	United Kingdom	Rest of Europe	Rest of World ⁴	Not allocated ²	Intra-Logistics Business	Total
	<i>(in € millions, except employees)</i>							
Net sales ¹	971.0	595.2	738.8	635.6	353.3	-	-	3,293.9
Intra-Logistics Business sales ..	3.3	-	6.3	6.1	0.2	-	(15.9)	-
Other operating revenues	1.1	-	3.1	3.3	0.8	-	-	8.3
Total revenues	975.4	595.2	748.2	645.0	354.3	-	(15.9)	3,302.2
Other income	-	-	-	0.1	(0.1)	-	-	-
Depreciation and amortisation	19.2	12.5	21.9	16.1	9.8	-	-	79.5
Other operating expenses	71.9	31.4	57.1	58.1	22.1	-	-	240.6
Total operating expenses	965.8	561.9	722.5	619.6	338.2	-	(15.9)	3,192.1
Operating income	9.6	33.3	25.7	25.5	16.0	-	-	110.1
Net financial expense								(50.2)
Results from investments in associates	(0.5)	-	-	(1.4)	-	-	-	(1.9)
Profit before income taxes								58.0
Income taxes								46.8
Profit for the period from continuing operations								11.2
Loss from discontinued operations								(31.1)
Loss for the period								(19.9)
Intangible assets	213.3	399.4	145.1	67.3	5.3	-	-	830.4
Capital expenditure on property, plant and equipment	11.6	9.9	16.6	16.0	13.3	-	-	67.4
Investment in associates	0.1	-	-	40.5	0.1	-	-	40.7
Segment assets	682.2	546.7	368.7	451.8	136.1	309.1	-	2,494.6
Segment liabilities	435.3	80.2	101.4	245.4	48.9	2,006.2	-	2,917.4
Full time equivalent (average)	5,752	5,840	8,264	7,125	7,774	-	-	34,755
Headcount at December 31	6,256	6,246	7,475	7,091	9,450	-	-	36,518

1. The basis of allocation of net sales by geographical area is the country or region in which the entity recording the sale is located.
2. The unallocated amount in segment assets and liabilities include investment in associates, long term debt, amounts due from (to) other TNT companies, tax balances and assets/ (liabilities) held for sale.
3. The headcount included is stated based on year end figures and the FTE figures are an average of the year's FTE count.
4. The Rest of World segment includes the following regions: China, South America, Asia, South Africa and Australia.
5. Due to the fact that the Logistics business is a pure play logistics company, we do not have a secondary segment.

8. INTANGIBLE ASSETS (2006: €855.0 MILLION; 2005: €888.8 MILLION; 2004: €30.4 MILLION)

	Goodwill	Software	Other intangibles	Total
		<i>(in € millions, except percentages)</i>		
Amortisation percentage		10%-35%	0%-35%	
Historical cost	1,076.1	8.8	8.5	1,093.4
Accumulated amortisation and impairments	(226.1)	(4.9)	(3.4)	(234.4)
Balance at January 1, 2004	850.0	3.9	5.1	859.0
Additions	2.7	7.5	12.9	23.1
Disposals	(11.9)	(1.1)	-	(13.0)
Internal transfers / reclassifications	-	2.2	(2.2)	-
Amortisation	-	(2.8)	(3.3)	(6.1)
Exchange rate differences	(32.5)	(0.1)	-	(32.6)
Total changes	(41.7)	5.7	7.4	(28.6)
Historical cost	1,034.3	17.3	19.2	1,070.8
Accumulated amortisation and impairments	(226.1)	(7.7)	(6.6)	(240.4)
Balance at December 31, 2004	808.2	9.6	12.6	830.4
Additions	-	2.7	0.6	3.3
Disposals	-	(0.4)	(0.1)	(0.5)
Internal transfers / reclassifications	-	1.2	(1.2)	-
Amortisation	(1.0)	(3.8)	(3.7)	(8.5)
Exchange rate differences	63.4	0.7	-	64.1
Total changes	62.4	0.4	(4.4)	58.4
Historical cost	1,097.7	17.6	14.8	1,130.1
Accumulated amortisation and impairments	(227.0)	(7.7)	(6.6)	(241.3)
Balance at December 31, 2005	870.7	9.9	8.2	888.8
Additions	1.2	2.1	1.8	5.1
Disposals	(0.1)	-	(1.6)	(1.7)
Internal transfers / reclassifications	-	2.5	(0.6)	1.9
Amortisation and impairments	-	(3.5)	(2.9)	(6.4)
Exchange rate differences	(32.8)	-	0.1	(32.7)
Total changes	(31.7)	1.1	(3.2)	(33.8)
Historical cost	1,066.0	22.2	14.5	1,102.7
Accumulated amortisation and impairments	(227.0)	(11.2)	(9.5)	(247.7)
Balance at November 3, 2006	839.0	11.0	5.0	855.0

Software includes internally generated capitalised software development costs.

Goodwill is not amortised but is subject to impairment review. Goodwill is allocated to the Logistics Business's cash-generating units ("CGUs") identified according to the geographical segments. A breakdown of intangible assets by segment is included in note 7.

The recoverable amount of a CGU is determined based on value-in-use calculations by using the discounted cash flow model. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth and the growth rates do not exceed the long-term average growth rate for the business in which the CGU operates. The discount rates used in the CGU valuations vary from 7.0% and 8.0% (pre-tax) to reflect specific risk relating to the relevant segment (7.5% in 2005 and 2004: 8.0%). Management determined the budgeted gross margin based on past performance and its expectations for market development. The weighted average growth rates used are consistent with the forecasts included in industry reports.

9. PROPERTY, PLANT AND EQUIPMENT (2006: €317.2 MILLION; 2005: €319.2 MILLION; 2004: €342.8 MILLION)

	Land and buildings	Plant and equipment	Other	Construction in progress	Total
	<i>(in € millions, except percentages)</i>				
Depreciation percentage	0%-10%	10%-33%	7%-25%	0%	
Historical cost	196.6	387.3	161.2	9.7	754.8
Accumulated depreciation and impairments	(38.1)	(229.5)	(110.7)	-	(378.3)
Balance at January 1, 2004	158.5	157.8	50.5	9.7	376.5
Changes in 2004					
Capital expenditure	3.6	34.4	24.5	4.9	67.4
Acquisitions	0.3	0.3	4.6	-	5.2
Disposals	(1.6)	(6.9)	(1.3)	(2.7)	(12.5)
Exchange rate differences	(3.3)	(2.9)	(2.7)	-	(8.9)
Depreciation and impairments	(10.7)	(48.1)	(26.1)	-	(84.9)
Transfers and other changes	(0.2)	12.1	(0.8)	(11.1)	-
Total changes	(11.9)	(11.1)	(1.8)	(8.9)	(33.7)
Historical cost	192.1	369.8	148.2	0.8	710.9
Accumulated depreciation and impairments	(45.5)	(223.0)	(99.6)	-	(368.1)
Balance at December 31, 2004	146.6	146.8	48.6	0.8	342.8
Changes in 2005					
Capital expenditure	4.9	36.1	22.1	10.0	73.1
Acquisitions	-	-	-	-	-
Disposals	(4.6)	(4.2)	(2.4)	-	(11.2)
Exchange rate differences	9.7	6.0	3.6	-	19.3
Depreciation and impairments	(10.3)	(38.5)	(26.9)	-	(75.7)
Transfers to assets held for sale	(12.6)	(15.0)	(1.6)	-	(29.2)
Transfers and other changes	5.9	2.1	0.8	(8.9)	-
Total changes	(7.0)	(13.5)	(4.3)	1.1	(23.7)
Historical cost	186.6	341.8	160.0	2.0	690.4
Accumulated depreciation and impairments	(47.0)	(208.5)	(115.7)	-	(371.2)
Balance at December 31, 2005	139.6	133.3	44.3	2.0	319.2
Changes in 2006					
Capital expenditure	9.9	24.6	13.8	20.1	68.4
Acquisitions	-	-	-	-	-
Disposals	(3.2)	(5.5)	-	(0.1)	(8.8)
Exchange rate differences	(1.1)	(0.7)	(1.3)	0.1	(3.0)
Depreciation and impairments	(6.9)	(34.5)	(20.5)	-	(61.9)
Transfers to assets held for sale	-	-	-	-	-
Transfers and other changes	2.1	8.0	0.2	(7.0)	3.3
Total changes	0.8	(8.1)	(7.8)	13.1	(2.0)
Historical cost	194.3	368.2	172.7	15.1	750.3
Accumulated depreciation and impairments	(53.9)	(243.0)	(136.2)	-	(433.1)
Balance at November 3, 2006	140.4	125.2	36.5	15.1	317.2

Included in property, plant and equipment balance are assets held under finance lease with the following carrying amounts:

	Land and buildings	Plant and equipment	Other	Construction in progress	Total
	<i>(in € millions)</i>				
Under finance lease November 3, 2006	9.9	4.8	2.2	-	16.9
Under finance lease 2005	15.5	5.5	-	0.8	21.8
Under finance lease 2004	32.1	21.5	-	1.1	54.7

There are no existing contracts for land and building rents longer than 20 years or contracts with indefinite terms.

10. FINANCIAL ASSETS (2006: €10.1 MILLION; 2005: €126.4 MILLION; 2004: €230.8 MILLION)

	Investments in associates	Other loans receivable	Deferred tax assets	Amounts receivable from other TNT companies	Prepayments and accrued income	Total
	<i>(in € millions)</i>					
Balance at January 1, 2004	42.9	7.0	66.2	47.6	106.3	270.0
Acquisitions/additions	-	1.2	16.6	-	84.7	102.5
Share of (loss)/profit ¹	(1.9)	-	-	-	-	(1.9)
Disposals/decreases	(0.2)	-	(30.9)	-	(95.8)	(126.9)
Withdrawals/repayments	-	(3.0)	-	(7.9)	-	(10.9)
Exchange rate differences	(0.1)	(0.7)	-	-	(0.5)	(1.3)
Other changes	-	-	(0.7)	-	-	(0.7)
Total changes	(2.2)	(2.5)	(15.0)	(7.9)	(11.6)	(39.2)
Balance at December 31, 2004	40.7	4.6	51.2	39.7	94.6	230.8
Acquisitions/additions	5.2	1.8	(3.5)	-	4.8	8.2
Disposals/decreases	-	-	-	-	(30.1)	(30.1)
Share of (loss)/profit ¹	-	-	-	-	-	-
Withdrawals/repayments	-	(1.3)	(11.4)	(33.9)	(2.1)	(48.7)
Exchange rate differences	-	(0.4)	-	-	2.9	2.6
Impairments	(35.8)	-	-	-	-	(35.8)
Other changes	-	-	(0.6)	-	-	(0.6)
Total changes	(30.6)	0.1	(15.5)	(33.9)	(24.5)	(104.4)
Balance at December 31, 2005	10.1	4.7	35.7	5.8	70.1	126.4
Acquisitions/additions	-	1.0	11.7	0.2	3.6	16.5
Disposals/decreases	(2.9)	-	-	-	-	(2.9)
Share of (loss)/profit ¹	(2.5)	0.1	-	-	-	(2.4)
Withdrawals/repayments	-	(1.0)	-	-	(20.8)	(21.8)
Exchange rate differences	-	-	(0.3)	(0.2)	(0.1)	(0.6)
Impairments	-	-	-	-	-	-
Other changes	(2.0)	-	-	(5.8)	2.7	(5.1)
Total changes	(7.4)	0.1	11.4	(5.8)	(14.6)	(16.3)
Balance at November 3, 2006	2.7	4.8	47.1	-	55.5	110.1

¹ Share of profit/(loss) is after tax and minority interest of associates

The investment Global Automotive Logistics S.A.S. was the Logistics Business's most significant investment in an associate. As at November 3, 2006 the Logistics Business had disposed of its investment in Global Automotive Logistics S.A.S.

Key information for 2005 and 2004 regarding this investment is as follows and includes balances at 100%. As at December 31, 2005, an impairment charge has been recorded of €35.8 million to write down the investment's carrying value to management's best estimate of the recoverable amount of €7.5 million.

The impairment charge as included in the results from investments in associates (2005: €35.7 million) amounting to €35.8 million is the main driver for the decreased results from investments in associates compared to prior year.

Name	December 31,					
	Country of incorporation	Assets	Liabilities	Revenues	Profit / Loss	% interest held
<i>(in € millions)</i>						
2004						
Global Automotive Logistics S.A.S.	France	751.6	536.1	1,209.4	3.6	20%
2005						
Global Automotive Logistics S.A.S.	France	762.7	575.1	1,182.0	(27.8)	20%

11. INVENTORY (2006: €23.1 MILLION; 2005: €22.1 MILLION; 2004: €24.4 MILLION)

	November 3 2006	December 31 2005	2004
	<i>(in € millions)</i>		
Raw materials and supplies.....	6.6	7.0	8.8
Finished goods.....	16.5	15.1	15.6
Total	23.1	22.1	24.4

Total inventory of €23.1 million (December 31, 2005 €22.1 million and 2004: €24.4 million) is valued at historical cost for an amount of €4.6 million (December 31, 2005 €3.3 million and 2004: €5.0 million) and are stated net of obsolete items amounting to €1.5 million (December 31, 2005 €1.2 million and 2004: €0.6 million).

12. ACCOUNTS RECEIVABLE (2006: €573.9 MILLION; 2005: €640.4 MILLION; 2004: €646.0 MILLION)

	November 3 2006	December 31 2005	2004
	<i>(in € millions)</i>		
Trade accounts receivable – total.....	562.3	595.0	615.8
Provision for impairment.....	(29.4)	(29.6)	(35.8)
Trade accounts receivable – net	532.9	565.4	580.0
VAT receivable.....	1.4	19.2	33.7
Other.....	39.6	55.8	32.3
Total	573.9	640.4	646.0

The fair value of the accounts receivable approximates its carrying value. The Logistics Business has not recognised any material loss for impairment on trade accounts receivables during the period ended November 3, 2006 or the year ended December 31, 2005 (2004: €0.6 million). Other receivables mainly include receivables from insurance companies, deposits and various other items. The balance of accounts receivable that is expected to be recovered after 12 months is €0 million (2005: €0 million and 2004: €0.6 million).

13. PREPAYMENTS AND ACCRUED INCOME (2006: €204.8 MILLION; 2005: €149.2 MILLION; 2004: €184.9 MILLION)

Prepayments and accrued income include amounts paid in advance to cover costs that will be charged against income in future years and net revenues not yet invoiced. At November 3, 2006, prepayments amounted to €24.2 million (2005: €16.4 million and 2004: €14.8 million).

14. CASH AND CASH EQUIVALENTS (2006: €47.4 MILLION; 2005: €93.4 MILLION; 2004: €62.3 MILLION)

Cash and cash equivalents comprise cash at bank and in hand of €47.4 million (2005: €93.4 million and 2004: €62.3 million) and includes short term bank deposits of €3.9 million (2005: €9.8 million and 2004: €8.4 million). The effective interest rate during 2005 on short term bank deposits was 3% and the average outstanding amount was €6.8 million. Included in cash and cash equivalents is nil (2005: €3 million and 2004: €2 million) of cash and cash equivalents under restricted title. The fair value of cash and cash equivalents approximates the carrying value.

15. ASSETS HELD FOR SALE (2006: NIL; 2005: €79.7 MILLION; 2004: €2.3 MILLION) LIABILITIES RELATED TO ASSETS CLASSIFIED AS HELD FOR SALE (2006: NIL; 2005: €225.9 MILLION; 2004: NIL)

In July 2005, TNT announced their intention to dispose of the French logistics business, which has been included in the condensed combined interim financial statements. As a result of the announcement, the Logistics Business presented the assets and liabilities of the French logistics business as long lived assets to be disposed of by sale and have presented its profit (loss) for the period as profit (loss) from discontinued operations.

The major classes of assets and liabilities comprising the operations classified as held for sale and an analysis of the result from discontinued operations are as follows:

Balance sheet

	November 3, 2006	December 31, 2005
	<i>(in € millions)</i>	
Property, plant and equipment	-	7.2
Financial assets	-	5.1
Current assets	-	67.4
Total assets	-	79.7
Deferred tax liabilities.....	-	-
Provisions for pension liabilities.....	-	0.4
Other non-current liabilities	-	73.7
Current liabilities	-	151.8
Total liabilities	-	225.9

All inter-company balances as at November 3, 2006 and December 31, 2005 between the Logistics Business's discontinued and continuing business have been eliminated.

Statement of income

	Period ended November 3 2006	Year ended December 31, 2005 2004	
	<i>(in € millions)</i>		
Net sales.....	8.4	209.5	253.5
Other operating revenues	0.6	2.6	4.2
Total revenues	9.0	212.1	257.7
Other (expense)/income.....	(1.4)	1.4	1.1
Total operating expenses	(13.4)	(294.0)	(287.1)
Operating income	(5.8)	(80.5)	(28.3)
Net financial expense.....	(2.3)	(4.7)	(3.6)
Loss before income taxes	(8.1)	(85.2)	(31.9)
Income taxes	1.7	(10.3)	0.9
Loss on disposal of investments	-	(96.3)	-
Loss from discontinued operations	(6.4)	(191.8)	(31.0)

Inter-Logistics Business revenues and related expenses of €0.1 million (2005: €1.8 million) have not been eliminated in the statements of income related to the discontinued French logistics business.

The cash flows of the discontinued TNT France operations are as follows:

Cash flow statements

	Period ended November 3, 2006	Year ended December 31, 2005 2004	
		<i>(in € millions)</i>	
Net cash used in operating activities.....	(25.1)	(30.1)	(23.6)
Net cash used in investing activities	8.1	(1.5)	(15.4)
Net cash from financing activities	10.8	40.2	48.5
Change in cash	(6.2)	8.6	9.5
Cash at the beginning of the period.....	6.3	(1.6)	(11.2)
Change in cash.....	(6.2)	8.6	9.5
Cash from disposed subsidiaries.....	(0.1)	(0.7)	0.1
Cash at the end of the period	-	6.3	(1.6)

The net cash from financing activities generally represents the funding provided by the Logistics Business to the discontinued French logistics business during the periods presented. The remaining French operations were sold during the year 2006.

16. PROVISIONS FOR PENSION LIABILITIES (2006: €17.6 MILLION; 2005: €27.1 MILLION; 2004: €128.7 MILLION)

The Logistics Business operates a number of pension plans around the world, which include defined benefit plans in The Netherlands, Italy, United States, United Kingdom and Australia.

Defined Benefit Plans Excluding The Netherlands

Other significant funded pension plans are established in the United States and United Kingdom. The asset mix is stable. During 2006, the dynamic weight of equity investments was 73%, the dynamic weight of fixed interest investments decreased to 21%, and the weight of cash remained stable at 3%. The total return on assets was 7.2% in 2006 and 8.0% in 2005.

	At November 3, 2006	At December 31, 2005 2004	
Equity.....	73%	73%	73%
Bonds	21%	24%	23%
Real estate.....	3%	0%	0%
Cash	3%	3%	4%
Total.....	100%	100%	100%

In the period ended November 3, 2006 our employer pension expense was €2.5 million (2005: €6.0 million; 2004: €1.7 million). Total cash contributions the period ended November 3, 2006 amounted to €8.3 million (2005: €7.4 million; 2004: €10.4 million) and are expected to amount to approximately €7.0 million in 2007.

The table below reconciles the opening and closing balances of the present value of the defined benefit obligation and the fair value of planned assets for the defined benefit plans.

	At November 3,	December 31,	
	2006	2005	2004
Change in benefit obligation		<i>(in € millions)</i>	
Benefit obligation at beginning of year	161.3	150.4	136.3
Service costs	3.8	4.2	9.0
Interest costs	2.0	3.0	3.4
Amendments/foreign currency effects	(5.8)	2.2	0.9
Acquisitions	-	-	5.3
Past service costs	0.1	0.3	-
Actuarial loss	1.6	6.9	5.4
Participant contributions	-	0.1	0.1
Benefits paid	(10.8)	(5.8)	(10.1)
Benefit obligation at end of period	152.2	161.3	150.3
Change in plan assets			
Fair value of plan assets at beginning of year	24.0	16.3	15.7
Actual return on plan assets	3.0	1.3	0.6
Employer contribution	6.9	7.4	10.4
Amendments/foreign currency effects	3.3	4.8	(0.3)
Benefits paid	(10.8)	(5.8)	(10.1)
Fair value of plan assets at end of period	26.4	24.0	16.3
Funded status as per December 31,			
Funded status	125.8	137.2	134.1
Unrecognised net actuarial loss	(8.2)	(10.1)	(5.4)
Provisions for pension liabilities	117.6	127.1	128.7
	Period ended November 3,	Year ended December 31,	
	2006	2005	2004
		<i>(in € millions)</i>	
Components of employer pension expense for:			
Service costs	3.8	4.2	9.0
Interest costs	2.0	3.0	3.4
Expected return on plan assets	(3.6)	(1.3)	(0.9)
Amortisation of actuarial loss	2.6	0.3	-
Other costs	7.7	(0.2)	0.2
Total post-employment benefit expenses	12.5	6.0	11.7

Included in the provision for pension liabilities are the unfunded defined benefit obligations relating to leaving service benefits provided to Italian employees that are mandatory under Italian law ("TFR"), of €04.0 million (December 31, 2005: €08.4 million and 2004: €09.9 million) as well as €8.2 million (December 31, 2005: €13.1 million and 2004: €1.8 million) relating to the transitional plan for early retirement in The Netherlands.

	November 3,	December 31,	
	2006	2005	2004
Weighted Average Assumptions (%)			
Discount rate	5.3%	4.0%	4.0%
Expected return on assets	7.2%	7.4%	7.4%
Rate of compensation increase	3.4%	3.1%	3.1%
Rate of benefit increase	3.3%	3.0%	2.9%

TNT N.V. sponsored group pension plan

During the 10 month predecessor period certain key employees located in The Netherlands participated in the TNT sponsored plan. As this plan is administered by TNT we cannot present the full disclosure notes related to the former plan. For a full disclosure of amounts relating to the TNT pension plan please see the annual report of TNT N.V. for the period ended December 31, 2006. The impact of not disclosing this information should be considered superfluous as the TNT pension plan will be replaced by CEVA's pension plan which is the only plan relevant for the future. Information regarding the pension plan for 2005 and 2004 which has been taken from the combined accounts as prepared by TNT N.V. is shown below.

The Logistics Business's contributions to this plan for the period ended November 3, 2006 amounted to €6.0 million (2005: €6.1million; 2004: €6.5 million).

TNT's main Dutch pension plan, which is externally funded in "Stichting Pensioenfonds TNT," covers all TNT's employees who are subject to the collective labour agreement in The Netherlands. The majority of the Logistics Business's Dutch employees are subject to the collective labour agreement. By Dutch law the plan is carried out by a separate legal entity and is managed by an independent board that falls under the supervision of the Nederlandsche Bank (DNB). For purposes of the combined financial statements, in accordance with IAS 19, this pension plan has been classified as a group plan. The contribution payable by the Logistics Business has been determined for 2004 and 2005 based on the number of participating employees to the total number of participating employees. In 2006, this allocation methodology was changed to pensionable base (the portion of a participating employee's salary in excess of the Dutch minimum wage) to total pensionable base for all participating employees. The table below reconciles the opening and closing balances of the present value of the defined benefit obligation and the fair value of plan assets for the TNT N.V.-sponsored group pension plan.

	December 31,	
	2005	2004
<i>(in € millions)</i>		
Change in benefit obligation		
Benefit obligation at beginning of year	(3,952.5)	(3,089.0)
Service costs	(134.9)	(108.0)
Interest costs	(193.0)	(175.0)
Past service costs/termination benefit costs	(52.2)	(4.7)
Actuarial loss	(242.0)	(636.1)
Benefits paid	72.6	60.3
Benefit obligation at end of year	(4,502.0)	(3,952.5)
Change in plan assets		
Fair value of plan assets at beginning of year	3,614.8	3,215.0
Actual return on plan assets	476.7	287.4
Employer contribution	160.5	172.7
Benefits paid	(72.6)	(60.3)
Fair value of plan assets at end of year	4,179.4	3,614.8

The table below illustrates the percentage that each major category constitutes of the fair value of the total plan assets for the TNT N.V. sponsored group pension plan.

	Actual asset mix at December 31,	
	2005	2004
Equities	47.5%	44.9%
Fixed interest.....	44.6%	46.5%
Real estate	7.9%	8.6%
Cash	0.0%	0.0%
Total	100.0%	100.0%

The principal actuarial assumptions used as at the balance sheet dates are as follows.

	December 31,	
	2005	2004
Discount rate.....	4.3%	4.8%
Expected return on plan assets	7.9%	7.9%
Expected rate of salary increases	2.0%	2.8%
Rate of benefit increase.....	2.0%	2.0%

The expected return on plan assets is determined by considering the expected return available on the assets underlying the current investment policy.

17. OTHER PROVISIONS (2006: €2.1 MILLION; 2005: €63.6 MILLION; 2004: €47.4 MILLION)

Statement of changes in other provisions	Restructuring	Other	Total
	<i>(in € millions)</i>		
Balance at January 1, 2004	10.0	56.4	66.4
Additions.....	7.4	22.0	29.4
Withdrawals	(7.8)	(19.2)	(27.0)
Exchange rate differences	-	(2.1)	(2.1)
(De)consolidation.....	-	0.5	0.5
Other/releases.....	(3.2)	1.5	(1.7)
Balance at December 31, 2004	6.4	59.1	65.5
of which included in other provisions (non-current)	6.4	41.0	47.4
of which included in short term provisions	-	18.1	18.1
At January 1, 2005	6.4	59.1	65.5
Additions.....	0.2	21.9	22.1
Withdrawals	(1.9)	(1.9)	(3.8)
Exchange rate differences	-	5.6	5.6
Reclassification	(0.1)	-	(0.1)
Other/releases.....	1.4	-	1.4
Balance at December 31, 2005	6.0	84.7	90.7
of which included in other provisions (non-current).....	6.0	57.6	63.6
of which included in short term provisions.....	-	27.1	27.1
At January 1, 2006	6.0	84.7	90.7
Additions.....	1.9	52.0	53.9
Withdrawals	(4.3)	(14.5)	(18.8)
Exchange rate differences	-	(2.8)	(2.8)
Balance at November 3, 2006	3.6	119.4	123.0

Statement of changes in other provisions	Restructuring	Other	Total
	<i>(in € millions)</i>		
of which included in other provisions (non-current).....	2.9	89.2	92.1
of which included in short term provisions.....	0.6	30.3	30.9

Other provisions of €19.5 million mainly relate to provisions for contractual and legal obligations, provisions for claims and other provisions.

18. LONG TERM DEBT (2006: €25.8 MILLION; 2005: €25.3 MILLION; 2004: €23.8 MILLION)

	November 3,		December 31,			
	2006		2005		2004	
	Carrying Amount	Fair value	Carrying Amount	Fair value	Carryin g Amount	Fair value
	<i>(in € millions)</i>					
Bank loans	-	-	-	-	188.8	188.8
Finance leases	24.8	24.8	25.3	25.3	32.4	32.4
Other loans.....	1.0	1.0	-	-	2.6	2.6
Total long term debt	25.8	25.8	25.3	25.3	223.8	223.8

The fair value of long term debt, net of current portion, has been estimated by calculating the discounted value of the loan portfolio using an estimated yield curve, appropriate for the contract terms in effect at the end of the year.

The difference between the nominal value and the fair value will be approximately zero, because of the loans having a floating interest rate.

19. OTHER CURRENT LIABILITIES (2006: €82.3 MILLION; 2005: €376.9 MILLION; 2004: €155.1 MILLION)

	November 3,	December 31,	
	2006	2005	2004
	<i>(in € millions)</i>		
Short term bank debt.....	24.8	12.2	19.9
Current portion of Canadian syndicated facility	-	227.9	6.0
Total current borrowings.....	24.8	240.1	25.9
Taxes and social security contributions	28.0	-	-
Derivative and other financial liabilities at fair value.....	-	13.1	-
Other current liabilities	29.5	123.7	129.2
Total.....	82.3	376.9	155.1

As at November 3, 2006, the Canadian denominated syndicated facility was fully repaid. Additionally, the Logistics Business had no forward foreign exchange, derivative contracts or put and call options outstanding at that time. Information for the previous periods is included below.

External funding as at December 31, 2005 mainly consists of a €22 million (2004: €186 million, included in long term debt) Canadian denominated syndicated facility, signed in May 2001 at a rate of interest of three-month Canadian Libor plus a margin of 0.325%. Of the total facility of CAD 325 million, CAD 20 million remained undrawn. For 2005 the effective interest rate is 3.11% (2004: 2.77%). The difference between the nominal value and the fair value will be approximately zero, because of the facility having a three-month variable rate.

Derivative financial liabilities at December 31, 2005 relates to a forward foreign exchange contract and a put and call option over the shares of one of the entities of the Logistics Business. No forward foreign exchange contracts were outstanding on December 31, 2004.

The notional principal amount of the outstanding forward foreign exchange contract at December 31, 2005 was Chinese Renminbi (CNY) 36.1 million. The fair value of the forward foreign exchange contract amounted to €0.1 million on December 31, 2005.

In 2003, TNT Logistics Italy acquired a 51% interest in TNT Arvil – joint venture TNT Arcese Bonzano SpA (“TNT Arvil”), while the remaining 49% was acquired by Ecotrans Srl (“Ecotrans”). TNT Arvil provides inbound logistics services to one of the Logistics Business’s customers in its domestic market. The terms and conditions of the shareholders agreement provide TNT Logistics Italy with the option to call on the shares of Ecotrans and for Ecotrans to put its shares to TNT Logistics Italy. With effect from January 1, 2005, the Logistics Business has accounted for this put and call option in accordance with IAS 32 and 39 and has therefore recorded a financial liability of €9 million on January 1, 2005 and €13 million on December 31, 2005 in its combined balance sheets. Changes in this financial liability are reflected in the combined income statements.

20. ACCRUED CURRENT LIABILITIES (2006: €17.7 MILLION; 2005: €70.2 MILLION; 2004 : €52.2 MILLION)

	November 3,	December 31,	
	2006	2005	2004
	<i>(in € millions)</i>		
Amounts received in advance	20.0	11.0	9.3
Expenses to be paid.....	180.3	161.3	149.0
Holiday accrual.....	49.9	43.1	38.1
Other accrued current liabilities.....	67.5	54.8	55.8
Total	317.7	270.2	252.2

21. NET SALES: 2006: €934.6 MILLION (2005: €3,340.3 MILLION; 2004: €3,293.9 MILLION)

The net sales of the Logistics Business relate to revenues from the delivery of transportation, warehousing and other value added services to third parties less discounts, credit notes and taxes levied on sales. Net sales allocated by geographical area in the country or region in which the entity records sales is detailed in note 7.

22. OTHER OPERATING REVENUES (2006: €6.9 MILLION; 2005: €1.8 MILLION; 2004: €8.3 MILLION)

Other operating revenues include revenues not related to our normal trading activities and mainly include rental income of temporarily leased-out property and income from logistics consultancy services.

23. SALARIES AND SOCIAL SECURITY CONTRIBUTIONS (2006: €89.1 MILLION; 2005: €96.7 MILLION; 2004: €1,008.5 MILLION)

	Period ended November 3,	Year ended December 31,	
	2006	2005	2004
	<i>(in € millions)</i>		
Salaries.....	709.0	804.5	819.8
Share based payments.....	2.5	1.7	1.3
Pension charges	28.5	19.7	17.1
Social security charges	149.1	170.8	170.3
Total	889.1	996.7	1,008.5

Performance Share Scheme

During the 10 month predecessor period certain key employees participated in TNT Management Equity plan. As this plan is administered by TNT we cannot present the equity participation costs related to the former plan. For a full disclosure of amounts relating to the TNT performance share schemes please see the annual report of TNT N.V. for the period ended December 31, 2006. The impact of not disclosing this information should be considered superfluous as the TNT equity plan has been replaced by CEVA’s management equity plan which is the only plan relevant for the future. Information regarding the performance share scheme for 2005 and 2004 which has been taken from the combined accounts as prepared by TNT N.V. is shown below.

TNT’s performance share scheme is an equity-settled plan with annual grants. Participants of the scheme, which includes employees of the Logistics Business, are granted a conditional right over a number of TNT shares. The number of shares comprised in the share award reflects the position that the participant holds and management’s assessment of their future contribution to the company.

Participants will become owners of the share after a period of three years (vesting period). The plan includes market based vesting conditions such that the number of shares is dependent on TNT's Total Shareholder Return ('TSR') performance relative to certain other stock indices. These conditions are included in the calculation of the fair value at grant date. This plan is similar to the stock option plan as described below with the only difference that the exercise price of performance shares is equal to zero.

- Performance shares were granted in May 2005 to 270 managers of the Logistics Business at a fair value of €14.11 per share. These grants were part of TNT's policy of granting rights on performance shares each year to eligible members of senior management from 2005 onwards.
- Shares will become unconditional at the third anniversary of the grant (May 2008).
- The participant retains the right to be compensated when he/she leaves the company for certain reasons (retirement, certain reorganisations, disability or death).

The total number of rights on performance shares for employees of the Logistics Business granted in 2005 is stated below.

Rights on performance shares management	Year	Number of rights on performance shares				Outstanding as at December 31, 2005	Remaining years in contractual life
		Outstanding as at January 1, 2005	Granted during 2005	Exercised during 2005	Forfeited during 2005		
Key management ¹	Various	6,507	23,275	-	-	29,782	-
Employees of Logistics Business	2005	-	324,960	33	3,807	328,800	2.3

1. See further detail of key management performance shares in Note 28.

Management option plan

Employees of the Logistics Business also participate in TNT's management option plan. No options were granted in 2005, since the management option plan was replaced by the performance share scheme in 2005.

The number of options granted in each of the three years that will ultimately be eligible for exercise is dependent on TNT's total shareholder return relative to a peer group of direct competitors and a peer group of AEX companies.

Option rights were granted in accordance with the management option plan, which is approved by the Supervisory Board of TNT.

The significant aspects of the plan are:

- options are granted at the average market price as traded on the Euronext Amsterdam on the date the grant is made (2004: €18.44 per share),
- for options granted in 2003 and 2004 the option is exercisable between the third and eighth anniversary of the day of grant; after eight years the outstanding options expired,
- for options granted prior to 2003 the option is exercisable between the third and fifth anniversary of the day of grant; after five years the outstanding options expired,
- the option holder retains the right to exercise his/her option when he/she leaves the company for certain reasons (retirement, certain reorganisations, disability or death), and
- the option holder loses the right to exercise his/her option when he/she leaves the company for reasons other than those mentioned above.

The exercise of options is subject to the TNT rules concerning inside information.

The table below summarises the status of the number of outstanding options granted to employees of the Logistics Business.

Statement of changes of outstanding options

		Number of options			Amounts in €			
		Outstanding as at January 1, 2005	Exercised during 2005	Forfeited during 2005	Outstanding as at December 31, 2005 ¹	Exercise price	Share price on exercise date	Remaining years in contractual life
Year								
Key management ¹	various	63,000	–	–	63,000	N/A	N/A	N/A
Employees of Logistics Business.....	2000	97,500	–	97,500	–	24.96	N/A	–
	2001	299,000	89,200	16,800	193,000	23.66	25.64	0.2
	2002	504,686	67,423	268,695	168,568	22.24	25.54	1.1
	2003	665,250	3,000	62,250	600,000	13.85	20.71	5.1
	2004	840,300	2,000	102,000	736,300	18.44	20.71	6.3
Total		2,469,736	161,623	547,245	1,760,868			

¹ See further detail of key management options in Note 28.

	December 31,			
	2005		2004	
	Number of options	Weighted average exercise price (in €)	Number of options	Weighted average exercise price (in €)
Historic overview of outstanding options				
Balance at the beginning of the year	2,469,736	18.88	2,107,400	18.88
Granted	–	–	931,800	18.44
Exercised	161,623	22.82	2,250	13.85
Forfeited	547,245	21.11	567,214	16.66
Balance at the end of the year	1,760,868	17.79	2,469,736	18.88
Exercisable at December 31	363,318	22.95	404,000	23.83
Fair value of options (Black-Scholes) at grant date (in €)				3.67
Fair value of options (Monte Carlo) at grant date (in €) ¹				4.73

¹ This includes the value of marked-based performance conditions regarding total shareholder return.

All options granted entitle the holder to the allotment of ordinary shares when they are exercised and are equity settled.

Bonus/matching plan for senior management

Members of a select group of senior managers were paid 75% of their 2002, 2003 and 2004 bonus in cash and 25% as a grant of TNT shares with an associated matching right in 2005 (121,345), 2004 (107,710) and in 2003 (54,405) if at least 50% of the shares are kept for three years. The bonus/matching plan is part of the remuneration package for the members of senior management and it is particularly aimed at further aligning their interests with the interests of the shareholders. The rights on bonus and matching shares are granted in accordance with the bonus/matching plan, which has been approved by the Supervisory Board of TNT.

The significant aspects of the plan are:

- The grant of the right on bonus shares is in lieu of 25% of an individual's annual bonus payment, and bonus shares are delivered shortly after the right is granted.
- The number of bonus shares is calculated by dividing 25% of an individual's gross annual bonus relating to the preceding financial year by the weighted average share price on the Euronext Amsterdam on the date the grant is made (2005: €20.55 per share),
- The rights on matching shares are granted for zero and the number of shares is equal to the number of bonus shares,
- The matching shares are delivered three years after the delivery of the bonus shares. One matching share is delivered for each bonus share that has been retained for three years,
- For each bonus share that is sold within three years, the associated right to one matching share lapses. If more than 50% of the bonus shares are sold within three years, the entire right to matching shares lapses with immediate effect,
- Where a participant leaves the company for certain reasons (retirement, certain reorganisations, disability or death) the right to matching shares will vest immediately and he/she can exercise his/her right pro rata, and

- A participant loses the right to exercise his/her right on matching shares when he/she leaves the company for reasons other than those mentioned above,

The exercise of the rights on matching shares is subject to the TNT rules concerning inside information. All awards under this plan are equity settled.

Fair value assumptions

Share based payments have been measured using the Monte Carlo fair value measurement method. Significant assumptions used by management in the calculations are as follows:

	December 31,	
	2005	2004
TNT share price (in €).....	20.71	18.44
Volatility (%).....	28.35	32.39
Expected life (in years).....	3.00	3.00
Risk free rate (%).....	2.39	4.09
Dividend yield (%).....	3.13	2.90

24. DEPRECIATION, AMORTISATION AND IMPAIRMENTS (2006: €68.3 MILLION; 2005: €84.1 MILLION; 2004: €79.5 MILLION)

	Period ended November 3,	Year ended December 31,	
	2006	2005	2004
		<i>(in € millions)</i>	
Amortisation and impairment of other intangibles	6.4	8.5	6.1
Depreciation property, plant and equipment.....	61.9	75.6	84.9
Less: Included in loss from discontinued operations	-	-	(11.5)
Total	68.3	84.1	79.5

25. NET FINANCIAL EXPENSES

INTEREST AND SIMILAR INCOME (2006: €16.8 MILLION; 2005: €9.6 MILLION; 2004: €4.4 MILLION)

Interest and similar income for the period ended November 3, 2006 is shown in the table below.

	For the period
Interest on short term receivables	6.8
Other financial income.....	10.0
Total financial income	16.8

(in €millions)

For the years ended December 31, 2005 and 2004, interest and similar income mainly relates to interest income on funding from other TNT companies.

INTEREST AND SIMILAR EXPENSES (2006: €66.3 MILLION; 2005: €88.9 MILLION; 2004: €54.6 MILLION)

Interest expense for the period ended November 3, 2006 is shown in the table below.

	For the period
Interest on long term liabilities	1.6
Interest on short term liabilities	27.8
Net foreign exchange transaction (gains)/losses	2.6
Other financial expenses	34.3
Total financial expenses	66.3

(in €millions)

Interest expense for the year ended December 31, 2005 and 2004 is shown in the table below.

	Year ended December 31,	
	2005	2004
Bank overdrafts – non cash pool related.....	0.2	1.1
Loans	6.9	5.9
Bank loan Canada.....	6.3	5.2
Other TNT companies	73.0	40.0
Other financial expenses.....	2.5	2.5
Totals.....	88.9	54.7

26. INCOME TAXES (2006: €3.8 MILLION; 2005: €16.7 MILLION; 2004: €46.8 MILLION)

Income taxes for the period ended November 3, 2006 amount to €3.8 million (2005: €16.7 million; 2004: €46.8 million).

	Year ended December 31,			
	2005		2004	
	<i>(in € millions)</i>	<i>(in %)</i>	<i>(in € millions)</i>	<i>(in %)</i>
Dutch statutory tax rate.....	5.6	31.5%	20.7	34.5%
Impact other statutory tax rates.....	9.6	53.8%	10.1	17.0%
Weighted average statutory tax rate.....	15.1	85.3%	30.8	51.5%
Total tax expense caused by permanent differences	1.6	8.6%	16.0	26.6%
Total tax expense	16.7		46.8	
Effective Tax rate.....		93.9%		78.1%

Income taxes differ from the amount calculated by multiplying the Dutch statutory corporate income tax rate with the profit before income taxes and results from investments in associates. In the 2006 period, the overall effective income tax rate was -5.4% (2005: 93.9%; 2004: 78.1%), which is different than the statutory corporate income tax rate of 29.6% in The Netherlands (2005: 31.5%; 2004: 34.5)

Income tax expense consists of the following:

	Period ended November 3,	Year ended December 31,	
	2006	2005	2004
	<i>(in € millions)</i>		
Current tax expense	(26.3)	12.1	40.8
Changes in deferred taxes (excluding acquisitions/foreign exchange effects)	22.5	4.5	6.0
Total income taxes	(3.8)	16.6	46.8

For the period ended November 3, 2006, the current tax expense amounted to €3.8 million, (2005: €12.1 million; 2004: €40.7 million).

	Period ended November 3,	Year ended December 31,	
	2006	2005	2004
	<i>(in € millions)</i>		
Income tax receivable	18.2	15.0	10.9
Income tax payable	(25.4)	(20.2)	(24.9)
Netted current income tax position	(7.2)	(5.2)	(14.0)

The components of net deferred tax assets related to:

	Period ended November 3,	Year ended December 31,	
	2006	2005	2004
		<i>(in € millions)</i>	
Losses	-	2.7	19.0
Other timing differences (including losses for period ended November 3, 2006)	47.1	33.0	32.2
Total	47.1	35.7	51.2

Movement net deferred tax position

	<i>(in € millions)</i>
Net deferred tax position January 1, 2004	33.3
Movement via P/L and other movements	(3.4)
Net deferred tax position December 31, 2004	29.9
Movement to discontinued operations	(10.2)
Movement via P/L and other movements	(12.7)
Net deferred tax position December 31, 2005	7.0
Movement via P/L and other movements	25.8
Net deferred tax position November 3, 2006	32.8

Deferred tax assets and liabilities with the same term and the same combined tax group are presented net in the balance sheet if the Logistics Business has a legally enforceable right to offset the recognised amounts.

The net deferred tax position is caused by recognised tax loss carry forwards, differences between fiscal and commercial depreciation and other timing differences.

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable

Deferred income tax liabilities have not been recognised for any withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested.

27. COMMITMENTS AND CONTINGENCIES

Financial and operating guarantees

Total guarantees at November 3, 2006 were €148.1 million (December 31, 2005: €13.9 million and 2004: €17 million) of which €16.7 million (2005: €16.3 million and 2004: €1 million) amounted to corporate guarantees. These total guarantees were mainly issued in connection with the Logistics Business's obligations under lease contracts, custom duty deferment and local credit lines.

Of the total guarantees, banks and other financial institutions have issued guarantees to cover obligations of Logistics Business entities up to an amount of €89.0 million (2005: €68.4 million and 2004: €75 million). These guarantees were mainly issued in connection with the Logistics Business's obligations under lease contracts, customs duty deferment and local credit lines. The obligations under the guarantees issued by banks and other financial institutions have been secured by TNT or by our subsidiaries.

Rent and operating lease contracts

In the period ended November 3, 2006 operating lease expenses (including rental) in the combined statements of income amounted €16.6 million (2005: €25.2 million; 2004: €27.2 million). Future payments on non-cancellable existing operating lease contracts, mainly relating to real estate, computer equipment and other equipment, were as follows:

	November 3, 2006	December 31, 2005	December 31, 2004
	<i>(in € millions)</i>		
Payable in the period			
less than 1 year	128.1	121.9	162.7
between 1 and 2 years	124.5	127.6	135.8
between 2 and 3 years	85.9	98.0	104.2
between 3 and 4 years	61.4	69.4	81.2
between 4 and 5 years	43.2	49.5	63.0
thereafter.....	81.6	106.4	150.5
Total	524.7	572.8	697.4
of which guaranteed by a third party/customers.....	78.1	85.5	98.2

Purchase commitments

Commitments relating to capital expenditures amount to €7 million (2005: €7 million and 2004: €4.1 million) over the next year and relate to additional warehousing to support new business and improvements to existing warehousing premises.

Contingent legal liabilities

The Logistics Business is involved in several legal proceedings relating to the normal conduct of its business. Management does not expect any liability arising from any of these legal proceedings to have a material effect on the Logistics Business's results of operations, liquidity, capital resources or financial position. Management believes that they have provided for all probable liabilities deriving from the normal course of business.

Contingent tax liabilities

Multinational groups, the size of the Logistics Business are exposed to varying degrees of uncertainty related to tax planning, regulatory reviews and audits. Income taxes are accounted on the basis of internal analyses, supported by external advice. The global tax position is continually monitored and whenever uncertainties arise, an assessment of the potential consequences, with either an accrual of the liability or disclosure of a contingent liability in the financial statements, depending on the strength of position and the resulting risk of loss.

28. RELATED PARTY TRANSACTIONS AND BALANCES

The Logistics Business is owned and controlled by TNT N.V. It also has trading relationships with a number of other TNT companies, joint ventures as well as with uncombined companies in which the Logistics Business hold minority shares. In some cases there are contractual arrangements in place under which the Logistics Business entities source supplies from such undertakings, or such undertakings source supplies from the Logistics Business.

The following transactions were carried out with other TNT companies.

Purchases of goods and services from other TNT companies

	Period ended November 3, 2006	Year ended December 31, 2005	Year ended December 31, 2004
	<i>(in € millions)</i>		
Management fees ¹	34.9	34.2	36.6
Reimbursement of marketing costs.....	(2.2)	(1.7)	(2.3)
License fees ²	25.3	34.4	26.7
Share-based payments.....	2.5	1.6	1.3
Pension costs in respect of group plan ³	3.0	0.2	3.0
Insurance premiums ⁴	5.5	5.9	6.9

1. The Logistics Business is principally managed by senior Logistics management from its headquarters located in Hoofddorp, The Netherlands. TNT provides the Logistics Business executive management and functional leadership in the areas of finance, taxation, new business development, human resources, legal and information technology. The Logistics Business utilises the services of TNT for certain functions such as providing working capital, certain legal, finance, internal audit, financial reporting, tax advisory, insurance global information technology, environmental matters and human resource services including various corporate wide employee benefit programs. The associated costs of these services are charged by TNT to the respective entities through the Management and Administrative Services Agreements ("MASA") charges. These MASA agreements also include share-based payment charges in respect of the participation of Logistics employees in TNT share-based payment plans which are not part of the management fee. See note 23.

2. Represents licence fees charged to the Logistics Business in exchange for the use of the TNT brand and trade names.

3. Represents contributions paid in respect of the Dutch pension plan, which is accounted for as a group plan.
4. Represents insurance premiums paid to the TNT captive insurance company.

Sale of services to other TNT companies

	Period ended November 3,	Year ended December 31,	
	2006	2005	2004
	<i>(in € millions)</i>		
Logistics Services	36.1	24.5	7.0

Interest income/(expense) with other TNT companies

	Period ended November 3,	Year ended December 31,	
	2006	2005	2004
	<i>(in € millions)</i>		
Interest income			
TNT Finance B.V.	1.2	2.6	1.1
Other TNT companies (excluding TNT Finance B.V.)	2.0	1.2	-
	<u>3.2</u>	<u>3.8</u>	<u>1.1</u>
Interest expense			
TNT Finance B.V.	(10.0)	(44.1)	(36.2)
Other TNT companies (excluding TNT Finance B.V.)	(7.3)	(28.9)	(3.8)
	<u>(17.3)</u>	<u>(73.0)</u>	<u>(40.0)</u>

Period end balances arising from transactions with other TNT companies

	November 3,	December 31,	
	2006	2005	2004
	<i>(in € millions)</i>		
Non-current receivables			
TNT Finance B.V.	-	0.6	10.7
Other TNT companies (excluding TNT Finance B.V.)	-	5.2	29.0
	<u>-</u>	<u>5.8</u>	<u>39.7</u>
Current receivables			
TNT Finance B.V.		41.2	37.3
Other TNT companies (excluding TNT Finance B.V.)	5.9	129.5	122.5
	<u>5.9</u>	<u>170.7</u>	<u>159.8</u>
Non-current payables			
TNT Finance B.V.	-	239.9	262.3
Other TNT companies (excluding TNT Finance B.V.)	-	24.2	23.9
	<u>-</u>	<u>264.1</u>	<u>286.2</u>
Current payables			
TNT Finance B.V.	1,165.2	1,188.8	1,102.0
Other TNT companies (excluding TNT Finance B.V.)	18.9	267.4	347.1
	<u>1,184.1</u>	<u>1,456.2</u>	<u>1,449.1</u>

Current receivables and payables are governed by the Revolving Current Account Agreement bearing interest based on EURIBOR +114 basis points (2005 and 2004: EURIBOR + 114 basis points). These accounts are payable on demand.

Key management personnel disclosure

Period ended November 3, 2006 and Years ended December 31, 2005 and 2004

Compensation & benefits Board of Management		Base salary	Other periodic paid compensation	Accrued	Accrual	Pension contributions for future payments	Total
				profit share and bonus	profit share and bonus		
<i>(in €s)</i>							
David Kulik	2006	508,000	79,211		1,600,000	391,329	2,578,540
	2005	600,000	60,398	399,312	126,193	605,973	1,791,876
	Logistics	500,000					
	Corporate	100,000					
	2004	600,000	79,550	413,333	201,180	781,190	2,075,253
	Logistics	500,000					
Corporate	100,000						

Options key management

Key management	Year	Number of options		Amount in €		Share price on exercise date	Remaining years in contractual life
		Outstanding at January 1, 2005	Exercised during 2005	Forfeited during 2005	Outstanding as at December 31, 2005 ¹		
David Kulik	2003	18,000	-	-	18,000	13.85	5.1
	2004	45,000	-	-	45,000	18.44	6.3
Total		63,000			63,000		

1. 150% of base allocation being the maximum number on options exercisable under the performance schedule.

In 2006, Mr David Kulik received a special incentive award of €1.6 million for the successful completion of the sale of the logistics division.

Rights on performance shares

Key management	Year	Number of rights on performance shares				Outstanding as at November 3, 2006	Remaining years in contractual life
		Outstanding as at January 1, 2006	Granted during 2006 ¹	Exercised during 2006	Forfeited during 2006		
David Kulik	2004	6,507	-	4,971	1,536	-	-
	2005	23,275	-	9,698	13,577	-	-
	2006	-	16,032	1,893	14,139	-	-
Total		29,782	16,032	16,562	29,252	-	-

120% of base allocation being the maximum number on performance shares that can vest under performance schedule.

Bonus related matching rights

Key management	Year	Number of matching rights on shares				Outstanding as at November 3, 2006	Remaining years in contractual life
		Outstanding as at January 1, 2006	Granted during 2006 ¹	Exercised during 2006	Forfeited during 2006		
David Kulik	2004	1,863	-	1,553	310	-	-
	2005	5,028	-	2,514	2,514	-	-
	2006	-	2,132	356	1,776	-	-
Total		6,891	2,132	4,423	4,600	-	-

The matching rights of the members of the Board of Management include the matching rights before appointment to the Board of Management.

29. EVENTS AFTER BALANCE SHEET DATE

Completion of acquisition of the Logistics Business

The sale of the Logistics Business under the Sale and Purchase Agreement was completed on November 4, 2006. TNT has maintained an approximately 5% interest in the CEVA Investments Ltd, the holding company of the Logistics Business.

Investment in Global Automotive Logistics SAS

Prior to August 23, 2006, CEVA Logistics Holdings B.V. held an investment of 20% of the equity in Global Automotive Logistics SAS ("GAL"). GAL has a 100% interest in Compagnie d'Affrètement et de Transport S.A. ("CAT").

As at December 31, 2005, an impairment charge of €35.8 million was recorded to write down the investment's carrying value to management's best estimate of the recoverable amount of €7.5 million.

On July 14, 2006, CEVA Logistics Holdings B.V. entered into a call option agreement with Wallenius (one of the other shareholders of GAL), whereby TNT Logistics Holdings B.V. irrevocably granted Wallenius an option to acquire the 20% investment in GAL, including the outstanding shareholder's account at any time until December 1, 2006 for a payment of €5 million. The Logistics Business received €5 million as premium paid for the call option during July 2006.

On August 23, 2006, TNT Logistics Holdings B.V. sold its share in GAL to TNT Holdings B.V. for a purchase price of €2.5 million.

TNT Arvil JV put option

As at December 31, 2005, the financial liability was recorded to the value of €13 million (see note 19) (December 31, 2004: €9 million) being equal to the estimated redemption amount. In March 2006, Ecotrans exercised its option and TNT acquired the 49% of the interest of Ecotrans for an amount of approximately €13 million.

Contract negotiations

During 2006, contract negotiations took place with two significant customers in North America and Europe, respectively. The impact of these arrangements are included in the results of the period ended November 3, 2006.

Sale of remaining French Logistics Business early 2006

During 2005, the Logistics Business sold most of its French transportation activities and French contract Logistics operations. The sale of the majority of those activities was effected in two transactions, both closed in the fourth quarter of 2005, with further transactions being closed in the first quarter of 2006. The business sold in 2005 constituted approximately 90% of the French logistics business. As at December 31, 2005, an impairment charge has been recorded to the value of approximately €22.8 million relating to the transactions closed in the first quarter of 2006.

Completion of acquisition of the Logistics Business

The sale of the Logistics Business was completed on November 4, 2006. TNT has maintained an approximately 5% interest in CEVA Investments Ltd, the holding company of the Logistics Business.

30. JOINT VENTURES

The Logistics Business accounts for joint ventures in which we and another party have equal control according to the proportionate consolidation method. Key pro rata information regarding those joint ventures in which we have joint decisive influence over operations is set forth below and includes balances at 50%:

Our only significant joint venture as at December 31, 2006 is the 50% interest in Shanghai Automotive Industry Sales Corporation called Anji-TNT Automotive Logistics Company Limited.

	November 3, 2006	December 31, 2005	December 31, 2004
	<i>(in € millions)</i>		
Non-current assets	18.1	32.9	16.6
Current assets.....	30.3	11.0	15.1
Equity.....	30.3	24.5	19.0
Non-current liabilities	-	-	-
Current liabilities	18.1	19.3	12.7
	Period ended November 3, 2006	Year ended December 31, 2005	2004
	<i>(in € millions)</i>		
Net sales.....	85.4	85.7	82.8
Operating income.....	3.5	3.3	6.1
Profit attributable to the shareholders	7.1	2.1	5.1

	November 3, 2006	December 31, 2005	December 31, 2004
Net cash provided by operating activities	12.1	4.5	8.3
Net cash used in investing activities	11.4	(14.5)	(3.2)
Net cash provided by/(used in) financing activities	(3.2)	1.1	(3.1)
Changes in cash and cash equivalents.....	20.3	(8.9)	2.0

31. GUARANTOR/NON-GUARANTOR SUBSIDIARY FINANCIAL INFORMATION

In December 2006, CEVA Group Plc raised funds through an offering of high yield bonds, which were admitted to trading on the Alternative Securities Market of the Irish Stock Exchange (“ISE”). The senior notes are jointly and severally guaranteed on a senior basis, and the senior subordinated notes are jointly and severally guaranteed on a senior subordinated basis by certain of the existing wholly owned subsidiaries of the Logistic Business located in the United Kingdom, United States, Germany, Australia, The Netherlands, Brazil and Canada (the “Guarantors”). All subsidiaries of the Logistics Business located in other countries, including Belgium, Luxemburg, Spain, Turkey, France, Greece, Italy, Asia, South Africa and South America are non-guarantor subsidiaries (the “Non-Guarantors”).

When guarantees are provided for debt listed on the ISE, the ISE requires financial information relating to each group to be separately presented in a note to the combined financial statements, presenting, in separate columns, the Guarantors (on a combined basis) and the Non-Guarantors (on a combined basis), with an additional column reflecting eliminating adjustments, if material. The following combined financial information depicts the financial position and results of operations for those entities identified as “guarantors” in note 32.

December 31, 2005

	Non			Combined
	Guarantor	Guarantor	Eliminations	
	<i>(in € millions)</i>			
Non-current assets				
Intangible assets				
Goodwill	733.1	137.6	-	870.7
Other intangible assets	9.3	8.8	-	18.1
Total intangible assets	742.4	146.4	-	888.8
Property, plant and equipment				
Land and buildings	101.4	38.2	-	139.6
Plant and equipment	85.5	47.8	-	133.3
Other	31.2	13.1	-	44.3
Construction in progress	0.5	1.5	-	2.0
Total property, plant and equipment	218.6	100.6	-	319.2
Financial assets				
Investments	1,915.1	87.2	(1,992.2)	10.1
Other loans receivable	4.5	0.2	-	4.7
Deferred tax assets	5.4	30.3	-	35.7
Amounts receivable from other TNT companies	185.5	7.5	(187.2)	5.8
Prepayments and accrued income	4.2	65.9	-	70.1
Total financial assets	2,114.7	191.1	(2,179.4)	126.4
Total non-current assets	3,075.7	438.1	(2,179.4)	1,334.4
Current assets				
Inventory	7.3	14.8	-	22.1
Accounts receivable	299.4	341.0	-	640.4
Income tax receivable	6.9	8.1	-	15.0
Accounts receivable from other TNT companies	276.2	115.9	(221.4)	170.7
Prepayments and accrued income	62.4	87.0	(0.2)	149.2
Cash and cash equivalents	43.9	49.5	-	93.4
Total current assets	696.1	616.3	(221.6)	1,090.8
Assets held for sale	0.4	79.3	-	79.7
Total assets	3,772.2	1,133.7	(2,401.0)	2,504.9
Net investment by other TNT companies	1,235.4	123.4	(1,992.2)	(633.4)
Minority interests	-	5.9	-	5.9
Net investment	1,235.4	129.3	(1,992.2)	(627.5)
Non-current liabilities				
Deferred tax liabilities	27.5	1.2	-	28.7
Provisions for pension liabilities	12.1	115.0	-	127.1
Other provisions	46.1	17.5	-	63.6
Long term debt	0.7	24.6	-	25.3
Amounts payable to other TNT companies	420.9	31.1	(187.9)	264.1
Accrued liabilities	-	15.0	-	15.0
Total non-current liabilities	507.3	204.4	(187.9)	523.8
Current liabilities				
Trade accounts payable	92.9	139.2	-	232.1
Short term provisions	15.6	11.5	-	27.1
Other current liabilities	284.7	92.2	-	376.9
Income tax payable	14.6	5.6	-	20.2
Amounts payable to other TNT companies	1,509.5	167.5	(220.8)	1,456.2
Accrued current liabilities	112.0	158.2	-	270.2
Total current liabilities	2,029.3	574.2	(220.8)	2,382.7
Liabilities related to assets classified as held for sale	-	225.9	-	225.9
Total liabilities and net investment	3,772.0	1,133.8	(2,400.9)	2,504.9

December 31, 2004

	Guarantor	Non Guarantor	Eliminations	Combined
	<i>(in € millions)</i>			
Non-current assets				
Intangible assets				
Goodwill	669.6	138.6	-	808.2
Other intangible assets	9.9	12.3	-	22.2
Total intangible assets	679.5	150.9	-	830.4
Property, plant and equipment				
Land and buildings	95.0	51.6	-	146.6
Plant and equipment	80.8	65.9	-	146.7
Other	30.3	18.3	-	48.6
Construction in progress	0.7	0.2	-	0.9
Total property, plant and equipment	206.8	136.0	-	342.8
Financial Fixed Assets				
Investments	1,733.8	187.8	(1,880.9)	40.7
Other loans receivable	3.8	0.8	-	4.6
Deferred tax assets	9.2	42.0	-	51.2
Amounts receivable from other TNT companies	233.1	23.8	(217.2)	39.7
Prepayments and accrued income	2.9	91.7	-	94.6
Total financial fixed assets	1,982.8	346.1	(2,098.1)	230.8
Total non-current assets	2,869.1	633.0	(2,098.1)	1,404.0
Current Assets				
Inventory	8.3	16.1	-	24.4
Accounts receivable	255.1	390.9	-	646.0
Income tax receivable	2.1	8.8	-	10.9
Accounts receivable from other TNT companies	215.7	89.0	(144.9)	159.8
Prepayments and accrued income	77.8	106.4	0.7	184.9
Cash and cash equivalents	20.8	41.5	-	62.3
Total current assets	579.8	652.7	(144.2)	1,088.3
Assets held for sale	0.1	2.2	-	2.3
Total assets	3,449.0	1,287.9	(2,242.3)	2,494.6
Net investment by other TNT companies	1,184.2	268.7	(1,880.9)	(428.0)
Minority interests	-	5.2	-	5.2
Net investment	1,184.2	273.9	(1,880.9)	(422.8)
Non-current liabilities				
Deferred tax liabilities	19.9	1.4	-	21.3
Provisions for pension liabilities	12.0	116.7	-	128.7
Other provisions	24.6	22.8	-	47.4
Long term debt	187.8	36.0	-	223.8
Amounts payable to other TNT companies	412.7	86.4	(212.9)	286.2
Accrued liabilities	-	18.0	-	18.0
Total non-current liabilities	657.0	281.3	(212.9)	725.4
Current liabilities				
Trade accounts payable	87.9	204.7	-	292.6
Short term provisions	17.6	0.5	-	18.1
Other current liabilities	61.0	94.1	-	155.1
Income tax payable	10.0	14.9	-	24.9
Amounts payable to other TNT companies	1,335.5	262.2	(148.6)	1,449.1
Accrued current liabilities	95.9	156.3	-	252.2
Total current liabilities	1,607.9	732.7	(148.6)	2,192.0
Total liabilities and net investment	3,449.1	1,287.9	(2,242.4)	2,494.6

Period ended November 3, 2006

	Guarantor	Non Guarantor	Eliminations	Combined
		<i>(in € millions)</i>		
Net sales	1,697.1	1,326.4	(88.9)	2,934.6
Other operating revenues	6.0	0.9	-	6.9
Total revenues	1,703.1	1,327.3	(88.9)	2,941.5
Other income	1.9	0.5	-	2.4
Cost of materials	133.7	78.9	-	212.6
Work contracted out and other external expenses	766.0	830.0	(88.9)	1,507.1
Salaries and social security contributions	612.4	276.7	-	889.1
Depreciation, amortisation and impairments	41.9	26.4	-	68.3
Other operating expenses	138.1	152.1	-	290.2
Total operating expenses	1,692.1	1,364.1	(88.9)	2,967.3
Operating income	12.9	(36.3)	-	(23.4)
Net financial expense	(47.1)	(2.4)	-	(49.5)
Results from investments in associates	(2.5)	-	-	(2.5)
Loss before income taxes	(36.7)	(38.7)	-	(75.4)
Income taxes	(10.2)	14.0	-	3.8
Loss for the period from continuing operations	(26.5)	(52.7)	-	(79.2)
Loss from discontinued operations	-	(6.4)	-	(6.4)
Loss for the period	(26.5)	(59.1)	-	(85.6)
Attributable to:	-	-	-	-
Minority interests	-	1.0	-	1.0
Other TNT companies	(26.5)	(60.1)	-	(86.6)

Year ended December 31, 2005

	Guarantor	Non Guarantor	Eliminations	Combined
		<i>(in € millions)</i>		
Net sales	1,949.2	1,454.1	(63.0)	3,340.3
Other operating revenues	9.8	2.0	-	11.8
Total revenues	1,959.0	1,456.1	(63.0)	3,352.1
Other income	2.1	-	-	2.1
Cost of materials	146.7	70.5	-	217.2
Work contracted out and other external expenses	883.7	875.4	(63.0)	1,696.1
Salaries and social security contributions	674.5	322.2	-	996.7
Depreciation, amortisation and impairments	51.6	32.5	-	84.1
Other operating expenses	140.8	122.3	-	263.1
Total operating expenses	1,897.3	1,422.9	(63.0)	3,257.2
Operating income	63.8	33.2	-	97.0
Net financial expense	(70.8)	(8.5)	-	(79.3)
Results from investments in associates	(35.9)	0.2	-	(35.7)
Loss before income taxes	(42.9)	24.9	-	(18.0)
Income taxes	(0.3)	17.0	-	16.7
Loss for the period from continuing operations	(42.6)	7.9	-	(34.7)
Loss from discontinued operations	-	(191.9)	-	(191.9)
Loss for the period	(42.6)	(184.0)	-	(226.6)
Attributable to:				
Minority interests	-	0.7	-	0.7
Other TNT companies	(42.6)	(184.7)	-	(227.3)
	(42.6)	(184.0)	-	(226.6)

Year ended December 31, 2004

	Guarantor	Non Guarantor	Eliminations	Combined
		<i>(in € millions)</i>		
Net sales	1,926.9	1,424.3	(57.3)	3,293.9
Other operating revenues	6.1	2.2	-	8.3
Total revenues	1,933.0	1,426.5	(57.3)	3,302.2
Other income	0.2	(0.2)	-	-
Cost of materials	134.3	62.7	-	197.0
Work contracted out and other external expenses	845.1	878.7	(57.3)	1,666.5
Salaries and social security contributions	680.7	327.8	-	1,008.5
Depreciation, amortisation and impairments	49.4	30.1	-	79.5
Other operating expenses	139.6	101.0	-	240.6
Total operating expenses	1,849.1	1,400.3	(57.3)	3,192.1
Operating income	84.1	26.0	-	110.1
Net financial expense	(40.3)	(9.9)	-	(50.2)
Results from investments in associates	(1.4)	(0.5)	-	(1.9)
Profit before income taxes	42.4	15.6	-	58.0
Income taxes	29.7	17.1	-	46.8
Profit for the period from continuing operations	12.7	(1.5)	-	11.2
Loss from discontinued operations	-	(31.1)	-	(31.1)
Profit/(Loss) for the period	12.7	(32.6)	-	(19.9)
Attributable to:				
Minority interests	0.1	2.0	-	2.1
Other TNT companies	12.6	(34.6)	-	(22.0)
	12.7	(32.6)	-	(19.9)

32. LIST OF COMBINED ENTITIES

Country	Current name	Name at the date of acquisition
1. Argentina	Customized Logistics Argentina S.A. (51%) TNT Logistics Argentina S.A	Customized Logistics Argentina S.A. TNT Logistics Argentina S.A
2. Australia	* CEVA Pty Ltd. * CEVA Logistics (Australia) Pty Ltd. * CEVA Materials Handling Pty Ltd.	Louis Australia Holdco Pty Ltd. TNT Logistics (Australia) Pty Ltd. TNT Materials Handling Pty Ltd.
3. Austria	CEVA Logistics Central and Eastern Europe GmbH A.S.S. Logistik Schrader Schachinger GmbH (50%) A.S.S. Logistik Schrader Schachinger GmbH & Co. KG (50%) TNT Logistics Austria GmbH	TNT Logistics Central and Eastern Europe GmbH A.S.S. Logistik Schrader Schachinger GmbH A.S.S. Logistik Schrader Schachinger GmbH & Co. KG TNT Logistics Austria GmbH
4. Belgium	CEVA Logistics Belgium NV/SA SVL Schrader Verteil - Logistik BVBA (Belgium) TNT-Nopri Logistics NV/SA (81%) Tecnologistica NV/SA	TNT Contract Logistics Belgium NV/SA SVL Schrader Verteil - Logistik BVBA (Belgium) TNT-Nopri Logistics NV/SA Tecnologistica NV/SA
5. Brazil	* CEVA Holdings Ltda. * CEVA Participações Ltda. * AV Manufacturing Indústria e Comércio de Peças e Acessórios Automotivos Ltda Logistics Reply DO Brasil Ltda. * CEVA Logistics Ltda.	TNT Holdings Ltda. TNT Participações Ltda. AV Manufacturing Indústria e Comercio de Peças e Acessórios Automotivos Ltda. TNT Logistics Ltda.
6. Canada	* CEVA Logistics Canada ULC	TNT Canada Inc.
7. China	CEVA Logistics International Trading (Shanghai) Co. Ltd. Anji – TNT Automotive Logistic Company Ltd (50%) ² Chongqing Anji-TNT Hongyan Automotive Logistics Company Ltd. (60%) Liao Ning A-Lean Automotive Logistics Company Ltd. (50.01%) Shanghai Anji-Suchi Warehousing and Transportation Company Ltd. (33%) Shanghai Anji-Tonghui Warehousing and Transportation Company Ltd. (80%) CEVA Logistics Co. Ltd. Shanghai (70%)	TNT Logistics International Trading (Shanghai) Co. Ltd. Anji-TNT Automotive Logistics Company Ltd. Chongqing Anji-TNT Hongyan Automotive Logistics Company Ltd. Liao Ning A-Lean Automotive Logistics Company Ltd. Shanghai Anji-Suchi Warehousing and Transportation Company Ltd. (33%) Shanghai Anji-Tonghui Warehousing and Transportation Company Ltd. TNT Logistics Co. Ltd. Shanghai
8. Czech Republic	CEVA Logistics Sprol s.r.o.	TNT Logistika Sprol s.r.o.
9. France	TNT Automotive Logistics France SAS	TNT Automotive Logistics France SAS
10. Germany	* CEVA Logistics CEE Holding GmbH * CEVA Container Logistik GmbH * CEVA Logistics GmbH CoTrans Logistik Verwaltungs GmbH & Co. KG. (22%) CoTrans Logistik Verwaltungs GmbH FSZ Fahrzeug Service Zentrum (GmbH) (50%)	Blitz 06-060 GmbH TNT Container Logistik GmbH TNT Logistics GmbH CoTrans Logistik Verwaltungs GmbH & Co. KG. (22%) CoTrans Logistik Verwaltungs GmbH FSZ Fahrzeug Service Zentrum (GmbH)
11. Greece	CEVA Logistics Hellas SA	TNT Automotive Logistics Hellas SA
12. India	CEVA Logistics India Private Ltd.	TNT Logistics India Private Ltd.
13. Indonesia	PT CEVA Logistik Indonesia (55%)	PT CEVA Logistik Indonesia
14. Italy	CEVA Logistics Holding Italy S.p.A CEVA Logistics Italia S.r.l CEVA Freight Management Italia S.r.l. CEVA Logistics Sub-Holding Italia S.r.l. CEVA Automotive Logistics Italia S.r.l CEVA In-Bound Logistics Italia S.r.l. CEVA Transporti In-Bound Italia S.r.l	Nueva Tecno S.p.A TNT Logistics Italia S.p.A TNT Freight Management (Italy) S.p.A. TNT Logistics Holding Italy S.r.l. TNT Automotive Logistics S.p.A TNT Avril-Joint Venture- TNT Arcese Bonzano S.p.A. Overtrans S.r.l.

Country	Current name	Name at the date of acquisition
	C&C Trasporti E Spedizioni Internazionali SRL	C&C Trasporti E Spedizioni Internazionali SRL
	S.I.T.T.A.M. Spedizioni Internazionali Trasporti Terrestri Aerei Marittimi SpA	S.I.T.T.A.M. Spedizioni Internazionali Trasporti Terrestri Aerei Marittimi S.p.A
	CEVA Logistics Bari S.r.l (75%)	Old Bertola Bari S.r.l.
	Cell-Tell S.p.A (85%)	Cell-Tell S.p.A
	TEL I.S. Telecommunication Integrated Services S.p.A (51%)	TEL I.S. Telecommunication Integrated Services S.p.A
	Avioservizi Jet Service SRL (51%)	Avioservizi Jet Service SRL
15. Korea	TNT Logistics Korea Chusik Hoesa	TNT Logistics Korea Chusik Hoesa
16. Malaysia	CEVA Logistics (Malaysia) Sdn Bhd (60%)	TNT Logistics (Malaysia) Sdn Bhd
17. Mexico	CEVA Servicios de Mexico SA de CV	TNT Servicios de Mexico SA de CV
	CEVA Logistica de Mexico SA de CV	TNT Logistica SA de CV
18. Poland	CEVA Automotive Logistics Poland Sp zoo	TNT Automotive Logistics Poland Sp zoo
	TNT Logistics Poland Sp zoo	
19. Puerto Rico	CEVA Logistics Puerto Rico Inc.	TNT Logistics Puerto Rico Inc.
20. Romania	SITTROM Expeditii Internazionale SRL	SITTROM Expeditii Internazionale SRL
21. Singapore	CEVA Logistics Singapore Pte Ltd.	TNT Logistics Singapore Pte Ltd.
	CEVA Logistics Asia Pte Ltd.	TNT Logistics Asia Pte Ltd.
	Timur Carriers (Pte) Ltd.	Timur Carriers (Pte) Ltd.
22. Slovakia	CEVA Logistics Slovakia Sro	TNT Logistics Slovakia Sro
23. South Africa	TNT Container Logistics (Proprietary) Ltd.	TNT Container Logistics (Proprietary) Ltd.
	Main Street 511 Pty. Ltd.	
24. Spain	CEVA Logistics Holdings Spain S.L.	
	TNT Logistics Subirats S.L.	TNT Logistics Subirats S.L.
	TNT Logistics España S.L.	TNT Logistics España S.L.
	TNT Production Logistics España S.A	TNT Production Logistics España S.A
	CEVA Automotive Logistics España SA	TNT Automotive Logistics España SA
25. Switzerland	TNT Logistics Switzerland AG	TNT Logistics Switzerland AG
26. Thailand	CEVA Logistics (Thailand) Limited	TNT Logistics (Thailand) Limited
27. The Netherlands	* CEVA Logistics Holdings B.V.	TNT Logistics Holdings B.V
	* CEVA Logistics Dutch Holdco B.V	Louis Dutch Holdco B.V
	* CEVA Logistics Netherlands B.V	TNT Logistics Netherlands B.V
	* CEVA Districenter B.V	TNT Freight Management (Districenter) B.V
	* CEVA Container Logistics B.V	TNT Materials Handling B.V
	* CEVA Logistics Headoffice B.V	TNT Logistics Headoffice B.V
	* CEVA Logistics Finance B.V	Louis Logistics Finance B.V
	Pact Benelux B.V.(40%)	Pact Benelux B.V.(40%)
28. Turkey	CEVA Lojistik Limited Sirketi	TNT Lojistik ve Dagitim Hizmetleri A.S.
29. United Kingdom	CEVA Group Plc.	Louis No 1 Plc.
	Louis No 2 Ltd.	Louis No 2 Ltd.
	* CEVA Ltd.	Louis no 3 Ltd.
	CEVA Automotive Logistics UK Ltd.	TNT Autologistics Ltd.
	* CEVA Logistics Ltd.	TNT Logistics UK Ltd.
	CEVA Logistics NI Ltd.	TNT Logistics NI Ltd.
	* CEVA Supply Chain Solutions Ltd.	TNT Logistics Holdings UK Ltd.
	* CEVA Network Logistics Ltd.	Taylor Barnard Holdings Ltd.
	* CEVA Container Logistics Ltd.	Taylor Barnard Group Ltd.
	CEVA Distribution Ltd.	Taylor Barnard Distribution Ltd.
	CEVA Showfreight Ltd.	Ruddicks 2000 Ltd.
	Fairlead Logistics Ltd. (51%)	Schrader Fairlead Ltd. (51%)
	Newspaper Transport Ltd.	Newspaper Transport Ltd.
	Newsagents Wholesale Corp Ltd	Newsagent Wholesale Corp. Ltd.
30. United States of America	* CEVA Logistics U.S. Holdings Inc.	Louis U.S. Holdco Inc.
	* CEVA Logistics U.S. Group Inc.	TNT Transport Group Inc.
	* CEVA Logistics U.S. Inc.	TNT Logistics North America Inc.
	* CTI Services, Inc.	CTI Services Inc.
	* Customized Transportation International Inc.	Customized Transportation International Inc.

* Denotes Guarantor company