CEVA Group Plc
ANNUAL REPORT 2017

Company number: 05900853

TABLE OF CONTENTS

STRATEGIC REPORT

CEVA Group Plc

CEVA Group Plc (the "Company" or together with its subsidiaries "CEVA", the "Group", "we" or "us") was formed on 9 August 2006 in England and Wales as a public company with limited liability. Apollo Global Management LLC ("Apollo") and its affiliates hold a majority of the voting power of the Company's direct parent company, CEVA Holdings LLC ("Holdings") and have the right to elect a majority of the members of the respective boards of Holdings and the Company.

Principal Activities

CEVA is one of the world's leading global asset-light 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 end-to-end complete supply chain solutions for multinational and large and medium sized companies on a national, regional and global level. CEVA operates an asset-light 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, ground, 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 2017, CEVA's combined global network comprised approximately 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 provides unique benefits to its customers, translating into longer relationships and opportunities to realize higher margins.

OPERATING AND FINANCIAL REVIEW

The table below shows the Group's key consolidated financial metrics for the years ended 31 December 2017 and 2016:

	YEAR ENDED 31 DECEMBER		
	2017	2016	2016
$ millions	In actual currency	In constant currency	In actual currency
Revenue	6,994	6,634	6,646
Revenue growth	5.2%		
Adjusted EBITDA[1]	287	252	257
Profit/(Loss) for the period	(280)	(224)	(227)
Net capital expenditure	98		74
Cash generated from operations	207		145
Free cash flow	(110)		(139)

[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 December 2017 and 2016:

	AS AT 31 DECEMBER	
$ millions	2017	2016
Net working capital	(228)	(167)
Cash and cash equivalents	295	334
Net debt	3,022	2,755
Headroom	578	616
Total assets	3,619	3,416
Total Group equity	(1,513)	(1,294)
Capital employed / LTM revenue[1]	31.0%	30.2%
LTM Net capital expenditure[2] / LTM Revenue[1]	1.4%	1.1%
Net working capital intensity (as % of LTM revenue[1])	(3.3%)	(2.5%)

[1] Refers to cumulative revenue over the last twelve months ("LTM")
[2] Refers to cumulative net capital expenditure over the last twelve months, excluding finance leases

We present certain comparative measures on a constant currency basis. We calculate these measures by retranslating the prior year measure at the average exchange rate of the current year, i.e., the 2016 results would be translated at 2017 exchange rates. This constant currency definition represents a change from the prior period to reflect market practice. Previously, we reported constant currency by translating current year income statement measures at the average exchange rate of the prior year, i.e., 2017 results would be translated at 2016 exchange rates.

The table below shows the impact of the change between the two methods of comparative currency:

	YEAR ENDED 31 DECEMBER			
	New Method		Old Method	
	2017	2016	2017	2016
$ millions	In actual currency	In constant currency	In constant currency	In actual currency
Revenue	6,994	6,634	7,025	6,646
Adjusted EBITDA	287	252	294	257
Profit/(Loss) for the period	(280)	(224)	(278)	(227)

Revenue

Revenue increased by 5.2% to US$6,994 million in 2017 compared to US$6,646 million in 2016. On a constant currency basis, revenue would have increased by 5.4%, compared to US$6,634 million in 2016.

	YEAR ENDED 31 DECEMBER	
$ millions	2017	2016
Freight Management	3,270	3,002
Contract Logistics	3,724	3,644
Total Revenue	**6,994**	**6,646**

The table below reconciles Revenue to show the impact of fluctuations in foreign currency for the years ended 31 December 2017 and 2016:

	YEAR ENDED 31 DECEMBER	
$ millions	2017	2016
Revenue	6,994	6,646
Foreign exchange impact	-	(12)
Revenue at constant currency	**6,994**	**6,634**
Freight Management	3,270	3,010
Contract Logistics	3,724	3,624
Revenue at constant currency	**6,994**	**6,634**

Revenue in Freight Management increased by 8.9% or US$268 million to US$3,270 million for 2017, compared to US$3,002 million for 2016. On a constant currency basis, Freight Management revenue increased by 8.6%, from US$3,010 million in 2016.

The following table summarizes key factors impacting Freight Management revenue:

	2017	2016
Air volume ('000 tonnes)	480	430
Air volume growth Year-on-Year	11.6%	6.7%
Gross revenue[1] per Ton (Air)	2,884	2,695
Net revenue per Tons (Air)	645	673
Air net revenue ($ millions)	310	289
Ocean volume ('000 TEUs)	729	696
Ocean volume growth Year-on-Year	4.7%	5.0%
Gross revenue[1] per TEU (Ocean)	1,320	1,283
Net revenue per TEU (Ocean)	280	298
Ocean net revenue ($ millions)	204	207

[1] Gross revenue defined as Total revenue excluding Miscellaneous operating income

Gross revenue from Air Freight increased by 19.4% for 2017 to US$1,384 million compared to US$1,159 million for 2016. On a constant currency basis, gross revenue would have increased by 18.8%, compared to US$1,165 million in 2016. The increase was driven primarily by an increase in Air Freight volume (tons) of 11.6%, and by higher customer freight rates per ton, which increased by 7.0% in 2017 as compared to 2016. This increase was 6.5% on a constant currency basis.

Gross revenue from Ocean Freight increased by 7.7% or $69 million to US$962 million for 2017 compared to US$893 million for 2016. On a constant currency basis, gross revenue would have increased by 7.4%, compared to US$896 million in 2016. Main factors driving this, are an increase in Ocean Freight volume (TEU) of 4.7%, and an increase in customer freight rates per TEU of 2.9% in 2017 as compared to 2016. This increase was 2.5% on a constant currency basis.

Gross revenue in our Ground and other Freight Management activities were down 2.7% from US$945 million in 2016 to US$919 million in 2017, predominantly driven by the decrease in value added services and brokerage activities in North America as a result of a portfolio clean-up. On a constant currency basis, gross revenue in our Ground and other Freight Management activities would have decreased by 2.5%, compared to US$943 million in 2016.

Revenue in Contract Logistics increased by 2.2% or US$80 million to US$3,724 million for 2017 compared to US$3,644 million for 2016. On a constant currency basis, Contract Logistics revenue increased by 2.8% or US$100 million. The increase in Contract Logistics revenue was principally driven by new business wins and higher volumes in existing contracts, which was partially offset by termination of certain contracts. Revenue during 2017 was also impacted by the transfer of certain Contract Logistics work in China from the Group to the Anji-CEVA joint venture, which led to a decrease in revenue of US$20 million.

Net Revenue

Net revenue is defined as revenue less work contracted out (being purchased transportation and related services, including contracted motor carrier, rail, ocean, air, and other costs).

Net revenue is not a measurement of performance or liquidity under IFRS and should not be considered as a substitute for revenue or any other performance measures derived in accordance with IFRS.

Net revenue increased by 0.6% or US$22 million to US$3,468 million for 2017 compared to US$3,446 million for 2016. On a constant currency basis, net revenue increased by 0.7% compared to US$3,444 million for 2016. Net revenue in Freight Management was US$875 million for both 2017 as well as 2016. On a constant currency basis, net revenue in Freight Management declined by 0.3% or US$3 million. Within Freight Management, net revenue for Air Freight increased by 7.3% while net revenue for Ocean Freight declined by 1.4%, in 2017 as compared to 2016. This decline was driven by increases in freight rates that could not be fully passed on to customers.

	YEAR ENDED 31 DECEMBER	
$ millions	**2017**	2016
Revenue	6,994	6,646
Work contracted out	(3,526)	(3,200)
Net revenue	**3,468**	**3,446**

EBITDA and Adjusted EBITDA

EBITDA is defined as earnings before interest, tax, depreciation and amortization ("EBITDA"). EBITDA before specific items and SBC refers to earnings before interest, tax, depreciation, amortization, specific items and non-cash 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, certain 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 EBITDA of the Anji-CEVA joint venture.

Neither EBITDA, 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, EBITDA before specific items and SBC or Adjusted EBITDA identically, the presentations of EBITDA, EBITDA before specific items and SBC and Adjusted EBITDA in this annual 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 years ended 31 December 2017 and 2016:

	YEAR ENDED 31 DECEMBER		
	2017	2016	2016
$ millions	**In actual currency**	In constant currency	In actual currency
Freight Management EBITDA before specific items and SBC	79	65	66
Contract Logistics EBITDA before specific items and SBC	158	146	149
Total EBITDA before specific items and SBC	**237**	**211**	**215**
EBITDA from joint ventures	50	41	42
Total Adjusted EBITDA	**287**	**252**	**257**
Total EBITDA before specific items and SBC as a % of revenue	*3.4%*	*3.2%*	*3.2%*
Freight Management EBITDA before specific items and SBC as a % of revenue	*2.4%*	*2.2%*	*2.2%*
Contract Logistics EBITDA before specific items and SBC as a % of revenue	*4.2%*	*4.0%*	*4.1%*

Adjusted EBITDA increased to US$287 million in 2017 compared to US$257 million in 2016. On a constant currency basis, Adjusted EBITDA would have been US$252 million for the year ended 31 December 2016.

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

	YEAR ENDED 31 DECEMBER	
$ millions	**2017**	2016
Adjusted EBITDA	287	257
Foreign exchange impact	-	(5)
Adjusted EBITDA at constant currency	**287**	**252**

Freight Management's EBITDA before specific items and SBC increased by 19.7% or US$13 million to US$79 million for 2017 compared to US$66 million for 2016. On a constant currency basis, EBITDA before specific items and SBC in Freight Management was US$79 million for 2017 in comparison to US$65 million for 2016, an increase of US$14 million or 21.5%. This improvement was driven by stronger volumes, the benefits of cost savings and increased productivity, which more than offset the increased purchased transportation costs which lead to largely temporary pressure on our net revenue margin.

In evaluating the profitability of the Freight Management business, we also analyse EBITDA Conversion, which is calculated as EBITDA divided by Net revenue. As disclosed above, EBITDA and net revenue are not measures of performance or liquidity under IFRS, and accordingly, EBITDA Conversion is not a measurement of performance or liquidity under IFRS and should not be considered as a substitute for revenue, profit for the period or any other performance measures derived in accordance with IFRS. Freight Management EBITDA Conversion was 9.0% in 2017, as compared to 7.5% in 2016.

Contract Logistics' EBITDA before specific items and SBC increased by 6.0% or US$9 million to US$158 million for 2017 compared to US$149 million for 2016. On a constant currency basis, it was US$158 million for 2017 compared to US$146 million for 2016, an increase of 8.2%. The improved results stem from new customers wins, higher volumes and corresponding revenue growth as well as costs savings. These factors more than compensated for the effect of termination of certain contracts and lower other income, which is related to the sale of property, contributing US$16 million to the 2016 results of Contract Logistics.

Operating expenses excluding depreciation, amortisation and impairment

Operating expenses excluding depreciation, amortisation and impairment increased by 5.0% or US$322 million to US$6,799 million for 2017 compared to US$6,477 million for 2016.

Work contracted out increased by US$326 million, or 10.2%, to US$3,526 million for 2017 as compared to US$3,200 million for 2016. This reflected the increased Air and Ocean volumes within Freight Management in addition to a higher proportion of transport and distribution activities in Contract Logistics.

Personnel expenses increased by 0.6% or US$13 million to US$2,126 million for 2017 as compared to US$2,113 million for 2016. The increase in personnel expenses was primarily driven by inflation related cost increases which were offset through cost savings from the Excellence Program.

Other operating expenses decreased by 1.5% or US$17 million to US$1,147 million for 2017 compared to US$1,164 million for 2016 which reflected cost savings from the Excellence Program in areas such as real estate, equipment and professional services.

Specific items and SBC

Specific items and SBC for the year ended 31 December 2017 above EBITDA amount to US$42 million (31 December 2016: US$56 million) mainly driven by restructuring costs of US$30 million in 2017 (31 December 2016: US$22 million) incurred in relation to our Excellence Program, which have yielded an estimated US$80 million saving in the year as per management estimates, and particularly the optimization of our North America, Benelux and Italy clusters; and non-cash share based compensation costs (see note 6 "Specific Items and SBC").

Specific items for the year ended 31 December 2017 below EBITDA related to the debt exchange which was completed on 7 April 2017. In connection with the exchange, US$12 million expenses were booked as specific items relating to the write off of unamortized fees on the exchange of the 4% First Lien Senior Secured Notes due 2018 (the "4% Notes").

Impairment

No goodwill impairment charges were recognized for the year ended 31 December 2017 (2016: nil) as a result of the annual goodwill impairment testing.

Depreciation, Amortization and Impairment

Depreciation, amortization and impairment decreased by 15.7% or $24 million to US$129 million for 2017 compared to US$153 million for 2016. This decrease is primarily due to lower amortization of acquired intangible assets (US$74 million for 2017 and US$92 million for 2016) as a large portion of customer relationships are now fully amortized. Amortization of intangible assets principally relates to contractual customer relationships acquired in business combinations in 2006 and 2007, which have an estimated useful life of ten to twenty years.

Net finance income/expense

Net finance expense increased by 26.3% or US$73 million to US$351 million for 2017 compared to US$278 million for 2016.

	YEAR ENDED 31 DECEMBER	
$ millions	2017	2016
Net interest expense on financing	(327)	(284)
Foreign exchange gain/(loss)	(24)	6
Net finance expense	**(351)**	**(278)**

Net interest expense on financing, which includes interest expense on our debt and other liabilities net of interest income on our cash and deposits, was US$327 million for 2017 compared to US$284 million for 2016, an increase of US$43 million or 15.1%. The increase was primarily due to the non-cash write-off of unamortized fees on refinancing of the 4% Notes in April 2017 (US$12 million), additional non-cash accrued interest on the 10% PIK notes of US$8 million, higher interest cost on the 9.0% First Lien Senior Secured Notes due 2020 (the "9% Notes due 2020") of US$14 million, of which US$8m was non-cash PIK interest, and an increase in borrowings of US$228 million, or 7.4%, to US$3,317 million as at 31 December 2017. The non-cash revaluation of our foreign currency denominated debt resulted in a foreign exchange loss of US$24 million for 2017 compared to a US$6 million gain for 2016.

Income Tax

The income tax for the period in 2017 was an expense of US$18 million (2016: income of US$17 million). Income tax included current tax charges of US$28 million and US$38 million for 2017 and 2016, respectively, primarily related to tax in certain countries with taxable profits.

Current tax charges were offset by deferred tax income of US$10 million and US$55 million for 2017 and 2016, respectively. In 2016, the company recognised deferred tax assets, which were previously unrecognised, for losses predominantly in the United Kingdom for US$44 million. During 2017, no previously unrecognised tax losses were recognised as deferred tax asset.

Loss for the period

The loss for the period in 2017 was US$280 million, compared to a loss of US$227 million in 2016.

Cash Flow

	YEAR ENDED 31 DECEMBER	
$ millions	2017	2016
Cash generated from operations	207	145
Net cash flows used for interest and taxes paid	(226)	(216)
Net cash used for operating activities	(19)	(71)
Net cash used for investing activities	(72)	(3)
Net cash from financing activities	56	111
Net increase/(decrease) in cash and cash equivalents including foreign exchange	(39)	26
Free cash flow	(110)	(139)

Net cash from operating activities

Cash flows from operations consist primarily of our net profit/(loss) before income taxes offset by changes in working capital, depreciation, amortization and impairment and other non-cash adjustments. In 2017, our net cash flows used for operating activities was US$19 million, compared to net cash flows used for operating activities of US$71 million in 2016. This improvement is primarily a result of changes in working capital. Interest payments and taxes paid in 2017 were US$241 million compared to US$216 million in 2016. The increase is driven by higher net interest payments as a result of increased borrowings in 2017.

Net cash used for investing activities

Net cash used for investing activities increased by US$69 million to US$72 million in 2017 compared to net cash used for investing activities of US$3 million in 2016. The movement was driven by an increase of capital expenditure of US$28 million, lower proceeds from the sale of property, plant and equipment (US$4 million in 2017 compared to US$38 million in 2016) and the timing impact of dividends received from the Anji-Ceva JV (the Company received dividends from the Anji-CEVA joint-venture of US$15 million in 2017 and US$27 million in 2016 (including dividends received related to prior period results) which were partially offset by an increase in interest received of US$5 million.

Net cash from financing activities
In 2017, net cash from financing activities was US$56 million, compared to US$111 million from financing activities in 2016. This inflow in 2017 was driven by proceeds from borrowings totaling US$345 million, offset by repayments of borrowings totaling $288 million.

Free Cash Flow
Free cash flow is defined as net cash (used for) / from operating activities, adjusted to reflect the impact of cash flows related to capital expenditures, interest received, dividends received and divestments. Free cash flow is not a measure defined by IFRS. Free Cash flow was US$(110) million in 2017 (2016 US$(139) million).

Net capital expenditure
The Company's net capital expenditure was US$98 million in 2017 (2016: US$74 million), which represented 1.4% of revenue for the year ended 31 December 2017 (1.1% for the year ended 31 December 2016). The increase in capital expenditure in 2017 was due to additional investment related to new business wins in our Contract Logistics segment, as well as customer-funded investments for a total of US$10 million and certain assets funded through finance leases where typically these would have been funded by operating leases in the prior period. Of the total amount of capital expenditure in 2017, US$24 million was related to IT and other intangibles (2016: US$28 million) and US$78 million to tangible assets (2016: US$46 million).

Generally, new Contract Logistics contracts and renewals represent the largest component of our capital expenditure, primarily consisting of investments in warehouse equipment and IT development. The investments reflect assets that are necessary to operate such as racking, other equipment and IT systems.

Net working capital
The Company's net working capital remained negative, being US$(228) million as at 31 December 2017 (31 December 2016: US$(167) million).

We also assess the level of net working capital relative to revenue for the last twelve months. Net working capital intensity (as a percentage of LTM revenue) is not a measurement of performance or liquidity under IFRS and should not be considered as a substitute for revenue or any other performance measures derived in accordance with IFRS.

Cash and cash equivalents
As at 31 December 2017, CEVA had US$295 million (31 December 2016: US$334 million) of cash on its balance sheet. With undrawn central facilities of US$283 million available at 31 December 2017 (2016: US$282 million), the Group therefore had headroom of US$578 million at 31 December 2017 (31 December 2016: US$616 million) to fund operating activities.

Net debt
Net debt, defined as total borrowings less cash and cash equivalents, has increased to US$3,022million as at 31 December 2017 (31 December 2016: US$2,755 million).

PRINCIPAL RISKS AND UNCERTAINTIES

CEVA is impacted by a number of principal risks and uncertainties, some of which are not within its control. Many of the risks affecting CEVA are macro-economic and generally affect all companies, whereas others are more particular to CEVA. This section outlines the more significant risks, but is not intended to be an exhaustive analysis of all risks that could affect us.

Indeed, some risks may be unknown to us or more material than CEVA currently estimates. All of them have the potential to impact CEVA and its financial performance and should be considered when reading this report. The Board of Managers of CVA Holdings LLC and the Board of Directors of CEVA Group Plc are regularly informed about existing and new risks and the measures used to manage them. Specific risks related to CEVA's business are included below.

Adverse economic conditions

The supply chain management business is susceptible to trends in economic activity, including but not limited to industrial production, consumer spending and retail activity, and an economic crisis or slowdown may negatively affect CEVA's business in a number of ways. In particular, CEVA's results of operations and financial condition are directly tied to the purchase and production of goods across the global economy. The primary activity of CEVA's Freight Management business is to transport goods, and CEVA's Contract Logistics business is an integral part of the production, storage and distribution of goods in many different industries. Our business is also directly affected by the volume of international trade. Trade volumes are influenced by many economic, political, and other factors that are beyond CEVA's control. There has been recent political pressure against free trade in many countries, including the United States. Changes in economic conditions and trade volumes could materially adversely impact CEVA's customers, which could in turn impact their demand for CEVA's services and the terms on which CEVA provides other services to its customers. Further, varying expansion conditions have been experienced in major economies, such as China and Europe, and there has been general political and economic instability in certain regions in which we operate. In addition to weaker export business, lower domestic demand may also lead to a slowing economy in certain countries. These factors could adversely affect CEVA's business, results of operations, financial condition and prospects.

Availability of third-party providers

CEVA does not, in general, maintain its own transportation networks everywhere. Instead, CEVA relies on third-party transportation service providers for most of its Contract Logistics transport services and substantially all of its air, ocean and ground transport services. CEVA's ability to serve some of its customers depends on the availability of air, ocean, road and rail transportation cargo space, including space on passenger and cargo airlines, ocean carriers, ground carriers and rail operators that service the transportation lanes they use. Moreover CEVA's ability to serve some of its customers depends on the availability of a limited number of air and ocean freight carriers and adequate third party land transportation services, including truck drivers, which may be unavailable or insufficient to meet CEVA's needs. CEVA cannot assure you that it will be able to obtain access to preferred third-party networks at attractive rates or that these networks will have adequate available capacity to meet its needs. In addition, although CEVA seeks to pass through third-party transportation rate increases to its customers, in certain instances, CEVA may not be able to raise prices in sufficient amounts or on a sufficiently rapid basis, which could materially adversely affect CEVA's business, results of operations, financial condition and prospects.

Cost base

In response to the recent global economic downturn, CEVA executed, and is continuing to execute, a number of initiatives to reduce its costs. While these processes are currently proceeding according to plan, like any transformation, they bear the risk of potential business disturbances (such as the temporary reduction of service quality) or disruptions. CEVA also launched a program to improve its working capital position. Such transformational changes and the related organizational restructuring will generate significant one-off costs, which will have to be provided for and will impact CEVA's profitability for 2018. CEVA cannot assure you that it will achieve the anticipated cost savings or improved profitability from its initiatives and CEVA may need to implement further cost reduction initiatives to adjust our cost base if revenues decline. Any such initiatives may not achieve the cost savings or improved profitability necessary to maintain our margins or offset a decline in revenue or slow the growth of our costs. Termination of low margin contracts may result in lower revenues and a reduction in volume discounts from carriers. In addition, regardless of prevailing economic conditions, we consistently target incremental cost savings or improved profitability as part of our operational improvements. We may not achieve these targeted cost savings or improved profitability in the amounts or in the time frames expected or at all. If any of these initiatives or transformations do not result in the desired costs savings, this could have a material adverse effect on our business, results of operations, financial condition and prospects.

International production setup and distribution channels

Globalization, changes in demand patterns and the constant re-design of production setups and supply chains with increasing complexity (e.g. supply chains that include mixtures of off- and near-shoring) drive the changing needs of our customers (existing or potential) in terms of logistics services. Furthermore, re-shoring or near-shoring may reduce trade flows, which would decrease the need of CEVA's customer's for its business. In order to succeed in its business, CEVA must understand, react and where possible pre-emptively anticipate customer needs in the optimization of its supply chains. Failure to provide these services successfully may have a material adverse effect on CEVA's business, results of operations, financial condition and prospects.

Global scope of operations and geopolitical events

CEVA has significant operations in multiple jurisdictions throughout the world. Risks inherent in the global scope of CEVA's operations include, but are not limited to natural events, storms, volcano eruptions, floods, earthquakes, other natural and manmade disasters, the geopolitical situation, wars, riots, fires, sabotage, strikes, civil commotion or civil unrest, interference by civil or military authorities, sanctions and other business restrictions, expropriation or trade protectionism or other similar government actions, foreign and trade policy decisions and other conflicts or unstable political conditions that disrupt international trade or transport. Geopolitical events or natural disasters that affect or create uncertainty regarding trade terms and freedom of movement could disrupt CEVA's business in many ways. For example, in June 2017, when certain countries in the Middle East abruptly cut off diplomatic relations with Qatar, causing several shipping lines to struggle to maintain services and reduced trade and transport activities in the regions, caused the redesign of trade lanes and limited the choice of air and sea carriers. Any of these events could have a material adverse effect on CEVA's business, results of operations, financial condition and prospects.

Long-term contracts

CEVA enters into long-term contracts with many of its customers. Although CEVA seeks to retain flexibility in its contractual arrangements with its customers to adjust pricing terms or terminate contracts which become economically onerous, CEVA sometimes bears a portion of cost increases from its suppliers (in particular transportation) if CEVA is unable to adjust these terms rapidly or sufficiently.

CEVA also enters into contracts with third parties who provide services or property to CEVA in connection with the provision of services under its customer contracts. These supplier contracts may provide for fixed pricing and other terms which CEVA negotiates based on its assumptions regarding its customers' products, required scope of services and expected volumes, the operational efficiencies and productivity improvements CEVA expects to achieve and other estimates. For example, CEVA's suppliers pass on increases in fuel prices to CEVA and it generally passes these price increases on to its customers through a surcharge, but in some cases CEVA may not be able to transfer these increases to its customers on a sufficiently rapid basis. Moreover in some circumstances CEVA's rates to its customer decrease as a result of reductions in the cost of fuel more quickly than its rates decrease with carriers. Furthermore, CEVA's business, results of operations, financial condition and prospects may be materially adversely affected by macroeconomic risks such as inflation, wage increases and currency exchange rates, due to a limited sharing of such risks in certain of our contracts. Although CEVA seeks to structure its arrangements with third parties on a back-to-back basis with the related customer arrangements—for example, by entering into lease agreements with durations and termination rights that are coterminous with the duration of the customer contracts that the leased property is used to service—or otherwise seek to require its customers to assume these costs and commitments if they prematurely terminate their contracts with CEVA, certain arrangements require CEVA to make investments in property, plant, and equipment and expand our personnel and management, and there may be instances where we are not able to offset or transfer such costs to our customers. Furthermore, CEVA's assumptions and estimates regarding its customers' activities may prove to be inaccurate as a result of changes to economic conditions, reductions in volumes or other developments, and as a result, CEVA's operating margins may be materially adversely affected under contracts where it bears these risks.

Changes in trend toward outsourcing

Our growth strategy is partially based on the assumption that outsourcing of supply chain management services will continue. CEVA believes that third party service providers like CEVA are generally able to provide such services more efficiently than they otherwise could be provided "in-house", primarily as a result of CEVA's expertise, technology and lower and more flexible employee cost structure. Nevertheless, CEVA's customers may see risks in relying on third-party service providers, or they may begin to define these activities as within their own core competencies and decide to perform supply chain operations themselves. If our customers are able to improve the cost structure of their in-house supply chain activities, including in particular their labor-related costs, we may not be able to provide our customers with an attractive alternative for their supply chain needs. If our customers in-source significant aspects of their supply chain operations, or if potential new customers decide to continue to perform their own supply chain activities, our business, results of operations, financial condition and prospects may be materially adversely affected.

Technological innovation

Changing technology in freight forwarding (e.g. marketplaces) may also disintermediate third-party service providers like CEVA, enabling customers to connect with carriers directly or to in-source supply chain operations. Some other technological developments like artificial intelligence, automation of physical or business processes could lead to a reduction of services from providers like CEVA, require additional capital expenditures or create pressure on our margins. There may also be other emerging business models (automated transport, "uberisation", among others) that could affect the solutions customers source from us. CEVA might not be agile or resourceful enough to adapt to such developments or might not invest in solutions that will prevail in the future. These developments could threaten our business model, business, growth, result of operations, margins and financial position.

Changes in preferred modes of freight

There are a variety of modes in which freight can be transported, including by air, ocean, road and railroad. We have differing market positions and exposure to various modes of freight, which have differing margin levels and net working capital requirements. While not all of these modes are interchangeable, depending on the origin and destination of freight, our customers have substantial flexibility to choose the mode that best suits their needs in terms of type of freight, cost, speed, certainty of arrival time and other factors. Trends in preferred modes may shift over time as their characteristics change or our customers' priorities change or because of regulatory requirements (e.g., prohibition to transport Li-ion batteries in passenger aircrafts). In addition, in optimizing their logistics spend, customers might restructure their supply chains, including by near-shoring or other alteration in the flow of goods. For example, during periods of economic contraction and inventory de-stocking, certain customers may find that speed and certainty of arrival time is less important than when inventory levels were tight. If this is the case, such customers may choose ocean freight as a lower-cost but slower alternative to air freight. While in recent years, we experienced a shift in our air freight volumes to ocean freight, particularly in Asia, new business models, in particular related to e-commerce have led to significant increases in demand for air freight that may, especially in some periods, only be met at much higher transportation cost, because of insufficient available capacity on certain routes. In addition, certain suppliers of products, particularly in the ocean freight industry, may attempt to transact directly with our customers, thereby bypassing our services. These trends may negatively impact our margins and net working capital requirements. While these trends may to some extent be cyclical in nature, there can be no assurance that the trend may not continue, and we may not be able to prepare for or predict future shifts in demand for particular transportation services, which may have a materially adverse effect on our business, results of operations, financial condition and prospects.

Competition and consolidation in the industry

The Freight Forwarding and Contract Logistics industries in which we operate are highly competitive, and we expect them to remain so in the foreseeable future. If we do not have sufficient market presence or are unable to differentiate ourselves from our competitors, we may not be able to compete successfully against other companies. We face competition from other freight forwarders, integrated carriers, logistics companies and third-party freight brokers, and we may face competition in the future from participants and new entrants outside our traditional competitors, such as the shipping lines, e-commerce platforms, alternative delivery systems, direct-to-consumer shipping and freight exchanges. The intense competition in the freight forwarding and contract logistics industry may result in loss of market share and market position, reduced revenues and reduced margins, any of which could adversely affect our business, results of operations, financial condition and prospects.

The competition we face may also increase as a result of consolidation within the Contract Logistics and Freight Forwarding industries. Some of our actual and potential competitors have significantly greater financial resources than we do, which may make it difficult for us to compete successfully with them. Our leveraged financial condition has impacted our ability to compete with less leveraged competitors who are perceived as financially stronger. If, as a result of consolidation, increased digitization, alliances or otherwise, our competitors are able to obtain more favorable terms from suppliers, offer more comprehensive services to customers or otherwise take actions that could increase their competitive strengths, our competitive position and therefore our business, results of operations and financial condition could be materially adversely affected.

Customer Consolidation

Customer consolidation, especially within industries that represent a considerable portion of our revenues, can lead to a potential increase in the negotiating power of customers. In addition, we could lose business if a customer acquires, merges or gets acquired with a company that uses some of our competitors as main providers or otherwise in the case of re-assessment of supplier exposure. These developments could have a material adverse effect on our business, results of operations, financial condition and prospects.

Debt and covenants

The documents governing certain of 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 ability 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. CEVA's business may not generate sufficient cash flow from operations to meet its obligations, and currently anticipated cost savings, operating improvements and other cash management initiatives may not be realized on schedule, or at all. As of 31 December 2017, CEVA had total indebtedness of approximately US$2,384 million and its Adjusted EBITDA for the year ended 31 December 2017 was US$287 million. During 2018, US$39 million of the 4% Notes will mature. During 2019, US$250 million of revolving credit facilities will mature. In addition, to the extent that the aggregate amount of outstanding revolving loans exceed 30% of the revolving commitments under the Senior Secured Facilities, the agreement governing the Senior Secured Facilities requires us to maintain a ratio of net first lien secured debt to EBITDA (as defined in the agreement governing our Senior Secured Facilities) of no more than 5.35 to 1.0, tested on a quarterly basis.

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. If CEVA is unable to comply with its obligations under these documents, or generate sufficient cash flow to satisfy its debt service obligations, or to refinance its obligations (including CEVA's upcoming 2018 and 2019 debt maturities) on commercially reasonable terms, it could have a material adverse effect on CEVA's business, results of operations, financial condition and prospects. For example, CEVA may be forced to reduce or delay business activities and capital expenditures, sell or transfer some or all of its assets or certain of our subsidiaries, obtain or guarantee additional external financing, 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), issue or sell additional share capital or take other measures. There can be no assurance that any of these measures, including any debt refinancing, may be successfully completed or 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 its lenders could foreclose on CEVA's pledged assets. In addition, to the extent CEVA requires additional external financing, there can be no assurance that such financing will be available on acceptable terms or at all or that CEVA will be permitted to incur such financing under its existing debt agreements.

CEVA's substantial indebtedness, including its upcoming 2018 and 2019 debt maturities, impacts its flexibility in operating its business and could have important consequences for its business and operations, including the following: (1) it may limit CEVA's 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 CEVA's 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 its existing or potential customers are willing to renew or extend additional business to us.

Information technology, operational systems and cyber risks

To manage our growth and improve our performance, we must maintain and continuously improve our operational systems and processes. We cannot assure you that we will be able to develop and implement, on a timely basis, projects, systems, procedures and controls required to support the growth and development of our operations. If we are unable to manage our growth and improve our performance, our business, results of operations, financial condition and prospects may be materially adversely affected. The evolution of our information technology and systems infrastructure happens through the realization and execution of projects within the context of an overall architecture approach. Projects may be delayed, or may have unforeseen, unplanned side effects impacting on our ability to serve our customers and cause us to incur additional capital expenditures, which could adversely impact our financial results and liquidity.

We expect our customers will continue to demand more sophisticated information technology systems compatible with their own information technology environment. In addition, from time to time we are required to replace and implement upgrades to our legacy information technology systems. Our information systems must frequently interact with those of our customers and service providers and must function across multiple territories. Our future success will depend on our ability to fully implement and employ technology that meets industry standards and customer demands across multiple territories, and to continue to maintain and upgrade our systems. The failure of the hardware or software that supports our information technology systems or the loss of data in the systems, or the inability to access or interact with our customers electronically, could significantly disrupt customer workflows and cause economic losses for which we could be held liable and that would damage our reputation. If we fail to meet the demands of our customers or protect against disruptions of our own and our customers' operations, we may lose customers, which could materially adversely affect our business, results of operations, financial condition and prospects.

Our information technology systems are dependent upon global communications providers, web browsers, telephone systems and other aspects of the Internet infrastructure that have experienced significant system failures, electrical outages and other similar disruptive events in the past. Our systems are susceptible to outages from fire, floods, power loss, telecommunications failures, computer viruses, break-ins and similar events. For the supply of software and the maintenance of soft- and hardware, we rely, to a large extent, on outside suppliers. Our information technology structure therefore could be adversely affected by failures of such third-party suppliers to comply with their contractual obligations or by third-party suppliers terminating their business or increasing their prices significantly. In connection with services offered to our customers, we often retain significant amounts of data from and in respect of our customers. In addition, our information technology systems are often directly integrated with our customers' systems (for example, the Matrix WMS IT platform for the Contract Logistics business is often integrated with our customers' systems). As a result, we may be subject to cybersecurity attacks, either targeted against us or our customers. The techniques used by cyber criminals to obtain unauthorized access change frequently, may be difficult to detect and often are not recognized until a security breach. In addition, privacy breaches could occur inadvertently or intentionally by our employees (past or present). The occurrence of any of these events could result in service interruptions, operational difficulties, loss of revenues or market share, liability to customers or others, diversion of resources, injury to our reputation and increased service and maintenance costs. This could result in a loss of customers or a reduction in demand for our services. While we believe that we have taken appropriate security measures to protect our data and information technology systems, there can be no assurance that our efforts may not prevent breakdowns or breaches in our systems that could have an adverse effect on our business, results of operations, financial condition and prospects.

Credit risk

CEVA is exposed to credit risk which is influenced mainly by the individual characteristics of each customer. The demographics of CEVA's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. Our credit policy determines that each new customer is analyzed individually for creditworthiness before terms and conditions are offered to the customer. The review includes external ratings where available and in some cases bank references. Purchase limits are established for each customer and these limits are reviewed periodically. We establish an allowance for impairment in respect of trade and other receivables. Refer to note 15 "Trade and other receivables" for details of trade receivables and provision for impairment. CEVA's credit reviews and the subsequent assignment of payment terms might not adequately reflect the credit risk related to a customer. Furthermore the discontinuation of commercial relationships with CEVA's customers or the bankruptcy of a major customer may adversely affect our business, results of operations, financial condition and prospects.

Worldwide laws and regulations
The supply chain management services we provide are regulated by various governmental authorities around the world. A failure to comply with applicable laws and regulations and maintain appropriate authorizations could result in substantial fines, penalties, operational restrictions or possible revocations of authority to conduct operations, criminal liability or lawsuits or the forced withdrawal of the Group companies from certain countries, which could have a material adverse impact on our business, results of operations, financial condition and prospects. In addition, permits and licenses may be withdrawn or suspended without any particular reason. Future regulations or changes in existing regulations, or in the interpretation or enforcement of regulations, could require us or our customers to incur additional capital or operating expenses or modify business operations to achieve or maintain compliance. For example, the global responses to terrorist threats have resulted in a proliferation of cargo security regulations which have created a marked difference in the security arrangements required to move shipments around the globe, and we expect regulations to become more stringent in the future. Several jurisdictions have also implemented or proposed legislation designed to reduce greenhouse gas emissions, restrict working hours and increase minimum wages.

Anti-corruption, anti-bribery and sanctions laws and regulations
Due to the cross-border nature of our activities and the large number of countries in which we operate, we must continually monitor our compliance with anti-corruption and anti-bribery laws (including the US Foreign Corrupt Practices Act and the UK Bribery Act), trade control and sanctions laws and regulations (including those promulgated and enforced by the US Treasury Department's Office of Foreign Assets Controls and by other national and supranational institutions), data protection laws and antitrust and competition laws. These laws and regulations, especially sanctions regimes, are constantly evolving. In addition, recent years have seen a substantial increase in global enforcement of these laws, industry-wide investigations and criminal and civil enforcement proceedings by US and other government agencies resulting in substantial fines and penalties. We may be subject to criminal and civil penalties and other remedial measures as a result of any violation of such laws and regulations, which could have a material adverse effect on our business, results of operations, financial condition and prospects. Furthermore, if one of our independent agents violates these laws in the course of providing services to us or on our behalf we may be subject to unanticipated liability or losses, which could have a material adverse effect on our business, results of operations, financial condition and prospects. Involvement in potential non-compliance related proceedings and investigations could harm our reputation and that of our management, lead to the loss of customers and have a negative impact on our efforts to compete for new customers. Customers and/or third parties could also initiate legal proceedings against us for substantial financial sums. If any of the risks described above materialize, this could have a material adverse effect on our business, results of operations, financial condition and prospects. While we have in place policies and procedures relating to compliance with these laws, there can be no assurance that our internal policies or procedures will work effectively to ensure that we comply with such laws and regulations all of the time or to protect us against liability under such laws and regulations for actions taken by our employees or by our third-party service providers, including agents (or their subcontractors), with respect to our business, which may be outside our direct control or knowledge.

Labour shortages
The logistics industry is facing recruitment challenges in several geographies, either because of low labor availability, unattractiveness of the job profiles, insufficient competitiveness of terms and conditions or the effect of an ageing workforce. In particular the trucking industry in the United States and in Europe is facing a growing shortage of drivers and the industry has struggled to attract new drivers. In other regions, staff turnover is high as employees leave us or the industry as soon as they find more attractive jobs elsewhere. These developments can be acute and chronic and could adversely affect our business, results of operations, financial condition and prospects.

Owner-operator model
Our ground transportation operations in many jurisdictions, particularly in the United States, rely heavily on drivers who are independent contractor owner-operators. The owner-operator model is periodically challenged by federal and state governmental and regulatory authorities, including tax authorities, as well as by individual drivers as private plaintiffs, seeking to have drivers reclassified as employees rather than independent contractors. We are currently subject to claims in California, as well as regulatory actions arising out of audits by the California Employment Development Department in connection with the classification of independent contractor owner-operators. See note 25 "Contingencies" for further details.

If our independent contractor drivers were to be deemed to be employees, whether due to regulatory or judicial determinations or changes in applicable federal or state laws and regulations, it could, among other things, entitle drivers to reimbursement by us of certain expenses and to the benefit of wage-and-hour laws, subject us to employment and withholding tax and benefit liabilities, significantly increase our unemployment compensation and workers' compensation payments, have other substantial negative financial, tax and operational impacts on our business, and would require significant changes to how our ground transportation operations are conducted. In addition, adverse determinations for changes in laws and regulations could be applied retroactively, which could require us to make payments for prior periods. As a result, our operating costs could increase significantly and our business, results of operations, financial condition and prospects could be materially adversely affected.

Low margin business

CEVA's business is characterized by a high volume of sales with low profit margins, so small changes in revenue costs will have a substantial effect on CEVA's profits and cash flows. If CEVA's cost of revenues were to increase, CEVA's business, results of operations, financial condition and prospects could be materially adversely affected.

Currency fluctuations

As a result of our global operations, our business, results of operations, financial condition and prospects 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 US dollar, and therefore our reporting results are subject to translational risks relating to currency exchange rate fluctuations. Given the volatility of exchange rates, if we continue to not enter into hedging transactions or otherwise manage such currency risks effectively, then exchange rates have in the past and may materially adversely affect our cash flows, business, results of operations, financial condition and prospects.

Tax Laws

As a global company, CEVA generates taxable income in different countries throughout the world, with different effective income tax rates. CEVA's future effective income tax rate will be impacted by a number of factors, including the geographic composition of our worldwide taxable income, our ability to allocate debt and expenses effectively and our ability to utilize tax losses carried forward. If tax authorities in the jurisdictions in which CEVA operates were to change applicable tax laws, including as a result of new or altered international tax treaties, prohibit certain charges or successfully challenge the manner in which CEVA's income taxes are currently recognized or calculated or the transfer pricing polices employed by it, CEVA's effective income tax rate could increase, which would adversely impact our cash flow and profitability. Furthermore, in many of these jurisdictions, the tax laws are very complex and are open to different interpretations and application. CEVA is regularly under audit by tax authorities within a number of jurisdictions. Although CEVA believes that its tax estimates are reasonable, the final determination of tax audits could be materially different from its tax provisions and accruals and negatively impact CEVA's financial results. In addition to income taxes CEVA is subject to a multitude of tax rules relating to VAT, sales taxes, payroll taxes, and other taxes. There is no guarantee that tax authorities in a country in which CEVA does business will not raise claims against CEVA for failure to comply with applicable tax laws. Such claims could have a negative impact on CEVA's business, results of operations or financial condition.

Customs Regulations

Due to the nature of the services we render, we must comply with a multitude of customs regulations. A failure to comply with such regulations may not only lead to claims from the pertinent customs authorities against us but could also prevent us from continuing to do business in the country concerned. The occurrence of any of these events could have a material adverse effect on our business, results of operations, financial condition and prospects.

Joint ventures

CEVA has entered into joint venture arrangements in multiple jurisdictions, including our 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 we may be unable to prevent actions that CEVA believes are not 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 CEVA's joint ventures require renewal over time. For example, CEVA recently renegotiated the terms of the Anji-CEVA joint venture, and extended the term until May 20, 2032. However, the Anji-CEVA joint venture could be terminated or the terms of the relationship renegotiated prior to the end of the current contractual term. If CEVA is unable to renew its joint ventures or if CEVA renews its joint ventures on less favorable terms, CEVA's business, results of operations, financial condition and prospects could be materially adversely affected.

Legal Proceedings

We are subject to various claims, litigation, investigations and other legal proceedings, and we cannot predict with certainty the cost of defense, prosecution or the ultimate outcome of claims filed by or against us. Legal claims and proceedings include those described in note 25 ”Contingencies” and may also include claims that relate to labor and employment, cargo claims, commercial arrangements, claims related to our operational performance, personal injury and property damage claims (including claims seeking to hold us liable for accidents involving our independent owner-operators), international trade, intellectual property, environmental, health and safety, tariff enforcement, property damage, subrogation claims, violation of the federal securities laws and various other matters. The outcome of litigation, particularly class action lawsuits and regulatory actions, is difficult to assess or quantify and may adversely affect our business, results of operations, financial condition and prospects.

SUMMARY OF CORPORATE AND FINANCING STRUCTURE AT 31 DECEMBER 2017*

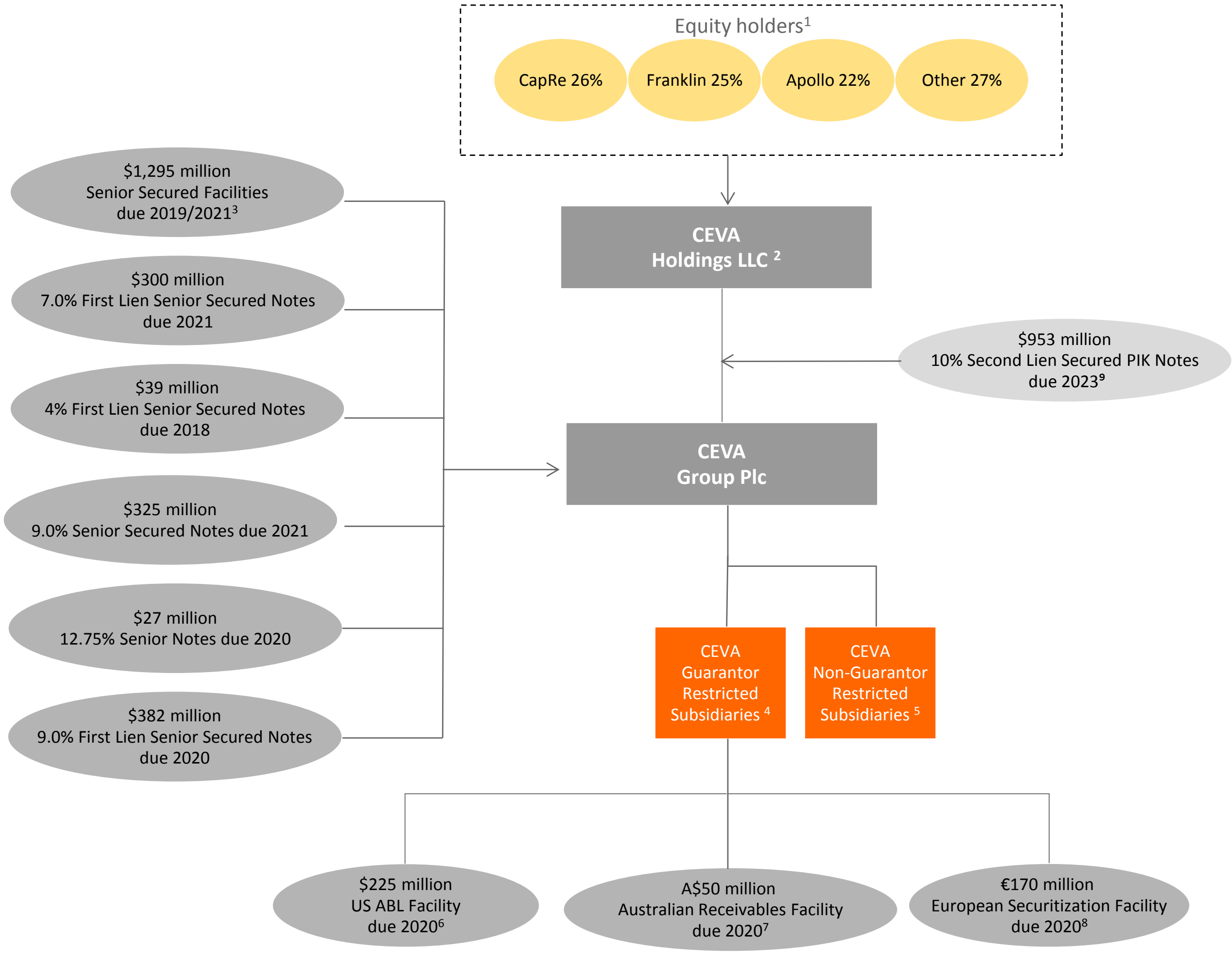


*Diagram excludes other financing of US$138 million comprising finance leases, bank overdrafts and other loans.

1. Ownership percentages are shown on an as-converted basis assuming that all Series A-1 Convertible Preferred Shares and Series A-2 Preferred Shares have been converted to Common Shares as at 31 December 2017.

2. Ceva Holdings LLC and two of its direct subsidiaries, CEVA UK 1 Limited and CEVA UK 2 Limited, who each hold one ordinary share, collectively own 99.99% of CEVA Group Plc. CIL Limited and Louis Cayman Second Holdco Limited own the remaining 0.01% of CEVA Group Plc.

3. As at 31 December 2017, the revolving credit facility of US$250 million was undrawn and US$275 million (2016: US$246 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 Asset Backed Loan (ABL) Facility (the “ABL Facility”), the Australian Receivables Facility and the European Securitization Facility. The Senior Secured Facilities consist of US$250 million revolving credit facility, US$275 million Synthetic Letter of Credit facility and US$770 million Term Loans. The Term Loans are denominated in both US dollar and Euro. The amount of the Euro denominated term loan has been converted to US dollar for the above presentation based upon the 31 December 2017 closing rate of 1.1996.

4. Certain subsidiaries of CEVA Group Plc located in Australia, Belgium, Brazil, Canada, Germany, Hong Kong, Luxembourg, the Netherlands, the Cayman Islands, the United Kingdom and the United States (collectively, the “Guarantors”)

guarantee the Senior Secured Facilities and the 7.0% First Lien Senior Secured Notes due 2021 (the "7% Notes"), the 4% First Lien Senior Secured Notes due 2018 (the "4% Notes"), the 9.0% Senior Secured Notes due 2021 (the "9% Notes due 2021"), the 12.75% Senior Notes due 2020 (the "12.75% Notes"), the 9.0% First Lien Senior Secured Notes due 2020 (the "9% Notes due 2020") and the 10% Second Lien Secured PIK Notes due 2023 (the "10% PIK Notes" and together with the 7% Notes, the 4% Notes, the 9% Notes due 2021, the 12.75% Notes and the 9% Notes due 2020, collectively, the "Notes"). The Senior Secured Facilities are secured on a senior secured basis *pari passu* with the 7% Notes and the 9% Notes due 2020 and senior to the 9% Notes due 2021 and the 10% PIK Notes. The Guarantors represented 56% (2016: 59%) of the Company's aggregated revenue before intercompany eliminations, 21% (2016: 18%) of the Company's aggregated EBITDA before specific items and SBC and 30% (2016: (1)%) of the Company's aggregated EBITDA for the year ended 31 December 2017. Not all of the Guarantors are borrowers under the Senior Secured Facilities.

5. The Company's non-guarantor subsidiaries accounted for 44% (2016: 41%) of its total aggregated revenue before intercompany eliminations, 79% (2016: 82%) of its aggregated EBITDA before specific items and SBC and 70% (2016: 101%) of its aggregated EBITDA for the year ended 31 December 2017.

6. The obligor under the US ABL facility is CEVA US Receivables LLC, which is a bankruptcy remote entity formed in connection with the establishment of the US ABL Facility. CEVA US Receivables LLC does not guarantee the Group's other indebtedness and is an unrestricted subsidiary under the Group's other debt facilities.

7. The obligor under the Australian Receivables Facility is CEVA Receivables (Australia) Pty. Ltd., which is a bankruptcy remote entity formed in connection with the establishment of the Australian Receivables Facility. CEVA Receivables (Australia) Pty. Ltd. does not guarantee the Group's other indebtedness and is an unrestricted subsidiary under the Group's other debt facilities.

8. The obligor under the European Securitization Facility is CEVA Receivables Finance DAC (the "Issuer") which is a special purpose vehicle established outside of the Group. The Issuer is therefore neither a Restricted Subsidiary nor an Unrestricted Subsidiary under the Group's other debt facilities. Each of CEVA Belgium Receivables BVBA, CEVA Netherlands Receivables B.V., CEVA UK Receivables Limited, CEVA France Receivables SAS, CEVA Germany Receivables GmbH and CEVA Spain Receivables S.L. were also formed in connection with the establishment of the European Securitization Facility for the purpose of holding certain bank accounts (the "Account SPVs"). The Account SPVS do not guarantee the Group's other indebtedness and are unrestricted subsidiaries under the Group's other debt facilities.

9. As at 31 December 2017, the 10% PIK Notes had a principal value of US$953 million (31 December 2016: US$863 million). The 10% PIK Notes are issued by CEVA Group Plc to its immediate parent, CEVA Holdings LLC.

SUMMARY OF FACILITIES AND NOTES

On 19 March 2014 the Company announced that it had successfully completed a series of debt refinancing transactions (the "March 2014 Refinancing"). Through these transactions, CEVA further increased capital available to fund growth initiatives and established a long-term capital structure with a weighted average period to maturity of 6.3 years. As at 31 December 2017 the weighted average period to maturity was 2.9 years, excluding the 10% PIK Notes. Please refer to note 19 "Borrowings".

April 2017 Exchange Offer

On 7 April 2017, CEVA successfully completed an exchange offer for the 4% Notes, where US$351 million of the notes were exchanged for the 9% Notes due 2020.

In addition, CEVA entered into agreements with certain holders to privately exchange US$16 million of the 12.75% Notes for 9% Notes due 2020. The 9% Notes due 2020 pay 6% cash and 3% PIK (payment-in-kind) interest per annum. As of 31 December 2017, approximately US$39 million of the 4% Notes remains outstanding and at the same date approximately US$27 million of the 12.75% Notes remains outstanding.

Senior Secured Facilities due 2019/2021

The Group entered into senior secured facilities with certain banks to finance the acquisition of its Contract Logistics business on 4 November 2006 and its Freight Management business on 2 August 2007. The facilities were subsequently amended and restated and have been subject to various prepayments and incremental tranche add-ons including as part of the March 2014 Refinancing. Of the US$1.3 billion total facilities available at 31 December 2017, US$770 million was outstanding as term loans, no amount was drawn and no letters of credit were issued under the US$250 million revolving credit facility and US$275 million of letters of credit were issued but undrawn under the US$275 million letter of credit facility. The maturity date for the revolving credit facility is 19 March 2019 while the remaining Senior Secured Facilities are due to mature in March 2021.

7% First Lien Senior Secured Notes due 2021

On 19 March 2014, CEVA Group Plc issued US$300 million of 7% Notes. Interest is payable on the 7% Notes bi-annually on 1 March and 1 September of each year. As of 31 December 2017, US$300 million of 7% Notes remains outstanding.

9% Senior Secured Notes due 2021

On 19 March 2014, CEVA Group Plc issued US$325 million of 9% Notes due 2021. Interest is payable on the 9% Notes due 2021 bi-annually on 1 December and 1 June of each year. As of 31 December 2017, US$325 million of 9% Notes due 2021 was outstanding.

US ABL Facility due 2020

On 19 November 2010, certain US subsidiaries of the Group ("the Originators") and a new subsidiary, CEVA US Receivables LLC (the "Unrestricted Subsidiary"), entered into agreements establishing an ABL Facility with an initial commitment amount of US$200 million which was later increased to US$250 million. The obligations of the Unrestricted Subsidiary under the ABL Facility are secured on a first-priority basis by all currently owned and subsequently acquired assets of the Unrestricted Subsidiary, including, but not limited to, all of the accounts receivable transferred to the Unrestricted Subsidiary by the Originators. The ABL Facility was scheduled to mature on 31 December 2018, but was amended and extended in November 2017 and now matures on 1 August 2020. The commitment amount for the facility has been reduced to US$225 million to match overall level of receivables. As at 31 December 2017, the amount drawn under the ABL facility was US$189 million.

Australian Receivables Facility due 2020

On 22 May 2016, certain of the Company's Australian subsidiaries of the Group renewed and extended CEVA's A$40 million receivables purchase facility. The renewal, among other things, extended the maturity of the facility to 30 April 2020 and amended certain economic terms including the facility margin. Additional amendments were made in 2017 which increased the facility limit to A$50 million. As of 31 December 2017, the outstanding amount drawn under the facility was A$40 million (US$31 million).

European Securitization Facility due 2020

On 24 March 2016, the Company closed a €170 million (US$191 million) Pan-European Asset-backed Receivables Securitization ("the European Securitization Facility"). The European Securitization Facility is a commitment based on securitization of receivables in six European countries. On 7 April 2017, CEVA entered into an agreement to extend the maturity of the European Securitization Facility from March 2018 to March 2020, and at the same time agreed an increase to the facility limit by €80 million to €250 million subject to the addition of receivables into the program. The interest rate on this facility remained unchanged. As of 31 December 2017, the outstanding amount drawn under the facility was €157 million (US$189 million).

10% PIK Notes

As at 31 December 2017, the 10% PIK Notes had a principal value of US$953 million (31 December 2016: US$863 million). The 10% PIK Notes are issued by CEVA Group Plc to its immediate parent, CEVA Holdings LLC.

By order of the Board.

Xavier Urbain
Director and Chief Executive Officer
13 March 2018

DIRECTORS' REPORT

The directors present their report and the audited financial statements of CEVA Group Plc (the "Company") for the year ended 31 December 2017.

The Company was incorporated in England and Wales on 9 August 2006. At the date of this document, the Company's authorized share capital of £699,965 is divided into 3,500,000,000 ordinary shares with a par value of £0.0001 each and 350,000 deferred shares with a par value of £0.9999 each. As at 31 December 2017 CEVA Holdings LLC ("Holdings") and two of its direct subsidiaries, CEVA UK 1 Limited and CEVA UK 2 Limited, who each hold one ordinary share, collectively hold 3,499,650,000 ordinary shares with a par value of £0.0001 each (99.99%) 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.

The rights of the equity holders of the Company are contained in the Articles of Association of the Company. The Company is managed by its directors in accordance with the Articles of Association and in accordance with the laws of England and Wales.

RESULTS AND DIVIDENDS

The Group reported a loss for the year ended 31 December 2017 of $280 million (2016: a loss of $227 million).

POLITICAL DONATIONS

The Company did not make any donations to a registered political party, or other political organization within or outside the EU or any independent election candidate (2016: nil).

OTHER DISCLOSURES

The Group did not carry out any research and development activities during the year.

GOING CONCERN ASSUMPTION

In accordance with UK company law and best practice, the directors are required to consider whether it is appropriate to prepare the financial statements under the going concern principle. CEVA prepares annual budgets, four year forecasts and regularly supplements the budgets with quarterly forecasts during the year. After reviewing this information in conjunction with our available facilities and our commitments to debt repayments, and considering the financial recapitalization, the Directors have concluded that the Group has adequate resources for the foreseeable future. Therefore the Group and the Company have continued to adopt the going concern basis in the preparation of the financial statements.

FINANCIAL INSTRUMENTS

The Group's financial risk management and policies and exposure to risks in relation to financial instruments are detailed in note 4 "Financial Risk Management".

EVENTS AFTER BALANCE SHEET DATE

There have been no significant events after balance sheet date.

BOARD OF DIRECTORS

The Board of Directors of the Company consists of one executive and eight non-executive directors. The directors and their remuneration are disclosed in note 7 "Personnel expenses". There have been no significant changes in directors' interests since the end of the period under review and the date of this report.

At the date of this report, the following persons are members of the Company's Board of Directors:

Marvin Schlanger (Chairman)
Michael Jupiter
Samuel Feinstein
Thomas White
Xavier Urbain (CEO)
Alan Miller
Emanuel Pearlman

John Smith
Thomas Stallkamp

CEVA has agreed to indemnify Marvin Schlanger, Michael Jupiter and Samuel Feinstein for losses relating to the services contemplated by the management agreement with Apollo.

BOARD COMPENSATION

Apollo and its affiliates have the power to control us and our affairs and policies, including the election of the majority of the members of the Board of Managers of Holdings and the Board of Directors of the Company (collectively, the "Boards"). Three of the members of the Boards are partners, directors or employees of Apollo or Apollo portfolio companies. The Boards have five independent, non-employee members. In their capacity as managers of the Board of Managers of Holdings and Directors of the Company, independent non-employee managers of Holdings and Directors of the Company, receive US$31,250 for each calendar quarter of service. In addition, Mr. Pearlman is entitled to receive US$8,000 per month for service on a special committee of Holdings. All other non-employee managers of Holdings and directors of the Company, other than the Chairman, are paid US$15,000 for each calendar quarter of service. Independent non-employee managers of Holdings and the Company who are not former employees of CEVA are entitled to receive two awards of restricted stock or restricted stock units of Holdings each having a fair market value on the date of grant of US$75,000 and such additional awards of restricted shares or restricted share units as the compensation committee may determine from time to time. The first award is issued following appointment of the manager to the Board of Managers of Holdings and the second award is issued following the first board meeting in the calendar year following the manager's initial appointment to the Board of Managers of Holdings. The Chairman receives €20,000 per month for his service as Chairman.

EMPLOYEES

CEVA has developed and deployed a diversity and inclusion program led by a global diversity council. Diversity is about understanding and appreciating differences – the variety of perspectives, opinions and contributions that we each bring to the business. Inclusion is about leveraging diversity to create an environment and culture that is welcoming, collaborative and productive. By embracing diversity and inclusion, CEVA is better equipped to understand demographics and thus thrive in a global market. CEVA's employees are a key asset to the business and CEVA's goal is to attract, motivate and retain the highest performing workforce in the industry. In order to realize CEVA's full potential the best talent, from any background, is allowed to rise to the top.

One of the focus areas in our global diversity and inclusion program is disability. Applications for employment by disabled persons are always fully considered bearing in mind the respective aptitudes and abilities of the applicant concerned. CEVA's policy is not to discriminate against employees on the basis of disability, In addition, it is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

CEVA has adopted policies and processes that are designed to support effective recruitment, retention and incentivization of skilled employees and managers to fulfill their roles in the organization. CEVA provides employees with competitive salary packages with incentives tied to the operational objectives of the Company and the relevant subsidiary as well as to individual performance targets.

Our performance measurement system for Management level employees is designed to provide those employees with regular feedback on their performance and to encourage the best work performance possible.

We regularly consult with employees or their representatives with the aim of ensuring that their views are taken into consideration when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with employees continues through online and printed in-house newsletters, frequent bulletins, the global intranet and includes two way feedback mechanisms.

SHAREHOLDERS

The substantial shareholders of Holdings, the Company's direct parent which owns 99.99% of the Company's shares, at 31 December 2017 are disclosed in note 26 "Related party transactions" of the financial statements.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO INDEPENDENT AUDITORS

As required by Section 418 of the Companies Act 2006, the directors of the Company have approved this report and confirmed that, so far as each director is aware, there is no relevant audit information (being information needed by the independent auditors in connection with preparing their audit report) of which the Company's independent auditors are unaware, and that they have taken all the steps reasonably required to be taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's independent auditors are aware of that information.

STATEMENT OF RESPONSIBILITIES OF THE DIRECTORS OF CEVA GROUP PLC

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework' (FRS 101), and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and accounting estimates that are reasonable and prudent
- state whether IFRSs as adopted by the European Union (and IFRSs issued by IASB) and applicable UK Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed as independent auditors of the Company will be proposed at the annual general meeting.

By order of the Board.

Xavier Urbain
Director and Chief Executive Officer
13 March 2018

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT

		YEAR ENDED 31 DECEMBER			RESTATED YEAR ENDED 31 DECEMBER[2]		
$ 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	5	**6,994**	-	**6,994**	6,646	-	6,646
Work contracted out		(3,526)	-	(3,526)	(3,201)	1	(3,200)
Personnel expenses	7	(2,098)	(28)	(2,126)	(2,083)	(30)	(2,113)
Other operating expenses		(1,133)	(14)	(1,147)	(1,147)	(17)	(1,164)
Operating expenses excluding depreciation, amortization and impairment		**(6,757)**	**(42)**	**(6,799)**	(6,431)	(46)	(6,477)
EBITDA		**237**	**(42)**	**195**	215	(46)	169
Depreciation	13	(55)	-	(55)	(61)	-	(61)
Amortization and impairment	12	(74)	-	(74)	(92)	-	(92)
Operating income		**108**	**(42)**	**66**	62	(46)	16
Finance income	9	6	-	6	5	-	5
Finance expense	9	(321)	(12)	(333)	(289)	-	(289)
Foreign exchange gain/(loss)	9	(24)	-	(24)	6	-	6
Net finance income / (expense)		**(339)**	**(12)**	**(351)**	(278)	-	(278)
Net result from joint ventures[2]	17	23	-	23	18	-	18
Profit/(Loss) before income taxes		**(208)**	**(54)**	**(262)**	(198)	(46)	(244)
Income tax income/(expense)	10	(18)	-	(18)	17	-	17
Profit/(Loss) for the period		**(226)**	**(54)**	**(280)**	(181)	(46)	(227)
Attributable to:							
Non-controlling interests				-			1
Equity holders of the Company				(280)			(228)

[1] Refer to note 6 for details on specific items and non-cash share based compensation costs (SBC)
[2] Refer to note 2 for details on restatement

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

STATEMENT OF COMPREHENSIVE INCOME

		YEAR ENDED 31 DECEMBER			RESTATED YEAR ENDED 31 DECEMBER[2]		
$ millions				2017			2016
	Note	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		**(226)**	**(54)**	**(280)**	(181)	(46)	(227)
Items that will not be reclassified to Profit and Loss:							
Remeasurements of retirement benefit obligations	20	(2)	-	(2)	(12)	-	(12)
Items that may be reclassified subsequently to Profit and Loss:							
Tax effects of items in OCI	10	6	-	6	-	-	-
Currency translation adjustment		48	-	48	(53)	-	(53)
Total comprehensive income/(loss) for the period, net of income tax		**(174)**	**(54)**	**(228)**	**(246)**	**(46)**	**(292)**
Attributable to:							
Non-controlling interests				-			1
Equity holders of the Company				(228)			(293)
Total comprehensive profit/(loss) for the period				**(228)**			**(292)**

[1] Refer to note 6 for details on specific items and non-cash share based compensation costs (SBC)
[2] Refer to note 2 for details on restatement

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

BALANCE SHEET

		AS AT 31 DECEMBER	RESTATED AS AT 31 DECEMBER[1]	RESTATED AS AT 1 JANUARY[1]
$ millions	Note	**2017**	2016	2016
ASSETS				
Non-current assets				
Intangible assets	12	1,448	1,406	1,510
Property, plant and equipment	13	169	140	169
Investments in joint ventures	17	98	80	99
Deferred income tax assets	10	108	105	40
Prepayments		44	38	43
Other non-current assets		173	83	88
Total non-current assets		**2,040**	**1,852**	**1,949**
Current assets				
Inventory	14	18	14	15
Trade and other receivables	15	1,058	1,027	952
Prepayments		65	52	50
Accrued income		131	127	143
Income tax receivable		12	10	10
Cash and cash equivalents	16	295	334	308
Assets held for sale		-	-	**11**
Total current assets		**1,579**	**1,564**	**1,489**
TOTAL ASSETS		**3,619**	**3,416**	**3,438**
EQUITY				
Capital and reserves attributable to equity holders				
Share Capital		1	1	1
Share premiuim		511	511	511
Other reserves		1,556	1,495	1,549
Accumulated deficit		(3,584)	(3,304)	(3,076)
Attributable to equity holders of the Company		**(1,516)**	**(1,297)**	**(1,015)**
Non-controlling interests		3	3	2
Total Group equity		**(1,513)**	**(1,294)**	**(1,013)**
LIABILITIES				
Non-current liabilities				
Borrowings	19	3,130	2,976	2,742
Deferred income tax liabilities	10	8	15	11
Retirement benefit obligations	20	111	102	100
Provisions	22	125	64	49
Other non-current liabilities		59	43	38
Total non-current liabilities		**3,433**	**3,200**	**2,940**
Current liabilities				
Borrowings	19	187	113	148
Provisions	22	68	76	64
Trade and other payables	23	1,428	1,308	1,285
Income tax payable		16	13	14
Total current liabilities		**1,699**	**1,510**	**1,511**
TOTAL EQUITY AND LIABILITIES		**3,619**	**3,416**	**3,438**

[1] Refer to note 2 for details on restatement

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

The financial statements on pages 26 to 86 were approved by the Board of Directors on 13 March 2018 and were signed on its behalf by:

Xavier Urbain
Director and Chief Executive Officer

STATEMENT OF CASH FLOWS

$ millions	Note	YEAR ENDED 31 DECEMBER 2017	RESTATED YEAR ENDED 31 DECEMBER[1] 2016
Profit/(Loss) before income taxes		**(262)**	**(244)**
Adjustments for:			
Depreciation, amortization and impairment		129	153
Finance income	9	(6)	(5)
Gain on disposal of property, plant and equipment		(1)	(21)
Foreign exchange (gains) and losses	9	24	(6)
Finance expense	9	333	289
Share of profit from equity accounted joint venture		(23)	(18)
Share based compensation costs		9	12
Changes in provisions:			
Retirement benefit obligations	20	(8)	(5)
Long-term Provisions	22	(2)	14
Changes in working capital:			
Inventory	14	(4)	3
Trade and other receivables	15	(1)	(104)
Prepayments and accrued income		15	(5)
Trade and other payables	23	9	67
Changes in non-current prepayments		(5)	6
Changes in non-current assets and liabilities		-	9
Cash generated (used for) / from operations		**207**	**145**
Interest cost paid		(153)	(143)
Other financing cost paid		(36)	(33)
Net income taxes paid	10	(37)	(40)
Net cash (used for) / from operating activities		**(19)**	**(71)**
Capital expenditure		(102)	(74)
Proceeds from sale of property, plant and equipment		4	38
Dividends received		15	27
Interest received		11	6
Net cash (used for) / from investing activities		**(72)**	**(3)**
Repayment of borrowings	19	(288)	(184)
Proceeds from non-current borrowings	19	41	155
Proceeds from current borrowings	19	303	140
Net cash (used for) / from financing activities		**56**	**111**
Change in cash and cash equivalents		(35)	37
Cash and cash equivalents at beginning of period		334	308
Foreign exchange impact on cash and cash equivalents		(4)	(11)
Cash and cash equivalents at end of period	16	**295**	**334**

[1] Refer to note 2 for details on restatement

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

STATEMENT OF CHANGES IN EQUITY

$ millions	Share Capital	Share Premium	Other reserves[1]	Accumulated deficit	Attributable to equity holders of the Company	Non-controlling interest	Total Group equity
Balance at 1 January 2016 - Restated	**1**	**511**	**1,549**	**(3,076)**	**(1,015)**	**2**	**(1,013)**
Currency translation adjustment	-	-	(53)	-	(53)	-	(53)
Remeasurements of retirement benefit obligations	-	-	(12)	-	(12)	-	(12)
Share based payment reserve	-	-	11	-	11	-	11
Loss attributable to equity holders for the period	-	-	-	(227)	(227)	-	(227)
Profit attributable to non-controlling interest	-	-	-	-	-	1	1
Balance at 31 December 2016 - Restated[2]	**1**	**511**	**1,495**	**(3,303)**	**(1,296)**	**3**	**(1,293)**
Balance at 1 January 2017 - Restated[2]	**1**	**511**	**1,495**	**(3,304)**	**(1,297)**	**3**	**(1,294)**
Currency translation adjustment	-	-	48	-	48	-	48
Tax effects of items in OCI	-	-	6	-	6	-	6
Remeasurements of retirement benefit obligations	-	-	(2)	-	(2)	-	(2)
Share based compensation reserve	-	-	9	-	9	-	9
Loss attributable to equity holders for the period	-	-	-	(280)	(280)	-	(280)
Balance at 31 December 2017	**1**	**511**	**1,556**	**(3,584)**	**(1,516)**	**3**	**(1,513)**

[1] For the year ended 31 December 2017, a total currency translation adjustment of US$167 million (2016: US$119 million), a cumulative re-measurement of retirement benefit obligations of US$(66) million (2016: US$(64) million) and a cumulative amount of share based payment reserve of US$21 million (2016: US$12 million)

[2] Refer to note 2 for details on restatement

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

CEVA Group Plc (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.

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

The immediate parent of the Company at 31 December 2017 was CEVA Holdings LLC, a company incorporated in the Republic of the Marshall Islands (“Holdings”). Pursuant to the limited liability company agreement of CEVA Holdings LLC (the “LLC Agreement”), Apollo Global Management LLC (“Apollo”) and its affiliates hold a majority of the voting power of Holdings and have the right to elect a majority of the respective boards of Holdings and the Company. Certain major corporate actions require approval of a majority of the members of the Board of Managers of Holdings not designated by Apollo.

These Group consolidated financial statements were authorized for issue by the Board of Directors on 13 March 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with IFRIC interpretations. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

Company management considers whether it is appropriate to prepare the financial statements under the going concern principle. CEVA prepares annual budgets, multi-year forecasts and regularly supplements the budgets with forecasts during the year. After reviewing this information in conjunction with CEVA’s available facilities and its commitments to debt repayments, Company management has concluded that the Group has adequate resources for the foreseeable future. Therefore the Group and the Company have continued to adopt the going concern basis in the preparation of the financial statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3 “Critical accounting estimates and judgments”.

Presentation of financial information

The Group’s consolidated income statements and segment analysis separately identify operating results before specific items and Share Based Compensation (“SBC”). Specific items and SBC are those that in management’s judgment are exceptional by virtue of their size, nature or incidence and therefore are separately disclosed on the face of the consolidated income statements. In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence. This is consistent with the way that financial performance is measured by management and reported to the Board of Directors and assists in providing a meaningful analysis of the operating results of the Group. Management believes that presentation of the Group’s results in this way is relevant to an understanding of the Group’s financial performance. Furthermore, the Group considers a columnar presentation to be appropriate, as it improves the clarity of the presentation and is consistent with the way that financial performance is measured by management and reported to the Board of Directors. Specific items may not be comparable to similarly titled measures used by other companies. Items that have been considered to be specific items include 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. Specific items for the current and prior year are disclosed in note 6.

EBITDA before specific items and SBC refers to earnings before interest, tax, depreciation, amortization, specific items and Share Based Compensation ("EBITDA before specific items and SBC"), is a key financial measure used by management to assess operational performance.

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 Annual Report may not be comparable to other similarly titled measures of other companies.

Change in accounting policy

As from 2017, the Company presents its financial statements and corresponding notes in US Dollar. The previous presentational currency of the Company was Euro. All comparative data has been restated so as to be presented in US Dollars. This change was made to align the presentational currency of CEVA Group plc with its immediate parent, CEVA Holdings LLC.

We have presented this change in our financial statements from 1 January 2016. The tables below show the impact of the change in presentational currency:

Income Statement 2016

	RESTATED YEAR ENDED 31 DECEMBER	
millions	**2016**	2016
	USD ($)	EUR (€)
Revenue	**6,646**	**6,008**
Work contracted out	**(3,200)**	(2,895)
Personnel expenses	**(2,113)**	(1,910)
Other operating expenses	**(1,164)**	(1,051)
Operating expenses excluding depreciation, amortization and impairment	**(6,477)**	(5,856)
EBITDA	**169**	**152**
Depreciation	(61)	(55)
Amortization and impairment	(92)	(84)
Operating income	**16**	**13**
Finance income	5	5
Finance expense	(289)	(263)
Foreign exchange gain/(loss)	6	4
Net finance income / (expense)	**(278)**	**(254)**
Net result from joint ventures	18	17
Profit/(Loss) before income taxes	**(244)**	**(224)**
Income tax income/(expense)	17	16
Profit/(Loss) for the period	**(227)**	**(208)**

Cash Flow Statement 2016

	RESTATED YEAR ENDED 31 DECEMBER	
$ millions	**2016**	2016
	USD ($)	EUR (€)
Profit/(Loss) before income taxes	**(244)**	**(224)**
Adjustments for:		
Depreciation, amortization and impairment	153	139
Finance income	(5)	(5)
Gain on disposal of property, plant and equipment	(21)	(16)
Foreign exchange (gains) and losses	(6)	(4)
Finance expense	289	263
Share of profit from equity accounted joint venture	(18)	(17)
Share based compensation costs	12	11
Changes in provisions:		
Retirement benefit obligations	(5)	(5)
Long-term Provisions	14	11
Changes in working capital:		
Inventory	3	3
Trade and other receivables	(104)	(91)
Prepayments and accrued income	(5)	(2)
Trade and other payables	67	60
Changes in non-current prepayments	6	5
Changes in non-current assets and liabilities	9	9
Cash generated (used for) / from operations	**145**	**137**
Interest cost paid	(143)	(130)
Other financing cost paid	(33)	(30)
Net income taxes paid	(40)	(38)
Net cash (used for) / from operating activities	**(71)**	**(61)**
Capital expenditure	(74)	(67)
Proceeds from sale of property, plant and equipment	38	34
Dividends received	27	26
Interest received	6	6
Net cash (used for) / from investing activities	**(3)**	**(1)**
Repayment of borrowings	(184)	(167)
Proceeds from non-current borrowings	155	136
Proceeds from current borrowings	140	127
Net cash (used for) / from financing activities	**111**	**96**
Change in cash and cash equivalents	37	34
Cash and cash equivalents at beginning of period	308	284
Foreign exchange impact on cash and cash equivalents	(11)	(1)
Cash and cash equivalents at end of period	**334**	**317**

Balance Sheet 2016

	RESTATED AS AT 31 DECEMBER	
millions	2016	2016
	USD ($)	EUR (€)
ASSETS		
Non-current assets		
Intangible assets	1,406	1,337
Property, plant and equipment	140	133
Investments in joint ventures	80	72
Deferred income tax assets	105	100
Prepayments	38	36
Other non-current assets	83	80
Total non-current assets	**1,852**	**1,758**
Current assets		
Inventory	14	14
Trade and other receivables	1,027	976
Prepayments	52	50
Accrued income	127	120
Income tax receivable	10	9
Cash and cash equivalents	334	317
Total current assets	**1,564**	**1,486**
TOTAL ASSETS	**3,416**	**3,244**
EQUITY		
Capital and reserves attributable to equity holders		
Share capital	1	1
Share premium	511	382
Other reserves	1,495	955
Accumulated deficit	(3,304)	(2,576)
Attributable to equity holders of the Company	**(1,297)**	**(1,238)**
Non-controlling interests	3	3
Total Group equity	**(1,294)**	**(1,235)**
LIABILITIES		
Non-current liabilities		
Borrowings	2,976	2,830
Deferred income tax liabilities	15	14
Retirement benefit obligations	102	97
Provisions	64	61
Other non-current liabilities	43	40
Total non-current liabilities	**3,200**	**3,042**
Current liabilities		
Borrowings	113	108
Provisions	76	72
Trade and other payables	1,308	1,244
Income tax payable	13	13
Total current liabilities	**1,510**	**1,437**
TOTAL EQUITY AND LIABILITIES	**3,416**	**3,244**

Balance Sheet 2015

	RESTATED AS AT 31 DECEMBER	
millions	**2015**	**2015**
	USD ($)	EUR (€)
ASSETS		
Non-current assets		
Intangible assets	1,510	1,390
Property, plant and equipment	169	155
Investments in joint ventures	99	91
Deferred income tax assets	40	37
Prepayments	43	40
Other non-current assets	88	81
Total non-current assets	**1,949**	**1,794**
Current assets		
Inventory	15	14
Trade and other receivables	952	877
Prepayments	50	45
Accrued income	143	132
Income tax receivable	10	9
Cash and cash equivalents	308	284
Assets held for sale	11	10
Total current assets	**1,489**	**1,371**
TOTAL ASSETS	**3,438**	**3,165**
EQUITY		
Capital and reserves attributable to equity holders		
Share capital	1	1
Share premium	511	382
Other reserves	1,549	1,052
Accumulated deficit	(3,076)	(2,369)
Attributable to equity holders of the Company	**(1,015)**	**(934)**
Non-controlling interests	2	2
Total Group equity	**(1,013)**	**(932)**
LIABILITIES		
Non-current liabilities		
Borrowings	2,742	2,524
Deferred income tax liabilities	11	10
Retirement benefit obligations	100	92
Provisions	49	46
Other non-current liabilities	38	34
Total non-current liabilities	**2,940**	**2,706**
Current liabilities		
Borrowings	148	136
Provisions	64	59
Trade and other payables	1,285	1,183
Income tax payable	14	13
Total current liabilities	**1,511**	**1,391**
TOTAL EQUITY AND LIABILITIES	**3,438**	**3,165**

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 2017:

- IAS 7, "Statement of Cash flows", on changes in liabilities arising from financing activities;

- IAS12, "Income taxes", on clarifying the treatment for the recognition of deferred tax assets for unrealized losses.

The adoption of these amendments did not have a material impact on the current or prior periods. For IAS 7 a net debt reconciliation has been included in note 19.

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 consolidated 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. No material impact is expected;
- 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 working towards the implementation of IFRS 9 on 1 January 2018. It anticipates that the classification and measurement basis for its financial assets and liabilities will be largely unchanged by adoption of IFRS 9. The main impact of adopting IFRS 9 is likely to arise from the implementation of the expected loss model regarding trade debtors. The expected impact at 1 January 2018 under the "simplified approach" is estimated to be US$4 million, which is not material. No material impact on profit for future periods is expected, however additional disclosure will need to be given;
- IFRS 15, "Revenue from Contracts with Customers" – The new standard will be effective for annual periods beginning on or after 1 January 2018. This new standard on revenue recognition supersedes IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The new standard establishes uniform requirements regarding the nature, amount, timing, and time period of revenue recognition. Revenue is recognized when a customer obtains control of a good or a service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard provides a principles-based five-step model that must be applied to all categories of contracts with customers.

  The group is working towards the implementation of IFRS 15 on 1 January 2018 and has carried out a review of existing contractual arrangements as part of this process. We do not anticipate any material impact for the Contract Logistics Business. Regarding the Freight Management business, the timing of revenue from certain types of contracts will change because, in future, revenue will be recognized overtime instead of at a point in time. We estimate that the opening balance sheet adjustment on 1 January 2018 under the "simplified approach" will be to increase retained earnings by US$2.8 million, which is not material.

  There will be changes in the balance sheet disclosures due to the separate presentation of contract assets and liabilities.
- 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 working on listing all its leases to have a full impact assessment of IFRS 16: a significant impact is expected that will increase reported EBITDA, as current operating lease charges will be replaced by additional depreciation and finance charges. On the balance sheet, both assets and liabilities will increase significantly as the leases are brought onto the balance sheet;

- 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. No material impact is expected;
- IFRIC 23, "Uncertainty over Income Tax Treatments" – This interpretation clarifies the accounting for uncertainties in income taxes, and to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. No material impact is currently expected.

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

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint arrangements

The Group applies IFRS 11 for all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangement (Anji-CEVA) and determined it to be a joint venture. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Chief Operating Decision Maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Board, which makes strategic decisions. In addition, information from a geographical perspective has also been presented.

Inter-segment pricing is determined on terms similar to those provided to third parties.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise borrowings and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment and intangible assets other than goodwill, which is disclosed separately.

2.4 Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in US dollars ("US$"), which is the Group's presentation currency. All values are rounded to the nearest million except where otherwise indicated.

The Company is deemed to be a "shell entity" with no operating activities and only carries out financing activities. Financing activities and equity are mainly US$ denominated. The functional currency of the Company is therefore identified as US$.

Transactions and balances

Foreign currency transactions in the Group's entities are translated into the functional currency of the entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss of the entity concerned.

Group companies

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the US$ are translated into US$ as follows:

a) assets and liabilities for each Consolidated Balance Sheet presented are translated at the closing rate at the date of that balance sheet;
b) income and expenses for each Consolidated Income Statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the rate at the dates of the transactions); and
c) all resulting exchange differences are recognized in other comprehensive income.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is disposed of or sold, exchange differences that were previously recorded in other comprehensive income are reclassified to profit and loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate of exchange. Exchange differences arising are recognized in other comprehensive income.

2.5 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Group. This is usually when goods and services have been delivered but is dependent upon the contractual terms agreed with the customer.

Freight Management revenue is derived from international Air, Ocean and domestic Freight forwarding, customs brokerage, deferred air and pickup and delivery, and other value-added services. Revenue is recorded in gross terms when acting as an indirect carrier. Revenue is recorded net of transportation costs and freight insurance premiums when acting as a carrier's agent.

Air and Ocean Freight forwarding revenue is also generated when acting as a carrier's agent. Such revenues comprise commissions and fees earned for the services performed and are recognized on completion of those services. Revenues related to customs brokerage and other services provided at origin or destination are recognized on completion of the services.

In Freight Management, the Group is primarily a non-asset based carrier and as such owns only limited transportation assets. The majority of Air and Ocean Freight revenue is obtained through the purchase of transportation services from direct (asset-based) carriers and the resale of those services to customers as an indirect carrier, such that the Group issues customers a contract of carriage. Revenues related to shipments are recognized based on the terms in the contract of carriage, primarily when goods reach their destination.

Revenue in Contract Logistics represents the revenue from services to third parties related to contracts for supply chain management, warehousing and distribution activities. Revenue is recognized net of trade discounts, credit notes and taxes levied on sales when the service is rendered based on the contract with the customer.

Accrued income represents goods delivered and services rendered which have not yet been invoiced.

2.6 Work contracted out

Work contracted out represents the cost of third party transport providers that CEVA utilizes to provide services to its customers.

2.7 Other operating expenses

Other operating expenses include cost of materials, rental and operating lease charges, maintenance and repair charges, professional fees and other miscellaneous expenses.

2.8 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group retains substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under a finance lease are depreciated over the shorter of the useful life of the asset and the lease term.

2.9 Finance income and expenses

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss and gains on the purchase of financial liabilities. Interest income is recognized as it accrues in profit or loss.

Finance expenses comprise interest expense on borrowings and changes in the fair value of financial assets at fair value through profit or loss. Borrowing costs on qualifying assets are capitalized. All other borrowing costs are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are presented on a net basis.

2.10 Income tax
Income tax expense comprises current and deferred income tax. Income tax expense is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and differences relating to investments in subsidiaries and joint venture entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred income tax liabilities are not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred income tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related benefit will be realized.

Deferred income tax is not provided on the unremitted earnings of subsidiaries and joint ventures where the timing of the reversal of the remitting temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future or where the remittance would not give rise to incremental tax liabilities or is not taxable.

2.11 Intangible assets

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets and is carried at cost less accumulated impairment losses.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less cost of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination. Goodwill is monitored at an operating segment level.

Contractual and customer relationships
Contractual and customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual and customer relationships have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of the contractual customer relationships over their estimated useful lives of between 10 and 20 years.

Other intangibles
Other intangible assets mainly comprise computer software, licenses and brand names.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when it can be demonstrated how the software product will generate probable future economic benefits; there are adequate technical, financial and other resources to complete the development and to use the software product and the expenditure attributable to the software product during its development can be reliably measured. Costs associated with maintaining computer software programs are recognized as an expense as incurred. Computer software development costs recognized as assets are amortized over their estimated useful lives, on average three years.

Separately acquired licenses are shown at historical cost. Licenses acquired in a business combination are recognized at fair value at the acquisition date. Licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives of three to five years.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives, which do not exceed three years.

Other intangible assets that are acquired by the Group, which have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. Other intangible assets are amortized on a straight-line basis over their estimated useful lives of three to 20 years.

2.12 Property, plant and equipment

Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of the cost of that equipment.

Subsequent costs
The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Depreciation
Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful economic lives (or period of finance lease, if shorter), as follows:

- Buildings 10-50 years
- Plant and equipment 2-10 years
- Other 3-10 years

The assets' estimated residual values and useful economic lives are reviewed, and adjusted if appropriate, at each balance sheet date.
An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Disposal
Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized in profit or loss.

2.13 Impairment of non-financial assets
Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually or earlier in response to a triggering event for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill that suffered an impairment, are reviewed for possible reversal of the impairment at each reporting date.

2.14 Financial assets

Classification

The Group classifies its financial assets into two categories: (a) at fair value through profit or loss and (b) loans and receivables.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the Consolidated Balance Sheet.

Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Group commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the Consolidated Income Statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the Consolidated Income Statement within "net financial expense" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the Consolidated Income Statement when the Group's right to receive payments is established.

If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2.15 Inventories

Inventories under CEVA ownership are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.16 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

In a non-recourse factoring arrangement, when the Group has transferred substantially all the risks and rewards of ownership of the receivables, the trade receivables are derecognized in their entirety. In a factoring of receivables with recourse the Group recognizes the factoring arrangement as a financing transaction, that is, a liability is recognized for the amounts received from the factor.

2.17 Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

2.18 Assets (or disposal groups) held for sale
If the carrying amount of the non-current asset (or disposal group) will be recovered principally through a sale transaction rather than through continuing use, the Group will classify the asset (or disposal group) as held for sale. For this to be the case, the asset, or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets (or disposal group) and its sale must be highly probable.

Upon classification the assets (or disposal group) are measured at the lower of their carrying amount and fair value less costs to sell.

2.19 Share capital

Authorized shares
The Company's authorized share capital of £699,965 is divided into 3,500,000,000 ordinary shares of a par value of £0.0001 each and 350,000 deferred shares of a par value of £0.9999 each.

As at 31 December 2017, Holdings and two of its direct subsidiaries, CEVA UK 1 Limited and CEVA UK 2 Limited, who each hold one ordinary share, collectively held 3,499,650,000 ordinary shares with a par value of £0.0001 each (99.99%), CIL Limited (formerly known as CEVA Investments Limited) held 349,999 ordinary shares with a par value of £0.0001 each and 349,999 deferred shares with a par value of £0.9999 each and Louis Cayman Second Holdco Limited held 1 ordinary share with a par value of £0.0001 on trust as bare nominee for CIL Limited and 1 deferred share of a par value of £0.9999 (CIL Limited and Louis Cayman Second Holdco Limited together holding 0.01%). The deferred shares in the capital of the Company have no rights, powers or benefits attached to them whatsoever and, without limitation, shall not confer on the holders of deferred rights any right:
- to receive notice of any general meeting of the Company; or
- to be able to attend, speak or vote at any general meeting; or
- to share in a dividend declared by the Company; or
- to appoint a director.

2.20 Borrowings
Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until some draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

A financial liability is derecognized when it is redeemed or otherwise extinguished, that is when the obligation is discharged, cancelled or expired. An exchange between CEVA and a lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. If the new terms are not substantially different the transaction is regarded as a modification.

If a portion of a financial liability is purchased, the previous carrying amount of the financial liability is allocated between the portion that continues to be recognized and the portion that is derecognized based on the relative fair values of those respective portions on the date of the repurchase. The difference between (a) the carrying amount allocated to the part derecognized and (b) the consideration paid, including any non-cash assets transferred or liabilities assumed, for the part derecognized are recognized in profit or loss.

IFRIC 19 requires a gain or loss to be recognized in the income statement when a financial liability is settled through the issuance of the Companies own equity instruments. It clarifies that the new equity instruments are treated as consideration paid for the extinguishment of a financial liability. The amount of the gain or loss recognized is therefore the difference between the carrying value of the financial liability (or part of a financial liability) extinguished and the fair value of the equity instruments issued. The equity instruments issued are recognized and measured initially at fair value at the date the financial liability was extinguished. The difference between the carrying value of the debt extinguished and fair value of equity issued is booked in the income statement as a gain/loss in specific items.

Transaction costs are also likely to be incurred when the Company extinguishes a liability in exchange for equity instruments. IFRIC 19 considers a "debt for equity swap" to be a liability extinguishment in accordance with IAS 39. When an extinguishment of a liability occurs in this way any costs or fees incurred are recognized as part of the gain or loss on extinguishment.

The fair value of the non-current interest bearing debt has been presented using the available market price at the balance sheet date or otherwise using the face value. The senior bank debt's fair value has been presented using its face value, as it is a private floating rate facility, and the fair value of current debt has been presented using its carrying value given its short-term nature.

2.21 Employee benefits

Pension obligations
The Group operates a number of defined contribution and defined benefit pension schemes.

(a) Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as a personnel expense in profit or loss when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(b) Defined benefit plans
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognized in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by the yield at the reporting date on AA credit-rated bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation.

All actuarial remeasurements arising from experience adjustments and changes in actuarial assumptions are recognized immediately in other comprehensive income. Interest expense on the pension obligation and interest income on the return on assets are recognized as a net amount in finance income and expense.

Other long term employee benefits
Other long term employee obligations include long-service, sabbatical or jubilee leave and deferred compensation not payable within 12 months after the end of the period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans except for actuarial gains and losses, which are recorded in profit and loss. These obligations are valued annually by independent, qualified actuaries.

Termination benefits
Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it has demonstrably committed to terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or provided termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

Share based compensation
The Company and CEVA Holdings LLC have adopted a long term incentive plan (the "2013 Long Term Incentive Plan") pursuant to which equity awards of shares in CEVA Holdings LLC may be issued to its Managers and to the Directors, employees or consultants of the Company and its subsidiaries for which it receives services as consideration for the awards. Awards issuable under the 2013 Long Term Incentive Plan include nonqualified share options, rights to purchase

common shares of CEVA Holdings LLC, restricted share units and other awards settleable in or based upon common shares. The awards are granted by CEVA Holdings LLC and the Company has no obligation to settle the awards. When the options are exercised, the Company is recharged the options' original fair value as of the grant date from CEVA Holdings LLC. This recharge is accounted for as a deduction from shareholders' funds.

Information relating to the 2013 Long Term Incentive Plan is set out in note 21 "Share based payments".

The fair value of awards granted under the 2013 Long Term Incentive Plan is recognized as personnel benefits expense with a corresponding increase in equity. The total amount to be expensed is recognized by reference to the fair value of the awards granted, excluding the impact of any non-market service and performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of awards that are expected to vest. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the Group revises its estimates of the number of awards that are expected to vest based on the non-market vesting conditions. The Group recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Short term benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.22 Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Provisions for insurance represent an estimate, based on historical experience, of the ultimate cost of settling outstanding claims and claims incurred but not reported at the balance sheet date on certain risks retained by the Group.

2.23 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in accordance with generally accepted accounting principles under IFRS as adopted by the EU 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 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. The estimates, judgments and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

3.1 Estimated impairment of goodwill

The Group tests annually, or earlier in response to a triggering event, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in notes 2.11 "Intangible assets" and 2.13 "Impairment of non-financial assets". The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions consistent with the most up-to-date budgets and plans that have been formally approved by management. Refer to note 12 "Intangible assets" for the key assumptions used for the value-in-use calculations.

3.2 Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

3.3 Retirement benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

Defined benefit schemes are reappraised annually by independent actuaries based upon actuarial assumptions. Significant judgment is required in determining these actuarial assumptions. Refer to note 20 "Retirement benefit obligations" for the principal assumptions used.

3.4 Provisions and contingent liabilities

Legal proceedings covering a range of matters are pending in various jurisdictions. Due to the uncertainty inherent in such matters, it is often difficult to predict the final outcome. The cases and claims against CEVA often raise difficult and complex factual and legal issues. These are subject to many uncertainties and complexities, including but not limited to the facts and circumstances of each particular case and claim, the jurisdiction and the differences in applicable law. In the normal course of business, CEVA consults with legal counsel and certain other experts on matters related to litigation.

CEVA recognizes a provision when it is determined that an adverse outcome is probable and the amount of the loss can be reliably estimated. In the event that an adverse outcome is possible and an estimate is not determinable, the matter is disclosed. Refer to note 25 "Contingencies" for further information regarding contingent liabilities.

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's operating activities expose it to a variety of financial risks, such as market risk (including foreign currency exchange risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The following analysis provides quantitative information regarding CEVA's exposure to the financial risks described above. There are certain limitations inherent in the analyses presented, primarily due to the assumption that rates change in a parallel fashion and instantaneously. In addition, the analysis is unable to reflect the complex market reactions that normally would arise from the market shifts assumed.

(a) Market risk

Foreign currency exchange risk

The Group operates internationally and is exposed to foreign currency exchange risks arising from future commercial transactions, recognized assets and liabilities, investments and divestments in foreign currencies other than the US$, the Group's reporting currency.

Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

CEVA has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

The main exchange rates are shown below:

	2017		2016	
	Year end closing	Average	Year end closing	Average
British pound	0.7401	0.7762	0.8116	0.7406
Euro	0.8336	0.8873	0.9508	0.9039
Chinese yuan	6.5063	6.7606	6.9774	6.6426

A five percent strengthening of the following functional currencies against the reporting currency (US$) at 31 December 2017 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016.

$ millions	**2017**		**2016**	
	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
British pound	1	5	1	3
Euro	(5)	(10)	1	(60)
Chinese yuan	(1)	7	1	7

A five percent weakening of the above currencies against the US$ at 31 December 2017 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Cash flow and fair value interest rate risk

Interest rate risk is the risk that unexpected interest rate changes negatively affect the Group's results, cash flows and equity.

The table below shows the interest rate profile of the Group's interest-bearing financial instruments as of 31 December 2017 and 2016 (refer to note 19 "Borrowings" for further details):

$ millions	**2017**	**2016**
Fixed rate instruments:		
Loan notes	2,003	1,872
Variable rate instruments:		
Financial liabilities	1,314	1,217
Total	**3,317**	**3,089**

Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

$ millions		**2017**	2016
	Change in interest rate	Effect on profit before tax	Effect on profit before tax
Euro (denominated)	+100 basis points	(3)	(2)
Euro (denominated)	-100 basis points	2	2
US dollar (denominated)	+100 basis points	(9)	(9)
US dollar (denominated)	-100 basis points	7	2

Commodity risk

As a supply chain company, CEVA is exposed to the risk of an increase in the price of fuels, principally diesel gasoline. The Group typically has an ability to pass on fuel price increases to customers and has therefore not entered into any contract to hedge any specific commodity risk.

(b) Credit risk

The collectability of accounts receivable is assessed on a monthly basis, where the method of determining the provision for collectability is tailored to the specific business environment and takes into consideration the history of the reporting unit. The Group is focusing strongly on the cash generating capacity of its businesses and acknowledges the importance of strong credit control which is monitored through periodic detailed analysis of overdue trade receivable balances.

Credit risk arises from credit exposures to customers as well as the risk that counterparties fail to meet their contractual payment obligations through insolvency or default.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

$ millions	2017	2016
Loans and receivables	1,231	1,110
Cash and cash equivalents	295	334

(c) Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient headroom (cash and cash equivalents plus central credit facilities described in note 19 “Borrowings”) available to meet both CEVA’s day-to-day operating requirements and debt servicing obligations (interest and debt repayment). As is typical of global, integrated companies such as CEVA, cash is often held in various jurisdictions in which the Group operates and may not be immediately available to Group Treasury. Group Treasury mitigates liquidity risk by seeking to ensure that CEVA has adequate funding at its disposal at all times and helping facilitate access to the money markets and capital markets. This includes relationship management with all financial stakeholders, such as banks, rating agencies and debt investors.

Through the March 2014 Refinancing transaction, CEVA increased liquidity by approximately US$100 million, and established a long-term capital structure with a weighted average maturity of 6.3 years. See note 19 “Borrowings” for more information regarding the March 2014 Refinancing. The current weighted average maturity is 2.9 years.

As at 31 December 2017, the Company had US$295 million (2016: US$334 million) in cash on its Consolidated Balance Sheet. In addition to this cash, the Company has access to US$795 million (2016: US$703 million) of credit facilities held centrally, of which US$512 million (2016: US$421 million) was drawn. Total headroom at 31 December 2017 was therefore US$578 million (2016: US$616 million).

The table below analyzes the amounts of interest bearing borrowings and trade and other payables into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date:

$ millions							2017
	Present value of minimum lease payments	Interest	Future minimum lease payments	Loan notes	Bank borrowings	Interest on total borrowings	Trade payables and accrued liabilities
Less than 1 year	3	2	5	39	144	244	1,199
1-3 years	5	4	9	398	407	504	-
3-5 years	3	2	5	620	751	320	-
Thereafter	14	6	20	933	-	53	-
Total	**25**	**14**	**39**	**1,990**	**1,302**	**1,121**	**1,199**

$ millions							2016
	Present value of minimum lease payments	Interest	Future minimum lease payments	Loan notes	Bank borrowings	Interest on total borrowings	Trade payables and accrued liabilities
Less than 1 year	4	2	6	-	109	220	1,129
1-3 years	5	4	9	372	312	435	-
3-5 years	2	2	4	661	771	393	-
Thereafter	15	7	22	838	-	202	-
Total	**26**	**15**	**41**	**1,871**	**1,192**	**1,250**	**1,129**

The interest on borrowings with a variable interest rate has been calculated by using the year end rate. The tables above exclude aggregate minimum operating lease payments totaling US$1,208 million (2016: US$1,071 million) that are disclosed in note 24 “Commitments”.

Capital management

The Group's objectives when managing capital, which comprises its paid in capital and borrowings, are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

As at 31 December 2017 the Group had a capital structure which utilized a high proportion of structured debt to equity, which was historically adopted because debt financing was viewed as a cheaper source of capital than equity financing. During 2013 the Group completed a Recapitalization (the "Recapitalization") that reduced consolidated net debt by approximately US$1.6 billion. The Company successfully completed the Recapitalization on 2 May 2013, which substantially reduced its overall debt and interest costs, as well as increased liquidity and strengthened its capital structure. The structure of the Company's debt and facilities is a combination of long term debt secured to finance the acquisitions in 2006 of the TNT contract logistics business and in 2007 of the EGL Inc. freight management business and medium term facilities which are available to support shorter term liquidity requirements. Approximately 40% of CEVA's interest rates are variable. The 4% Notes (US$39 million) are due to mature in May 2018. No other material debt is scheduled to mature in 2018.

The gearing ratios at 31 December 2017 and 2016 were as follows:

$ millions	2017	2016
Total principal debt (note 19)	3,355	3,125
Cash and cash equivalents (note 16)	295	334
Net debt	3,060	**2,791**
Total equity attributable to shareholders	(1,516)	(1,297)
Total capital	**1,544**	**1,494**
Gearing ratio	198.2%	186.8%

The increase in the gearing ratio during 2017 is primarily driven by the loss for the year attributable to shareholders.

Fair value estimation

The fair value of the derivative financial instruments at 31 December 2017 is nil (2016: nil) and was determined based on a level 2 valuation method. As at 31 December 2017 there were foreign exchange and interest derivative contracts with a notional amount of US$6 million (2016: US$7 million).

5. 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 analyzes 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. From 1 January 2016, the Company administers its operations on a Cluster basis throughout the global regions in which it operates. A Cluster is comprised of one or more countries. There are 17 Clusters, excluding our joint venture Anji-CEVA.

The Executive Board considers the operations from a business perspective. In addition, information from a geographical perspective has also been presented.

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, 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 Adjusted EBITDA. 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 year ended 31 December 2017 are as follows:

			YEAR ENDED 31 DECEMBER
$ millions			2017
	Freight Management	Contract Logistics	Total
Total segment revenue	3,270	3,728	6,998
Inter-segment revenue	-	(4)	(4)
Revenue from external customers	**3,270**	**3,724**	**6,994**
EBITDA before specific items and SBC	**79**	**158**	**237**
Specific items and SBC			(42)
EBITDA			**195**
Depreciation, amortization and impairment			(129)
Operating income			**66**
Net finance income / (expense)			(351)
Net result from joint ventures[1]			23
Profit/(Loss) before income taxes			**(262)**
EBITDA before specific items and SBC, as a % of revenue	*2.4%*	*4.2%*	*3.4%*

[1] Refer to note 17 for details on disposal of asset

The segment assets and liabilities at 31 December 2017 and the capital expenditure for the year then ended are as follows:

$ millions				2017
	Freight Management	Contract Logistics	Unallocated	Total
Total assets	2,080	1,420	119	3,619
Total liabilities	1,155	1,547	2,430	5,132
Capital expenditure	23	79	-	102

The segment results for the restated year ended 31 December 2016 are as follows:

			RESTATED YEAR ENDED 31 DECEMBER[1]
$ millions			2016
	Freight Management	Contract Logistics	Total
Total segment revenue	3,002	3,647	6,649
Inter-segment revenue	-	(3)	(3)
Revenue from external customers	**3,002**	**3,644**	**6,646**
EBITDA before specific items and SBC	**66**	**149**	**215**
Specific items and SBC			(46)
EBITDA			**169**
Depreciation, amortization and impairment			(153)
Operating income			**16**
Net finance income / (expense)			(278)
Net result from joint ventures			18
Profit/(Loss) before income taxes			**(244)**
EBITDA before specific items and SBC, as a % of revenue	*2.2%*	*4.1%*	*3.2%*

[1] Refer to note 2 for details on restatement

The segment assets and liabilities at 31 December 2016 and the capital expenditure for the year then ended are as follows:

$ millions				2016
	Freight Management	Contract Logistics	Unallocated	Total
Total assets	2,017	1,283	116	3,416
Total liabilities	1,050	1,356	2,304	4,710
Capital expenditure	26	48	-	74

Additional information - geographical

The geographical results for the year ended 31 December 2017 are as follows:

				YEAR ENDED 31 DECEMBER
$ millions				**2017**
	Americas	**Asia Pacific**	**Europe**	**Total**
Total segment revenue	2,332	1,850	2,816	6,998
Inter-segment revenue	(1)	(1)	(2)	(4)
Revenue from external customers	**2,331**	**1,849**	**2,814**	**6,994**
EBITDA before specific items and SBC	**60**	**80**	**97**	**237**
Specific items and SBC				(42)
EBITDA				**195**
Depreciation, amortization and impairment				(129)
Operating income				**66**
Net finance income / (expense)				(351)
1Net result from joint ventures[1]				23
Profit/(Loss) before income taxes				**(262)**

[1] Refer to note 17 for details on disposal of asset

The geographical assets and liabilities at 31 December 2017 and capital expenditure for the year then ended are as follows:

$ millions					**2017**
	Americas	Asia Pacific	Europe	Unallocated	Total
Total assets	1,317	886	1,297	119	3,619
Total liabilities	782	582	1,338	2,430	5,132
Capital expenditure	25	22	55	-	102

The geographical results for the restated year ended 31 December 2016 are as follows:

				RESTATED YEAR ENDED 31 DECEMBER[1]
$ millions				**2016**
	Americas	Asia Pacific	Europe	Total
Total segment revenue	2,311	1,616	2,722	6,649
Inter-segment revenue	(1)	(1)	(1)	(3)
Revenue from external customers	**2,310**	**1,615**	**2,721**	**6,646**
EBITDA before specific items and SBC	**31**	**87**	**97**	**215**
Specific items and SBC				(46)
EBITDA				**169**
Depreciation, amortization and impairment				(153)
Operating income				**16**
Net finance income / (expense)				(278)
Net result from joint ventures				18
Profit/(Loss) before income taxes				**(244)**

[1] Refer to note 2 for details on restatement

The geographical assets and liabilities at 31 December 2016 and capital expenditure for the year then ended are as follows:

$ millions					2016
	Americas	Asia Pacific	Europe	Unallocated	Total
Total assets	1,333	805	1,162	116	3,416
Total liabilities	743	551	1,112	2,304	4,710
Capital expenditure	23	15	36	-	74

The Group's revenue from external customers in the United States is US$1,747 million (2016: US$1,786 million), in China US$811 million (2016: US$648 million), in Italy US$377 million (2016: US$497 million) and in the UK US$630 million (2016: US$659 million). The total revenue from external customers from other countries is US$3,429 million (2016: US$3,056 million).

The total of non-current assets other than financial instruments, deferred tax assets, post-employment benefit assets and rights arising under insurance contracts located in the United Kingdom is US$159 million (2016: US$139 million) and the total of these non-current assets located in other countries is US$1,765 million (2016: US$1,600 million).

6. SPECIFIC ITEMS AND SBC

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

	YEAR ENDED 31 DECEMBER	YEAR ENDED 31 DECEMBER
$ millions	2017	2016
Work contracted out	-	(1)
Personnel expenses	28	30
Other operating expenses	14	17
Items affecting EBITDA	**42**	**46**
Finance expenses	12	-
Total (income)/expense before income taxes	**54**	**46**

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

	YEAR ENDED 31 DECEMBER	YEAR ENDED 31 DECEMBER
$ millions	2017	2016
Restructuring and transformation	30	22
Litigation and legacy tax	-	7
Other	3	5
Subtotal specific items	**33**	**34**
Share based compensation (non-cash)	9	12
Items affecting EBITDA	**42**	**46**
Finance expenses	12	-
Total (income)/expense before income taxes	**54**	**46**

Restructuring and transformation
Restructuring and transformation costs in 2017 arose predominantly in the North America, Benelux, Italy and UKIN clusters as part of the ongoing cost reduction initiatives. In 2016, costs mainly consisted of severance costs and provisions.

Litigation and legacy tax
Litigation charges within other operating expenses incurred in 2017 related predominantly to increases in provisions for compensation in certain litigations and external advice, offset by the receipt of a settlement payment related to an anti-trust claim. In 2016, expenses were mainly related to provisions in compensation in certain litigations and external advice, notably the CIL litigation.

Other
Costs for 2017 mainly relate to a legacy claim in BAMECA cluster.

Share based compensation

Non-cash share based compensation costs are recognized in a similar manner as specific items. These primarily relate to the issuance of shares in Holdings and grant of 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.

Finance expenses

In 2017 US$12 million of expenses were booked as specific items relating to the write off of unamortized fees on the exchange of the 4% Notes.

7. PERSONNEL EXPENSES

$ millions	2017	2016
Wages and salaries	1,836	1,809
Social security charges	236	247
Pension costs - defined benefit plans (note 20)	3	3
Pension costs - defined contribution plans	42	42
Share options granted to Directors and employees	9	12
Total personnel expenses	**2,126**	**2,113**

Average number of people employed

The average number of persons (including executive management) employed by the Group during the year was as follows:

	2017	2016
Freight Management	8,355	8,405
Contract Logistics	33,910	33,753
Total	**42,265**	**42,158**

Directors and other executive management emoluments

The total emoluments for Directors and other executive management during the year was US$15 million (2016: US$19 million). During 2017, 19 directors or other executive management were on the CEVA payroll for at least a part of the year (2016: 22).

The aggregated emoluments of Directors of the Company (excluding other executive management) received is set out in the table below:

$ thousands	2017	2016
Salaries and other short-term employee benefits	2,407	2,756
Post-employment benefits	73	85
Share-based payments	3,718	3,917
Total	**6,198**	**6,758**

Directors and other executive management (key management) emoluments include salaries and accrued bonus provision of US$8 million (2016: US$10 million) and share options of US$7 million (2016: US$9 million). Key management received US$395 thousand (2016: US$277 thousand) for pension related costs.

The highest paid Director received an amount of US$1,328 thousand for salary and other short-term benefits (2016: US$1,616 thousand) and US$73 thousand of post-employment benefits (2016: US$73 thousand). The Company incurred US$3 million in share based compensation costs (2016: US$4 million).

Apollo and its affiliates have the power to control us and our affairs and policies, including the election of the majority of the members of the Board of Managers of Holdings and the Board of Directors of the Company (collectively, the "Boards"). Three of the members of the Boards are partners, directors or employees of Apollo or Apollo portfolio companies. The Boards have five independent, non-employee members. In their capacity as managers of the Board of Managers of Holdings, independent non-employee managers of Holdings, receive US$31,250 for each calendar quarter of service. In addition, Mr. Pearlman is entitled to receive US$8,000 per month for service on a special committee. All other non-employee managers of Holdings, other than the Chairman, are paid US$15,000 for each calendar quarter of service. Independent non-employee managers of Holdings who are not former employees of CEVA are entitled to receive two awards of restricted stock or restricted stock units of Holdings each having a fair market value on the date of grant of US$75,000 and such additional awards of restricted shares or restricted share units as the compensation committee may determine from time to time. The first award is issued following appointment of the manager to the Board of Managers of Holdings and the second award is issued following the first board meeting in the calendar year following the manager's initial appointment to the Board of Managers of Holdings. The Chairman receives €20,000 per month for his service as Chairman.

Share options and restricted share units granted to the Company's Directors in their capacity as members of the Board of Managers of Holdings and other executive management are shown in the table below:

Number of share options	Outstanding at 31 December 2016/ 1 January 2017	Granted during the year	Converted into common shares during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2017[1]	Weighted average exercise price in $
Total	**69,686**	**5,700**	**1,991**	**-**	**-**	**73,395**	**725.79**

Number of share options	Outstanding at 31 December 2015/ 1 January 2016	Granted during the year	Converted into common shares during the year	Exercised during the year	Forfeited during the year	Outstanding at 31 December 2016[1]	Weighted average exercise price in $
Total	**20,154**	**51,475**	**587**	**75**	**1,281**	**69,686**	**725.79**

[1]includes a total of 6,730 restricted share units (31 December 2016: 4,771 restricted share units)

The restricted share units will be converted (1:1) into common shares of Holdings upon settlement. Restricted share units granted to managers are fully vested at the grant dates and will be settled into Holdings common shares at the earlier of a specified settlement date or the manager's termination of relationship with Holdings. The vesting conditions for the restricted share units granted to executive management are purely based on (non-market) service conditions and vest in three equal installments at the third, fourth and fifth anniversaries of their grant dates. In addition, any unvested restricted share units vest immediately upon the death or disability of a member of executive management. Vested restricted share units issued to executive management will be settled into common shares of Holdings upon the earliest of the executive's termination of relationship with Holdings, a change in control or the fifth anniversary of the grant date.

8. INDEPENDENT AUDITOR REMUNERATION

During the year, the Group obtained the following services from its independent auditor, PricewaterhouseCoopers LLP and its associates:

$ millions	2017	2016
Fees payable to the Company's auditor and its network firms for the audit	2	2
of the consolidated financial statements		
The audit of the Company's subsidiaries pursuant to legislation	2	2
Tax services	1	1
Other	1	1
Total	**6**	6

Independent auditor remuneration is recognized in Other operating expenses in the Consolidated Income Statement.

9. FINANCE INCOME AND EXPENSE

$ millions	2017	2016
Interest income	6	5
Other financial income	-	-
Finance income	**6**	**5**
Interest expense on bank borrowings	(278)	(241)
Interest on finance lease liabilities	(2)	(3)
Net foreign exchange (losses)/gains	(24)	6
Interest expense on retirement benefit obligations	(2)	(2)
Other financial expense	(51)	(43)
Finance expense	**(357)**	**(283)**
Net finance expense	**(351)**	**(278)**

Other financial expense includes the amortization of debt issuance costs of US$14 million (2016: US$12 million).

10. TAXATION

$ millions	2017	2016
Current tax expense	28	38
Deferred tax income	(10)	(55)
Income tax (income) / expense	**18**	**(17)**

Income tax expense recognized for the year in other comprehensive income is US$(6) million (2016: nil).

The contributing factors for the difference between the theoretical tax rate and the expected tax rate are as follows:

$ millions	2017		2016	
Theoretical tax income	**(50)**		(49)	
Permanent differences:				
Non deductible interest expense	15		16	
Non deductible other costs	7		7	
Difference between local and UK tax rate	(31)		(45)	
Other movements:				
Deferred tax assets not recognized on temporary differences	57		55	
Deferred taxes not recognized on losses	25		41	
Recognition of previously unrecognized tax losses	-		(62)	
Changes in respect to prior years	(4)		6	
Current and deferred impact of withholding taxed	3		9	
Impact of tax rate changes	(4)		2	
Other income tax (income)/expense	-		3	
Actual tax charge/(income)	**18**	**(6.9)%**	(17)	7.0%

The 2017 effective tax rate is (6.9)% (2016: 7.0%). The 2017 and 2016 rates were impacted by uncertainty over the future utilization of losses.

The tax rate for the United Kingdom has reduced to 19% for income earned from 1 April 2017 through 31 March 2020 (20% for the period before 1 January 2017 - 1 April 2017) and is scheduled to further reduce to 17% as of 31 March 2020. The Finance (No. 2) Act 2017 for the United Kingdom that was granted Royal Assent on 16 November 2017 includes limitations on utilization of losses carried forward and deductions of interest expense. These changes reduced the deferred tax asset by US$4 million which was offset by US$10 million recognition of temporary differences for capital allowances and pensions that are expected to be utilized.

The United States tax reform (law H.R. 1, originally known as the "Tax Cuts and Jobs Act") enacted in December 2017 includes a reduction of the federal tax rate to from 35% to 21% for income earned after 1 January 2018. The impact of this rate change is nil as the company did not recognize deferred tax assets or liabilities in this jurisdiction. An alternative minimum tax credit of US$2 million has been recognized because it is expected it can be utilized or will be refunded to the company in 2021. The impact of the repatriation toll tax is nil as the company has no overall unremitted earnings and profits in subsidiaries owned by CEVA US that are in scope for the toll tax.

Other changes to tax rates include an increase in Turkey from 20% to 22% for income earned as from 1 January 2018 and a decrease in Belgium from 33% to 29% for income earned after 1 January 2018. The tax rate in Belgium is scheduled to further reduce to 25% for income earned after 1 January 2020. The impact of these changes was nil as the company did not recognize deferred tax assets and liabilities in these jurisdictions.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income taxes relate to the same fiscal authority. The amounts recognized are as follows:

$ millions	2017	2016
Before offsets:		
Deferred income tax assets	(115)	(121)
Deferred income tax liabilities	15	31
Net deferred income tax (assets)/liabilities	**(100)**	**(90)**
After offsets:		
Deferred income tax assets	(108)	(105)
Deferred income tax liabilities	8	15
Net deferred income tax (assets)/liabilities	**(100)**	**(90)**

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets:

$ millions	Losses carried forward	Provisions	Fixed Assets	Goodwill	Credits	Other	Total
Balance at 1 January 2016	**48**	**15**	**-**	**1**	**-**	**-**	**64**
Exchange rate differences	4	2	-	-	-	1	7
Income statement effect	46	(6)	-	(1)	-	11	50
Deferred income tax assets at 31 December 2016 / 1 January 2017	**98**	**11**	**-**	**-**	**-**	**12**	**121**
Items recongnized in other comprehensive income	-	6	-	-	-	-	6
Tax Amnesty in Brazil	(4)	-	-	-	-	-	(4)
Exchange rate differences	(3)	-	-	-	-	1	(2)
Income statement effect	(15)	1	11	-	2	(5)	(6)
Deferred income tax assets at 31 December 2017	**76**	**18**	**11**	**-**	**2**	**8**	**115**

The Group has unused tax losses of US$1,027 million (2016: US$953 million) available for offset against future taxable profits for which no deferred tax asset has been recognized because the entities concerned reported losses in either the current or prior year. Of these losses the majority, amounting to US$714 million (2016: US$626 million), will expire in 1 to 20 years and the remainder, amounting to US$313 million (2016: US$327 million), will not expire.

The Company recognized deferred tax assets of US$16 million (2016: US$82 million) for which utilization is dependent on future taxable profits whilst the related entities have incurred losses in either the current or preceding years. Management believes that on the basis of actual 2017 results in Australia and New Zealand and forecasted improved operational results the Company will be able to utilize tax assets recognized in this jurisdiction.

Deferred income tax liabilities:

$ millions	Intangibles	Subsidiaries & joint ventures	Total
Balance at 1 January 2016	**30**	**5**	**35**
Exchange rate differences	1	-	1
Income statement effect	(7)	2	(5)
Deferred income tax liabilities at 31 December 2016 / 1 January 2017	**24**	**7**	**31**
Income statement effect	(15)	(1)	(16)
Deferred income tax liabilities at 31 December 2017	**9**	**6**	**15**

The Company did not recognize deferred tax liabilities on temporary differences associated with undistributed earnings of subsidiaries for an aggregate amount of US$114 million (2016: US$99 million), because the Company is in a position to control the timing of the reversal of the temporary difference, and it is probable that such differences will not reverse in the foreseeable future.

11. BUSINESS COMBINATIONS

The Company did not complete any material acquisitions in 2017 or 2016.

12. INTANGIBLE ASSETS

$ millions	Goodwill	Contractual and customer relationships	Other Intangibles	Total
Net book amount at 1 January 2016	**1,310**	**152**	**48**	**1,510**
Additions	-	-	28	28
Amortization	-	(65)	(22)	(87)
Impairment	(5)	-	-	(5)
Exchange rate differences	(39)	(2)	1	(40)
Closing net book amount at 31 December 2016	**1,266**	**85**	**55**	**1,406**
Historical cost	1,676	864	455	2,995
Accumulated impairment	(410)	-	-	(410)
Accumulated amortization	-	(779)	(400)	(1,179)
Net book amount at 1 January 2017	**1,266**	**85**	**55**	**1,406**
Additions	-	-	23	23
Amortization	-	(53)	(21)	(74)
Exchange rate differences	80	6	7	93
Closing net book amount at 31 December 2017	**1,346**	**38**	**64**	**1,448**
Historical cost	1,756	926	497	3,179
Accumulated impairment	(410)	-	-	(410)
Accumulated amortization	-	(888)	(433)	(1,321)
Net book amount at 31 December 2017	**1,346**	**38**	**64**	**1,448**

The other intangibles include internally generated software with a closing net book amount at 31 December 2017 of US$21 million (2016: US$25 million).

Impairment tests for goodwill

As required by IAS 36, goodwill is subject to annual impairment reviews. Management monitors goodwill based on its operating segments (Freight Management and Contract Logistics). For the purpose of the impairment review an amount of goodwill is attributed to each of the operating segments. Such operating segments are determined to be a "Cash Generating Unit" (CGU) as determined by IAS 36 "Impairment of Assets". The recoverable amount of each CGU is determined based on calculating its value in use. The value in use is calculated by applying discounted cash flow modeling to management's own projections covering a five year period. Cash flows beyond the five year period are extrapolated using an average long term growth rate of 2% which does not exceed the estimated long term GDP growth rates for the most relevant territories in which the businesses operate.

Management's projections have been prepared on the basis of strategic plans, knowledge of the market, performance of competitors and management's views on achievable growth in market share over the longer term.

Key assumptions

The following growth rates and discount rates are used for the reviews:

	2017		2016	
	Growth rate beyond five years	Pre-tax discount rate	Growth rate beyond five years	Pre-tax discount rate
Freight Management	2.0%	10.4%	2.0%	11.1%
Contract Logistics	2.0%	10.4%	2.0%	11.1%

The discount rates applied to cash flows are based on the Group's weighted average cost of capital (WACC) adjusted for income tax and reflects the specific risks relating to the Freight Management and Contract Logistics businesses, which operate in similar geographies. The WACC is calculated based on a weighted average of the post-tax interest rates paid on CEVA's loans, and a return on equity based on the equity market risk premium (that is the required increased return required over and above a risk free rate by an investor who is investing in the market as a whole) and the risk adjustment, beta, applied to reflect the risk of the Group relative to the market as a whole. The beta used is based on an average of the betas of what management considers to be the most comparable listed logistics companies.

Projected EBITDA

The five year projections for EBITDA have been prepared using strategic plans which include key assumptions for growth in sales and costs over this period. These assumptions take into account knowledge of the current markets in CEVA's Freight Management and Contract Logistics segments, management's view on the development of CEVA's services relative to the market and the impact of the cost reduction activities that were carried out in both 2016 and 2017.

Budgeted capital expenditure

The cash flow forecasts for capital expenditure are based on past experience and include the ongoing capital expenditure required to implement new projects and maintain existing activities in CEVA's Contract Logistics segment and grow and maintain CEVA's Freight Management network. Capital expenditure includes cash outflows for the purchase of property, plant and equipment and computer software.

Net Working Capital (NWC) levels

Projections for NWC levels are based on the actual NWC needs of the Freight Management and Contract Logistics segments during 2017.

Result

No goodwill impairment losses were recognized for the year ended 31 December 2017 (2016: nil) as a result of the goodwill impairment testing.

The value in use, carrying amount of the CGU's and the headroom per CGU as at 31 December 2017 is as follows:

$ millions			2017
	Freight Management	**Contract Logistics**	**Total**
Recoverable amount	1,673	1,608	3,281
Carrying amount of CGU	(1,171)	(240)	(1,411)
Headroom	**502**	**1,368**	**1,870**

Sensitivities

A sensitivity analysis has been performed on each of the base case assumptions used for assessing the goodwill with other variables held constant. Consideration of sensitivities to key assumptions can evolve from one financial year to the next.

The table below shows the sensitivity impact of changes in key assumptions by CGU:

$ millions			2017
	Freight Management	**Contract Logistics**	**Total**
Decrease in long term growth rate of 1%	(163)	(166)	(329)
Increase in pre-tax discount rate of 1%	(212)	(215)	(427)
Decrease in projected EBITDA of 10%	(246)	(306)	(552)
Increase in projected capital expenditure of 10%	(29)	(89)	(118)

The table above shows the change in headroom as a result of a change in assumptions affecting the headroom. None of these would individually lead to an impairment for either the Freight Management or Contract Logistics segment. The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

13. PROPERTY, PLANT AND EQUIPMENT

$ millions	Land and buildings	Plant and equipment	Other	Under construction	Total
Opening net book amount at 1 January 2016	**79**	**49**	**34**	**7**	**169**
Additions	8	12	17	9	46
Disposals	(4)	(1)	-	-	(5)
Depreciation	(17)	(22)	(17)	-	(56)
Impairment	(5)	-	-	-	(5)
Exchange rate differences	1	(1)	2	(11)	**(9)**
Closing net book amount at 31 December 2016	**62**	**37**	**36**	**5**	**140**
Historical cost	216	338	296	5	855
Accumulated amortization and impairment	(154)	(301)	(260)	-	(715)
Net book amount at 31 December 2017	**62**	**37**	**36**	**5**	**140**
Additions	16	37	20	2	75
Disposals	-	(1)	(2)	-	(3)
Depreciation	(16)	(23)	(16)	-	(55)
Exchange rate differences	5	4	3	-	12
Closing net book amount at 31 December 2017	**67**	**54**	**41**	**7**	**169**
Historical cost	236	360	297	7	900
Accumulated depreciation	(169)	(306)	(256)	-	(731)
Net book amount at 31 December 2017	**67**	**54**	**41**	**7**	**169**

Finance leases

The following assets held under finance leases are included in property, plant and equipment:

$ millions	Land and buildings	Plant and equipment	Other	**Total**
Under finance lease 31 December 2016	18	7	1	**26**
Under finance lease 31 December 2017	19	8	-	**27**

14. INVENTORY

$ millions	**2017**	**2016**
Raw materials and supplies	16	12
Finished goods	2	2
Total inventory	**18**	**14**

The provision for inventory obsolescence is nil (2016: nil).

Movements in inventory are recorded in other operating expenses in the Consolidated Income Statement.

15. TRADE AND OTHER RECEIVABLES

$ millions	**2017**	**2016**
Trade receivables	995	940
Provision for impairment of trade receivables	(16)	(19)
Trade accounts receivable - net	**979**	**921**
VAT receivable	34	32
Other	45	74
Other receivables	**79**	**106**
Total trade and other receivables	**1,058**	**1,027**

Other receivables includes miscellaneous other receivables, vendor and supplier rebate receivables and amounts receivable from insurance companies.

The fair value of trade and other receivables approximates its carrying amount.

At 31 December 2017 non-recourse factoring and supply chain financing resulted in the de-recognition of US$155 million (2016: US$126 million) of trade receivables.

During October 2012, certain Australian subsidiaries of the Group entered into a Receivables Purchase Agreement with a facility limit of A$40 million maturing in September 2016. On 22 May 2016, certain of the Company's Australian subsidiaries of the Group renewed and extended CEVA's A$40 million receivables purchase facility. The renewal, among other things, extended the maturity of the facility to 30 April 2020 and amended certain economic terms including facility margin. In 2017 additional amendments were done to increase the facility limit of the facility to A$50 million. As of 31 December 2017, the outstanding drawn amount under the facility was A$40 million (US$31 million). Based on the borrowing base and advance rates of this arrangements, over US$62 million (2016: over US$60 million) of trade receivables are financed pursuant to these arrangements. Receivables sold under this agreement are not derecognized and the related liabilities are included in bank borrowings.

On 19 November 2010, certain US subsidiaries of the Group (“the Originators”) and a new subsidiary, CEVA US Receivables LLC (the “Unrestricted Subsidiary”), entered into agreements establishing an ABL Facility with an initial commitment amount of US$200 million which was later increased to US$250 million. The obligations of the Unrestricted Subsidiary under the ABL Facility are secured on a first-priority basis by all currently owned and subsequently acquired assets of the Unrestricted Subsidiary, including, but not limited to, all of the accounts receivable transferred to the Unrestricted Subsidiary by the Originators. The ABL Facility was scheduled to mature on 31 December 2018, but was amended in November 2017 and now matures on 1 August 2020. The commitment amount for the facility has also been reduced to US$225 million. As at 31 December 2017, the outstanding drawn amount of the ABL Facility was US$189 million. Based on the borrowing base and advance rate of this arrangements, over US$229 million (2016: over US$228 million) of trade receivables are financed pursuant to these arrangements. The transaction has been accounted for as collateralized borrowing (refer to note 19 “Borrowings”). Following an event of default by the Unrestricted Subsidiary under the ABL Facility loan agreement or if a specified liquidity event occurs, the lenders have the right to receive the cash flows from the pledged receivables to repay the outstanding loans under the ABL Facility. Absent an event default or liquidity event, the Unrestricted Subsidiary will collect the receivables and all new receivables transferred to the Unrestricted Subsidiary by the US subsidiaries will be collateral. The actual amount of collateral pledged in 2017 is approximately US$332 million. Receivables sold under this agreement are not derecognized and the related liabilities are included in bank borrowings.

On 24 March 2017, certain of CEVA’s subsidiaries entered into a series of agreements to establish a securitization facility (the “Securitization Facility”) with a facility limit of €170 million. Pursuant to the Securitization Facility certain CEVA subsidiaries sell or otherwise transfer their eligible account receivables and any related rights (the “Securitized Assets”) to a special purpose vehicle (the “Securitization Issuer”) on a non-recourse basis. The Securitization Issuer has granted security over substantially all of its assets and property to the secure the Securitization Facility. Additionally, security interests have been granted over the accounts into which obligors in respect of the Securitized Assets are directed to make their payments in respect of the Securitized Assets. As of 31 December 2017 the outstanding drawn amount was €157 million (US$189 million). Receivables sold under this agreement are not derecognized and the related liabilities are included in bank borrowings.

As at 31 December 2017, trade receivables of US$128 million (2016: US$161 million) were past due but not impaired. These receivables relate to a number of independent customers for whom there is no history of default. The ageing profile of trade receivables past due but not impaired is as follows:

$ millions	2017	2016
Past due 0-30 days	74	96
Past due 31-60 days	22	23
Past due 61-90 days	12	10
Past due 91-120 days	6	6
Past due more than 121 days	14	26
Total	**128**	**161**

The carrying amount of the Group's trade and other receivables are denominated in the following currencies:

$ millions	2017	2016
Euro	265	220
US dollar	343	385
British pound	95	89
Other currencies	371	352
Total	**1,074**	**1,046**

Movements on the provision for impairment of trade receivables are as follows:

$ millions	2017	2016
At 1 January	**19**	**17**
Charged to other operating expenses	10	12
Receivables written off during the year as uncollectable	(11)	(5)
Unused amounts reversed	(2)	(4)
Exchange rate differences	-	(1)
At 31 December	**16**	**19**

The creation and release of the provision for impaired receivables has been included in Other operating expenses in the Consolidated Income Statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovery. The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

16. CASH AND CASH EQUIVALENTS

$ millions	2017	2016
Cash at bank	226	200
Current bank deposits	69	134
Total cash and cash equivalents	**295**	**334**

Cash and cash equivalents are largely available for use by the Group. Bank overdrafts are included within interest bearing borrowings (note 19 "Borrowings").

17. JOINT VENTURES

The Group has an investment totaling US$98 million as at 31 December 2017 (31 December 2016: US$80 million), being a 50% interest in ANJI-CEVA Logistics Co. Ltd ("Anji-CEVA") with its registered address at No. 258 Miquan Road, Anting Town, Jiading District, Shanghai City, P.R. of China. Anji-Ceva principally engages in contract logistics activities, including warehousing, distribution, transportation, domestic freight, technical consulting and training. For the year ended 31 December 2017, CEVA's share in Anji-CEVA's net result was US$23 million (year ended 31 December 2016: US$18 million).

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

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

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

	AS AT 31 DECEMBER	
$ millions	**2017**	2016
Current		
Cash and cash equivalents	144	128
Other current assets	410	324
Total current assets	**554**	**452**
Financial liablities	(7)	(1)
Other current liabilities	(532)	(443)
Total current liabilities	**(539)**	**(444)**
Non-current		
Assets	170	143
Total non-current assets	**170**	**143**
Other liabilities	-	(2)
Total non-current liabilities	**-**	**(2)**
NET ASSETS	**185**	**149**

The "summarized" consolidated income statement of Anji-CEVA for the years ended 31 December 2017 and 2016 is as follows:

	YEAR ENDED 31 DECEMBER	
$ millions	**2017**	2016
Revenue	**1,146**	**973**
Operating expenses excluding depreciation, amortization and impairment	(1,045)	(889)
EBITDA	**101**	**84**
Depreciation, amortization and impairment	(22)	(21)
Operating income	**79**	**63**
Net finance income/(expense) (including foreign exchange movements)	**1**	-
Profit/(Loss) before income taxes	**80**	**63**
Income tax (expense)/Income	(22)	(17)
Profit/(Loss) for the period	**58**	**46**
Attributable to:		
Non-controlling interests	(11)	(10)
Equity holders of the Company	47	36

The reconciliation from the net asset value to the carrying value of the Anji-CEVA joint venture for the years ended 31 December 2017 and 2016 is as follows:

$ millions	**2017**	2016
Opening net assets - 1 January	**149**	**184**
Allocated to non-controlling interest	(35)	(38)
Adjusted opening net assets - 1 January	**114**	**146**
Profit for the period	58	46
Non-controlling interest	(11)	(10)
Dividend paid by joint ventures[1]	(30)	(58)
Foreign exchange impact	13	(13)
Closing net assets - 31 December	**144**	**111**
Interest in joint ventures at 50%	72	56
Goodwill in joint ventures	26	24
Carrying value 31 December	**98**	**80**

[1] Included are dividends received by CEVA in December 2017. The CEVA portion of the dividend paid by joint ventures amounted to US$15 million (2016: US$27 million).

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

18. SHARE CAPITAL

	Number of ordinary shares	Deferred shares	Nominal value per share: £
1 January 2016	-	350,000	0.9999
	3,500,000,000	-	0.0001
Issued share capital during the year	-	-	-
Authorized share capital as per 31 December 2016	**3,500,000,000**	**350,000**	
1 January 2017	-	350,000	0.9999
	3,500,000,000	-	0.0001
Issued share capital during the year	-	-	-
Authorized share capital as per 31 December 2017	**3,500,000,000**	**350,000**	

At 31 December 2017, the authorized and issued share capital comprised 3,500,000,000 ordinary shares (2016: 3,500,000,000) and 350,000 deferred shares (2016: 350,000). The ordinary shares have a nominal value of £0.0001 each (2016: £0.0001).

As at 31 December 2017, Holdings and two of its direct subsidiaries, CEVA UK 1 Limited and CEVA UK 2 Limited, who each hold one ordinary share, collectively held 3,499,650,000 ordinary shares with a par value of £0.0001 each (99.99%), CIL Limited held 349,999 ordinary shares with a par value of £0.0001 each and 349,999 deferred shares with a par value of £0.9999 each.
Louis Cayman Second Holdco Limited held 1 ordinary shared with a par value of £0.0001 on trust as bare nominee for CIL Limited and 1 deferred share with a par value of £0.9999 (CIL Limited and Louis Cayman Second Holdco Limited together holding 0.01%).

19. BORROWINGS

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

$ millions					2017					2016
	Carrying value	Level 1 fair value	Level 2 fair value	Level 3 fair value	Total fair value	Carrying value	Level 1 fair value	Level 2 fair value	Level 3 fair value	Total fair value
Non-current										
Bank borrowings	1,165	-	1,138	-	1,138	1,097	-	963	-	963
Loan notes	1,941	995	-	933	1,928	1,858	842	-	838	1,680
Finance leases	24	-	24	-	24	21	-	21	-	21
Total non-current borrowings	**3,130**	**995**	**1,162**	**933**	**3,090**	**2,976**	**842**	**984**	**838**	**2,664**
Current										
Bank overdrafts	131	-	131	-	131	96	-	96	-	96
Loan notes	39	39	-	-	39	-	-	-	-	-
Bank borrowings	13	-	13	-	13	13	-	13	-	13
Finance leases	4	-	4	-	4	4	-	4	-	4
Total current borrowings	**187**	**39**	**148**	**-**	**187**	**113**	**-**	**113**	**-**	**113**
Total borrowings	**3,317**	**1,034**	**1,310**	**933**	**3,277**	**3,089**	**842**	**1,097**	**838**	**2,777**
Unamortized debt issuance costs	38					36				
Total principal debt	**3,355**					**3,125**				

The different levels for calculating the fair value have been defined as follows:

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives or convertible bond instruments) are determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are based on observable market data, the instrument is included in level 2. The fair value of derivatives is calculated as the present value of the estimated future cash flows based on observable interest yield curves, basis spread and foreign exchange rates.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The Company has used a net present value calculation for calculating the fair value of the Second Lien PIK Notes using a discount rate of 11.5% that approximates the market rate for similar debt.

Net Debt reconciliation

The table below sets out an analysis of the movements in net debt for the years ended 31 December 2017 and 2016:

$ millions	2016	Cash-Flows	Non Cash Movements			2017
			Foreign exchange	Reclass Non-current to current	Other	
Non-Current borrowings	2,976	22	38	(38)	132	3,130
Current borrowings	113	34	2	38	-	187
Total liabilities from financing activities	**3,089**	**56**	**40**	**-**	**132**	**3,317**
Cash and cash equivalents	(334)	33	6	-	-	(295)
Net Debt	**2,755**	**89**	**46**	**-**	**132**	**3,022**

Other includes the refinancing of US$351 million of the 4% Notes with 9% Notes due 2020 and the resulting charge of US$15 million (of which US$12 million was booked in specific items), an adjustment of US$95 million relating to the 10% PIK notes (of which US$91 million is non-cash interest and US$4 million is fair value adjustment), additional debt incurred during the refinancing of the 4% Notes (US$9 million), amortization of debt issuance costs (US$4 million), non-cash interest on the 9% Notes due 2020 (US$6 million) and other adjustments (US$3 million).

Non-current borrowings

The fair value of the loan notes has been presented using the available market price (Level 1) at the balance sheet date. The bank borrowing's 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 period was 3.7% (2016: 4.6%) and 6.1% (2016: 5.7%) for Euro and for US dollar denominated loans respectively.

Current borrowings

The carrying amounts of current borrowings approximate their fair value.

Terms and debt repayment schedule

	Currency	Nominal interest rate	Maturity	Amount drawn at 31 December 2017 principal value	Amount drawn at 31 December 2017 principal value	Unamortized debt issuance costs at 31 December 2017	Amount drawn at 31 December 2017 carrying value
					in USD	in USD	in USD
Senior secured facilities - term loan (EUR)	Euro	EURIBOR + 5.5%, 1% LIBOR FLOOR	March 2021	€ 48	58	(2)	56
Senior secured facilities - term loan (USD)	US dollar	US LIBOR + 5.5%, 1% LIBOR FLOOR	March 2021	$712	712	(12)	700
Senior secured facilities - revolver	US dollar	US LIBOR + (4% ~ 5.0%), 1% LIBOR FLOOR	March 2019	$0	-	-	-
4% senior notes	US dollar	4%	May 2018	$39	39	-	39
First lien senior secured notes	US dollar	7%	March 2021	$300	300	(2)	298
New 9% Notes	US dollar	6% cash/3% PIK	September 2020	$382	382	(11)	371
One and half Lien Priority Lien Notes	US dollar		September 2021	$325	325	(3)	322
10% PIK note due May 2023[1]	US dollar	10.00%	May 2023	$933	933	-	933
12.75% senior notes	US dollar	0.1275	March 2020	$27	27	-	27
US ABL facility	US dollar	US LIBOR + (2% ~ 2.5%)	December 2020	$189	189	(3)	186
Australian Receivables facility	AU dollar	BBSW + 3.45%	April 2020	€ 40	31	-	31
European ABS	Euro	EURIBOR + 1.75%	March 2020	€ 157	189	(4)	185
Bank overdrafts	Various	Various	Various	€ 109	131	-	131
Finance lease liabilities	Various	Various	Various	€ 23	27	-	27
Other loans	Various	Various	Various	€ 11	12	(1)	11
					3,355	(38)	3,317

[1] The principal value drawn was US$953 million excluding fair value adjustment

The carrying amounts of the Group's borrowings are denominated in the following currencies:

$ millions	2017	2016
Euro	261	199
US dollar	2,868	2,752
Other currencies	188	138
Total	**3,317**	**3,089**

April 2017 Exchange offer

On 7 April 2017, CEVA successfully completed an exchange offer for the 4% Notes, where US$351 million of the 4% Notes were exchanged for the 9% Notes due 2020. In addition, CEVA entered into agreements with certain holders to privately exchange US$16 million of the 12.75% Notes for the 9% Notes due 2020. The 9% Notes due 2020 pay 6% cash and 3% PIK (payment-in-kind) interest per annum. As of 31 December 2017, approximately US$39 million principal amount of 4% Notes remains outstanding and at the same date approximately US$27 million principal amount of the 12.75% Notes remains outstanding.

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 December 2017 the weighted average period to maturity was 2.9 years.

As part of the March 2014 Refinancing, CEVA: (i) amended and extended its senior secured credit facilities, and obtained a US$809 million term loan facility (maturing in 2021), a US$250 million revolving credit facility (maturing in 2019) and a US$275 million letter of credit facility (maturing in 2021); (ii) privately issued US$300 million of the 7% Notes and (iii) privately issued US$325 million of the 9% Notes due 2021.

Debt and equity funded financing in 2013 (Recapitalization)

On 3 April 2013, CEVA Group Plc announced the Recapitalization, which would reduce substantially its overall debt and interest costs, as well as increase liquidity and strengthen its capital structure. On 2 May 2013, the Recapitalization successfully closed. The Recapitalization enables CEVA to better serve its customers, accelerate its growth throughout the world and fund the development of new supply chain solutions and services. The Recapitalization reduced consolidated net debt by approximately US$1.6 billion and reduced annual cash interest expense by approximately US$170 million or approximately 50%. It also further strengthened CEVA's liquidity with approximately US$219 million of proceeds from equity capital from new shareholders and the issuance of approximately US$390 million of the 4% Notes.

Holdings and two of its direct subsidiaries, CEVA UK 1 Limited and CEVA UK 2 Limited, who each hold one ordinary share, collectively hold 99.99% of the equity interests of CEVA Group Plc with the remaining 0.01% held by CIL Limited and Louis Cayman Second Holdco Limited. In the Recapitalization, Apollo acquired a non-controlling interest in the equity of Holdings through exchanging debt of CEVA Group Plc it held and through the cash purchase of equity. However, Apollo retains control of Holdings through contractual arrangements under the Company's Second Amended and Restated Limited Liability Company Agreement, dated as of 25 February 2014, (as the same may be amended from time to time, the "LLC Agreement").

The Recapitalization resulted in the following:

- US$689 million principal amount of 11.5% Junior Priority Senior Secured Notes exchanged for equity in the Company, which then released the notes and received a like amount of the 10% PIK Notes ;
- US$577 million principal amount of the 12.75% Notes exchanged for equity in the Company, which then released the notes;
- US$8 million principal amount of 12% Senior Notes exchanged for equity in the Company, which then released the notes;
- US$113 million principal amount of Senior Unsecured Loans exchanged for equity in the Company, which then released the loans; and
- US$92 million principal amount of Term Loans and US$213 million principal amount of 8.375% Senior Secured Notes were released by one of CEVA Group Plc's largest institutional investors in return for US$305 million principal amount of the 4% Notes.

Bank borrowings
As at 31 December 2017 the revolving credit facility of US$250 million was undrawn (2016: US$250 million undrawn).

In addition to the term bank loans, the Group has a US$275 million (2016: US$275 million) letter of credit facility which is available for the issuance of letters of credit and bank guarantees.

Approximately US$275 million of letters of credit in various currencies were issued but undrawn on 31 December 2017 (2016: US$246 million) under the letter of credit facility and revolving credit facility. The remaining amount unissued under CEVA's letter of credit facility as at 31 December 2017 is US$0.1 million (2016: US$29 million).

The Group has the following undrawn borrowing facilities which expire beyond one year:

$ millions	2017	2016
Floating rate	283	293
Fixed rate	-	-
Total	**283**	**293**

As at 31 December 2017, the Company had US$295 million (2016: US$334 million) in cash on its Consolidated Balance Sheet. In addition to this cash, the Company has access to US$795 million (2016: US$703 million) of credit facilities held centrally, as described above, of which US$512 million (2016: US$421 million) was drawn. Total headroom at 31 December 2017 was therefore US$578 million (2016: US$616 million).

Certain covenants and events of default
CEVA's indebtedness contains, and any future indebtedness CEVA may incur would likely contain, a number of restrictive covenants that will impose significant operating and financial restrictions on us, including restrictions on its ability to, amongst others, incur or guarantee additional debt, pay dividends and make other restricted payments, create or incur certain liens, make certain investments, engage in sales of assets and subsidiary stock, enter into transactions with affiliates and transfer all or substantially all of CEVA's assets or enter into merger or consolidation transactions. In addition, if at least 30% of our US$250 million revolving credit facility is outstanding (including the letters of credit issued thereunder), 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 1.00, calculated for the trailing four quarters (as determined under CEVA's 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.

Interest rate and fees
The interest rates applicable to loans under the senior secured facilities are, at CEVA's option, equal to either an alternate base rate or an adjusted LIBOR for a one, two, three or six-month interest period, or a nine or twelve month period, if available from all relevant lenders, in each case, plus an applicable margin.

Notes
The Group's secured notes are senior obligations of the Company and the Guarantors, secured by liens on certain of the Company's and the Guarantors' existing and future assets. The liens securing the senior secured facilities rank *pari passu* with the liens securing the 9% Notes due 2020 and the 7% Notes and senior to the liens securing the 9% Notes due 2021 and the 10% PIK Notes. The liens securing the 9% Notes due 2021 rank senior to the liens securing the 10% PIK Notes but junior to the liens securing the senior secured facilities, the 9% Notes due 2020 and the 7% Notes. The 12.75% Notes and the 4% Notes are unsecured senior obligations of the Company and the Guarantors.

Each series of notes contains customary covenants and events of default that, among other things, restrict, subject to certain exceptions, CEVA's ability and the ability of its subsidiaries, to incur indebtedness, sell assets, make investments, engage in acquisitions, mergers or consolidations and make dividend and other restricted payments.

Each series of notes may be redeemed at CEVA's option at certain redemption prices, plus accrued interest. Upon the occurrence of certain change of control events, each holder of notes may require us to repurchase all or a portion of its notes at a purchase price equal to 101% of the principal amount of its notes, plus accrued interest.

US ABL facility

On 19 November 2010, certain US subsidiaries of the Group ("the Originators") and a new subsidiary, CEVA US Receivables, LLC (the "Unrestricted Subsidiary"), entered into agreements establishing an Asset Backed Loan (ABL) Facility with an initial commitment amount of US$200 million (the "ABL Facility"). On 30 November 2010, the committed amount of the ABL Facility was increased to US$250 million. The obligations of the Unrestricted Subsidiary under the ABL Facility are secured on a first-priority basis by all currently owned and subsequently acquired assets of the Unrestricted Subsidiary, including, but not limited to, all of the accounts receivable transferred to the Unrestricted Subsidiary by the Originators. The ABL Facility was scheduled to mature on 31 December 2018, but was amended and extended in November 2017 and now matures on 1 August 2020. As at 31 December 2017, the outstanding drawn amount of the ABL Facility was US$189 million.

Australian Receivables Facility

On 22 May 2016, certain of the Company's Australian subsidiaries of the Group renewed and extended CEVA's A$40 million receivables purchase facility. The renewal, among other things, extended the maturity of the facility to 30 April 2020 and amended certain economic terms including facility margin. Additional amendments were made in 2017 which increased the facility limit to A$50 million. As of 31 December 2017, the outstanding drawn amount under the facility was A$40 million (US$31 million).

European Securitization

On 24 March 2016, the Company closed a €170 million (US$191 million) Pan-European Asset-backed Receivables Securitization ("the European Securitization Facility"). The European Securitization Facility is a commitment based on securitization of receivables in six European countries. On 7 April 2017, CEVA entered into an agreement to extend the maturity of the European Securitization Facility from March 2018 to March 2020, and at the same time agreed an increase to the facility limit by €80 million to €250 million subject to the addition of receivables into the program. The interest rate on this facility remained unchanged. As of 31 December 2017, the outstanding amount drawn under the facility was €157 million (US$189 million).

20. RETIREMENT BENEFIT OBLIGATIONS

The Group operates a number of pension plans around the world, most of which are defined contribution plans. CEVA has a small number of defined benefit plans of which the main ones are based in Italy, the United Kingdom and the United States. The plans in Italy, the United Kingdom and the United States are closed to new members.

The majority of benefit payments are from trustee-administered funds; however, there are also a number of unfunded plans where the Company meets the benefit payment as it falls due. The pension plan in the Netherlands changed to a career average plan with no indexation as from 1 January 2013. The new plan is treated as a defined contribution plan for accounting purposes.

Amounts recognized in the Consolidated Balance Sheet

$ millions	2017	2016
Present value of funded obligations	203	181
Fair value of plan assets	92	79
Liability in the balance sheet	**111**	**102**

Italian pension plan

In accordance with the Trattamento di Fine Rapporto ("TFR") legislation in Italy, employees are entitled to a termination payment on leaving the Company. The TFR regulation changed from 1 January 2007 and employees were given the option to either remain under the prior regulation or to transfer the future accruals to external pension funds. The funded provision for TFR maturing after 1 January 2007 is treated as a defined contribution plan under both options. An amount of US$14 million at 31 December 2017 (2016: US$12 million) has been recognized in the provision for pension liabilities in accordance with this legislation, which is unfunded. As part of the retirement benefit obligation the Group also reports a liability ("Cassa Vincolata Passiva") of US$27 million at 31 December 2017 (2016: US$26 million) that represents the right of current employers of former CEVA employees to claim TFR payments. Similarly, the Group also has an asset ("Cassa

Vincolata Attiva") of US$1 million (2016: US$1 million) which is included in non-current prepayments. This asset reflects the right of the Group to claim TFR payments for certain employees from their prior employers.

Movement in defined benefit obligations

$ millions	2017	2016
At 1 January	**181**	**176**
Service costs	3	2
Interest costs	5	5
(Gain)/loss from change in financial assumptions	7	21
Exchange rate differences	18	(16)
Benefits paid	(11)	(7)
At 31 December	**203**	**181**

Movement in plan assets

$ millions	2017	2016
At 1 January	**79**	**76**
Interest income	3	3
Remeasurements	-	-
Experience gains/(losses)	5	9
Exchange rate differences	6	(9)
Employer contribution	4	3
Benefits paid	(5)	(3)
At 31 December	**92**	**79**

Expense recognized in the Consolidated Income Statement

$ millions	2017	2016
Recognized in personnel expenses (note 7)		
Service costs	3	2
Recognized in finance expense (note 9)		
Interest income	(3)	(3)
Interest costs	5	5
Employer pension expense for the year	**5**	**4**

Amounts recognized in the Statement of Other Comprehensive Income

$ millions	2017	2016
Remeasurements recognized in the statement of other comprehensive income in the period (before tax)	2	12
Cumulative remeasurements recognized in the statement of other comprehensive income (before tax)	66	64

Principal actuarial assumptions

	2017	2016
Discount rate	2.4%	2.5%
Rate of compensation increase	2.8%	2.7%
Inflation	2.3%	2.3%

Percentages indicated are weighted averages.

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with public statistics and experience in each territory. Mortality assumptions for CEVA's most important funds are based on the following post-retirement mortality tables:

- United Kingdom: The post-retirement mortality assumption adopted is 100%/97% S1PA tables for males/females respectively, with future improvements projected from 2007 in line with the CMI's 2014 projections model with a long term improvement rate of 1.5%/1.0% per annum for males/females.
- Italy: Tabelle di mortalita RG48 pubblicate dalla Ragioneria Generale dello Stato
- United States: RP-2006 Aggregate Mortality Table, with Projection Scale MP-2017 Fully Generational

These tables translate into an average life expectancy in years of a pensioner retiring at age 65 as set out below:

			2017			2016
	UK	Italy	US	UK	Italy	US
Retiring at the end of the reporting period:						
Male	22.8	19.1	21.7	22.7	18.3	20.9
Female	24.5	23.4	23.7	24.4	23.4	22.9
Retiring 20 years after the end of the reporting period:						
Male	25.0	20.9	20.5	24.9	20.0	22.5
Female	25.0	24.3	23.2	25.9	24.3	24.5

Other key assumptions inherent to the valuation of the Group's pensions and the determination of CEVA's pension cost include employee turnover, discount rates, and future wage increases. The expected return on plan assets is determined by considering the expected returns available on assets underlying the current investments policy. These assumptions are given a weighted average and are based on independent actuarial advice and are updated on an annual basis. Actual circumstances may vary from these assumptions giving rise to a different pension liability.

Through its defined benefit pension plans and post-employment medical plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

- Asset volatility: The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit.
- Inflation risk: The main part of the Group's pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. The majority of the plan's assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.
- Life expectancy: The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	Increase in assumption		Decrease in assumption	
		2017	2016	2017	2016
Discount rate	0.5%	Decrease by 6.0%	Decrease by 8.3%	Increase by 6.1%	Increase by 8.9%
Pension growth rate (inflation)	0.5%	Increase by 3.8%	Increase by 5.0%	Decrease by 3.6%	Decrease by 4.5%
Life expectancy	1 year	Increase by 1.3%	Increase by 2.0%	Decrease by 1.2%	Decrease by 1.8%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized in the Consolidated Balance Sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

The weighted average duration of the defined benefit obligation is 20 years.

Expected employer contributions to post-employment benefit plans for the year ending 31 December 2017 are US$2 million.

Plan assets do not include any investments in the Group and are comprised as follows:

$ millions	2017	2016
Equity	45	33
Fixed interest	20	23
Cash	3	4
Other	24	19
Total	**92**	**79**

The actual return on plan assets is a US$7.8 million income (31 December 2016: US$11.8 million income).

21. SHARE BASED PAYMENTS

2013 Long Term Incentive Plan

In connection with the 2013 Recapitalization, the Board of Managers of Holdings adopted the 2013 Long Term Incentive Plan, a share-based compensation plan, which permits Holdings to grant share options, rights to purchase common shares of Holdings, restricted shares, restricted share units, and other share-based rights to employees, managers or directors of, or consultants to, Holdings or any of its subsidiaries, including the Company and its subsidiaries. The 2013 Long Term Incentive Plan is administered by the Compensation Committee of the Board of Managers of Holdings, The dates of grant, vesting, and pricing of options granted under the 2013 Long Term Incentive Plan are generally subject to the discretion of the Board of Managers of Holdings.

In connection with the 2013 Recapitalization, certain CEVA employees received either, share options having an exercise price equal to US$0.01 or restricted share units, depending on the jurisdiction in which they resided on the date of grant (collectively, the “Recap Equity Awards”). Recap Equity Awards will generally vest in three equal installments on the third, fourth, and fifth anniversaries of the date of grant, or, if earlier, on the dates on which Apollo ceases to hold two-thirds, one-third, and any, respectively, of Holdings’ securities that it held on 2 May 2013 and any such securities or other assets it acquires following 2 May 2013 in respect of investments in Holdings. In each case, the vesting of the Recap Equity Awards is subject to the grantee’s continued provision of services to CEVA or one of its subsidiaries through the applicable vesting date, subject to accelerated vesting in the event of a change in control of Holdings or upon certain terminations of employment.

Also in connection with the 2013 Recapitalization, certain CEVA employees received options to purchase common shares of Holdings, each having an exercise price equal to the fair market value of a common share of Holdings on the date of grant (collectively, the “Recap FMV Equity Awards”). Generally, (a) 40% of the Recap FMV Equity Awards will vest in five equal installments on the first five anniversaries of the date of grant, and (b) 60% of the Recap FMV Equity Awards will vest upon the achievement of certain performance goals related to the cash-on-cash and internal rate of return of funds managed by Apollo with respect to its investment in Holdings. In each case, the vesting of Recap FMV Equity Awards is subject to the grantee’s continued provision of services to CEVA or one of its subsidiaries through the applicable vesting date, except that a portion of the Recap FMV Equity Awards may, in certain cases, become vested earlier in the event of certain terminations of employment or upon the occurrence of a change in control of Holdings.

In July 2016 the Compensation Committee evaluated the equity compensation that had been granted under the 2013 Long-Term Incentive Plan and decided to (i) allow members of Holdings’ Executive Management Group to increase their investment in Holdings by subscribing to purchase additional common shares of Holdings and (ii) issued additional equity awards to members of Holdings’ Executive Management Group consisting of (a) either, share options having an exercise price equal to US$0.01 or restricted share units, depending on the jurisdiction in which they resided on the date of grant (the “EMG Equity Awards”) and (b) options to purchase common shares of Holdings, each having an exercise price equal to the fair market value of a common share of Holdings on the date of grant (collectively the “EMG FMV Options”).

A portion of the EMG Equity Awards granted to each grantee are fully vested on the date of grant and the remaining portion of the EMG Equity Awards granted to each grantee will vest in five equal installments on the first, second, third, fourth, and fifth anniversaries of the date of grant. Vesting of the EMG Equity Awards is subject to the grantee’s continued provision of services to CEVA or one of its subsidiaries through the applicable vesting date, subject to accelerated vesting in the event of a change in control of Holdings or upon certain terminations of employment.

EMG FMV Options will vest in five equal installments on the first, second, third, fourth, and fifth anniversaries of the date of grant, Vesting of the EMG FMV Options is subject to the grantee's continued provision of services to CEVA or one of its subsidiaries through the applicable vesting date, subject to accelerated vesting in the event of a change in control of the Company or upon certain terminations of employment.

Issuance of the EMG FMV Options and the EMG Equity Awards was not part of an annual or recurring incentive plan and the Board of Managers of Holdings does not anticipate, at this stage, further grants of this scope. In total 34,550 EMG FMV Options and 30,495 EMG Equity Awards were granted in the period. The EMG FMV Options and EMG Equity Awards have no performance conditions other than length of service and 4,568 EMG Equity Awards vested immediately at the grant date and the remaining EMG Equity Awards and EMG FMV Options vest in tranches on the 1st, 2nd, 3rd, 4th and 5th anniversary after the grant date.

All performance based options and shares vest upon a qualified change in control and are subsequently locked for trading for a minimum period of 180 days. Change in control can be an acquisition of beneficial ownership of the Group, merger, consolidation or recapitalization.

The maximum term of options granted under the 2013 LTIP is ten years. Subject to certain exceptions set forth in the applicable award agreement, unvested options automatically expire upon the date of a grantee's termination of employment. Vested options generally expire 30 days following the termination of a grantee's employment with or service to CEVA or its subsidiaries other than for cause. All options (whether vested or unvested) will be forfeited upon a termination of the grantee's employment with or service to CEVA or its subsidiaries for cause.

The number and weighted average exercise price of FMV share options are as follows:

	Number	Weighted average exercise price in $
Outstanding as at 1 January 2016	**25,873**	**1,000.00**
Granted during the year	34,550	1,000.00
Forfeited/expired	3,019	1,000.00
Exercised	-	1,000.00
Outstanding as at 31 December 2016	**57,404**	**1,000.00**
Exercisable at the end of the year	5,352	1,000.00
	57,404	**1,000.00**
Granted during the year	3,950	1,000.00
Forfeited/expired	858	1,000.00
Exercised	-	1,000.00
Outstanding as at 31 December 2017	**60,496**	**1,000.00**
Exercisable at the end of the year	6,598	1,000.00

The number and weighted average exercise price of Penny Options and RSUs are as follows:

	Number	Weighted average exercise price in $
Outstanding as at 1 January 2016	**4,497**	**0.01**
Granted during the year	31,095	0.01
Forfeited/expired	1,258	0.01
Exercised	822	0.01
Outstanding as at 31 December 2016	**33,512**	**0.01**
Outstanding as at 1 January 2017	**33,512**	**0.01**
Granted during the year	5,341	0.01
Forfeited/expired	853	0.01
Exercised	2,138	0.01
Outstanding as at 31 December 2017	**35,862**	**0.01**

The options outstanding at 31 December 2017 have a remaining weighted average contractual life of 7.88 (2016: 8.54 years).

As at 31 December 2017 a total of 8,045 (2016: 5,617) restricted share units were outstanding. Other than fair market value options, restricted share units are converted into common shares automatically upon vesting with an exercise price of nil.

The fair value for services received in return for share options granted is based on the fair value of share options granted. The weighted average fair value of the share options granted during the year determined using the Black-Scholes Merton valuation model was US$195.97 per option (2016: US$255.32 per option). The significant inputs into the model were:

- a weighted average share price of US$1,000;
- exercise price as shown above;
- average volatility during the year of 32.78% (2016: 32.78%);
- a weighted average expected option life of 5.50 years (2016: 5.50 years);
- a risk free interest rate of 1.06% (2016: 1.06%) based on the U.S. Securities and Exchange Commission ("SEC") rates on each grant date

The expected volatility is estimated by considering the historic average share price volatility of CEVA's industry peers.

There are no expected dividends.

In the absence of a public market for common shares, the fair value of share options was determined in good faith by Holdings' Board of Managers, incorporating factors and assumptions that Holdings management and the Board of Managers of Holdings believe knowledgeable, willing market participants would consider in setting the share price, including consideration of industry peers and other quantitative and qualitative factors.

The total amount expensed for share based payments in 2017 is US$9 million (2016: US$12 million) and US$23 million (2016: US$14 million) is reported as Share Based Compensation reserve in Equity.

Refer to note 7 "Personnel expenses" for the share option expense and the details of the options granted to Managers and executive management.

22. PROVISIONS

$ millions	Legal claims	Insurance	Restructuring	Other	Total
Balance at 1 January 2017	**23**	**78**	**9**	**30**	**140**
Raised during the year	75	39	9	12	135
Utilized during the year	(15)	(30)	(11)	(12)	(68)
Reversed during the year	(4)	(13)	-	(3)	(20)
Exchange rate differences	1	1	1	3	6
Balance at 31 December 2017	**80**	**75**	**8**	**30**	**193**
Of which non-current	70	32	1	22	**125**
Of which current	10	43	7	8	**68**

The economic outflow of non-current provisions is expected to occur within one to five years. The impact of discounting was not considered to be material.

Legal claims

A number of legal claims are pending against the Group. They consist of provisions for claims related to labor and employment matters, commercial arrangements, personal injury and property damage claims (including claims seeking to hold us liable for accidents involving CEVA's independent owner-operators), international trade, intellectual property, health, and safety, tariff enforcement, subrogation claims and various other matters arising from CEVA's ordinary business activities.

A provision for a warehouse fire in 2006 is included for US$62 million, which is fully covered by insurance. A corresponding insurance receivable asset of US$62 million is included in Other non-current assets. No actual cash outflow for CEVA is expected.

While the outcome of these disputes cannot be predicted with certainty, management believes that, based upon legal advice and information received, the final decision will not materially affect the consolidated financial position of the Group. To the extent management has been able to reliably estimate the expected outcome of these claims, a provision has been recorded as at 31 December 2017. Where the expected outcome cannot be reliably estimated, disclosure of the matter is given in note 25 "Contingencies".

Insurance
The insurance provision includes amounts provided in respect of self-insurance schemes which represent estimates, based on historical experience, of the ultimate cost of settling outstanding claims and claims incurred but not reported at the balance sheet date on risks retained by the Group.

Restructuring
These provisions relate to various restructuring projects initiated as part of the Group's cost containment programs. They include staff redundancy costs, and site closure costs.

Other
Other provisions largely comprise provisions for dilapidations and dismantling costs, employee benefit obligations, onerous contracts, tax and other related costs.

23. TRADE AND OTHER PAYABLES

$ millions	2017	2016
Trade payables	792	737
Personnel related accruals	154	101
Social security and other taxes	75	78
Accrued liabilities	407	392
Total trade and other payables	**1,428**	1,308

24. COMMITMENTS

Capital commitments
Capital expenditure for the acquisition of tangible fixed assets contracted for at 31 December 2017 but not yet incurred totals US$7 million (2016: US$15 million).

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, trailers and (office and computer) equipment under operating lease agreements.

During the year ended 31 December 2017, US$336 million was recognized as an expense in the Consolidated Income Statement in respect of operating leases (2016: US$336 million).

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

$ millions	2017	2016
Less than 1 year	339	307
1-5 years	689	582
Thereafter	180	182
Total	**1,208**	**1,071**
Of which guaranteed by third party / customers	129	83

Of the future lease payments, US$759 million (2016: US$702 million) relates to commitments in relation to multi user/shared facilities, while the remaining US$449 million (2016: US$369 million) is dedicated to specific customer/facilities.

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

As at 31 December 2017, US$275 million (31 December 2016: US$246 million) of letters of credit and guarantees were issued, but undrawn, under the synthetic letter of credit facility of US$275 million. At the same date, no letters of credit were issued under the US$250 million revolving credit facility (31 December 2016: nil).

The committed Senior Secured Facilities are secured by substantially all of the assets of the Company 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 amount of the Euro denominated facilities has been converted to US dollar for the above presentation based upon the 31 December 2017 closing rate of 1.1996.

As at 31 December 2017, the Group has issued guarantees on behalf of its subsidiaries in the ordinary course of business in connection with lease agreements, customs duty deferment and local credit lines amounting to US$329 million (2016: US$322 million), of which US$275 million (2016: US$246 million) was issued but undrawn under CEVA's synthetic letter of credit facility. The obligations under the guarantees issued by banks and other financial institutions have been secured by CEVA and certain of its subsidiaries.

25. 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 were required to pursue their own individual claims, which some have done. 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 2017 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. In 2015, the defendants filed motions to dismiss certain of the claims asserted by the Trustee, and in January 2018, the Bankruptcy Court issued an order granting in part and denying in part the defendants' motions. 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, including the payment of substantial damages and/or the unwinding of the recapitalization in 2013. However, the Company believes the claims are without merit and intends to vigorously defend itself. On February 6, 2018, the Trustee filed a motion seeking (i) reconsideration of the Court's "with prejudice" dismissal of his fraudulent transfer claims under U.S. law and (ii) leave to file an amended complaint that would purportedly plead facts sufficient to render the fraudulent transfer domestic in nature. CEVA will oppose this motion.

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.

26. RELATED PARTY TRANSACTIONS

Parent company
The immediate parent of CEVA Group Plc at 31 December 2017 was Holdings. The following table sets forth the shareholders of Holdings as at 31 December 2017:

	Number of shares beneficially owned			
	A-1 preference shares	A-2 preference shares	Common shares[2]	Ownership percentage[3]
Apollo	87,428.25	12,736.67	105,009.95	21.82%
Franklin	4,114.25	167,794.33	116,696.17	25.35%
CapRe	89,160.70	46,213.87	112,509.49	25.62%
Other[1]	56,940.58	108,082.73	117,689.93	27.21%
Total	**237,643.78**	**334,827.60**	**451,905.54**	**100.00%**

[1] None of the other individual shareholders owns 10% or more of the shares in CEVA Holdings LLC
[2] During 2017, 2,380.81 common shares were issued to employees and members of the Board of Managers of Holdings (2016: 2,566.75)
[3] Assuming preference shares convert to common shares (see note 2.19 "Share Capital" in accounting principles)

The series A-1 and series A-2 preferred 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 25.4% of Holdings' shares outstanding assuming all preferred shares are converted to common shares.

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

Holdings and two of its direct 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).

An affiliate of the Company 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. Expenses US$0.2 million (2016: US$0.2 million) are included in the income statement for the year ended 31 December 2017.

Marvin Schlanger, Michael Jupiter, Samuel Feinstein, Thomas White, Xavier Urbain, Alan Miller, Emanuel Pearlman, John Smith and Thomas Stallkamp are Managers of Holdings. The Managers of Holdings are also the Directors of the Company. 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 Holdings and Directors of the Company. CapRe and Franklin jointly appointed Alan Miller, Emanuel Pearlman, John Smith and Thomas Stallkamp as Managers of Holdings and Directors of the Company.

At 31 December 2017 the Company has a net payable, which is disputed (see note 25 "Contingencies") by the Group both as to validity and amount, to CIL Limited, amounting to US$15 million (31 December 2016: US$13 million), of which US$2 million is included in CEVA Group Plc (31 December 2016: US$2 million). This mainly relates to intercompany cash pooling arrangements and is included within trade and other payables in the Consolidated Balance Sheet. CIL Limited was the former parent company of the Company and was placed in liquidation proceedings in connection with the Recapitalization in 2013. 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 and directors 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.

At 31 December 2017, the Company had issued Second Lien PIK Notes to its immediate parent, Holdings, which amounted to US$953 million (31 December 2016: US$863 million). Interest accrual on the Second Lien PIK Notes amounted to US$91 million (31 December 2016: US$83 million). Additionally, the CEVA Group Plc balance sheet at 31 December 2017 included other non-current asset position of US$68 million (31 December 2016: US$67 million) with Holdings as these balances are not eliminated in the Company's consolidated financial statements.

Trading transactions

During the year, Group entities entered into the following trading transactions with related parties that are not members of the Group:

	YEAR ENDED 31 DECEMBER		YEAR ENDED 31 DECEMBER	
$ millions	2017		2016	
	Sales of goods	Purchases of goods	Sales of goods	Purchases of goods
Joint ventures	2	11	4	10

	AS AT 31 DECEMBER		AS AT 31 DECEMBER	
$ 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	7	2	5	2

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 CEVA's shareholders or funds affiliated with or managed by CEVA's shareholders, 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 equity 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 shareholders or funds affiliated with or managed by CEVA's shareholders may provide equity or debt financing to CEVA (which may include a potential public offering of equity on a European Stock Exchange and redomiciliation) 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 December 2017 funds managed by CapRe held US$47.8 million par value of CEVA's term loan due 2021, US$6.3 million par value of the 7.0% Notes and US$18.5 million par value of the 9% Notes due 2021.

At 31 December 2017, funds and accounts managed by Franklin Advisers, Inc. and Franklin Templeton Investments Corp. held approximately (i) US$178.7 million of the 9% Notes due 2020, (ii) US$24.3 million of CEVA's Tranche B Pre-Funded Letter of Credit, (iii) US$24.7 million of CEVA's 6.50% Dutch BV Term Loan, (iv) US$4.3 million of CEVA's 6.50% Canadian Term Loan, and (v) US$34.1 million of CEVA's 6.50% US Term Loan.

Ultimate controlling party

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

Other related party transactions

Remuneration of key management, being the Directors and executive management, is disclosed in note 7. The 2013 Long-Term Incentive Plan comprising rights to receive shares in Holdings and deferred cash compensation was put in place in 2013 which replaced the previous plan that was administered by CIL Limited and cancelled as part of the Recapitalization in 2013. In addition new option and share award plans were implemented (see note 21 "Share based payments"). Under Holdings' 2013 Long-Term Incentive Plan, effective 1 July 2016, 3,950 Options (2016: 27,650) and 5,341 Penny Options/Restricted Share Units (2016: 23,225) were granted to key management personnel. The total expense for these options granted to key management personnel for the year ended 31 December 2017 was US$1 million (31 December 2016: US$8 million).

27. EVENTS AFTER BALANCE SHEET DATE

There have been no significant events after balance sheet date.

28. GROUP ENTITIES

The Group's subsidiaries, joint ventures, associates and investments as at 31 December 2017 are included in the table below. All entities other than intermediate holding companies are primarily involved in the provision of Freight Management and Contract Logistics services.

All subsidiary undertakings are included in the consolidation. If the proportion of the voting rights in the subsidiary undertakings held directly by the Group differs from the proportion of ordinary shares held, the former is disclosed in brackets in the table below. All entities were indirectly held by the parent, CEVA Holdings LLC, other than CEVA Group Plc which is a directly owned intermediate company. Subsidiaries in which the Group holds less than 50% of the voting rights are generally controlled through contractual arrangements with the other shareholder(s). Both the equity investment and the result for the year of those subsidiaries are not significant for the Group as a whole. The subsidiaries in which the Group holds a non-controlling interest are also not significant.

Country of incorporation and principal place of business		Entity	2017	2016
			Holding if less than 100%	
Algeria		CEVA Logistics Algerie EURL		
Angola		CEVA Logistics (Angola) - Trânsitários e Agentes de Navegação, Lda		
Argentina		CEVA Logistics Argentina S.A.		
		Circle International Argentina S.A.		
		Eagle Global Logistics de Argentina S.R.L.		
Australia	*	CEVA Freight (Australia) Pty. Limited		
		CEVA Freight Receivables Trust		
	*	CEVA Logistics (Australia) Pty. Limited		
		CEVA Logistics Receivables Trust		
	*	CEVA Materials Handling Pty. Limited		
	*	CEVA Pty. Limited		
		CEVA Receivables (Australia) Pty. Limited		
Austria		A.S.S. Logistik Schrader Schachinger GmbH	50%	50%
		A.S.S. Logistik Schrader Schachinger GmbH & Co. KG	50%	50%
		CEVA Freight Austria GmbH		
		CEVA Logistics Austria GmbH		
Bahrain		EGL Eagle Global Logistics (Bahrain) W.L.L.	0% (51%)	0% (51%)
Belgium		CEVA Belgium Receivables BVBA		
	*	CEVA Freight Belgium NV		
		CEVA Ground Europe BVBA		
	*	CEVA Logistics Belgium NV		
		EDOserve	0.1%	0.1%
	*	EGL (Belgium) Holding Company BVBA		
		SODIAC	0.1%	0.1%
Bermuda		FACET Insurance Limited		
		Regga Holdings Ltd.		
Brazil	*	AV Manufacturing Indústria e Comércio de Peças e Acessórios Automotivos Ltda.		
	*	CEVA Freight Management do Brasil Ltda.		
	*	CEVA Holdings Ltda.		
	*	CEVA Logistics Ltda.		
	*	Circle Fretes Internacionais do Brasil Ltda.		
British Virgin Islands		CEVA Central America Holding Limited		
		CEVA China Holding Limited		
Canada	*	CEVA Freight Canada Corp.		
	*	CEVA Logistics Canada, ULC		
Cayman Islands	*	CEVA Logistics Cayman		
	*	CEVA Logistics Second Cayman		

* Denotes a guarantor entity. Further financial information on guarantor / non-guarantor entities is available in note 29.

Country of incorporation and principal place of business		Entity	2017 Holding if less than 100%	2016 Holding if less than 100%
Chile		CEVA Freight Management Logistica de Chile Ltda.	99.99% (100%)	99.99% (100%)
China		CEVA Freight (Shenzhen) Limited		
		CEVA Freight Shanghai Limited		
		CEVA Logistics International Trading (Shanghai) Company Limited		
		Anji - CEVA Logistics Company Limited	50%	50%
		CEVA Logistics Company Limited Shanghai	50%	
		CEVA Freight International (Shanghai) Company Limited	50%	
		Changshu YanJiang Anji-CEVA Logistics Company Limited	50%	50%
		Chongqing Anji - CEVA Hongyan Automotive Logistics Company Limited	30%	30%
		Jiangsu Anji - CEVA Logistics Company Limited	35%	35%
		Liao Ning A-Lean Automotive Logistics Company Limited	25.01%	25%
		Shanghai Anji - Suchi Warehousing and Transportation Company Limited	33%	33%
		Shanghai Anji - Tonghui Automotive Logistics Company Limited	25.50%	26%
		Wuhan Anji-Tonghui Automotive Logistics Company Limited	25.50%	26%
		Yizheng SAIC Logistics Co., Ltd	35%	35%
Colombia		Agencia de Aduanas CEVA Logistics S.A.S Nivel 2		
		CEVA Freight Management de Colombia S.A.S.		
Congo		CEVA Logistics Congo S.A.	70% (100%)	70% (100%)
Costa Rica		CEVA Freight Management Costa Rica, S. de R.L.		
Czech Republic		CEVA Freight Czech Republic s.r.o.		
		CEVA Logistics spol. s r.o.		
El Salvador		CEVA Freight Management El Salvador, Ltda. de C.V.		
Finland		CEVA Logistics Finland Oy		
France		CEVA France Receivables SAS		
		CEVA Freight Holdings France SAS		
		CEVA Freight Management France SAS		
		CEVA Logistics France SAS		
Germany	*	CEVA Freight (Management) GmbH		
	*	CEVA Freight Germany GmbH		
		CEVA Germany Receivables GmbH		
	*	CEVA Logistics Berlin GmbH		
	*	CEVA Logistics GmbH		
		DIHS-DAKOSY Interessengemeinschaft Hamburger-Spediteure GmbH	3.85%	3.85%
		IDSP GmbH & Co. KG	7.66%	7.66%
		Kombiverkehr Deutsche Gesellschaft für kombinierten Güterverkehr mbH & Co. KG	0.21%	0.21%
		TRANSCONTAINER-UNIVERSAL GmbH & Co. KG	0.83%	0.83%
Guatemala		CEVA Freight Management Guatemala, Ltda.		
Hong Kong		CEVA CL (Hong Kong) Limited	50%	50%
	*	CEVA FM (Hong Kong) Limited		
	*	CEVA Freight (Hong Kong) Limited		
	*	CEVA Logistics (Hong Kong) Limited		
	*	Freight Systems Limited		
	*	Ozonic Limited		
	*	Pyramid Lines Limited		
Hungary		CEVA Contract Logistics Kft.		
		CEVA Logistics Hungary Kft.		
India		CEVA Freight (India) Private Limited		
		CEVA Logistics India Private Limited		
Indonesia		PT. CEVA Freight Indonesia	95%	95%
		PT. CEVA Logistik Indonesia		
		PT. Hartapersada Interfreight	95%	95%

* Denotes a guarantor entity. Further financial information on guarantor / non-guarantor entities is available in note 29.

Country of incorporation and principal place of business		Entity	2017	2016
			Holding if less than 100%	
Indonesia continued		(GOLDEN CEVA) Company for Contracting and Commercial brokerage and Services/Limited		
Ireland		AVEC International Services Limited		
		AVEC Logistics (Ireland) Limited		
Italy		CEVA Freight Italy S.r.l.		
		CEVA Logistics Holding Italy S.p.A.		
		CEVA Logistics International Italia S.r.l. (in liquidation)		
		CEVA Logistics Italia S.r.l.		
Japan		CEVA Logistics Japan Inc.		
Jordan		CEVA Logistics Jordan Limited	50% (100%)	50% (100%)
Kazakhstan		CEVA Logistics Kazakhstan LLP		
Korea, Republic of		CEVA Logistics Korea, Inc.		
Luxembourg	*	CEVA Freight Holdings Luxembourg S.à r.l.		
		CEVA Freight Luxembourg S.à r.l.		
Malaysia		CEVA Freight (Malaysia) Sdn. Bhd.		
		CEVA Freight Holdings (Malaysia) Sdn. Bhd.		
		CEVA Logistics (Malaysia) Sdn. Bhd.		
		Milage Sdn. Bhd.	0% (100%)	0% (100%)
		Regga (Malaysia) Sdn. Bhd.		
		Unipearl Corporation Sdn. Bhd.		
Mexico		CEVA Freight Management Mexico, S.A. de C.V.		
		CEVA Logistica de Mexico, S.A. de C.V.		
		CEVA Servicios de Maxio, S.A. de C.V.		
Myanmar		CEVA Logistics Myanmar Company Limited		
Netherlands	*	CEVA Coop Holdco B.V.		
	*	CEVA Freight Holdings B.V.		
	*	CEVA Freight Holland B.V.		
	*	CEVA Holdco B.V.		
	*	CEVA India Holding B.V.		
	*	CEVA Intercompany B.V.		
	*	CEVA Logistics Dutch Holdco B.V.		
	*	CEVA Logistics Finance B.V.		
	*	CEVA Logistics Headoffice B.V.		
		CEVA Netherlands Receivables B.V.		
	*	CEVA/EGL I B.V.		
New Zealand		CEVA Logistics (New Zealand) Limited		
Nigeria		CEVA Freight Management Nigeria Limited		
Northern Ireland		CEVA Logistics NI Limited		
Norway		CEVA Logistics Norway AS		
Oman		CEVA Logistics L.L.C.	65%	65%
Panama		CEVA Centram S. de R.L.		
		CEVA Freight Management Panama S. de R.L.	55%	55%
		EGL Colombia Holding, S. de R.L.		
Peru		CEVA Logistics Peru S.R.L.		
		CEVA Peru Aduanas S.A.C.	99% (100%)	99% (100%)
		EGL Agencia de Aduanas S.A.C.	99.92% (100%)	99.92% (100%)
Philippines		CEVA Holdings (Philippines), Inc.	40%	40%
		CEVA Logistics Philippines Inc.		
		CEVA Logistics (SUBIC), Inc.		
		CEVA Warehousing and Distribution, Inc.		
		Regga Transport Contractors, Inc.		

* Denotes a guarantor entity. Further financial information on guarantor / non-guarantor entities is available in note 29.

Country of incorporation and principal place of business			Entity	2017	2016
				Holding if less than 100%	
Poland			CEVA Freight (Poland) Sp. z o.o.		
			CEVA Logistics Poland Sp. z o.o.		
Portugal			CEVA Logistics (Portugal) - Logistica Empresarial, Lda.		
Puerto Rico			CEVA Logistics Puerto Rico, Inc.		
Qatar			CEVA Logistics (Qatar) W.L.L.	49% (100%)	49% (100%)
Romania			CEVA Logistics S.R.L.		
Saudi Arabia			CEVA International Al-Suwaiket Company Limited	49% (100%)	49% (100%)
Singapore			CEVA Asia Pacific Holdings Company Pte. Ltd.		
			CEVA Logistics Asia Pte. Ltd.		
			CEVA Logistics Singapore Pte. Ltd.		
			CEVA Supply Chain Singapore Pte. Ltd.		
Slovakia			CEVA Logistics Slovakia, s.r.o.		
South Africa			CEVA Logistics South Africa (Proprietary) Limited		
Spain			CEVA Freight (España), S.L.U.		
			CEVA Logistics España, S.L.U.		
			CEVA Production Logistics España, S.L.U.		
			CEVA Spain Receivables, S.L.		
Sweden			CEVA Logistics (Sweden) AB		
Switzerland			CEVA Logistics Switzerland GmbH		
			CEVA Management GmbH		
Taiwan, R.O.C.			CEVA Logistics (Taiwan) Company Limited		
Thailand			CEVA Freight (Thailand) Limited		
			CEVA Logistics (Thailand) Limited		
			CEVA Vehicle Logistics (Thailand) Limited	99.99% (100%)	99.99% (100%)
			CWBI Limited	49%	49%
Tunisia			CEVA Logistics Tunisia S.a.r.l.		
Turkey			CEVA Lojistik Limited Şirketi		
			CEVA Uluslararasi Taşimacilik Limited Şirketi		
United Arab Emirates			CEVA International Freight L.L.C.	49% (100%)	49% (100%)
			CEVA Logistics (U.A.E.) L.L.C.	49% (100%)	49% (100%)
			CEVA Logistics FZCO		
United Kingdom		**	CEVA Automotive Logistics UK Limited		
			CEVA Collections LLP		
	*	**	CEVA Container Logistics Limited		
		***	CEVA Distribution Limited		
	*	**	CEVA Freight (UK) Holding Company Limited		
	*	***	CEVA Freight (UK) Holdings Limited		
	*		CEVA Freight (UK) Limited		
	*	**	CEVA Limited		
	*		CEVA Logistics Limited		
	*	***	CEVA Network Logistics Limited		
		***	CEVA Showfreight Limited		
	*	**	CEVA Supply Chain Solutions Limited		
			CEVA UK Receivables Limited		
	*	***	Eagle Global Logistics (UK) Limited		
	*	***	F.J. Tytherleigh & Co. Limited		
		***	Louis No. 2 Limited		
		***	Newsagents Wholesale Corporation Limited		
		***	Newsfast Limited		
		***	Paintblend 2 Limited		
	*	***	Paintblend Limited		

* Denotes a guarantor entity. Further financial information on guarantor / non-guarantor entities is available in note 29.

** Entity opted for statutory audit exemption under Section 479A of the UK Companies Act 2006.

*** Entity exempt from audit requirement as the entity is dormant.

Country of incorporation and principal place of business		Entity	2017	2016
			Holding if less than 100%	
United States		Ashton Leasing, Limited	49%	49%
	*	CEVA Freight Management International Group, Inc.		
	*	CEVA Freight, LLC		
	*	CEVA Government Services, LLC		
	*	CEVA Ground US, L.P.		
	*	CEVA International Inc.		
	*	CEVA Logistics, LLC		
	*	CEVA Logistics Japan LLC		
	*	CEVA Logistics Services U.S., Inc.		
	*	CEVA Logistics U.S., Inc.		
	*	CEVA Logistics U.S. Group, Inc.		
	*	CEVA Logistics U.S. Holdings, Inc.		
	*	CEVA Ocean Line, Inc.		
	*	CEVA Trade Services, Inc.		
		CEVA US Receivables, LLC		
	*	Circle International Holdings LLC		
	*	ComplianceSource LLC		
		CUSA Risk Retention Group, Inc.		
	*	Customized Transportation International, Inc.		
		Eagle Partners L.P.		
		Eagle USA Import Brokers, Inc.		
	*	EGL Eagle Global Logistics, L.P.		
	*	EGL, Inc.		
	*	Select Carrier Group LLC		
Uruguay		Circle International Latin America Holdings S.A.		
		Gadupal S.A.		
Viet Nam		CEVA Logistics (Vietnam) Co. Limited	51%	51%

* Denotes a guarantor entity. Further financial information on guarantor / non-guarantor entities is available in note 29.

29. GUARANTOR / NON-GUARANTOR FINANCIAL INFORMATION

Following the Recapitalization, Holdings became the parent of the Company. Currently, the 4% Notes, the 7% Notes, the 9% Notes due 2020, the 9% Notes due 2021, the 10% PIK Notes, US$770 million of the term loan facility due 2021 and the 12.75% Notes are admitted to trading on the Global Exchange Market of the Irish Stock Exchange (“ISE”). The Guarantors of these notes guarantee the senior secured facilities, the 7% Notes and the 9% Notes due 2020 on a senior secured, *pari passu* basis. The Guarantors also guarantee the 9% Notes due 2021 (secured on a basis junior to the guarantees of the senior secured facilities, the 7% Notes and the 9% Notes due 2020), the 10% PIK Notes (secured on a basis junior to the guarantees of the senior secured facilities, the 7% Notes, the 9% Notes due 2020 and the 9% Notes due 2021) and the remaining amount of the 12.75% Notes and the 4% Notes on a senior basis. The subsidiaries who are “Guarantors” are indicated in note 28 “Group entities”. All other subsidiaries are the “non-guarantors”.

$ millions	YEAR ENDED 31 DECEMBER 2017		
	Guarantor	**Non-guarantor**	**Consolidated**
Revenue before specific items	**3,904**	**3,090**	**6,994**
Work contracted out before specific items	(1,668)	(1,858)	(3,526)
Personnel expenses before specific items	(1,443)	(655)	(2,098)
Other operating expenses before specific items	(744)	(389)	(1,133)
Operating expenses excluding depreciation, amortization and impairment before specific items	**(3,855)**	**(2,902)**	**(6,757)**
EBITDA before specific items and SBC	**49**	**188**	**237**
Specific items and SBC	9	(51)	(42)
EBITDA	**58**	**137**	**195**
Depreciation, amortization and impairment	(81)	(48)	(129)
Operating income	**(23)**	**89**	**66**
Net finance expense (including foreign exchange movements)	(274)	(77)	(351)
Net result from joint ventures	-	23	23
Loss before income taxes	**(297)**	**35**	**(262)**
Income tax income	(21)	3	(18)
Loss for the period	**(318)**	**38**	**(280)**
Attributable to:			
Non-controlling interests	-	-	-
Equity holders of the Company	(318)	38	(280)

$ millions	RESTATED AS AT 31 DECEMBER[1] 2016		
	Guarantor	Non-guarantor	Consolidated
Revenue before specific items	**3,897**	**2,749**	**6,646**
Work contracted out before specific items	(1,635)	(1,566)	(3,201)
Personnel expenses before specific items	(1,457)	(626)	(2,083)
Other operating expenses before specific items	(768)	(379)	(1,147)
Operating expenses excluding depreciation, amortization and impairment before specific items	**(3,860)**	**(2,571)**	**(6,431)**
EBITDA before specific items and SBC	**37**	**178**	**215**
Specific items and SBC	(40)	(6)	(46)
EBITDA	**(3)**	**172**	**169**
Depreciation, amortization and impairment	(99)	(54)	(153)
Operating income	**(102)**	**118**	**16**
Net finance expense (including foreign exchange movements)	(249)	(29)	(278)
Net result from joint ventures	-	18	18
Loss before income taxes	**(351)**	**107**	**(244)**
Income tax income	34	(17)	17
Loss for the period	**(317)**	**90**	**(227)**
Attributable to:			
Non-controlling interests	-	1	1
Equity holders of the Company	(284)	56	(228)

[1] Refer to note 2 for details on restatement

$ millions	AS AT 31 DECEMBER 2017		
	Guarantor	**Non-guarantor**	**Consolidated**
ASSETS			
Non-current assets			
Intangible assets	991	457	1,448
Property, plant and equipment	104	65	169
Investment in joint ventures		98	98
Investment in group companies	3,277	(3,277)	-
Deferred income tax assets	89	19	108
Prepayments	21	23	44
Other non-current assets	79	94	173
Total non-current assets	**4,561**	**(2,521)**	**2,040**
Current assets			
Inventory	15	3	18
Trade and other receivables	133	925	1,058
Prepayments	47	18	65
Accrued income	1	130	131
Income tax receivable	7	5	12
Cash and cash equivalents	(8)	303	295
Total current assets	**195**	**1,384**	**1,579**
TOTAL ASSETS	**4,756**	**(1,137)**	**3,619**
EQUITY			
Total Group equity	**1,005**	**(2,518)**	**(1,513)**
LIABILITIES			
Non-current liabilities			
Borrowings	2,720	410	3,130
Deferred income tax liabilities	2	6	8
Retirement benefit obligations	55	56	111
Provisions	51	74	125
Other non-current liabilities	30	29	59
Total non-current liabilities	**2,858**	**575**	**3,433**
Current liabilities			
Borrowings	131	56	187
Provisions	55	13	68
Trade and other payables	688	740	1,428
Income tax payable	19	(3)	16
Total current liabilities	**893**	**806**	**1,699**
TOTAL EQUITY AND LIABILITIES	**4,756**	**(1,137)**	**3,619**

$ millions	RESTATED AS AT 31 DECEMBER[1]		2016
	Guarantor	Non-guarantor	Consolidated
ASSETS			
Non-current assets			
Intangible assets	970	436	1,406
Property, plant and equipment	86	54	140
Investment in joint ventures	-	80	80
Investment in group companies	3,336	(3,336)	-
Deferred income tax assets	100	5	105
Prepayments	17	21	38
Other non-current assets	71	12	83
Total non-current assets	**4,580**	**(2,728)**	**1,852**
Current assets			
Inventory	11	3	14
Trade and other receivables	268	759	1,027
Prepayments	35	17	52
Accrued income	(30)	157	127
Income tax receivable	-	10	10
Cash and cash equivalents	57	277	334
Total current assets	**341**	**1,223**	**1,564**
TOTAL ASSETS	**4,921**	**(1,505)**	**3,416**
EQUITY			
Total Group equity	**1,349**	**(2,643)**	**(1,294)**
LIABILITIES			
Non-current liabilities			
Borrowings	2,579	397	2,976
Deferred income tax liabilities	14	1	15
Retirement benefit obligations	51	51	102
Provisions	54	10	64
Other non-current liabilities	18	25	43
Total non-current liabilities	**2,716**	**484**	**3,200**
Current liabilities			
Borrowings	51	62	113
Provisions	66	10	76
Trade and other payables	725	583	1,308
Income tax payable	14	(1)	13
Total current liabilities	**856**	**654**	**1,510**
TOTAL EQUITY AND LIABILITIES	**4,921**	**(1,505)**	**3,416**

[1] Refer to note 2 for details on restatement

COMPANY BALANCE SHEET

$ millions	Note	AS AT 31 DECEMBER 2017	AS AT 31 DECEMBER 2016
Fixed assets			
Investments in subsidiary undertakings	3	1,964	1,964
Amounts owed by subsidiary undertakings and parent		806	794
Total fixed assets		**2,770**	**2,758**
Current assets			
Amounts owed by subsidiary undertakings and parent		10	7
Income tax receivable		-	-
Total current assets		**10**	**7**
Creditors - amounts falling due within one year			
Borrowings	4	39	-
Amounts owed to subsidiary undertakings		71	27
Accrued and other current liabilities		16	13
Total		**126**	**40**
Net current liabilities		**(116)**	**(33)**
Total assets less current liabilities		**2,654**	**2,725**
Creditors - amounts falling due after more than one year			
Borrowings	4	2,207	2,114
Other non-current liabilities		-	-
Net assets		**447**	**611**
Capital and reserves	5		
Called up share capital		1	1
Share premium account		462	462
Other reserves		1,629	1,620
Profit and loss reserve		(1,645)	(1,472)
Total equity shareholders' funds		**447**	**611**

The financial statements on pages 87 to 90 were approved by the Board of Directors on 13 March 2018 and were signed on its behalf by:

Xavier Urbain
Director and Chief Executive Officer

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The principal accounting policies of CEVA Group Plc (the Company) are set out below. These policies have been consistently applied to all the years presented.

1.1 Basis of preparation

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, the Company has undergone transition in the prior year from reporting under United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). These financial statements have been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

These financial statements have been prepared in accordance with FRS 101 – Reduced Disclosure Framework. The Company's transition date is 1 January 2014. The Company prepared its opening IFRS balance sheet at that date.

The Company has determined that its functional currency is the US dollar based primarily on the denomination of its borrowings. It has also chosen to adopt the US dollar as its presentation currency.

The Company is included in the Group financial statements of CEVA Group plc, which are publicly available.

As permitted by FRS 101 the Company has taken the following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment'
- IFRS 7, 'Financial Instruments - Disclosures'
- Paragraphs 91-99 of IFRS 13, 'Fair value measurement'
- Paragraph 38 of lAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  – Paragraph 79(a)(iv) of lAS 1;
  – Paragraph 73(e) of lAS 16 'Property, plant and equipment'
  – Paragraph 188(e) of lAS 38 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of lAS 1, 'Presentation of financial statements':
  – 10(d) (statement of cash flows)
  – 10(f)(a) (statement of financial position as at the beginning of the preceding period)
  – 16 (statement of compliance with all IFRS)
  – 38A (requirement for minimum of two primary statements, including cash flow statements)
  – 38B-D (additional comparative information)
  – 40A-D (requirements for a third statement of financial position)
  – 111 (cash flow statement information), and
  – 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirements for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 of IAS 24, 'Related party disclosures' and the further requirement in IAS 24 to disclose related party transactions entered into between two or more members of a Group.

The financial statements have been prepared on the going concern basis (as explained in the Directors' report and note 2.1 of the consolidated financial statements) and in accordance with the Companies Act 2006.

The financial statements are prepared on the historical cost basis, except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are described below. They have all been applied consistently throughout the year and the preceding year.

Where required, equivalent disclosures are given in the Group accounts of CEVA Group Plc, which are publicly available.

The results, assets and liabilities of CEVA Group Plc are included in the consolidated Group financial statements, which are publicly available.

Notes “Share capital”, “Share based payments”, “Contingencies,” “Related party transactions” and “Group entities” of the CEVA Group Plc consolidated accounts also form part of these financial statements.

1.2 Foreign currency translation
Foreign currency transactions are translated into US Dollar, the Company’s functional and presentation currency, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit and loss.

1.3 Investments in subsidiary undertakings
Investments in subsidiary undertakings are stated at cost less provision for impairment. Investments in subsidiary undertakings and amounts receivable from subsidiaries are reviewed for impairment if there are indicators that the carrying value may not be recoverable.

1.4 Taxation
Full provision is made for deferred income taxation on all timing differences which have arisen but not reversed at the Balance Sheet date. Deferred income tax assets are recognized to the extent that it is regarded as more likely than not that there will be sufficient taxable profits from which the underlying timing differences can be deducted.

The deferred income tax balances are not discounted.

1.5 Borrowings
Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

1.6 Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity net of any tax effects.

2. OTHER INFORMATION

Directors, employees and independent auditor remuneration
The Directors and certain other executive management of CEVA Group Plc were the only employees of the Company during the 2017 financial year. Directors’ emoluments are disclosed in note 7 “Personnel expenses” of the consolidated financial statements. Independent auditor remuneration is disclosed in note 8 of the consolidated financial statements. The amount for the company only statutory audit of CEVA Group plc was US$24 thousand (2016: US$24 thousand).

3. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

$ millions

	2017	2016
Balance at 1 January	1,964	-
Additions	-	2,248
Disposals	-	-
Impairment (charge) / reversal	-	(284)
Balance at 31 December	**1,964**	**1,964**

During 2016, intercompany loans receivable from subsidiary undertakings of US$2.2 billion were waived and accounted for as additions to investments in subsidiary undertakings. A provision for impairment of US$284 million was booked against 2016 investments as a result of losses incurred and developments in foreign exchange, debt and interest. The impairment review of investments in 2017 was based on the value in use calculation also used for the goodwill impairment assessment disclosed in note 12 of the consolidated financial statements. No impairment charge or reversal arose in 2017 as a result of this assessment.

Details of the Company's subsidiaries is included in note 28 of the consolidated financial statements. CEVA Limited, Paintblend Limited, Paintblend 2 Limited, CEVA Logistics Cayman and CEVA Logistics Second Cayman are directly held wholly owned subsidiaries of CEVA Group Plc.

4. BORROWINGS

$ millions	2017	2016
Loan notes - Current	39	-
Loan notes - Non Current	2,207	2,114
Bank borrowings	-	-
Borrowings	**2,246**	**2,114**

Loan notes comprise:

- US$325 million 9.0% 1.5 Lien Notes (2016: US$325 million)
- US$300 million 7.0% Senior Secured Notes (2016: US$300 million)
- The Second Lien PIK Notes issued to Holdings, is included in the total amount listed for loan notes. This comprises a principal amount of US$953 million (2016: US$863 million) and accrued interest of US$16 million (2016: US$13 million). The fair value (excluding accrued interest) of the Second Lien PIK Notes was US$917 million (2016: US$822 million). The carrying value of the Second Lien PIK Notes was US$933 million (2016: US$838 million). Interest is payable in cash of by issuing additional Second Lien PIK Notes at the Company's option.
- A 12M Euribor + 5.50% spread floating rate notes due 2021, to CEVA Intercompany B.V., is included in the total amount listed for loan notes. This comprises a principal amount of US$255 million (2016: US$256 million) and accrued interest of US$3 million (2016: US$2 million). Interest is paid in January, April, July and October.
- On 7 April 2017 the Company completed an exchange offer for the 4% First Lien Senior Secured Notes due 2018, which resulted in US$382 million of 9.00% First Lien Senior Secured Notes due 2020, US$39 million 4% First Lien Senior Secured Notes (2016: US$390 million) and US$27 million 12.725% Senior Notes (2016: US$43 million).

Further details are disclosed in note 19 "Borrowings" of the consolidated financial statements.

5. CAPITAL AND RESERVES

$ millions	Called up share capital	Share premium account	Other reserves	Profit and loss reserve	Total equity shareholders' funds
Balance at 1 January 2016	**1**	**462**	**1,608**	**(1,047)**	**1,024**
Share based payment reserve	-	-	12	-	12
Result attributable to equity holders for the year	-	-	-	(425)	(425)
Balance at 31 December 2016	**1**	**462**	**1,620**	**(1,472)**	**611**
Share based payment reserve	-	-	9	-	9
Result attributable to equity holders for the year	-	-	-	(173)	(173)
Balance at 31 December 2017	**1**	**462**	**1,629**	**(1,645)**	**447**

Further information on the share capital of the Company is shown in note 18 "Share capital" of the consolidated financial statements.

6. EVENTS AFTER BALANCE SHEET DATE

Refer to note 27 of the consolidated financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CEVA GROUP PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- CEVA Group plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2017 and of the Group's loss and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Group and Company balance sheets as at 31 December 2017; the Group income statement and statement of comprehensive income, the Group statement of cash flows, and the Group statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

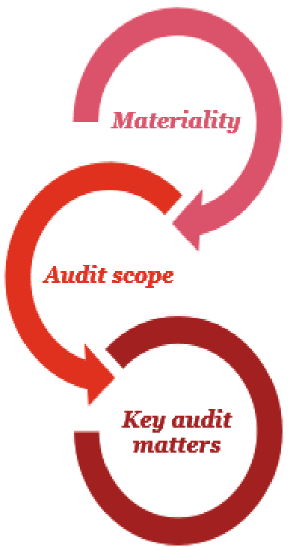
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall Group materiality: $14 million (2016: $12.5 million), based on 5% of Adjusted EBITDA (see page 99 of the annual report).
- Overall Company materiality: $26 million (2016: $26 million), based on 1% of total assets.

- CEVA Group plc has 17 clusters of operating units organised by geographical region which comprise operating units that fall into one of its two reporting segments: Contract Logistics (CL) and Freight Management (FM).
- 20 operating units were subject to an audit of their complete financial information due to their size. Only one was financially significant (CEVA US FM) as it accounts for 17% of Group revenues. In addition the Anji-CEVA joint venture was subject to audit of its income statement and balance sheet.
- Specific audit procedures were performed on certain balances and transactions in respect of three other operating units.
- We visited component auditors in four locations in person including the financially significant component in the US. Teleconference calls took place with the remainder so as to cover all of the components in Group audit scope.

The areas of focus were:

- Goodwill impairment assessment (Group).
- Investment in subsidiaries impairment assessment (Company).
- Fraud in revenue recognition (Group).
- Finance transformation (Group and Company).
- Complex and non-recurring transactions (Group and Company).
- Spanish warehouse fire in 2006 (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit. These key audit matters detailed below are in respect of both the Group and Company, unless otherwise stated.

Key audit matter	***How our audit addressed the key audit matter***
Goodwill impairment assessment (Group)	
Goodwill arises from acquisitions in previous years and has an indefinite expected useful life. It is tested for impairment at least annually at the cash-generating unit ("CGU") level. The Group has two CGUs, being the CL and FM segments. As at 31 December 2017, the total goodwill, in aggregate, amounted to $1,346 million (refer to note 12 to the Group financial statements). The Directors focused on this assessment as the impairment test involves a number of subjective judgements and estimates about the future performance of the CGUs. These judgements and estimates include key assumptions about growth in revenues, fuel prices, EBITDA, exchange rates, long-term economic growth rates and discount rates. No goodwill impairment charge was taken as a result of the Directors' review. However, enhanced disclosures have been made in note 12 to the Group financial statements.	We evaluated the Directors future cash flow forecasts of the CGUs, and the process by which they were drawn up, and tested the underlying value in use calculations. In doing this, we compared the forecasts used to the latest Board approved plans. We evaluated the reasonableness of the Directors' forecasts, by assessing their historical forecasting accuracy. We also evaluated: • the Directors' key assumptions for changes to gross revenues, and EBITDA margins, by comparing them to current revenue and cost trends, as well as historical results and economic and external industry data; • the long-term growth rate used in the forecasts, by comparing them to external industry forecasts; and • the discount rate applied in the value in use calculations by assessing the cost of capital applicable to the CGUs. We found the assumptions to be consistent with our expectations, including the results of performing a sensitivity stress test analysis on each of the key assumptions to ascertain the extent of change in those assumptions that, either individually or collectively, would be required for the goodwill to be impaired. As part of this testing we considered the expected growth across key markets by CGU, in particular in FM; EBITDA margins by CGU including expected improvements from past cost saving initiatives; the long-term growth rate applied; the discount rate; and how recent actual results compared to previous forecasts to assess forecasting accuracy. We also considered implied valuation multiples that arise from the value in use calculations and compared them to those for other peer logistics groups. Based on our testing, we did not identify any material misstatements.
Investment in subsidiaries impairment assessment (Company)	
The Company holds investments in subsidiaries of $1,964 million as detailed in Note 3 of the Company financial statements. Whilst these eliminate on consolidation in the Group financial statements, they are recorded in the Company financial statements. The Directors focused on the carrying value of these investments in light of Group equity as per the consolidated Balance Sheet being negative and the investment impairments booked in the prior year. The Directors concluded that no	We evaluated the Directors' impairment assessment of the investment in subsidiaries carrying value by agreeing amounts to supporting documentation and checking calculations. This leveraged their calculations for the Group goodwill impairment assessment referred to above. We also assessed the Directors' judgement concerning the conclusion that no reversal of impairment charge in the current year was appropriate. Based on our testing we did not identify any material misstatements.

Key audit matter	*How our audit addressed the key audit matter*
impairment has arisen in the year and no reversal of impairments booked in prior years is appropriate.	
Fraud in revenue recognition (Group)	
The Directors focused on revenue in all operating units to ensure it was recognised appropriately in compliance with IFRSs as adopted by the EU. They also focused on the accuracy of revenue amounts in line with arrangements with customers as well as the timing of revenue recognition in all operating units in the final months of the accounting year to check that revenue was recorded in the correct period particularly for FM air and ocean shipments that straddle the year end, and for revenue that has been earned but not billed primarily in CL, which is included in accrued income.	We examined the appropriateness of the Group's accounting policy surrounding revenue recognition, and its compliance with IFRSs as adopted by the EU, and tested the application of this policy, with particular emphasis on the risks identified opposite. We performed substantive tests of detail in all in-scope Group components focusing on the risks identified opposite, and specifically that revenue was accurately calculated in accordance with customer contracts or other support. For transactions close to the year-end we tested that cut-off procedures were appropriately applied including the calculation of revenue deferrals in FM for transactions straddling the year end. For accrued revenue we examined evidence indicating the services had been provided to the customer by the end of the year and that invoices had been raised after the year end to those customers. We also tested journal entries posted to revenue accounts to identify any unusual or irregular items, and the reconciliations between the revenue sub-ledger systems used by the Group and their financial ledgers. Based on our testing we did not identify any material misstatements.
Finance transformation (Group and Company)	
The Group continues on a journey to simplify its finance processes including the roll-out of an enterprise-wide resource planning system (ERP), together with a sub-ledger system for the FM operating units, and migrations of accounting services to outsourced shared service centres as new standard global processes were implemented in stages during the year. The Directors were focused on this as these changes represent a financial reporting risk as established controls and processes are updated and changed or migrated into a new environment. There is an increased risk of internal financial controls breaking down or processes not working and resulting in unintended consequences during this journey resulting in an increased risk of inaccurate or incomplete financial data, and in turn an increased risk of material misstatements in the Group financial statements.	We evaluated the design and tested the operating effectiveness of IT general controls. As system roll-outs were continuing we found these were not fully in place and could not currently be relied upon. As a result our audit approach included a greater emphasis on substantive testing transactions, balances and key account reconciliations. We also found it more efficient to take this approach in all locations affected by the implementation of new global process standards during the year. This included audit testing at component and Group levels of intercompany transactions and balances and testing their elimination on consolidation including evaluation of the treatment of mismatches that remained on consolidation. At Group level we also tested the change in presentation currency and the consolidation including testing Group level journals and elimination entries and assessing the level of foreign exchange differences that arise on consolidation of the operating units and Group level journals and eliminations. We centrally managed the work performed for component audit teams, which was largely substantive in nature, at the main outsourced shared service centre in India, and conducted oversight procedures including visiting the site to direct the work being performed. Based on our testing we did not identify any material misstatements.
Complex and non-recurring transactions (Group and Company)	
The Group enters into transactions where the accounting treatment can be complex. During 2017 it entered into the refinancing of the 4% Notes by successfully completing an exchange offer in which US$351 million of the 4% Notes were exchanged for new 9% Notes due 2020. In addition, CEVA entered into agreements to privately exchange US$16 million of the 12.75% Notes for the 9% Notes due 2020 (see note 19 of the Group financial statements). The Directors' focused on the	We evaluated the Directors' assessment of the refinancing undertaken in 2017. This included assessing management's position memorandum setting out their evaluation of the appropriate accounting treatment including supporting calculations applicable to this refinancing. This included an assessment of whether an extinguishment or modification of the old debt had taken place. We tested management's calculations of future cash flows largely by re-performing them

Key audit matter	*How our audit addressed the key audit matter*
accounting treatment for these non-recurring transactions as there is an increased risk of error arising from the accounting treatment for such one-off items. The Directors concluded these refinancing transactions should be treated as extinguishments of existing arrangements and overall this resulted in a charge of $12 million, classified as specific item, to finance expenses in the income statement.	ourselves. In addition we read the new loan agreement and considered qualitatively the changes in terms as a result of this exchange offer. We found no material exceptions in these tests. We considered management's classification as a specific item for the charge arising on this refinancing inclusive of the write-off of old debt issuance costs and agreed with their conclusion, noting such charges fall within management's accounting policy for specific items.
Spanish warehouse fire in 2006 (Group)	
The Directors assessed a claim arising from a warehouse fire that took place in 2006 impacting the Spanish CL operating unit. As the warehouse fire took place prior to the formation of the Company and its acquisition of the CL business this matter was covered by the insurance of its former owner. Until 2017 the probability of an economic outflow arising had been assessed as remote by the operating unit's legal advisers. Following a court ruling in 2017 this probability increased and accordingly an assessment of liability had to be made. In addition local management confirmed their insurance cover for this matter. The Directors have booked a provision of $62 million (see note 22 of the Group financial statements) in long term provisions for this claim and having assessed the insurance position also booked a corresponding receivable in non-current assets based on this claim being fully covered by its insurer.	We discussed this matter with Group and local management together with the local component audit team. The component audit team also obtained a legal confirmation from the lawyers acting for the operating unit which detailed the claim and background as well as the court ruling. The lawyers confirmed that insurance cover was available and the local component team obtained written confirmation from the insurer that their insurance covered the matter. The Group audit team also reviewed the local legal confirmation and the letter from the insurers to understand and assess the claim and insurance receivable. Based on our work we found there was evidence to support the Directors' conclusion that it was appropriate to book a provision for the claim and a corresponding insurance recoverable amount on the balance sheet on a gross basis.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

CEVA Group plc has 17 clusters of operating units organised by geographical region, which comprise operating units that fall into either its CL or FM reporting segments. Overall there are approximately 200 operating units included in the Group consolidation. For the Group audit we scoped in 20 operating units. Each of these operating units was subject to an audit of its complete financial information. One operating unit, CEVA US FM, was considered a financially significant component as it contributes 17% of Group revenues. There were a further four 'large' operating units that individually account for between 5% and 10% of Group revenues and in aggregate account for 28% of Group revenues. A further 16 operating units were included based on size, risk and coverage representing in aggregate 32% of Group revenues. We visited the CEVA US FM component during the interim and final stages of their audit work to review the component teams' work and to meet with local management. We also visited two of the 'large' components (in the UK and US) and two smaller components (Netherlands and Brazil) as part of our oversight procedures over the work of local component teams. In addition the Group audit team held teleconference calls with all the audit teams of the components in-scope for the Group audit both at interim and final stages of their audits to evaluate their work.

We also instructed the Brazil component team to perform specified procedures over locally held inventory in another operating unit and at Group level performed specified procedures on balances within head office administered entities that are either holding companies or finance companies or cost centres in nature, or combination thereof, including the Company. The Anji-CEVA joint venture in China was also subject to audit of its income statement and balance sheet and several teleconference calls with the local auditors, who are not from a PwC network firm, were undertaken as part of our oversight of their local audit work.

We centrally managed audit work performed for component audit teams that was largely substantive in nature, at the main outsourced shared service centre in India, and visited the site to direct the work being performed.

These, together with additional procedures performed at the Group level, including auditing the consolidation and financial statement disclosures, gave us the evidence we needed for our opinion on the Group and Company financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	*Company financial statements*
Overall materiality	$14 million (2016: $12.5 million).	$26 million (2016: $26 million).
How we determined it	5% of Adjusted EBITDA.	1% of total assets.
Rationale for benchmark applied	Based on the benchmarks used in the annual report, Adjusted EBITDA is the primary measure used by the shareholders and other users of the financial statements in assessing the performance of the Group, and that by excluding items (such as specific items and share based compensation costs as well as non-cash impairment charges) it provides a clearer view of the performance of the underlying business.	We believe that total assets is an appropriate benchmark for the Company as this entity is principally an investment and financing holding company with little operational activity. For the purposes of the audit of the Group financial statements, however, we determined a component materiality for the Company of $2 million on the basis the Company should not have a higher materiality than the overall Group.

For each operating unit in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between $1 million and $10 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $1 million (Group audit) (2016: $1 million) and $1 million (Company audit) (2016: $1 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Responsibilities of the Directors of CEVA Group plc set out on page 25, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Nicholas Smith (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
13 March 2018

COMPARATIVE INFORMATION FOR 2017

INCORPORATION BY REFERENCE

Rather than include in this annual report some of the information included in our previous annual reports, we are incorporating this information by reference, which means that we are disclosing important information to you by referring you to another document posted on our website and filed with the Irish Stock Exchange ('ISE'). The CEVA Group Plc Annual Report for the year 2016, posted on our website and filed by us with the ISE, contains important information about us and we incorporate it by reference.

Any statement contained in a document incorporated or considered to be incorporated by reference in this annual report shall be considered to be modified or superseded for purposes of this annual report to the extent that a statement contained in this annual report or in any subsequently posted or filed document that is or is considered to be incorporated by reference modifies or supersedes such statement. Any statement that is modified or superseded shall not, except as so modified or superseded, constitute a part of this annual report.

You can obtain the document incorporated by reference in this annual report from:

- Our website (http://www.cevalogistics.com/en-US/aboutus/Investors)

The website of the Irish Stock Exchange (http://www.ise.ie).

DESCRIPTION OF KEY LINE ITEMS IN THE CONSOLIDATED INCOME STATEMENT

Below is a brief description of the composition of the key line items of our Consolidated Income Statement:

REVENUE

Revenue represents the delivery of goods and services to third parties less discounts, credit notes and taxes levied on sales.

OPERATING EXPENSES

Operating expenses have been classified by nature as follows:

- *Work contracted out* includes amounts charged by third parties directly attributable to the normal operating activities of the business. The majority of these costs relate to purchased transportation;
- *Personnel expenses* are charged to the profit and loss account when due and in accordance with employment contracts and obligations. This includes all wage and social costs of both direct and indirect employees. It also includes agency costs of non-permanent (subcontracted) warehouse personnel;
- *Other operating expenses* include cost of materials (including fuel, packaging, pallets and utility costs) and costs incurred for insurance, consultancy, audit, legal and miscellaneous costs. Additionally, this includes expenditure associated with the rental of trucks and material handling equipment, as well as warehouse rental costs. Other operating income representing insurance receipts and other sundry income may be netted against other operating expenses if they are not material

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation and amortization is charged to profit or loss on a straight-line basis over the expected life of the related asset. Amortization and impairment on contractual customer relationships and brands recognized upon the acquisition of the Contract Logistics business from TNT N.V. and the Freight Management business from EGL Inc. is recognized in amortization and impairment on purchased intangibles. Impairment is recognized in profit or loss as incurred.

NET FINANCE INCOME/(EXPENSE) (INCLUDING FOREIGN EXCHANGE MOVEMENTS)

Interest income mainly relates to interest earned on loans and deposits and interest charged on overdue customer receivables. Interest and similar expenses relates to interest charged on loans, financial leases, other borrowings and pension schemes.

INCOME TAX EXPENSE

Income tax represents the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred income tax. Current tax is the amount of income taxes payable / (recoverable) in respect of the taxable profit / (loss) for a period. Deferred income tax represents the amounts of income taxes payable / (recoverable) in future periods in respect of taxable (deductible) temporary differences and unused tax losses.

CERTAIN DEFINITIONS

In this Annual Report:

Unless expressly stated otherwise or where the context otherwise requires, “the Company”, “we”, “us”, “our”, “Group” and other similar terms refer to CEVA Group Plc and its subsidiaries

- ‘‘Adjusted EBITDA” is a key financial measure used by management to assess operational performance. It excludes the impact of specific items and Share Based Compensation (‘SBC”), such as costs incurred in the realization of our cost containment programs, other significant non-recurring charges or credits including the profits or losses realized on non-recurring transactions. Furthermore, Adjusted EBITDA includes the Group’s share of the EBITDA before specific items of joint ventures that are equity accounted, currently Anji-CEVA
- “Apollo” refers to Apollo Global Management, LLC and its affiliates, which include Apollo Management VI, L.P., AP VI CEVA Holdings and AAA Guarantor – Co-Invest VI (B), L.P.
- “CapRe” refers to Capital Research and Management Company
- “EBITDA” or “earnings before interest, tax, depreciation and amortization” is not 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 identically, the presentations of EBITDA in this annual report may not be comparable to other similarly titled measures of other companies
- “Franklin” refers to Franklin Advisers, Inc. and Franklin Templeton Investments Corp.
- “Gearing ratio” refers to a financial ratio comparing the net debt to the net debt adjusted for equity attributable to equity holders of the Company
- “Headroom” is the sum of cash and cash equivalents plus committed facilities less amounts drawn on committed facilities
- “IFRS” refers to International Financial Reporting Standards, as adopted by the European Union
- “LLC Agreement” refers to the Second Amended and Restated Limited Liability Company Agreement of CEVA Holdings LLC, effective as of 25 February 2014
- “Logistics business” refers to the subsidiaries, businesses, assets and liabilities of TNT that were acquired on 4 November 2006 by CEVA
- “Net debt” is calculated as total borrowings less cash and cash equivalents
- “Net working capital” is defined as trade and other receivables (net of provision for impairment), inventories, prepayments, accrued income and income tax receivables less non-interest charging current liabilities
- “Recapitalization” refers to the Recapitalization that the Company successfully completed on 2 May 2013, which substantially reduced its overall debt and interest costs, as well as increase liquidity and strengthen its capital structure
- “SEC” refers to the U.S. Securities and Exchange Commission
- “Specific items and SBC” are significant non-recurring items. The principal events which may give rise to a specific item include restructuring, profit/loss on disposal of a business, cost reduction programs and material litigation costs, amongst others. It also excludes SBC which are non-cash accounting charges for share based compensation arrangements
- “TFR” refers to “Trattamento di Fine Rapporto” leaving service benefits provided to Italian employees that are mandatory under Italian law
- “TNT” refers to TNT N.V.
- “$”, “dollar”, “United States dollar”, “US dollar”, “US$” or “USD” refers to the lawful currency of the United States of America
- “A$” or “Australian dollar” refers to the lawful currency of Australia
- “€”, “Euro” or “EUR” refers to the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community
- “£”, “British pound” or “pounds sterling” refers to the lawful currency of the United Kingdom

CEVA Group PLC
Suite 1
3rd Floor
11-12 St James's Square
London
SW1Y 4LB

CEVA Logistics
Head Office B.V.

Visiting address:
Siriusdreef 20
2132 WT Hoofddorp
The Netherlands

Postal address:
PO Box 483
2130 AL Hoofddorp
The Netherlands

+31 23 7998 001

myceva@cevalogistics.com
www.cevalogistics.com

Making business flow