

CEVA Group Plc



Quarter 2 and First Half, 2007

Interim Financial Statements



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Operating and financial review and prospects

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

Overview

Our 2007 operating results, both Revenue and EBITDA, for the year to date have improved in comparison to the 2006 periods as a result of a combination of new business and growth in our existing base business. In addition, our

EBITDA growth is partially explained by the absence of non recurring costs which were incurred as part of the Apollo acquisition of the Logistics business on November 4, 2006 (the "Transaction"), including certain restructuring charges transaction costs and retention payments.

Results of Operations for the three months ended June 30, 2007 and June 30, 2006

(Unaudited) (in € millions and as a % of net sales)

	Successor Consolidated		Predecessor Combined	
	Three months ended June 30 2007		2006	
Net sales	904.8	100%	879.5	100%
Other operating revenues	1.5	0%	1.5	0%
Total revenues	906.3	100%	881.0	100%
Other income	0.6	0%	0.7	0%
Cost of materials	66.0	7%	64.7	7%
Work contracted out and other external expenses	462.5	51%	451.7	51%
Salaries and social security contributions	267.6	30%	262.3	30%
Depreciation, amortisation and impairments	27.5	3%	19.6	2%
Other operating expenses	56.0	6%	66.9	8%
Total operating expenses	879.6	97%	865.2	98%
Operating income	27.3	3%	16.5	2%
Interest and similar income	4.1	0%	5.5	1%
Interest and similar expense	(31.8)	(3%)	(22.5)	(3%)
Foreign exchange profit/(loss)	6.7	1%	(0.6)	(0%)
Net financial expense	(21.0)	(2%)	(17.6)	(2%)
Results from investments in associates	0.2	0%	-	0%
Profit/(Loss) before income taxes	6.5	1%	(1.1)	(0%)
Income taxes	(4.8)	(1%)	(10.8)	(1%)
Profit/(Loss) for the period from continuing operations	1.7	0%	(11.9)	(1%)
Loss from discontinued operations	-	0%	-	0%
Profit/(Loss) for the period	1.7	0%	(11.9)	(1%)
<i>Attributable to:</i>				
Minority interests	-	0%	0.5	0%
Shareholders	1.7	0%	(12.4)	(1%)
Profit/(Loss) for the period	1.7	0%	(11.9)	(1%)

Results of Operations for the six months ended June 30, 2007 and June 30, 2006

	Successor Consolidated		Predecessor Combined	
	Six months ended June 30			
	2007		2006	
<i>(Unaudited) (in € millions and as a % of net sales)</i>				
Net sales	1,766.4	100%	1,746.7	100%
Other operating revenues	3.4	0%	4.9	0%
Total revenues	1,769.8	100%	1,751.6	100%
Other income	0.9	0%	1.7	0%
Cost of materials	131.3	7%	126.7	7%
Work contracted out and other external expenses	907.4	51%	894.2	51%
Salaries and social security contributions	528.8	30%	533.3	31%
Depreciation, amortisation and impairments	57.2	3%	39.6	2%
Other operating expenses	103.2	6%	128.0	7%
Total operating expenses	1,727.9	98%	1,721.8	99%
Operating income	42.8	2%	31.5	2%
Interest and similar income	7.5	0%	10.4	1%
Interest and similar expense	(61.0)	(3%)	(42.8)	(3%)
Foreign exchange profit/(loss)	2.1	0%	(1.1)	(0%)
Net financial expense	(51.4)	(3%)	(33.5)	(2%)
Results from investments in associates	-	0%	(0.1)	(0%)
Profit/(Loss) before income taxes	(8.6)	(1%)	(2.1)	(0%)
Income taxes	(4.6)	(0%)	(10.5)	(1%)
Profit/(Loss) for the period from continuing operations	(13.2)	(1%)	(12.6)	(1%)
Loss from discontinued operations	-	0%	(6.4)	(0%)
Profit/(Loss) for the period	(13.2)	(1%)	(19.0)	(1%)
<i>Attributable to:</i>				
Minority interests	0.3	0%	0.5	0%
Shareholders	(13.5)	(1%)	(19.5)	(1%)
Profit/(Loss) for the period	(13.2)	(1%)	(19.0)	(1%)

Revenue

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

	Successor Consolidated		Predecessor Combined	
	Three months ended June 30			
	2007		2006	
<i>(Unaudited) (in € million and as a % of net sales)</i>				
Net sales				
Italy	260.7	29%	269.9	31%
North America	138.3	15%	167.9	19%
United Kingdom	172.9	19%	160.1	18%
Rest of Europe	183.5	20%	156.7	18%
Rest of World	149.4	17%	124.9	14%
Total	904.8	100%	879.5	100%

Net sales increased by 2.9% to € 904.8 million for the three months ended June 30, 2007 from € 879.5 million for the three months ended June 30, 2006. Strong performances in the United Kingdom, Rest of Europe and Rest of World were offset by the agreed upon exit from certain contracts in Italy and North America.

Italy. Net sales decreased to € 260.7 million for the three months ended June 30, 2007 from € 269.9 million for the three months ended June 30, 2006. The decrease is primarily the result of the agreed transfer of certain logistics activities back to our customer in the automotive division. This was partially offset by the commencement of new operations across a broad range of sectors.

North America. Net sales decreased to € 138.3 million for the three months ended June 30, 2007 from € 167.9 million for the three months ended June 30, 2006. This is primarily due to the impact of the agreed upon exit of certain tyre contracts and a reduction in volumes from existing contracts. Although these negative drivers were offset by the commencement of new contracts in the Hi-Tech, Industrial and Automotive sectors, adverse foreign currency movements had the effect of lowering our revenue growth.



United Kingdom. Net sales increased to € 172.9 million for the three months ended June 30, 2007 from € 160.1 million for the three months ended June 30, 2006. Revenues are ahead as a result of the commencement of new contracts and increased volumes across a number of sectors.

Rest of Europe. Net sales increased to € 183.5 million for the three months ended June 30, 2007 from € 156.7 million for the three months ended June 30, 2006. The increase is mainly a result of the commencement of new contracts in Belgium, The Netherlands, Spain and Central and Eastern Europe in various industry sectors and increased volumes across our existing customer base.

Rest of World. Net sales increased to € 149.4 million for the three months ended June 30, 2007 from € 124.9 million for the three months ended June 30, 2006. The increase is mainly a result of increased volumes from existing customers in South America, Australia, Southeast Asia and China. In addition, new contracts were initiated across a number of sectors in Brazil, Australia, Thailand, Indonesia and China.

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

Revenue

(Unaudited) (in € million and as a % of net sales)

	Successor Consolidated		Predecessor Combined	
	Six months ended June 30		Six months ended June 30	
	2007		2006	
Net sales				
Italy	509.8	29%	528.2	30%
North America	272.9	15%	345.0	20%
United Kingdom	344.7	20%	318.7	18%
Rest of Europe	354.9	20%	311.3	18%
Rest of World	284.1	16%	243.5	14%
Total	1,766.4	100%	1,746.7	100%

Net sales increased by 1.1% to € 1,766.4 million for the six months ended June 30, 2007 from € 1,746.7 million for the six months ended June 30, 2006. Strong performances in the United Kingdom, Rest of Europe and Rest of World were offset by the agreed upon exit from certain contracts in Italy and North America.

Italy. Net sales decreased to € 509.8 million for the six months ended June 30, 2007 from € 528.2 million for the six months ended June 30, 2006. The decrease is primarily the result of the agreed transfer of certain logistics activities back to our customer in the automotive division. This was partially offset by the commencement of new operations across a broad range of sectors.

North America. Net sales decreased to € 272.9 million for the six months ended June 30, 2007 from € 345.0 million for the six months ended June 30, 2006. This is primarily due to the impact of the managed exit of certain tyre contracts, bankruptcy of one customer and a reduction in volumes from existing contracts. Although these negative drivers were offset by the commencement of new contracts in the Hi-Tech, Industrial and Automotive sectors, adverse foreign currency movements had the effect of lowering our revenue growth.

United Kingdom. Net sales increased to € 344.7 million for the six months ended June 30, 2007 from € 318.7 million for the six months ended June 30, 2006. The improved performance is a result of increased volumes across a number of contracts and the initiation of new contracts.

Rest of Europe. Net sales increased to € 354.9 million for the six months ended June 30, 2007 from € 311.3 million for the six months ended June 30, 2006. The increase is mainly a result of the commencement of new contracts in Belgium, The Netherlands, Spain, Turkey and Central and Eastern Europe in various industry sectors and increased volumes across our existing customer base.

Rest of World. Net sales increased to € 284.1 million for the six months ended June 30, 2007 from € 243.5 million for the six months ended June 30, 2006. The increase is mainly a result of increased volumes from existing customers in South America, Australia, Southeast Asia and China. The sectors impacted by this favourable trend include automotive, FMCG and our car carrying operations in Australia. In addition, new contracts were initiated across a number of sectors in Brazil, Australia, Thailand, Indonesia and China.

Operating Expense

Our operating expenses increased to € 879.6 million (97% of net sales) for the three months ended June 30, 2007 from € 865.2 million (98% of net sales) for the three months ended June 30, 2006.

Our operating expenses increased to € 1,727.9 million (98% of net sales) for the six months ended June 30, 2007 from € 1,721.8 million (98% of net sales) for the six months ended June 30, 2006 in line with the increase in activity.

Cost of materials. Cost of materials increased to € 66.0 million (7% of net sales) for the three months ended June 30, 2007 from € 64.7 million (7% of net sales) for the three months ended June 30, 2006. Cost of materials increased to € 131.3 million (7% of net sales) for the six months ended June 30, 2007 from € 126.7 million (7% of net sales) for the six months ended June 30, 2006.

The increase was due to overall growth in the business in the United Kingdom, Rest of Europe and Rest of World. This was partially offset by a decrease in cost of materials in North America due to the decline in net sales.

Work contracted out and other external expenses.

Work contracted out and other external expenses increased to € 462.5 million (51% of net sales) for the three months ended June 30, 2007 from € 451.7 million (51% of net sales) for the three months ended June 30, 2006. Work contracted out and other external expenses increased to € 907.4 million (51% of net sales) for the six months ended June 30, 2007 from € 894.2 million (51% of net sales) for the six months ended June 30, 2006.

This increase was driven by higher volumes on existing contracts and the commencement of operations on new contracts. The increase was partially offset by a reduction in North America due to the decline in net sales.

Salaries and social security contributions. Salaries and social security contributions increased to € 267.6 million (30% of net sales) for the three months ended June 30, 2007 from € 262.3 million (30% of net sales) for the three months ended June 30, 2006. Salaries and social security contributions decreased to € 528.8 million (30% of net sales) for the six months ended June 30, 2007 from € 533.3 million (31% of net sales) for the six months ended June 30, 2006.

The reduction for the six months is mainly due to a reduction in headcount in North America and Italy in line with their lower net sales. This was partially offset by higher salary-related costs in other geographies in line with their higher net sales. In the three months ended June 30, the salary-related costs in these other geographies exceeded the reduction in North America and Italy. In addition, salary costs in the six months ended June 30, 2006 included certain employee retention payments and restructuring costs.

Depreciation, amortisation and impairment.

Depreciation, amortisation and impairment increased to € 27.5 million for the three months ended June 30, 2007 from € 19.6 million for the three months ended June 30, 2006. Depreciation, amortisation and impairment increased to € 57.2 million for the six months ended June 30, 2007 from € 39.6 million for the six months ended June 30, 2006.

The increase is predominantly attributed to the amortisation of other intangibles (customer relationships) which arose as a result of the acquisition of the Logistics business in November 2006, as required by IFRS 3 Business Combinations and the purchase price accounting provisions therein. In 2006, CEVA had limited other intangibles.

Other operating expenses. Other operating expenses decreased to € 56.0 million for the three months ended June 30, 2007 from € 66.9 million for the three months ended June 30, 2006. Other operating expenses decreased by € 24.8 million to € 103.2 million for the six months ended June 30, 2007 from € 128.0 million for the six months ended June 30, 2006. Other operating expenses fell across the regions due to lower head office charges and the absence of license fee costs which were incurred in the predecessor period. Other operating expenses in the six months ended June 30, 2007 also include separation and rebranding costs.

EBITDA

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

EBITDA

(Unaudited) (in € millions and as a % of net sales per segment)

	Successor Consolidated		Predecessor Combined	
	Three months ended June 30		Three months ended June 30	
	2007		2006	
EBITDA				
Italy	13.7	5.3%	6.7	2.5%
North America	9.9	7.2%	8.0	4.8%
United Kingdom	11.9	6.9%	7.3	4.6%
Rest of Europe	9.6	5.2%	6.2	4.0%
Rest of World	9.7	6.5%	7.9	6.3%
Total	54.8	6.1%	36.1	4.1%

Our combined EBITDA increased to € 54.8 million (after the impact of € 5 million re-branding and separation costs) for the three months ended June 30, 2007 from € 36.1 million for the three months ended June 30, 2006. The reasons for the increase in EBITDA follow a combination of strong trading performance in 2007 and the absence of non recurring costs which were incurred as part of the Transaction, including certain restructuring charges, transaction costs and retention payments.

Italy. EBITDA increased to € 13.7 million for the three months ended June 30, 2007 from € 6.7 million for the three months ended June 30, 2006. This was primarily driven by non recurring charges in 2006, operational restructurings in 2007 which improved underlying margins and strong cost control.

North America. EBITDA increased to € 9.9 million for the three months ended June 30, 2007 from € 8.0 million for the three months ended June 30, 2006. The increase is primarily related to non-recurring charges in 2006 and to certain underperforming contracts which were terminated in 2006. In addition, strong cost control and the commencement of new contracts had a positive impact.

United Kingdom. EBITDA increased to € 11.9 million for the three months ended June 30, 2007 from € 7.3 million for the three months ended June 30, 2006. The increase is primarily related to the absence of restructuring costs incurred in 2006 and strong cost control.

Rest of Europe. EBITDA increased to € 9.6 million for the three months ended June 30, 2007 from € 6.2 million for the three months ended June 30, 2006. This improvement was driven by the impact of new operations, increased volumes and the non recurrence of restructuring costs incurred in 2006.

Rest of World. EBITDA increased to € 9.7 million for the three months ended June 30, 2007 from € 7.9 million for the three months ended June 30, 2006. The increase in EBITDA was driven by improvements in Brazil, Australia, China and Southeast Asia resulting from robust growth in new business and higher volumes from existing customers.

The performance of all segments was positively impacted by efficiencies within the head office operations of the Company resulting in reductions in cost recharges (including license fees incurred from our prior parent) in the three months ended June 30, 2007 compared to the three months ended June 30, 2006.

The following table shows our combined EBITDA for each geographical segment for the six months ended June 30, 2007 and June 30, 2006.

EBITDA

	Successor Consolidated		Predecessor Combined	
	Six months ended June 30			
(Unaudited) (in € millions and as a % of net sales per segment)	2007		2006	
EBITDA				
Italy	23.8	4.7%	10.3	2.0%
North America	17.9	6.6%	13.8	4.0%
United Kingdom	19.6	5.7%	13.8	4.3%
Rest of Europe	19.8	5.6%	17.7	5.7%
Rest of World	18.9	6.7%	15.5	6.4%
Total	100.0	5.7%	71.1	4.1%

Our combined EBITDA increased to € 100.0 million (after the impact of € 8.7 million re-branding and separation costs) for the six months ended June 30, 2007 from € 71.1 million for the six months ended June 30, 2006. The reasons for the increase in EBITDA follow a combination of strong trading performance in 2007 and the absence of non recurring costs which were incurred as part of the Transaction, including certain restructuring charges, transaction costs and retention payments.

Italy. EBITDA increased to € 23.8 million for the six months ended June 30, 2007 from € 10.3 million for the six months ended June 30, 2006. This was primarily driven by non recurring charges in 2006, operational restructurings in 2007 which improved underlying margins and strong cost control.

North America. EBITDA increased to € 17.9 million for the six months ended June 30, 2007 from € 13.8 million for the six months ended June 30, 2006. The increase is primarily related to non-recurring charges in 2006 and to certain underperforming contracts which terminated in 2006. In addition, strong cost control and the commencement of new contracts had a positive impact.

United Kingdom. EBITDA increased to € 19.6 million for the six months ended June 30, 2007 from € 13.8 million for the six months ended June 30, 2006. The increase is primarily related to the absence of restructuring costs incurred in 2006 and strong cost control.

Rest of Europe. EBITDA increased to € 19.8 million for the six months ended June 30, 2007 from € 17.7 million for the six months ended June 30, 2006. This improvement was driven by the impact of the new contracts and increased volumes and the non recurrence of restructuring costs incurred in 2006.

Rest of World. EBITDA increased to € 18.9 million for the six months ended June 30, 2007 from € 15.5 million for the six months ended June 30, 2006. This is the result of increases to EBITDA in Australia, China and Southeast Asia where operations continue to grow following new business wins and higher volumes from existing customers.

The performance of all segments was positively impacted by efficiencies within the head office operations of the company resulting in reductions in cost recharges (including license fees incurred from our prior parent) in the six months ended June 30, 2007 compared to the three months ended and six months ended June 30, 2006.

Net financial expense increased to € 21.0 million for the three months ended June 30, 2007 from € 17.6 million for the three months ended June 30, 2006. The increase is due to our new capital structure which was partly offset by the gain on exchange rates.

Net financial expense increased to € 51.4 million for the six months ended June 30, 2007 from € 33.5 million for the six months ended June 30, 2006, due to the increased interest expense.

Results from investments in associates is a gain of € 0.2 million for the three months ended June 30, 2007 compared to zero result for the three months ended June 30, 2006.

Results from investments in associates is nil for the six months ended June 30, 2007 compared to a loss of € 0.1 million for the six months ended June 30, 2006.

Income taxes decreased to a charge of € 4.8 million for the three months ended June 30, 2007 from a charge of € 10.8 million for the three months ended June 30, 2006 as a consequence of the increase in tax deductible interest expenses due to our revised capital structure.

Income taxes decreased to a charge of € 4.6 million for the six months ended June 30, 2007 from a charge of € 10.5 million for the six months ended June 30, 2006.

Profit/(Loss) for the period from continuing operations consisted of € 1.7 million for the three months ended June 30, 2007 compared to a loss of € 11.9 million for the three months ended June 30, 2006. This is the result of increased revenue and decreased operating expenses for the three months ended June 30, 2007 compared to the three months ended June 30, 2006

Loss from continuing operations increased to € 13.2 million for the six months ended June 30, 2007 from a loss of € 12.6 million for the six months ended June 30, 2006.

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

Loss from discontinued operations decreased to nil for the six months ended June 30, 2007 from € 6.4 million for the six months ended June 30, 2006. These losses related to the operating losses of the French logistics business which were divested in 2006. This French logistics business does not form part of CEVA's ongoing business.

Profit/(Loss) for the period increased to € 1.7 million for the three months ended June 30, 2007 from a loss of € 11.9 million for the three months ended June 30, 2006.

Loss for the period increased to € 13.2 million for the six months ended June 30, 2007 from € 19.0 million for the six months ended June 30, 2006.

Contractual Obligations

The contractual obligations are discussed in the Company's annual report as at and for the period ended December 31, 2006. No significant changes occurred in our contractual obligations for the six months ended June 30, 2007.

Quantitative and Qualitative Disclosures about Market Risk

CEVA's risk factors are discussed in the annual report as at and for the period ended December 31, 2006. No significant changes occurred for the six months ended June 30, 2007.

Critical Accounting Policies

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

Statements of income

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

<i>(Unaudited) (in € millions)</i>	Notes	Successor	Predecessor	Successor	Predecessor
		Consolidated	Combined	Consolidated	Combined
		Three months ended June 30,	2006	Six months ended June 30,	2006
		2007		2007	
Net sales		904.8	879.5	1,766.4	1,746.7
Other operating revenues		1.5	1.5	3.4	4.9
Total revenues		906.3	881.0	1,769.8	1,751.6
Other income		0.6	0.7	0.9	1.7
Cost of materials		66.0	64.7	131.3	126.7
Work contracted out and other external expenses		462.5	451.7	907.4	894.2
Salaries and social security contributions		267.6	262.3	528.8	533.3
Depreciation, amortisation and impairments		27.5	19.6	57.2	39.6
Other operating expenses		56.0	66.9	103.2	128.0
Total operating expenses		879.6	865.2	1,727.9	1,721.8
Operating income		27.3	16.5	42.8	31.5
Interest and similar income		4.1	5.5	7.5	10.4
Interest and similar expense		(31.8)	(22.5)	(61.0)	(42.9)
Foreign exchange profit/(loss)		6.7	(0.6)	2.1	(1.1)
Net financial expense		(21.0)	(17.6)	(51.4)	(33.5)
Results from investments in associates		0.2	-	-	(0.1)
Profit/(Loss) before income taxes		6.5	(1.1)	(8.6)	(2.1)
Income taxes		(4.8)	(10.8)	(4.6)	(10.5)
Profit/(Loss) for the period from continuing operations		1.7	(11.9)	(13.2)	(12.6)
Loss from discontinued operations	5	-	-	-	(6.4)
Profit/(Loss) for the period		1.7	(11.9)	(13.2)	(19.0)
<i>Attributable to:</i>					
Minority interests		-	0.5	0.3	0.5
Shareholders		1.7	(12.4)	(13.5)	(19.5)
Profit/(Loss) for the period		1.7	(11.9)	(13.2)	(19.0)

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

Balance sheets

Assets as of June 30, 2007 and December 31, 2006 of CEVA Group Plc

<i>(in € millions)</i>	June 30, 2007 <i>(Unaudited)</i>	December 31, 2006 <i>(Audited)</i>
ASSETS		
Non-current assets		
Intangible assets		
Goodwill	692.6	693.3
Contractual customer relationships	447.8	467.9
Other intangible assets	4.9	3.4
Total intangible assets	1,145.3	1,164.6
Property, plant and equipment		
Land and buildings	189.3	206.6
Plant and equipment	131.7	135.5
Other	31.2	32.5
Construction in progress	3.3	12.5
Total property, plant and equipment	355.5	387.1
Financial fixed assets		
Investments in associates	0.5	0.6
Other loans receivable	3.3	4.7
Deferred tax assets	57.8	43.6
Prepayments and accrued income	39.4	46.7
Total financial fixed assets	101.0	95.6
Total non-current assets	1,601.8	1,647.3
Current assets		
Inventory	24.7	22.1
Accounts receivable	598.4	639.7
Income tax receivable	0.1	23.7
Prepayments and accrued income	187.9	163.4
Cash and cash equivalents	234.7	264.7
Total current assets	1,045.8	1,113.6
Assets held for sale	1.7	-
Total assets	2,649.3	2,760.9

Balance sheets

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

<i>(in € millions)</i>	Notes	June 30, 2007 <i>(Unaudited)</i>	December 31, 2006 <i>(Audited)</i>
EQUITY AND LIABILITIES			
Equity			
Issued share capital		0.5	0.5
Share premium		309.5	309.5
Cumulative translation adjustment		(2.7)	(2.6)
Retained earnings brought forward		(21.8)	-
Result for the period		(13.5)	(21.8)
Attributable to equity holders of the parent		272.0	285.6
Minority interests		33.1	33.2
Total group equity		305.1	318.8
Non-current liabilities			
Deferred tax liabilities		186.8	191.5
Provisions for pension liabilities		111.9	122.9
Other provisions		75.7	80.6
Long term debt	7	1,139.4	1,141.3
Accrued liabilities		14.2	12.3
Total non-current liabilities		1,528.0	1,548.6
Current liabilities			
Trade accounts payable		292.1	279.6
Short term provisions		37.4	38.9
Other current liabilities	8	146.8	231.3
Income tax payable		19.5	22.9
Accrued current liabilities		320.4	320.8
Total current liabilities		816.2	893.5
Total equity and liabilities		2,649.3	2,760.9

Cash flow statements

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

<i>(Unaudited) (in € millions)</i>	Successor Consolidated Three months ended June 30, 2007	Predecessor Combined 2006	Successor Consolidated Six months ended June 30, 2007	Predecessor Combined 2006
Profit/(Loss) before income taxes	6.5	(1.1)	(8.6)	(2.1)
<i>Adjustments for:</i>				
Depreciation, amortisation and impairments	27.5	19.6	57.2	39.6
(Profit)/Loss on sale of property, plant and equipment	(0.6)	(0.7)	(0.9)	0.3
<i>Investment income and results from investments in associate:</i>				
Interest and similar income	(4.1)	(5.5)	(7.5)	(10.4)
Interest and similar expense	30.5	22.5	58.2	43.4
Foreign exchange (gains) and losses	(6.7)	-	(2.1)	-
Results from investments in associates	(0.2)	-	-	0.1
Amortisation of debt issuance costs	1.3	-	2.8	-
<i>Changes in provisions:</i>				
Pension liabilities	2.4	2.2	(11.0)	(0.2)
Other provisions	(0.5)	(1.1)	(6.4)	(13.2)
<i>Changes in working capital:</i>				
Inventory	(0.3)	(0.9)	(2.6)	(2.2)
Accounts receivable	(18.4)	71.2	41.3	98.2
Prepayments and accrued income	(1.9)	3.4	(21.0)	(39.6)
Trade payables	14.8	(7.6)	12.5	(7.3)
Other current liabilities excluding short term financing and taxes	1.2	(20.3)	6.4	(49.3)
Accrued current liabilities	7.6	22.3	(2.2)	37.6
Cash generated from/(used in) operations	59.1	104.0	116.1	94.9
Interest paid	(44.7)	(5.3)	(55.2)	(8.2)
Change in income taxes	(11.0)	(20.7)	(8.7)	(44.8)
Increase in long term accrued liabilities	(0.6)	(10.4)	1.9	(0.5)
Net cash from operating activities	2.8	67.6	54.1	41.4
Acquisition of entities (net of cash)	-	-	-	(13.0)
Capital expenditure on intangible assets	(0.2)	(0.4)	(3.9)	(1.3)
Capital expenditure on property, plant and equipment	(13.5)	(18.5)	(29.1)	(31.8)
Proceeds from sale of property, plant and equipment	6.1	0.9	29.8	1.8
Other changes in financial fixed assets	2.3	9.6	8.6	19.3
Changes in minority interests	-	0.5	0.3	0.4
Interest received	4.1	5.5	7.5	10.4
Net cash used in investing activities	(1.2)	(2.4)	13.2	(14.2)
Issuance of shares	-	-	-	-
Other net investment changes	-	-	-	153.6
Proceeds from long term borrowings	-	-	-	-
Repayments to long term borrowings	-	(15.8)	-	(18.0)
Costs of long term borrowings	(2.7)	-	(2.7)	-
Proceeds from short term borrowings	-	-	-	2.9
Repayments of short term borrowings	(1.1)	-	(52.4)	-
Post closing adjustments with TNT	(41.2)	-	(41.2)	-
Movements of finance leases	(0.5)	(0.4)	(0.7)	(0.7)
Financing related to discontinued French logistics business	-	-	-	(138.2)
Net cash provided by financing activities	(45.5)	(16.2)	(97.0)	(0.3)
Change in cash and cash equivalents	(44.0)	49.0	(29.8)	26.9
Cash and cash equivalents at the beginning of the period	278.8	71.3	264.7	93.4
Change in cash	(44.0)	49.0	(29.8)	26.9
Foreign exchange impact on cash and cash equivalents	(0.1)	-	(0.2)	-
Cash and cash equivalents at the end of the period	234.7	120.3	234.7	120.3

Statement of changes in equity

For the six months ended June 30, 2007 of CEVA Group Plc

<i>(Unaudited) (in € millions)</i>	Issued share capital	Share premium	Cumulative translation adjustment	Retained earnings	Attributable to equity holders of the parent	Minority interest	Total group equity
Balance at December 31, 2006	0.5	309.5	(2.6)	(21.8)	285.6	33.2	318.8
Result for the period	-	-	-	(13.5)	(13.5)	0.3	(13.2)
Currency translation adjustment / other	-	-	(0.1)	-	(0.1)	(0.4)	(0.5)
Balance at June 30, 2007	0.5	309.5	(2.7)	(35.3)	272.0	33.1	305.1

Notes to the condensed interim financial statements

1. GENERAL INFORMATION AND DESCRIPTION OF OUR BUSINESS

CEVA Group Plc, is incorporated in the United Kingdom as a public company with limited liability. The direct parent of CEVA Group Plc is CEVA Investments Limited.

These condensed interim financial statements include the financial statements of CEVA Group Plc and its consolidated subsidiaries (hereafter referred to as “we”, “CEVA”, “CEVA Group”, “CEVA Group Plc”, “our” or “us” or “the Company”). The Company has issued senior and senior subordinated notes 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 on global bases. We work 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 places and times. Our principal strategy is focused on achieving critical mass in selected geographical areas, in the following industry sectors: automotive, tyres, high-tech electronics, publishing and media, fast-moving consumer goods, and industrial.

The basis of preparation, consolidation or combination and presentation of the Successor, being the period following the Apollo acquisition of the Logistics business on November, 4, 2006, condensed consolidated interim financial statements and the Predecessor, being the period prior the Apollo acquisition of the Logistics business on November, 4, 2006, condensed combined interim financial statements are more fully described below. The results of operations and cash flows of the Predecessor are not necessarily representative of those that would be incurred by the Successor.

2. BASIS OF PREPARATION

The condensed combined interim financial statements for the three months ended and six months ended June 30, 2007 and June 30, 2006 have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”) and IAS 34 Interim Financial Reporting and should be read in conjunction with our annual report.

IFRS as adopted by the EU differs in certain respects from IFRS as issued by the International Accounting Standards Board (“IASB”). IFRS includes the application of

International Accounting Standards (“IAS”) and related interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) and interpretations of the Standing Interpretations Committee (“SIC”).

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

Successor

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

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

Predecessor

In preparing these condensed combined interim financial statements, the financial information of entities within the Logistics Business, as at the relevant date, has been extracted from the local reporting records on a legal entity basis and combined.

Prior to November 4, 2006, we operated as a business segment of TNT N.V. (“TNT”) and not as a stand-alone company. Consequently the combined condensed financial statements at and for the three months ended June 30, 2006 have been specifically prepared for the purposes of presenting, as far as practicable, the assets, liabilities, revenues and expenses of the Logistics Business on a stand-alone basis. The historical combined financial statements are an aggregation of financial information from the individual companies that make up the Logistics Business and are not necessarily representative or indicative of the financial position, results of operations or cash flows that would have been obtained had the Logistics Business been operated independently or under separate ownership.

The preparation of the interim consolidated and combined financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the disclosure of contingent assets and liabilities at

the balance sheet and the reported amounts of revenue and expenses during the reporting period. Actual results could vary from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Seasonality

Our business is impacted by the seasonal slowdown or upturn of certain of our customers' industries. The automotive sector, our largest sector, typically encounters slowdowns in both the third and fourth quarters of the year, when many of the automotive manufacturing plants close for vacation periods. In response, we proactively scale down and may even temporarily close some operations in order to maximise cost efficiency. We also experience seasonal trends in the 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. ↗

Foreign Currency

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

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

The June 30, 2007 exchange rates are shown below:

	Period end closing ¹	Average ²
British pound	1.4837	1.4808
US dollar	0.7405	0.7455

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

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

Certain Definitions

In the condensed combined interim financial statements for the three months ended and six months ended June 30, 2007 and June 30, 2006, certain definitions have been used in line with the certain definitions used in the annual report as at and for the period ended December 31, 2006. For more information on these definitions we refer to information in the annual report as at and for the period ended December 31, 2006.

3. ACCOUNTING POLICIES

New standards and interpretations not yet implemented

We are currently evaluating the impact of adoption of these IFRS and IFRIC standards 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.

During 2006 and 2007 the IASB and IFRIC issued:

- IFRS 8 *Operating Segments* – This replaces IAS 14 and requires an entity to adopt the “management approach” to reporting the financial performance of its operating segments. It is mandatory for the CEVA Group’s accounting periods beginning January 1, 2009, when ratified¹. Its impact on segment reporting has yet to be determined.
- IFRS 7 *Financial Instruments: Disclosures* – This standard deals with financial instrument disclosures and also amends the existing risk disclosure requirements and requires additional disclosures about the objectives, policies and processes used by the entity to manage its capital. This standard will be implemented by the CEVA Group for annual periods beginning on January 1, 2007.
- IFRIC 14 – IAS 19 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* – This interpretation provides general guidance on how to assess the limit in IAS 19 Employee Benefits on the amount of a pension fund surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement. The Interpretation will standardise practice and ensure that entities recognise an asset in relation to a surplus on a consistent basis. No additional liability need be recognised by the employer under IFRIC 14 unless the contributions that are payable under the minimum funding requirement cannot be returned to the company. This interpretation will be implemented by the CEVA Group for annual periods beginning on or after January 1, 2008.
- IFRIC 10 *Interim Financial Reporting and Impairment* – Effective for annual periods beginning on or after November 1, 2006. This interpretation addresses the apparent conflict between the requirements of IAS 34 “Interim Financial Reporting” and the requirements in other standards on the recognition and reversal in financial statements of impairment losses on goodwill and certain financial assets. According to IFRIC 10, any such impairment losses recognised in an interim financial statement must not be reversed in subsequent interim or annual financial statements. This interpretation will be implemented by the CEVA Group for annual periods beginning on or after January 1, 2007.
- IAS 23 *Borrowing Costs* – An amendment to IAS 23 which requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. This change in treatment will be applied prospectively by the CEVA Group to the annual period beginning on January 1, 2009 when ratified¹.
- IFRIC 11 – IFRS 2 *Group and Treasury Share Transactions* – This [interpretation] requires arrangements whereby an employee is granted rights to an entity’s equity instruments to be accounted for as an equity-settled scheme by the entity even if the entity chooses or is required to buy those equity instruments from another party or the shareholders of the entity provide the equity instruments needed. This interpretation will be implemented by the CEVA Group for annual periods beginning January 1, 2008.
- IFRIC 12 *Service Concession Arrangements* – This [interpretation] outlines an approach to account for contractual arrangements arising from entities providing public services. This interpretation will be implemented by the CEVA Group for annual periods beginning on or after January 1, 2008 when ratified¹.
- 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 CEVA 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 CEVA 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 CEVA Group for annual periods beginning on or after January 1, 2007.

(1) This indicates standards and interpretations not yet ratified by the European Union

- IFRIC 13 *Customer Loyalty Programmes* – This interpretation addresses accounting by entities which grant loyalty award credits (such as “points” or travel miles) to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services (“awards”) to customers who redeem award credits. This interpretation will be implemented by the CEVA Group for annual periods beginning on or after January 1, 2009. ↗

4. SEGMENTAL REPORTING

CEVA is organised into geographical regions. Within the geographical structure, we manage our income statement, assets, personnel and physical resources. Management believes that the Logistics Business’s risks and rates of return are affected predominantly by the fact that it operates in different countries or other geographical areas and has therefore determined its geographical segments to be its primary segments under IAS 14 “*Segment Reporting*”.

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

Primary segments

	Successor Consolidated						Total
	Three months ended June 30, 2007						
(Unaudited) (in € millions)	Italy	North America	United Kingdom	Rest of Europe	Rest of World ¹	Intra-Logistics Business	
Net sales²	260.7	138.3	172.9	183.5	149.4	-	904.8
Intra-Logistics Business sales	0.7	0.1	1.7	1.0	0.1	(3.6)	-
Other operating revenues	0.2	-	0.5	0.8	-	-	1.5
Total revenues	261.6	138.4	175.1	185.3	149.5	(3.6)	906.3
Other income	-	-	0.3	0.2	0.1	-	0.6
Depreciation, amortisation and impairments	6.7	4.2	5.4	5.9	5.3	-	27.5
Other operating expenses	247.9	128.5	163.5	175.9	139.9	(3.6)	852.1
Total operating expenses	254.6	132.7	168.9	181.8	145.2	(3.6)	879.6
Operating income	7.0	5.7	6.5	3.7	4.4	-	27.3

Primary segments

	Predecessor Combined						Total
	Three months ended June 30, 2006						
(Unaudited) (in € millions)	Italy	North America	United Kingdom	Rest of Europe	Rest of World ¹	Intra-Logistics Business	
Net sales²	269.9	167.9	160.1	156.7	124.9	-	879.5
Intra-Logistics Business sales	0.5	0.4	1.8	1.2	0.1	(4.0)	-
Other operating revenues	0.2	-	0.6	0.3	0.4	-	1.5
Total revenues	270.6	168.3	162.5	158.2	125.4	(4.0)	881.0
Other income	0.3	-	0.2	0.1	0.1	-	0.7
Depreciation, amortisation and impairments	4.8	3.3	4.4	3.6	3.5	-	19.6
Other operating expenses	264.2	160.3	155.4	152.1	117.6	(4.0)	845.6
Total operating expenses	269.0	163.6	159.8	155.7	121.1	(4.0)	865.2
Operating income	1.9	4.7	2.9	2.6	4.4	-	16.5

(1) The Rest of World segment includes: China, South America, Asia and Australia.

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

Successor Consolidated
Six months ended June 30, 2007

<i>(Unaudited) (in € millions)</i>	Italy	North America	United Kingdom	Rest of Europe	Rest of World¹	Intra-Logistics Business	Total
Net sales²	509.8	272.9	344.7	354.9	284.1	-	1,766.4
Intra-Logistics Business sales	1.3	0.1	4.3	2.5	0.3	(8.5)	-
Other operating revenues	0.4	-	1.0	1.7	0.3	-	3.4
Total revenues	511.5	273.0	350.0	359.1	284.7	(8.5)	1,769.8
Other income	-	-	0.5	0.2	0.2	-	0.9
Depreciation, amortisation and impairments	13.6	8.6	12.4	11.7	10.9	-	57.2
Other operating expenses	487.7	255.1	330.9	339.5	266.0	(8.5)	1,670.7
Total operating expenses	501.3	263.7	343.3	351.2	276.9	(8.5)	1,727.9
Operating income	10.2	9.3	7.2	8.1	8.0	-	42.8

Predecessor Combined
Six months ended June 30, 2006

<i>(Unaudited) (in € millions)</i>	Italy	North America	United Kingdom	Rest of Europe	Rest of World¹	Intra-Logistics Business	Total
Net sales²	528.2	345.0	318.7	311.3	243.5	-	1,746.7
Intra-Logistics Business sales	1.2	0.7	3.7	2.3	0.2	(8.1)	-
Other operating revenues	0.4	-	1.2	2.5	0.8	-	4.9
Total revenues	529.8	345.7	323.6	316.1	244.5	(8.1)	1,751.6
Other income	0.6	-	0.8	0.1	0.2	-	1.7
Depreciation, amortisation and impairments	9.5	6.8	8.7	7.5	7.1	-	39.6
Other operating expenses	520.1	331.9	310.6	298.5	229.2	(8.1)	1,682.2
Total operating expenses	529.6	338.7	319.3	306.0	236.3	(8.1)	1,721.8
Operating income	0.8	7.0	5.1	10.2	8.4	-	31.5

(1) The Rest of World segment includes: China, South America, Asia and Australia.

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

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

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

6. RELATED PARTY TRANSACTIONS AND BALANCES

CEVA Group Plc has the following related party transactions:

CEVA Group Plc has a management service agreement with Apollo Management L.P. ("Apollo") for the provision of ongoing management and support services. This amounts to € 3 million per annum of which € 1.5 million is included in these interim financial statements. Apollo Management VI, L.P. is a related party by virtue of the fact that it controls AAA Guarantor Co-Invest VI, L.P., AIF VI Euro Holdings, L.P. and AlInvest Partners Beheer 2006, L.P. These entities together owned approximately 91% of the equity in CEVA Investments Limited as from May 31, 2007.

Gareth Turner, Joshua Harris, Stan Parker and Lukas Kolff are non-executive Directors of CEVA Group Plc and also hold key senior positions within Apollo. Each receives a non-executive director's fee of € 39,000 per annum, for which a prorated accrual has been included in our results for the six months ended June 30, 2007.

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

Joint Ventures: The CEVA Group companies in some cases have financial relationships with certain joint ventures and unconsolidated companies in which CEVA Group companies hold minority shares. However, the CEVA Group companies did not source supplies from such undertakings, nor did such undertakings source supplies from CEVA Group companies.

The net amounts due from joint venture entities amounted to € (0.5) million as at June 30, 2007. All transactions with joint ventures and investments in associates are conducted in the normal course of business and under arm's length commercial terms and conditions.

7. LONG TERM DEBT

Included in long term debt are loan notes, bank loans and finance leases. Both loan notes and bank notes are stated net of debt issuance costs. These costs are amortised over the period of the loans, being seven and nine years respectively. Of the loan notes, an amount of € 186.9 million was denominated in US dollars as at June 30, 2007.

Carrying amounts and fair value of long term debt

(in € millions)	June 30, 2007	
	Carrying amount	Fair value
Loan notes	702.9	730.0
Bank loans	414.0	430.9
Finance leases	22.5	23.8
Total long term debt	1,139.4	1,184.7

Debt

(in € millions)	June 30, 2007			
	Finance leases	Loan notes	Bank loan	Total
2007	1.3	-	2.4	3.7
2008	1.8	-	4.9	6.7
2009	1.8	-	4.9	6.7
2010	2.4	-	4.9	7.3
2011	1.2	-	4.9	6.1
Thereafter	15.3	730.0	413.6	1,158.9
FX-effect	-	-	(4.7)	(4.7)
Total principal debt	23.8	730.0	430.9	1,184.7
Unamortised debt issuance costs	-	27.1	14.5	41.6
Total carrying value	23.8	702.9	416.4	1,143.1
of which included in long term debt	22.5	702.9	414.0	1,139.4
of which included in other current liabilities	1.3	-	2.4	3.7

As of June 30, 2007 there have not been any material changes in CEVA's contractual obligations as presented in CEVA's annual report for the period ended December 31, 2006. Our net debt has decreased from € 996 million at December 31, 2006 to an amount of € 960 million as of June 30, 2007. Due to our strong cash position, we decided to repay € 51.3 million of our borrowings in advance of the contractual term in the first three months ended March 31, 2007.

8. OTHER CURRENT LIABILITIES

Other current liabilities decreased from € 231.3 million as per December 31, 2006 to an amount of € 146.8 million as per June 30, 2007. The decrease mainly consists of the repayment of € 50 million of our borrowings in advance of the contractual term and the settlement of € 41.2 million in respect of the post closing adjustments with TNT.

9. EVENTS AFTER BALANCE SHEET DATE

On August 2, 2007, CEVA announced the completion of its acquisition of EGL, Inc. As a result of this transaction, EGL is now a wholly-owned subsidiary of CEVA Group Plc. 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. The deal was financed with a combination of new equity, cash on the balance sheet and debt.

On August 6, 2007, John Pattullo joined CEVA as its new Chief Executive Officer. Prior to this, Mr. Pattullo led Deutsche Post/DHL's € 7 billion EMEA Contract Logistics business (Europe, Middle East and Africa) as Chief Operating Officer. Before the acquisition of Exel by Deutsche Post/DHL, he led the European Exel division (Freight Forwarding and Contract Logistics). Mr. Pattullo started his career in supply chain management with Proctor & Gamble ("P&G"), where he held various leadership positions including managing European Purchasing and Logistics, leading the P&G supply chain for Asia and, in his last role, running the € 9 billion supply chain for the P&G global Beauty Care business. Mr. Pattullo succeeded Dave Kulik, who now serves as Vice Chairman of the Board of Directors of CEVA Group Plc.

10. ADDITIONAL NOTES

Financial and Operating Guarantees

Total guarantees at June 30, 2007 were € 147 million compared with the position of € 155 million at March 31, 2007. These guarantees were mainly issued in connection with CEVA's operating business obligations under lease contracts, customs duty deferment and local credit lines.

The obligations under the guarantees issued by banks and other financial institutions have been secured by CEVA and by certain of its subsidiaries.

Rent and Operating Lease Contracts

In the first half of 2007, operational lease expenses (including rental) in the consolidated statements of income amounted to € 132.1 million. 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

(in € millions)

June 30, 2007

Rest of year 2007	123.6
Year 2008	122.1
Year 2009	94.0
Year 2010	58.8
Year 2011	46.9
Thereafter	83.8
Total	529.2
Of which guaranteed by a third party/customers	214.0

Contingent Tax Liabilities

As part of the acquisition of the Logistics business of TNT N.V. CEVA acquired companies which had certain tax contingencies relating to periods prior to the acquisition. These tax contingencies are described in more detail in the 2006 financial statements of TNT N.V. Pursuant to the sale and purchase agreement, TNT N.V. has 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 CEVA Group has been unable to measure reliably the fair value of the tax contingencies relating to the tax contingencies described in the TNT N.V. 2006 financial statements and therefore has not recorded the contingent liability (and related receivable from TNT) as required under IFRS 3, Business Combinations.

From 2004, TNT N.V. has been dealing with matters relating to full disclosure of relevant information to the United Kingdom ("UK") tax authorities. The major issue being discussed with the UK tax authorities is whether some of the non-UK subsidiaries might have been resident in the UK prior to the acquisition of TNT Limited in December 1996 and, if so, whether capital gains tax would have been due if the tax residency of these subsidiaries later moved to another European country. TNT N.V. reports in its financial statements that it estimates a range of € 100 to € 250 million to reflect the realistic range of its

total global contingent liabilities. This range represents some 25 to 30% of the non-probability weighted estimated theoretical maximum liability. This range is in respect of taxation which includes matters in addition to those relating to CEVA entities.

Indemnifications from TNT N.V.

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

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 these legal proceedings to have a material effect on our results of operations, liquidity, capital resources or financial position. We believe we have adequately provided for all probable liabilities deriving from the normal course of business.

11. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

Net Cash from Operating Activities: € 54.1 million (2006: € 41.4 million)

In the six months ended June 30, 2007, net cash provided by operating activities was € 54.1 million. Loss before income taxes contributed € (9.4) million or profit of € 98.3 million if adjusted for the non-cash impact of depreciation, amortisation and impairments and interest and similar income and expenses and other non-cash charges.

The increase in operating cash flow relates to working capital of € 35.2 million, mainly related to a decrease in accounts receivable of € 41.3 million which is the result of extra emphasis on working capital and a one-time insurance claim that was received. The effect is partly offset by higher prepayments and accrued income.

The interest paid of € 55.2 million related to external borrowings. In the three months ended June 30, 2007, an amount of € 44.7 million was paid due to the half year interest payment terms of the notes compared to the € 10.5 million paid in the three months ended March 31, 2007.

In the six months ended June 30, 2006, net cash from operating activities was € 41.4 million. Loss before income taxes contributed € (2.1) million or profit of € 70.9 million if adjusted for the non-cash impact of depreciation, amortisation and impairments and interest and similar income and expenses and other non-cash charges.

The net cash generated by operating activities, € 41.4 million, principally relates to the increased emphasis of the previous shareholder in settling all outstanding inter company balances in preparation of the sale of the Logistics business.

Net Cash Used in Investing Activities: € 13.2 million (2006: € (14.2) million)

In the six months ended June 30, 2007, net cash used in investing activities was € 13.2 million, mainly due to the positive result of the sale of a property that is partly set off by the capital expenditures in property, plant and equipment.

In the six months ended June 30, 2006, net cash used in investing activities was € 14.2 million. The cash outflow mainly relates to acquisition of the remaining shares in our Italian Joint Venture of € 13.0 million in the three months ended March 31, 2006 and capital expenditures on property plant and equipment € 31.8 million in the six months ended June 30, 2006.

Net Cash Used in Financing Activities: € (97.0) million (2006: € (0.3) million)

In the six months ended June 30, 2007, the cash used in financing activities was used for the early repayment of € 50 million of the term loans and the post completion settlement of € 41.2 million with TNT.

In the six months ended June 30, 2006, net cash from financing activities was € (0.3) million. The cash inflow resulted mainly from other net investment changes of € 153.6 million (the net investment held by other TNT companies in TNT's logistics business) and discontinuance of the French logistics business.

Risk factors

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

Forward-looking statements

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

We have based these forward-looking statements on our management’s current view with respect to future events and financial performance. These views reflect the best judgment of our executives but involve a number of risks and uncertainties which could cause actual results to differ materially from those predicted in our forward-looking statements and from past results, performance or achievements. Although we believe that the estimates

and the projections reflected in the forward-looking statements are reasonable, such estimates and projections may prove to be incorrect, and our actual results may differ from those described in our forward-looking statements as a result of the risks, uncertainties and assumptions.

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

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