CEVA Holdings LLC

Quarter One 2017

Making business flow

www.cevalogistics.com

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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 domestic 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 months ended 31 March 2017 and 2016:

	THREE MONTHS ENDED 31 MARCH		
	2017	**2017**	**2016**
$ millions	**In actual currency**	**In constant currency**	
Revenue	1,596	1,645	1,566
Revenue growth	1.9%	5.0%	
Adjusted EBITDA[1]	54	57	55
Profit/(Loss) for the period	(57)	(57)	3
Cash used for operations	(60)		(73)
Free cash flow	(133)		(129)

[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 31 March 2017, 31 December 2016 and 31 March 2016:

	AS AT 31 MARCH	AS AT 31 DECEMBER	AS AT 31 MARCH
$ millions	**2017**	2016	2016
Net working capital	(83)	(181)	(119)
Cash and cash equivalents	239	333	192
Net debt	2,089	1,954	1,967
Net capital expenditure	25	74	16
Headroom	479	615	603
Total assets	3,276	3,340	3,351
Total Group equity	(560)	(538)	(332)
Capital employed / LTM revenue[1]	8.1%	8.0%	7.1%
LTM Net capital expenditure[2] / LTM Revenue[1]	1.2%	1.1%	1.3%
Net working capital intensity (as % of LTM revenue[1])	(1.2%)	(2.7%)	(1.8%)

[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 1.9% to US$1,596 million for the three months ended 31 March 2017 from US$1,566 million for the three months ended 31 March 2016. On a constant currency basis, the increase is 5.0%.

The tables below show the Group's operating segment revenue for the three months ended 31 March 2017 and 2016:

	THREE MONTHS ENDED 31 MARCH	
$ millions	**2017**	2016
Freight Management	702	680
Contract Logistics	894	886
Total Revenue	**1,596**	**1,566**

Revenue in Freight Management increased by 3.2% or US$22 million to US$702 million for the three months ended 31 March 2017 compared to US$680 million for the three months ended 31 March 2016. At constant exchange rates, the Freight Management revenue was US$716 million for the three months ended 31 March 2017, an increase of 5.3% from US$680 million for the three months ended 31 March 2016.

Revenue in Contract Logistics increased by 0.9% or US$8 million to US$894 million for the three months ended 31 March 2017 compared to US$886 million for the three months ended 31 March 2016. On a constant currency basis, revenue would have increased by 4.9% to US$929 million for the three months ended 31 March 2017 compared to US$886 million for the three months ended 31 March 2016.

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. Because not all companies calculate EBITDA before specific items and SBC or Adjusted EBITDA identically, 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.

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 months ended 31 March 2017 and 2016:

	THREE MONTHS ENDED 31 MARCH		
	2017	**2017**	2016
$ millions	**In actual currency**	**In constant currency**	
Freight Management EBITDA before specific items and SBC	10	10	10
Contract Logistics EBITDA before specific items and SBC	35	37	36
Total EBITDA before specific items and SBC	**45**	**47**	**46**
EBITDA from joint ventures	9	10	9
Total Adjusted EBITDA	**54**	**57**	**55**
Total EBITDA before specific items and SBC as a % of revenue	*2.8%*	*2.9%*	*2.9%*
Freight Management EBITDA before specific items and SBC as a % of revenue	*1.4%*	*1.4%*	*1.5%*
Contract Logistics EBITDA before specific items and SBC as a % of revenue	*3.9%*	*4.0%*	*4.1%*

Adjusted EBITDA decreased by 1.8% to US$54 million in the three months ended 31 March 2017 compared to US$55 million in the three months ended 31 March 2016. On a constant currency basis, our Adjusted EBITDA would have been US$57 million for the three months ended 31 March 2017 (three months ended 31 March 2016: US$55 million), an increase of 3.6%.

The table below reconciles Adjusted EBITDA to show the impact of fluctuations in foreign currency for the three months ended 31 March 2017 and 2016:

	THREE MONTHS ENDED 31 MARCH	
$ millions	2017	2016
Adjusted EBITDA	54	55
Foreign exchange impact	3	-
Adjusted EBITDA at constant currency	**57**	**55**

Freight Management EBITDA before specific items remains stable at US$10 million in the three months ended 31 March 2017 compared to the three months ended 31 March 2016. On a constant currency basis, our Freight Management EBITDA before specific items would also have been US$10 million for the three months ended 31 March 2017 (three months ended 31 March 2016: US$10 million).

Contract Logistics EBITDA before specific items, on a constant currency basis, would have been US$37 million for the three months ended 31 March 2017 (three months ended 31 March 2016: US$36 million), an increase of 2.8%. Overall Contract Logistics EBITDA before specific items was US$35 million, compared to US$36 million in the three months ended 31 March 2016.

Specific items and SBC

Specific items and SBC for the three months ended 31 March 2017 are US$11 million (31 March 2016: US$4 million) mainly driven by restructuring costs incurred in relation to our excellence program in some clusters; provisions and costs for litigation; 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 31 March 2017 was US$53 million (expense for the three months ended 31 March 2016: US$43 million), and was negatively impacted by an unrealized foreign exchange loss of US$7 million for the three months ended 31 March 2017 (three months ended 31 March 2016: unrealized foreign exchange gain of US$6 million). Including interest expenses and other finance charge, the Group's finance expenses were US$47 million for the first quarter of 2017 (three months ended 31 March 2016: US$49 million).

Income Tax

The tax expense for the three months ended 31 March 2017 was US$(16) million (income for the three months ended 31 March 2016: US$38 million). The movement in tax is mainly influenced by the recognition of deferred tax assets in the three months ended 31 March 2016 whilst none have been recognized in the three months ended 31 March 2017, due to uncertainty regarding the future utilization of losses or temporary differences.

Loss for the period

Our loss for the period was US$57 million for the three months ended 31 March 2017 (three months ended 31 March 2016: profit of US$3 million). The main driver is the movement in tax, as described above.

Net capital expenditure

Our net capital expenditure was US$25 million for the three months ended 31 March 2017 (three months ended 31 March 2016: US$16 million), which represented 1.6% of revenue for the three months ended 31 March 2017 (1.0% for the three months ended 31 March 2016).

Net working capital

Our net working capital was US$(83) million as at 31 March 2017 (31 December 2016: US$(181) million, 31 March 2016: US$(119) million). Actual cash out for the first quarter 2017 is US$92 million compared to US$97 million in the first quarter 2016. A main driver of the difference between the balance sheet movement and the cash flow movement is a result of currency revaluation.

Cash flow

Cash used for operations during the three months ended 31 March 2017 amounted to US$60 million outflow (three months ended 31 March 2016: US$73 million outflow). Free cash flow for the three month ended 31 March 2017 was US$(133) million (2016: US$(129) million).

Cash and cash equivalents

As at 31 March 2017 the Group had US$239 million (31 December 2016: US$333 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$240 million available at 31 March 2017 (31 December 2016: US$282 million), we therefore had headroom of US$479 million at 31 March 2017 (31 December 2016: US$615 million) to fund operating activities for the foreseeable future.

Net debt

Net debt, defined as total principal debt less cash and cash equivalents, increased by 6.9% to US$2,089 million as at 31 March 2017 (31 December 2016: US$1,954 million; 31 March 2016: US$1,967).

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, except for the following two risks:

Debt and covenants

The documents governing CEVA's indebtedness contain a number of covenants that impose significant operating and financial restrictions on CEVA, including certain restrictions on CEVA's ability to incur additional debt, pay dividends, make investments and sell assets. CEVA's senior secured facilities require CEVA to maintain a net secured first lien ratio of no more than 5.35 to 1.0. CEVA's ability to maintain this ratio and to generate sufficient cash flow from operations to make scheduled payments on its debt depends on a range of economic, competitive and business factors, many of which are outside of CEVA's control.

In addition, the documents governing CEVA's indebtedness may require CEVA to dedicate a substantial portion of its cash flows from operations to the servicing of such indebtedness and may materially adversely affect the terms under which suppliers provide goods and services to CEVA. CEVA's flexibility in planning for and reacting to changes in its business or developments in market conditions may be limited, and CEVA may be more vulnerable to downturns in its business or the economy, as a result of its substantial indebtedness. As of 31 March 2017, CEVA had total indebtedness of approximately US$2,328 million. During 2018, US$390 million of loan notes and approximately US$431 million of receivables backed facilities will mature. During 2019, US$250 million of facilities will mature. On 7 April 2017, CEVA successfully completed an exchange offer for US$351 million of the US$390 million of 4% First Lien Senior Secured Notes which were due to mature in 2018. Additionally, on 7 April 2017, an agreement was entered into to extend the maturity of the European Securitization facility which was due to mature in 2018. See Note 16 for further information.

If CEVA is unable to meet its expenses and debt service obligations, including its upcoming 2018 and 2019 debt maturities, CEVA may be forced to take measures which could materially adversely affect its business and financial condition; for example, CEVA may be forced to reduce or delay business activities and capital expenditures, sell assets, obtain additional funding, restructure or refinance all or a portion of CEVA's debt (which may be at higher interest rates or impose covenants or other restrictions on CEVA) or take other measures. There can be no assurance that any of these measures, including any debt refinancings, may be successfully completed of the terms thereof. If CEVA is unable to meet its debt service obligations, or if CEVA fails to comply with its debt covenants and a resulting event of default is not cured or waived, CEVA's lenders may be able to declare all outstanding borrowings to be due and payable or take other remedial actions. If CEVA's indebtedness were to be accelerated, CEVA cannot assure that its assets would be sufficient to repay such indebtedness in full and CEVA's lenders could foreclose on CEVA's pledged assets.

CEVA's substantial indebtedness, including its upcoming 2018 and 2019 debt maturities, impact its flexibility in operating its business and could have important consequences for its business and operations, including the following: (1) it may limit its flexibility in planning for, or reacting to, changes in its operations or business or developments in market conditions; (2) it may make CEVA more vulnerable to downturns in its business or the economy; (3) a substantial portion of its cash flows from operations is dedicated to the repayment of its indebtedness and is not available for other purposes; (4) it may restrict CEVA from making strategic acquisitions, introducing new technologies, or exploiting business opportunities; and (5) it may materially adversely affect terms under which suppliers provide material and services to CEVA or that our existing or potential customers are willing to renew or extend additional business to us.

Joint venture

CEVA has entered into joint venture arrangements in multiple jurisdictions, including its Anji-CEVA joint venture in China. Under these arrangements, CEVA's joint venture partners have certain rights to exercise control or influence over operations and decision making. Therefore, CEVA's ability to manage and develop these operations may be limited, and CEVA may be unable to implement actions that it believes are in its best interests or the best interests of the relevant joint venture. The continued viability of these joint ventures depends on CEVA's relationship with, and the cooperation of, its joint venture partners. Some of its joint ventures require renewal over time. For example, the Anji-CEVA joint venture was due for renewal in May 2017 but on 29 March 2017, a definitive agreement was signed to renew the joint venture partnership. If CEVA is unable to renew its joint ventures, if it renews its joint ventures on less favorable terms, or if relevant government approvals or business licenses are not granted in connection with its joint venture arrangements, CEVA's business, results of operations and financial condition could be materially adversely affected.

CEVA Holdings LLC – Unaudited Condensed Consolidated Income Statement

		THREE MONTHS ENDED 31 MARCH			THREE MONTHS ENDED 31 MARCH		
$ millions	Note			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	**1,596**	-	**1,596**	1,566	-	1,566
Work contracted out		(769)	-	(769)	(723)	-	(723)
Personnel expenses		(500)	(7)	(507)	(518)	(1)	(519)
Other operating expenses		(282)	(4)	(286)	(279)	(3)	(282)
Operating expenses excluding depreciation, amortization and impairment		**(1,551)**	**(11)**	**(1,562)**	(1,520)	(4)	(1,524)
EBITDA	6	**45**	**(11)**	**34**	46	(4)	42
Depreciation		(12)	-	(12)	(13)	-	(13)
Amortization and impairment		(14)	-	(14)	(25)	-	(25)
Operating income		**19**	**(11)**	**8**	8	(4)	4
Finance income		1	-	1	-	-	-
Finance expense		(47)	-	(47)	(49)	-	(49)
Foreign exchange gain/(loss)		(7)	-	(7)	6	-	6
Net finance income / (expense)		**(53)**	**-**	**(53)**	(43)	-	(43)
Net result from joint ventures		4	-	4	4	-	4
Profit/(Loss) before income taxes		**(30)**	**(11)**	**(41)**	(31)	(4)	(35)
Income tax income/(expense)	8	(16)	-	(16)	38	-	38
Profit/(Loss) for the period		**(46)**	**(11)**	**(57)**	7	(4)	3
Attributable to:							
Non-controlling interests				-			1
Equity holders of the Company				(57)			2

[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 Statement of Comprehensive Income

	THREE MONTHS ENDED 31 MARCH			THREE MONTHS ENDED 31 MARCH		
$ millions			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	**(46)**	**(11)**	**(57)**	7	(4)	3
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:						
Current and deferred tax on OCI	-	-	-	-	-	-
Currency translation adjustment	32	-	32	(9)	-	(9)
Total comprehensive income/(loss) for the period, net of income tax	**(14)**	**(11)**	**(25)**	(2)	(4)	(6)
Attributable to:						
Non-controlling interests			-			1
Equity holders of the Company			(25)			(7)
Total comprehensive profit/(loss) for the period			**(25)**			(6)

[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

		AS AT 31 MARCH	AS AT 31 DECEMBER
$ millions	Note	**2017**	**2016**
ASSETS			
Non-current assets			
Intangible assets		1,413	1,406
Property, plant and equipment		150	140
Investments in joint ventures	11	88	80
Deferred income tax assets		91	105
Prepayments		39	38
Other non-current assets		16	16
Total non-current assets		**1,797**	**1,785**
Current assets			
Inventory		16	14
Trade and other receivables		990	1,019
Prepayments		56	52
Accrued income		137	127
Income tax receivable		17	10
Cash and cash equivalents		239	333
Assets held for sale	10	24	-
Total current assets		**1,479**	**1,555**
TOTAL ASSETS		**3,276**	**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		851	816
Accumulated deficit		(2,857)	(2,800)
Attributable to equity holders of the Company		**(563)**	**(541)**
Non-controlling interests		3	3
Total Group equity		**(560)**	**(538)**
LIABILITIES			
Non-current liabilities			
Borrowings	9	2,169	2,138
Deferred income tax liabilities		10	15
Retirement benefit obligations		103	102
Provisions		64	64
Other non-current liabilities		44	43
Total non-current liabilities		**2,390**	**2,362**
Current liabilities			
Borrowings	9	126	113
Provisions		71	76
Trade and other payables		1,217	1,314
Income tax payable		11	13
Liabilities held for sale	10	21	-
Total current liabilities		**1,446**	**1,516**
TOTAL EQUITY AND LIABILITIES		**3,276**	**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 31 MARCH 2017	THREE MONTHS ENDED 31 MARCH 2016
Profit/(Loss) before income taxes		**(41)**	**(35)**
Adjustments for:			
Depreciation, amortization and impairment		26	38
Finance income		(1)	-
Gain on disposal of property, plant and equipment		-	(10)
Foreign exchange (gains) and losses		7	(6)
Finance expense		47	49
Share of profit from equity accounted joint venture		(4)	(4)
Share based compensation costs		3	-
Changes in provisions:			
Retirement benefit obligations		(1)	(1)
Long-term Provisions		(1)	(2)
Changes in working capital:			
Inventory		(2)	(1)
Trade and other receivables		23	(35)
Prepayments and accrued income		(13)	(21)
Trade and other payables		(100)	(40)
Changes in non-current prepayments		-	(1)
Changes in non-current assets and liabilities		(3)	(4)
Cash generated (used for) / from operations		**(60)**	**(73)**
Interest cost paid		(31)	(29)
Other financing cost paid		(8)	(7)
Net income taxes paid		(11)	(7)
Net cash (used for) / from operating activities		**(110)**	**(116)**
Capital expenditure		(25)	(16)
Proceeds from sale of property, plant and equipment		1	32
Dividends received		-	15
Interest received		2	3
Net cash (used for) / from investing activities		**(22)**	**34**
Repayment of borrowings	9	(16)	(61)
Proceeds from non-current borrowings	9	24	-
Proceeds from current borrowings	9	25	32
Net cash (used for) / from financing activities		**33**	**(29)**
Change in cash and cash equivalents		(99)	(111)
Cash and cash equivalents at beginning of period		333	309
Foreign exchange impact on cash and cash equivalents		5	(6)
Cash and cash equivalents at end of period		**239**	**192**

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	-	(9)	-	(9)	-	(9)
Profit attributable to equity holders for the period	-	-	2	2	-	2
Profit attributable to non-controlling interest	-	-	-	-	1	1
Balance at 31 March 2016	**1,443**	**861**	**(2,639)**	**(335)**	**3**	**(332)**
Balance at 1 January 2017	**1,443**	**816**	**(2,800)**	**(541)**	**3**	**(538)**
Currency translation adjustment	-	32	-	32	-	32
Share based compensation reserve	-	3	-	3	-	3
Loss attributable to equity holders for the period	-	-	(57)	(57)	-	(57)
Balance at 31 March 2017	**1,443**	**851**	**(2,857)**	**(563)**	**3**	**(560)**

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 3 May 2017.

2. Basis of Preparation

The unaudited condensed consolidated interim financial information for the three months ended 31 March 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.

As from 2016, the Company policy for the presentation of share based compensation ("SBC") costs in the income statement has changed; this is related to the issuance of shares and grant of equity awards to certain members of management under the Company's 2013 Long-Term Incentive Plan. These costs are now presented in a similar manner to specific items – they are separated out in the income statement as 'specific items and SBC'. These are non-cash expenses and Management believes that this presentational accounting policy change will help investors to better understand the underlying performance of the company. There was no impact on reported results for the three months ended 31 March 2016 as a result of this change.

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 yet to assess IFRS 9's full impact;

- 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 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.

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	
	March closing	Three Month Average	March closing	Three Month Average
British pound	0.7971	0.8052	0.6965	0.6985
Euro	0.9391	0.9390	0.8787	0.9062
Chinese yuan	6.8832	6.8930	6.4591	6.5343

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; 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 31 March 2017 and 31 March 2016 are as follows:

			THREE MONTHS ENDED 31 MARCH
$ millions			**2017**
	Freight Management	Contract Logistics	Total
Total segment revenue	702	895	1,597
Inter-segment revenue		(1)	(1)
Revenue from external customers	**702**	**894**	**1,596**
EBITDA before specific items and SBC	**10**	**35**	**45**
Specific items and SBC			(11)
EBITDA			**34**
Depreciation, amortization and impairment			(26)
Operating income			**8**
Net finance income / (expense)			(53)
Net result from joint ventures			4
Profit/(Loss) before income taxes			**(41)**
EBITDA before specific items and SBC, as a % of revenue	*1.4%*	*3.9%*	*2.8%*

$ millions	THREE MONTHS ENDED 31 MARCH 2016		
	Freight Management	Contract Logistics	Total
Total segment revenue	680	885	1,565
Inter-segment revenue	-	1	1
Revenue from external customers	**680**	**886**	**1,566**
EBITDA before specific items and SBC	**10**	**36**	**46**
Specific items and SBC			(4)
EBITDA			**42**
Depreciation, amortization and impairment			(38)
Operating income			**4**
Net finance income / (expense)			(43)
Net result from joint ventures			4
Profit/(Loss) before income taxes			**(35)**
EBITDA before specific items and SBC, as a % of revenue	*1.5%*	*4.1%*	*2.9%*

Geographical information

The geographical results for the three months ended 31 March 2017 and 31 March 2016 are as follows:

$ millions	THREE MONTHS ENDED 31 MARCH 2017			
	Americas	**Asia Pacific**	**Europe**	**Total**
Total segment revenue	551	399	646	1,596
Inter-segment revenue	-	-	-	-
Revenue from external customers	**551**	**399**	**646**	**1,596**
EBITDA before specific items and SBC	**4**	**18**	**23**	**45**
Specific items and SBC				(11)
EBITDA				**34**
Depreciation, amortization and impairment				(26)
Operating income				**8**
Net finance income / (expense)				(53)
Net result from joint ventures				4
Profit/(Loss) before income taxes				**(41)**

$ millions	THREE MONTHS ENDED 31 MARCH 2016			
	Americas	Asia Pacific	Europe	Total
Total segment revenue	539	368	660	1,567
Inter-segment revenue	(1)	-	-	(1)
Revenue from external customers	**538**	**368**	**660**	**1,566**
EBITDA before specific items and SBC	**7**	**17**	**22**	**46**
Specific items and SBC				(4)
EBITDA				**42**
Depreciation, amortization and impairment				(38)
Operating income				**4**
Net finance income / (expense)				(43)
Net result from joint ventures				4
Profit/(Loss) before income taxes				**(35)**

7. Specific Items and SBC

$ millions	THREE MONTHS ENDED 31 MARCH **2017**	2016
Personnel expenses	7	1
Other operating expenses	4	3
Total (income)/expense before income taxes	**11**	**4**

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

$ millions	THREE MONTHS ENDED 31 MARCH 2017	2016
Restructuring and transformation	6	4
Litigation and legacy tax	2	-
Share based compensation	3	-
Total (income)/expense before income taxes	**11**	**4**

Restructuring and transformation

For the three months ended 31 March 2017, restructuring and transformation costs consisted of severance costs and provisions arising predominantly in the North America, Benelux, Italy, Germany and BAMECA clusters. For the three months ended 31 March 2016, severance costs were incurred from cost reduction programs implemented by the Group.

Litigation and legacy tax

Litigation charges within other operating expenses incurred in the three months ended 31 March 2017 related predominantly to increases in provisions for compensation in certain litigation and external advice.

Share based compensation

Since 2016 non-cash share based compensation costs have been booked in a similar manner as specific items. These primarily relate to the issuance of shares in Holdings and grant of Holdings 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.

8. Income Tax

Income tax expense for the period is based on an estimated average annual effective income tax rate. The estimated average effective annual tax rate used for the three months ended 31 March 2017 is (39.0)% (three months ended 31 March 2016: 108.6%). The main 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. Expectations regarding the utilization of unused tax losses in the United Kingdom resulted in the recognition of deferred tax assets amounting to US$43 million in the first three months of 2016.

9. Borrowings

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

$ millions	31 MARCH 2017 Carrying value	Level 1 fair value	Level 2 fair value	Total fair value	31 DECEMBER 2016 Carrying value	Level 1 fair value	Level 2 fair value	Total fair value
Non-current								
Bank borrowings	1,124	-	1,039	1,039	1,097	-	963	963
Loan notes	1,024	913	-	913	1,020	842	-	842
Finance leases	21	-	21	21	21	-	21	21
Total non-current borrowings	**2,169**	**913**	**1,060**	**1,973**	**2,138**	**842**	**984**	**1,826**
Current								
Bank overdrafts	109	-	109	109	96	-	96	96
Bank borrowings	13	-	13	13	13	-	13	13
Finance leases	4	-	4	4	4	-	4	4
Total current borrowings	**126**	**-**	**126**	**126**	**113**	**-**	**113**	**113**
Total borrowings	**2,295**	**913**	**1,186**	**2,099**	**2,251**	**842**	**1,097**	**1,939**
Unamortized debt issuance costs	33				41			
Total principal debt	**2,328**				**2,292**			

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 31 March 2017 was 3.6% (three months ended 31 March 2016: 6.5%) and 6.0% (three months ended 31 March 2016: 5.9%) for Euro and for US dollar denominated loans respectively.

March 2014 Refinancing

On 19 March 2014 the Company announced that it 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 31 March 2017 the weighted average period to maturity was 3.2 years.

Covenants
As a result of the March 2014 Refinancing, if the outstanding amount under our US$250 million revolving credit facility exceeds 30%, 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). The definition of covenant EBITDA allows us to add back certain non-cash or non-recurring charges that are deducted in determining net income (for example, restructuring costs) and to add the future benefit of specific cost reduction programs.

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. Assets held for sale

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. The renewed joint venture will change its name from "ANJI-CEVA Automotive Logistics Co. Ltd" to "ANJI-CEVA Logistics Co. Ltd". The renewal and name change are subject to approval by government authorities and renewal of business licenses, which are expected to be completed within quarter two. As part of this renewal, three CEVA entities will be sold to Anji-CEVA. These entities represented US$0.6 million of EBITDA for the three months ended 31 March 2017. The assets and liabilities related to these three entities is presented as held for sale following the commitment of the Group's management to sell this business. This business is presented in Contract Logistics within the Asia Pacific region.

The assets classified as held for sale are presented below:

	AS AT 31 MARCH
$ millions, unaudited	**2017**
ASSETS	
Current assets	
Trade and other receivables	17
Accrued income	6
Cash and cash equivalents	1
Total current assets	**24**
TOTAL ASSETS	**24**

The liabilities classified as held for sale are presented below:

	AS AT 31 MARCH
$ millions, unaudited	**2017**
LIABILITIES	
Current liabilities	
Trade and other payables	21
Total current liabilities	**21**
TOTAL LIABILITIES	**21**

11. Joint ventures

The Group has an investment totaling US$88 million as at 31 March 2017 (31 December 2016: US$80 million), being a 50% interest in Anji-CEVA Automotive Logistics Company Limited ("Anji-CEVA") with its registered address at No. 258 Miquan 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 31 March 2017, CEVA's share in Anji-CEVA's net result was US$4 million (three months ended 31 March 2016: US$4 million).

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

$ millions	AS AT 31 MARCH 2017	AS AT 31 DECEMBER 2016	AS AT 31 MARCH 2016
Current			
Cash and cash equivalents	133	128	135
Other current assets	310	324	244
Total current assets	**443**	**452**	**379**
Financial liabilities	(2)	(1)	(5)
Other current liabilities	(423)	(443)	(346)
Total current liabilities	**(425)**	**(444)**	**(351)**
Non-current			
Assets	145	143	134
Total non-current assets	**145**	**143**	**134**
Other liabilities	2	(2)	(2)
Total non-current liabilities	**2**	**(2)**	**(2)**
NET ASSETS	**165**	**149**	**160**

The consolidated income statement of Anji-CEVA for the three months ended 31 March 2016 and 2017 is as follows:

$ millions	THREE MONTHS ENDED 31 MARCH 2017	2016
Revenue	**245**	**233**
Operating expenses excluding depreciation, amortization and impairment	(226)	(214)
EBITDA	**19**	**19**
Depreciation	(4)	(5)
Operating income	**15**	**14**
Finance income (including foreign exchange movements)	-	-
Finance expense (including foreign exchange movements)	-	-
Net finance income/(expense) (including foreign exchange movements)	**-**	**-**
Profit/(Loss) before income taxes	**15**	**14**
Income tax (expense) / Income	(4)	(4)
Profit/(Loss) for the period	**11**	**10**
Attributable to:		
Non-controlling interests	2	2
Equity holders of the Company	9	8

The reconciliation from the net asset value to the carrying value of the joint ventures for the period ending 31 March 2016 and 2017 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	11	10
Non-controlling interest	(2)	(2)
Dividend paid by joint ventures	-	(32)
Foreign exchange impact	2	1
Closing net assets - 31 March	**125**	**123**
Interest in joint ventures at 50%	63	62
Goodwill in joint ventures	25	26
Carrying value 31 March	**88**	**87**

The Company had no contingent liabilities towards the joint venture as at 31 March 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.

12. 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 31 March 2017, US$81 million was recognized as an expense in the income statement in respect of operating lease rentals (three months ended 31 March 2016: US$83 million).

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

	AS AT 31 MARCH	AS AT 31 DECEMBER
$ millions	2017	2016
Less than 1 year	321	307
1-5 years	616	582
Thereafter	204	182
Total	**1,141**	**1,071**
Of which guaranteed by third party / customers	82	83

Of the future lease payments, US$743 million (31 December 2016: US$702 million) relates to commitments in relation to multi-user/shared facilities, while the remainder of US$398 million (31 December 2016: US$369 million) is dedicated to specific customers/facilities.

Guarantees
As at 31 March 2017, US$247 million (31 December 2016: US$246 million) of letters of credit were issued but undrawn under the letter of credit facility of US$275 million. The remaining amount unissued under CEVA's letter of credit facility as at 31 March 2017 is US$28million (31 December 2016: US$29 million). 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. The Senior Secured Facilities consist of facilities denominated in both US dollar and Euro. The amount of the Euro denominated facilities has been converted to US dollar for the above presentation using the 31 March 2017 closing rate of 1.0649.

We provide bank guarantees and letters of credit to various third parties in the normal course of our business, which impacts our liquidity. 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 source of the bank guarantees or letters of credit is our US$275 million synthetic letter of credit facility and our US$250 million revolving credit facility. As of 31 March 2017, bank guarantees/letters of credit amounted to US$247 million. The issuance of bank guarantees or letters of credit consumes a significant portion of our liquidity and should market, financial or other conditions require us to issue significantly more bank guarantees or letters of credit, our liquidity could be impacted and our business, results of operations and financial condition materially adversely affected.

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 US$300 million (31 December 2016: US$322 million), of which US$247 million (31 December 2016: US$246 million) was issued but undrawn under CEVA's 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.

13. 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.

14. Related Party Transactions

Parent company

The following table sets forth the shareholders of the Company as at 31 March 2017:

	Number of shares beneficially owned			
	A-1 preference shares	A-2 preference shares	Common shares	Ownership percentage[2]
Apollo	87,428.25	12,736.67	105,009.95	21.75%
Franklin	4,120.25	169,639.26	128,170.09	26.75%
CapRe	98,892.66	48,789.49	124,688.08	28.15%
Other[1]	47,202.62	103,662.18	91,656.61	23.35%
Total	**237,643.78**	**334,827.60**	**449,524.73**	**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 26.8% 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 28.2% 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 31 March 2016: US$0.1 million) are included in the income statement for the three months ended 31 March 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 31 March 2017 the Group has booked a net payable, which is disputed (see note 13 "Contingencies") by the Group both as to validity and amount, to CIL Limited, amounting to US$13 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 months ended 31 March 2016 and 2017, Group entities entered into the following trading transactions with related parties that are not members of the Group:

	THREE MONTHS ENDED 31 MARCH		THREE MONTHS ENDED 31 MARCH	
$ millions		2017		2016
	Sales of goods	Purchases of goods	Sales of goods	Purchases of goods
Joint ventures	1	2	1	2

	AS AT 31 MARCH		AS AT 31 MARCH	
$ millions		2017		2016
	Amounts owed by related parties	Amounts owed to related parties	Amounts owed by related parties	Amounts owed to related parties
Joint ventures	4	-	-	1

CEVA has a trading relationship with four customers, Claire's Stores, McGraw-Hill, Rackspace and Welspun 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 31 March 2017 funds managed by CapRe held US$48.0 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 31 March 2017, funds and accounts managed by Franklin Advisers, Inc. and Franklin Templeton Investment Corporation held approximately (i) US$171.5 million of CEVA's 4% First Lien Senior Secured Notes due 2018, (ii) US$24.3 million of CEVA's Tranche B Pre-Funded Letter of Credit, (iii) US$24.9 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$34.3 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 31 March 2017 was US$2 million.

15. 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.

16. Events After Balance Sheet Date

On 7 April 2017, CEVA successfully completed an exchange offer for US$351 million of US$390 million of 4% First Lien Senior Secured Notes, 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 7 April 2017, approximately US$39 million principal amount of 4% First Lien Senior Secured Notes remains outstanding. As of 7 April 2017 approximately US$27 million principal amount of the 12.75% Senior Notes remains outstanding.

CEVA further 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 increased the facility limit by €80 million to €250 million subject to the addition of receivables into the program. The interest rate on this facility will remain unchanged.

On 24 April 2017, the Shanghai Administration for Industry and Commerce renewed and extended the Business License for the Anji-CEVA joint venture until 20 May 2032. This endorses the definitive agreements (as referenced in Note 10) under which the joint venture can now operate.

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