CEVA Holdings LLC

Quarter Three 2016

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, aftermarket/reverse logistics and other value added services. As of 31 December 2015, 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 41,000 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 it 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 results for the three and nine months ended 30 September 2016 and 2015:

	THREE MONTHS ENDED 30 SEPTEMBER		
	2016	**2016**	**2015**
$ millions	**In actual currency**	**In constant currency**	
Revenue	1,679	1,715	1,699
Revenue growth	(1.2%)	0.9%	
Adjusted EBITDA[1]	75	80	80
Adjusted EBITDA[1] as a % of revenue	4.5%	4.7%	4.7%
Profit/(Loss) for the period	(41)	(38)	(58)
Net capital expenditure	17		24
Cash generated from operations	13		53
Free cash flow	(50)		(16)

	NINE MONTHS ENDED 30 SEPTEMBER		
	2016	**2016**	**2015**
$ millions	**In actual currency**	**In constant currency**	
Revenue	4,911	5,079	5,238
Revenue growth	(6.2%)	(3.0%)	
Adjusted EBITDA[1]	194	208	207
Adjusted EBITDA[1] as a % of revenue	4.0%	4.1%	4.0%
Profit/(Loss) for the period	(72)	(66)	(170)
Net capital expenditure	50		59
Cash generated from operations	(43)		99
Free cash flow	(242)		(82)

[1] Includes EBITDA from joint ventures, and excludes specific items and non-cash share based compensation costs ("SBC").

The table below shows the Group's other key financial metrics as at 30 September 2016, 31 December 2015 and 30 September 2015:

	AS AT 30 SEPTEMBER	AS AT 31 DECEMBER	AS AT 30 SEPTEMBER
$ millions	**2016**	**2015**	**2015**
Net working capital	(25)	(196)	(126)
Cash and cash equivalents	238	309	249
Net debt	2,092	1,867	1,921
Capital employed / LTM revenue[1]	9.4%	7.2%	6.6%
LTM Net capital expenditure[2] / LTM Revenue[1]	1.3%	1.3%	1.1%
Net working capital intensity (as % of LTM revenue[1])	(0.4%)	(2.8%)	(1.7%)

[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 decreased by 1.2% to US$1,679 million for the three months ended 30 September 2016 from US$1,699 million for the three months ended 30 September 2015. On a constant currency basis, the increase is 0.9% driven by strong volume growth in Freight Management and revenue growth in Contract Logistics, partially offset by declines in rates in Freight Management.

The tables below show the Group's operating segment revenue for the three and nine months ended 30 September 2016 and 2015:

	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
$ millions	**2016**	**2015**	**2016**	**2015**
Freight Management	760	784	2,178	2,390
Contract Logistics	919	915	2,733	2,848
Total Revenue	**1,679**	**1,699**	**4,911**	**5,238**

The table below reconciles Revenue to show the impact of fluctuations in foreign currency and the impact of the disposal of the S.I.T.T.A.M. S.r.l. (Spedizioni Internazionali Trasporti Terrestri Aerei Marittimi) business ("the disposal") for the three and nine months ended 30 September 2016 and 2015:

	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
$ millions	**2016**	**2015**	**2016**	**2015**
Revenue	1,679	1,699	4,911	5,238
Foreign exchange impact	36	-	168	-
Revenue at constant currency	**1,715**	**1,699**	**5,079**	**5,238**
Freight Management	773	784	2,242	2,390
Contract Logistics	942	915	2,837	2,848
Revenue at constant currency	**1,715**	**1,699**	**5,079**	**5,238**
Impact of disposal[1]	-	-	-	(45)
Revenue at constant currency, excluding the impact of disposal	**1,715**	**1,699**	**5,079**	**5,193**

[1]The disposal was completed on 29 April 2015.

Revenue in Freight Management declined by 3.1% or US$24 million to US$760 million for the three months ended 30 September 2016 compared to US$784 million for the three months ended 30 September 2015 partially as a result of the strengthening of the US dollar against other currencies (such as the British Pound and Chinese Yuan) and driven by a low rate environment, mainly due to the continuous pressure on fuel rates as well as the increase in carrier capacity relative to market demand, depressing market prices. On a constant currency basis, the Freight Management revenue was US$773 million for the three months ended 30 September 2016, a decrease of 1.4% from US$784 million for the three months ended 30 September 2015. New business wins contributed to improved Air Freight (volumes up 10.6% versus Q3 2015) and Ocean Freight (volumes up 4.4% versus Q3 2015) business results, however from a revenue perspective this was offset by lower rates due to excess capacity and lower fuel costs.

Revenue in Contract Logistics increased by 0.4% or US$4 million to US$919 million for the three months ended 30 September 2016 compared to US$915 million for the three months ended 30 September 2015. On a constant currency basis, revenue was US$942 million for the three months ended 30 September 2016 compared to US$915 million for the three months ended 30 September 2015, an increase of 3.0%. This growth is the result of new business start-ups, despite economic headwinds.

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"), 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. The exclusion of SBC has been made from this quarter and reflected as a change in accounting policy. Further details of this change are given in note 2.

Adjusted EBITDA ("Adjusted EBITDA") is another key financial measure used by management to assess operational performance. 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 and nine months ended 30 September 2016 and 2015, on an actual and constant currency basis:

	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
$ millions	**2016**	**2015**	**2016**	**2015**
Freight Management EBITDA before specific items and SBC	27	24	57	50
Contract Logistics EBITDA before specific items and SBC	38	48	108	130
Total EBITDA before specific items and SBC	**65**	**72**	**165**	**180**
EBITDA from joint ventures	10	8	29	27
Total Adjusted EBITDA	**75**	**80**	**194**	**207**
Total EBITDA before specific items and SBC as a % of revenue	*3.9%*	*4.2%*	*3.4%*	*3.4%*
Total Adjusted EBITDA as a % of revenue	*4.5%*	*4.7%*	*4.0%*	*4.0%*
Freight Management EBITDA before specific items and SBC as a % of revenue	*3.6%*	*3.1%*	*2.6%*	*2.1%*
Contract Logistics EBITDA before specific items and SBC as a % of revenue	*4.1%*	*5.2%*	*4.0%*	*4.6%*

	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
$ millions, in constant currency	**2016**	**2015**	**2016**	**2015**
Freight Management EBITDA before specific items and SBC	29	24	62	50
Contract Logistics EBITDA before specific items and SBC	40	48	115	130
Total EBITDA before specific items and SBC	**69**	**72**	**177**	**180**
EBITDA from joint ventures	11	8	31	27
Total Adjusted EBITDA	**80**	**80**	**208**	**207**
Total EBITDA before specific items and SBC as a % of revenue	*4.0%*	*4.2%*	*3.5%*	*3.4%*
Total Adjusted EBITDA as a % of revenue	*4.7%*	*4.7%*	*4.1%*	*4.0%*
Freight Management EBITDA before specific items and SBC as a % of revenue	*3.8%*	*3.1%*	*2.8%*	*2.1%*
Contract Logistics EBITDA before specific items and SBC as a % of revenue	*4.2%*	*5.2%*	*4.1%*	*4.6%*

Adjusted EBITDA decreased by 6.3% to US$75 million in the three months ended 30 September 2016 compared to US$80 million in the three months ended 30 September 2015. On a constant currency basis, our Adjusted EBITDA remained flat at US$80 million for the three months ended 30 September 2016 (three months ended 30 September 2015: US$80 million).

The table below reconciles Adjusted EBITDA to show the impact of fluctuations in foreign currency and the impact of the disposal for the three and nine months ended 30 September 2016 and 2015:

	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
$ millions	**2016**	**2015**	**2016**	**2015**
Adjusted EBITDA	75	80	194	207
Foreign exchange impact	5	-	14	-
Adjusted EBITDA at constant currency	**80**	**80**	**208**	**207**
Impact of disposal[1]	-	-	-	(1)
Adjusted EBITDA at constant currency, excluding the impact of disposal	**80**	**80**	**208**	**206**

[1]The disposal was completed on 29 April 2015.

Freight Management reported EBITDA before specific items and SBC increased by US$3 million to US$27 million in the three months ended 30 September 2016 compared to US$24 million in the three months ended 30 September 2015. On a constant currency basis, our Freight Management EBITDA before specific items and SBC was US$29 million for the three months ended 30 September 2016 (three months ended 30 September 2015: US$24 million), an increase of 20.8%. The increase in EBITDA before specific items and SBC is primarily due to cost reductions as result of productivity improvements and operations excellence programs.

Contract Logistics reported EBITDA before specific items and SBC, on a constant currency basis, was US$40 million for the three months ended 30 September 2016 (three months ended 30 September 2015: US$48 million), a decrease of 16.7%. The decrease in EBITDA before specific items and SBC is predominantly driven by performance issues in a limited number of facilities as well as certain start-up costs and site restructurings. Compared to the second quarter, EBITDA before specific items and SBC was up 15.2%.

Specific items and SBC
Specific items and SBC for the three months ended 30 September 2016 are US$17 million (30 September 2015: US$5 million) mainly driven by severance costs incurred in relation to our excellence program and particularly the optimization of our Freight Management business in the Americas region; the roll out of the One Freight Management System ("OFS") in the North America cluster; provisions 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 30 September 2016 was US$45 million (expense for the three months ended 30 September 2015: US$72 million), and was positively impacted by an unrealized foreign exchange gain of US$2 million for the three months ended 30 September 2016 (three months ended 30 September 2015: unrealized foreign exchange loss of US$20 million). Including interest expenses and other finance charges, the Group's finance expenses were US$47 million for the third quarter of 2016 (three months ended 30 September 2015: US$52 million).

Loss for the period

Our loss for the period was US$41 million for the three months ended 30 September 2016 (three months ended 30 September 2015: loss of US$58 million), with the year-on-year change principally driven by lower financial expenses despite higher specific items and share based compensation cost.

Net capital expenditure

Our net capital expenditure was US$17 million for the three months ended 30 September 2016 (three months ended 30 September 2015: US$24 million), which represented 1.0% of revenue for the three months ended 30 September 2016 (1.4% for the three months ended 30 September 2015).

Net working capital

Our net working capital was US$(25) million as at 30 September 2016 (31 December 2015: US$(196) million, 30 September 2015: US$(126) million). The deterioration from the prior year position is associated amongst other with the implementation of One Freight System ("OFS"), the operating system for our Freight Management business in the US, which should largely reverse in coming months.

Cash flow

Cash generated from operations during the three months ended 30 September 2016 amounted to US$13 million (three months ended 30 September 2015: US$53 million). Free cash flow for the three months ended 30 September 2016 was US$(50) million (three months ended 30 September 2015 US$(16) million). The decline in cash flow was mainly due to changes in net working capital.

Cash and cash equivalents

As at 30 September 2016 the Group had US$238 million (31 December 2015: US$309 million, 30 September 2015: US$249 million) of cash and cash equivalents on its balance sheet. With undrawn central facilities of US$286 million available at 30 September 2016 (31 December 2015: US$267 million, 30 September 2015: US$268 million), we therefore had headroom of US$524 million at 30 September 2016 (31 December 2015: US$576 million, 30 September 2015: US$517 million).

Net debt

Net debt, defined as total principal debt less cash and cash equivalents, increased to US$2,092 million as at 30 September 2016 (30 June 2016: US$2,036 million, 31 December 2015: US$1,867 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 2015 annual financial statements of CEVA Holdings LLC.

CEVA Holdings LLC – Unaudited Condensed Consolidated Three Month Income Statement

$ millions, unaudited	Note	THREE MONTHS ENDED 30 SEPTEMBER 2016			THREE MONTHS ENDED 30 SEPTEMBER 2015		
		Before specific items and SBC	Specific items and SBC[1]	Total	Before specific items and SBC	Specific items and SBC[1]	Total
Revenue	6	**1,679**	**-**	**1,679**	1,699	-	1,699
Work contracted out		(809)	-	(809)	(820)	-	(820)
Net Revenue		**870**	**-**	**870**	879	-	879
Personnel expenses		(512)	(13)	(525)	(522)	(3)	(525)
Other operating expenses		(293)	(4)	(297)	(285)	(2)	(287)
EBITDA	6	**65**	**(17)**	**48**	72	(5)	67
Depreciation		(14)	-	(14)	(15)	-	(15)
Amortization and impairment		(20)	-	(20)	(26)	-	(26)
Operating income		**31**	**(17)**	**14**	31	(5)	26
Finance income		-	-	-	-	-	-
Finance expense		(47)	-	(47)	(52)	-	(52)
Foreign exchange gain/(loss)		2	-	2	(20)	-	(20)
Net finance income / (expense)		**(45)**	**-**	**(45)**	(72)	-	(72)
Net result from joint ventures		3	-	3	3	-	3
Profit/(Loss) before income taxes		**(11)**	**(17)**	**(28)**	(38)	(5)	(43)
Income tax income/(expense)	8	(13)	-	(13)	(15)	-	(15)
Profit/(Loss) for the period		**(24)**	**(17)**	**(41)**	(53)	(5)	(58)
Attributable to:							
Non-controlling interests				-			-
Equity holders of the Company				(41)			(58)

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

CEVA Holdings LLC – Unaudited Condensed Consolidated Nine Month Income Statement

		NINE MONTHS ENDED 30 SEPTEMBER			RESTATED NINE MONTHS ENDED 30 SEPTEMBER[4]		
$ millions, unaudited	Note			2016			2015
		Before specific items and SBC	Specific items and SBC[1]	Total	Before specific items and SBC	Specific items and SBC[1]	Total
Revenue	6	**4,911**	-	**4,911**	5,251	(13)	5,238
Work contracted out		(2,318)	-	(2,318)	(2,608)	-	(2,608)
Net Revenue		**2,593**	**-**	**2,593**	2,643	(13)	2,630
Personnel expenses		(1,563)	(17)	(1,580)	(1,578)	(5)	(1,583)
Other operating expenses[2]		(865)	(22)	(887)	(885)	(2)	(887)
EBITDA	6	**165**	**(39)**	**126**	180	(20)	160
Depreciation		(41)	-	(41)	(43)	-	(43)
Amortization and impairment		(72)	-	(72)	(78)	(9)	(87)
Operating income		**52**	**(39)**	**13**	59	(29)	30
Finance income		2	-	2	-	-	-
Finance expense		(147)	-	(147)	(150)	-	(150)
Foreign exchange gain/(loss)[3]		25	-	25	(63)	-	(63)
Net finance income / (expense)		**(120)**	**-**	**(120)**	(213)	-	(213)
Net result from joint ventures		11	-	11	11	-	11
Profit/(Loss) before income taxes		**(57)**	**(39)**	**(96)**	(143)	(29)	(172)
Income tax income/(expense)	8	24	-	24	2	-	2
Profit/(Loss) for the period		**(33)**	**(39)**	**(72)**	(141)	(29)	(170)
Attributable to:							
Non-controlling interests				1			-
Equity holders of the Company				(73)			(170)

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

[2] Refer to note 6 for details on disposal of assets

[3] Refer to note 2 for details on the restatement of foreign exchange impact due to the functional currency change

[4] Restated 2015 personnel expenses before specific items, specific items and EBITDA before specific items. See note 2 for details on the restatement as a result of a change in accounting policy.

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 30 SEPTEMBER			THREE MONTHS ENDED 30 SEPTEMBER		
$ millions, unaudited			2016			2015
	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	**(24)**	**(17)**	**(41)**	(53)	(5)	(58)
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	2	-	2	(21)	-	(21)
Total comprehensive income/(loss) for the period, net of income tax	**(22)**	**(17)**	**(39)**	**(74)**	**(5)**	**(79)**
Attributable to:						
Non-controlling interests			-			-
Equity holders of the Company			(39)			(79)
Total comprehensive profit/(loss) for the period			**(39)**			**(79)**

	NINE MONTHS ENDED 30 SEPTEMBER			RESTATED NINE MONTHS ENDED 30 SEPTEMBER[3]		
$ millions, unaudited			2016			2015
	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	**(33)**	**(39)**	**(72)**	(141)	(29)	(170)
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	-	-	-	(4)	-	(4)
Currency translation adjustment[2]	(18)	-	(18)	(9)	-	(9)
Total comprehensive income/(loss) for the period, net of income tax	**(51)**	**(39)**	**(90)**	**(154)**	**(29)**	**(183)**
Attributable to:						
Non-controlling interests			1			-
Equity holders of the Company			(91)			(183)
Total comprehensive profit/(loss) for the period			**(90)**			**(183)**

[1] Refer to note 7 for details on specific items and SBC

[2] Refer to note 2 for details on the restatement of foreign exchange impact due to the functional currency change

[3] Restated 2015 personnel expenses before specific items, specific items and EBITDA before specific items. See note 2 for details on the restatement as a result of a change in accounting policy.

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 30 SEPTEMBER	AS AT 31 DECEMBER
$ millions, unaudited	Note	2016	2015
ASSETS			
Non-current assets			
Intangible assets		1,460	1,510
Property, plant and equipment		157	169
Investments in joint ventures	10	96	99
Deferred income tax assets		91	40
Prepayments		42	43
Other non-current assets		24	25
Total non-current assets		**1,870**	**1,886**
Current assets			
Inventory		19	15
Trade and other receivables		1,065	950
Prepayments		67	48
Accrued income		195	143
Income tax receivable		11	10
Cash and cash equivalents		238	309
Assets held for sale		1	11
Total current assets		**1,596**	**1,486**
TOTAL ASSETS		**3,466**	**3,372**
EQUITY			
Capital and reserves attributable to equity holders			
Preferred stock, Common stock and Additional paid in capital		1,443	1,443
Other reserves		854	870
Accumulated deficit		(2,710)	(2,641)
Attributable to equity holders of the Company		**(413)**	**(328)**
Non-controlling interests		3	2
Total Group equity		**(410)**	**(326)**
LIABILITIES			
Non-current liabilities			
Borrowings	9	2,149	1,990
Deferred income tax liabilities		13	11
Retirement benefit obligations		98	100
Provisions		57	49
Other non-current liabilities		36	38
Total non-current liabilities		**2,353**	**2,188**
Current liabilities			
Borrowings	9	141	148
Provisions		63	64
Trade and other payables		1,308	1,284
Income tax payable		11	14
Total current liabilities		**1,523**	**1,510**
TOTAL EQUITY AND LIABILITIES		**3,466**	**3,372**

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, unaudited	Note	THREE MONTHS ENDED 30 SEPTEMBER 2016	THREE MONTHS ENDED 30 SEPTEMBER 2015	NINE MONTHS ENDED 30 SEPTEMBER 2016	NINE MONTHS ENDED 30 SEPTEMBER 2015
Profit/(Loss) before income taxes		**(28)**	**(43)**	**(96)**	**(172)**
Adjustments for:					
Depreciation, amortization and impairment		34	41	113	130
Finance income		-	-	(2)	-
Gain on disposal of property, plant and equipment		-	(1)	(11)	(1)
Foreign exchange (gains) and losses[1]		(2)	20	(25)	63
Finance expense		47	52	147	150
Share of profit from equity accounted joint venture		(3)	(3)	(11)	(11)
Share based compensation costs		6	-	6	-
Changes in provisions:					
Retirement benefit obligations		-	(1)	(3)	(5)
Long-term Provisions		1	(4)	(2)	2
Changes in working capital:					
Inventory		(1)	(6)	(2)	(17)
Trade and other receivables		(43)	(2)	(105)	27
Prepayments and accrued income		(2)	2	(50)	(7)
Trade and other payables		(5)	1	(7)	(54)
Changes in non-current prepayments		5	(1)	4	(5)
Changes in non-current assets and liabilities		4	(2)	1	(1)
Cash generated (used for) / from operations		**13**	**53**	**(43)**	**99**
Interest cost paid		(32)	(30)	(102)	(100)
Other financing cost paid		(8)	(8)	(24)	(24)
Net income taxes paid		(7)	(4)	(28)	(16)
Net cash (used for) / from operating activities		**(34)**	**11**	**(197)**	**(41)**
Divestments[2]		-	-	-	20
Capital expenditure		(17)	(27)	(50)	(62)
Proceeds from sale of property, plant and equipment		-	(1)	34	5
Dividends received		-	-	15	-
Interest received		1	-	5	1
Net cash (used for) / from investing activities		**(16)**	**(28)**	**4**	**(36)**
Repayment of borrowings	9	(45)	(93)	(86)	(353)
Proceeds from non-current borrowings	9	33	1	156	2
Proceeds from current borrowings	9	37	81	65	305
Net cash (used for) / from financing activities		**25**	**(11)**	**135**	**(46)**
Change in cash and cash equivalents		(25)	(28)	(58)	(123)
Cash and cash equivalents at beginning of period		264	291	309	386
Foreign exchange impact on cash and cash equivalents		(1)	(14)	(13)	(14)
Cash and cash equivalents at end of period		**238**	**249**	**238**	**249**

[1] Refer to note 2 for details on the restatement of foreign exchange impact due to the functional currency change
[2] Refer to note 7 for details on the sale of S.I.T.T.A.M. S.r.l.

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, unaudited	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 2015	**1,441**	**871**	**(2,446)**	**(134)**	**2**	**(132)**
Currency translation adjustment[1]	-	(9)	-	(9)	-	(9)
Current and deferred tax on OCI	-	(4)	-	(4)	-	(4)
Loss attributable to equity holders for the period	-	-	(170)	(170)	-	(170)
Balance at 30 September 2015	**1,441**	**858**	**(2,616)**	**(317)**	**2**	**(315)**
Balance at 1 January 2016	**1,443**	**870**	**(2,641)**	**(328)**	**2**	**(326)**
Currency translation adjustment[1]	-	(22)	4	(18)	-	(18)
Current and deferred tax on OCI	-	-	-	-	-	-
Share based compensation 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)**

[1] Refer to note 2 for details on the restatement of foreign exchange impact due to the functional currency change

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 2016.

2. Basis of Preparation

The unaudited condensed consolidated interim financial information for the three and nine months ended 30 September 2016 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 2015, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with IFRIC interpretations.

In 2015, we reassessed the functional currency of two intermediate holding companies as required by IAS 21. These companies previously had a functional currency of Euro because this was the currency of the primary economic environment in which they operated. However, following the 2014 refinancing and resultant changes in the denomination of our debt, we have concluded that the functional currency of these entities should have changed to US Dollars. This change has been reflected in the consolidation with effect of 1 January 2015 as the impact in 2014 was not material. This change in assessment of functional currency has resulted in additional finance expense in the three months ended 31 March 2015 of US$48m relating to currency translation differences and a corresponding change in the currency translation adjustment booked within the Consolidated Statement of Comprehensive Income. There was no change to the balance sheets previously presented at 31 December 2015 or 31 December 2014 as a result of this correction. The change in functional currency was reflected in the financial statements for the year ended 31 December 2015.

As from the third quarter 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.

We have presented this change in the income statement from 1 January 2015. The change only impacts the split between the before 'specific items and SBC' and 'specific items and SBC' columns in our presentation of the consolidated income statement and not the total amounts by line item previously reported. This presentational change will be applied consistently going forward and does not change the reported totals for the consolidated income statement in either 2015 or 2016 reported to date nor does it impact previously reported totals for the statement of comprehensive income, statement of changes in equity, balance sheets or cash flow statements.

The tables below show the impact of applying the new treatment of SBC costs to the reported 2015 consolidated income statement showing the line items affected. There was no impact on the consolidated income statement for the three months ended 30 September 2015.

	NINE MONTHS ENDED 30 SEPTEMBER		
$ millions, unaudited	2015	2015	
	Reported EBITDA before specific items	Restated EBITDA before specific items and SBC	Change
Personnel expenses	(1,579)	(1,578)	**(1)**
EBITDA	**179**	**180**	**(1)**
Operating income	**58**	**59**	**(1)**
Profit/(Loss) before income taxes	**(144)**	**(143)**	**(1)**
			-
Profit/(Loss) for the period	**(142)**	**(141)**	**(1)**

3. Accounting Policies

The accounting policies applied are consistent with those applied in the combined and consolidated financial statements of CEVA Holdings LLC as at and for the year ended 31 December 2015, and as described in those combined and consolidated financial statements which can be found at www.cevalogistics.com, except as described above.

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the financial year beginning on 1 January 2016:

- IFRS 11 "Joint arrangements" – on acquisition of an interest in a joint operation

- IAS 16 "Property, plant and equipment" and IAS 38 "Intangible Assets" – on clarification of acceptable methods of depreciation and amortization

- Annual improvement cycle 2012-2014

- Amendments to IAS1: Disclosure initiative

The adoption of these amendments did not have a material impact on the current or prior periods.

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 2016, 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, subject to EU endorsement, 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.

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 combined and consolidated financial statements of CEVA Holdings LLC as at, and for, the year ended 31 December 2015.

During quarter two and quarter three we revisited the 2015 year end impairment assessment for goodwill relating to our Contract Logistics segment (Cash Generating Unit) given its decline in performance. These reviews confirm that there has been no impairment and we do not currently foresee that any reasonable change in key assumptions as disclosed in our 2015 financial statements would result in an impairment in this segment.

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 combined and consolidated financial statements as at, and for, the year ended 31 December 2015.

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:

	2016			2015		
	September closing	Three Month Average	Nine Month Average	September closing	Three Month Average	Nine Month Average
British pound	0.7709	0.7616	0.7190	0.6610	0.6456	0.6528
Euro	0.8901	0.8960	0.8959	0.8947	0.8990	0.8972
Chinese yuan	6.6781	6.6668	6.5785	6.3870	6.3064	6.2475

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, aftermarket logistics and other value added services.

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. 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.

Revised allocation method for operating segments

With effect from 1 January 2016 the Group has changed its method of allocating certain corporate costs between its reporting segments, Freight Management and Contract Logistics, and in conjunction with this exercise a limited number of contracts were re-classified between the operating segments. The impact of these changes has been reflected in the regular reporting that is reviewed by the Executive Board and resulted in a minor revenue shift between the operating segments and a slightly greater central overhead allocation to Freight Management as opposed to Contract Logistics resulting in a marginally lower Freight Management EBITDA and higher Contract Logistics EBITDA in absolute terms with no overall impact on total EBITDA. To enable comparison with prior periods we have reflected the refined allocation methodology for the results as of and for the three and nine months ended 30 September, 2015 and 2016 and for the year ended 31 December 2015.

Operating segments

The segment results for the three months ended 30 September 2016 and 30 September 2015 are as follows:

	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	**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)**
EBITDA before specific items and SBC, as a % of revenue	*3.6%*	*4.1%*	*3.9%*

	THREE MONTHS ENDED 30 SEPTEMBER		
$ millions			**2015**
	Freight Management	Contract Logistics	Total
Total segment revenue	784	916	1,700
Inter-segment revenue	-	(1)	(1)
Revenue from external customers	**784**	**915**	**1,699**
EBITDA before specific items	**24**	**48**	**72**
Specific items and SBC			(5)
EBITDA			**67**
Depreciation, amortization and impairment			(41)
Operating income			**26**
Net finance income / (expense)			(72)
Net result from joint ventures			3
Profit/(Loss) before income taxes			**(43)**
EBITDA before specific items and SBC, as a % of revenue	*3.1%*	*5.2%*	*4.2%*

The segment results for the nine months ended 30 September 2016 and 30 September 2015 are as follows:

NINE MONTHS ENDED 30 SEPTEMBER			
$ millions			2016
	Freight Management	Contract Logistics[1]	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	**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)**
EBITDA before specific items and SBC, as a % of revenue	*2.6%*	*4.0%*	*3.4%*

[1] EBITDA before specific items and SBC for the nine months ended 30 September 2016 includes a gain on disposal of property, plant and equipment totaling US$11 million

RESTATED NINE MONTHS ENDED 30 SEPTEMBER[1]			
$ millions			2015
	Freight Management	Contract Logistics	Total
Total segment revenue	2,390	2,852	5,242
Inter-segment revenue	-	(4)	(4)
Revenue from external customers	**2,390**	**2,848**	**5,238**
EBITDA before specific items	**50**	**130**	**180**
Specific items and SBC			(20)
EBITDA			**160**
Depreciation, amortization and impairment			(130)
Operating income			**30**
Net finance income / (expense)			(213)
Net result from joint ventures			11
Profit/(Loss) before income taxes			**(172)**
EBITDA before specific items and SBC, as a % of revenue	*2.1%*	*4.6%*	*3.4%*

[1] Restated 2015 EBITDA before specific items and SBC. See note 2 for details on the restatement as a result of a change in accounting policy.

Geographical information

The geographical results for the three months ended 30 September 2016 and 30 September 2015 are as follows:

THREE MONTHS ENDED 30 SEPTEMBER				
$ millions				2016
	Americas	Asia Pacific	Europe	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)**

$ millions	THREE MONTHS ENDED 30 SEPTEMBER			
				2015
	Americas	Asia Pacific	Europe	Total
Total segment revenue	605	417	678	1,700
Inter-segment revenue	-	-	(1)	(1)
Revenue from external customers	**605**	**417**	**677**	**1,699**
EBITDA before specific items and SBC	**21**	**23**	**28**	**72**
Specific items and SBC				(5)
EBITDA				**67**
Depreciation, amortization and impairment				(41)
Operating income				**26**
Net finance income / (expense)				(72)
Net result from joint ventures				3
Profit/(Loss) before income taxes				**(43)**

The geographical results for the nine months ended 30 September 2016 and 30 September 2015 are as follows:

$ 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)**

$ millions	RESTATED NINE MONTHS ENDED 30 SEPTEMBER[1]			
				2015
	Americas	Asia Pacific	Europe	Total
Total segment revenue	1,868	1,258	2,116	5,242
Inter-segment revenue	(1)	(1)	(2)	(4)
Revenue from external customers	**1,867**	**1,257**	**2,114**	**5,238**
EBITDA before specific items and SBC	**44**	**52**	**84**	**180**
Specific items and SBC				(20)
EBITDA				**160**
Depreciation, amortization and impairment				(130)
Operating income				**30**
Net finance income / (expense)				(213)
Net result from joint ventures				11
Profit/(Loss) before income taxes				**(172)**

[1] Restated 2015 EBITDA before specific items and SBC. See note 2 for details on the restatement as a result of a change in accounting policy.

7. Specific Items and SBC

$ millions	THREE MONTHS ENDED 30 SEPTEMBER 2016	THREE MONTHS ENDED 30 SEPTEMBER 2015	NINE MONTHS ENDED 30 SEPTEMBER 2016	RESTATED NINE MONTHS ENDED 30 SEPTEMBER[1] 2015
Revenue	-	-	-	13
Personnel expenses	13	3	17	5
Other operating expenses	4	2	22	2
Amortization and impairment	-	-	-	9
Total (income)/expense before income taxes	**17**	**5**	**39**	**29**

[1] Restated 2015 specific items to include SBC. See note 2 for details on the restatement as a result of a change in accounting policy.

The following table provides a detailed split on the specific items and SBC per the three and nine months ended 30 September 2016 and 30 September 2015:

$ millions	THREE MONTHS ENDED 30 SEPTEMBER 2016	THREE MONTHS ENDED 30 SEPTEMBER 2015	NINE MONTHS ENDED 30 SEPTEMBER 2016	RESTATED NINE MONTHS ENDED 30 SEPTEMBER[1] 2015
Restructuring and transformation	7	1	14	3
Litigation	4	-	8	-
Share based compensation	7	-	8	1
Advisor cost	-	-	8	-
Impairment	-	-	-	9
Other	(1)	4	1	16
Total (income)/expense before income taxes	**17**	**5**	**39**	**29**

[1] Restated 2015 specific items to include SBC. See note 2 for details on the restatement as a result of a change in accounting policy.

Restructuring and transformation

For the three and nine months ended 30 September 2016, this comprised predominantly severance costs in North America and other clusters related to our Excellence Program as well as additional personnel expenses from the roll out of the One Freight Management System (“OFS”) in North America. For the three and nine months ended 30 September 2015, severance costs were incurred from cost reduction programs implemented by the Group.

Litigation

Litigation charges within other operating expenses incurred in the three and nine months ended 30 September 2016 related predominantly to increases in provisions for compensation in certain litigation and external advice.

Share based compensation

For the three and nine months ended 30 September 2016 non-cash share based compensation cost have been booked in a similar manner as specific items. These primarily relate to the issuance of shares and grant of equity awards to certain members of management under the Company's 2013 Long-Term Incentive Plan. In July 2016 the Board of Directors evaluated the equity compensation that had been granted under the company's 2013 Long-Term Incentive Plan and decided to issue a new round of Restricted Stock Units (“RSU’s”), Options and Penny Options as well as allow management to increase their investment in CEVA equity. This was not part of an annual or recurring incentive plan and the Board of Directors does not anticipate, at this stage, further grants of this scope. In total 34,250 Options and 30,295 Penny Options/RSUs were granted in the period. The Options and Penny Options/RSU’s have no performance conditions other than length of service and 4,543 Penny Options/RSU’s vested immediately at the grant date and the remaining Penny Options/RSU’s and the Options vest in tranches on the 1st, 2nd, 3rd, 4th and 5th anniversary after the grant date. This category also includes the cost of previously implemented share based long term incentive plans.

Advisor cost

In the nine months ended 30 September 2016, cost incurred for external advisors for one strategic project were classified as a specific item within other operating expenses. .

Impairment

Goodwill impairment charges were recognized in the nine months ended 30 September 2015 as a result of the disposal of S.I.T.T.A.M. S.r.l.

Other

For the nine months ended 30 September 2016, the Group incurred within other operating expenses a write-off of a prior year VAT position in the Central America cluster as well as an unsupported balance sheet position in the Asia Pacific region in connection with prior years. For the nine months ended 30 September 2015, charges related predominantly to the write-off of an accrued income balance in revenue in its Freight Management business in the Americas from prior periods 2011-2014 and the charges stemming from the failure of a subcontractor to pay social security premiums in the Europe region.

8. Income Tax Income

Income tax income for the period is based on an estimated average annual effective income tax rate. The estimated average effective annual tax rate used for the nine months ended 30 September 2016 is 25.0% (nine months ended 30 September 2015: 1.2%) is driven by management’s expectations for improved taxable profits in many jurisdictions offset by losses and the recognition of previously unrecognized tax assets, primarily in the United Kingdom. The majority of the deferred tax assets in the United Kingdom were recognized in the first quarter. In the third quarter the forecasted effective tax rate (“ETR”) for the full year 2016 reduced from 53.6% as reported in Q2 to 25.0% in Q3. This reduction was a result of amended expectations of the Groups tax charge and profit before tax for the full year 2016. This reduction of the ETR resulted in the US$13m tax charge for the third quarter.

9. Borrowings

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

$ millions	30 SEPTEMBER 2016 Carrying value	Level 1 fair value	Level 2 fair value	Total fair value	31 DECEMBER 2015 Carrying value	Level 1 fair value	Level 2 fair value	Total fair value
Non-current								
Bank borrowings	1,111	-	977	977	957	-	851	851
Loan notes	1,016	836	-	836	1,005	866	-	866
Finance leases	22	-	22	22	28	-	28	28
Total non-current borrowings	**2,149**	**836**	**999**	**1,835**	**1,990**	**866**	**879**	**1,745**
Current								
Bank overdrafts	121	-	121	121	122	-	122	122
Bank borrowings	14	-	14	14	19	-	19	19
Finance leases	6	-	6	6	7	-	7	7
Total current borrowings	**141**	**-**	**141**	**141**	**148**	**-**	**148**	**148**
Total borrowings	**2,290**	**836**	**1,140**	**1,976**	**2,138**	**866**	**1,027**	**1,893**
Unamortized debt issuance costs	40				38			
Total principal debt	**2,330**				**2,176**			

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 2016 was 3.8% (three months ended 30 September 2015: 6.5%) and 5.8% (three months ended 30 September 2016: 6.5%) 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 30 September 2016 the weighted average period to maturity was 3.7 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.

European Securitization
On 25 March 2016, the Company closed a €170 million (US$191 million) Pan-European Asset Backed Securitization (“the European ABS”). The European ABS is a two year commitment from two banks and is based on securitization of receivables from six European countries. As of 30 September 2016, availability under the facility was €11 million (US$12 million).

10. Joint ventures

The Group has an investment totaling US$96 million as at 30 September 2016 (31 December 2015: US$99 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 30 September 2016, CEVA’s share in Anji-CEVA’s net result was US$3 million (three months ended 30 September 2015: US$3 million).

The consolidated balance sheet of Anji-CEVA as at 30 September 2015, 31 December 2015 and 30 September 2016 is as follows:

	AS AT 30 SEPTEMBER	AS AT 31 DECEMBER	AS AT 30 SEPTEMBER
$ millions	**2016**	**2015**	**2015**
Current			
Cash and cash equivalents	155	152	121
Other current assets	370	227	301
Total current assets	**525**	**379**	**422**
Financial liablities	(1)	-	-
Other current liabilities	(479)	(339)	(386)
Total current liabilities	**(480)**	**(339)**	**(386)**
Non-current			
Assets	124	144	131
Total non-current assets	**124**	**144**	**131**
Financial liablities	-	-	-
Other liabilities	(2)	-	-
Total non-current liabilities	**(2)**	**-**	**-**
NET ASSETS	**167**	**184**	**167**

The consolidated income statement of Anji-CEVA for the three and nine months ended 30 September 2015 and 2016 is as follows:

	THREE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
$ millions	**2016**	**2015**	**2016**	**2015**
Revenue	**249**	**218**	**730**	**691**
Operating expenses excluding depreciation, amortization and impairment	(228)	(202)	(672)	(637)
EBITDA	**21**	**16**	**58**	**54**
Depreciation	(5)	(5)	(16)	(14)
Operating income	**16**	**11**	**42**	**40**
Finance income (including foreign exchange movements)	-	-	1	1
Finance expense (including foreign exchange movements)	-	-	-	-
Net finance income/(expense) (including foreign exchange movements)	**-**	**-**	**1**	**1**
Profit/(Loss) before income taxes	**16**	**11**	**43**	**41**
Income tax (expense) / Income	(8)	(4)	(15)	(13)
Profit/(Loss) for the period	**8**	**7**	**28**	**28**
Attributable to:				
Non-controlling interests	2	1	6	6
Equity holders of the Company	6	6	22	22

The reconciliation from the net asset value to the carrying value of the joint ventures for the periods ended 30 September 2015 and 2016 is as follows:

$ millions	**2016**	**2015**
Opening net assets - 1 January	**184**	**148**
Allocated to non-controlling interest	(38)	(38)
Adjusted opening net assets - 1 January	**146**	**110**
Profit for the period	28	28
Non-controlling interest	(6)	(6)
Dividend paid by joint ventures [1]	(32)	-
Foreign exchange impact	3	2
Closing net assets - 30 September	**139**	**134**
Interest in joint ventures at 50%	69	67
Goodwill in joint ventures	26	27
Carrying value 30 September	**96**	**94**

[1] Dividend was received by CEVA in February 2016. The CEVA portion of the dividend paid by joint ventures amounted to US$15 million.

The Company had no contingent liabilities towards the joint venture as at 30 September 2016 (31 December 2015: 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 2016, US$85 million was recognized as an expense in the income statement in respect of operating lease rentals (three months ended 30 September 2015: US$79 million).

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

	AS AT 30 SEPTEMBER	AS AT 31 DECEMBER
$ millions	**2016**	**2015**
Less than 1 year	301	302
1-5 years	587	651
Thereafter	196	146
Total	**1,084**	**1,099**
Of which guaranteed by third party / customers	65	61

Of the future lease payments, US$760 million (31 December 2015: US$784 million) relates to commitments in relation to multi-user/shared facilities, while the remainder of US$324 million (31 December 2015: US$315 million) is dedicated to specific customers.

Guarantees
As at 30 September 2016, the revolving credit facility of US$250 million remained undrawn and US$264 million (31 December 2015: US$256 million) of letters of credit were issued but undrawn under the letter of credit facility of US$275 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, European ABS 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 30 September 2016 closing rate of 1.1235.

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 30 September 2016, bank guarantees/letters of credit amounted to US$264 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$324 million (31 December 2015: US$329 million), of which US$264 million (31 December 2015: US$256 million) was issued but undrawn under CEVA's letter of credit facility. As of 30 September 2016, there were no guarantees issued under CEVA's revolving credit facility (31 December 2015: nil). There remaining capacity under the letter of credit facility as at 30 September 2016 is US$11 million (31 December 2015: US$19 million). 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. 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 such 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 2016 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 currently is 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 2016:

				30 SEPTEMBER 2016
	Number of shares beneficially owned			
	A-1 preference shares	A-2 preference shares	Common shares	Ownership percentage[2]
Apollo	87,428	12,737	105,010	21.7%
Franklin	4,126	169,688	128,400	26.8%
CapRe	99,038	49,462	126,914	28.4%
Other[1]	47,052	102,941	89,176	23.1%
Total	**237,644**	**334,828**	**449,500**	**100.0%**

[1] None of the other individual shareholders owns 5% 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 28.4% 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 21.7% of the Company`s shares outstanding assuming all preferred shares are converted to common shares.

The Company owns 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 2015 and 2016. Expenses of US$0.1 million (three months ended 30 September 2015: US$0.1 million) are included in the income statement for the three months ended 30 September 2016.

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 2016 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$14 million (31 December 2015: 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 30 September 2015 and 2016, Group entities entered into the following trading transactions with related parties that are not members of the Group:

	THREE MONTHS ENDED 30 SEPTEMBER		THREE MONTHS ENDED 30 SEPTEMBER	
$ millions		2016		2015
	Sales of goods	Purchases of goods	Sales of goods	Purchases of goods
Joint ventures	1	3	1	3

	NINE MONTHS ENDED 30 SEPTEMBER		NINE MONTHS ENDED 30 SEPTEMBER	
$ millions		2016		2015
	Sales of goods	Purchases of goods	Sales of goods	Purchases of goods
Joint ventures	4	7	4	7

	AS AT 30 SEPTEMBER		AS AT 30 SEPTEMBER	
$ millions		2016		2015
	Amounts owed by related parties	Amounts owed to related parties	Amounts owed by related parties	Amounts owed to related parties
Joint ventures	3	4	8	3

CEVA has a trading relationship with three customers, McGraw-Hill, Outerwall 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 30 September 2016 funds managed by CapRe held US$86.7 million par value of CEVA’s term loan due 2021, US$17.4 million par value of CEVA’s 7.00% First Lien Senior Secured Notes due 2021 and US$19.7 million par value of CEVA`s 9.0% Senior Secured Notes due to 2021.

At 30 September 2016, funds and accounts managed by Franklin Advisers, Inc. and Franklin Templeton Investment Corporation held approximately (i) US$177.5 million of CEVA's 4% First Lien Senior Secured Notes due 2018, (ii) US$27.1 million of CEVA's Tranche B Pre-Funded Letter of Credit, (iii) US$27.9 million of CEVA’s 6.50% Dutch BV Term Loan, (iv) US$4.8 million of CEVA’s 6.50% Canadian Term Loan, and (v) US$38.4 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
Under the Company's 2013 Long-Term Incentive Plan, effective 1 July 2016, 27,350 Options and 23,025 Penny Options/RSUs were granted to key management personnel. The total expense for these options granted to key management personnel for the three and nine months ended 30 September 2016 was US$5 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

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

Making business flow

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