

CEVA Holdings LLC

Quarter Three 2017



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 (as defined below) 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 Holdings LLC (the “Company”) and its subsidiaries (collectively, the “Group” or “CEVA”) is one of the world’s leading non-asset based supply chain management companies and offers a broad spectrum of services based on market leading Freight Management and Contract Logistics expertise and capabilities, on a stand-alone basis or in combination. CEVA designs, implements and operates complete supply chain solutions for multinational and small and medium sized companies on a national, regional and global level. CEVA operates a non-asset based model across all of its 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. CEVA’s integrated service offerings span the entire supply chain. CEVA’s Freight Management services include international air, ocean and ground freight forwarding, customs brokerage and other value-added services and its Contract Logistics services include inbound logistics, manufacturing support, outbound/distribution logistics and aftermarket/reverse logistics. As of 31 December 2016, CEVA’s combined global network comprised about 1,000 locations, utilizing a total of approximately 8 million square meters of warehousing space in over 160 countries, supported by more than 40,000 employees.

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, industrial and aerospace, consumer and retail, energy and healthcare. CEVA’s knowledge of customers’ supply chain functions and sector expertise allows to develop more cost-effective solutions for them, creates competitive advantages for its customers, and puts CEVA in a strong position to grow its business.

Key Financial Results

The table below shows the Group’s key consolidated financial metrics for the three and nine months ended 30 September 2017 and 2016:

\$ millions	THREE MONTHS ENDED 30 SEPTEMBER		
	2017	2017	2016
	In actual currency	In constant currency	
Revenue	1,782	1,769	1,679
Revenue growth	6.1%	5.4%	(1.2%)
Adjusted EBITDA ¹	85	86	75
Profit/(Loss) for the period	(22)	(20)	(41)
Net capital expenditure	24		17
Cash generated from/(used for) operations	81		13
Free cash flow	9		(50)

\$ millions	NINE MONTHS ENDED 30 SEPTEMBER		
	2017	2017	2016
	In actual currency	In constant currency	
Revenue	5,099	5,187	4,911
Revenue growth	3.8%	5.6%	(6.2%)
Adjusted EBITDA ¹	209	216	194
Profit/(Loss) for the period	(124)	(122)	(72)
Net capital expenditure	72		50
Cash generated from/(used for) operations	93		(43)
Free cash flow	(128)		(242)

¹ Includes the Group’s share of EBITDA from joint ventures, and excludes specific items and non-cash share based compensation costs (“SBC”)

The table below shows the Group’s key other financial metrics as at 30 September 2017, 31 December 2016 and 30 September 2016:

\$ millions	AS AT 30 SEPTEMBER	AS AT 31 DECEMBER	AS AT 30 SEPTEMBER
	2017	2016	2016
Net working capital	(163)	(181)	(25)
Cash and cash equivalents	261	333	238
Net debt	2,149	1,954	2,092
Headroom	526	615	524
Total assets	3,450	3,340	3,466
Total Group equity	(622)	(538)	(410)
Capital employed / LTM revenue ¹	7.6%	8.0%	9.4%
LTM Net capital expenditure ² / LTM Revenue ¹	1.4%	1.1%	1.3%
Net working capital intensity (as % of LTM revenue ¹)	(2.4%)	(2.7%)	(0.4%)

¹ Refers to cumulative revenue over the last twelve months

² Refers to cumulative net capital expenditure over the last twelve months

Operating and Financial Review

Revenue

Revenue increased by 6.1% to US\$1,782 million for the three months ended 30 September 2017 from US\$1,679 million for the three months ended 30 September 2016. On a constant currency basis, the increase is 5.4%. For the nine months ended 30 September 2016, revenue increased by 5.6% in constant currency.

The tables below show the Group's operating segment revenue for the three and nine months ended 30 September 2017 and 2016:

\$ millions	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
	2017	2016	2017	2016
Freight Management	840	760	2,331	2,178
Contract Logistics	942	919	2,768	2,733
Total Revenue	1,782	1,679	5,099	4,911

Revenue in Freight Management increased by 10.5% or US\$80 million to US\$840 million for the three months ended 30 September 2017 compared to US\$760 million for the three months ended 30 September 2016. At constant exchange rates, the Freight Management revenue was US\$834 million for the three months ended 30 September 2017, an increase of 9.7% from US\$760 million for the three months ended 30 September 2016. For the nine months ended 30 September 2017, Freight Management revenue increased by 8.0% in constant currency.

Revenue in Contract Logistics increased by 2.5% or US\$23 million to US\$942 million for the three months ended 30 September 2017 compared to US\$919 million for the three months ended 30 September 2016. On a constant currency basis, revenue increased by 1.7% to US\$935 million for the three months ended 30 September 2017 compared to US\$919 million for the three months ended 30 September 2016. For the nine months ended 30 September 2017, Contract Logistics revenue increased by 3.7% in constant currency.

EBITDA and Adjusted EBITDA

EBITDA before specific items and SBC refers to earnings before interest, tax, depreciation, amortization, specific items and Share Based Compensation ("SBC") ("EBITDA before specific items and SBC"). This is a key financial measure used by management to assess operational performance. It excludes the impact of specific items, such as costs incurred in the realization of our cost containment programs, other significant non-recurring charges or credits, the profits or losses realized on certain non-recurring transactions, impairment of intangible assets and transaction costs related to significant corporate activity. It also excludes SBC which are non-cash accounting charges for share based compensation arrangements.

Adjusted EBITDA ("Adjusted EBITDA") refers to EBITDA before specific items and SBC, and includes the Group's share of the EBITDA before specific items of the Anji-CEVA joint venture.

Neither EBITDA before specific items and SBC nor Adjusted EBITDA is a measurement of performance or liquidity under IFRS and should not be considered as a substitute for profit / (loss) for the year, operating profit, net income or any other performance measures derived in accordance with IFRS or as a substitute for cash flow from operating activities as a measure of CEVA's performance. The presentations of EBITDA before specific items and SBC, and Adjusted EBITDA in this quarterly report may not be comparable to other similarly titled measures of other companies, because not all companies calculate EBITDA before specific items and SBC or Adjusted EBITDA identically.

The table below shows the Group's operating segments EBITDA before specific items and SBC, and it reconciles Adjusted EBITDA to the EBITDA measure shown on the face of the consolidated income statement for the three and nine months ended 30 September 2017 and 2016:

\$ millions	THREE MONTHS ENDED 30 SEPTEMBER		
	2017	2017	2016
	In actual currency	In constant currency	
Freight Management EBITDA before specific items and SBC	26	26	27
Contract Logistics EBITDA before specific items and SBC	43	43	38
Total EBITDA before specific items and SBC	69	69	65
EBITDA from joint ventures	16	17	10
Total Adjusted EBITDA	85	86	75
<i>Total EBITDA before specific items and SBC as a % of revenue</i>	3.9%	3.9%	3.9%
<i>Freight Management EBITDA before specific items and SBC as a % of revenue</i>	3.1%	3.1%	3.6%
<i>Contract Logistics EBITDA before specific items and SBC as a % of revenue</i>	4.6%	4.6%	4.1%

NINE MONTHS ENDED 30 SEPTEMBER

	2017	2017	2016
\$ millions	In actual currency	In constant currency	
Freight Management EBITDA before specific items and SBC	56	58	57
Contract Logistics EBITDA before specific items and SBC	117	120	108
Total EBITDA before specific items and SBC	173	178	165
EBITDA from joint ventures	36	38	29
Total Adjusted EBITDA	209	216	194
<i>Total EBITDA before specific items and SBC as a % of revenue</i>	3.4%	3.4%	3.4%
<i>Freight Management EBITDA before specific items and SBC as a % of revenue</i>	2.4%	2.5%	2.6%
<i>Contract Logistics EBITDA before specific items and SBC as a % of revenue</i>	4.2%	4.2%	4.0%

Adjusted EBITDA increased by 13.3% to US\$85 million in the three months ended 30 September 2017 compared to US\$75 million in the three months ended 30 September 2016. On a constant currency basis, our Adjusted EBITDA was US\$86 million for the three months ended 30 September 2017 (three months ended 30 September 2016: US\$75 million), an increase of 14.7%. For the nine months ended 30 September 2017, adjusted EBITDA increased by 11.3% in constant currency.

Freight Management EBITDA before specific items decreased by 3.7% to US\$26 million in the three months ended 30 September 2017 compared to US\$27 million for the three months ended 30 September 2016. For the nine months ended 30 September 2017, Freight Management EBITDA before specific items increased by 1.8% in constant currency.

Contract Logistics EBITDA before specific items, on a constant currency basis, was US\$43 million for the three months ended 30 September 2017 (three months ended 30 September 2016: US\$38 million), an increase of 13.2%. Overall Contract Logistics EBITDA before specific items was US\$43 million, compared to US\$38 million in the three months ended 30 September 2016. For the nine months ended 30 September 2017, Contract Logistics EBITDA before specific items increased by 11.1% in constant currency.

Specific items and SBC

Specific items and SBC for the three months ended 30 September 2017 are US\$17 million (30 September 2016: US\$17 million) and are mainly driven by restructuring costs incurred in relation to our excellence program; legacy litigation cases and non-cash share based compensation costs (see note 7 for more details).

Net finance income/expense

Net finance expense for the three months ended 30 September 2017 was US\$37 million (expense for the three months ended 30 September 2016: US\$45 million), and was positively impacted by an unrealized foreign exchange gain of US\$10 million for the three months ended 30 September 2017 (three months ended 30 September 2016: unrealized foreign exchange gain of US\$2 million). Interest expenses and other finance charges, were US\$48 million for the third quarter of 2017 (three months ended 30 September 2016: US\$47 million).

Income Tax

The income tax for the three months ended 30 September 2017 was an expense of US\$13 million (expense for the three months ended 30 September 2016: US\$13 million) and is based on the forecast effective tax rate per jurisdiction.

Loss for the period

Our loss for the period was US\$22 million for the three months ended 30 September 2017 (three months ended 30 September 2016: US\$41 million). The main drivers of the difference are the improvement in operating income and the positive impact of unrealized foreign exchange gain.

Net capital expenditure

Our net capital expenditure was US\$24 million for the three months ended 30 September 2017 (three months ended 30 September 2016: US\$17 million), which represented 1.3% of revenue for the three months ended 30 September 2017 (1.0% for the three months ended 30 September 2016).

Net working capital

Our net working capital was US\$(163) million as at 30 September 2017 (31 December 2016: US\$(181) million, 30 September 2016: US\$(25) million).

Cash flow

Cash generated from operations during the three months ended 30 September 2017 amounted to US\$81 million inflow (three months ended 30 September 2016: US\$13 million inflow). Free cash flow for the three months ended 30 September 2017 was US\$9 million (three months ended 30 September 2016: US\$(50) million). For the nine months ended 30 September 2017, free cash flow was US\$(128) million (nine months ended 30 September 2016: US\$(242) million), an improvement of US\$114 million.

Cash and cash equivalents

As at 30 September 2017 the Group had US\$261 million (30 September 2016: US\$238 million) of cash and cash equivalents on its balance sheet. The decrease in the period reflects normal seasonal outflows. With undrawn central facilities of US\$265 million available at 30 September 2017 (30 September 2016: US\$286 million), we therefore had headroom of US\$526 million at 30 September 2017 (30 September 2016: US\$524 million).

Net debt

Net debt, defined as total principal debt less cash and cash equivalents, was US\$2,149 million as at 30 September 2017 (31 December 2016: US\$1,954 million and 30 September 2016: US\$2,092 million).

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 2016 annual financial statements of CEVA Holdings LLC.

CEVA Holdings LLC – Unaudited Condensed Consolidated Three Months Income Statement

\$ millions	Note	THREE MONTHS ENDED 30 SEPTEMBER			THREE MONTHS ENDED 30 SEPTEMBER		
		2017		2016			
		Before specific items and SBC	Specific items and SBC ¹	Total	Before specific items and SBC	Specific items and SBC ¹	Total
Revenue	6	1,782	-	1,782	1,679	-	1,679
Work contracted out		(901)	-	(901)	(809)	-	(809)
Personnel expenses		(526)	(6)	(532)	(512)	(13)	(525)
Other operating expenses		(286)	(11)	(297)	(293)	(4)	(297)
Operating expenses excluding depreciation, amortization and impairment		(1,713)	(17)	(1,730)	(1,614)	(17)	(1,631)
EBITDA	6	69	(17)	52	65	(17)	48
Depreciation		(15)	-	(15)	(14)	-	(14)
Amortization and impairment		(15)	-	(15)	(20)	-	(20)
Operating income		39	(17)	22	31	(17)	14
Finance income		1	-	1	-	-	-
Finance expense		(48)	-	(48)	(47)	-	(47)
Foreign exchange gain/(loss)		10	-	10	2	-	2
Net finance income / (expense)		(37)	-	(37)	(45)	-	(45)
Net result from joint ventures ²		6	-	6	3	-	3
Profit/(Loss) before income taxes		8	(17)	(9)	(11)	(17)	(28)
Income tax income/(expense)	8	(13)	-	(13)	(13)	-	(13)
Profit/(Loss) for the period		(5)	(17)	(22)	(24)	(17)	(41)
Attributable to:							
Non-controlling interests				-			-
Equity holders of the Company				(22)			(41)

¹ Refer to note 7 for details on specific items and non-cash share based compensation costs (SBC)

² Refer to note 10 for details on disposal of asset

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statements.

CEVA Holdings LLC – Unaudited Condensed Consolidated Nine Months Income Statement

\$ millions	Note	NINE MONTHS ENDED 30 SEPTEMBER 2017			NINE MONTHS ENDED 30 SEPTEMBER 2016		
		Before specific items and SBC	Specific items and SBC ¹	Total	Before specific items and SBC	Specific items and SBC ¹	Total
Revenue	6	5,099	-	5,099	4,911	-	4,911
Work contracted out		(2,528)	-	(2,528)	(2,318)	-	(2,318)
Personnel expenses		(1,546)	(22)	(1,568)	(1,563)	(17)	(1,580)
Other operating expenses		(852)	(9)	(861)	(865)	(22)	(887)
Operating expenses excluding depreciation, amortization and impairment		(4,926)	(31)	(4,957)	(4,746)	(39)	(4,785)
EBITDA	6	173	(31)	142	165	(39)	126
Depreciation		(40)	-	(40)	(41)	-	(41)
Amortization and impairment		(43)	-	(43)	(72)	-	(72)
Operating income		90	(31)	59	52	(39)	13
Finance income		4	-	4	2	-	2
Finance expense		(152)	(12)	(164)	(147)	-	(147)
Foreign exchange gain/(loss)		(10)	-	(10)	25	-	25
Net finance income / (expense)		(158)	(12)	(170)	(120)	-	(120)
Net result from joint ventures ²		15	-	15	11	-	11
Profit/(Loss) before income taxes		(53)	(43)	(96)	(57)	(39)	(96)
Income tax income/(expense)	8	(28)	-	(28)	24	-	24
Profit/(Loss) for the period		(81)	(43)	(124)	(33)	(39)	(72)
Attributable to:							
Non-controlling interests				-			1
Equity holders of the Company				(124)			(73)

¹ Refer to note 7 for details on specific items and non-cash share based compensation costs (SBC)

² Refer to note 10 for details on disposal of asset

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statements.

CEVA Holdings LLC – Unaudited Condensed Consolidated Statement of Comprehensive Income

\$ millions	THREE MONTHS ENDED 30 SEPTEMBER			THREE MONTHS ENDED 30 SEPTEMBER		
	2017			2016		
	Before specific items and SBC	Specific items and SBC ¹	Total	Before specific items and SBC	Specific items and SBC ¹	Total
Profit/(Loss) for the period	(5)	(17)	(22)	(24)	(17)	(41)
Items that will not be reclassified to Profit and Loss:						
Remeasurements of retirement benefit obligations	-	-	-	-	-	-
Items that may be reclassified subsequently to Profit and Loss:						
Currency translation adjustment	3	-	3	2	-	2
Total comprehensive income/(loss) for the period, net of income tax	(2)	(17)	(19)	(22)	(17)	(39)
Attributable to:						
Non-controlling interests			-			-
Equity holders of the Company			(19)			(39)
Total comprehensive profit/(loss) for the period			(19)			(39)
\$ millions	NINE MONTHS ENDED 30 SEPTEMBER			NINE MONTHS ENDED 30 SEPTEMBER		
	2017			2016		
	Before specific items and SBC	Specific items and SBC ¹	Total	Before specific items and SBC	Specific items and SBC ¹	Total
Profit/(Loss) for the period	(81)	(43)	(124)	(33)	(39)	(72)
Items that will not be reclassified to Profit and Loss:						
Remeasurements of retirement benefit obligations	-	-	-	-	-	-
Items that may be reclassified subsequently to Profit and Loss:						
Currency translation adjustment	33	-	33	(18)	-	(18)
Total comprehensive income/(loss) for the period, net of income tax	(48)	(43)	(91)	(51)	(39)	(90)
Attributable to:						
Non-controlling interests			-			1
Equity holders of the Company			(91)			(91)
Total comprehensive profit/(loss) for the period			(91)			(90)

¹ Refer to note 7 for details on specific items and non-cash share based compensation costs (SBC)

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statements.

CEVA Holdings LLC – Unaudited Condensed Consolidated Balance Sheet

\$ millions	Note	AS AT 30 SEPTEMBER	AS AT 31 DECEMBER
		2017	2016
ASSETS			
Non-current assets			
Intangible assets		1,455	1,406
Property, plant and equipment		168	140
Investments in joint ventures	10	98	80
Deferred income tax assets		87	105
Prepayments		43	38
Other non-current assets		26	16
Total non-current assets		1,877	1,785
Current assets			
Inventory		17	14
Trade and other receivables		1,061	1,019
Prepayments		75	52
Accrued income		142	127
Income tax receivable		17	10
Cash and cash equivalents		261	333
Total current assets		1,573	1,555
TOTAL ASSETS		3,450	3,340
EQUITY			
Capital and reserves attributable to equity holders			
Preferred stock, Common stock and Additional paid in capital		1,443	1,443
Other reserves		856	816
Accumulated deficit		(2,924)	(2,800)
Attributable to equity holders of the Company		(625)	(541)
Non-controlling interests		3	3
Total Group equity		(622)	(538)
LIABILITIES			
Non-current liabilities			
Borrowings	9	2,182	2,138
Deferred income tax liabilities		9	15
Retirement benefit obligations		111	102
Provisions		62	64
Other non-current liabilities		49	43
Total non-current liabilities		2,413	2,362
Current liabilities			
Borrowings	9	184	113
Provisions		70	76
Trade and other payables		1,391	1,314
Income tax payable		14	13
Total current liabilities		1,659	1,516
TOTAL EQUITY AND LIABILITIES		3,450	3,340

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statements.

CEVA Holdings LLC – Unaudited Condensed Consolidated Statement of Cash Flows

\$ millions	Note	THREE MONTHS ENDED	THREE MONTHS ENDED	NINE MONTHS ENDED	NINE MONTHS ENDED
		30 SEPTEMBER	30 SEPTEMBER	30 SEPTEMBER	30 SEPTEMBER
		2017	2016	2017	2016
Profit/(Loss) before income taxes		(9)	(28)	(96)	(96)
Adjustments for:					
Depreciation, amortization and impairment		30	34	83	113
Finance income		(1)	-	(4)	(2)
Gain on disposal of property, plant and equipment		(1)	-	(1)	(11)
Foreign exchange (gains) and losses		(10)	(2)	10	(25)
Finance expense		48	47	164	147
Share of profit from equity accounted joint venture		(6)	(3)	(15)	(11)
Share based compensation costs		2	6	7	6
Changes in provisions:					
Retirement benefit obligations		(1)	-	(2)	(3)
Long-term Provisions		3	1	(1)	(2)
Changes in working capital:					
Inventory		-	(1)	(2)	(2)
Trade and other receivables		21	(43)	(8)	(105)
Prepayments and accrued income		11	(2)	(18)	(50)
Trade and other payables		(17)	(5)	(27)	(7)
Changes in non-current prepayments		(1)	5	(4)	4
Changes in non-current assets and liabilities		12	4	7	1
Cash generated (used for) / from operations		81	13	93	(43)
Interest cost paid		(29)	(32)	(100)	(102)
Other financing cost paid		(9)	(8)	(24)	(24)
Net income taxes paid		(10)	(7)	(27)	(28)
Net cash (used for) / from operating activities		33	(34)	(58)	(197)
Capital expenditure		(24)	(17)	(75)	(50)
Proceeds from sale of property, plant and equipment		-	-	3	34
Dividends received		-	-	-	15
Interest received		-	1	5	5
Net cash (used for) / from investing activities		(24)	(16)	(67)	4
Repayment of borrowings	9	(147)	(45)	(245)	(86)
Proceeds from non-current borrowings	9	17	33	36	156
Proceeds from current borrowings	9	151	37	263	65
Net cash (used for) / from financing activities		21	25	54	135
Change in cash and cash equivalents		30	(25)	(71)	(58)
Cash and cash equivalents at beginning of period		234	264	333	309
Foreign exchange impact on cash and cash equivalents		(3)	(1)	(1)	(13)
Cash and cash equivalents at end of period		261	238	261	238

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statements.

CEVA Holdings LLC – Unaudited Condensed Consolidated Statement of Changes in Equity

\$ millions	Preferred stock, common stock and Additional paid in capital	Other reserves	Accumulated deficit	Attributable to equity holders of the Company	Non- controlling interest	Total Group equity
Balance at 1 January 2016	1,443	870	(2,641)	(328)	2	(326)
Currency translation adjustment	-	(22)	4	(18)	-	(18)
Share based payment reserve	-	6	-	6	-	6
Loss attributable to equity holders for the period	-	-	(73)	(73)	-	(73)
Profit attributable to non-controlling interest	-	-	-	-	1	1
Balance at 30 September 2016	1,443	854	(2,710)	(413)	3	(410)
Balance at 1 January 2017	1,443	816	(2,800)	(541)	3	(538)
Currency translation adjustment	-	33	-	33	-	33
Share based compensation reserve	-	7	-	7	-	7
Loss attributable to equity holders for the period	-	-	(124)	(124)	-	(124)
Balance at 30 September 2017	1,443	856	(2,924)	(625)	3	(622)

The accompanying notes are an integral part of the unaudited condensed consolidated interim financial statements.

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

1. General Information

CEVA Holdings LLC (the “Company”) and its subsidiaries (collectively, the “Group” or “CEVA”) design, implement and operate complete end-to-end Freight Management and Contract Logistics solutions for multinational and small and medium sized companies on a local, regional and global level.

CEVA Holdings LLC was incorporated on 28 March 2013 in the Republic of the Marshall Islands. The address of its registered office is c/o The Trust Company of the Marshall Islands, Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960, Marshall Islands.

CEVA Holdings LLC is the immediate parent of CEVA Group Plc, a company incorporated on 9 August 2006 in England and Wales as a UK public company with limited liability. Pursuant to the LLC Agreement, Apollo Global Management LLC (“Apollo”) and its affiliates hold a majority of the voting power of the Company and have the right to elect a majority of the respective boards of the Company and CEVA Group Plc. Certain major corporate actions by the Company’s Board require approval of a majority of the Managers not designated by Apollo.

These unaudited condensed consolidated interim financial statements were approved and authorized for issue by the Board of Managers on 14 November 2017.

2. Basis of Preparation

The unaudited condensed consolidated interim financial information for the nine months ended 30 September 2017 has been prepared on a going concern basis and in accordance with IAS 34, ‘Interim financial reporting’. The unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements of CEVA Holdings LLC for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with IFRIC interpretations.

3. Accounting Policies

The accounting policies applied are consistent with those applied in the consolidated financial statements of CEVA Holdings LLC as at and for the year ended 31 December 2016, and as described in those consolidated financial statements which can be found at www.cevalogistics.com, except as described above.

New and amended standards adopted by the Group

There were no new standards and amendments that the Group needed to adopt for the first time for the financial year beginning on 1 January 2017.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these unaudited condensed consolidated interim financial statements:

- IFRS 2, “Share Based Payments” – Clarifies the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The new standard, subject to EU endorsement, requires application for annual periods beginning on or after 1 January 2018;
- IFRS 9, “Financial Instruments” – Addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010, and further amended in July 2014. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ‘hedged ratio’ to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. IFRS 9 also introduces a single impairment model and removes the need for a triggering event to be necessary for recognition of impairment losses. The new standard requires application for annual periods beginning on or after 1 January 2018. The Group is assessing the impact of the standard;
- IFRS 15, “Revenue from Contracts with Customers” – The new standard will be effective for annual periods beginning on or after 1 January 2018 with retrospective application. This new standard on revenue recognition supersedes IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Group is assessing the impact of the standard;
- IFRS 16, “Leases” – The new standard addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising

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from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees such as CEVA. The standard replaces IAS 17 “Leases”, and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to EU endorsement and the entity adopting IFRS 15 “Revenue from contracts with customers” at the same time. The Group is currently assessing the impact of IFRS 16;

- IAS 7, “Statement of Cash flows” – The amendments clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. They are effective for annual periods beginning on or after 1 January 2017, with earlier application being permitted, subject to EU endorsement;
- IAS 12, “Income Taxes” – The amendments to IAS 12 clarify the treatment for the recognition of deferred tax assets for unrealized losses. They are effective for annual periods beginning on or after 1 January 2017, with earlier application being permitted, subject to EU endorsement;
- IFRIC 22, “Foreign Currency Transactions and Advance Consideration” - This interpretation addresses foreign currency transactions: the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The new interpretation, subject to EU endorsement, requires application for annual periods beginning on or after 1 January 2018. The Group is assessing the impact of the impact of IFRIC 22;
- IFRIC 23, "Uncertainty over income tax treatments" - This interpretation clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. It explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. The amendment is effective for annual periods beginning on or after 1 January 2019.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

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 (being impairment of goodwill, income taxes, retirement benefits and provisions and contingent liabilities) as those that applied to the consolidated financial statements of CEVA Holdings LLC as at, and for, the year ended 31 December 2016.

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 2016.

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 US dollar, the Group's reporting currency. The main exchange rates are shown below:

	2017			2016		
	September closing	Three Month Average	Nine Month Average	September closing	Three Month Average	Nine Month Average
British pound	0.7465	0.7643	0.7838	0.7709	0.7616	0.7190
Euro	0.8466	0.8514	0.9000	0.8901	0.8960	0.8959
Chinese yuan	6.6533	6.6728	6.8087	6.6781	6.6668	6.5785

As a result of our global operations, our business, results of operations and financial condition may be materially adversely affected by fluctuations in currency exchange rates. For example, we are subject to currency risks because our revenues may be generated in different currencies from the currencies in which our related costs are incurred, and because our cash flow may be generated in currencies that do not match our debt service obligations. In addition, our reporting currency is the U.S. dollar, and therefore our reporting results are subject to translational risks relating to currency exchange rate fluctuations. Given the volatility of exchange rates, our failure to effectively hedge or otherwise manage such currency risks effectively may materially adversely affect our financial condition and results of operations.

6. Segment Information

The Group's operating and reporting segments are its Freight Management and Contract Logistics businesses which are the main focus of

the Group's chief operating decision maker ("CODM"), the Executive Board of the Group (the "Executive Board"). This is the primary way in which the CODM is provided with financial information. The Group's internal organization and management structure is also aligned to the two businesses. All reporting to the CODM analyses performance by Freight Management and Contract Logistics business activity, and resources are allocated on this basis. Disclosure has been included in the segment note to reflect these operating segments. As additional information the Group has also provided geographical information on its results.

The Executive Board considers the operations from a business perspective. In addition, information from a geographical perspective has also been presented, which reflects the cluster basis on which the Company administers the operations of its business.

Operating segments

- Freight Management, which includes the provision of international air, ocean, ground, customs brokerage, deferred air and pickup and delivery, and other value-added services; and
- Contract Logistics, which includes the provision of inbound logistics, manufacturing support, outbound/distribution logistics and aftermarket logistics.

Additional geographical information

The Group is operating on a worldwide basis in the following geographical areas:

- Americas – comprising North America; Central America; and South America clusters;
- Asia Pacific – comprising South East Asia; Mekong; India sub-continent; Australia and New Zealand; Greater China; and North Asia clusters;
- Europe – comprising UK, Ireland and Nordics; Benelux; France; Germany; Central and Eastern Europe; Italy; Iberia; and BAMECA (includes the Balkans, the Middle East and Africa) clusters.

The Executive Board assesses the performance of the operating segments (including joint ventures) based on EBITDA before specific items and SBC. 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.

Operating segments

The segment results for the three months ended 30 September 2017 and 30 September 2016 are as follows:

\$ millions	THREE MONTHS ENDED 30 SEPTEMBER		
	Freight Management	Contract Logistics	2017 Total
Total segment revenue	840	942	1,782
Inter-segment revenue	-	-	-
Revenue from external customers	840	942	1,782
EBITDA before specific items and SBC	26	43	69
Specific items and SBC			(17)
EBITDA			52
Depreciation, amortization and impairment			(30)
Operating income			22
Net finance income / (expense)			(37)
Net result from joint ventures ¹			6
Profit/(Loss) before income taxes			(9)
<i>EBITDA before specific items and SBC, as a % of revenue</i>	3.1%	4.6%	3.9%

¹ Refer to note 10 for details on disposal of asset

THREE MONTHS ENDED 30 SEPTEMBER			
\$ millions	2016		
	Freight Management	Contract Logistics	Total
Total segment revenue	760	920	1,680
Inter-segment revenue	-	(1)	(1)
Revenue from external customers	760	919	1,679
EBITDA before specific items and SBC	27	38	65
Specific items and SBC			(17)
EBITDA			48
Depreciation, amortization and impairment			(34)
Operating income			14
Net finance income / (expense)			(45)
Net result from joint ventures			3
Profit/(Loss) before income taxes			(28)
<i>EBITDA before specific items and SBC, as a % of revenue</i>	<i>3.6%</i>	<i>4.1%</i>	<i>3.9%</i>

The segment results for the nine months ended 30 September 2017 and 30 September 2016 are as follows:

NINE MONTHS ENDED 30 SEPTEMBER			
\$ millions	2017		
	Freight Management	Contract Logistics	Total
Total segment revenue	2,331	2,770	5,101
Inter-segment revenue	-	(2)	(2)
Revenue from external customers	2,331	2,768	5,099
EBITDA before specific items and SBC	56	117	173
Specific items and SBC			(31)
EBITDA			142
Depreciation, amortization and impairment			(83)
Operating income			59
Net finance income / (expense)			(170)
Net result from joint ventures ¹			15
Profit/(Loss) before income taxes			(96)
<i>EBITDA before specific items and SBC, as a % of revenue</i>	<i>2.4%</i>	<i>4.2%</i>	<i>3.4%</i>

¹ Refer to note 10 for details on disposal of asset

NINE MONTHS ENDED 30 SEPTEMBER			
\$ millions	2016		
	Freight Management	Contract Logistics	Total
Total segment revenue	2,178	2,735	4,913
Inter-segment revenue	-	(2)	(2)
Revenue from external customers	2,178	2,733	4,911
EBITDA before specific items and SBC	57	108	165
Specific items and SBC			(39)
EBITDA			126
Depreciation, amortization and impairment			(113)
Operating income			13
Net finance income / (expense)			(120)
Net result from joint ventures			11
Profit/(Loss) before income taxes			(96)
<i>EBITDA before specific items and SBC, as a % of revenue</i>	<i>2.6%</i>	<i>4.0%</i>	<i>3.4%</i>

Geographical information

The geographical results for the three months ended 30 September 2017 and 30 September 2016 are as follows:

\$ millions	THREE MONTHS ENDED 30 SEPTEMBER			
	Americas	Asia Pacific	Europe	2017 Total
Total segment revenue	584	477	719	1,780
Inter-segment revenue	-	-	2	2
Revenue from external customers	584	477	721	1,782
EBITDA before specific items and SBC	18	25	26	69
Specific items and SBC				(17)
EBITDA				52
Depreciation, amortization and impairment				(30)
Operating income				22
Net finance income / (expense)				(37)
Net result from joint ventures ¹				6
Profit/(Loss) before income taxes				(9)

¹ Refer to note 10 for details on disposal of asset

\$ millions	THREE MONTHS ENDED 30 SEPTEMBER			
	Americas	Asia Pacific	Europe	2016 Total
Total segment revenue	586	418	677	1,681
Inter-segment revenue	-	(1)	(1)	(2)
Revenue from external customers	586	417	676	1,679
EBITDA before specific items and SBC	12	24	29	65
Specific items and SBC				(17)
EBITDA				48
Depreciation, amortization and impairment				(34)
Operating income				14
Net finance income / (expense)				(45)
Net result from joint ventures				3
Profit/(Loss) before income taxes				(28)

The geographical results for the nine months ended 30 September 2017 and 30 September 2016 are as follows:

\$ millions	NINE MONTHS ENDED 30 SEPTEMBER			
	Americas	Asia Pacific	Europe	2017 Total
Total segment revenue	1,716	1,325	2,058	5,099
Inter-segment revenue	(1)	-	1	-
Revenue from external customers	1,715	1,325	2,059	5,099
EBITDA before specific items and SBC	39	59	75	173
Specific items and SBC				(31)
EBITDA				142
Depreciation, amortization and impairment				(83)
Operating income				59
Net finance income / (expense)				(170)
Net result from joint ventures ¹				15
Profit/(Loss) before income taxes				(96)

¹ Refer to note 10 for details on disposal of asset

\$ millions	NINE MONTHS ENDED 30 SEPTEMBER			2016
	Americas	Asia Pacific	Europe	Total
Total segment revenue	1,704	1,169	2,041	4,914
Inter-segment revenue	(1)	(1)	(1)	(3)
Revenue from external customers	1,703	1,168	2,040	4,911
EBITDA before specific items and SBC	25	63	77	165
Specific items and SBC				(39)
EBITDA				126
Depreciation, amortization and impairment				(113)
Operating income				13
Net finance income / (expense)				(120)
Net result from joint ventures				11
Profit/(Loss) before income taxes				(96)

7. Specific Items and SBC

\$ millions	THREE MONTHS ENDED	THREE MONTHS ENDED	NINE MONTHS ENDED	NINE MONTHS ENDED
	30 SEPTEMBER	30 SEPTEMBER	30 SEPTEMBER	30 SEPTEMBER
	2017	2016	2017	2016
Personnel expenses	6	13	22	17
Other operating expenses	11	4	9	22
Items affecting EBITDA	17	17	31	39
Finance expenses	-	-	12	-
Total (income)/expense before income taxes	17	17	43	39

The following table provides a detailed split on the specific items and SBC:

\$ millions	THREE MONTHS ENDED	THREE MONTHS ENDED	NINE MONTHS ENDED	NINE MONTHS ENDED
	30 SEPTEMBER	30 SEPTEMBER	30 SEPTEMBER	30 SEPTEMBER
	2017	2016	2017	2016
Restructuring and transformation	7	7	22	14
Litigation and legacy tax	5	4	(2)	8
Share based compensation	2	7	7	8
Advisor cost	2	-	2	8
Other	1	(1)	14	1
Total (income)/expense before income taxes	17	17	43	39
<i>of which items affecting EBITDA</i>	17	<i>17</i>	31	<i>39</i>

Restructuring and transformation

For the three months ended 30 September 2017, restructuring and transformation costs arose predominantly in the North America, Benelux, Italy and UKIN clusters as part of the ongoing cost reduction initiatives. For the three months ended 30 September 2016, severance and other costs were incurred in several clusters.

Litigation and legacy tax

For the three months ended 30 September 2017, litigation and legacy tax costs are mainly related to a legacy tax settlement in the South American cluster. For the three months ended 30 September 2016, litigation and legacy tax charges related to increases in provisions for compensation in certain litigation and external advice. For the nine months ended 30 September 2017 litigation and legacy tax also includes the receipt of a settlement payment related to an anti-trust claim.

Share based compensation

Non-cash share based compensation costs are recognized in a similar manner as specific items. These primarily relate to the issuance of shares in Holdings and grant of equity awards to certain members of management under the Holdings 2013 Long-Term Incentive Plan in July 2016. These costs are included within personnel expenses.

Advisor cost

Advisor cost for 2017 and prior year relate to fees paid for external advice for strategic projects.

Other

For the nine months ended 30 September 2017, US\$12 million expenses were booked as specific items relating to the write off the debt issuance costs and the exchange of the 4% First Lien Senior Secured Notes due 2018.

8. Income Tax

Income tax expense for the period is based on an estimated average annual effective income tax rate per jurisdiction. For the first nine months the effective tax rate is (29.2%) (nine months ended 30 September 2016: 25.0%) and is based on an entity by entity calculation of their forecasted effective tax rates. The difference between the expected tax rate (the Group's overall expected tax rate is calculated as the weighted average tax rate based on earnings before tax of each subsidiary and can change on a yearly basis) and the effective tax rate is mainly due to uncertainty regarding the future utilization of losses or temporary differences, for which no deferred tax asset has been recognized.

9. Borrowings

As at 30 September 2017, the carrying amounts and fair value of borrowings were as follows:

\$ millions	30 SEPTEMBER				31 DECEMBER			
	2017				2016			
	Carrying value	Level 1 fair value	Level 2 fair value	Total fair value	Carrying value	Level 1 fair value	Level 2 fair value	Total fair value
Non-current								
Bank borrowings	1,161	-	1,150	1,150	1,097	-	963	963
Loan notes	997	991	-	991	1,020	842	-	842
Finance leases	24	-	24	24	21	-	21	21
Total non-current borrowings	2,182	991	1,174	2,165	2,138	842	984	1,826
Current								
Bank overdrafts	127	-	127	127	96	-	96	96
Loan notes	39	39	-	39	-	-	-	-
Bank borrowings	14	-	14	14	13	-	13	13
Finance leases	4	-	4	4	4	-	4	4
Total current borrowings	184	39	145	184	113	-	113	113
Total borrowings	2,366	1,030	1,319	2,349	2,251	842	1,097	1,939
Unamortized debt issuance costs	44				36			
Total principal debt	2,410				2,287			

The fair value of the loan notes has been presented using the available market price (Level 1) at the balance sheet date. The bank borrowings' fair value has been presented using a valuation technique based on prices of recent over-the-counter transactions for these borrowings (Level 2). The average floating interest rate for the three months ended 30 September 2017 was 3.5% (three months ended 30 September 2016: 3.8%) and 6.2% (three months ended 30 September 2016: 5.8%) for Euro and for US dollar denominated loans respectively.

March 2014 Refinancing

On 19 March 2014 the Company announced that it had successfully completed a series of debt refinancing transactions (the "March 2014 Refinancing"). Through these transactions, CEVA further increased capital available to fund growth initiatives and established a long-term capital structure with a weighted average period to maturity of 6.3 years. As at 30 September 2017 the weighted average period to maturity was 3.1 years.

April 2017 Exchange offer

On 7 April 2017, CEVA successfully completed an exchange offer for the 4% First Lien Senior Secured Notes due 2018, where \$351 million of the notes were exchanged for CEVA's new 9.00% First Lien Senior Secured Notes due 2020 (the "New 9% Notes"). In addition, CEVA entered into agreements with certain holders to exchange US\$16 million of 12.75% Senior Notes for New 9% Notes. The New 9% Notes will pay 6% cash and 3% PIK (payment-in-kind) interest per annum. As of 30 September 2017, approximately US\$39 million principal amount of 4% First Lien Senior Secured Notes remains outstanding and at the same date approximately US\$27 million principal amount of the 12.75% Senior Notes remains outstanding.

European Securitization

On 7 April 2017, CEVA entered into an agreement with its banks to extend the maturity of the European Securitization Facility (the "facility") from March 2018 to March 2020. CEVA also agreed an increase to the facility limit by €80 million to €250 million subject to the addition of receivables into the program. The interest rate on this facility remained unchanged. As at 30 September 2017, the outstanding drawn amount was US\$168 million.

Australian Receivables Facility

In May 2017, certain of the Company's Australian subsidiaries of the Group agreed an increase of CEVA's A\$40 million receivables purchase facility to A\$47.5 million. As at 30 September 2017, the outstanding drawn amount was US\$36 million (A\$46 million).

Covenants

At the end of the quarter, if the outstanding amount under our US\$250 million revolving credit facility exceeds 30% of the total facility, our senior secured credit facilities require us to maintain a maximum ratio of secured first lien net debt to covenant EBITDA of 5.35 to 1.0, calculated for the trailing four quarters (as determined under our senior secured credit facility agreement). As at 30 September 2017 there was no debt outstanding under this facility.

The Group is in compliance with the covenants set forth in the documents governing its existing borrowings and believes that it has sufficient liquidity to service its operating activities and continued growth ambitions for the foreseeable future.

10. Joint ventures

The Group has an investment totaling US\$98 million as at 30 September 2017 (31 December 2016: US\$80 million), being a 50% interest in ANJI-CEVA Logistics Co. Ltd ("Anji-CEVA") with its registered address at No. 258 Miqian Road, Anting Town, Jiading District, Shanghai City, P.R. of China. Anji-CEVA principally engages in transportation, domestic freight agency and warehouse services, management service, technical consulting and training relating to automotive. For the three months ended 30 September 2017, CEVA's share in Anji-CEVA's net result was US\$6 million (three months ended 30 September 2016: US\$3 million).

On 29 March 2017, CEVA signed definitive agreements to renew its joint venture partnership ("Anji-CEVA") with Anji Automotive Logistics Co. Ltd. The agreements extend the joint venture partnership for a further fifteen years and expand Anji-CEVA's business scope to include non-automotive contract logistics services in China, including Hong Kong. As part of this renewal, two CEVA entities were sold to Anji-CEVA on 20 June 2017, and one on 10 July 2017.

In July 2017, the disposal of the Chongqing Baishiye Warehouse was approved by the board of directors of Anji-CEVA, resulting in a gain of \$6 million (CEVA's share).

The consolidated balance sheet of Anji-CEVA as at 30 September 2017, 31 December 2016 and 30 September 2016 is as follows:

	AS AT 30 SEPTEMBER 2017	AS AT 31 DECEMBER 2016	AS AT 30 SEPTEMBER 2016
\$ millions			
Current			
Cash and cash equivalents	181	128	155
Other current assets	505	324	370
Total current assets	686	452	525
Financial liabilities	(3)	(1)	(1)
Other current liabilities	(643)	(443)	(479)
Total current liabilities	(646)	(444)	(480)
Non-current			
Assets	153	143	124
Total non-current assets	153	143	124
Other liabilities	-	(2)	(2)
Total non-current liabilities	-	(2)	(2)
NET ASSETS	193	149	167

The consolidated income statement of Anji-CEVA for the three and nine months ended 30 September 2017 and 2016 is as follows:

\$ millions	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
	2017	2016	2017	2016
Revenue	343	249	882	730
Operating expenses excluding depreciation, amortization and impairment	(310)	(228)	(809)	(672)
EBITDA	33	21	73	58
Depreciation	(7)	(5)	(16)	(16)
Operating income	26	16	57	42
Finance income (including foreign exchange movements)	-	-	-	1
Net finance income/(expense) (including foreign exchange movements)	-	-	-	1
Profit/(Loss) before income taxes	26	16	57	43
Income tax (expense) / Income	(12)	(8)	(20)	(15)
Profit/(Loss) for the period	14	8	37	28
Attributable to:				
Non-controlling interests	2	2	6	6
Equity holders of the Company	12	6	31	22

The reconciliation from the net asset value to the carrying value of the joint ventures for the period ending 30 September 2017 and 2016 is as follows:

\$ millions	2017	2016
Opening net assets - 1 January	149	184
Allocated to non-controlling interest	(35)	(38)
Adjusted opening net assets - 1 January	114	146
Profit for the period	37	28
Non-controlling interest	(6)	(6)
Dividend paid by joint ventures	-	(32)
Foreign exchange impact	1	3
Closing net assets - 30 September	146	139
Interest in joint ventures at 50%	73	69
Goodwill in joint ventures	25	26
Carrying value 30 September	98	96

The Company had no contingent liabilities towards the joint venture as at 30 September 2017 (31 December 2016: nil). There are no significant restrictions on the ability of joint ventures to transfer funds to the Company in the form of cash dividends, or to repay loans or advances made by the Company.

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 rates.

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

During the three months ended 30 September 2017, US\$86 million was recognized as an expense in the income statement in respect of operating lease rentals (three months ended 30 September 2016: US\$85 million).

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

\$ millions	AS AT 30 SEPTEMBER	AS AT 31 DECEMBER
	2017	2016
Less than 1 year	325	307
1-5 years	664	582
Thereafter	164	182
Total	1,153	1,071
Of which guaranteed by third party / customers	119	83

Of the future lease payments, US\$734 million (31 December 2016: US\$702 million) relates to commitments in relation to multi-user/shared facilities, while the remainder of US\$419 million (31 December 2016: US\$369 million) is dedicated to specific customers/facilities.

Guarantees

In the normal course of our business, we provide bank guarantees or letters of credit to various customs authorities, landlords, suppliers and insurance underwriters. The principal sources of the bank guarantees or letters of credit are CEVA's \$275 million synthetic letter of credit facility or the \$250 million revolving credit facility.

As at 30 September 2017, \$269 million (2016: \$264 million) of letters of credit and guarantees were issued, but undrawn, under the synthetic letter of credit facility of US\$275 million. At the same date, no letters of credit were issued under the \$250 million revolving credit facility (30 Sep 2016: nil).

The committed Senior Secured Facilities are secured by substantially all of the assets of CEVA Group Plc and the assets of its restricted subsidiaries excluding certain trade accounts receivables that are transferred to special purpose entities formed in connection with the US ABL Facility, the European Securitization Facility and the Australian Receivables Facility.

As at 30 September 2017, the Group has issued guarantees on behalf of its subsidiaries in the ordinary course of business in connection with lease agreements, customs duty deferment and local credit lines amounting to \$314 million (2016: \$319 million), of which \$269 million (2016: \$264 million) was issued but undrawn under CEVA's 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

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

Independent Contractor-Related Proceedings

The classification of drivers as independent contractors, which CEVA believes to be a common practice in its industry in the U.S., is challenged from time to time by federal and state governmental and regulatory authorities, including tax authorities, as well as by individual drivers who seek to have drivers reclassified as employees. CEVA was a party to a lawsuit styled *Mohit Narayan, et al. v. EGL, Inc. and CEVA Freight, LLC*, in which the plaintiffs filed a putative class action, seeking a declaratory judgment, restitution, damages and other relief. The case was filed in the Northern District of California. In September 2012, the district court in California denied the plaintiffs' request to certify the lawsuit as a class action. The plaintiffs asked the Ninth Circuit Court of Appeals to review that ruling, but the court denied that request. That means individual members of the former putative class must pursue their own individual claims, which some are doing. In addition, in October 2009, the California Employment Development Department ("EDD"), based on a worker classification audit, determined that certain individuals should be reclassified as employees for purposes of state unemployment tax, employment training tax, disability insurance contributions, and personal income tax, and the EDD issued a tax assessment. CEVA has petitioned the EDD to review its assessment, with a potential for abating a majority of the assessed taxes.

While CEVA cannot provide assurances with respect to the outcome of these cases and it is possible that CEVA could incur a material loss in connection with any of these matters, CEVA intends to vigorously defend itself in these proceedings. In connection with this, the Company has accounted for a provision in its accounts.

CIL Related Proceedings

CIL Limited (formerly CEVA Investments Limited), the former parent of CEVA Group Plc, is involved in a consensually filed liquidation proceeding in the Cayman Islands and an involuntary Chapter 7 proceeding in the Bankruptcy Court for the Southern District of New York. In December 2014, the Trustee in the Chapter 7 proceeding filed a claim against CIL Limited's former directors, CEVA Group Plc, and affiliated entities relating mostly to CEVA's Recapitalization in 2013. The Company cannot provide assurances about the outcome of this matter and it is possible that if the Trustee were to prevail on his claims, the Company could incur a material loss in connection with this matter. However, the Company believes the claims are without merit and intends to vigorously defend itself.

Tax Proceedings

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

Other Proceedings

From time to time, CEVA is involved in a variety of legal proceedings and disputes arising in the ordinary course of business. For example, CEVA has been and is currently subject to numerous labor and employment proceedings and disputes in both Italy and Brazil alleging various causes of action and raising other legal challenges to CEVA's labor and employment practices. Such proceedings sometimes include individual claims and lawsuits, disputes with unions, class action claims, and governmental or quasi-governmental investigations. While the outcome of these legal proceedings is sometimes uncertain and may not be capable of estimation, CEVA believes that resolution of these matters and the incurrence of their related costs and expenses should not have a material adverse effect on CEVA's results of operations, liquidity, capital resources, or financial position.

13. Related Party Transactions

Parent company

The following table sets forth the shareholders of the Company as at 30 September 2017:

	Number of shares beneficially owned			Ownership percentage ²
	A-1 preference shares	A-2 preference shares	Common shares	
Apollo	87,428.25	12,736.67	105,009.95	21.79%
Franklin	4,114.25	167,891.43	126,741.03	26.28%
CapRe	89,160.70	46,213.87	112,509.49	25.60%
Other ¹	56,940.58	107,985.63	107,645.07	26.33%
Total	237,643.78	334,827.60	451,905.54	100.00%

¹ None of the other individual shareholders owns 10% or more of the shares in CEVA Holdings LLC

² Assuming preference shares convert to common shares

The A1 and A2 preference shares are convertible to common shares under certain conditions and have no contractual obligation to be settled in cash. Accordingly they have been treated as equity instruments.

Franklin Advisers, Inc. and Franklin Templeton Investments Corp. (together, "Franklin") are related parties by virtue of the fact that they manage certain funds and accounts which together own 26.3% of the Company's shares outstanding assuming all preferred shares are converted to common shares.

Capital Research and Management Company ("CapRe") is a related party by virtue of the fact that it manages certain funds which together control 25.6% of the CEVA Holdings LLC shares outstanding assuming all preferred shares are converted to common shares.

Apollo is a related party by virtue of the fact that it manages certain funds which together own 21.8% of the Company's shares outstanding assuming all preferred shares are converted to common shares.

The Company and two of its indirect subsidiaries, CEVA UK 1 Limited and CEVA UK 2 Limited, who each hold one ordinary share, collectively own 99.99% of the ordinary shares of CEVA Group Plc, 0.01% is held by CIL Limited (formerly CEVA Investment Limited, the former parent of CEVA Group Plc), and one ordinary share is held by Louis Cayman Second Holdco Limited, a wholly owned subsidiary of CIL Limited, on trust as bare nominee for CIL Limited. In addition, CIL Limited holds 349,999 deferred shares and Louis Cayman Second Holdco Limited owns 1 deferred share (which has the right to a return of capital upon a winding up after the holders of ordinary shares have received the amount paid up on such ordinary shares plus a premium of £10,000 per ordinary share).

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 US\$4 million per annum and 1.5% of the Group's EBITDA and was waived by Apollo for 2016 and 2017. Expenses of US\$0.05 million (three months ended 30 September 2016: US\$0.1 million) are included in the income statement for the three months ended 30 September 2017.

Marvin Schlanger, Michael Jupiter, Samuel Feinstein, Thomas White, Xavier Urbain, Alan Miller, Emanuel Pearlman, John Smith and Thomas Stallkamp are Managers of the Company. The Managers of the Company are also the Directors of CEVA Group Plc. Marvin Schlanger, Michael Jupiter and Samuel Feinstein also hold senior positions at Apollo or Apollo portfolio companies. Apollo appointed Marvin Schlanger, Michael Jupiter, Samuel Feinstein, Thomas White and Xavier Urbain as Managers of the Company. CapRe and Franklin jointly appointed Alan Miller, Emanuel Pearlman, John Smith and Thomas Stallkamp as Managers of the Company.

At 30 September 2017 the Group has booked a net payable, which is disputed (see note 12 "Contingencies") by the Group both as to validity and amount, to CIL Limited, amounting to US\$15 million (31 December 2016: US\$13 million). This mainly relates to intercompany cash pooling

arrangements and is included within trade and other payables in the Condensed Consolidated Balance Sheet. CIL Limited was the former parent company of CEVA Group Plc and was placed in liquidation proceedings in connection with the Recapitalization. CIL Limited is involved in an official liquidation proceeding in the Republic of the Cayman Islands and a Chapter 7 proceeding in the Bankruptcy Court for the Southern District of New York.

CEVA has agreed to indemnify Managers employed by or affiliated with Apollo for losses relating to the services contemplated by the management agreement with Apollo. In addition, the LLC Agreement indemnifies the Managers and Apollo, Franklin and CapRe against losses arising from services contemplated by the agreement.

Trading transactions

During the three and nine months ended 30 September 2016 and 2017, Group entities entered into the following trading transactions with related parties that are not members of the Group:

\$ millions	THREE MONTHS ENDED 30 SEPTEMBER 2017		THREE MONTHS ENDED 30 SEPTEMBER 2016	
	Sales of goods	Purchases of goods	Sales of goods	Purchases of goods
Joint ventures	0	2	1	3

\$ millions	NINE MONTHS ENDED 30 SEPTEMBER 2017		NINE MONTHS ENDED 30 SEPTEMBER 2016	
	Sales of goods	Purchases of goods	Sales of goods	Purchases of goods
Joint ventures	2	6	4	7

\$ millions	AS AT 30 SEPTEMBER 2017		AS AT 30 SEPTEMBER 2016	
	Amounts owed by related parties	Amounts owed to related parties	Amounts owed by related parties	Amounts owed to related parties
Joint ventures	9	3	3	4

CEVA has a trading relationship with three customers, Claire's Stores, McGraw-Hill and Rackspace which are owned by Apollo Investment Corp, an affiliate of Apollo. The value of the transactions with these customers is immaterial.

Financing

From time to time, depending upon market, pricing and other conditions, as well as CEVA's cash balances and liquidity, CEVA or its affiliates, including Apollo, Franklin and/or CapRe, may seek to acquire or sell notes or other indebtedness of CEVA through open market purchases or sales, privately negotiated transactions, tender offers, redemption or otherwise, upon such terms and at such prices as CEVA or its affiliates may determine (or as may be provided for in the indentures or other documents governing the notes or other indebtedness), for cash or other consideration. In addition, CEVA has considered and will continue to evaluate potential transactions to reduce CEVA's outstanding debt (such as debt for debt exchanges and other similar transactions), to extend its debt maturities or enter into alternative financing arrangements, as well as potential transactions pursuant to which third parties, including CEVA's 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 CEVA or its affiliates may choose to pursue in the future as the pursuit of any alternative will depend upon numerous factors such as market conditions, CEVA's financial performance and the limitations applicable to such transactions under its financing documents.

At 30 September 2017 funds managed by CapRe held US\$47.9 million par value of CEVA's term loan due 2021, US\$6.3 million par value of CEVA's 7.00% First Lien Senior Secured Notes due 2021 and US\$18.5 million par value of CEVA's 9.0% Senior Secured Notes due to 2021.

At 30 September 2017, funds and accounts managed by Franklin Advisers, Inc. and Franklin Templeton Investment Corporation held approximately (i) US\$175.8 million of CEVA's 9% First Lien Senior Secured Notes due 2020, (ii) US\$24.3 million of CEVA's Tranche B Pre-Funded Letter of Credit, (iii) US\$24.8 million of CEVA's 6.50% Dutch BV Term Loan, (iv) US\$4.3 million of CEVA's 6.50% Canadian Term Loan, and (v) US\$34.1 million of CEVA's 6.50% US Term Loan.

Ultimate controlling party

The ultimate controlling party of the Company is Apollo in accordance with the terms of the LLC Agreement.

Other related party transactions

The total expense for share options granted to key management personnel for the three months ended 30 September 2017 was US\$2 million.

14. Seasonality of Operations

Our intra-year results are subject to seasonal trends, due to holiday seasons, consumer demand, weather and other intra-year variations. The Freight Management results are generally stronger in the final two quarters of the calendar year, which is partly offset by Contract Logistics results, which are often weighted to the first half of the year. The Company's seasonality is also offset to some extent by its sector diversification, as well as the global nature of its business; however, overall the Company's first quarter is generally the weakest.

15. Events After Balance Sheet Date

On 1 November 2017, the US ABL facility, scheduled to mature on 31 December 2018, has been extended to 1 August 2020. In the renewal the facility was reduced to \$225 million from \$250 million to better align to the receivables base available for financing in the US. In recent quarters CEVA's utilization of this facility was below \$200 million.

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