

CEVA Group PLC
Quarter Three and Nine Months, 2010
Interim Financial Statements



Making business flow

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Cautionary statement: the operating and financial review and certain other sections of this document contain forward looking statements which are subject to risk factors associated with, amongst others, the economic and business circumstances occurring from time to time in the countries and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables, which could cause actual results to differ materially from those currently anticipated.

Principal Activities

CEVA is one of the world's leading integrated supply chain logistics companies and offers a broad spectrum of services based on market leading Contract Logistics and Freight Management expertise and capabilities. CEVA designs, implements and operates complex supply chain solutions for multinational and large and medium sized companies on a national, regional and global level. CEVA operates an asset light model across all business units, with third parties providing the majority of the physical transportation and warehousing assets that CEVA manages and uses for the benefit of its customers. The integrated service offerings span the entire supply chain: Contract Logistics services that include inbound logistics, manufacturing support, outbound/distribution and aftermarket logistics and Freight Management services that include air, ocean and land-based transport and other freight transportation related services, such as customs brokerage, local pick-up and delivery service, materials management and trade facilitation. At 31 December 2009, CEVA's combined global network comprised approximately 1,200 locations, utilizing a total of approximately 10 million square meters of warehousing space in over 170 countries.

CEVA has built leading market positions by understanding its target industry sectors and applying extensive expertise to design and implement customized logistics solutions that address industry-specific supply chain requirements. CEVA has deep expertise in a range of industries: including automotive, technology, consumer & retail, energy and industrial. CEVA's knowledge of customers' supply chain functions and sector expertise creates competitive advantages for its customers, helps to develop more cost-effective solutions for them and puts CEVA in a strong position to grow its business.

Key Financial Results

The table below shows the Group's key consolidated financial results for the three and nine months ended 30 September 2010 and 2009:

€ millions	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
	2010	2009	2010	2009
Revenue	1,815	1,372	5,047	4,013
Revenue growth	32.3%	(17.6)%	25.8%	(15.7)%
EBITDA before specific items	86	68	203	167
% of revenue	4.7%	5.0%	4.0%	4.2%
Profit/(Loss) before income taxes	27	136	(171)	36
Capital expenditure	24	29	76	76
% of revenue	1.3%	2.1%	1.5%	1.9%
Cash generated from operations	53	68	82	226

The table below shows the Group's key other financial metrics as at 30 September 2010 and 31 December 2009:

€ millions	30 SEPTEMBER	31 DECEMBER
	2010	2009
Operating net working capital	62	1
Cash and cash equivalents	201	289
Net debt	2,529	2,351

Operating and Financial Review

Revenue

The tables below show the Group's geographical and business segment revenue for the three and nine months ended 30 September 2010 and 2009:

€ millions	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
	2010	2009	2010	2009
Northern Europe	398	374	1,151	1,054
Southern Europe, Middle East and Africa	319	271	922	900
Americas	561	409	1,541	1,190
Asia Pacific	537	318	1,433	869
Total revenue	1,815	1,372	5,047	4,013

€ millions	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
	2010	2009	2010	2009
Contract Logistics	883	781	2,548	2,316
Freight Management	932	591	2,499	1,697
Total revenue	1,815	1,372	5,047	4,013

Revenue increased by 32.3% to €1,815 million for the three months ended 30 September 2010 from €1,372 million for the three months ended 30 September 2009. Also, during this quarter Freight Management revenue growth was strong with an increase of €341 million or 57.7% for the quarter. The key driver of this was an increase in freight volumes which was experienced in all regions but most notably in the Americas and Asia Pacific region.

Revenue in the Contract Logistics business segment increased by €102 million or 13.1% for the three months ended 30 September 2010 as compared to the three months ended 30 September 2009. This growth was primarily due to increased volumes in the consumer, retail and technology sectors.

Overall revenue increased by 25.8% to €5,047 million for the nine months ended 30 September 2010 from €4,013 million for the nine months ended 30 September 2009. Freight Management business was the key driver of this growth with an increase of 47.3%. Contract Logistics revenue for the first nine months increased by 10.0% when compared to the prior year.

As CEVA operates in over 170 countries, its financial performance is impacted by foreign currency fluctuations, particularly the US dollar and the British pound. Therefore, for comparison purposes, we also report our results on a constant currency basis using 2009 exchange rates. On a constant currency basis, our revenue would have been €1,679 million for the three months ended 30 September 2010 (three months ended 30 September 2009: €1,372 million). The difference compared to actual for the quarter arises largely from the appreciation of the US dollar.

EBITDA before specific items

EBITDA before specific items is a key measure used by management to assess operational performance. It excludes the costs incurred in the realization of our cost containment programs, other non-recurring charges and the profits realized on certain non-recurring transactions.

The tables below show the Group's geographical and business segments EBITDA before specific items for the three and nine months ended 30 September 2010 and 2009:

€ millions	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
	2010	2009	2010	2009
Northern Europe	20	14	51	35
Southern Europe, Middle East and Africa	14	13	48	41
Americas	36	30	70	78
Asia Pacific	30	23	70	54
Unallocated	(14)	(12)	(36)	(41)
Total EBITDA before specific items	86	68	203	167

€ millions	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
	2010	2009	2010	2009
Contract Logistics	52	43	150	123
Freight Management	48	37	89	85
Unallocated	(14)	(12)	(36)	(41)
Total EBITDA before specific items	86	68	203	167

EBITDA before specific items increased by €18 million to €86 million for the three months ended 30 September 2010 compared to the three months ended 30 September 2009.

Contract Logistics EBITDA before specific items for the three months ended 30 September 2010 increased by €9 million, with growth across all regions.

Freight Management EBITDA before specific items increased by €11 million for the three months ended 30 September 2010 compared to the three months ended 30 September 2009 with better results across all regions.

For the nine months ended 30 September 2010, EBITDA before specific items increased by €36 million to €203 million compared to the nine months ended 30 September 2009. Contract Logistics EBITDA before specific items increased by 22.0% for the nine months ended 30 September 2010 and Freight Management EBITDA before specific items increased 4.7% for the nine months ended 30 September 2010.

On a constant currency basis, our EBITDA before specific items was €79 million for the three months ended 30 September 2010 (three months ended 30 September 2009: €68 million).

Net finance expense

Net finance income before specific items for the three months ended 30 September 2010 was €8 million (three months ended 30 September 2009: expense of €13 million). The decrease was principally due to the stronger decrease of the US dollar in the three months ended 2010 compared to the three months ended 2009.

Profit before income taxes

Profit before income taxes before specific items was €51 million for the three months ended 30 September 2010 (three months ended 30 September 2009: profit of €24 million).

Capital expenditure

Capital expenditure was €24 million for the three months ended 30 September 2010 (three months ended 30 September 2009: €29 million) and represents 1% of revenue for the third quarter of 2010. This low level of expenditure reflects the Group's continued focus in this area and its asset light business model.

Operating net working capital

The Group's net working capital balance was €62 million as at 30 September 2010 (31 December 2009: €1 million, 30 September 2009: €30 million). The increase since 31 December 2009 was mainly caused by strong growth in freight volume.

Cash generated from operations

Cash generated from operations during the three months ended 30 September 2010 amounted to €53 million (three months ended 30 September 2009: €68 million). The change in cash generation is principally due to the fluctuation in net working capital. In the three months ended 30 September 2010 net working capital deteriorated by €5 million, whereas in the three months ended 30 September 2009 net working capital improved by €10 million.

Cash and cash equivalents

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As at 30 September 2010, CEVA had €201 million (31 December 2009: €289 million) of cash on its balance sheet.

In addition to this cash, the Group has access to €262 million (31 December 2009: €272 million) of central credit facilities, of which €207 million (31 December 2009: €225 million) was drawn. Total available liquidity at 30 September 2010 was therefore €256 million (31 December 2009: €335 million).

Net debt and net finance expense

Net debt, defined as total principal debt less cash and cash equivalents, has increased by 7.6% to €2,529 million as at 30 September 2010 (31 December 2009: €2,351 million). The increase was mainly due to the strengthening of the US dollar by 5.2%.

Risk factors

CEVA is impacted by a number of risk factors, some of which are not within our control. Many of the risk factors affecting CEVA are macroeconomic and generally affect all companies, whereas others are more particular to CEVA. The principal risk factors faced by CEVA are unchanged from those identified in the 2009 annual financial statements.

Consolidated Income Statement

€ millions, unaudited	Note	THREE MONTHS ENDED 30 SEPTEMBER					
		2010			2009		
		Before specific items	Specific items ¹	Total	Before specific items	Specific items ¹	Total
Revenue	6	1,815	-	1,815	1,372	-	1,372
Cost of materials		(79)	-	(79)	(72)	-	(72)
Work contracted out		(953)	-	(953)	(623)	-	(623)
Personnel expenses		(478)	(4)	(482)	(411)	(5)	(416)
Other operating expenses		(219)	(17)	(236)	(198)	(6)	(204)
Operating expenses excluding depreciation, amortization and impairment		(1,729)	(21)	(1,750)	(1,304)	(11)	(1,315)
EBITDA	6	86	(21)	65	68	(11)	57
Depreciation, amortization and impairment		(43)	(4)	(47)	(31)	-	(31)
Operating income		43	(25)	18	37	(11)	26
Finance income (including foreign exchange movements)		63	1	64	36	135	171
Finance expense (including foreign exchange movements)		(55)	-	(55)	(49)	(12)	(61)
Net finance income/(expense) (including foreign exchange movements)		8	1	9	(13)	123	110
Profit/(Loss) before income taxes		51	(24)	27	24	112	136
Income tax expense	8	(3)	2	(1)	(5)	(5)	(10)
Profit/(Loss) for the year		48	(22)	26	19	107	126
Attributable to:							
Non-controlling interest				-			-
Equity holders of the Company				26			126
Profit for the period				26			126

¹ Refer to note 7 for details on specific items

Consolidated Income Statement

€ millions, unaudited	Note	NINE MONTHS ENDED 30 SEPTEMBER					
		2010			2009		
		Before specific items	Specific items ¹	Total	Before specific items	Specific items ¹	Total
Revenue	6	5,047	-	5,047	4,013	-	4,013
Cost of materials		(220)	-	(220)	(207)	-	(207)
Work contracted out		(2,608)	-	(2,608)	(1,768)	-	(1,768)
Personnel expenses		(1,373)	(10)	(1,383)	(1,263)	(16)	(1,279)
Other operating expenses		(643)	(39)	(682)	(608)	(21)	(629)
Operating expenses excluding depreciation, amortization and impairment		(4,844)	(49)	(4,893)	(3,846)	(37)	(3,883)
EBITDA	6	203	(49)	154	167	(37)	130
Depreciation, amortization and impairment		(129)	(4)	(133)	(123)	-	(123)
Operating income		74	(53)	21	44	(37)	7
Finance income (including foreign exchange movements)		4	1	4	64	135	199
Finance expense (including foreign exchange movements)		(189)	(8)	(196)	(158)	(12)	(170)
Net finance income/(expense) (including foreign exchange movements)		(185)	(7)	(192)	(94)	123	29
Profit/(Loss) before income taxes		(111)	(60)	(171)	(50)	86	36
Income tax expense	8	(17)	8	(9)	(17)	(2)	(19)
Profit/(Loss) for the year		(128)	(52)	(180)	(67)	84	17
Attributable to:							
Non-controlling interest				1			-
Equity holders of the Company				(181)			17
Profit/(Loss) for the period				(180)			17

¹ Refer to note 7 for details on specific items

Consolidated Statement of Comprehensive Income

€ millions, unaudited	THREE MONTHS ENDED 30 SEPTEMBER					
	2010			2009		
	Before specific items	Specific items ¹	Total	Before specific items	Specific items ¹	Total
Profit/(Loss) for the period from continuing operations	48	(22)	26	19	107	126
Other comprehensive income:						
Currency translation adjustment	(12)	-	(12)	(26)	-	(26)
Total comprehensive profit/(loss) for the period, net of income tax	36	(22)	14	(7)	107	100
Attributable to:						
Non-controlling interest			1			-
Equity holders of the Company			13			100
Total comprehensive profit/(loss) for the period			14			100

¹ Refer to note 7 for details on specific items.

€ millions, unaudited	NINE MONTHS ENDED 30 SEPTEMBER					
	2010			2009		
	Before specific items	Specific items ¹	Total	Before specific items	Specific items ¹	Total
Profit/(Loss) for the period from continuing operations	(128)	(52)	(180)	(67)	84	17
Other comprehensive income:						
Currency translation adjustment	52	-	52	23	-	23
Total comprehensive profit/(loss) for the period, net of income tax	(76)	(52)	(128)	(44)	84	40
Attributable to:						
Non-controlling interest			2			1
Equity holders of the Company			(130)			39
Total comprehensive profit/(loss) for the period			(128)			40

¹ Refer to note 7 for details on specific items.

Consolidated Balance Sheet

€ millions, unaudited	Note	AS AT 30 SEPTEMBER 2010	AS AT 31 DECEMBER 2009
ASSETS			
Non-current assets			
Intangible assets		2,025	1,987
Property, plant and equipment		328	339
Deferred income tax assets		4	1
Prepayments		24	21
Other non-current assets		18	18
Total non-current assets		2,399	2,366
Current assets			
Inventory		35	16
Trade and other receivables		1,050	972
Prepayments		39	34
Accrued income		222	151
Income tax receivable		-	10
Cash and cash equivalents		201	289
Assets held for sale	9	44	79
Total current assets		1,591	1,551
TOTAL ASSETS		3,990	3,917
EQUITY			
Capital and reserves attributable to equity holders			
Share capital		1	1
Share premium		382	382
Other reserves		(107)	(158)
Accumulated deficit		(629)	(448)
Attributable to equity holders of the Company		(353)	(223)
Non-controlling interest		8	6
Total Group equity		(345)	(217)
LIABILITIES			
Non-current liabilities			
Borrowings	10	2,575	2,503
Deferred income tax liabilities		96	102
Retirement benefit obligations		71	74
Provisions		68	67
Other non-current liabilities		53	28
Total non-current liabilities		2,863	2,774
Current liabilities			
Borrowings	10	84	72
Provisions		69	66
Trade and other payables		1,283	1,144
Income tax payable		8	8
Liabilities held for sale	9	28	70
Total current liabilities		1,472	1,360
TOTAL EQUITY AND LIABILITIES		3,990	3,917

Consolidated Statement of Cash Flows

€ millions, unaudited	THREE MONTHS ENDED 30		NINE MONTHS ENDED 30	
	2010	2009	2010	2009
Profit/(Loss) before income taxes	27	136	(171)	36
Adjustments for:				
Share based compensation	1	1	3	3
Depreciation, amortization and impairment	47	31	133	123
Finance income	(1)	-	(4)	(4)
Gain on Debt exchange	-	(135)	-	(135)
Gain on disposal of property, plant and equipment	-	(1)	-	(2)
Foreign exchange (gains) and losses	(63)	(36)	8	(60)
Finance expense	55	61	188	170
Change in provisions:				
Retirement benefit obligations	(3)	2	(5)	10
Provisions	-	(2)	-	(11)
Changes in working capital:				
Inventory	-	(2)	(19)	2
Trade and other receivables	8	13	(38)	157
Prepayments and accrued income	(23)	(34)	(71)	(62)
Trade and other payables	(2)	32	62	(9)
Changes in non-current prepayments	6	(5)	(12)	2
Changes in non-current accrued liabilities	1	7	8	6
Cash generated from operations	53	68	82	226
Cash received from sale of financial derivative instruments	-	-	-	21
Interest paid	(24)	(37)	(128)	(148)
Net income taxes paid	(8)	(4)	(18)	(11)
Net cash from operating activities	21	27	(64)	88
Acquisitions/divestment	-	-	4	-
Capital expenditure	(24)	(29)	(76)	(76)
Proceeds from sale of property, plant and equipment	1	1	44	10
Increase / (decrease) in in other non-current assets	-	-	-	(1)
Interest received	-	1	-	3
Net cash used in investing activities	(23)	(27)	(28)	(64)
Repayment of borrowings	-	(3)	(29)	(45)
Proceeds from non-current borrowings	74	-	17	2
Proceeds from current borrowings	(6)	13	-	19
Net cash from financing activities	68	10	(12)	(24)
Change in cash and cash equivalents	66	10	(104)	-
Cash and cash equivalents at beginning of period	148	152	289	164
Foreign exchange impact on cash and cash equivalents	(13)	(7)	16	(9)
Cash and cash equivalents at end of period	201	155	201	155

Consolidated Statement of Changes in Equity

€ millions, unaudited	Share capital	Share premium	Other reserves	Accumulated deficit	Attributable to equity holders of the Company	Non-controlling interest	Total Group equity
Balance 1 January 2009	1	382	(180)	(344)	(141)	5	(136)
Currency translation adjustment	-	-	22	-	22	1	23
Loss attributable to equity holders for the period	-	-	-	17	17	-	17
Balance at 30 September 2009	1	382	(158)	(327)	(102)	6	(96)
Balance at 1 January 2010	1	382	(158)	(448)	(223)	6	(217)
Currency translation adjustment	-	-	51	-	51	1	52
Loss attributable to equity holders for the period	-	-	-	(181)	(181)	1	(180)
Balance at 30 September 2010	1	382	(107)	(629)	(353)	8	(345)

Notes to the Consolidated Interim Financial Statements

1. General Information

CEVA Group Plc (the 'Company') and its subsidiaries (together the 'Group' or 'CEVA Group') design, implement and operate complex, end-to-end Contract Logistics and Freight Management solutions for multinational and large and medium sized national companies on a local, regional and global level.

CEVA Group Plc was incorporated on 9 August 2006 in England and Wales as a public company with limited liability. The address of its registered office is 20-22 Bedford Row, London WC1R 4JS, United Kingdom.

The immediate parent of CEVA Group Plc is CEVA Investments Ltd, a company incorporated in the Cayman Islands. The ultimate controlling party of CEVA Group Plc is Apollo Global Management, LLC ('Apollo').

The Company has senior secured, junior priority senior secured, senior and senior subordinated notes which are listed on the Global Exchange Market of the Irish Stock Exchange.

This Results Announcement does not constitute the statutory accounts of the Group within the meaning of sections 434(3) and 435(3) of the Companies Act 2006. The balance sheet at 31 December 2009 has been derived from the full Group accounts published in the 2009 Annual Report, which has been delivered to the Registrar of Companies and on which the report of the independent auditors was unqualified and did not contain a statement under either section 498(2) or section 498(3) of the Companies Act 2006.

These consolidated interim financial statements were approved and authorized for issue by the Board of Directors on 10 November 2010.

2. Basis of Preparation

This condensed consolidated interim financial information for the three and nine months ended 30 September 2010 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

3. Accounting Policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, and as described in those annual financial statements.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010, but had no significant impact on CEVA's financial statements:

- Revised IAS 27 Consolidated and Separate Financial Statements requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in profit or loss.
- Revised IFRS 3 Business Combinations continues to apply the acquisition method to business combinations, with some significant changes. Key changes include the requirement for contingent consideration to be measured at fair value, with subsequent changes therein recognized in profit or loss. Transaction costs, other than share and debt issue costs, will be expensed as incurred. Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognized in profit or loss. Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis. Revised IFRS 3 is applied prospectively.
- Amended IAS 38 Intangible Assets clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

4. Critical Accounting Estimates and Judgments

The preparation of financial statements in accordance with generally accepted accounting principles under IFRS requires the Group to make estimates, judgments and assumptions that may affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities in the financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, rarely equal the related actual results. Actual results may differ significantly from these estimates, the effect of which is recognized in the period in which the facts that give rise to the revision become known.

In preparing these unaudited condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at, and for, the year ended 31 December 2009.

5. Financial Risk Management

The Group's operations and financial results are subject to various risks and uncertainties that could adversely affect our business, financial position, results of operations and cash flows. The Group's risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at, and for, the year ended 31 December 2009.

The Group operates internationally and generates foreign currency exchange risks arising from future commercial transactions, recognized assets and liabilities, investments and divestments in foreign currencies other than the Euro, the Group's functional and reporting currency.

The main exchange rates are shown below:

	2010			2009		
	September closing	Three Month Average	Nine Month Average	December closing	Three Month Average	Nine Month Average
British pound	1.1510	1.1997	1.1669	1.0449	1.1468	1.1286
US dollar	0.7186	0.7736	0.7611	0.7167	0.6992	0.7334

6. Segment Information

The chief operating decision maker is the Executive Board. The Executive Board reviews the Group's internal reporting to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Executive Board considers the business from a geographical perspective. In addition, segment information from a business perspective has been presented to give an overview of our services.

Geographical segments

- Northern Europe (including the United Kingdom, Ireland, the Nordics, Benelux, France, Germany and Eastern Europe);
- Southern Europe (including Italy, Spain, Turkey and Greece), Middle East & Africa;
- Americas (including the United States of America, Canada, Brazil, Argentina and Mexico); and
- Asia Pacific (including Australia, China, Singapore, Thailand, Malaysia and India).

Business information

- Contract Logistics including the provision of inbound logistics, manufacturing support, outbound / distribution logistics and aftermarket logistics; and
- Freight Management including the provision of air, ocean and ground based transportation and other freight transportation related services (such as customs brokerage, local pick-up and delivery services, materials management and trade facilitation).

The unallocated portion represents the costs of our Global Head Office and other central costs.

The Executive Board assesses the performance of the operating segments based on earnings before interest, tax, depreciation and amortization (EBITDA before specific items). Interest income and expenditure are not included in the result for each operating segment that is reviewed by the Executive Board. The information provided to the Executive Board is measured in a manner consistent with that in the financial statements.

Geographical segments

The segment results for the three months ended 30 September 2010 are as follows:

€ millions	THREE MONTHS ENDED 30 SEPTEMBER					Total
	Northern Europe	Southern Europe, Middle East and Africa	Americas	Asia Pacific	Unallocated	
Total segment revenue	405	321	571	541	-	1,838
Inter-segment revenue	(7)	(2)	(10)	(4)	-	(23)
Revenue from external customers	398	319	561	537	-	1,815
EBITDA before specific items	20	14	36	30	(14)	86
Specific items						(21)
EBITDA after specific items						65

The segment results for the three months ended 30 September 2009 are as follows:

€ millions	THREE MONTHS ENDED 30 SEPTEMBER					Total
	Northern Europe	Southern Europe, Middle East and Africa	Americas	Asia Pacific	Unallocated	
Total segment revenue	379	273	415	321	-	1,388
Inter-segment revenue	(5)	(2)	(6)	(3)	-	(16)
Revenue from external customers	374	271	409	318	-	1,372
EBITDA before specific items	14	13	30	23	(12)	68
Specific items						(11)
EBITDA after specific items						57

The segment results for the nine months ended 30 September 2010 are as follows:

€ millions	NINE MONTHS ENDED 30 SEPTEMBER					Total
	Northern Europe	Southern Europe, Middle East and Africa	Americas	Asia Pacific	Unallocated	
Total segment revenue	1,168	929	1,556	1,445	-	5,098
Inter-segment revenue	(17)	(7)	(15)	(12)	-	(51)
Revenue from external customers	1,151	922	1,541	1,433	-	5,047
EBITDA before specific items	51	48	70	70	(36)	203
Specific items						(49)
EBITDA after specific items						154

The segment results for the nine months ended 30 September 2009 are as follows:

€ millions	NINE MONTHS ENDED 30 SEPTEMBER					Total
	Northern Europe	Southern Europe, Middle East and Africa	Americas	Asia Pacific	Unallocated	
Total segment revenue	1,070	908	1,212	879	-	4,069
Inter-segment revenue	(16)	(8)	(22)	(10)	-	(56)
Revenue from external customers	1,054	900	1,190	869	-	4,013
EBITDA before specific items	35	41	78	54	(41)	167
Specific items						(37)
EBITDA after specific items						130

Business information

The segment results for the three months ended 30 September 2010 are as follows:

€ millions	THREE MONTHS ENDED 30 SEPTEMBER			2010
	Contract Logistics	Freight Management	Unallocated	Total
Total segment revenue	887	933	-	1,820
Inter-segment revenue	(4)	(1)	-	(5)
Revenue from external customers	883	932	-	1,815
EBITDA before specific items	52	48	(14)	86
Specific items				(21)
EBITDA after specific items				65

The segment results for the three months ended 30 September 2009 are as follows:

€ millions	THREE MONTHS ENDED 30 SEPTEMBER			2009
	Contract Logistics	Freight Management	Unallocated	Total
Total segment revenue	784	592	-	1,376
Inter-segment revenue	(3)	(1)	-	(4)
Revenue from external customers	781	591	-	1,372
EBITDA before specific items	43	37	(12)	68
Specific items				(11)
EBITDA after specific items				57

The segment results for the nine months ended 30 September 2010 are as follows:

€ millions	NINE MONTHS ENDED 30 SEPTEMBER			2010
	Contract Logistics	Freight Management	Unallocated	Total
Total segment revenue	2,559	2,501	-	5,060
Inter-segment revenue	(11)	(2)	-	(13)
Revenue from external customers	2,548	2,499	-	5,047
EBITDA before specific items	150	89	(36)	203
Specific items				(49)
EBITDA after specific items				154

The segment results for the nine months ended 30 September 2009 are as follows:

€ millions	NINE MONTHS ENDED 30 SEPTEMBER			2009
	Contract Logistics	Freight Management	Unallocated	Total
Total segment revenue	2,323	1,699	-	4,022
Inter-segment revenue	(7)	(2)	-	(9)
Revenue from external customers	2,316	1,697	-	4,013
EBITDA before specific items	123	85	(41)	167
Specific items				(37)
EBITDA after specific items				130

7. Specific Items

€ millions	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
	2010	2009	2010	2009
Personnel expenses	4	5	10	16
Other operating expenses	17	6	39	21
Depreciation, amortization and impairment	4	-	4	-
Finance income	(1)	(135)	(1)	(135)
Finance expense	-	12	8	12
Total	24	(112)	60	(86)

Personnel expenses

In the three months ended 30 September 2010 and 2009, personnel expenses are largely onetime costs incurred in relation to site optimization and consolidation and also the cost reduction programs being implemented by the Group.

Other operating expenses

In the three months ended 30 September 2010 and 2009, other operating expenses mainly comprise expenses related to the on-going industry wide anti-trust investigation, site optimization and consolidation costs, business rationalization and restructuring costs.

Depreciation, amortization and impairment

In the three months ended 30 September 2010 the Group recognized an impairment loss for the write down of one of its buildings in the Americas region to fair value less cost to sell following the commitment of the Group's management to sell, and subsequently lease back, the building.

Finance income

In the three months ended 30 September 2009, the specific item incurred in relation to finance income is the gain arising on the debt exchange transaction which completed on 22 July 2009.

8. Income Tax Expense

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the nine months ended 30 September 2010 is (5.3)% (nine months ended 30 September 2009: 52.8%). The main difference between the statutory rate and the estimated annual tax rate is due to uncertainty regarding the future utilization of losses for which no deferred tax asset has been recognized.

9. Assets held for sale

The assets and liabilities related to TELIS S.p.A are presented as a disposal group held for sale following the commitment of the Group's management in December 2009 to sell the subsidiary. This disposal group is presented in the Southern Europe, Middle East and Africa reporting segment.

A building located in the Americas region has been held for sale at 30 September 2010 following the commitment of the Group's management to sell, and subsequently lease back, the building.

10. Borrowings

The carrying amounts and fair value of borrowings are as follows:

€ millions	30 SEPTEMBER		31 DECEMBER	
	2010		2009	
	Carrying value	Fair value	Carrying value	Fair value
Non-current				
Bank borrowings	1,426	1,455	1,401	1,435
Loan notes	1,117	1,150	1,081	964
Finance leases	33	33	21	21
Total non-current borrowings	2,576	2,638	2,503	2,420
Current				
Bank overdrafts	62	62	40	40
Bank borrowings	15	15	28	28
Finance leases	6	6	4	4
Total current borrowings	83	83	72	72
Total borrowings	2,659	2,721	2,575	2,492
Unamortized debt issuance costs	71	71	65	65
Total principal debt	2,730	2,792	2,640	2,557

The group is in compliance with its covenant on its existing borrowings and believes that it has sufficient working capital and undrawn financing facilities to service its operating activities and continued growth ambitions for the foreseeable future.

Non-current borrowings

The fair value of the non-current interest bearing debt has been determined using the market price at the balance sheet date. 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 3.5% (nine months ended 30 September 2009: 4.3%) and 5.5% (nine months ended 30 September 2009: 4.7%) for Euro and for US dollar denominated loans respectively.

Current borrowings

The carrying amounts of current borrowings approximate their fair value.

11. Commitments

Operating lease commitments

The Group leases various offices and warehouses under non-cancellable operating lease agreements. The lease terms are generally between one and six years and the majority of lease agreements are renewable at the end of the lease period at market rate.

The Group also leases various motor vehicles, office and computer equipment under operating lease agreements.

During the three months ended 30 September 2010, €78 million was recognized as an expense in the income statement in respect of operating lease rentals (three months ended 30 September 2009: €65 million). During the nine months ended 30 September 2010, €225 million was recognized as an expense in the income statement in respect of operating lease rentals (nine months ended 30 September 2009: €194 million).

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

€ millions	2010	2009
Less than 1 year	243	225
1-5 years	512	465
Thereafter	243	158
Total	998	848
Of which guaranteed by third party / customers	155	177

Of the future lease payments, €749 million (nine months ended 30 September 2009: €630 million) relates to commitments in relation to multi-user / shared facilities, while the remainder of €249 million (nine months ended 30 September 2009: €218 million) is dedicated to specific customers.

Guarantees

The Group has issued guarantees in the ordinary course of business, in connection with lease agreements, customs duty deferment and local credit lines amounting to €234 million (31 December 2009: €239 million) of which €183 million (31 December 2009: €171 million) are on the CEVA Group synthetic letter of credit facility. The obligations under the guarantees issued by banks and other financial institutions have been secured by CEVA and certain of its subsidiaries.

12. Contingencies

Litigation and Legal Proceedings

CEVA is involved in several legal proceedings relating to the normal conduct of our business. While the outcome of these legal proceedings is uncertain, CEVA believes that it has provided for all probable and estimable liabilities arising from the normal course of business, and we therefore do not expect any liability arising from any of these legal proceedings to have a material impact on our results of operations, liquidity, capital resources or financial position.

Independent contractor litigation

Three independent contractor pickup and delivery ("P&D") drivers filed a complaint in California state court on 12 September 2005 on behalf of themselves and similarly situated drivers in California alleging various causes of action based on their theory that the drivers are employees and not independent contractors. The complaint requests: (a) that the matter be designated as a class action on behalf of all independent contractor P&D drivers working for EGL in California; (b) a declaratory judgment that EGL has violated the law; (c) an equitable accounting and an unspecified amount of damages; and (d) restitution in the form of business expenses, unpaid overtime, meal period compensation, unlawful deductions from wages, statutory penalties, interest, attorneys' fees and costs. The Company removed the case to federal district court for the Northern District of California, and the parties agreed to focus only on the individual claims of the three named plaintiffs in the first phase of the proceedings. The court granted the Company's summary judgment motions on all claims by all plaintiffs in July 2007, and the plaintiffs filed an appeal with the Ninth Circuit Court of Appeals.

A panel of the Ninth Circuit heard oral arguments on 4 November 2009, and, on 13 July 2010, reversed the trial court's summary judgment ruling, concluding that there were genuine issues of material fact, and remanded the case for further proceedings in the trial court. On 5 August 2010, the panel granted the Company's petition for rehearing, clarifying a statement contained in the panel's original opinion. Neither the district court nor the panel has commented on whether the lawsuit can proceed as a class action, which the trial court will decide in the next stage of the trial court proceedings.

Surcharge antitrust investigation and litigation

CEVA is subject to an ongoing investigation by the United States Department of Justice ("DOJ"), the European Commission ("EC"), and certain other foreign law enforcement authorities as described herein. As described below, several of these investigations have been resolved or are in the process of being resolved.

The Company is one of several entities in the freight forwarding industry being investigated for possible price-fixing and other improper collusive activity with respect to certain accessorial and other charges. In this regard, on 10 October 2007, EGL was the subject of a search warrant executed at their offices in Houston, Texas. The search warrant was issued at the request of the DOJ, and it sought certain documents and information related to EGL's business practices. On the same day, a grand jury subpoena duces tecum was served on EGL's custodian of records, seeking production of certain similar documents and information. On 10 October 2007, an inspection by the European Commission was conducted at the offices of EGL's UK operating subsidiary and a request for documents and information was made on EGL's UK group of companies. In addition, a demand for documents and information, dated 11 October 2007, was received by EGL's New Zealand operating subsidiary from the New Zealand Commerce Commission ("NZCC"). Eagle Global Logistics (Canada) Corp. also received notice from the Canadian Competition Bureau ("CCB"), dated 11 October 2007, stating that the CCB had commenced an investigation into alleged anti-competitive activity in the freight forwarding industry. In addition, a demand for information dated 5 September 2008 was received by CEVA's Japanese operating entity from the Japan Fair Trade Commission ("JFTC"). Also, a demand for information, dated 1 December 2008, was received by CEVA's Swiss operating entity from the Swiss Competition Commission. In addition, CEVA Logistics Holdings BV, CEVA Logistics Itda, and certain Company employees have been named among the companies and individuals being investigated by the Secretariat of Economic Law of the Ministry of Justice of Brazil ("SDE") as part of an investigation commenced on 6 April 2009. In addition, notice of an investigation related to possible price-fixing and other improper collusive activity with respect to international road freight forwarding to and from Italy, dated 26 November 2009, was received by one of CEVA's Italian subsidiaries from the Autorità Garante della Concorrenza e del Mercato, the Italian competition authority. The Company is cooperating with the respective authorities to provide requested information, including in response to further requests from various governmental entities.

On 18 March 2009, the JFTC issued a Cease and Desist Order and Surcharge Payment Order listing fourteen companies it found to have been involved in violations of Japanese competition laws, twelve of which were subject to the Order. CEVA was not one of the companies named in the JFTC Order.

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On 30 October 2009, the Company's Canadian subsidiary was notified that the CCB had closed its investigation with respect to alleged anti-competitive activity in the international freight forwarding industry and, as a result, was withdrawing its October 2007 notice to such subsidiary.

On 5 February 2010, the EC issued a Statement of Objections addressed to numerous freight forwarding companies, including the Company's EGL, Inc. subsidiary and EGL, Inc. subsidiaries now known as CEVA Freight (UK) Limited and CEVA Freight Shanghai Limited. As publicly reported, the Statement of Objections alleges possible infringements of EU competition law concerning four separate surcharges related to the provision of air freight forwarding services on four particular trade lanes. As to the referenced CEVA entities, the Statement of Objections alleges possible infringements as to two surcharges, one related to the provision of air freight forwarding services from the U.K. to outside the European Economic Area and one related to the provision of air freight forwarding services from China to the European Economic Area. On 22 April 2010, CEVA submitted its response to the Statement of Objections pursuant to the applicable administrative process. On 6-9 July 2010, the Commission held an oral hearing. Pursuant to the applicable procedures, the Commission will make a decision in due course on whether the conduct addressed in the Statement of Objections is compatible or not with EU antitrust rules.

On 6 August 2010, the SDE announced an administrative proceeding against numerous freight forwarding companies, including CEVA Logistics Holdings BV, and CEVA Logistics Ltda, and against numerous individuals, including one current and one former employee. Pursuant to the applicable administrative process, CEVA intends to submit a response and the SDE will eventually make a non-binding recommendation to the Administrative Counsel for Economic Defense whether the conduct under investigation is compatible or not with Brazilian antitrust rules.

On 2 September 2010, the NZCC announced a resolution of its investigation with respect to EGL, Inc. The resolution is scheduled to be presented to the High Court for approval in December 2010. The impact of this agreement is not material to the Company's financial performance in 2010.

On 30 September 2010, the DOJ and CEVA announced that EGL, Inc. entered into a plea agreement to resolve the DOJ investigation. Under the terms of the agreement, EGL will plead guilty to two violations of United States antitrust laws, provide on-going cooperation, and pay to the United States government a criminal fine of \$4.486 million USD. The agreement remains subject to court approval. The Company previously took a provision against its accounts for this fine.

The Company cannot determine the timing or outcome of the governmental investigations that remain pending. These investigations could result in the imposition of administrative or civil sanctions, including fines, penalties, damages, or other sanctions and which could have a material adverse impact on the Company's financial position, results of operations, operating cash flows and business activities. Additionally, suspension or debarment from government contracting in the U.S. remains a risk in connection with the DOJ resolution, though the Company is working to avoid such an outcome.

On 3 January 2008, CEVA subsidiaries EGL, Inc. and EGL Eagle Global Logistics, LP were named along with other freight forwarders as defendants in a putative class action lawsuit styled Precision Associates, Inc., et al. v. Panalpina World Transport (Holding) Ltd, et al., filed in the U.S. District Court for the Eastern District of New York. The Second Amended Complaint, filed 7 October 2010, alleges 15 conspiracies, each against different groups of named or unnamed freight forwarders, and each alleged to violate Section 1 of the Sherman Act. The Company is identified in connection with four of the 15 claims. The Company filed motions to dismiss the First Amended Complaint on 16 November 2009, which motions are applicable to the Second Amended Complaint and are still pending. CEVA has entered in active discussions with plaintiffs in the civil action concerning a possible resolution of the matter. There can be no assurance that these discussions will result in a resolution of the civil case or, if so, the final terms and timing of such resolution. In connection with these discussions, the Company has taken a provision against its 2010 accounts; the amount of such provision is not expected to be material to the Company's financial performance in 2010.

CEVA has issued a new Code of Business Conduct and enhanced Antitrust and Competition Law Policies and Procedures that strictly prohibit anti-competitive behavior of any kind and that apply to all CEVA subsidiaries, including EGL, Inc. and EGL Eagle Global Logistics, LP. In connection with the issuance of these new policies and procedures, CEVA also initiated company-wide training with respect to certain compliance matters, including prohibited anti-competitive behavior.

Tax Proceedings

The Company is involved in tax audits in various jurisdictions relating to the normal conduct of our business. While the outcome of these audits is uncertain, CEVA believes that it has provided for all probable and estimable tax liabilities arising from its normal course of business, and we therefore do not expect any liability arising from these audits to have a material impact on our results of operations, liquidity, capital resources or financial position.

13. Related Party Transactions

Parent company

The immediate parent of CEVA Group Plc is CEVA Investments Ltd, a company incorporated in the Cayman Islands. The following table sets forth the shareholders of CEVA Investments Ltd as at 30 September 2010 and 31 December 2009:

	30 SEPTEMBER		31 DECEMBER	
	2010		2009	
	Number of shares beneficially owned	Ownership percentage	Number of shares beneficially owned	Ownership percentage
AIF VI Euro Holdings, L.P.	2,844,555	71.1%	2,844,555	71.5%
AlpInvest Partners Beheer 2006, L.P.	422,880	10.6%	422,880	10.6%
AAA Guarantor Co-Invest VI, L.P.	406,365	10.2%	406,365	10.2%
CEVA management investors	326,366	8.2%	303,974	7.7%
Total	4,000,166	100.0%	3,977,774	100.0%

Apollo is a related party by virtue of the fact that it manages AIF VI Euro Holdings, L.P., AlpInvest Partners Beheer 2006, L.P. and AAA Guarantor Co-Invest VI, L.P. These entities together own 91.8% (31 December 2009: 92.3%) of the equity in CEVA Investments Ltd, which in turn owns 100% of the equity of CEVA Group Plc. One share is held by Louis Cayman Second Holdco Ltd, a wholly owned CEVA entity.

CEVA Limited, a subsidiary of CEVA Group Plc, has a service agreement with Apollo for the provision of management and support services. The annual fee is equal to the greater of €3 million per annum and 1.5% of the Group's EBITDA. A fee of €3.1 million (nine months ended 30 September 2009: €3.8 million) is included in the income statement for the nine months ended 30 September 2010.

Gareth Turner, Josh Harris, Stan Parker, Tom White, Marvin Schlanger and Michael Jupiter are Directors of CEVA Group Plc and also hold senior positions at Apollo or Apollo portfolio Companies.

At 30 September 2010 CEVA Group Plc has a payable to CEVA Investments Ltd amounting to €10 million (31 December 2009: €9 million). This relates mainly to intercompany cash pooling arrangements and is included within trade and other payables in the balance sheet.

Financing

From time to time, depending upon market, pricing and other conditions, as well as our cash balances and liquidity, we or our affiliates, including Apollo, may seek to acquire notes or other indebtedness of CEVA through open market purchases, privately negotiated transactions, tender offers, redemption or otherwise, upon such terms and at such prices as we or our affiliates may determine (or as maybe provided for in the indentures or other documents governing the notes or other indebtedness), for cash or other consideration. In addition, we have considered and will continue to evaluate potential transactions to reduce our outstanding debt (such as debt for debt exchanges and other similar transactions), to extend our debt maturities or enter into alternative financing arrangements, as well as potential transactions pursuant to which third parties, Apollo or its affiliates may provide financing to CEVA or otherwise engage in transactions to provide liquidity to CEVA. There can be no assurance as to which, if any, of these alternatives or combinations thereof we or our affiliates may choose to pursue in the future as the pursuit of any alternative will depend upon numerous factors such as market conditions, our financial performance and the limitations applicable to such transactions under our financing documents.

At 30 September 2010, funds managed by Apollo held approximately US\$77 million of 11.5% junior priority senior secured notes (31 December 2009: nil), €73 million of 8.5% senior notes (31 December 2009: €73 million), US\$629 million of the senior unsecured loan facility (31 December 2009: US\$629 million) and €57 million of the 10% senior subordinated notes (31 December 2009: €57 million).

Ultimate controlling party

The ultimate controlling party of CEVA Group Plc is Apollo.

Other related party transactions

There are 267 management and other personnel in CEVA Group companies who participate in the management equity plan. They also receive salaries and benefits as part of their employment compensation.

14. Seasonality of Operations

Our business is impacted by the seasonal slowdown or upturn of industries in which certain of our customers operate. The automotive sector, our largest sector, typically encounters slowdowns in both the third and fourth quarters of each year when many of the automotive manufacturing plants close for vacation. In response, we proactively scale down and may even temporarily close certain operations in order to maximize cost efficiencies. We also experience seasonal trends in our fast moving consumer goods and technology sectors where demand increases in the fourth quarter as consumer goods such as toys, clothes and electronics are delivered to retail locations by early December.

Our global footprint and industry spread decreases the overall seasonality of our business.

15. Events After Balance Sheet Date

There have been no material events subsequent to the period end which require further disclosure.

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