


CEVA Logistics

# Consolidated Financial Statements

# 2019

Consolidated Accounts – Full Audited version is available on the CMA CGM Investor Relations website

# Consolidated financial statements

## Consolidated income statement

| | | | | | | | YEARS ENDED 31 DECEMBER |
|---|---|---|---|---|---|---|---|
| $ millions | Note | | | 2019 | | | 2018 |
| | | Before specific items and SBC | Specific items and SBC[1] | Total | Before specific items and SBC | Specific items and SBC[1] | Total |
| **Revenue** | 5 | **7,124** | - | **7,124** | 7,356 | - | 7,356 |
| Work contracted out | | (3,579) | - | (3,579) | (3,727) | - | (3,727) |
| Personnel expenses | 7 | (2,213) | (24) | (2,237) | (2,209) | (44) | (2,253) |
| Other operating expenses | | (796) | (18) | (814) | (1,222) | (33) | (1,255) |
| **Operating expenses excluding depreciation, amortization and impairment** | | **(6,588)** | **(42)** | **(6,630)** | (7,158) | (77) | (7,235) |
| Other income | | - | - | - | - | - | - |
| **EBITDA[2]** | | **536** | **(42)** | **494** | 198 | (77) | 121 |
| Depreciation property, plant and equipment | 12 | (60) | - | (60) | (61) | - | (61) |
| Depreciation right-of-use assets | 13 | (379) | - | (379) | - | - | - |
| Amortization and impairment | 11 | (24) | - | (24) | (63) | - | (63) |
| **Operating income** | | **73** | **(42)** | **31** | 74 | (77) | (3) |
| Finance income | 8 | 15 | - | 15 | 11 | - | 11 |
| Finance expense | 8 | (181) | (19) | (200) | (191) | (56) | (247) |
| Foreign exchange gain/(loss) | 8 | 2 | - | 2 | 4 | | 4 |
| **Net finance income / (expense)** | | **(164)** | **(19)** | **(183)** | (176) | (56) | (232) |
| Share of profit from joint venture | 16 | 17 | - | 17 | 29 | - | 29 |
| **Profit/(Loss) before income taxes** | | **(74)** | **(61)** | **(135)** | (73) | (133) | (206) |
| Income tax income/(expense) | 9 | (35) | 4 | (31) | (47) | 11 | (36) |
| **Profit/(Loss) for the period** | | **(109)** | **(57)** | **(166)** | (120) | (122) | (242) |
| **Discontinued operations** | | | | | | | |
| Profit/(Loss) for the year from discontinued operations | | | | | | | |
| **Profit/(Loss) for the year** | | | | | | | |
| Attributable to: | | | | | | | |
| Non-controlling interests | | | | - | | | - |
| Equity holders of the Company | | | | (166) | | | (242) |

[1] Refer to Note 6 for details on specific items and non-cash share based compensation costs (SBC).
[2] EBITDA as presented, excludes net finance income/(expense), income tax income/(expense), depreciation, amortization and share of profit from joint ventures.

The accompanying Notes are an integral part of the Consolidated financial statements.

# Consolidated statement of comprehensive income

| $ millions | Note | 2019 Before specific items and SBC | 2019 Specific items and SBC[1] | 2019 Total | 2018 Before specific items and SBC | 2018 Specific items and SBC[1] | 2018 Total |
|---|---|---|---|---|---|---|---|
| | | | | | | | YEARS ENDED 31 DECEMBER |
| **Profit/(Loss) for the period** | | **(109)** | **(57)** | **(166)** | (120) | (122) | (242) |
| **Items that will not be reclassified to Profit and Loss:** | | | | | | | |
| Remeasurements of retirement benefit obligations | 19 | (9) | - | (9) | 8 | - | 8 |
| Tax effects of items in OCI | 9 | 1 | - | 1 | (2) | - | (2) |
| **Items that may be reclassified subsequently to Profit and Loss:** | | | | | | | |
| Net investment hedges | | 4 | - | 4 | 2 | - | 2 |
| Cash flow hedges | | (15) | - | (15) | (14) | - | (14) |
| Currency translation adjustment | | 7 | - | 7 | (21) | - | (21) |
| **Total comprehensive income/(loss) for the period, net of income tax** | | **(121)** | **(57)** | **(178)** | **(147)** | **(122)** | **(269)** |
| Attributable to: | | | | | | | |
| Non-controlling interests | | | | - | | | - |
| Equity holders of the Company | | | | (178) | | | (269) |
| **Total comprehensive profit/(loss) for the period** | | | | **(178)** | | | **(269)** |

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

The accompanying Notes are an integral part of the Consolidated financial statements.

# Consolidated balance sheet

| $ millions | Note | AS AT 31 DECEMBER 2019 | AS AT 31 DECEMBER 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 11 | 1,390 | 1,377 |
| Property, plant and equipment | 12 | 173 | 175 |
| Right-of-use assets | 13 | 1,200 | - |
| Investments in joint ventures | 16 | 100 | 99 |
| Deferred income tax assets | 9 | 104 | 106 |
| Prepayments | | 38 | 39 |
| Other non-current assets | | 65 | 91 |
| **Total non-current assets** | | **3,070** | **1,887** |
| **Current assets** | | | |
| Inventory | | 5 | 6 |
| Trade and other receivables | 14 | 1,142 | 1,136 |
| Prepayments | | 51 | 66 |
| Contract assets | 5 | 149 | 138 |
| Income tax receivable | | 17 | 12 |
| Derivative financial instruments | 4 | 9 | 2 |
| Cash and cash equivalents | 15 | 684 | 368 |
| **Total current assets** | | **2,057** | **1,728** |
| **TOTAL ASSETS** | | **5,127** | **3,615** |
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders** | | | |
| Share capital | 17 | 175 | 6 |
| Share premium | | 1,230 | 1,159 |
| Acquisition reserve | 10 | (93) | - |
| Other reserves | | 2,293 | 2,319 |
| Accumulated deficit | | (3,386) | (3,240) |
| **Attributable to equity holders of the Company** | | **219** | **244** |
| Non-controlling interests | | 1 | 1 |
| **Total Group equity** | | **220** | **245** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 18 | 1,410 | 1,519 |
| Lease liability | 13 | 891 | - |
| Deferred income tax liabilities | 9 | 13 | 7 |
| Retirement benefit obligations | 19 | 109 | 97 |
| Provisions | 21 | 71 | 116 |
| Other non-current liabilities | | 24 | 52 |
| **Total non-current liabilities** | | **2,518** | **1,791** |
| **Current liabilities** | | | |
| Borrowings | 18 | 357 | 41 |
| Lease liability | 13 | 361 | - |
| Provisions | 21 | 98 | 76 |
| Trade and other payables | 22 | 1,477 | 1,387 |
| Contract liabilities | 5 | 37 | 36 |
| Income tax payable | | 31 | 25 |
| Derivative financial instruments | 4 | 28 | 14 |
| **Total current liabilities** | | **2,389** | **1,579** |
| **TOTAL EQUITY AND LIABILITIES** | | **5,127** | **3,615** |

The accompanying Notes are an integral part of the Consolidated financial statements.

# Consolidated statement of cash flows

| $ millions | Note | YEARS ENDED 31 DECEMBER 2019 | 2018 |
|---|---|---|---|
| **Profit/(Loss) for the period** | | **(166)** | **(242)** |
| Adjustments for: | | | |
| Income tax | | 31 | 36 |
| Depreciation, amortization and impairment | | 84 | 124 |
| Depreciation right-of-use assets | | 379 | - |
| Finance income | | (15) | (11) |
| Gain on disposal of property, plant and equipment | | (1) | (1) |
| Foreign exchange (gains) and losses | | (2) | (4) |
| Finance expense | | 200 | 247 |
| Share of profit from joint venture | | (17) | (29) |
| Share based compensation costs | | 5 | 33 |
| Changes in provisions: | | | |
| Retirement benefit obligations | | (1) | (5) |
| Long-term Provisions | | (41) | (6) |
| Changes in w orking capital: | | | |
| Inventory | | 1 | 10 |
| Trade and other receivables | | 81 | (72) |
| Prepayments and accrued income / contract assets | | 10 | (30) |
| Trade and other payables including contract liabilities | | 36 | (12) |
| Changes in non-current prepayments | | 1 | 3 |
| Changes in non-current assets and liabilities | | 31 | 26 |
| Cash generated (used for) / from operations | | 616 | 67 |
| Interest cost paid on lease liabilities | 13 | (48) | - |
| Other interest cost paid | | (108) | (149) |
| Other financing cost paid | | (21) | (56) |
| Net income taxes paid | | (38) | (30) |
| **Net cash (used for) / from operating activities** | | **401** | **(168)** |
| Acquisition of subsidiaries, net of cash acquired | 10 | 18 | - |
| Capital expenditure | | (103) | (109) |
| Proceeds from sale of property, plant and equipment | | 4 | 10 |
| Proceeds from sale of other assets | | - | - |
| Dividends received | | 13 | 20 |
| Interest received | | 12 | 10 |
| **Net cash (used for) / from investing activities** | | **(56)** | **(69)** |
| Issuance of shares | | - | 1 |
| IPO proceeds (gross) | | - | 1,198 |
| IPO transaction costs | | - | (38) |
| Proceeds from capital increase | 17 | 198 | - |
| Repayment of borrow ings | 18 | (992) | (2,050) |
| Repayment of lease liabilities | | (346) | - |
| Proceeds from non-current borrow ings | 18 | 862 | 1,165 |
| Proceeds from current borrow ings | 18 | 255 | 34 |
| **Net cash (used for) / from financing activities** | | **(23)** | **310** |
| Change in cash and cash equivalents | | 322 | 73 |
| Cash and cash equivalents at beginning of period | | 368 | 295 |
| Foreign exchange impact on cash and cash equivalents | | (6) | - |
| **Cash and cash equivalents at end of period** | | **684** | **368** |

The accompanying Notes are an integral part of the Consolidated financial statements.

# Consolidated statement of changes in equity

| $ millions | Share capital | Share Premium | Acquisition reserve | Hedge reserve | Currency translation reserve | Other reserves | Accumulated deficit | Attributable to equity holders of the Company | Non-controlling interest | Total Group equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2018** | **1** | **-** | **-** | **-** | **(543)** | **2,862** | **(2,998)** | **(678)** | **3** | **(675)** |
| Loss for the period | | | | | | | (242) | (242) | | (242) |
| Currency translation adjustment | - | - | - | - | (21) | - | - | (21) | - | (21) |
| Net investment hedges | - | - | - | | 2 | - | - | 2 | - | 2 |
| Cash flow hedges | - | - | - | (14) | - | - | - | (14) | - | (14) |
| Remeasurement of retirement benefit obligations | - | - | - | - | - | 8 | - | 8 | - | 8 |
| Tax effects of items in OCI | - | - | - | - | - | (2) | - | (2) | - | (2) |
| **Other comprehensive income for the period** | **-** | **-** | **-** | **(14)** | **(19)** | **6** | **-** | **(27)** | **-** | **(27)** |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **(14)** | **(19)** | **6** | **(242)** | **(269)** | **-** | **(269)** |
| Equity-settled share based compensation | | 4 | - | - | - | 27 | | 31 | | 31 |
| IPO proceeds | 3 | 817 | - | - | - | - | - | 820 | - | 820 |
| CMA convertible securities | 2 | 376 | - | - | - | - | - | 378 | | 378 |
| IPO transaction costs | - | (38) | - | - | - | - | - | (38) | - | (38) |
| Movements in non-controlling interest | - | - | - | - | - | - | - | - | (2) | (2) |
| **Balance at 31 December 2018** | **6** | **1,159** | **-** | **(14)** | **(562)** | **2,895** | **(3,240)** | **244** | **1** | **245** |
| | | | | | | | | | | |
| **Balance as at 1 January 2019** | **6** | **1,159** | **-** | **(14)** | **(562)** | **2,895** | **(3,240)** | **244** | **1** | **245** |
| Loss for the period | - | - | - | - | - | - | (166) | (166) | - | (166) |
| Currency translation adjustment | - | - | - | - | 7 | - | - | 7 | - | 7 |
| Net investment hedges | - | - | - | - | 4 | - | - | 4 | - | 4 |
| Cash flow hedges | - | - | - | (15) | - | - | - | (15) | - | (15) |
| Remeasurement of retirement benefit obligations | - | - | - | - | - | (9) | - | (9) | - | (9) |
| Tax effects of items in OCI | - | - | - | - | - | 1 | - | 1 | - | 1 |
| **Other comprehensive income for the period** | **-** | **-** | **-** | **(15)** | **11** | **(8)** | **-** | **(12)** | **-** | **(12)** |
| **Total comprehensive income for the period** | **-** | **-** | **-** | **(15)** | **11** | **(8)** | **(166)** | **(178)** | **-** | **(178)** |
| Capital increase[1] | 169 | 29 | - | - | - | - | - | 198 | - | 198 |
| Equity-settled share based compensation | - | 42 | - | - | - | (37) | - | 5 | - | 5 |
| Business combination under common control[2] | - | - | (93) | - | - | 23 | 20 | (50) | - | (50) |
| Movements in non-controlling interest | - | - | - | - | - | - | - | - | - | - |
| **Balance at 31 December 2019** | **175** | **1,230** | **(93)** | **(29)** | **(551)** | **2,873** | **(3,386)** | **219** | **1** | **220** |

[1] Refer to Note 17 for details on the capital increase.
[2] Refer to Note 10 for details on the business combination.

The accompanying Notes are an integral part of the Consolidated financial statements.

# Notes to the Consolidated Financial statements

## 1. General information

CEVA Logistics AG (the ‘Company’ was established as a holding company on 21 February 2018 in Switzerland. The address of its registered office is Grabenstrasse 25, 6340 Baar, Switzerland. The founder of the Company was CEVA Holdings LLC. On 3 May 2018 CEVA Holdings LLC legally merged with CEVA Logistics AG, with CEVA Logistics AG being the surviving entity.

CEVA Logistics AG and its subsidiaries (collectively, the ‘Group’ or ‘CEVA’) design, implement and operate complete end-to-end Freight Management and Contract Logistics solutions for multinational and small and medium sized companies on a local, regional and global level. CEVA Logistics AG is the immediate parent of CEVA Group Plc, a company incorporated on 9 August 2006 in England and Wales as a UK public company with limited liability.

On 4 May 2018, CEVA Logistics AG completed an IPO on the SIX Swiss Exchange with gross proceeds of CHF 821 million (US$820 million), which successfully closed on 8 May 2018. At the same time, CEVA Logistics AG issued mandatory convertible securities to CMA CGM S.A. (‘CMA CGM’) in the amount of CHF 379 million (US$378 million). The convertible securities were converted to ordinary shares of CEVA Logistics AG, par value CHF 0.10 per share (‘CEVA's Shares’) on 13 August 2018 following the receipt of regulatory approvals.

On 28 January 2019, CMA CGM announced the Public Tender Offer and published its prospectus relating to its offer to purchase CEVA's Shares. The offer price was CHF 30 per share. On 24 April 2019, following the closure of the additional offer period of the Public Tender Offer, CMA CGM announced that they had purchased additional shares of CEVA on the market. After the settlement of the Public Tender Offer and taking into account the additional shares CMA CGM subsequently purchased in the market, CMA CGM held more than 99% of the share capital and voting rights of CEVA. With the purpose of acquiring 100% of the issued CEVA shares, CMA CGM S.A. submitted an application for the cancellation of the remaining CEVA shares in accordance with Art. 137 of the Financial Market Infrastructure Act (FMIA) with the Supreme Courts of the Canton of Zug on 7 May 2019.

By decision dated 12 September, the High Court Canton of Zug cancelled all publically held registered shares of CEVA Logistics AG with a par value of CHF 0.10 each based on article 137 of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading. The decision became effective on 18 September 2019. The settlement and payment of the compensation to the remaining minority shareholders of CEVA took place on or around 14 October 2019.

On 27 September 2019, SIX Exchange Regulation approved the delisting of the registered shares of CEVA Logistics AG from SIX Swiss Exchange as of 10 October 2019. The last trading day of the registered shares of CEVA Logistics AG was 9 October 2019.

On 2 May 2019 CEVA completed the acquisition of CMA CGM Logistics (‘CC Log’). This affects the consolidated financial statements of CEVA for 2019. Information on the acquisition of CC Log, the acquisition accounting under IFRS and the impact on the financial information included in these financial statements is included in Note 10 ‘Business combinations’.

These Group Consolidated Financial Statements were authorized and approved by the CEVA Board of Directors on 6 March 2020.

## 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.

### 2.01 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 issued by the International Accounting Standards Board (IASB), IFRIC interpretations and complies with Swiss law. The consolidated financial statements of CEVA Holdings LLC (predecessor entity to CEVA Logistics AG prior to legal merger) had been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. We have not identified any material differences between EU-IFRS and IFRS as issued by the IASB for the periods presented. 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.

As indicated in Note 1 ‘General information’, on 3 May 2018 CEVA Holdings LLC legally merged with CEVA Logistics AG, with CEVA Logistics AG being the surviving entity. In order to effect the merger of CEVA Holdings LLC with the Company, the series A1 and A2 preference shares of CEVA Holdings LLC were first converted into common shares of CEVA Holdings LLC. This resulted in the creation of 1.15 million CEVA Holdings LLC common shares. The holders of these common shares were then entitled to receive 10 common shares of CEVA Logistics AG for each CEVA Holdings LLC common share held after conversion of the A1 and A2 preference shares. This resulted in 11.5 million shares of CEVA Logistics AG being issued on merger and prior to IPO.

Under the principles of capital reorganization accounting, the Company has reported the whole results and statement of comprehensive income of CEVA Holdings LLC and its subsidiaries for financial year 2017 as well as for the period from 1 January 2018 to 3 May 2018, rather than including them only from the capital reorganization date and has reflected the new equity structure of CEVA Logistics AG from 1 January 2017 in doing so.

At the date of transaction (3 May 2018) the financial statements of the individual Group entities were combined on a line-by-line basis by adding together comparable items of assets, liabilities, equity and income and expenses. Balances, transactions and unrealized gains or losses on transactions between the combined and consolidated entities, including their subsidiaries, were eliminated in full. The balances at the end of 2018 reflect normal consolidation procedures.

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. In addition, the Company makes an assessment of the amount of facilities available to it, including commitments to repay debt and capital required for acquisitions. After reviewing this information in conjunction with CEVA’s available facilities, the continued support from its parent CMA CGM and its commitments to debt repayments, Company management has concluded that the Group has adequate resources for the foreseeable future. Therefore the Group 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 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 statement. 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 SBC (‘EBITDA before specific items and SBC’), this 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 is composed of the Group’s consolidated EBITDA before specific items and SBC and of 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.

### New and amended standards adopted by the Group

The Group initially applied IFRS 16 Leases from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but do not have a material effect on the Group’s financial statements.

The Group applied IFRS 16, using the modified retrospective approach under which the cumulative effect of initial application is recognized in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated i.e. it is reported under IAS 17 and related interpretations. The details of the changes in the accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 2.07.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

Previously, the Group classified some leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.
The Group used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Group:

- did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application
- did not recognize right-of-use assets and liabilities for leases of low value assets
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application
- used hindsight when determining the lease term
- applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

Some leases were classified as finance leases under IAS 17 (liability of US$33 million at 31 December 2018). For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

On transition to IFRS 16, the Group recognized additional right-of-use assets and additional lease liabilities, recognizing the difference in retained earnings.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

| $ millions | AS AT 31 DECEMBER 2018 | IFRS 16 adjustment | AS AT 1 JANUARY 2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 175 | (30) | 145 |
| Right-of-use assets | - | 1,242 | 1,242 |
| **Total non-current assets** | **1,887** | **1,212** | **3,099** |
| **TOTAL ASSETS** | **3,615** | **1,212** | **4,827** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 1,519 | (27) | 1,492 |
| Lease liability | - | 921 | 921 |
| **Total non-current liabilities** | **1,791** | **894** | **2,685** |
| **Current liabilities** | | | |
| Borrowings | 41 | (6) | 35 |
| Lease liability | - | 345 | 345 |
| Provisions | 76 | 1 | 77 |
| Trade and other payables | 1,387 | (22) | 1,365 |
| **Total current liabilities** | **1,579** | **318** | **1,897** |
| **TOTAL EQUITY AND LIABILITIES** | **3,615** | **1,212** | **4,827** |

After review of the completeness of all lease contracts and as a result of the change in the discount rate, the amounts recognized on transition to IFRS 16 have changed compared to what is published in prior quarters.

The liabilities were measured at the present value of the remaining lease payments, using the Group's incremental borrowing rate as of 1 January 2019. The weighted average discount rate was 4%.

The following reconciliation to the opening balance for the lease liabilities as at 1 January 2019 is based upon the operating lease commitments as at 31 December 2018:

| $ millions | |
|---|---|
| Operating lease commitments as at 31 December 2018 | 1,249 |
| Discounted using the incremental borrowing rate at the date of initial application | (159) |
| Finance lease liabilities recognised at 31 December 2018 | 33 |
| Short-term leases recognised on a straight line basis as expenses | (5) |
| Low-value leases recognised on a straight line basis as expenses | (3) |
| Adjustments as a result of different treatment of extension and termination options | 109 |
| Other | 42 |
| **Lease liability recognised as at 1 January 2019** | **1,266** |
| Of which are: | |
| Non-current lease liabilities | 921 |
| Current lease liabilities | 345 |

Included in Other is an amount of US$45 million as an adjustment of the operating lease commitments as at 31 December 2018, as a result of the review of completeness of all lease contracts.

The change in accounting policy also affected the net debt calculation. The impact as at 31 December 2019 is the following:

| $ millions | AS AT 31 DECEMBER 2019 (without IFRS 16 effect) | IFRS 16 adjustment | AS AT 31 DECEMBER 2019 |
|---|---|---|---|
| Borrowings | 1,767 | - | 1,767 |
| Lease liability | - | 1,252 | 1,252 |
| Cash | 684 | - | 684 |
| **Net debt** | **1,083** | **1,252** | **2,335** |

As a result of the change in this accounting policy, EBITDA is positively impacted by US$399 million for the year ended 31 December 2019. Net finance expenses have increased by US$45 million.

### New standards and interpretations not yet adopted

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

## 2.02 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 and liabilities acquired 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.

## 2.03 Revenue from contract with customers

### Revenue recognition

The group derives revenue from the transfer of services mainly over time in four major product lines, Contract Logistics, Air Freight Management, Ocean Freight Management and other Freight Management services ('Other FM') which includes Ground, Brokerage and value added services.

The Group recognizes revenue when (or as) performance obligations are satisfied by transferring promised goods or services to the customer, which generally is dictated by the type of service CEVA is providing in agreement with the customer.

Contract logistics services

CEVA provides a range of logistics services such as distribution, pick and pack, materials management services, international insurance services, global project management services and trade facilitation services. The revenue performance obligation is satisfied over time based on the service delivered measured by either actual costs or output provided depending on the terms and conditions in the contracts. Costs are recorded or accrued to match revenue recognition.

Air and Ocean Freight Management – indirect carrier
As an indirect carrier, CEVA obtains shipments from its customers, consolidates shipments bound for a particular destination, determines the routing, selects the direct carrier and tenders each consolidated lot as a single shipment to the direct carrier for transportation to a distribution point. CEVA issues a Bill of Lading to customers as the contract of carriage. CEVA has complete discretion in selecting the means, route and procedures to be followed in handling, transportation and delivery of freight. CEVA is the direct point of contact for service fulfillment. The progress towards complete satisfaction of each performance obligation is measured based on the progress of each shipment during its time of travel, and thus met on an over time basis. The share of travel time not falling into a given reporting period is deferred to next period.

Other FM – Value added services
CEVA provides services at either origin or destination to clear shipments through customs, helping customers clear shipments through customs by preparing required documentation, calculating and providing for payment of duties and other taxes on behalf of the customers as well as arranging for any required inspections by governmental agencies and arranging for delivery or providing additional services such as warehousing, transportation, storage and document handling. The performance obligation is satisfied at the point in time once the service has been completed, as the performance obligation is either met or not met.

Cargo agent (direct freight services) revenue as included in the Air and Ocean Freight Management business lines
As an authorized cargo sales agent of most airlines and ocean shipping lines, CEVA also arranges for transportation of individual shipments and receives a commission from the airline or ocean shipping line for arranging the shipments or earns net revenue for the excess of amounts billed to the customer over amounts paid to the direct carrier. The contract of carriage is between the customer and the direct carrier and the direct carrier is the primary obligor from the perspective of the customer. When acting in this capacity, CEVA does not consolidate shipments or have responsibility for shipments once they have been tendered to the carrier, therefore the CEVA performance obligation is satisfied at the point in time once an agreement on the shipment between the customer and the carrier is reached. The revenue respective to agent revenue is recognized as either Ocean or Air.

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

### Contract assets and liabilities
The Group presents contract assets and contract liabilities separately. Contract assets includes the accrued income of the Contract Logistics business. Accrued income represents goods delivered and services rendered which have not fully been processed and invoiced. This is short term in nature and is recognized as revenue in current year. Contract liabilities mainly includes deferred revenue related to shipments in the Air and Ocean Freight Management business invoiced in advance which are not fully completed per period end. The contract liabilities are recognized as revenue once the shipments are completed, usually within one month following the period end.

Revenue is recognized net of trade discounts, service level credits, credit notes and taxes levied on sales when the service is rendered based on the contract with the customer. The variable consideration in the contracts is included in the transaction price and recognized as revenue, when it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur once the uncertainty related to the variable consideration is subsequently resolved.

## 2.04 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 ‘stock corporation’ with no operating activities and mainly carries out financing activities. Financing activities 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 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.

The currency in the Argentina operation is subject to a hyperinflationary economy. The impact for the Group is not material.

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 cumulative 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.

## 2.05 Work contracted out

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

## 2.06 Other operating expenses

Other operating expenses include cost of materials, rental and, in 2018 operating lease charges; in 2019 it includes lease payments associated with leases of low value assets and short-term leases that are recognized as an expense on a straight-line basis over the lease term. The other operating expenses also include maintenance and repair charges, professional fees and other miscellaneous expenses.

## 2.07 Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

### Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an asset, the Group uses the definition of a lease in IFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

*Extension or termination options*
Some property leases contain extension and/or termination options exercisable by the Group. Where practicable, the Group seeks to include extension and/or termination options in new leases to provide operational flexibility. The extension and/or termination options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension and/or termination options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

*Short-term leases and leases of low-value assets*
The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

### Policy applicable before 1 January 2019

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases and are not recognized in the Group's balance sheet. 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. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Each lease payment is allocated between the lease liability component and the finance expense component. The corresponding finance lease liability, net of finance expenses, are included in borrowings. The finance lease interest expense is charged to the income statement over the lease period, resulting in a constant periodic rate of interest on the remaining lease 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.

## 2.08 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, gains on the purchase of financial liabilities and gains on derivatives that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss.

Finance expenses comprise interest expense on borrowings and lease liabilities (2018: on finance lease liabilities), unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, losses on hedging instruments that are recognized in profit or loss, bank charges and bank guarantee fees. 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.

## 2.09 Income taxes

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.

## 2.10 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 tests 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 customer relationships

Contractual customer relationships acquired in a business combination are recognized at fair value at the acquisition date. The contractual 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.

## 2.11 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.

## 2.12 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.

## 2.13 Financial assets

### Recognition and measurement

Trade receivables and regular purchases and sales of financial assets are recognized when they originate or when the Group becomes party to the contractual provision of the instrument. A financial asset (unless it is a trade receivable without significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Loans, trade and other receivables are carried at amortized cost using the effective interest method.

### Classification and subsequent remeasurement

On initial recognition, a financial asset is classified at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Gains or losses arising from changes in the fair value of the FVTPL 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 FVTPL 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.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on the days past due.

The expected loss rates are based on average bad debt expense and the average trade receivable positions over a period of the last five years before 1 January 2019. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

**Derecognition**
Financial assets are derecognized when the rights to receive cash flows from the investments have expired or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables are presented as net impairment losses within the operating expenses. Subsequent recoveries of amounts previously written off are credited against the same line item.

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 at FVTPL.

## 2.14 Cash and cash equivalents

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

## 2.15 Acquisitions

CEVA applies IFRS 3 for acquisitions. For acquisitions or transfers under common control IFRS 3 does not apply, therefore CEVA uses pooling of interest or carry-over method of accounting. The acquired assets and liabilities are recorded at their existing carrying value at the closing date of the transaction. No goodwill is recorded and the difference between the acquirer's cost of investment and the acquiree's equity is presented as a separate reserve within equity on consolidation.

## 2.16 Share Capital

**Common shares**
Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity net of any tax effects.

## 2.17 Financial liabilities

**Recognition and measurement**
Debt securities issued are initially recognized when they are originated, all other financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

Borrowings are recognized initially at fair value, net of transaction costs incurred. Trade payables are recognized initially at fair value.

**Classification and subsequent remeasurement**
Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial

liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Borrowings and other financial liabilities are subsequently measured 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. Trade payables subsequently measured at amortized cost using the effective interest method. Interest expense, and foreign exchange gains and losses are recognized in profit or loss.

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 a 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.

### Derecognition

The Group derecognizes a financial liability when it is redeemed or otherwise extinguished, that is when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. If the new tersm are not substantially different the transaction is regarded as a modification. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

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 Company's 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 IFRS 9 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.

## 2.18 Derivative financial instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period in accordance with IFRS 9. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

- hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

Derivatives are only used for economic hedging purposes and not as speculative investments. The Group holds derivative financial instruments to hedge its interest rate risk exposures and foreign exchange currency risk.
At inception of the hedge relationship, the group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The group documents its risk management objective and strategy for undertaking its hedge transactions.

Where all relevant criteria are met, hedge accounting is applied to eliminate or significantly reduce the accounting mismatch between the hedging instrument and the hedged item. Derivative financial instruments are initially recognized and subsequently carried at fair value. All changes in fair value are recorded through other comprehensive income and accumulated in the foreign currency reserve in equity. Attributable transaction costs are recognized in the income statement when incurred. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

### Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, within other operating expenses.

### Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.
Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and presented in the currency translation reserve in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss within other operating expenses..

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

## 2.19 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 high-quality corporate 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 has adopted a long term incentive plan (the '2013 Long Term Incentive Plan') pursuant to which equity awards may be issued to managers, directors, employees or consultants of the Company and its subsidiaries. Awards issuable under the 2013 Long Term Incentive Plan include nonqualified share options, rights to purchase common shares of the Company, restricted share units and other awards settleable in or based upon common shares or cash.

Information relating to the 2013 Long Term Incentive Plan is set out in Note 20 '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.

## 2.20 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. Where relevant 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.

# 3. Critical accounting estimates and judgments

The preparation of financial statements in accordance with generally accepted accounting principles under IFRS requires the Group to make estimates, judgments and assumptions that may affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities in the financial statements. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Reference is made to Note 2.07 on leases regarding the assessment of whether the Group is reasonably certain or not to exercise extension or termination options under IFRS 16.

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 2.10 'Intangible assets' and 2.12 '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 11 '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.

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax assets resulting from tax loss carryforward are recognized to the extent that it is probable that future taxable profits will be available before the unused tax losses will expire.

## 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 19 'Retirement benefit obligations' for the principal assumptions used.

## 3.4 Provisions and contingent liabilities

Legal proceedings covering a range of matters 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. This includes onerous contracts and self-insurance provisions. In the event that an adverse outcome is possible and an estimate is not determinable, the matter is disclosed. Refer to Note 24 '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 financial risk management is predominantly controlled by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks. 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:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Year end closing | Average | Year end closing | Average |
| British pound | 0.7542 | 0.7839 | 0.7839 | 0.7500 |
| Euro | 0.8921 | 0.8934 | 0.8719 | 0.8475 |
| Chinese yuan | 6.9618 | 6.9077 | 6.8755 | 6.6144 |

A five percent strengthening of the following functional currencies against the reporting currency (US$) at 31 December 2019 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 2018.

| $ millions | 2019 | | 2018 | |
|---|---|---|---|---|
| | Effect on profit before tax | Effect on equity | Effect on profit before tax | Effect on equity |
| British pound | 1 | - | - | 5 |
| Euro | (6) | 1 | (1) | (6) |
| Chinese yuan | - | 9 | 1 | 7 |

A five percent weakening of the above currencies against the US$ at 31 December 2019 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 including the effects of cash flow hedges as of 31 December 2019 and 2018 (refer to Note 18 'Borrowings' for further details):

| $ millions | 2019 | 2018 |
|---|---|---|
| **Fixed rate instruments:** | | |
| Bank borrowings / Loan notes[1] | 536 | 917 |
| **Variable rate instruments:** | | |
| Financial liabilities[1] | 1,231 | 643 |
| **Total** | **1,767** | **1,560** |

[1] 2018 figure has been updated to correct an error in the split between fixed and variable rate instruments

***Sensitivity analysis for variable rate instruments***

A change of 100 basis points (bps) 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 | | 2019 | 2018 |
|---|---|---|---|
| | Change in interest rate | Effect on profit before tax | Effect on profit before tax |
| Euro (denominated) | +100 bps | 5 | 1 |
| Euro (denominated) | -100 bps | (3) | - |
| US dollar (denominated) | +100 bps | 4 | 4 |
| US dollar (denominated) | -100 bps | (4) | (4) |

## Commodity risk

As a supply chain company, CEVA is exposed to the risk of an increase in the price of fuel. 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.

## Derivative financial instruments

Where all relevant criteria are met, hedge accounting is applied to eliminate or significantly reduce the accounting mismatch between the hedging instrument and the hedged item. As of 31 December 2019, the Group has the following derivative financial instruments:

| $ millions | 2019 | 2018 |
|---|---|---|
| **Current assets** | | |
| Cross Currency interest rate swap - net investment hedge | 9 | 2 |
| **Current liabilties** | | |
| Interest rate swaps - cash flow hedges | 28 | 14 |

## (b) Credit risk

The collectability of accounts receivable is assessed on a monthly basis using the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on the days past due. Refer to Note 2.13 'Financial assets' for the details of the method used.

| $ millions | Current | More than 30 days past due | More than 60 days past due | More than 120 days past due | Sub Total |
|---|---|---|---|---|---|
| **At 31 December 2019** | | | | | |
| Expected loss rate | 1.0% | 0.0% | 0.0% | 44.4% | 1.3% |
| Gross carying amount - trade receivables | **940** | **21** | **16** | **9** | **986** |
| **Loss allowance** | **9** | **-** | **-** | **4** | **13** |

| $ millions | Current | More than 30 days past due | More than 60 days past due | More than 120 days past due | Sub Total |
|---|---|---|---|---|---|
| **At 31 December 2018** | | | | | |
| Expected loss rate | 0.6% | 3.8% | 6.3% | 15.8% | 1.1% |
| Gross carying amount - trade receivables | **960** | **26** | **16** | **19** | **1,021** |
| **Loss allowance** | **6** | **1** | **1** | **3** | **11** |

The group has a provision for trade receivables subject to legal proceeding of US$11 million (2018: US$12 million) covering a gross trade receivable balance of US$11 million (2018: US$18 million).

Cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial. 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 | 2019 | 2018 |
|---|---|---|
| Loans and receivables | 1,207 | 1,227 |
| Cash and cash equivalents | 684 | 368 |

## (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 18 ‘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.

Following the CMA CGM Change of Control Event, CEVA has undertaken certain refinancing actions to maintain a long-term capital structure. See Note 18 ‘Borrowings’ for more information regarding the refinancing actions that followed CMA CGM Change of Control Event. The current weighted average maturity is 3.9 years.

As at 31 December 2019, the Company had US$684 million (2018: US$368 million) in cash on its Consolidated balance sheet. In addition to this cash, the Company has access to US$797 million (2018: US$953 million) of credit facilities held centrally, of which US$775 million (2018: US$697 million) was drawn. Total headroom at 31 December 2019 was therefore US$706 million (2018: US$565 million). The headroom is adjusted for US$1 million (2018: US$60 million) of cash collateral for guarantees. For more details with regards to the cash collateral please refer to Note 23 ‘Commitments’.

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 | 2019 | | | | |
|---|---|---|---|---|---|
| | Loan notes | Bank borrowings | Interest on total borrowings | Trade payables and accrued liabilities | Related party borrowings |
| Less than 1 year | - | 244 | 74 | 1,272 | 107 |
| 1-3 years | - | 174 | 136 | - | - |
| 3-5 years | - | 1,188 | 116 | - | 80 |
| Thereafter | - | - | 51 | - | - |
| **Total** | **-** | **1,606** | **377** | **1,272** | **187** |

| $ millions | | | | 2018 | | | | |
|---|---|---|---|---|---|---|---|---|
| | Present value of minimum lease payments | Interest | Future minimum lease payments | Loan notes | Bank borrowings | Interest on total borrowings | Trade payables and accrued liabilities | Related party borrowings |
| Less than 1 year | 6 | 3 | **9** | - | 35 | 76 | 1,185 | - |
| 1-3 years | 9 | 4 | **13** | - | 436 | 128 | - | - |
| 3-5 years | 4 | 3 | **7** | 344 | 736 | 116 | - | - |
| Thereafter | 14 | 5 | 19 | - | - | 92 | - | - |
| **Total** | **33** | **15** | **48** | **344** | **1,207** | **412** | **1,185** | **-** |

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$1,249 million for 2018 that are disclosed in Note 23 ‘Commitments’. See Note 13 ‘Right of use assets and lease liabilities for lease’ for 2019 data under IFRS 16.

## 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.

The structure of the Company’s debt and facilities is a combination of long term debt and medium term facilities which are available to support shorter term liquidity requirements. The Company also entered into hedging transactions in November 2018 to hedge its variable debt exposure. As a result, approximately 30% of CEVA’s interest rates are now fixed. Both US ABL and Australian Securitization are maturing in 2020 and they will be shortly replaced with the new global securitization program. See Note 18 ‘Borrowings’ for more information regarding maturities.

The gearing ratios at 31 December 2019 and 2018 were as follows:

| $ millions | 2019 | 2018 |
|---|---|---|
| Total borrow ings (note 18) | 1,767 | 1,560 |
| Cash and cash equivalents (note 15) | 684 | 368 |
| **Net debt** | **1,083** | **1,192** |
| Total equity attributable to shareholders | 219 | 244 |
| **Total capital** | **1,302** | **1,436** |
| Gearing ratio | 83.2% | 83.0% |

## Fair value estimation

The net fair value of the derivative financial instruments at 31 December 2019 is US$19 million liability (2018: US$12 million liability) and was determined based on a level 2 valuation method. As at 31 December 2019 there were foreign exchange and interest derivative contracts with a notional amount of US$695 million (2018: US$697 million).

## 5. Revenue

### Disaggregation of revenue from contracts with customers

The disaggregation of revenue results from contracts with customers for the year ended 31 December 2019 are as follows:

| | YEAR ENDED 31 DECEMBER | | | | | |
|---|---|---|---|---|---|---|
| $ millions | | | | | | 2019 |
| | **Freight Management** Air | Ocean | Other | **Total Freight Management** | **Contract Logistics** | **Total** |
| Revenue from external customers | 1,288 | 1,048 | 1,205 | **3,541** | **3,583** | **7,124** |

The disaggregation of revenue results from contracts with customers for the year ended 31 December 2018 are as follows:

| | YEAR ENDED 31 DECEMBER | | | | | |
|---|---|---|---|---|---|---|
| $ millions | | | | | | 2018 |
| | **Freight Management** Air | Ocean | Other | **Total Freight Management** | **Contract Logistics** | **Total** |
| Revenue from external customers | 1,499 | 1,054 | 955 | **3,508** | **3,848** | **7,356** |

### Assets and liabilities related to contracts with customers

Contract assets have increased in the last period of 2019 compared to 2018. In accordance with the impairment requirements in IFRS 9, the group assessed the potential recognition of a loss allowance for contract assets. Based on this assessment the Group concluded that this is immaterial.

All contract liabilities are short term in nature, the opening balance is therefore recognized as revenue in 2019. The contract assets are also short term in nature and all balance are related to revenue recognized in 2019.

## 6. Specific items and SBC

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

| $ millions | 2019 | 2018 |
|---|---|---|
| Personnel expenses | 24 | 44 |
| Other operating expenses | 18 | 33 |
| **Items affecting EBITDA** | **42** | **77** |
| Finance expenses | 19 | 56 |
| **Total (income)/expense before income taxes** | **61** | **133** |
| Tax expense | (4) | (11) |
| **Total (income)/expense** | **57** | **122** |

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

| $ millions | 2019 | 2018 |
|---|---|---|
| Restructuring and transformation | 20 | 14 |
| Litigation and legacy tax | 2 | 7 |
| Advisor cost | 13 | 2 |
| Other | - | 3 |
| **Subtotal specific items excluding IPO** | **35** | **26** |
| IPO and refinancing related operating costs | 1 | 19 |
| Share based compensation (non-cash) | 5 | 32 |
| **Items affecting EBITDA** | **42** | **77** |
| Finance expenses | 19 | 56 |
| **Total (income)/expense before income taxes** | **61** | **133** |
| Tax expense | (4) | (11) |
| **Total (income)/expense** | **57** | **122** |

### Restructuring and transformation
The main component of restructuring and transformation costs are those associated with the 2019 relocation process of CEVA central functions from the Netherlands and Switzerland to Marseilles, as well as restructuring and integration costs.

For the year ended 31 December 2018 restructuring and transformation related costs arose predominately in the South Europe (in Italy and France) and North America clusters as part of the ongoing cost reduction initiatives.

### Advisor cost
Advisor cost for 2019 and 2018 relate to fees incurred for external advice in relation to strategic projects. In addition, the 2019 advisor costs also relate to the CMA CGM Public Tender Offer on CEVA and transaction costs.

### Other
Costs for 2018 relate to improvements in the Italian and North American clusters.

### IPO and refinancing operating costs
2018 IPO related operating costs includes certain legal, accountancy and other professional fees incurred for external advice in relation to the IPO.

### Share based compensation
Non-cash share based compensation costs are recognized in a similar manner as specific items. These are primarily related to the issuance of shares in CEVA Holdings LLC (predecessor entity to CEVA Logistics AG following legal merger) and grant of equity awards to certain members of management under the 2013 Long-Term Incentive Plan in July 2016. Additionally, a one-time grant was awarded to certain members of management in anticipation of the IPO in 2018. These costs are included within personnel expenses. As a result of the accelerating vesting of awards due to the change in control US$16 million was expensed in 2018 (see Note 20 ‘Share based payments’). At 31 December 2019 all outstanding options were fully vested, or cancelled.

### Finance expenses
Finance expenses in 2019 include the accelerated write-off of capitalized debt issuance costs (US$15 million) (2018: US$27 million) and other expenses incurred in relation to the new debt following the Change of Control (see Note 18 ‘Borrowings’). In 2018 finance expenses included breakage fees of US$24 million relating to the old debt that was repaid and cancelled, and other finance costs relating to refinancing transactions pre IPO and the August 2018 Refinancing,.

## 7. Personnel expenses

| $ millions | 2019 | 2018 |
|---|---|---|
| | | |
| Wages and salaries | 1,917 | 1,921 |
| Social security charges | 262 | 250 |
| Pension costs - defined benefit plans (Note 19) | 3 | 3 |
| Pension costs - defined contribution plans | 50 | 46 |
| Share options granted to Managers and employees | 5 | 33 |
| **Total personnel expenses** | **2,237** | **2,253** |

### Average number of people employed

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

| | 2019 | 2018 |
|---|---|---|
| | | |
| Freight Management | 8,590 | 8,349 |
| Contract Logistics | 34,607 | 34,553 |
| **Total** | **43,197** | **42,902** |

## 8. Finance income and expense

| $ millions | 2019 | 2018 |
|---|---|---|
| | | |
| Interest income | 15 | 11 |
| **Finance income** | **15** | **11** |
| | | |
| Interest expense on bank borrowings | (117) | (170) |
| Interest on lease liabilities | (48) | (3) |
| Net interest on retirement benefit obligations | (2) | (2) |
| Other financial expense | (33) | (72) |
| **Finance expense** | **(200)** | **(247)** |
| | | |
| **Net foreign exchange gains/losses** | **2** | **4** |
| | | |
| **Net finance expense** | **(183)** | **(232)** |

Other financial expense includes the amortization of debt issuance costs of US$22 million (2018: US$38 million).

## 9. Taxation

| $ millions | 2019 | 2018 |
|---|---|---|
| | | |
| Current tax expense | 25 | 40 |
| Deferred tax (income) / expense | 6 | (4) |
| **Income tax expense** | **31** | **36** |

Income tax expense recognized for the year in other comprehensive income is US$(1) million (2018: US$2 million) relating to retirement benefit obligations.

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

| $ millions | 2019 | | 2018 | |
|---|---|---|---|---|
| **(Loss) before income taxes** | **(135)** | | (206) | |
| Tax at the domestic rate of 14.35% (2018: 14.32%) | (19) | | (29) | |
| Effect of different tax rates | (16) | | (36) | |
| Tax effect of non-deductible expenses | 7 | | 30 | |
| Tax effect of interest limitations | 24 | | 28 | |
| Deferred tax assetsnot recognized on tax losses and temporary differences | 20 | | 29 | |
| Changes in respect to prior years | 3 | | 4 | |
| Current and deferred impact of w ithholding taxes | 6 | | 5 | |
| Increase in deferred tax liability for undistributed profits | 6 | | - | |
| US taxes levied at a different rate than 21% federal income tax | - | | 5 | |
| **Actual tax charge/(income)** | **31** | **(23)%** | 36 | (17.5)% |

Switzerland levies a direct federal income tax at a flat rate of 8.5% (2018: 8.5%) on profit after tax. The cantonal communal income tax rate in Baar is 8.25% (2018: 8.22%) levied on profit after tax. Income taxes are deductible for tax purposes and reduce the applicable tax base (i.e. taxable income), resulting in a combined income tax rate on profit before tax of approximately 14.35% (2018: 14.32%).

The tax rate for the United Kingdom has reduced to 19% for income earned from 1 April 2017 through 31 March 2020 and is scheduled to further reduce to 17% as of 31 March 2020.

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.

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 | 2019 | 2018 |
|---|---|---|
| Before offsets: | | |
| Deferred income tax assets | (119) | (117) |
| Deferred income tax liabilities | 28 | 18 |
| **Net deferred income tax assets** | **(91)** | **(99)** |
| After offsets: | | |
| Deferred income tax assets | (104) | (106) |
| Deferred income tax liabilities | 13 | 7 |
| **Net deferred income tax assets** | **(91)** | **(99)** |

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 | Retirement benefit obligations and other provisions | Property, plant and equipment | Credits | Other | Total |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2018** | **76** | **18** | **11** | **2** | **8** | **115** |
| Items recognized in other comprehensive income | - | (2) | - | - | - | (2) |
| Exchange rate differences | (1) | (1) | (1) | - | - | (3) |
| Income statement effect | (5) | (4) | 5 | - | 11 | 7 |
| **Deferred income tax assets at 31 December 2018 / at 1 January 2019** | **70** | **11** | **15** | **2** | **19** | **117** |
| Items recognized in other comprehensive income | - | 1 | - | - | - | 1 |
| Exchange rate differences | - | - | - | - | - | - |
| Income statement effect | (2) | (4) | - | (2) | 9 | 1 |
| **Deferred income tax assets at 31 December 2019** | **68** | **8** | **15** | **-** | **28** | **119** |

The Group has unused tax losses of US$900 million (2018: US$897 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. Tax losses amounting to US$295 million (2018: US$386 million) will not expire. Within one to three years, US$28 million (2018: US$37 million) of tax losses will expire. The remainder of tax losses, amounting to US$577 million (2018: US$474 million) will expire in 4 to 20 years.

The Company recognized deferred tax assets of nil in 2019 (2018: US$9 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 has derecognized a deferred tax asset of US$9 million in Australia because the entity incurred losses in both the current as well as the preceding years.

### Deferred income tax liabilities:

| $ millions | Property, plant and equipment | Intangibles | Subsidiaries and joint ventures | Other | Total |
|---|---|---|---|---|---|
| **Balance at 1 January 2018** | **-** | **9** | **6** | **-** | **15** |
| Income statement effect | 1 | (6) | - | 8 | 3 |
| **Deferred income tax liabilities at 31 December 2018 / at 1 January 2019** | **1** | **3** | **6** | **8** | **18** |
| Newly acquired subsidiaries | 3 | - | - | - | 3 |
| Income statement effect | - | (2) | 5 | 4 | 7 |
| **Deferred income tax liabilities at 31 December 2019** | **4** | **1** | **11** | **12** | **28** |

The Company did not recognize deferred tax liabilities on temporary differences associated with undistributed earnings of subsidiaries for an aggregate amount of US$127 million (2018: US$123 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.

## 10. Business combinations

### Overview of transaction

On 2 May 2019, CEVA acquired all issued and outstanding ordinary shares in the capital of CMA CGM Logistics ('CC Log') for a total consideration of US$105 million. The actual consideration adjusted for debt and cash was US$107 million. The payment was treated as an interest bearing loan from the shareholder due 29 Feb 2020. The acquisition of CC Log is part of a restructuring done by CMA CGM as part of the integration of CEVA into CMA CGM and combining the two freight businesses into one. As CC Log and CEVA are both ultimately controlled by CMA CGM both before and after the combination, this is considered a business combination under common control and thus IFRS 3 does not apply to this transaction.

CC Log has 1,200 employees in 32 countries via directly-owned entities and has cooperation agreements in 26 additional countries. CC Log has a significant presence in high growth markets including India, China, Australia and the US. The integration of CC Log into the CEVA Freight Management Business line is expected to significantly reinforce CEVA's footprint in Ocean Freight Management with 170,000 additional controlled 'twenty-foot equivalent units' (TEUs), helping CEVA to reach its objective of 1,000,000 TEUs and enable expansion of its product offering in the field of Sea FCL (Full Container Load) and LCL (Less than Container Load), Customs Clearance, carrier haulage and Air freight Forwarding. The combination of CC Log and CEVA's Freight Management Business is expected to result in significant cost synergies.

In the eight months to 31 December 2019, CC Log contributed revenue of US$268 million and profit after tax of US$11 million to the Group's results. Had CEVA acquired CC Log on 1 January 2019 the estimated combined revenue and profit after tax for the year would be US$7,289 million and US$(164) million respectively.

### Acquisition-related costs

Individual acquisition costs related to CC Log are minimal and as this was part of the larger transaction of CMA CGM's acquisition of CEVA, costs were not separated out individually related to CC Log.

### Accounting at the acquisition date

In accordance with its accounting policy for accounting for business combinations under common control, CEVA applied book value accounting on the basis that CC Log has simply moved within the CMA CGM group. Thus book values of the transferred entities were used. The difference between the consideration paid and the capital of the acquirees has been recognized in equity (acquisition reserve).

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition:

| $ millions | 2 MAY 2019 |
|---|---|
| **ASSETS** | |
| **Non-current assets** | |
| Goodwill | 1 |
| Other Intangible assets | - |
| Property, plant and equipment | 18 |
| Right-of-Use assets | 7 |
| Deferred income tax assets | 1 |
| Other non-current assets | 11 |
| **Total non-current assets** | **38** |
| | |
| **Current assets** | |
| Trade and other receivables | 86 |
| Cash and cash equivalents | 18 |
| Other assets | 16 |
| **Total current assets** | **120** |
| | |
| **TOTAL ASSETS** | **158** |
| | |
| **TOTAL EQUITY** | **31** |
| | |
| **LIABILITIES** | |
| **Non-current liabilities** | |
| Deferred income tax liabilities | 3 |
| Lease liability | 5 |
| Other non-current liabilities | 8 |
| **Total non-current liabilities** | **16** |
| | |
| **Current liabilities** | |
| Bank Borrowings | 6 |
| Lease liability | 3 |
| Trade and other payables | 47 |
| Other current liabilities | 18 |
| Contract liabilities | 1 |
| Accrued current liabilities | 36 |
| **Total current liabilities** | **111** |
| | |
| **TOTAL LIABILITIES** | **127** |
| | |
| **TOTAL EQUITY AND LIABILITIES** | **158** |
| | |
| **Cash and cash equivalents from acquisition of subsidiaries** | |
| Cash and cash equivalents acquired | 18 |
| **Acquisition of subsidiairies, net of cash acquired** | **18** |

There were no material acquisitions in 2018.

## 11. Intangible assets

| $ millions | Goodwill | Contractual and customer relationships | Other Intangibles | Total |
|---|---|---|---|---|
| **Net book amount at 1 January 2018** | **1,346** | **38** | **64** | **1,448** |
| Additions | - | - | 19 | 19 |
| Amortization | - | (34) | (29) | (63) |
| Exchange rate differences | (26) | (1) | - | (27) |
| **Closing net book amount at 31 December 2018** | **1,320** | **3** | **54** | **1,377** |
| | | | | |
| Historical cost | 1,730 | 893 | 486 | 3,109 |
| Accumulated impairment | (410) | - | - | (410) |
| Accumulated amortization | - | (890) | (432) | (1,322) |
| **Net book amount at 1 January 2019** | **1,320** | **3** | **54** | **1,377** |
| Additions | - | - | 29 | 29 |
| Disposals | - | - | (1) | (1) |
| Amortization | - | - | (24) | (24) |
| Transfers | - | - | 3 | 3 |
| Exchange rate differences | 7 | - | (1) | 6 |
| **Closing net book amount at 31 December 2019** | **1,327** | **3** | **60** | **1,390** |
| | | | | - |
| Historical cost | 1,737 | 894 | 517 | 3,148 |
| Accumulated impairment | (410) | - | - | (410) |
| Accumulated amortization | - | (891) | (457) | (1,348) |
| **Net book amount at 31 December 2019** | **1,327** | **3** | **60** | **1,390** |

Other intangibles include internally-generated software with a closing net book amount at 31 December 2019 of US$27 million (2018: US$28 million).

### Goodwill impairment testing

As required by IAS 36, goodwill is subject to an annual impairment review. 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 and industry growth rates for the most relevant territories in which the businesses operate.

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

### Key assumptions

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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Growth rate beyond five years | Pre-tax discount rate | Growth rate beyond five years | Pre-tax discount rate |
| Freight Management | 2.0% | 10.0% | 2.0% | 9.7% |
| Contract Logistics | 2.0% | 10.0% | 2.0% | 9.7% |

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 median beta of what management considers to be the most comparable 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 performance improvement plans, including cost reduction initiatives and investments.

*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 2019.

## Result
No goodwill impairment losses were recognized for the year ended 31 December 2019 (2018: nil) as a result of the goodwill impairment testing.

The recoverable amount, carrying amount of the CGU's and the headroom per CGU as at 31 December 2019 & 2018 are as follows:

| $ millions | | | **2019** |
|---|---|---|---|
| | Freight Management | Contract Logistics | Total |
| Recoverable amount (Value in use) | 1,728 | 1,601 | 3,329 |
| Carrying amount of CGU | 1,174 | 110 | 1,284 |
| **Headroom** | **554** | **1,491** | **2,045** |
| | | | |
| *Carrying value of the goodwill* | *1,037* | *290* | *1,327* |

| $ millions | | | **2018** |
|---|---|---|---|
| | Freight Management | Contract Logistics | Total |
| Recoverable amount (Value in use) | 1,641 | 1,711 | 3,352 |
| Carrying amount of CGU | 1,189 | 227 | 1,416 |
| **Headroom** | **452** | **1,484** | **1,936** |
| | | | |
| *Carrying value of the goodwill* | *1,022* | *298* | *1,320* |

## 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 | | | 2019 |
|---|---|---|---|
| | Freight Management | Contract Logistics | Total |
| Decrease in long term growth rate of 1% | (215) | (202) | (417) |
| Increase in discount rate of 1% | (203) | (190) | (393) |
| Decrease in projected EBITDA of 10% | (280) | (153) | (433) |
| Increase in projected capital expenditure of 10% | (40) | (111) | (151) |

| $ millions | | | 2018 |
|---|---|---|---|
| | Freight Management | Contract Logistics | Total |
| Decrease in long term growth rate of 1% | (211) | (218) | (429) |
| Increase in discount rate of 1% | (259) | (268) | (527) |
| Decrease in projected EBITDA of 10% | (288) | (367) | (655) |
| Increase in projected capital expenditure of 10% | (52) | (137) | (189) |

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.

## 12. Property, plant and equipment

| $ millions | Land and buildings | Plant and equipment | Other | Under construction | Total |
|---|---|---|---|---|---|
| **Opening net book amount at 1 January 2018** | **67** | **54** | **41** | **7** | **169** |
| Additions | 14 | 23 | 27 | 26 | 90 |
| Disposals | (4) | (3) | (1) | - | (8) |
| Depreciation | (20) | (23) | (18) | - | (61) |
| Transfers | 4 | 11 | 1 | (16) | - |
| Exchange rate differences | (4) | (4) | (3) | (4) | (15) |
| **Closing net book amount at 31 December 2018** | **57** | **58** | **47** | **13** | **175** |
| Historical cost | 217 | 330 | 295 | 13 | 855 |
| Accumulated depreciation and impairment | (160) | (272) | (248) | - | (680) |
| **Net book amount at 1 January 2019** | **57** | **58** | **47** | **13** | **175** |
| Transfers of assets held under finance leases to right-of-use assets on initial application of IFRS 16 | (11) | (18) | (1) | - | (30) |
| **Adjusted balance at 1 January 2019** | **46** | **40** | **46** | **13** | **145** |
| Additions | 18 | 13 | 17 | 27 | 75 |
| Additions as a result of business combinations | 15 | 3 | - | - | 18 |
| Disposals | (1) | (1) | 1 | - | (1) |
| Depreciation | (16) | (23) | (21) | - | (60) |
| Other transfers | 4 | 11 | 6 | (24) | (3) |
| Exchange rate differences | - | (1) | - | - | (1) |
| **Closing net book amount at 31 December 2019** | **66** | **42** | **49** | **16** | **173** |
| Historical cost | 224 | 316 | 294 | 16 | 850 |
| Accumulated depreciation and impairment | (158) | (274) | (245) | - | (677) |
| **Net book amount at 31 December 2019** | **66** | **42** | **49** | **16** | **173** |

### Finance leases

The following assets classified as finance leases are included in property, plant and equipment as at 31 December 2018:

| $ millions | Land and buildings | Plant and equipment | Other | **Total** |
|---|---|---|---|---|
| Under finance lease 31 December 2018 | 11 | 18 | 1 | **30** |

Property, plant and equipment held under finance lease are per 1 January 2019 transferred to right-of-use assets, as a result of the application of IFRS 16.

## 13. Right of use assets and lease liabilities

| $ millions | Land and buildings | Plant and equipment | Total |
|---|---|---|---|
| **Recognition of right-of-use asset at initial application of IFRS 16** | **1,018** | **224** | **1,242** |
| | | | |
| Additions | 315 | 63 | 378 |
| Additions as a result of business combinations | 7 | - | 7 |
| Disposals | (29) | (14) | (43) |
| Depreciation | (309) | (70) | (379) |
| Exchange rate differences | (4) | (1) | (5) |
| **Closing net book amount at 31 December 2019** | **998** | **202** | **1,200** |
| | | | |
| Historical cost | 1,297 | 267 | 1,564 |
| Accumulated depreciation | (299) | (65) | (364) |
| **Net book amount at 31 December 2019** | **998** | **202** | **1,200** |

| $ millions | Total |
|---|---|
| **Recognition of liability at initial application of IFRS 16** | **1,266** |
| Additions | 373 |
| Acquisitions | 7 |
| Disposals | (44) |
| Payment of lease liabilities | (394) |
| Interest | 48 |
| Exchange rate differences | (4) |
| **Closing net book amount at 31 December 2019** | **1,252** |
| | |
| Of which non-current | 891 |
| Of which current | 361 |

The maturity of the lease liabilities is as follows:

| $ millions | Future minimum lease payments |
|---|---|
| Within one year | 351 |
| Between 1 and 5 years | 803 |
| More than 5 years | 250 |

*Amounts recognized in profit or loss*

| $ millions | 2019 |
|---|---|
| Expenses relating to short-term leases | 13 |
| Expenses relating to leases of low-value assets | 1 |
| Expenses related to variable lease payments | 3 |

## 14. Trade and other receivables

| $ millions | 2019 | 2018 |
|---|---|---|
| | | |
| Trade receivables | 997 | 1,039 |
| Provision for impairment of trade receivables | (24) | (23) |
| **Trade accounts receivable - net** | **973** | **1,016** |
| | | |
| VAT receivable | 59 | 39 |
| Other | 110 | 81 |
| **Other receivables** | **169** | **120** |
| | | |
| **Total trade and other receivables** | **1,142** | **1,136** |

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 2019 non-recourse factoring and participation in customer supply chain financing arrangements resulted in the derecognition of US$123 million (2018: US$142 million) of trade receivables.

On 22 November 2019, the Company closed a US$460 million trade receivables securitization facility ('the CEVA Global Securitization Program') with a three year renewable commitment from six banks. This program has fully refinanced the existing European Securitization and will refinance the US ABL Facility and the Australian Receivables Facility both maturing in 2020. For details on the receivable programs please see Note 18 'Borrowings'.

Receivables sold under these above mentioned agreements are not derecognized and the related liabilities are included in bank borrowings. For more details with regards to receivables purchase programs refer to Note 18 'Borrowings'.

Trade receivables are subject to the IFRS 9 expected loss provision, which is calculated based on the gross amount of trade receivables excluding those subject to legal proceedings (see Note 4(b)). The ageing profile of these trade receivables (excluding the trade receivables subject to legal proceedings) is as follows:

| $ millions | 2019 | 2018[1] |
|---|---|---|
| | | |
| Current | 864 | 873 |
| Past due 0-30 days | 76 | 87 |
| Past due 31-60 days | 21 | 26 |
| Past due 61-90 days | 10 | 10 |
| Past due 91-120 days | 6 | 6 |
| Past due more than 121 days | 9 | 19 |
| **Total** | **986** | **1,021** |

[1] The table has been restated from 2018 annual report to include Current trade receivables

The carrying amount of the Group's gross trade and other receivables (excluding the provision for impairment of trade receivables) are denominated in the following currencies:

| $ millions | 2019 | 2018 |
|---|---|---|
| | | |
| Euro | 229 | 236 |
| US dollar | 427 | 436 |
| British pound | 68 | 85 |
| Brazilian real | 37 | 42 |
| Chinese yuan | 23 | 27 |
| Other currencies | 382 | 333 |
| **Total** | **1,166** | **1,159** |

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

| $ millions | 2019 | 2018 |
|---|---|---|
| | | |
| **At 1 January** | **23** | **19** |
| Charged to other operating expenses | 11 | 19 |
| Receivables written off during the year as uncollectable | (7) | (11) |
| Unused amounts reversed | (2) | (2) |
| Exchange rate differences | (1) | (2) |
| **At 31 December** | **24** | **23** |

The creation and release of the loss allowance on receivables has been included in Other operating expenses in the Consolidated income statement. The other classes within trade and other receivables do not contain impaired assets. Refer to Note 4b ‘Financial risk management – Credit risk’ for the provision matrix with the expected credit loss percentages.

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

## 15. Cash and cash equivalents

| $ millions | 2019 | 2018 |
|---|---|---|
| | | |
| Cash at bank | 661 | 277 |
| Current bank deposits | 23 | 91 |
| **Total cash and cash equivalents** | **684** | **368** |

Cash and cash equivalents are available for use by the Group, except for US$1 million deposited to support contingent liabilities under guarantees and letters of credit of the same amount (31 December 2018: $60 million). Bank overdrafts are included within interest bearing borrowings (Note 18 ‘Borrowings’).

## 16. Joint ventures

The Group has an investment totaling US$100 million as at 31 December 2019 (31 December 2018: US$99 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 2019, CEVA’s share in Anji-CEVA’s net result was US$17 million (year ended 31 December 2018: US$29 million).

The ‘summarized’ consolidated balance sheet of Anji-CEVA as at 31 December 2019 and 2018 is as follows:

| | AS AT 31 DECEMBER | |
|---|---|---|
| $ millions | 2019 | 2018 |
| | | |
| **Current** | | |
| Cash and cash equivalents | 218 | 194 |
| Other current assets | 617 | 432 |
| **Total current assets** | **835** | **626** |
| | | |
| Financial liablities | (45) | (2) |
| Leases liabilities | (18) | - |
| Other current liabilities | (725) | (572) |
| **Total current liabilities** | **(788)** | **(574)** |
| | | |
| **Non-current** | | |
| Right-of-use assets | 49 | - |
| Other non-current assets | 173 | 167 |
| **Total non-current assets** | **222** | **167** |
| | | |
| Financial liablities | (15) | (5) |
| Leases liablities | (27) | - |
| Other liabilities | (5) | (12) |
| **Total non-current liabilities** | **(47)** | **(17)** |
| | | |
| **NET ASSETS** | **222** | **202** |

The ‘summarized’ consolidated income statement of Anji-CEVA for the years ended 31 December 2019 and 2018 is as follows:

| | Years ended 31 December | |
|---|---|---|
| $ millions | 2019 | 2018 |
| | | |
| **Revenue** | **1,410** | **1,432** |
| Operating expenses excluding depreciation, amortization and impairment | (1,284) | (1,336) |
| Gain/(loss) from assets held for sale[1] | 1 | 28 |
| **EBITDA** | **127** | **124** |
| | | |
| Depreciation,amortization and impairment | (28) | (27) |
| Depreciation right-of-use assets | (20) | - |
| **Operating income** | **79** | **97** |
| | | |
| **Net finance income/(expense) (including foreign exchange movements)** | **2** | **3** |
| | | |
| **Profit/(Loss) before income taxes** | **81** | **100** |
| | | |
| Income tax (expense) / income | (23) | (28) |
| **Profit/(Loss) for the period** | **58** | **72** |
| | | |
| Attributable to: | | |
| Non-controlling interests | 18 | 14 |
| Equity holders of the Company | 40 | 58 |

[1] Gains from assets held for sale relate to property disposals in September 2018 US$14 million (CEVA’s share).

The reconciliation from the net asset value to the carrying value of the Anji-CEVA joint venture for the years ended 31 December 2019 and 2018 is as follows:

| | Years ended 31 December | |
|---|---|---|
| $ millions | 2019 | 2018 |
| **Opening net assets - 1 January** | **202** | **185** |
| Allocated to non-controlling interest | (54) | (41) |
| **Adjusted opening net assets - 1 January** | **148** | **144** |
| Profit for the period | 58 | 72 |
| Non-controlling interest | (18) | (14) |
| Dividend paid by joint ventures[1] | (25) | (40) |
| Foreign exchange impact | (2) | (14) |
| **Adjusted closing net assets - 31 December** | **161** | **148** |
| Interest in joint ventures at 50% | 81 | 74 |
| Dividend adjustment | (4) | - |
| Goodwill in joint ventures | 24 | 25 |
| **Carrying value 31 December** | **100** | **99** |

[1] Included are dividends received by CEVA during the period. The CEVA portion of the dividend paid by joint ventures amounted to US$13 million (2018: US$20 million).

The Company had no contingent liabilities towards Anji-CEVA as at 31 December 2019 (31 December 2018: 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.

As part of the agreement in 2017 to renew the Anji-CEVA joint venture agreement it was agreed in principle that the joint venture parties, CEVA and Anji Automotive Logistics Company Limited (Anji Logistics) (a subsidiary of Shanghai Automotive Industry Sales Corporation, or SAIC), will be entitled to certain annual adjustment payments prior to or subsequent to the net profits distribution depending on the difference between the ratio in joint venture revenue stemming from the SAIC-group versus non-SAIC-group companies. In prior year such adjustments were made by means of a service fee payable from Anji-CEVA to Anji Logistics.

In Q3 2019 the service fee agreement entered into in Q2 2018 has been replaced by a new asymmetric dividend distribution agreement where the dividends distributed to each shareholder will take into account the profits distribution adjustment agreed by the Parties in 2017. The profit adjustment formula has not changed and the economics of the situation for the parties remain the same. The share of profit from Anji-Ceva is impacted by the dividend adjustment of US$4 million in the current year.

## 17. Share capital

| | Number of common shares | Nominal value |
|---|---|---|
| 1 January 2019 | 55,203,096 | |
| Issued share capital during the period | 708,159 | CHF 0.10 |
| **31 December 2019** | **55,911,255** | CHF 3.10 |
| **Authorised and issued share capital as per 31 December 2019** | **55,911,255** | CHF 3.10 |

| | Number of common shares | Nominal value |
|---|---|---|
| 1 January 2018[1] | - | |
| Issued share capital during the period | 55,203,096 | CHF 0.10 |
| **31 December 2018** | **55,203,096** | CHF 0.10 |
| **Authorised and issued share capital as per 31 December 2018** | **55,203,096** | CHF 0.10 |

[1] On 3 May 2018 CEVA Logistics merged with CEVA Holdings LLC and was the surviving parent Company of the Group. As a result of this capital reorganization the share capital of CEVA Logistics AG has been reflected in the consolidated balance sheet as though the Company had always been the parent of the Group. See Note 2 ‘Summary of significant accounting policies’ for further details.

On 21 February 2018, the Company was incorporated with 1,000,000 fully paid in registered shares with a nominal value of CHF 0.10 per share issued at par value. On 10 April 2018, the Company issued 10,505,000 fully paid in registered shares with a nominal value of CHF 0.10 per share issued at par value.

The Company legally merged with CEVA Holdings LLC on 3 May 2018 with CEVA Logistics AG being the surviving entity.

On 8 May 2018, the Company successfully completed an IPO on the SIX Swiss Exchange and issued 29,856,537 new registered shares with a nominal value of CHF 0.10 each for CHF 27.50 per share.

At the same time, CMA CGM made a strategic investment of CHF 379 million in convertible securities issued by CEVA in a concurrent private placement. On 15 August 2018, these securities were converted to 13,779,826 registered common shares after regulatory approvals were received.

The proceeds from the IPO were primarily used to repay debt as disclosed in Note 18 'Borrowings'.

On 26 March 2019, the Company issued 708,159 fully paid-in registered shares with a nominal value of CHF 0.10 per share at par value.

The registered shares of CEVA Logistics AG were delisted from SIX Swiss Exchange as of 10 October 2019. See Note 1 'General information' for further details.

The nominal value of issued shares was changed to CHF 3.10 on 13 December 2019. As a result, share capital increased by US$169 million and share premium increased by US$29 million. The transaction was settled in cash. The increase of share capital is reflected in the changes of equity.

Each common share has one vote. All shares have equal voting rights, and no preferential rights or similar entitlements exist.

## 18. Borrowings

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

| | 31 DECEMBER 2019 | | | | 31 DECEMBER 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| $ millions | Carrying value | Level 1 fair value | Level 2 fair value | Total fair value | Carrying value | Level 1 fair value | Level 2 fair value | Total fair value |
| **Non-current** | | | | | | | | |
| Bank borrowings | 1,330 | - | 1,259 | 1,259 | 1,148 | - | 1,137 | 1,137 |
| Related party positions | 80 | - | 80 | 80 | - | - | - | - |
| Loan notes | - | - | - | - | 344 | 335 | - | 335 |
| Finance leases[1] | - | - | - | - | 27 | - | 27 | 27 |
| **Total non-current borrowings[1]** | **1,410** | **-** | **1,339** | **1,339** | **1,519** | **335** | **1,164** | **1,499** |
| **Current** | | | | | | | | |
| Bank overdrafts | 6 | - | 6 | 6 | 22 | - | 22 | 22 |
| Related party positions | 107 | - | 107 | 107 | - | - | - | - |
| Loan Notes | - | - | - | - | - | - | - | - |
| Bank borrowings | 244 | - | 244 | 244 | 13 | - | 13 | 13 |
| Finance leases[1] | - | - | - | - | 6 | - | 6 | 6 |
| **Total current borrowings[1]** | **357** | **-** | **357** | **357** | **41** | **-** | **41** | **41** |
| **Total borrowings[1]** | **1,767** | **-** | **1,696** | **1,696** | **1,560** | **335** | **1,205** | **1,540** |
| Unamortized debt issuance costs | 26 | | | | 24 | | | |
| **Total principal debt** | **1,793** | | | | **1,584** | | | |

[1] Finance leases are per 1 January 2019 transferred to lease liabilities, as a result of the application of IFRS 16.

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 did not use a level 3 calculation to measure fair value. As a result of the adoption of IFRS 16, the finance leases have increased compared to 31 December 2018 (refer to Note 2 'Summary of significant accounting policies' for further details).

The bank borrowings' fair value has been presented using a valuation technique based on prices of recent over-the-counter transactions for these borrowings (Level 2).

## Net Debt reconciliation

The table below sets out an analysis of the movements in net debt for the years ended 31 December 2019 and 2018:

YEAR ENDED 31 DECEMBER

| $ millions | 2018 | Cash-Flows | Non Cash Movements: Foreign exchange | Non Cash Movements: Reclass Non-current to current | Non Cash Movements: Other² | 2019 |
|---|---|---|---|---|---|---|
| Non-Current borrowings | 1,519 | (67) | (8) | - | (34) | 1,410 |
| Current borrowings | 41 | 215 | (16) | - | 117 | 357 |
| **Total liabilities from financing activities** | **1,560** | **148** | **(24)** | **-** | **83** | **1,767** |
| Cash and cash equivalents | (368) | (322) | 6 | - | - | (684) |
| **Net Debt** | **1,192** | **(174)** | **(18)** | **-** | **83** | **1,083** |

[1] 2018 Net debt included finances lease, 2019 does not include finance leases in the net debt figure.
[2] Other includes a non-cash vendor loan of US$ 107 million between CEVA and CMA CGM, see Note 10 Business combinations.

Other includes amortization of debt issuance costs US$22 million.

YEAR ENDED 31 DECEMBER

| $ millions | 2017 | Cash-Flows | Non Cash Movements: Foreign exchange | Non Cash Movements: Reclass Non-current to current | Non Cash Movements: Other | 2018 |
|---|---|---|---|---|---|---|
| Non-Current borrowings | 2,197 | (689) | (27) | - | 38 | 1,519 |
| Current borrowings | 187 | (138) | (8) | - | - | 41 |
| **Total liabilities from financing activities** | **2,384** | **(827)** | **(35)** | **-** | **38** | **1,560** |
| Cash and cash equivalents | (295) | (73) | - | - | - | (368) |
| **Net Debt** | **2,089** | **(900)** | **(35)** | **-** | **38** | **1,192** |

Other includes amortization of debt issuance costs US$38 million.

## Non-current borrowings

In the previous year the fair value of the loan notes had 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).

In the current year 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).

## 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 2019 principal value | Amount drawn at 31 December 2019 principal value | Unamortized debt issuance costs at 31 December 2019 | Amount drawn at 31 December 2019 carrying value |
|---|---|---|---|---|---|---|---|
| | | | | | in USD | in USD | in USD |
| Senior secured facilities - Term Loan B | US dollar | US LIBOR + 5.00% | August 2025 | $473 | $473 | ($15) | $458 |
| Senior secured facilities - Revolver | US dollar | US LIBOR + 2.625% | August 2023 | $377 | $377 | ($4) | $373 |
| Senior Secured Bridge Facility (incl. committed extension) | Euro | EURIBOR + 4.25% | August 2025 | € 297 | $333 | ($3) | $329 |
| US ABL facility | US dollar | US LIBOR + 2.50% | August 2020 | $197 | $197 | $0 | $197 |
| Australian Receivables facility | AU dollar | BBSW + 3.45% | April 2020 | $38 | $27 | $0 | $27 |
| FLOW Securitization program | Various | Base Rate + 1.20% | December 2022 | $174 | $174 | ($3) | $171 |
| Shareholder loan 1 | US dollar | US LIBOR + 0.00% | February 2020 | $107 | $107 | $0 | $107 |
| Shareholder loan 2 | US dollar | US LIBOR + 2.50% | July 2024 | $80 | $80 | $0 | $80 |
| Bank overdrafts | Various | Various | Various | $6 | $6 | $0 | $6 |
| Other loans | Various | Various | Various | € 20 | $19 | $0 | $19 |
| | | | | | $1,793 | ($25) | $1,767 |

| | Currency | Nominal interest rate | Maturity | Amount drawn at 31 December 2018 principal value | Amount drawn at 31 December 2018 principal value | Unamortized debt issuance costs at 31 December 2018 | Amount drawn at 31 December 2018 carrying value |
|---|---|---|---|---|---|---|---|
| | | | | | in USD | in USD | in USD |
| Senior secured facilities - Term loan (USD) | US dollar | US LIBOR + 3.75% | August 2025 | $474 | $474 | ($11) | $463 |
| Senior secured facilities - Revolver | US dollar | US LIBOR + 2.375% | August 2023 | $262 | $262 | ($5) | $257 |
| 5.25% senior notes | Euro | 5.25% | August 2025 | € 300 | $344 | ($5) | $339 |
| US ABL facility | US dollar | US LIBOR + (2% ~ 2.5%) | August 2020 | $212 | $212 | $0 | $212 |
| Australian Receivables facility | AU dollar | BBSW + 3.45% | April 2020 | $42 | $30 | $0 | $30 |
| European ABS | Euro | EURIBOR + 1.75% | Feb 2020 | € 169 | $194 | ($2) | $192 |
| Bank overdrafts | Various | Various | Various | $22 | $22 | $0 | $22 |
| Finance lease liabilities | Various | Various | Various | $34 | $34 | $0 | $34 |
| Other loans | Various | Various | Various | $13 | $12 | ($1) | $11 |
| | | | | | $1,584 | ($24) | $1,560 |

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

| $ millions | 2019 | 2018 |
|---|---|---|
| Euro | 334 | 755 |
| US dollar | 1,385 | 659 |
| Other currencies | 48 | 146 |
| **Total borrowings** | **1,767** | **1,560** |

As at 31 December 2019 the weighted average period to maturity of the borrowings was 3.9 years.

### May 2018 IPO

On 8 May 2018, CEVA Logistics AG successfully completed an initial public offering (the ‘IPO’) on the SIX Swiss Exchange. The Company received aggregate gross proceeds of CHF 1.2 billion (equivalent to US$1.2 billion) from the IPO and the private placement of the CMA CGM convertible securities.

Since the closing of the IPO, the Company has used the net proceeds from the IPO to repay debt as follows:

- To repay US$184 million of drawings under the Company's existing term loans which were outstanding, on 14 May 2018;
- To redeem in full the US$300 million principal amount of 7.0% First Lien Senior Secured Notes due 2021 and US$325 million principal amount of 9.0% Senior Secured Notes due 2021 on 24 May 2018;
- To redeem in full the US$26 million principal amount of the 12.75% Senior Notes due 2020 on 13 June 2018.

On 3 August 2018, CEVA successfully completed a comprehensive refinancing. CEVA issued €300 million of 5.25% Senior Notes due 2025 (the ‘5.25% Senior Notes’); US$475 million Term Loan B due 2025 (the ‘TLB Facility’) and entered into a US$585 million Senior Revolving Credit Facility due 2023 including ancillary facilities (the ‘Revolving Credit Facility’). The net proceeds were used to repay, redeem and cancel US$438 million 9.0% Notes due 2020, US$581 million of term loans due 2021 and US$94 million of drawings under the existing senior revolving credit facility due 2021.

### Change of control

Following the Public Tender offer by CMA CGM a ‘change of control’ under the agreements governing a significant portion of CEVA's debt (a ‘CMA CGM Change of Control Event’) has occurred. As a consequence, CEVA has undertaken during 2019 certain refinancing actions which are resulting as follows:

(i) US$585 million Senior Revolving Credit Facility including ancillary facilities
CEVA received consents to waive the CMA CGM Change of Control Event from nine of the eleven banks that provided its Revolving Credit Facility. Following the change of control, the commitments from the two non-consenting banks were cancelled. On 27 June 2019, one new bank was added to the Revolving Credit Facility. As a consequence the new commitment equals to US$510 million. As at 31 December 2019, the outstanding amount drawn in cash under the Revolving Credit Facility was US$377 million (2018: US$262 million) excluding commitment allocated to ancillary facilities.

(ii) US$475 million Senior Term Loan B Facility
On 22 February 2019, a new term loan B facility was agreed and priced, to raise US$475 million with a margin of 5.00% and with a 3% original issue discount. On 24 April 2019, CEVA repaid the outstanding principal balance of its existing term loan B in the amount of US$473 million and issued the new term loan B in the amount of US$475 million maturing 3 August 2025. Repayments for term loan B are 0.25% of the original principal balance payable on the last day of the quarter commencing with the quarter ended 30 September 2019.

(iii) EUR 300 million 5.25% Senior Notes
On 10 May 2019 CEVA issued a Tender Offer for the full amount of its 5.25% Senior Notes at a price of 101% plus accrued interest to the settlement date. EUR 284,086,000 of 5.25% Senior Notes were tendered (94.7% of the total) and were settled and cancelled on 9 July 2019. On 11 July 2019, CEVA issued a notice to the Agent that the remaining Notes not tendered would be repaid and cancelled on 22 July 2019 at a price of 101% plus accrued interest.

(iv) EUR 297 million Senior Bridge Facility
On 5 July 2019 CEVA entered into a Bridge Facility provided by three banks, which was subsequently drawn on 9 July 2019 to fund the Tender Offer of the 5.25% Senior Notes. It carries an initial margin of 4.25% and the initial maturity is 12 months. In the event that the Bridge Facility is not refinanced within 12 months, the borrowing will be converted into term loans with a maturity no earlier than 3 August 2025. This loan is classified as long term as management currently intends to use the automatic extension embedded in the contract which extends the maturity to 3 August 2025.

## Bank borrowings and letters of credit

As at 31 December 2019, the utilized amount under the Revolving Credit Facility was US$487 million, of which US$377 million was utilized by cash drawings and US$110 million was utilized by the Ancillary Facilities

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

| $ millions | **2019** | 2018 |
|---|---|---|
| | | |
| Floating rate | 22 | 256 |
| Fixed rate | - | - |
| **Total** | **22** | **256** |

## Interest rate

The interest rates applicable to loans under the Revolving Facilities, Senior Term Loan B Facility and Senior Bridge Facility are equal to either LIBOR or EURIBOR plus an applicable margin. The average floating interest rate for the year ended 31 December 2019 and 2018 was 3.6% (2018: 3.1%) and 5.9% (2018: 6.6%) for euro and for US dollar denominated loans respectively.

## Global Securitization Program due 2022

On 22 November 2019, the Company closed a US$460 million trade receivables securitization facility (‘the CEVA Global Securitization Program’) with a three years renewable commitment from six banks. This program has fully refinanced the existing European Securitization and will refinance the US ABL facility and the Australian Receivables Facility both maturing in 2020. As of 31 December 2019, the outstanding drawn amount under the facility was US$174 million.

### European Securitization due 2020

The €170 million (US$191 million) Pan-European Asset Backed Securitization ('the European Securitization Facility') has been refinanced and replaced by the CEVA Global Securitization Program and there is no amount outstanding as of 31 December 2019.

### 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 facility margin. Additional amendments were made in 2017, which increased the facility limit to A$50 million. This facility will be refinanced through the CEVA Global Securitization Program. As of 31 December 2019, the outstanding drawn amount under the facility was A$38 million (US$27 million).

### 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 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 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 been reduced to US$225 million. This facility will be refinanced through the CEVA Global Securitization Program. As at 31 December 2019, the outstanding drawn amount of the ABL Facility was US$197 million.

## Financial covenants

CEVA is required under the terms of the certain facilities only, with a relevant period on a twelve month rolling basis ending on the last day of each calendar quarter end, that:

- The ratio of consolidated EBITDA as defined in the agreement to net finance charges in respect of each relevant period shall not be less than 2.00:1; and
- The ratio of total net debt on the last day of each relevant period to consolidated EBITDA as defined in the agreement in respect of the last relevant period shall not exceed 4:1.

The definition of consolidated EBITDA in the agreement allows adjustments and certain items to be added back to the reported EBITDA for the purpose of calculating the covenants.

As at 31 December 2019, the Group is in compliance with its financial covenants.

## 19. 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 | 2019 | 2018 |
|---|---|---|
| Present value of funded obligations | 205 | 180 |
| Fair value of plan assets | 96 | 83 |
| **Liability in the balance sheet** | **109** | **97** |

### 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$8 million at 31 December 2019 (2018: US$10 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$21 million at 31 December 2019 (2018: US$25 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$0.4 million (2018: 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. The participants are paid out within six months after their retirement. Mortality assumptions for the Italian pension plans are based on the Tabelle di mortalita RG48 pubblicate dalla Ragioneria Generale dello Stato.

## Movement in defined benefit obligations

| $ millions | 2019 | 2018 |
|---|---|---|
| | | |
| **At 1 January** | **180** | **203** |
| Balance acquired through business combinations | 3 | - |
| Service costs | 3 | 3 |
| Interest costs | 5 | 4 |
| Remeasurements | 18 | (13) |
| Exchange rate differences | 2 | (6) |
| Benefits paid | (10) | (11) |
| Settlements | (2) | - |
| Other | 6 | - |
| **At 31 December** | **205** | **180** |

## Movement in plan assets

| $ millions | 2019 | 2018 |
|---|---|---|
| | | |
| **At 1 January** | **83** | **92** |
| Interest income | 3 | 2 |
| Remeasurements | 9 | (5) |
| Exchange rate differences | 1 | (4) |
| Employer contribution | 4 | 3 |
| Benefits paid | (4) | (5) |
| **At 31 December** | **96** | **83** |

## Expense recognized in the Consolidated income statement

| $ millions | 2019 | 2018 |
|---|---|---|
| | | |
| **Recognized in personnel expenses** (note 7) | | |
| Service costs | 3 | 3 |
| | | |
| **Recognized in finance expense** (note 8) | | |
| Interest income | (3) | (2) |
| Interest costs | 5 | 4 |
| | | |
| **Employer pension expense for the year** | **5** | **5** |

## Amounts recognized in the Statement of other comprehensive income

| $ millions | 2019 | 2018 |
|---|---|---|
| | | |
| Remeasurements recognized in the statement of other comprehensive income in the period (before tax) | 9 | (8) |
| Cumulative remeasurements recognized in the statement of other comprehensive income (before tax) | 67 | 58 |

## Principal actuarial assumptions

| | 2019 | 2018 |
|---|---|---|
| Discount rate | 2.1% | 2.8% |
| Rate of compensation increase | 1.9% | 2.8% |
| Inflation | 1.9% | 2.4% |

Percentages indicated are weighted averages across all the schemes.

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% S2PA tables for males/females respectively, with future improvements projected from 2007 in line with the CMI's 2017 projections model with a long term improvement rate of 1.5% per annum for males/females.
- United States: Pri-20012 Aggregate Mortality Table, with Projection Scale MP-2019 Fully Generational

These tables translate into an average life expectancy in years for the largest plans in the United Kingdom and the US of a pensioner retiring at age 65 as set out below:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | UK | US | UK | US |
| Retiring at the end of the reporting period: | | | | |
| Male | 22.2 | 21.0 | 22.1 | 21.1 |
| Female | 24.3 | 23.0 | 24.2 | 23.1 |
| Retiring 20 years after the end of the reporting period: | | | | |
| Male | 23.9 | 19.6 | 23.8 | 19.8 |
| Female | 26.2 | 22.4 | 26.1 | 22.5 |

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 | |
|---|---|---|---|---|---|
| | | 2019 | 2018 | 2019 | 2018 |
| Discount rate | 0.5% | Decrease by 6% | Decrease by 7.6% | Decrease by 6.4% | Increase by 8.3% |
| Pension growth rate (inflation) | 0.5% | Increase by 3.1% | Increase by 5.1% | Decrease by 3.0% | Decrease by 4.5% |
| Life expectancy | 1 year | Increase by 1.7% | Increase by 2.9% | Decrease by 1.5% | Decrease by 2.7% |

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 18 years.

Expected employer contributions to post-employment benefit plans for the year ending 31 December 2020 are US$4 million.

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

| $ millions | 2019 | 2018 |
|---|---|---|
| | | |
| Listed equity | 43 | 36 |
| Fixed interest | 22 | 18 |
| Cash | 4 | 3 |
| Other | 27 | 26 |
| **Total** | **96** | **83** |

The actual return on plan assets is a US$11.1 million income (31 December 2018: US$2.9 million loss).

## 20. Share based payments

### 2013 Long Term Incentive Plan

In connection with the 2013 Recapitalization, the Board of Managers of CEVA Holdings LLC adopted the 2013 Long Term Incentive Plan, a share-based compensation plan, which permitted CEVA Holdings LLC to grant share options, rights to purchase common shares of CEVA Holdings LLC, restricted shares, restricted share units, and other share-based rights to employees, managers or directors of, or consultants to, CEVA Holdings LLC or any of its subsidiaries.

Following the Company's IPO, the Compensation Committee converted all existing equity awards granted under the CEVA Holdings LLC 2013 Long Term Incentive Plan into equivalent equity awards with respect to shares of the Company. In addition, since the shareholders of CEVA Holdings LLC became entitled to receive ten shares of the Company in respect of each share of CEVA Holdings LLC held as consideration in the merger of CEVA Holdings LLC with the Company, the Compensation Committee increased the number of shares underlying each existing equity award by a multiple of ten. The Compensation Committee also adjusted the per share exercise price of each equity award by dividing such price by ten and converting the price to CHF.

The 2013 Long Term Incentive Plan is administered by the Compensation Committee of the Board of Directors, 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.

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 vested in three equal installments on the third, fourth, and fifth anniversaries of the date of grant.

Also in connection with the 2013 Recapitalization, certain CEVA employees received options to purchase common shares of the Company, each having an exercise price equal to the fair market value of a common share of the Company on the date of grant (collectively, the “Recap FMV Equity Awards”). In general, 40% of each of the Recap FMV Equity Awards granted vested in five equal installments on the first five anniversaries of the date of grant. The remaining 60% of the Recap FMV Equity Awards were subject to vesting upon the achievement of certain performance goals, which in practice can no longer be achieved, as they related to the cash-on-cash and internal rate of return of funds managed by Apollo Global Management LLC, who is no longer an investor in the Company.

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 the CEVA Holdings LLC Executive Management Group to increase their investment in CEVA Holdings LLC by subscribing to purchase additional common shares of CEVA Holdings LLC and (ii) issued additional equity awards to members of the CEVA Holdings LLC 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 CEVA Holdings LLC, each having an exercise price equal to the fair market value of a common share on the date of grant (collectively the 'EMG FMV Options').

A portion of the EMG Equity Awards granted to each grantee fully vested on the date of grant and the remaining portion of the EMG Equity Awards granted to each grantee 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 the Company 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.

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 the Company 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 in 2017 was not part of an annual or recurring incentive plan and the Board of Directors does not anticipate, at this stage, further grants of this scope. In total 34,550 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 first, second, third, fourth and fifth anniversaries after the date of grant.

On 31 March 2018, each of the non-employee managers who were not affiliated with the Apollo Funds received a grant of 1,500 fully vested restricted share units (after conversion). In addition Marvin Schlanger received a grant of 3,000 fully vested restricted share units (after conversion). The restricted share units were to be settled on the earlier of (a) 1 March 2019 (b) the occurrence of an initial public offering and (c) the date of the managers' termination of relationship with CEVA Holdings LLC. These restricted share units were settled by the issuance of shares of the Company in 2018.

To support the successful completion of the IPO and post IPO transformation, in April 2018 the Compensation Committee of CEVA Holdings LLC approved a one-time discretionary IPO-related equity-based award to the members of the Group Executive Board and cluster MDs through the issuance of Restricted Share Units (RSUs), representing conditional rights to receive shares of CEVA Holdings LLC free of charge and/or options, representing conditional rights to purchase shares of CEVA Holdings LLC, each having an exercise price equal to US$0.01 (the 'IPO Options'). The total size of this award was 392,500 Company shares. The IPO Options vest in four equity installments on 1 July 2018, and the second, and third and fourth anniversaries of the date of grant and vesting is subject to the grantee's continued provision of services to the Company or one of its subsidiaries through the applicable vesting date.

Certain equity awards granted under the 2013 Long Term Incentive Plan will vest upon a qualified change in control. In addition, equity awards held by members of the Company's Executive Board are subject to a twelve-month lock-up period following the date of the change in control. A change in control means (a) (i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of more than 50% of the voting power of the Company or (ii) the consummation of a merger, consolidation, recapitalization or similar business combination transaction of the Company or any direct or indirect subsidiary thereof with any other entity following which the voting securities of the Company that are outstanding immediately prior to such transaction cease to represent at least 50% of the combined voting power of the securities of the Company or, if the Company is not the surviving entity, such surviving entity or any parent or other affiliate thereof, outstanding immediately after such transaction; or (b) a sale or other disposition of all or substantially all of the assets of the Company and its subsidiaries to any other person or entity.

The maximum term of options granted under the 2013 Long Term Incentive Plan is ten years. Subject to certain exceptions set forth in the applicable award agreements, unvested options automatically expire upon the date of a grantee's termination of relationship with the Company or one its subsidiaries. Vested options generally expire 30 days following the date of a grantee's termination of relationship with the Company or its subsidiaries other than for cause. All options (whether vested or unvested) will be forfeited upon a termination of the grantee's relationship with 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 CHF |
|---|---|---|
| **Outstanding as at 1 January 2018** | **604,960** | **98.44** |
| Granted during the year | 18,000 | 98.44 |
| Forfeited/expired | (182,055) | 98.44 |
| Exercised | - | 98.44 |
| **Outstanding as at 31 December 2018** | **440,905** | **98.44** |
| Exercisable at the end of the year | 227,746 | 98.44 |
| | | |
| **Outstanding as at 1 January 2019** | **440,905** | **98.44** |
| Granted during the year | | |
| Forfeited/expired | (440,905) | |
| Exercised | - | |
| **Outstanding as at 31 December 2019** | **-** | **-** |
| Exercisable at the end of the year | | |

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

| | Number | Weighted average exercise price in CHF |
|---|---|---|
| **Outstanding as at 1 January 2018** | **358,620** | **0.01** |
| Granted during the year | 438,395 | 0.01 |
| Forfeited/expired | (32,690) | 0.01 |
| Exercised | (47,950) | 0.01 |
| **Outstanding as at 31 December 2018** | **716,375** | **0.01** |
| | | |
| **Outstanding as at 1 January 2019** | **716,375** | **0.01** |
| Granted during the year | | |
| Forfeited/expired | (3,500) | |
| Exercised | (712,875) | |
| **Outstanding as at 31 December 2019** | **-** | **-** |
| Exercisable at the end of the year | | |

There are no options outstanding at 31 December 2019 all shares were vested or cancelled upon the change of control transaction.

As at 31 December 2018 a total of 196,275 restricted share units were outstanding. Other than fair market value options, restricted share units shall be converted into shares as soon as practicable following the applicable settlement date with no out of pocket/additional expense to the recipient other than any tax liabilities which the recipient may incur. The RSU's were immediately vested upon the change of control and were settled in cash in 2019.

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 for 2018 was CHF 18.71 (US$18.87) per option. The significant inputs into the model were:

- a weighted average share price for 2018 of CHF 98.44 (US$99.27);
- exercise price as shown above;
- average volatility during 2018 of 32.56%;
- a weighted average expected option life for 2018 of 5.50 years;
- a risk free interest rate of 2.63% for 2018 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.

The fair value of share options was determined based on public market information.

The total amount expensed for share based payments in 2019 is US$5 million (2018: US$33 million), and nil (2018: US$51 million) is reported as Share Based Compensation reserve in Equity.

## 21. Provisions

| $ millions | Legal claims | Insurance | Restructuring | Other | Total |
|---|---|---|---|---|---|
| | | | | | |
| **Balance at 1 January 2019** | **59** | **70** | **4** | **59** | **192** |
| Raised during the year | 21 | 36 | 14 | 23 | 94 |
| Utilized during the year | (43) | (24) | (2) | (9) | (78) |
| Reversed during the year | (8) | (12) | - | (17) | (37) |
| Exchange rate differences | (1) | (1) | | | (2) |
| **Balance at 31 December 2019** | **28** | **69** | **16** | **56** | **169** |
| Of which non-current | 9 | 29 | 1 | 32 | **71** |
| Of which current | 19 | 40 | 15 | 24 | **98** |

| $ millions | Legal claims | Insurance | Restructuring | Other | Total |
|---|---|---|---|---|---|
| | | | | | |
| **Balance at 1 January 2018** | **80** | **75** | **8** | **30** | **193** |
| Raised during the year | 18 | 38 | 1 | 49 | 106 |
| Utilized during the year | (33) | (28) | (4) | (14) | (79) |
| Reversed during the year | (3) | (15) | (1) | (4) | (23) |
| Exchange rate differences | (3) | | | (2) | (5) |
| **Balance at 31 December 2018** | **59** | **70** | **4** | **59** | **192** |
| Of which non-current | 48 | 29 | - | 39 | **116** |
| Of which current | 11 | 41 | 4 | 20 | **76** |

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$2.5 million (2018: US$38 million), which is fully covered by insurance. A corresponding insurance receivable asset of US$2.5 million (2018: US$38 million) is included in Other non-current assets. The decrease of the provision and receivable is due to cash deposit and an agreement reached between insurers. No actual cash outflow for CEVA occurred, nor 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 2019. Where the expected outcome cannot be reliably estimated, disclosure of the matter is given in Note 24 '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, an onerous contract related the Italian cluster, and other related costs. In Italy a provision of US$28 million (2018: US$29 million) is recorded as best estimate of the cost of exiting the contract as well as the consequences of the bankruptcy of a local partner company involved in the contract.

## 22. Trade and other payables

| $ millions | 2019 | 2018 |
|---|---|---|
| | | |
| Trade payables | 913 | 828 |
| Personnel related accruals | 121 | 125 |
| Social security and other taxes | 84 | 77 |
| Accrued liabilities | 359 | 357 |
| Total trade and other payables | **1,477** | **1,387** |

## 23. Commitments

### Capital commitments

Capital expenditure for the acquisition of tangible fixed assets contracted for at 31 December 2019 but not yet incurred totals US$12 million (2018: US$6 million).

### Operating lease commitments

The Group initially applied IFRS 16 Leases from 1 January 2019. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

Previously, the Group classified leases as operating leases under IAS 17, until 31 December 2018. The below was applicable until 31 December 2018.

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 2018, US$354 million was recognized as an expense in the Consolidated income statement in respect of operating leases.

The future aggregate minimum lease payments as per 31 December 2018 under non-cancellable operating leases are as follows:

| $ millions | 2018 |
|---|---|
| | |
| Less than 1 year | 369 |
| 1-5 years | 720 |
| Thereafter | 160 |
| **Total** | **1,249** |
| Of which guaranteed by third party / customers | 72 |

### 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 source of the bank guarantees or letters of credit are ancillary guarantee facilities. The bank guarantees and letters of credit issued under the former Synthetic Facility were all transferred to ancillary guarantee facilities.

The Revolving Credit Facility, the TLB Facility and the Senior Bridge Facility are unconditionally guaranteed by CEVA Logistics AG, each borrower thereunder and certain of CEVA Logistics AG's direct and indirect material subsidiaries. All obligations under these facilities and the guarantees of those obligations are (subject to the agreed security principles) secured on a first-priority basis by charges over (i) shares held in the obligors under these facilities (excluding shares in CEVA Logistics AG); (ii) certain bank accounts of, and intra-group receivables due to, the obligors; and (iii) in the case of the obligors incorporated in the United States of America, substantially all of the other property and assets to the extent a security interest is able to be granted or perfected therein.

As at 31 December 2019, guarantees on behalf of CEVA's subsidiaries amounting to US$186 million were issued, but undrawn (2018: US$194 million of which $145 million was issued but undrawn under the Synthetic Facility and ancillary guarantee facilities). The obligations under the guarantees issued by banks and other financial institutions have been secured by CEVA and certain of its subsidiaries.

## 24. 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. We have previously been subject to claims relating to the classification of independent contractor owner-operators.

### 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. 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 including dismissing the disputed payable claim against one of the defendants for lack of personal jurisdiction. In July 2018, the Trustee filed an amended complaint as well as a new action in the Netherlands related to the disputed payable claim against the entity that had been dismissed from the Bankruptcy Court action, and other CEVA-affiliated entities. The defendants and the Trustee have filed motions for summary judgment in the Bankruptcy Court action, which have been fully briefed and argued to the court. One of the creditors in the bankruptcy proceeding has also filed a claim against CEVA Logistics AG in New York state court related to CEVA's 2013 recapitalization. The Company cannot provide assurances regarding the outcome of these matters and it is possible that if the Trustee or the creditor were to prevail on their claims, the Company could incur a material loss in connection with those matters, including the payment of substantial damages and/or with regard to the matter in the bankruptcy court, the unwinding of the recapitalization in 2013. However, the Company believes the claims are without merit and intends to vigorously defend itself.

A former CEVA employee and CIL shareholder has asserted a putative class action against CEVA Group Plc, among others, in a U.S. District Court in the Middle District of Florida. Plaintiff claims that CEVA Group should have treated him differently in connection with the 2013 recapitalization. In January 2019, CEVA Group filed a motion to dismiss. The court has converted the motion to dismiss to a summary judgment motion and ordered the parties to proceed with summary judgment practice. While CEVA cannot provide assurances with respect to the outcome of this matter and it is possible that CEVA could incur a material loss, CEVA believes the claim is without merit and intends to vigorously defend itself.

### Tax Proceedings

CEVA is involved in tax audits and tax proceedings in various jurisdictions relating to the normal conduct of its business. While the outcome of these audits and proceedings is uncertain and can involve material amounts, in the reasonable judgement of CEVA a liability for uncertain income tax treatments has been booked, and CEVA therefore does not expect any liability arising from these audits to have a material impact on its results.

### 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.

## 25. Related party transactions

On 3 May 2018 CEVA Holdings LLC as transferring entity merged with CEVA Logistics AG with CEVA Logistics AG being the surviving entity. On 4 May 2018, CEVA Logistics AG successfully completed an IPO on the SIX Swiss Exchange in connection with an initial public offering (the "IPO") of the Company's shares that closed on 8 May 2018. At the same time, CEVA Logistics AG sold mandatorily convertible securities to CMA CGM S.A. ("CMA CGM"), which converted to shares of CEVA Logistics AG on 13 August 2018 after receiving regulatory approvals. Rodolphe Saadé is Chairman and CEO of CMA CGM and is a director of the Company.

In addition, Mr. Rodolphe Saadé and CMA CGM made additional purchases of CEVA's shares such that together they held a total of 33% of CEVA's shares as of 31 December 2018. Additionally, CMA CGM entered into a total return swap and a forward share purchase agreement related to CEVA's shares giving CMA CGM total economic exposure of approximately 46% in CEVA's shares as of 31 December 2018. On 4 January 2019, CMA CGM entered into an additional forward share purchase agreement giving it total economic exposure of 50.6% in CEVA Logistics AG's share capital.

In 2018 CMA CGM and the Company entered into a Relationship Agreement, which conveys a right to CMA CGM to nominate three members of the Company's Board of Directors (as long as it holds more than 25% of the share capital of CEVA).

See Note 1 'General information', for information on the Public Tender Offer and completion of CEVA becoming wholly owned by CMA CGM in Q4 2019.

As the Company is now delisted there is no requirement to have three members who are independent of CMA CGM. The Directors of the Company are Rodolphe Saadé, Michel Sirat, and Nicolas Sartini. Rodolphe Saadé is Chairman of the Board.

### Trading transactions

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

| | | | YEARS ENDED 31 DECEMBER | |
|---|---|---|---|---|
| $ millions | | 2019 | | 2018 |
| | Sales of goods & services | Purchases of goods & services[3] | Sales of goods & services | Purchases of goods & services |
| Joint ventures[2] | 25 | 29 | 20 | 33 |
| Bär & Karrer[1] | - | 2 | - | 2 |
| CMA CGM | 5 | 173 | - | 57 |

[1] For 2019 Bär & Karrer balances are only applicable until Q3 2019. Rolf Watter was no longer a board member as of 17 October 2019.
[2] 2018 figures were restated as only 50% of the total sales and purchases had been previously disclosed.
[3] Purchases of goods & services also includes interest paid on related party loans, in 2019 the interest paid is $3.3 million.

| | | | YEARS ENDED 31 DECEMBER | |
|---|---|---|---|---|
| $ millions | | 2019 | | 2018 |
| | Amounts owed by related parties | Amounts owed to related parties | Amounts owed by related parties | Amounts owed to related parties |
| Joint ventures | 3 | 5 | 9 | 1 |
| Bär & Karrer[1,2] | - | - | - | 1 |
| CMA CGM | 10 | 284 | - | 9 |

[1] For 2019 Bär & Karrer balances are only applicable until Q3 2019. Rolf Watter was no longer a board member as of 17 October 2019.
[2] There were no outstanding balances for invoices relating to Q3 and prior at the end of 2019.

Bär & Karrer are considered a related party due to the fact that Rolf Watter, Vice-chairman of the Board of Directors from May 2018 – October 2019, is also a partner at Bär & Karrer.

All transactions carried out with related parties are done on terms equivalent to those that prevail in an arm's length transaction. There are no provisions for doubtful accounts with respect to related party transactions.

### Related party transactions with CMA CGM

As discussed in Note 10 'Business combinations', CEVA has a short-term loan payable for the acquisition of CC Log of US$107 million to CMA CGM. This has a repayment date of 29 February 2020 and is included in the Consolidated balance sheet as a current borrowing. Interest accrues at a rate equal to LIBOR 6M USD (it being specified that if the Libor 6M USD is less than zero it shall be deemed to be zero). In addition, CEVA had a loan payable to CMA CGM of US$80 million drawn under a treasury management agreement with a maturity date of 2 December 2024, included in the Consolidated balance sheet as a long-term borrowing. Interest accrues at a rate equal to LIBOR plus a margin of 2.50%. These loans are included in the table of related party transactions above.

### Related party transactions pre IPO

Prior to the IPO, we considered Capital Research and Management Company ('CapRe'), Franklin Advisers, Inc. and Franklin Templeton Investments Corp. (together, 'Franklin') and Apollo to be related parties by virtue of the fact that they each held over 20% of the equity of CEVA Holdings LLC on an as converted basis and Apollo held a majority of the voting power of CEVA Holdings LLC and had the ability to elect a majority of the members of the board of directors of CEVA Holdings LLC (predecessor entity to CEVA Logistics AG prior to the legal merger). Following the IPO, neither Apollo Global Management ("Apollo") nor its affiliates hold a majority of the voting power of CEVA Logistics AG nor do they have the ability to appoint a majority of the members of the Company's Board of Directors.

A subsidiary of CEVA Group Plc had a service agreement with Apollo for the provision of management and support services, which was terminated effective as of 8 May 2018. The annual fee under the service agreement was equal to the greater of US$4 million per annum and 1.5% of the Group's EBITDA and was waived by Apollo for 2017 and 2018. Included in the income statement for 2018 are expenses of US$0.3 million pursuant to the service agreement.

### Other related party transactions

CEVA Logistics AG is the immediate parent of CEVA Group Plc, a company incorporated on 9 August 2006 in England and Wales as a UK public company with limited liability. The Company and two of its indirect subsidiaries, CEVA UK 1 Limited and CEVA UK 2 Limited, who each hold one ordinary share, collectively own 99.99% of the ordinary shares of CEVA Group Plc, 0.01% is held by CIL Limited (formerly CEVA Investment Limited, the former parent of CEVA Group Plc), and one ordinary share is held by Louis Cayman Second Holdco Limited, a wholly owned subsidiary of CIL Limited, on trust as bare nominee for CIL Limited. In addition, CIL Limited holds 349,999 deferred shares and Louis Cayman Second Holdco Limited owns 1 deferred share (which has the right to a return of capital upon a winding up after the holders of ordinary shares have received the amount paid up on such ordinary shares plus a premium of £10,000 per ordinary share).

At 31 December 2019 the Group has booked a net payable, which is disputed (see Note 24 'Contingencies') by the Group both as to validity and amount, to CIL Limited, amounting to US$14 million (31 December 2018: US$14 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 CEVA Group Plc and was placed in liquidation proceedings in connection with the Recapitalization. CIL Limited is involved in an official liquidation proceeding in the Republic of the Cayman Islands and a Chapter 7 proceeding in the Bankruptcy Court for the Southern District of New York.

Transactions with key management personnel are:

| | YEARS ENDED 31 DECEMBER | |
|---|---|---|
| $ millions | **2019** | 2018 |
| Salaries and other short-term benefits | 17 | 7 |
| Share-based payments | 4 | 23 |
| **Total** | **21** | **30** |

All amounts paid or payable are included in the table above, there are no other amounts outstanding at year end related to key management personnel.

## 26. Events after balance sheet date

As mentioned in Note 10 ‘Business combinations’ and in Note 25 ‘Related party transactions’ CEVA has a short-term loan payable of US$107 million to CMA CGM for the acquisition of CC Log. The initial repayment date of the loan was 29 February 2020. On 28 February 2020, the repayment date was amended to 9 April 2020, and can be extended to 30 September 2020.

In recent weeks, some countries have enacted protection measures against Covid-19, with a significant impact on the production and transportation of goods in these countries and beyond. The evolution of Covid-19 as well as its impact on the global economy, and more specifically on CEVA, is hard to predict at this stage as the current slow activity might be followed by a sharp rebound at a later stage. CEVA is monitoring the situation on a daily basis to ensure the safety of its staff as well as to adapt its services.

## 27. Group entities

The Group’s subsidiaries, joint ventures, associates and investments as at 31 December 2019 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 Logistics AG, 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 | 2019 | 2018 |
|---|---|---|---|---|
| | | | Holding if less than 100% | |
| Algeria | | CEVA Logistics Algerie EURL | 100% | 100% |
| Angola | | CEVA Logistics (Angola) - Trânsitários e Agentes de Navegação, Lda | | |
| Argentina | | CEVA de Argentina S.R.L. | | |
| | | Circle International Argentina S.A. | | |
| 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 | | |
| | | Logistics Link 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%) |
| Bangladesh | | 3PL Consignment Bangladesh Limited | 0% (100%) | |
| | | CEVA Freight (Bangladesh) Company Limited | 40% (60%) | |
| 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 | | CEVA Freight Management do Brasil Ltda. | | |
| | | CEVA Holdings Ltda. | | |
| | | CEVA Logistics Ltda. | | |
| | | Circle Fretes Internacionais do Brasil Ltda. | | |
| | | CMA CGM Logistics do Brazil Agencia Maritima Ltda. | | |
| British Virgin Islands | | CEVA Central America Holding Limited | | |
| Cambodia | | CEVA Freight (Cambodia) Company Limited | 60% | |
| Canada | | 7267746 Canada Inc. | 80% | |
| | | CEVA Freight Canada Corp. | | |
| | * | CEVA Logistics Canada, ULC | | |

* Guarantor, **Joint Venture

| Country of incorporation and principal place of business | Entity | 2019 | 2018 |
|---|---|---|---|
| *Canada continued* | CMA CGM Logistics Canada, Inc. | | |
| | LCL Canada Limited | | |
| Cayman Islands | CEVA Logistics Cayman | | |
| | CEVA Logistics Second Cayman | | |
| Chile | CEVA Freight Management Logistica de Chile Ltda. | 99.99% (100%) | 99.99% (100%) |
| | CMA CGM LOG Chile S.p.a. | | |
| China | Anji-CEVA Logistics (Fujian) Company Limited | 50% | |
| | Anji-CEVA Logistics (Suzhou) Company Limited | 50% | 50% ** |
| | Anji-CEVA Logistics (Zhengzhou) Company Limited | 50% | 50% ** |
| | Anji - CEVA Logistics Company Limited | 50% | 50% ** |
| | Anji-Shangwen Chemical Transportation (Shanghai) Company Limited | 45% | 45% ** |
| | CEVA Freight (Shenzhen) Limited | | |
| | CEVA Freight International (Shanghai) Company Limited | 50% | 50% ** |
| | CEVA Freight Shanghai Limited | | |
| | CEVA Logistics Company Limited Shanghai | 50% | 50% ** |
| | CEVA Logistics International Trading (Shanghai) Company Limited | | |
| | Chongqing Anji - CEVA Hongyan Automotive Logistics Company Limited | 30% | 30% ** |
| | CMA CGM Logistics (China) Company Limited | | |
| | Hangzhou Changan Minsheng-Anji Logistics Company Limited | 25% | 25% ** |
| | Jiangsu Anji - CEVA Logistics Company Limited | 35% | 35% ** |
| | Liao Ning A-Lean Automotive Logistics Company Limited | 25% | 25% ** |
| | Shanghai Anji-Suchi Automotive Logistics Company Limited | 33% | 33% ** |
| | Shanghai Anji-Tonghui Automotive Logistics Company Limited | 26% | 26% ** |
| | Wuhan Anji-Tonghui Automotive Logistics Company Limited | 26% | 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. | | |
| Egypt | CMA CGM Egypt Logistics Services SAE | | |
| El Salvador | CEVA Freight Management El Salvador, Ltda. de C.V. | | |
| Finland | CEVA Logistics Finland Oy | | |
| France | CEVA France Receivables SAS | | |
| | CEVA France SASU | | |
| | CEVA Freight Holdings France SAS | | |
| | CEVA Freight Management France SAS | | |
| | CEVA Logistics France SAS | | |
| | CMA CGM LOG Participations 1 SAS | | |
| | CMA CGM Logistics SAS | | |
| Germany | CEVA Freight (Management) GmbH | | |
| | CEVA Freight Germany GmbH | | |
| | CEVA Germany Receivables GmbH | | |
| | CEVA Logistics Berlin GmbH | | |
| * | CEVA Logistics GmbH | | |
| | CEVA Logistics Service GmbH | | |
| | DIHS-DAKOSY Interessengemeinschaft Hamburger-Spediteure GmbH | 4% | 4% |
| | IDSP GmbH & Co. KG | 8% | 8% |
| | Co. KG | 0% | 0% |
| | TRANSCONTAINER-UNIVERSAL GmbH & Co. KG | 1% | 1% |

* Guarantor, **Joint Venture

| Country of incorporation and principal place of business | | Entity | 2019 | 2018 | |
|---|---|---|---|---|---|
| | | | Holding if less than 100% | | |
| Guatemala | | CEVA Freight Management Guatemala, Ltda. | | | |
| Hong Kong | | Anji-CEVA Logistics (Hong Kong) Limited | 50% | 50% | ** |
| | | CEVA FM (Hong Kong) Limited | | | |
| | * | CEVA Logistics (Hong Kong) Limited | | | |
| | | CMA CGM Logistics Asia Limited | | | |
| | | LCL Logistix (HK) Limited | | | |
| | | Ozonic Limited | | | |
| | | Pyramid Lines Limited | | | |
| Hungary | | CEVA Contract Logistics Kft. | | | |
| | | CEVA Logistics Hungary Kft. | | | |
| India | | CEVA Logistics India Private Limited | | | |
| | | CMA CGM Logistics (India) Private Limited | | | |
| | | LCL Logistix (India) Private Limited | | | |
| | | Malabar Lintes Private Limited | 51% | | |
| | | Ocean Gate Container Terminals Private Limited | 51% | | |
| Indonesia | | PT. CEVA Freight Indonesia | 95% | 95% | |
| | | PT. CEVA Logistik Indonesia | | | |
| | | PT. Circle Persada International | 95% | 95% | |
| Iraq, Republic of | | and Services/Limited (in liquidation) | | | |
| 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 Italia S.r.l. | | | |
| | | Di Gioia S.r.l. | | | |
| Jamaica | | CMA CGM Logistics Jamaica Limited | | | |
| Japan | * | CEVA Logistics Japan Inc. | | | |
| Jordan | | CEVA Logistics Jordan Limited | 50% (100%) | 50% (100%) | |
| Kazakhstan | | CEVA Logistics Kazakhstan LLP | | | |
| | | CMA CGM Logistics Central Asia | 60% | | |
| Kenya | | LCL Logistix (Kenya) Limited | 75% (100%) | | |
| | | Magellan Logistics Kenya Limited | 99% | | |
| Korea, Republic of | | CEVA Logistics Korea, Inc. | | | |
| Latvia | | CEVA Logistics Latvia SIA | | | |
| 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. | | | |
| Marshall Islands | | CEVA Subsidiary 3 LLC | | | |
| Mexico | | CCLOG, S.A. de C.V. | | | |
| | | CEVA Freight Management Mexico, S.A. de C.V. | | | |
| | | CEVA Logistica de Mexico, S.A. de C.V. | | | |
| | | CEVA Servicios de Mexico, S.A. de C.V. | | | |
| Morocco | | Acomar - Agence de Consignation Marocaine | 99.80% | | |
| Mozambique | | CMA CGM Logistics Mozambique | 99% | | |
| | | Magellan Logistics Mozambique | 99% | | |
| Myanmar | | CEVA Logistics Myanmar Company Limited | | | |
| Netherlands | | CEVA Coop Holdco B.V. | | | |
| | | CEVA Freight Holdings B.V. | | | |
| | | CEVA Freight Holland B.V. | | | |

* Guarantor, **Joint Venture

| Country of incorporation and principal place of business | | Entity | 2019 | 2018 |
|---|---|---|---|---|
| | | | Holding if less than 100% | |
| *Netherlands continued* | | CEVA Logistics B.V. | | |
| | | CEVA Logistics Dutch Holdco B.V. | | |
| | * | CEVA Logistics Finance B.V. | | |
| | | CEVA Logistics Headoffice B.V. | | |
| | * | CEVA Logistics Netherlands B.V. | | |
| | | CEVA Netherlands Receivables 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. | | 40.00% |
| | | CEVA Logistics Philippines Inc. | | |
| | | CEVA Logistics (SUBIC), Inc. | | |
| | | CEVA Warehousing and Distribution, Inc. | | |
| | | Regga Transport Contractors, Inc. | | |
| Poland | | CEVA Direct Sp. z o.o. | | |
| | | 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. | | |
| Russia | | CEVA Logistics Rus LLC | | |
| 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 Holding Company SA (Pty) Limited | 49% | |
| | | 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. | | |
| | | CMA CGM LOG Spain S.A. | | |
| Sweden | | CEVA Logistics (Sweden) AB | | |
| Switzerland | | CEVA Logistics Switzerland GmbH | | |
| | | CEVA Management GmbH | | |
| Taiwan, R.O.C. | | CEVA Logistics (Taiwan) Company Limited | | |
| Tanzania | | Coral Shipping (Tanzania) Limited | 40% (100%) | |
| | | LCL Logistix (Tanzania) Limited | 36.56% (100%) | |
| | | Magellan Logistics Tanzania Limited | 99% | |
| Thailand | | CEVA Freight (Thailand) Limited | | |
| | | CEVA Logistics (Thailand) Limited | | |

* Guarantor, **Joint Venture

| Country of incorporation and principal place of business | | Entity | 2019 | 2018 |
|---|---|---|---|---|
| | | | Holding if less than 100% | |
| *Thailand continued* | | CEVA Vehicle Logistics (Thailand) Limited | 99.99% (100%) | 99.99% (100%) |
| | | CWBI Limited | 49% | 49.00% |
| Turkey | | CEVA Lojistik Limited Şirketi | | |
| | | CEVA Uluslararasi Taşimacilik Limited Şirketi | | |
| | | CMA CGM LOG Lojistik Turkey Anonim Şirketi | | |
| Uganda | | Magellan Logistics Uganda Limited | 99% | |
| United Arab Emirates | | CEVA Logistics (U.A.E.) L.L.C. | 49% (100%) | 49% |
| | | CEVA Logistics FZCO | | |
| | | CMA CGM Logistics Emirates LLC | 49% | |
| 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 Group Plc | 100% | 100% |
| | | CEVA Limited | | |
| | | CEVA Logistics - The Chill Hub Limited | | |
| | * | CEVA Logistics Limited | | |
| | | CEVA Network Logistics Limited | | |
| | | CEVA Showfreight Limited | | |
| | | CEVA Supply Chain Solutions Limited | | |
| | | CEVA UK 1 Limited | | |
| | | CEVA UK 2 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 | | |
| United States | | APL Move, LLC | 35% | |
| | | Ashton Leasing, Limited | 49% | 49% |
| | | CEVA Freight Management International Group, Inc. | | |
| | * | CEVA Freight, LLC | | |
| | | CEVA Government Services, LLC | | |
| | | 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 US Receivables, LLC | | |
| | | CEVA US Receivables Finance 1 LLC | | |
| | | Circle International Holdings LLC | | |
| | | ComplianceSource LLC | | |

* Guarantor, **Joint Venture

| Country of incorporation and principal place of business | | Entity | 2019 | 2018 |
|---|---|---|---|---|
| | | | Holding if less than 100% | |
| *United States continued* | | 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. | | |
| Uruguay | | Circle International Latin America Holdings S.A. | | |
| | | Gadupal S.A. | | |
| Viet Nam | | CEVA Logistics (Vietnam) Company Limited | 70% | |
| | | CEVA Supply Chain (Vietnam) Company Limited | | |
| Zambia | | Magellan Logistics Zambia Limited | 99% | |

* Guarantor, **Joint Venture

## 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

Unless expressly stated otherwise or where the context otherwise requires, 'the Company', 'we', 'us', 'our', 'Group' and other similar terms refer to CEVA Logistics AG 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.

**FVTPL**
refers to Fair Value Through the Statement of Profit or Loss

**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

**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, contract assets 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

**CHF**
refers to the lawful currency of Switzerland

**€, 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, pounds sterling or GBP**
refers to the lawful currency of the United Kingdom

**CEVA Logistics**
Grabenstrasse 25,
6340 Baar,
Switzerland

myceva@cevalogistics.com
www.cevalogistics.com